

# Columbia Care Signs Definitive Agreement to Acquire California-Based Project Cannabis

- *Total Purchase Price of \$69 Million Comprised of:*
  - *\$12 Million - \$17 Million in Self-Funded Cash via Simultaneous Sale Leaseback of Project Cannabis' Real Estate Assets to 3<sup>rd</sup> Party; and,*
  - *\$52 Million - \$57 Million in Columbia Care stock (Depending Upon Proceeds from the Real Estate Sale)*
- *Excluding Revenue and Cost Synergies, Acquisition Multiple Ranges of ~1.3x - ~1.4 and ~6.1x - ~6.7x Current Year (Estimated FY 2020) Revenue and Adj. EBITDA, Respectively, Net of Real Estate Proceeds*
- *Combination Accretive to Columbia Care Adj. EBITDA and Cash Flow, Immediately Turns California Operation to Adj. EBITDA and Cash Flow Positive*
- *Award-Winning Integrated Cannabis Operator Strengthens Columbia Care's Retail & Cultivation Presence in Los Angeles and San Francisco Markets with Four Dispensaries and One Indoor Cultivation Facility*
- *Creates Foundation for Critical Mass and Scale in Southern California, Providing Significant Opportunity for Columbia Care to Expand Margins by Combining Capabilities of Fully Integrated Cultivation, Manufacturing and Dispensary Operations; Adds Over 100 Dispensaries to Wholesale Distribution Network throughout California*

NEW YORK--(BUSINESS WIRE)-- Columbia Care Inc. (NEO: CCHW) (CSE: CCHW) (OTCQX: CCHWF) (FSE: 3LP) ("Columbia Care" or the "Company") has signed a definitive agreement to purchase Project Cannabis, an award-winning cannabis company based in Los Angeles, California, for approximately \$57 million in Columbia Care stock and approximately \$12 million in cash from the proceeds of a concurrent sale of Project Cannabis' real estate assets<sup>1</sup>. Columbia Care's acquisition of Project Cannabis is expected to close in the fourth quarter, 2020.

Project Cannabis is one of the leading cannabis cultivators, wholesalers, and retailers of highly recognized, award-winning, branded products, including Triple Seven and Classix, in the world's largest cannabis market. In Los Angeles, Project Cannabis operates a 32,000ft<sup>2</sup> cultivation facility, along with three adult-use retail dispensaries in prime locations in North Hollywood, Downtown Los Angeles and Studio City. In San Francisco, it operates one adult-use retail dispensary in the Soma district, close to both professional baseball and basketball stadiums. This location also houses one of the only permitted consumption lounges in San Francisco.

The acquisition of Project Cannabis enables Columbia Care to materially increase its scale

throughout California and position its wholesale and manufacturing operations as one of the leading suppliers in the state. Going forward, Columbia Care's new state of the art 45,000ft<sup>2</sup> manufacturing facility in San Diego will manufacture and package all extracted products and concentrates for Project Cannabis. Leveraging its distribution network of more than 100 dispensaries throughout the state, Project Cannabis will continue to sell its entire brand portfolio while simultaneously cross-selling Columbia Care's medically focused products, recently acquired products and brands from the TGS acquisition, and several new consumer oriented product lines such as the Amber Live Resin portfolio, Columbia Care's fastest growing product in California.

"Project Cannabis perfects our operating model in California, enables us to maintain supply chain continuity, optimize profitability and gives us the full suite of capabilities, products and brands needed to be a market leader in the state," said Nicholas Vita, CEO of Columbia Care. "In addition to being immediately accretive to Columbia Care's adjusted EBITDA and cash flow, Project Cannabis expands our portfolio of unique products, nationally recognized premium brands, wholesaling expertise and adult use knowhow, all of which are scalable into the rest of our US markets. Since its founding, the Project Cannabis team has developed the well-earned reputation for cultivating the highest-quality products and award-winning genetics resulting in an extensive distribution network of over 100 dispensaries state-wide. The uniqueness and depth of this distribution channel will enable us to access and serve much of the state's addressable market. We also expect to benefit from operating synergies, for example, by bringing in house the manufacture of Project Cannabis' finished goods, including processing and packaging. The expected impact upon gross margins on targeted SKUs should be approximately +10% to 15%. At a price of approximately 1.3x current year revenue (excluding synergies), Project Cannabis is growing substantially faster than the overall market and materially adds to Columbia Care's critical mass and scale in California, while immediately contributing to state level and consolidated cash flow and Adj. EBITDA. We look forward to leveraging the strategic advantages our combination will bring to the California cannabis market. Consistent with our recently closed acquisition of TGS, the acquisition of Project Cannabis serves as a concrete affirmation of our commitment to operational and fiduciary discipline and strategic focus to drive profitability and shareholder value in a manner consistent with our mission and corporate values."

Commenting on the acquisition, Project Cannabis EVP Cameron Wald stated, "Joining Columbia Care, one of the largest and most experienced MSOs in the U.S., is a pivotal next step in Project Cannabis' growth trajectory. Although we have been approached by virtually every conceivable strategic partner, we believe our culture, focus on producing the highest-quality products through the most effective brand architectures and extensive distribution network aligns perfectly with Columbia Care's vision to grow its footprint into the market leader in California. Our team has done a tremendous job cultivating and building sought-after brands, while making our Project Cannabis dispensaries trusted destinations for a consistently excellent retail experience. I could not be prouder of the entire team. Together, we plan to immediately capitalize on synergies in our wholesale business and expand our product offerings by leveraging Columbia Care's state of the art pharmaceutical-grade GMP manufacturing facility to accelerate our profitable growth. We are all very happy to be long term shareholders and contributors to building the best company in the industry."

All amounts reflected in this press release and references to \$ are in U.S. dollars.

## **Non-IFRS Financial Measures**

In this press release, Columbia Care refers to certain non-IFRS financial measures, Combined Revenue, Adjusted or Adj. EBITDA, Combined Adjusted EBITDA and gross profit before fair value adjustments. 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 three and six months ended June 30, 2020 dated August 7, 2020.

## **About Columbia Care**

Columbia Care is one of the largest and most experienced cultivators, manufacturers and providers of medical and adult use cannabis products and related services with licenses in 18 US jurisdictions and the EU. Columbia Care currently operates 99 facilities<sup>2</sup> including 76 dispensaries and 23 cultivation and manufacturing facilities. Columbia Care is one of the original providers of medical cannabis in the United States, and continues to deliver an industry-leading, patient-centered medicinal cannabis operation that has quickly expanded into the adult use market as a premier operator. The company currently offers products spanning flower, edibles, oils, and tablets, and manufactures popular brands including Amber and Platinum Label CBD. With more than four million sales transactions since its inception in 2012, Columbia Care is known for setting the standard for compassion, professionalism, quality, care, and innovation in the rapidly expanding cannabis industry. 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 relating to the pro forma revenue guidance and positive adj. EBITDA 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 Project Cannabis; 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 Project Cannabis) will be completed as previously announced; expectations relating to the disposition of Project Cannabis real estate for certain expected proceeds; 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 Annual Information Form dated March 31, 2020 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 Project Cannabis and Columbia Care's prospective results of operations, production and production efficiency, commercialization and revenue, 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 because 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.

<sup>1</sup> Total consideration for Project Cannabis is \$69 million less the value of the Project Cannabis real estate assets, estimated to be between \$12 million and \$17 million resulting in Columbia Care issuing shares worth \$52 million – \$57 million. An executed Letter of Intent between Project Cannabis and the REIT reflecting a value of \$16.9 million was executed on July 14, 2020. Definitive binding agreements will be executed before Columbia Care's close.

<sup>2</sup> *Pro forma facilities either open or under development; includes facilities where Columbia Care provides consultative services pursuant to the terms of a management services arrangement*

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