



Columbia Care Reports First Quarter 2022 Results

May 16, 2022

Quarterly Revenue of \$123 Million, an Increase of 43% YoY

Gross Profit of \$57 Million, an Increase of 68% YoY

Gross Margin of 46%, an Increase of 676bps YoY, 149bps QoQ Over Prior Adjusted Gross Margin¹

Adjusted EBITDA of \$17 Million, an Increase of 355% YoY and Adjusted EBITDA Margin¹ of 14%, an increase of 930bps YoY

Reiterates 2022 Guidance of \$625M - \$675M Revenue, \$120M - \$135M Adjusted EBITDA

NEW YORK--(BUSINESS WIRE)--May 16, 2022-- 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, 2022. All financial information presented in this release is in U.S. GAAP, unaudited and in thousands of U.S. dollars, unless otherwise noted, and comparisons to prior quarter and prior year are made on an as-converted basis under U.S. GAAP, unless otherwise noted.

"The results of the first quarter of 2022 demonstrate how Columbia Care overcame a number of macro-economic headwinds by exercising strong operational discipline. We materially increased our gross and EBITDA margins, as we continued leveraging the scale we have built across our strategic national platform. During the first quarter, we drove a revenue increase of 43% over the prior year, achieved nearly 700 basis points of improvement in Adjusted Gross Margin and more than 930 basis points in Adjusted EBITDA Margin. As our recent capital investments yield enhanced efficiencies throughout the value chain, this will not only allow us to capitalize on our growth opportunities throughout the country, but continue to further improve profitability," said Nicholas Vita, CEO of Columbia Care. "As 2022 continues to unfold, our priority is on driving profitability. We expect market specific cyclicalities to be surpassed by the standout growth in several key markets in our diversified portfolio. Having new, high growth markets come on line, beginning in 2Q, will provide a strong counterbalance as several maturing markets show the impact of inflationary and competitive pressures."

Vita continued, "We are excited about recent achievements and progress thus far in 2022, including our fourth dispensary in the rapidly expanding market of Virginia, opening four retail locations and launching the leading wholesale operation in West Virginia, and the launch of adult use in New Jersey in mid-April. As we look ahead to the remainder of the year, we are leaning in to the markets that will propel growth such as New Jersey, Virginia, West Virginia, and New York, making ongoing operational improvements to drive efficiencies in new and maturing markets, and focusing on driving free cash flow to fund our growth strategy. We also remain determined to deliver the best outcome for our stakeholders as we progress towards a successful close of the transaction with Cresco Labs, with the shared vision of creating the definitive market leader in the cannabis industry."

¹ See "Non-GAAP Financial Measures" in this press release for more information regarding the Company's use of non-GAAP financial measures.

First Quarter 2022 U.S. GAAP Financial Highlights (in \$ thousands, excl. margin items):

	Q1 2022	Q4 2021	Q1 2021	% QoQ	% YoY
Revenue	\$ 123,087	\$ 139,276	\$ 86,095	-11.6 %	43.0 %
Gross Profit	\$ 56,627	\$ 57,253	\$ 33,648	-1.1 %	68.3 %
Adj. Gross Profit ^[1,2]	\$ 56,627	\$ 61,995	\$ 33,788	-8.7 %	67.6 %
Adj. Gross Margin ^[1,2]	46.0 %	44.5 %	39.2 %	149 bps	676 bps
Adj. EBITDA ^[2]	\$ 16,832	\$ 20,592	\$ 3,758	-18 %	348 %

[1] Excludes \$4.7 million in Q4 2021 and \$0.1 million in Q1 2021 related to the mark-up of inventory acquired in acquisitions.

[2] Non-GAAP Measure

Top 5 Markets by Revenue in Q1^[3]: California, Colorado, Massachusetts, Pennsylvania, Virginia

Top 5 Markets by Adjusted EBITDA in Q1^[3]: Colorado, Maryland, Massachusetts, Pennsylvania, Virginia

[3] Markets are listed alphabetically

Operational Highlights for First Quarter 2021

Building scale with continued retail expansion:

- Opened 5 additional retail locations in Q1: 4 in West Virginia and 1 in Virginia Beach, VA to bring active total to 84
- Additional dispensaries in development include 8 in Virginia, 1 in West Virginia, and 1 in New Jersey
- Virginia is now a Top 5 Market for both Revenue and Adjusted EBITDA with 4 active retail locations, with significant expansion of the medical program to begin July 1

Proven cultivation expertise and execution:

- In Q1, operationalized the largest wholesale operation in West Virginia
- Commercialized flower harvests from Riverhead, New York greenhouse for the medical market, helping to drive 1 million grams QoQ increase in finished flower grams
- Continued to drive operational improvements and adherence to national cultivation SOPs, leading to increases in potency and yield throughout the cultivation portfolio

Sustained momentum on branding initiatives at retail and product levels:

- In-house brands reached a record percentage of total revenue, supporting Gross Margin expansion; owned brands made up 69% of flower sales at Columbia Care locations
- Subsequent to quarter close, launched Seed & Strain and Classix in Colorado market; Classix is now available in 13 markets and Seed & Strain is now available in 12 markets
- Growth of in-house brands supports ability to exercise pricing discipline and Gross Margin
- Converted Brooklyn, New York location to Cannabist retail experience; 31 Cannabist locations nationwide out of 84 active retail locations

Capital Markets & Liquidity Highlights

- On February 3, 2022, Company completed a private placement of \$185 million aggregate principal amount of 9.50% senior-secured first-lien notes due 2026
- The Company exited Q1 2022 with \$168.4 million in cash, up \$86.2M from Q4 2021

2022 Outlook

Metric	U.S. GAAP Guidance
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Revenue	\$625M to \$675M
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Adjusted EBITDA (Non-GAAP)	\$120M to \$135M
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At this time, Columbia Care's 2022 outlook does not include any contribution from future acquisitions, nor does it assume any additional changes in the regulatory environment in markets where Columbia Care currently operates or the anticipated impact of the pending Cresco Labs transaction. This also excludes potential future market changes where a conversion from medical only to adult use is under consideration by a governor and/or legislature. See "Caution Concerning Forward-Looking Statements" below for further discussion.

Conference Call and Webcast Details

The Company will host a conference call on Monday, May 16, 2022 at 8:00 a.m. ET to discuss financial and operating results for the first quarter.

To access the live conference call via telephone, please dial 1-844-283-2900 (US Callers) or 1-213-217-9431 (international callers). 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/> or at <https://edge.media-server.com/mmc/p/xsdeznnb>.

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 Columbia Care

Columbia Care is one of the largest and most experienced cultivators, manufacturers and providers of cannabis products and related services, with licenses in 18 U.S. jurisdictions and the EU. Columbia Care operates 131 facilities including 99 dispensaries and 32 cultivation and manufacturing facilities, including those under development. Columbia Care is one of the original multi-state providers of medical 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 new 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, gLeaf, Classix, Press, Amber and Platinum Label CBD. For more information on Columbia Care, please visit www.col-care.com.

Non-GAAP Financial Measures

In this press release, Columbia Care refers to certain non-GAAP financial measures, including Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Gross Profit and Adjusted Gross Margin. These measures do not have any standardized meaning in accordance with U.S. GAAP and may not be comparable to similar measures presented by other companies. Columbia Care 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) fair value mark-up for acquired inventory; (iii) acquisition and other non-core costs associated with recent acquisitions, settlement of pre-existing relationships, litigation expenses and COVID-19; (iv) fair value changes on derivative liabilities; and (v) impairment on disposal group. Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by Revenue. 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 will be contained 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 Columbia Care'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.

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 assumptions on the satisfaction of the conditions precedent to the closing of the Cresco transaction; the receipt of any necessary regulatory approvals in connection with Cresco transaction; the impact of the Cresco transaction on the Company's current and future operations, financial condition and prospects; the value of the Cresco Labs shares; the costs of the Cresco transaction and potential payment of a termination fee in connection with the Cresco transaction; the ability to successfully integrate with the operations of Cresco Labs and realize the expected benefits of the Cresco transaction; the fact that marijuana 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; 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; reliance on management; litigation; future results and financial projections; and the impact of global financial conditions and disease outbreaks.

Securityholders should review the risk factors discussed under "Risk Factors" in Columbia Care's Form 10 dated May 9, 2022, filed with the applicable securities regulatory authorities and described from time to time in documents filed by the Company with Canadian and U.S. 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.

Certain information in this press release, including section entitled “2022 Outlook” may be considered as “financial outlook” within the meaning of applicable securities legislation including the revenue and Adjusted EBITDA guidance. The purpose of this financial outlook is to provide readers with disclosure regarding Columbia Care’s reasonable expectations as to the anticipated results of its proposed business activities for the periods indicated. Readers are cautioned that the financial outlook may not be appropriate for other purposes.

TABLE 1 - CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Three Months Ended	
	March 31, 2022	March 31, 2021
Revenue	\$ 123,087	\$ 86,095
Cost of sales	(66,460)	(52,307)
Cost of sales related to business combination fair value adjustments to inventory	-	(140)
Gross profit	56,627	33,648
Selling, general and administrative expenses	(71,292)	(48,034)
Loss from operations	(14,665)	(14,386)
Other income (expense), net	(12,609)	(5,289)
Income tax benefit (expense)	(632)	(9,518)
Net loss	(27,906)	(29,193)
Net loss attributable to non-controlling interests	(1,270)	(381)
Net loss attributable to Columbia Care shareholders	(26,636)	(28,812)
Weighted average common shares outstanding - basic and diluted	376,397,260	294,815,943
Earnings per common share attributable to Columbia Care shareholders - basic and diluted	\$ (0.07)	\$ (0.10)

TABLE 2 - RECONCILIATION OF US GAAP TO NON-GAAP MEASURES

(in US \$ thousands, unaudited)

	Three Months Ended	
	March 31, 2022	March 31, 2021
Net loss	\$ (27,906)	\$ (29,163)
Income tax expense	632	9,518
Depreciation and amortization	21,210	8,523
Net interest and debt amortization	12,670	5,006
EBITDA (Non-GAAP)	\$ 6,606	\$ (6,116)

Share-based compensation	\$ 6,374	\$ 7,786
Adjustments for acquisition and other non-core costs	3,169	1,769
Fair value changes on derivative liabilities	683	179
Fair value mark-up for acquired inventory	-	140
Adjusted EBITDA (Non-GAAP)	\$ 16,832	\$ 3,758

TABLE 3 - CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

(in US \$ thousands, unaudited)

	Three Months Ended	
	March 31, 2022	March 31, 2021
Net cash used in operating activities	\$ (27,822)	\$ (3,488)
Net cash used in investment activities	(29,555)	(10,141)
Net cash provided by financing activities	144,253	129,016

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

(in US \$ thousands, unaudited)

	March 31, 2022	December 31, 2021
Cash	\$ 168,424	\$ 82,198
Total current assets	323,883	226,439
Property and equipment, net	355,968	339,692
Right of use assets	250,413	245,541
Total assets	1,482,443	1,376,512
Total current liabilities	222,835	243,997
Total liabilities	952,743	825,689
Total equity	529,700	550,823

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