

NEUPATH HEALTH DELIVERS STRONG QUARTERLY REVENUES AND OPENS NEW FLUOROSCOPY SUITE TO PATIENTS

- **Delivered strong third quarter revenues of \$15.2 million including non-clinic revenues of \$1.0 million**
- **Adjusted EBITDA⁽¹⁾ of \$0.4 million, our 15th consecutive quarter of positive adjusted EBITDA**
- **New fluoroscopy suite opened in Ottawa and new physicians added to the network**
- **Committed to an accelerated growth strategy and evaluating multiple strategic expansion opportunities**

TORONTO, ONTARIO, November 17, 2022 – NeuPath Health Inc. (TSXV:NPTH), (“NeuPath” or the “Company”), owner and operator of a network of clinics delivering category-leading chronic pain treatment, today announced its financial and operating results for the three and nine months ended September 30, 2022 and the grant of stock options (“Options”) and restricted share units (“RSUs”). All figures are in Canadian dollars, unless otherwise noted.

Financial and Operational Highlights

- Delivered strong quarterly total revenue of \$15.2 million, including quarterly non-clinic revenue of \$1.0 million for the three months ended September 30, 2022 compared to \$15.2 million and \$0.8 million for the comparative three-month period;
- For the nine months ended September 30, 2022, revenue grew by 3% to \$46.6 million compared to \$45.3 million for the comparative nine-month period;
- Adjusted EBITDA was \$0.4 million and \$1.5 million for the three and nine months ended September 30, 2022 compared to \$0.6 million and \$2.4 million for the comparative three and nine-month periods;
- In November 2022 opened a new fluoroscopy suite to patients in Ottawa, following the opening of two new fluoroscopy suites in July 2022, and with one more fluoroscopy suite scheduled to be opened in the near term, enabling the Company to better serve our patients and expand our service offerings;
- Continued the implementation of the Company’s accelerated growth strategy, which included a restructuring of the Company’s corporate office in order to improve free cash flow.

“We are very pleased with our business progress this quarter, which lays the foundation for future success,” stated Joseph Walewicz, NeuPath’s interim CEO. “We are particularly pleased to have new physicians joining us, and the completion of our investments in Red Deer and Ottawa will enhance our ability to serve our patients. We expect that these successes, combined with our recent restructuring, will enhance our operating performance in 2023 and beyond.”

Q3 2022 Financial Results

Total revenue is comprised of clinic revenue and non-clinic revenue. Total revenue was \$15.2 million and \$46.6 million for the three and nine months ended September 30, 2022 compared to \$15.2 million and \$45.3 million for the three and nine months ended September 30, 2021.

Clinic revenue was \$14.3 million and \$43.7 million for the three and nine months ended September 30, 2022 compared to \$14.4 million and \$43.1 million for the three and nine months ended September 30, 2021. For the three months ended September 30, 2022, clinic revenue was consistent with the comparative three-month period. The increase in clinic revenue for the nine months ended September 30, 2022 was primarily due to the inclusion of HealthPointe’s revenue for the entirety of the nine-month period, as HealthPointe was acquired in February 2021. Overall, capacity utilization was 61% and 62% in the three and nine months ended September 30, 2022 compared to 63% in the comparative three and nine-month periods.

Non-clinic revenue was \$1.0 million and \$2.9 million for the three and nine months ended September 30, 2022 compared to \$0.8 million and \$2.1 million for the three and nine months ended September 30, 2021.

⁽¹⁾ Non-International Financial Reporting Standard (“IFRS”) and Other Financial Measures defined by the Company below.

Gross margin % was 16.4% and 17.2% for the three and nine months ended September 30, 2022 compared to 16.5% and 18.4% for the three and nine months ended September 30, 2021. Gross margin % for the three months ended September 30, 2022 was consistent with the comparative three-month period. The decrease in gross margin % for the nine months ended September 30, 2022 was primarily driven by increased clinic staff and nurse wages and physician costs as a percentage of revenue.

Gross margin for both the current and comparative three and nine-month periods was impacted by remuneration payment accruals due to the HealthPointe acquisition. Additionally, gross margin for the comparative three and nine-month periods was impacted by Restricted Share Unit (“RSU”) award accruals related to the HealthPointe physician vendors and Canada Emergency Wage Subsidy (“CEWS”). Excluding these transaction-related accruals and CEWS, gross margin % would have been 17.6% and 18.4% for the three and nine months ended September 30, 2022 compared to 19.1% and 20.7% for the three and nine months ended September 30, 2021.

Adjusted EBITDA was \$0.4 million and \$1.5 million for the three and nine months ended September 30, 2022 compared to \$0.6 million and \$2.4 million for the three and nine months ended September 30, 2021.

Issuance of Stock Options and Restricted Share Units

The Company has approved the grant of 1,337,500 Options to certain physician partners, employees and an officer of the Company, to be issued on November 22, 2022, at an exercise price equal to the closing price on the last trading day immediately preceding the grant date, and with an expiry date of November 22, 2029. The terms of the Options granted are in accordance with the Company’s Amended and Restated Stock Option Plan. The Options granted to an officer of the Company are subject to time-based vesting such that 1/3 vests immediately and the remaining Options will vest annually in equal instalments on each anniversary date from the date of grant for 4 years. The Options granted to certain physician partners and employees are also subject to time-based vesting and will vest annually in equal instalments on each anniversary date from the date of grant for 4 years.

In addition, the Company approved the grant of 62,500 RSUs to an officer of the Company, to be issued on November 22, 2022, with an expiry date of November 22, 2026. The RSUs are subject to time-based vesting. One quarter of the RSUs granted will vest annually on each anniversary date from the date of grant for 4 years. The terms of the RSUs granted are in accordance with the Company’s Amended and Restated Restricted Share Unit Plan.

Non-IFRS Financial and Other Measures

The Company discloses non-IFRS measures (such as EBITDA, adjusted EBITDA, gross margin and adjusted gross margin) and non-IFRS ratios (such as gross margin % and adjusted gross margin %) that do not have standardized meanings prescribed by International Financial Reporting Standards (IFRS). The Company believes that shareholders, investment analysts and other readers find such measures helpful in understanding the Company’s financial performance. Non-IFRS financial measures and other measures do not have any standardized meaning prescribed by IFRS and may not have been calculated in the same way as similarly named financial measures presented by other reporting issuers and therefore unlikely to be comparable to similar measures presented by other companies. Furthermore, these non-IFRS measures and other measures should not be considered in isolation or as a substitute for measures of performance or cash flows as prepared in accordance with IFRS. These measures should be considered as supplemental in nature and not as a substitute for related financial information prepared in accordance with IFRS.

EBITDA and Adjusted EBITDA

EBITDA refers to net income (loss) determined in accordance with IFRS, before depreciation and amortization, net interest expense (income) and income tax expense (recovery). The Company defines adjusted EBITDA, as EBITDA, excluding stock-based compensation expense, restructuring costs, fair value adjustments, transaction costs, impairment charges and finance income. Management believes EBITDA and adjusted EBITDA are useful supplemental non-GAAP measures to determine the Company’s ability to generate cash available for operations, working capital, capital expenditures, debt repayments, interest expense and income taxes.

The following table provides a reconciliation of net loss and comprehensive loss to EBITDA and adjusted EBITDA:

	Three Months ended September 30		Nine Months ended September 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Net loss and comprehensive loss	(1,139)	(660)	(2,415)	(2,510)
Add back:				
Depreciation and amortization	639	704	1,996	2,243
Net interest expense	199	214	618	659
Income tax expense	49	-	165	282
EBITDA	(252)	258	364	674
Add back:				
Stock-based compensation	(4)	169	45	661
Transaction costs ⁽¹⁾	187	138	606	1,054
Finance income	(5)	(8)	(18)	(26)
Restructuring	452	-	452	-
Adjusted EBITDA	378	557	1,449	2,363
Attributed to:				
Shareholders of NeuPath Health Inc.	419	557	1,521	2,363
Non-controlling interest	(41)	-	(72)	-
	378	557	1,449	2,363

⁽¹⁾ For the three and nine months ended September 30, 2022, \$187 and \$563 of accrued contingent consideration that under IFRS 3, *Business Combinations* ("IFRS 3") was not permitted to be included in the acquisition cost and has been accounted for as remuneration rather than consideration transferred [September 30, 2021 - \$188 and \$562].

Gross Margin, Gross Margin %, Adjusted Gross Margin and Adjusted Gross Margin %

Management believes gross margin, gross margin %, adjusted gross margin and adjusted gross margin % are important supplemental non-GAAP measures for evaluating operating performance and to allow for operating performance comparability from period-to-period. Gross margin is calculated as total revenue minus cost of medical services. Gross margin % is calculated as gross margin divided by total revenue. Adjusted gross margin is calculated as gross margin, plus remuneration payment accruals related to the HealthPointe acquisition, RSU award accruals related to the HealthPointe physician vendors, and CEWS payroll subsidies available under the COVID-19 Economic Response Plan were included in cost of medical services. Adjusted gross margin % is calculated as adjusted gross margin divided by total revenue.

The following table provides a reconciliation of total revenue to gross margin and adjusted gross margin:

	Three Months ended September 30		Nine Months ended September 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Clinic revenue	14,267	14,389	43,677	43,142
Non-clinic revenue	962	766	2,899	2,133
Total revenue	15,229	15,155	46,576	45,275
Cost of medical services	12,732	12,651	38,572	36,964
Gross margin⁽¹⁾	2,497	2,504	8,004	8,311
Gross margin %⁽¹⁾	16.4%	16.5%	17.2%	18.4%
Add back:				
HealthPointe RSU award accruals ⁽²⁾	-	205	-	545
HealthPointe remuneration payment accruals ⁽²⁾	187	188	563	562
CEWS payroll subsidies ⁽³⁾	-	-	-	(47)
Adjusted gross margin⁽¹⁾	2,684	2,897	8,567	9,371
Adjusted gross margin %⁽¹⁾	17.6%	19.1%	18.4%	20.7%

- (1) Gross margin, gross margin %, adjusted gross margin and adjusted gross margin % are non-IFRS measures.
- (2) Includes accrued contingent consideration that under IFRS 3 was not permitted to be included in the acquisition cost and has been accounted for as remuneration rather than consideration transferred, and RSU equity award accruals also related to the HealthPointe acquisition.
- (3) CEWS payroll subsidies available under the COVID-19 Economic Response Plan that were included in cost of medical services.

For further details on the results, please refer to NeuPath's Management, Discussion and Analysis and Condensed Consolidated Interim Financial Statements for the three and nine months ended September 30, 2022, which are available on the Company's website (www.neupath.com) and under the Company's profile on SEDAR (www.sedar.com).

About NeuPath

NeuPath is a vertically integrated health care provider utilizing research, data-driven insights, technology, and interdisciplinary care to help restore function for patients impacted by chronic pain, spinal injuries, sport-related injuries, and concussions. With equity ownership in sixteen clinics in Ontario and Alberta, NeuPath is building out a large-scale network to better serve patients across Canada. NeuPath is focused on transforming the hope of a better life into the reality of a life more fully lived.

Forward-Looking Statements

This news release contains forward-looking statements. All statements, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future including, without limitation, the execution of the Company's expansion strategy in 2022, are forward-looking statements. These forward-looking statements reflect the current expectations or beliefs of the Company based on information currently available to the Company. Forward-looking statements are subject to a number of risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the forward-looking statements, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on, the Company. Factors that could cause actual results or events to differ materially from current expectations included in this news release include, among other things, the severity, duration and spread of the COVID-19 outbreak, as well as its direct and indirect impacts that the pandemic may have on the Company's operations, adverse market conditions, risks associated with obtaining and maintaining the necessary governmental permits and licenses related to the business of the Company, increasing competition in the market and other risks generally inherent in the chronic pain, sports medicine, concussion and workplace health services markets. A comprehensive discussion of these and other risks and uncertainties can be found in the Company's annual information form dated March 17, 2022 filed on SEDAR under the Company's profile at www.sedar.com.

Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions underlying the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and accordingly undue reliance should not be put on such statements due to their inherent uncertainty.

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