

Cipher Pharmaceuticals Reports Fourth Quarter and Full Year 2024 Results

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

- Generated \$8.3 million in cash during Q4 2024
- Natroba™ revenue was \$12.0 million for the 5 months of fiscal 2024 since acquisition
- Full year adjusted EBITDA¹ of \$15.7 million, an increase of 23% over fiscal 2023
- Cash at December 31, 2024 was \$17.8 million or \$0.70 per outstanding common share
- Epuris revenue grew by 20% in fiscal 2024 compared to fiscal 2023
- Reactivation of a Normal Course Issuer Bid, which may include block purchases of the Company's common shares in accordance with TSX policies

MISSISSAUGA, ON, March 18, 2025 /CNW/ - Cipher Pharmaceuticals Inc. (TSX: CPH) (OTCQX: CPHRF) ("**Cipher**" or the "**Company**") today announced its financial and operating results for the year ended December 31, 2024.

Full Year 2024 Financial Highlights

(All figures in U.S. dollars, compared to full year 2023, unless otherwise noted)

- Total revenue was \$33.4 million in 2024, compared to \$21.2 million in 2023, an increase of 58%
- Revenue from Epuris increased by \$2.4 million or 22%, in constant currency, compared to 2023
- Total gross profit of \$24.1 million in 2024, compared to \$17.1 million in 2023, an increase of 41%
- Gross margin on product revenue, excluding non-cash fair value adjustments on acquired inventory, was 76% in 2024, compared to 68% in 2023
- Adjusted EBITDA¹ of \$15.7 million, compared to \$12.7 million, an increase of 23%
- Positive operating cash flows of \$19.5 million in 2024, compared to \$16.0 million in 2023, an increase of 22%

Q4 2024 Financial Highlights

(All figures in U.S. dollars, compared to Q4 2023, unless otherwise noted)

- Cash balance increased by \$8.3 million during Q4 2024
- Total revenue was \$11.8 million, compared to \$4.9 million in Q4 2023, an increase of 141%
- Epuris sales volumes grew 16% compared to Q4 2023, continuing growth trajectory for the 6th consecutive quarter
- Revenue from Natroba™ was \$6.5 million in Q4 2024
- Adjusted EBITDA¹ was \$5.0 million, compared to \$2.9 million in Q4 2023, an increase of 73%

Management Commentary

Craig Mull, Interim CEO, commented: "In 2024, Cipher entered a new phase of substantial growth with its acquisition of the Natroba business from ParaPRO LLC, providing us with a U.S.-based commercial footprint, including a commercial sales team and the Natroba™ product for the treatment of head lice and scabies, which form the perfect platform to support further growth in the U.S. and to launch unique dermatology and infectious disease products complementary to Natroba™.

Throughout the year, we also yielded growth in our base business in Canada, with strong sales performance and increased market share from our market leading Canadian product, Epuris®.

Revenue from Epuris® grew 20% in 2024, with market share growth of 3% in the year and a total market share of 48%². As we enter 2025, we continue to execute on our growth strategy by leveraging our existing product portfolio, including distribution in additional territories, and growth through the pursuit of accretive acquisitions."

Ryan Mailing, CFO, commented: "In 2024, Cipher's base business led by Epuris® in Canada, continues to be a reliable source of free cash flow, with our cash balance growing by \$8 million, or 20%, to nearly \$48 million prior to our acquisition of the Natroba™ business in late-July 2024. Subsequent to our acquisition we continued our predictable track record to generate cash flows, with an increase in cash of \$10 million or 123% during the remaining 5 months of the year, to a total of nearly \$18 million in cash on-hand at the end of 2024. Post-acquisition Cipher generates meaningful free cash flows from both Cipher's base business and the acquired Natroba™ business. Our significant free cash flows, combined with the undrawn portion of our recently secured credit facility at favourable terms with the National Bank of Canada, provide the Company with substantial capital available to deploy as we continue to execute on our growth strategy."

2024 Corporate Highlights

On July 26, 2024, the Company entered into a new credit facility with National Bank of Canada ("National Bank"), a new financial partner, as Lead Arranger and sole Bookrunner of a syndicated credit facility (the "New Credit Facility"). Under the terms of the New Credit Facility, National Bank provides the Company with access to up to \$65 million through a revolving credit facility. In addition, the New Credit Facility contains an optional \$25 million accordion feature. Accordingly, the Company's credit facility with Royal Bank of Canada was terminated effective July 25, 2024.

On July 26, 2024, the Company signed a definitive asset purchase agreement with ParaPRO LLC ("ParaPRO") and closed the acquisition of the global product rights for Natroba™ and its authorized generic Spinosad, as well as the commercial sales team in the United States for total consideration of \$89.3 million. The Company paid \$80 million in cash, satisfied by \$40 million from cash on-hand and \$40 million from the New Credit Facility. The Company additionally issued \$9.3 million of common shares of Cipher ("Common Shares") to ParaPRO, representing 1,474,097 shares at a closing price of CDN\$8.68.

On January 29, 2024, the Company announced that its Common Shares were now trading on the OTCQX® Best Market ("OTCQX") under the symbol "CPHRF", in addition to continuing to trade on the Toronto Stock Exchange under the symbol "CPH". The OTCQX is the highest market tier of OTC Markets on which 12,000 U.S. and global securities trade. Trading on OTCQX was completed to enhance the visibility and accessibility of the Company to U.S. investors.

Normal Course Issuer Bid and Block Purchases

As result of the recent decline in the Company's share price, despite the strong underlying performance of the Company's existing base business, combined with the performance to-date and growth potential of the recently acquired U.S. based Natroba™ business, Cipher believes the current price of its Common Shares do not fully reflect their value.

Accordingly, Cipher intends to file with the Toronto Stock Exchange (the "TSX") a notice of its intention to commence a normal course issuer bid ("NCIB"). In accordance with TSX policies, Cipher also intends to utilize block purchases, in addition to daily repurchases under the NCIB, to repurchase its Common Shares.

Repurchases of Cipher's Common Shares are expected to begin immediately following: (i) the successful approval by the TSX of Cipher's notice of intention to commence a NCIB, and (ii) the Company being permitted to do so following the expiry of any blackout periods in effect due to customary regulatory restrictions. The Company will issue a further press release once it has filed

the application for approval of the NCIB with the TSX.

Trade Policies and Tariffs

The Company has been monitoring the announcements of potential changes to trade policies, tariffs, and other trade barriers, largely resulting from the United States federal government targeting certain goods arriving from other countries, including Canada, Mexico, and China. The Company is also monitoring reciprocal tariffs currently in place and being proposed by those countries in which the Company does business, particularly in Canada.

Given the dynamic nature of these proposed changes to trade policies and tariffs, the Company continues to monitor the potential impacts to its business. The Company's current assessment, based on information available at this time, is that changes to trade policies and tariffs, actual or proposed, are not expected to have a significant impact on its business.

Q4 2024 Financial Review

(All figures are in U.S. Dollars)

Total revenue was \$11.8 million for Q4 2024, compared to \$4.9 million in Q4 2023.

Product revenue increased by \$7.1 million or 210% to \$10.5 million for Q4 2024, compared to \$3.4 million for the comparable period in 2023, due to growth of Epuris® by 21% and the addition of \$6.5 million in revenue from Natroba™ in Q4 2024.

Licensing revenue was \$1.4 million for Q4 2024, compared to \$1.5 million in Q4 2023.

Licensing revenue from the Absorica portfolio in the U.S. was \$0.9 million for Q4 2024, a decrease of \$0.1 million or 10% compared to \$1.0 million for Q4 2023.

Licensing revenue from Lipofen and the authorized generic version of Lipofen, was \$0.5 million for Q4 2024, consistent with Q4 2023.

Total operating expenses were \$12.3 million for Q4 2024 compared to \$2.6 million for Q4 2023. The increase was largely attributable to incremental costs incurred in connection with the Natroba™ business acquired during the year ended December 31, 2024, certain of which costs are non-recurring. These costs included additional selling, general and administrative expenses associated with ongoing operations of the Natroba™ business; additional amortization for acquired intangible assets; non-cash fair value adjustments to acquired inventory of \$2.7 million recognized in cost of products sold during the period; and non-recurring acquisition related costs of \$0.9 million. In addition to incremental costs incurred in connection with the Natroba™ business, the Company also incurred \$0.9 million of legal costs in Q4 2024 related to Cipher's claim that Sun Pharmaceuticals Industries, Inc. ("Sun") breached the supply and distribution agreement in place between the parties relating to the drug Absorica LD in Canada. The alleged breach of the agreement by Sun relating to a purported misappropriation of Cipher's clinical data resulted in an arbitration hearing subsequent to December 31, 2024. The arbitration is expected to be decided in the second quarter of 2025.

Operating cash flows were \$8.9 million for Q4 2024 compared to \$2.4 million for Q4 2023, largely benefitting from additional cash generation arising from the operations of the acquired Natroba™ business.

Net income was \$3.3 million, or \$0.13 per Common Share, in Q4 2024, compared to \$7.7 million, or \$0.32 per Common Share in Q4 2023. Adjusted EBITDA¹ for Q4 2024 was \$5.0 million, compared to \$2.9 million in Q4 2023. Net income and net income per Common Share in Q4 2024 was lower than Q4 2023, primarily impacted by the non-cash fair value adjustments to acquired inventory and non-recurring acquisition related costs incurred in connection with Natroba™ business

acquisition.

Business Strategy & Outlook

Cipher expects to continue to execute on its business strategy in 2025 and remains focused on profitability and driving shareholder value. Key areas of focus include:

- Driving market share growth of Natroba™ in the anti-parasitic market in the U.S. where its current market share is approximately 23%², in a market where market leader "Permethrin" is no longer an effective treatment but still holds 75%² market share.
- Out-licensing Natroba™ globally where there is high unmet need, such as warm climate regions.
- Acquiring complementary dermatology products to add to our North American platform to enhance the profitability, size and scale of the business.

Financial Statements and MD&A

Cipher's Financial Statements for the year ended December 31, 2024, and Management's Discussion and Analysis (the "MD&A") for the three and twelve months ended December 31, 2024, are available on the Company's website at www.cipherpharma.com in the "Investors" section under "Financial Reports" and on SEDAR+ at www.sedarplus.ca.

Notice of Conference Call

Cipher will hold a conference call on March 19, 2025, at 8:30 a.m. (ET) to discuss its financial results and other corporate developments.

- To access the conference call by telephone, dial (416) 945-7677 or (888) 699-1199
- A live audio webcast will be available at <https://app.webinar.net/A3drRqVpovk>
- An archived replay of the webcast will be available until March 26, 2025 and can be accessed by dialing (289) 819-1450 or (888) 660-6345 and entering conference replay code 49540#

About Cipher Pharmaceuticals Inc.

Cipher Pharmaceuticals (TSX: CPH) (OTCQX: CPHRF) is a specialty pharmaceutical company with a robust and diversified portfolio of commercial and early to late-stage products, mainly in dermatology. 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, 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 proposed NCIB, expectations for future growth, 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 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, 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; the extent and impact of health pandemic outbreaks on our business; 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 by regulators which can be 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 Company's performance depends, in part, on the performance of its distributors and suppliers; the pharmaceutical industry is highly competitive with new competing product entrants; requirements for additional capital to fund future operations; products may be subject to pricing regulation; dependence on key managerial personnel and external collaborators; the ability to receive regulatory approvals for products in development or future products; certain of our products are subject to regulation as controlled substances; limitations on reimbursement in the healthcare industry; the ability to convince public payors and hospitals to include our products on the approved formulary lists; ability to receive timely payment from certain customers; application of various laws pertaining to health care fraud and abuse; the Company's 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 healthcare industry generally; 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; success in applying tax loss carry forwards; inability to meet covenants under our long-term debt arrangement; compliance with privacy and security regulation; our policies regarding product returns, allowances and chargebacks may reduce revenues; additional regulatory burden and controls over financial reporting; application of regulations that could restrict our activities and abilities to generate revenues as planned; reliance on third parties to perform distribution, logistics, invoicing, regulatory and sales 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; increases in tariffs, trade restrictions or taxes on our products; 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; 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; 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 our MD&A for the year ended December 31, 2024 and the Company's Annual Information Form, 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. These non-IFRS measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are unlikely to be comparable to similar measures presented by other companies. Management uses non-IFRS measures such as Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") and Adjusted EBITDA to provide investors with supplemental measures of the Company's operating performance and thus highlight trends in the Company's core business that may not otherwise be apparent when relying solely on IFRS financial measures. 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, acquisition costs, restructuring costs, fair value adjustments to acquired inventory and unrealized foreign exchange gains and losses.*

2) *IQVIA market data as at December 31, 2024.*

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

<i>(IN THOUSANDS OF U.S. DOLLARS, except for per share amounts)</i>	Three months ended December 31, 2024	Three months ended December 31, 2023	Year ended December 31, 2024	Year ended December 31, 2023
	\$	\$	\$	\$
Net income and comprehensive income	3,344	7,655	11,545	20,383
Add back:				
Depreciation and amortization	1,511	273	4,017	1,227
Interest expense (income)	544	(555)	(330)	(1,870)
Income taxes	(6,198)	(3,974)	(8,590)	(7,702)
EBITDA	(799)	3,399	6,642	12,038
Unrealized foreign exchange loss (gain)	1,790	(757)	2,508	(778)
Acquisition, restructuring and other costs	854	—	2,715	269
Fair value adjustments to acquired inventory	2,747	—	2,747	—
Share-based compensation	374	222	1,072	1,190
Adjusted EBITDA	4,966	2,864	15,684	12,719
Adjusted EBITDA per share – basic	0.19	0.12	0.63	0.51
Adjusted EBITDA per share – dilutive	0.19	0.12	0.62	0.50

Consolidated statements of income and comprehensive income

<i>(IN THOUSANDS OF U.S. DOLLARS, except for per share amounts)</i>	Three months ended December 31,		Year ended December 31,	
	2024	2023	2024	2023
	\$	\$	\$	\$
Revenue				
Licensing revenue	1,350	1,547	6,623	8,483
Product revenue	10,472	3,373	26,740	12,679
Net revenue	11,822	4,920	33,363	21,162
Operating expenses				
Cost of products sold	5,129	955	9,260	4,069
Research and development	—	29	—	139
Depreciation and amortization	1,511	273	4,017	1,227
Selling, general and administrative	5,702	1,294	14,953	5,694
Total operating expenses	12,342	2,551	28,230	11,129
Other expenses (income)				
Interest expense (income)	544	(555)	(330)	(1,870)
Unrealized foreign exchange loss (gain)	1,790	(757)	2,508	(778)
Total other expenses (income)	2,334	(1,312)	2,178	(2,648)
Income before income taxes	(2,854)	3,681	2,955	12,681
Current income tax expense (recovery)	54	(5,293)	54	(4,965)
Deferred income tax (recovery) expense	(6,252)	1,319	(8,644)	(2,737)
Total income tax (recovery) expense	(6,198)	(3,974)	(8,590)	(7,702)

Net income and comprehensive income for the year	3,344	7,655	11,545	20,383
Income per share				
Basic	0.13	0.32	0.47	0.82
Diluted	0.13	0.30	0.46	0.80

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Consolidated statements of financial position

	As at December 31, 2024	As at December 31, 2023
<i>(IN THOUSANDS OF U.S. DOLLARS)</i>	\$	\$
Assets		
Current assets		
Cash and cash equivalents	17,837	39,825
Accounts receivable	13,860	5,088
Inventory	5,792	2,982
Prepaid expenses and other assets	995	378
Total current assets	38,484	48,273
Property and equipment, net	680	402
Intangible assets, net	78,754	1,763
Deferred financing costs	386	—
Goodwill	17,447	15,706
Deferred tax assets	26,761	19,887
Total assets	162,512	86,031
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	5,873	4,596
Income taxes payable	54	—
Interest payable	358	—
Contract liability	13,306	562
Current portion of lease obligation	283	94
Total current liabilities	19,874	5,252
Lease obligation	295	259
Long-term debt	40,000	—
Total liabilities	60,169	5,511
Shareholders' equity		
Share capital	27,680	18,012
Contributed surplus	6,525	5,755
Accumulated other comprehensive loss	(9,514)	(9,514)
Retained earnings	77,652	66,267
Total shareholders' equity	102,343	80,520
Total liabilities and shareholders' equity	162,512	86,031

SOURCE Cipher Pharmaceuticals Inc.

View original content: <http://www.newswire.ca/en/releases/archive/March2025/18/c7597.html>

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