



## Teligent, Inc. Announces First Quarter 2021 Earnings Report and Provides Business Update

May 25, 2021

- Continued Remediation Progress Being Made
- Reiterating Prior Guidance of Informing FDA on Inspection Readiness During 3Q2021
- Conference Call to Be Held on May 25, 2021 at 8:30 am Eastern Standard Time
- Dial in: (866) 393-8366 US Toll Free Number  
(409) 350-3154 US Number  
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BUENA, N.J., May 25, 2021 (GLOBE NEWSWIRE) -- Teligent, Inc. (NASDAQ: TLGT), a New Jersey-based generics pharmaceutical company, today announced its financial results for the first quarter of 2021 and provided a business update.

"As we prepare for the second half of 2021, we are pleased with the progress being made with respect to remediation, our strengthened capital position, and the recent additions to our senior management team and board of directors," said Tim Sawyer, Teligent's President & Chief Executive Officer. "As noted on our fourth quarter call, we have reduced our debt by \$118 million since June 30, 2020, and we continue to assess our cost structure so that we can maximize the value of our existing and future capital. We are also reiterating our prior guidance that we anticipate informing the FDA on our inspection readiness sometime during the third quarter of 2021."

### Early 2021 Achievements

- Appointment of Ernest R. De Paolantonio as Chief Financial Officer of the Company, effective April 15, 2021.
- Appointments of generic industry veteran William S. Marth and financial expert R. Carter Pate to our Board of Directors in February 2021.
- As previously announced, in January 2021, the Company effectuated a series of additional strategic actions in partnership with its senior lenders and its Series C noteholders to recapitalize and enhance the Company's financial flexibility, including:
  - Completion of \$77 million debt-for-equity exchange with Series C noteholders and senior secured lenders; this transaction, along with financings earlier in 2020, has resulted in aggregate debt reduction of \$118 million since June 30, 2020.
  - Amended Second Lien Credit Agreement to provide \$4.6 million in incremental financing to support the company's ongoing liquidity.
- Additionally, the Company executed and completed on March 31, 2021 an At-The-Market (ATM) equity offering, raising gross proceeds of approximately \$38.5 million.

### First Quarter 2021 - Financial Highlights

- Consolidated net revenues for the first quarter of 2021 were \$11.6 million, versus \$7.4 million in the first quarter of 2020. The increase of \$4.1 million was driven primarily by timing of orders from private label customers, wholesale restocking and fewer Canadian supply constraints.
- Cost of revenues increased by \$4.2 million to \$12.8 million in the first quarter of 2021 in comparison to the \$8.6 million in the first quarter of 2020. Gross Profit percentage improved 5 percentage points to -10.5% in Q1 2021 from -15.6% in Q1 of the prior year. The increase in gross profit in the first quarter of 2021 was mainly attributable to higher sales offset by an increase in inventory reserves, increased absorption allocations due to lower contract volume, and price erosion in light of COVID-19.
- Selling, general and administrative expenses in the first quarter of 2021 decreased by \$0.4 million to \$6.3 million as compared to \$6.7 million in the first quarter of 2020. The decrease was primarily due lower professional fees versus the

first Quarter of 2020.

- There was a negligible impairment charge of \$24K in the first quarter of 2021. An impairment charge was recorded in the first quarter of 2020 of \$8.4 million related to trademark and technology of \$4.9 million and product acquisition costs of \$3.5 million.
- Product development and research expenses were \$1.5 million in the first quarter of 2021 and \$1.8 million in the first quarter of 2020. The change was primarily due to a decrease in personnel costs, outside testing and pilot batch expenses partially offset by an increase of API expenses of \$0.1 million and increase in clinical studies.
- Net Income for the first quarter of 2021 was \$2.2 million as compared to a net loss of \$26.8 million for the first quarter of 2020. The increase in income was primarily due to a gain on debt restructuring of \$22.4 million offset by higher operating and interest expense as well as other expenses related to the debt restructure

#### **Full Year 2021 Financial Guidance**

As previously noted in our 2020 year-end earnings release, the Company will not be providing financial guidance for the year ending December 31, 2021 at this time or in the immediate term. There are a number of factors which weigh on our inability to provide such financial guidance, including, but not limited to, the continuing macroeconomic volatility triggered by the COVID-19 global pandemic and its continued impact on the Company's business plans and efforts to resolve the Warning Letter issued by the FDA in November 2019, our dependence on the FDA's schedule to reinspect the company's facilities and conduct the pre-approval inspection of our newly constructed sterile injectable manufacturing facility in Buena, New Jersey, and the work we are continuing to diligently pursue with our financial and strategic advisors to critically assess the strengths of the company and how we can best leverage them moving forward. We do, however, look forward to a time in the future as we complete our work and assessments when we can provide such financial guidance and report more on some of these activities being pursued.

#### **FDA Warning Letter Update**

As previously disclosed, the Company received a warning letter from the FDA in November 2019 arising from an inspection of its Buena, New Jersey manufacturing facility, as well as an additional comment letter from the FDA in August 2020. The Company has since provided the FDA with supplemental submissions outlining additional changes in its practices, submitting additional documentation to support previous and ongoing independent assessments, providing updates to the Company's organizational structure, and providing further detail in regard to ongoing remediation projects (including comprehensive product quality assessments) to ensure all of our products are safe, effective and compliant.

As part of the Company's efforts to remediate the issues identified in the FDA Warning Letter and to strengthen its quality systems, the Company undertook and completed a comprehensive review of all of our products during the fourth quarter of 2020. While the review did not identify material issues with many of the Company's products, it did identify issues of non-conformance with respect to certain products, which resulted in recalls and halting the production of certain products, which the Company is actively reviewing and remediating. The Company is continuing to work diligently to remediate all issues cited by the FDA and those resulting from its comprehensive quality review, and continue to have active communications with the FDA regarding its progress. As previously reported, based on management's current assessment of these remediation efforts, the Company believes it will be ready to inform the FDA of its inspection readiness during the third quarter. However, since the Company does not control the timing of the FDA re-inspection of the facility, we cannot predict a precise time range for the date when FDA will perform the site re-inspection.

#### **COVID-19 Response Summary**

In alignment with the directives in the state of New Jersey, as a Pharmaceutical manufacturing facility, we are considered "essential". During the COVID-19 Public Health Emergency and State of Emergency in order to continue to supply our products to the patients that need them, we maintained our manufacturing operations and monitored conditions in order to maintain a safe workplace for our employees. The Company has taken several preventative measures to help ensure business continuity, while maintaining safe and stable operations. We have directed all non-production, Quality or R&D employees, to continue working from home in accordance with state and local guidelines while we continue to evaluate and finalize our return to office protocols. We have implemented social distancing measures on-site at our manufacturing facility to protect employees and our products. Our employees are provided daily personal protective equipment upon their arrival to the site and we have implemented temperature monitoring services at our newly established single point of entrance. We have also implemented a more frequent sanitization process of the facility. As the Public Health Emergency, State of Emergency and restrictions have abated, we are in the process of implementing a phased 'return to office' protocol under which we will maintain social distanced workspace and continue to sanitize our facilities.

#### **About Teligent, Inc.**

Teligent is a specialty generic pharmaceutical company. Our mission is to be a leading player in the specialty generic prescription drug market. Learn more on our website [www.teligent.com](http://www.teligent.com).

#### **Forward-Looking Statements**

This press release includes certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, plans, objectives, expectations and intentions, and other statements contained in this press release that are not historical facts and statements identified by words such as "plan," "believe," "continue," "should" or words of similar meaning. Factors that could cause actual results to differ materially from these expectations include, but are not limited to: our inability to meet current or future regulatory requirements in connection with existing or future ANDAs; our inability to achieve profitability; our failure to obtain FDA approvals as anticipated; our inability to execute and implement our business plan and strategy; the potential lack of market acceptance of our products; our inability to protect our intellectual property rights; changes in global political, economic, business, competitive, market and regulatory factors; and our inability to successfully complete future product acquisitions. These statements are based on our current beliefs or expectations and are inherently subject to various risks and uncertainties, including those set forth under the caption "Risk Factors" in Teligent, Inc.'s most recent Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and other periodic reports we file with the Securities and Exchange Commission. Teligent, Inc. does not undertake any obligation to update any forward-looking statements contained in this document as a result of new information, future events or otherwise, except as required by law.

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Source: Teligent, Inc.

**PART I**  
**FINANCIAL INFORMATION**  
**TELIGENT, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands, except share and per share information)

	March 31, 2021 (unaudited)	December 31, 2020
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 27,454	\$ 5,946
Restricted cash	206	206
Accounts receivable, net of allowance for doubtful accounts of \$2,749 and \$2,399, as of March 31, 2021 and December 31, 2020, respectively	9,891	11,257
Inventories	20,936	23,396
Prepaid expenses and other receivables	2,678	3,486
Total current assets	61,165	44,291
Property, plant and equipment, net	15,949	16,131
Intangible assets, net	19,473	22,964
Goodwill	508	501
Other assets	3,683	3,901
Total assets	<u>\$ 100,778</u>	<u>\$ 87,788</u>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities:		
Accounts payable	\$ 4,734	\$ 7,972
Accrued expenses	8,763	14,713
Capital lease obligation, current	435	436
Total current liabilities	13,932	23,121
Series C Senior Secured Convertible Notes, net of debt discount and debt issuance costs (face of \$0 and \$50,323 as of March 31, 2021 and December 31, 2020, respectively)	—	31,922
Series D Senior Convertible Notes, net of debt discount and debt issuance costs (face of \$277 and \$3,352 as of March 31, 2021 and December 31, 2020, respectively)	297	5,796
Revolver, net of debt issuance costs (face of \$25,000 and \$25,000 as of March 31, 2021 and December 31, 2020, respectively)	25,000	25,000
2023 Term Loans, net of debt issuance costs (face of \$83,515 and \$102,905 as of March 31, 2021 and December 31, 2020, respectively )	88,870	99,490
Derivative liabilities	—	7,507
Deferred tax liability	192	190
Other long term liabilities	4,807	4,914
Total liabilities	133,098	197,940
Commitments and Contingencies		
Mezzanine equity:		
Redeemable, convertible preferred stock, Series D preferred stock, \$0.01 par value, 1,000,000 shares authorized; 85,412 shares issued and outstanding as of March 31, 2021	15,374	—
Stockholders' deficit:		
Common stock, \$0.01 par value, 100,000,000 shares authorized; 89,428,513 and 21,754,223 shares issued and outstanding as of March 31, 2021 and December 31, 2020, respectively	1,198	220
Additional paid-in capital	195,297	135,218
Accumulated deficit	(241,343)	(243,496)
Accumulated other comprehensive loss	(2,846)	(2,094)
Total stockholders' deficit	(47,694)	(110,152)
Total liabilities, mezzanine equity and stockholders' deficit	<u>\$ 100,778</u>	<u>\$ 87,788</u>

The accompanying notes are an integral part of the condensed consolidated financial statements.

**TELIGENT, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except shares and per share information)  
(Unaudited)

	Three months ended March 31,	
	2021	2020
Revenue, net	\$ 11,588	\$ 7,447
Costs and expenses:		
Cost of revenues	12,799	8,610
Selling, general and administrative expenses	6,272	6,717
Impairment charges	24	8,373
Product development and research expenses	1,463	1,800
Total costs and expenses	<u>20,558</u>	<u>25,500</u>
Operating loss	(8,970)	(18,053)
Other Expense:		
Foreign currency exchange loss	(2,092)	(1,597)
Interest and other expense, net	(4,119)	(5,876)
Gain on debt restructuring	22,439	—
Inducement loss	(1,889)	—
Change in the fair value of derivative liabilities	<u>(3,186)</u>	<u>(1,258)</u>
Income/(loss) before income tax expense	2,183	(26,784)
Income tax expense	<u>30</u>	<u>52</u>
Net income/(loss) attributable to common shareholders	<u>\$ 2,153</u>	<u>\$ (26,836)</u>
Basic income/(loss) per share	\$ 0.04	\$ (4.98)
Diluted income/(loss) per share	\$ 0.03	\$ (4.98)
Weighted average shares of common stock outstanding:		
Basic shares	58,472,427	5,387,933
Diluted shares	77,142,350	5,387,933

The accompanying notes are an integral part of the condensed consolidated financial statements.

**TELIGENT, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)  
(Unaudited)

	Three months ended March 31,	
	2021	2020
<b>Cash flows from operating activities:</b>		
Net income/(loss)	\$ 2,153	\$ (26,836)
Reconciliation of net loss to net cash (used in) provided by operating activities:		
Depreciation of fixed assets and leases	182	985
Provision for bad debt	350	85
Provision for write down of inventory	(1,077)	1,394
Stock based compensation	70	491
Amortization of debt costs and debt discount	186	1,704
Amortization of intangible assets	589	741
Non cash lease expense	91	103

Foreign currency exchange (gain)/loss	2,092	1,597
Loss on impairment of intangible assets	24	8,373
Non cash interest expense	3,134	1,984
Gain on debt restructuring	(22,439)	—
Inducement loss	1,889	—
Change in the fair value of derivative liabilities	3,186	1,258
Changes in operating assets and liabilities:		
Accounts receivable	1,037	11,637
Inventories	3,590	(8,186)
Prepaid expenses, other current receivables, and assets	365	(58)
Accounts payable and accrued expenses	(6,187)	1,889
Operating liabilities	(109)	(107)
Net cash used in operating activities	(10,874)	(2,946)
<b>Cash flows from investing activities:</b>		
Capital expenditures	(47)	(880)
Net cash used in investing activities	(47)	(880)
<b>Cash flows from financing activities:</b>		
Proceeds from Term Loan 2023	1,465	—
Proceeds from ATM	34,940	—
Debt issuance costs	(3,986)	—
Principal paid on lease obligation	(4)	(3)
Net cash provided by (used in) financing activities	32,415	(3)
Effect of exchange rate on cash and cash equivalents	104	(651)
Net increase (decrease) in cash, cash equivalents and restricted cash	21,598	(4,480)
Cash, cash equivalents and restricted cash at beginning of period	6,712	16,182
Cash, cash equivalents and restricted cash at end of period	<u>\$ 28,310</u>	<u>\$ 11,702</u>
Supplemental Cash flow information:		
Cash payments for interest	\$ 441	\$ 388
Cash payments for income taxes	16	34
<b>Non-cash operating, investing and financing transactions:</b>		
Acquisition of capital expenditures in accounts payable and accrued expenses	24	183
Capitalized stock compensation in capital expenditures	—	5
Issuance of Series D preferred stock	15,374	—

The accompanying notes are an integral part of the condensed consolidated financial statements.



Source: Teligent, Inc.