Jazz Pharmaceuticals Updates 2021 Financial Guidance to Include Recently Acquired GW Pharmaceuticals plc

June 17, 2021

2021 Total Revenue Guidance Increased to a Range of $3.02 Billion to $3.18 Billion
Acquisition of GW Expected to Drive Accelerated Revenue Growth and Diversification

DUBLIN, June 17, 2021 /PRNewswire/ -- Jazz Pharmaceuticals plc (Nasdaq: JAZZ) today updated its full year 2021 financial guidance to incorporate the GW Pharmaceuticals (GW) business, which the Company acquired on May 5, 2021.

"We expect 2021 to be another exciting, productive and transformational year for Jazz and are pleased to update our guidance to include the addition of GW. Our guidance reflects strong execution across our commercial portfolio, continued investment in both our ongoing and planned launches and strategic investments in R&D to advance therapies to patients in critical need of new treatment options. These investments will support the recent successful launches of both Xywav™ and Zepzelca™, the ongoing growth of Epidiolex®, the anticipated launches of JZP458 for ALL or LBL and Xywav in idiopathic hypersomnia, and the rolling launch of Epidyolex® in Europe. As part of our continued R&D efforts we also look forward to advancing our PTSD and essential tremor programs, the nabiximols clinical trial program to support a U.S. regulatory approval, and our new cannabinoid research platform," said Renée Galá, chief financial officer of Jazz Pharmaceuticals. "We believe Epidiolex has near-term blockbuster potential and expect the addition of Epidiolex and the GW pipeline to deliver double-digit revenue growth, accelerated revenue diversification and substantial shareholder value. With the addition of GW, we are excited to transform the lives of even more patients and their families."

As a result of the acquisition, the Company expects:

- **Accelerated revenue diversification with double digit revenue growth;** expect to generate 65% of 2022 revenues from products that have been launched or acquired since 2019[1]
- **Earnings accretion,** with the GW acquisition expected to be non-GAAP adjusted EPS accretive in the first full calendar year of combined operations and substantially accretive thereafter
- **Strong cash flows,** which will enable rapid deleveraging, targeting less than 3.5x net leverage by the end of 2022
- **Continued investment in its broad and productive pipeline** to drive long-term shareholder value
- **Additional value to be delivered through continued corporate development activity,** while achieving deleveraging targets

2021 Financial Guidance[2]

The Company is updating its full year 2021 financial guidance for the combined organization, which includes the anticipated results of GW from May 5, 2021 to December 31, 2021.

(In millions)	Guidance provided as of May 4, 2021	Guidance provided as of June 17, 2021
Revenues	$2,550 - $2,700	$3,020 - $3,180
Total net product sales	$2,540 - $2,685	$3,010 - $3,165
-Neuroscience	$1,785 - $1,885	$2,260 - $2,360
-Oncology	$715 - $835	$715 - $835

GAAP:

(In millions, except per share amounts and percentages)	Guidance provided as of May 4, 2021	Guidance provided as of June 17, 2021
Gross margin %	93%	86%
SG&A expenses	$1,032 - $1,100	$1,468 - $1,560
SG&A expenses as % of total revenues	*38% - 43%*	*46% - 52%*
R&D Expenses	$365 - $410	$542 - $596
R&D expenses as % of total revenues	*14% - 16%*	*17% - 20%*
Effective tax rate	18% - 20%	18% - 21%
Net income (loss) per diluted share	$8.30 - $10.45	($4.70) – ($2.00)[3]
Weighted-average ordinary shares used in per share calculations	58-59	62

Non-GAAP:

(In millions, except per share amounts and percentages)	Guidance provided as of May 4, 2021	Guidance provided as of June 17, 2021
Gross margin %	93%	93%[4,8]
SG&A expenses	$905 - $945	$1,120 - $1,180[5,8]
SG&A expenses as % of total revenues	*34% - 37%*	*35% - 39%*
R&D Expenses	$330 - $370	$500 - $540[6,8]
R&D expenses as % of total revenues	*12% - 15%*	*16% - 18%*

Effective tax rate	16% - 18%	13% - 15%[7,8]
Net income per diluted share	$15.65 - $16.85	$13.40 - $14.70[3,8]
Weighted-average ordinary shares used in per share calculations	58-59	62

1. Products acquired or launched since 2019 include Xywav, Epidiolex, Zepzelca and Sunosi®, as well as the anticipated U.S. launches of JZP458 in acute lymphoblastic leukemia (ALL) / lymphoblastic lymphoma (LBL) and Xywav in idiopathic hypersomnia (in each case subject to FDA approval).
2. The Company's 2021 financial guidance includes the anticipated results of the acquired GW business from the date of acquisition (May 5, 2021) and preliminary estimates of acquisition accounting adjustments related to the acquisition of GW, which estimates are subject to change; any such change could be material.
3. The Company expects the transaction to be dilutive to both GAAP and non-GAAP adjusted net income per diluted share in 2021. On a GAAP basis, this is expected to be primarily due to an increase in the amortization of acquisition-related intangible asset and transaction and integration expenses, the amortization of inventory fair value step-up, increased interest expense and the increase in number of outstanding shares relating to the GW acquisition. On a non-GAAP adjusted basis, this is expected to be due to increased cash interest expense and an increase in the number of outstanding shares.
4. Excludes $200-$225 million of amortization of acquisition-related inventory fair value step-up, $8-$10 million of share-based compensation expense and $2-$4 million of transaction and integration expenses relating to the GW acquisition from estimated GAAP gross margin.
5. Excludes $221-$245 million of transaction and integration expenses relating to the GW acquisition and $127-$135 million of share-based compensation expense from estimated GAAP SG&A expenses.
6. Excludes $35-$45 million of share-based compensation expense and $7-$11 million of transaction and integration expenses relating to the GW acquisition from estimated GAAP R&D expenses.
7. Excludes the income tax effect of adjustments between GAAP net income and non-GAAP adjusted net income.
8. See "Non-GAAP Financial Measures" below. Reconciliations of non-GAAP adjusted guidance measures are included above and in the table titled "Reconciliation of GAAP to Non-GAAP Adjusted 2021 Net Income Guidance" at the end of this press release.

About Jazz Pharmaceuticals

Jazz Pharmaceuticals plc (NASDAQ: JAZZ) is a global biopharmaceutical company whose purpose is to innovate to transform the lives of patients and their families. We are dedicated to developing life-changing medicines for people with serious diseases – often with limited or no therapeutic options. We have a diverse portfolio of marketed medicines and novel product candidates, from early- to late-stage development, in neuroscience and oncology. We actively explore new options for patients including novel compounds, small molecules and biologics, and through cannabinoid science and innovative delivery technologies. Jazz is headquartered in Dublin, Ireland and has employees around the globe, serving patients in nearly 75 countries. For more information, please visit www.jazzpharmaceuticals.com and follow @JazzPharma on Twitter.

Non-GAAP Financial Measures

To supplement Jazz Pharmaceuticals' financial guidance presented in accordance with U.S. generally accepted accounting principles (GAAP), the Company uses certain non-GAAP (also referred to as adjusted or non-GAAP adjusted) financial measures in this press release and the accompanying table. In particular, the Company presents non-GAAP adjusted net income guidance (and the related per share guidance measure) and its line item components, as well as certain non-GAAP adjusted financial guidance measures derived therefrom, including non-GAAP adjusted gross margin percentage guidance and non-GAAP adjusted effective tax rate guidance. Non-GAAP adjusted net income guidance (and the related guidance per share measure) and its line item components exclude from GAAP reported net income guidance (and the related guidance per share measure) and its line item components certain items, as detailed in the reconciliation table that follows, and in the case of non-GAAP adjusted net income guidance (and the related guidance per share measure), adjust for the income tax effect of non-GAAP adjustments. In this regard, the components of non-GAAP adjusted net income guidance, including non-GAAP SG&A expenses guidance and non-GAAP R&D expenses guidance, are income statement line items prepared on the same basis as, and therefore components of, the overall non-GAAP adjusted net income guidance measure.

The Company believes that each of these non-GAAP financial measures provides useful supplementary information to, and facilitates additional analysis by, investors and analysts. In particular, the Company believes that each of these non-GAAP financial measures, when considered together with the Company's financial information prepared in accordance with GAAP, can enhance investors' and analysts' ability to meaningfully compare the Company's results from period to period and to its forward-looking guidance, and to identify operating trends in the Company's business. In addition, these non-GAAP financial measures are regularly used by investors and analysts to model and track the Company's financial performance. Jazz Pharmaceuticals' management also regularly uses these non-GAAP financial measures internally to understand, manage and evaluate the Company's business and to make operating decisions, and compensation of executives is based in part on certain of these non-GAAP financial measures. Because these non-GAAP financial measures are important internal measurements for Jazz Pharmaceuticals' management, the Company also believes that these non-GAAP financial measures are useful to investors and analysts since these measures allow for greater transparency with respect to key financial metrics the Company uses in assessing its own operating performance and making operating decisions.

These non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable GAAP measures; should be read in conjunction with the Company's consolidated financial statements prepared in accordance with GAAP; have no standardized meaning prescribed by GAAP; and are not prepared under any comprehensive set of accounting rules or principles. In addition, from time to time in the future there may be other items that the Company may exclude for purposes of its non-GAAP financial measures; and the Company has ceased, and may in the future cease, to exclude items that it has historically excluded for purposes of its non-GAAP financial measures. For example, commencing in 2020, the Company no longer excludes upfront and milestone payments from the Company's non-GAAP adjusted net income, its line item components and non-GAAP adjusted EPS and related guidance measures. Likewise, the Company may determine to modify the nature of its adjustments to arrive at its non-GAAP financial measures. Because of the non-standardized definitions of non-GAAP financial measures, the non-GAAP financial measures as used by Jazz Pharmaceuticals in this press release and the accompanying tables have limits in their usefulness to investors and may be calculated differently from, and therefore may not be directly comparable to, similarly titled measures used by other companies.

Caution Concerning Forward Looking Statements

This press release contains forward-looking statements, including, but not limited to, statements related to Jazz Pharmaceuticals' growth prospects and future financial and operating results, including the Company's updated 2021 financial guidance and the Company's expectations related thereto; the anticipated benefits to the Company of the acquisition of GW and the anticipated results of the combined company, including the near-term blockbuster potential of Epidiolex, anticipated double-digit revenue growth and accelerated revenue diversification, including the Company's expectations with respect to revenues from newly launched products, as well as the expected accretive impact of the acquisition and the anticipated timing thereof; the Company's expected cash flow enabling the Company's rapid deleveraging; the Company's expectations as to continued investment in its pipeline and continuing to deliver value through corporate development; the anticipated approval and launch of JZP458 in acute lymphoblastic leukemia / lymphoblastic lymphoma and Xywav in idiopathic hypersomnia; and other statements that are not historical facts. These forward-looking statements are based on the Company's current plans, objectives, estimates, expectations and these forward-looking statements are based on the Company's current plans, objectives, estimates, expectations and intentions and inherently involve significant risks and uncertainties.

Actual results and the timing of events could differ materially from those anticipated in such forward- looking statements as a result of these risks and uncertainties, which include, without limitation, risks and uncertainties associated with: maintaining or increasing sales of and revenue from the Company's key marketed products, including Epidiolex and the Company's oxybate products; effectively launching and commercializing the Company's other products and product candidates; risks related to the GW acquisition diverting the attention of Jazz Pharmaceuticals management from ongoing business operations; disruption from the GW acquisition, making it more difficult to conduct business as usual or maintain relationships with customers, employees or suppliers; failure to realize the expected benefits of the GW acquisition; significant transaction costs and/or unknown or inestimable liabilities; the risk that the acquired GW business will not be integrated successfully or that such integration may be more difficult, time-consuming or costly than expected; risks related to future opportunities and plans for the combined company, including the uncertainty of expected future regulatory filings, financial performance and results of the combined company; the dependence of the historical GW business on the successful commercialization of Epidiolex/Epidyolex and the uncertain market potential of Epidiolex; the costly and time-consuming pharmaceutical product development process and the uncertainty of clinical success, including risks related to failure or delays in successfully initiating or completing clinical trials and assessing patients such as those being experienced, and expected to continue to be experienced, by the Company as a result of the effects of the COVID-19 pandemic; the time-consuming and uncertain regulatory approval process, including the risks that the Company may be unable to submit anticipated regulatory filings on the timeframe anticipated, or at all, or that the Company may be unable to obtain regulatory approvals of any of its product candidates, including JZP458 in acute lymphoblastic leukemia / lymphoblastic lymphoma and Xywav in idiopathic hypersomnia, nabiximols and Epidiolex for additional indications, in a timely manner or at all; regulatory initiatives and changes in tax laws; market volatility; the ultimate duration and severity of the COVID-19 pandemic and resulting global economic, financial, and healthcare system disruptions and the current and potential future negative impacts to the Company's business operations and financial results; protecting and enhancing the Company's intellectual property rights; delays or problems in the supply or manufacture of the Company's products and product candidates; complying with applicable U.S. and non-U.S. regulatory requirements; government investigations, legal proceedings and other actions; obtaining and maintaining adequate coverage and reimbursement for the Company's products; identifying and acquiring, in-licensing or developing additional products or product candidates, financing these transactions and successfully integrating acquired product candidates, products and businesses; the Company's ability to realize the anticipated benefits of its collaborations and license agreements with third parties; the possibility that, if Jazz Pharmaceuticals does not achieve the perceived benefits of the acquisition as rapidly or to the extent anticipated by financial analysts or investors, the market price of Jazz Pharmaceuticals' ordinary shares could decline; the Company's ability to achieve expected future financial performance and results and the uncertainty of future tax, accounting and other provisions and estimates, including the uncertainty of the Company's estimates of acquisition accounting adjustments related to the GW acquisition; and other risks and uncertainties affecting the Company and GW Pharmaceuticals, including those described from time to time under the caption "Risk Factors" and elsewhere in Jazz Pharmaceuticals' and GW Pharmaceuticals' Securities and Exchange Commission filings and reports, including the Company's Form 10-K for the year ended December 31, 2020, GW Pharmaceuticals' Form 10-K for the year ended December 31, 2020 and future filings and reports by either company. In addition, while the Company expects the COVID-19 pandemic to continue to adversely affect its business operations and financial results, the extent of the impact on the Company's ability to generate sales of and revenues from its approved products, execute on new product launches, its clinical development and regulatory efforts, its corporate development objectives and the value of and market for its ordinary shares, will depend on future developments that are highly uncertain and cannot be predicted with confidence at this time, such as the ultimate duration and severity of the pandemic, governmental "stay-at-home" orders and travel restrictions, quarantines, social distancing and business closure requirements in the U.S., Ireland, UK and other countries, and the effectiveness of actions taken globally to contain and treat the disease. Moreover, other risks and uncertainties of which the Company is not currently aware may also affect the Company's forward-looking statements and may cause actual results and the timing of events to differ materially from those anticipated.

JAZZ PHARMACEUTICALS PLC
RECONCILIATION OF GAAP TO NON-GAAP ADJUSTED 2021 NET INCOME GUIDANCE*
(In millions, except per share amounts)
(Unaudited)

GAAP net loss	**($290) – ($125)**
Intangible asset amortization	525 – 545
Acquisition accounting inventory fair value step-up	200 – 225
Share-based compensation expense	170 – 190
Transaction and integration related expenses	230 – 260
Non-cash interest expense	90 – 110
Income tax effect of above adjustments	(190) – (200)
Non-GAAP adjusted net income	$830 – $910
GAAP net loss per diluted share	**($4.70) – ($2.00)**
Non-GAAP adjusted net income per diluted share	$13.40 – $14.70

Weighted-average ordinary shares used in per share calculations	62

*Updated June 17, 2021. The Company's 2021 financial guidance includes the anticipated results of the acquired GW business from the date of acquisition (May 5, 2021) and preliminary estimates of acquisition accounting adjustments related to the acquisition of GW, which estimates are subject to change. Any such change could be material.

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