

NEUPATH HEALTH DELIVERS RECORD QUARTERLY REVENUES AND ADJUSTED EBITDA GROWTH QUARTER-OVER-QUARTER

- Delivered record quarterly total revenues of \$15.9 million and record quarterly non-clinic revenues of \$1.0 million in the second quarter of 2022
- Adjusted EBITDA⁽¹⁾ was in line with the comparative three-month period, and increased by 140% quarter-over-quarter to \$0.8 million
- 14th consecutive quarter of positive adjusted EBITDA
- Delivered growth with the opening of two new fluoroscopy suites in July 2022, with two more fluoroscopy suites scheduled to be opened in Fall 2022
- Remains committed to accelerated growth strategy

TORONTO, ONTARIO, August 18, 2022 – NeuPath Health Inc. (TSXV:NPTH), (“NeuPath” or the “Company”), owner and operator of a network of clinics delivering category-leading chronic pain treatment, today announced its financial and operating results for the three and six months ended June 30, 2022. All figures are in Canadian dollars, unless otherwise noted.

Financial and Operational Highlights

- Record quarterly revenue of \$15.9 million and record quarterly non-clinic revenue of \$1.0 million for the three months ended June 30, 2022, compared to \$15.9 million and \$0.7 million for the comparative three-month period;
- For the six months ended June 30, 2022, revenue grew by 4% to \$31.3 million compared to \$30.1 million for the comparative six-month period;
- Adjusted EBITDA was \$0.8 million and \$1.1 million for the three and six months ended June 30, 2022 compared to \$0.8 million and \$1.8 million for the comparative three and six-month periods;
- Adjusted EBITDA for the three months ended June 30, 2022 increased by \$0.5 million or 140% quarter-over-quarter;
- Opened two new fluoroscopy suites in July 2022, with two more fluoroscopy suites scheduled to be opened in Fall 2022, enabling the Company to better serve our patients and expand our service offerings.
- Conducted a strategic review that identified several opportunities for business improvements and began implementation of an accelerated growth strategy, which included several changes at the senior leadership level.

“NeuPath made a great deal of progress towards building a platform for future growth with the recent opening of two new fluoroscopy suites and the first patient visits to our new HealthPointe At CAO clinic in Red Deer,” stated Dianne Carmichael, NeuPath’s Executive Chair. “We expect further business improvements as our recent infrastructure investments allow us to better serve and reach more patients. Further, we continue to evaluate new opportunities to expand our service offering and expand our footprint across Canada.”

Q2 2022 Financial Results

Total revenue is comprised of clinic revenue and non-clinic revenue. Total revenue was \$15.9 million and \$31.3 million for the three and six months ended June 30, 2022 compared to \$15.9 million and \$30.1 million for the three and six months ended June 30, 2021.

Clinic revenue was \$14.9 million and \$29.4 million for the three and six months ended June 30, 2022 compared to \$15.2 million and \$28.8 million for the three and six months ended June 30, 2021. The increase in clinic revenue for the six months ended June 30, 2022 was primarily due to the inclusion of HealthPointe’s revenue for the entirety of the six-month period, as HealthPointe was acquired in February 2021. Overall, capacity utilization was 64% and 63% in the three and six months ended June 30, 2022 and 2021.

⁽¹⁾ Non-International Financial Reporting Standard (“IFRS”) and Other Financial Measures defined by the Company below.

Non-clinic revenue was \$1.0 million and \$1.9 million for the three and six months ended June 30, 2022 compared to \$0.7 million and \$1.4 million for the three and six months ended June 30, 2021.

Gross margin was 17.9% and 17.6% for the three and six months ended June 30, 2022 compared to 17.8% and 19.3% for the three and six months ended June 30, 2021. Gross margin for the three months ended June 30, 2022 was consistent with the comparative three-month period, as higher physician costs as a percentage of revenue was offset by lower transaction costs. The decrease in gross margin for the six months ended June 30, 2022 was primarily driven by higher physician costs as a percentage of revenue, and increased clinic staff and nurse wages.

Gross margin for both the current and comparative three and six-month periods was impacted by remuneration payment accruals due to the HealthPointe acquisition. Additionally, gross margin for the comparative three and six-month periods was impacted by Restricted Share Unit award accruals related to the HealthPointe physician vendors and Canada Emergency Wage Subsidy ("CEWS"). Excluding these transaction-related accruals and CEWS, gross margin % would have been 19.1% and 18.8% for the three and six months ended June 30, 2022 compared to 21.1% and 21.5% for the three and six months ended June 30, 2021.

Adjusted EBITDA was \$0.8 million and \$1.1 million for the three and six months ended June 30, 2022 compared to \$0.8 million and \$1.8 million for the three and six months ended June 31, 2021.

Non-IFRS Financial and Other Measures

The Company discloses non-IFRS measures (such as EBITDA, adjusted EBITDA, gross margin and adjusted gross margin) and non-IFRS ratios (such as gross margin % and adjusted gross margin %) that do not have standardized meanings prescribed by International Financial Reporting Standards (IFRS). The Company believes that shareholders, investment analysts and other readers find such measures helpful in understanding the Company's financial performance. Non-IFRS financial measures and other measures do not have any standardized meaning prescribed by IFRS and may not have been calculated in the same way as similarly named financial measures presented by other reporting issuers and therefore unlikely to be comparable to similar measures presented by other companies. Furthermore, these non-IFRS measures and other measures should not be considered in isolation or as a substitute for measures of performance or cash flows as prepared in accordance with IFRS. These measures should be considered as supplemental in nature and not as a substitute for related financial information prepared in accordance with IFRS.

EBITDA and Adjusted EBITDA

EBITDA refers to net income (loss) determined in accordance with IFRS, before depreciation and amortization, net interest expense (income) and income tax expense (recovery). The Company defines adjusted EBITDA, as EBITDA, excluding stock-based compensation expense, restructuring costs, fair value adjustments, transaction costs, impairment charges and finance income. Management believes EBITDA and adjusted EBITDA are useful supplemental non-GAAP measures to determine the Company's ability to generate cash available for working capital, capital expenditures, debt repayments, interest expense and income taxes.

The following table provides a reconciliation of net loss and comprehensive loss to EBITDA and adjusted EBITDA:

	Three Months ended		Six Months ended	
	June 30		June 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Net loss and comprehensive loss	(367)	(1,148)	(1,276)	(1,850)
Add back:				
Depreciation and amortization	633	814	1,357	1,539
Net interest expense	213	231	419	445
Income tax expense	66	158	116	282
EBITDA	545	55	616	416
Add back:				
Stock-based compensation	29	415	49	492
Transaction costs ⁽¹⁾	-	305	419	916
Finance income	(6)	(9)	(13)	(18)
Adjusted EBITDA	756	766	1,071	1,806
Attributed to:				
Shareholders of NeuPath Health Inc.	784	766	1,102	1,806
Non-controlling interest	(28)	-	(31)	-
	756	766	1,071	1,806

¹ For the three and six months ended June 30, 2022 and 2021, \$188 and \$376 of accrued contingent consideration that under IFRS 3, Business Combinations ("IFRS 3") was not permitted to be included in the acquisition cost and has been accounted for as remuneration rather than consideration transferred.

Gross Margin, Gross Margin %, Adjusted Gross Margin and Adjusted Gross Margin %

Management believes gross margin, gross margin %, adjusted gross margin and adjusted gross margin % are important supplemental non-GAAP measures for evaluating operating performance and to allow for operating performance comparability from period-to-period. Gross margin is calculated as total revenue minus cost of medical services. Gross margin % is calculated as gross margin divided by total revenue. Adjusted gross margin is calculated as gross margin, plus remuneration payment accruals related to the HealthPointe acquisition, RSU award accruals related to the HealthPointe physician vendors, and CEWS payroll subsidies available under the COVID-19 Economic Response Plan were included in cost of medical services. Adjusted gross margin % is calculated as adjusted gross margin divided by total revenue.

The following table provides a reconciliation of total revenue to gross margin and adjusted gross margin:

	Three Months ended		Six Months ended	
	June 30		June 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Clinic revenue	14,942	15,211	29,410	28,753
Non-clinic revenue	994	716	1,937	1,367
Total revenue	15,936	15,927	31,347	30,120
Cost of medical services	13,079	13,098	25,840	24,313
Gross margin⁽¹⁾	2,857	2,829	5,507	5,807
Gross margin %⁽¹⁾	17.9%	17.8%	17.6%	19.3%
Add back:				
HealthPointe RSU award accruals ⁽²⁾	-	340	-	340
HealthPointe remuneration payment accruals ⁽²⁾	188	188	376	376
CEWS payroll subsidies ⁽³⁾	-	-	-	(47)
Adjusted gross margin¹	3,045	3,357	5,883	6,183
Adjusted gross margin %¹	19.1%	21.1%	18.8%	21.5%

- ¹ Gross margin, gross margin %, adjusted gross margin and adjusted gross margin % are non-IFRS measures.
- ² Includes accrued contingent consideration that under IFRS 3 was not permitted to be included in the acquisition cost and has been accounted for as remuneration rather than consideration transferred, and RSU equity award accruals also related to the HealthPointe acquisition.
- ³ CEWS payroll subsidies available under the COVID-19 Economic Response Plan that were included in cost of medical services.

For further details on the results, please refer to NeuPath's Management, Discussion and Analysis and Condensed Consolidated Interim Financial Statements for the three and six months ended June 30, 2022, which are available on the Company's website (www.neupath.com) and under the Company's profile on SEDAR (www.sedar.com).

About NeuPath

NeuPath is a vertically integrated health care provider utilizing research, data-driven insights, technology, and interdisciplinary care to help restore function for patients impacted by chronic pain, spinal injuries, sport-related injuries, and concussions. With equity ownership in seventeen clinics in Ontario and Alberta, NeuPath is building out a large-scale network to better serve patients across Canada and the United States. NeuPath is focused on transforming the hope of a better life into the reality of a life more fully lived.

Forward-Looking Statements

This news release contains forward-looking statements. All statements, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future including, without limitation, the execution of the Company's expansion strategy in 2022, including the build out of the Company's network in Alberta are forward-looking statements. These forward-looking statements reflect the current expectations or beliefs of the Company based on information currently available to the Company. Forward-looking statements are subject to a number of risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the forward-looking statements, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on, the Company. Factors that could cause actual results or events to differ materially from current expectations included in this news release include, among other things, the severity, duration and spread of the COVID-19 outbreak, as well as its direct and indirect impacts that the pandemic may have on the Company's operations, adverse market conditions, risks associated with obtaining and maintaining the necessary governmental permits and licenses related to the business of the Company, increasing competition in the market and other risks generally inherent in the chronic pain, sports medicine, concussion and workplace health services markets. A comprehensive discussion of these and other risks and uncertainties can be found in the Company's annual information form dated March 17, 2022 filed on SEDAR under the Company's profile at www.sedar.com.

Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions underlying the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and accordingly undue reliance should not be put on such statements due to their inherent uncertainty.

For more information, please contact:

Jeff Zygouras
info@neupath.com

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