

NEUPATH HEALTH REPORTS THIRD QUARTER 2023 RESULTS

- **Third quarter total revenue of \$16.1 million, up 6% year-over-year**
- **Adjusted EBITDA⁽¹⁾ of \$0.7 million, our 19th consecutive quarter of positive adjusted EBITDA and significantly improved year-over-year**
- **Positive cash flow and profitability in the quarter and year-to-date**
- **Improved future cash flows and access to new capital through recent closing of updated credit facility**

TORONTO, ONTARIO, November 16, 2023 – 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, 2023. All figures are in Canadian dollars, unless otherwise noted.

Financial and Operational Highlights

- NeuPath delivered a net profitable quarter and year-to-date with positive contributions to cash flow from operations;
- Quarterly revenue was \$16.1 million for the three months ended September 30, 2023 up 6% year-over-year and for the nine months ended September 30, 2023, revenue of \$49.3 million was up 6% year-over-year;
- Adjusted EBITDA was \$0.7 million and \$2.4 million for the three and nine months ended September 30, 2023, a 62% increase over the comparative quarter and a 61% increase over the comparative nine-month period;
- On August 31, 2023, the Company successfully completed the sale of its corporate-owned medical facility in London, Ontario for \$2.1 million generating a \$0.8 million net gain;
- On November 10, 2023, the Company successfully completed the closing of its updated credit facility providing immediate access to new capital and improving future cash flows from re-financing of existing HealthPointe term debt;
- In the current three and nine-month periods, capacity utilization improved to 65% and 64%, up 4% and 2% compared to the comparative three and nine-month periods; and
- The Company continues to focus on improved operations to support its accelerated growth strategy, including entering into new leases for two facilities that will improve cash flows in Q1/24 and beyond.

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

“We are pleased to deliver strong operating metrics, with continued year-over-year growth and improvements in capacity utilization, margins and cash flows,” said Joe Walewicz, NeuPath’s Chief Executive Officer. “Our team continues to upgrade our facilities by successfully adding new treatment rooms at busier clinics while simultaneously right sizing our footprint at clinics with unused space. Ongoing improvements in our operations and our improved balance sheet will allow us to continue investing in improvements to our clinics and growth opportunities.”

Q3 2023 Financial Results

Total Revenue

Total revenue is comprised of clinic revenue and non-clinic revenue. Total revenue was \$16.1 million and \$49.3 million for the three and nine months ended September 30, 2023 compared to \$15.2 million and \$46.6 million for the three and nine months ended September 30, 2022.

Clinic Revenue

Clinic revenue is generated through the provision of medical services to patients. Clinic revenue was \$14.9 million and \$45.7 million for the three and nine months ended September 30, 2023 compared to \$14.3 million and \$43.7 million for the three and nine months ended September 30, 2022. The increase was primarily driven by continued

growth from new clinic openings in 2022 and stronger revenue from existing clinics. Overall, capacity utilization was 65% and 64% in the three and nine months ended September 30, 2023 compared to 61% and 62% for the three and nine months ended September 30, 2022. The improvement in capacity utilization was primarily driven by stronger revenues with one less clinic.

Non-clinic Revenue

Non-clinic revenue was \$1.2 million and \$3.6 million for the three and nine months ended September 30, 2023 compared to \$1.0 million and \$2.9 million for the three and nine months ended September 30, 2022. Non-clinic revenue is earned from physician staffing where NeuPath provides physicians for provincial and federal correctional institutions and hospital health departments across Canada, and from contract research services provided to pharmaceutical companies and clinical research organizations. This revenue fluctuates depending on the need for physicians in certain institutions and the timing and enrolment of clinical studies that the Company is working on.

Gross margin % was 18.3% and 18.4% for the three and nine months ended September 30, 2023 compared to 16.4% and 17.2% for the three and nine months ended September 30, 2022. Gross margin for the comparative three and nine-month periods was impacted by remuneration payment accruals due to the HealthPointe acquisition resulting in increased COMS of \$0.2 million and \$0.6 million, respectively. Excluding these transaction-related accruals, gross margin % would have been 17.6% and 18.4% for the three and nine months ended September 30, 2022. (See *Non-IFRS Financial Measures - Gross Margin, Gross Margin %, Adjusted Gross Margin and Adjusted Gross Margin %*).

Adjusted EBITDA was \$0.7 million and \$2.4 million for the three and nine months ended September 30, 2023 compared to \$0.4 million and \$1.4 million for the three and nine months ended September 30, 2022.

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, gain on derecognition of other obligations, fair value adjustments, transaction costs, impairment charges, gain on sale of building 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 and comprehensive income (loss) to EBITDA and adjusted EBITDA:

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
	\$	\$	\$	\$
Net and comprehensive income (loss)	356	(1,139)	177	(2,415)
Add back:				
Depreciation and amortization	627	639	1,865	1,996
Interest cost	235	199	661	618
Income tax expense	135	49	259	165
EBITDA	1,353	(252)	2,962	364
Add back:				
Stock-based compensation	47	(4)	139	45
Transaction costs ⁽¹⁾	40	187	92	606
Finance income	(2)	(5)	(8)	(18)
Restructuring	-	452	-	452
Gain on sale of building	(758)	-	(758)	-
Adjusted EBITDA	680	378	2,427	1,449
Attributed to:				
Shareholders of NeuPath Health Inc.	680	419	2,450	1,521
Non-controlling interest	-	(41)	(23)	(72)
	680	378	2,427	1,449

⁽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, has been accounted for as remuneration rather than consideration transferred.

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 COMS. 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. 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	
	2023	2022	2023	2022
	\$	\$	\$	\$
Clinic revenue	14,856	14,267	45,715	43,677
Non-clinic revenue	1,229	962	3,579	2,899
Total revenue	16,085	15,229	49,294	46,576
Cost of medical services	13,145	12,732	40,230	38,572
Gross margin⁽¹⁾	2,940	2,497	9,064	8,004
Gross margin %⁽¹⁾	18.3%	16.4%	18.4%	17.2%
Add back:				
HealthPointe remuneration payment accruals ⁽²⁾	-	187	-	563
Adjusted gross margin⁽¹⁾	2,940	2,684	9,064	8,567
Adjusted gross margin %⁽¹⁾	18.3%	17.6%	18.4%	18.4%

⁽¹⁾ Gross margin, gross margin %, adjusted gross margin and adjusted gross margin % are non-IFRS measures. Please refer to *Non-IFRS Financial Measures* above.

⁽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.

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, 2023, which are available on the Company's website (www.neupath.com) and under the Company's profile on SEDAR+ (www.sedarplus.ca).

About NeuPath

NeuPath operates a network of healthcare clinics and related businesses focused on improved access to care and outcomes for patients by leveraging best-in-class treatments and delivering patient-centered multidisciplinary care. We operate a network of medical clinics in Ontario and Alberta that provide comprehensive assessments and rehabilitation services to clients with chronic pain, musculoskeletal/back injuries, sports related injuries and concussions. In addition, NeuPath provides workplace health services and independent medical assessments to employers and disability insurers through a national network of healthcare providers, as well as contract research services to pharmaceutical and biotechnology companies. NeuPath is focused on enabling each individual we treat to live their best life.

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 Company's expectation of continued operational improvements in 2023 and the execution of the Company's growth opportunities 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, 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 29, 2023 filed on SEDAR+ under the Company's profile at www.sedarplus.ca.

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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