



Nuvo/Aralez Business Acquisition Report Supplementary Presentation

March 15, 2019

nuvopharmaceuticals.com
TSX: NRI / OTCQX: NRIFF
Nuvo Pharmaceuticals™ Inc.



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Legal Disclaimer Continued

Non-IFRS Measures

This presentation includes certain figures (such as Adjusted Total Revenue, Adjusted EBITDA and Adjusted EBITDA per share) that are not measures recognized under international financial reporting standards (“**IFRS**”). Nuvo believes that shareholders, investment analysts and other readers find such measures helpful in understanding Nuvo’s financial performance and in interpreting the effect of the Aralez Transaction and the Deerfield Financing on the Company. Nevertheless, these financial 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 companies.

The Company defines Adjusted Total Revenue as total revenue plus amounts billed to customers for existing contract assets less revenue recognized upon recognition of a contract asset. Management believes Adjusted Total Revenue is a useful supplemental measure from which to determine the Company’s ability to generate cash from its customer contracts that is used to fund its operations.

The Company defines Adjusted EBITDA as net income from continuing operations before net interest expense, depreciation and amortization and income tax expense (EBITDA), plus amounts billed to customers for existing contract assets, inventory step-up expense, stock-based compensation expense, other expenses, less revenue recognized upon recognition of a contract asset and other income. Management believes Adjusted EBITDA is a useful supplemental measure from which to determine the Company’s ability to generate cash available for working capital, capital expenditures, debt repayments, interest expense and income taxes.

The Company defines Adjusted EBITDA per share as Adjusted EBITDA divided by the number of issued and outstanding common shares of the Company as of the date thereof.

The Company has adopted the abovementioned non-IFRS measures as of the filing of the Business Acquisition Report dated **March 15, 2019** in respect of the Aralez Transaction (the “**BAR**”). Please see the BAR (available at www.sedar.com) and the Management’s Discussion and Analysis and Annual Report to be filed in respect of the 2018 fiscal year for a reconciliation of certain non-IFRS measures to the nearest IFRS measure.

Pro Forma Financial Information

The pro forma estimates provided in the Company’s Business Acquisition Report and herein are based only on information, estimates and certain assumptions currently available to Nuvo that management believes are reasonable. The pro forma estimates are presented for informational purposes only and are not necessarily indicative of what the Company’s results of operations and financial position would have been had the Aralez Transaction been completed on the dates indicated. In addition, the pro forma financial statements do not purport to project the future results of operations or financial position of the Company. Undue reliance should not be placed on such information.

Aralez Transaction and Deerfield Financing Summary

The summary of the terms of the Aralez Transaction and the Deerfield Financing provided herein is for informational and illustrative purposes only and is qualified in its entirety by the definitive agreements entered into by the Company in respect of the Aralez Transaction and the Deerfield Financing (available at www.sedar.com).

Business Acquisition Report

- On December 31, 2018, the Company completed the acquisition (the “Aralez Transaction”) of a portfolio of more than 20 revenue-generating pharmaceutical products, as well as the associated personnel and infrastructure to continue the products’ management and growth, from Aralez Pharmaceuticals Inc. In connection with the Aralez Transaction, the Company also acquired the worldwide rights and royalties from licensees for Vimovo[®] and Yosprala[™] and the global, ex-U.S. product rights to MT400 (to be sold as Suvexx[™] in Canada once registered and approved) which is currently commercialized in the U.S. as Treximet.
- The Company satisfied the purchase price through funding provided by certain funds managed by Deerfield Management Company, L.P. (“Deerfield”), a leading, global, healthcare-specialized investor (“the Deerfield Financing”).
- This Supplementary Presentation should be read in conjunction with the Company’s Business Acquisition Report related to the Aralez Transaction dated March 15, 2019. Such report is filed under Nuvo’s profile at www.sedar.com.

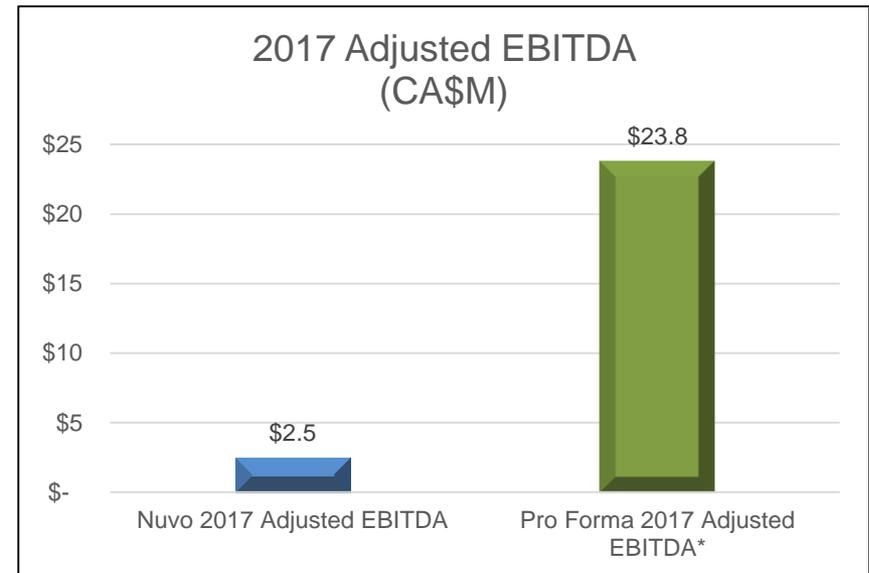
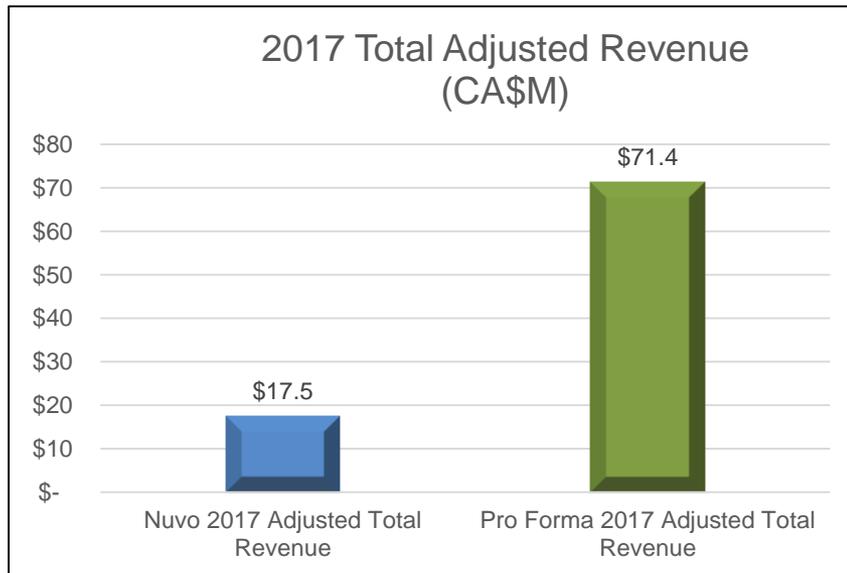
Business Acquisition Report

- The unaudited pro forma combined financial statements included in the BAR are prepared using the Company's significant accounting policies in accordance with International Financial Reporting Standards (IFRS) and using certain assumptions as disclosed in the pro forma financial statements.
- Nuvo has adopted certain Non-IFRS measures that Nuvo believes are helpful to the users of financial statements to better understand Nuvo's financial performance and interpret the effect of the Aralez Transaction and the Deerfield Financing on the Company. Those Non-IFRS measures include Adjusted Total Revenue, Adjusted EBITDA and Adjusted EBTIDA per share. Adjusted Total Revenue and Adjusted EBITDA are illustrated on the following slides. See also "Legal Disclaimer – Non-IFRS Measures".

2017 Adjusted Total Revenue and Adjusted EBITDA Snapshot

The Aralez Transaction results in a significant change in scale of Nuvo's Adjusted Total Revenue and Adjusted EBITDA.

See reconciliation for historical Nuvo Non-GAAP measures on slides 8 and 9.

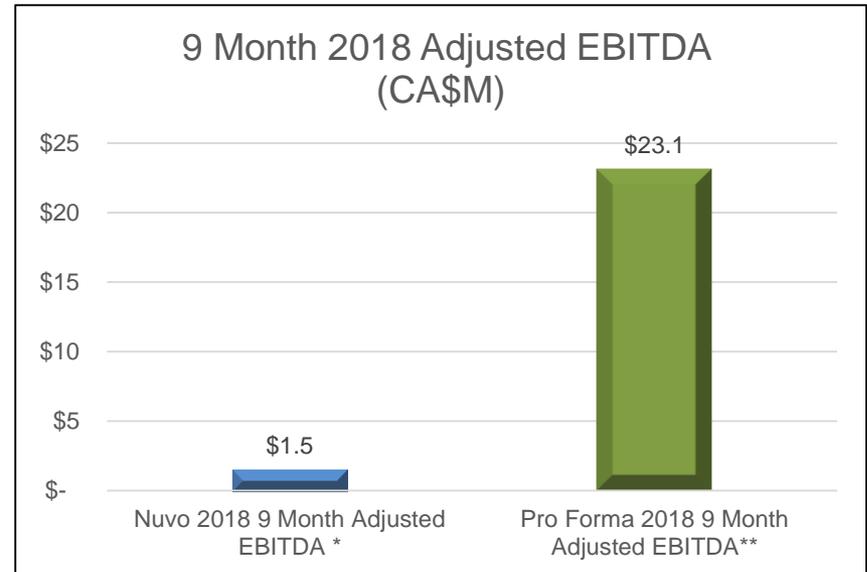
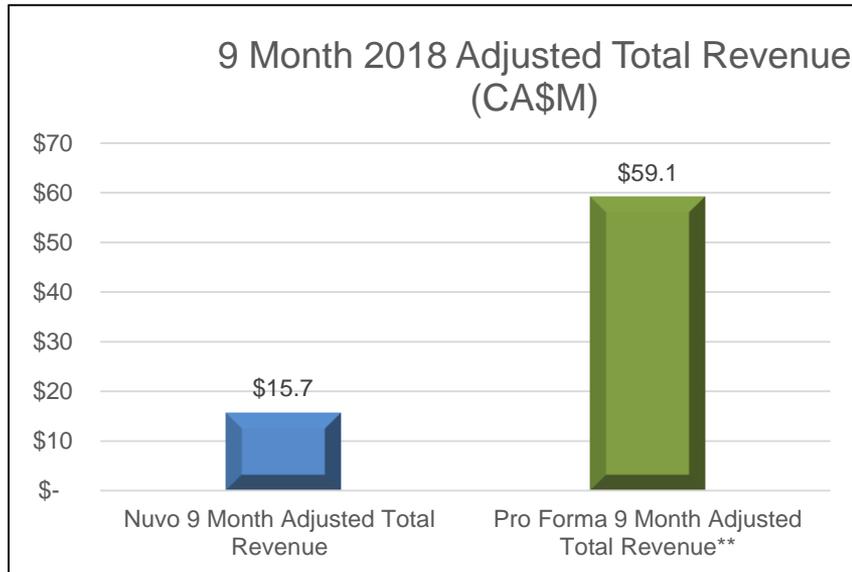


* 2017 Pro Forma Adjusted EBITDA does not include expenses related to the operations of Nuvo Pharmaceuticals (Ireland) DAC

2018 Adjusted Total Revenue and Adjusted EBITDA Snapshot (9 months ended Sept 30, 2018)

The Aralez Transaction results in a significant change in scale of Nuvo's Adjusted Net Revenue and Adjusted EBITDA.

See reconciliation for historical Nuvo Non-GAAP measures on slides 8 and 9.



*Nuvo 9 months ended Sept 30, 2018 includes \$2.4M of transaction costs related to the Aralez Transaction

**Generic version of Vimovo launched in Canada in early 2018. Pro Forma EBITDA does not include expenses related to the operations of Nuvo Pharmaceuticals (Ireland) DAC.

Nuvo Stand Alone - Adjusted Total Revenue

Thousands	12 Months 2017 ¹	9 Months 2018 ²
	\$	\$
Total Revenue	17,523	15,391
<i>Add Back:</i>		
Amounts billed to customers for existing contract assets	-	343
Adjusted Net Revenue	17,523	15,734

¹ Per the Nuvo consolidated financial statements for the period ended December 31, 2017.

² Per the Nuvo unaudited condensed consolidated financial statements for the nine month period ended September 30, 2018.

Nuvo Stand Alone - Adjusted EBITDA

Thousands	12 Months 2017 ¹	9 Months 2018 ²
	\$	\$
Net Income (loss)	1,581	(1,522)
Add Back:		
Income Tax Expense (recovery)	1	(123)
Interest Income	(157)	(37)
Depreciation and Amortization	258	1,860
EBITDA	1,683	178
Add Back:		
Amounts billed to customers for existing contract assets	-	343
Stock-based compensation expense	486	611
<i>Other Expenses (Income):</i>		
Change in fair value of contingent and variable consideration	-	257
Foreign currency loss	336	49
Other income	(44)	-
Adjusted EBITDA	2,461	1,438

¹ Per the Nuvo consolidated financial statements for the period ended December 31, 2017.

² Per the Nuvo unaudited condensed consolidated financial statements for the nine month period ended September 30, 2018.

Pro Forma Adjusted Total Revenue*

Thousands	12 Months 2017	9 Months 2018	Note
	\$	\$	
Total Revenue	71,424	49,168	
Add Back:			
Amounts billed to customers for existing contract assets	-	9,953	Note A
Adjusted Total Revenue	71,424	59,121	

* Per the unaudited pro forma combined financial statements included in the Company's BAR filed March 15, 2019.

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Pro Forma Adjusted EBITDA*

Thousands	12 Months 2017	9 Months 2018	Notes
	\$	\$	
Net Income (loss)	(601)	-	
Add Back:			
Income Tax Expense	785	232	
Interest Expense	11,979	6,040	Note B
Depreciation and Amortization	6,176	4,656	
EBITDA	18,339	10,928	
Add Back:			
Amounts billed to customers for existing contract assets	-	9,953	Note A
Inventory step-up expense	6,678	1,432	Note C
Stock-based compensation expense	614	747	
<i>Other Expenses (Income):</i>			
Change in fair value of contingent and variable consideration	-	257	
Foreign currency loss	336	49	Note D
Other income	(2,182)	(282)	
Adjusted EBITDA	23,785	23,084	

* Per the unaudited pro forma combined financial statements included in the Company's BAR filed March 15, 2019.

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Note A: U.S. Vimovo Royalty Stream

- Upon closing of the Aralez Transaction, Nuvo acquired the rights to the global Vimovo royalty stream including a royalty from Horizon Pharmaceuticals for Vimovo sales in the United States. The Horizon contract includes a US\$7.5M annual minimum royalty.
- IFRS 15 requires that contracts specifying minimum royalties be capitalized as a Contract Asset. Royalties earned in excess of the US\$7.5M annual minimum are recognized as revenue as earned.
- The present value of the US\$7.5M annual minimum royalty from Horizon is therefore capitalized on the balance sheet.
- Under IFRS 15, as the minimum royalty is billed to Horizon, the contract asset is reduced and not included in net income, except for the inputted interest value.
- IFRS 15 became applicable for Nuvo in the 2018 fiscal period.

Note B: Effective Interest and Fair Value Adjustments on Deerfield Financing

- Nuvo applies IFRS 9 when accounting for the financing obtained from Deerfield. This includes:
 - The US\$60M Amortization Loan to which 25.6M warrants are attached
 - Attached warrants are considered a derivative liability
 - Prepayment option on the Amortization Loan is considered a derivative asset
 - The US\$52.5M Convertible Loan
 - The convertible feature of the loan is considered a derivative liability
 - The US\$6.0M Bridge Loan
- The derivative asset and liabilities recognized require remeasurement at subsequent reporting periods with fair value changes included in net income.
- As a result of the application of IFRS 9, the carrying value of the debt acquired reflects an implied fair value interest rate. In subsequent reporting periods, this results in a higher, non-cash, interest expense for the Amortization Loan and Convertible Loan. However, the interest actually paid to Deerfield is calculated based on the 3.5% coupon rate.

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Note C: Inventory step-up expense

- According to IFRS 3, inventory acquired on a business combination is measured at fair value. Fair value is determined based on estimated selling price of the inventory less the remaining manufacturing and selling costs.
- The “step-up” in inventory value on acquisition results in a decreased gross margin when the inventory is sold. Until this inventory is sold, gross margin is significantly less than normal sales that have a cost of goods sold at historical costs.
- Nuvo anticipates the inventory “step-up” will impact gross margins for the two fiscal years after acquisition with a declining impact each quarter.

Note D: Foreign exchange gains or losses

- In accordance with IFRS 9, unrealized gains or losses on the translation of foreign denominated financial instruments is recorded in net income.
- The Deerfield Financing is denominated in \$USD which differs from Nuvo's functional and presentation currency (\$CAD).
- A small change in the US:CAD foreign exchange rate could have a significant impact on the Company's net income.