

# **FY2018 Conference Call Presentation**

**(12-Month Period Ended March 31, 2018)**

**June 5, 2018**



# DISCLAIMER

## CAUTION REGARDING NON-IFRS FINANCIAL MEASURES

*The Corporation uses an adjusted financial measure, Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) called non-IFRS operating loss when the Corporation or segment is in a loss position, to assess its operating performance. This non-IFRS financial measure is directly derived from the Corporation's financial statements and is presented in a consistent manner. The Corporation uses this measure for the purposes of evaluating its historical and prospective financial performance, as well as its performance relative to competitors. This measure also helps the Corporation to plan and forecast for future periods as well as to make operational and strategic decisions. The Corporation believes that providing this information to investors, in addition to IFRS measures, allows them to see the Corporation's results through the eyes of management, and to better understand its historical and future financial performance.*

*Securities regulations require that companies caution readers that earnings and other measures adjusted to a basis other than IFRS do not have standardized meanings and are unlikely to be comparable to similar measures used by other companies. Accordingly, they should not be considered in isolation. The Corporation uses Adjusted EBITDA (or non-IFRS operating loss when in a loss position) to measure its performance from one period to the next without the variation caused by certain adjustments that could potentially distort the analysis of trends in our operating performance, and because the Corporation believes it provides meaningful information on the Corporation's financial condition and operating results. Neptune's method for calculating Adjusted EBITDA (or non-IFRS operating loss) may differ from that used by other corporations.*

*Neptune obtains its Adjusted EBITDA (or non-IFRS operating loss) measurement by adding to net income (loss), finance costs, depreciation, amortization and impairment loss and income taxes expense and by subtracting finance income and income taxes recovery. Other items such as stock-based compensation, change in fair value of derivative assets and liabilities and loss on sale of available-for-sale investment, royalty settlements, net gain on sale of assets from the krill oil business, legal fees related to royalty settlements, gain on loss of control of subsidiary, tax credits recoverable from prior years, reversal of tax credits from prior years and acquisition costs that do not impact core operating performance of the Corporation are excluded from the calculation as they may vary significantly from one period to another. Excluding these items does not imply they are non-recurring.*



# DISCLAIMER

## CAUTIONARY NOTE AND FORWARD-LOOKING STATEMENT

*This presentation contains certain forward-looking statements with respect to the Company. These forward-looking statements, by their nature, require the Company to make certain assumptions and necessarily involve known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied in these forward-looking statements. Forward-looking statements are not guarantees of performance. These forward-looking statements, including financial outlooks, may involve, but are not limited to, comments with respect to the Company's business or financial objectives, its strategies or future actions, its targets, expectations for financial condition or outlook for operations and future contingent payments. Words such as "may", "will", "would", "should", "could", "expects", "believes", "belief", "plans", "anticipates", "intends", "estimate", "continue", or the negative or comparable terminology, as well as terms usually used in the future and the conditional, are intended to identify forward-looking statements. Information contained in forward-looking statements is based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including management's perceptions of historical trends, current conditions and expected future developments, as well as other considerations that are believed to be appropriate in the circumstances. The Company considers these assumptions to be reasonable based on information currently available to it, but cautions the reader that these assumptions regarding future events, many of which are beyond its control, may ultimately prove to be incorrect since they are subject to risks and uncertainties that affect the Company and its business.*

*For additional information with respect to these and other factors and assumptions underlying the forward-looking statements made in this presentation, see the Company's quarterly and annual Management Discussion and Analysis filed with the Canadian securities commissions. The forward-looking information set forth herein reflects the Company's expectations as at the date of this presentation and is subject to change after such date. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law.*



## OUR AGENDA

- Highlights
- Cannabis Business
- Financials
- Looking ahead



# FY2018 Highlights

## On Track and On Budget to Complete Phase 1 of the Cannabis Business Plan

Cannabis Business site investments related to licensing process on track and on budget; extensive commercial activities initiated

Revenues of \$26.2 million, reflecting the sale of the krill oil business on August 7, 2017; revenues for 2017 were \$46.9 million for a 13-month period

Gain of \$23.7 million from the sale of our krill business to Aker BioMarine and \$8.8 million realized from the deconsolidation of Acasti

Net income of \$20.1 million versus \$9.6 million in the prior year in the Nutraceutical and Cannabis Segment

Non-IFRS operating loss of \$2.6 million compared to Adjusted EBITDA of \$4.1 million last year reflecting investment in Cannabis Business development

Strong cash on hand as of March 31, 2018 of \$26.7 million

Signed a co-development agreement for purified cannabinoid oil-based products targeting pain and inflammation



## Subsequent Highlights

Phase 2, solvent extraction and purification investment, including molecular isolation, of \$4.8 million approved by the Board



# CANNABIS BUSINESS – LICENCE & COMMERCIALIZATION TIMELINE

## Intake and Initial Screening

Application form, business plan, Security Clearance Applications, and record-keeping methods for security, production, inventory, and destruction methods



## Detailed Review and Initiation of Security Clearance Process

Application is reviewed to :

1. Ensure that it meets the requirements of the ACMPR
2. Establish unlikelihood to create risks to public health, safety or security
3. Establish that there are no other grounds for refusing the application.



## Issuance of Licence to Produce

Issued once:

1. Application meets all regulatory requirements
2. Security clearance is passed
3. There is a functional building at the site



## Inspection and Sales Licence

LP notifies Health Canada as activities begin; once notified, HC will schedule an inspection to verify that the LP meets the requirements of the ACMPR, including, but not limited to, Good Production Practices, packaging, labelling, shipping, and record keeping prior to allowing the sale or provision of product.

### STRATEGY / GOAL

Completed May 2017

### Estimates for Neptune

Jan 2018

Q3 2018  
(Jul/Aug)

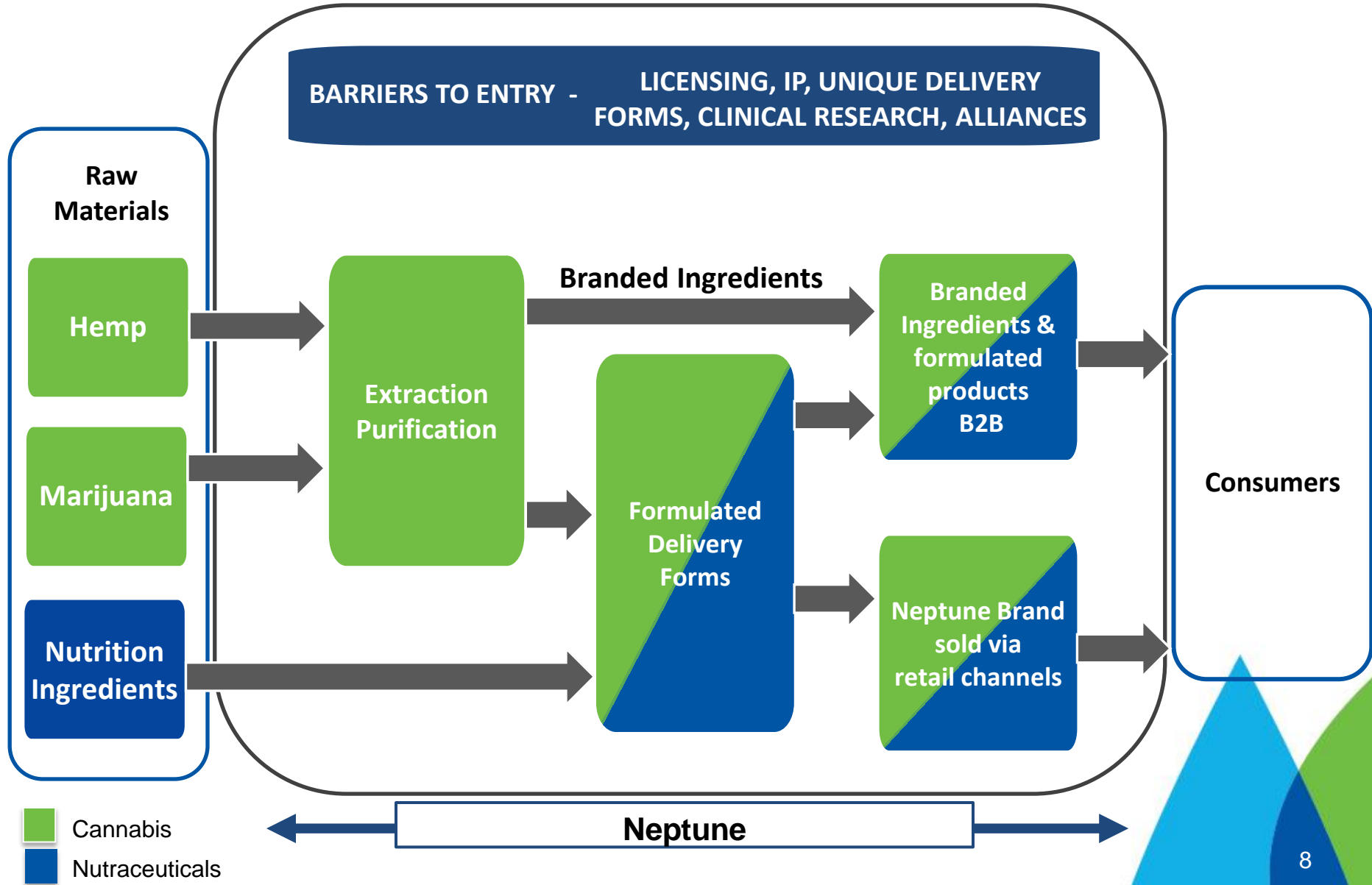
Q3/Q4 2018

Build extraction facility infrastructure and provide Health Canada with visual evidence of the site completion before an official licence is granted.

**Licence, commercial & manufacturing processes moving in parallel – consistent with timeline objective**



# CANNABIS BUSINESS – OUR OBJECTIVE TO BE THE WORLD LEADER IN EXTRACTION, PURIFICATION AND FORMULATION OF CANNABIS PRODUCTS







# Manufacturing Steps towards Commercialization of Cannabis Products



## Phase 1

- Site Security
- License compliance
- Co<sub>2</sub> extraction & purification

## Phase 2

- Solvent extraction & purification
- Global cannabis scope
- Hemp extraction & purification

- Phase 1 on track, on time, on budget
- Phase 2:
  - ✓ **Solvent lab scale trials completed**
  - ✓ **Capacity expansion approved by the Board**



# Q4-2018 FINANCIAL RESULTS – NUTRACEUTICAL + CANNABIS SEGMENT

(in thousands of CAD \$, except for income (loss) per share and %)	Q4-2018 (3 months)		Q4-2017 (4 months)	
	\$	% of sales	\$	% of sales
Revenues from sales	6,512		11,515	
Gross margin on sales *	1,623	25%	2,924	25%
Royalties revenues	493		314	
<b>Total gross margin as per FS *</b>	<b>2,116</b>		<b>3,238</b>	
R&D/Cannabis business	(1,890)	29%	(664)	6%
R&D tax credits and grants **	(1,898)		2,059	
SG&A	(3,673)	56%	(3,306)	29%
<b>Adjusted EBITDA (Non-IFRS operating loss)</b>	<b>(1,802)</b>	<b>-28%</b>	<b>923</b>	<b>8%</b>
Other income - royalty settlement	-		2,185	
Other income - net gain on sale of assets	(21)		-	
Gain on loss of control of Acasti	-		-	
Income taxes recovery (expense)	1,680		(2,400)	
<b>Net income</b>	<b>(4,752)</b>		<b>290</b>	
Net income - CONSO	(4,752)		(2,298)	
Basic and diluted income per share - CONSO	(0.06)		(0.01)	

\* Q4-2018 gross margin excludes an impairment loss on inventories of frozen krill of \$658 due to the sale of assets to Aker BioMarine.

\*\* Q4-2018 includes tax credits reversal from prior years of \$1,933 mainly offset by the income taxes recovery.



# YE-2018 FINANCIAL RESULTS – NUTRACEUTICAL + CANNABIS SEGMENT

(in thousands of CAD \$, except for income per share and %)	YE-2018 (12 months)		YE-2017 (13 months)		YE-2018 vs YE-2017
	\$	% of sales	\$	% of sales	% of variation
Revenues from sales	26,169		45,839		-43%
Gross margin on sales *	7,224	28%	11,710	26%	-38%
Royalties revenues	1,477		1,083		36%
<b>Total gross margin as per FS *</b>	<b>8,701</b>		<b>12,793</b>		-32%
R&D/Cannabis business	(4,462)	17%	(1,774)	4%	152%
R&D tax credits and grants **	(1,836)		2,078		
SG&A	(11,947)	46%	(12,003)	26%	0%
<b>Adjusted EBITDA</b>	<b>(2,619)</b>	-10%	<b>4,102</b>	9%	-164%
Other income - royalty settlement	-		15,302		
Other income - gain on sale of assets	23,702		-		
Gain on loss of control of Acasti	8,784		-		
Income taxes recovery (expense)	1,640		(2,483)		
<b>Net income</b>	<b>20,078</b>		<b>9,608</b>		
Net income - CONSO	9,339		879		
Basic and diluted income per share - CONSO	0.22		0.09		

\* YE-2018 gross margin excludes an impairment loss on inventories of frozen krill of \$2,377 due to the sale of assets to Aker BioMarine.

\*\* YE-2018 includes tax credits reversal from prior years of \$1,933.



# Financial Position – Nutraceutical + Cannabis segment

(in thousands of CAD \$)	Mar. 31, 2018	Dec. 31, 2017	Mar. 31, 2017
Cash, cash equivalents and restricted short-term investments	<b>26,697</b>	28,586	8,775
Total debt	<b>4,661</b>	4,535	22,931
Net cash, cash equivalents and restricted short-term investments	<b>22,036</b>	24,051	(14,156)
Total equity	<b>86,534</b>	89,479	74,800



## Looking Ahead...

- Cannabis Business on time, on track towards commercialization by second half of 2018
- Phase 2 capacity expansion approved and to be immediately initiated including molecular isolation
- Solutions Business remains a solid platform for growth supported by our specialty patented ingredient MaxSimil
- Solid balance sheet with \$26.7 million in cash



**THANK YOU**