

Lattice Biologics Ltd. Reports Q1 2020 Results

BELGRADE, Mont.--(BUSINESS WIRE)--February 28, 2020--**Lattice Biologics Ltd.** (TSX-V: LBL) (OTCBB: LBLTF) (“**Lattice Biologics**” or the “**Company**”) announces financial results for Q1 2020.

Highlights of the Three Months Ended December 31, 2019

Sales and Product Offerings

- Completion of the relocated processing facility to Belgrade, Montana and expanding reach into dental markets with new product offerings
- Gross profit margin was 57% for the three months ended December 31, 2019, compared to 69% for the same period in the previous year.
- For the three months ended September 30, 2019, sales increased 50% compared to the same period in the previous year, while gross profit increased 24% for the same periods.
- Launched new products into a higher margin dental market.
- Cash from operations was \$38,132 for the three months ended December 31, 2019 compared to \$14,171 for the three months ended December 31, 2018.

Finance

- Gross profit of \$0.4 million on sales of \$0.7 million for the three months ended December 31, 2019 compared to the same period in the previous year of \$0.3 million on \$0.5 million of sales.
- Incurred a net loss of less than \$0.1 million (\$0.00 per share) for the three months ended December 31, 2019 compared to \$0.1 million (\$0.00 per share) for the same period in the previous year.
- Total liabilities increased to \$8.9 million at December 31, 2019 from \$8.6 million at September 30, 2019. Current liabilities increased to \$7.8 million at December 31, 2019 from \$7.7 million at September 30, 2019.

Research and Development

- Development of room temperature AmnioBoost for dental markets.
- Development of room temperature dermis for dental markets.
- Development of allograft fiber plug for dental markets.
- Developed proprietary liquid nitrogen shipping containers.

2020 Business Update:

“I am pleased to announce that the Company has continued its turn around with a \$.7 million quarter, and a positive EBITDA of \$122,468. We expect revenues to continue to grow throughout the year and revenues to be \$ 3.1-3.5 million for 2020,” said Guy Cook, CEO of Lattice Biologics Ltd.

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 reduce certain balances, or convert 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 \$699,898 in the three months ended December 31, 2019, 2018 compared to \$467,311 for the three months ended December 31, 2018, an increase of 50%%, as shown in the following quarter sales table:

| | Dec-31 | Sep-30 | Jun-30 | Mar-31 | Dec-31 | Sep-30 | Jun-30 | Mar-31 |
|---------------------|-----------|------------|------------|-----------|------------|------------|------------|------------|
| | 2019 | 2019 | 2019 | 2019 | 2018 | 2018 | 2018 | 2018 |
| Revenue | \$699,898 | \$ 522,263 | \$ 447,973 | \$751,084 | \$ 467,311 | \$ 278,459 | \$ 190,524 | \$ 323,921 |
| Cost of sales | 300,011 | 640,749 | 287,484 | 172,788 | 144,849 | 271,398 | 115,588 | 102,963 |
| Gross profit | 399,887 | (118,486) | 160,489 | 578,296 | 322,462 | 7,061 | 74,936 | 220,958 |
| Operating costs (i) | 291,843 | 398,711 | 331,795 | 344,397 | 283,062 | 567,058 | 434,925 | 382,764 |
| EBITDA (ii) | 122,468 | (502,485) | (156,771) | 246,648 | 52,149 | (546,873) | (346,865) | (148,682) |
| Net income (loss) | (69,893) | (667,941) | (291,203) | 61,975 | (114,743) | (306,206) | (571,954) | (220,208) |

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:

| | Dec-31 | Sep-30 | Jun-30 | Mar-31 | Dec-31 | Sep-30 | Jun-30 | Mar-31 |
|---------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2019 | 2019 | 2019 | 2019 | 2018 | 2018 | 2018 | 2018 |
| ADM dermis | \$ - 0% | \$ - 0% | \$ - 0% | \$ - 0% | \$ - 0% | \$ - 0% | \$ 18,500 10% | \$ 68,600 21% |
| DBM putty | - 0% | - 0% | - 0% | - 0% | - 0% | - 0% | 8,300 4% | 10,650 3% |
| Bone scaffold | 699,898 100% | 508,458 97% | 432,400 97% | 725,435 97% | 453,111 97% | 222,333 80% | 119,935 63% | 204,028 63% |
| Other | - 0% | 13,805 3% | 15,573 3% | 25,649 3% | 14,200 3% | 56,126 20% | 43,789 23% | 40,643 13% |
| Total revenue | <u>\$699,898 100%</u> | <u>\$522,263 100%</u> | <u>\$447,973 100%</u> | <u>\$751,084 100%</u> | <u>\$467,311 100%</u> | <u>\$278,459 100%</u> | <u>\$190,524 100%</u> | <u>\$323,921 100%</u> |

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 personalized/precision medicine leader in the field of cellular therapies 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 as well as offices in Phoenix, Arizona. The facility includes ISO Class 1000 and ISO Class 100 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.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

Cautionary Statement on Forward-Looking Information:

Certain information contained in this news release constitutes "forward-looking statements" within the meaning of the 'safe harbour' provisions of Canadian securities laws. All statements herein, other than statements of historical fact, are to be considered forward looking. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "planned", "potential", "future", "expected", "could", "possible", "goal", "intends", "will" or similar expressions. Forward-looking statements in this news release include, without limitation: information pertaining to the Company's strategy, plans, or future financial performance, such as statements with respect to the Transaction, and other statements that express management's expectations or estimates of future performance. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Lattice to be materially different from those expressed or implied by such forward-looking statements.

Forward-looking statements are necessarily based upon a number of factors and assumptions that, while considered reasonable by management as of the date such statements are made, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The factors and assumptions that could prove to be incorrect, include, but are not limited to: that market prices will be consistent with expectations, the continued availability of capital and financing, and that general economic, market and business conditions will be consistent with expectations. The forward-looking statements are not guarantees of future performance. We disclaim any obligation to update or revise any forward-looking statements, except as required by law. Readers are cautioned not to put undue reliance on these forward-looking statements.

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