Crescita Reports Profitable 2019 Second Quarter Results
Record Revenue of $9.4 Million and Adjusted EBITDA of $5.1 Million

LAVAL, QC, August 8, 2019 /CNW/ - Crescita Therapeutics Inc. (TSX: CTX and OTC US: CRRTF) (Crescita or the Company), a Canadian commercial dermatology company with manufacturing capabilities and a portfolio of non-prescription skincare products and prescription drug products for the treatment and care of skin conditions, diseases and their symptoms, today reported its financial results for the second quarter ended June 30, 2019.

Q2-F2019 Year-over-Year Highlights and Subsequent Events

- Record revenue of $9.4 million, an increase of $7.1 million or 305.1% vs Q2-2018. Q2-2019 revenue included $5.5 million in up-front payments and guaranteed future minimum royalties, both related to the out-licensing agreement with Cantabria Labs ("Cantabria");
- Operating expenses were $4.8 million, up $0.8 million or 21.0% versus Q2-2018;
- Adjusted EBITDA[1] was $5.1 million, an improvement of $6.3 million versus Q2-2018;
- Generated $0.8 million in cash during the quarter, resulting in an ending cash and cash equivalents balance of $11.7 million as at June 30, 2019, compared to $10.9 million at the end of Q1-2019;
- On April 25, the Company entered into a commercialization license agreement with Cantabria, granting them the exclusive rights to sell and distribute Pliaglis® in Italy, Portugal, France and Spain;
- On June 28, the Company commenced a Normal Course Issuer Bid to repurchase up to 1.0 million common shares for cancellation over a twelve-month period;
- On July 4, the Company announced the collection of the second up-front payment from Cantabria of $1.7 million following the first commercial sale of Pliaglis by Cantabria in Italy;
- On July 16, the Company announced that the United States Patent and Trademark Office granted U.S. Patent No. 10,350,180 for an enhanced formulation of Pliaglis.

"I am pleased with the quarter's results demonstrating continued revenue and profitability expansion," said Serge Verreault President and Chief Executive Officer of Crescita. "We continue to solidify our financial position by concluding accretive deals and maximizing our core assets to create shareholder value. In the second half of 2019, the Crescita team will focus on the execution of our growth strategy through the geographic expansion of Pliaglis in the rest-of-world and by further leveraging our patented technologies."

[1]Please refer to the *Non-IFRS Financial Measures and the EBITDA and Adjusted EBITDA Reconciliation* sections of this press release.

Q2-F2019 Financial Results

Note: *All figures are in thousands of Canadian dollars, unless otherwise noted. The second quarter 2019 MD&A, condensed consolidated interim financial statements and accompanying notes can be found on www.crescitatherapeutics.com/investors and have been filed with SEDAR at www.sedar.com.*

In thousands of CAD dollards except earnings per share and number of shares	Three months ended June 30,			Six months ended June 30,		
	2019	2018	Change ($)	**2019**	2018	Change ($)
Product Sales	**2,657**	1,977	680	**5,022**	4,244	778
Out-licensing revenue	**6,700**	328	6,372	**8,503**	1,698	6,805
Services revenue	**5**	6	(1)	**86**	18	68
Revenues	**9,362**	2,311	7,051	**13,611**	5,960	7,651
Total Operating Expenses	**4,753**	3,927	826	**8,535**	7,857	678
Operating Profit (Loss)	**4,609**	(1,616)	6,225	**5,076**	(1,897)	6,973
Total Other Expenses (Income)	**1,322**	(980)	2,302	**1,511**	(837)	2,348
Income (loss) from Continuing Operations before Income Taxes	**3,287**	(636)	3,923	**3,565**	(1,060)	4,625
Income tax expense	**1,079**	-	1,079	**1,315**	-	1,315
Net income (loss) from continuing operations	**2,208**	(636)	2,844	**2,250**	(1,060)	3,310
Net Loss from Discontinued Operations	**-**	(25)	25	**-**	(25)	25
Net Income (Loss)	**2,208**	(661)	2,869	**2,250**	(1,085)	3,335
Net Income (Loss) per Share						
- Basic	**$ 0.11**	$ (0.03)	0.14	**$ 0.11**	$ (0.06)	0.17
- Diluted	**$ 0.10**	$ (0.03)	0.13	**$ 0.10**	$ (0.06)	0.16
Weighted Average Number of Common Shares						-
- Basic	**21,016,059**	21,006,664	9,395	**21,016,059**	18,375,305	2,640,754
- Diluted	**22,486,406**	21,006,664	1,479,742	**22,305,542**	18,375,305	3,930,237
Selected Cash Flow Information						
Cash and cash equivalents, end of period	**11,689**	9,094	2,595	**11,689**	9,094	2,595
Cash provided by (used in) operating activities	**1,224**	(238)	1,462	**3,622**	(1,308)	4,930
Cash (used in) investing activities	**(80)**	(23)	(57)	**(114)**	(23)	(91)
Cash (used in) provided by financing activities	**(328)**	(94)	(234)	**(403)**	3,426	(3,829)

Cash and Cash Equivalents

Cash and cash equivalents were $11,689 as at June 30, 2019 compared to $9,094 as at June 30, 2018. For the three months ended June 30, 2019, the Company generated $1,224 in cash from its operations, an improvement of $1,462 from the cash utilized of $(238) in the comparative quarter of 2018.

Revenue

Total revenue, consisting of product sales, out-licensing and services revenue, was $9,362 for the quarter ended June 30, 2019, compared to $2,311 for the three months ended June 30, 2018, representing an increase of $7,051 or 305.1%. The increase came primarily from our out-licensing business, contributing $6,372 in incremental revenue year-over-year. The current quarter's out-licensing revenue included $3,721 in up-front payments, as well as guaranteed minimum royalties of $1,738, both related to the Pliaglis out-licensing agreement with Cantabria, as well as incremental royalties on the global net sales of Pliaglis from our licensees. Product sales grew by $680 or 34.4% year-over-year, mainly as a result of higher volumes in our contract development and manufacturing business, as well as the launch of Dermazulene™ in China.

For the six months ended June 30, 2019, total revenues were $13,611 compared to $5,960 for the six months ended June 30, 2018. The year-over-year increase of $7,651 or 128.4% was primarily attributable to the same factors as described above for the quarter.

Operating Expenses
Total operating expenses for the three months ended June 30, 2019 were $4,753, compared to $3,927 for the three months ended June 30, 2018, representing a year-over-year increase of $826 or 21.0%. The increase was primarily driven by higher cost of goods sold of $451 associated with incremental sales, higher research and development expenses of $332 primarily related to the Company's proportionate funding of the Phase 3 clinical development of MiCal 1, one of its pipeline products, partly offset by a reduction in selling, general and administrative ("SG&A") expenses of $78 when compared to the three months of the prior year.

For the six months ended June 30, 2019, total operating expenses were $8,535, compared to $7,857 for the six months ended June 30, 2018, representing a year-over-year increase of $678 or 8.6%. The increase was mainly driven by the same factors as identified for the three-month period above.

Other Expenses (Income)
Effective April 1, 2019, the Company terminated its licensing agreement with Galderma S.A. for the rest-of-world ("ROW") rights for Pliaglis. The termination fees include the costs incurred to reacquire the Pliaglis ROW rights and other transaction-related costs.

For the three and six-month periods of 2018, the Company recorded total other income of $1,095, composed of a gain on settlement of $650 related to a historical liability owing under a previous acquisition, and $445, mainly related to: 1) consideration received relating to planned facility upgrades pursuant to deficiency claims under a previous acquisition and a reimbursement with respect to previously rendered contract manufacturing services, and 2) a gain related to a contingent consideration receivable from another previous acquisition, under the terms of which the Company is entitled to be compensated if certain sales targets and levels of inventory consumption are not achieved.

Income (Loss) from Continuing Operations before Income Taxes
Income from continuing operations before income taxes was $3,287 for the three months ended June 30, 2019, compared to a net loss of $(636) reported for the three months ended June 30, 2018. The year-over-year improvement of $3,923 was mainly attributable to: 1) the incremental gross margin on out-licensing revenue of $813 (excluding the impact of the Cantabria out-licensing agreement); 2) the incremental gross margin on product sales of $330; 3) the benefit of the up-front payment and guaranteed minimum royalties under the Cantabria Agreement of $4,184, net of the Galderma contract termination fees; 4) the benefit of the reduction in SG&A expenses of $78; partly offset by 1) the non-recurring benefit of other income and the gain on settlement of $1,095 recognized during the second quarter of 2018 which did not repeat; and 2) higher R&D expenses of $332 in the current quarter.

Income from continuing operations before income taxes was $3,565 for the six months ended June 30, 2019, compared to a net loss of $(1,060), reported for the six months ended June 30, 2018. The year-over-year improvement of $4,625 was mainly attributable to: 1) the incremental gross margin on out-licensing revenue of $1,402 (excluding the impact of the Cantabria out-licensing agreement); 2) the incremental gross margin on product sales of $282; 3) the benefit of the up-front payment and guaranteed minimum royalties under the Cantabria Agreement of $4,184, net of the Galderma contract termination fees; and 4) the benefit of the reduction in SG&A costs of $320, partly offset by 1) the non-recurring benefit of other income and the gain on settlement of $1,095 recognized during the second quarter of 2018 which did not repeat; and 2) higher R&D expenses of $370 in the current year-to-date period.

Non-IFRS Financial Measures
The Company reports its financial results in accordance with IFRS. However, we use certain non-IFRS financial measures to assess our Company's performance. We believe these to be useful to management, investors and other financial stakeholders in assessing Crescita's performance from both a financial and operational standpoint. The non-IFRS measures used in this press release do not have any standardized meaning prescribed by IFRS and are therefore not comparable to similar measures presented by other issuers. These measures should be considered as supplemental in nature and not as a substitute for the related financial information prepared in accordance with IFRS.

Adjusted EBITDA is a non-IFRS measure. This term is defined as earnings (loss) from continuing operations before interest, income taxes, depreciation and amortization, gain on settlement, other income or expenses, equity-settled stock-based compensation, gain on debt renegotiations, goodwill and intangible assets impairment, accretion on the fair value of inventory, and foreign currency gains and (losses), as applicable.

Management believes that Adjusted EBITDA is an important measure of operating performance and cash flow and provides useful information to investors as it highlights trends in the underlying business that may not otherwise be apparent when relying solely on IFRS measures. A reconciliation of EBITDA and adjusted EBITDA to their closest IFRS measure can be found below.

EBITDA and Adjusted EBITDA Reconciliation

	Three months ended June 30,			**Six months ended June 30,**		
In thousands of CAD dollars	**2019**	2018	Change	**2019**	2018	Change
Net income (loss) from continuing operations	**2,208**	(636)	2,844	**2,250**	(1,060)	3,310
Add:						
Depreciation and amortization	**410**	289	121	**766**	579	187
Interest expense, net	**85**	108	(23)	**209**	255	(46)
Income tax expense	**1,079**	-	1,079	**1,315**	-	1,315
EBITDA	**3,782**	(239)	4,021	**4,540**	(226)	4,766
Equity-settled stock-based compensation	**64**	62	2	**197**	144	53
Termination fees and other costs	**1,274**	-	1,274	**1,274**	-	1,274
Foreign currency loss	**-**	7	(7)	**28**	3	25
Less:						
Other income	**-**	1,095	(1,095)	**-**	1,095	(1,095)
Foreign exchange gain	**37**	-	37	**-**	-	-
Adjusted EBITDA	**5,083**	(1,265)	6,348	**6,039**	(1,174)	7,213

Adjusted EBITDA for the quarter ended June 30, 2019 was $5,083, compared to an EBITDA loss of $(1,265) for the quarter ended June 30, 2018, representing a year-over-year improvement of $6,348.

Adjusted EBITDA for the six months ended June 30, 2019 was $6,039, compared to an EBITDA loss of $(1,174) for the six months ended June 30, 2018, representing a year-over-year improvement of $7,213.

Caution Concerning Limitations of Summary Financial Results Press Release
This summary earnings press release contains limited information meant to assist the reader in assessing Crescita's performance but it is not a suitable source of information for readers who are unfamiliar with Crescita and is not in any way a substitute for the Company's condensed consolidated interim financial statements, notes to the financial statements, MD&A and Annual Information Form ("AIF").

About Crescita Therapeutics Inc.
Crescita (TSX: CTX and OTC US: CRRTF) is a publicly traded, Canadian commercial dermatology company with manufacturing capabilities and a portfolio of non-prescription skincare products and prescription drug products for the treatment and care of skin conditions and diseases and their symptoms. Crescita owns multiple proprietary drug delivery platforms that support the development of patented formulations that can facilitate the delivery of active drugs into or through the skin. Please visit www.crescitatherapeutics.com for additional information.

About MMPE™
The MMPE technology uses synergistic combinations of certain specific pharmaceutical excipients included on the FDA's Inactive Ingredient Guide for improved topical delivery of active pharmaceutical ingredients (APIs) into or through the skin. The benefits of this technology include the potential for increased penetration of APIs with the possibility of improved efficacy, lower API concentration and/or reduced dosing. Issued U.S. patents provide intellectual property protection through March 6, 2027.

About DuraPeel™
The DuraPeel technology is a self-occluding, film-forming cream/gel formulation that provides extended release delivery to the site of application. The cream/gel contains a drug applied to a patient's skin forming a pliable layer that releases drug into the skin for up to 12 hours. The benefits of the DuraPeel technology include proven compatibility with a variety of active pharmaceutical ingredients ("APIs"). A self-occluding film reduces product transference risk, provides fast drying time, facilitates easy application and removal, and enables application to large and irregular skin surfaces. Patents have been issued in Australia, Canada, Japan and the U.S. with the latest expiry in 2027. The European patent application is still pending.

About Pliaglis®
Pliaglis, a lidocaine and tetracaine (7%/7%) formulation, is a prescription topical local anesthetic cream approved in over 25 countries that provides safe and effective local dermal anesthesia on intact skin prior to superficial dermatological procedures such as dermal filler injections, pulsed dye laser therapy, facial laser resurfacing and laser-assisted tattoo removal. This product utilizes the Company's proprietary phase-changing topical cream Peel technology. The Peel technology consists of a drug containing cream which, once applied to a patient's skin, dries to form a pliable layer that releases drug into the skin. Following the application period, Pliaglis forms a pliable layer that is removed from the skin allowing the dermatological procedure to be performed with minimal to no pain.

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, projections and assumptions regarding future events or circumstances. 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. 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 changes in the business or affairs of Crescita; the ability of Crescita's licensees to successfully market its products; competitive factors in the industries in which Crescita operates; relationships with customers, suppliers and licensees; changes in legal and regulatory requirements; foreign exchange and interest rates; prevailing economic conditions; and other factors, many of which are beyond the control of Crescita.

Additional factors that could cause Crescita'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 Crescita's most recent Annual Information Form dated March 18, 2019 under the heading "Risks Factors", and as described from time to time in the reports and disclosure documents filed by Crescita with Canadian securities regulatory agencies and commissions. These and other factors should be considered carefully, and readers should not place undue reliance on Crescita's forward-looking statements, as forward-looking statements involve significant risks and uncertainties. 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.

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