

## NEUPATH HEALTH DELIVERS STRONG QUARTERLY REVENUES AND IMPROVES CASH POSITION

- Delivered first quarter revenue of \$16.1 million, up 4.2% year over year
- Adjusted EBITDA<sup>(1)</sup> of \$0.7 million, our 17<sup>th</sup> consecutive quarter of positive adjusted EBITDA
- Continued focus on operational improvements and new services to better serve our patients

**TORONTO, ONTARIO, May 25, 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 months ended March 31, 2023 and the grant of stock options (“Options”). All figures are in Canadian dollars, unless otherwise noted.

### Financial and Operational Highlights

- Strong quarterly total revenue of \$16.1 million for the three months ended March 31, 2023 compared to \$15.4 million for the comparative three-month period;
- Adjusted EBITDA was \$0.7 million for the three months ended March 31, 2023 compared to \$0.3 million for the three months March 31, 2022;
- On May 2, 2023, the Company announced the closing of its brokered private placement offering of 10% subordinated and postponed unsecured non-convertible debenture units of the Company for gross proceeds of \$1.453 million;
- On May 15, 2023, the Company announced that it had received Notices of Reassessment confirming a positive resolution of the outstanding Canada Revenue Agency (“CRA”) matter, with cash refunds of approximately \$1.9 million received last week;
- On March 15, 2023, the Company announced that it received a binding offer to purchase its corporate-owned medical facility in London, Ontario. The Company anticipates the transaction will close on August 1, 2023. The Company expects the net proceeds from the sale to be more than \$0.5 million after paying off the mortgage secured by this facility;
- Joseph Walewicz was appointed Chief Executive Officer of the Company on March 9, 2023; and
- The Company continues to focus on improved operations to support its accelerated growth strategy.

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

“We are pleased to see that increased physician hours, new facilities and new contracts are contributing to top-line growth,” stated Joe Walewicz, NeuPath’s CEO. “The private placement and resolution of the CRA matter has significantly improved our balance sheet post-quarter end, and with continued operational improvements expected in the second half of 2023, we are excited about our ability to execute on enhanced patient care and new growth opportunities.”

### Q1 2023 Financial Results

Total revenue is comprised of clinic revenue and non-clinic revenue. Total revenue was \$16.1 million for the three months ended March 31, 2023 compared to, \$15.4 million for the three months ended March 31, 2022, up 4.2% year over year. This growth reflects the opening of clinics in Red Deer, our Ottawa fluoroscopy clinic, additional physician hours and growth in our non-clinics business.

Clinic revenue is generated through the provision of medical services to patients. Clinic revenue was \$14.9 million for the three months ended March 31, 2023 compared to \$14.5 million for the three months ended March 31, 2022. The increase was primarily driven by continued growth from new clinic openings in late 2022. Capacity utilization for the three months ended March 31, 2023 was 62%, consistent with the comparative quarter and reflecting increased capacity added to our network in the second half of 2022.

Non-clinic revenue was \$1.2 million for the three months ended March 31, 2023 compared to \$0.9 million for the three months ended March 31, 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. First quarter growth was driven in part by a new contract win for our physician staffing business, effective the start of 2023.

Gross margin % was 18.0% for the three months ended March 31, 2023 compared to 17.2% for the three months ended March 31, 2022. The increase in gross margin was primarily driven by a decrease in physician costs as a percentage of revenue. Gross margin for the prior quarter was impacted by remuneration payment accruals due to the HealthPointe Medical Centres Ltd. ("HealthPointe") acquisition of \$0.2 million. Excluding these transaction-related accruals, gross margin % would have been 18.4% for the three months ended March 31, 2022. (See *Non-IFRS Financial Measures - Gross Margin* below). Adjusted gross margin % was down slightly as clinic startup costs were high in the first quarter, but are expected to normalize in the second half of 2023.

Adjusted EBITDA was \$0.7 million for the three months ended March 31, 2023 compared to \$0.3 million for the three months March 31, 2022.

### **Issuance of Stock Options**

The Company has approved the grant of 140,000 Options to certain employees and 1,417,837 Options to officers of the Company to be issued on May 30, 2023, 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 May 30, 2030. The terms of the Options granted are in accordance with the Company's Amended and Restated Stock Option Plan. The Options that are granted to officers are subject to time-based vesting and will vest annually in equal installments on each anniversary date from the date of grant for 4 years.

### **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, 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 March 31, 2023	Three months ended March 31, 2022
	\$	\$
<b>Net loss and comprehensive loss</b>	<b>(225)</b>	<b>(910)</b>
<b>Add back:</b>		
Depreciation and amortization	628	724
Net interest expense	184	206
Income tax expense	53	51
<b>EBITDA</b>	<b>640</b>	<b>71</b>
<b>Add back:</b>		
Stock-based compensation	47	20
Transaction costs <sup>(1)</sup>	31	231
Finance income	(3)	(7)
<b>Adjusted EBITDA</b>	<b>715</b>	<b>315</b>
<b>Attributed to:</b>		
Shareholders of NeuPath Health Inc.	727	318
Non-controlling interest	(12)	(3)
	<b>715</b>	<b>315</b>

<sup>(1)</sup> For the three months ended March 31, 2022, \$188 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.

*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 ("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 March 31, 2023	Three months ended March 31, 2022
	\$	\$
Clinic revenue	14,882	14,468
Non-clinic revenue	1,179	943
<b>Total revenue</b>	<b>16,061</b>	<b>15,411</b>
Cost of medical services	13,165	12,761
<b>Gross margin<sup>(1)</sup></b>	<b>2,896</b>	<b>2,650</b>
<b>Gross margin %<sup>(1)</sup></b>	<b>18.0%</b>	<b>17.2%</b>
<b>Add back:</b>		
HealthPointe remuneration payment accruals <sup>(2)</sup>	-	188
<b>Adjusted gross margin<sup>(1)</sup></b>	<b>2,896</b>	<b>2,838</b>
<b>Adjusted gross margin %<sup>(1)</sup></b>	<b>18.0%</b>	<b>18.4%</b>

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

<sup>(2)</sup> 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 months ended March 31, 2023, which are available on the Company's website ([www.neupath.com](http://www.neupath.com)) and under the Company's profile on SEDAR ([www.sedar.com](http://www.sedar.com)).

## **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 the second half of 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, the direct and indirect impacts that the COVID-19 pandemic may continue to 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 29, 2023 filed on SEDAR under the Company's profile at [www.sedar.com](http://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.*

## **For more information, please contact:**

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