

2019 Annual Shareholders Meeting

November 12th 2020

Brian Pedlar, CEO
Danny Brannagan, CFO

TSX-V: COV
OTCQX: CVALF

www.covalon.com | 1-877-711-6055

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Millions of Covalon products are used every month by clinicians in hospitals around the world to help protect patients from infection.

Meeting Agenda

1. Welcome and Call to Order
2. Formal Proceedings
3. CEO & CFO Presentation:
4. Q and A
5. Concluding Remarks



Covalon's products are loved by the patients they protect and by the clinicians that use them because they are better.

Opening Remarks



Brian Pedlar
President &
Chief Executive Officer
B.Sc., CPA, CA



Danny Brannagan
Chief Financial Officer
B.Comm., CPA, CA

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Call to Order

Stikeman Elliott

TMX | TSX Trust

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Orders of Business

- Presentation of Annual Financial Statements for the year ended September 30, 2019;
- Election of Directors;
- Appointment of Auditor;
- Reapproval of 2019 Amended and Restated Stock Option Plan.



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Annual Financial Statements



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Board of Directors



Abe Schwartz



Dr. Myrna Frances



Amir Boloor



Joseph Cordiano



Ronald E. Smith



Martin Goldfarb



Brian Pedlar

Appointment of Auditor

pwc



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Amended and Restated Stock Option Plan



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Termination of Meeting



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Management Presentation

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Forward-Looking Statements and Non-GAAP Financial Information

Certain statements included in this Memorandum may be considered forward-looking statements. These 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. More specifically, this Memorandum contains forward-looking statements which include, but are not limited to statements regarding: the Company’s corporate strategy and strategic objectives; the availability of external financing to fund the Company’s ongoing liabilities and commitments; the direct and indirect impact of the COVID-19 pandemic on the Company’s business and operations, including supply chain, manufacturing, research and development costs, contracted service providers and employees, and general business and economic events. These forward-looking statements involve risk and uncertainties, including the impact on the Company given its current liquidity situation, 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. Such forward-looking statements should not be taken as guarantees of future performance of Covalon.

All forward-looking statements are based on Covalon’s current beliefs as well as assumptions made by and information currently available to Covalon and relate to, among other things, anticipated financial performance, business prospects, partnership opportunities, strategies, regulatory developments, market acceptance and future commitments. The recipient is cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Memorandum.

Due to risks and uncertainties, including the risks and uncertainties identified by Covalon in its public securities filings, actual events may differ materially from current expectations. Covalon disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Certain financial measures in this Memorandum – namely earnings before interest, depreciation and amortization (“EBITDA”), adjusted EBITDA, pro-forma EBITDA, free cash flow and enterprise value – are non-IFRS financial measures. While Covalon and certain of its competitors measure and evaluate the performance of their respective consolidated operations and business segments with reference to these and similar measures, non-IFRS measures do not have any standardized or prescribed meaning under IFRS or otherwise and therefore are unlikely to be comparable to similar measures presented by other companies. These non-IFRS measures should not be considered in isolation or as a substitute for financial measures prepared in accordance with IFRS. All non-IFRS measures are included because management monitors and uses the information on a regular basis to analyze the performance of the business and therefore may be considered useful information.

For further information about the risks and uncertainties relating to forward-looking statements included in this Memorandum, the recipient should consult the “Risks and Uncertainties” section of Covalon’s annual MD&A dated January 28, 2020, as well as those contained in Covalon’s interim MD&As and other public record filings on SEDAR.

All figures are in Canadian dollars, unless otherwise noted, and Covalon’s fiscal year end is September 30th.

Review of Fiscal 2019



Danny Brannagan
Chief Financial Officer
B.Comm., CPA, CA

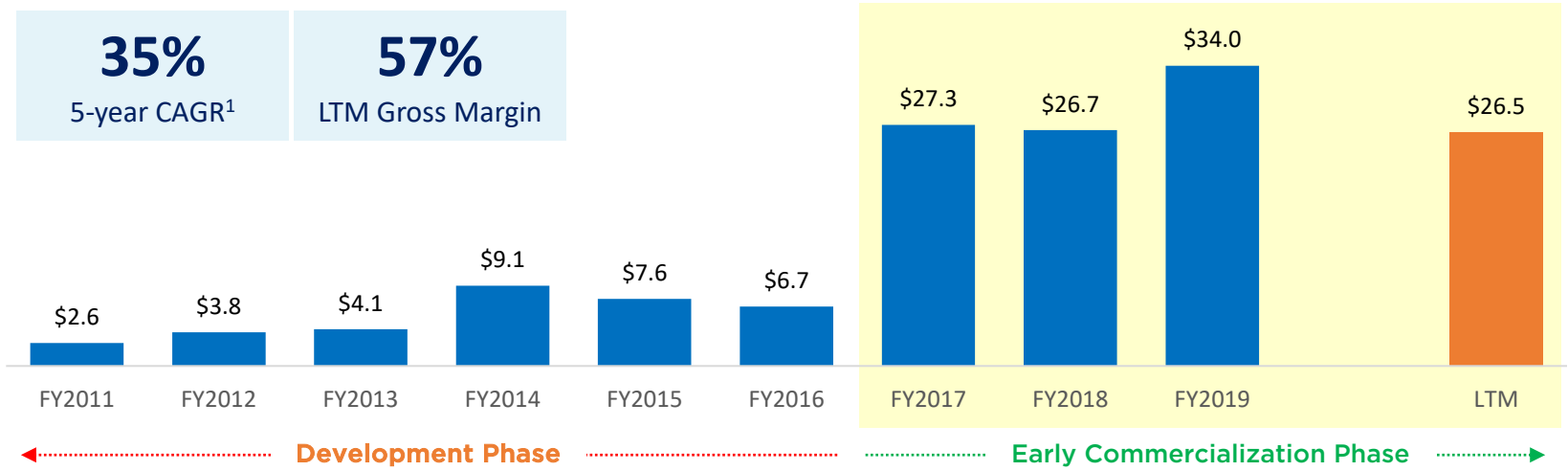
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Strong Track-Record of Revenue Growth

Historical Revenue Profile (C$MM)

35%
5-year CAGR[1]

57%
LTM Gross Margin



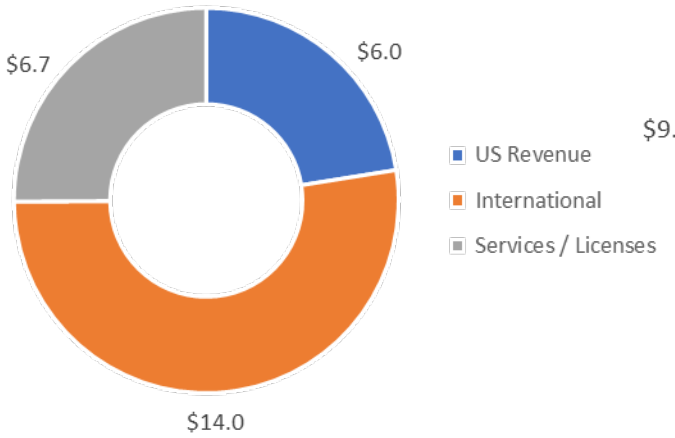
Commentary

- Covalon has achieved significant diversification in its revenue base over the past two years
  - >80% of revenue generated from the U.S. market (with no single customer accounting for more than 10% of revenues) during the last twelve months vs. 17% in FY2017 (one customer accounted for >70% of revenues)
- Revenue growth, which hit an inflection point in FY2017, decelerated in the last twelve months due to the impact of COVID-19 and the discontinuation of relationship with the Company's distribution partner in the Middle-East
  - Direct sales channels in the U.S. interrupted due to COVID-19, however the Company is not losing any customers/market share
  - General decline in demand as distributors draw down on inventory and international countries cope with increased healthcare costs
  - Covalon has appointed a major European medical and healthcare provider as its new distribution partner for Saudi Arabia, Kuwait and Bahrain
- The Company is experiencing signs of recovery in its end-markets and expects its revenue growth to accelerate again in FY2021 and beyond once the COVID-19 restrictions are lifted
- While Covalon's Biological Collagen Matrix and Medical Coating segments are profitable on a standalone basis, the Company continues to invest heavily in its U.S. direct channel as well as select international markets

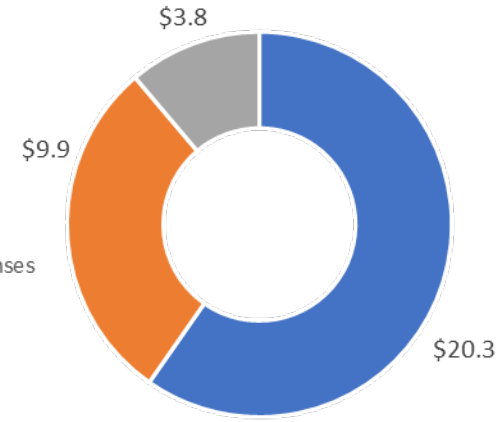
(1) Compounded annual growth rate from FY2015 to FY2019.

FY2019 Saw a Major Change in Covalon's Business

FY2018 Revenue



FY2019 Revenue



Drivers of US Growth

- 20+ U.S. Regional & National Distributors
- 3+ U.S. GPO Agreements
- 25+ U.S. IDN Contracts
- 2,000+ Active Customers

Commentary

Valuable partners and distributors of a range of Covalon's products in various U.S. and international markets

15+ years of distribution relationships in United States for Wound Care

20+ years of hospital sales via AquaGuard into over 2,000 hospitals

5+ years in Middle East market

Strong regional and national distribution relationships in the United States

15% to 20% growth annually for last 10 years

De-risked Revenue Profile with Minimal Customer Concentration

FY2018

65% of product revenue from Middle East Contracts

FY2020

No single customer representing more than 10% of total revenue

- Covalon has a highly diversified end user base of 2,000+ hospitals, wound care clinics, long-term care facilities, and other healthcare institutions
- End-market applications include advanced wound care, infection management, vascular access, perioperative (surgical) care, surface sanitization, moisture barriers and more.



Hospitals | Wound Care/Burn Centres | Acute Care Facilities | Extended Care Facilities | Physician Offices | Home Healthcare Agencies

CEO Comments



Brian Pedlar
President &
Chief Executive Officer
B.Sc., CPA, CA

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Covalon at a Glance

- ✓ Covalon researches, develops, manufactures and markets patented infection prevention medical products and services
- ✓ Covalon is a proven innovator of patented technologies that drive high-margin, transformative products and medical devices that disrupt existing and under-met markets
- ✓ The Company generates revenue (i) by developing products that are sold under Covalon's name; and, (ii) by developing and commercializing medical products for other medical companies under development and license contracts
- ✓ Products are sold in the U.S. via a direct sales team and 3rd party distributors and internationally via 3rd party distributors
- ✓ Covalon's five technology platforms have a combined total addressable market size of ~$20B(1)
- ✓ Total of 85+ employees including 20 scientists/technical specialists and 30 sales professionals
- ✓ Founded in 1999 and headquartered Mississauga, Ontario with its own commercialization facility

2,000+
Customer Install Base



39 / 211
Patents / Regulatory Clearances



30+ / 33+
Sales Professionals / Distribution Partners



150/25
SKUs / Product Families



$20B+
Total Addressable Market



(1) Currently, Covalon's product portfolio addresses 70-80% of the total addressable market of HAIs in the U.S

Current Investment Opportunity

1. Setback in Middle East + COVID-19 has depressed the price of Covalon's stock from $9.00 to under $2.00.
2. Our ongoing business demonstrates that the current stock price does not represent the true value of Covalon.
3. Covalon's stock is illiquid, which makes it respond illogically – in current situation, well below its intrinsic value.
4. The majority of stock is held by insiders who are experienced long-term individual investors.
5. Covalon has overcome Middle East challenges, COVID recovery is underway and is positioned for growth.
6. Covalon has significantly more growth opportunities than it can exploit under its current capital structure.

Covalon's Platform Technologies

Lucrative and Proven Infection Management Technology Platforms

	Platform Technology	Description	Flagship Products	TAM[1]
Product Revenue	Biological Collagen Matrix	Patented platform used to manufacture a family of products that treat chronic and infected wounds (e.g. diabetic foot ulcers, venous ulcers, burns, etc.)	ColActive® PLUS Ag  ColActive® Transfer 	$4.0B
	Antimicrobial Silicone Adhesive	Patented platform and family of vascular access, pre-surgical and post-surgical products designed to kill 99.99% of bacteria and yeast that comes into contact with the adhesive	 IV Clear™  MediClear™ PreOp  SurgiClear™	$2.3B
	Moisture Barriers	Impermeable moisture barrier that allows coverage of wounds, dressings and intravenous sites to minimize infection and post-operative complications due to showering	AQUAGUARD® a Covalon Technologies Ltd. Product  VALGuard 	$2.5B
	Antimicrobial Sanitizers	Patent-pending antimicrobial platform incorporating BAC [2] into a unique lipid delivery system that is applied to a variety of surfaces and skin for immediate and sustained kill of pathogens	 COVAGUARD™ COVALONGUARD™	$1.7B
Development & Licensing Revenue	Medical Coating	Proprietary patented coating technology that provides superior infection management, lubrication and preservation of underlying functional/mechanical properties of devices	CENTAUR™ Low Particulate, Lubricious Coating by Covalon Technologies Ltd. CovaCoat®  SilverCoat™	$1.6B

(1) Total Addressable Market size
(2) Benzalkonium chloride

Leverage Assets to Pursue Multiple Avenues for Growth

Clear Path for Substantial Revenue Growth within each of the Five Platforms

Organic Growth	Other Growth Initiatives		
Strengthen existing medical consumables business	**Strengthen Sales Force and Distributionn Network**	**New Product Launch & Market Penetration**	**Strategic Initiatives Acquisitions**
			
Objectives			

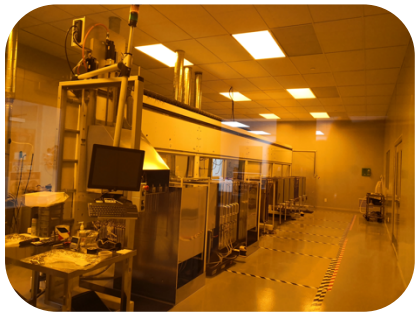
• Direct sales channels with strong install base in the U.S.
• Significant growth via launching existing product lines into its channels
• Numerous on-going opportunities with existing and new distributors to expand product portfolio presence in international markets
• Additional clinical studies to improve penetration rate for existing products
• In-house manufacturing as revenues increase to realize economies of scale and improve margins
	• Hire or acquire additional capabilities and channels (e.g. more sales specialists)
	• Additional clinical specialists (registered nurses with sales experience) in the areas of vascular access, surgical and infection prevention can drive stronger conversion rates and recurring revenue base
	• Shrink sales territories with the addition of new sales personnel to maximize customer face time
		• Launch products with regulatory clearance and identified markets across Covalon's technology platforms:
		  • ColActive Gel (3-6 months launch)
		  • ValGuard (launch in process)
		  • IV Clear 3.0 (2021F)
		  • SurgiClear
		  • AquaGuard 2.0
		  • CovaGuard antimicrobial sanitizer products
			• Pursue inorganic growth opportunities to accelerate Covalon's business plan

Covalon's Market Leading R&D Capabilities

Leading R&D and Regulatory Expertise Sought by Global Healthcare Companies

Development Partnership Model

- Covalon works with leading medical device companies to bring new products to market, or to improve/enhance existing product lines
- The Company licenses its technologies to Fortune 100 & 500 companies and provides coating manufacturing to many of the largest medical device manufacturers in the world






Selected Partners & Distributors

BD BARD · smiths medical · McKESSON · DermaRite · HARTMANN · Promedon People + Innovation · MEDLINE · smith&nephew · Byram Healthcare · JamJoom Business Group · Owens & Minor

Award Winning Products

2018 SILVER WINNER MEDICAL DESIGN EXCELLENCE AWARDS

Recipient of the 2018 New Product Innovation Award Surgical Site Infection Prevention FROST & SULLIVAN

ESP 2013 AWARD WINNER

Regulatory Pathway Expertise

FDA · Canada Health Canada · Kingdom of Saudi Arabia Saudi Food & Drug Authority · ISO 13485:2003 FM 86113 · CFDA China Food and Drug Administration · KFDA Korea Food & Drug Administration · CE 0086 · The Executive Board of HEALTH MINISTERS' COUNCIL for GCC states · SFDA www.sfda.gov.cn · SALUD SECRETARÍA DE SALUD

ISO13485: 2016, MDSAP and FDA QSR certified

Platform Product Advantages vs. Competitors

Covalon's products have demonstrated competitive advantages through clinical studies and improved patient outcomes according to end-user customers

Covalon Products	Primary Competitors	Competitor Products	Covalon Advantage
ColActive®	3M, Acelity, MEDLINE	 	▪ Patented manufacturing process that increases efficacy of product family beyond that of competitors in skin integration, wound healing capabilities and infection management capabilities ▪ Only two key players (other than Covalon) currently have their own Collagen product offering in the U.S.
IV Clear™ MediClear™ SurgiClear™	3M, Johnson & Johnson	 	▪ The only dual antimicrobial silicone adhesive that also provides clear, breathable and waterproof barrier to secure dressings and other wound sites ▪ Minimizes pain and risk of infection better than competing products according to clinical studies
 AQUAGUARD® a Covalon Technologies Ltd. Product	SHOWER SHIELD, 2GMEDICAL, LLC	 	▪ #1 market share leader in the U.S. – products sold via direct sales professionals ▪ High customer retention ▪ Market lacks product offerings for moisture barriers – many facilities still use plastic bags and tape
 COVAGUARD™	barr, Purell, MICROBAN, P&G	  	▪ Provides longer, sustained kill rate than most competitors ▪ Some competitors offer lasting disinfectants but do not have Covalon's skin integration capabilities ▪ <2% ethanol content
CENTAUR™ Low Particulate, Lubricious Coating by Covalon Technologies Ltd. CovaCoat® Medical Coatings	SURMODICS, DSM, BIOCOAT INCORPORATED, Teleflex®	Serene™ coating technology (Surmodics) HYDAK® technology (BioCoat) ComfortCoat® (DSM)	▪ More than US$10M in licensing and development fees from a global medical device manufacturer partner to date ▪ Two of the four largest vascular access companies in the world are migrating their coating technology to Covalon ▪ Teleflex's US$80M investment in Semprus BioSciences was ultimately unsuccessful – Covalon has already proven that its comparable technology works and is scalable

Patients and Their Families Love Covalon's Products

Real People, Life Changing Stories



"I have had no itching, no blisters, nothing but clear picture-perfect skin. I sometimes even forget that my PICC line is there. My mountain bike is still my favorite thing, but this dressing comes in a close second"

Brittany Gaume





"I experienced immediate improvement with this dressing and within a few days you would never have known I had any problems, my skin was clear, along with no more pain and itching"

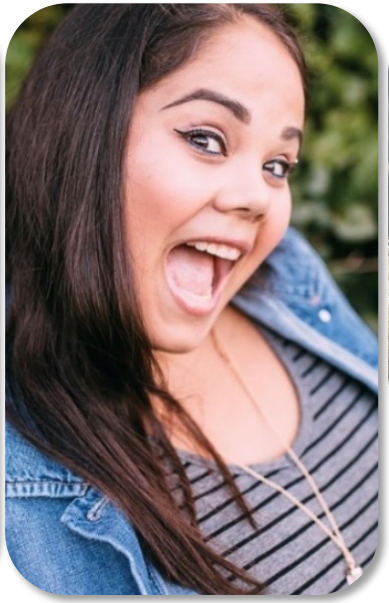
— Kim D'Esposito





"I can't say enough good things about them!! My daughter has had no pain or redness at all with dressing changes and we have had no need for adhesive remover with them as well. They are so gentle on her skin and she is refusing to go back to her old dressings now. We have tried at least 7 different types of dressings over the years and nothing has been as gentle on her skin as these. We are officially hooked"

— Tammy Zoppa



"After getting a PICC Line, the weekly dressing changes were a nightmare. My skin would blister and get a rash all over. Every dressing change was literally ripping my skin off to the point that I was bleeding. IV Clear sent me a sample and it was the first time my skin wasn't irritated and when the dressing was changed, it didn't rip my skin!"

— Charissa Josephs



"Now that we've found IV Clear, our son is no longer afraid of dressing changes, and is now comfortable enough with them that he's learning to do some things on his own. The skin around his broviac exit site is beautiful and healthy, easily visible through the dressing, and we no longer have to worry about missing a site infection or the fact that his dressing required frequent changes because it wasn't lasting a full week. Thanks to IV Clear, instead of worrying about his line, Sam is able to spend more of his time doing things typical kids do; playing games with his family and friends, riding mules, creating YouTube videos, dancing, and focusing on schoolwork"

— Sheila Lee

Patients and Their Families Love Covalon's Products

Real People, Life Changing Stories



"Dressing changes are less painful, I don't get rashes or blisters, and it has helped one of my PICC line scars heal"

— Sara Fisch



"After getting a rare type of infection during surgery, I needed to have a daily IV antibiotic. As soon as my dressing was changed after the first week, I started getting blisters and my skin was being pulled off with the dressing. After some research by my wife, she found these dressings. They were a lifesaver! Thank you SO much for helping me through a very difficult time!"

— Dan Hogue



"Works so much better for my skin — no more rash or redness than the (competitor name) I have used for many years"

— David McGee



"(My wife) has very sensitive skin and is allergic to practically all adhesive dressings; she is still recovering from the adhesive second-degree burn-like reactions that had spread well beyond the port site. Identically, her past PICC line was removed because of the damage to her surrounding skin caused by adhesive bandages. She needs a CVC dressing 24/7 since she uses the catheter everyday for TPN which is keeping her alive. Since her Hickman insertion she has been using Covalon IV Clear Silicone (adhesive) Dressings (notched) and she has not had any skin reaction to these adhesive bandages. This antimicrobial dressing is clearly a superior product and technology, and is easy to put on and to change. My wife will be using IV Clear for life. Initially, I had contacted the Covalon company's office with questions, and I am impressed. The company is a professional company utilizing superior technology. Obviously, IV Clear is the bandage of choice for those who need CVC or PICC line dressings"

— Mitchell Johns



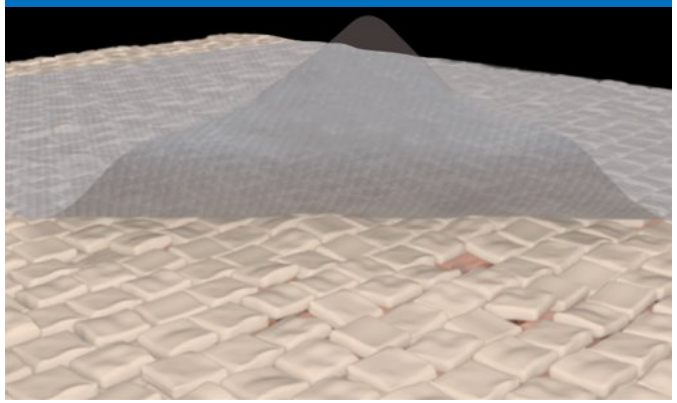
"I couldn't be happier with IV Clear! It's very comfortable and doesn't give me any issues. The staff was beyond helpful and supportive. I would definitely recommend IV Clear! After a few dressing changes with other brands, IV clear is by far the best! Other brands stick to my line, making dressing changes very painful. IV Clear just peels off no problem! Feels like a second skin"

— Aimee Tyner

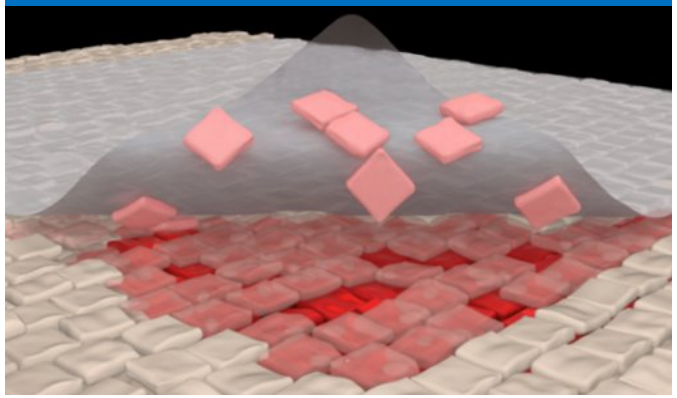
Clinicians Love Covalon's Products

Real People, Life Changing Stories

Covalon's Silicone Adhesive



3M's Adhesive





Our Products Make a Difference To These Patients





Covalon's Products Help Improve Patient Care & Save Lives

SurgiClear™ Makes a Difference

SurgiClear Applied in the Operating Room







SurgiClear™

SurgiClear on a Patient in Recovery



"So far, we are loving the SurgiClear results here.

We have not had a superficial infection since using them!

Our overall infection rate has dropped from 2.8% to 1.8% and dropping."

Physicians Assistant, Pediatric Congenital Surgery, US Leading Children's Hospital

"The trial was successful and the dressing has been approved. It is now regular order.

Dr. M. expressed that he has seen a big decrease in Surgical Site Infections (SSI) (we will see this in out SPS data over time) and that is a big win for us and our patients."

Director of Critical Care and Surgical Services, Leading Children's Hospital in Ontario

(1) SurgiClear is a post-surgical product within Covalon's antimicrobial silicone adhesive platform

Our Products Work

Real People, Life Changing Stories

Diabetic Foot Ulcer



ColActive® PLUS Ag



After 5 Weeks - Healed



Diabetic Foot Ulcer – Scheduled for Amputation



ColActive® Transfer



After 6 Months - Healed



Experienced Management Team

Corporate



Brian Pedlar
Chief Executive Officer

B.Sc., CPA, CA



Danny Brannagan
Chief Financial Officer

B.Comm., CPA, CA



Dr. Val DiTizio
Chief Scientific Officer

Co-Founder, PhD, M.Sc.

World-Wide



Hector Padilla
Vice President,
Strategic Markets

B.Sc. B.A., MBA



Alyssa Hrycyshyn
Vice President,
Marketing

B.Sc., MBA



Kim Crooks
Vice President,
Operations

B.Sc.



Greg Leszczynski
Vice President,
Human Resources

United States



Gerry Arambula
President, Covalon
USA

Europe



Simon Smith
President Covalon
Europe

OEM Channel



David Scherma
Director,
OEM Business

Covalon Highlights

1. World-class development lab with game-changing IP and products
2. Recognized by medical companies as major player in infection control
3. De-Risked revenue with increased channel into the United States
4. Massive upside with new products and new sales force in United States
5. Experienced management team focused on creating significant shareholder value



350 million I.V. dressings used each year in the US

IV Clear by Covalon is the world's only dual-antimicrobial silicone adhesive I.V. dressing



Questions?

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Thank You!

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