

## **Covalon Reports Fifth Consecutive Quarter of Positive Earnings**

### **Year-To-Date Revenue Grew 21% and Year-To-Date Adjusted EBITDA Increased by 57%**

MISSISSAUGA, Ontario – May 28, 2025 – (BUSINESS WIRE) – Covalon Technologies Ltd. (the "Company" or "Covalon") (TSXV: COV; OTCQX: CVALF), an advanced medical technologies company, today announced its fiscal 2025 second quarter results for the period ended March 31, 2025, along with a number of important recent achievements and highlights.

Brent Ashton, Covalon's Chief Executive Officer, reported, *"In the past few months, the Covalon team has delivered on several of our key priorities that have led to expanded sales with new and existing customers, new agreements with key strategic partners, and exciting new clinical evidence generation.*

*In the first six months of our 2025 fiscal year, Covalon has:*

- *Grown revenue by 21%,*
- *Grown Gross Profit by 12%*
- *Reduced Operating Expenses by 8%*
- *Increased Adjusted EBITDA by 57%*

*As stated last quarter, we fully anticipated our U.S. Advanced Wound Care sales channel to have a sequential quarter decline in Q2. This is not consequential, as we have a clear line of sight via in-house orders, forecasts and recent strategic partner sell out trends, to a strong Q3 and second half.*

*Covalon recently signed a major distribution agreement with our longstanding strategic partner, Paul Hartmann USA, for ColActive Plus® and ColActive® Plus with Silver advanced wound care dressings. Covalon's U.S. Advanced Wound Care sales channel has been an important growth driver for the Company, and our first half of FY'25 was double the revenue from the same period two years ago.*

*Our U.S. Vascular Access and Surgical Consumables sales channel had excellent sequential quarterly growth of 19%, and year to date is up 46% vs. the prior year, led by significant growth from Covalon's VALGuard® Vascular Access Line Guard product. New clinical evidence on Covalon's VALGuard® will be presented at two prestigious scientific meetings in the fall and is advancing through the publication process in a major, well-regarded academic journal. This will be a significant accelerator to the surge in adoption that we have seen with major U.S. hospitals.*

*We have also made significant headway in our International sales channel, and our Q2 revenue of \$2.3 million marked our highest quarterly revenue for International in more than five years, and has grown 44% year to date.*



*In a volatile and complex global trade environment, Covalon's North American-centric manufacturing strategy has yielded no tariff-related costs to date, and the Company sees the current tariff environment as a competitive advantage.*

*Covalon is in a stronger position than it has ever been, with profitable operations and a clean balance sheet with more than \$18 million in cash and no debt. We have retained a highly regarded financial and strategic advisor to identify merger and acquisition opportunities and unlock value for all shareholders. Our accelerated focus on market development is generating exciting results. I see a clear path for Covalon to become a major player in the lucrative healthcare spaces we operate in."*

## **Q2 FY'25 Financial Highlights**

- Revenue of \$7.6 million led by strong growth in the U.S. Vascular Access and Surgical Consumables business as well as the International business
- Adjusted EBITDA of \$0.6 million – Covalon's 5<sup>th</sup> consecutive quarter of profitability
- Strong free cash flow generation of \$0.6 million

## **Recent Covalon Achievements and Highlights**

- Exciting results from an impactful clinical evidence study by a nursing research team at a large United States children's hospital have been selected for presentation at two prestigious scientific meetings this fall and are advancing through the final stages of the publication process in a major, well-regarded academic journal.  
Shared via the following press release:  
<https://ir.covalon.com/news/news-details/2025/Covalon-Announces-Exciting-New-Clinical-Research-Evaluating-VALGuard-Vascular-Access-Line-Guard/default.aspx>
- Signed a new distribution agreement with longstanding strategic partner Paul Hartmann USA for ColActive Plus® and ColActive Plus® with Silver advanced wound care dressings.
- The Company initiated work with Origin Merchant Partners to pursue strategic options to maximize shareholder value and expand the reach of our innovative medical technologies. Shared via the following press release:  
<https://ir.covalon.com/news/news-details/2025/Covalon-Retains-Financial-and-Strategic-Advisor-to-Advise-on-Shareholder-Value-Enhancing-Opportunities/default.aspx>
- Promoted Kim Crooks to be Chief Operating Officer and join Covalon's Board of Directors. Promoted Dr. Kate Evelyn to be Vice President of Clinical Affairs. Both Ms. Crooks and Dr. Evelyn have been instrumental in the recent success of the company. Ms. Crooks' announcement can be found at  
<https://ir.covalon.com/news/news-details/2025/Covalon-Announces-Promotion-of-Kim-Crooks-to-Chief-Operating-Officer-and-Appointment-to-Board-of-Directors/default.aspx>
- Successful investor presentations and meetings at Planet Microcap Showcase: Vegas 2025 and the 2025 Bloom Burton Healthcare Investor Conference. Presentation content and audio can be found here:



[https://event.summitcast.com/view/YNz6mnmEsXyrdRxb78w2nX/guest\\_book?session\\_id=HcJChMRczMNFyjGQ8jTLb3](https://event.summitcast.com/view/YNz6mnmEsXyrdRxb78w2nX/guest_book?session_id=HcJChMRczMNFyjGQ8jTLb3)

- The Company has successfully navigated the volatile global tariff environment with no additional tariff-related costs in Q2, FY'25. Based on the current tariff environment, Covalon does not anticipate any material future tariff costs related to the 2025 tariff changes. As the largest North American manufacturer of collagen wound care dressings, the Company sees the current tariff environment as a competitive advantage for its U.S. Advanced Wound Care business.

### **Conference Call Scheduled**

A conference call and webcast to discuss Covalon's fiscal 2025 Q2 financial results will be held on Wednesday, May 28 at 8:30am Eastern Time. To view, listen to, and participate in the live webcast, please follow the link below:

<https://events.g4inc.com/attendee/971812521>

To listen and participate via the conference call, please dial:

North American Toll-Free: 1-800-549-8228  
Local (Toronto): 289-819-1520  
Local (New York): 646-564-2877  
Conference ID: 92114

Participants will be able to ask questions of Company management during the Q&A portion of the conference call.

A recording of the call will also be available on [www.covalon.com](http://www.covalon.com) under Financials on the Investors tab.



## Q2 Financial Overview

### For the three-month period ending March 31, 2025:

Total revenue decreased to \$7,585,968 compared to \$8,388,022 in the same period of the prior year. The decrease in product revenue was primarily driven by a normalization of channel inventory for one of the Company's Advanced Wound Care U.S. strategic partners.

The Company reported a gross margin of 55% for the period, compared to 63% in the same period of the prior year. The year-over-year decrease in gross margin was primarily driven by changes in geographic and product mix.

The operating expenses were relatively consistent at \$3,857,686, compared to \$3,827,704 in the same period of the prior period.

The operations department covers expenses related to quality control, quality assurance, production, and regulatory activities. Operations expenses increased slightly to \$451,471 compared to \$423,239 in the same period of the prior year. This increase was primarily due to higher employee training costs incurred in the current period, which helped to strengthen operational efficiency and compliance with regulatory standards.

Research and development expenses decreased to \$320,459 compared to \$450,510 in the same period of the prior year primarily due to lower patent & trademark costs as the costs can vary by quarter and fiscal year due to the timing and region of the renewals.

Sales and marketing expenses were flat at \$1,250,162, compared to \$1,262,960 in the same period of the prior year. The Company continues to optimize sales and marketing strategies to accelerate demand for the company's products.

General and administrative expenses increased to \$1,835,594 compared to \$1,690,995 in the same period of the prior year, reflecting higher professional service fees. Wages, benefits, and consulting fees (for all departments) included non-cash share-based compensation expenses of \$65,540, down from \$81,464 in the prior year. These costs reflect outstanding stock options and deferred share units (DSUs) and their respective fair values.

### For the six-month period ending March 31, 2024:

Total revenue increased to \$15,751,948 compared to \$13,076,667 in the same period of the prior year, with double digit growth in the 3 main sales channels the company is focused on – the U.S. Advanced Wound Care sales channel, the U.S. Vascular Access and Surgical Consumables sales channel and the International sales channel.

Gross Margin decreased to 58% compared to 62% in the same period for the prior year. During the six months ended March 31, 2025, the Company recorded a \$114,645 release in inventory



provision due to revised obsolescence estimates, compared to an inventory provision of \$482,095 recorded during the six months ended March 31, 2024. Gross margin fluctuates as a result of the mix of products sold in any given quarter, or year, by product type and geography.

Operating expenses decreased to \$7,537,484 compared to \$8,147,756 in the same period of the prior year. The majority of this decrease, is attributable to reduced sales and marketing expenses. Additional spending reductions were realized across operations, research and development, and general and administrative functions, reflecting the Company's continued focus on cost efficiency and disciplined expense management.

Operations expenses decreased to \$822,540 from \$1,053,952 in the same period of the prior year. The reduction was primarily attributable to the timing of expenses related to product development initiatives that were recognized in the prior year.

Research and development expenses decreased to \$693,798 compared to \$761,921 in the same period for the prior year, mainly due to lower patent and trademark costs.

Sales and marketing costs decreased to \$2,459,982 compared to \$2,909,263 in the same period of the prior year, due primarily to lower staffing levels.

General and administrative expenses increased to \$3,561,164 compared to \$3,422,620 in the same period in the prior year, due primarily to higher spending on professional service fees.

Wages, benefits, and consulting fees (for all departments) include a non-cash compensation expense of \$156,063, down from \$197,393 in the prior year. These costs reflect outstanding stock options and deferred share units (DSUs) and their respective fair values.

## Statement of Operations

The following audited table presents Covalon's consolidated statements of operations for the three-month and six-month periods ended March 31, 2025, and 2024.

	Three months ended March 31,		Six months ended March 31,	
	2025	2024	2025	2024
<b>Revenue</b>				
Product	<b>\$7,585,968</b>	\$8,388,022	<b>\$15,663,908</b>	\$12,963,789
Development and consulting services	-	-	<b>5,826</b>	56,640
Licensing and royalty fees	-	25,588	<b>82,214</b>	56,238
<b>Total revenue</b>	<b>7,585,968</b>	8,413,610	<b>15,751,948</b>	13,076,667
<b>Cost of sales</b>	<b>3,446,462</b>	3,103,148	<b>6,617,976</b>	4,917,668
<b>Gross profit</b>	<b>4,139,506</b>	5,310,462	<b>9,133,972</b>	8,158,999
<b>Operating expenses</b>				
Operations	<b>451,471</b>	423,239	<b>822,540</b>	1,053,952

Research and development activities	320,459	450,510	693,798	761,921
Sales, marketing and agency fees	1,250,162	1,262,960	2,459,982	2,909,263
General and administrative	1,835,594	1,690,995	3,561,164	3,422,620
	<b>3,857,686</b>	<b>3,827,704</b>	<b>7,537,484</b>	<b>8,147,756</b>
<b>Finance expenses (income)</b>	<b>(147,319)</b>	<b>22,340</b>	<b>(188,387)</b>	<b>12,376</b>
<b>Loss/(gain) on finance lease receivable</b>	<b>-</b>	<b>-</b>	<b>149,690</b>	<b>(610,008)</b>
<b>Net income</b>	<b>\$429,139</b>	<b>\$1,460,418</b>	<b>\$1,635,185</b>	<b>\$608,875</b>
<b>Other comprehensive income (loss)</b>				
<b>Amount that may be reclassified to profit or loss</b>				
Foreign currency translation adjustment	(40,155)	576,178	1,810,299	188,905
<b>Total comprehensive income</b>	<b>\$388,984</b>	<b>\$2,036,596</b>	<b>\$3,445,484</b>	<b>\$797,780</b>
<b>Income per common share</b>				
Basic income per share (Note 16)	\$0.02	\$0.06	\$0.06	\$0.02
Diluted income per share (Note 16)	\$0.02	\$0.06	\$0.06	\$0.02

## Non-GAAP Financial Measures

This press release makes reference to certain non-GAAP measures. These measures are not recognized or defined measures under IFRS Accounting Standards, do not have standardized meaning prescribed by IFRS Accounting Standards and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional financial information to complement those IFRS Accounting Standards measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should not be considered in isolation or as a substitute for analysis of our financial information reported under IFRS Accounting Standards. The non-GAAP financial measures, adjustments, and reasons for adjustments should be carefully evaluated as these measures have limitations as analytical tools and should not be used in substitution for an analysis of the Company's results under IFRS Accounting Standards. We use non-GAAP measures including "Adjusted Gross Margin" and "Adjusted EBITDA" to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS Accounting Standards measures. We believe that securities analysts, investors and other interested parties frequently use non-GAAP measures in the evaluation of issuers. Our management also uses non-GAAP measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation. The following non-GAAP financial measures are presented in this news release, and a description of the calculation for each measure is included below:

- Adjusted Gross Margin is defined as gross profit before operating expenses, plus depreciation and amortization included in cost of sales, plus inventory provision amounts.
- Adjusted EBITDA as earnings (loss) before interest expense (income), depreciation and amortization, stock-based compensation, inventory provisions (reversals), gain (loss) on finance lease receivable, and loss (gain) on disposal of property and equipment.

You should also be aware that the Company may recognize income or incur expenses in the future that are the same as, or similar to some of the adjustments in these non-GAAP financial

(1) See "Non-GAAP Measures" below, including for a reconciliation of the non-GAAP measures used in this release to the most comparable IFRS Accounting Standards measures.





measures. Because these non-GAAP financial measures may be defined differently by other companies in our industry, our definitions of these non-GAAP financial measures may not be comparable to similarly titled measures of other companies, thereby diminishing their utility.

The table below provides a reconciliation of gross profit before operating expenses under IFRS Accounting Standards in the consolidated financial statements to Adjusted Gross Margin for the three-month and six-month periods ended March 31, 2025, and 2024. Management believes that Adjusted Gross Margin is useful in assessing the performance of the Company's ongoing operations and its ability to generate cash flows from period to period. The adjusting items below are considered to be outside of the Company's core operating results, and these items can distort the trends associated with the Company's ongoing performance, even though some of those expenses may recur.

	Three months ended March 31,		Six months ended March 31,	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Gross profit	<b>\$4,139,506</b>	\$5,310,462	<b>9,133,972</b>	\$8,158,999
Add: Depreciation and amortization	<b>43,728</b>	58,322	<b>113,353</b>	110,870
Add: Inventory provisions (reversals)	-	674,866	<b>(114,645)</b>	482,095
Adjusted Gross Margin	<b>4,183,234</b>	6,043,650	<b>9,132,680</b>	8,751,964
Adjusted Gross Margin (%)	<b>55%</b>	72%	<b>58%</b>	67%

The table below provides a reconciliation of net income under IFRS Accounting Standards in the unaudited condensed consolidated interim financial statements to Adjusted EBITDA for the three-month and six-month periods ended March 31, 2025, and 2024. Management believes that these non-GAAP measures are useful in assessing the performance of the Company's ongoing operations and its ability to generate cash flows to fund its cash requirements from period to period. The adjusting items below are considered to be outside of the Company's core operating results, and these items can distort the trends associated with the Company's ongoing performance, even though some of those expenses may recur.

	Three months ended March 31,		Six months ended March 31	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Net income	<b>\$429,139</b>	\$1,460,418	<b>\$1,635,185</b>	\$608,875
Add: Finance expense (gains)	<b>(147,319)</b>	22,340	<b>(188,387)</b>	12,376
Add: Depreciation and amortization	<b>233,621</b>	247,756	<b>490,746</b>	487,950
Add: Stock based compensation	<b>65,540</b>	81,464	<b>156,063</b>	197,393
Add: Inventory provisions (reversals)	-	674,866	<b>(114,645)</b>	482,095
Add: Impairment of intangible asset	-	101,577	-	176,025
Add: (Gain)/loss of finance lease receivable	-	-	<b>149,690</b>	(610,008)
Adjusted EBITDA	<b>\$580,981</b>	\$2,588,421	<b>\$2,128,650</b>	\$1,354,706

(1) See "Non-GAAP Measures" below, including for a reconciliation of the non-GAAP measures used in this release to the most comparable IFRS Accounting Standards measures.



To learn more about Covalon, please contact:

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### **About Covalon**

Covalon is a leading medical device company dedicated to improving patient outcomes through innovative and compassionate medical products and technologies. Our expertise spans advanced wound care, vascular access, and surgical consumables, with a strong focus on enhancing healing, reducing healthcare-associated infections (HAIs), and protecting skin integrity. Our solutions are designed for patients and made for care providers. The Company is listed on the TSX Venture Exchange (COV) and trades on the OTCQX Market (CVALF). To learn more about Covalon, visit our website at [www.covalon.com](http://www.covalon.com).

*Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

*This news release may contain 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", or variations of such words and phrases or state that certain actions, events, or results "may", "could", "would", "might", "will" or "will be taken", "occur", or "be achieved". In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts, but instead represent management's expectations, estimates, and projections regarding future events. Forward-looking statements involve risks and uncertainties, including, but not limited to, the factors described in greater detail in the "Risks and Uncertainties" section of our management's discussion and analysis of financial condition and results of operations for the year ended September 30, 2024, which is available on the Company's profile at [www.sedarplus.ca](http://www.sedarplus.ca), any of which could cause results, performance, or achievements to differ materially from the results discussed or implied in the forward-looking statements. Investors should not place undue reliance on any forward-looking statements. The forward-looking statements contained in this news release are made as of the date of this news release, and the Company assumes no obligation to update or alter any forward-looking statements, whether as a result of new information, further events, or otherwise, except as required by law.*

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