



## **Nuvo Pharmaceuticals™ Announces 2019 Second Quarter Results**

- *Second Quarter Adjusted Total Revenue - \$19.1 million* •
- *Second Quarter Adjusted EBITDA - \$5.7 million* •
- *Second Quarter Gross Profit - \$9.6 million* •

**- Nuvo to Host Conference Call/Audio Webcast August 14th at 8:30 a.m. ET -**

Mississauga, Ontario, Canada – August 14, 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 three and six months ended June 30, 2019. For further details on the results, please refer to Nuvo’s Management, Discussion and Analysis (MD&A) and Condensed Consolidated Interim Financial Statements which are available on the Company’s website ([www.nuvopharmaceuticals.com](http://www.nuvopharmaceuticals.com)). All figures are in Canadian dollars, unless otherwise noted.

“During the second quarter, our operating segments continued to perform in line with our expectations and our second quarter financial results reinforce the increase in scale the Aralez Transaction has made to our business,” said Jesse Ledger, Nuvo’s President & CEO. “While the Vimovo news during the quarter was disappointing, we have made cost-saving adjustments to our operations and our underlying business and financial performance is expected to benefit from these changes moving forward.”

### **Second Quarter Financial Summary**

- Adjusted total revenue<sup>(1)</sup> was \$19.1 million for the three months ended June 30, 2019 compared to \$6.0 million for the three months ended June 30, 2018.
- Adjusted EBITDA<sup>(1)</sup> was \$5.7 million for the three months ended June 30, 2019 compared to \$2.0 million for the three months ended June 30, 2018.
- Gross profit on total revenue was \$9.6 million or 58% for the three months ended June 30, 2019 compared to a gross profit of \$3.5 million or 60% for the three months ended June 30, 2018.
- Cash and short-term investments were \$14.7 million as at June 30, 2019 compared to \$28.1 million as at December 31, 2018. The decrease was primarily related to the settlement of transaction costs and indebtedness acquired by Nuvo upon close of the Aralez Transaction.

<sup>(1)</sup> Non-International Financial Reporting Standards (IFRS) financial measure defined by the Company below.

### **Second Quarter and 2019 Business Update**

- Canadian prescriptions of Blexten® increased 64% to 105,407 for the three months ended June 30, 2019 compared to 64,404 for the three months ended June 30, 2018.
- Canadian prescriptions of Cambia® increased 30% to 19,500 for the three months ended June 30, 2019 compared to 15,036 for the three months ended June 30, 2018.

- On April 2, 2019, the Company announced the Marketing Authorization Application for Pennsaid® 2% had been accepted for review by the Austrian Agency for Health and Food Safety (AGES) acting as the reference member state for Austria, Italy, Greece and Portugal. It is anticipated that a review decision will be made in early 2020.
- On May 3, 2019, the Suvexx™ registration dossier passed screening with Health Canada and is now under formal review. The Company anticipates a review decision from Health Canada during the first half of 2020.
- On May 15, 2019, the Company announced the United States Court of Appeals for the Federal Circuit (the Court of Appeals) had reversed the decision by the United States District Court for the District of New Jersey (the District Court) that had upheld the validity of U.S. Patent Nos. 6,926,907 (the '907 patent) and 8,557,285 (the '285 patent). On July 30, 2019, the Court of Appeals rejected the Company's *en banc* request to have the Court of Appeals reconsider its decision. On June 26, 2019, the Company amended its financing agreement with Deerfield Management Company, L.P. (Deerfield), to provide, among other things, for a payment deferral of a portion of mandatory minimum quarterly prepayments should Vimovo U.S. market exclusivity be lost due to a generic entry.
- On June 17, 2019, the Company announced that in the second half of 2019, it will start to realize on synergies resulting from organizational changes and its acquisition of Aralez Canada that will reduce its operating expenses by approximately \$7.0 million annually.

## Second Quarter 2019 Financial Results

Total revenue is comprised of product sales, license revenue and contract revenue. Total revenue was \$16.6 million for the three months ended June 30, 2019 compared to \$5.9 million for the three months ended June 30, 2018. The significant increase in total revenue for the current quarter was the result of the timing of the Aralez Transaction. Total revenue for the six months ended June 30, 2019 was \$31.1 million compared to \$10.3 million for the comparative six-month period.

Adjusted total revenue increased to \$19.1 million for the three months ended June 30, 2019 compared to \$6.0 million for the three months ended June 30, 2018. The \$13.1 million increase in adjusted total revenue in the current quarter was primarily related to the timing of the Aralez Transaction, which provided an incremental \$9.7 million of total revenue contributed from the Commercial Business segment and \$4.7 million attributable to the Vimovo royalties related to the U.S. and ex-U.S. territories, partially offset by a \$1.2 million decrease in Production and Service revenue. Adjusted total revenue increased to \$36.2 million for the six months ended June 30, 2019 compared to \$10.6 for the six months ended June 30, 2018.

Adjusted EBITDA increased to \$5.7 million for the three months ended June 30, 2019 compared to \$2.0 million for the three months ended June 30, 2018. The increase in adjusted EBITDA for the current quarter was primarily attributable to the increase in gross profit as a result of the Aralez Transaction, partially offset by an increase in sales and marketing and general and administrative (G&A) expenses, including \$1.0 million of one-time restructuring expenses. Adjusted EBITDA increased to \$10.9 million for the six months ended June 30, 2019 compared to \$2.7 million for the six months ended June 30, 2018.

Gross profit on total revenue was \$9.6 million or 58% for the three months ended June 30, 2019 compared to a gross profit of \$3.5 million or 60% for the three months ended June 30, 2018. The increase in gross profit for the current quarter was primarily attributable to an increase in gross margin on product sales and an increase in license revenue due to the timing of the Aralez Transaction. Gross profit on total revenue was \$18.7 million or 60% for the six months ended June 30, 2019 compared to a gross profit of \$6.1 million or 59% for the six months ended June 30, 2018.

## Non-IFRS Financial Measures

The Company discloses non-IFRS measures (such as adjusted total revenue, adjusted EBITDA and adjusted EBITDA per share) that do not have standardized meanings prescribed by IFRS. The Company believes that shareholders, investment analysts and other readers find such measures helpful in understanding the Company's financial performance and in interpreting the effect of the Aralez Transaction and the Deerfield Financing on the

Company. Non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and may not have been calculated in the same way as similarly named financial measures presented by other companies.

### Adjusted Total Revenue

The Company defines adjusted total revenue as total revenue, plus amounts billed to customers for existing contract assets, less revenue recognized upon recognition of a contract asset. Management believes adjusted total revenue is a useful supplemental measure from which to determine the Company's ability to generate cash from its customer contracts that is used to fund its operations.

The following is a summary of how adjusted total revenue is calculated:

	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
in thousands	\$	\$	\$	\$
<b>Total revenue</b>	<b>16,580</b>	5,875	<b>31,130</b>	10,306
Add:				
Amounts billed to customers for existing contract assets	<b>2,498</b>	157	<b>5,060</b>	251
<b>Adjusted total revenue</b>	<b>19,078</b>	6,032	<b>36,190</b>	10,557

### Adjusted EBITDA

EBITDA refers to net income (loss) determined in accordance with IFRS, before depreciation and amortization, net interest expense (income) and income tax expense (recovery). The Company defines adjusted EBITDA as net income before net interest expense (income), depreciation and amortization and income tax expense (recovery) (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 June 30		Six Months Ended June 30	
	2019	2018	2019	2018
in thousands	\$	\$	\$	\$
<b>Net income (loss)</b>	<b>6,796</b>	1,054	<b>(608)</b>	885
Add back:				
Income tax expense (recovery)	<b>96</b>	46	<b>150</b>	(128)
Net interest expense (income)	<b>2,067</b>	(9)	<b>3,997</b>	(30)
Depreciation and amortization	<b>2,451</b>	611	<b>4,885</b>	1,225
<b>EBITDA</b>	<b>11,410</b>	1,702	<b>8,424</b>	1,952
Add back:				
Amounts billed to customers for existing contract assets	<b>2,498</b>	157	<b>5,060</b>	251
Stock-based compensation	<b>105</b>	149	<b>231</b>	457
Inventory step-up expense	<b>1,309</b>	-	<b>2,524</b>	-
<i>Other Expenses (Income):</i>				
Change in fair value of derivative liabilities & modification of long-term debt	<b>(32,641)</b>	-	<b>(27,428)</b>	-
Change in fair value of contingent and variable consideration	<b>(507)</b>	-	<b>(435)</b>	-
Contract asset impairment	<b>23,621</b>	-	<b>23,621</b>	-
Other losses (gains)	<b>608</b>	-	<b>608</b>	-
Foreign currency loss (gain)	<b>(740)</b>	-	<b>(1,718)</b>	-
<b>Adjusted EBITDA</b>	<b>5,663</b>	2,008	<b>10,887</b>	2,660

### **Management to Host Conference Call/Webcast**

Management will host a conference call to discuss the results today (Wednesday, August 14, 2019) at 8:30 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 midnight on August 21, 2019 by calling 1 888 390 0541 or 416 764 8677 playback passcode 509912#.

A live audio webcast of the conference call will be available through [www.nuvopharmaceuticals.com](http://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 Company's Commercial Business is located in Mississauga, Ontario, the international operations are located in Dublin, Ireland and its manufacturing facility is located in Varennes, Québec, Canada. The Varennes facility operates in a Good Manufacturing Practices (GMP) environment respecting the U.S, Canada and E.U. GMP regulations and is regularly inspected by Health Canada and the U.S. Food and Drug Administration. For additional information, please visit [www.nuvopharmaceuticals.com](http://www.nuvopharmaceuticals.com).

### **FOR MORE INFORMATION, PLEASE CONTACT:**

Investor Relations

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### **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, the validity of the '907 and '285 Patents claims, the outcome of ongoing patent litigation 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.*