



Knight Therapeutics Reports Third Quarter 2018 Results

MONTREAL, Nov. 08, 2018 -- Knight Therapeutics Inc. (TSX:GUD) ("Knight"), a Canadian specialty pharmaceutical company, today reported financial results for its third quarter ended September 30, 2018.

Q3 2018 Highlights

Financials

- Revenues were \$3,220, an increase of \$1,360 or 73% over prior period.
- Net income was \$12,930, an increase of \$9,337 or 260% over prior period.
- Cash outflow from operations of \$19,916 compared to cash inflows of \$10,736 in prior year.
- Cash, cash equivalents, and marketable securities of \$775,046 as at September 30, 2018.

Corporate Developments

- Received notice of reassessment from the Canada Revenue Agency ("CRA") of \$23,340 related to the sale of the Priority Review Voucher ("PRV") in 2014.
- Accepted the resignation of Dr. Sarit Assouline and appointed Nancy Harrison on the Board of Directors.

Products

- Entered into a licensing agreement with TherapeuticsMD, Inc. ("TXMD") to commercialize TX-004HR and TX-001HR in Canada and Israel.
- Entered into a distribution, license and supply Agreement with Jaguar Health, Inc. ("JAGX") to commercialize Mytesi® in Canada and Israel.

Strategic Lending and Investments

- Received \$3,188 representing full loan repayment and early payment fee from Profound Medical Corp.
- Invested \$26,028 [USD\$20,000] in common shares of TXMD at a price of US\$5.10 per share.
- Received distributions of \$328 from strategic fund investments.

Key Subsequent Events

- Invested \$1,161 [USD\$900] in common shares of JAGX at a price of USD\$0.60 per share.
- Launched PROBUPHINE™ for the management of opioid dependence, in Canada.

"I am pleased with our progress at building a specialty pharmaceutical company with products that make a difference in the lives of patients. We have launched PROBUPHINE™ a novel option to assist in the national health crisis, opioid dependence. We continue to leverage our strong balance sheet to strengthen our pipeline of innovative products as evidenced with the licensing of products from TherapeuticsMD and Jaguar," said Jonathan Ross Goodman, Chief Executive Officer of Knight Therapeutics Inc.

Select Financial Results

	Q3-18	Q3-17	Change		YTD-18	YTD-17	Change	
			\$	¹			\$	¹
Revenues	3,220	1,860	1,360	73%	8,612	6,090	2,522	41%
Gross margin	2,611	1,523	1,088	71%	6,831	4,993	1,838	37%
Operating expenses	3,271	3,567	296	8%	10,045	11,060	1,015	9%
Interest income	4,956	6,959	(2,003)	29%	14,990	18,517	(3,527)	19%
Share of net income of associate	89	98	(9)	9%	441	513	(72)	14%
Net income	12,930	3,593	9,337	260%	23,858	10,099	13,759	136%
Basic earnings per share	0.091	0.025	0.066	264%	0.167	0.071	0.096	135%

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

Revenue: Variance for the quarter and the nine-month period was mainly attributable to the timing of sales for Impavido® and growth in Movantik® sales.

Gross margin: Change in gross margin was attributable to revenues increase and product mix.

Operating expenses: The decrease for the quarter was driven by a reduction in general and administrative expenses mainly related to lower stock-based compensation expense. For the nine-month period, the decrease was driven by a reduction in general and administrative expenses mainly related to lower stock-based compensation expense, and lower product-submission related expenses, offset by an increase of commercial activities including the promotion of Movantik®.

Interest income: Interest income includes interest income and interest accretion. Interest income (excluding accretion) for Q3-18 was \$4,956, a decrease of 14% or \$806 compared to prior period while interest income (excluding accretion) for YTD-18 was \$14,990, a decrease of 1% or \$146 compared to prior year. The variances are explained by an increase in the average cash, cash equivalents, and marketable securities balances and an increase in interest rates, offset by a lower average loan balance.

Net gain on financial assets measured at fair value through profit or loss: A net gain of \$10,924 was recorded in Q3-18 on the disposals and revaluations of financial assets measured at fair value through profit or loss. The gain was driven by a mark-to-market adjustment of \$6,795 [EUR 4,524] related to the investment in Forbion due to the IPO of Replimune, an investment held by Forbion, and the revaluation of TXMD shares. For the nine-month period, a net gain of \$14,349 was recorded on financial assets measured at fair value through profit or loss, due to the disposals and revaluations of strategic funds, loans, and equity investments.

Net income: Net income for the quarter was driven by the above-mentioned items as well as a foreign exchange loss of \$1,117 from the relative losses on certain U.S. dollar denominated financial assets as Canadian dollar strengthened. Similarly, net income for the nine-month period was impacted by (i) other income of \$1,773 due to the early repayment of fees on the Medimetriks and Profound loans, and (ii) a foreign exchange gain of \$1,431 from the relative gains on certain U.S. dollar denominated financial assets as the Canadian dollar weakened.

Product Updates

On July 31, 2018, Knight entered into an exclusive licensing agreement for the commercial rights of TX-004HR and TX-001HR in Canada and Israel. Both products are approved by the Food and Drug Administration ("FDA") in the United States. TX-004HR is marketed as Imvexxy™ (estradiol vaginal inserts) in the U.S., for the treatment of moderate-to-severe dyspareunia (vaginal pain associated with sexual activity), a symptom of vulvar and vaginal atrophy ("VVA"), due to menopause. TX-001HR is a bio-identical hormone therapy combination of estradiol and progesterone in a single, oral softgel for the treatment of moderate-to-severe vasomotor symptoms due to menopause. Knight expects to submit both products to Health Canada for regulatory approval in 2019.

On September 24, 2018, Knight entered into a distribution, license and supply agreement with JAGX for the exclusive right to commercialize Mytesi® (crofelemer 125 mg delayed-release tablets) and related products in Canada and Israel and a right of first negotiation to commercialize Mytesi® and related products in specified Latin American countries. Mytesi® is an FDA-approved product in the U.S. indicated for the symptomatic relief of non-infectious diarrhea in adult patients with HIV/AIDS on antiretroviral therapy.

On October 29, 2018, Knight announced the commercial launch of PROBUPHINE™ in Canada, for the management of opioid dependence in patients clinically stabilized on no more than 8 mg of sublingual buprenorphine in combination with counselling and psychosocial support.

Corporate Update

In July 2018, Knight received a notice of reassessment from CRA for the fiscal year 2014 which relates to the disposition of a PRV held by Knight's wholly-owned subsidiary, Knight Therapeutics (Barbados) Inc. A PRV is a transferrable asset that entitles the holder to a priority review for a drug of its choice. A priority review means that the review time of the FDA for a new drug application is reduced by approximately six months. The PRV program was designed to incentivize the development of treatments for diseases that might otherwise not attract development interest due to the cost and the lack of market opportunities.

The Company's PRV was granted on March 19, 2014 upon the FDA approval of Impavido® and was disposed of to a third party in November 2014 for gross proceeds of US\$125,000. The notice of reassessment provides that Knight is liable to pay to the CRA an aggregate of \$23,340 in additional taxes and interest. Knight has made a deposit for the full amount to CRA in July 2018.

Knight believes that the reassessment is unfounded and has filed a notice of objection in September 2018 to start the appeals process. Based on the Company's view of the likely outcome of the appeals process, Knight expects to recover the \$23,340 remitted to CRA and has not recorded any tax provision related to the disposal of the PRV in its financial statements. However, there can be no assurance regarding the outcome or when a resolution may be reached.

Furthermore, it is likely that the Quebec Revenue Agency will propose a similar adjustment which will result in an estimated additional tax liability of \$19,000. Although Knight believes its tax provisions are adequate, the final determination of tax audits and any related disputes could be materially different from historical income tax provisions and accruals.

Conference Call Notice

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

Date: Thursday, November 8, 2018

Time: 8:30 a.m. EST

Telephone: Toll Free 1-877-855-7766 or International 248-847-2346

Webcast: www.gudknight.com or <https://tinyurl.com/ya4jtujc>

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.gudknight.com

Currency

All dollar amounts are in thousands except for share and per share amounts. All currencies are Canadian unless otherwise specified.

About Knight Therapeutics Inc.

Knight Therapeutics Inc., headquartered in Montreal, Canada, is a specialty pharmaceutical company focused on acquiring or in-licensing and commercializing 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.gudknight.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, 2017. 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.

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INTERIM CONSOLIDATED BALANCE SHEETS

[In thousands of Canadian dollars]

[Unaudited]

As at	September 30, 2018	December 31, 2017
ASSETS		
Current		
Cash and cash equivalents	303,222	496,460
Marketable securities	416,762	232,573
Trade and other receivables	8,824	9,176
Inventories	1,233	1,224
Other current financial assets	29,093	58,848
Income taxes receivable	790	792
Total current assets	759,924	799,073
Marketable securities	55,062	36,000
Property and equipment	680	633
Intangible assets	17,161	12,576
Other financial assets	102,481	76,988
Investment in associate	79,031	75,983
Deferred income tax assets	3,727	4,730
Income tax receivable	23,340	—
Total assets	1,041,406	1,005,983

LIABILITIES AND SHAREHOLDERS' EQUITY**Current**

Accounts payable and accrued liabilities	5,401	5,025
Income taxes payable	10,702	7,599
Other balances payable	1,393	1,354
Deferred other income	247	282
Total current liabilities	17,743	14,260

Deferred other income	—	167
Other balances payable	3,261	348
Total liabilities	21,004	14,775

Shareholders' equity

Share capital	761,788	761,490
Warrants	785	785
Contributed surplus	13,863	12,196
Accumulated other comprehensive income	12,065	20,907
Retained earnings	231,901	195,830
Total shareholders' equity	1,020,402	991,208
Total liabilities and shareholders' equity	1,041,406	1,005,983

INTERIM CONSOLIDATED STATEMENTS OF INCOME

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

[Unaudited]

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Revenues	3,220	1,860	8,612	6,090
Cost of goods sold	609	337	1,781	1,097
Gross margin	2,611	1,523	6,831	4,993
Expenses				
Selling and marketing	1,000	834	2,681	2,247
General and administrative	1,833	2,147	5,865	6,944
Research and development	438	586	1,499	1,869
	(660)	(2,044)	(3,214)	(6,067)
Depreciation of property and equipment	28	—	63	—
Amortization of intangible assets	481	539	1,367	1,185
Interest income	(4,956)	(6,959)	(14,990)	(18,517)
Other income	(385)	(871)	(1,773)	(1,513)
Net gain on financial assets	—	(1,317)	—	(3,636)
Net gain on financial assets measured at fair value through profit or loss	(10,924)	—	(14,349)	—
Share of net income of associate	(89)	(98)	(441)	(513)
Foreign exchange loss (gain)	1,117	2,695	(1,431)	4,244
Income before income taxes	14,068	3,967	28,340	12,683
Income tax expense (recovery)				
Current	1,891	490	3,443	1,598
Deferred	(753)	(116)	1,039	986
Net income for the period	12,930	3,593	23,858	10,099
Basic earnings per share	0.091	0.025	0.167	0.071
Diluted earnings per share	0.090	0.025	0.167	0.070
Basic	142,831,656	142,766,634	142,821,725	142,749,348
Diluted	143,339,800	143,350,059	143,263,836	143,469,168

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
[In thousands of Canadian dollars]

[Unaudited]

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
OPERATING ACTIVITIES				
Net income for the period	12,930	3,593	23,858	10,099
Adjustments reconciling net income to operating cash flows:				
Deferred tax	(753)	(116)	1,039	986
Share-based compensation expense	520	762	1,707	2,626
Depreciation and amortization	509	539	1,430	1,185
Accretion of interest	—	(1,197)	—	(3,381)
Net gain on financial assets	(10,924)	(1,317)	(14,349)	(3,636)
Foreign exchange loss (gain)	1,117	2,695	(1,431)	4,244
Share of net income of associate	(89)	(98)	(441)	(513)
Other income	38	(871)	38	(872)
Deferred other income	(42)	(63)	(181)	(293)
	3,306	3,927	11,670	10,445
Other operating items	(23,222)	4,350	(20,662)	2,914
Dividends from associate	—	2,459	—	4,984
Cash (outflow) inflow from operating activities	(19,916)	10,736	(8,992)	18,343
INVESTING ACTIVITIES				
Purchase of marketable securities	(115,274)	(103,273)	(398,791)	(245,746)
Purchase of intangible	—	—	(3,000)	—
Purchase of property and equipment	(9)	—	(95)	—
Issuance of loans receivables	(510)	(15,164)	(1,341)	(16,971)
Purchase of equities	(26,054)	—	(26,764)	(2,939)
Investment in funds	(6,358)	(4,987)	(20,560)	(15,318)
Proceeds on maturity of marketable securities	30,755	77,170	196,164	203,729
Proceeds from repayments of loans receivable	3,833	5,985	38,867	36,309
Proceeds from disposal of equities	19,869	9,357	20,884	12,872
Proceeds from distribution of funds	328	510	6,427	3,886
Cash outflow from investing activities	(93,420)	(30,402)	(188,209)	(24,178)
FINANCING ACTIVITIES				
Proceeds from exercise of stock options	90	—	90	345
Proceeds from contributions to share purchase plan	58	61	149	154
Cash inflow from financing activities	148	61	239	499
Decrease in cash during the period	(113,188)	(19,605)	(196,962)	(5,336)
Cash and cash equivalents, beginning of the period	418,358	527,879	496,460	514,942
Net foreign exchange difference	(1,948)	(1,435)	3,724	(2,767)
Cash and cash equivalents, end of the period	303,222	506,839	303,222	506,839
Cash and cash equivalents			303,222	506,839
Short-term marketable securities			416,762	218,248
Long-term marketable securities			55,062	36,000
Total cash, cash equivalents and marketable securities			775,046	761,087