Cipher Pharmaceuticals Reports First Quarter Results, Highlighted by Record Cash Per Share and Strong Financial Flexibility

(All figures are presented in U.S. dollars)

- *Cash on hand grew by $4.6 million to $33.4 million*
- *EPS increased 25% year-over-year to $0.10*
- *Adjusted EBITDA[1] of $3.2 million was higher than Q1 2022 and Q4 2022 by $0.1 million*

MISSISSAUGA, ON, May 11, 2023 /CNW/ - Cipher Pharmaceuticals Inc. (TSX: CPH) ("**Cipher**" or "**the Company**") today announced its financial and operating results for the three month period ended March 31, 2023.

Q1 2023 Financial Highlights
(All figures in U.S. dollars, compared to Q1 2022, unless otherwise noted)

- Total revenue was $4.9 million compared to $5.4 million, a decrease of 10%
- Adjusted EBITDA[1] increased 3% to $3.2 million in Q1 2023
- Continued emphasis on managing the business with a focus on earnings and strong free cash flow
- Ended the quarter with $33.4 million in cash *(CDN$45.2[2]) or $1.33 per share (CDN $1.80[2])*
- Announced the closing of a new US$35 million credit facility with Royal Bank of Canada

Management Commentary

Craig Mull, Interim CEO commented, "The market for pharmaceutical assets has dramatically improved this year, as the implications of macro economic factors are working their way through the financial system. With capital becoming incrementally more difficult to secure, we believe pharmaceutical companies are increasingly looking to monetize assets to meet shortfalls and raise liquidity. In the first quarter of 2023, Cipher generated $4.7 million in cash from operating activities, with substantially all of it flowing to our balance sheet, strengthening our total cash reserves in excess of $33 million. Additionally, we took a substantial step to enhance our financial flexibility by securing a US$35 million credit facility with the Royal Bank of Canada, providing us with over US$68 million in growth capital to deploy in what is becoming an increasingly more attractive M&A market."

Bryan Jacobs, CFO commented, "Cipher's efficient business model enabled us to deliver strong operating results in the first quarter, with our robust product portfolio generating substantial cash flow from operations. During the quarter, Cipher achieved a 54% net income margin and delivered 25% year-over-year growth in EPS, while adding $4.6 million of cash to our balance sheet. With a strong balance sheet, and a substantial credit facility at our disposal, we are in an ideal position to drive our next phase of growth."

Q1 2023 Financial Review
(All figures are in U.S. dollars)

- Total revenue was $4.9 million for Q1 2023, compared to $5.4 million for Q1 2022.
- Licensing revenue was $1.7 million for Q1 2023, compared to $2.1 million for Q1 2022.
- Product revenue was $3.2 million for Q1 2023, compared to $3.3 million for Q1 2022.
- Cash SG&A costs were $0.8 million for Q1 2023, compared to $1.1 million for Q1 2022.
- Net income was $2.7 million, or $0.10 per diluted share in Q1 2023, compared to $2.1 million, or $0.08 per diluted share in Q1 2022.

- Adjusted EBITDA for Q1 2023 was $3.2 million, compared to $3.1 million in Q1 2022.
- The Company had $33.4 million in cash and no debt as at Q1 2023. Cipher generated $4.7 million in cash from operating activities during Q1 2023.

Business Strategy & Outlook

Cipher anticipates executing on its business strategy in 2023 to enhance long term value, including:

- Focusing on acquiring cash flow positive pharmaceutical assets to further diversity our product portfolio
- Continuing to be responsive to opportunities being presented to us and whereby long-term shareholder value can be enhanced
- Operating the business in an efficient and prudent manner to deliver continued earnings, being our management philosophy
- Continuing to collaborate with our partners on our product pipeline, such as with Moberg Pharma on its phase III clinical trial in the U.S. for MOB-015, which started in May 2022, a novel product for the treatment of foot fungus, and whereby Cipher has the exclusive Canadian market rights

Financial Statements and MD&A

Cipher's Financial Statements for the three months ended March 31, 2023, and Management's Discussion and Analysis (the "**MD&A**") for the three months ended March 31, 2023, 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 May 12, 2023, at 8:30 a.m. (ET) to discuss its financial results and other corporate developments.

- To access the conference call by telephone, dial (416) 764-8650 or (888) 664-6383 and use conference 40452017

A live audio webcast will be available at https://app.webinar.net/wOPDyeLaKb0

- 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 May 19, 2023.

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 and Non-IFRS Measures

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, 2022, 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) *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.*

2) *At the March 31, 2022 exchange rate – 1.3533*

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

(IN THOUSANDS OF U.S. DOLLARS)	Three months ended March 31, 2023	Three months ended March 31, 2022
	$	$
Income and comprehensive income	**2,626**	2,149
Add back:		
Depreciation and amortization	**343**	155
Interest income	**(355)**	(7)
Income taxes	**82**	774
EBITDA	**2,696**	3,071
Unrealized foreign exchange gain	**(7)**	(17)
Restructuring costs	**38**	—
Share-based compensation	**444**	38
Adjusted EBITDA	**3,171**	3,092
Adjusted EBITDA per share – basic	**0.12**	0.12
Adjusted EBITDA per share – dilutive	**0.12**	0.12

Condensed interim consolidated statements of income and comprehensive income

	Three months ended March 31,	
	2023	2022
(IN THOUSANDS OF U.S. DOLLARS)	$	$
Revenue		

Licensing revenue	**1,676**	2,099
Product revenue	**3,210**	3,317
Net revenue	**4,886**	5,416
Operating expenses		
Cost of products sold	**977**	1,124
Research and development	**3**	65
Depreciation and amortization	**343**	155
Selling, general and administrative	**1,217**	1,173
Total operating expenses	**2,540**	2,517
Other (income) expenses		
Interest income	**(355)**	(7)
Unrealized foreign exchange gain	**(7)**	(17)
Total other (income) expenses	**(362)**	(24)
Income before income taxes	**2,708**	2,923
Current income tax (recovery) expense	**97**	724
Deferred income tax (recovery) expense	**(15)**	50
Total income tax (recovery) expense	**82**	774
Net income and comprehensive income for the period	**2,626**	2,149
Income per share		
Basic	**0.10**	0.08
Diluted	**0.10**	0.08

Condensed interim consolidated statements of financial position

	As at March 31,	As at December 31,
	2023	2022
(IN THOUSANDS OF U.S. DOLLARS)	$	$
Assets		
Current assets		
Cash and cash equivalents	**33,427**	28,836
Accounts receivable	**5,487**	6,802
Inventory	**2,383**	2,152
Prepaid expenses and other assets	**332**	371
Total current assets	**41,629**	38,161
Property and equipment, net	**471**	481
Intangible assets, net	**2,451**	2,754
Goodwill	**15,706**	15,706
Deferred tax assets	**16,703**	16,674
Total assets	**76,960**	73,776
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	**4,127**	4,107
Income taxes payable	**5,004**	4,904
Contract liability	**285**	257
Current portion of lease obligation	**101**	101
Total current liabilities	**9,517**	9,369
Lease obligation	**302**	327
Total liabilities	**9,819**	9,696
Shareholders' equity		
Share capital	**18,294**	17,719
Contributed surplus	**5,273**	5,358
Accumulated other comprehensive loss	**(9,514)**	(9,514)
Retained earnings	**53,088**	50,517
Total shareholders' equity	**67,141**	64,080
Total liabilities and shareholders' equity	**76,960**	73,776

SOURCE Cipher Pharmaceuticals Inc.

View original content: http://www.newswire.ca/en/releases/archive/May2023/11/c2703.html

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