

# Columbia Care Reports Fourth Quarter and Full Year 2019 Financial Results

*Fourth quarter and full year 2019 adjusted revenue<sup>(1)</sup> of \$24.5 million and \$78.8 million, an increase of 123% and 100%, respectively, from prior year period*

*Pro forma the acquisition of The Green Solution, full year adjusted revenue of \$154.5 million; transaction on track to close in Q2 2020*

NEW YORK--(BUSINESS WIRE)-- Columbia Care Inc. (NEO: CCHW) (OTCQX: CCHWF) (FSE: 3LP) (“Columbia Care” or the “Company”), one of the largest fully integrated operators in the global medical cannabis industry with licenses across the US and EU, today reported financial and operating results for its fourth quarter and full year ended December 31, 2019. All financial information is provided in US dollars unless otherwise indicated.

“2019 was a historic year for Columbia Care. We delivered a third straight quarter of triple-digit revenue growth as well as 100% top line revenue growth for the year. We are now active in 14<sup>(2)</sup> US jurisdictions with 35 dispensaries in operation and six more awaiting regulatory approval to open. We successfully launched adult use sales in Illinois and Massachusetts markets where we experienced three- to five-times revenue growth almost overnight. We remain on track to close our acquisition of The Green Solution, Colorado’s market leader, and with as many as seven of our medical-only markets potentially converting to adult use, the timing could not be better to create shareholder value and build the best company in the industry,” said Nicholas Vita, chief executive officer at Columbia Care.

“Since we went public last April, our team has doubled the number of markets in which we operate, opened more dispensaries in one year than we had in the previous seven combined, and most importantly, provided access to our portfolio of proprietary, precision dosed, high-quality cannabis-based medicines to a record number of patients and guests. We continued to innovate, improving the customer experience through the national launch of the CNC Card, the nation’s first legal credit card for purchasing cannabis products, now available in eight markets and growing, as well as through the expansion of our proprietary home delivery service, CC@Home. Following the success of the retail and e-commerce launches of Columbia Care Platinum CBD products in the US, we entered the European marketplace in December and January, taking an asset-light approach by leveraging existing resources and selling in federally regulated and reimbursed medical marijuana programs. Now that we have completed our 2019 capital program, we can leverage our fixed assets to drive profitability in each market and on a consolidated basis. Investors should expect the pace of activity to increase as we execute against our unrelenting desire to make Columbia Care the best-in-class and most-trusted global cannabis provider.”

## Stand-alone fourth quarter 2019 operating highlights

- Adjusted revenue of \$24.5 million, an increase of 123% from the prior year period

- Revenue of \$23.2 million, an increase of 111% from the prior year period
- Gross profit of \$5.5 million (excludes changes in fair value of biological assets and inventory sold), an increase of 40% over the prior year period
- Adjusted EBITDA of (\$13.9) million compared to (\$2.9) million for the prior year period, driven by buildout and scaling efforts leading up to new market launches
- The Company completed a sale leaseback transaction valued at \$35 million
- \$47.5 million cash on hand as of December 31, 2019, and no debt
- Received approval to commence selling flower in its Florida dispensaries
- Expanded CNC Card, the nation's first legal cannabis credit card, to eight jurisdictions

### **Stand-alone full year 2019 financial highlights**

- Adjusted revenue of \$78.8 million, an increase of 100% from the prior year
- Revenue of \$77.5 million, an increase of 97% from the prior year
- Gross profit of \$20.6 million (excludes changes in fair value of biological assets and inventory sold), an increase of 25% over the prior year
- Adjusted EBITDA of (\$46.9) million compared to (\$11.1) million for the prior year, driven by buildout and scaling efforts leading up to new market launches

### **Pro forma full year 2019 financial summary<sup>(3)</sup>**

- Adjusted revenue of \$154.5 million
- Gross profit of \$53.1 million (excludes changes in fair value of biological assets and inventory sold)
- Adjusted EBITDA of (\$38.7) million

### **Subsequent events:**

- Launch of adult use sales in Chicago, Illinois, completion of Aurora cultivation and manufacturing expansion allowing the Company to tap into wholesale and retail market opportunities
- Opening of six dispensaries, increasing total number in operation to 35; six additional dispensaries awaiting final regulatory approval to open
- Opening of the Company's manufacturing facility in San Diego, allowing the Company to launch its high-quality, precision dose-metered products throughout California
- Approval to sell flower products in New York State
- Approval to commence cultivation in New Jersey
- Awarded a dispensary license in Utah as well as processing and dispensary licenses in Missouri<sup>(4)</sup>
- Achieved first OTC sales of its premium Columbia Care Platinum CBD products in Europe
- Initiated annual review process to optimize workforce and labor efficiency – on target to significantly reduce overall corporate expense as a percentage of revenue by year end
- Added Frank Savage and Jeff Clarke to its Board of Directors
- Established a Strategic Advisory Board, appointing former directors John Howard and David Solomon as inaugural members

**2020 Financial Guidance Summary** (see "Outlook and Guidance" below for further discussion)

Metric	Stand-alone basis	Pro forma basis
<b>Revenue</b>	\$155M - \$180M	\$234M - \$265M
<b>Gross Margin</b>	40%+ in Q4	40%+ in Q4
<b>Break-even Adjusted EBITDA timing</b>	Q4	Q3
<b>Full year CAPEX</b>	\$25M - \$30M	\$25M - \$30M

## Discussion of Fourth Quarter 2019 and Full Year 2020 Results

Adjusted revenue for the fourth quarter and full year 2019 was \$24.5 million and \$78.8 million respectively, compared to fourth quarter and full year 2018 revenue of \$11.0 and \$39.3 million, representing an increase of 123% and 100%, respectively, over prior year periods. See “Table 5 – Adjusted Revenues”.

Adjusted revenue increase was driven by a combination of the Company’s on-going expansion of its dispensary network as well as higher consumer demand for its products at its existing dispensaries highlighted by the launch of adult use sales in Massachusetts. Regulatory delays for facility and product launches continued to drive timelines.

Excluding the impact of fair value adjustments for biological assets, gross profit for the fourth quarter and full year 2019 was \$5.5 million and \$20.6 million, or an increase of 40% and 25%, respectively, over the prior year periods.

The Company’s gross profit for the fourth quarter and full year 2019 was \$18.2 million and \$36.9 million respectively, compared to fourth quarter and full year 2018 gross profit of (\$0.6) million and \$17.1 million. The increase in gross profit was primarily driven by volume growth in business as well as an increase in the volume of unharvested plants and inventory, partially offset by production costs of new facilities that were not yet operating at commercial scale.

Adjusted EBITDA for the fourth quarter and full year 2019 was (\$13.9) million and (\$46.9) million respectively, compared to (\$2.9) million and (\$11.1) million for the prior year periods. Changes in Adjusted EBITDA were primarily driven by the Company’s on-going execution against its 2019 growth initiatives, including new and existing market expansion, post-construction/pre-approval facility operating expenses, organization growth and professional fees. See “Table 2 – Reconciliation of IFRS to Non-IFRS Measures”.

Net loss for the fourth quarter and full year 2019 was (\$28.0) million and (\$106.7) million, compared to (\$20.4) million and (\$39.7) million for the prior year periods, primarily attributable to increases in share-based compensation, salary and benefit costs, professional fees and overall facility costs resulting from the Company’s on-going expansion in both new and existing markets.

As of December 31, 2019, the Company had \$47.5 million cash on hand and carried no debt.

## Outlook and Guidance

For Fiscal 2020, the Company is providing guidance to reflect the transition from its 2019

growth strategy of activating licensed jurisdictions to achieving scale in each market. As a practical matter, in providing its 2020 guidance, Columbia Care does not incorporate changes in the regulatory environment, including the potentially positive impact of any future transitions from medical only to medical and adult use programs, despite our expectations for several markets to convert in the next 12 months. The Company also excludes recent wins in Missouri and Utah as well as any new market openings, the development of additional assets, future M&A and/or license pursuit activities. See “*Caution Concerning Forward-Looking Statements*” below for further discussion.

In assessing performance within each market, it is important to note that markets which have been operational for more than 12 months typically provide a positive EBITDA contribution before corporate overhead. The Company has optimized its dispensary build-out plans for Florida utilizing temporary locations instead of traditional dispensaries, allowing Columbia Care to reach its target population with much less capital investment and an improved labor model. As a result, the Company expects to have a total of 14 dispensaries in operation by the end of Q1 2020, with an additional six to eight temporary pickup locations available throughout the state.

For fiscal year 2020, the Company expects the following (*pro forma guidance assumes a full year of The Green Solution*):

- Stand-alone revenue of approximately \$155 million to \$180 million, driven primarily by:
  - Continued growth throughout the Company’s existing 35 dispensaries and wholesale operations
  - The opening of six dispensaries currently awaiting regulatory approval including:
    - New market launches in New Jersey and Virginia
    - Four additional dispensaries in Florida
  - The completion of a second medical and adult use dispensary in Illinois
  - Six to eight temporary pickup locations in Florida
- Pro forma revenue of approximately \$234 million to \$265 million with TGS continuing to grow share in the Colorado market
- Gross margins on both a stand-alone and pro forma basis, excluding the impact of changes in the fair value of biological assets and inventory sold, are expected to reach 40%+ during the fourth quarter, ramping each preceding quarter
- Achieving breakeven Adjusted EBITDA in the fourth quarter on a stand-alone basis, and in the third quarter on a proforma basis
- Full-year CAPEX of approximately \$25 million to \$30 million on both a stand-alone and proforma basis, with ~50% occurring in the first quarter as remaining 2019 growth initiatives are completed

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**Notes:**

1. *Adjusted revenue includes ~\$1.4 million in sales by CannAscend through its four Ohio dispensaries. The Company purchased an exclusive option to acquire all outstanding membership interests in CannAscend following their twelfth month of operation and subject to regulatory approval. See table 5 for a reconciliation of reported and adjusted revenue.*
2. *Includes Colorado, subject to completion of the acquisition of The Green Solution*

3. *Includes The Green Solution FY 2019 results which are unaudited and presented in accordance with US GAAP as well as ~\$1.4 million in sales by CannAscend through its four Ohio dispensaries. The Company purchased an exclusive option to acquire all outstanding membership interests in CannAscend following their twelfth month of operation and subject to regulatory approval.*
4. *Missouri subject to the successful completion of a management services agreement through which the company intends to provide consultative services*

## **Conference Call and Webcast Details**

The Company will report complete financial results for the fourth quarter and full year 2019 on Tuesday, March 10, 2020 at 8:00 a.m. EDT. To access the live conference call via telephone, please dial 1-877-407-8914 (U.S. callers) or 1-201-493-6795 (international callers), no passcode is required. A live audio webcast of the call will also be available in the Investor Relations section of the Company's website at <https://ir.col-care.com/>.

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.

## **Non-IFRS Financial Measures**

In this press release, Columbia Care refers to certain non-IFRS financial measures, such as adjusted revenue, adjusted EBITDA and gross profit excluding changes in fair value of biological assets. These measures do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Columbia Care considers certain non-IFRS measures to be meaningful indicators of the performance of its business. A reconciliation of such non-IFRS financial measures to their nearest comparable IFRS measure is included in this press release and a further discussion of some of these items is contained in the Company's Management, Discussion and Analysis for the nine months ended September 30, 2019 dated November 5, 2019.

## **About Columbia Care Inc.**

Columbia Care Inc. is one of the largest and most experienced multi-state operators in the medical cannabis industry, with licenses in 18 jurisdictions <sup>(2,4)</sup> in the US and the EU. With over 1.6 million sales transactions since its inception, Columbia Care is a patient-centered organization setting the standard for compassion, professionalism, quality, caring and innovation, working in collaboration with some of the most renowned and innovative teaching hospitals and medical centers in the world. The Company is committed to providing the type of education and transparency patients deserve and quality of product that clinicians expect. For more information on Columbia Care, please visit [www.col-care.com](http://www.col-care.com).

## **Caution Concerning Forward-Looking Statements**

This press release contains certain statements that constitute forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). Statements concerning Columbia Care's objectives, goals, strategies, priorities, intentions, plans, beliefs, expectations and estimates, and the business, operations, financial performance and condition of Columbia Care as well as statements under the heading "Outlook and

Guidance” 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.

Certain material factors and assumptions were applied in providing these forward-looking statements. Forward-looking information involves numerous assumptions, including assumptions on revenue and expected gross margins, capital allocation, EBITDA break even targets and other financial results; growth of its operations via expansion, for the effects of any transactions; expectations for the potential benefits of any transactions including the acquisition of The Green Solution; 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 acquisitions (including the acquisition of The Green Solution) 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; 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, including, but not limited to, risks and uncertainties related to: the available funds of the Company and the anticipated use of such funds; the availability of financing opportunities; legal and regulatory risks inherent in the cannabis industry; risks associated with economic conditions, dependence on management and currency risk; risks relating to U.S. regulatory landscape and enforcement related to cannabis, including political risks; risks relating to anti-money laundering laws and regulation; other governmental and environmental regulation; public opinion and perception of the cannabis industry; risks related to contracts with third-party service providers; risks related to the enforceability of contracts; reliance on the expertise and judgment of senior management of the Company, and ability to retain such senior management; risks related to proprietary intellectual property and potential infringement by third parties; risks relating to the management of growth; increasing competition in the industry; risks inherent in an agricultural business; risks relating to energy costs; risks associated to cannabis products manufactured for human consumption including potential product recalls; reliance on key inputs, suppliers and skilled labor; cybersecurity risks; ability and constraints on marketing products; fraudulent activity by employees, contractors and consultants; tax and insurance related risks; risks related to the economy generally; risk of litigation; conflicts of interest; risks relating to certain remedies

being limited and the difficulty of enforcement of judgments and effect service outside of Canada; risks related to future acquisitions or dispositions; sales by existing shareholders; limited research and data relating to cannabis; as well as those risk factors discussed under "Risk Factors" in Columbia Care's final prospectus dated March 21, 2019 (the "Prospectus") and filed with the applicable Canadian securities regulatory authorities on SEDAR at [www.sedar.com](http://www.sedar.com), in the Company's Annual Information Form, and as described from time to time in documents filed by the Company with 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. Columbia Care 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.

This news release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about Columbia Care's prospective results of operations, production and production efficiency, commercialization, revenue, gross margins and capex, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth in the above paragraph. FOFI contained in this document was approved by management as of the date of this document and was provided for the purpose of providing further information about Columbia Care's future business operations. Columbia Care disclaims any intention or obligation to update or revise any FOFI contained in this document, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained in this document should not be used for purposes other than for which it is disclosed herein.

**TABLE 1 - CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in US \$ thousands, except share and per share figures, unaudited)

	<b>Three Months Ended</b>		<b>Year Ended</b>	
	<b>December 31, 2019</b>	<b>December 29, 2018</b>	<b>December 31, 2019</b>	<b>December 29, 2018</b>
Revenue	\$ 23,172	\$ 10,983	\$ 77,459	\$ 30,800
Production costs	(17,683)	(7,053)	(56,850)	(20,200)

Gross profit before fair value adjustments	5,489	3,930	20,609	1
Fair value adjustments biological assets, net	<u>12,662</u>	<u>(4,521)</u>	<u>16,252</u>	
Gross profit	18,151	(591)	36,861	1
Operating expenses	<u>(34,738)</u>	<u>(18,557)</u>	<u>(129,751)</u>	<u>(5)</u>
Operating loss	(16,587)	(19,148)	(92,890)	(3)
Other (expense) income, net	(788)	419	(964)	(
Income tax expense	<u>(10,641)</u>	<u>(1,690)</u>	<u>(12,874)</u>	<u>(</u>
Net loss	(28,016)	(20,419)	(106,728)	(3)
Net loss attributable to non-controlling interests	<u>(2,192)</u>	<u>(28)</u>	<u>(4,139)</u>	
Net loss attributable to Columbia Care shareholders	\$ (25,824)	\$ (20,391)	\$ (102,589)	\$ (3)
Weighted average common shares outstanding - basic and diluted	216,424,962	183,124,595	209,992,187	167,59

Earnings per common share attributable to Columbia Care shareholders - basic and diluted	\$	(0.12)	\$	(0.11)	\$	(0.49)	\$
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**TABLE 2 - RECONCILIATION OF IFRS TO NON-IFRS MEASURES**  
(in US \$ thousands, unaudited)

	Three Months Ended		Year Ended	
	December 31, 2019	December 29, 2018	December 31, 2019	December 29, 2018
Net loss	\$ (28,016)	\$ (20,419)	\$ (106,728)	\$ (80,419)
Income tax expense	10,641	1,690	12,874	12,874
Depreciation and amortization	4,929	1,291	15,189	15,189
Net interest and debt amortization	524	4,473	1,698	1,698
EBITDA	\$ (11,922)	\$ (12,965)	\$ (76,967)	\$ (59,767)
Share-based compensation	9,834	5,540	34,373	34,373
Fair value adjustments biological assets, net	(12,662)	4,521	(16,252)	(16,252)
Listing fee expense	-	-	11,071	-
Transaction costs associated with TGS and sale leaseback	839	-	839	-
Adjusted EBITDA	\$ (13,911)	\$ (2,904)	\$ (46,936)	\$ (41,646)

**TABLE 3 - CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW**

(in US \$ thousands, unaudited)

	Three Months Ended		Year Ended	
	December 31, 2019	December 29, 2018	December 31, 2019	December 29, 2018
Net cash used in operating activities	\$ (6,117)	\$ (7,759)	\$ (59,743)	\$ (24,100)
Net cash used in investment activities	(33,136)	(20,578)	(91,255)	(27,100)
Net cash provided by financing activities	2,211	51,665	152,221	85,100
Net (decrease) increase in cash	(37,042)	23,328	1,223	32,100
Cash balance - beginning of period	84,506	22,913	46,241	13,100
Cash balance - end of period	47,464	46,241	47,464	46,241

**TABLE 4 - CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
(SELECT ITEMS)**

(in US \$ thousands, unaudited)

	December 31, 2019		December 29, 2018	
Cash	\$	47,464	\$	46,241
Total current assets		154,489		160,122
Property and equipment, net		104,034		39,794
Right of use assets		79,031		-
Total assets		402,276		233,927
Total current liabilities		35,402		15,309
Total liabilities		135,344		30,238

Total equity		266,932		203,689
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**TABLE 5 - ADJUSTED REVENUES**  
(in US \$ thousands, unaudited)

	Three Months Ended		Year Ended	
	December 31, 2019	December 29, 2018	December 31, 2019	December 29, 2018
Revenue, as reported	\$ 23,172	\$ 10,983	\$ 77,459	\$ 77,459
CannAscend revenues	1,352	-	1,352	-
Revenue, as adjusted	24,524	10,983	78,811	77,459

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<https://www.businesswire.com/news/home/20200310005318/en/>

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