



Harborside Inc. Reports Fourth Quarter and Full Year 2020 Financial Results

Full Year 2020 Gross Revenues Expand 29% Year-Over-Year to \$63.4 Million

Full Year 2020 Adjusted EBITDA grows to \$7.4 Million From an Adjusted EBITDA Loss of \$8.9 Million in 2019⁽¹⁾

Reports Fourth Quarter Gross Revenues of \$13.1 Million and Positive Adjusted EBITDA of \$0.7 Million⁽¹⁾

Fourth Quarter Total Gross Margins improved from 22.1% to 49.9%⁽¹⁾, Driven by Improved Harvest Yields, Higher Wholesale Volumes, and Improved Operating Leverage Supported by Tight Expense Management

OAKLAND, Calif. and TORONTO, April 26, 2021 /CNW/ - Harborside Inc. ("Harborside" or the "Company") (CSE: HBOR) (OTCQX: HBORF), a California-focused, vertically integrated cannabis enterprise, today reported its financial results for the fourth quarter and full year ending December 31, 2020 ("Q4 2020"). The audited consolidated financial statements for Q4 2020 and the year ending December 31, 2020 and corresponding management's discussion and analysis (collectively the "Q4 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.

Management Commentary

"2020 marked a turning point year for Harborside. Despite experiencing a pandemic, we worked hard to better serve our customers, improve and scale our cultivation operations, increase the availability of our branded products and create a strong foundation for future growth"⁽¹⁾ said Matt Hawkins, Chairman of Harborside. "The impact of our efforts is evident in our impressive full year financial results, where we drove solid top line revenue growth of 29% while actively managing our expenses and driving operating leverage throughout our business to expand our total gross margins to 47% and generate \$7.4 million in Adjusted EBITDA in 2020."

Mr. Hawkins added, "We have also ensured that Harborside has a strong balance sheet, successfully raising C\$35.1 million and securing a US\$12 million revolving credit facility subsequent to year end. In addition, we have also started taking definitive action towards settling our preexisting 280E liabilities, which includes the recent 9th Circuit affirmation of the prior lower court ruling with respect to our appeal. We have already accounted for and reserved for these liabilities, and the ruling does not change the company's plans to negotiate with the IRS. We have both the resources and focus to execute on our California first growth strategy."

Mr. Hawkins concluded, "We're thrilled with the progress we have made and excited for the year ahead. With the initial cultivation upgrades at our Salinas production campus now complete, a recently strengthened balance sheet and a refreshed team of operators with deep industry experience at the helm, Harborside is well-positioned to accelerate our growth and continue to extend our leading position in the California cannabis market."⁽²⁾

Q4 2020 Operational Highlights

- [Completed the acquisition of a 21% interest in a San Francisco Dispensary in the historic Haight-Ashbury District](#)
- [Announced cultivation facility upgrades at the Company's production campus in Salinas, CA and launched clones sales at all Harborside retail stores](#)
- [Received DTC eligibility](#)
- [Announced refreshed slate of Directors and appointed Matt Hawkins as Chairman](#)
- [Announced launch of new product lineup and initiative](#)

Subsequent Events

- [Secured a \\$12 million revolving credit facility](#)
- [Completed a \\$5 million strategic investment in Loudpack, a premier California cannabis company](#)
- [Recognized for exceptional curbside pickup and delivery services](#)
- [Announced Final Resolution in San Jose Wellness 280E Case](#)
- [Closed upsized private placement for gross proceeds of approximately C\\$35.1 million](#)

Q4 2020 Financial Results and Highlights ⁽³⁾

	FY 2020	FY 2019	Q4 2020	Q4 2019
Retail Revenues	\$42,015,941	\$38,553,585	\$10,212,430	\$9,511,221
Wholesale Revenues	\$21,400,832	\$10,457,702	\$2,844,895	\$2,185,702
Total Gross Revenues^(a)	\$63,416,773	\$49,011,287	\$13,057,325	\$11,696,923
Cultivation Excise Taxes	\$(3,463,056)	\$(2,111,390)	\$(462,005)	\$(385,934)
Total Net Revenues^(a)	\$59,953,717	\$46,899,897	\$12,595,320	\$11,310,989
Retail Gross Profit ^(e)	\$21,552,403	\$18,795,816	\$5,377,519	\$4,903,947
Wholesale Gross Profit ^{(a)(e)(f)}	\$6,490,148	(2,922,701)	\$906,519	\$(1,759,119)
Total Gross Profit^{(a)(e)(f)}	\$28,042,551	\$15,873,115	\$6,284,038	\$3,144,828
Retail Gross Margin ^(b)	51.3%	48.8%	52.7%	51.6%
Wholesale Gross Margin ^{(a)(e)(f)}	30.3%	(27.9)%	31.9%	(80.5)%
Total Gross Margin^{(a)(e)(f)}	46.8%	33.8%	49.9%	27.8%
G&A/Professional Fees ^{(c)(d)}	\$27,101,120	\$29,693,141	\$7,765,779	\$7,621,971
Net Loss and Comprehensive Loss	\$(11,946,690)	\$(49,458,115)	\$(5,397,824)	\$(44,961,964)
Adjusted EBITDA ^(g)	\$7,369,269	\$(8,868,031)	\$711,112	\$(3,273,759)

NOTES:

- Including adjustment for cultivation excise taxes.
- Retail gross margins in 2020 are affected by additional expenditures due to the COVID-19 pandemic, including additional pay for the Company's front line workers, personal protective equipment for customers and employees and costs for other safety measures. Retail gross margins in Q2 2020 and Q3 2020 include additional expenses relating to the impacts of the civil unrest in the Bay Area to certain of the Company's retail stores.
- Professional Fees for the fourth quarter of 2019 include approximately \$953,000 in one-time fees and accruals for legal matters
- Professional Fees for Q2 2020 and Q3 2020 include approximately \$977,000 and \$1,115,000, respectively, in one-time costs relating to the audits and restatements of certain of the Company's previous financial statements.

Q4 and Full Year 2020 Financial Summary

Harborside generated full year 2020 ("FY 2020") gross revenues of approximately \$63.4 million, which represents a 29.4% year-over-year increase from approximately \$49.0 million which was generated during full year 2019 ("FY 2019"). During Q4 2020, Harborside generated total gross revenues of approximately \$13.1 million. This represents a 12% year-over-year increase when compared to the approximately \$11.7 million of gross revenues reported in the 3 month period ending December 31, 2019 ("Q4 2019"). Q4 2020 combined gross profit before adjustments for biological assets was approximately \$6.3 million, an approximately 99.8% year-over-year increase as compared to the approximately \$3.1 million reported in Q4 2019⁽¹⁾. On a year-over-year basis, combined gross margins before adjustments for biological assets increased from 27.8% in Q4 2019 to 49.9% in Q4 2020⁽¹⁾. Full year 2020 gross profit before adjustments for biological assets was approximately \$28.0 million which represents a 76.7% increase as compared to approximately \$15.9 million during FY 2019⁽¹⁾.

Harborside's wholesale operations reported gross revenues of approximately \$2.8 million for Q4 2020, representing a year-over-year increase of approximately 30.2% as compared to the approximately \$2.2 million in gross revenues reported for Q4 2019. For FY 2020, wholesale gross revenues were approximately \$21.4 million, an approximately 105% increase from the approximately \$10.4 million of wholesale gross revenues achieved in FY 2019. The year-over-year increase in gross 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 47-acre integrated production campus in Salinas, California (the "Salinas Facility"). As compared to gross wholesale revenues, wholesale gross margins before adjustments for biological assets increased from (80.5)% in Q4 2019 to 31.9% in Q4 2020⁽¹⁾.

The Company's retail operations generated revenues of approximately \$10.2 million for Q4 2020, an approximately 7.4% increase as compared to the approximately \$9.5 million realized in Q4 2019, with gross margins improving from 51.6% to 52.7% on a year-over-year basis despite experiencing increased costs for safety, supplies and staffing related to COVID-19⁽¹⁾. For FY 2020, retail revenues were approximately \$42.0 million, an increase of approximately 9.0% as compared to the approximately \$38.6 million in retail revenues in FY 2019. The year-over-year increases in retail revenue were driven primarily by marketing initiatives which were focused on increasing the average customer transaction size, combined with improved in-store merchandising and a focus on selling more items that were produced in-house. Across Harborside's retail stores in California, the Company's branded products represented five of the top six selling SKUs in Q4 2020.

Total operating expenses for Q4 2020 were approximately \$12.2 million. This was an approximately 73.9% year-over-year decrease when compared to approximately \$46.6 million of costs incurred in Q4 2019. The year-over-year reduction in operating expenses is primarily related to a decrease in impairment losses on assets of approximately \$33.7 million, a decrease in professional fees of \$0.6 million, a decrease in writedowns of investments and advances of \$1.2 million and a decrease in depreciation and amortization of \$0.2 million. These decreases were partially offset by increases in general and administrative expenses of \$0.8 million and share based compensation of \$0.3 million.

During Q4 2020, the Company also recorded income tax expense of approximately \$1.5 million, compared to approximately \$0.7 million in Q4 2019, based on estimated federal income taxes payable at each period-end.

Operating loss for Q4 2020 was approximately \$5.4 million, compared to an operating loss of approximately \$43.6 million for Q4 2019⁽¹⁾. Net loss and comprehensive loss was approximately \$5.4 million, compared to a net loss and comprehensive loss of approximately \$45.0 million in Q4 2019, an approximately 87.8% improvement on a year-over-year basis.

Adjusted EBITDA for FY 2020 was approximately \$7.4 million, or 12.3% of net revenues, compared to negative Adjusted EBITDA of approximately \$(8.9) million or (18.9)% for FY 2019. Adjusted EBITDA for Q4 2020 was approximately \$0.7 million or 5.6% of net revenues, compared to a negative Adjusted EBITDA of approximately \$(3.3) million or (28.9)% of net revenues for Q4 2019. The year over year increases were driven largely by improved product margins combined with operating efficiencies and headcount reductions across the Company⁽¹⁾. See "Non-IFRS Financial Measures, Reconciliation, and Discussion".

Liquidity and Cash Balance⁽³⁾

As of December 31, 2020, Harborside had total current assets of approximately \$19.8 million, including cash of approximately \$10.5 million. The decrease in cash balance since the third quarter of 2020 was primarily due to the payment of approximately \$2.2 million of sales taxes that were due to the state of California, of which approximately \$1.6 million had been previously postponed by the state as part of their COVID-19 business relief program. Subsequent to year end, Harborside closed a brokered private placement for aggregate gross proceeds of approximately C\$35.1 million and entered into a loan financing arrangement with a commercial federally regulated bank in the amount of US\$12 million pursuant to a senior secured revolving credit facility due March 19, 2023.

Full Year 2021 Expectations⁽²⁾⁽³⁾⁽⁴⁾

In January 2021, the Company announced that for 2021, it expects standalone gross revenues of between \$68.0 to \$72.0 million⁽²⁾. The anticipated increase in revenues for 2021 is expected to be derived from improved retail pricing along with continued increases in both flower yields and processing efficiencies from the Company's wholesale operations⁽²⁾. In addition, the Company expects an Adjusted EBITDA in the range of 15% to 17% of net revenues for 2021⁽¹⁾⁽²⁾. Management expects to attain this higher level of Adjusted EBITDA in 2021 through more efficient procurement of goods sold and stronger cost discipline on overhead spend⁽¹⁾⁽²⁾.

All figures reported above with respect to the 2021 fiscal year are financial outlooks, are based on several assumptions and are subject to a number of risks and uncertainties. Accordingly, investors are cautioned not to place undue reliance on the foregoing information. Actual results may differ materially. See "Cautionary Note Regarding Forward-Looking Information".

For the latest news, activities, and media coverage, please visit the Harborside corporate website at <http://www.investharborside.com> or connect with us on [LinkedIn](#), [Facebook](#), and [Twitter](#).

About Harborside:

Harborside Inc., a vertically integrated enterprise with cannabis licenses covering retail, distribution, cultivation, nursery, and manufacturing, is one of the oldest and most respected cannabis companies in the world. Founded in California in 2006, Harborside was awarded one of the first six medical cannabis licenses granted in the United States. Today, the company operates three 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 an integrated cultivation/production facility in Salinas, California. Harborside continues to play an instrumental role in making cannabis safe and accessible to a broad and diverse community of California and Oregon consumers. Harborside is a publicly listed company, trading on the Canadian Securities Exchange

("CSE") under the ticker symbol "HBOR" and the OTCQX under the ticker symbol "HBORF". 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", "Gross Margin", which are non-IFRS financial measures, and "Operating Loss", which is equivalent to "Loss before the Undernoted" on the Company's Consolidated Statements of Loss and Comprehensive Loss.

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 that these measures provide useful information as they represent the value of incremental sales. "Operating Loss" is equivalent to "Loss before the Undernoted" on the Company's Consolidated Statements of Loss and Comprehensive Loss.

Other than "Operating Loss" being equivalent to "Loss before the Undernoted", 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 the year ended December 31, 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 the year ended December 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 the year ended December 31, 2020.
2. This is forward-looking information and based on a number of assumptions. See "Cautionary Note Regarding Forward-Looking Information".
3. Certain 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.
4. These targets, and the related assumptions, involve known and unknown risks and uncertainties that may cause actual results to differ materially. While Harborside believes there is a reasonable basis for these targets, such targets may not be met. These targets represent forward-looking information. Actual results may vary and differ materially from the targets. See "Cautionary Note Regarding Forward-Looking Information" and "Assumptions" below.

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 and United States securities legislation. To the extent any forward-looking information in this news release constitutes "financial outlooks" or "future-oriented financial information" within the meaning of applicable Canadian securities laws, the reader is cautioned not to place undue reliance on such information. 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 include, among other things, statements with respect to future company performance, growth, profitability, production capacity and gain in market share, the Company's corporate strategy moving forward, and the information under the headings "Management Commentary" and "Full Year 2021 Expectations". Financial outlooks and future-oriented financial information, as with forward-looking information generally, are, without limitation, based on the assumptions and subject to various risks as set out herein. The Company's actual financial position and results of operations may differ materially from management's current expectations and, as a result, the Company's revenue and Adjusted EBITDA for fiscal year 2021 may differ materially from the financial outlooks and future-oriented information provided in this news release.

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: 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 cannabis markets where the Company operates; 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; employee relations; the presence of laws and regulations that may impose restrictions on cultivation, production, distribution, and sale of cannabis and cannabis-related products in the markets where the Company operates; and the risk factors set out in the Company's management discussion and analysis for the year ended December 31, 2020 and the Company's listing statement dated May 30, 2019, which are available under the Company's profile on www.sedar.com. 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, through several of its subsidiaries, 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, investors should note that there are significant legal restrictions and regulations that govern the cannabis industry in the United States. Cannabis remains a Schedule I drug under the US Controlled Substances Act, making it illegal under federal law in the United States to, among other things,

cultivate, distribute or possess cannabis in the United States. Financial transactions involving proceeds generated by, or intended to promote, cannabis-related business activities in the United States may form the basis for prosecution under applicable United States federal money laundering legislation.

While the approach to enforcement of such laws by the federal government in the United States has trended toward non-enforcement against individuals and businesses that comply with recreational and medicinal cannabis programs in states where such programs are legal, strict compliance with state laws with respect to cannabis will neither absolve the Company of liability under United States federal law, nor will it provide a defense to any federal proceeding which may be brought against the Company. The enforcement of federal laws in the United States is a significant risk to the business of the Company and any proceedings brought against the Company thereunder may adversely affect the Company's operations and financial performance.

This news release does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States. The Company's securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws and may not be offered or sold within the United States or to U.S. Persons unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available.

Assumptions

In developing the financial guidance set forth above, the Company made the following assumptions and relied on the following factors and considerations:

- Targets are based on historical results including the consolidated results of operations for the year ended December 31, 2020;
- Targets are subject to improved flower yields and additional cultivation cost improvement plans being realized during fiscal year 2021;
- Both retail and wholesale revenue sustainability and growth depend on a variety of factors, including among other things, location, competition, legal and regulatory requirements. Pricing is projected using a combination of ongoing and anticipated market trends, as well as recently realized wholesale and retail prices; and
- Cost of goods sold, before taking into account the impact of fair value changes in biological assets (which are non-cash in nature, and, accordingly, are excluded from calculations of Adjusted EBITDA), has been projected based on estimated costs of production and capacity available from a vertically integrated supply chain. Cost of goods sold relating to retail inventory purchased from third-parties has been projected in line with historical levels, which is approximately 50%. Across its retail and wholesale businesses, the Company assumes blended adjusted gross margin to be approximately 38%. However, gross margin can be influenced by a number of factors including, among other things, the cost and yields of cannabis cultivation and production, wholesale cannabis prices, and other relevant factors.

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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