



Assertio Holdings, Inc. Q2 2022 Financial Results

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This presentation contains non-GAAP financial measures. Please refer to the appendix to this presentation for an explanation of these non-GAAP financial measures and for tables that reconcile the non-GAAP figures to their GAAP equivalent.

This presentation shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of these securities in any state or jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state or jurisdiction. This presentation should be read in conjunction with the Form 10-Q and Form 8-K on file with the Securities and Exchange Commission on the date of this presentation.

Q2 2022 Financial Results - Overview

(\$ in 000's)	Q2 2022	Q1 2022	Var Q2 vs. Q1	Var %	Q2 2021	Var Q2 '22 vs. '21	Var %
Net Product Sales (GAAP) ¹	\$ 35,430	\$ 35,546	\$ (116)	0%	\$ 25,244	\$ 10,186	40%
Adjusted EBITDA (Non-GAAP) ²	\$ 22,911	\$ 23,863	\$ (952)	-4%	\$ (505)	\$ 23,416	4637%
<u>Legal matters</u>							
Legal Reserve					\$ (11,330)		
Insurance settlement	\$ 2,000						
Adjusted EBITDA excl. legal matters	\$ 20,911	\$ 23,863	\$ (2,952)	-12%	\$ 10,825	\$ 10,086	93%
Adjusted EPS (Non-GAAP)	\$ 0.28	\$ 0.38	\$ (0.10)	-26%	\$ (0.16)	\$ 0.44	275%

Q2 Net Product Sales:

- Q2 2022 net product sales are essentially flat versus Q1 2022 primarily due to the loss of exclusivity on Zipsor, partially offset by higher volume on Indocin.
- Increase in Q2 2022 net product sales from Q2 2021 is primarily due to higher Indocin net sales and the addition of Otrexup.

Q2 Adjusted EBITDA and Adjusted EPS:

- Q2 2022 Adjusted EBITDA was \$20.9 million after adjusting for the \$2 million one-time insurance settlement.
- Q2 2022 Adjusted EPS was \$0.28 partially driven by the timing of the Indocin royalty (royalty is 20% of net sales over \$20 million).

(1) During the third quarter of 2021, the Company reclassified product sales adjustments for previously divested products from Net Product Sales to Other revenue. Prior period results have been recast to conform with current period presentation.

(2) All non-GAAP measures included in this presentation are reconciled to the corresponding GAAP measures in the schedules attached.

Q2 2022 Financial Results - SG&A Summary

(\$ in 000's)	Q2 2022	Q1 2022	Var Q2 vs. Q1	Var %	Q2 2021	Var Q2 '22 vs. '21	Var %
Adjusted SG&A (Non-GAAP)	\$ 8,619	\$ 9,459	\$ (840)	-9%	\$ 22,826	\$ (14,207)	-62%
<u>Legal matters</u>							
Legal Reserve					\$ (11,330)		
Ins. Settlement	\$ 2,000						
Adjusted SG&A excl. legal matters	\$ 10,619	\$ 9,459	\$ 1,160	12%	\$ 11,496	\$ (877)	-8%

Q2 2022 Adjusted SG&A expenses were approximately \$1.2 million higher than the prior quarter and \$0.9 million lower than Q2 2021 excluding the net impact of one-time legal matters.

Q2 2022 Financial Results - Cash Balance & Debt

<i>(\$ in 000's)</i>	Q2 2022	Q1 2022	Q2 vs. Q1 \$ Change
Cash and cash equivalents	\$ 52,264	\$ 61,389	\$ (9,125)
Senior secured debt ¹	\$ 59,000	\$ 70,750	\$ (11,750)
Net debt ²	\$ 6,736	\$ 9,361	\$ (2,625)
	TTM	TTM	
Adjusted EBITDA	\$ 80,397	\$ 56,981	
Net Debt to Adjusted EBITDA Ratio	0.08	0.16	

The cash balance decreased by \$9.1 million in the second quarter of 2022, primarily due to the second payment for the Otrexup acquisition of \$16 million. Operating cash flow in the second quarter was \$14.4 million representing the fifth consecutive quarter of positive operating cash flows. Trailing 12-month net debt to EBITDA ratio has improved to 0.08 in Q2 2022 vs. 0.16 in Q1 2022.

- (1) Represents the 13% Series A-1 and A-2 Senior Secured Notes due 2024.
 (2) Net debt reflects the Senior secured debt less cash and cash equivalents.

2022 Guidance Update

	Prior Guidance	Current Guidance
Net Product Sales	\$126.0 - \$136.0 Million	\$129.0 - \$137.0 Million
Adjusted EBITDA (Non-GAAP)	\$66.0 - \$74.0 Million	\$73.0 - \$79.0 Million

2022 Updated Guidance reflects the following factors:

- New product net sales guidance reflects and includes the following factors:
 - Q1/Q2 actual net sales
 - Full year Indocin net sales growth by driven by favorable channel mix
 - Launching new strategies to purposely titrate sales and inventories lower in the third quarter
 - As a result, we expect to see a positive impact on Indocin net sales beginning in the fourth quarter and continuing into 2023
 - Favorable Sprix volume
 - Channel mix favorability across the portfolio
- New Adjusted EBITDA guidance reflects Q1/Q2 actual results (Net Sales, Gross Margin & EBITDA) as well as anticipated Q3/Q4 product revenue and improved margins.

Supplemental Information

Note Regarding Use of GAAP and Non-GAAP Measures

Non-GAAP Financial Measures

To supplement the Company's financial results presented on a U.S. generally accepted accounting principles (GAAP) basis, the Company has included information about non-GAAP measures of EBITDA, adjusted EBITDA, adjusted earnings, and adjusted earnings per share as useful operating metrics. The Company believes that the presentation of these non-GAAP financial measures, when viewed with results under GAAP and the accompanying reconciliation, provides supplementary information to analysts, investors, lenders, and the Company's management in assessing the Company's performance and results from period to period. The Company uses these non-GAAP measures internally to understand, manage and evaluate the Company's performance, and in part, in the determination of bonuses for executive officers and employees. These non-GAAP financial measures should be considered in addition to, and not a substitute for, or superior to, net income or other financial measures calculated in accordance with GAAP. Non-GAAP financial measures used by us may be calculated differently from, and therefore may not be comparable to, non-GAAP measures used by other companies.

This release also includes estimated full-year non-GAAP adjusted EBITDA information, which the Company believes enables investors to better understand the anticipated performance of the business, but should be considered a supplement to, and not as a substitute for or superior to, financial measures calculated in accordance with GAAP. No reconciliation of estimated non-GAAP adjusted EBITDA to estimated net income is provided in this release because some of the information necessary for estimated net income such as income taxes, fair value change in contingent consideration, and stock-based compensation is not yet ascertainable or accessible and the Company is unable to quantify these amounts that would be required to be included in estimated net income without unreasonable efforts.

Specified Items

Non-GAAP measures presented within this release exclude specified items. The Company considers specified items to be significant income/expense items not indicative of current operations. Specified items include adjustments to interest expense, income tax expense (benefit), depreciation expense, amortization expense, sales reserves adjustments for products the Company is no longer selling, stock-based compensation expense, fair value adjustments to contingent consideration, restructuring costs, amortization of fair value inventory step-up as result of purchase accounting, transaction-related costs, gains or losses from adjustments to long-lived assets and assets not part of current operations, and gains or losses resulting from debt refinancing or extinguishment.

Statements of Comprehensive Income

(in thousands, except per share amounts) (unaudited)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (in thousands, except per share amounts) (unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenues:				
Product sales, net	\$ 35,430	\$ 25,244	\$ 70,977	\$ 51,274
Royalties and milestones	451	542	1,443	975
Other revenue	(750)	(413)	(750)	(36)
Total revenues	35,131	25,373	71,670	52,213
Costs and expenses:				
Cost of sales	4,528	3,921	8,723	7,886
Selling, general and administrative expenses	10,543	24,040	21,184	32,364
Fair value of contingent consideration	1,300	2,195	2,945	1,602
Amortization of intangible assets	7,969	7,218	16,469	13,764
Restructuring charges	—	—	—	1,089
Total costs and expenses	24,340	37,374	49,321	56,705
Income (loss) from operations	10,791	(12,001)	22,349	(4,492)
Other (expense) income:				
Interest expense	(2,269)	(2,605)	(4,596)	(5,288)
Other (loss) gain	(95)	137	451	403
Total other expense	(2,364)	(2,468)	(4,145)	(4,885)
Net income (loss) before income taxes	8,427	(14,469)	18,204	(9,377)
Income tax (expense) benefit	(593)	300	(1,306)	(248)
Net income (loss) and comprehensive income (loss)	\$ 7,834	\$ (14,169)	\$ 16,898	\$ (9,625)
Basic net income (loss) per share	\$ 0.17	\$ (0.32)	\$ 0.37	\$ (0.23)
Diluted net income (loss) per share	\$ 0.16	\$ (0.32)	\$ 0.36	\$ (0.23)
Shares used in computing basic net income (loss) per share	46,274	44,706	45,746	41,321
Shares used in computing diluted net income (loss) per share	47,579	44,706	46,857	41,321

Balance Sheets

(in thousands, except per share amounts) (unaudited)

CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)
(unaudited)

	June 30, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 52,264	\$ 36,810
Accounts receivable, net	48,537	44,361
Inventories, net	12,259	7,489
Prepaid and other current assets	3,632	14,838
Total current assets	116,692	103,498
Property and equipment, net	1,133	1,527
Intangible assets, net	199,585	216,054
Other long-term assets	4,566	5,468
Total assets	<u>\$ 321,976</u>	<u>\$ 326,547</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 9,415	\$ 6,685
Accrued rebates, returns and discounts	52,331	52,662
Accrued liabilities	13,232	14,699
Long-term debt, current portion	11,662	12,174
Contingent consideration, current portion	13,500	14,500
Other current liabilities	16,010	34,299
Total current liabilities	116,150	135,019
Long-term debt	49,500	61,319
Contingent consideration	23,259	23,159
Other long-term liabilities	4,698	4,636
Total liabilities	<u>193,607</u>	<u>224,133</u>
Shareholders' equity:		
Common stock, \$0.0001 par value, 200,000,000 shares authorized; 48,172,055 and 44,640,444 shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively	5	4
Additional paid-in capital	540,692	531,636
Accumulated deficit	(412,328)	(429,226)
Total shareholders' equity	<u>128,369</u>	<u>102,414</u>
Total liabilities and shareholders' equity	<u>\$ 321,976</u>	<u>\$ 326,547</u>

Statement of Cash Flows

(in thousands) (unaudited)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (in thousands) (unaudited)

	Six Months Ended June 30,	
	2022	2021
Operating Activities		
Net income (loss)	\$ 16,898	(9,625)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	16,863	14,286
Amortization of royalty rights	48	118
Provision for inventory and other assets	259	140
Stock-based compensation	2,716	1,729
Recurring fair value measurement of assets and liabilities	2,945	1,602
Changes in assets and liabilities, net of acquisition:		
Accounts receivable	(4,176)	(1,118)
Inventories	(5,029)	4,955
Prepaid and other assets	12,108	6,640
Accounts payable and other accrued liabilities	(245)	(3,933)
Accrued rebates, returns and discounts	(331)	(18,006)
Interest payable	(200)	(50)
Net cash provided by (used in) operating activities	41,856	(3,262)
Investing Activities		
Purchase of Otrexup	(16,518)	—
Net cash used in investing activities	(16,518)	—
Financing Activities		
Payment in connection with Series A-1 and A-2 debt	(11,750)	(4,750)
Payment of contingent consideration	(3,845)	(2,495)
Payment of Royalty Rights	(630)	(498)
Proceeds from issuance of common stock	7,020	44,861
Proceeds from exercise of stock options	—	193
Shares withheld for payment of employee's withholding tax liability	(679)	(407)
Net cash (used in) provided by financing activities	(9,884)	36,904
Net increase in cash and cash equivalents	15,454	33,642
Cash and cash equivalents at beginning of year	36,810	20,786
Cash and cash equivalents at end of period	\$ 52,264	\$ 54,428
Supplemental Disclosure of Cash Flow Information		
Net cash refunded for income taxes	\$ (8,360)	\$ —
Cash paid for interest	\$ 4,748	\$ 5,216

Non-GAAP Adjusted EBITDA Reconciliation

(in thousands) (unaudited)

RECONCILIATION OF GAAP NET INCOME TO NON-GAAP EBITDA and ADJUSTED EBITDA (in thousands) (unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,		Financial Statement Classification
	2022	2021	2022	2021	
GAAP Net Income/(Loss)	\$ 7,834	\$ (14,169)	\$ 16,898	\$ (9,625)	
Interest expense	2,269	2,605	4,596	5,288	Interest expense
Income tax expense (benefit)	593	(300)	1,306	248	Income tax (expense) benefit
Depreciation expense	196	257	395	522	Selling, general and administrative expenses
Amortization of intangible assets	7,969	7,218	16,469	13,764	Amortization of intangible assets
EBITDA (Non-GAAP)	\$ 18,861	\$ (4,389)	39,664	10,197	
Adjustments:					
Legacy products revenue reserves ⁽¹⁾	750	413	750	36	Other revenue
Stock-based compensation	1,734	957	2,716	1,729	Selling, general and administrative expenses
Contingent consideration fair value change ⁽²⁾	1,300	2,195	2,945	1,602	Fair value of contingent consideration
Restructuring charges	—	—	—	1,089	Restructuring charges
Other ⁽³⁾	266	319	700	554	Multiple
Adjusted EBITDA (Non-GAAP)	\$ 22,911	\$ (505)	46,775	15,207	Multiple

For additional information referencing the schedules adjusting items, refer to the quarterly results announcement Form-8K on file with the Securities and Exchange Commission on the date of this presentation.

Non-GAAP Adjusted Earnings and EPS Reconciliation

(in thousands, except per share amounts) (unaudited)

**RECONCILIATION OF GAAP NET INCOME and GAAP NET INCOME PER SHARE TO
NON-GAAP ADJUSTED EARNINGS and ADJUSTED EARNINGS PER SHARE ⁽¹⁾**
(in thousands, except per share amounts)
(unaudited)

	Three Months Ended June 30, 2022		Three Months Ended June 30, 2021	
	Amount	Diluted EPS	Amount	Diluted EPS
Diluted net income (loss) per share (GAAP)	7,834	0.16	(14,169)	(0.32)
Adjustments				
Amortization of intangible assets	7,969	0.17	7,218	0.16
Legacy products revenue reserves	750	0.02	413	0.01
Stock-based compensation	1,734	0.04	957	0.02
Contingent consideration fair value change	1,300	0.03	2,195	0.05
Other	266	0.01	319	0.01
Contingent consideration cash payable ⁽²⁾	(4,568)	(0.10)	(1,535)	(0.03)
Income taxes expense, as adjusted ⁽³⁾	(1,863)	(0.04)	(2,392)	(0.06)
Adjusted earnings (loss) (Non-GAAP)	13,422	0.28	(6,994)	(0.16)
Diluted shares used in calculation	47,579		44,706	

For additional information referencing the schedules adjusting items, refer to the quarterly results announcement Form-8K on file with the Securities and Exchange Commission on the date of this presentation.

Additional Supplemental Schedules

(in thousands) (unaudited)

Non-GAAP Adjusted SG&A Reconciliation

	Three Months Ended June 30, 2022
GAAP SG&A	\$ 10,549
Adjustments:	
Stock-based compensation	(1,734)
Depreciation expense	(196)
Adjusted SG&A (Non-GAAP)	\$ 8,619

Adjustments included in Adjusted SG&A are derived directly from the adjustments included in the Adjusted EBITDA reconciliation. During the first quarter of 2022, the Company reclassified change in fair value of contingent consideration from Selling, general and administrative expenses to Fair value of contingent consideration on the Statements of Comprehensive Income. Prior period results have been recast to conform with current period presentation.

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