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# Second-Quarter 2018 Financial Update

August 8, 2018

# Forward-Looking Statements

## “Safe Harbor” Statement Under the Private Securities Litigation Reform Act of 1995

“Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995. The statements that are not historical facts contained in this release are forward-looking statements that involve risks and uncertainties including, but not limited to, the commercialization of Gralise, CAMBIA, and Zipsor, royalties associated with Collegium’s commercialization of NUCYNTA and NUCYNTA ER, regulatory approval and clinical development of Cosyntropin, Depomed's financial outlook for 2018 and expectations regarding financial results and potential business opportunities and other risks detailed in the Company's Securities and Exchange Commission filings, including the Company's most recent Annual Report on Form 10-K and most recent Quarterly Report on Form 10-Q. The inclusion of forward-looking statements should not be regarded as a representation that any of the Company's plans or objectives will be achieved. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to publicly release the result of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Depomed undertakes no duty or obligation to update any forward-looking statements contained in this presentation as a result of new information, future events or changes in its expectations except as may be required by law.

This presentation contains non-GAAP financial measures, including EBITDA, adjusted EBITDA and other financial measures labeled as “non-GAAP.” Please refer to Depomed’s August 8, 2018 earnings release on the Depomed website for an explanation of these non-GAAP financial measures and for tables that reconcile the non-GAAP figures to their GAAP equivalent.

# Second-Quarter 2018 Highlights

- Raised full-year guidance range for non-GAAP earnings and adjusted EBITDA and lowered full-year guidance range for neurology franchise net sales
  - Raised non-GAAP earnings and adjusted EBITDA(1) range to $145 million to $155 million from $125 million to $135 million
  - Lowered full-year neurology net sales guidance range to $105 million to $110 million from $120 million to $125 million
- Confirms regulatory plan to file for FDA approval of cosyntropin depot by year end
- Announced agreement with PDL BioPharma to monetize royalty stream
  - Company to receive $20 million in cash
- The Company recognized a $5.0 million payment from Ironwood Pharmaceuticals related to the initiation of a Phase 3 clinical trial
- Company remains on-track to transition to new corporate headquarters in Lake Forest, Illinois and expects name change to Assertio Therapeutics, Inc. mid-August
- On July 9, 2018, the Company announced it is currently engaged in confidential settlement discussions with Purdue Pharma L.P. in connection with ongoing patent infringement litigation

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

# A Clear Strategy for Growth

***Execution of Three-Pillar Growth Strategy Transforms Company***

## MAINTAIN
a Strong/Profitable NUCYNTA® Franchise

- ✓ Commercialization agreement with Collegium Pharmaceutical

## GROW
Neurology Business

- ✓ Amends agreement for CAMBIA® line extension
- ✓ New co-promotion agreement for Zipsor®
- ✓ Strengthens commercial strategy

## BUILD
a New Orphan/Specialty Business

- ✓ Cosyntropin opportunity
- ✓ Began enrollment in new clinical trial to treat rare pediatric disorder

# NUCYNTA® Commercialization Agreement with Collegium

MAINTAIN

- Related to second-quarter 2018 activity, the Company received $33.75 million in cash and recognized $31.2 million in revenue
- For the first four years of the agreement, Depomed expects to receive a minimum annual royalty of $135 million ($132 million prorated for 2018)
- Under the agreement, Collegium began paying royalties to Depomed in the first quarter of 2018

**Collegium and Depomed Share a Commitment to Putting the Patient First**



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# **Growing** Our Neurology Business


- Q2 ‘18 stabilized core neurology brands with positive sequential total prescription growth for the franchise; but more work to do with Gralise
- Co-promotion with Allegis Pharmaceuticals and Zipsor began in June
  - Added approximately 30 new sales reps that focus exclusively on primary care physicians in targeted geographic regions
- Q1 ‘18 amended existing agreement for CAMBIA® line extension



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# Cosyntropin (Synthetic ACTH Depot)

BUILD

- Confirms plan to file for FDA approval of cosyntropin depot by year end
- 1st Indication (diagnostic - for suspected adrenocortical insufficiency)
  - NDA filing in late 2018
  - Pediatric and adult endocrinologists commonly use exogenous ACTH to trigger the body's cortisol response
  - Helps determine if a patient's adrenal/pituitary glands are functioning properly
  - Goal is to demonstrate that the diagnostic performance of cosyntropin depot is comparable to the reference product (Cotrosyn)
- 2nd Indication (Infantile Spasms) Investigational New Drug Trial ongoing
- Diversifies portfolio with cosyntropin (Synthetic ACTH Depot)
- First of a portfolio of high-value, high-touch orphan/specialty products positioned to address the needs of patients, physicians and payors

# Headquarters Relocation and New Corporate Name

- The name change is expected to be effective mid August from “Depomed, Inc.” to “Assertio Therapeutics, Inc.”
- The Company’s ticker symbol changes from “DEPO” to the new trading symbol “ASRT,” effective on the opening of trading
- New headquarters will be fully operational mid-August
  - The company recruited new talent, including experienced pharmaceutical executives from the Chicagoland area
- Q2 2018 the Company received shareholder approval to reincorporate in Delaware and to change its name
- Q1 2018 the company began relocating corporate staff from Newark, CA to new HQ in Lake Forest, IL

# Milestones Driving Growth in 2018 and Beyond

**First Half 2018**

- **NUCYNTA® Commercialization Agreement:** Closed Agreement with Collegium Pharmaceutical
- **Synthetic cosyntropin (Synthetic ACTH Depot):** Commenced Investigational New Drug Trial in Infantile Spasms
- **Amends existing agreement for CAMBIA line extension**
- **Announces new co-promotion agreement for Zipsor**

**Second Half 2018**

- **Refinancing:** Execute Refinancing of Deerfield and Pharmakon Advisors' Secured Debt
- **Synthetic cosyntropin (Synthetic ACTH Depot):** Submission of NDA
- **Agreement with PDL BioPharma to Monetize Royalty Stream:** Company to Receive $20 million in Cash
- **Business Development:** Execute New Opportunities Aimed at Accelerating Growth
- **Purdue Litigation**

**2018: A Year of Growth and Repositioning**
**Setting up for a Potential Breakout 2019/2020**



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# Updated Full-Year 2018 Financial Guidance

| | Prior 2018 Guidance | Current 2018 Guidance |
|---|---|---|
| Neurology Franchise Net Sales | $120 to $125 million | $105 to $110 million |
| GAAP SG&A Expense | $123 to $133 million | $118 to $128 million |
| GAAP R&D Expense | $11 to $16 million | $9 to $14 million |
| Non-GAAP SG&A Expense | $110 to $120 million | $100 to $110 million |
| Non-GAAP R&D Expense | $10 to $15 million | $7 to $12 million |
| GAAP Net Loss | ($22) to ($33) million | ($8) to ($18) million |
| Non-GAAP Adjusted EBITDA | $125 to $135 million | $145 to $155 million |

# Depomed's Transformation is Well Underway

| | Past | Present |
|---|---|---|
| MAINTAIN | • NUCYNTA and Lazanda franchises placed Depomed with a heavy opioid concentration in a volatile market<br>• NUCYNTA field force needed to be downsized and retargeted with significant dislocation risk | • Collegium agreement removes volatility and provides Depomed at least $135M ($132M prorated for 2018) annually for first 4 years<br>• Collegium is a strong and committed partner better positioned to address the opioid continuum of care |
| GROW | • Promotionally-sensitive neurology products under resourced with ~ 40 person field force | • Depomed's renewed commitment to franchise |
| BUILD | • No Third Pillar | • Slán asset transaction divests Lazanda and creates a Third Pillar new orphan / specialty business built around cosyntropin depot |
| RESTRUCTURE | • Pain Field Force: 300 persons<br>• Newark, CA HQ: ~60,000 square feet with 120 people; challenging location to specialty pharmaceutical talent from Chicagoland area | • Pain Field Force eliminated<br>• Moving to New HQ: ~30,000 square feet with ~70 persons; location facilitates recruitment of specialty pharmaceutical talent<br>• Cebranopadol returned to Grünenthal |



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# Appendix

# Note Regarding Use of GAAP and Non-GAAP Financial Measures

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

# Consolidated Statements of Operations

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | (unaudited) | | (unaudited) | |
| Revenues: | | | | |
| Product sales, net | $ 26,838 | $ 100,232 | $ 71,192 | $ 190,517 |
| Commercialization agreement | 31,179 | - | 114,979 | - |
| Royalties and milestones | 5,257 | 225 | 5,507 | 387 |
| Total revenues | 63,274 | 100,457 | 191,678 | 190,904 |
| Costs and expenses: | | | | |
| Cost of sales | 2,753 | 19,725 | 14,797 | 37,499 |
| Research and development expense | 2,180 | 5,614 | 3,708 | 10,698 |
| Selling, general and administrative expense | 31,308 | 50,010 | 60,341 | 98,529 |
| Amortization of intangible assets | 25,444 | 25,735 | 50,888 | 51,470 |
| Restructuring charges | 5,814 | 3,441 | 14,831 | 3,441 |
| Total costs and expenses | 67,499 | 104,525 | 144,565 | 201,637 |
| Income/(loss) from operations | (4,225) | (4,068) | 47,113 | (10,733) |
| Interest and other income | 67 | 282 | 296 | 532 |
| Loss on prepayment of senior notes | - | (5,364) | - | (5,364) |
| Interest expense | (17,010) | (17,758) | (35,078) | (37,882) |
| (Provision for)/benefit from income taxes | 120 | 249 | 445 | 47 |
| Net income/(loss) | $ (21,048) | $ (26,659) | $ 12,776 | $ (53,400) |
| Basic net income/(loss) per share | $ (0.33) | $ (0.43) | $ 0.20 | $ (0.86) |
| Diluted net income/(loss) per share | $ (0.33) | $ (0.43) | $ 0.20 | $ (0.86) |
| Basic shares used in calculation | 63,719 | 62,532 | 63,611 | 62,331 |
| Dilued shares used in calculation | 63,719 | 62,532 | 64,107 | $ 62,331 |

# Consolidated Condensed Balance Sheets

*(in thousands) (unaudited)*

| | June 30, 2018 | December 31, 2017 |
|---|---|---|
| Cash, cash equivalents and marketable securities | $ 57,233 | $ 128,089 |
| Accounts receivable | 42,149 | 72,482 |
| Inventories | 4,977 | 13,042 |
| Property and equipment, net | 11,113 | 13,024 |
| Intangible assets, net | 742,985 | 793,873 |
| Prepaid and other assets | 53,738 | 18,107 |
| Total assets | $ 912,195 | $ 1,038,617 |
| | | |
| Accounts payable | $ 3,144 | $ 14,732 |
| Income tax payable | - | 126 |
| Interest payable | 12,282 | 13,220 |
| Accrued liabilities | 29,434 | 60,496 |
| Accrued rebates, returns and discounts | 80,172 | 135,828 |
| Senior notes | 301,581 | 357,220 |
| Convertible notes | 278,457 | 269,510 |
| Contingent consideration liability | 967 | 1,613 |
| Other liabilities | 14,952 | 16,364 |
| Shareholders' equity | 191,206 | 169,508 |
| Total liabilities and shareholders' equity | $ 912,195 | $ 1,038,617 |

# Reconciliation of GAAP Net Loss to Non-GAAP Adjusted EBITDA
*(in thousands) (unaudited)*

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | (unaudited) | | (unaudited) | |
| GAAP net income/(loss) | $ (21,048) | $ (26,659) | $ 12,776 | $ (53,400) |
| Commercialization agreement revenues [1] | 3,198 | - | (49,288) | - |
| Commercialization agreement cost of sales [1] | - | - | 6,200 | - |
| Nucynta sales reserve [2] | - | - | (10,711) | - |
| Nucynta and Lazanda revenue reserves [3] | (946) | - | (540) | - |
| Managed care dispute reserve | - | - | - | 4,742 |
| Expenses for opioid-related litigation, investigations and regulations [4] | 2,220 | - | 3,047 | - |
| Intangible amortization related to product acquisitions | 25,444 | 25,735 | 50,888 | 51,470 |
| Contingent consideration related to product acquisitions | (260) | (863) | (462) | (5,332) |
| Stock-based compensation | 2,970 | 3,403 | 4,946 | 6,959 |
| Interest income | (70) | (56) | (164) | (260) |
| Interest expense | 17,010 | 22,673 | 35,078 | 42,245 |
| Depreciation | 1,454 | 608 | 2,929 | 1,234 |
| Provision for (benefit from) income taxes | (120) | (249) | (445) | (47) |
| Restructuring and other costs [5] | 6,974 | 3,441 | 15,299 | 3,441 |
| Other costs | (31) | 253 | 178 | 2,529 |
| Non-GAAP adjusted EBITDA | $ 36,795 | $ 28,286 | $ 69,731 | $ 53,581 |

(1) Adjustment for the non-cash value assigned to inventory transferred to Collegium.

(2) Represents a $12.5 million benefit related to the release of sales reserves for which the Company is no longer financially responsible, net of $1.8 million in royalties payable to Grunenthal.

(3) Removal of the impact of revenue reserve adjustment estimates consistent with opioid-related litigation and investigation expense treatment.

(4) Legal costs/expenses related to opioid-related litigation, investigations and regulations pertaining to the Company's historical commercialization of opioid products.

(5) Restructuring and other costs represents non-recurring costs associated with the Company's restructuring and headquarters relocation and CEO transition.

# Reconciliation of GAAP Net Income/(Loss) to Non-GAAP Adjusted Earnings

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | (unaudited) | | (unaudited) | |
| GAAP net income/(loss) | $ (21,048) | $ (26,659) | $ 12,776 | $ (53,400) |
| Commercialization agreement revenues [1] | 3,198 | - | (49,288) | - |
| Commercialization agreement cost of sales [1] | - | - | 6,200 | - |
| Nucynta sales reserve [2] | - | - | (10,711) | $ - |
| Non-cash interest expense on debt | 4,537 | 6,124 | 8,947 | 10,774 |
| Nucynta and Lazanda revenue reserves [3] | (946) | - | (540) | - |
| Managed care dispute reserve | - | - | - | 4,742 |
| Expenses for opioid-related litigation, investigations and regulations [4] | 2,220 | - | 3,047 | - |
| Intangible amortization related to product acquisitions | 25,444 | 25,735 | 50,888 | 51,470 |
| Contingent consideration related to product acquisitions | (260) | (863) | (462) | (5,332) |
| Stock-based compensation | 2,970 | 3,403 | 4,946 | 6,959 |
| Restructuring and other costs [5] | 6,974 | 3,441 | 15,304 | 3,441 |
| Valuation allowance on deferred tax assets | - | 7,534 | - | 15,102 |
| Other costs | (31) | 253 | 178 | 2,529 |
| Income tax effect of non-GAAP adjustments [6] | (8,888) | (13,519) | (16,661) | (26,403) |
| Non-GAAP adjusted earnings | $ 14,170 | $ 5,449 | $ 24,624 | $ 9,882 |
| Add interest expense of convertible debt, net of tax [7] | 1,703 | 1,348 | 3,406 | 2,695 |
| Numerator | $ 15,873 | $ 6,797 | $ 28,030 | $ 12,577 |
| Shares used in calculation [7] | 82,201 | 81,400 | 82,039 | 81,719 |
| Non-GAAP adjusted earnings per share | $ 0.19 | $ 0.08 | $ 0.34 | $ 0.15 |

(1) Adjustment for the non-cash value assigned to inventory transferred to Collegium.

(2) Represents a $12.5 million benefit related to the release of sales reserves for which the Company is no longer financially responsible, net of $1.8 million in royalties payable to Grunenthal.

(3) Removal of the impact of revenue reserve adjustment estimates consistent with opioid-related litigation and investigation expense treatment.

(4) Legal costs/expenses related to opioid-related litigation, investigations and regulations pertaining to the Company's historical commercialization of opioid products.

(5) Restructuring and other costs represents non-recurring costs associated with the Company's restructuring and headquarters relocation and CEO transition.

(6) Calculated by taking the pre-tax non-GAAP adjustments and applying the statutory tax rate.

(7) The Company uses the if-converted method to compute diluted earnings per share with respect to its convertible debt.

# Reconciliation of GAAP Net Loss Per Share to Non-GAAP Adjusted Earnings Per Share
*(unaudited)*

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| GAAP net income/(loss) per share | $ (0.33) | $ (0.43) | $ 0.20 | $ (0.86) |
| Conversion from basic shares to diluted shares | 0.07 | 0.10 | (0.05) | 0.20 |
| Commercialization agreement revenues | 0.04 | - | (0.60) | - |
| Commercialization agreement cost of sales | - | - | 0.08 | - |
| Nucynta sales reserve | - | - | (0.13) | - |
| Non-cash interest expense on debt | 0.06 | 0.08 | 0.11 | 0.13 |
| Nucynta and Lazanda revenue reserves | (0.01) | - | (0.01) | - |
| Managed care dispute reserve | - | - | - | 0.06 |
| Expenses for opioid-related litigation, investigations and regulations | 0.03 | - | 0.04 | - |
| Intangible amortization related to product acquisitions | 0.31 | 0.32 | 0.62 | 0.63 |
| Contingent consideration related to product acquisitions | (0.00) | (0.01) | (0.01) | (0.07) |
| Stock based compensation | 0.04 | 0.04 | 0.06 | 0.09 |
| Restructuring and other costs | 0.08 | 0.05 | 0.18 | 0.06 |
| Valuation allowance on deferred tax assets | - | 0.09 | - | 0.18 |
| Income tax effect of non-GAAP adjustments | (0.11) | (0.17) | (0.20) | (0.32) |
| Add interest expense of convertible debt, net of tax | 0.02 | 0.02 | 0.04 | 0.03 |
| Non-GAAP adjusted earnings per share | $ 0.19 | $ 0.08 | $ 0.34 | $ 0.15 |



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# Restated First Quarter Non-GAAP Adjusted EBITDA

*(in thousands) (unaudited)*

| | Three Months Ended March 31, | |
|---|---|---|
| | **2018** | **2017** |
| **GAAP net income / (loss) reported at Q1** | $ 33,824 (1) | $ (26,741) |
| **Non-GAAP Adjusted EBITDA reported at Q1** | $ 31,807 (1) | $ 25,295 |
| **Specified Items** | $ 1,077 (2) | - |
| **Non-GAAP Adjusted EBITDA Restated** | $ 32,884 (2) | n/a |

(1) For a full reconciliation of GAAP Net Income/(loss) to Non-GAAP Adjusted EBITDA, as originally disclosed by the Company in its earnings release for the fiscal quarter ended March 31, 2018, please see Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 10, 2018.

(2) To ensure consistency and comparability, we have recast our previously provided Non-GAAP Adjusted EBITDA results for the fiscal quarter ended March 31, 2018 to apply our new definition of specified items to such calculation.

# Full-Year 2018 Non-GAAP Guidance Reconciliation

*(in millions) (unaudited)*

| | Full Year 2018 Guidance | | | | | |
|---|---|---|---|---|---|---|
| | Earnings[1] | | R&D | | SG&A | |
| | Low End | High End | Low End | High End | Low End | High End |
| **GAAP** | ($8) | ($18) | $9 | $14 | $118 | $128 |
| **Specified Items[2]** | $153 | $173 | ($2) | ($2) | ($18) | ($18) |
| **Non-GAAP** | $145 | $155 | $7 | $12 | $100 | $110 |

(1) GAAP Earnings guidance refers to GAAP Net Loss and Non-GAAP Earnings Guidance refers to Non-GAAP Adjusted EBITDA.

(2) For purposes of this forward-looking reconciliation, a description of the categories of specified items included in this reconciliation are detailed in the tables above.

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# Second-Quarter 2018 Financial Update

August 8, 2018