

Corporate Overview

December 2021

Brian Pedlar, CEO

TSX-V: COV
OTCQX: CVALF

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

covalon TECHNOLOGIES LTD.

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

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.

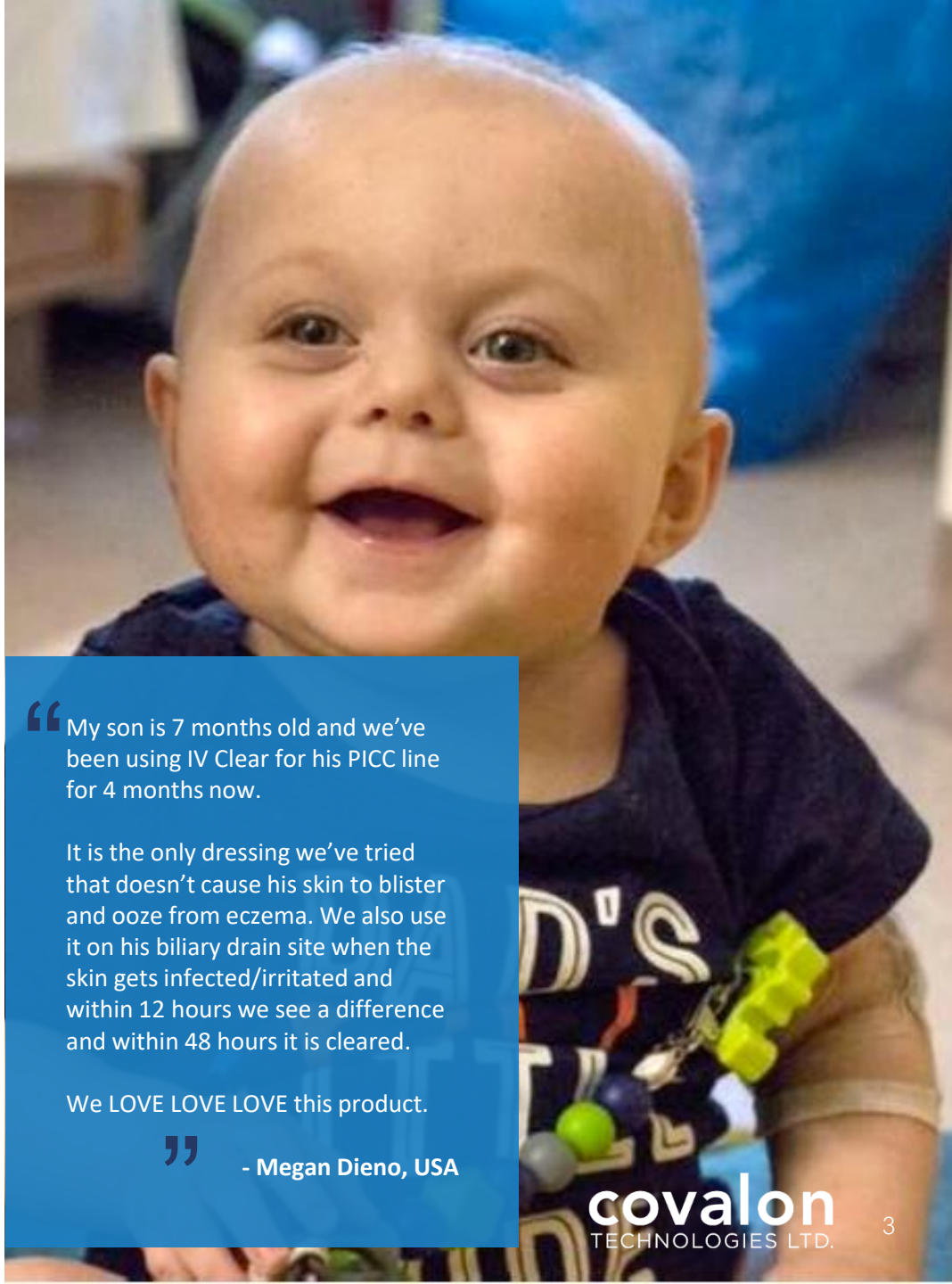
For further information about the risks and uncertainties relating to forward-looking statements included in this Memorandum, the recipient should consult the “Risks and Uncertainties” section of Covalon’s annual MD&A dated January 27, 2021, as well as those contained in Covalon’s interim MD&As and other public record filings on SEDAR.

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

Covalon's Infection Prevention Technologies Save Lives

Covalon is an innovation-driven medical device company, with a strong portfolio of patented dressings and technology that make it easier for health care providers to protect patients from infection and help patients heal.

Whether suffering from a chronic wound, recovering from a surgery, or undergoing treatment that requires vascular insertions, both clinicians and patients benefit from Covalon's family of FDA approved products and technology that are designed to reduce complications during treatments.



Company Overview

- **Founded:** 1999
- **Headquarters:** Mississauga, ON, Canada
- **Business Model:**
  - ✓ Develop and sell new patented medical consumable products that take market share from major competitors
  - ✓ Develop and license technology to major medical companies through our Medical Coatings business
  - ✓ Sell directly and through 3rd party distribution networks in the United States and internationally
  - ✓ Leverage 3rd party manufacturers under contract and in-house manufacturing capabilities
- **Employees:** 65+ with offices in Canada, United States, United Kingdom



Key Financials[1]

TSX-V Listing	COV
OTCQX (United States)	CVALF
Market Capitalization	$58 million
Shares Issued	25.9 million
52 Week Low - High	$1.09 – $3.15
Current Share Price	$2.23
Insider Ownership	Approximately 55%
Cash Per Share (no debt)	~$0.93

1. *As at Dec. 7, 2021*

Hospital Acquired Infections are a Major Financial Burden

- Annually up to 1.7 million people get infected because they visit a hospital in the U.S.
- 100,000 of those people die
- The U.S. spends $20 billion a year trying to treat and prevent these infections
- 70% of those infections are preventable

Our products can help prevent many of these needless infections

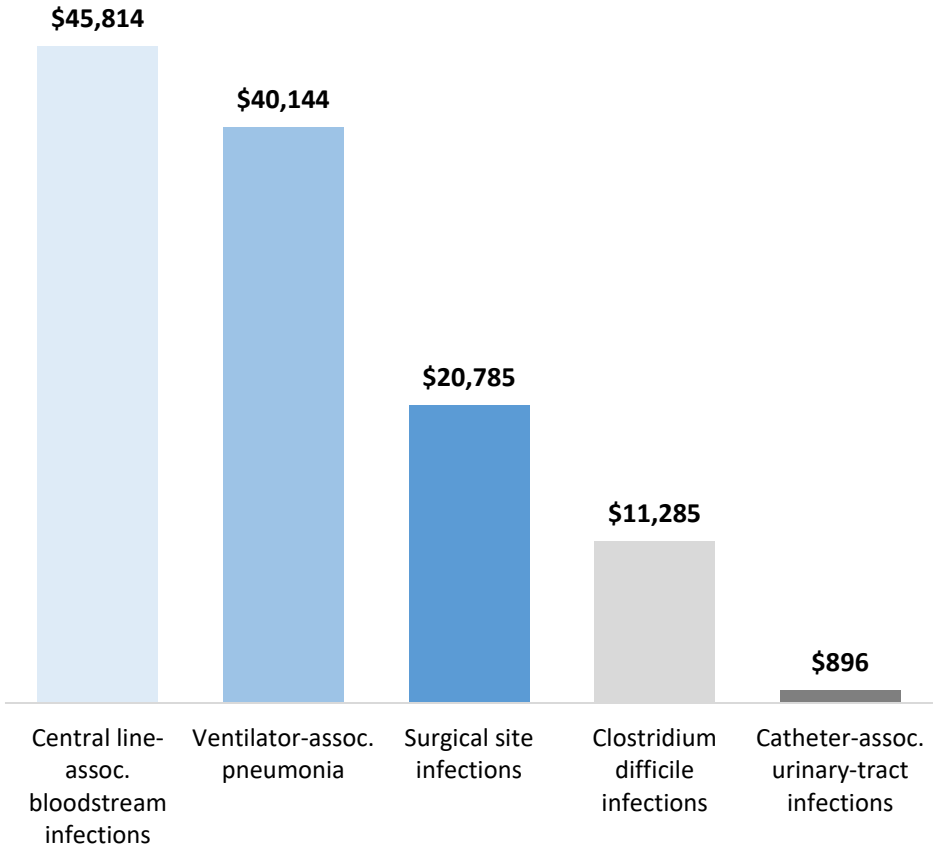


Klevens, R. Monina; Edwards, Jonathan R.; Richards, Chesley L.; Horan, Teresa C.; Gaynes, Robert P; Pollock, Daniel A.; Cardo, Denise M. (2007). "Estimating Healthcare-associated Infections and Deaths in U.S. Hospitals, 2002". Public Health Reports. 122 (2): 160–166. doi:10.1177/003335490712200205

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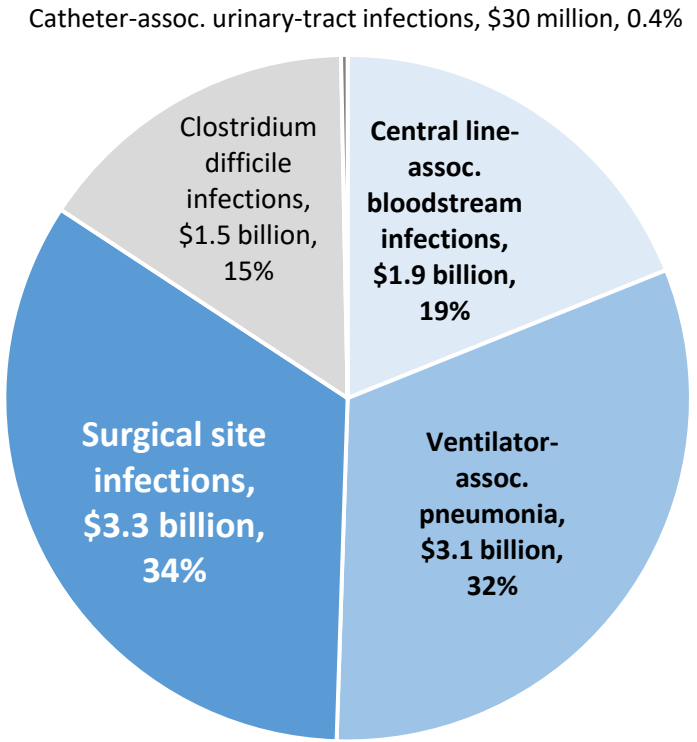
Uninsured Infections Cost Hospitals $9.8 billion each year

Cost per Case by Infection Types



The 5 most common hospital-acquired infections (HAIs) cost the U.S. **$9.8 billion annually**

% share of Total Annual Costs



Source: Eyal Zimlichman, Danel Henderson, Orly Tamir, Calvin Franz, Peter Song, Cyrus K. Yamin, Carol Keohane, Charles R. Denham and David W. Bates. Healthcare – Associated Infections: a Meta-analysis of Costs and Financial Impact on the US Healthcare System. *Jama International Medicine*

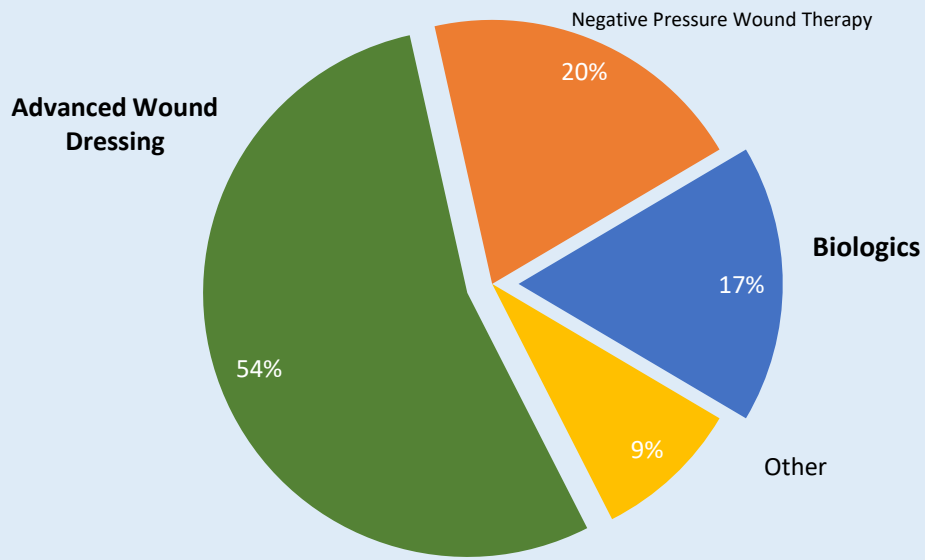
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Chronic wounds are considered a silent epidemic



Advanced Wound Care Dressing Market [1]

~US$8.9+ Billion Market



1. BIS Research; Global Advanced Wound Care Market (2019).

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Covalon Highlights

1. Well-funded and backed by very successful major investors, Covalon is positioned to accelerate top-line growth of its impressive product portfolio in the United States
2. Sale of AquaGuard product line transformed Covalon's balance sheet - $24 million in cash and no debt positions Covalon for growth
3. Deep Intellectual Property protects the Company's flagship products and platform technologies
4. Covalon's products solve real clinical problems that competitive products cannot
5. The infection prevention and wound care markets we service are massive



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

Sale of AquaGuard product line a transformative event for Covalon

- Covalon Announced the Sale of its AquaGuard® Product Line for US$30 Million or Approximately CDN$38 Million
- Purchase and sale agreement executed with simultaneous closing with TIDI Products, LLC as buyer
- The transaction materially improves Covalon's balance sheet to an estimated net cash position of approximately CDN$24 million or CDN$0.93 per share after repayment of all outstanding debt
- The sale results in a net gain, prior to transaction expenses, of approximately CDN$20 million or CDN$0.77 per share on an after-tax basis over what Covalon paid for the AquaGuard business approximately 3 years ago
- AquaGuard's customers and distribution partners are expected to benefit from TIDI's current extensive market reach, bringing AquaGuard to more patients and more hospitals
- Covalon will now focus on accelerating the growth of its three core patented platforms of infection prevention products, including Collagen Dressings, Antimicrobial Silicone Adhesive Dressings and Advanced Medical Coatings, in addition to other technologies developed by Covalon's advanced medical laboratory
- First half of FY 2022 will contain transition and other costs of the AquaGuard transaction

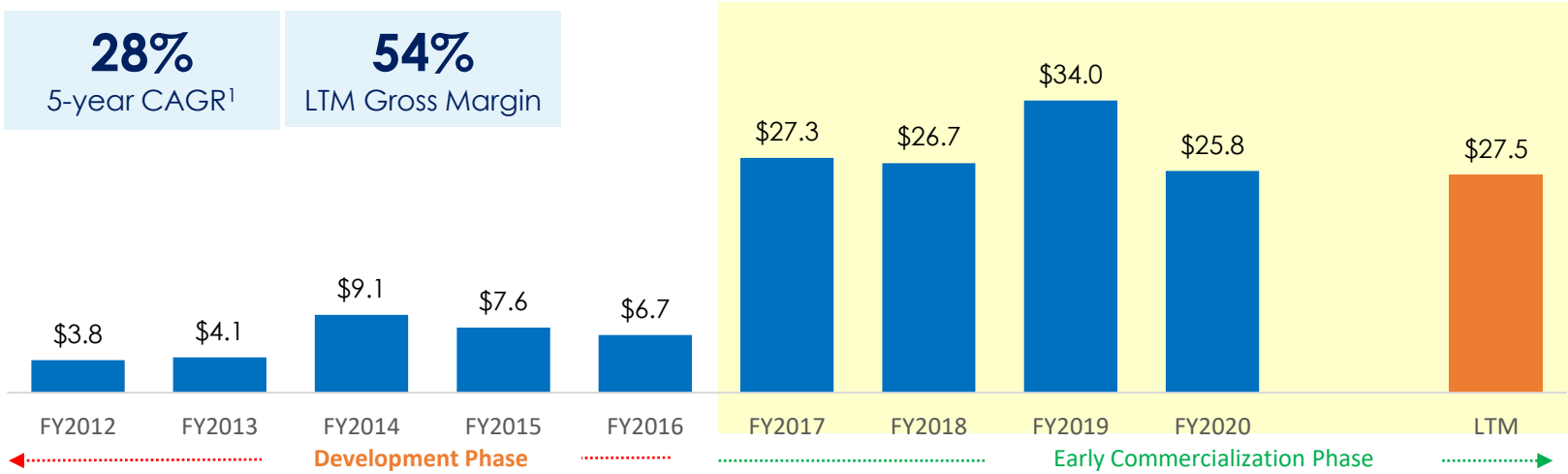






Strong Track-Record of Revenue Growth

Historical Revenue Profile (C$MM)



Commentary

Revenue growth has been strong in the Early Commercialization Phase of our business

We adapted to the negative impact of COVID-19 and the interruption to the distribution of our products in the Middle East

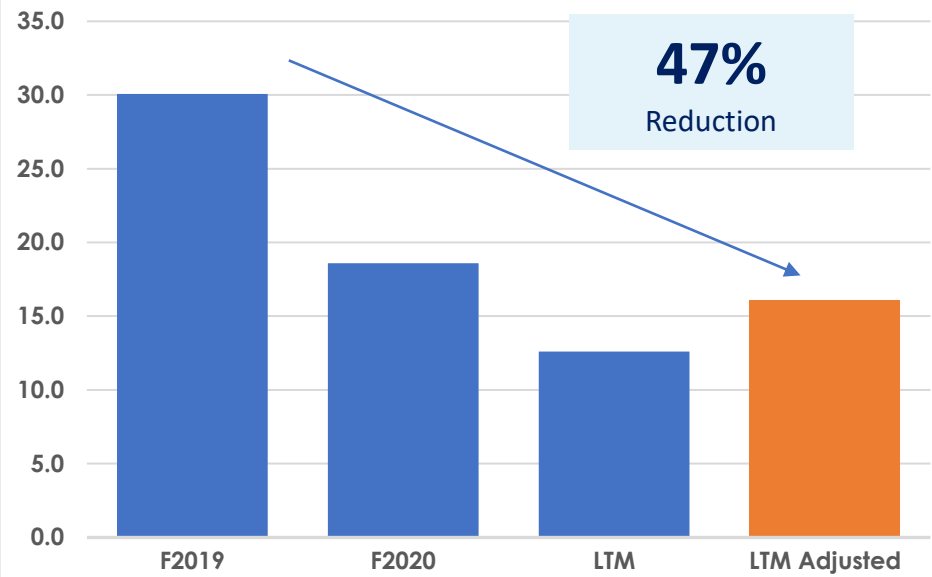
- We maintained close relationships with our direct sales channels in the U.S. interrupted due to COVID-19, and as a result of this the Company has not lost any customers/market share
- Working with our distributors to rebuild inventory levels to pre-COVID-19 levels
- Covalon has appointed a major European medical and healthcare provider as its new distribution partner for the Middle East

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 fully lifted

(1) Compounded annual growth rate from FY2015 to FY2020.

Operating Expenses and Cash

Operating Expenses (C$MM)



Cash and Debt

Cash & Cash Equivalents:

Cash ~$24.0 M

No DEBT

Commentary

- Operating expenses reduction driven by :
  - Decrease in personnel cost
  - Reduction of agency fees
  - Government subsidies
  - Reduction in Travel
- Continue to control operating expenses and decreases have continued into F2022

- Covalon repaid all HSBC bank line

Covalon's Platform Technologies

Lucrative and Proven Infection Management Technology Platforms

	Platform Technology	Description	Flagship Product Brands	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  CovaWound™ Silicone CovaWound™ Alginate Ag	$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™ VALGuard	$2.3B
Development & Licensing Revenue	Medical Device Coating + Surface Sanitizer	Proprietary patented coating technology that provides superior infection management, lubrication and preservation of underlying functional/mechanical properties of devices.	CovaCoat® SilverCoat™ CENTAUR™ COVAGUARD™	$1.6B

(1) Total Addressable Market size.

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 one key player (other than Covalon) currently have their own Collagen product offering in the U.S. that can control excess proteases in chronic wounds
IV Clear™ MediClear™ SurgiClear™	3M, MEDLINE, Johnson & Johnson, ConvaTec	 	▪ 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
CENTAUR™ CovaCoat® COVAGUARD™	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 single 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 our comparable technology works and is scalable

Advanced Wound Care Collagen Portfolio









ColActive Plus' patented formulation offers wound care professionals the advantage of **permanent inhibition** of elevated protease activity and **optimal moisture balance** to create a suitable environment for wound healing.

Advanced Wound Care Product Portfolio

CovaWound (other AWC) Product Portfolio

 CovaWound™ Silicone	Self-adherent soft silicone foam dressing, and with border
 CovaWound™ Sacral	Self-adherent soft silicone foam dressing with border for use on the sacrum
 CovaWound™ Foam	Non-adherent foam dressing, and with border
CovaWound™ Alginate	Alginate dressing, and with silver
 CovaWound™ Alginate Ag	Alginate dressing with silver
 CovaWound™ SuperAbsorbent	Soft hydrophilic wound contact layer with super absorbent polymer core
CovaWound™ Hydrocolloid	Absorbent hydrocolloid matrix dressing
CovaWound™ Hydrocolloid	Transparent IV vascular access dressing

Our Collagen Platform Competes With Market Leaders In the United States

Collagen Dressing Market in United States

#1 Market Position

3M Acelity

~US$120mm
in Collagen revenues per annum[1]

#2 Market Position

MEDLINE

~US$40mm
in Collagen revenues per annum[1]

Our Major Distributors in United States

smith&nephew · McKESSON · DermaRite · HARTMANN

- Brand name carries strong reputation in the United States and is supported by significant clinical evidence
- Covalon is in the top 3 of collagen dressing suppliers to the United States market by dressing volume
- We compete in the United States with 3M and Medline by leveraging the reach of our major distributors
- Our premium collagen dressings called ColActive Plus compete based on clinical benefits and better patient outcomes compared to 3M and Medline and has significant advantages to competition with the addition of CMC, alginate and EDTA
- Covalon's patented manufacturing process offers competitive advantages on cost and scalability of manufacturing when compared to leading competitors
- Significant opportunity to extend product line and scale manufacturing

ColActive® PLUS Ag



ColActive® Transfer



[1] Covalon estimate based on market research reports

Our Collagen Works

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



Our Collagen Platform has a Clear Path to Substantial Revenue Growth

Existing Products Sales in the U.S.	• Expand distribution network in the U.S. • Addition of direct sales personnel exclusively focused on Collagen to further support our distribution partners in the U.S. • Additional clinical studies as required to position ColActive as the market leader

Expanded International Footprint	• Incremental Middle-East tender wins
	  • Covalon sold $5mm in Collagen products in the Middle-East in 2018
	  • New Middle-East distributor has a very strong position to regain and expand this business
	• LATAM market penetration and expansion ongoing

New Product Launches	• Collagen Powder: product launched inn Q4 2021 • Collagen Gel: product launch expected in 2023 • Bioengineered Skin Substitute: significant opportunity for Covalon to tap into this lucrative market as an extension of its Biologics Platform
Manufacturing	• Patented manufacturing process enables manufacturing capacity to scale with demand • Vertical integration of manufacturing has the potential to significantly improve product margins

Clear Path to Substantial Revenue Growth Over the Medium to Long-Term

- ✓ Collagen has enjoyed healthy growth in the U.S. over the past several years (after normalizing for the FY2020-21 impact of COVID-19) and growth is expected to further accelerate once COVID-19 restrictions are fully lifted
- ✓ Experiencing record customer orders in FY2021 to date and expect record revenue this fiscal year for Collagen
- ✓ Revenues from the Middle East have been negatively impacted (FY2019 and FY2020) by the termination of relationship with the previous distribution partner in that region, but are expected to normalize towards the end of 2021 and grow significantly in the coming years given the new distribution partnership agreement with Paul Hartmann
- ✓ Our Patented Collagen Platform allows us to accelerate new product development by 3-5 years, allowing quicker access to new lucrative markets

Antimicrobial Silicone Dressings

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List of Products within Antimicrobial Silicone Adhesive Platform

Vascular Access	  **IV Clear™**	Antimicrobial clear silicone adhesive vascular access dressing with chlorhexidine and silver
Perioperative Care (Surgical)	 2018 SILVER WINNER MEDICAL DESIGN EXCELLENCE AWARDS Recipient of the 2018 New Product Innovation Award Surgical Site Infection Prevention FROST & SULLIVAN **MediClear™ PreOp**	Antimicrobial silicone film for pre-operative skin
	 **MediClear™ PostOp Absorb**	Self-adherent silicone dressing with absorbent pad
	 **MediClear™ Scar**	Self-adherent silicone dressing for scar care
	  **SurgiClear™**	Antimicrobial clear silicone adhesive post-surgical dressing with chlorhexidine and silver



- ✓ 200+ IV Clear customers in the United States
- ✓ 8 of the top Children's hospitals in North America
- ✓ Dominant market share for IV Clear in Middle East
- ✓ IV Clear – World's only antimicrobial silicone adhesive IV dressing
- ✓ VALGuard – Only line-to-line contamination protection cover

Our Patented Antimicrobial Silicone Products are Better and Safer for Patients

Clear Path for Substantial Revenue Growth

Film Dressing Market in United States

IV Dressing Market	Surgical Dressing Market
~US$400mm[1]	~US$200mm[1]
3M, MEDLINE	3M, ConvaTec

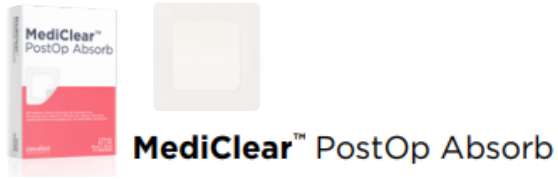
Covalon Sales Team Targets Hospitals

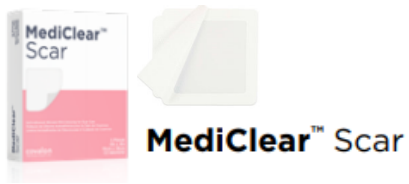
- Currently in the rebuilding phase with the recent right-sizing of our direct to hospital sales team post AquaGuard product line divestiture
- Small sales team currently focused on refining our sales and marketing strategy by putting a greater focus on digital marketing and virtual sales
- Opportunity to scale this business and capture 10-20% market share over the medium term

- We compete in the United States with 3M and Medline by selling directly to our AquaGuard hospitals with our U.S. sales team
- Covalon's IV Dressing and Surgical Dressing are the only dressings on the market with antimicrobial silicone
- Internationally, Covalon has been successful at winning large tenders competing against 3M in the Middle East
- Covalon's IV Clear, SurgiClear and MediClear Pre-Op products are at early-stage introduction to the U.S. hospital market
- We have Major Hospitals as reference accounts in the U.S.
- Looking beyond Covid-19, we believe Covalon's Antimicrobial Silicone products are far superior to the competition and Covalon has a very unique opportunity to capture an outsized share of this lucrative market









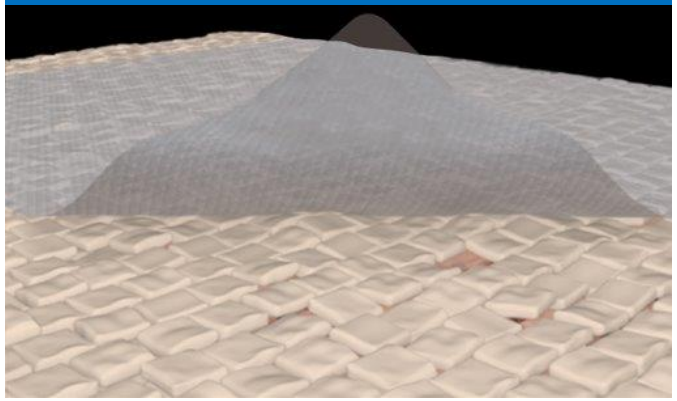


[1] Covalon estimate based on market research reports

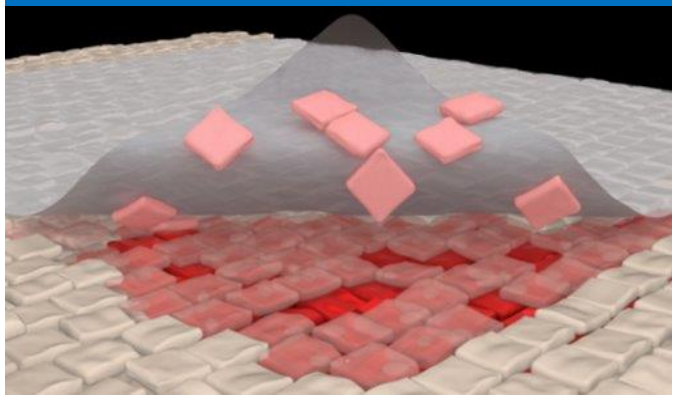
Covalon's Products are Better for Patients

Real People, Life Changing Stories

Covalon's Silicone Adhesive



3M's Adhesive





Our Products Make a Difference To These Patients



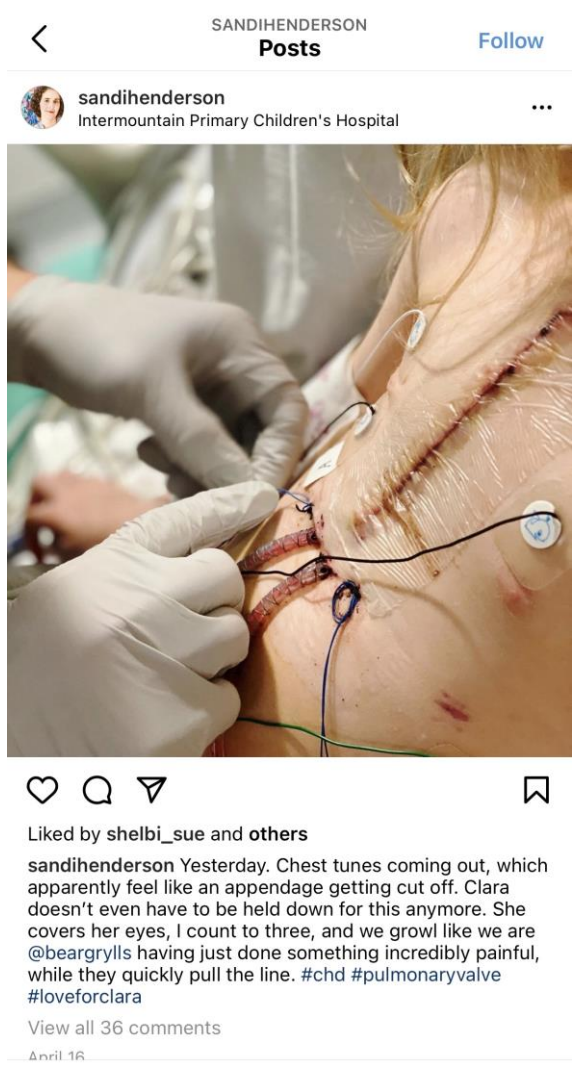


Both Clinicians and Patients Love our Antimicrobial Silicone Products

SurgiClear on Social Media – Customer Posts









Medical Device Coating Platform



A proprietary free radical UV photo-polymerization “grafting from” process that results in a micron level functionalized surface. Completely customizable, CovaCoat® is lubricious and low particulate, enhancing the safety and functionality of medical devices, and can be further functionalized to deliver a range of active pharmaceutical ingredients (APIs).

CovaCoat® is a registered trademark of Covalon Technologies Ltd. © 2020 Covalon Technologies Ltd.

Medical Coating Platform Creates Value for Customer Medical Devices

Clear Value Propositions For Upgrading Medical Devices

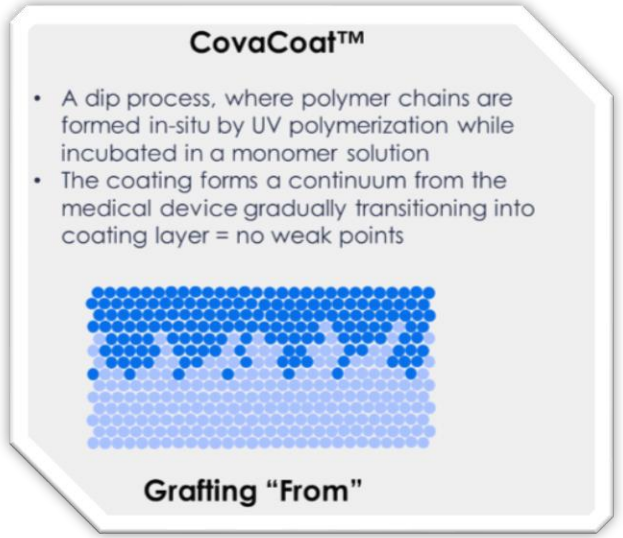


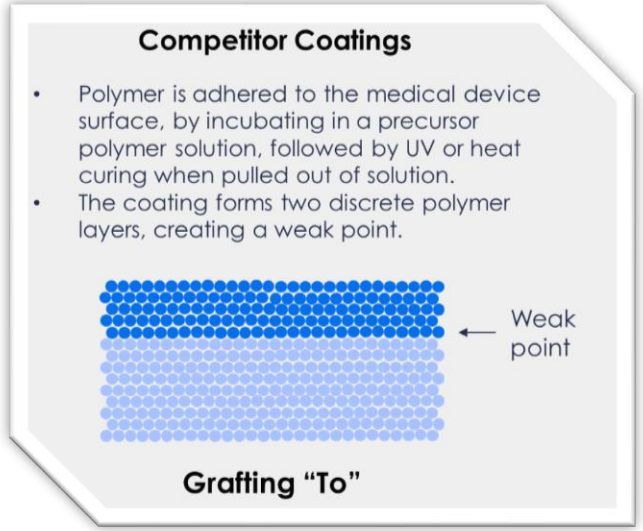
1. Low Particulate Generation
2. Durable Lubricity
3. Functionalization/API Loading
4. Hemocompatible
5. Highly Tunable Process
6. FDA Cleared Products (e.g. SilverTouch)
7. A Quicker Path to Market
8. In-house Manufacturing Facility
9. Flexible Business Model
10. Next Generation Technologies

Brands marked ® or ™ are trademarks of Covalon Technologies Ltd. All other products referenced herein are acknowledged to be trademarks of their respective owners.

Medical Device Coating Platform Product has Clear Revenue Growth Potential

- Core capabilities and value-add recognized and paid for by end clients; mission critical capabilities sought out by world's largest high profile medical companies
- Potential for capturing an outsized market share of the AM coating and API delivery markets
- Project portfolio diversification (50-60 projects with 20+ unique organizations) – includes projects in vascular access, urology, endoscopy, respiratory ventilators, surgical, wound care, and ostomy
- Significant financial commitment by client toward COV's technology increasing stickiness and furthering revenue generation
- Platform creates a portfolio of healthcare royalty streams which have significant value in their own right
- Small team generating substantial yearly development revenue – $1.00 of development revenue can translate into $17.00 of license, royalty and manufacturing revenue going forward



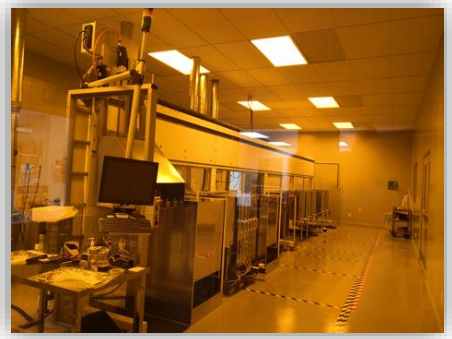


Covalon's Market Leading R&D Capabilities

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

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Questions?

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Thank You!

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