

Theratechnologies Announces Financial Results for Third Quarter of 2016

Montreal, Canada – October 4, 2016 – Theratechnologies Inc. (Theratechnologies) (TSX: TH) today announced its financial results for the third quarter ended August 31, 2016.

Third quarter 2016 financial highlights

- Net sales of \$8,925,000
- Adjusted EBITDA of \$1,297,000
- Net profit of \$888,000
- Liquidities of \$8,625,000

“In the third quarter, Theratechnologies continued to progress in accordance with its business plan and guidance for 2016. Sales are on track, we are managing expenses carefully and operations are consistently generating positive EBITDA. At the same time, the ibalizumab phase III trial is proceeding on schedule and we have started preparing for the anticipated launch in the United States in 2017,” said Luc Tanguay, President and CEO, Theratechnologies Inc.

Guidance

Based upon the results of our third quarter, our guidance for the year remains unchanged. For the twelve months ending November 30, 2016, we continue to expect that net sales of *EGRIFTA*[®] will be in the range of \$36,000,000 to \$37,000,000. Our expectations for Adjusted EBITDA in fiscal 2016 are still in the range of \$5,000,000 to \$6,000,000. For the balance of fiscal 2016, we have assumed an average exchange rate of USD 1 = CAD 1.30. See “Non-IFRS Financial Measures” below.

Third Quarter Financial Results

The financial results presented in this press release are taken from the Company’s Management’s Discussion and Analysis, or MD&A, and unaudited consolidated financial statements for the period ended August 31, 2016, which have been prepared in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB. The MD&A for the third quarter ended August 31, 2016 and the unaudited consolidated financial statements can be found at www.theratech.com and www.sedar.com. Unless specified otherwise, all amounts in this press release are in Canadian dollars and all capitalized terms have the meaning ascribed thereto in our MD&A. As used herein, *EGRIFTA*[®] refers to

tesamorelin for the reduction of excess abdominal fat in HIV-infected patients with lipodystrophy. *EGRIFTA*[®] is our registered trademark.

Consolidated revenue for the three- and nine-month periods ended August 31, 2016 was \$8,925,000 and \$26,695,000 compared to \$9,193,000 and \$21,044,000 in the comparable periods of fiscal 2015.

Revenue generated from net sales in the three- and nine-month periods ended August 31, 2016 was \$8,924,000 and \$26,691,000 compared to \$9,189,000 and \$20,832,000 in the comparable periods of fiscal 2015. The relatively strong sales performance in the third quarter of fiscal 2015 was due to a buildup of inventory at the distributor level, which was subsequently absorbed in the fourth quarter.

In the nine months ended August 31, 2015, we received an upfront payment of \$200,000 from AOP Orphan Pharmaceuticals AG, or AOP, our commercial partner in Europe.

For the three- and nine-month periods ended August 31, 2016, the **cost of goods** sold was \$1,005,000 and \$3,077,000 compared to \$1,250,000 and \$2,828,000 in the comparable periods of fiscal 2015. Royalties on *EGRIFTA*[®] sales became payable effective January 1, 2016 and thereafter under the terms of the EMD Serono Termination Agreement. Royalty expense in the three- and nine- month periods ended August 31, 2016 was \$659,000 and \$1,673,000.

R&D Expenses in the three- and nine-month periods ended August 31, 2016 amounted to \$1,779,000 and \$5,797,000 compared to \$1,471,000 and \$3,979,000 in the comparable periods of fiscal 2015. Most of the year-over-year increase is the result of increased spending on medical affairs in support of our goal of increasing the *EGRIFTA*[®] patient base. Medical affairs is largely medical education programs involving opinion-leading physicians and nurses who work with the HIV-infected population to build scientific awareness about *EGRIFTA*[®] and its therapeutic benefits. R&D expenses also include costs associated with our two Phase 4 clinical trials, which amounted to \$709,000 and \$2,031,000 in the three- and nine-month periods ended August 31, 2016 compared to \$828,000 and \$2,057,000 in the comparable periods of fiscal 2015. Other components of R&D expenses are regulatory affairs and quality assurance.

Selling and Market Development Expenses in the three- and nine-month periods ended August 31, 2016 amounted to \$3,660,000 and \$10,896,000 compared to \$3,525,000 and \$8,578,000 in the comparable periods of fiscal 2015. The increase in expenses in 2016 is attributable to preparatory work related to the anticipated 2017 launch of ibalizumab in the United States. The third quarter 2016 selling and market development expenses related to *EGRIFTA*[®] were lower than in the comparable period of 2015.

Selling and market development expenses also include the amortization of the intangible asset value established for the *EGRIFTA*[®] commercialization rights. In the three- and nine-month periods ended August 31, 2016, this amortization expense amounted to \$490,000 and \$1,506,000 compared to \$483,000 and \$1,406,000 in the comparable periods of fiscal 2015.

General and Administrative Expenses in the three- and nine-month periods ended August 31, 2016 amounted to \$1,286,000 and \$3,478,000 compared to \$865,000 and \$2,898,000 in the comparable periods of fiscal 2015. The increase in fiscal 2016 expenses is principally due to share-based compensation (a non-cash expense), the hiring of a chief financial officer and compliance fees.

Finance Income for the three- and nine-month periods ended August 31, 2016 was \$21,000 and \$80,000 compared to \$4,000 and \$262,000 in the comparable periods of fiscal 2015. Finance income in the first nine months of 2015 included a gain of \$188,000 on the renegotiation of the long-term obligation owed to EMD Serono, or Long-term Obligation.

Finance Costs for the three- and nine-month periods ended August 31, 2016 were a gain of \$321,000 and costs of \$1,687,000 compared to costs of \$853,000 and \$1,895,000 in the comparable periods of fiscal 2015. These costs are almost entirely non-cash items. Finance costs in the third quarter of fiscal 2016 include a gain of \$782,000 related to a decrease in the fair value of outstanding warrants. The three- and nine-month periods of fiscal 2015 also issuance costs related to warrant liability of \$115,000 and an increase in fair value of warrant liability of \$101,000 (see note 4 of the Interim Consolidated Financial Statements). Finance costs for the three- and nine-month periods ended August 31, 2016 also included \$410,000 and \$1,511,000 of accretion expense on the Long-term Obligation, compared to \$654,000 and \$1,863,000 in the comparable periods of fiscal 2015.

The **Adjusted EBITDA** in the third quarter was consistent with the previous quarter, despite higher spending related to the anticipated launch of ibalizumab next year. For the three- and nine-month periods ended August 31, 2016 Adjusted EBITDA was \$1,297,000 and \$3,771,000, compared to \$2,621,000 and \$4,254,000 in the comparable periods of fiscal 2015. Adjusted EBITDA in fiscal 2016 is lower, largely due to higher *EGRIFTA*[®] expenses and the ibalizumab expenses referred to above as well as the impact of EMD Serono royalties on *EGRIFTA*[®] sales, which commenced on January 1, 2016. For a reconciliation of net profit and Adjusted EBITDA see “Non-IFRS Financial Measures” below.

Taking into account the revenue and expense variations described above, profit from operating activities for the three- and nine-month periods ended August 31, 2016 was \$546,000 and \$1,844,000 compared to \$2,028,000 and \$2,726,000 in the comparable

periods of fiscal 2015. The **net profit** was \$888,000 or \$0.01 per share in the three months ended August 31, 2016 compared to \$1,179,000 or \$0.02 per share in the comparable period of fiscal 2015. In the nine-month period ended August 31, 2016 the net profit was \$237,000 or \$0.00 per share compared to a net profit of \$1,083,000 or \$0.02 per share in the comparable period of fiscal 2015.

In the three-month period ended August 31, 2016, \$513,000 was used in operating activities compared to positive **cash flow** of \$2,027,000 in the comparable period of fiscal 2015. Changes in operating assets and liabilities, in particular a \$2,114,000 reduction in accounts payable and accrued liabilities, accounted for the decrease in cash in the third quarter.

A major use of cash in the first nine months of fiscal 2016 was a \$5,196,000 payment against the Long-term Obligation compared to \$2,602,000 in the first nine months of fiscal 2015.

The exercise of stock options generated \$221,000 in the nine-month period ended August 31, 2016 compared to \$9,000 in the comparable period of fiscal 2015.

In accordance with the terms of the Ibalizumab Agreement, \$1,568,000 (USD \$1,000,000 plus related expenses) was paid in the nine-month period ended August 31, 2016 (see note 6 of the Interim Consolidated Financial Statements).

In November 2015, we established a CAD \$2,000,000 revolving credit facility, bearing interest at Canadian prime plus 1%, secured by stocks and accounts receivable. During the third quarter, the facility was replaced by two components: a CAD \$1,500,000 revolving credit facility bearing interest at Canadian prime plus 1% and a USD \$1,000,000 revolving credit facility bearing interest at U.S. prime plus 1%. As at August 31, 2016, the Company did not have any borrowings outstanding under these facilities.

As at August 31, 2016, **cash, bonds, and money-market funds** amounted to \$8,625,000 compared to \$15,350,000 at November 30, 2015.

Non-IFRS Financial Measures

Reconciliation of net profit or loss to adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA)

Adjusted EBITDA is a non-IFRS financial measure. A reconciliation of the Adjusted EBITDA is presented in the table below. We use adjusted financial measures to assess our operating 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. We use Adjusted EBITDA to measure operating performance from one period to the next without the variation caused by certain adjustments that could potentially distort the analysis of trends in our business, and because we believe it provides meaningful information on our financial condition and operating results.

We obtain our Consolidated Adjusted EBITDA measurement by adding to net profit or loss, finance income and costs, depreciation and amortization, income taxes, as well as federal investment ARC credits recorded in 2014. We also exclude the effects of certain non-monetary transactions recorded, such as share-based compensation for stock option plan and write down of inventories, for our Adjusted EBITDA calculation. We believe it is useful to exclude these items as they are either non-cash expenses, items that cannot be influenced by management in the short term, or items that do not impact core operating performance. Excluding these items does not imply they are necessarily nonrecurring. Share-based compensation costs are a component of employee remuneration and can vary significantly with changes in the market price of the company's shares. In addition, other items that do not impact core operating performance of the company may vary significantly from one period to another. As such, Adjusted EBITDA provides improved continuity with respect to the comparison of our operating results over a period of time. Our method for calculating Adjusted EBITDA may differ from that used by other companies.

Adjusted EBITDA

	Three-month periods ended August 31,		Nine-month periods ended August 31,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Net profit	888	1,179	237	1,083
Add (deduct):				
Depreciation and amortization	495	486	1,521	1,415
Finance costs	(321)	853	1,687	1,895
Finance income	(21)	(4)	(80)	(262)
Share-based compensation for stock option plan	266	62	432	102
Income tax expenses	--	0	10	10
Inventory write-downs (reversals)	(10)	45	(36)	11
Adjusted EBITDA	1,297	2,621	3,771	4,254

Conference Call Details

A conference call will be held today, October 4, 2016 at 8:30 a.m. (ET) to discuss the results. The call will be hosted by Luc Tanguay, President and Chief Executive Officer. The conference call will be open to questions from financial analysts. Media and other interested individuals are invited to participate in the call on a "listen-only" basis.

The conference call can be accessed by dialling 1-877-223-4471 (North America) or 1-647-788-4922 (International). The conference call will also be accessible via webcast at <http://www.gowebcasting.com/8022>. Audio replay of the conference call will be available from October 4, 2016 11:30 a.m. and until October 17, 2016, by dialling 1-800-585-8367 (North America) or 1-416-621-4642 (International) and by entering the playback code 81365870.

About Theratechnologies

Theratechnologies (TSX: TH) is a specialty pharmaceutical company addressing unmet medical needs to promote healthy living and improved quality of life among HIV patients. Further information about Theratechnologies is available on the Company's website at www.theratech.com and on SEDAR at www.sedar.com.

Forward-Looking Information

This press release contains forward-looking statements and forward-looking information, or, collectively, forward-looking statements, within the meaning of applicable securities laws, that are based on our management's belief and assumptions and on information currently available to our management. You can identify forward-looking statements by terms such as "may", "will", "should", "could", "would", "outlook", "believe", "plan", "envisage", "anticipate", "expect" and "estimate", or the negatives of these terms, or variations of them. The forward-looking statements contained in this press release include, but are not limited to, the realization of our objectives, statements regarding the approval and commercialization of ibalizumab as a treatment and our anticipated revenue and Adjusted EBITDA for fiscal 2016.

Forward-looking statements are based upon a number of assumptions and include, but are not limited to, the following: our marketing campaign in the United States will allow us to increase the patient base for *EGRIFTA*[®] and to thereby grow our sales, revenues and achieve positive earnings, we will have continuous supply of *EGRIFTA*[®], the ongoing Phase III clinical trial for ibalizumab will generate positive results and Ibalizumab will be approved by the United States Food and Drug Administration, or FDA, the FDA will not issue any order or decision having the effect of suspending the commercialization of *EGRIFTA*[®] in the United States, the relationships with our commercial partners and third-party suppliers will be conflict-free and no unforeseen event will result in unplanned expenditures.

Forward-looking statements are subject to a variety of risks and uncertainties, many of which are beyond our control that could cause our actual results to differ materially from those that are disclosed in or implied by the forward-looking statements contained in this press release. These risks and uncertainties include, but are not limited to, the risk that sales of *EGRIFTA*[®] in the United States decrease, the risk that we are unable to supply *EGRIFTA*[®] in the United States, in Canada and to our commercial partners because of increasing sales or because of manufacturing issues which would deplete our current inventory, the risk that *EGRIFTA*[®] is subject to a recall, the risk that Phase III results from the ongoing clinical trial for ibalizumab are not conclusive, the risk that the FDA does not approve ibalizumab and the risk that our operating expenses are materially adversely affected by unforeseen events.

We refer potential investors to the "Risks Factors" section of our Annual Information Form dated February 24, 2016 available at www.sedar.com. The reader is cautioned to consider these and other risks and uncertainties carefully and not to put undue reliance on forward-looking statements. Forward-looking statements reflect current expectations regarding future events and speak only as of the date of this press release and represent our expectations as of that date.

We undertake no obligation to update or revise the information contained in this press release, whether as a result of new information, future events or circumstances or otherwise, except as may be required by applicable law.

For more information:

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