

Q3 FY'24 Earnings Presentation

August 21, 2024

Brent Ashton – CEO

Katie Martinovich – Interim CFO

*Compassionate solutions designed for
patients and made for care providers*

Forward-Looking Statements and Non-GAAP Financial Information

Certain statements included in this presentation 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 presentation 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; 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.

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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 26th, 2024, 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.

Q3 Results Continue Strong Momentum

- ▶ Q3 EBITDA of \$1.7 million, adjusted EBITDA of \$2.4 million, and EPS of \$0.06
- ▶ Revenue of \$9.2 million (+ 47% YoY)
- ▶ Gross profit of \$5.4 million (+51% YoY)
- ▶ Continuing to work through and advance key foundational activities to position Covalon for future success

“Our team is proud to deliver another strong quarterly performance.

Our results clearly demonstrate the progress that the One Covalon team is making against our key priorities, and that the extensive foundational work to strengthen Covalon is delivering value to our customers, stakeholders and investors.

We are poised for strong growth to finish 2024 and look to carry that momentum into 2025 and beyond.”

Brent Ashton
Covalon Technologies Ltd
Chief Executive Officer



Q3 FY'24 P&L / EBITDA

	Q3 FY'24	Q3 FY'23	Delta
Revenue	\$9.2	\$6.3	+ 47.1%
Gross Profit (Gross Margin)	\$5.4 (58.9%)	\$3.6 (57.5%)	+ 50.7%
Operating Expenses (% to Revenue)	\$4.0 (43.7%)	\$4.2 (66.9%)	- 2,320 bps
EBITDA (% to Revenue)	\$1.7 (18.4%)	-\$0.2 (-3.2%)	+ \$1.9
Adjusted EBITDA (% to Revenue)	\$2.4 (25.8%)	-\$0.4 (-6.3%)	+ \$2.8
Net Income	\$1.4	-\$0.5	+ \$1.9
EPS (cents per share)	\$0.06	-\$0.02	+ \$0.08

\$2.9 M of revenue growth led by focus on US Product Sales (90% YoY growth)
United States represents 87% of WW revenue

+140 bps of Gross Margin improvement
(+950 bps excluding inventory provisions)

\$0.2M in lower operating expenses while driving \$2.9M of higher revenue

Q3 FY'24 Year To Date P&L / EBITDA

	Q3 FY'24 Year To Date	Q3 FY'23 Last Year To Date	Delta
Revenue	\$22.3	\$19.7	+13.2 %
Gross Profit (Gross Margin)	\$13.6 (60.9%)	\$11.5 (58.2%)	+ 270 bps
Operating Expenses (% to Revenue)	\$12.1 (54.3%)	\$13.1 (66.7%)	- 1,240 bps
EBITDA (% to Revenue)	\$2.8 (12.5%)	-\$0.9 (-4.2%)	+ \$3.7
Adjusted EBITDA (% to Revenue)	\$3.6 (16.0%)	-\$0.9 (-4.9%)	+ \$4.4
Net Income	\$2.1	-\$1.6	+ \$3.6
EPS (cents per share)	\$0.08	-\$0.06	+ \$0.14

Overcoming \$2 million decrease from Coatings business with 63% YTD growth from US Product

Solid margin improvement despite obsolete inventory challenges
(+870 bps excluding inventory provisions)

\$1.0M in lower operating expenses while driving \$3.6M of higher revenue - more effective sales and marketing investments

Past 4 Quarters of Financial Performance

	Q4 FY'23	Q1 FY'24	Q2 FY'24	Q3 FY'24
Revenue	\$6.9	\$4.7	\$8.4	\$9.2
Gross Profit (Gross Margin)	\$2.9 (41.9%)	\$2.8 (61.1%)	\$5.3 (63.1%)	\$5.4 (58.9%)
Operating Expenses (% to Revenue)	\$5.8 (83.4%)	\$4.3 (92.7%)	\$3.8 (45.4%)	\$4.0 (43.7%)
Adjusted EBITDA (% to Revenue)	-\$1.8 (-26.5%)	-\$1.3 (-28.1%)	\$2.5 (29.6%)	\$2.4 (25.8%)
Net Income (loss)	-\$2.9	-\$0.9	\$1.5	\$1.4
EPS (cents per share)	-\$0.12	-\$0.03	\$0.06	\$0.06

Significant turnaround in business performance during the past 6 months

Q3 FY'24 Balance Sheet and Cash

	Q4 FY'23	Q1 FY'24	Q2 FY'24	Q3 FY'24
Cash	\$8.8	\$8.3	\$7.3	\$9.4
Net Working Capital	\$16.1	\$14.8	\$16.9	\$18.8
Shareholders' Equity	\$18.8	\$17.7	\$19.8	\$21.8
Debt	\$----	\$----	\$----	\$----
Current Ratio	4.1	4.8	6.8	5.2

Stabilized and increased
cash position

Strong improvement in
Net Working Capital and
Shareholders' Equity

Zero Debt

Covalon's Value is Recognized by Leading Health Systems

Strong relationships with leading Children's Hospitals



Solid progress made with leading providers in the United States and Internationally



Key US Hospital Customer Metrics

RETAIN



Have **retained 98%** of our Top 50 customers from FY'23

GROW EXISTING



55% YTD revenue growth from our Top 50 customers from FY'23

ADD NEW



Acquired **62 new customers** in the past 9 months

Key Covalon US Hospital Products



Covalon Strategic Priorities

Horizon 1 Priorities

- ▶ Driving growth with existing portfolio – retain, grow existing and add new
- ▶ Establish new culture and build the Covalon foundation
- ▶ Demonstrate management capability and credibility to achieve sustainable success

Horizon 2 Priorities

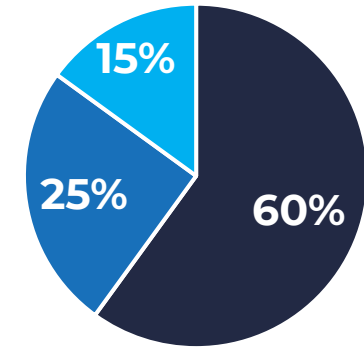
- ▶ Product and technology focus:
 - Product improvement and line extension execution
 - Look differently at existing products and technologies – repositioning and / or move into adjacent spaces
- ▶ Build stronger innovation engine capability and capacity
- ▶ Invest in and accelerate market development actions

Horizon 3 Priorities

- ▶ Bold new product commercialization – new to Covalon and new to the world products
- ▶ M&A activity – acquisitions, partnerships
- ▶ International expansion

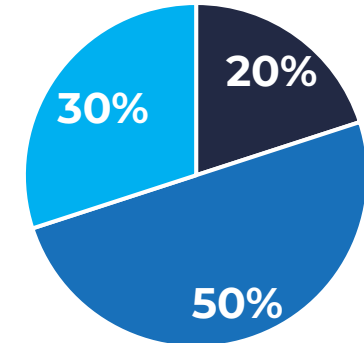
2024

- Horizon 1 Priorities
- Horizon 2 Priorities
- Horizon 3 Priorities



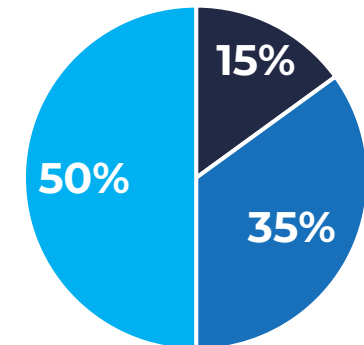
2025 – 2026

- Horizon 1 Priorities
- Horizon 2 Priorities
- Horizon 3 Priorities



2026 – 2027

- Horizon 1 Priorities
- Horizon 2 Priorities
- Horizon 3 Priorities



Note – percentages in pie charts represent an approximation of the team's relative effort and focus over the various time horizons

Summary

- ▶ Q3 was a strong quarter – the One Covalon Team delivered
- ▶ We are working hard to continue the growth momentum
- ▶ Have delivered important achievements on the foundational work, but still an area of high focus – key to Covalon’s future
- ▶ Extensive opportunity hopper of what we could do - tough prioritization being done



Q&A





Investor Relations Contact Information



Brent Ashton
Chief Executive Officer



Katie Martinovich
Interim Chief Financial Officer

investors@covalon.com