# Knight Reports First Quarter 2019 Results

MONTREAL, May 09, 2019 -- Knight Therapeutics Inc. (TSX: GUD) ("Knight"), a Canadian specialty pharmaceutical company, today reported financial results for its first quarter ended March 31, 2019. All dollar amounts are in thousands except for share and per share amounts. All currencies are Canadian unless otherwise specified.

***Q1 2019 Highlights***

***Financials***

- Revenues were $2,956, a decrease of $198 or 6% over prior period
- Net income was $5,189, a decrease of $1,720 or 25% over prior period
- Cash, cash equivalents and marketable securities of $748,411 as at March 31, 2019

*Corporate Development*

- Received a notice of reassessment from Quebec Revenue Agency of $18,242 related to the sale of Knight's Priority Review Voucher.

*Product*

- Entered into a licensing agreement with Puma Biotechnology, Inc. ("Puma") to commercialize NERLYNX® in Canada.

*Strategic Lending and Investments*

- Entered into a strategic financing agreement with Moksha8, Inc. ("Moksha8"), a specialty pharmaceutical company operating in Brazil and Mexico, for a loan of up to US$25,000.
- Entered into a secured loan agreement with Triumvira for US$5,000 for the development of its novelty T cell therapies and obtained the exclusive rights to commercialize Triumvira's future products in select countries.
- Received distributions of $676 from strategic fund investments and realized a gain of $132.
- Received dividends ILS 11,308 of from Medison Biotech (1995) Ltd. ("Medison").

*Key Subsequent Event*

- Shareholders elected James C. Gale, Jonathan Ross Goodman, Samira Sakhia, Robert N. Lande, Sylvie Tendler, Nancy Harrison, Michael J. Tremblay and Kevin Cameron as Directors at the Annual and Special Shareholder Meeting held on May 7, 2019.

"In the first quarter of 2019, Knight made significant progress in its mission to bring innovative drugs to patients and building a rest of world specialty pharmaceutical company. We expanded our oncology pipeline with the in-licensing of NERLYNX® and Triumvira's early stage assets. Furthermore, we have increased our capacity to identify and evaluate opportunities in Latin America with our strategic relationship with Moksha8", said Jonathan Ross Goodman, CEO of Knight Therapeutics Inc. "Looking ahead, the management team and myself remain fully committed on the disciplined execution of our strategy to continue building a Canadian and "rest of world" specialty pharmaceutical company."

**Select Financial Results**

| | | | Change | |
|---|---|---|---|---|
| | **Q1-19** | **Q1-18** | **$[1]** | **%[2]** |
| Revenues | **2,956** | 3,154 | (198) | 6% |
| Gross margin | **2,271** | 2,320 | (49) | 2% |
| Operating expenses | **5,071** | 3,373 | (1,698) | 50% |
| Interest income | **5,890** | 5,288 | 602 | 11% |
| Share of net income of associate | **692** | 503 | (189) | 38% |
| Net income | **5,189** | 6,909 | (1,720) | 25% |
| Basic earnings per share | **0.04** | 0.05 | (0.01) | 25% |

[1] A positive variance represents a positive impact to net income and a negative variance represents a negative impact to net income

[2] Percentage change is presented in absolute values

[3] Includes the sum of " interest income on financial instruments measured and amortized costs" and "other interest income" as presented in the Interim Consolidated Statements of Income under IFRS 9.

**Revenue and gross margin: No significant variance.**

**Operating expenses:** Of the increase, $1,615 is due to legal, consulting and advisory fees to Knight's shareholder & communication advisor, financial advisor and lawyers in relation to shareholder activist campaign, public proxy battle and related litigations between Knight and dissident shareholder Meir Jakobsohn, Medison's CEO. Knight expects that activist expense and legal expenses in Israel to continue in 2019 but at declining pace.

**Interest income:** Interest income is driven by the sum of interest income on financial instruments measured at amortized costs and other interest income. Interest income for Q1-19 was $5,890, an increase of 11% or $602 compared to Q1-18 driven by an increase in the average cash, cash equivalents and marketable securities balances and an increase in interest rates, partially offset by a lower average loan balance.

**Net income:** Decrease in net income for the quarter was driven by the above-mentioned items as well as: (i) other income of $353 (Q1-18: $1,351) received from fees earned on strategic loans, (ii) a net gain on revaluation of financial assets measured at fair value through profit or loss of $4,777 (Q1-18: $541), and (iii) a foreign exchange loss of $1,653 (Q1-18: gain of $2,597) from the relative losses on certain U.S. dollar denominated financial assets as Canadian dollar strengthened.

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**Product Updates**

In 2018, Knight submitted Netildex™ for the treatment of inflammatory ocular conditions of the anterior segment of the eye for regulatory approval in Canada. In December 2018, Knight received a Notice of Non-Compliance (NON) for Netildex™ and responded to Health Canada's issues in 2019.

On January 9, 2019, Knight entered into an exclusive license agreement with Puma for the exclusive right to commercialize NERLYNX® (neratinib) in Canada. Puma filed a NDS for NERLYNX® with Health Canada in July 2018 for the extended adjuvant treatment of adult patients with early stage HER2-overexpressed/amplified breast cancer following adjuvant trastuzumab-based therapy. Knight expects to receive regulatory approval in 2019.

On February 20, 2019 Knight entered into an exclusive license agreement with Triumvira to commercialize its future approved products for Canada, Israel, Mexico, Colombia and for TAC01-CD19 for Israel, Mexico, Brazil and Colombia. Triumvira is developing novel T cell therapies that are safer and more efficacious than current gene therapy cancer treatments, including chimeric antigen receptor (CAR) and engineered T cell receptor (TCR) therapies.

**Strategic Lending Update**

On February 15, 2019, the Company announced a strategic financing agreement with Moksha8, a specialty pharmaceutical company operating in Brazil and Mexico, the two largest pharmaceutical markets in Latin America. Under the terms of the agreement, Knight is committed to loan up to US$25,000 in working capital funding and US$10,000 was issued at closing. The loan bears interest at 15% per annum and matures five years from the issuance date. The Company may issue up to an additional US$100,000 for corporate development and the acquisition of product licenses in Latin America. In conjunction with the strategic financing agreement, Knight received warrants at an exercise price of US$0.01 each representing 5% of the fully diluted shares of Moksha8.

On February 20, 2019, the Company entered into a U$5,000 secured loan agreement with Triumvira for the development of its novelty T cell technology. The loan bears interest at 15% per annum and matures on February 20, 2020. In addition, as part of this strategic financing transaction, Knight received warrants to purchase 3.5% of Triumvira's fully diluted common shares and the commercial rights to the Triumvira Products.

**Subsequent Event**

On May 7, 2019, the Company held its Annual and Special Meeting of Shareholders. The results of the shareholder votes were as follows:

- Elected James C. Gale, Jonathan Ross Goodman, Samira Sakhia, Robert N. Lande, Sylvie Tendler, Nancy Harrison, Michael J. Tremblay and Kevin Cameron as Directors.
- Appointed Ernst & Young LLP as auditor.
- Approved the Advanced Notice By-Law.
- Approved the unallocated rights under the Company's employee share purchase plan for the ensuring three years.
- Dismissed the dissident proposed By-Law 3.

For further details on the above, refer to the management information circular dated April 4, 2019 filed on SEDAR and on Knight's website at www.gud-knight.com.

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**Conference Call Notice**

Knight will host a conference call and audio webcast to discuss its first quarter results today at 8:30 am ET. Knight cordially invites all interested parties to participate in this call.

**Date:** Thursday, May 9, 2019
**Time:** 8:30 a.m. EST
**Telephone:** Toll Free 1-877-223-4471 or International 647-788-4922
**Webcast:** www.gud-knight.com or https://tinyurl.com/yxsk38f7
This is a listen-only audio webcast. Media Player is required to listen to the broadcast.
**Replay:** An archived replay will be available for 30 days at www.gud-knight.com

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**About Knight Therapeutics Inc.**

Knight Therapeutics Inc., headquartered in Montreal, Canada, is a specialty pharmaceutical company focused on acquiring or in-licensing innovative pharmaceutical products for the Canadian and select international markets. Knight Therapeutics Inc.'s shares trade on TSX under the symbol GUD. For more information about Knight Therapeutics Inc., please visit the company's web site at www.gud-knight.com or www.sedar.com.

**Forward-Looking Statement**

This document contains forward-looking statements for Knight Therapeutics Inc. and its subsidiaries. These forward-looking statements, by their nature, necessarily involve risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking statements. Knight Therapeutics Inc. considers the assumptions on which these forward-looking statements are based to be reasonable at the time they were prepared, but cautions the reader that these assumptions regarding future events, many of which are beyond the control of Knight Therapeutics Inc. and its subsidiaries, may ultimately prove to be incorrect. Factors and risks, which could cause actual results to differ materially from current expectations are discussed in Knight Therapeutics Inc.'s Annual Report and in Knight Therapeutics Inc.'s Annual Information Form for the year ended December 31, 2018. Knight Therapeutics Inc. disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information or future events, except as required by law.

**CONTACT INFORMATION:**

Knight Therapeutics Inc.
Samira Sakhia
President and Chief Financial Officer
T: 514-678-8930
F: 514-481-4116
info@gudknight.com
www.gud-knight.com

**INTERIM CONSOLIDATED BALANCE SHEETS**

[In thousands of Canadian dollars]

[Unaudited]

| **As at** | **March 31, 2019** | December 31, 2018 |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash and cash equivalents | **231,110** | 244,785 |
| Marketable securities | **390,658** | 445,003 |
| Trade and other receivables | **12,034** | 11,756 |
| Inventories | **836** | 1,136 |
| Other current financial assets | **16,782** | 14,030 |
| Income taxes receivable | **735** | 821 |
| **Total current assets** | **652,155** | 717,531 |
| Marketable securities | **126,643** | 97,274 |
| Property and equipment | **1,808** | 794 |
| Intangible assets | **19,313** | 17,475 |
| Other financial assets | **138,459** | 113,314 |
| Investment in associate | **75,402** | 79,145 |

| | | |
|---|---|---|
| Deferred income tax assets | **2,829** | 2,959 |
| Other receivable | **41,582** | 23,340 |
| **Total assets** | **1,058,191** | 1,051,832 |

**LIABILITIES AND SHAREHOLDERS' EQUITY**

| | | |
|---|---|---|
| **Current** | | |
| Accounts payable and accrued liabilities | **8,323** | 6,100 |
| Lease liabilities | **275** | — |
| Income taxes payable | **11,164** | 10,705 |
| Other balances payable | **425** | 197 |
| Deferred other income | **13** | 183 |
| **Total current liabilities** | **20,200** | 17,185 |
| | | |
| Lease liabilities | **794** | — |
| Other balances payable | **4,646** | 4,615 |
| **Total liabilities** | **25,640** | 21,800 |
| | | |
| **Shareholders' equity** | | |
| Share capital | **761,913** | 761,844 |
| Warrants | **785** | 785 |
| Contributed surplus | **14,783** | 14,326 |
| Accumulated other comprehensive income | **17,759** | 20,955 |
| Retained earnings | **237,311** | 232,122 |
| **Total shareholders' equity** | **1,032,551** | 1,030,032 |
| **Total liabilities and shareholders' equity** | **1,058,191** | 1,051,832 |

**INTERIM CONSOLIDATED STATEMENTS OF INCOME**

[In thousands of Canadian dollars, except for share and per share amounts]

[Unaudited]

| | **Three months ended March 31,** | |
|---|---|---|
| | **2019** | 2018 |
| Revenues | **2,956** | 3,154 |
| Cost of goods sold | **685** | 834 |
| **Gross margin** | **2,271** | 2,320 |
| | | |
| **Expenses** | | |
| Selling and marketing | **847** | 789 |
| General and administrative | **3,598** | 2,095 |
| Research and development | **626** | 489 |
| | **(2,800)** | (1,053) |
| | | |
| Depreciation of property and equipment | **97** | 16 |
| Amortization of intangible assets | **426** | 441 |
| Interest income on financial instruments measured at amortized cost | **(4,925)** | (3,436) |
| Other interest income | **(965)** | (1,852) |
| Other income | **(353)** | (1,351) |
| Net gain on financial assets measured at fair value through profit or loss | **(4,777)** | (541) |
| Share of net income of associate | **(692)** | (503) |
| Foreign exchange loss (gain) | **1,653** | (2,597) |
| **Income before income taxes** | **6,736** | 8,770 |
| | | |
| **Income tax expense (recovery)** | | |
| Current | **1,531** | 641 |

| | | |
|---|---|---|
| Deferred | **16** | 1,220 |
| **Net income for the period** | **5,189** | 6,909 |
| | | |
| **Attributable to shareholders of the Company** | | |
| Basic earnings per share | **0.04** | 0.05 |
| Diluted earnings per share | **0.04** | 0.05 |
| | | |
| **Weighted average number of common shares outstanding** | | |
| Basic | **142,852,246** | 142,813,358 |
| Diluted | **143,245,443** | 143,220,006 |

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

[In thousands of Canadian dollars]

[Unaudited]

| | **Three months ended March 31,** | |
|---|---|---|
| | **2019** | 2018 |
| **OPERATING ACTIVITIES** | | |
| **Net income for the period** | **5,189** | 6,909 |
| Adjustments reconciling net income to operating cash flows: | | |
| Deferred income tax | **16** | 1,220 |
| Share-based compensation expense | **457** | 545 |
| Depreciation and amortization | **523** | 457 |
| Net gain on financial instruments | **(4,777)** | (541) |
| Foreign exchange loss (gain) | **1,653** | (2,597) |
| Share of net income of associate | **(692)** | (503) |
| Deferred other income | **(170)** | (94) |
| | **2,199** | 5,396 |
| Changes in non-cash working capital and other items | **2,496** | 1,468 |
| Increase in other receivable | **(18,242)** | — |
| Dividends from associate | **4,159** | — |
| **Cash (outflow) inflow from operating activities** | **(9,388)** | 6,864 |
| | | |
| **INVESTING ACTIVITIES** | | |
| Purchase of marketable securities | **(98,893)** | (50,755) |
| Purchase of intangibles | **(1,989)** | (3,000) |
| Purchase of property and equipment | **—** | (42) |
| Issuance of loans receivables | **(17,850)** | — |
| Purchase of equities | **—** | (400) |
| Investment in funds | **(7,107)** | (4,277) |
| Proceeds on maturity of marketable securities | **120,964** | 101,318 |
| Proceeds from repayments of loans receivable | **657** | 33,440 |
| Proceeds from distribution of funds | **676** | 343 |
| **Cash (outflow) inflow from investing activities** | **(3,542)** | 76,627 |
| | | |
| **FINANCING ACTIVITIES** | | |
| Proceeds from contributions to share purchase plan | **60** | 49 |
| Principal repayment of lease liabilities | **(67)** | — |
| **Cash (outflow) inflow from financing activities** | **(7)** | 49 |
| | | |
| **(Decrease) increase in cash and cash equivalents during the period** | **(12,937)** | 83,540 |
| Cash and cash equivalents, beginning of the year | **244,785** | 496,460 |
| Net foreign exchange difference | **(738)** | 3,408 |
| **Cash and cash equivalents, end of the year** | **231,110** | 543,408 |
| | | |
| Cash and cash equivalents | **231,110** | 244,785 |

| | | |
|---|---|---|
| Short-term marketable securities | **340,658** | 445,003 |
| Long-term marketable securities | **176,643** | 97,274 |
| **Total cash, cash equivalents and marketable securities** | **748,411** | 787,062 |