

NEUPATH HEALTH REPORTS THIRD QUARTER 2020 RESULTS

7th CONSECUTIVE QUARTER OF POSITIVE ADJUSTED EBITDA⁽¹⁾

TORONTO, ONTARIO, November 19, 2020 – NeuPath Health Inc. (TSXV:NPTH) (formerly Klinik Health Ventures Corp.) (“NeuPath” or the “Company”), Canada’s largest provider of chronic pain management services, today announced its financial and operating results for the three and nine months ended September 30, 2020. All figures are in Canadian dollars, unless otherwise noted.

Financial and Operational Highlights

- NeuPath recorded its seventh consecutive quarter of positive adjusted EBITDA⁽¹⁾. For the three months ended September 30, 2020, adjusted EBITDA increased to \$735,000 or 6.1% of revenue compared to \$660,000 or 5.2% of revenue in the comparative quarter;
- For the nine months ended September 30, 2020, adjusted EBITDA increased to \$1.9 million compared to \$1.4 million for the nine months ended September 30, 2019;
- Despite continued measures required to operate safely during the pandemic, revenue in the three months ended September 30, 2020 recovered to \$12.0 million, an improvement from \$11.2 million for the three months ended June 30, 2020 and \$11.6 million for the three months ended March 31, 2020. In the comparative quarter, revenue was \$12.7 million;
- For the nine months ended September 30, 2020, revenue was \$34.8 million compared to \$36.6 million for the nine months ended September 30, 2019; and
- In response to increased demand and acceptance of virtual care, the Company continues to offer virtual visits where appropriate. Virtual visits comprise approximately 9% of total patient visits since the start of the pandemic.

Subsequent to the Quarter

- On October 6, 2020, the Company announced an initiative to develop proprietary technology designed to provide patients with personalized, remote pain management programs. This initiative is part of NeuPath’s broader mission to provide patients with multi-modal care and the tools required to live a complete and fulfilled life; and
- On November 13, 2020, the Company closed a short-form prospectus offering, on a bought deal basis, including the full exercise of the underwriters’ overallotment option. The Company issued a total of 13,340,000 units at a price of \$0.90 cents per unit for aggregate gross proceeds of \$12,006,000.

“Despite challenging conditions, just nine months into fiscal 2020, we have now generated \$1.9 million of adjusted EBITDA; the same figure we generated in all of fiscal 2019. We’re also adjusting well to operating safely in the midst of a pandemic. We saw year-over-year revenue growth in July and, after adjusting for the impact of the flood, revenue improved in September as well,” said Grant Connelly, CEO of NeuPath. “We have also built a strong foundation for future growth. The proceeds from the bought deal financing provide us with the capital we need to build out our national footprint and we continue to evaluate interesting opportunities. Finally, building proprietary, remote pain management technology is an important priority for the Company and will help us provide more efficient and improved care to our patients.”

⁽¹⁾ Non-International Financial Reporting Standard (“IFRS”) financial measure defined by the Company below.

Third Quarter 2020 Financial Results

Total medical services revenue was \$12.0 million for the three months ended September 30, 2020 compared to \$12.7 million for the three months ended September 30, 2019. The pandemic led to the earlier cancellation of vacation plans for both physicians and staff. August represented the first, real window for the Company's staff and physicians to take some vacation time. The Company's capacity utilization was negatively impacted by a large concentration of physician vacation time which, in turn, led to a decrease in revenue in the quarter. In addition, one of the Company's clinics was temporarily closed due to a flood, which also negatively impacted revenue. For the nine months ended September 30, 2020, total medical services revenue was \$34.8 million compared to \$36.6 million for the nine months ended September 30, 2019.

Total operating expenses decreased to \$12.1 million for the three months ended September 30, 2020 compared to \$13.1 million for the three months ended September 30, 2019. The decrease was related to a reduction in the cost of medical services to \$9.4 million or 78.5% of medical services revenue, compared to \$10.2 million or 80.3% of medical services revenue in the comparative quarter. In addition, interest costs decreased to \$0.2 million for the three months ended September 30, 2020 compared to \$0.5 million for the three months ended September 30, 2019. For the nine months ended September 30, 2020, total operating expenses were \$36.3 million compared to \$38.4 million for the nine months ended September 30, 2019.

Adjusted EBITDA increased to \$735,000 for the three months ended September 30, 2020 compared to \$660,000 for the three months ended September 30, 2019. For the nine months ended September 30, 2020, adjusted EBITDA was \$1.9 million compared to \$1.4 million for the nine months ended September 30, 2019.

Non-IFRS Financial Measures

This news release contains financial terms (such as adjusted EBITDA) that are not considered in IFRS. Such financial measures, together with measures prepared in accordance with IFRS, provide useful information to investors and shareholders, as management uses them to evaluate the operating performance of the Company. The Company's determination of these non-IFRS measures may differ from other reporting issuers, and therefore are unlikely to be comparable to similar measures presented by other companies. Further, these non-IFRS measures should not be considered in isolation or as a substitute for measures of performance or cash flows prepared in accordance with IFRS. These financial measures are included because management uses this information to analyze operating performance and liquidity.

Adjusted EBITDA

Management believes EBITDA (earnings before interest, taxes, depreciation and amortization) is a common measure used to assess profitability before the impact of different financing methods, income taxes, depreciation and impairment of capital assets and amortization of intangible assets.

The Company defines adjusted EBITDA as earnings before depreciation and amortization, net interest expense (income) and income tax expense (recovery), stock-based compensation expense, transaction costs related to the Qualifying Transaction, restructuring, fair value adjustments, impairment and finance income.

A reconciliation of adjusted EBITDA to net income (loss) is as follows:

	Three Months ended September 30,		Nine Months ended September 30,	
(\$ in thousands)	2020	2019	2020	2019
Net loss and comprehensive loss	(290)	(589)	(4,471)	(2,549)
Add back:				
Depreciation and amortization	632	627	1,892	1,857
Net interest expense	153	462	1,289	1,394
Income tax expense	190	81	397	373
EBITDA	685	581	(893)	1,075
Add back:				
Stock-based compensation	61	-	124	-
Fair value adjustments	-	93	405	401
Listing expense and transaction costs	-	-	2,258	-
Finance income	(11)	(14)	(35)	(42)
Adjusted EBITDA	735	660	1,859	1,434

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, 2020 which are available on the Company's website (www.neupath.com) and under the Company's profile on SEDAR.

About NeuPath

NeuPath is Canada's largest provider of chronic pain management services that operates under two leading brands in Ontario: CPM - Centres for Pain Management and InMedic Creative Medicine. NeuPath has 12 locations across Ontario with more than 100 staff members that provide care to over 11,000 patients annually. NeuPath offers a comprehensive chronic pain assessment and multi-modal treatment plan based on recommendations by a group of trained physicians to help patients manage their chronic pain and optimize their quality of life. In addition to chronic pain management clinics, NeuPath offers workplace health services as the single, largest cost of chronic pain is lost productivity due to sick days, short and long-term disability claims, and job loss.

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 impact of the COVID-19 pandemic on the Company's operations and measures implemented in response to the COVID-19 pandemic 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 severity, duration and spread of the COVID-19 outbreak, as well as its direct and indirect impacts that the pandemic may have on the Company's operations. A comprehensive discussion of these and other risks and uncertainties can be found in the Company's filing statement dated May 29, 2020 and filed on SEDAR June 2, 2020 under the Company's profile at 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.

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