



# Harborside Inc. Reports Second Quarter 2021 Financial Results

*Second Quarter 2021 Gross Revenues Increase 25% Sequentially to \$16.2 Million;*

*Reports 6<sup>th</sup> Consecutive Quarter of Positive EBITDA<sup>(1)</sup>*

OAKLAND, Calif. and TORONTO, Aug. 30, 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 second quarter ending June 30, 2021 ("Q2 2021"). The unaudited condensed interim consolidated financial statements for Q2 2021 and corresponding management's discussion and analysis (collectively the "Q2 Filings") are available for download from the Company's investor website, [investharborside.com](http://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

"I'm thrilled with the strong sequential growth we drove in our second quarter while continuing to make solid improvements to our gross margins and profitability," said Matt Hawkins, Chairman and Interim Chief Executive Officer ("CEO") of Harborside. "We continue to build a robust business, supported by our high-quality cultivation, leading consumer brands, and best-in-class retail experience. Our continued focus on improvement has allowed us to become a leader in the California cannabis market and we expect our business to continue to advance as we begin to integrate the synergies afforded by the Sublime Acquisition that closed in July".<sup>(2)</sup>

Mr. Hawkins added, "I'd like to thank our team for their ongoing dedication to achieving our goals and providing our customers with the incredible service, products and experiences that they have come to expect from Harborside. As we move into the second half of the year, our focus remains on further scaling our reach through accretive M&A opportunities and building our leadership team, including our goal to bring in a new CEO, which together with our strong foundation will position Harborside for long-term growth."<sup>(2)</sup>

## Q2 2021 Operational Highlights

- [Completed upgrades to the Salinas production campus](#)
- [Acquired the Salinas production campus](#)
- [Entered into a definitive agreement to acquire Sublimation Inc. \("Sublime"\) for US\\$43.8 million \(the "Sublime Acquisition"\)](#)
- [Commenced adult-use sales at the San Leandro dispensary](#)
- [Appointed Travis Higginbotham Jr. as Vice President of Production](#)

## Subsequent Events

- [Appointed Matt Hawkins as Interim CEO and Ahmer Iqbal as Chief Operating Officer of Harborside](#)
- [Completed the Sublime Acquisition, which includes "Fuzzies", California's award-winning infused pre-roll brand](#)

## Q2 2021 Financial Results and Highlights <sup>(3)</sup>

	Q2 2021	Q1 2021	Q2 2020
Retail Revenues	\$10,962,053	\$10,036,262	\$10,940,143
Wholesale Revenues	\$5,236,230	\$2,921,268	\$5,208,439
<b>Total Gross Revenues</b>	<b>\$16,198,283</b>	<b>\$12,957,530</b>	<b>\$16,148,582</b>
Cultivation Excise Taxes	\$(844,156)	\$(516,615)	\$(864,641)
<b>Total Net Revenues</b>	<b>\$15,354,127</b>	<b>\$12,440,915</b>	<b>\$15,283,941</b>
Retail Gross Profit	\$6,195,833	\$5,514,759	\$5,601,565
Wholesale Gross Profit <sup>(a)</sup>	\$2,514,993	\$(926,246)	\$1,994,911
<b>Total Gross Profit<sup>(a)</sup></b>	<b>\$8,710,826</b>	<b>\$4,588,513</b>	<b>\$7,596,476</b>
Retail Gross Margin <sup>(b)(d)</sup>	56.5%	55.0%	51.2%
Wholesale Gross Margin <sup>(a)(d)</sup>	57.3%	(38.5)%	45.9%
<b>Total Gross Margin<sup>(a)(b)(d)</sup></b>	<b>56.7%</b>	<b>36.9%</b>	<b>49.7%</b>
G&A/Professional Fees <sup>(c)</sup>	\$8,636,150	\$7,508,954	\$6,764,781
Net Income (Loss) attributable to Harborside, Inc.	\$1,757,955	\$(2,910,749)	\$(1,747,743)
Adjusted EBITDA <sup>(d)</sup>	\$1,122,270	\$960,896	\$2,011,807

NOTES:

a. Including adjustment for cultivation excise taxes and biological assets.

b. Retail gross margins have been 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.

c. See "Operating Expenses" below.

d. 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, 2021.

## **Q2 2021 Financial Summary**

### *Revenues*

During Q2 2021, Harborside generated retail gross revenue of \$11.0 million and wholesale gross revenue of \$5.2 million, for total gross revenue of \$16.2 million, as compared to retail gross revenue of \$10.0 million, wholesale gross revenue of \$2.9 million and total gross revenue of \$12.9 million during the three months ended March 31, 2021 ("Q1 2021"). On a quarter over quarter basis, retail revenues improved by approximately 9% as the Company adjusted its customer loyalty program from a points based plan to a new model that rewards frequent buyers while relying less on cumulative discounting at the point of sale. Wholesale revenues increased as the Salinas production campus delivered improved harvest yields and flower quality in Q2, which allowed the Company to bring more bulk product to market during the quarter.

As compared to retail revenue of \$10.9 million, wholesale revenue of \$5.2 million and total gross revenue of \$16.1 million achieved during the three months ended June 30, 2020 ("Q2 2020"), retail and wholesale revenues for the quarter were generally consistent with Q2 2020.

### *Gross Profits*

The Company's retail operations generated gross profits of approximately \$6.2 million in Q2 2021, compared to approximately \$5.5 million in Q1 2021. The quarter over quarter retail gross profit improved by approximately 12% as the Company adjusted its customer loyalty program from a points based plan to a new model that better rewards frequent buyers while relying less on discounting at the point of sale. As a result of the above changes, retail gross margins<sup>(1)</sup> increased from 55.0% in Q1 2021 to 56.5% in Q2 2021. See "Non-IFRS Financial Measures, Reconciliation, and Discussion".

As compared to the approximately \$5.6 million in gross profit achieved during Q2 2020, the year over year increase of approximately 11% in retail gross profits was due primarily to the continued focus on sales of in-house brands, more effective supply chain management and fewer point of sale discounts as the Company adjusted its customer loyalty program. As a result of these ongoing efforts, retail gross margins<sup>(1)</sup> improved from 51.2% in Q2 2020 to 56.5% in Q2 2021.

After bio-asset adjustments are factored in, the Company's wholesale operations generated gross profits of approximately \$2.5 million in Q2 2021, compared to approximately \$(0.9) million in Q1 2021. As compared to net wholesale revenues, wholesale gross margins<sup>(1)</sup> including bio-asset adjustments increased from (38.5)% in Q1 2021 to 57.2% in Q2 2021. This was primarily due to higher cultivation yields and flower quality, more effective supply chain management and the ongoing focus on reducing operating costs across the Company.

Q2 2021 combined gross profit, including adjustments for biological assets, was approximately \$8.7 million, an approximately 90% quarter-over-quarter increase as compared to the approximately \$4.6 million in gross profit reported in Q1 2021. On a year-over-year basis, combined gross profit increased approximately 15% as compared to the approximately \$7.6 million reported in Q2 2020, and combined gross margins<sup>(1)</sup> increased from approximately 49.7% in Q2 2020 to 56.7% in Q2 2021.

### *Operating Expenses*

Total operating expenses for Q2 2021 were approximately \$9.0 million, compared to \$7.1 million in Q2 2020. The year-to-year increase in total operating expenses is primarily due to an increase in general and administrative expenses of \$0.9 million, to \$5.4 million as compared to \$4.5 million in the comparative period in 2020 and an increase in professional fees of \$1.0 million, to \$3.3 million as compared to \$2.3 million in Q2 2020, which was primarily due to an increased level of legal and professional fees in the current quarter related to the Sublime Acquisition and the settlement of litigation.

During Q2 2021, the Company also recorded income tax expense of approximately \$1.7 million, compared to approximately \$1.4 million in Q2 2020, based on estimated federal income taxes payable at each period-end.

Operating income (loss) for Q2 2021 was approximately \$(0.3) million, compared to an operating income of approximately \$0.5 million for Q2 2020. Net income attributable to Harborside was approximately \$1.8 million in Q2 2021, compared to a net (loss) of approximately \$(1.7) million in Q2 2020, an approximately 201% increase in net income on a year-over-year basis. The year over year increase was due primarily to fair value gains related to other current assets which were recognized during the quarter.

Adjusted EBITDA<sup>(1)</sup> for Q2 2021 was approximately \$1.1 million or 7.3% of net revenues, compared to approximately \$2.0 million or 13.2% of net revenues for Q2 2020. The year-over-year decrease was largely the result of increased professional fees, along with higher general and administrative expenses recognized during the quarter. See "Non-IFRS Financial

Measures, Reconciliation, and Discussion".

### **Liquidity and Cash Balance** <sup>(3)</sup>

As of June 30, 2021, Harborside had total current assets of approximately \$38.4 million, including approximately \$26.9 million of available cash, as compared to current assets of approximately \$21.9 million, including approximately \$13.6 million in available cash as of June 30, 2020.

During Q1 2021, 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 federally regulated commercial bank in the amount of \$12.0 million pursuant to a senior secured revolving credit facility due March 19, 2023. On May 28, 2021, the Company drew down approximately \$11.4 million on the revolving credit facility in advance of purchasing the cultivation/production facility in Salinas on June 1, 2021.

### **Conference Call Information**

Harborside will host a conference call Tuesday, August 31, 2021, to discuss the Q2 2021 results. Matt Hawkins, Interim CEO, and Tom DiGiovanni, Chief Financial Officer will host the call starting at 1:00 p.m. Eastern time. A question and answer session will follow management's presentation.

**Date:** Tuesday, August 31, 2021

**Time:** 1:00 p.m. Eastern Time

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

**Webcast:** [Click Here to Access](#)

**Replay:** 888-390-0541

Replay Code: 695878#  
Available until midnight Eastern Time Tuesday, September 14, 2021

**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](http://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 that these measures provide useful information as they represent 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 the period ended June 30, 2021. 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 period ended June 30, 2021, which is available under the Company's profile on [www.sedar.com](http://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 period ended June 30, 2021.
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.

#### **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, new store openings, acquisition opportunities, the Company's corporate strategy moving forward, and the information under the headings "Management Commentary".

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 and acquisitions; 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 period ended June 30, 2021 and the Company's listing statement dated May 30, 2019, which are available under the Company's profile on [www.sedar.com](http://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.

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:

<https://www.prnewswire.com/news-releases/harborside-inc-reports-second-quarter-2021-financial-results-301365582.html>

SOURCE Harborside Inc.

View original content to download multimedia: <http://www.newswire.ca/en/releases/archive/August2021/30/c2139.html>

%SEDAR: 00013218E

**For further information:** Company Contact: Harborside Inc., Roman Stahl, VP of Investor Relations, Mergers and Acquisitions, 408.718.3381, [ir@hborgroup.com](mailto:ir@hborgroup.com); Investor Contact: MATTIO Communications, [hbor@mattio.com](mailto:hbor@mattio.com); Media Contact: MATTIO Communications, [harborside@mattio.com](mailto:harborside@mattio.com)

CO: Harborside Inc.

CNW 18:52e 30-AUG-21