

Covalon Announces Definitive Agreement To Acquire AquaGuard And Its Specialized Salesforce Capable Of Selling Covalon's Products Throughout The United States

MISSISSAUGA, Ontario--(BUSINESS WIRE)--Sep. 20, 2018-- Covalon Technologies Ltd. (the "Company" or "Covalon") (TSXV: COV.V; OTCQX: CVALF), an advanced medical technologies company, today announces that it has entered into a definitive agreement to acquire AquaGuard, the Seattle, Washington-based division of medical technologies company Cenorin, LLC. AquaGuard's specialized products provide patients with crucial moisture protection for wound, surgical, and vascular access sites throughout the body while showering.

Brian Pedlar, Chief Executive Officer of Covalon, said, "I am very excited about this acquisition – AquaGuard's experienced sales team and specialized product line are a perfect synergistic fit for Covalon's business. AquaGuard's talented sales team has built strong relationships with clinicians and hospital staff throughout the United States that make decisions on the very same products Covalon makes – vascular access dressings, surgical site management products, and advanced wound care dressings."

Gerry Arambula, President of AquaGuard, stated, "The AquaGuard sales and operations teams are very excited about joining forces with Covalon. Our AquaGuard team has built a profitable and growing business that is well-positioned to represent and sell many of Covalon's infection management products, such as IV Clear, immediately into our customer base. We are looking forward to working with the Covalon team to transform Covalon's business in the United States. Products will be made available through AquaGuard's established distribution channels at key hospitals and group purchasing organizations across the United States, as well as through third-party distribution partners, including Amazon."

Gerry Arambula and existing AquaGuard leadership will continue to play key roles in leading the business going forward. Following the closing of the transaction, Covalon will have in the United States a customer base of over 1,500 hospitals and clinics. Covalon also anticipates an opportunity to sell AquaGuard's products through Covalon's international distribution channels.

Under the terms of the definitive agreement, Covalon will acquire all of the assets and staff dedicated to the AquaGuard business from Cenorin, LLC. Covalon anticipates the transaction will close in less than sixty days and is subject to customary closing conditions and TSX Venture Exchange and lender approval. The consideration of \$16.1 million(US\$12,375,000) is comprised of the following:

- \$4.7 million(US\$3,617,392) in cash on closing
- \$0.65 million(US\$500,000) of shares of Covalon issued on closing and held in escrow for up to two years
- \$3.32 million(US\$2,552,300) payable 12 months from the closing date
- \$6.5 million(US\$5,000,000) payable 24 months from closing date
- \$0.92 million(US\$705,308) of assumed liabilities payable to management and key staff of AquaGuard by issuance of shares of Covalon on closing
- In addition, there is potential contingent consideration of up to \$1.17 million(US\$900,000) payable upon achievement of certain revenue targets by December 31, 2018.

During its last fiscal year ended December 31, 2017, the AquaGuard business recorded \$11.1 million (US\$8.5 million) in revenue and \$683,000(US\$526,000) in profit before taxes.

Covalon's Board of Directors unanimously approved entering into the agreement. Acting as financial and legal advisors to Covalon are Morrison Park Advisors, and Stikeman Elliott LLP, respectively.

About AquaGuard

AquaGuard is a United States-based medical technology business that specializes in infection protection products that protect surgical incisions, intravenous (IV) sites, catheters, PICC lines, and other dressings from water and other moisture while a patient showers. AquaGuard's family of products provide protection for sites and dressings all over the body, and can be applied by most patients without the need of assistance from medical professionals.

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 infection control, vascular access, surgical procedures, advanced wound care, and medical device coatings. To learn more about Covalon, visit our website at www.covalon.com

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This news release contains 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" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved and other similar expressions. These forward-looking statements involve risk and uncertainties, including completion of the AquaGuard acquisition, 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. Many risks are inherent in the industry; others are more specific to the Company. Investors should consult the Company's ongoing quarterly filings for additional information on risks and uncertainties relating to these forward-looking statements. Investors should not place undue reliance on any forward-looking statements. The Company assumes no obligation to update or alter any forward-looking statements whether as a result of new information, further events or otherwise.

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