

Covalon Announces First Quarter Fiscal 2020 Results

MISSISSAUGA, Ontario--(BUSINESS WIRE)-- Covalon Technologies Ltd. (the "Company" or "Covalon") (TSXV: COV; OTCQX: CVALF), an advanced medical technologies company, today announces its first quarter fiscal 2020 results.

Brian Pedlar, Covalon's President and CEO, said, "I am pleased that Covalon's first quarter performance is very much on track in executing on our fiscal 2020 plan. The entire Covalon team is working diligently to achieve increased sales, operational efficiencies, and technological advances in response to changes that occurred to our Middle East business in 2019. We are adapting as quickly as possible and are making progress. Our lifesaving products continue to be well received by medical practitioners and patients alike. At the same time, we continue to advance our technology portfolio. I plan to make our shareholders more aware of these achievements during 2020.

"This quarter's revenue was heavily influenced by our success in the United States, which accounted for 81% of our revenue in the first quarter of 2020, compared to 76% last year in the same quarter. Our revenue in the United States was up 17% compared to last year and represents growth in both our sales to hospitals and our advanced wound care distribution channel. We are continuing to build awareness of our infection prevention products in our new 1,900 United States hospital and medical centre customer base.

"Our Middle East business, at \$0.9 million, was down in the first quarter by \$0.7 million compared to last year. It is still very difficult to predict the volume and timing of business in Saudi Arabia, particularly in light of the current regional uncertainty. We continue to plan as if all shipments to Saudi Arabia are upsides and not part of our base operating plan. We are taking steps to strengthen our business in the region and I look forward to providing further updates as they occur.

"Many companies have recently announced that they have been, or expect to be, negatively impacted by the effects of coronavirus COVID19 on their supply chain, workforce, and customers. Fortunately, the majority of our infection prevention products, including IV Clear, AquaGuard, and our ColActive Plus family of advanced wound care products, are manufactured in the United States, and the supply chains for these products are not anticipated to be adversely affected by COVID-19. Some of our CovaWound line of advanced wound care products are manufactured in China, and we have experienced some delays in shipments. In fiscal 2019, approximately 8% of our revenue was derived from products manufactured in China. Covalon continues to assess the impact that a prolonged pandemic outbreak may have on our business."

Mr. Pedlar continued, "COVID-19 also provides Covalon with an opportunity to help protect healthcare workers and the public from contracting COVID-19 and other viral and bacterial infections. We are actively working on a technology to help reduce the spread of COVID-19 and other viruses. Our technology has been shown to be highly effective at killing and deactivating similar viruses to COVID-19, as well as antibiotic resistant bacteria and other pathogens. I look forward to discussing this technology further in the next several weeks."

Q1 Fiscal 2020 Financial Results

Revenue for the three months ended December 31, 2019 was \$7.9 million, 9% or \$687,073 more than the prior year. Gross profit was 61% in Q1 fiscal 2020, compared to 63% in Q1 fiscal 2019. Net loss was \$1.2 million or \$0.05 per share (diluted), compared to a loss of \$1.9 million or \$0.09 per share (diluted) in Q1 fiscal 2019.

Revenue in the United States for the quarter was up 17% year-over-year in Q1 to \$6.4 million, which included increases in product revenue, including AquaGuard product sales and development services, licenses, and royalties.

Middle East first quarter revenue of \$0.9 million was down by \$0.7 million compared to last year.

Latin American, European, and other international regions revenue was \$0.6 million compared to \$0.2 million last year.

Product revenue increased \$.8 million or 13% while services revenue was down slightly to \$.8 million from \$0.9 million last year as a result of the timing of revenue recorded under our development contracts.

Operating expenses were down by \$390,550 or 6% compared to last year in the first quarter.

Conference Call Scheduled

A conference call to discuss Covalon's Fiscal 2020 Q1 Financial Results will be held Tuesday March 3rd 2020 at 9:00am EST. To participate in the call, please dial:

Toll-Free: 833.299.8117
International: 647.689.4535
Conference ID Code: 1181198

A recording of the call will be available from March 3rd, 2020, at 12:00pm EST until March 17th, 2020, at 11:59pm EST by calling 855.859.2056 or 404.537.3406 and entering the conference ID code 1181198.

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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