



The Cannabist Company Reports Third Quarter 2024 Results

November 7, 2024

NEW YORK--(BUSINESS WIRE)--Nov. 7, 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 third quarter ended September 30, 2024. All financial information presented in this release is in U.S. GAAP and in thousands of U.S. dollars, unless otherwise noted.

Third Quarter 2024 Financial Highlights (in \$ thousands, excl. margin items):

	For the Three Months Ended		
	September 30, 2024	June 30, 2024	September 30, 2023
Revenue	\$ 114,783	\$ 125,190	\$ 129,183
Gross Profit	\$ 43,810	\$ 48,052	\$ 37,142
Adj. Gross Profit ^[1,2]	\$ 43,810	\$ 48,214	\$ 50,275
Adj. Gross Margin ^[1,2]	38.2%	38.5%	38.9%
Income (Loss) from Operations	\$ (5,626)	\$ 8,006	\$ (19,330)
Adj. EBITDA ^[1,2]	\$ 14,815	\$ 17,537	\$ 20,493
Adj. EBITDA Margin ^[1,2]	12.9%	14.0%	15.9%
Net Income (Loss)	\$ (1,763)	\$ (13,643)	\$ (36,180)

^[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 and \$13.1 million in Q3 2023; see the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2024 for additional disclosure.

"The results in the third quarter are indicative of the continued transformation that is underway at The Cannabist Company as we strive to build a better business by strategically reshaping our footprint, streamlining operations, and derisking the balance sheet. In the third quarter, we closed on significant transactions with the sale of Arizona and Eastern Virginia assets for total consideration of approximately \$105 million, bringing a significant capital infusion into the business and strengthening our balance sheet. We have exited, or are in the process of exiting, unprofitable and underperforming locations in Florida; Washington, D.C.; and Boston. We achieved continued improvement in wholesale and will continue to lean into markets where we have additional capacity and opportunity to grow. In addition, we were extremely well prepared for the transition to adult use in Ohio, which drove an outstanding performance in the quarter," said David Hart, CEO of The Cannabist Company.

He continued, "Our optimization work is not yet done. Moving ahead into the fourth quarter and next year, we are continuing on our path to enhanced profitability. Our Adjusted EBITDA margin target during 2025 remains above 20%. We will have a smaller, leaner operating footprint and scaled corporate overhead to match. We have exciting growth catalysts in 2025, including Adult Use in Delaware and additional retail locations in top markets such as New Jersey, Virginia, and Ohio."

Top 5 Markets by Revenue in Q3^[3]: Colorado, Maryland, New Jersey, Ohio, Virginia

Top 5 Markets by Adjusted EBITDA in Q3^[3]: Colorado, Maryland, New Jersey, Ohio, Virginia

^[3] Markets are listed alphabetically

Financial Highlights for Third Quarter 2024

- Third quarter revenue of \$114.8 million, a decrease of 8% from the second quarter, primarily as a result of the sale of

Eastern Virginia and Arizona businesses in August; excluding divested assets for both Q2 and Q3, revenue would have been flat quarter over quarter.

- Adjusted EBITDA in Q3 was \$14.8 million, down from \$17.5 million in Q2, Adjusted EBITDA margin of 13%, compared to 14% in the second quarter; sequential contraction in Adjusted EBITDA and Adjusted EBITDA margin is a result of sale of businesses in Virginia and Arizona.
- The Company ended the second quarter with \$31.5 million in cash, up from \$22 million at the end of Q2.
- On August 22, Company closed on the sale of assets and operations in Eastern Virginia and Arizona for total consideration of \$105 million, with net cash proceeds in the quarter of \$31 million.
- On August 23, Company announced definitive agreements for the sale of all 14 Cannabist dispensaries and 3 cultivation facilities in Florida for a total consideration of \$16.4 million; as part of the transactions, Company will retain an MMTC license that it intends to sell for additional consideration.
- In Q3 2024, cash from operations was negative \$18 million, compared to negative \$3 million in Q2 and negative \$6 million in Q1.
- Capital expenditures in the third quarter were \$1.5 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 submitted an amended tax return and refund claim for \$5 million associated with 280E for the 2020 tax year.

Operational Highlights for Third Quarter 2024

- Wholesale revenue increased 2% in Q3 and represented 17% of total revenue, up from 15% of total revenue in Q2.
- Company participated in day one of adult use sales in Ohio, with volume nearly doubling for the 5 active retail locations; Ohio demonstrated largest increase in revenue and Adjusted EBITDA quarter over quarter.
- As a result of the sale of retail locations in Arizona (2) and Eastern Virginia (6), the quarter-end active retail count was 74; subsequent to quarter close, the Company closed one location in Boston and closed on the sale of 14 locations in Florida, as previously announced.
- Company has additional retail locations in development, including in New Jersey (1), Virginia (1) and Ohio (3).

Conference Call and Webcast Details

The Company will host a conference call on Thursday, November 7, 2024 at 8:00 a.m. ET to discuss financial and operating results for the third quarter of 2024.

To access the live conference call via telephone, participants must pre-register at <https://register.vevent.com/register/B1449b84a9c5524f96aad44285a361646f>. 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/xvrryett>.

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 licenses in 14 U.S. jurisdictions. The Company operates 91 facilities including 71 dispensaries and 20 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			
	September 30, 2024	June 30, 2024	March 31, 2024	September 30, 2023
Revenue	\$ 114,783	\$ 125,190	\$ 122,611	\$ 129,183
Cost of sales	(70,973)	(77,138)	(80,074)	(92,041)
Gross profit	43,810	48,052	42,537	37,142
Selling, general and administrative expenses	(49,436)	(40,046)	(53,273)	(56,472)
Profit (loss) from operations	(5,626)	8,006	(10,736)	(19,330)
Other income (expense), net	25,701	(12,007)	(14,964)	(14,553)
Income tax benefit (expense)	(21,838)	(9,642)	(8,868)	(2,297)
Net income (loss)	(1,763)	(13,643)	(34,568)	(36,180)
Net income (loss) attributable to non-controlling interests	97	698	505	545
Net income (loss) attributable to Cannabist Company shareholders	\$ (1,860)	\$ (14,341)	\$ (35,073)	\$ (36,725)
Weighted average common shares outstanding - basic and diluted	470,552,039	460,653,957	445,633,865	409,113,721
Earnings per common share attributable to Cannabist Company shareholders - basic and diluted	\$ (0.00)	\$ (0.03)	\$ (0.08)	\$ (0.09)

TABLE 2 - CONDENSED CONSOLIDATED BALANCE SHEET (SELECT ITEMS)

(in US \$ thousands, unaudited)

	Three Months Ended			
	September 30, 2024	June 30, 2024	March 31, 2024	September 30, 2023
Cash	\$ 31,497	\$ 22,332	\$ 44,473	\$ 60,273
Total current assets	234,977	167,258	189,887	230,829
Property and equipment, net	232,305	284,434	291,125	326,725
Right of use assets	152,540	209,294	213,668	222,351
Total assets	770,702	777,115	812,831	948,394
Total current liabilities	255,532	209,845	165,979	197,268
Total liabilities	746,699	753,731	769,923	797,608
Total equity	24,003	23,384	42,908	150,786
Total liabilities and equity	\$ 770,702	\$ 777,115	\$ 812,831	\$ 948,394

TABLE 3 - CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in US \$ thousands, unaudited)

Three Months Ended
September 30, 2024 June 30, 2024 March 31, 2024 September 30, 2023

Net cash provided by (used in) operating activities	\$ (18,015)	\$ (3,448)	\$ (6,211)	\$ 1,809
Net cash provided by (used in) investing activities	29,429	(1,547)	2,403	24,253
Net cash provided by (used in) financing activities	\$ (2,249)	\$ (17,146)	\$ 12,517	\$ (804)

TABLE 4 - RECONCILIATION OF US GAAP TO NON-GAAP MEASURES

(in US \$ thousands, unaudited)

	Three Months Ended			
	September 30, 2024	June 30, 2024	March 31, 2024	September 30, 2023
Net income (loss)	\$ (1,763)	\$ (13,643)	\$ (34,568)	\$ (36,180)
Income tax (benefit) expense	21,838	9,642	8,868	2,297
Depreciation and amortization	11,767	13,583	13,964	17,929
Net interest and debt amortization	13,127	13,121	12,480	14,500
EBITDA (Non-GAAP)	\$ 44,969	\$ 22,703	\$ 744	\$ (1,454)
Share-based compensation	\$ 2,374	\$ (8,144)	\$ 3,182	\$ 8,321
Goodwill and intangible impairment	-	-	-	-
Adjustments for other acquisition and non-core costs	(36,723)	2,996	9,032	13,601
Gain on remeasurement of contingent consideration, net	-	-	-	-
Fair value changes on investments and derivative liabilities	4,195	(18)	2,346	25
Fair value mark-up for acquired inventory	-	-	-	-
Adjusted EBITDA (Non-GAAP)	\$ 14,815	\$ 17,537	\$ 15,304	\$ 20,493

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