

Covalon Announces Fiscal 2018 Year-End Results and Plans for Fiscal 2019

- **Fiscal 2018 profitable with \$0.07 EPS on \$26.7 million of revenue.**
- **Fiscal 2019 contracted Middle East revenue expected to be approximately \$30 million, more than double the contracted revenue of fiscal 2018.**
- **Fiscal 2019 acquisition of AquaGuard more than doubles United States revenue to approximately \$25 million before internal growth.**
- **Europe and Latin America has the potential to provide some additional revenue upside in fiscal 2019 and beyond.**

MISSISSAUGA, Ontario--(BUSINESS WIRE)--December 17, 2018--Covalon Technologies Ltd. (the "Company" or "Covalon") (TSXV: COV; OTCQX: CVALF), an advanced medical technologies company, today announces its fiscal 2018 year-end results and plans for fiscal 2019.

Brian Pedlar, Covalon's President and CEO, said, "I am so incredibly pleased with our major achievements during fiscal 2018, which included:

- Winning competitive contracts worth \$100 million dollars to provide Covalon products over a three-year period;
- Working on and completing the acquisition of U.S.-based AquaGuard, with its complementary products and experienced sales force capable of selling Covalon's products directly into their network of hospitals;
- Signing a major contract with one of the world's largest medical device companies to license Covalon's proprietary medical coating technologies, which resulted in a \$4.5 million upfront license payment followed by the additional payment of many millions more for product development fees, milestone payments, and royalties; and
- Entering new banking and credit facilities in the amount of \$17 million with HSBC Bank Canada, which are anticipated to allow the Company to achieve its near-term acquisition and growth strategies."

Mr. Pedlar continued, "Covalon today is a significantly improved company compared to one short year ago. The milestones we achieved this year will ensure our accelerated success not just for fiscal 2019, but for many years to come. Our unique suite of life-saving products is beginning to demonstrate real commercialization success, in large part due to the efforts of our dedicated and driven staff."

Fiscal 2018 Financial Results

Revenue for the year ended September 30, 2018 was \$26.7 million, 2% or \$586,415 less than the prior year. Gross profit was 74% in fiscal 2018, compared to 77% in fiscal 2017. Net income was \$1.6 million or \$0.07 per share (diluted), compared to \$1.8 million or \$0.09 per share (diluted) in fiscal 2017. However, net income for fiscal 2018 included approximately \$1.1 million of one-time costs for the acquisition of AquaGuard that were expensed as incurred during the year. No similar costs were incurred in fiscal 2017.

Contracted revenue in the Middle East is derived from bulk purchases throughout the year which are not equally recognized in each of the Company's quarterly results. The decline in revenue from the Middle East in fiscal 2018 was simply due to the timing of the shipments under contracts. Revenue from the \$100 million series of Middle East contracts will begin to materially impact revenue in fiscal 2019 and beyond.

Fiscal 2018 saw the Company end the year with a strengthened and more diversified revenue base. In fiscal 2018, approximately 49% of revenue was from the Middle East, compared to 80% in fiscal 2017. By comparison, revenue in the United States for the year was up 175% year-over-year to \$12.8 million, which included increases in product revenue and development services, licenses, and royalties.

Product revenue in the United States was up over 80% in fiscal 2018, compared to the previous year. This increase mostly offset the lumpy year-to-year shipment fluctuations from the Middle East contracts. No revenue from the acquisition of AquaGuard was recognized in fiscal 2018.

Fiscal 2019 Plans

Middle East contracted revenue in fiscal 2019 is expected to be \$30 million, more than double the contracted Middle East revenue in fiscal 2018. Covalon has received the delivery schedule for the Middle East contracts; under this schedule, Management anticipates that the majority of contracted deliveries will be recognized in revenue in the last six months of the fiscal year ended September 30, 2019. These contract awards in the Middle East have resulted in additional potentially accretive opportunities for consideration by the Company, and Management is pursuing these additional revenue opportunities.

Fiscal 2019's acquisition of AquaGuard more than doubles United States revenue to approximately \$25 million before internal growth. AquaGuard specializes in infection protection products that protect surgical incisions, intravenous (IV) sites, catheters, PICC lines, and other dressings from water and other moisture while a patient showers. The acquisition transforms Covalon's United States market access by adding a United States-based sales force with the capability to sell many of Covalon's products into over 1,500 hospitals and clinics in the United States.

Covalon's efforts to enter the European and Latin American markets are expected to begin to contribute to the Company's revenue in fiscal 2019. The Company has a small direct sales team in the United Kingdom that has begun to convert acute care facilities and primary care Clinical Commissioning Groups

("CCGs") to using Covalon's advanced wound care products. As well, Covalon's European team is entering selected other countries in Europe and beginning to compete for advanced wound care business. Covalon is currently selling into seven countries in Latin America and anticipates that key markets like Mexico, Chile, and Argentina will grow as the Company's products begin to compete and win business in these regions.

Conference Call Scheduled

A conference call to discuss Covalon's Fiscal 2018 Year-End Financial Results will be held Tuesday December 18, 2018 at 9:00am EST. To participate in the call, please dial:

Toll-Free: 833.299.8117

International: 647.689.4535

Conference ID Code: 4481616

A recording of the call will be available by calling 855.859.2056 or 404.537.3406 and entering the conference ID code 4481616 from December 18, 2018 at 12:00pm EST to December 25, 2018 at 11:59pm EST.

To learn more about Covalon, please contact:

About Covalon

Covalon Technologies Ltd. researches, develops, and commercializes new healthcare technologies that help save lives around the world. Covalon's patented technologies, products, and services address the advanced healthcare needs of medical device companies, healthcare providers, and individual consumers. Covalon's technologies are used to prevent, detect, and manage medical conditions in specialty areas such as infection control, vascular access, surgical procedures, advanced wound care, and medical device coatings. To learn more about Covalon, visit our website at www.covalon.com

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This news release contains forward-looking statements which reflect the Company's current expectations regarding future events. The forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "estimate", "expect", "intend" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved and other similar expressions. These forward-looking statements involve risk and uncertainties, including completion of integration of the AquaGuard acquisition, the difficulty in predicting product approvals, acceptance of and demands for new products, the impact of the products and pricing strategies of competitors, delays in developing and launching new products, the regulatory environment, fluctuations in operating results and other risks, any of which could cause results, performance, or achievements to differ materially from the results discussed or implied in the forward-looking statements. Many risks are inherent in the industry; others are more specific to the Company. Investors should consult the Company's ongoing quarterly filings for additional information on risks and uncertainties relating to these forward-looking statements. Investors should not place undue reliance on any forward-looking statements. The Company assumes no obligation to update or alter any forward-looking statements whether as a result of new information, further events or otherwise.

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