

## **Lattice Biologics Ltd. Reports Year End 2019 Results and Q1 Preliminary Q1 2020 Revenues**

BELGRADE, Mont.--(BUSINESS WIRE)--January 28, 2020--**Lattice Biologics Ltd. (TSX-V: LBL)** (OTCBB: LBLTF) (“**Lattice Biologics**” or the “**Company**”) announces financial results for the fiscal year end 2019 and preliminary revenues for Q1 2020.

### ***Sales and Product Offerings***

- *Successfully relocated processing facility to Belgrade, Montana, resulting in reduced overhead and increased operational efficiencies.*
- *Launched new products into a higher margin dental market.*
- *Gross profit margin was 44.0% for the year ended September 30, 2019, compared to 46.9% for the year ended September 30, 2018.*
- *For the year ended September 30, 2019, sales increased 89.5% year over year, while gross profit decreased 6.2% year over year.*
- *Launched new products into the higher margin dental market.*
- *Cash from operations was \$0.2 million for the year ended September 30, 2019 compared to \$0.3 million for the year ended September 30, 2018.*

### ***Finance***

- *Successfully relocated operations to Belgrade, Montana from Scottsdale, Arizona, resulting in operational efficiencies of over \$145,000 per month, year over year.*
- *Gross profit of \$1.0 million on sales of \$2.2 million for the year ended September 30, 2019 compared to \$0.5 million on sales of \$1.2 million for the year ended September 30, 2018.*
- *Incurred a net loss of \$1.0 million (\$0.01 per share) for the year ended September 30, 2019 compared to \$1.2 million (\$0.01 per share) for the year ended September 30, 2018.*
- *Total liabilities increased to \$8.6 million from \$8.4 million for September 30, 2019 and September 30, 2018, respectively.*
- *Current liabilities increased to \$7.7 million from \$7.0 million for September 30, 2019 and September 30, 2018, respectively.*

### **Research and Development**

- *Developed room temperature AmnioBoost for dental markets.*
- *Re-formulated DBM putty to incorporate superior handling properties.*
- *Developed DBM fiber plugs for dental market*

### **2019 Business Update:**

“I am pleased to announce that the Company continues with 89.5% growth throughout 2019 and a first quarter 2020 sales estimate of \$690,000 - \$710,000,” said Guy Cook, CEO of Lattice Biologics Ltd. “We estimate revenues to be \$ 3.1-3.5 million for 2020.”

With strong distribution partners and an enhanced product line intended for dental indications, we expect sales to continue to grow throughout 2020. Operationally, the company is much more efficient and has lowered its operating and overhead costs to effectively compete in the dental market space.

As we continue to focus to higher margin product line, and to re-position the Amnioboost line for dental indications, we are confident we have turned the corner and positioned the company for profitable and continued growth.

The Company continues to make significant improvements on the balance sheet, and is working with creditors to convert certain balances to equity for working capital purposes.

Lattice Biologics maintains its commitment to honoring the gift of donation by implementing a strong quality control environment for the recovery and processing of donors. The Company has significantly increased its processing efficiencies, and has substantial inventory reserves to meet customer demand.

As indicated below, the Company continues efforts to diversify the sales mix across the new higher margin product lines added in prior years.

#### **Year End Financial Results (all figures denoted in USD):**

The product launches have been well received by our clients and the Company continues to replace unprofitable legacy contracts and focus on the newer higher margin products. Lattice Biologics' total revenue was \$2,188,631 in the year ended September 30, 2019 compared to \$1,155,041 for the year ended September 30, 2018, an increase of 89.5%, as shown in the following quarter sales table:

	<b>Sep-30</b>	<b>Jun-30</b>	<b>Mar-31</b>	<b>Dec-31</b>	<b>Sep-30</b>	<b>Jun-30</b>	<b>Mar-31</b>	<b>Dec-31</b>
	<b>2019</b>	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>	<b>2018</b>	<b>2018</b>	<b>2017</b>
Revenue	\$ 522,263	\$ 447,973	\$751,084	\$467,311	\$ 278,459	\$ 190,524	\$ 323,921	\$362,137
Cost of sales	621,202	287,484	172,788	144,849	271,398	115,588	102,963	123,938
Gross profit	(98,939)	160,489	578,296	322,462	7,061	74,936	220,958	238,199
Operating costs (i)	396,053	331,795	344,397	283,062	567,058	434,925	382,764	336,332
EBITDA (ii)	(480,280)	(156,771)	246,648	52,149	(546,873)	(346,865)	(148,682)	(85,509)

The following table sets out selected unaudited financial information, prepared in accordance with IFRS. The information contained herein is drawn from interim financial statements of the Company for each of the following quarterly periods ending:

	<u>Sep-30</u> <u>2019</u>		<u>Jun-30</u> <u>2019</u>		<u>Mar-31</u> <u>2019</u>		<u>Dec-31</u> <u>2018</u>		<u>Sep-30</u> <u>2018</u>		<u>Jun-30</u> <u>2018</u>		<u>Mar-31</u> <u>2018</u>		<u>Dec-31</u> <u>2017</u>	
ADM dermis \$	-	0%	\$ -	0%	\$ -	0%	\$ -	0%	\$ -	0%	\$ 18,500	10%	\$ 68,600	21%	\$ 73,399	20%
DBM putty	-	0%	-	0%	-	0%	-	0%	-	0%	8,300	4%	10,650	3%	18,749	5%
Bone scaffold	508,458	97%	432,400	97%	725,435	97%	453,111	97%	222,333	80%	119,935	63%	204,028	63%	212,972	59%
Other	<u>13,805</u>	3%	<u>15,573</u>	3%	<u>25,649</u>	3%	<u>14,200</u>	3%	<u>56,126</u>	20%	<u>43,789</u>	23%	<u>40,643</u>	13%	<u>57,017</u>	16%
Total revenue	<u>\$522,263</u>	100%	<u>\$447,973</u>	100%	<u>\$751,084</u>	100%	<u>\$467,311</u>	100%	<u>\$278,459</u>	100%	<u>\$190,524</u>	100%	<u>\$323,921</u>	100%	<u>\$362,137</u>	100%

Certain adjustments have been made to the quarterly information for the first three quarters of the fiscal year ended September 30, 2016, as compared to data contained in the quarterly filings for such quarters. These changes relate to certain adjustments for cost of sales and operating costs that were not recognized until the fourth quarter of such fiscal year.

- (i) Operating costs are defined as all general and administrative costs, professional fees, rent, salaries and benefits, sales and marketing, and utilities expenses.
- (ii) EBITDA is defined as gross profit less operating costs (as defined above).

### **About Lattice Biologics Ltd.:**

Lattice Biologics is traded on the TSX-V under the symbol: LBL. The Company is an emerging leader in the field of dental biologics and tissue engineering, with a focus on bone, skin, and cartilage regeneration.

Lattice Biologics develops and manufactures biologic products to domestic and international markets. The Company's products are used in a variety of surgical applications.

Lattice Biologics maintains its headquarters, laboratory and manufacturing facilities in Belgrade, Montana. The facility includes ISO Class 1000 clean rooms, and specialized equipment capable of crafting traditional allografts and precision specialty allografts for various clinical applications. The Lattice Biologics team includes highly trained tissue bank specialists, surgical technicians, certified sterile processing and distribution technicians, and CNC operators who maintain the highest standards of aseptic technique throughout each step of the manufacturing process. From donor acceptance to the final packaging and distribution of finished allografts, Lattice is committed to maintaining the highest standards of allograft quality, innovation, and customer satisfaction.

Lattice Biologics maintains all necessary licensures to process and sell its tissue engineered products within the U.S. and internationally. This includes Certificates to Foreign Governments from the U.S. Food and Drug Administration (FDA) and registrations for 29 countries, which allow the export of bone, tendon, meniscus, ligament, soft tissue, and cartilage products outside of the U.S.

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