

# Columbia Care Reports First Quarter 2020 Results

*First Quarter Combined Revenue up 125% YoY to \$28.9 Million, Sequential Increase of 18% and Sequential Gross Margin Improvement of 7%*

*Consumer Demand Through April Remains Strong Amid COVID-19*

NEW YORK--(BUSINESS WIRE)-- Columbia Care, Inc. (NEO: CCHW) (CSE: CCHW) (OTCQX: CCHWF) (FSE: 3LP) (“Columbia Care” or the “Company”) today reported financial and operating results for the first quarter ended March 31, 2020. All financial information is unaudited and provided in US dollars unless otherwise indicated.

## First Quarter 2020 Financial Summary (in \$ thousands, excl. margin items)

Statistic	Q1 2020	Q4 2019	Q1 2019	%QoQ	%YoY
Combined Revenue	28,936	24,524	12,870	18%	125%
Combined Gross Profit <sup>1</sup>	9,068	6,017	4,401	51%	106%
Combined Gross Margin	31%	25%	34%	7%	(3)%
Combined Adjusted EBITDA	(9,865)	(14,330)	(10,364)	31%	5%
Revenue	26,323	23,172	12,870	14%	105%
Gross Profit <sup>1</sup>	8,033	5,489	4,401	46%	83%
Gross Margin	31%	24%	34%	7%	(4)%
Adjusted EBITDA	(10,037)	(13,911)	(10,364)	28%	3%
Cash	26,858	47,464	59,064		
Facilities - Operational <sup>2</sup>	47	40	21	18%	124%
Facilities - Under Development	21	26	20	(19)%	5%

## Recent Financial & Operational Updates

In light of the COVID-19 pandemic’s impact on the overall economic environment, the Company is providing updates for both the first quarter and subsequent events. Highlights include:

- Secured over \$45 million in capital commitments through a series of transactions, including:
  - \$34.3 million in binding, executed senior secured first-lien term debt commitments (closing today), a portion of which funded in the first quarter – the first tranche of an expected \$50 million debt offering (additional details below).
  - \$11 million from the sale of a 10% minority interest in the Company’s non-US business, Columbia Care International, to Avalon Pharma, one of the largest

pharmaceutical manufacturers in the MENA region.

- Operating cost reductions implemented over the last several months, including suspension of operations in Puerto Rico in Q2 2020 due to the frequency and disruptive impact of natural disasters, regulatory ambiguity and a limited view on near-term profitability. Total reductions in operating expense taken in Q1 and Q2 2020 are expected to save approximately 10%, or approximately \$7.5M, in cash operating expenses annually. Additional measures to reduce operating expenditures will be taken throughout the remainder of 2020.
- **Ohio:** Completed first phase of construction on 56,000 ft<sup>2</sup> cultivation facility in Mt. Orab, resulting in eight harvests since March to supply biomass for processing and wholesale flower for retail outlets. Corsa Verde manufacturing facility began commercialization buildout phase in May to expand processing capabilities and increase product offerings to retail customers.
- **Pennsylvania:** Strong momentum in all three locations despite new competition in Scranton and Allentown; supply chain improvements are lifting gross margins.
- **Florida:** Product supply challenges that impacted Q1 are expected to resolve in June and July as significant new canopy square footage and 40 new product (regulator pending) SKUs are commercialized.
- **Massachusetts:** Medical sales are up 40% partially offsetting the impact of the state's temporary suspension of all adult use cannabis sales on March 24 due to COVID-19. Inventory build process has continued to prepare for resumption of adult use sales, leading to higher gross margins.
- **Illinois:** Recently resumed adult use operations at Chicago dispensary following interruptions due to COVID-19; Aurora cultivation buildout completed and fully planted; commenced wholesale operations in April with initial expected weekly production capacity of over 37,000 grams of Dry Weight Equivalent (DWE).
- **Virginia:** Received approval to begin cultivation in 62,000ft<sup>2</sup> vertically integrated facility and expect to have first harvest in 2H 2020.
- **New Jersey:** Completed construction on more than 50,000ft<sup>2</sup> vertically integrated facility with first harvest expected in early July. Actively hiring staff and anticipate opening first dispensary in Vineland in June to take advantage of wholesale supply availability.

## Management Commentary

“As we navigate the COVID-19 pandemic, our primary focus continues to be the health and well-being of our employees and the communities we serve across the country,” said Nicholas Vita, CEO of Columbia Care. “Although we experienced record sales during the initial wave of stay-at-home mandates, we were not immune to disruptions and political risk that comes with volatile environments like the one we are currently experiencing. Despite localized headwinds, Columbia Care performed well and exceeded expectations as we continue to accelerate towards profitability.”

“In addition to the strong operational performance, we have added more than \$45 million of liquidity through recent financings during one of the most turbulent periods in the history of the global capital markets, which speaks to investors' confidence in our company's strength and resiliency. In the wake of COVID-19, we continue to monitor performance measures and adjust our overhead and operating costs accordingly. We continue to focus our efforts and resources on leading and driving profitability in each of our markets – something we believe

will demonstrate the power of our operating model.”

## **Recent Financing**

The Company also expects today to close its previously announced private placement offering (the “Offering”) of debenture units (the “Units”) for aggregate gross proceeds of \$34.3 million, \$14.3 million of which was funded in the first quarter. Each Unit is comprised of one 13% senior-secured first lien note due May 14, 2023 and one common share purchase warrant, having a three year term. In connection with the Offering, the Company issued 4,144,438 warrants with exercise prices between C\$2.95 and C\$3.10. The Offering was conducted on a “best-efforts” basis pursuant to the terms of an agency agreement dated May 11, 2020, between the Company and Canaccord Genuity Corp., as agent and Lead Manager in respect of the Offering.

## **Conference Call and Webcast Details**

To access the live conference call via telephone, please dial 1-877-407-8914 (US callers) or 1-201-493-6795 (international callers) and provide passcode EQUI-EVT 22. 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, Combined Revenue, adjusted EBITDA, Combined Adjusted EBITDA, gross profit excluding changes in fair value of biological assets and inventory sold and Combined Gross Profit excluding changes in fair value of biological assets and inventory sold. 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 months ended March 31, 2020 dated May 14, 2020.

## **About Columbia Care Inc.**

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<sup>(3)</sup> and the EU. Columbia Care has completed more than 1.8 million sales transactions since inception and working in collaboration with renowned and innovative teaching hospitals and medical centers globally, continues to be a patient-centered health and wellness company 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 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 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 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 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.

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<sup>1</sup> *Excludes changes in fair value of biological assets and inventory sold.*

<sup>2</sup> *Majority of facilities became operational in late 2H2019*

<sup>3</sup> *Includes Colorado, subject to successful completion of the acquisition of The Green Solution and West Virginia industrial hemp cultivation license*

**TABLE 1 - CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

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

	<b>Three Months Ended</b>	
	<b>March 31, 2020</b>	<b>March 31, 2019</b>
Revenue	\$ 26,323	\$ 12,870
Production costs	(18,290)	(8,469)
Gross profit before fair value adjustments	8,033	4,401
Fair value adjustments biological assets, net	4,558	(6,604)
Gross profit	12,591	(2,203)
Operating expenses	(31,569)	(21,925)
Loss from operations	(18,978)	(24,128)
Other expense, net	(960)	(389)
Income tax expense	(710)	(615)
Net loss	(20,648)	(25,132)
Net loss attributable to non-controlling interests	(538)	(272)
Net loss attributable to Columbia Care shareholders	\$ (20,110)	\$ (24,860)
Weighted average common shares outstanding - basic and diluted	216,539,508	189,952,969
Earnings per common share attributable to Columbia Care shareholders - basic and diluted	\$ (0.09)	\$ (0.13)

**TABLE 2 - RECONCILIATION OF IFRS TO NON-IFRS MEASURES**

(in US \$ thousands, unaudited)

	<b>Three Months Ended</b>	
	<b>March 31, 2020</b>	<b>March 31, 2019</b>
Net loss	\$ (20,648)	\$ (25,132)
Income tax expense	710	615
Depreciation and amortization	5,728	2,870
Net interest and debt amortization	797	447
EBITDA	\$ (13,413)	\$ (21,200)
Share-based compensation	7,116	4,232
Fair value adjustments biological assets, net	(4,558)	6,604
COVID-19 related expenses	818	-
Adjusted EBITDA	\$ (10,037)	\$ (10,364)

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

(in US \$ thousands, unaudited)

	<b>Three Months Ended</b>	
	<b>March 31, 2020</b>	<b>March 31, 2019</b>
Net cash used in operating activities	\$ (10,430)	\$ (15,073)
Net cash used in investment activities	(22,816)	(12,399)
Net cash provided by financing activities	12,640	40,295
Net (decrease) increase in cash	(20,606)	12,823
Cash balance - beginning of period	47,464	46,241
Cash balance - end of period	26,858	59,064

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

(in US \$ thousands, unaudited)

	<b>March 31, 2020</b>		<b>December 31, 2019</b>	
Cash	\$ 26,858	\$	47,464	
Total current assets	138,798		154,489	
Property and equipment, net	122,057		104,034	
Right of use assets	82,279		79,031	
Total assets	408,085		402,276	
Total current liabilities	37,468		35,402	
Total liabilities	153,282		135,344	
Total equity	254,803		266,932	

**TABLE 5 - COMBINED FINANCIALS**

(in US \$ thousands, unaudited)

	<b>Three Months Ended</b>	
	<b>March 31, 2020</b>	<b>March 31, 2019</b>
Revenue, as reported	\$ 26,323	\$ 12,870
CannAscend revenues	2,613	-
Revenue, as adjusted	<u>28,936</u>	<u>12,870</u>

Gross profit, as reported	\$	8,033	\$	4,401
CannAscend gross profit		1,035		-
Gross profit, as adjusted		<u>9,068</u>		<u>4,401</u>
Adjusted EBITDA, as reported	\$	(10,037)	\$	(10,364)
CannAscend adjusted EBITDA		172		-
Adjusted EBITDA, as adjusted		<u>(9,865)</u>		<u>(10,364)</u>

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<https://www.businesswire.com/news/home/20200514005448/en/>

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