HARBORSIDE

Harborside Inc. Announces Preliminary Fiscal 2019 and First Quarter 2020 Results and Advises on Timing of Filing Annual Financial Statements and Management's Discussion and Analysis

- *Preliminary Fiscal 2019 Results Consistent with Previously Announced Full Year Guidance*
- *Strong Start to Fiscal 2020 Based on Preliminary First Quarter 2020 Interim Results*
- *Earnings for Fiscal 2019 and First Quarter 2020 Expected on or Before June 15 and July 14, respectively*

OAKLAND, CA and TORONTO, April 23, 2020 /CNW/ - Harborside Inc. ("Harborside" or "the Company") (CSE: HBOR), a California-focused, vertically integrated cannabis enterprise, today announced preliminary unaudited results for its fiscal year ended December 31, 2019 ("Fiscal 2019"), and its first quarter ended March 31, 2020 ("First Quarter 2020"), and provided a business update ahead of the announcement of its finalized year-end earnings which will take place on or before June 15, 2020. All dollar amounts in this press release are in U.S. dollars.

"I am very pleased with Harborside's continued strong growth and the significant turnaround in profitability starting in the last months of 2019 and which has shown continued improvement through the first quarter of 2020. Notably in the First Quarter 2020, we experienced company best revenue and positive Adjusted EBITDA." said Peter Bilodeau, Chairman and Interim CEO of Harborside. "The strategic and operational initiatives we have implemented are bearing fruit, resulting in strong financial performance at all our California business units while at the same time continuing to fulfill the needs of California consumers and patients through the supply of high quality cannabis products. As of late, our entire team has been rallying to ensure continued safe access to essential cannabis products during the ongoing COVID-19 pandemic, and I couldn't be more proud."

Bilodeau continued, "Harborside is well positioned to successfully weather today's unprecedented circumstances and to maintain our stature as one of the leading California cannabis companies. Implementation of improved financial controls, along with enhanced procurement procedures and increased sales of in-house brands, have led to profitability in First Quarter 2020. Additionally, the Company expects to show positive cash flow from operations in First Quarter 2020 and ended the quarter with more than $12 million in cash."

Preliminary Fiscal 2019 and First Quarter 2020 Highlights(3)

These preliminary and unaudited operating metrics and financial results are subject to the Company's customary annual and interim closing, as well as financial statement procedures by the Company and its auditors. Actual results could be affected by subsequent events or determinations. While the Company believes there is a reasonable basis for these preliminary financial results, the results involve known and unknown risks and uncertainties that may cause actual results to differ materially. These preliminary fiscal results represent forward-looking information. See "Cautionary Note Regarding Forward-Looking Information" and "Assumptions" below.

	Previously-Reported Fiscal 2019 Guidance	Preliminary Fiscal 2019 Results(2)	Preliminary First Quarter 2020 Results(2)
Revenue	$50 to $52 million	approx. $50 million	approx. $14 million
Adjusted EBITDA(1)	negative	negative	positive

Fiscal 2019(2)(3)

- Revenue for the year is expected to be up approximately 16% year-over-year to approximately $50.3 million (excluding any previously unaccounted for adjustments for reserves), which was driven by approximately 5% growth in retail revenue and approximately 99% growth in wholesale revenue. Retail strength was driven by higher sales activity at the two flagship Harborside stores in Oakland and San Jose, the two Oregon stores, as well as the revenues from the new store in Desert Hot Springs that opened in early December, which is one of only two California dispensaries with a licensed drive-thru operation. Strong wholesale growth was driven by increased scale of cultivation, improved product quality, expanded distribution throughout the state for the Company's cannabis products, and enhanced focus on sales and marketing of the Company's in-house brands Key and Harborside Farms.
- Adjusted EBITDA is expected to be negative, which is consistent with the financial guidance provided by the Company on November 22, 2019, when it announced its third quarter 2019 financial results(1).

First Quarter 2020(2)(3)

- Revenue for the quarter is expected to be up approximately 20% year-over-year to approximately $14.4 million, which was driven by approximately 12% growth in retail revenue and approximately 47% growth in wholesale revenue. The continued growth in retail reflects the Company's enhanced merchandising and pricing initiatives which resulted in, amongst other things, improved product mix, selected pricing changes and higher sell-through of internally-produced products (Harborside-branded products represented seven to nine of the 20 top-selling SKUs at Harborside stores in each month of the quarter). Additionally, the Company experienced an increase in sales due to the COVID-19 pandemic during the last two weeks of the quarter, contributing approximately $200,000 of incremental revenue. Also, retail growth was positively affected by the February store opening in San Leandro and the new Desert Hot Springs store, which have recently experienced high demand from local customers in light of the COVID-19 pandemic. Wholesale growth was primarily driven by improved harvest yields and higher sales volumes at the Company's farm operation in Salinas, California, benefiting in part by the first harvest from the Company's new state-of-the art 44,000 square foot Dutch Venlo greenhouse cultivation facility (the "Venlo Greenhouse").
- Adjusted EBITDA is expected to be positive, driven largely by the Company's retail initiatives, a general operational efficiency improvement program, and headcount reductions across the Company. For the Company's retail operations, gross margin improved from Q3 2019 to First Quarter 2020.

Liquidity and Cash Balance(2)(3)

As of March 31, 2020, Harborside had approximately $12 million in cash. The change in cash balance since the third quarter of 2019 was primarily due to one-time items, including the purchase of the other 50% equity interest in San Leandro Wellness Solutions (approximately $2.0 million) and subsequent store construction (capital expenditures approximately $0.3 million), payments relating to the completion of its Venlo Greenhouse (approximately $0.7 million), efficiency engagement-related professional fees (approximately $0.5 million) and other retail store construction activities (approximately $0.3 million).

The Company is currently reviewing the possibility of generating additional cash by exercising its contractual rights to repurchase the farm property in Salinas, California (the "Salinas Farm Property" and potentially entering into a separate sale leaseback agreement. As part of the process, the Company recently engaged an independent appraiser to determine the value of the Salinas Farm Property and the appraiser determined that as of December 23, 2019, the value of the property was approximately $31 million. The Company holds an option to repurchase the Salinas Farm Property for approximately $11 million and will exercise its option if a suitable sale leaseback agreement can be arranged.

Fiscal 2019 and First Quarter 2020 Earnings Dates

In light of the COVID-19 pandemic and the impact it has on market participants, the Canadian Securities Administrators recently announced temporary relief from certain regulatory filings required to be made on or before June 1, 2020. This blanket relief provides a 45-day extension for periodic filings, including financial statements and management's discussion and analysis, and is implemented through the Ontario Securities Commission Ontario Instrument 51-502 ("Instrument 51-502").

COVID-19 has impacted the Company, its employees, and the Company's ability to rely on timely information in relation to its financial reporting obligations. While demand for the Company's products remain strong, the Company is currently experiencing customer disruptions, and supply chain challenges caused by the spread of COVID-19 and associated shut downs that are impacting the Company's operations in the near term. The Company continues to pursue the best available paths to manage operational risk and preserve capital during this very difficult time.

As a result, the Company will be utilizing the extension periods permitted under Instrument 51-502 for: (i) the filing of its annual financial statements and related management's discussion and analysis for its fiscal year ended December 31, 2019 (the "Annual Filings"); (ii) the filing of its interim financial statements and related management's discussion and analysis for its first quarter in 2020 ended March 31, 2020 (the "Interim Filings"); (iii) the compliance with the delivery requirements of applicable securities laws relating to the Annual Filings and the Interim Filings; and (iv) the filing of executive compensation disclosure. The Annual Filings, which would otherwise have had a filing deadline of April 29, 2020, are expected to be filed on SEDAR on or before June 15, 2020. The Interim Filings, which would otherwise have had a filing deadline of June 1, 2020, are expected to be filed on SEDAR on or before July 14, 2020.

Harborside is continuing to work diligently and expeditiously with its auditors to file the Annual Filings and Interim Filings. In the interim, officers, directors and other insiders of the Company will continue to be subject to the Company's insider trading policy, pursuant to which such persons are prohibited from trading in any securities of the Company until the first trading day following the dissemination by the Company of such annual and quarterly results. Other than as previously disclosed by the Company and herein with this press release, Harborside confirms that there have been no material business developments since the date of its third quarter interim financial statements that were filed on November 21, 2019.

Update on Oregon Operations
Over the past six months, Harborside has conducted a strategic review of its operations to focus on its highest return-on-investment assets, specifically those with potential for revenue growth and profitability within the next 12 months. Coupled with the more recent challenges of COVID-19, the Company has decided to discontinue operations of its retail dispensary in Portland, OR (the "Portland Dispensary"), one of the Company's two dispensaries in the state operating under the Terpene Station brand. The dispensary in Eugene, OR, remains open. Both locations were acquired as part of the reverse takeover transaction with Lineage Grow Company Ltd. in May 2019.

The closure of the Portland Dispensary will not have a material impact on the financial results of the Company. The Portland Dispensary represented less than 1% of the total revenue for Fiscal 2019, and experienced operating losses on an adjusted EBITDA basis(1). There are no material shut down costs associated with ceasing operations at the Portland Dispensary.

For the latest news, activities, and media coverage, please visit the Harborside corporate website at www.investharborside.com or connect with us on LinkedIn, Facebook, and Twitter.

About Harborside:
Harborside Inc. is one of the oldest and most respected cannabis retailers in California, operating three of the major dispensaries in the San Francisco Bay Area, a dispensary in the Palm Springs area outfitted with Southern California's only cannabis drive-thru window, a dispensary in Oregon and a cultivation facility in Salinas, California. Harborside has played an instrumental role in making cannabis safe and accessible to a broad and diverse community of California consumers. Co-founded by Steve DeAngelo and dress wedding in 2006, Harborside was awarded one of the first six medical cannabis licenses granted in the United States. Harborside is currently a publicly listed company on the Canadian Securities Exchange ("CSE") trading under the ticker symbol "HBOR". Additional information regarding Harborside is available under Harborside's SEDAR profile at www.sedar.com.

Non-IFRS Measures, Reconciliation and Discussion
This press release may contain references to "EBITDA", "Adjusted EBITDA", and "Gross Margin", which are non-IFRS financial measures.

EBITDA and Adjusted EBITDA are measures of the Company's overall financial performance and are used as an alternative to earnings or net income in some circumstances. EBITDA and/or Adjusted EBITDA are essentially net income (loss) with interest, taxes, depreciation and amortization, non-cash adjustments and other unusual items added back. This measure can be used to analyze and compare profitability among companies and industries, as it eliminates the effects of financing and capital expenditures. It is often used in valuation ratios and can be compared to enterprise value and revenue. This measure does not have any standardized meaning according to IFRS and therefore may not be comparable to similar measures presented by other companies.

Gross Margin is the difference between revenue and cost of goods sold (COGS) divided by revenue and is expressed as a percentage. Management believes this measure provides useful information as it represents the value of incremental sales.

There are no comparable IFRS financial measures presented in Harborside's financial statements. Reconciliations of the supplemental non-IFRS measures will be presented in the Company's management's discussion and analysis for Fiscal 2019, and First Quarter 2020. These non-IFRS financial measures are presented because management has evaluated the financial results both including and excluding the adjusted items and believe that the non-IFRS financial measures presented provide additional perspective and insights when analyzing the core operating performance of the business. The Company believes that these supplemental measures provide information useful to shareholders and investors in understanding our performance and may assist in the evaluation of the Company's business relative to that of its peers.

These non-IFRS 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 IFRS financial measures presented in the Company's financial statements. For more information, please see "Non-IFRS Measures" in the Company's management's discussion and analysis for Fiscal 2019, and First Quarter 2020, which will be available on www.sedar.com, on or before June 15 and July 14, respectively.

Notes:

1. This is a non-IFRS reporting measure. For a reconciliation of this to the nearest IFRS measure, see "Use of Non-IFRS Measures" and "Non-IFRS Measures" in the Company's management discussion and analysis for Fiscal 2019, and First Quarter 2020, to be filed on or before June 15, 2020 and July 14, 2020, respectively.
2. This is forward-looking information and based on a number of assumptions. See "Cautionary Note Regarding Forward-Looking Information" and "Assumptions".
3. The financial information included in this press release is neither audited nor reviewed. Where possible, the information has been constructed by management from available audited or audit reviewed financial statements. Where no audited or audit reviewed information has been available, additional management accounting information has been utilized to construct financial information.

Cautionary Note Regarding Forward-Looking Information
This news release contains "forward-looking information" and "forward-looking statements" (collectively, "forward-looking statements") within the meaning of the applicable Canadian securities legislation. All statements, other than statements of historical fact, are forward-looking statements and are based on expectations, estimates and projections as at the date of this news release. Any statement that involves discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, future events or performance (often but not always using phrases such as "expects", or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "budget", "scheduled", "forecasts", "estimates", "believes" or "intends" or variations of such words and phrases or stating that certain actions, events or results "may" or "could", "would", "might" or "will" be taken to occur or be achieved) are not statements of historical fact and may be forward-looking statements. In this news release, forward looking-statements relate to, among other things, final operating metrics and financial results for Fiscal 2019 and First Quarter 2020, including final revenue, adjusted EBITDA, liquidity and cash balance figures, potential repurchase of the Salinas Farm Property, and the ability to negotiate the sale leaseback agreement for the Salinas Farm Property.

These forward-looking statements are based on reasonable assumptions and estimates of management of the Company at the time such statements were made. Actual future results may differ materially as forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to materially differ from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors, among other things, include: management's perceptions of the anticipated timeline in which the Annual Filings and the Interim Filings can be completed and filed; implications of the COVID-19 pandemic on the Company's operations; fluctuations in general macroeconomic conditions; fluctuations in securities markets; expectations regarding the size of the California cannabis market and changing consumer habits; the ability of the Company to successfully achieve its business objectives; plans for expansion; political and social uncertainties; inability to obtain adequate insurance to cover risks and hazards; and the presence of laws and regulations that may impose restrictions on cultivation, production, distribution and sale of cannabis and cannabis related products in the State of California; and employee relations. Although the forward-looking statements contained in this news release are based upon what management of the Company believes, or believed at the time, to be reasonable assumptions, the Company cannot assure shareholders that actual results will be consistent with such forward-looking statements, as there may be other factors that cause results not to be as anticipated, estimated or intended. Readers should not place undue reliance on the forward-looking statements and information contained in this news release. The Company assumes no obligation to update the forward-looking statements of beliefs, opinions, projections, or other factors, should they change, except as required by law.

The Company is indirectly involved in the manufacture, possession, use, sale and distribution of cannabis in the recreational and medicinal cannabis marketplace in the United States. Local state laws where the Company operates permit such activities however, these activities are currently illegal under United States federal law. Additional information regarding this and other risks and uncertainties relating to the Company's business are contained under the heading "Risk Factors" in the Listing Statement dated May 30, 2019, filed under the Company's profile on SEDAR at www.sedar.com.

The CSE has neither approved nor disapproved the contents of this news release. Neither the CSE nor its Market Regulator (as that term is defined in the policies of the CSE) accepts responsibility for the adequacy or accuracy of this release.

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