



HARBORSIDE

Harborside Inc. Reports First Quarter 2020 Financial Results and Announces Board and Management Changes

Company Reports Net Revenue of \$14.6 Million and Positive Adjusted EBITDA⁽¹⁾

Reaffirms Second Quarter 2020 Preliminary Results Demonstrating Continued Strong Performance

Company expects Cash Position of approximately \$13.6 million at June 30, 2020⁽²⁾

Cannabis Industry Executive Peter Kampian Joins Board of Directors

OAKLAND, CA and TORONTO, Aug. 26, 2020 /CNW/ - Harborside Inc. ("Harborside" or the "Company") (CSE: HBOR), a California-focused, vertically integrated cannabis enterprise, today reported its financial results for the period ending March 31, 2020 ("Q1 2020"). The Q1 2020 financial statements and corresponding management's discussion and analysis (collectively the "Q1 Filings") are available for download from the Company's investor website, investharborside.com, and on the Company's [SEDAR profile](#).

In conjunction with the Q1 Filings, Harborside has applied to have the previously-disclosed cease trade order (the "CTO") revoked. Trading is expected to resume on the Canadian Securities Exchange ("CSE") shortly after the revocation of the CTO.⁽²⁾

The Company also reaffirms its previously announced preliminary unaudited results for its second quarter ended June 30, 2020 ("Q2 2020"). Unless otherwise indicated, all dollar amounts in this press release are in U.S. dollars.

Management Commentary

"I'm extremely proud of the incredible work the entire Harborside team continues to do to achieve the strong financial results we have published today," said Peter Bilodeau, Chairman and interim Chief Executive Officer. "Throughout the first half of the year, we've focused on implementing the necessary performance improvements across our business that have accelerated Harborside's revenue growth, while also driving efficiencies that are improving our overall profitability."

Q1 2020 Financial Results and Preliminary Q2 2020 Results and Highlights⁽²⁾⁽³⁾

	Previously-Reported Q1 2020 Results	Actual Q1 2020 2020 Results	Preliminary Second Quarter 2020 Results
Gross Revenue	approx. \$14 million	\$14.6 million	approx. \$16 million
Adjusted EBITDA ⁽¹⁾	positive	positive	positive

During Q1 2020, Harborside generated retail revenue of approximately \$10.2 million and net wholesale revenue of approximately \$4.4 million before excise taxes, compared to \$8.3 million and \$2.8 million respectively for the period ending March 31, 2019 ("Q1 2019"), for a total gross revenue of \$14.6 million in Q1 2020, compared to \$11.5 million in Q1 2019. The year-over-year increase in retail revenue was driven primarily by increased foot traffic in the Company's retail stores due to marketing initiatives launched during the quarter, combined with improved in-store merchandising, and a focus on selling more flower SKU's that were produced in-house. The year-over-year increase in wholesale revenues was primarily due to improved harvest yields and flower quality, which allowed the Company to bring more product to market and sell it for a higher average price. Retail gross margins were approximately 51.3% for the quarter, reflecting a year-over-year improvement of approximately 5.3%. Wholesale gross margins were approximately 17.7% for the quarter, which was an improvement of approximately 19.5% year-over-year.

Combined gross profit⁽¹⁾ before biological asset adjustment for Q1 2020 was \$5.0 million, resulting in a 36.3% gross margin, as compared to \$3.4 million and 30.7% in Q1 2019. Year-over-year gross margin improvements were primarily due to improved product mix and pricing at retail, combined with higher cultivation yields and higher selling prices at wholesale.

Total operating expenses for Q1 2020 were approximately \$6.2 million, compared to approximately \$6.9 million in Q1 2019. The year-over-year decrease in operating expenses is primarily related to a decrease in general and administrative expenses of \$0.5 million, and a decrease in share-based compensation of \$0.6 million, due to vesting of stock options and restricted stock awards, which was mostly recognized during the fiscal year ended December 31, 2018, and the early part of the fiscal year ended December 31, 2019. These decreases were partially offset by an increase in professional fees and an increase in depreciation and amortization during the period.

Operating Income for Q1 2020 was approximately \$0.5 million, compared to an operating loss of approximately \$4.25 million for Q1 2019. Net Loss, after adjustments for changes in fair values of derivative liabilities, was approximately \$2.4 million, compared to an adjusted loss of \$8.1 million in Q1 2019, a 70% improvement on a year-over-year basis.

Adjusted EBITDA⁽¹⁾ for Q1 2020 was \$0.432 million, compared to an adjusted loss of approximately \$2.4 million for Q1 2019. See "Non-IFRS Financial Measures, Reconciliation and Discussion."

The Company reaffirms its expectations for its Q2 2020 revenue increase of approximately 28% year-over-year to approximately \$16 million, before adjustments for cultivation excise taxes, as previously announced on August 10, 2020. The year-over-year increase was driven by approximately 4% growth in retail revenue and approximately 244% 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. Across Harborside's retail stores in California, the Company's branded products represented between seven and nine of the 20 top-selling SKUs in Q2 2020.

Wholesale growth in Q2 was primarily driven by improved harvest yields and higher sales volumes at the Company's farm operation in Salinas, California, resulting primarily from increased production of high-quality flower and higher average sales prices.

Adjusted EBITDA⁽¹⁾ is expected to be positive, driven largely by improved operating efficiencies and headcount reductions across the Company. For the Company's retail operations, gross margin⁽¹⁾ improved from 2019 to year to date 2020.

Liquidity and Cash Balance ⁽²⁾⁽³⁾

As of June 30, 2020, Harborside expects to show that it had approximately \$13.6 million in cash. The projected increase in cash balance since the first quarter of 2020 included a delay in payment of approximately \$1.6 million of sales taxes that are due to the state of California. Payment of these taxes was postponed by the state as part of their COVID-19 business relief program and the funds are now expected to be remitted by the end of October 2020.

These preliminary and unaudited operating metrics and financial results are subject to the Company's customary interim financial statement closing procedures by the Company. 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" below.

Board and Management Changes

The Company also announced today that Peter Kampian has joined the Company's Board of Directors, bringing his vast experience as a financial executive working with a number of Canadian public companies and various private companies.

Mr. Kampian has served as Chief Financial Officer of DionyMed Holdings Inc., a California based cannabis branding and distribution company. He was also the Chief Financial Officer of Mettrum Health Corp., where he was instrumental in taking the company public in 2014, and facilitating the acquisition of the company by Canopy Growth Corporation in 2017 for C\$430 million. Previously, Mr. Kampian was

Chief Financial Officer of Algonquin Power Income Fund (now Algonquin Power & Utilities Corp – TSX trading symbol AQN). He currently serves as a director and on the special committee of James E. Wagner Cultivation Corporation, a premium cannabis brand, and serves as director and chair of the audit committee of Red Pine Exploration Inc., a company listed on the (TSX-V: RPX). Mr. Kampian is a Canadian Chartered Accountant (CPA, CA) and a member of the Institute of Corporate Directors, and holds the ICD.D designation for directors.

In addition, the Company also announced that Lisah Poore will step down from her role as Chief Retail Officer effective August 28, 2020.

Mr. Bilodeau added, "On behalf of the entire team, I'd like to welcome Peter Kampian to our Board. Mr. Kampian brings a wealth of experience in both capital markets and the cannabis industry. I'd also like to extend our heartfelt appreciation to Lisah Poore for her contributions during her tenure as our Chief Retail Officer."

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/production 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 and today holds cannabis licenses for retail, distribution, cultivation, nursery and manufacturing. Harborside is currently a publicly listed company on the 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 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 are or will be presented in the Company's management's discussion and analysis for March 31, 2020, and June 30, 2020. These non-IFRS financial measures are presented because management has evaluated the financial results both including and excluding the adjusted items and believes 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 which is 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 "Use of Non-IFRS Measures" and "Non-IFRS Measures" in the Company's management's discussion and analysis for March 31, 2020, which is available under the Company's profile on www.sedar.com.

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 March 31, 2020.
2. This is forward-looking information and based on a number of assumptions. See "Cautionary Note Regarding Forward-Looking Information".
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, the revocation of the CTO, the resumption of trading on the CSE, and the information under the headings "Q1 2020 Financial Results and Preliminary Q2 2020 Results and Highlights" and "Liquidity and Cash Balance"

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 CTO is revoked and trading is resumed on the CSE; 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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For further information: Company Contact: Harborside Inc. Peter Bilodeau, Chairman, CEO (519) 919-6500; Investor Contact: MATTIO Communications Rob Kelly hbor@mattio.com; Media Contact: MATTIO Communications harborside@mattio.com, 41289431.6

CO: Harborside Inc.

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