



## MediPharm Labs Reports Fourth Quarter and Full Year 2022 Results

TORONTO, March 31, 2023 /CNW/ - 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 and twelve months ended December 31, 2022.

### 2022 – Select Highlights

#### Revenue Growth in Key Segments

- In 2022, MediPharm saw optimized sales segment focus shift to patient/consumer MediPharm branded products and international medical opportunities, with a transition away from Canadian business-to-business ("B2B") sales.
- Net revenue derived from Adult Use and Wellness in Canada was \$13.3M in 2022, up 71% from \$7.8M in 2021. Quarterly, this segment increased by 24% Q4 2022 from Q3 2022. This trend is primarily driven by our positioning in the Canadian cannabis wellness space and award-winning cannabis oils.

#### M&A Activity<sup>(1)</sup>

- In December 2022, MediPharm entered into a definitive arrangement agreement with VIVO Cannabis Inc. ("VIVO"), pursuant to which MediPharm agreed to acquire all of the issued and outstanding shares of VIVO ("VIVO Shares") in an all-equity business combination transaction to be completed by way of a plan of arrangement under section 192 of the *Canada Business Corporations Act* (the "Arrangement").
- VIVO holds production, sales and research licences from Health Canada and operates an indoor cultivation site, a Canadian online medical cannabis sales platform, international branded sales in Australia and Germany, and a network of medical cannabis patient clinics. The VIVO Shares are currently listed on the Toronto Stock Exchange ("TSX").
- Using forecasts derived collaboratively by both management teams, along with revenue and cost synergy estimates, the pro-forma combined company resulting from the Arrangement (the "Combined Company") aims to find positive EBITDA<sup>(2)</sup> synergies to the magnitude of between \$7M to \$9M on an annualized basis, and could reach positive EBITDA and cash flow in the first half of 2024.<sup>(1)(3)(4)(5)</sup>
- The Arrangement has received the requisite approval of MediPharm shareholders and VIVO shareholders, as well as the Ontario Superior Court of Justice (*Commercial List*), and the TSX has conditionally approved the listing of the common shares of MediPharm to be issued in connection with the Arrangement.
- It is currently expected that the effective date of the Arrangement will occur on or about April 1, 2023, subject to the satisfaction or waiver of other customary closing conditions.<sup>(1)</sup>

## **Streamlined and Focused Operations to Achieve Cost Savings**

- The Company completed the sale of MediPharm Labs Australia Pty Ltd in Q3 2022 for gross proceeds of AUD\$7.25M or approximately \$6M. The sale has strengthened our balance sheet, reduced cash burn, and enhanced capacity utilization at the Company's Canadian GMP facility.
- The Company has implemented a restructuring plan that management expects could reduce Canadian non-manufacturing headcount by approximately 30%, potentially reducing annualized expenses by approximately \$3M.<sup>(1)</sup> Some savings were realized during Q3 2022, with full annualized savings expected to begin in Q4 2023.<sup>(1)</sup>
- Adjusted EBITDA<sup>(2)</sup> burn was reduced from approximately \$6M per quarter in 2021 to \$3.6M per quarter in Q4 2022, driven by the restructuring plan implemented in Q3 2022 and the sale of our Australian facility which is expected to reduce expenses by approximately \$7M on an annualized basis.<sup>(1)</sup>

## **Continued Progress in Pharmaceutical Cannabis**

- In partnership with a large global pharmaceutical company, in 2022 MediPharm contributed active pharmaceutical ingredients to an Abbreviated New Drug Application filed with the United States Food and Drug Administration.
- Entered into a research support agreement with the Keck School of Medicine of University of Southern California to conduct a randomized double-blind placebo-controlled Phase 2 trial on the efficacy of THC and CBD to treat hospice-eligible patients diagnosed with dementia and experiencing agitation.

## **Solid Balance Sheet, Materially Debt Free, Ownership of Key Assets**

- At the end of Q4 2022, MediPharm had \$24M in cash on its balance sheet, was materially debt free and has outright ownership of its assets, including its GMP facility in Ontario.
- In July 2022, the Company was awarded a favourable summary judgement from the Ontario Court of Justice in the amount of \$9.8M, in connection with a supply agreement dispute.

## **Management Commentary**

David Pidduck, CEO, MediPharm Labs commented, “2022 was a transformative year for MediPharm. We have transitioned our focus away from Canadian B2B sales, exited less profitable facilities and products, successfully completed significant restructuring, all while driving substantial growth in our non-B2B segments. The Arrangement with VIVO is expected to continue to drive business and build on our growth as we aim to reach positive EBITDA<sup>(2)</sup> and cash flow in the first half of 2024.<sup>(1)(3)(4)(5)</sup> We consider ourselves to be unique amongst our peer companies due to our focus on pharmaceutical cannabis, our GMP facility and regulatory licencing – and also due to our relative stability in these challenging times, as evidenced by our diverse international presence, and strong balance sheet.”

Greg Hunter, CFO, MediPharm Labs added, “In Q4 2022, MediPharm continued to make progress by growing our revenue base, reducing cash burn and driving towards profitability. With the acquisition of VIVO, we expect our revenues will continue to improve.<sup>(1)</sup> Our cash position improved in Q4 2022 to \$24M and we are materially debt free and have full ownership of our major assets. Given the strength of our balance sheet relative to our peers, we expect we will be very well positioned to integrate VIVO and achieve annualized synergies following completion of the Arrangement, and continue our drive towards profitability.”<sup>(1)</sup>

## Financial Summary

	Year Ended	Three months ended			
	December 31, 2022 \$'000s	December 31, 2022 \$'000s	September 30, 2022 \$'000s	June 30, 2022 \$'000s	March 31, 2022 \$'000s
Revenue	22,117	5,616	7,262	4,362	4,877
Gross profit	(1,914)	211	(1,190)	(532)	(403)
Net loss	(29,983)	(5,609)	(7,930)	(8,987)	(7,457)
Adjusted EBITDA <sup>(1)</sup>	(20,566)	(3,634)	(4,974)	(6,345)	(5,684)

(1) Adjusted EBITDA is a non-IFRS measures. See "Non-IFRS Measures".

## Financial Results Conference Call

Toll-free number: +1 (888) 330-2454 / International number: +1 (240) 789-2714

Conference ID: 4921762

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 at <https://www.medipharmlabs.com/investors>.

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.

## Notes:

- (1) This is forward-looking information and based on a number of assumptions. See "Cautionary Note Regarding Forward-Looking Information" and "Assumptions".
- (2) This is a non-IFRS reporting measure. See "Non-IFRS Measures" below.
- (3) Based on both costs and revenue opportunities identified by MediPharm and VIVO management. Revenue opportunity assumed that both existing products may be sold into the existing sales channels of both VIVO and MediPharm. Costs savings estimated depends on the eliminating duplicated public company expenses and redundant corporate infrastructure.
- (4) This target, and the related assumptions, involve known and unknown risks and uncertainties that may cause actual results to differ materially. While MediPharm and VIVO believe there is a reasonable basis for this target, such target may not be met. Actual results may vary and differ materially from the targets. See "Assumptions".
- (5) Certain financial information included in this press release is neither audited nor reviewed. Where possible, the information has been constructed by management from available audited or audit reviewed financial statements. Where no audited or audit reviewed information has been available, additional management accounting information has been utilized to construct financial information. Readers are cautioned not to place undue reliance on such information.

## **Assumptions**

In developing the financial guidance set forth above, MediPharm and VIVO made the following assumptions and relied on the following factors and considerations:

- The targets are based on MediPharm and VIVO's historical results including annualized revenue from its interim financial results for the period ended September 30, 2022, as adjusted for subsequent events including completion of the Arrangement.
- Revenue sustainability and growth depend on a variety of factors, including among other things, location, competition, legal and regulatory requirements. Prices are projected forward at recently realized wholesale and direct to patient prices.
- Cost of goods sold, before taking into account the impact of value changes in biological assets (which are non-cash in nature), and, accordingly, are excluded from calculations of EBITDA, have been projected based on estimated costs of production and capacity available from a similar supply chain.
- The immediate reduction of public company professional and service fees, such as but not limited to, errors and omissions insurance, audit services, listing expenses and external legal fees.
- Implied redundancy of employee roles in the Combined Company, mainly in corporate functions. Impacted employee severance fees are calculated on current employment agreements and Employment Standards Act (Ontario).
- No changes to existing medical cannabis legislation and regulations in Canada, Germany, Australia and Brazil.
- All VIVO and MediPharm regulatory licenses remain in good standing with domestic and international regulators, particular Good Manufacturing Practices (GMP).

## **Non-IFRS Measures**

This news release contains references to certain non-IFRS financial measures, including "EBITDA" and "Adjusted EBITDA". "EBITDA" means earnings before interest, taxes, depreciation, and amortization and is used as an indicator of the Company's overall profitability. Adjusted EBITDA is a measure of the Company's overall financial performance and is used as an alternative to earnings or income in some circumstances. These measures do not have any standardized meaning according to International Financial Reporting Standards ("IFRS") and therefore may not be comparable to similar measures presented by other companies. Management believes that these supplementary non-IFRS financial measures provide useful additional information related to the operating results of the Company. These non-IFRS financial measures are not recognized under IFRS and, accordingly, users are cautioned that these measures should not be construed as alternatives to net income (loss) determined in accordance with IFRS as measures of profitability or as alternatives to the Company's IFRS-based financial statements. See "Reconciliation of Non-IFRS Measures" in the Company's management's discussion and analysis for the year ended December 31, 2022 for additional information.

## **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.

### **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 Arrangement; the terms and conditions pursuant to which the Arrangement will be completed, if at all; the Combined Company; the future financial and operational performance of the Combined Company; the Combined Company’s key business segments, product offerings, pro-forma and overall financial performance; potential future revenue and cost synergies resulting from the Arrangement; potential integration of VIVO following the Arrangement; statements about the Combined Company’s profitability and ability to grow the business going forward following the Arrangement; the anticipated timing for completion of the Arrangement; potential annualized savings to be realized as a result of the Company’s restructuring plan; the Company’s continued progress in the pharmaceutical cannabis space. 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 inability of MediPharm to obtain adequate financing; the delay or failure to receive regulatory approvals; and other factors discussed in MediPharm’s filings, available on the SEDAR website at [www.sedar.com](http://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.

SOURCE MediPharm Labs Corp.

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