Cipher Pharmaceuticals Reports Fourth Quarter and Full Year 2021 Financial Results

- *Demonstrated growth in FY 2021 as EBITDA increased 46% to $11.8 million*
- *Disciplined cost structure led to an 18% reduction in SG&A*
- *81% increase in EPS to $0.29 in FY2021*
- *Strengthened cash flow from operations; Cash at December 31, 2021 was $20.5 million*
- *Subsequent to year-end, bolstered isotretinoin portfolio through extended distribution and supply agreement with Sun Pharmaceutical to December 31, 2026*

MISSISSAUGA, ON, March 17, 2022 /CNW/ - Cipher Pharmaceuticals Inc. (TSX: CPH) ("**Cipher**" or "**the Company**") today announced its financial and operating results for the year ended December 31, 2021. Unless otherwise noted, **all figures are in U.S. dollars.**

Full Year 2021 Financial Highlights
(All figures in U.S. dollars, compared to 2020, unless otherwise noted)

- Total revenue increased to $21.9 million in 2021, compared to $21.6 million
- SG&A decreased 18.3% to $5.1 million, compared to $6.3 million
- Total operating expenses decreased 32% to $10.1 million, compared to $14.9 million
- EBITDA[2] increased 46% to $11.8 million, compared to $8.1 million
- Adjusted EBITDA[2] increased 1.7% to $13.9 million from $13.7 million
- Earnings per common share increased 81% to $0.29 from $0.16
- Earnings per common share excluding legal provision and loss on disposal of assets increased to $0.37 (CDN$0.47) from $0.16 in 2020, an increase of 131%
- As at December 31, 2021, the Company had $20.5 million (CDN$26[1] million) in cash or $0.79 (CDN$1.00) per share
- 1,210,800 shares were repurchased and cancelled under the Normal Course Issuer Bid at an average price of CDN$1.77

Q4 2021 Financial Highlights
(All figures in U.S. dollars, compared to Q4 2020, unless otherwise noted)

- Total revenue was $5.9 million compared to $6.1 million
- SG&A decreased 45% to $1.0 million to $1.9 million
- Total operating expenses decreased 76% to $2.0 million from $8.0 million, in part due to an impairment charge of $5.3 million in 2020 relating to Trulance
- Adjusted EBITDA[2] increased to $4.1 million from $3.9 million
- Net income increased to $2.8 million from a loss of $0.1 million
- Earnings per common share increased to $0.11 from $0.00

Management Commentary

"Fiscal 2021 results demonstrated positive momentum, as revenue, adjusted EBITDA and EPS all showed growth over the prior year. Our continued efforts to reduce the cost structure resulted in our earnings per share increasing 81% to $0.29 from $0.16 in the prior year. We generated $13.8 million in cash from operating activities in the twelve months ending December 31, 2021, ending the year with $20.5 million in cash on the balance sheet and no long-term debt. With our pristine balance sheet and strong cash flow from operating activities, we feel the company is in an excellent position for its next phase of growth," said **Mr. Craig Mull**, Interim CEO.

A key focus for Cipher during 2021 was to negotiate extended distribution and supply agreements

with key partners for the Company's portfolio, with an emphasis on improving visibility and long-term profitability. Commenting on distribution agreements, **Mr. Mull** said, "In February 2021, we entered into a co-promotion agreement with Verity Pharmaceuticals for the marketing, sales & co-promotion of Brinavess and Aggrastat. This partnership will help us to manage our costs efficiently and drive profitability within our hospital business. In September 2021, Cipher entered into a distribution and supply agreement with ANI Pharmaceuticals, Inc. Under the ANI Agreement, ANI was granted the exclusive right to market, sell and distribute Lipofen and fenofibrate in the United States. The ANI Agreement is for a period of five years and ANI has the right to extend the term for two additional two-year periods."

"Furthermore, in the second quarter we launched Absorica AG with our marketing partner Sun Pharmaceutical Industries, Inc. ("Sun Pharma") in order to broaden Cipher's isotretinoin portfolio and maximize its value. Subsequent to year-end, we were pleased to announce an extension of the distribution and supply agreement with Sun Pharma through December 31, 2026. We believe that this four-year extension is testament to the success of our strategy and provides Cipher with enhanced visibility into stable revenue and cashflow for years to come." **Mr. Mull** added.

Cipher also intends to assume direct distribution of Durela in Canada, which is expected to commence April 1, 2022.

"Overall, 2021 was a transformational year for Cipher. The Company fortified its balance sheet, improved distribution agreements and is generating substantial cash flow from operations. Our key priorities for 2022 include continuing to allocate our capital efficiently with the goal of driving shareholder value. We remain focused on investing in commercial products to drive organic growth, evaluating profitable product and company acquisitions, advancing the development pipeline and continuing to buy back common shares through our normal course issuer bid ("NCIB"). Cipher enters 2022 in an excellent position to utilize multiple levers to drive shareholder value, while maintaining a highly disciplined approach to our cost structure," concluded **Mr. Mull**.

2021 Corporate Highlights

During the year ended December 31, 2021, the Company assigned the lease for its corporate operations head office to an arms' length third party and paid an inducement payment of CDN$775,000. The term of the lease was 10 years and three months and commenced on January 1, 2019. The Company incurred a non-recurring loss on extinguishment of lease expense in the year ended December 31, 2021, of $100,000. In addition, the Company recorded a loss on disposal of assets related to the unamortized leasehold improvements, furniture and fixtures and the associated office lease – right of use of $658,000. It is expected that the assignment of the lease will result in a net savings of approximately CDN$2.2 million over the remainder of the lease term.

On September 8, 2021, the Company announced the renewal of its NCIB for up to 1,541,455 common shares, representing 10% of its public float.

On March 25, 2021, the Company announced that it had received approval from the Toronto Stock Exchange to amend its NCIB in order to enter into an automatic repurchase plan with its designated broker.

On February 10, 2021, the Company entered into an exclusive co-promotion agreement with Verity Pharmaceuticals Inc. for the marketing, sales and co-promotion of Brinavess and Aggrastat.

On January 15, 2021, the Company received an arbitration ruling in connection with the impairment of the Trulance intangible asset as at December 31, 2020. During the three months ended June 30, 2021, the Company executed a settlement agreement in full settlement of the dispute with Bausch Health Ireland Ltd. ("Bausch Health") and paid the full settlement amount of $1.5 million. An amount of $1.25 million was accrued in the quarter ending March 31, 2021 in addition to $0.24 million that

was previously accrued as at December 31, 2020.

Q4 2021 Financial Review
(All figures are in U.S. dollars)

Total revenue was $5.9 million for Q4 2021, compared to $6.1 million for Q4 2020.

Licensing revenue was $2.8 million for the three months ended December 31, 2021, compared to $3.9 million for the three months ended December 31, 2020.

Licensing revenue from Absorica in the US was $1.6 million for the three months ended December 31, 2021, a decrease of $1.4 million or 47% compared to $3.0 million for the three months ended December 31, 2020.

Licensing revenue from Lipofen and the authorized generic version of Lipofen, was $1.3 million for Q4 2021, an increase of $0.5 million compared to revenue of $0.8 million for Q4 2020.

Licensing revenue from the extended-release tramadol product (Conzip and Durela) was $0.1 million which remained relatively unchanged from the comparative period.

Product revenue increased by $0.8 million or 36% to $3.1 million for Q4 2021, compared to $2.3 million for the comparable period in 2020.

Selling, general and administrative expenses were $1.0 million for Q4 2021 compared to $1.9 million for Q4 2020, a decrease of $0.8 million or 45%. The decrease was primarily driven by lower legal fees which were incurred in Q4 2020 related to the Trulance settlement.

Total operating expenses were $2.0 million for Q4 2021 compared to $8.0 million for Q4 2020. The decrease was primarily driven by the impairment of intangible assets related to Trulance of $5.3 million.

Income from continuing operations was $2.8 million, or $0.11 per basic and diluted share, in Q4 2021, compared to a loss from continuing operations of $0.1 million, or $0.00 per basic and diluted share, in Q4 2020. Adjusted EBITDA for Q4 2021 was $4.1 million, compared to $3.9 million in Q4 2020.

The Company had $20.5 million in cash and no debt at December 31, 2021. The Company generated $13.8 million in cash from operating activities for the year ended December 31, 2021.

Outlook

Cipher anticipates several key milestones in 2022 that will continue to enhance long term value, including:

- Full-year benefit of the cost reduction plan
- Reinforced commitment to our hospital business with distribution partnership is expected to result in improved growth and profitability
- Collaboration with Galephar on key products in the Lucy product portfolio
- Continue to repurchase shares for cancellation under our normal course issuer bid
- Work closely with Moberg on continued development of MOB-015
- Selectively pursue product and business acquisitions in a prudent manner with a focus on high growth potential and near-term profitability

Financial Statements and MD&A

Cipher's Financial Statements for the year ended December 31, 2021, and Management's Discussion and Analysis (the "**MD&A**") for the three and twelve months ended December 31,

2021, are available on the Company's website at www.cipherpharma.com in the "Investors" section under "Financial Reports" and on SEDAR at www.sedar.com.

Notice of Conference Call

Cipher will hold a conference call on March 18, 2022, at 8:30 a.m. (ET) to discuss its financial results and other corporate developments.

- To access the conference call by telephone, dial (647) 794-4605 or (888) 204-4368 and use conference 1673781.

A live audio webcast will be available at https://produceredition.webcasts.com/starthere.jsp?ei=1533942&tp_key=62d3cb0b34

- or the Investor Relations section of the Company's website at http://www.cipherpharma.com.
- An archived replay of the webcast will be available until March 25, 2022.

About Cipher Pharmaceuticals Inc.

Cipher Pharmaceuticals (TSX: CPH) is a specialty pharmaceutical company with a robust and diversified portfolio of commercial and early to late-stage products. Cipher acquires products that fulfill unmet medical needs, manages the required clinical development and regulatory approval process, and currently markets those products either directly in Canada or indirectly through partners in Canada, the U.S., and South America. For more information, visit www.cipherpharma.com.

Forward-Looking Statements

This document includes forward-looking statements within the meaning of applicable securities laws. These forward-looking statements include, among others, statements with respect to the impact of the Company's cost reduction plan, the potential for improved profitability of our hospital business, increased adoption of ABSORICA LD, discussions with Galephar regarding new product opportunities, the impact of the partnership with Verity on the Company's ability to manage its costs efficiently and drive profitability within its hospital business, our objectives and goals and strategies to achieve those objectives and goals, as well as statements with respect to our beliefs, plans, expectations, anticipations, estimates and intentions. The words "may", "will", "could", "should", "would", "suspect", "outlook", "believe", "plan", "anticipate", "estimate", "expect", "intend", "forecast", "objective", "hope" and "continue" (or the negative thereof), and words and expressions of similar import, are intended to identify forward-looking statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, which give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. Certain material factors or assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such statements. We caution readers not to place undue reliance on these statements as a number of important factors, many of which are beyond our control, could cause our actual results to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to, the extent and impact of the coronavirus (COVID-19) outbreak on our business including any impact on our contract manufacturers and other third party service providers, our ability to enter into development, manufacturing and marketing and distribution agreements with other pharmaceutical companies and keep such agreements in effect; our dependency on a limited number of products; our dependency on protection from patents that will expire; integration difficulties and other risks if we acquire or in-license technologies or product candidates; reliance on third parties for the marketing of certain products; the product approval process is highly

unpredictable; the timing of completion of clinical trials, regulatory submissions and regulatory approvals; reliance on third parties to manufacture our products and events outside of our control that could adversely impact the ability of our manufacturing partners to supply products to meet our demands; we may be subject to future product liability claims; unexpected product safety or efficacy concerns may arise; we generate license revenue from a limited number of distribution and supply agreements; the pharmaceutical industry is highly competitive; requirements for additional capital to fund future operations; products in Canada may be subject to pricing regulation; dependence on key managerial personnel and external collaborators; no assurance that we will receive regulatory approvals in the U.S., Canada or any other jurisdictions and current uncertainty surrounding health care regulation in the U.S.; certain of our products are subject to regulation as controlled substances; limitations on reimbursement in the healthcare industry; limited reimbursement for products by government authorities and third-party payor policies; products may not be included on list of drugs approved for use in hospitals; hospital customers may make late payments or not make any payments; various laws pertaining to health care fraud and abuse; reliance on the success of strategic investments and partnerships; the publication of negative results of clinical trials; unpredictable development goals and projected time frames; rising insurance costs; ability to enforce covenants not to compete; risks associated with the industry in which we operate; we may be unsuccessful in evaluating material risks involved in completed and future acquisitions; we may be unable to identify, acquire or integrate acquisition targets successfully; legacy risks from operations conducted in the U.S.; inability to meet covenants under our long term debt arrangement; compliance with privacy and security regulation; our policies regarding returns, allowances and chargebacks may reduce revenues; certain current and future regulations could restrict our activities; additional regulatory burden and controls over financial reporting; reliance on third parties to perform certain services; general commercial litigation, class actions, other litigation claims and regulatory actions; the difficulty for shareholders to realize in the United States upon judgments of U.S. courts predicated upon civil liability of the Company and its directors and officers who are not residents of the United States; the potential violation of intellectual property rights of third parties; our efforts to obtain, protect or enforce our patents and other intellectual property rights related to our products; changes in U.S., Canadian or foreign patent laws; litigation in the pharmaceutical industry concerning the manufacture and supply of novel and generic versions of existing drugs; inability to protect our trademarks from infringement; shareholders may be further diluted if we issue securities to raise capital; volatility of our share price; the fact that we have a significant shareholder; we do not currently intend to pay dividends; our operating results may fluctuate significantly; and our debt obligations will have priority over the common shares of the Company in the event of a liquidation, dissolution or winding up.

We caution that the foregoing list of important factors that may affect future results is not exhaustive. When reviewing our forward-looking statements, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Additional information about factors that may cause actual results to differ materially from expectations, and about material factors or assumptions applied in making forward-looking statements, may be found in the "Risk Factors" section of the Company's Annual Information Form for the year ended December 31, 2020, and elsewhere in our filings with Canadian securities regulators. Except as required by Canadian securities law, we do not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by us or on our behalf; such statements speak only as of the date made. The forward-looking statements included herein are expressly qualified in their entirety by this cautionary language.

1. *At the December 31, 2021 exchange rate – 1.2678*

2. *EBITDA and adjusted EBITDA are non-IFRS financial measures. The term EBITDA (earnings*

before interest, taxes, depreciation and amortization,) does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement IFRS measures by providing a further understanding of operations from management's perspective. The Company defines Adjusted EBITDA as earnings before interest expense, income taxes, depreciation of property and equipment, amortization of intangible assets, non-cash share-based compensation, changes in fair value of derivative financial instruments, provision for legal settlement, loss on disposal of assets and loss on extinguishment of lease, impairment of intangible assets, restructuring costs and foreign exchange gains and losses from the translation of Canadian cash balances.

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

(IN THOUSANDS OF U.S. DOLLARS)	**2021**	2020
	$	$
Income from continuing operations	**7,758**	4,386
Add back:		
Depreciation and amortization	**701**	1,205
Interest expense, net	**92**	363
Income taxes	**3,301**	2,150
EBITDA	**11,852**	8,104
Change in fair value of derivative financial instrument	**(5)**	(4)
Restructuring costs	**—**	154
Loss from the translation of Canadian cash and lease balances	**(83)**	32
Impairment of intangible assets	**—**	5,275
Provision for legal settlement	**1,250**	—
Loss on disposal of assets and extinguishment of lease	**758**	—
Share-based compensation	**139**	122
Adjusted EBITDA	**13,911**	13,683
Adjusted EBITDA per share – basic	**0.52**	0.51
Adjusted EBITDA per share – dilutive	**0.52**	0.51

The following is a summary of how the Q4 2021 and 2020 EBITDA and Adjusted EBITDA are calculated:

(IN THOUSANDS OF U.S. DOLLARS)	**Q4 2021**	Q4 2020
	$	$
Income (loss) from continuing operations	**2,807**	(100)
Add back:		
Depreciation and amortization	**153**	299
Interest expense, net	**5**	85
Income taxes	**1,105**	(1,705)
EBITDA	**4,070**	(1,421)
Change in fair value of derivative financial instrument	**—**	(8)
Restructuring costs	**—**	7
Loss from the translation of Canadian cash and lease balances	**(16)**	43
Impairment of intangible assets	**—**	5,275
Share-based compensation	**18**	(18)
Adjusted EBITDA	**4,072**	3,878
Adjusted EBITDA per share – basic	**0.16**	0.14
Adjusted EBITDA per share – dilutive	**0.15**	0.14

SOURCE Cipher Pharmaceuticals Inc.

View original content: http://www.newswire.ca/en/releases/archive/March2022/17/c2046.html

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