



PRESS RELEASE
FOR IMMEDIATE RELEASE

LSL PHARMA GROUP ANNOUNCES ITS SECOND QUARTER RESULTS

The Company continues to focus on increasing its revenues and production capacity

- 43.5% revenue increase to \$2.0 million
- Gross margin of 34%, up significantly from (23%) last year and 19% in the first quarter
- Adjusted EBITDA¹ loss of \$260,000 versus \$1.4 million loss last year
- Shareholders' equity of \$10.5 million and net debt of \$7.2 million at quarter end

BOUCHERVILLE, QUÉBEC, August 29, 2023 – Groupe LSL Pharma Inc. (TSXV: LSL) – (“the Company” or “LSL Pharma Group”), a Canadian integrated pharmaceutical company, announced its financial results for the second quarter ended June 30, 2023. The Company’s Management’s Discussion and Analysis and unaudited consolidated financial statements are available on SEDAR. Unless otherwise specified, all amounts are in Canadian dollars.

“We are pleased with these results that show a constant progression in demand for our products,” said François Roberge, President and Chief Executive Officer of LSL Pharma Group. “The strong revenue growth is even more impressive considering production downtime related to the move of LSL Laboratory’s (“LSL”) activities into a new facility in La Pocatière during the quarter. Production is ramping up in line with our expectations, which should result in revenue growth exceeding 15% from existing clients over the next several years. Steri-Med also had a solid performance during the quarter and optimization efforts of its current infrastructure will double its production capacity by the end of 2023, while the addition of new equipment towards the end of 2024 should further double capacity.”

SELECTED FINANCIAL INFORMATION (in thousands of CAD\$, except per share amounts)	Second quarter ended		Six-month period ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Revenues	2,034	1,418	4,058	3,283
Gross profit	692	(332)	1,079	(977)
Adjusted EBITDA ¹	(260)	(1,364)	(263)	(2,947)
Net loss	(3,101)	(1,339)	(7,234)	(3,579)
Net loss per share	(0.04)	(0.02)	(0.09)	(0.05)
Weighted average shares outstanding ('000s)	82,434	65,465	78,150	64,150

¹ Adjusted EBITDA is a non-IFRS measure. Refer to the Non-IFRS Financial Measures section for definitions and reconciliations.

SECOND QUARTER RESULTS

For the three-month period ended June 30, 2023, LSL Pharma Group generated revenues of \$2.0 million, up 43,5% from \$1.4 million in the same period a year earlier. The increase reflects successful initiatives to stimulate sales and carried out in prior periods, partially offset by scheduled downtime due to the transition to the new LSL manufacturing facility in La Pocatière, Québec.

Adjusted EBITDA, which excludes items that affect comparability, amounted to a loss of \$260,000, compared with a loss of \$1.4 million last year. The improvement is attributable to a higher gross profit, reaching \$692,000 as opposed to a loss of \$332,000 last year, while selling and administrative expenses remained relatively stable despite the strong revenue increase.

Net loss for the quarter was \$3.1 million, or \$0.04 per share, compared to a net loss of \$1.3 million, or \$0.02 per share, in the previous year.

SIX MONTH RESULTS

For the first six months of fiscal year 2023, LSL Pharma Group generated revenues of \$4.1 million, representing a 23.6% increase from \$3.3 million for the same period last year. Gross profit reached \$1.1 million, compared to a loss of \$1.0 million a year earlier. Adjusted EBITDA amounted to a loss of \$263,000, marking an improvement from a \$2.9 million loss in the prior year. Net loss totaled \$7.2 million, or \$0.09 per share, compared to a loss of \$3.6 million, or \$0.05 per share, a year earlier.

FINANCIAL SITUATION

Reflecting private placements completed in the first quarter of the year, shareholders' equity amounted to \$10.5 million as at June 30, 2023, versus \$5.6 million at the beginning of the year. The Company used a portion of the aggregate net proceeds of \$8.4 million to reduce its debt, which stood at \$7.2 million, net of cash and cash equivalents, as at June 30, 2023, down from \$9.3 million at the beginning of the year.

Working capital also improved, from (\$7.0) million as at December 31, 2022, to (\$3.7) million as at June 30, 2023. The improvement is attributable to higher inventories related to production increase at Steri-Med since the beginning of the year to meet growing demand for LSL Pharma Group's products, to a cash balance following private placements, and to the reduction of various financial liabilities.

SUBSEQUENT EVENT

On August 2, 2023, the Company entered into a new \$1.5 million short-term credit facility with a Canadian chartered bank. The Company subsequently repaid the entire amount due under other financial liabilities. The new short-term financing is secured by a first-ranking hypothec on accounts receivable and inventories.

DEPARTURE OF CHIEF FINANCIAL OFFICER

LSL Pharma Group announces the departure of Sylvain Richer, Chief Financial Officer, for personal reasons and to seek new opportunities, effective August 31, 2023. The Company has begun a process to find a successor. Until then, François Roberge will assume the interim and Mr. Richer will remain available to ensure a smooth transition.

OUTLOOK

“The production capacity increase will allow LSL Pharma Group to speed up its product and market developments. First, since the beginning of 2023, the Steri-Med division team has initiated the certification process to market new sterile products that should be launched at the end of 2024 and in 2025. Moreover, progress in our discussions with large U.S.-based clients suggests potential inroads into that important market, possibly in 2025. Meanwhile, the LSL division plans to expand its offering of natural health products before the end of 2024 and remains active in order to capture business opportunities in the United States and Europe. Finally, we continue to evaluate strategic acquisitions that would allow us to further expand our product portfolio,” added Mr. Roberge.

NON-IFRS FINANCIAL MEASURES

The non-IFRS measures included in this document are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers. When used, these measures are defined in such terms as to allow the reconciliation to the closest IFRS measure. These measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company’s results of operations from its perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of LPG’s financial information reported under IFRS. Despite the importance of these measures to management in goal setting and performance measurement, the Company stresses that these are non-IFRS measures that may have limits in their usefulness to investors.

The Company uses non-IFRS measures, such as EBITDA and Adjusted EBITDA to provide investors with a supplemental measure of its operating performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. The Company also believes that securities analysts, investors, and other interested parties frequently use non-IFRS measures in the valuation of issuers. LPG also uses non-IFRS measures to facilitate operating performance comparisons from period to period, prepare annual operating budgets, and to assess its ability to meet future debt service, capital expenditure and working capital requirements. The definition and reconciliation of EBITDA and Adjusted EBITDA used and presented by the Company to the most directly comparable IFRS measures are detailed below.

EBITDA is defined as net profit or loss adjusted for income tax expense, depreciation of property, plant and equipment, amortization of intangible assets, interest on short and long-term debts and other financing costs such as foreign exchange gain or losses, interest income and other. Management uses EBITDA to assess the Company’s operating performance.

Adjusted EBITDA is defined as EBITDA adjusted for special recruitment costs and employee severances, special professional fees, share based compensation and other warrants or option issuance costs, moving expenses and other expenses related to the listing of the Company on the TSX Venture. The Company uses Adjusted EBITDA as a key metric in assessing our business performance when we compare results to budgets, forecasts, and prior years. Management believes Adjusted EBITDA is a more accurate measure of cash flow generation than, for example, cash flow from operations, as it removes cash flow fluctuations caused by unusual changes in working capital.

Reconciliation of net loss to EBITDA and Adjusted EBITDA (in thousands of CAD\$)	Second quarter ended		Six-month period ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Net loss	(3,101)	(1,339)	(7,234)	(3,579)
Net financial expenses	389	(309)	842	67
Depreciation	289	284	538	565
EBITDA	(2,423)	(1,364)	(5,854)	(2,947)
Cost related to the reverse takeover	1	-	2,488	-
Moving costs	99	-	132	-
Share-based compensation expense	2,063	-	2,971	-
Adjusted EBITDA	(260)	(1,364)	(263)	(2,947)

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This news release may contain forward-looking information as defined under applicable Canadian securities laws. Forward-looking information can generally be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "estimate", "continue" or similar terminology. Forward-looking information is based on a number of assumptions and is subject to various known and unknown risks and uncertainties, many of which are beyond the Company's ability to control or predict, that could cause actual results or performance to differ materially from those expressed or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, those identified in the Corporation's filings with Canadian securities regulatory authorities such as legislative or regulatory developments, intensifying competition, technological change and general economic conditions. All forward-looking statements presented herein should be considered in conjunction with such filings.

Readers should not put undue reliance on forward-looking statements. No assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do occur, the actual results, performance or achievements of the Company could differ materially from the results expressed in, or implied by, any forward-looking statements. All forward-looking information in this news release speaks as of the date of this news release. The Company does not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise except as required by law.

ABOUT LSL PHARMA GROUP INC.

LSL Pharma Group is a Canadian integrated pharmaceutical company specializing in the development, manufacturing and distribution of high-quality natural health products and dietary supplements in solid dosage forms, as well as high quality sterile ophthalmic pharmaceutical products. For more information, please visit www.laboratoirelsl.com and www.sterimedpharma.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.

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