



Nuvo Pharmaceuticals® Announces Second Quarter 2020 Results

- Q2 2020 Adjusted Total Revenue - \$18.0 million •
- Q2 2020 Adjusted EBITDA - \$7.6 million •
- Blexten Canadian Prescriptions Increased 34% Year-Over-Year •
- Cambia Canadian Prescriptions Increased 11% Year-Over-Year •

Nuvo to Host Conference Call/Audio Webcast August 10 at 8:30 a.m. ET

Mississauga, Ontario, Canada – August 10, 2020 – 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, 2020. For further details on the results, please refer to Nuvo's Management, Discussion and Analysis (MD&A) and Condensed Consolidated Interim Financial Statements for the three and six months ended June 30, 2020 which are available on the Company's website (www.nuvopharmaceuticals.com). All figures are in Canadian dollars, unless otherwise noted.

Key Developments

Three months ended June 30, 2020 include the following:

- For the three months ended June 30, 2020, adjusted total revenue⁽¹⁾ was \$18.0 million, a decrease of 6% compared to \$19.1 million for the three months ended June 30, 2019.
- For the three months ended June 30, 2020, adjusted EBITDA⁽¹⁾ was \$7.6 million, an increase of 33% compared to \$5.7 million for the three months ended June 30, 2019.
- The Company's Commercial Business segment includes the promoted products – Blexten® and Cambia®. Revenue related to these products was \$6.3 million, an increase of 14% compared to revenue of \$5.5 million for the three months ended June 30, 2019. Canadian prescriptions of Blexten and Cambia increased by 34% and 11%, respectively compared to the three months ended June 30, 2019.
- Principal loan repayments of \$3.5 million (US\$2.5 million) were made in the three months ended June 30, 2020.

Six months ended June 30, 2020 include the following:

- For the six months ended June 30, 2020, adjusted total revenue⁽¹⁾ was \$37.0 million, an increase of 2% compared to \$36.2 million for the six months ended June 30, 2019.
- For the six months ended June 30, 2020, adjusted EBITDA⁽¹⁾ was \$15.6 million, an increase of 43% compared to \$10.9 million for the six months ended June 30, 2019.
- Revenue related to Cambia and Blexten was \$12.2 million, an increase of 42% compared to revenue of \$8.6 million for the six months ended June 30, 2019. Canadian prescriptions of Blexten and Cambia increased by 41% and 20%, respectively compared to the six months ended June 30, 2019.
- Principal loan repayments of \$15.1 million (US\$11.2 million) were made in the six months ended June 30, 2020.

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

Business Update

- As a result of the COVID-19 pandemic, the Company has made changes to operations to ensure our employees are safe and healthy, while the business continues to supply global partners, wholesalers, pharmacies, and ultimately patients, with our healthcare products. The Commercial Business segment saw continued organic growth of its key promoted products - Blexten and Cambia. Aggregate revenue declined in the quarter year-over-year as wholesaler and pharmacy demand normalized from the increase which occurred in the three months ended March 31, 2020. The possibility of future supply disruptions resulted in forward buying linked to the COVID-19 pandemic which increased revenue in the three months ended March 31, 2020 and reduced revenue in the three months ended June 30, 2020 as the pandemic progressed and buying patterns returned to normal. It is anticipated that the COVID-19 pandemic will continue to impact the timing of revenue in future quarters and the Company will monitor market dynamics accordingly.
- In June 2020, Aralez Pharmaceuticals Canada Inc. (Aralez Canada) filed the Blexten pediatric dossier with Health Canada. A regulatory decision is anticipated by mid-2021. The original license agreement for Blexten included Canadian rights for the pediatric dosage formats. Blexten pediatric dosing consists of two new formats, an oral syrup formulation (2.5mg/ml) and an orally dispersible tablet formulation (10mg tablets).
- During the three months ended June 30, 2020, the Company made a \$3.5 million (US\$2.5 million) principal repayment on loans held by Deerfield Management Company, L.P and its related entities (the Deerfield Loans). Since January 1, 2020, the Company has repaid \$15.1 million (US\$11.2 million) of the Deerfield Loans - \$4.5 million (US\$3.5 million) to discharge the Bridge Loan which bore interest at 12.5% and \$10.5 million (US\$7.7 million) against the Amortization Loan which bears interest at 3.5%. As of June 30, 2020, the total remaining balances of the Deerfield Loans consisted of: US\$52.3 million on the Amortization Loan and US\$52.5 million on the Convertible Loan.

"Year-to-date, our key products have performed well, despite the challenges presented by the COVID-19 pandemic. Cambia and Blexten both continue to grow market share and total prescription volume. We are looking to expand the Blexten portfolio with two new formats for children with the submission of the Blexten pediatric dossier to Health Canada in June," said Jesse Ledger, Nuvo's President & CEO. "Our total adjusted revenue for the first six months increased compared to the same period last year, in spite of the challenges we encountered with the reduction in our U.S. Vimovo royalty stream during the first six months of this year. We continue to reduce our financial leverage by making significant payments on our Deerfield Loans. Looking ahead, we are excited about our continued growth that includes the anticipated commercial launch of Suvexx into the Canadian market in September."

Second Quarter 2020 Financial Results

Total revenue is comprised of product sales, license revenue and contract revenue. Total revenue was \$15.5 million and \$39.9 million for the three and six months ended June 30, 2020 compared to \$16.6 million and \$31.1 million for the three and six months ended June 30, 2019.

Adjusted total revenue was \$18.0 million and \$37.0 million for the three and six months ended June 30, 2020 compared to \$19.1 million and \$36.2 million for the three and six months ended June 30, 2019. The \$1.1 million decrease in adjusted total revenue in the current quarter was primarily attributable to a decrease of \$1.2 million of revenue in the Production and Service Business segment, combined with a \$0.5 million decrease from the Commercial Business segment, partially offset by a \$0.6 million increase in the Licensing and Royalty Business segment. The Commercial Business segment revenue saw continued organic growth of its key promoted products - Blexten and Cambia. Aggregate revenue declined in the quarter year-over-year as wholesaler and pharmacy demand normalized from the increase which occurred in the three months ended March 31, 2020.

Adjusted EBITDA increased to \$7.6 million and \$15.6 million for the three and six months ended June 30, 2020 compared to \$5.7 million and \$10.9 million for the three and six months ended June 30, 2019. The increase in the

current quarter was primarily attributable to the decrease of \$2.6 million in general and administrative (G&A) expenses and sales and marketing expenses (net of amortization), largely as a result of the Company's June 2019 restructuring. This was partially offset by a decrease in gross profit of \$0.7 million (net of revenue recognized upon recognition of contract assets, amounts billed to customers for existing contract assets and inventory-step up expenses). This decline in gross profit was due to a decrease in adjusted total revenue, partially offset by an increase in gross margin percentage on product sales.

Gross profit on total revenue was \$10.0 million or 64% and \$28.9 million or 72% for the three and six months ended June 30, 2020 compared to a gross profit of \$9.6 million or 58% and \$18.7 million or 60% for the three and six months ended June 30, 2019. The increase in gross profit for the current three and six-month periods was primarily attributable to an increase in license revenue and gross margin on product sales.

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.

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

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
in thousands	\$	\$	\$	\$
Total revenue	15,530	16,580	39,891	31,130
Add:				
Amounts billed to customers for existing contract assets	2,516	2,498	2,564	5,060
Deduct:				
Revenue recognized upon recognition of a contract asset	-	-	(5,496)	-
Adjusted total revenue	18,046	19,078	36,959	36,190

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 expenses, stock-based compensation expense, Other Expenses (Income), less revenue recognized upon recognition of a contract asset and other income. Management believes adjusted EBITDA is a useful supplemental measure 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	
	2020	2019	2020 ⁽³⁾	2019
in thousands	\$	\$	\$	\$
Net income (loss)	(1,967)	6,796	(3,696)	(608)
Add back:				
Income tax expense	212	96	1,594	150
Net interest expense	3,015	2,067	6,115	3,997
Depreciation and amortization	2,366	2,451	4,715	4,885
EBITDA	3,626	11,410	8,728	8,424
Add back:				
Amounts billed to customers for existing contract assets	2,516	2,498	2,564	5,060
Stock-based compensation	53	105	158	231
Deduct:				
Revenue recognized upon recognition of a contract asset	-	-	(5,496)	-
<i>Other Expenses (Income):</i>				
Change in fair value of derivative liabilities ⁽¹⁾	3,484	(32,794)	5,901	(27,581)
Change in fair value of contingent and variable consideration	(254)	(507)	1,875	(435)
Contract asset impairment ⁽²⁾	-	23,621	-	23,621
Foreign currency loss (gain)	(2,110)	(740)	2,587	(1,718)
Inventory step-up	339	1,309	701	2,524
Other losses (gains)	(8)	761	(1,382)	761
Adjusted EBITDA	7,646	5,663	15,636	10,887

⁽¹⁾ As a result of the increase in the share price in the current quarter, combined with an increase in the risk-adjusted discount rate and an increase in the volatility, the value of the Company's derivative liabilities increased and the Company recognized a net non-cash \$3.5 million loss and \$5.9 million non-cash loss on the change in fair value of derivative liabilities for the three and six months ended June 30, 2020.

⁽²⁾ In the three and six months ended June 30, 2019, the Company recognized a non-cash \$23.6 million impairment charge related to the Vimovo contract asset.

⁽³⁾ Includes restated figures for the 3 months ended March 31, 2020.

Management to Host Conference Call/Webcast

Management will host a conference call to discuss the results today (Monday, August 10, 2020) at 8:30 a.m. ET. To participate in the conference call, please dial 416 764 8688 or 1 888 390 0546. 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 17, 2020 by calling 416 764 8677 or 1 888 390 0541 / replay passcode: 492164#.

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. Nuvo's head office is located in Mississauga, Ontario, Canada, 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.

FOR MORE INFORMATION, PLEASE CONTACT:

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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, including the anticipated receipt of certain milestone and royalty payments, the anticipated launch of certain products and the potential impact of COVID-19. 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 and may prove to be incorrect. 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, the potential impact of COVID-19 on the Company’s operations, business and financial results 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 February 24, 2020 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. 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.