



Nuvo Pharmaceuticals™ Announces 2018 Fourth Quarter and Year-End Results

- Nuvo to Host Conference Call/Audio Webcast March 29th at 8:00 a.m. ET -

Mississauga, Ontario, Canada – March 29, 2019 – Nuvo Pharmaceuticals Inc. (Nuvo or the Company) (TSX:NRI; OTCQX:NRIF), a Canadian focused, healthcare company with global reach and a diversified portfolio of commercial products, today announced its financial and operational results for the fourth quarter and year ended December 31, 2018. For further details on the results, please refer to Nuvo's Management, Discussion and Analysis (MD&A) and Consolidated Financial Statements which are available on the Company's website (www.nuvopharmaceuticals.com). All figures are in Canadian dollars, unless otherwise noted.

Fourth Quarter 2018 Highlights and Business Update

- On October 24, 2018, the Company's licensee in Switzerland, Gebro Pharma AG, submitted its marketing authorization application for Pennsaid 2% to Swissmedic, the overseeing Swiss regulatory authority.
- On December 20, 2018, the Company entered into a license and supply agreement with Heumann Pharma GmbH & Co. Generica KG for the exclusive right to distribute, market and sell Resultz® in Germany. Resultz is approved in Germany as a class one medical device for the human treatment of head lice infestation.
- On December 31, 2018, the Company announced the closing of the previously announced acquisition of a portfolio of more than 20 revenue-generating products from Aralez Pharmaceuticals Canada Inc (the Aralez Transaction);
- On January 3, 2019, the Company announced the appointment of Rob Harris as its Executive Chairman. Mr. Harris joined Nuvo's board of directors in May 2017 and was previously the co-founder and Chief Executive Officer of Tribute Pharmaceuticals Inc.; and
- On March 11, 2019, the Company announced that it had obtained consents from shareholders of the Company holding, in the aggregate, more than 50% of the Company's issued and outstanding common shares, approving the issuance by the Company of Common Shares pursuant to the conversion of convertible notes and the exercise of warrants, which were issued to certain funds managed by Deerfield Management Company, L.P. in connection with the previously announced closing of the Aralez Transaction.

Fourth Quarter and Full Year Financial Summary

- Total revenue was \$4.6 million for the three months ended December 31, 2018 compared to \$4.5 million for the three months ended December 31, 2017. Total revenue for the year ended December 31, 2018 was \$20.0 million compared to \$17.5 million for the year ended December 31, 2017.
- Adjusted EBITDA was \$(4.5) million for the three months ended December 31, 2018 compared to \$0.1 million for the three months ended December 31, 2017. Adjusted EBITDA⁽¹⁾ was \$(3.1) million for the year ended December 31, 2018 compared to \$2.5 million in the comparative year.
- Net loss was \$4.6 million for the three months ended December 31, 2018 compared to a net loss of \$0.2 million for the three months ended December 31, 2017. Net loss was \$6.2 million for the year ended December 31, 2018 compared to net income of \$1.6 million in the comparative year.

- Cash was \$28.1 million as at December 31, 2018 compared to \$4.1 million as at September 30, 2018.

⁽¹⁾ Adjusted EBITDA is a non-International Financial Reporting Standards (IFRS) financial measure defined by the Company below.

“Nuvo’s business ended 2018 with significant positive momentum. Closing the Aralez Transaction has allowed us to achieve our strategic objective of diversifying our revenue streams and expanding our portfolio of innovative and growth-oriented products,” said Jesse Ledger, Nuvo’s President & CEO. “We expect 2019 to be a year of transformational growth for our business and we now have the products, the infrastructure and most importantly the people to execute on our plans.”

Growth Strategy

The Company intends to further expand its Canadian and International businesses through organic growth of existing products, targeted in-licensing and acquisition opportunities which leverage the Company’s in house commercial, scientific and manufacturing infrastructure and out-licensing of distribution rights for select products in global markets. The Company will continue to have a direct commercial presence in Canada and utilize a network of license and distribution partners for ex-Canadian markets.

The Aralez Transaction

On December 31, 2018, the Company announced the closing of the Aralez Transaction. The Aralez Transaction included the acquisition of Aralez Canada, a growing business that includes the products Cambia[®], Blexten[®], as well as the Canadian distribution rights to Resultz[®], and will create a platform for the Company to acquire and launch additional commercial products in Canada. The Company also acquired the worldwide rights and royalties from licensees for Vimovo[®], Yosprala[™] and global, ex-U.S. product rights to Suvexx.

Table of Selected Financial Results

For further details on the results, please refer to Nuvo’s MD&A and the Consolidated Financial Statements which are available on the Company’s website (www.nuvopharmaceuticals.com).

	Three months ended			Year ended		
	December 31, 2018	December 31, 2017	Change	December 31, 2018	December 31, 2017	Change
<i>(in thousands, except gross margin)</i>	\$	\$	\$	\$	\$	\$
Product Sales	4,009	4,199	(190)	17,569	16,338	1,231
Other Revenue	598	286	312	2,429	1,185	1,244
Total Operating Expenses	10,103	4,634	5,469	26,833	15,649	11,184
Gross Margin % on Product Sales	45%	46%	(1)%	51%	50%	1%
Net Income (Loss)	(4,631)	(186)	(4,445)	(6,153)	1,581	(7,734)
Adjusted EBITDA	(4,503)	73	(4,576)	(3,069)	2,461	(5,530)

Total revenue for the three months ended December 31, 2018 was \$4.6 million compared to \$4.5 million for the three months ended December 31, 2017. The increase in revenue was primarily related to a \$0.9 million increase in Pennsaid product sales, a \$0.3 million increase in Resultz license revenue, a \$0.1 million increase in Resultz product sales and a \$0.1 million increase in HLT product sales, offset by a \$1.2 million decrease in Pennsaid 2% product sales. Total revenue for the year ended December 31, 2018 was \$20.0 million compared to \$17.5 million for the comparative year.

Total operating expenses for the three months ended December 31, 2018 increased to \$10.1 million compared to \$4.6 million for the three months ended December 31, 2017. The increase in operating expenses was primarily attributable to an increase in G&A and amortization of intangibles, partially offset by a decrease in COGS and R&D expenses. Total operating expenses for the year ended December 31, 2018 were \$26.8 million, an increase from \$15.6 million for the year ended December 31, 2017.

COGS for the three months ended December 31, 2018 was \$2.2 million compared to \$2.3 million for the three months ended December 31, 2017. The decrease in COGS was primarily related to a decrease in Pennsaid 2% product sales. The decrease in product sales reduced the gross margin on product sales to \$1.8 million or 45% for the three months ended December 31, 2018 compared to \$1.9 million or 46% for the three months ended December 31, 2017. COGS for the year ended December 31, 2018 was \$8.6 million compared to \$8.1 million for the year ended December 31, 2017. Gross margin on product sales was \$8.9 million or 51% for the year ended December 31, 2018 compared to a gross margin of \$8.2 million or 50% for the year ended December 31, 2017.

G&A expenses increased to \$7.4 million for the three months ended December 31, 2018 compared to \$2.4 million for the three months ended December 31, 2017. The increase in the current quarter of \$5.0 million was primarily related to an increase in one time transaction fees related to the Aralez Transaction. G&A expenses were \$16.2 million for the year ended December 31, 2018 compared to \$7.1 million for the year ended December 31, 2017.

For the year ended December 31, 2018, the Company recognized non-cash costs of \$2.0 million in amortization related to the Resultz patents [December 31, 2017 - \$nil].

Net loss was \$4.6 million for the three months ended December 31, 2018 compared to a net loss of \$0.2 million for the three months ended December 31, 2017. The increase in net loss was primarily related to an increase in G&A expenses and amortization of intangibles. Net loss for the year ended December 31, 2018 was \$6.2 million compared to net income of \$1.6 million for the year ended December 31, 2017.

Adjusted EBITDA decreased to \$(4.5) million for the three months ended December 31, 2018 compared to \$0.1 million for the three months ended December 31, 2017. The decrease in Adjusted EBITDA in the current quarter was primarily attributable to an increase in G&A expenses, including \$5.3 million for one-time transaction fees related to the Aralez Transaction. Adjusted EBITDA decreased to \$(3.1) million for the year ended December 31, 2018 compared to \$2.5 million for the year ended December 31, 2017. The year ended December 31, 2018 included \$7.7 million for one-time transaction fees related to the Aralez Transaction.

Cash was \$28.1 million as at December 31, 2018 compared to \$4.1 million as at September 30, 2018. The increase in cash and cash equivalents was primarily due to the \$21.9 million (US\$16.1 million) net of cash received from Deerfield upon the closing of the Aralez Transaction.

The number of common shares outstanding as at December 31, 2018 was 11,388,282.

Non-IFRS Financial Measures

Adjusted EBITDA

EBITDA is a non-IFRS financial measure. The term EBITDA does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. The Company defines Adjusted EBITDA as net income from continuing operations before net interest expense, depreciation and amortization and income tax expense (EBITDA), plus amounts billed to customers for existing contract assets, inventory step-up expense, stock-based compensation expense, other expenses, less revenue recognized upon recognition of a contract asset and other income. Management believes Adjusted EBITDA is a useful supplemental measure from which to determine the Company's ability to generate cash available for working capital, capital expenditures, debt repayments, interest expense and income taxes.

The following is a summary of how EBITDA and Adjusted EBITDA are calculated:

	Three Months ended December 31		Twelve Months ended December 31	
	2018	2017	2018	2017
in thousands	\$	\$	\$	\$
Net income (loss)	(4,631)	(186)	(6,153)	1,581
Add back:				
Net interest expense (income)	5	(39)	(32)	(157)
Depreciation and amortization	633	84	2,493	258
Income tax expense (recovery)	(64)	-	(187)	1
EBITDA	(4,057)	(141)	(3,879)	1,683
Add back:				
Amounts billed to customers for existing contract assets	171	-	514	-
Stock-based compensation	184	177	791	486
<i>Other Expenses (Income):</i>				
Loss on disposal of contract assets	452	-	452	-
Change in fair value of contingent and variable consideration	(775)	-	(518)	-
Foreign currency loss (gain)	(478)	81	(429)	336
Other income	-	(44)	-	(44)
Adjusted EBITDA	(4,503)	73	(3,069)	2,461

Management to Host Conference Call/Webcast

Management will host a conference call to discuss the results today (Friday, March 29, 2019) at 8:00 a.m. ET. To participate in the conference call, please dial 1 888 390 0546 or 416 764 8688. Please call in 15 minutes prior to the call to secure a line. You will be put on hold until the conference call begins.

A taped replay of the conference call will be available two hours after the live conference call and will be accessible until April 5, 2019 by calling 1 888 390 0541 or 416 764 8677 playback passcode 001237.

A live audio webcast of the conference call will be available through www.nuvopharmaceuticals.com. Please connect at least 15 minutes prior to the conference call to ensure adequate time for any software download that may be required to hear the webcast.

About Nuvo Pharmaceuticals Inc.

Nuvo (TSX: NRI; OTCQX: NRIFF) is a Canadian focused, healthcare company with global reach and a diversified portfolio of commercial products. The Company targets several therapeutic areas, including pain, allergy and dermatology. The Company's strategy is to in-license and acquire growth-oriented, complementary products for Canadian and international markets and to out-license select products in global markets. Nuvo's head office is located in Mississauga, Ontario, Canada, the international operations are located in Dublin, Ireland and the U.S. Food and Drug Administration (FDA), Health Canada and E.U. approved manufacturing facility is located in Varennes, Québec, Canada. For additional information, please visit www.nuvopharmaceuticals.com.

FOR MORE INFORMATION, PLEASE CONTACT:

Investor Relations

Email: ir@nuvopharm.com

Forward-Looking Statements

This press release contains "forward-looking information" as defined under Canadian securities laws (collectively, "forward-looking statements"). The words "plans", "expects", "does not expect", "goals", "seek", "strategy", "future", "estimates", "intends", "anticipates", "does not anticipate", "projected", "believes" or variations of such words and phrases or statements to the effect that certain actions, events or results "may", "will", "could", "would", "should", "might", "likely", "occur", "be achieved" or "continue" and similar expressions identify forward-looking statements. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking statements.

Forward-looking statements are not historical facts but instead represent management's expectations, estimates and projections regarding future events or circumstances. Such forward-looking statements are qualified in their entirety by the inherent risks, uncertainties and changes in circumstances surrounding future expectations which are difficult to predict and many of which are beyond the control of the Company. Forward-looking statements are necessarily based on a number of estimates and assumptions that, while considered reasonable by management of the Company as of the date of this press release, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Material factors and assumptions used to develop the forward-looking statements, and material risk factors that could cause actual results to differ materially from the forward-looking statements, include but are not limited to changes in the business or affairs of Nuvo, competitive factors in the industries in which Nuvo operates; relationships with customers and suppliers; changes in legal and regulatory requirements; foreign exchange and interest rates; prevailing economic conditions; and other factors, many of which are beyond the control of Nuvo. Additional factors that could cause Nuvo's actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the risk factors included in Nuvo's most recent Annual Information Form dated March 28, 2019 under the heading "Risks Factors", and as described from time to time in the reports and disclosure documents filed by Nuvo with Canadian securities regulatory agencies and commissions. These and other factors should be considered carefully and readers should not place undue reliance on Nuvo's forward-looking statements. When relying on forward-looking statements to make decisions, the Company cautions readers not to place undue reliance on these statements, as forward-looking statements involve significant risks and uncertainties. Forward-looking statements should not be read as guarantees of future performance or results and will not necessarily be accurate indications of whether or not the times at or by which such performance or results will be achieved.

All forward-looking statements are based only on information currently available to the Company and are made as of the date of this press release. Except as expressly required by applicable Canadian securities law, the Company assumes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All forward-looking statements in this press release are qualified by these cautionary statements.