



## The Cannabist Company Reports First Quarter 2024 Results

May 9, 2024

NEW YORK--(BUSINESS WIRE)--May 9, 2024-- The Cannabist Company Holdings Inc. (Cboe CA: CBST) (OTCQX: CBSTF) (FSE: 3LP) ("The Cannabist Company" or the "Company"), one of the largest and most experienced cultivators, manufacturers and retailers of cannabis products in the U.S., today reported its financial and operating results for the first quarter ended March 31, 2024. All financial information presented in this release is in U.S. GAAP and in thousands of U.S. dollars, unless otherwise noted.

### First Quarter 2024 Financial Highlights (in \$ thousands, excl. margin items):

	For the Three Months Ended		
	March 31, 2024	December 31, 2023	March 31, 2023
Revenue	\$ 122,611	\$ 128,365	\$ 124,535
Gross Profit	\$ 42,537	\$ 43,623	\$ 47,081
Adj. Gross Profit <sup>[1,2]</sup>	\$ 47,967	\$ 43,724	\$ 47,696
Adj. Gross Margin <sup>[1,2]</sup>	39.1 %	34.1 %	38.3 %
Income (Loss) from Operations	\$ (10,736 )	\$ (77,690 )	\$ (8,269 )
Adj. EBITDA <sup>[1,2]</sup>	\$ 15,304	\$ 12,472	\$ 16,364
Adj. EBITDA Margin <sup>[1,2]</sup>	12.5 %	9.7 %	13.1 %
Net Income (Loss)	\$ (34,568 )	\$ (72,498 )	\$ (36,572 )

<sup>[1]</sup> 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, as well as Table 4 for reconciliation, where applicable.

<sup>[2]</sup> Both Adj. Gross Profit and Adj. EBITDA exclude \$0.6 million in Q1 2023, \$0.1 million in Q4 2023, and \$5.4 million in Q1 2024; see the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2024 for additional disclosure.

"Our first quarter results demonstrate an improvement over the prior quarter on a margin basis, and we are encouraged by the green shoots that are evident in several critical areas of the business. As we have emphasized, this year we are committed to building a better business, with a focus on improving our margins as we target free cash flow generation," said David Hart, CEO of The Cannabist Company.

He continued, "We have demonstrated early successes in better utilizing our footprint and existing cultivation and manufacturing facilities, evidenced by a decrease in the overhang on gross margin in the quarter. We are transforming the wholesale business, including shifting the wholesale mix toward finished goods and building strategic brand partnerships that are helping to recapture margin across the portfolio. As we look ahead, we are preparing for the upcoming adult use transition in Ohio and are continuing to capitalize on growth opportunities in markets like Virginia and New Jersey. Though we are encouraged by the results of the first quarter, we know there is more work to do. We look forward to enacting additional changes to the business so that we end 2024 having a materially improved financial position and are poised to compete more effectively."

**Top 5 Markets by Revenue in Q1<sup>[3]</sup>:** Colorado, Maryland, New Jersey, Ohio, Virginia

**Top 5 Markets by Adjusted EBITDA in Q1<sup>[3]</sup>:** Colorado, Maryland, New Jersey, Ohio, Virginia

<sup>[3]</sup> Markets are listed alphabetically

### Operational Highlights for First Quarter 2024

- First quarter Adjusted gross margin improved 500 basis points over the fourth quarter of 2023, and Adjusted EBITDA margin increased more than 250 basis points sequentially; improvements were driven by asset utilization, improved margins at the retail level, and early wins with brand partnerships.

- In Q1, gross margin for the wholesale segment improved approximately 1,000 basis points over the prior quarter, driven by mix shift towards finished goods.
- Retail revenue declined in line with seasonal expectations, but saw over 200 basis points improvement in gross margin due to more disciplined discounting across markets.
- The quarter-end active retail count was 85 locations across 15 markets, as one location in Utah was divested.
- Strategic commercial partnerships with brands such as Old Pal, Airo Brands, ButACake, Revelry Herb Co., and Edie Parker Flower are helping to increase throughput in manufacturing facilities and utilization of cultivation footprint.
- New brand launches in the first quarter included Classix in Maryland and Delaware, Amber in Maryland, and Triple Seven and Amber in Florida.
- There are 35 Cannabist locations in the U.S., with up to four additional openings planned in 2024.

#### **Financial Highlights for First Quarter 2024**

- The Company ended the first quarter with \$44.5 million in cash. On March 19, the Company announced the closing of a \$25.75 million private placement offering of 9% convertible notes due 2027, for which the primary use of proceeds is to settle the remaining \$13.2 million of the 13% notes due May 2024.
- During the first quarter, the Company exchanged \$10 million of 6% senior secured convertible notes due 2025 via an exchange agreement announced in January 2024. Another \$5 million of the 6% notes due 2025 were exchanged into the 9% notes due 2027.
- In Q1 2024, cash from operations was negative \$6.2 million, compared to \$9.4 million in Q4 2023.
- Capital expenditures in the first quarter were \$0.9 million; capital expenditures are expected to be in the range of \$2 to \$3 million per quarter for the remainder of 2024, largely for new store openings and manufacturing upgrades.
- In Q1 2024, the Company closed on the divestiture of its Utah license and retail location for \$6.5 million in gross proceeds.

#### **Conference Call and Webcast Details**

The Company will host a conference call on Thursday, May 9, 2024 at 8:00 a.m. ET to discuss financial and operating results for the first quarter of 2024.

To access the live conference call via telephone, participants must pre-register at <https://investors.cannabistcompany.com/events/event-details/cannabist-company-q1-2024-earnings-call>. After registering, instructions will be shared on how to join the call for those who wish to dial in. A live audio webcast of the call will also be available in the Investor Relations section of the Company's website at <https://investors.cannabistcompany.com/> or at <https://edge.media-server.com/mmc/p/ccsxario/>.

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 The Cannabist Company (f/k/a Columbia Care)**

The Cannabist Company, formerly known as Columbia Care, is one of the largest and most experienced cultivators, manufacturers and providers of cannabis products and related services, with licenses in 15 U.S. jurisdictions. The Company operates 123 facilities including 92 dispensaries and 31 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](http://www.cannabistcompany.com).

#### **Non-GAAP Financial Measures**

In this press release, the Company refers to certain non-GAAP financial measures, including Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Gross Profit and Adjusted Gross Margin. 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. Adjusted EBITDA is defined as EBITDA before (i) share-based compensation expense; (ii) goodwill and intangible impairment, (iii) adjustments for acquisition and other non-core costs; (iv) gain on remeasurement of contingent consideration, net, (v) fair value changes on derivative liabilities; and (vi) fair value mark-up for acquired inventory. Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by Revenue. Adjusted Gross Profit is defined as gross profit before the fair mark-up for acquired inventory. 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 are contained in our annual report on Form 10-K and 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 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: 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 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.

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

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

	Three Months Ended		
	March 31, 2024	December 31, 2023	March 31, 2023
Revenue	\$ 122,611	\$ 128,365	\$ 124,535

Cost of sales	(80,074)	)	(84,742)	)	(77,454)	)
Cost of sales related to business combination fair value adjustments to inventory	-	-	-	-	-	-
Gross profit	42,537		43,623		47,081	
Selling, general and administrative expenses	(53,273)	)	(121,313)	)	(55,350)	)
Profit (loss) from operations	(10,736)	)	(77,690)	)	(8,269)	)
Other income (expense), net	(14,964)	)	(8,710)	)	(17,614)	)
Income tax benefit (expense)	(8,868)	)	13,902		(10,689)	)
Net income (loss)	(34,568)	)	(72,498)	)	(36,572)	)
Net income (loss) attributable to non-controlling interests	505		286		768	
Net income (loss) attributable to Cannabist Company shareholders	\$ (35,073)	)	\$ (72,784)	)	\$ (37,340)	)
Weighted average common shares outstanding - basic and diluted	445,633,865		408,462,038		401,438,546	
Earnings per common share attributable to Cannabist Company shareholders - basic and diluted	\$ (0.08)	)	\$ (0.18)	)	\$ (0.09)	)

**TABLE 2 - CONDENSED CONSOLIDATED BALANCE SHEET (SELECT ITEMS)**

(in US \$ thousands, unaudited)

	<b>Three Months Ended</b>		
	<b>March 31, 2024</b>	<b>December 31, 2023</b>	<b>March 31, 2023</b>
Cash	\$ 44,473	\$ 35,764	\$ 40,159
Total current assets	189,887	187,527	238,479
Property and equipment, net	291,125	298,498	348,581
Right of use assets	213,668	218,273	210,751
Total assets	812,831	823,111	973,021
Total current liabilities	165,979	160,044	172,363
Total liabilities	769,923	757,759	791,696
Total equity	42,908	65,352	181,325
Total liabilities and equity	\$ 812,831	\$ 823,111	\$ 973,021

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

(in US \$ thousands, unaudited)

	<b>Three Months Ended</b>		
	<b>March 31, 2024</b>	<b>December 31, 2023</b>	<b>March 31, 2023</b>
Net cash provided by (used in) operating activities	\$ (6,211)	)	\$ 9,380
			\$ (3,405)
Net cash provided by (used in) investing activities	2,403	(25,437)	(2,552)

Net cash provided by (used in) financing activities \$ 12,517 \$ (8,197 ) \$ (2,037 )

**TABLE 4 - RECONCILIATION OF US GAAP TO NON-GAAP MEASURES**

(in US \$ thousands, unaudited)

	<b>Three Months Ended</b>		
	<b>March 31, 2024</b>	<b>December 31, 2023</b>	<b>March 31, 2023</b>
Net income (loss)	\$ (34,568 )	\$ (72,498 )	) \$ (36,572 )
Income tax (benefit) expense	8,868	(13,902 )	) 10,689
Depreciation and amortization	13,964	15,122	15,063
Net interest and debt amortization	12,480	12,909	13,671
EBITDA (Non-GAAP)	\$ 744	\$ (58,369 )	) \$ 2,851
Share-based compensation	\$ 3,182	\$ (12,839 )	) \$ 6,515
Goodwill and intangible impairment	-	65,522	-
Adjustments for other acquisition and non-core costs	9,032	18,329	6,968
Gain on remeasurement of contingent consideration, net	-	-	-
Fair value changes on derivative liabilities	2,346	(171 )	30
Fair value mark-up for acquired inventory	-	-	-
Adjusted EBITDA (Non-GAAP)	\$ 15,304	\$ 12,472	\$ 16,364

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