The Cannabist Company Announces Corporate Restructuring and Upcoming Florida Divestitures as Part of its Continued Business Transformation Initiatives

June 17, 2024

Restructured corporate operations to align with focus on key growth markets and generate an expected net annual savings of approximately $10 million once fully implemented

Optimizing operational footprint with planned divestiture of asset portfolio and license in the Florida market; preparing for adult use transitions in Ohio and Delaware

NEW YORK--(BUSINESS WIRE)--Jun. 17, 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 announced a series of initiatives as part of its ongoing business transformation intended to improve profitability, enhance margin profile and enable cash flow generation. These initiatives include a corporate restructuring expected to generate approximately $10 million in annual cost-savings; the planned divestiture of its entire asset portfolio and license in Florida; and closing or modifying the operations of other underperforming assets.

The business transformation has been supported by a Special Committee of the Company's board of directors (the "Board") considering various strategic alternatives to position The Cannabist Company for profitable and sustainable long-term growth.

"As we have made clear since the beginning of 2024, under new leadership, The Cannabist Company will look very different by the end of this year in terms of our operational footprint, overhead expenses, and de-risked financial profile. Our focus is on building a better business, positioned for profitability and long-term sustainable growth. We are decisively leaning into the markets that are best positioned for growth and strategic upside, while also monetizing underperforming and non-core assets. In Florida, for example, our asset base is not commercially optimized, with more cultivation capacity than our retail locations require. Our retail footprint and cultivation and manufacturing capacity are better suited to balance other operators' portfolios, meanwhile we will eliminate loss-making operations and bring in non-dilutive capital," said David Hart, CEO, The Cannabist Company.

He continued, "We will continue to capitalize on our strong asset base in profitable markets such as Virginia and New Jersey, and we are actively preparing for upcoming adult use transitions in Ohio and Delaware. The significant corporate restructuring we've undertaken will simplify our business, reduce overhead expenses, and more appropriately align with our evolving operational footprint as we exit Florida and divest assets in other underperforming markets in the coming months. The steps we announced today are among the most critical in putting us firmly on the right path for success, representing potentially $20 million annualized improvement in Adjusted EBITDA. Our leadership team is committed to taking the necessary, and often difficult, actions to deliver a more sustainable business with better margins, and a clearer path to free cash flow generation."

The Company is announcing the following initiatives:

Corporate Restructuring

- Commensurate with an increasingly smaller operational footprint, largely as a result of the exit of the Florida market, the Company implemented a corporate restructuring on June 13, which entailed both labor and non-labor reductions.
- The corporate restructuring is expected to generate net annual savings of approximately $10 million once fully implemented.

Rightsizing Footprint to Maximize Profitability

- The Company is in the process of divesting its entire asset portfolio and license in the Florida market, with LOIs for multiple transactions in place and $2.75M of deposits in escrow. Upon divesting these assets, including 14 retail locations, three cultivation and manufacturing facilities, and its license, the Company will exit the Florida market, which represented less than 5% of total revenue in Q1 2024. ATB Securities, Inc. is acting as advisor for the Florida divestiture transactions.

While final terms of the transaction(s) will be announced at a later date, upon execution of definitive documentation, the expected impacts to the business are accretive to both margins and EBITDA[(1)].

For the year ended December 31, 2023 and for the three-month period ended March 31, 2024, Florida incurred the following losses for the Company:

$000s	Net Income/(Loss)	Adjusted EBITDA[(1)]
FY 2023	$(18,915)	$(7,087)
Q1 2024	$(4,843)	$(2,505)

(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.

- In addition, the Company has closed one underperforming retail location in Trinidad, Colorado, located near the New Mexico border. The Company now operates 22 retail locations in Colorado.
- As of June 1, the Company reduced the operational hours for its New York medical dispensaries located in Brooklyn and Riverhead. It has also closed both its Manhattan and Rochester locations permanently, due to lease expirations, and will continue its search for new locations. The Company remains focused on growing the adult use wholesale segment in the immediate term and will continue to evaluate market conditions that would enable fully restoring operating hours and contemplate adult use.

Enhancing Core Markets that Drive Growth

- The Company has opened its 11th location in Virginia, with Cannabist Richmond opening on June 11, 2024. The Company has 1 additional retail location in development in Virginia.
- The Company expects to open its third New Jersey retail location in Q4 2024, located in Mays Landing, New Jersey.
- The Company is preparing for the accelerated onset of adult use sales in Ohio by the end of June with an expanded garden, now at 85% capacity with an expectation to enter 2H 2024 at 100%, and upgrades to its five operational retail locations in anticipation of increased volume. Additionally, the Company is in the process of developing three additional retail locations and has plans to convert its five existing retail locations to the Cannabist retail brand.
- The Company, as one of the leading medical providers in the Delaware market, expects to begin adult use sales when approved at all three retail locations: Rehoboth Beach, Smyrna and Wilmington. In preparation for adult use, the Company is working to increase cultivation and manufacturing capacity.

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 104 facilities[1] including 81 dispensaries and 23 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 EBITDA. 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.

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.

A further discussion of some of these items are contained in our annual report on Form 10-K for the year ended December 31, 2023 and in our quarterly report on Form 10-Q for the quarter ended March 31, 2024.

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 Florida asset portfolio 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; 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 closing of the Company's divestiture transactions; the completion of the Company's corporate restructuring; 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.

[1] Pro forma facility and market count assuming the closure of announced divesture transactions as of June 2024. Please refer to the "Caution Concerning Forward-Looking Statements" for more information; does not include 5 non-operational retail locations and 4 non-operational cultivation and manufacturing facilities.

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