Crescita Reports 2019 Third Quarter Results
Revenue up 9.9% Year-over-Year
Positive Adjusted EBITDA[1] of $0.9 Million

LAVAL, QC, November 7, 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 third quarter ended September 30, 2019.

All amounts are in thousands of Canadian dollars except for share and per share amounts, unless otherwise noted.

Q3-F2019 Year-over-Year and Operational Highlights

- Revenue was $4,906, an increase of $442 or 9.9% versus Q3-2018;
- Recognized a $1,324 (US$1,000) sales milestone from Taro Pharmaceuticals Inc. (Taro), our U.S. licensee, for achieving the 4th and final cumulative target for the U.S. sales of Pliaglis® (included in revenue above);
- Operating expenses were $4,428, an increase of $472 or 11.9% versus Q3-2018;
- Adjusted EBITDA[1] was $939, an increase of $93 versus Q3-2018;
- Generated $1,316 in cash during the quarter, resulting in an ending cash and cash equivalents balance of $13,005 as at September 30, 2019, compared to $11,689 at the end of Q2-2019;
- On July 4, 2019, the Company received the second tranche of the up-front payment from Cantabria Labs of $1,695, triggered by the first commercial sale of Pliaglis in Italy;
- On July 16, 2019, 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, providing extended patent protection to 2031.

Key Events Subsequent to Q3-F2019

- On October 28, 2019, the Company announced a development and licensing agreement granting Sundial worldwide rights to the Company's proprietary transdermal delivery technologies, MMPE™ and DuraPeel™, for the development of topical products containing cannabis and/or hemp;
- On November 5, 2019, the Company announced that the U.S. Food and Drug Administration approved the enhanced formulation of Pliaglis®, triggering a milestone of $US750 under the out-licensing agreement with Taro.

"We are making progress toward our goal of becoming a leading Canadian commercial dermatology company," said Serge Verreault, President and Chief Executive Officer of Crescita. "We delivered top line organic growth and positive cash flow in the quarter and continue to focus on expanding our product and royalty revenue streams. Our strategy includes the geographic expansion of Pliaglis in the rest-of-world and further leveraging our patented active delivery technologies for other markets and indications."

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

Q3-F2019 Financial Results

Note: *All figures are in thousands of Canadian dollars, unless otherwise noted. The third 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 September 30,			Nine months ended September 30,		
	2019	2018	Change ($)	**2019**	2018	Change ($)
Product Sales	**2,346**	2,076	270	**7,368**	6,320	1,048
Out-licensing revenue	**2,537**	2,379	158	**11,040**	4,077	6,963
Services revenue	**23**	9	14	**109**	27	82
Revenues	**4,906**	4,464	442	**18,517**	10,424	8,093
Total Operating Expenses	**4,428**	3,956	472	**12,963**	11,813	1,150
Operating Profit (Loss)	**478**	508	(30)	**5,554**	(1,389)	6,943
Total Other Expenses (Income)	**146**	139	7	**1,657**	(698)	2,355
Income (loss) from Continuing Operations before Income Taxes	**332**	369	(37)	**3,897**	(691)	4,588
Deferred income tax expense	**244**	-	244	**1,559**	-	1,559
Net income (loss) from continuing operations	**88**	369	(281)	**2,338**	(691)	3,029
Net Loss from Discontinued Operations	**-**	-	-	**-**	(25)	25
Net Income (Loss)	**88**	369	(281)	**2,338**	(716)	3,054
Net Income (Loss) per Share						
- Basic	**$ -**	$ 0.02	(0.02)	**$ 0.11**	$ (0.04)	0.15
- Diluted	**$ -**	$ 0.02	(0.02)	**$ 0.11**	$ (0.04)	0.15
Weighted Average Number of Common Shares						
- Basic	**20,921,387**	21,016,059	(94,672)	**20,984,502**	19,265,230	1,719,272
- Diluted	**22,705,677**	21,016,059	1,689,618	**22,442,250**	19,265,230	3,177,020
Selected Cash Flow Information						
Cash and cash equivalents, end of period	**13,005**	8,213	4,792	**13,005**	8,213	4,792
Cash provided by (used in) operating activities	**1,632**	(787)	2,419	**5,254**	(2,095)	7,349
Cash (used in) investing activities	**(55)**	(92)	37	**(169)**	(115)	(54)
Cash (used in) provided by financing activities	**(263)**	-	(263)	**(666)**	3,426	(4,092)

Cash and Cash Equivalents

Cash and cash equivalents were $13,005 as at September 30, 2019 compared to $8,213 as at September 30, 2018. For the three months ended September 30, 2019, the Company generated $1,632 in cash from its operations, an improvement of $2,419 from the cash utilized of $(787) in the comparative quarter of 2018.

Revenue

Total revenue, consisting of product sales, out-licensing and services revenue, was $4,906 for the three months ended September 30, 2019, compared to $4,464 for the three months ended September 30, 2018, representing an increase of $442 or 9.9% year-over-year. The increase came primarily from product sales, contributing $270 or 13.0% year-over-year, mainly as a result of the Q1-19 launch of Dermazulene™ in China through a leading e-commerce platform, as well as due to the expansion of branded product sales across geographies. The out-licensing business increased by $158 or 6.6% year-over-year, including the fourth and final cumulative sales milestones under the out-licensing agreement with Taro of $1,324 (US$1,000), as well as royalties on the global net sales of Pliaglis from our licensees in the amount of $1,213.

For the nine months ended September 30, 2019, total revenues were $18,517 compared to $10,424 for the nine months ended September 30, 2018. The year-over-year increase of $8,093 or 77.6% was primarily from our out-licensing business, contributing $6,963 or 170.8% in incremental revenue. Included in the year-to-date out-licensing

revenue were $3,721 in up-front payments and guaranteed minimum royalties of $1,738, both related to the Cantabria Agreement signed in Q2-19, as well as incremental milestone and royalty revenue related to Pliaglis of $1,504. Product sales also grew, increasing by $1,048 or 16.6% versus the comparable nine-month period of 2018, and was primarily driven by the same factors as described above for the quarter, as well as higher volumes in our CDMO business year-over-year.

Operating Expenses
Total operating expenses for the three months ended September 30, 2019 were $4,428, compared to $3,956 for the three months ended September 30, 2018, representing a year-over-year increase of $472 or 11.9%. The increase was primarily driven by higher research and development expenses of $198 associated with certain investments made to advance the MiCal product candidates, higher amortization and depreciation charges $126, higher cost of goods sold of $117 associated with incremental sales, and to a lesser extent, an increase of $31 in selling, general and administrative ("SG&A") expenses.

For the nine months ended September 30, 2019, total operating expenses were $12,963, compared to $11,813 for the nine months ended September 30, 2018, representing a year-over-year increase of $1,150 or 9.7%. The increase was mainly driven by higher research and development expenses of $568 associated with certain investments made to advance the MiCal product candidates, as mentioned above, higher cost of goods sold of $423 associated with incremental sales, higher amortization and depreciation charges of $313, partly offset by a decrease in SG&A expenses of $154 as a result of overall lower spend in consulting fees.

Other Expenses (Income)
For the three and nine months ended September 30, 2019, other expenses mainly included net interest costs and foreign exchange losses. In addition, during the nine-month period then ended, the Company incurred $1,274 in termination fees and other transaction-related costs in connection with the reacquisition of the worldwide rights of Pliaglis, following the termination of its licensing agreement with Galderma S.A. in Q2-19.

For the comparable nine-month period 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. These amounts were partly offset by net interest expenses and foreign exchanges losses.

Income (Loss) from Continuing Operations before Income Taxes
Income from continuing operations before income taxes was $332 for the three months ended September 30, 2019, compared to $369 reported for the three months ended September 30, 2018. The slight year-over-year decrease of $37 was mainly attributable to: 1) higher R&D expenses of $198; and 2) higher depreciation and amortization charges in the quarter of $126, partly offset by 1) the incremental gross margin on product sales of $208; and 2) the incremental gross margin on out-licensing revenue of $103.

Income from continuing operations before income taxes was $3,897 for the nine months ended September 30, 2019, compared to a net loss of $(691) reported for the nine months ended September 30, 2018. The year-over-year improvement of $4,588 was mainly attributable to: 1) the incremental gross margin on out-licensing revenue of $1,521 (excluding the impact of the Cantabria Agreement); 2) the incremental gross margin on product sales of $608; 3) the benefit of the up-front payment and guaranteed minimum royalties under the Cantabria Agreement of $4,185, net of the Galderma contract termination fees; and 4) the benefit of the reduction in SG&A costs of $154, 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; 2) higher R&D expenses of $568 in the current year-to-date period; and 3) higher depreciation and amortization charges of $313 year-over-year.

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 September			**Nine months ended September**		
In thousands of CAD dollars	**2019**	2018	Change	**2019**	2018	Change
Net income (loss) from continuing operations	**88**	369	(281)	**2,338**	(691)	3,029
Add:						
Depreciation and amortization	**411**	285	126	**1,177**	864	313
Interest expense, net	**69**	125	(56)	**278**	380	(102)
Income tax expense	**244**	-	244	**1,559**	-	1,559
EBITDA	**812**	779	33	**5,352**	553	4,799
Equity-settled stock-based compensation	**50**	53	(3)	**247**	197	50
Foreign currency loss	**77**	**21**	56	**105**	24	81
Termination fees and other costs	**-**	**-**	-	**1,274**	-	1,274
Less:						
Other income	**-**	**7**	(7)	**-**	1,102	(1,102)
Adjusted EBITDA	**939**	**846**	93	**6,978**	**(328)**	7,306

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 for the treatment and care of skin conditions, diseases and their symptoms and prescription drug products for the treatment of pain. 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.

Supported by a sales force covering Canada and executing its business to business to consumer marketing approach, Crescita sells its non-prescription products through spas, medispas and medical clinics. In addition, our brands and formulations are currently sold in the U.S. and Asian markets through international distributors and through a cross-border e-commerce channel.

Crescita developed a prescription product called Pliaglis® that utilizes our proprietary phase-changing topical cream Peel technology. Pliaglis is a topical local anaesthetic cream that provides safe and effective local dermal analgesia on intact skin prior to superficial dermatological procedures. The product is currently approved in 25 different countries and sold by commercial partners in the U.S., Italy and Brazil.

Crescita also provides contract development and manufacturing services to several local and North American clients. Our contract development and manufacturing organization infrastructure allows Crescita to provide its clients with development and other support activities required to bring their products to market. Crescita has extensive expertise in product formulation and development, leveraging our patented transdermal delivery technologies, and specializes in manufacturing creams, liquids, gels ointments and serums. The Company operates out of a 50,000 square-foot manufacturing facility located in Laval, Québec, and is compliant with current Canadian Good Manufacturing Practices and is regularly inspected by Health Canada.

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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