

MediPharm Labs Reports Third Quarter Results

TORONTO, November 14, 2022 – MediPharm Labs Corp. (TSX: LABS) (OTCQX: MEDIF) (FSE: MLZ) (“MediPharm”, “MediPharm Labs” or the “Company”) a pharmaceutical company specialized in precision-based cannabinoids, today announced its financial results for the three months ended September 30, 2022.

Q3 2022 – Select Recent Operating Highlights

Strong Revenue Growth

- Quarterly net revenue of \$7.3M, an increase of 66% on a sequential basis from \$4.4 million in Q2 and a 35% increase compared to Q3 2021.
- Canadian provincial sales of \$3.5M representing a growth of 28% on a sequential quarterly basis and 81% on a year-to-date comparison to the same period in 2021. Driven by leadership in the cannabis oil category and ongoing product innovation.
- International revenues for Q3 were \$3.4 million which increased 156% from \$1.3 million in Q2. International revenues represented over 45% of total revenues in Q3 and 40% on a year-to-date basis. We expect that this segment will continue to grow as we achieve gains in existing markets, and with our expansion into new markets such as Brazil and the United Kingdom.

Streamlining and Focusing Operations to Achieve Cost Savings

- Subsequent to the quarter, the Company completed the previously announced [sale of MediPharm Labs Australia Pty Ltd](#) for AUD\$7.25M. The sale strengthens our balance sheet, should reduce cash burn, and enhances capacity utilization at the Company’s Canadian GMP facility.
- Implemented a restructuring plan that we expect will reduce Canadian non-manufacturing headcount by approximately 30%, potentially reducing annualized expenses by approximately \$3M. Some savings were realized during Q3, with full annualized savings expected to begin in Q4 2022.

Innovation and New Product Launches Drive Revenue Growth

- As the Company continues to expand its portfolio to grow future sales the MediPharm wellness cannabis oil remains a core product line. In Q3 2022 MediPharm held number 2 share nationally in this subcategory, according to Hyfire point of sale data.
- Launched 14 new unique SKUs since Q2, including 4 new international GMP SKUs for the UK and Brazilian markets. This represents a 75% increase in launches compared to Q2 and a 250% increase over Q3 of last year. So far in 2022 we have launched 25 new SKUs.

Continued Progress Towards Leadership in the Emerging Cannabis-Based Drug Opportunity

- In partnership with a large global pharmaceutical company, in Q3 MediPharm contributed API to an Abbreviated New Drug Application filed with the US Food and Drug Administration (FDA).
- Made first three deliveries of MediPharm products to clinicians' academic clinical trials, one in phase 1 and 2 in phase two. This includes one trial that is exploring the opioid sparing potential for cannabinoids in existing opioid users.
- Completed R&D and commercialization work on pharmaceutical grade THC isolate. First sales of this product will be associated with a German contract for the pharmaceutical drug Dronabinol.
- On August 9th, entered into a [research support agreement](#) with the Keck School of Medicine of University of Southern California to conduct a Phase 2 trial on the efficacy of THC and CBD to treat hospice-eligible patients diagnosed with dementia and experiencing agitation. The lead investigators have been awarded a total of US\$16M in the form of grants from the US National Institute of Health and the National Institute on Aging.

Further Expansion of International Medical Business

- Made initial shipments to German market from Canadian facility during the quarter. This allows further production of international medical cannabis oil from Canada, streamlining operations and leveraging automation infrastructure.
- The Company's German partners, such as STADA, continued to generate sequential growth in patient sales during Q2.
- Launched four new international GMP SKUs, in the UK and Brazil.
- Made first commercial sale to Brazil during Q3 following the Q2 receipt of commercial volume import permits from the Brazilian Health Regulatory Agency (Anvisa). Brazil is a large potential market with rigorous regulatory oversight. MediPharm is one of only 4 GMP manufacturers internationally with approved products for sale under the country's medical access program and has the only authorization for a product produced in Canada.

Solid balance sheet, materially debt free, outright ownership of key assets

- Ended the quarter with \$19.5M of cash which does not include \$6.4M for the sale of the Australian facility.
- The Company remains materially debt free and has outright ownership of its assets, including its GMP facility in Ontario.
- In July, the company was awarded a favourable summary of judgement in the Ontario Court of Justice in connection with a supply agreement dispute in the amount of \$9.8M.

David Pidduck, CEO, MediPharm Labs commented, “When we reported Q2 earnings I articulated our intention to immediately focus on efficiency, capacity utilization and a re-allocation of capital toward core opportunities, as the path to accelerating revenue growth and achieving profitability at MediPharm. In Q3, we continued to make progress against these objectives. We grew sales on a sequential basis, reduced working capital, and will begin realizing meaningful operating cost benefits from our recent restructuring and the sale of our Australian operations during Q4.

Mr. Pidduck, continued, “The opportunity for MediPharm remains unchanged. The international pharma-cannabinoid space is evolving rapidly with many clinical trials underway; and our organization is one of only a few internationally that has the sophistication, licensing, pipeline, and experience to execute on it. We are working with global pharma companies and leading research organizations to include MediPharm APIs as part of their trial processes. From an M&A perspective, we see opportunities coming out of the liquidity challenges for some of peers. We are patiently but actively reviewing potential transactions both in Canada and internationally and continue to be confident that we will be able to find and execute on deals that leverage our asset base and drive both short- and long-term returns for shareholders”.

Greg Hunter, CFO, MediPharm Labs added, “In Q3 MediPharm continued to make progress improving both revenue and adjusted EBITDA on a sequential and year over year basis as we continue our path towards profitability. We completed the implementation of a restructuring plan and the sale of our Australian facility which will reduce expenses by approximately \$7M on an annualized basis. Cash burn reduced relative to prior quarters to \$2.5M in Q3 as we continue to focus on reducing working capital and driving efficiencies. MediPharm is virtually free of material debt and ended the quarter with \$19.5M of cash which does not include the \$6.4M received in early October for the sale of our Australian facility. Given the strength of our balance sheet relative to our peers we are very well positioned as we look at the M&A landscape with a focus on transformation opportunities”.

Q3 2022 – Financial Summary

	September 30, 2022	September 30, 2021	June 30, 2022
	\$'000s	\$'000s	\$'000s
Revenue	7,262	5,401	4,362
Gross profit	(1,190)	(1,860)	(532)
Adjusted Gross Profit ¹	(762)	(1,354)	(47)
Net loss	(7,930)	(7,356)	(8,987)
Adjusted EBITDA ¹	(4,974)	(6,518)	(6,345)

¹ Adjusted Gross Profit and Adjusted EBITDA are non-IFRS measures. See the Non-IFRS Measures section of this news release.

MediPharm will host a conference call and webcast to discuss the Company's financial results and outlook.

Date: November 14, 2022 | Time: 8:30 a.m. ET

Conference ID: 4921762

Participant Dial-in: 1 (888) 330-2454 / International number: 1 (240) 789-2714

(Participants are asked to dial in approximately 15 minutes before the start of the call)

An audio webcast will be available in the Events section of the MediPharm website <https://www.medipharmlabs.com/investors> or by visiting the following link [here](#)

For those who are unable to participate on the live conference call or webcast, a replay will be available approximately one hour after completion of the call.

Non-IFRS Measures

Adjusted EBITDA and adjusted Gross Profit are not recognized performance measures under IFRS, do not have a standardized meaning and therefore may not be comparable to similar measures presented by other issuers. Adjusted EBITDA and adjusted Gross Profit are included as a supplemental disclosure because Management believes that such measurement provides a better assessment of the Company's operations on a continuing basis by eliminating certain non-cash charges and charges or gains that are non-recurring. Adjusted EBITDA is defined as net loss excluding interest, taxes, depreciation and amortization expense, interest income and expense, finance fees, gain in revaluation of derivative liabilities, taxes, impairment losses on inventory, write down of deposits and share-based compensation. Adjusted EBITDA has limitations as an analytical tool as it does not include depreciation and amortization expense, interest income and expense, taxes, share-based compensation, and transaction fees. Because of these limitations, Adjusted EBITDA should not be considered as the sole measure of the Company's performance and should not be considered in isolation from, or as a substitute for, analysis of the Company's results as reported under IFRS. The most directly comparable measure to Adjusted EBITDA calculated in accordance with IFRS is operating income (loss). The above is a reconciliation of the Company's operating loss to Adjusted EBITDA. See "Reconciliation of non-IFRS measures" in the Company's Management's Discussion and Analysis for the period ended December 31, 2021, for additional information. Adjusted gross profit is defined as gross profit/(loss) excluding the adjustments for accelerated depreciation, write down of non-current deposits and write down of inventory. Adjusted gross profit is a useful measure as it represents gross profit for management purposes based on costs to manufacture, package and ship inventory sold, exclusive of any impairments due to changes in internal or external influences.

About MediPharm Labs

Founded in 2015, MediPharm Labs specializes in the development and manufacture of purified, pharmaceutical-quality cannabis concentrates, active pharmaceutical ingredients (API) and advanced derivative products utilizing a Good Manufacturing Practices certified facility with ISO standard-built clean rooms. MediPharm Labs has invested in an expert, research driven team, state-of-the-art technology, downstream purification methodologies and purpose-built facilities with five primary extraction lines for delivery of pure, trusted and precision-dosed cannabis products for its customers. Through its wholesale and white label platforms, MediPharm Labs formulates, develops (including through sensory testing), processes, packages and distributes cannabis extracts and advanced cannabinoid-based products to domestic and international markets.

In 2021, MediPharm Labs received a Pharmaceutical Drug Establishment Licence from Health Canada, becoming the only company in North America to hold a domestic Good Manufacturing Licence for the extraction of natural cannabinoids. The Company carries out its operations in compliance with all applicable laws in the countries in which it operates.

For further information, please contact:

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Cautionary Note Regarding Forward-Looking Information:

This news release contains “forward-looking information” and “forward-looking statements” (collectively, “forward-looking statements”) within the meaning of the applicable Canadian securities legislation. All statements, other than statements of historical fact, are forward-looking statements and are based on expectations, estimates and projections as at the date of this news release. Any statement that involves discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, future events or performance (often but not always using phrases such as “expects”, or “does not expect”, “is expected”, “anticipates” or “does not anticipate”, “plans”, “budget”, “scheduled”, “forecasts”, “estimates”, “believes” or “intends” or variations of such words and phrases or stating that certain actions, events or results “may” or “could”, “would”, “might” or “will” be taken to occur or be achieved) are not statements of historical fact and may be forward-looking statements. In this news release, forward-looking statements relate to, among other things, statements regarding: the Company establishing itself as an international pharmaceutical company; a leading position in the projected multibillion-dollar global cannabis pharmaceutical market; becoming the go-to partner for pharmaceutical companies around the globe; potential for material revenue growth for years to come; and the Company’s transition towards pharmaceutical and medical markets reaching new heights. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable, are subject to known and unknown risks, uncertainties, and other factors which may cause the actual results and future events to differ materially from those expressed or implied by such forward-looking statements. Such factors include, but are not limited to: general business, economic, competitive,

political and social uncertainties; the ability of MediPharm to reduce headcount as planned; the ability to MediPharm to reduce annualized expenses; the realization of savings resulting from the MediPharm Australia Pty Ltd sale and the impact on cash burn; and other factors discussed in MediPharm's filings, available on the SEDAR website at www.sedar.com. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on the forward-looking statements and information contained in this news release. Except as required by law, MediPharm assumes no obligation to update the forward-looking statements of beliefs, opinions, projections, or other factors, should they change.