



Harborside Inc. Reports Second Quarter 2020 Financial Results

Generates Gross Revenue of \$16.1 Million and Continued Positive Adjusted EBITDA ⁽¹⁾

Reports Strong Combined Gross Margin of 49.8%⁽¹⁾ Driven by Improved Harvest Yields and Higher Wholesale Volumes

Trading of the Company's Shares Expected to Resume on or About September 2, 2020

Announces Strategic Review Focused on Maximizing Shareholder Value

OAKLAND, CA and TORONTO, Sept. 1, 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 June 30, 2020 ("Q2 2020"). The Q2 2020 financial statements and corresponding management's discussion and analysis (collectively the "Q2 Filings") are available for download from the Company's investor website, investharborside.com, and on the Company's [SEDAR profile](#). Unless otherwise indicated, all dollar amounts in this press release are in U.S. dollars.

In addition, the Company announced today that it is coordinating with the Canadian Securities Exchange ("CSE") with respect to reinstatement of trading on the CSE and, subject to meeting the requirements of the CSE, trading is expected to resume on or about Wednesday, September 2, 2020.

Management Commentary

"Our second quarter results are a reflection of the improvements we began implementing earlier this year, which have allowed us to leverage the strength of our operations to accelerate our path to profitability," said Peter Bilodeau, Chairman and interim Chief Executive Officer. "We will continue to focus on both our cultivation and retail level initiatives, which have improved the overall product mix we sell and increased the sell through of Harborside produced products on our store shelves. We enter the second half of 2020 with strong momentum and look to continue delivering high-quality products to our customers while driving strong value creation for our shareholders."

Strategic Review⁽²⁾

Harborside also announced today that the Company has commenced a strategic review of the business and opportunities in the marketplace (the "Strategic Review") to maximize shareholder value including, potential merger and acquisition opportunities, equity financings, and the potential repurchase and financing of the Company's farm operation in Salinas, California (the "Farm"), which has very favorable repurchase terms. The Company has not established a definitive timeline to complete the Strategic Review, and no decisions related to any strategic alternative has been reached at this time. There can be no assurance as to what, if any, alternative might be pursued by the Company as a result of the Strategic Review. The Company does not intend to comment further with respect to the Strategic Review unless and until it determines that additional disclosure is appropriate in the circumstances and in accordance with the requirements of applicable securities laws.

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

Q2 2020 Financial Summary

	Q2 2020	Q1 2020	Q4 2019	Q2 2019
Retail Revenues	\$10,940,143	\$10,181,471	\$9,511,221	\$10,387,178
Wholesale Revenues ⁽¹⁾	5,208,439	\$4,456,775	\$2,185,701	\$2,153,200
Total Revenue	\$16,148,582	\$14,638,246	\$11,696,922	\$12,540,378
Retail Gross Profit	\$5,601,565	\$5,219,890	\$4,903,947	\$5,053,897
Wholesale Gross Profit ⁽¹⁾	\$2,435,952	\$787,964	(\$1,373,186)	(\$115,890)
Total Gross Profit⁽¹⁾	\$8,037,517	\$6,007,854	\$3,530,761	\$4,938,007
Retail Gross Margin ⁽²⁾⁽⁵⁾	51.2 %	51.3 %	51.6 %	48.7 %
Wholesale Gross Margin ⁽¹⁾⁽⁵⁾	46.8 %	17.7 %	(62.8)%	(5.4)%
Total Gross Margin⁽⁵⁾	49.8%	41.0%	30.2%	39.4%
G&A/Professional Fees ^{(3),(4)}	\$6,764,781	\$5,786,573	\$7,621,971	\$9,862,468
Adjusted EBITDA ⁽⁵⁾	\$642,025	\$431,562	\$(2,796,178)	\$(1,699,995)

NOTES:

1. Not including excise taxes or biological asset adjustments
2. Retail gross margin in Q1 2020 and Q2 2020 are slightly affected by additional expenditures on personal protective equipment and other safety measures due to the COVID-19 pandemic. Retail gross margin in Q2 2020 also includes additional pay for the Company's front line workers and expenses relating to the impacts of the riots/looting in the Bay Area to certain of the Company's retail stores.
3. Professional Fees for the fourth quarter of 2019 include approximately \$953,000 in one-time fees and accruals for legal matters
4. Professional Fees for Q2 2020 include approximately \$977,000 in one-time costs relating to accounting audits and restatements for certain of the Company's previous financial statements.
5. 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 June 30, 2020.

Q2 2020 Financial Summary

During Q2 2020, Harborside generated net retail revenue of approximately \$10.9 million and net wholesale revenue of approximately \$5.2 million, compared to \$10.4 million and \$2.2 million respectively for the period ending June 30, 2019 ("Q2 2019"), for a total gross revenue of \$16.1 million in Q2 2020, compared to \$12.5 million in Q2 2019, a 28.8% increase year-over-year. The 5.3% year-over-year increase in retail revenue was driven primarily by 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. The approximately 142% year-over-year increase in wholesale revenues was primarily due to improved harvest yields and production of premium flower, higher sales volumes and higher average prices per pound at the Company's Farm.

Retail gross margins were approximately 51.2% for the quarter, reflecting a year-over year improvement of approximately 2.5% despite increased costs for safety and staffing related to COVID-19 and inventory losses that occurred during the civil unrest that occurred in the Bay Area. Wholesale gross margins were approximately 46.8% for the quarter, which was an improvement of approximately 52.2% year-over-year.

Overall gross profit⁽¹⁾ for Q2 2020 was approximately \$7.6 million, resulting in a 49.7% overall gross margin⁽¹⁾, as compared to approximately \$4.25 million and 35.0% in Q2 2019. Year-over-year gross margin⁽¹⁾ 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 Q2 2020 were approximately \$7.1 million, compared to approximately \$10.8 million in Q2 2019. The 34.2% year-over-year decrease in operating expenses is primarily related to a decrease in professional fees of \$2.7 million, which was mainly due to the one-time costs incurred during Q2 2019 related to the reverse takeover transaction of the Company. The overall decrease in professional fees was reduced by approximately \$977,000 in one-time professional fees incurred in Q2 2020 related to the audit and restatement of prior year financials. In Q2 2020, the Company also experienced a decrease in general and administrative expenses of \$0.3 million; a decrease in share-based compensation of \$0.9 million, which included the reversal of share-based compensation related to forfeitures of options upon the departure of certain former employees; and, write-downs of receivables, investments and advances of \$0.2 million during the period.

Operating Income for Q2 2020 was approximately \$0.5 million, compared to an operating loss of approximately \$6.6 million for Q2 2019. Net Loss and comprehensive loss was \$1.7 million, compared to a net loss and comprehensive loss of \$6.1 million in Q2 2019, a 72.1% improvement on a year-over-year basis.

Adjusted EBITDA⁽¹⁾ for Q2 2020 was approximately \$0.6 million, compared to a negative EBITDA of approximately \$1.7 million for Q2 2019, driven largely by improved operating efficiencies and headcount reductions across the Company. See "Non-IFRS Financial Measures, Reconciliation and Discussion."

Liquidity and Cash Balance⁽²⁾⁽³⁾

As of June 30, 2020, Harborside 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.

Conference Call Information

Harborside will host a conference call Wednesday, September 2, 2020, to discuss the Q2 2020 results. Peter Bilodeau, Interim Chief Executive Officer, and Tom DiGiovanni, Chief Financial Officer will host the call starting at 10:00 a.m. Eastern time. A question and answer session will follow management's presentation.

Date: Wednesday, September 2, 2020

Time: 10:00 a.m. Eastern Time

Dial-In Number: 1 (888) 664-6392

Conference ID: 49474728

Webcast: [Click Here to Access](#)

Replay: (855) 859-2056 or (404) 537-3406

Replay Code: 474728
Available until 11:30 p.m. Eastern Time Wednesday, September 16, 2020

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", "Gross Profit", 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 Profit is the difference between revenue and cost of goods sold. Gross Margin is the difference between revenue and cost of goods sold divided by revenue, and is expressed as a percentage. Management believes these measures 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 presented in the Company's management's discussion and analysis for 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 June 30, 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 June 30, 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 Strategic Review, the resumption of trading on the CSE, and the information under the headings "Q2 2020 Financial 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 Strategic Review should be completed and the results of that review; the resumption of trading 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 and management's discussion and analysis for the period ended June 30, 2020, 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.

View original content to download multimedia:

<http://www.prnewswire.com/news-releases/harborside-inc-reports-second-quarter-2020-financial-results-301122036.html>

SOURCE Harborside Inc.

View original content to download multimedia:

<http://www.newswire.ca/en/releases/archive/September2020/01/c1362.html>

%SEDAR: 00013218E

For further information: Company Contact: Harborside Inc., Peter Bilodeau, Chairman, Interim CEO, (519) 919-6500; Investor Contact: MATTIO Communications, Rob Kelly, hbor@mattio.com; Media Contact: MATTIO Communications, harborside@mattio.com

CO: Harborside Inc.

CNW 09:41e 01-SEP-20