

Covalon Announces Third Quarter Fiscal 2019 Results

- Conference call scheduled for Wednesday August 28th, 2019 at 9:00am EST

MISSISSAUGA, Ontario--(BUSINESS WIRE)--Aug. 27, 2019-- Covalon Technologies Ltd. (the "Company" or "Covalon") (TSXV: COV; OTCQX: CVALF), an advanced medical technologies company, today announced its third quarter fiscal 2019 results.

Brian Pedlar, Covalon's President and CEO, said, "As we disclosed in our recent press release of July 25, 2019, Covalon's Q3 results were affected by the timing of shipments related to our contracted Saudi Arabian business. Although product revenue is tracking significantly ahead of last year's third quarter and year-to-date, our business outside of direct sales in the United States is primarily comprised of distributing bulk shipments, which result in 'lumpy' or uneven revenue recognition quarter-to-quarter, depending on when bulk orders are placed, shipped to distributors, and delivered to hospitals.

"As is typical with many companies, including many in the healthcare field, Covalon's lumpy revenue model makes it difficult to accurately estimate revenue recognition in any given quarter or quarter-to-quarter.

"In the past, we provided future estimates into the value of contracts supporting our Middle East business. Going forward, we have decided to discontinue providing any estimates on our future business in Saudi Arabia, and simply report revenue as it is recognized on the contracts that are in place until 2021. These contracts give the health authorities the right to order the Covalon products they want, when they want.

"The overall state of Covalon's business is strong, and that strength is not, in my view, at all fairly reflected in our current market capitalization.

"Our sales efforts in the United States through our direct sales force and wound care distribution channels have been growing according to plan. Our AquaGuard product sales continue to grow and our United States sales team continues to look for opportunities to launch several new products into our direct-to-hospital and distribution networks.

"With the launch of distribution in Mexico and additional products cleared for sale in Chile and Argentina, we anticipate that our Latin American business will begin to materially contribute to revenue over the next year. We have very strong distribution channels in several key markets in Latin America and our brand awareness in these key markets is growing.

"During Q3 last year, we recognized in revenue the first payment of US\$3.5 million under a major license and development contract with a major medical device company. Our valuable OEM licensing and development business is strong and continues to grow."

Q3 Fiscal 2019 Summary Financial Results

Revenue for the three months ended June 30, 2019, was \$6,853,992, compared to \$7,933,676 for the same period of the prior year. Gross margin for the three-month period ended June 30, 2019, was 59%, compared to 82% for the same period of the prior year. Net loss for the three months ended June 30, 2019, was \$3,481,135, or \$0.16 per share, compared to a net income of \$2,198,467, or \$0.09 per share, for the three months ended June 30, 2018.

Revenue for the nine months ended June 30, 2019, increased 37% to \$27,428,021, compared to \$20,065,656 for the same period of the prior year. Gross margin for the nine-month period June 30, 2019, was 65%, compared to 77% for the same period of the prior year. Net loss for the nine months ended June 30, 2019, was \$5,622,773, or \$0.25 per share, compared to a net income of \$2,242,730, or \$0.10 per share, for the nine months ended June 30, 2018.

During this quarter, Covalon's loss was driven predominantly by the shifted profits from the Middle East orders. Covalon also invested in additional sales and marketing resources in the United States, incurred additional expenses related to moving AquaGuard manufacturing and supporting operations to a new United States facility and incurred additional legal expenses.

Conference Call Scheduled

A conference call to discuss Covalon's Q3 Fiscal 2019 Financial Results will be held Wednesday August 28th, 2019, at 9:00am EST. To participate in the call, please dial:

Toll-Free: 833.299.8117
International: 647.689.4535
Conference ID Code: 1386958

A recording of the call will be available by calling 855.859.2056 or 404.537.3406 and entering the conference ID code 1386958 from August 27th, 2019, at 12:00pm EST to September 10th, 2019, at 11:59pm EST.

Copies of Covalon's financial statements and MD&A can be obtained on SEDAR at www.sedar.com, as well as the Investor Relations tab of the Company's website at www.covalon.com.

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 integration 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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