Assertio Holdings, Inc.

Q2 2021 Financial Results

About This Presentation

Statements in this communication that are not historical facts are forward-looking statements that reflect Assertio's current expectations, assumptions and estimates of future performance and economic conditions. These forward-looking statements are made in reliance on the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements relate to, among other things, future events or the future performance or operations of Assertio. All statements other than historical facts may be forward-looking statements and can be identified by words such as "anticipate," "believe," "could," "design," "estimate," "expect," "forecast," "goal," "guidance," "imply," "intend," "may," "objective," "on track," "opportunity," "outlook," "plan," "position," "potential," "predict," "project," "prospective," "pursue," "seek," "should," "strategy," "target," "would," "will," "aim" or other similar expressions that convey the uncertainty of future events or outcomes are used to identify forward-looking statements. Such forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond the control of Assertio. Factors that could cause Assertio's actual results to differ materially from those implied in the forward-looking statements include: (1) risks related to disruption of management time from ongoing business operations due to the recent restructuring of Assertio's workforce announced on December 15, 2020 (the "Restructuring") and/or the integration of the merger with Zyla Life Sciences (the "Merger"); (2) unexpected costs, charges or expenses resulting from the Restructuring and/or Merger; (3) the ability of the Assertio to retain key personnel; (4) potential adverse changes to business relationships resulting from the Merger; (5) the combined company's ability to achieve the growth prospects and synergies expected from the Merger, as well as delays, challenges and expenses associated with integrating the combined company's existing businesses; (6) negative effects of the Merger on the market price of Assertio's common stock, credit ratings and operating results; (7) legislative, regulatory and economic developments, including changing business conditions in the industries in which Assertio operates; (8) Assertio's ability to successfully pursue and complete business development, strategic partnerships, and investment opportunities to build and grow for the future; (9) the commercial success and market acceptance of Assertio's products; (10) coverage of Assertio's products by payors and pharmacy benefit managers; (11) Assertio's ability to execute on its sales, marketing and non-personal and digital promotion strategies, including developing relationships with customers, physicians, payors and other constituencies; (12) the entry of any generic products for any of Assertio's products; (13) the outcome of Assertio's opioid-related investigations, Assertio's opioid-related litigation and related claims for insurance coverage, and Assertio's securities class action and other disputes and litigation, and the costs and expenses associated therewith; (14) the outcome of Assertio's antitrust litigation relating to the drug Glumetza®; (15) Assertio's estimates regarding expenses, future revenues, capital requirements and needs for additional financing; (16) Assertio's ability to generate sufficient cash flow from its business to make payments on its indebtedness; (17) Assertio's ability to restructure or refinance its indebtedness and Assertio's compliance with the terms and conditions of the agreements governing its indebtedness; (18) compliance or non-compliance with legal and regulatory requirements related to the development or promotion of pharmaceutical products in the U.S.; (19) Assertio's plans to acquire, in-license or co-promote other products, and/or acquire companies; (20) Assertio's ability to raise additional capital, if necessary; (21) variations in revenues obtained from collaborative agreements; (22) Assertio's counterparties' compliance or non-compliance with obligations under agreements; (23) the ability of Assertio's common stock to maintain compliance with Nasdaq's minimum closing bid requirement of at least $1.00 per share; (24) obtaining and maintaining intellectual property protection for Assertio's products; (25) Assertio's ability to operate its business without infringing the intellectual property rights of others; (26) the impact of disasters, acts of terrorism or global pandemics, including COVID-19; (27) general market conditions; and (28) other risks listed in Assertio's filings with the United States Securities and Exchange Commission ("SEC"). These risks are more fully described in Assertio's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q filed with the SEC and in other filings Assertio makes with the SEC from time to time. While Assertio may elect to update these forward-looking statements at some point in the future, it specifically disclaims any obligation to update or revise any forward-looking-statements contained in this communication whether as a result of new information or future events, except as may be required by applicable law. Nothing contained herein constitutes or will be deemed to constitute a forecast, projection or estimate of the future financial performance or expected results of Assertio.

This presentation contains non-GAAP financial measures. Please refer to the appendix to this presentation for an explanation of these non-GAAP financial measures and for tables that reconcile the non-GAAP figures to their GAAP equivalent.

This presentation shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of these securities in any state or jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state or jurisdiction.

2021 Priorities

Build a strong and committed team with a culture of teamwork, inclusion, and results

Delivering on our $45 million of restructuring synergies

Ensure the company generates strong operating cash flow

Ensure our debt never becomes a constraint in running the business

Mitigate our legacy legal uncertainties

Develop a sustainable business model that reflects a changing environment

Q2 2021 Financial Results - Overview

	Q2 2021	Q1 2021	Var	%	Pro-Forma Q2 2020 [2]
Net Product Sales	$ 24,831	$ 26,405	$ (1,574)	-6%	$ 28,201
Adjusted EBITDA [1]	$ (505)	$ 15,712	$ (16,217)	-103%	
2021 legal matters					
Legal reserve expense	$ (11,330)				
Insurance proceeds gain		$ 5,000			

Net Product Sales:

- Q2 2021 net product sales are down 6% versus Q1 2021 primarily due to the distribution model shift on Indocin. Combined Cambia and Zipsor sales are flat. Sprix reflects lower patient assistance costs in Q2 2021.
- Decrease in Q2 2021 net product sales from pro-forma Q2 2020 is primarily due to the impact of divested and non-promoted products, as well as lower Sprix volume as a result of prior year commercial coverage change.

Adjusted EBITDA:

- Adjusted EBITDA includes a $11.3 million legal reserve charge in Q2 2021, and a $5.0 million legal insurance proceeds gain in Q1 2021.

(1) All non-GAAP measures included in this presentation are reconciled to the corresponding GAAP measures in the schedules attached.
(2) Pro-forma net product sales represent product sales as if the Zyla Merger had been completed as of January 1, 2020. Reconciliation is provided in the schedules attached.

Q2 2021 Financial Results - Cost Savings Update

As previously stated, once completed, the Company expects to realize $45 million in annual savings from its cost savings initiatives that began at the end of 2020.

- This represents a greater than 50% reduction in operating expenses based on an annualized run-rate from the second half of 2020.

The Company previously expected to finish its cost savings initiatives by the end of 2021 with a $40 million savings target for the year. However, based on being able to accelerate certain initiatives in the first half of 2021, the Company now expects to exceed its previous $40 million target for 2021.

	Q2 2021	Q1 2021	Var	%
Adjusted SG&A [1]	22,826	7,287	(15,539)	-213%
2021 legal matters				
Legal reserve expense	$ (11,330)			
Insurance proceeds gain		$ 5,000		
Adjusted SG&A excl. above items	$ 11,496	$ 12,287	791	6%

(1) All non-GAAP measures included in this presentation are reconciled to the corresponding GAAP measures in the schedules attached.

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Q2 2021 Financial Results - Cash Balance

	Q2 2021	Q1 2021	Var	Q4 2020
Cash and cash equivalents	$ 54,428	$ 61,033	$ (6,605)	$ 20,786
Senior secured debt [1]	75,500	80,250	$ (4,750)	80,250

The cash balance decreased by $6.6 million in the second quarter of 2021. The change in cash is primarily attributable to the principal payments of $4.8 million on the Senior secured debt and interest payments of $5.2 million (total of $10.0 million), partially offset by $3.4 million of positive cash flow generated by the business during the quarter.

(1) Represents the 13% Series A-1 and A-2 Senior Secured Notes due 2024.

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2021 Guidance Update

	Previous Guidance	New Guidance
Net Product Sales (GAAP)[1]	$85.0 - $92.0 Million	$91.0 - $96.0 Million
Adjusted EBITDA (Non-GAAP)	$34.0 - $40.0 Million	$34.0 - $37.0 Million

As a result of the favorable performance in revenue and being on track to exceed the targeted cost savings, the Company raises its net product sales guidance and maintains the low end of its previous Adjusted EBITDA guidance range.

(1) The Company has not forecasted any amount for future impact of revenue adjustments related to products that the Company is no longer commercializing.

Supplemental Information

Note Regarding Use of GAAP and Non-GAAP Measures

Non-GAAP Financial Measures

To supplement the Company's financial results presented on a U.S. generally accepted accounting principles (GAAP) basis, the Company has included information about non-GAAP measures of EBITDA and adjusted EBITDA as useful operating metrics. The Company believes that the presentation of these non-GAAP financial measures, when viewed with results under GAAP and the accompanying reconciliation, provides supplementary information to analysts, investors, lenders, and the Company's management in assessing the Company's performance and results from period to period. The Company uses these non-GAAP measures internally to understand, manage and evaluate the Company's performance, and in part, in the determination of bonuses for executive officers and employees. These non-GAAP financial measures should be considered in addition to, and not a substitute for, or superior to, net income or other financial measures calculated in accordance with GAAP. Non-GAAP financial measures used by us may be calculated differently from, and therefore may not be comparable to, non-GAAP measures used by other companies.

This release also includes estimated non-GAAP adjusted EBITDA information, which the Company believes enables investors to better understand the anticipated performance of the business, but should be considered a supplement to, and not as a substitute for or superior to, financial measures calculated in accordance with GAAP. No reconciliation of estimated non-GAAP adjusted EBITDA to estimated net income is provided in this release because some of the information necessary for estimated net income such as income taxes, fair value change in contingent consideration, and stock based compensation is not yet ascertainable or accessible and the Company is unable to quantify these amounts that would be required to be included in estimated net income without unreasonable efforts.

Specified Items

Non-GAAP measures presented within this release exclude specified items. The Company considers specified items to be significant income/expense items not indicative of current operations. Specified items include adjustments to interest expense, income tax expense (benefit), depreciation expense, amortization expense, sales reserves adjustments for products the Company is no longer selling, stock-based compensation expense, fair value adjustments to contingent consideration, restructuring costs, amortization of fair value inventory step-up as result of purchase accounting, non-cash adjustments to Collegium Commercialization agreement revenue, transaction-related costs, gains or losses from adjustments to long-lived assets and assets not part of current operations, and gains or losses resulting from debt refinancing or extinguishment.

Pro forma Items

The Company is providing non-GAAP pro forma net product sales to show the net product sales as if the Zyla Merger had been completed as of January 1, 2020, and therefore the Company operated on a combined basis, including Zyla, for the entirety of 2020 periods presented in this release. The Company believes this supplemental information is useful to help investors understand the results of the combined operations, including Zyla, and assess the Company's performance from period to period.

Statements of Comprehensive Income

(in thousands, except per share amounts) (unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenues:				
Product sales, net	$ 24,831	$ 20,165	$ 51,238	$ 29,417
Commercialization agreement, net	-	-	-	11,258
Royalties and milestones	542	452	975	859
Total revenues	25,373	20,617	52,213	41,534
Costs and expenses:				
Cost of sales	3,921	5,238	7,886	6,637
Research and development expenses	-	1,626	-	2,667
Selling, general and administrative expenses	26,235	28,131	33,966	55,445
Amortization of intangible assets	7,218	4,855	13,764	12,650
Restructuring charges	-	6,519	1,089	6,519
Total costs and expenses	37,374	46,369	56,705	83,918
Loss from operations	(12,001)	(25,752)	(4,492)	(42,384)
Other (expense) income :				
Interest expense	(2,605)	(1,604)	(5,288)	(10,278)
Other gain (loss), net	137	(499)	403	(3,824)
(Loss) Gain on sale of Gralise	-	(850)	-	126,655
Loss on extinguishment of convertible notes	-	(16,272)	-	(47,880)
Gain (Loss) on sale of NUCYNTA	-	1,006	-	(14,749)
Loss on debt extinguishment	-	-	-	(8,233)
Total other (expense) income	(2,468)	(18,219)	(4,885)	41,691
Net loss before income taxes	(14,469)	(43,971)	(9,377)	(693)
Income tax benefit (expense)	300	9,472	(248)	7,424
Net (loss) income and Comprehensive (loss) income	$ (14,169)	$ (34,499)	$ (9,625)	$ 6,731
Basic net (loss) income per share	$ (0.32)	$ (1.40)	$ (0.23)	$ 0.30
Diluted net (loss) income per share	$ (0.32)	$ (1.40)	$ (0.23)	$ 0.30
Shares used in computing basic net (loss) income per share	44,706	24,640	41,321	22,459
Shares used in computing diluted net (loss) income per share	44,706	24,640	41,321	22,559

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Balance Sheets

(in thousands) (unaudited)

	June 30, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 54,428	$ 20,786
Accounts receivable, net	45,468	44,350
Inventories, net	6,617	11,712
Prepaid and other current assets	12,835	17,406
Total current assets	119,348	94,254
Property and equipment, net	1,915	2,437
Intangible assets, net	186,318	200,082
Other long-term assets	4,435	6,501
Total assets	$ 312,016	$ 303,274
LIABILITIES AND SHAREHOLDERS’ EQUITY		
Current liabilities:		
Accounts payable	$ 16,483	$ 14,808
Accrued rebates, returns and discounts	45,108	63,114
Accrued liabilities	22,867	27,071
Current portion of long-term debt	12,222	11,942
Contingent consideration, current portion	6,850	6,776
Interest payable	1,743	1,793
Other current liabilities	11,641	7,182
Total current liabilities	116,914	132,686
Long-term debt	66,751	72,160
Contingent consideration	30,809	31,776
Other long-term liabilities	5,277	11,138
Total liabilities	219,751	247,760
Commitments and contingencies		
Shareholders’ equity:		
Common stock, $0.0001 par value, 200,000,000 shares authorized; 44,494,051 and 28,392,149 shares issued and outstanding as of June 30, 2021 and December 31, 2020, respectively	4	3
Additional paid-in capital	529,831	483,456
Accumulated deficit	(437,570)	(427,945)
Total shareholders’ equity	92,265	55,514
Total liabilities and shareholders' equity	$ 312,016	$ 303,274

Non-GAAP Adjusted EBITDA Reconciliation

(in thousands) (unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,		
	2021	2020	2021	2020	Financial Statement Classification
GAAP net (loss) income	$ (14,169)	$ (34,499)	$ (9,625)	$ 6,731	
Interest expense	2,605	1,604	5,288	10,278	Interest expense
Income tax (benefit) expense	(300)	(9,472)	248	(7,424)	Income tax benefit (expense)
Depreciation expense	257	396	522	669	Selling, general and administrative expenses
Amortization of intangible assets	7,218	4,855	13,764	12,650	Amortization of intangible assets
EBITDA (Non-GAAP)	**$ (4,389)**	**$ (37,116)**	**$ 10,197**	**$ 22,904**	
Adjustments:	-	-	-	-	
Legacy products revenue reserves	413	(462)	36	(1,108)	Product sales, net
Stock-based compensation	957	3,593	1,729	5,527	Multiple
Contingent consideration fair value change	2,195	-	1,602	-	Selling, general and administrative expenses
Restructuring cost	-	5,520	1,089	5,520	Restructuring charges
Other	319	2,422	554	4,276	Multiple
Prior year adjustments not repeating	-	24,977	-	(34,247)	Multiple
Adjusted EBITDA (Non-GAAP)	**$ (505)**	**$ (1,066)**	**$ 15,207**	**$ 2,872**	

For additional information referencing the schedules adjusting items, refer to the 2021 results announcement Form-8K on file with the Securities and Exchange Commission on the date of this presentation.

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Additional Supplemental Schedules

(in thousands) (unaudited)

Pro Forma Product Sales

	Three Months Ended June 30, 2020	Six Months Ended June 30, 2020
GAAP product sales, net	**$ 20,165**	**$ 29,417**
Add:	-	-
Zyla product sales prior to Merger (1)	8,036	27,102
Pro forma product sales, net	**$ 28,201**	**$ 56,519**

(1) Zyla product sales prior to the Merger on May 20, 2020 for the respective period.

Non-GAAP Adjusted SG&A Reconciliation

	Three Months Ended June 30, 2021	Three Months Ended March 31, 2021
GAAP SG&A	**$ 26,235**	**$ 7,730**
Adjustments:		
Contingent consideration fair value change	(2,195)	594
Stock-based compensation	(957)	(772)
Depreciation expense	(257)	(265)
Adjusted SG&A (Non-GAAP)	**$ 22,826**	**$ 7,287**

Adjustments included in Adjusted SG&A are derived directly from the adjustments included in the Adjusted EBITDA reconciliation.

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