The Cannabist Company Reports Second Quarter 2024 Results

August 8, 2024

NEW YORK--(BUSINESS WIRE)--Aug. 8, 2024-- The Cannabist Company Holdings Inc. (Cboe CA: CBST) (OTCQX: CBSTF) (FSE: 3LP) ("The Cannabist Company" or the "Company"), one of the most experienced cultivators, manufacturers and retailers of cannabis products in the U.S., today reported its financial and operating results for the second quarter ended June 30, 2024. All financial information presented in this release is in U.S. GAAP and in thousands of U.S. dollars, unless otherwise noted.

Second Quarter 2024 Financial Highlights *(in $ thousands, excl. margin items):*

	For the Three Months Ended		
	June 30, 2024	**March 31, 2024**	**June 30, 2023**
Revenue	$ 125,190	$ 122,611	$ 129,244
Gross Profit	$ 48,052	$ 42,537	$ 52,122
Adj. Gross Profit[1,2]	$ 48,214	$ 47,967	$ 52,158
Adj. Gross Margin[1,2]	38.5 %	39.1 %	40.4 %
Income (Loss) from Operations	$ 8,006	$ (10,736)	$ 49
Adj. EBITDA[1,2]	$ 17,537	$ 15,304	$ 20,316
Adj. EBITDA Margin[1,2]	14.0 %	12.5 %	15.7 %
Net Income (Loss)	$ (13,643)	$ (34,568)	$ (29,037)

[1] *Denotes a Non-GAAP measure. See "Non-GAAP Financial Measures" in this press release for more information regarding the Company's use of non-GAAP financial measures, as well as Table 4 for reconciliation, where applicable.*

[2] *Both Adj. Gross Profit and Adj. EBITDA exclude $0.16 million in Q2 2024, $5.4 million in Q1 2024, and $0.04 million in Q2 2023; see the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2024 for additional disclosure.*

"Our second quarter results show continued progress in our efforts to build a better business, as we transform our operations and reshape our footprint, all in the process of targeting enhanced profitability. We saw sequential improvement in revenue, gross profit, Adj. EBITDA and Adj. EBITDA margin, and the green shoots that we referenced last quarter continued to flourish. We've announced several transactions that will have a marked impact on the business in aggregate, enabling us to reduce costs, de-risk the balance sheet, and progress towards free cash flow generation," said David Hart, CEO of The Cannabist Company.

He continued, "The expansion of successful brand partnerships, a growing wholesale business, and increased shift toward finished goods have all contributed to another sequential improvement in gross margin for the wholesale segment. As we look ahead for the second half of 2024, we are pleased with the pace of the transition to adult use in Ohio, and are encouraged by continued growth in our mid-Atlantic markets such as Maryland, New Jersey and Virginia. The first half of 2024 has proven to be transformative for The Cannabist Company, and we look forward to further progress as we strive to build a better business."

Top 5 Markets by Revenue in Q2[3]: Colorado, Maryland, New Jersey, Ohio, Virginia

Top 5 Markets by Adjusted EBITDA in Q2[3]: Colorado, Maryland, New Jersey, Ohio, Virginia

[3] *Markets are listed alphabetically*

Operational Highlights for Second Quarter 2024

- Second quarter revenue increased 2% over the prior quarter, and Adjusted EBITDA margin improved more than 150 basis points sequentially.

- Wholesale revenue increased 24% over Q1 and represented 15% of total revenue; in Q2, gross margin for the wholesale segment improved approximately 300 basis points over the prior quarter, driven by mix shift towards finished goods and expansion of successful brand partnerships.
- In Q2, one retail location was opened in Richmond, Virginia; as part of corporate restructuring implemented in June, the Company closed 2 retail locations in New York, 1 in Colorado and 1 in Washington, DC. The quarter-end active retail count was 82.
- Strategic commercial partnerships were expanded, with Old Pal growing to New Jersey and Maryland, and Revelry expanding to Maryland; commercial partnerships with brands such as Old Pal, Airo Brands, ButACake, Revelry Herb Co., and Edie Parker Flower now span 7 markets.

Financial Highlights for Second Quarter 2024

- The Company ended the second quarter with $22 million in cash. In March, the Company closed a $25.75 million private placement offering of 9% convertible notes due 2027, for which the primary use of proceeds was to settle the remaining $13.2 million of the 13% notes that were settled at maturity in May 2024.
- In June, the Company implemented a corporate restructuring that entailed both labor and non-labor reductions, which is expected to generate net annual savings of approximately $10 million.
- In Q2 2024, cash from operations was negative $3 million, compared to negative $6.2 million in Q1.
- Capital expenditures in the second quarter were $1.7 million; capital expenditures are expected to average $2 to $3 million per quarter over the medium-term, largely for new store openings and manufacturing upgrades.
- Subsequent to quarter close, Company announced agreements to divest assets and operations in Eastern Virginia and Arizona for total consideration of $105 million.

Conference Call and Webcast Details

The Company will host a conference call on Thursday, August 8, 2024 at 8:00 a.m. ET to discuss financial and operating results for the second quarter of 2024.

To access the live conference call via telephone, participants must pre-register at https://register.vevent.com/register/BI607a57ec856c421fb501c6a89fdd0daf. After registering, instructions will be shared on how to join the call for those who wish to dial in. A live audio webcast of the call will also be available in the Investor Relations section of the Company's website at https://investors.cannabistcompany.com/ or at https://edge.media-server.com/mmc/p/q8t6m77f.

A replay of the audio webcast will be available in the Investor Relations section of the Company's website approximately 2 hours after completion of the call and will be archived for 30 days.

About The Cannabist Company (f/k/a Columbia Care)

The Cannabist Company, formerly known as Columbia Care, is one of the most experienced cultivators, manufacturers and providers of cannabis products and related services, with operations in 15 US jurisdictions. The Company operates 120 facilities including 94 dispensaries and 26 cultivation and manufacturing facilities, including those under development. Columbia Care, now The Cannabist Company, is one of the original multi-state providers of cannabis in the U.S. and now delivers industry-leading products and services to both the medical and adult-use markets. In 2021, the Company launched Cannabist, its retail brand, creating a national dispensary network that leverages proprietary technology platforms. The company offers products spanning flower, edibles, oils and tablets, and manufactures popular brands including Seed & Strain, Triple Seven, Hedy, gLeaf, Classix, Press, and Amber. For more information, please visit www.cannabistcompany.com.

Non-GAAP Financial Measures

In this press release, the Company refers to certain non-GAAP financial measures, including Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Gross Profit and Adjusted Gross Margin. The Company considers certain non-GAAP measures to be meaningful indicators of the performance of its business. These measures are not recognized measures under GAAP, do not have a standardized meaning prescribed by GAAP and may not be comparable to (and may be calculated differently by) other companies that present similar measures. Accordingly, these measures should not be considered in isolation from nor as a substitute for our financial information reported under GAAP. These non-GAAP measures are used to provide investors with supplemental measures of our operating performance and thus highlight trends in our business that may not otherwise be apparent when relying solely on GAAP measures. These supplemental non-GAAP financial measures should not be considered superior to, as a substitute for, or as an alternative to, and should be considered in conjunction with, the GAAP financial measures presented. We also recognize that securities analysts, investors and other interested parties frequently use non-GAAP measures in the evaluation of companies within our industry.

With respect to non-GAAP financial measures, the Company defines EBITDA as net income (loss) before (i) depreciation and amortization; (ii) income taxes; and (iii) interest expense and debt amortization. Adjusted EBITDA is defined as EBITDA before (i) share-based compensation expense; (ii) goodwill and intangible impairment, (iii) adjustments for acquisition and other non-core costs; (iv) gain on remeasurement of contingent consideration, net, (v) fair value changes on derivative liabilities; and (vi) fair value mark-up for acquired inventory. Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by Revenue. Adjusted Gross Profit is defined as gross profit before the fair mark-up for acquired inventory. Adjusted Gross Margin is defined as gross margin before the fair mark-up for acquired inventory.

The Company views these non-GAAP financial measures as a means to facilitate management's financial and operational decision-making, including evaluation of the Company's historical operating results and comparison to competitors' operating results. These non-GAAP financial measures reflect an additional way of viewing aspects of the Company's operations that, when viewed with GAAP results and the reconciliations to the corresponding GAAP financial measure, may provide a more complete understanding of factors and trends affecting the Company's business. The determination of the amounts that are excluded from these non-GAAP financial measures are a matter of management judgment and depend upon, among other

factors, the nature of the underlying expense or income amounts. Because non-GAAP financial measures exclude the effect of items that will increase or decrease the Company's reported results of operations, management strongly encourages investors to review the Company's consolidated financial statements and publicly filed reports in their entirety.

Reconciliations of non-GAAP financial measures to their nearest comparable GAAP measures are included in this press release and a further discussion of some of these items are contained in our annual report on Form 10-K and in our quarterly report on Form 10-Q.

Caution Concerning Forward-Looking Statements

This press release contains certain statements that constitute forward-looking information or forward looking statements within the meaning of applicable securities laws and reflect the Company's current expectations regarding future events. Statements concerning the Company's objectives, goals, strategies, priorities, intentions, plans, beliefs, expectations and estimates, and the business, operations, financial performance and condition of the Company are forward-looking statements. The words "believe", "expect", "anticipate", "estimate", "intend", "may", "will", "would", "could", "should", "continue", "plan", "goal", "objective", and similar expressions and the negative of such expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Forward looking statements in this press release include, among others, statements related to: the Company's corporate restructuring and related expected savings; the divestiture of the Company's Arizona and Eastern Virginia assets and expected impacts thereof; the expected adult use sales in Ohio and Delaware; expectations related to growth, cost management and financial numbers including free cash flow and capital expenditures; our ability to continue to reduce corporate SG&A, reduce leverage, enhance cash flow from operations and drive innovation through technology and product/brand development; the planned opening of additional Cannabist locations; the Company's ability to reduce debt and reduce interest expense of its outstanding debt; our ability to execute on divestiture transactions; and ongoing business expectations.

The Company has made assumptions with regard to its ability to execute on initiatives, which although considered reasonable by the Company, may prove to be incorrect and are subject to known and unknown risks and uncertainties that may cause actual results, performance or achievements of the Company to be materially different from those expressed or implied by any forward-looking information. Forward-looking information involves numerous assumptions, including the fact that cannabis remains illegal under federal law; the application of anti-money laundering laws and regulations to the Company; legal, regulatory or political change to the cannabis industry; access to the services of banks; access to public and private capital for the Company; unfavorable publicity or consumer perception of the cannabis industry; expansion into the adult-use markets; the impact of laws, regulations and guidelines; the impact of Section 280E of the Internal Revenue Code; the impact of state laws pertaining to the cannabis industry; the Company's reliance on key inputs, suppliers and skilled labor; the difficulty of forecasting the Company's sales; constraints on marketing products; potential cyber-attacks and security breaches; net operating loss and other tax attribute limitations; the impact of changes in tax laws; the volatility of the market price of the common shares of the Company; reliance on management; litigation including existing claims and those which may surface from time to time; future results and financial projections; the impact of global financial conditions and disease outbreaks; projected revenue and expected gross margins, capital allocation, EBITDA break even targets and other financial results; growth of the Company's operations via expansion; statements relating to the business and future activities of, and developments related to, the Company after the date of this press release, including such things as future business strategy, competitive strengths, goals, expansion and growth of the Company's business, operations and plans; expectations that planned transactions will be completed as previously announced; expectations regarding cultivation and manufacturing capacity; expectations regarding receipt of regulatory approvals; expectations that licenses applied for will be obtained; potential future legalization of adult-use and/or medical cannabis under U.S. federal law; expectations of market size and growth in the U.S. and the states in which the Company operates; expectations for other economic, business, regulatory and/or competitive factors related to the Company or the cannabis industry generally; the impact of the Company's plans to reduce debt and interest expense of its outstanding debt; and other events or conditions that may occur in the future.

Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as at the date they are made and are based on information currently available and on the then current expectations. Holders of securities of the Company are cautioned that forward-looking statements are not based on historical facts but instead are based on reasonable assumptions and estimates of management of the Company at the time they were provided or made and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, as applicable, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Securityholders should review the risk factors discussed under "Risk Factors" in the Company's Form 10-K for the year ended December 31, 2023, as filed with the applicable securities regulatory authorities and as also described from time to time in other documents filed by the Company with U.S. and Canadian securities regulatory authorities.

The purpose of forward-looking statements is to provide the reader with a description of management's expectations, and such forward-looking statements may not be appropriate for any other purpose. In particular, but without limiting the foregoing, disclosure in this press release as well as statements regarding the Company's objectives, plans and goals, including future operating results and economic performance may make reference to or involve forward-looking statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. A number of factors could cause actual events, performance or results to differ materially from what is projected in the forward-looking statements. No undue reliance should be placed on forward-looking statements contained in this press release. Such forward-looking statements are made as of the date of this press release.

The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. The Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement.

TABLE 1 - CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in US $ thousands, except share and per share figures, unaudited)

	Three Months Ended		
	June 30, 2024	**March 31, 2024**	**June 30, 2023**
Revenue	$ 125,190	$ 122,611	$ 129,244

Cost of sales	(77,138)	(80,074)	(77,122)
Cost of sales related to business combination fair value adjustments to inventory	-	-	-
Gross profit	48,052	42,537	52,122
Selling, general and administrative expenses	(40,046)	(53,273)	(52,073)
Profit (loss) from operations	8,006	(10,736)	49
Other income (expense), net	(12,007)	(14,964)	(22,781)
Income tax benefit (expense)	(9,642)	(8,868)	(6,305)
Net income (loss)	(13,643)	(34,568)	(29,037)
Net income (loss) attributable to non-controlling interests	698	505	(174)
Net income (loss) attributable to Cannabist Company shareholders	$ (14,341)	$ (35,073)	$ (28,863)
Weighted average common shares outstanding - basic and diluted	460,653,957	445,633,865	405,782,234
Earnings per common share attributable to Cannabist Company shareholders - basic and diluted	$ (0.03)	$ (0.08)	$ (0.07)

TABLE 2 - CONDENSED CONSOLIDATED BALANCE SHEET (SELECT ITEMS)
(in US $ thousands, unaudited)

	Three Months Ended		
	June 30, 2024	**March 31, 2024**	**December 31, 2023**
Cash	$ 22,332	$ 44,473	$ 35,764
Total current assets	167,258	189,887	187,527
Property and equipment, net	284,434	291,125	298,498
Right of use assets	209,294	213,668	218,273
Total assets	777,115	812,831	823,111
Total current liabilities	209,845	165,979	160,044
Total liabilities	753,731	769,923	757,759
Total equity	23,384	42,908	65,352
Total liabilities and equity	$ 777,115	$ 812,831	$ 823,111

TABLE 3 - CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in US $ thousands, unaudited)

	Three Months Ended		
	June 30, 2024	**March 31, 2024**	**December 31, 2023**
Net cash provided by (used in) operating activities	$ (3,448)	$ (6,211)	$ 9,380

Net cash provided by (used in) investing activities	(1,547)	2,403	(25,437)
Net cash provided by (used in) financing activities	$ (17,146)	$ 12,517	$ (8,197)

TABLE 4 - RECONCILIATION OF US GAAP TO NON-GAAP MEASURES
(in US $ thousands, unaudited)

	Three Months Ended		
	June 30, 2024	March 31, 2024	June 30, 2023
Net income (loss)	$ (13,643)	$ (34,568)	$ (29,037)
Income tax (benefit) expense	9,642	8,868	6,305
Depreciation and amortization	13,583	13,964	14,615
Net interest and debt amortization	13,121	12,480	13,784
EBITDA (Non-GAAP)	$ 22,703	$ 744	$ 5,667
Share-based compensation	$ (8,144)	$ 3,182	$ 3,468
Goodwill and intangible impairment	-	-	-
Adjustments for other acquisition and non-core costs	2,996	9,032	11,181
Gain on remeasurement of contingent consideration, net	-	-	-
Fair value changes on derivative liabilities	(18)	2,346	-
Fair value mark-up for acquired inventory	-	-	-
Adjusted EBITDA (Non-GAAP)	$ 17,537	$ 15,304	$ 20,316

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Investor Contact
Lee Ann Evans
SVP, Capital Markets
investor@cannabistcompany.com

Media Contact
Lindsay Wilson
SVP, Communications
media@cannabistcompany.com

Source: The Cannabist Company Holdings Inc.