

2021 Annual Shareholders Meeting

March 9th 2022

Brian Pedlar, CEO

TSX-V: COV
OTCQX: CVALF

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

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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.

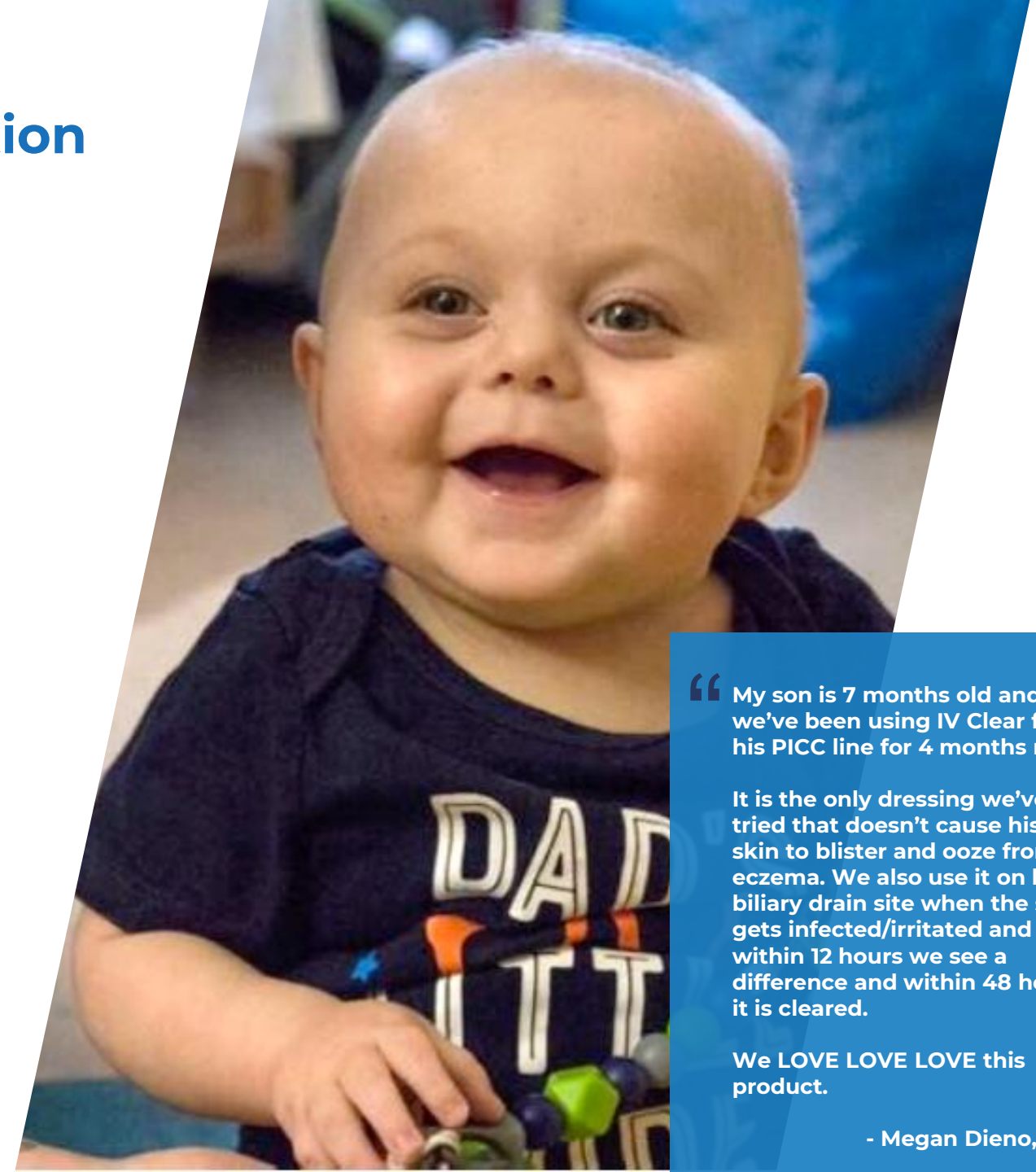
For further information about the risks and uncertainties relating to forward-looking statements included in this Memorandum, the recipient should consult the “Risks and Uncertainties” section of Covalon’s annual MD&A dated January 27, 2021, as well as those contained in Covalon’s interim MD&As and other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



> "My son is 7 months old and we've been using IV Clear for his PICC line for 4 months now.
>
> It is the only dressing we've tried that doesn't cause his skin to blister and ooze from eczema. We also use it on his biliary drain site when the skin gets infected/irritated and within 12 hours we see a difference and within 48 hours it is cleared.
>
> We LOVE LOVE LOVE this product."
>
> - Megan Dieno, USA

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2021 Financial Highlights

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OTCQX: CVALF



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Fiscal 2021 Financial Results – Key Highlights

- Year-end net profit of $23.5 million or $0.91 per share which includes net income from the sale of the AquaGuard operations
- Revenue from continuing operations increased 45% to $19.6 million for the year, compared to $13.5 million in the prior year due to an increase in product sales
- Fourth quarter was profitable with net income of $1.0 million or $0.04 per share and Adjusted EBITDA of $1.8 million from continuing operations
- Covalon ended the year with $25.5 million of cash and cash in escrow or $0.99 per share on the balance sheet with all debt repaid

- Results are for the year ended September 30, 2021.
- Continuing operations includes revenue from our core business of collagen, medical coatings, and antimicrobial silicone adhesive dressings, which continues to experience growth in the United States and internationally.
- Discontinued operations are comprised of AquaGuard operations for the year and the resulting gain on the sale of the AquaGuard product line as of July 28, 2021.

Revenues

$19.6M ↑ +45%

Net Income (continuing operations)

$0.4M ↑ +$8.2M

Net Income

$23.5M ↑ +$30.4M

Diluted EPS

$0.91 per share

Cash

$25.5M ($0.99 per share)

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Fiscal 2021 Income Statement Highlights

Revenues

$19.6M ↑ +45%

Primarily driven by an increase in Collagen and IV Clear product sales

Gross Profit

$9.7M ↑ +109%

50% ↑ +16 ppts

Primarily driven by inventory adjustments and re-work costs incurred in 2020

Adjusted Gross Margin[1]

$10.3M ↑ +48%

53% ↑ +1 ppts

Primarily due to impact of product mix and temporary supply chain cost increases

Operating Expenses

$8.9M ↓ -26%

Primarily related to decreases in wages, benefits, consulting costs and foreign exchange.

Net Income (continuing operations)

$0.4M ↑ +$8.2M

Primarily driven by higher revenue.

Net Income

$23.5M ↑ +$30.4M

Includes $23.1M net income from discontinued operations

Adjusted EBITDA [2]

$1.3M ↑ +136%

Diluted EPS (continuing operations)

$0.02 per share

Diluted EPS

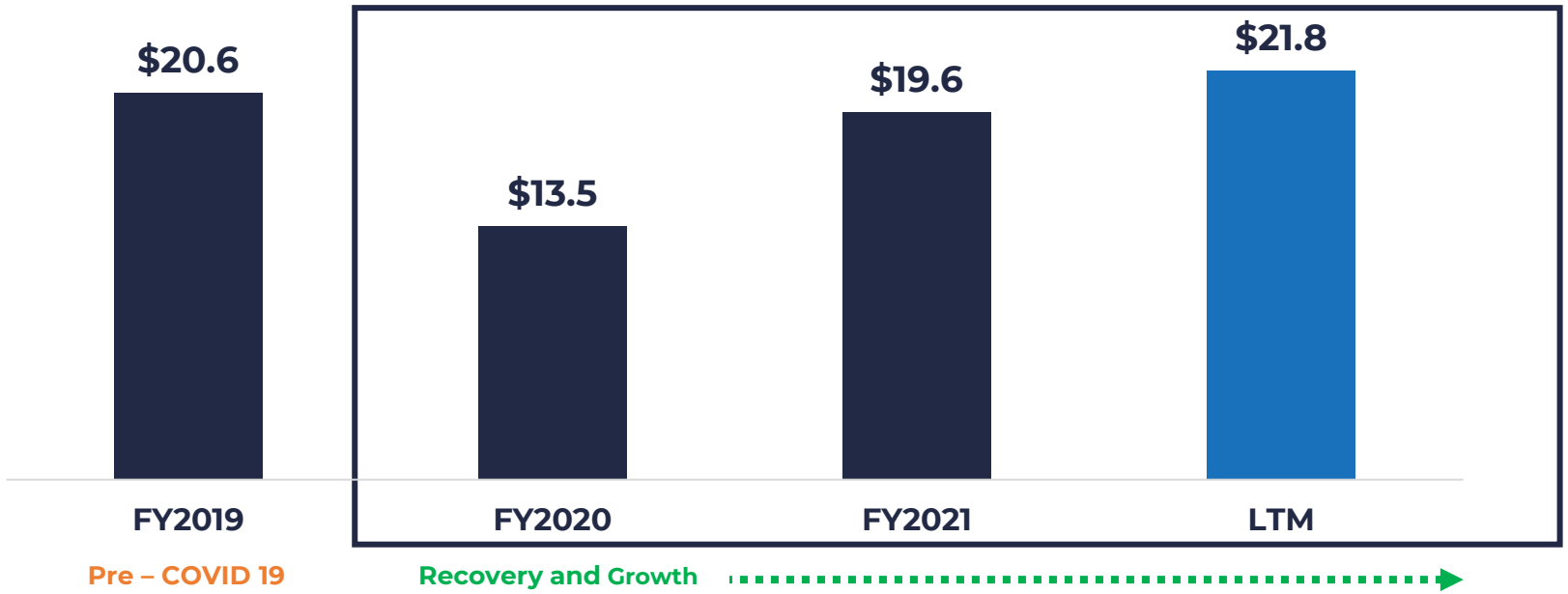
$0.91 per share

(1) Adjusted for inventory provisions and product re-work costs.
(2) Adjusted for interest, depreciation, amortization, share-based compensation, government subsidies, inventory provisions and accounts receivable write-offs

Strong Track-Record of Revenue Growth from Continuing Operations

Historical Revenue Profile – Continuing Operations (C$MM)

45%
Revenue Growth FY2021



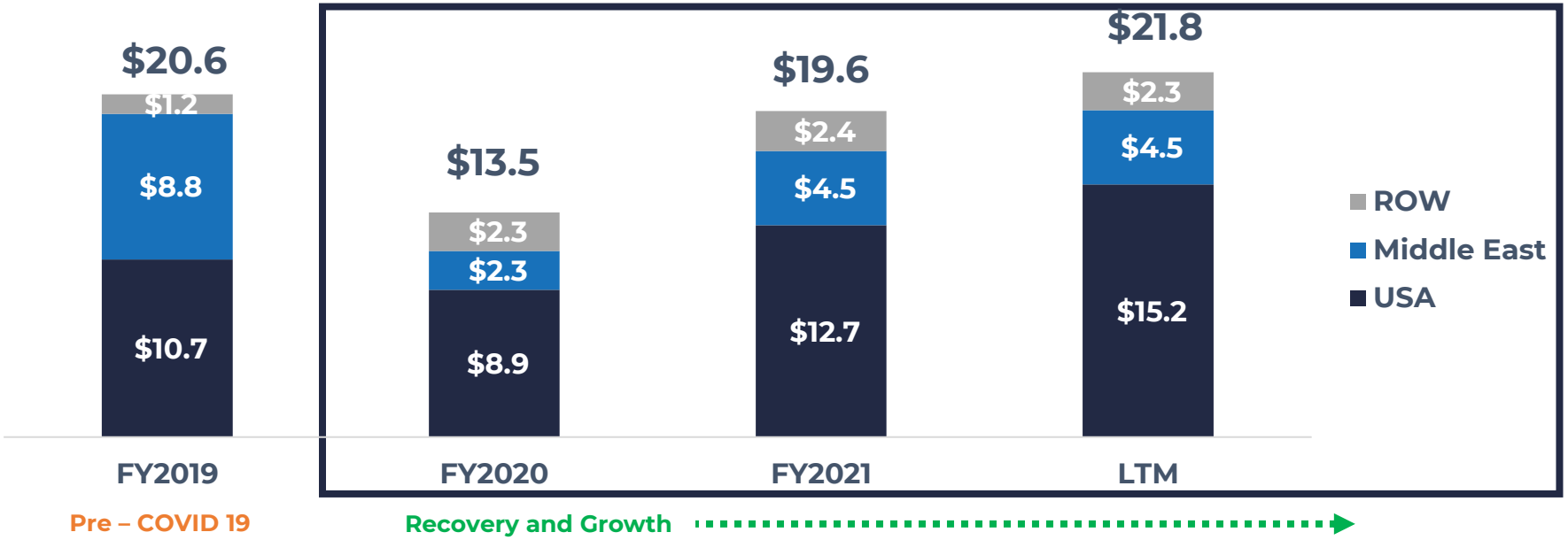
Commentary

- Revenue is presented for continuing operations and excludes revenue from the divested AquaGuard product line
- Revenue was negatively impacted by COVID-19 in FY2020, resulting in a decline in our key markets
- Revenue growth has been strong since the initial impact of COVID - 19
- During FY2021 we launched new infection prevention and wound care solutions that have strong clinical efficacy
- We continue to invest in sales and marketing resources to fuel additional growth in revenue in our key markets
- Demand in the United States market for our products remains very strong

Revenue Profile by Geography – Continuing Operations

Historical Revenue Profile – Continuing Operations (C$MM)

44%
US Revenue Growth FY2021



Commentary

- Revenue in the United States recovered from the impact of COVID-19 on our customers and supply chain.
- We adapted to the negative impact of COVID-19 and the interruption to the distribution of our products in the Middle East.
- Following the divestiture of AquaGuard, we retained a smaller sales force in the United States to focus on selling IV Clear, VALGuard and SurgiClear into US hospitals.
- Covalon has appointed a major European medical products company as its new distribution partner for the Middle East and has secured new contracts for 2022 and 2023.
- Rest of world market has been slower to recover and grow compared to United States and Middle East.

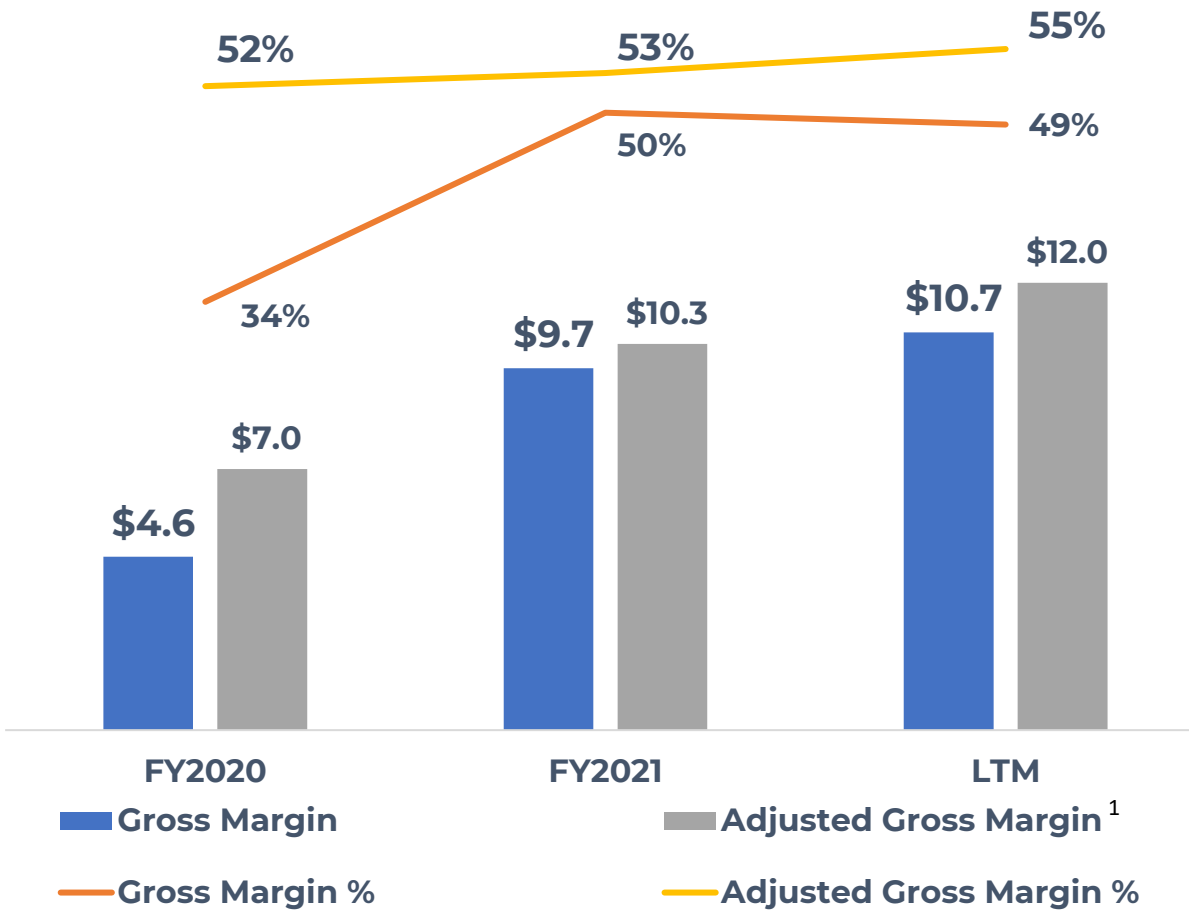
Gross Margins – Continuing Operations Are Improving

Historical Gross Margin Profile – Continuing Operations (C$MM)

55%
LTM Adjusted Gross Margin[1]

Commentary

- Gross margins have fluctuated due to inventory provisions and product re-work costs.
- Product re-work costs relate to re-deploying inventory packaged for a certain market to satisfy demand in another market by repackaging the dressings at an incremental cost lower than producing new product.
- When adjusting for both inventory provisions and product re-work costs, gross margins are trending upwards.
- We have experienced cost increases in our supply chain and have attempted to mitigate these by focusing selling efforts on higher margin products.
- In FY2021 we began in-house manufacturing collagen dressings to create capacity and meet customer demand.
- Gross margins are heavily influenced by product mix and geographical concentration.



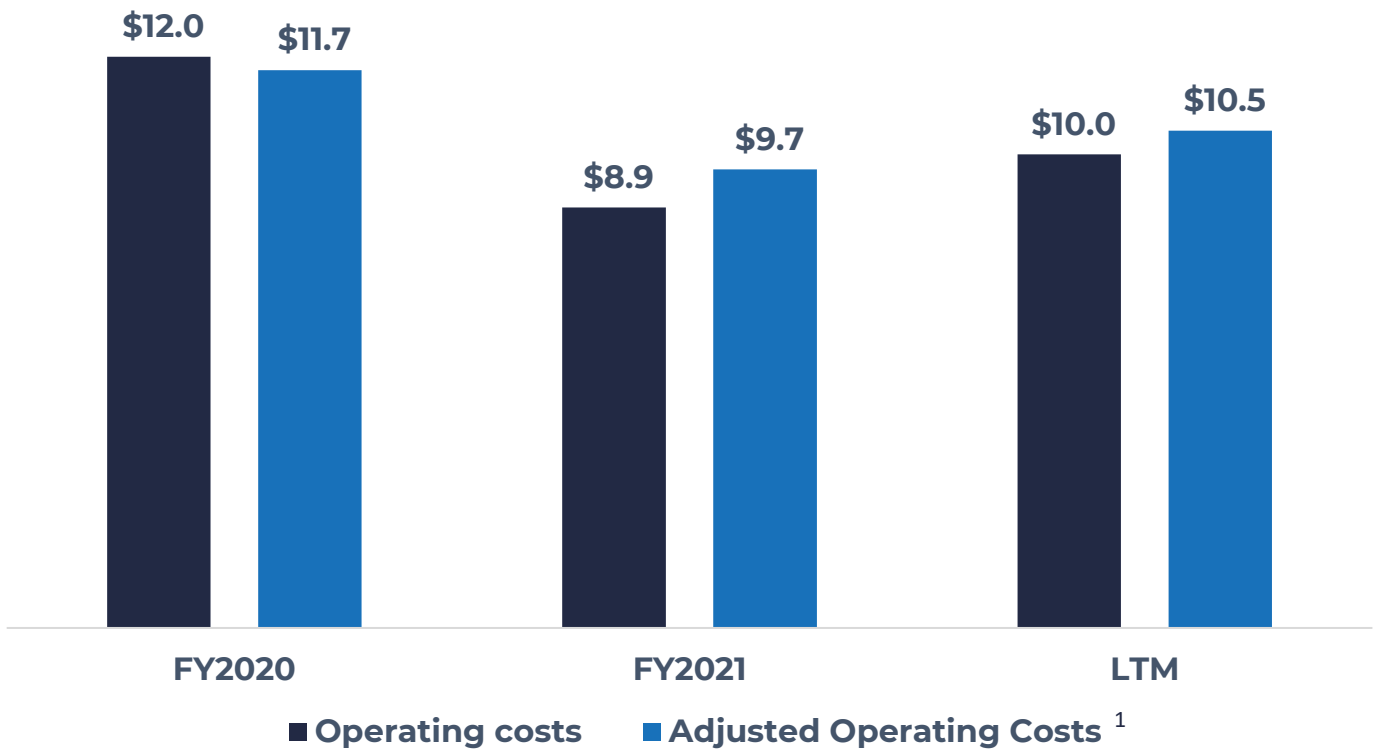
(1) Adjusted for inventory provisions and product re-work costs..

Operating Expenses

Historical Operating Costs Profile – Continuing Operations (C$MM)

Commentary

- Operating costs associated with continuing operations declined in FY2021 due to:
  - Decrease in personnel cost
  - Reduction of agency fees
  - Government subsidies
  - Reduction in Travel
- In Q1 of fiscal 2022 certain personnel and costs were transferred from discontinued operations to continuing operations, resulting in a quarterly increase in operating costs
- We continue to invest in sales and marketing resources to fuel growth in the United States



(1) Adjusted for government subsidies and accounts receivable provisions.

Balance Sheet

Selected Balance Sheet Items – Continuing Operations (C$MM)

	Sept. 30, 2020	Sept. 30, 2021	Dec. 31, 2021
Cash	$3.5	$25.5	$25.0
Current Assets	$14.8	$37.4	$34.6
Total Assets	$34.7	$40.6	$37.6
Debt	($17.7)	$-----	$----
Current Liabilities	($22.6)	($5.0)	($4.1)
Total Liabilities	($25.6)	($7.2)	($6.1)

Commentary

- Our balance sheet was transformed by the divestiture of the AquaGuard product line
- We repaid all outstanding bank debt and retired all credit facilities with HSBC Bank
- We ended our fiscal 2021 with $25 million of cash on the balance sheet
- Current assets consists of cash, accounts receivable, inventories and prepaid expenses
- Current liabilities consist of trade payables, accruals, current lease liabilities and deferred revenue



Helping Healthcare Providers Improve Patient Outcomes

The top priority of every healthcare worker is to provide the safest and best possible patient experience. Covalon's priority is to help healthcare workers do that.

Healthcare workers are stretched thin, but it doesn't mean that care should be compromised.

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Advanced Wound Care Collagen Portfolio

Growth Drivers in 2022+

- Continued growth of collagen in United States
- Launched Collagen Powder in 2021 – anticipating contribution to revenue in 2022
- Middle East collagen contracts returning to pre-COVID-19 levels

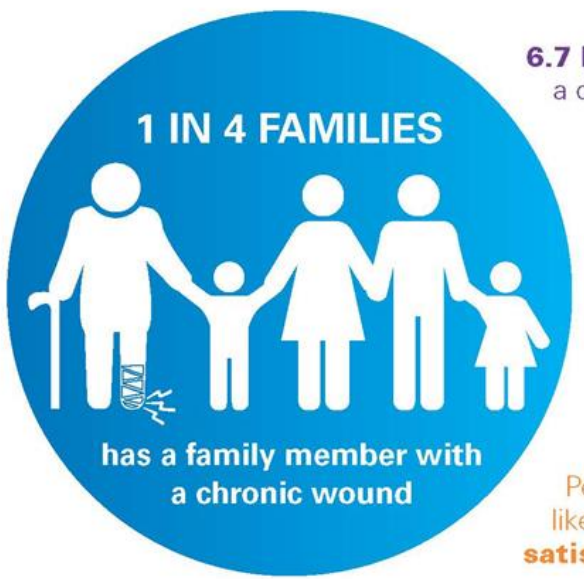






Someone You Know May Have a Non-Healing Wound





6.7 Million Americans are living with a chronic, non-healing wound

25% of people living with diabetes **will experience a foot ulcer**

Annually, chronic wounds have a **$50 billion impact** on the healthcare system

People living with limb loss are more likely to experience **decreased life satisfaction**

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Our Collagen Works

Real People, Life Changing Stories

Diabetic Foot Ulcer



ColActive® PLUS Ag



After 5 Weeks - Healed



Diabetic Foot Ulcer – Scheduled for Amputation



After 6 Months - Healed

ColActive® Transfer





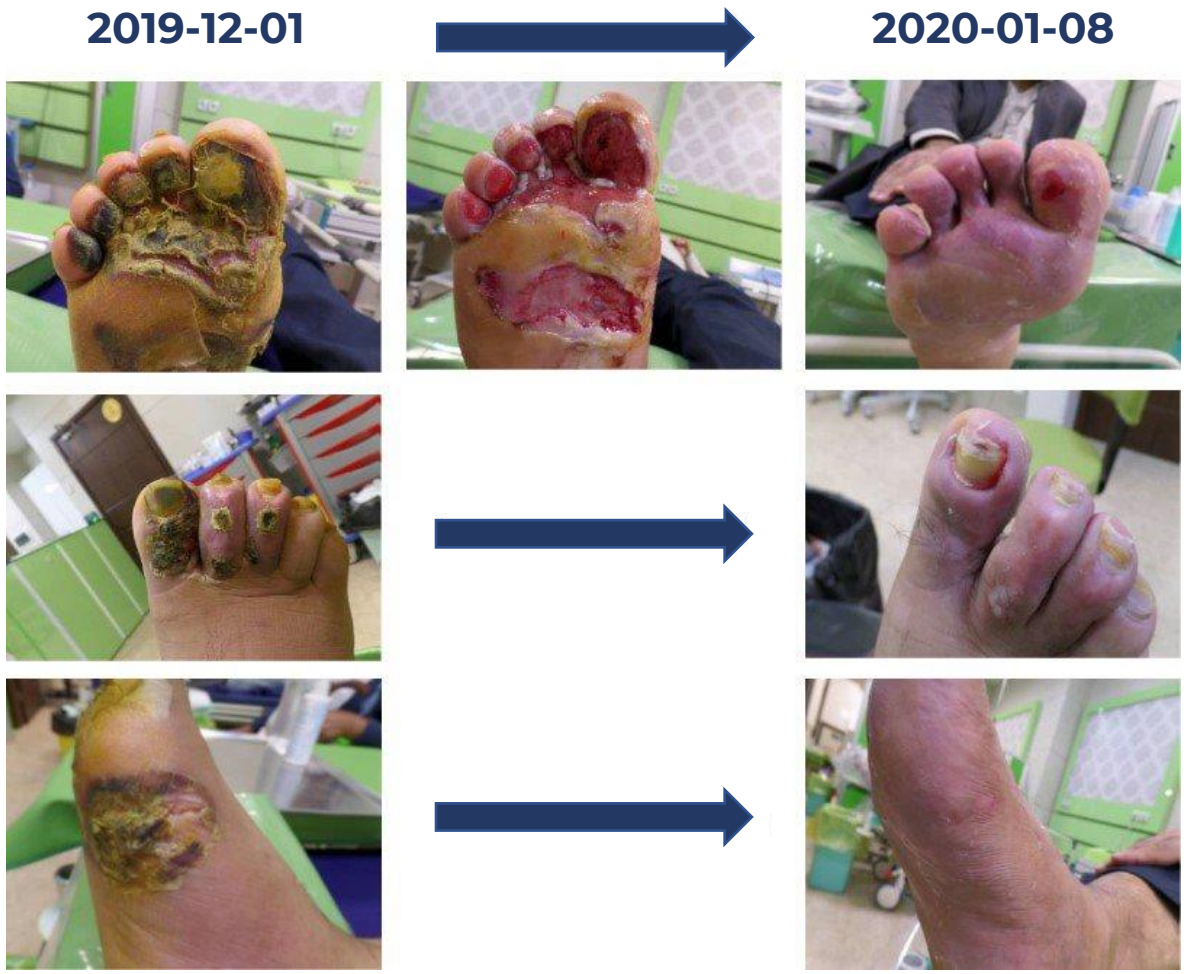


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We Can Accomplish Much in 30 Days

ColActive Plus Ag helps save limbs

- In 30 days, our dressings were able to help heal this patient's infected foot wounds
- Thousands of patients are treated every year with Covalon's advance wound care dressings
- There are millions more patients we can help around the world as more clinicians adopt our Biological Collagen solutions in their every-day treatment protocols for patients



Vascular Access and Surgical Infection Prevention Portfolio

Growth Drivers in 2022+

- Growth in IV Clear and VALGuard customer base in United States with cross selling opportunities
- Launch SurgiClear in 2022 to US hospitals based on strong clinical evidence and key reference accounts
- Additional Middle East contracts secured for 2022-2023





IV Clear™





SurgiClear™



VALGuard



The world's only dual-antimicrobial silicone IV dressing

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The world's only dual-antimicrobial surgical site dressing

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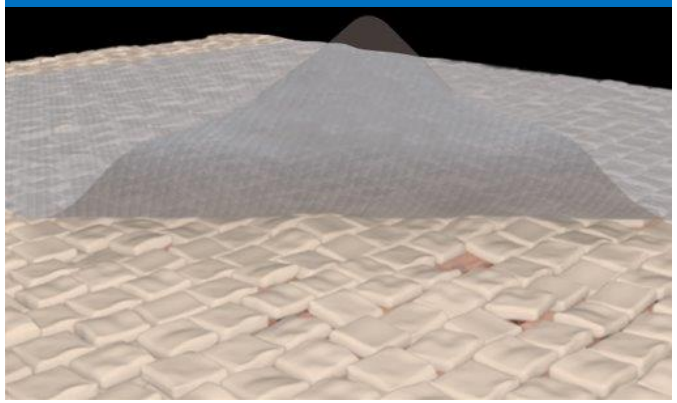
The world's only vascular access line-to-line connection barrier

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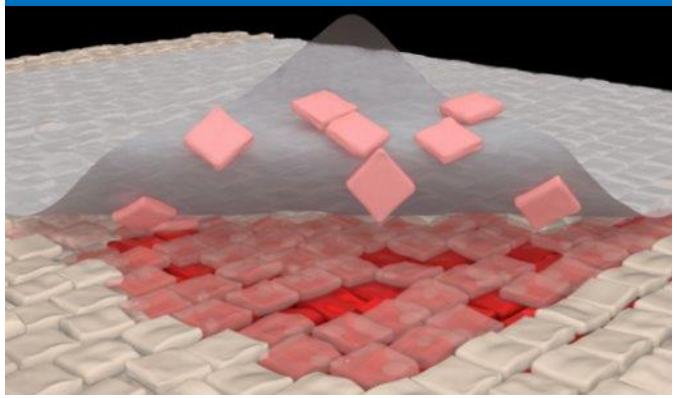
Covalon's Products are Better for Patients

Real People, Life Changing Stories

Covalon's Silicone Adhesive



3M's Adhesive





Our Products Make a Difference To These Patients





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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



Covalon Listens

Innovation at Covalon doesn't start behind the lab bench, it begins at the bedside.

We listen to healthcare workers on the front lines and are a true partner in developing solutions that meet the needs of their patients and their care protocols.

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Customer Profile – Texas Children's Hospital

Texas Children's Hospital has been using our products as part of their Infection Prevention Protocols since 2018

- One of our first SurgiClear reference customers
- Covalon team developed strong reputation with surgeons, OR director and Cardiac ICU RNs
- SurgiClear was successful in helping to eliminate surgical site infections in Heart Unit
- Successfully trialed VALGuard
- Because of success with SurgiClear and VALGuard, there is strong interest in IV Clear
- Texas Children's Hospital is part of Texas Medical Center (9,200 beds, 10 million patients per year at 54 hospitals and clinics)



- Houston, Texas (main campus)
- 5 towers – 25 floors per tower
- 973 beds (main campus)
- ~170 bed Neonatal ICU
- Largest children's hospital in US
- #1 Pediatric Cardiology & Heart Surgery Hospital in US
- 3 additional locations in Texas
- Associated with Texas Medical Center

Protecting patients from the inside out.

We work with some of the largest Medical Device Organizations to incorporate our infection prevention technologies into their well-known devises, helping clinicians to better protect patients from the inside out.

Our Medical Coatings Save Lives

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Growth Drivers in 2022+

- **Large Medical Coating license agreement announced in 2018 approximate 24 months from beginning of royalties**
- **Growing development pipeline of customer projects with opportunity for further license arrangements**
- **Growth of manufacturing coating services revenue opportunities**

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).

Medical Device Coating Platform



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

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Industry Leading Expertise and Experienced Leadership



Kim Crooks
Vice President, Operations



Dr. Val DiTizio
Chief Scientific Officer



Jason Gorel
Chief Financial Officer



Ron Hebert
SVP, Marketing



Alyssa Hryschysn
VP Marketing



Greg Leszczynski
Vice President, Human Resources



Hector Padilla
Vice President, Strategic Markets



Brian Pedlar
CEO



David Scherma
Director, OEM Business



Elaine Zhang
Director, QA/QC

Covalon is an ISO 13485:2016 registered company made up of an award-winning team of cross-disciplinary scientists and engineers who utilize an in-house laboratory to carry out feasibility studies, product formulation, prototype testing, validation, regulatory clearances and manufacturing for any size of project.

Board of Directors



Abe Schwartz



Amir Boloor



Samantha Nutt



Joseph Cordiano



Ronald E. Smith



Brian Pedlar



Questions?

Covalon Highlights

1. **World-class development lab with game-changing IP and products**
2. **Recognized by key hospitals, medical companies as major player in infection control**
3. **Solid balance sheet with significant cash reserves and growing revenue**
4. **Massive upside with new products and expanding sales reach in United States**
5. **Experienced management team focused on creating significant shareholder value**



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