

## **Covalon CEO Provides Update On Anticipated Fiscal 2017 Financial Growth**

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MISSISSAUGA, Ontario--(BUSINESS WIRE)--Jan. 3, 2017-- Covalon Technologies Ltd. (the "Company" or "Covalon") (TSXV:COV), an advanced medical technologies company, announced today an update by the Company's Chief Executive Officer on Covalon's anticipated financial growth for fiscal 2017.

Brian Pedlar, Covalon's CEO, stated:

"Covalon press-released a number of successes in 2016 that have truly transformed the Company, not only operationally, but financially as well. During its 2016 fiscal year ending September 30, 2016, Covalon focused heavily on the health care tender process in the Middle East and identifying the key public, government and private health care facilities that set standards of care in each specific region. The success of the strategy was to disrupt existing supply chains and replace them with Covalon products, based on the respective merits of our underlying technologies. These successes did not occur in time for us to financially impact our 2016 fiscal year that ended on September 30, 2016. However, their foundation will result in significant upside growth for us in fiscal 2017, which began October 1, 2016 and ends September 30, 2017.

"I reported in August of 2016 that Covalon had been awarded one-year tenders or contracts from the Ministry of Health in Saudi Arabia, with a minimum annual guaranteed value of over \$11 million for the exclusive supply of Covalon's advanced collagen wound dressing (ColActive Plus) and its anti-microbial silicone vascular access dressing (IV Clear). We reported at the time that these new contracts would occur in our fiscal 2017 year, in addition to the Company's existing business in the region and in addition to other growth opportunities in the Middle East and Latin America.

"I am happy to report that we completed the first deliveries in our quarter ended December 31, 2016 and are on track to complete the remaining deliveries of product over the next three quarters of fiscal 2017. We expect these contracts to contribute a minimum total of \$11 million of additional revenue in our fiscal 2017. Our quarter ended December 31, 2016 will be representative of the level of business we can expect throughout our fiscal 2017 and should allow us to achieve \$20 million of revenue in 2017, a dramatic increase over anticipated fiscal 2016 revenue.

"Winning these tenders was a huge breakthrough for Covalon and validated our strategy to participate in government sponsored tenders, starting in the Middle East, by employing an aggressive brand awareness campaign and capturing market share from other multinational companies. Covalon's products also received the support of key opinion leaders in the region who had evaluated Covalon products for over a year and ended up recommending them over the competition. For example, the key opinion leaders discovered that ColActive Plus helps to heal chronic diabetic wounds, which prevented the need for costly and debilitating limb amputations.

"We have begun implementation of this model in other countries in the Middle East, Latin America, Asia and Europe. We expect to continue to aggressively build a foundation in these markets during 2017, which we expect will begin to impact Covalon in a positive financial way in the second half of calendar 2017. In larger, more complex markets such as China, we continue to identify and assess the best course for Covalon to partner and position itself successfully.

"We have a small, stable base of advanced wound care business within the United States that has continued to grow each year, and is serviced through a network of third-party distributors. We expect double-digit growth in 2017 from this network, due to ongoing organic growth and the addition of net-new third-party distributors in late 2016.

"In 2016, we established a direct sales relationship in the United States with a small number of prestigious vascular access clinicians who have been using IV Clear successfully with pediatric and oncology patients to help protect them from incurring infections due to their treatments. We also established relationships with large distributors such as Medline Industries, Owens & Minor and others, who are offering IV Clear for sale directly to United States institutions. These relationships remove barriers to procurement of IV Clear that previously existed and makes it much more seamless for thousands of institutions to gain access to our product, from a

procurement perspective. We are very excited about the continual traction of IV Clear in the United States and we intend to aggressively expand our distribution network for IV Clear in 2017.

“During the second half of calendar 2017, we anticipate receiving United States Federal Drug Administration (“FDA”) clearance for our new MediClear Pre-Op product, which is designed to help reduce the presence of microbial contamination on a patient’s skin prior to a surgical procedure. We expect MediClear Pre-Op to be transformative in the \$2.8 billion pre-surgical skin antisepsis market because of its unique ability to protect a patient from exposure to bacteria and other harmful microbes.

“Covalon also continues to use an OEM revenue model based on selling or licensing its technologies to large medical companies. Covalon is sought out by market-leading companies in a variety of market segments for our expertise in developing new medical products. Many of our followers may not be aware that we also work with groups who are much larger than Covalon to assist them with various scientific and regulatory initiatives on a consulting basis. We are able to deliver differentiated products very cost-effectively based on our extensive intellectual property and know-how in getting combination medical devices advanced through the FDA regulatory process.

“Our new product development teams are also looking at technologies invented outside of Covalon. We have identified several third-party technologies that we believe have the opportunity to disrupt large markets, and that we can effectively and quickly commercialize. We encourage collaborative relationships with companies or inventors who may have developed disruptive, early-stage technology and require a strategic partner to help them manage their product’s road to commercial success.

“I am extremely confident in our business model and its ability to rapidly scale. We have earned the respect of the industry in which we operate from various perspectives, despite Covalon operating mainly in ‘stealth mode’, with limited marketing budgets and limited investments in promotion. Our aim has been to earn the respect of the key decision makers for each of the products we have developed based on the efficacy (the quality and performance) of our products, in order to generate commercial success. Being a micro-cap healthcare company means our products must speak for themselves. We have seen this lead to commercial success for us in targeted parts of the world. During 2017, this has already begun to translate to expected revenue streams and in turn value to our stakeholders.”

## **About Covalon**

Covalon Technologies Ltd. researches, develops and commercializes new healthcare technologies that help save lives around the world. Covalon's patented technologies, products and services address the advanced healthcare needs of medical device companies, healthcare providers and individual consumers. Covalon's technologies are used to prevent, detect and manage medical conditions in specialty areas such as wound care, tissue repair, infection control, disease management, medical device coatings and biocompatibility. To learn more about Covalon, visit our website at [www.covalon.com](http://www.covalon.com)

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