NEW VILA EQUITY RESEARCH

December 20, 2020

Crescita Therapeutics

Promising royalties and new products in the coming years will show the real value of the company

Our View: Future cash flows are becoming more certain over time for Crescita Therapeutics (the "Company") with the launch of Pliaglis in certain European countries, new medical aesthetic products in Canada and the out-licensing of CTX-101 and CTX-102, product candidates in Phase 3 and Phase 2, respectively. All these developments should improve Crescita's fundamentals, with a very limited down-side due to current price almost trading at net cash.

Key Points & Catalysts:

Pliaglis sales, production, and distribution from Cantabria Labs ("Cantabria") in Europe. Crescita currently receives royalties from the Pliaglis sales only from Taro Pharmaceuticals Inc. for the U.S. and Cantabria for Italy. It is expected that the company will start earning sales royalties from more countries in Europe (Spain, France and Portugal with exclusive license with Cantabria) by the end of 2020. Recently, the company has signed exclusive license agreements in Mexico, Austria and China and is looking for partners in approximately 20 rest of world ("ROW") countries where the product is approved. We state that revenues are just about to begin for these new launches.

CTX-101 and CTX-102 pipelines. Rx product candidates, CTX-101 and CTX-102, each in Phase 3 and 2, respectively, are expected to bring new recurring revenue streams of royalties for the Company, which was only responsible for developing the topical formulation and providing its patented MMPE™ technology (MMPE™ is Multiplexed Molecular Penetration Enhancer) under the original agreement with its development partners. Licensing agreements are expected to be signed in 2021. The agreements could be postponed to 2022 due to COVID-19.

Canada Launches: The Company is expected to launch two new medical aesthetic products in-licensed from French company, Fillmed, including the ART-FILLER® injectables range and New Cellular Treatment Factor® serum. Along with Pliaglis, the NCTF serum will be launched by the Company's salesforce in H2 2021, while the ART-FILLER is expected to launch in 2022 pending approval for Canadian health authorities. Also, the Company anticipates that their partner Sundial Growers Inc. ("Sundial") will launch the topical CBD products developed by Crescita, resulting in new royalty revenues.

$13.9M in Cash available for M&As with Rx and Non-Rx products. Important royalties over the past years has turnaround Crescita´s fundamentals and balance sheet. The company is actively looking for the acquisition of Rx and Non-Rx products in Canada that could fit with their expertise in the dermatology business and could give positive recurrent EBITDA to the company.

Announcement of share buyback program. In November 2020, the Company announced its intention to acquire up to a maximum of 1,000,000 common shares, or approximately 5.5% of its public float, for cancellation over the next 12 months. Earlier in June 2019, Crescita had announced a buyback program that they aborted due to COVID-19 crisis. They repurchased and cancelled 367,000 shares at an average price of $0.88. The Company is much better positioned than a year ago.

Total compensation to Named Executive Officers ("NEOs"). Although the Company is mostly focused on finding partners for the sale, distribution and development of their patents and products needing high qualified NEOs for the execution of their project, we view that their total compensation is very high ($2M in 2019) compared to the size of the Company (15M$ of market cap).

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Ticker

TSE: CTX; CAD 0.72;

Price Target CAD 1.57

Downside Scenario	Current Price	Price Target	Upside Scenario
0.8 ▲ 11.1%	0.72	1.57 118%	3.29 ▲ 357%

*Implied Total Returns

Key Statistics

Dil. Shares O/S (MM):	21.796	Market Cap (MM):	15.28
Enterprise Value (MM):	2.67	Insiders Ownership	12%
Dividend:	0	Yield:	0%
NAVPS:	1.00	P/NAVPS:	0.7x
Float (MM):	16.3	Avg. Daily Volume (k):	33.7

New Vila Equity Research Estimates

FY Dec	2021A	2022A	2023E	2024E
Revenues (MM)	**14.9**	**19.6**	**20.2**	**18.1**
FCF (MM)	0.01	2.89	2.98	1.38
Income (MM)	-1.05	2.11	2.32	1.08

All values in CAD unless otherwise note

This research has been written without any incentive and freely release to the financial community.

Price target. We believe Crescita has a very limited downside due to their strong Cash position. New products, geographies and, indeed, streams of revenue will come over the following years. 2020 financial year has clear most of Crescita´s uncertainties. We estimate a price target of $1.57, giving an upside of 118% at current price, $0.72.

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Base/Upside/Downside Scenario

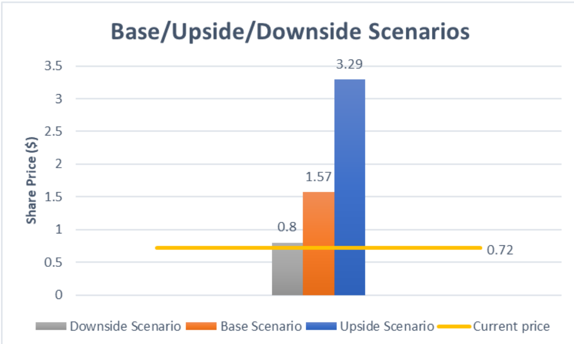

FIGURE 1. TARGET PRICE PER SCENARIO

Base Scenario

We view Crescita as a very promising company with a strong cash position and with many streams of revenues in the coming years. Although COVID-19 has slowed down some of their projects for 2020, the Company has cleared up many uncertainties related to their products. The geographic expansion of Pliaglis is a reality and will permit Crescita to also expand their revenues. The signing of the most recent exclusive agreements for the sale of Pliaglis in Mexico, Austria and China can just be the beginning of a wider list of countries. As well, other Rx products, CTX-101 and CTX-102 are also expected to be commercialized in the coming years.
We have included limited revenue from the medical launches or Sundial CBD product launch.
The Base Scenario undervalues projects with high uncertainty and focus on the segments of revenue we believe are more certain to occur. We want to keep a conservative position even the base scenario may diverge from the most probable one.

Up-side Scenario

Although it is very difficult to forecast future revenues even for the Company, we believe there are chances that Pliaglis sales in RoW and skincare products sales could be much higher than in the Base Scenario. We do not see any barrier for Crescita to sign exclusive agreements in the remaining ROW countries where Pliaglis is currently approved. As well, the Asian market could potentially generate sales royalties higher than in the U.S. Additionally, there is a huge potential in optimizing the Manufacturing and Services ("CDMO") segment which currently has approximately 75% unutilized capacity.

Down-side Scenario

The most pessimistic scenario is very limited to its current net cash position which is almost their market cap. Therefore, even if sales from the skincare products decreases over the years and the Pliaglis launch in Europe does not go as we expect, the Company will still generate positive Free Cash Flow over the coming years.

Investment summary

New Vila Equity Research views a very promising future for the company for the short and long term. We also think there are multiple catalysts that could push the share price higher. We have found the following key fundamental factors:

- **Impressive turnaround** by the Company has not yet been reflected in the stock price. In 2016 the company was burning more than $16M cash and currently Crescita is breakeven without considering up-front and milestone royalties from Pliaglis which are very relevant. This success has been achieved thanks to the NEO's decisions over the last years.

- **New streams of revenue and geographies** will expand Crescita´s business. We believe that in the short term Crescita will continue improving their revenues with Pliaglis milestones from Chinese partner and Cantabria Labs as well as sales royalties coming from Europe which are very relevant giving the size of the Company. CTX-101 and CTX-102 are still under study and development and will bring up-front, milestone and sales royalties in the coming years. There is also upside potential from the Canadian launch of new in licensed medical aesthetic products and the launch of Pliaglis in Canada.

- **The repurchase program** announced by the company could be a catalyst for the share price in 2021 and a demonstration that the share price is undervalued.

Key Risk Factors. The current exposure that the company has to Pliaglis revenues is the most important risk we would want to highlight. Any problem or interruption with the sales of the product would deteriorate Crescita's fundamentals in the short term and long term. Additionally, we would like to see more "Skin in the game" from the NEOs. There is a risk that future profits will mostly end up paying management compensations rather than to shareholders. This should be monitored in the following years.

Company´s background

Business and products

Crescita Therapeutics (TSX:CTX) is a publicly traded, Canadian commercial dermatology company with a segmented portfolio of non-prescription skincare products and prescription products for the treatment and care of skin conditions and diseases and their symptoms.

Crescita´s profit streams englobe:

- The sales from their non-prescription skincare products, which include the following lines: Laboratoire Dr Renaud, Pro-Derm, Alyria and Dermazulene. This stream gives recurrent revenues and gross profit to the Company. In 2019, the Company reported revenues of $7.6M from this segment with a gross margin over 50%.

- The patented transdermal delivery technologies, including Peel and DuraPeel™, and MMPE™. Both technologies, when incorporated into a topical formulation, provide significant advantages including extended release delivery of the active ingredients to the site of application (skin). U.S. patents expire in 2027. The patents are the base of their Rx-products: the products under development, topical CBD products as well as already commercialized ones like Pliaglis.

- The prescription product portfolio, including Pliaglis and the alternate Enhanced Formulation of Pliaglis. Pliaglis is a topical local anesthetic cream that provides safe and effective local dermal analgesia on intact skin prior to superficial dermatological procedures. It uses Crescita's Peel patented technology from Crescita. The Company offered exclusive licensing agreement with Taro Pharmaceuticals for U.S. rights ($23.5M collected since 2018) and Cantabria Labs for Italy, France, Spain and Portugal ($5.9M collected since 2019). In November 2020, they announced exclusive agreement with Juyou-Biotechnology Co. Ltd for China, with LIV LABORATORIOS for Mexico; and with Pelpharma for Austria. Taro produces Pliaglis for USA and Cantabria Labs for Europe and most probably, in the future, for the RoW. All the agreements are based on a double-digit sale royalty and, some of them, with up-front and milestone royalties. This product is currently the most important product for the company, although the revenues are, at the present time, only recurrent in USA. Very high royalties for a company currently valued at a market price lower than 15M$, trading at net cash.

- Product candidates under development, CTX-101 and CTX-102, will, most probably, bring more revenues to the Company. CTX-101 is a topical formulation utilizing a corticosteroid in combination with the Company's patented MMPE technology to treat plaque psoriasis. Crescita is responsible for formulation development / IP and providing its proprietary MMPE™ technology. Development is mainly funded by their joint venture partners: Ferndale Laboratories and a leading U.S. Contract Research Organization. Economic benefits will be shared between partners upon out-licensing. On February 11, 2020, the Company announced positive topline results from two pivotal Phase 3 clinical trials for CTX-101. CTX-102 is a topical formulation also utilizing Crescita's patented MMPE technology to treat an undisclosed dermatological skin condition. CTX-102 is right now under Phase 2 study and it is also a topical product in co-development with a development partner.

- The company also offers Contract Development and Manufacturing Services (CDMO) in Laval, Canada. 75% of its capacity is currently unutilized.

- Distribution of ART-FILLER® injectables range and New Cellular Treatment Factor® (NCTF) in Canada. They are not owners of the product but responsible for the exclusive distribution which, most probably, will start in 2021 for NCTF and in 2022 for the injectable fillers.

- Licensing agreement with Sundial Growers for the development of topicals containing cannabis and hemp using Crescita´s transdermal delivery technologies. Production and sale on hold due to COVID-19, expected to start on mid-2021.

For further information about the products please check the Appendix.

Management & Board of Directors

The management and Board of Directors has changed since the spin off in 2016. Please find the exact chronology in the Appendix.

Find below Crescita's key management team:

- Serge Verreault (President and CEO): Appointed as President in 2017 and CEO in 2018. Previously Serge was Executive Director of Business Development at Valeant Canada and during his tenure worked as General Manager of Laboratoire of Dr Renaud (Skincare line from INTEGA's M&A). He owns 0.65M of common shares (3% diluted shares).
- Jose DaRocha (CFO): Appointed as CFO by the end of 2017. Previously worked as Senior Finance Lead - Business Development at Valeant Canada.
- Wade Hull (VP Research & Development): Prior to joining Crescita, Wade held VP R&D CMC position at Nuvo Research. Mr. Hull is the expert in Rx-Products.
- Isabelle Villeneuve (VP Strategy, Innovation and Quality): Appointed in mid-2018. She previously worked at Valeant Canada as Director of Innovation and R&D (Skin Care). Ms. Villeneuve is the expert of Non-Rx products.
- Daniel Chicoine (Executive Chairman): Crescita's previous CEO before Mr. Verreault. Mr. Chicoine served as Nuvo Research's Chairman and Co-CEO. He owns 1M shares (5% diluted shares) and has been the most important Director looking over the years for the proper officers that could execute Crescita's businesses optimally. His main role, among others, is to provide advice to the NEOs from time to time, relating to investor relations and certain other strategic matters.

The senior management and Board of Directors owns 12% of the company shares. The salary and board compensations are a very important key to analyze the Company. For detailed explanation of Crescita's Share Incentive Plan, please go to the Appendix. The compensation table for each Name Executive Officer (NEO) can also be found in the Appendix.

NEO's total compensation (Salary + Option-based award + Annual Incentive plans + Other Compensations) has been $2,030,513, $1,835,706 and $1,690,865 respectively for the financial years 2019, 2018 and 2017. Almost half of the total compensation comes from the Annual Incentive Awards based on Adjusted EBITDA, Corporate Objectives and Individual Objectives. The past milestones have influenced in the Adjusted EBITDA and, thus, the incentive award.

It is important to highlight that Crescita Therapeutics relies on their NEOs more than other companies from other sectors. At the 21th of December 2019, the company had 68 full-time employees and contract professionals. Crescita externalizes most of its processes as production, distribution, and sale of Pliaglis or the development of new products, and it is mostly focused on finding the proper partners for their products and patents.

Although at New Vila Equity Research we are concerned about the high education, experience and value that Crescita's NEOs bring to the Company, we believe that the total compensations mentioned above are extremely high according to company's size. Total equity stated in the balance sheet of Q3 2020 was accounted in $21,79M. 2019 Annual Compensation was 9.3% of total Equity which our firm find abusive to shareholders.

Furthermore, Crescita's NEOs and Board Directors participate in the Company's long-term incentive plan awards. At date of September 30, 2020, 2,836,812 stock options are outstanding (13.7% of common shares). Although 649,000 shares are far away from being in the money and 1,076,000 are not exercisable up to date, we are worried about the future dilution to shareholders coming from the Incentive Plan. In 2019 Financial Year, the annual burn rate coming from the Share Bonus Plan was 2.7% and 2.4% for 2018 (It is limited to 3% annual burn rate).

Keynotes

Crescita Therapeutics' history is very important for us in the investment thesis. You will find below the keynotes of the thesis we have highlighted. For an extended description of the Company's history please check the Appendix.

- **Knight Therapeutics (TSE: GUD) stake in Crescita Therapeutics.** Knight Therapeutics received 2.83M shares of Crescita (11.3% of total common shares) as part of the compensation for selling INTEGA Skin Sciences Inc. (INTEGA) at a price of $0.60 per share. By the end of 2019, Knight Therapeutics sold 31.7% of their stake at a price of $1.02. Our firm has made some research about their movement and, in the same period (end of 2019), they sold the entirety of their stake in another company called Profound Medical Corp (TSE: PRN) at a non-disclosed price which can range between $10 and $14 per share. Profound is now trading above $26. The cash received from both transactions was less than 3% of Knight's cash in their balance sheet meaning that the sale was not forced. In our opinion, Knight did not sell its entire stake in Crescita because or they believe the company still has some upside, in contrast with Profound sell (Even though the share price went 80% up since) or because there was not enough volume to undo the position. At this current price, Knight has shown no interest in selling their stake, reflecting that Crescita's price is undervalued.

- **Impressive turnaround by the management.** In 2016, the Company was burning annually $16M cash. Right now, the company has turned around its situation making a series of good decisions and recently reported the strongest financial statements since the spin-off in 2016. Management has played a crucial role and New Vila is very convinced they will continue to improve Crescita's results. The company has reported that they are actively looking for new acquisitions that would add value to their business.

- **2020 Buyback program.** The company aims to allocate part of the cash to repurchase and cancel their own shares. This buyback program will mitigate the dilution from the Share Incentive Plan for NEOs. The announcement coincided with a rise in the stock price due to Q3 results. The company has adopted an automatic securities purchase plan and it is limited to a maximum of 25% of the last six months' daily average trading volume.

- **Expiration of the patents.** The Enhanced Formulation of Pliaglis expires in 2031 and Peel & DuraPeel and MMPE will expire in 2027 up to 2036. When patents expire, the competition will increase, and generic products could enter the market and Crescita`s revenues may decrease. We believe the Company will continue to search for new streams of revenues by acquisitions or investing in product innovation through its in-house R&D.

- **CTX-101 and CTX-102 market.** Both product candidates are different from the Pliaglis market which is very small and not worthy for big companies to compete with Crescita. On the other hand, CTX-101 and CTX-102 market is much bigger, but competition is extremely high. We are looking forward to seeing how Crescita will develop in a big Rx-market. We believe that big companies have a competitive advantage over small companies due to sizing but Crescita´s management may break this barrier by finding the proper partner at the right time.

Valuation

Financials

Revenues are segmented between: Skincare (Non-Rx Products), Manufacturing (CDMO) and Licenses (Currently only Pliaglis royalties and milestones).

The skincare segment brings recurrent revenues to the Company, with a gross margin of around 55%. The company has experienced lower revenues from this stream over the last 2 years (see Figure below). Isabelle Villeneuve was appointed as VP Strategy, Innovation and Quality in mid-2018 and played a role in stabilizing sales due to the re-introduction of innovation to the Company's skincare portfolio. Due to her broad experience in the Skincare industry we believe the Company could stabilize sales in the coming years and increase them.

The manufacturing segment has experienced flat revenues over the last 2 years pre-COVID19. Their facility in Laval is only at 25% of capacity. They have managed to increase the use 29% annually over the last 3 years, but there is a long way to fulfil the capacity. We believe this segment would be more difficult to improve over the years.

Finally, the License segment, which currently englobes only Pliaglis royalties, is the mainstream of profit and revenues. Since Q2 2017, Crescita has reported:

- $2.7M of Upfronts from Taro for U.S.
- $7.5M of Milestones from Taro for U.S.
- $13.3M of Sales royalties from Taro for U.S.
- $3.7M of Upfronts from Cantabria Labs for Europe
- $2.2M of minimum future sale royalties from Cantabria Labs for Europe

For more information about the royalties over the Quarters please check Appendix.

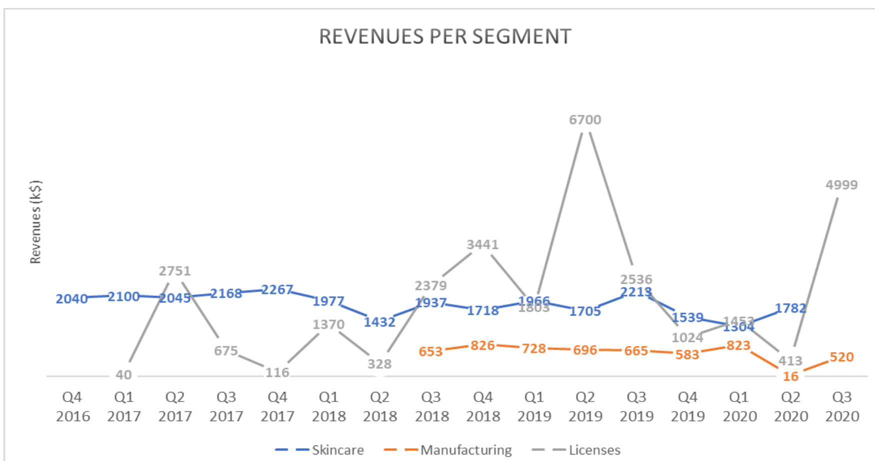

FIGURE 2. REVENUES PER SEGMENT

Crescita´s valuation is under high uncertainty due to many pipelines and new exclusive license agreements. We have made 3 different scenarios: Up-side, Most Base and Down-side.

We have selected the Discount Cash Flow Method for the valuation. We believe it reflects more accurately the value of the company, with non-recurrent royalties and recurrent revenues.

Apart from past revenue streams our valuation considers new products and license agreements. Our valuation has considered:

- Pliaglis milestones from Cantabria Labs during 2021-2022

- Pliaglis Sales royalties from Europe and RoW (Including China and Mexico) from 2021 onwards
- CTX 101 up-front, milestones and sales royalties from 2021 and 2022
- CTX 102 up-front, milestones and sales royalties from 2022
- Other Joint ventures with their patented transdermal technologies from 2021 (Including Sundial Growers, etc)

We believe 2021 results will be hit by COVID-19 effect. At the present time, Canada is under shutdown and most of Crescita's customer geography are also severely affected. Most likely, coming project will get delayed until 2021.

Please find the Discounted Cash Flows (DFC) for each scenario in the Appendix.

Base Scenario

In our Base Scenario we have assumed annual revenues based on:

- Skincare segment remains flat at $7.5M over the years versus $7.6M in 2019 financial year.
- Pliaglis sales royalties from U.S. remain flat at $2M per year, in line with previous sales royalties in U.S.
- Pliaglis sales royalties from Europe remain flat at $1.7M per year, slightly lower than U.S.
- CDMO services increases until $3.1M compared $2.7M in 2019
- CTX-101 and CTX-102 sales royalties up to $0.6M for each product
- Other Joint Ventures starts at $1.3M (2022) in royalties up to $1.9M in 2027. This segment includes distribution of products in Canada and cannabis products using Crescita´s patents. We expect a weak 2021 due to COVID crisis.
- Selling, general and administrative costs increases up to $9.5M compared to $8.5M in 2019. It includes possible additional costs due to new streams of revenue as well as a higher total compensation for the NEOs.
- Capex of Maintenance reaches $0.4M comparted to $0.1M in 2019
- 3% dilution of common shares per financial year up to 26.8M shares in 2027 compared to 21.8M in 2020
- 8% Weighted Average Cost (WACC) and 4% of growth rate for terminal value

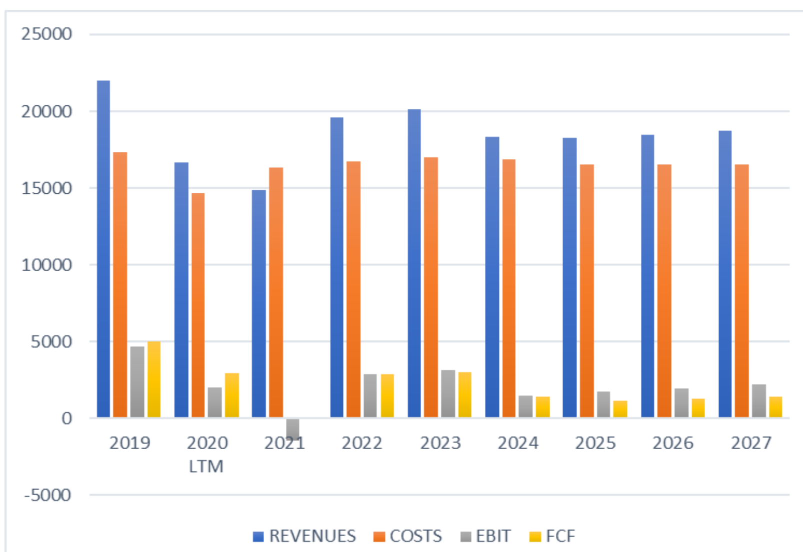

FIGURE 3. FORECAST BASE SCENARIO

The base scenario values the company's future cash flows in $28.2M, plus the $13.9M in Cash and Equivalents gives an equity value of $42.1M. Assuming 26.8M of common shares in 2027. It gives a price target of $1.57.

Rodrigo Villanueva (Research Analyst)
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Up-side Scenario

In the up-side scenario we have modified the following fundamentals from the Base Scenario:

- Skincare segment increases 5% revenues YoY
- Pliaglis Royalties EU remains flat at $2M compared to $1.7M base scenario.
- Pliaglis Royalties RoW increases up to $2.5M per year. We believe it is probable that the product could get more exclusive agreements over the years. It is approved for sale in more than 25 RoW countries but without an exclusive agreement. Also, Asian market may be success. In case Pliaglis gets commercialized worldwide, assuming $2.5M of sales royalties appears very conservative.
- Manufacturing (CDMO) segment improves its revenues up to $4.2M in 2027, from $2.7M in 2019
- Cost of Goods sold increases accordingly due to the increase in skincare revenues and CDMO.

FIGURE 4. FORECAST UP-SIDE SCENARIO

The up-side scenario values the company's future cash flow in $74.2M, plus $13.9M in Cash and Equivalents gives an equity value of $88.1M. Assuming 26.8M of common shares in 2027. It gives a price target of $3.29.

Down-side Scenario

In the down-side scenario we have modified the base scenario fundamentals, in specific:

- Revenues from the Skincare decrease 2% YoY
- Sales royalties from U.S. decrease to $1.8M compared to $2M in 2019
- Sales royalties from EU remain flat at $1.3M compared to $1.7M in base scenario

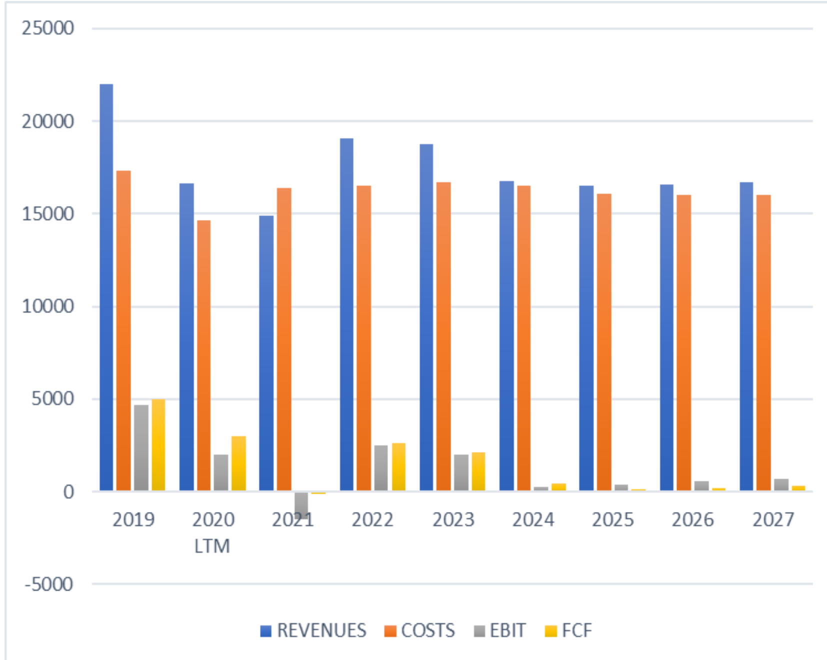

FIGURE 5. FORECAST DOWN-SIDE SCENARIO

The down-side scenario values the company's future cash flow in $7.6M, plus $13.9M in Cash and Equivalents gives an equity value of $21.4M. Assuming 26.8M of common shares in 2027, the valuation gives a price target of $0.80.

Since the company almost trades at net cash, the downside of the company is very limited.

Risks

- Our firm is very concerned about the total Compensation to the Board of Directors and NEOs, and its influence in Crescita´s profit. In our valuations we have assumed that Selling, General and Administrative Costs (which includes the Directors and NEO's compensations) reach $9.5M. This cost item may increase above our assumptions and will reduce Crescita´s future free cash flows, burning their collected cash. This cost item should be monitored over the coming years. As well, NEOs own only 11% of the total common shares. For bigger companies, we believe that a 11% would be enough for big companies but in this case our firm thinks it is too low. At the same time, we usually compare the insider's stake with their annual compensation. For Crescita, the stake value is residual compared to their annual compensation. Therefore, we see a lack of "skin in the game" in this aspect.

- Regarding Pliaglis patent, there is a risk that a generic Pliaglis can be produced over the coming years since the old patent expired in 2019. The Company has registered an Enhanced Formulation patent that will expire in 2031 with better properties than the old one. It is currently used in the commercialized Pliaglis in the U.S.. We believe that the Pliaglis market is very small and will not be worthy for a competitor to develop a generic product. The generic product will, at least, need 2 to 3 years to develop and start its production.

- Crescita is also very dependent on Pliaglis sales. Any interruption, investigation or issue with the product may lead to significant losses for the Company. We believe Crescita is not diversified enough to manage a possible interruption of Pliaglis sales.

Company Description

Crescita (TSX: CTX and OTC US: CRRTF) is a growth-oriented, innovation-driven Canadian commercial dermatology company with in-house research & development ("R&D") and manufacturing capabilities. The Company offers a portfolio of non-prescription skincare products and early to commercial stage prescription drug products and owns multiple proprietary drug delivery platforms that support the development of patented formulations that can facilitate the delivery of active ingredients into or through the skin.

Supported by a sales force covering Canada and executing a business to business to consumer marketing approach, Crescita sells its non-prescription skincare products domestically through spas, medispas, and medical aesthetic clinics, as well as internationally, through distributors. Below is a description of the Company's primary distribution channels:

1) Spas: our lead aesthetic skincare brand, Laboratoire Dr Renaud® ("LDR"), is sold to professional aestheticians in spas. The spa environment provides non-invasive skincare solutions to clients. Specializing in anti-aging, dehydration, pigmentation, sensitivity, acne, and rosacea, LDR provides high performance active ingredient product formulations to enhance skincare treatments. LDR is also sold and used for training in aesthetic schools across Canada.

2) Medispas and medical aesthetic clinics: our medical aesthetic skincare brands, Pro-Derm™ and Alyria® , are sold in medispas and medical aesthetic clinics which require at least one medical doctor to be on staff or affiliated to the establishment. Such establishments offer both non-invasive and invasive procedures for anti-aging, acne, and other skin ailments. Medical aestheticians and the affiliated doctors perform advanced skincare treatments such as chemical peels, advanced retinol facials, microdermabrasion, neurotoxin injections, and various laser and device treatments.

3) International distributors: some of our skincare brands and formulations are currently sold in certain Asian markets, such as Malaysia and South Korea, through international distributors. In addition, some of the Company's products are also sold in the U.S. Dermazulene®, a product specifically designed and created for the Chinese market, is sold through a large cross-border e-commerce platform in China.

Crescita's portfolio also includes a prescription product called Pliaglis® that utilizes our proprietary phase-changing topical cream Peel technology – see Transdermal Delivery Technologies. Pliaglis is a topical local anesthetic cream that provides safe and effective local dermal analgesia on intact skin prior to superficial dermatological procedures. The product is currently approved in over 25 different countries, is sold by commercial partners in the U.S., Italy, and Brazil, and was most recently licensed to partners in Austria, Mexico and China. We market Pliaglis in the Canadian medispa market through our existing sales force.

Crescita's expertise in product formulation and development can be leveraged in combination with our patented transdermal delivery technologies to develop and manufacture creams, liquids, gels, ointments and serums under our contract development and manufacturing organization ("CDMO") infrastructure. We provide our CDMO services to several North American clients under full cGMP (current Canadian Good Manufacturing Practices) conditions and deliver innovative turnkey solutions integrating production with in-house R&D, supply chain, quality assurance and quality control functions. Our integrated approach aims to simplify our clients' supply chain and maximize value to ensure timely and cost-effective commercial product launches for our clients.

The Company operates out of a 50,000 square-foot facility located in Laval, Québec, which produces the majority of our non-prescription skincare products. Formulations manufactured by or for Crescita include cosmetics, natural health products and products with Drug Identification Numbers. The Company runs its operations through its corporate head office located in Laval, Québec and maintains a registered office located at 6733 Mississauga Road, Suite 800, Mississauga, Ontario, L5N 6J5.

Appendix

History

The 1st of March 2016, Nuvo Pharmaceuticals Inc. (TSX:NRI), formerly known as Nuvo Research Inc. and Crescita Therapeutics Inc. (TSX:CTX), announced the completion of the reorganization of Nuvo Research Inc. into two separate publicly traded companies. With this spin-off Crescita Therapeutics retained 2 patented technologies (MMPE and Peel & DuraPeel), Pliaglis-Rx brand, MiCal 1 & 2 product candidates and $35M cash. The company was burning $16M per year, the cash flow from operations was -$16M for the Financial Year 2016. They started a rapid turnaround to make the company profitable.

In September 2016, Crescita announced the acquisition of INTEGA Skin Sciences Inc. which develops, manufactures, sells and markets science-based quality skin care products. INTEGA was financially backed by Knight Therapeutics (TSX: GUD) among others. Crescita agreed on paying $8.0M plus $2.0M in milestone for the acquisition. The amount was mostly paid by issuing new shares at a price of $2.44 per share (17.3% of Crescita´s outstanding common shares post-issuance). Crescita provided a limited recourse guarantee of INTEGA's obligations under its $7.0 million term loan from Knight Therapeutics Inc. (9% annual interest). The Company repaid a bridge loan at closing of $3.0 million. The transaction provided Crescita with:

- Distribution rights of Laboratoire Dr Renaud, Pro-Derm, Premiology and ISDIN. The two last brands are currently discontinued.
- Commercial infrastructure capable of promoting its prescription drug Pliaglis in Canada

In October 2016, Galderma S.A. returned the North American rights for Pliaglis to Crescita. The Company believed Galderma was not making enough effort to sell and distribute their product, declaring minimum royalties. Consequently, Crescita started looking for a new distributor with interest in the product.

On the 25th of April, 2017, Crescita announced an agreement with Taro Pharmaceuticals for Pliaglis. Under the terms of agreement, Crescita granted an exclusive license to the rights to sell and distribute Pliaglis in the U.S. market and for a second-generation enhanced version (the Enhanced formulation). In exchange, Taro agreed on the following payments: Upfront of US$2.0M up to US$5.75M in milestone payments and tiered royalties on net sales of products.

In August 2017, Crescita acquired Alyria skincare line of products from Sanofi Consumer Health Inc for $1.7M plus nine-year royalties based on net sales. This transaction gave immediately accretive to revenue and gross margin for Crescita.

In March 2018, Crescita announced launch of Pliaglis in U.S., commercialized by Taro Pharmaceuticals Inc which has provided Crescita with important royalties since launch in U.S.

In April 2019, Crescita reacquired Rest-Of-World Rights from Galderma S.A., allowing them to maximize the potential of the brand to drive further growth of Pliaglis sales through this and other strategic partnerships for the countries where Pliaglis is approved but still remained unlicensed. Consequently, Crescita signed Pliaglis out-licensing agreement with Cantabria Labs for €2.5M Upfront, double digit royalties on the net sales of Pliaglis, and milestones related to the launch and sales of Pliaglis in France, Spain and Portugal. Additionally, Crescita agreed with Cantabria Labs that the manufacturing of Pliaglis will be transferred to Cantrabria´s new centre in Villaescusa, Spain, and will supply the product to Crescita outside the Territories.

In June 2019, the Company announced a buyback program of 1M common shares (6% public float) for cancellation terminating on June 27, 2020. The program was cancelled in March due to COVID-19 crisis where 367,000 shares were repurchased and canceled at an average price of $0.88.

On the 16th of July 2019, Crescita announced that the United States Patent and Trademark Office ("USPTO") has granted U.S. Patent No. 10,350,180 for an enhanced formulation of Pliaglis which provides extended patent protection until 2031. A few months later, U.S. Food and Drug Administration ("FDA") approved the enhanced formulation of Pliaglis® (the "Enhanced Formulation").

October 2019, Sundial Growers Inc. (Nasdaq: SNDL), a Canadian licensed producer of cannabis and Crescita announced a development and licensing agreement grating Sundial the worldwide rights to Crescita's proprietary transdermal delivery technologies (MMPE and DuraPeel) for the development of topicals containing cannabis and hemp. Crescita will receive tiered royalties on the net worldwide sales of these products (expected from 2021) and retains the right to leverage its IP for future product development under its own brands. Sundial's initial topical offerings include a CBD-infused roll-on and topical cream that will utilize the MMPE technology to deliver faster skin penetration without irritation.

Early 2020, Crescita secures $3.5M line of credit and fully repaid the $3.6M of Knight Therapeutics loan. Crescita also signed an exclusive distribution agreement with FILLMED for the ART-FILLER injectables range and New Cellular Treatment Factor (NCTF) in Canada. FILLMED is a French aesthetic medicine company with expertise in developing aesthetic and cosmetic anti-ageing treatment solutions using hyaluronic acid. Crescita anticipated launching both products on the Canadian market following approval by Health Canada anticipated by late 2020 or early 2021.

November 2020, Crescita announces an agreement to commercialize and develop Pliaglis in China. Crescita will receive an upfront payment in cash of US$125,000 and will be eligible for regulatory and sales milestones of up to US$1.0 million and US$1.8 million. Crescita will supply Pliaglis at a pre-determined price per unit including a profit margin and will also be eligible for double-digit royalties once the product is available for commercial sale. Crescita also announced an agreement to sell and distribute Pliaglis in México and Austria.

End of November 2020, Crescita announces a new buyback program. The company intends to acquire maximum up to 1M common shares (5.5% public float) terminating the 29th of November, 2021.

Products

Crescita`s business model can be divided in two types of products: Non-Rx Market and Rx Market (Products by prescription).

Non-Prescription Skincare Product Portfolio

- Laboratoire Dr Renaud: This skincare line is inspired by nature and joins science and aesthetics to develop personalized solutions to address daily skin concerns (aging, acne, rosacea, pigmentation, dehydration and sensitivity). Crescita owns the trademark rights for the skincare line in North America, certain South American countries, and the Pacific Rim as well as the worldwide rights for the formulation. Virtually all the LDR products are manufactured at the company´s Laval manufacturing facility and can be purchased either through a professional aesthetician, a spa or online.

- Pro-Derm: Is a line of high-quality cosmeceutical products sold to physicians operating medispas and medical aesthetic clinics. Pro-Derm products are used in conjunction with anti-aging medical procedures both pre and post treatment. Crescita owns the trademark rights for Canada and the worldwide formulations and marketing rights for Pro-Derm. Virtually all the Pro-Derm products are manufactured at the Company´s Laval manufacturing facility.

- Alyria: is a comprehensive skincare line developed using scientific research to target major skincare concerns as healthier-looking skin. Crescita owns the trademark rights for Canada, Europe, certain South American countries, and the United States. The company is advancing the transfer of the manufacturing process of the Alyria line of products to its facility and anticipates completion of the transfer by the end of fiscal 2020.

- Dermazulene: Is a skincare brand developed specifically to address the skincare needs of Asian consumers. The brand differentiates itself through effective anti-aging, whitening and anti-pollution formulas. The brand was launched in early 2019 through NetEase Kaola, an e-commerce platform of Alibaba Group Holding Limited. Crescita owns the trademark rights to Dermazulene in Canada, China, and the U.S.

Prescription Product Portfolio

- Pliaglis: Pliaglis is a topical local anesthetic cream that provides safe and effective local dermal analgesia on intact skin prior to superficial dermatological procedures. The formulation contains a eutectic mixture of 7% lidocaine and 7% tetracaine that utilizes the Company’s proprietary phase-changing topical cream Peel technology. The Peel technology consists of a drug-containing cream which, once applied to a patient’s skin, dries to form a pliable layer that releases drug into the skin. Pliaglis is applied to intact skin for 20 to 30 minutes prior to superficial dermatological procedures such as dermal filler injections, non-ablative laser facial resurfacing, or pulsed-dye laser therapy and 60 minutes prior to procedures such as laser-assisted tattoo removal.
  The product is currently approved in over 25 countries and sold by commercial partners in the U.S., Italy, and Brazil, and was most recently licensed to partners in Austria, Mexico and China. In addition, the Company launched Pliaglis in the Canadian medispa market through its existing sales force in late 2019.

- Enhanced Formulation of Pliaglis: possess improved application and removal properties compared to Pliaglis with extended patent protection through 2031 in multiple jurisdictions.

Transdermal Delivery Technologies

- Peel and DuraPeel: Are self-occluding, film-forming cream/gel formulations that provide extended release delivery of the active ingredients to the site of application. The cream/gel contains a drug that, when applied to a patient's skin, forms a pliable layer that releases the active ingredient into the skin for up to 12 hours. Peel technology patents have been issued in 21 countries including the U.S., with the latest expiring in 2031. Patent applications are pending in Brazil and the U.S. DuraPeel patents have been issued in Australia, Canada, Japan, and in the U.S. with the latest expiry in 2027. The European patent application is pending.

- MMPE: Uses synergistic combinations of certain specific pharmaceutical excipients included in the FDA's Inactive Ingredients Database ("IID") for improved topical delivery of active ingredients into or through the skin. The benefits of this technology include the potential for increased penetration of APIs with the possibility of improved efficacy, lower API concentration and/or reduced dosing. Issued U.S. patents provide intellectual property protection through March 6, 2027. Applications are pending in Australia, Canada, Europe, Mexico, New Zealand, and in the United States, with the latest expiry date in 2036.

Product Candidates in Co-Development

In April 2014, Crescita entered into a joint venture with Ferndale Laboratories Inc. and a leading U.S. contract research organization (a "CRO" and together the "Development Partners") to develop and formulate two topical dermatology product candidates (the "Product Candidates") utilizing our patented MMPE™ technology.

- CTX-101 (formerly referred to as MiCal 1), is a topical formulation utilizing a corticosteroid in combination with the Company's patented MMPE technology to treat plaque psoriasis. On February 11, 2020, the Company announced positive topline results from two pivotal Phase 3 clinical trials for CTX-101.

- CTX-102 (formerly referred to as MiCal 2), is a topical formulation also utilizing our patented MMPE technology to treat an undisclosed dermatological skin condition. Initial formulation development efforts for CTX-102 were completed in Q2-18, while an Investigational New Drug ("IND") application update was filed on June 25, 2018

Board of Directors Chronology

Dan Chicoine started been Crescita's Chief Executive Officer (CEO) and Chairman.

After INTEGA's acquisition, Gregory Orleski, former CEO of INTEGA, was appointed as new CEO (1st of September, 2016). But, on the November 3th, 2016, Gregory resigned as CEO and Board of Directors, giving back the CEO's role to Dan Chicoine. We have been notified that Mr. Orleski was not the proper CEO that the Board was looking for to lead Crescita.

The 10th of February 2017, the prior Chief Financial Officer (CFO), Mario Laflamme, resigned for health-related family reasons. Ms. Muneerah Kanji assumed the role of interim CFO.

On the 12th of April 2017, Serge Verreault was appointed as President of the Company. Mr. Verreault had previously held the position of Executive Director of Business Development at Valeant Canada and was a member of the Operating Committee.

On the 7th of November 2017, Crescita appointed new CFO, Jose DaRocha, current CFO, and replaced Ms. Muneerah Kanji.

April 2018, Mr. Serge Verreault, president of Crescita, was appointed as Crescita's CEO.

7th of May 2019, Jean Colas joined Crescita as Vice-President of its Aesthetic and Cosmeceutical business unit. He is no longer in the company.

Share Incentive Plan

The maximum number of Common Shares that may be issued under Share Incentive Plan is fixed to maximum 15% of the Common Share outstanding from time to time.

The Share Incentive plan consists of:

- Share Option Plan: The exercise of options shall not exceed 5% of the issued and outstanding Common Shares.

- Share Bonus Plan: The bonus share under Share Bonus Plan cannot exceed 3% of number of common shares.
- Share Purchase Plan: Officers and employees are entitled to contribute up to 10% of their annual base salary to this Plan.

Summary Compensation Table

Name and principal position	Year	Salary ($)	Share-based awards ($)	Option-based award ($)(1)	Non-equity incentive plan compensation ($)		All other compensation ($)(3)	Total compensation ($)
					Annual incentive plans(2)	Long-term incentive plans		
Daniel Chicoine, Executive Chairman(4)(7)(12)	2019	193,269	Nil	5,956	Nil	Nil	15,000	214,225
	2018	440,577	Nil	2,440	Nil	Nil	15,000	458,017
	2017	412,459	Nil	124,557	354,375(5)	42,724(13)	15,000	949,115
Serge Verreault, President and CEO(8)	2019	336,058	Nil	75,380	393,594	Nil	18,000	823,032
	2018	286,538	Nil	43,920	206,250	Nil	18,000	554,708
	2017	173,077	Nil	29,063	58,333	Nil	35,435(6)	295,908
Jose DaRocha, CFO(9)	2019	195,385	Nil	30,152	164,292	Nil	9,600	399,428
	2018	180,000	Nil	19,520	86,400	Nil	9,600	295,520
	2017	52,962	Nil	15,870	16,500	Nil	1,255	86,587
Wade Hull, VP, Research & Development(11)	2019	306,000	Nil	9,423	46,321	Nil	12,240	373,984
	2018	298,834	Nil	9,760	60,862	Nil	11,953	381,409
	2017	299,349	Nil	16,608	30,908	Nil	12,390	359,255
Isabelle Villeneuve, VP, Strategy, Innovation and Quality(10)	2019	155,192	Nil	13,192	42,487	Nil	8,972	219,843
	2018	88,308	Nil	8,800	42,667	Nil	6,277	146,052
	2017	Nil	Nil	Nil	Nil	Nil	Nil	Nil

TABLE 1. COMPENSATION TO NEOS FOR 2019 FINANCIAL YEAR

Pliaglis Royalties over the Quarters

Units in k$	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Total
Upfront TARO	2,700														2,700
Sales TARO				1,370	328	1,100	1,343	482	914	1,323	31	1,453		4,999[1]	13,343
Milestone TARO		675				1,300	1,982	1,321		1,213	988				7,479
Upfront Cantabria									3,721						3,721
Sales Cantabria									1,738					413	2,151
Milestone Cantabria															0
Total	2,700	675	0	1,370	328	2,400	3,325	1,803	6,373	2,536	1,019	1,453	0	5,412	29,394

TABLE 2. PLIAGLIS ROYALTIES OVER THE QUARTERS

[1] Adjustment of previous sale royalties

DCF Down-Side Scenario

Revenues (k$)	2019	2020 LTM	2021	2022	2023	2024	2025	2026	2027	
SKINCARE	7,602	6,838	7,200	7,056	6,915	6,777	6,641	6,508	6,378	
PLIAGLIS USA	6,272	7,471	2,000	1,800	1,800	1,800	1,800	1,800	1,800	
PLIAGLIS EU	5,459	413	300	1,300	1,300	1,300	1,300	1,300	1,300	
PLIAGLIS RoW	0	0	100	300	450	1,000	1,100	1,200	1,300	
PLIAGLIS UPFRONT-MILESTONE			1,300	2,000	1,800					
CDMO	2,672	1,942	2,900	3,000	3,100	3,100	3,100	3,100	3,100	
CTX 101				500	600	600	600	600	600	
MILESTONE-CTX101			700	800	300					
CTX 102				500	600	600	600	600	600	
MILESTONE-CTX102				700	700	300				
OTHER JV			400	1,100	1,188	1,283	1,386	1,497	1,616	
REVENUES	22,005	16,664	14,900	19,057	18,754	16,761	16,528	16,606	16,695	
COST OF GOODS SOLD	5,801	4,831	5,415	5,425	5,437	5,374	5,313	5,254	5,195	
R&D	1,338	776	1,100	1,100	1,100	1,100	1,100	1,100	1,100	
Selling, General & Amort	8,463	7,250	8,600	8,900	9,200	9,400	9,500	9,500	9,500	
D&A	1,729	1,800	1,300	1100	1,000	650	200	200	200	
COSTS	17,331	14,657	16,415	16,525	16,737	16,524	16,113	16,054	15,995	
EBIT	4,674	2,007	-1,515	2,532	2,017	236	414	552	700	
Statutory Tax Rate 26.6%	1,243	534	-403	673	537	63	110	147	186	
Income	3,431	1,473	-1,112	1,858	1,481	173	304	405	514	
EBIT	4,674	2,007	-1,515	2,532	2,017	236	414	552	700	
Taxes	1,243	534	-403	673	537	63	110	147	186	
D&A	1729	1,800	1,300	1,100	1,000	650	200	200	200	
Capex of maintenance	144	300	312	324	337	351	365	380	395	Terminal Value
Free Cash Flow	5,016	2,973	-124	2,634	2,143	472	139	226	319	5,426
Free Cash Flow PV			-115	2,258	1,701	347	95	142	186	2,931

TABLE 3. DISCOUNTED CASH FLOW FOR DOWN-SIDE SCENARIO

DCF Base Scenario

Revenues (k$)	2019	2020 LTM	2021	2022	2023	2024	2025	2026	2027	
SKINCARE	7,602	6,838	7,500	7,500	7,500	7,500	7,500	7,500	7,500	
PLIAGLIS USA	6,272	7,471	2000	2,000	2,000	2,000	2,000	2,000	2,000	
PLIAGLIS EU	5,459	413	300	1,500	1,700	1,700	1,700	1,700	1,700	
PLIAGLIS RoW	0	0	100	300	450	1,000	1,100	1,200	1,300	
PLIAGLIS UPFRONT-MILESTONE			1,300	2,000	1,800					
CDMO	2,672	1,942	2,600	3,000	3,100	3,100	3,100	3,100	3,100	
CTX 101				500	600	600	600	600	600	
MILESTONE-CTX101			700	800	300					
CTX 102					600	600	600	600	600	
MILESTONE-CTX102				700	700	300				
OTHER JV			400	1,300	1,404	1,516	1,638	1,769	1,910	
REVENUES	22,005	16,664	14,900	19,600	20,154	18,316	18,238	18,469	18,710	
COST OF GOODS SOLD	5,801	4,831	5,325	5,625	5,700	5,700	5,700	5,700	5,700	
R&D	1,338	776	1,100	1,100	1,100	1,100	1,100	1,100	1,100	
Selling, General & Amort	8,463	7,250	8,600	8,900	9,200	9,400	9,500	9,500	9,500	
D&A	1,729	1,800	1,300	1,100	1,000	650	200	200	200	
COSTS	17,331	14,657	16,325	16,725	17,000	16,850	16,500	16,500	16,500	
EBIT	4,674	2,007	-1,425	2,875	3,154	1,466	1,738	1,969	2,210	
Statutory Tax Rate 26.6%	1,243	534	-379	765	839	390	462	524	588	
Income	3,431	1,473	-1,046	2,110	2,315	1,076	1,275	1,445	1,622	
EBIT	4,674	2,007	-1,425	2,875	3,154	1,466	1,738	1,969	2,210	
Taxes	1,243	534	-379	765	839	390	462	524	588	
D&A	1,729	1,800	1,300	1,100	1,000	650	200	200	200	
Capex of maintenance	144	300	312	324	337	351	365	380	395	Terminal Value
Free Cash Flow	5,016	2,973	-58	2,886	2,978	1,375	1,110	1,265	1,427	37,114
Free Cash Flow PV			-54	2,474	2,364	1,011	756	797	833	20,051

TABLE 4.DISCOUNTED CASH FLOW FOR BASE SCENARIO

DCF Up-side Scenario

Revenues (k$)	2019	2020 LTM	2021	2022	2023	2024	2025	2026	2027	
SKINCARE	7,602	6,838	7,500	7,875	8,269	8,682	9,116	9,572	10,051	
PLIAGLIS USA	6,272	7,471	2,000	2,000	2,000	2,000	2,000	2,000	2,000	
PLIAGLIS EU	5,459	413	300	1,500	2,000	2,000	2,000	2,000	2,000	
PLIAGLIS RoW	0	0	100	300	450	2,000	2,500	2,500	2,500	
PLIAGLIS UPFRONT-MILESTONE			1,300	2,000	1,800					
CDMO	2,672	1,942	2,600	3,000	3,100	3,300	3,600	3,800	4,200	
CTX 101				500	600	600	600	600	600	
MILESTONE-CTX101			700	800	300					
CTX 102					600	600	600	600	600	
MILESTONE-CTX102					700	700	300			
OTHER JV			400	1,700	1,836	1,983	2,142	2,313	2,498	
REVENUES	22,005	16,664	14,900	19,676	21,656	21,866	2,2859	23,386	24,450	
COST OF GOODS SOLD	5,801	4,831	5,325	5,794	6,046	6,382	6,802	7,157	7,673	
R&D	1,338	776	1,100	1,100	1,100	1,100	1,100	1,100	1,100	
Selling, General & Amort	8,463	7,250	8,600	8,900	9,200	9,400	9,500	9,500	9,500	
D&A	1,729	1,800	1,300	1,100	1,000	650	200	200	200	
COSTS	17,331	14,657	16,325	16,894	17,346	17,532	17,602	17,957	18,473	
EBIT	4,674	2,007	-1,425	2,782	4,310	4,334	5,257	5,429	5,977	
Statutory Tax Rate 26.6%	1,243	534	-379	740	1,146	1,153	1,398	1,444	1,590	
Income	3,431	1,473	-1,046	2,042	3,163	3,181	3,858	3,985	4,387	
EBIT	4,674	2,007	-1,425	2,782	4,310	4,334	5,257	5,429	5,977	
Taxes	1,243	534	-379	740	1,146	1,153	1,398	1,444	1,590	
D&A	1,729	1,800	1,300	1,100	1,000	650	200	200	200	
Capex of maintenance	144	300	312	324	337	351	365	380	395	Terminal Value
Free Cash Flow	5,016	2,973	-58	2,818	3,826	3,480	3,693	3,805	4,192	108,997
Free Cash Flow PV			-54	2,416	3,037	2,558	2,514	2,398	2,446	58,888

TABLE 5. DISCOUNTED CASH FLOW FOR UP-SIDE SCENARIO

Required Disclosures

New Vila Equity Research does not represent an investment service in the terms provided in Article Royal Decree-Law 14/2018, of September 28, Royal Decree 1464/2018, of December 21, as it is a personal opinion from the author on the subject Stock analysis of a generic nature and not personalized to the client's circumstances.

New Vila Equity Research does not offer any investment service or investment auxiliary service in the terms that are included in Spanish laws and especially since it does not fall into the case provided for in article 5.1 letter "g" of Royal Decree 217/2008, it does not require authorization and any registration with the National Securities Market Commission since this service is outside the powers of said institution.