

Crescita Reports Third Quarter 2022 Results

Sales Doubled with New Manufacturing Revenue Record of \$4.3M

Adjusted EBITDA¹ of \$0.5M, up \$1.0M Year-over-Year

Cash Balance of \$10.7M

LAVAL, Quebec--(BUSINESS WIRE)--November 9, 2022--Crescita Therapeutics Inc. (TSX: CTX and OTC US: CRRTF) (“Crescita” or the “Company”), a growth-oriented, innovation-driven Canadian commercial dermatology company, today reported its financial results for the third quarter ended September 30, 2022 (“Q3-F2022”). All amounts presented are in thousands of Canadian dollars (“CAD”) unless otherwise noted.

Financial Highlights

Q3-F2022 vs. Q3-F2021

- Revenue was \$6,032 compared to \$2,993, up \$3,039;
- Gross profit was \$2,938 compared to \$1,525, up \$1,413;
- Operating expenses were \$2,805 compared to \$2,385, up \$420;
- Adjusted EBITDA¹ was \$512 compared to \$(471), up \$983;
- Ending cash was \$10,738, up \$236 for the quarter.

“We generated positive Adjusted EBITDA without licensing milestones for a third consecutive quarter, advancing toward our goal of generating consistent profitability through recurring revenue streams,” commented Serge Verreault, President and CEO of Crescita. “Our total sales doubled, and we reached another Manufacturing revenue record. We also posted strong results in our Commercial Skincare segment, building on the momentum of new launches and the impact of targeted promotional initiatives. We will be launching ART FILLER[®] injectables in Canada in the first quarter of 2023, as we continue to expand our diversified line of innovative products,” concluded Mr. Verreault.

Corporate Developments

For the three and nine months ended September 30, 2022 and up to the date of this press release:

- In Q3 and for the nine months ended September 30, 2022, we repurchased 274,780 and 538,930 common shares through Crescita's normal course issuer bid (“NCIB”) at an average price of \$0.64 and aggregate cash consideration of \$176 for the three-month period and at an average price of \$0.67 and aggregate cash consideration of \$359 for the nine-month period.
- In Q2, we repaid in full our outstanding convertible debenture financing with Bloom Burton Healthcare Lending Trust and Bloom Burton Healthcare Lending Trust II. The total amount paid of principal and accrued interest to maturity was \$1,010.

- In Q2, Health Canada approved the following injectables that form part of the ART FILLER collection: 1) Art Filler Universal, used for medium to deep lines and wrinkles and replacement of lost volume; 2) Art Filler Fine Lines, used for fine lines and wrinkles; and 3) Art Filler Contour, mainly used to plump and define face contours.
- In Q2, launched the Obagi Medical® product line in the Canadian skincare market.

Q3-F2022 Financial Results

Note: The Management's Discussion and Analysis ("MD&A"), Condensed Consolidated Interim Financial Statements and accompanying notes for the three and nine months ended September 30, 2022 are available at www.crescitatherapeutics.com/financial-reporting and have been filed with SEDAR at www.sedar.com.

Summary Financial Results

<i>In thousands of CAD, except per share data and number of shares</i>	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Commercial Skincare	1,672	1,563	5,600	5,199
Licensing and Royalties	92	319	319	1,600
Manufacturing and Services	4,268	1,111	11,576	2,408
Revenues	6,032	2,993	17,495	9,207
Cost of goods sold	3,094	1,468	8,198	3,844
Gross profit	2,938	1,525	9,297	5,363
<i>Gross margin (%)</i>	<i>48.7%</i>	<i>51.0%</i>	<i>53.1%</i>	<i>58.2%</i>
Research and development	161	126	449	463
Selling, general and administrative	2,286	1,909	7,797	5,702
Depreciation and amortization	358	350	1,094	1,032
Total operating expenses	2,805	2,385	9,340	7,197
Operating profit (loss)	133	(860)	(43)	(1,834)
Interest (income) expense, net	(56)	27	(34)	40
Foreign exchange (gain) loss	(7)	13	182	174
Share of loss of an associate	1	-	30	-
Net loss on convertible note measured at fair value through profit or loss	-	-	95	-
Net income (loss)	195	(900)	(316)	(2,048)
Adjusted EBITDA¹	512	(471)	1,224	(653)
Earnings (loss) per share				
Basic	\$ 0.01	\$ (0.04)	\$ (0.02)	\$ (0.10)
Diluted	\$ 0.01	\$ (0.04)	\$ (0.02)	\$ (0.10)
Weighted average number of common shares outstanding				
Basic	20,627,424	20,761,085	20,791,517	20,667,337
Diluted	20,912,159	20,761,085	20,791,517	20,667,337
Selected Balance Sheet Information				
Cash and cash equivalents, end of period			10,738	12,236
Selected Cash Flow Information				
Cash provided by (used in) operating activities	456	(189)	1,195	(1,128)
Cash used in investing activities	(2)	(581)	(216)	(624)
Cash used in financing activities	(272)	(104)	(1,625)	(306)

Revenue

We have three reportable segments: 1) Commercial Skincare (“Commercial”), which manufactures and sells branded non-prescription skincare products for the Canadian and international markets, and also commercializes Pliaglis[®], NCTF[®] Boost 135 HA (“NCTF”), and Obagi Medical[®] in Canada; 2) Licensing and Royalties (“Licensing”), which primarily generates revenue from licensing our intellectual property related to Pliaglis or our transdermal delivery technologies; and 3) Manufacturing and Services (“Manufacturing”), which generates revenue from contract manufacturing and product development services.

For the three months ended September 30, 2022, total revenue was \$6,032 compared to \$2,993 for the three months ended September 30, 2021, representing an increase of \$3,039. The largest increase came from our Manufacturing segment in the amount of \$3,157, which mainly reflected the completion of the approximately \$7,000 in purchase orders previously announced, of which \$1,062 was recorded in Q3-F2022, as well as additional volumes from new and existing clients. Commercial Skincare sales grew by \$109 mainly due to higher product sales for our core brands across all channels as a result of more promotions and the ramp-up of recently launched brands, NCTF and Obagi, compared to the prior year, partly offset by lower Alyria[®] sales.

Licensing segment revenue decreased by \$227 year-over-year, with Q3-F2022 reflecting royalties above the minimum guaranteed royalties under our agreement with Cantabria Labs Inc. for Pliaglis, while Licensing revenue in Q3-F2021 consisted of: 1) an upfront payment from STADA Arzneimittel AG as part of the 15-country Pliaglis licensing agreement in the Middle East and North Africa region; and 2) incremental royalties beyond the previously recognized minimum royalty threshold under the Cantabria Agreement.

Gross Profit

For the three months ended September 30, 2022, gross profit was \$2,938, representing a gross margin of 48.7%, compared to \$1,525 and a margin of 51.0% for the three months ended September 30, 2021. The increase in gross profit of \$1,413 was mainly due to the revenue increase in our Manufacturing and Commercial segments year-over-year, while the decrease in gross margin of 2.3% was driven, in part, by lower full-margin Licensing revenue in the quarter, the impact of product promotions in the Commercial segment, partly offset by the continued benefit of higher manufacturing volumes. Gross profit and gross margin were also negatively impacted by the end of our eligibility for the wage subsidies under the Canada Emergency Wage Subsidy (“CEWS”) program.

Operating Expenses

For the three months ended September 30, 2022, total operating expenses were \$2,805 compared to \$2,385 for the three months ended September 30, 2021, representing a net increase of \$420. The increase was mainly driven by higher selling, general and administrative (“SG&A”) expenses of \$377, as well as higher research and development (“R&D”) expenses of \$35, respectively. The increase in SG&A was mainly due to higher headcount-related costs and also reflected the end of our eligibility for wage subsidies under the CEWS program, partly offset by lower warehousing and distribution costs following the in-housing of the distribution function during the year.

Cash and Cash Equivalents

Cash and cash equivalents were \$10,738 at September 30 2022, reflecting a net increase of \$236 for the quarter, mainly due to the cash generated from operations.

Non-IFRS Financial Measures

We report our financial results in accordance with International Financial Reporting Standards (“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. 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. The following are the Company’s non-IFRS measures along with their respective definitions:

1. EBITDA is defined as earnings before interest, income taxes, depreciation of property, plant and equipment, and amortization of right-of-use asset and intangible assets.
2. Adjusted EBITDA is defined as earnings before interest, income taxes, depreciation of property, plant and equipment and amortization of right-of-use asset and intangible assets, share of (profit) losses of associates, fair value (gains) losses, share-based compensation costs, goodwill and intangible asset impairment, and foreign exchange (gains) 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. Below is a reconciliation of EBITDA and Adjusted EBITDA to their closest IFRS measures.

	Three months ended		Nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2022	2021	2022	2021
<i>In thousands of CAD dollars</i>	\$	\$	\$	\$
Net income (loss)	195	(900)	(316)	(2,048)
Adjust for:				
Depreciation and amortization	358	350	1,094	1,032
Interest (income) expense, net	(56)	27	(34)	40
EBITDA	497	(523)	744	(976)
Adjust for:				
Share-based compensation	21	39	173	149
Foreign exchange (gain) loss	(7)	13	182	174
Share of loss of an associate	1	-	30	-
Net loss on convertible note measured at fair value through profit or loss	-	-	95	-
Adjusted EBITDA	512	(471)	1,224	(653)

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 Consolidated Audited Financial Statements and notes thereto, MD&A and latest Annual Information Form ("AIF") which can be found on the Company's profile on SEDAR at www.sedar.com.

About Crescita Therapeutics Inc.

Crescita (TSX: CTX and OTC US: CRRTF) is a growth-oriented, innovation-driven Canadian commercial dermatology company with in-house R&D and manufacturing capabilities. The Company offers a portfolio of high-quality, science-based non-prescription skincare products and early to commercial stage prescription products. We also own multiple proprietary transdermal delivery platforms that support the development of patented formulations to facilitate the delivery of active ingredients into or through the skin. For more information, visit www.crescitatherapeutics.com.

Forward-looking Information and Statements

This press release contains “forward-looking information” and “forward-looking statements” within the meaning of applicable securities laws (collectively, “forward-looking statements”). All information contained in this press release, other than statements of current and historical fact, represents forward-looking statements and is qualified by this cautionary note. Often, but not always, forward-looking statements can be identified by words such as: “anticipate”, “intend”, “plan”, “goal”, “seek”, “believe”, “project”, “estimate”, “expect”, “strategy”, “future”, “likely”, “may”, “should”, “will” and similar references to future periods. Examples of forward-looking statements include, but are not limited to, statements made in this press release under the heading “Financial Highlights”, and regarding the Company’s objectives, plans, goals, strategies, growth, performance, operating results, financial condition, our belief that we have sufficient liquidity to fund our business operations for at least the next twelve months, business prospects, opportunities and industry trends, and similar statements concerning anticipated future events, results, circumstances, performance or expectations.

Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on current beliefs, expectations, and assumptions regarding the future of the Company’s business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions.

Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of the Company’s control.

Crescita’s actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not unduly rely on any of these forward-looking statements. Important 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:

- economic and market conditions including the uncertainty in the global economy created by the war in Ukraine;
- the impact of inflation and rising interest rates together with the threats of stagflation and recession;
- the Company’s ability to execute its growth strategies;
- reliance on third parties for clinical trials, marketing, distribution and commercialization;
- the impact of changing conditions in the regulatory environment and product development processes;
- manufacturing and supply risks;
- increasing competition in the industries in which the Company operates;
- the Company’s ability to meet its contractual obligations;
- the impact of product liability matters;
- the impact of litigation involving the Company and/or its products;
- the impact of changes in relationships with customers and suppliers;
- the degree of intellectual property protection of the Company’s products;

- the degree or lack of market acceptance of the Company’s products;
- the impact of the COVID-19 pandemic and the response thereto of governments and consumers;
- developments and changes in applicable laws and regulations; and
- other risk factors described from time to time in the reports and disclosure documents filed by Crescita with Canadian securities regulatory agencies and commissions, including the sections entitled “Risk Factors” in the Company’s most recent annual MD&A and AIF dated March 22, 2022.

As a result of the foregoing and other factors, no assurance can be given that future results, levels of activity or achievements indicated in any forward-looking statements will actually be achieved. Any forward-looking statement made by the Company in this press release is based only on information currently available to management and speaks only as of the date on which it is made. Except as required by applicable securities laws, Crescita undertakes no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.

¹Please refer to the *Non-IFRS Financial Measures* section of this press release.

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