Nuvo Pharmaceuticals® Announces Third Quarter 2020 Results

- Q3 2020 Adjusted Total Revenue - $16.7 million -
- Q3 2020 Adjusted EBITDA - $6.6 million -
- Blexten Canadian Prescriptions Increased 30% Year-Over-Year -
- Cambia Canadian Prescriptions Increased 13% Year-Over-Year -

Nuvo to Host Conference Call/Audio Webcast November 16 at 8:30 a.m. ET

Mississauga, Ontario, Canada – November 16, 2020 – Nuvo Pharmaceuticals Inc. (Nuvo or the Company) (TSX:NRI; OTCQX:NRIFF), 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 nine months ended September 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 nine months ended September 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 September 30, 2020 include the following:

- Adjusted total revenue[(1)] was $16.7 million, a decrease of 12% compared to $18.9 million for the three months ended September 30, 2019.
- Adjusted EBITDA[(1)] was $6.6 million, a decrease of 15% compared to $7.8 million for the three months ended September 30, 2019.
- The Company's Commercial Business segment includes the promoted products - Blexten® and Cambia ®. Revenue related to these products was $6.4 million, an increase of 21% compared to revenue of $5.3 million for the three months ended September 30, 2019. Canadian prescriptions of Blexten and Cambia increased by 30% and 13%, respectively compared to the three months ended September 30, 2019.
- Principal loan repayments of $3.7 million (US$2.8 million).

Nine months ended September 30, 2020 include the following:

- Adjusted total revenue[(1)] was $53.6 million, a decrease of 3% compared to $55.1 million for the nine months ended September 30, 2019.
- Adjusted EBITDA[(1)] was $22.2 million, an increase of 19% compared to $18.7 million for the nine months ended September 30, 2019.
- Revenue related to Blexten and Cambia was $18.7 million, an increase of 34% compared to revenue of $13.9 million for the nine months ended September 30, 2019. Canadian prescriptions of Blexten and Cambia increased by 37% and 13%, respectively compared to the nine months ended September 30, 2019.
- Principal loan repayments of $18.8 million (US$14.0 million).

(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 had continued organic growth of its key promoted products - Blexten and Cambia. 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. Buying patterns stabilized in the three months ended September 30, 2020. It is anticipated that the COVID-19 pandemic may continue to impact the timing of revenue in future quarters and the Company will monitor market dynamics accordingly.

- In September 2020, Aralez Pharmaceuticals Canada, Inc. (Aralez Canada) received notice that Health Canada had issued a medical device license for two new line extensions of NeoVisc®. NeoVisc is a viscosupplement used to replenish the synovial fluid in the joints of patients with osteoarthritis. NeoVisc One contains the lowest injection volume (only 4ml) available for single-dose viscosupplements in Canada. Neovisc Plus consists of a three injection dosing system that is administered to a patient over the course of a few weeks. In some patients, a three dose treatment may provide longer relief.

- In September 2020, Aralez Canada launched Suvexx® into the approximately $130 million Canadian prescription acute migraine market. Suvexx (sumatriptan succinate and naproxen sodium tablets) is a fixed-dose combination prescription medication, indicated for the acute treatment of migraine attacks with or without aura in adults. Suvexx helps patients manage acute migraine attacks using a combination of sumatriptan succinate and naproxen sodium in a single tablet.

- In August 2020, the Blexten pediatric dossier was accepted for review by Health Canada. If approved, Blexten pediatric will be available in both an oral syrup formulation (2.5mg/ml) and an orally dispersible tablet formulation (10mg tablets). A regulatory decision from Health Canada is anticipated by mid-2021.

- During the three months ended September 30, 2020, the Company made a $3.7 million (US$2.8 million) principal repayment on the Amortization Loan, included within the loans held by Deerfield Management Company, L.P and its related entities (the Deerfield Loans). Since January 1, 2020, the Company has repaid $18.8 million (US$14.0 million) of the Deerfield Loans - $4.5 million (US$3.5 million) to discharge the Bridge Loan which bore interest at 12.5% and $14.2 million (US$10.5 million) against the Amortization Loan which bears interest at 3.5%. As of September 30, 2020, the total remaining balances of the Deerfield Loans consisted of: US$49.5 million on the Amortization Loan and US$52.5 million on the Convertible Loan both of which bear interest at 3.5%.

"In September, we launched our innovative treatment for acute migraine attacks, Suvexx, into the Canadian market. Thus far, the Suvexx launch has been well received with encouraging feedback from physicians and patients who now have access to this new medicine. Despite the COVID-19 pandemic, our key promoted products, Blexten and Cambia, have continued to grow both in terms of total prescriptions and market share versus 2019. The loss of the guaranteed minimum royalty for Vimovo in the U.S. has negatively impacted our top-line sales revenue; however, the restructuring we implemented in Q2 2019 has helped to improve both our adjusted EBITDA and cash from operating activities during the quarter and year-to-date," said Jesse Ledger, Nuvo's President & CEO. "In Q3, we made continued progress in repaying our debt to Deerfield and have now repaid over $18 million year-to-date. We continue to meet our growth strategy objectives and look forward to a strong finish to the year."

Third Quarter 2020 Financial Results

Total revenue is comprised of product sales, license revenue and contract revenue. Total revenue was $16.6 million and $56.5 million for the three and nine months ended September 30, 2020 compared to $18.8 million and $50.0 million for the three and nine months ended September 30, 2019.

Adjusted total revenue was $16.7 million and $53.6 million for the three and nine months ended September 30, 2020 compared to $18.9 million and $55.1 million for the three and nine months ended September 30, 2019. The $2.2 million decrease in adjusted total revenue in the current quarter was primarily attributable to a decrease of $1.6 million of revenue in the Licensing and Royalty Business segment, combined with a decrease of $0.4 million of revenue in the Production and Service Business segment and a $0.1 million decrease in revenue from the Commercial Business segment. The Commercial Business segment revenue had continued organic growth of its key promoted products -

Blexten and Cambia. 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 and stabilized in the three months ended September 30, 2020 as the pandemic progressed and buying patterns returned to normal. The COVID-19 pandemic may impact the timing of revenue in future quarters and the Company will continue to monitor market dynamics accordingly. For the three months ended September 30, 2020, the Licensing and Royalty Business segment revenue decreased primarily due to a reduction in both U.S. and rest of world net sales of Vimovo. The Production and Service Business segment revenue decreased as a result of a decrease in the Company's Pennsaid product sales.

Adjusted EBITDA was $6.6 million and $22.2 million for the three and nine months ended September 30, 2020 compared to $7.8 million and $18.7 million for the three and nine months ended September 30, 2019. The decrease in the current quarter was primarily attributable to the decrease in gross profit of $2.4 (net of revenue recognized upon recognition of contract assets, amounts billed to customers for existing contract assets and inventory-step up expenses, partially offset by a decrease in general and administrative (G&A) expenses (net of amortization). 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 due to the receipt of the Canada Emergency Wage Subsidy, as well as changes in product mix.

Gross profit on total revenue was $10.2 million or 61% and $39.1 million or 69% for the three and nine months ended September 30, 2020 compared to a gross profit of $11.3 million or 60% and $30.0 million or 60% for the three and nine months ended September 30, 2019. The decrease in gross profit for the current three was primarily attributable to a decrease in license revenue, partially offset by an increase in gross margin on product sales (See *Total Revenue* above). The increase in gross profit for the current nine-month period was primarily attributable to an increase in license revenue and gross margin on product sales (See *Total Revenue* above).

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 September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
in thousands	**$**	$	**$**	$
Total revenue	**16,601**	18,823	**56,492**	49,953
Add:				
Amounts billed to customers for existing contract assets	**68**	66	**2,632**	5,127
Deduct:				
Revenue recognized upon recognition of a contract asset	**-**	-	**(5,496)**	-
Adjusted total revenue	**16,669**	18,889	**53,628**	55,080

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 September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
in thousands	**$**	$	**$**	$
Net income (loss)	**(2,832)**	4,425	**(6,528)**	3,817
Add back:				
Income tax expense (recovery)	**(7)**	(151)	**1,587**	(1)
Net interest expense	**2,904**	3,166	**9,019**	7,163
Depreciation and amortization	**2,250**	2,349	**6,965**	7,234
EBITDA	**2,315**	9,789	**11,043**	18,213
Add back:				
Amounts billed to customers for existing contract assets	**68**	66	**2,632**	5,127
Stock-based compensation	**50**	112	**208**	343
Deduct:				
Revenue recognized upon recognition of a contract asset	**-**	-	**(5,496)**	-
Other Expenses (Income):				
Change in fair value of derivative liabilities[(1)]	**5,240**	(3,890)	**11,141**	(31,471)
Change in fair value of contingent and variable consideration	**(289)**	(205)	**1,586**	(640)
Contract asset impairment[(2)]	**-**	-	**-**	23,621
Foreign currency loss (gain)	**(1,146)**	201	**1,441**	(1,517)
Inventory step-up	**358**	1,580	**1,059**	4,104
Other losses (gains)	**(31)**	131	**(1,413)**	892
Adjusted EBITDA	**6,565**	7,784	**22,201**	18,672

(1) As a result of the increase in the share price in the current three-month period, combined with an increase in the volatility, partially offset by a decrease in the risk-adjusted discount rate, the value of the Company's derivative liabilities increased and the Company recognized a net non-cash charge of $5.2 million and $11.1 million on the change in fair value of derivative liabilities for the three and nine months ended September 30, 2020.

(2) In the nine months ended September 30, 2019, the Company recognized a non-cash $23.6 million impairment charge related to the Vimovo contract asset.

Management to Host Conference Call/Webcast

Management will host a conference call to discuss the results today (Monday, November 16, 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 November 23, 2020 by calling 416 764 8677 or 1 888 390 0541 / replay passcode: 499774#.

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's products target 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.