

## MediPharm Labs Corp. to Acquire VIVO Cannabis Inc.

- Two global leaders in the medical wellness cannabis industry expected to combine complementary strengths of diversified revenue in multiple markets and channels to create a pro-forma Combined Company with over \$50M in annualized revenue, based on Q3 2022.<sup>(1)(2)(3)(4)</sup>
- Pro-forma Combined Company is expected to have positive EBITDA<sup>(5)</sup> synergies of between \$7M to \$9M on an annualized basis within 12 months closing of the Transaction.<sup>(1)(2)(3)(4)</sup>
- Transaction is expected to accelerate MediPharm Labs' path to profitability, with possibility to reach positive EBITDA<sup>(5)</sup> and cash flow targeted in the first half of 2024.<sup>(1)(2)(3)</sup>

BARRIE, Ontario, December 22, 2022 (CISION NEWSWIRE) -- **MediPharm Labs Corp.** (TSX: LABS) (OTCQX: MEDIF) (FSE: MLZ) ("MediPharm", "MediPharm Labs" or the "Company") and **VIVO Cannabis Inc.** (TSX: VIVO) (OTCQX: VVCIF) ("VIVO") today announced that MediPharm and VIVO have entered into a definitive arrangement agreement (the "Arrangement Agreement") whereby MediPharm has agreed to acquire VIVO in an all-equity business combination transaction (the "Transaction"). The Transaction is expected to combine two highly complementary businesses, creating a unique and market differentiating international medical cannabis leader. Upon the completion of the Transaction, existing MediPharm shareholders are expected to own between 65% and 79% of the combined company resulting from the Transaction (the "Combined Company") and VIVO shareholders are expected to own between 35% and 21% of the Combined Company.

Under the terms of the Arrangement Agreement, holders of common shares of VIVO ("VIVO Shares") will receive between 0.2110 and 0.4267 common shares of MediPharm (the "MediPharm Shares") for each VIVO Share held, subject to adjustment (the "Exchange Ratio"). The Exchange Ratio at closing will be determined by the amount of interim working capital of VIVO (the "Interim Working Capital"), taking into account any funds advanced by MediPharm to VIVO up to a maximum of \$3.75 million, by way of a promissory note (the "Note"). The Interim Working Capital will allow VIVO to continue operations in the ordinary course throughout the proposed closing period. Holders of VIVO Shares will be entitled to receive such number of common shares of the Combined Company as is equivalent to 35% of the issued and outstanding common shares of the Combined Company (or an Exchange Ratio of 0.4267), which may be reduced depending on the Interim Working Capital of VIVO prior to closing, to a minimum of 21% of the issued and outstanding common shares of the Combined Company (or an Exchange Ratio of 0.2110).<sup>(1)</sup>

### Key Transaction Highlights<sup>(1)</sup>

- **Leading Pharmaceutical Cannabis Company:** The acquisition of VIVO will add established Australian and German medical cannabis brand Beacon Medical, an industry-leading medical cannabis clinic business Harvest Medicine, and a longstanding Canadian medical sales platform Canna Farms Medical.
- **Direct to Patient Sales:**<sup>(1)(3)</sup> VIVO's medical sales channel, Canna Farms Medical, was the first Licenced Producer in British Columbia and has supported over 60,000 patients since 2014.<sup>(6)</sup> Following the Transaction, it is anticipated that this platform will provide patients with a more diverse product portfolio that includes existing MediPharm products. Direct to patient sales generally result in a better gross margin with the ability to bypass provincial distributors. VIVO's

clinic business Harvest Medicine will allow real-time product feedback and clinical insights on MediPharm products.

- **Diversified Revenue Profile with Strong Canadian Base:**<sup>(1)(3)</sup> The pro-forma Combined Company is expected to provide fulsome Canadian market coverage with cultivation and manufacturing expertise, and a full suite of dried flower & derivative products with both established medical and adult-use wellness distribution channels.
- **Expanding International Medical Cannabis Opportunity:**<sup>(1)(2)(3)(4)</sup> The pro-forma Combined Company's international distribution will cover European and Asia-Pacific markets through established, revenue-generating agreements. The VIVO Napanee Ontario facility is EU-GMP certified for cultivating and packaging flower and the MediPharm Barrie Ontario facility is GMP certified for flower alternative format medical products. With two distinct international platforms, the pro-forma Combined Company is expected to open many new product offerings for existing distribution channels and geographies. The pro-forma Combined Company would have annualized international revenue of over \$20M, based on Q3 2022.
- **Revenue and Cost Synergies Realizable in the Near-Term:**<sup>(1)(2)(3)(4)</sup> Using forecasts derived collaboratively by both management teams, along with revenue and cost synergy estimates, the pro-forma Combined Company aims to find positive EBITDA<sup>(5)</sup> synergies to the magnitude of between \$7M to \$9M on an annualized basis, and could reach positive EBITDA and cash flow in the first half of 2024.
- **Balance Sheet Strength:**<sup>(1)(2)(3)(4)</sup> Anticipated combined cash position of approximately \$30 million (as reported September 30, 2022 and including the subsequent sale of MediPharm Labs Australia Pty Ltd.), less than \$2.5M in debt on closing, and unencumbered ownership of all major assets. This strength is expected to provide confidence in the Combined Company's balance sheet to execute on its strategic growth roadmap, despite the macro backdrop of capital markets that continue to soften.

### Management Commentary<sup>(1)</sup>

"MediPharm Labs has been actively pursuing M&A opportunities in the industry since June of 2022. When we first met with the management of VIVO, it was immediately apparent that this was a natural fit from a strategy, values, approach and financial perspective. Both companies have a primary medical wellness vs. recreational focus. Both have a strong history in the medical cannabis sector, investing in GMP production, clinical trials and building diversified medical revenue streams internationally. As many cannabis companies solely focused on the Canadian recreational space, both VIVO and MediPharm saw the future in cannabis wellness products and in pharmaceutical drugs containing cannabis. We were mutually focused on the global opportunities for GMP facilities as international regulations evolved with ever higher quality and regulatory standards. Through this business combination, we have identified the potential for millions in cost and revenue synergies to solidify our leadership for the long term"<sup>(1)</sup>, said David Pidduck, Chief Executive Officer, and Director of MediPharm. "We look forward to expanding our offerings within each others' respective channels, including medical patients, wellness consumers, and through our respective global partners. We have the chance to offer even more options for individuals using cannabis to potentially improve their quality of life."

“VIVO has been exploring options to continue its goals of growth and profitability, of being a best-in-class provider of medical cannabis. By leveraging our broad patient base and EU-GMP investments to date and combining our business with MediPharm we achieve just that. In the current capital markets both inside and outside of our industry, capital investment opportunities are extremely limited and we were attracted to MediPharm as a partner given their cash position of over \$19.5M, at the end of Q3, and virtually no debt. As a Combined Company we can service the small outstanding amount of VIVO debt, continue international operations and invest in the future to grow the Combined Company and achieve profitability sooner than by going at it alone”, said Ray Laflamme, Chief Executive Officer, and Chairman of the Board of VIVO. “This transaction brings a great opportunity to our employees, shareholders and patients. The clinical trial initiatives at MediPharm with their standardized non-flower pharmaceutical cannabis products align well with our patient-first values and I am excited about the future of what this Combined Company will achieve. Together we are an even stronger, a more diversified and a more credible global medical cannabis player.”

### **Terms of the Transaction**

The Transaction is to be carried out by way of a court-approved plan of arrangement under the *Canada Business Corporations Act*. The Transaction will require the approval of: (a) (i) two-thirds of the votes cast by shareholders of VIVO, and, if required, (ii) a simple majority of the votes cast by minority VIVO shareholders in accordance with Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*, at a special meeting of VIVO shareholders expected to take place in the first quarter of 2023 (the “VIVO Meeting”); and (b) a majority of the votes cast by shareholders of MediPharm at a special meeting of MediPharm shareholders expected to take place in the first quarter of 2023 (the “MediPharm Meeting”).

MediPharm has entered into voting and support agreements with each of its directors and officers and each person that, to the knowledge of MediPharm, holds at least 5% of the MediPharm Shares, pursuant to which these parties have agreed, subject to certain rights of withdrawal, to vote in favour of the Arrangement and not to dispose of their MediPharm Shares.

VIVO has entered into voting and support agreements with each of its directors and officers and each person that, to the knowledge of VIVO, holds at least 5% of the VIVO Shares, pursuant to which these parties have agreed, subject to certain rights of withdrawal, to vote in favour of the Arrangement and not to dispose of their VIVO Shares.

Completion of the Transaction is subject to court and regulatory approvals, including the approval of the Toronto Stock Exchange, which are currently expected to be received during the first half of 2023.<sup>(1)</sup> The transaction is expected to close during the first half of 2023.<sup>(1)</sup>

The Arrangement Agreement contains certain customary provisions, including covenants in respect of non-solicitation of alternative acquisition proposals for VIVO and a termination fee of \$1M payable to either party in certain circumstances. There can be no assurance that any payments will be made with respect of the Note.

Further details with respect to the Transaction will be included in an information circular to be mailed to VIVO shareholders in connection with the VIVO Meeting and to MediPharm shareholders in connection with the MediPharm meeting. A copy of the Arrangement Agreement and information circular will be filed on each of MediPharm’s and VIVO’s SEDAR profiles at [www.sedar.com](http://www.sedar.com).

## **Fairness Opinions**

The MediPharm board of directors obtained a fairness opinion from Hyperion Capital Inc. on December 21, 2022 (the “Hyperion Opinion”) stating that, as of the date of the Hyperion Opinion and subject to the assumptions, limitations and qualifications contained in the Hyperion Opinion, the consideration to be paid by MediPharm pursuant to the Transaction is fair, from a financial point of view, to MediPharm shareholders. The VIVO board of directors obtained an independent fairness opinion from ATB Capital Markets Inc. on December 20, 2022 (the “ATB Opinion”) stating that, as of the date of the ATB Opinion and subject to the assumptions, limitations and qualifications contained in the ATB Opinion, the consideration to be received by VIVO shareholders pursuant to the Transaction is fair, from a financial point of view, to VIVO shareholders.

## **Recommendation of the MediPharm Board**

The board of directors of MediPharm has reviewed and approved the Transaction. After obtaining the Hyperion Opinion and consulting with its financial and legal advisors, among other considerations, the board of directors of MediPharm have unanimously: (i) determined that the Transaction is in the best interests of MediPharm; (ii) resolved to recommend that MediPharm shareholders vote in favor of the Transaction; and (iii) determined that the consideration to be paid by MediPharm pursuant to the Transaction is fair, from a financial point of view, to MediPharm shareholders.

## **Recommendation of the VIVO Board**

The board of directors of VIVO has reviewed and approved the Transaction. After obtaining the ATB Opinion and consulting with its financial and legal advisors, among other considerations, the independent members of the board of directors of VIVO have unanimously: (i) determined that the Transaction is in the best interests of VIVO; (ii) resolved to recommend that VIVO shareholders vote in favor of the Transaction; and (iii) determined that the consideration to be received by VIVO shareholders pursuant to the Transaction is fair, from a financial point of view, to VIVO shareholders.

## **Financial and Legal Advisors**

Hyperion Capital Inc. is acting as financial advisor to MediPharm and provided the Hyperion Opinion to the MediPharm board of directors. Aird & Berlis LLP is acting as legal counsel to MediPharm.

Stoic Advisory Inc. is acting as financial advisor to VIVO. ATB Capital Markets Inc. acted as financial advisor for the restructuring of VIVO's convertible debentures and provided the ATB Opinion to the VIVO board of directors. Bennett Jones LLP is acting as legal counsel to VIVO.

## **Notes:**

- (1) This is forward-looking information and based on a number of assumptions. See “Cautionary Note Regarding Forward-Looking Information” and “Assumptions”.
- (2) Based on both costs and revenue opportunities identified by MediPharm and VIVO management. Revenue opportunity assumed that both existing products may be sold into the existing sales channels of both VIVO and MediPharm. Costs savings estimated depends on the eliminating duplicated public company expenses and redundant corporate infrastructure.

- (3) This target, and the related assumptions, involve known and unknown risks and uncertainties that may cause actual results to differ materially. While MediPharm and VIVO believe there is a reasonable basis for this target, such target may not be met. Actual results may vary and differ materially from the targets. See “Assumptions”.
- (4) Certain financial information included in this press release is neither audited nor reviewed. Where possible, the information has been constructed by management from available audited or audit reviewed financial statements. Where no audited or audit reviewed information has been available, additional management accounting information has been utilized to construct financial information. Readers are cautioned not to place undue reliance on such information.
- (5) This is a non-IFRS reporting measure. For a reconciliation of this to the nearest IFRS measure, see “Non- IFRS Measures” below.
- (6) Based on patient count details collected and provided by licence holder CannaFarms, a wholly owned subsidiary of VIVO.

### **About MediPharm Labs**

Founded in 2015, MediPharm Labs specializes in the development and manufacture of purified, pharmaceutical-quality cannabis concentrates, active pharmaceutical ingredients (API) and advanced derivative products utilizing a Good Manufacturing Practices certified facility with ISO standard-built clean rooms. MediPharm Labs has invested in an expert, research driven team, state-of-the-art technology, downstream purification methodologies and purpose-built facilities with five primary extraction lines for delivery of pure, trusted and precision-dosed cannabis products for its customers. Through its wholesale and white label platforms, MediPharm Labs formulates, develops (including through sensory testing), processes, packages and distributes cannabis extracts and advanced cannabinoid-based products to domestic and international markets.

In 2021, MediPharm Labs received a Pharmaceutical Drug Establishment Licence from Health Canada, becoming the only company in North America to hold a domestic Good Manufacturing Licence for the extraction of natural cannabinoids. The Company

### **About VIVO Cannabis**

VIVO Cannabis® is recognized for trusted, quality medical cannabis products and services. It holds production, sales and research licences from Health Canada and operates world-class indoor cultivation facilities. VIVO has a collection of brands, each targeting different customer segments, including Canna Farms™, Beacon Medical®, Fireside™, and Lumina™. Harvest Medicine™, VIVO’s patient-centric network of medical cannabis clinics, has serviced over 200,000 patient visits. VIVO focuses its international efforts on Germany and Australia. For more information visit: [www.vivocannabis.com](http://www.vivocannabis.com)

### **Assumptions**

In developing the financial guidance set forth above, MediPharm and VIVO made the following assumptions and relied on the following factors and considerations:

- The targets are based on MediPharm and VIVO’s historical results including annualized revenue from its interim financial results for the period ended September 30, 2022, as adjusted for subsequent events including completion of the Transaction.

- Revenue sustainability and growth depend on a variety of factors, including among other things, location, competition, legal and regulatory requirements. Prices are projected forward at recently realized wholesale and direct to patient prices.
- Cost of goods sold, before taking into account the impact of value changes in biological assets (which are non-cash in nature), and, accordingly, are excluded from calculations of EBITDA, have been projected based on estimated costs of production and capacity available from a similar supply chain.
- The immediate reduction of public company professional and service fees, such as but not limited to, errors and omissions insurance, audit services, listing expenses and external legal fees.
- Implied redundancy of employee roles in the Combined Company, mainly in corporate functions. Impacted employee severance fees are calculated on current employment agreements and Employment Standards Act (Ontario).
- No changes to existing medical cannabis legislation and regulations in Canada, Germany, Australia and Brazil.
- All VIVO and MediPharm regulatory licenses remain in good standing with domestic and international regulators, particular Good Manufacturing Practices (GMP).

### **Non-IFRS Measures**

This news release contains references to certain non-IFRS financial measures, including “EBITDA”, which means earnings before interest, taxes, depreciation, and amortization and is used as an indicator of the Company’s overall profitability. These measures do not have any standardized meaning according to International Financial Reporting Standards (“IFRS”) and therefore may not be comparable to similar measures presented by other companies. There are no comparable IFRS financial measures presented in MediPharm or VIVO’s unaudited condensed interim consolidated financial statements. The most directly comparable measure to EBITDA calculated in accordance with IFRS is operating income (loss). MediPharm and VIVO believe that the non-IFRS measure presented herein provides information useful to shareholders and investors in understanding our performance and may assist in the evaluation of the Combined Company’s business relative to that of its peers. For more information, please see the most recent MD&A of each of MediPharm and VIVO available on [www.sedar.com](http://www.sedar.com).

### **Cautionary Note Regarding Forward-Looking Information**

This news release contains “forward-looking information” and “forward-looking statements” (collectively, “forward-looking statements”) within the meaning of the applicable Canadian securities legislation. All statements, other than statements of historical fact, are forward-looking statements and are based on expectations, estimates and projections as at the date of this news release. Any statement that involves discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, future events or performance (often but not always using phrases such as “expects”, or “does not expect”, “is expected”, “anticipates” or “does not anticipate”, “plans”, “budget”, “scheduled”, “forecasts”, “estimates”, “believes” or “intends” or variations of such words and phrases or stating that certain actions, events or results “may” or “could”, “would”, “might” or “will” be taken to occur or be achieved) are not statements of historical fact and may be forward-looking statements. In this news release, forward-looking statements relate to, among other things, statements regarding: the Transaction; the terms and conditions pursuant to which the Transaction will be completed, if at all; the anticipated timing for receipt of necessary court and regulatory approvals for the Transaction; the anticipated timing for completion of the Transaction; the Combined Company; the future financial and operational performance

of the Combined Company; the Combined Company's key business segments, product offerings, proforma and overall financial performance; future development of products of the Combined Company; potential future revenue and cost synergies resulting from the Transaction; statements about the Combined Company's profitability and ability to grow the business going forward following the Transaction; the Combined Company establishing itself as an international pharmaceutical company; a leading position in the projected multibillion-dollar global cannabis pharmaceutical market; becoming the go-to partner for pharmaceutical companies around the globe; potential for material revenue growth for years to come; and the Combined Company's transition towards pharmaceutical and medical markets reaching new heights. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable, are subject to known and unknown risks, uncertainties, and other factors which may cause the actual results and future events to differ materially from those expressed or implied by such forward-looking statements. Such factors include, but are not limited to: the ability of MediPharm and VIVO to receive all necessary court, shareholder and regulatory approvals for the Transaction; general business, economic, competitive, political and social uncertainties; and other factors discussed in each of MediPharm's and VIVO's public filings, available on SEDAR at [www.sedar.com](http://www.sedar.com). There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on the forward-looking statements and information contained in this news release. Except as required by law, each of MediPharm and VIVO assumes no obligation to update the forward-looking statements of beliefs, opinions, projections, or other factors, should they change.

**For further information:**

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