

November 2, 2016

# CV Sciences, Inc. Reports Third Quarter 2016 Financial Results

**Company Continues Advancing its Preclinical Drug Development Program to Address the Multi-Billion Dollar Treatment Market Opportunity to Support Cessation of Smokeless Tobacco Use and Addiction; Company to Hold Webcast November 10, 2016 to Discuss Development Efforts and Potential of its Proprietary Lead Drug Candidate, CVSI-007; Consumer Products Division Reported Sales of \$2.94 Million for Q3 2016**

LAS VEGAS, NV -- (Marketwired) -- 11/02/16 -- CV Sciences, Inc. (OTCBB: CVSI) (the "Company", "CV Sciences", "our" or "we") announced today its financial results for the third quarter and nine months ended September 30, 2016.

## **Third Quarter 2016 - Business Highlights**

- **Drug Development Program.** CV Sciences continues to make preclinical progress with CVSI-007, its patented combination of synthetic-based Cannabidiol ("CBD") and Nicotine in gum form. CVSI-007 has the potential to provide significant improvement in patient treatment options for the unserved multibillion dollar smokeless tobacco cessation market.
- **Business Update Webcast.** The company encourages investors to participate in the upcoming webcast scheduled for November 10, 2016. During the webcast, management will provide additional details about development efforts for CVSI-007 and its positioning within the smokeless tobacco cessation market.
- **Natural Products Sales.** Driven by the Company's expanded education and marketing efforts, sales were \$2.94 million for the third quarter of 2016, which includes distribution to more than 775 stores.

"Earlier this year, we pivoted our corporate strategy to include the development and commercialization of innovative medicines that treat unmet medical needs," said Michael Mona, Jr., chairman and CEO of CV Sciences. "During the third quarter, we continued to lay the groundwork for advancing CVSI-007; our proprietary lead drug candidate, which addresses the multibillion dollar smokeless tobacco market. We remain on track to advance the program into clinical development next year."

Financial highlights for the three and nine months ended September 30, 2016 are presented below:

For the three months ended	For the nine months ended
September 30,	September 30,
_____	_____

	2016	2015	2016	2015
<b>Financial Highlights</b>				
<b>GAAP Measures:</b>				
Product Sales, net	\$2,939,997	\$4,151,180	\$7,850,430	\$9,279,117
Net Loss	(\$1,900,736)	(\$989,549)	(\$5,660,755)	(\$5,641,426)
Earnings Per Share - basic and diluted	(\$0.04)	(\$0.03)	(\$0.11)	(\$0.16)
<b>Non-GAAP Measures (unaudited):</b>				
EBITDA	(\$1,316,403)	(\$656,801)	(\$4,058,356)	(\$4,858,498)
Adjusted EBITDA	(\$668,426)	\$343,271	(\$2,159,546)	(\$1,151,120)

A reconciliation and explanation of GAAP measures to non-GAAP measures is provided later in this release.

### **Balance Sheet and Liquidity Highlights**

As of September 30, 2016, the Company had cash of \$847,433. The Company has sufficient cash reserves and access to capital to meet its working capital requirements. Stockholders' equity amounted to approximately \$20.6 million as of September 30, 2016.

### **Non-GAAP Financial Measures**

The Company reports EBITDA and Adjusted EBITDA to present information about its operating performance and financial position. The Company currently focuses on EBITDA and Adjusted EBITDA to evaluate its business relationships and resulting operating performance. EBITDA and Adjusted EBITDA are defined as net income (loss) plus interest expense, income tax expense, depreciation and amortization, further adjusted to exclude certain non-cash expenses and other adjustments as set forth below. The Company presents Adjusted EBITDA because it considers that an important measure of its performance and it is a meaningful financial metric in assessing operating performance from period-to-period by excluding certain items that management believes are not representative of its core business, such as certain non-cash items and other adjustments. The Company believes that EBITDA and Adjusted EBITDA, viewed in addition to, and not in lieu of, its reported results in accordance with accounting principles generally accepted in the United States ("GAAP"), provides useful information to investors regarding its performance for the following reasons:

- because non-cash equity grants made to employees and non-employees at a certain price and point in time do not necessarily reflect how the business is performing at any particular time, therefore stock-based compensation expense is not a key measure of our operating performance; and
- revenues and expenses associated with acquisitions, dispositions, equity issuance and related offering costs can vary from period to period and transaction to transaction and are not considered a key measure of operating performance.

The reconciliation from net loss to EBITDA and Adjusted EBITDA, both non-GAAP measures, are presented below:

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Net loss	\$ (1,900,736)	\$ (989,549)	\$ (5,660,755)	\$ (5,641,426)
Interest income	-	(36,939)	(27,658)	(107,427)
Interest expense	321,006	116,509	840,315	132,633
Amortization of purchased intangible assets	214,350	205,500	643,050	616,500
Depreciation of property & equipment	48,977	47,678	146,692	141,222
EBITDA	<u>(1,316,403)</u>	<u>(656,801)</u>	<u>(4,058,356)</u>	<u>(4,858,498)</u>
EBITDA Adjustments:				
Stock-based compensation expense (1)	647,977	1,756,786	1,898,810	4,464,092
Litigation settlement income (2)	-	(756,714)	-	(756,714)
Total EBITDA Adjustments	<u>647,977</u>	<u>1,000,072</u>	<u>1,898,810</u>	<u>3,707,378</u>
Adjusted EBITDA	<u>\$ (668,426)</u>	<u>\$ 343,271</u>	<u>\$ (2,159,546)</u>	<u>\$ (1,151,120)</u>

- (1) Represents stock-based compensation expense related to stock options and stock grants awarded to employees, consultants and non-executive directors based on the grant date fair value using the Black-Scholes valuation model.
- (2) Represents income from settlement with Medical Marijuana, Inc. ("MJNA") and certain MJNA parties.

EBITDA and Adjusted EBITDA are non-GAAP measures and do not purport to be an alternative to net income (loss) as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. The terms EBITDA and Adjusted EBITDA are not defined under GAAP, and EBITDA and Adjusted EBITDA are not measures of net income (loss), operating income (loss) or any other performance measure derived in accordance with GAAP.

EBITDA and Adjusted EBITDA have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- EBITDA and Adjusted EBITDA do not reflect all cash expenditures, future requirements for capital expenditures or contractual requirements;
- EBITDA and Adjusted EBITDA do not reflect changes in, or cash requirements for, working capital needs; and
- EBITDA and Adjusted EBITDA can differ significantly from company to company depending on strategic decisions regarding capital structure, the tax jurisdictions in which companies operate, the level of capital investment, thus, limiting their usefulness as comparative measures.

EBITDA and Adjusted EBITDA should not be considered as measures of discretionary cash available to the Company for investment in its business. The Company compensates for these limitations by relying primarily on GAAP results and using EBITDA and Adjusted EBITDA as supplemental information.

For further discussion of the Company's financial results for the three and nine months ended September 30, 2016, please refer to the Company's consolidated financial statements and related Management Discussion and Analysis, which can be found at [www.cvsciences.com](http://www.cvsciences.com) or EDGAR at [www.sec.gov/edgar/searchedgar/webusers.htm](http://www.sec.gov/edgar/searchedgar/webusers.htm) in the Company's Quarterly Report on Form 10-Q as filed with the U.S. Securities and Exchange Commission on November 1, 2016.

***About CV Sciences, Inc.***

CV Sciences, Inc. (OTCBB: CVSI) operates two distinct business segments: a drug development division focused on developing and commercializing novel therapeutics utilizing synthetic CBD; and, a consumer product division focused on manufacturing, marketing and selling plant-based CBD products to a range of market sectors. CV Sciences, Inc. has primary offices and facilities in Las Vegas, Nevada and San Diego, California. Additional information is available from OTCMarkets.com or by visiting [www.cvsciences.com](http://www.cvsciences.com).

***FORWARD-LOOKING DISCLAIMER***

*This press release may contain certain forward-looking statements and information, as defined within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, and is subject to the Safe Harbor created by those sections. This material contains statements about expected future events and/or financial results that are forward-looking in nature and subject to risks and uncertainties. Such forward-looking statements by definition involve risks, uncertainties.*

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