

# Empower Clinics Reports 2Q 2019 Results Highlighted by an 89% increase in clinic revenues and a 37% decrease in operating expenses compared to 2Q 2018

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VANCOUVER, Aug. 14, 2019 /CNW/ - **EMPOWER CLINICS INC.** (CSE: CBDT) (Frankfurt 8EC) (OTC: EPWCF) ("**Empower**" or the "**Company**"), a vertically integrated and growth-oriented CBD life sciences company, and a multi-state operator of medical health & wellness clinics in the U.S., has filed today its unaudited interim condensed consolidated financial statements for the three and six months ended June 30<sup>th</sup>, 2019 and related management's discussion and analysis, both of which are available at [www.SEDAR.com](http://www.SEDAR.com). All financial information in this press release is reported in United States dollars, unless otherwise indicated.

"The impact of cost cutting measures and the benefit of the Sun Valley acquisition are now showing up in the financial statements of the Company" said Steven McAuley, Empower's Chairman & CEO. "Even though we can only book two months of Sun Valley's performance in 2Q, the significance is notable, and we expect continued benefits going forward, especially with the new retail product strategy in-clinics and with the franchise program."

## Q2 2019 Highlights

- 4,299 patient visits generated revenue of \$591,024, compared to 2,187 patient visits that generated \$312,485 for Q2 2018.
- Net loss of \$1,456,505, compared to \$3,915,443 for Q2 2018, which was primarily driven by significantly reducing operating costs through aggressive headcount cuts, facility changes and lower stock-based compensation expense.
- Cash used in operating activities was \$1,331,950 for YTD 2019, compared to \$2,358,949 for YTD 2018.
- Cash at June 30, 2019 of \$817,168, compared to \$157,668 at December 31, 2018, which was primarily driven by equity financings during the six months ended June 30, 2019.

## Recent Highlights

- **Strategic redirection:** The Company has been re-positioning its overall strategy to become a vertically integrated health and wellness brand that connects to its 165,000 patients using a data driven focus to improve patients' lives with products, technology and health systems.
- **Strengthened Management Team:** In January 2019, seasoned entrepreneur and executive officer and former GE Capital Managing Director Steven McAuley was appointed as Empower's Chairman & CEO. The Empower management team has since been augmented with critical hires made from the ranks of investment banking, accounting, marketing and clinic operations among other disciplines. CFO Mat Lee, appointed on March 19, 2019, is an experienced

accounting and finance executive. To further support financial and accounting restructuring, the Company engaged the services of Invictus Accounting Group, a top-tier boutique advisory firm based in Vancouver, BC.

- **Experienced and Seasoned Board of Directors:** The Company Board of Directors includes its CEO Steven McAuley, Dustin Klein, the Co-Founder of Sun Valley Clinics and the SVP, Business Development and Andrejs Bunkse, owner and practicing attorney of Rain Legal and Counsel to numerous cannabis enterprises in the U.S. and Canada.
- **Strategic Acquisition:** On May 1, 2019, the Company completed the acquisition of Sun Valley Certification Clinics Holdings LLC ("Sun Valley") from Andrea Klein and Dustin Klein and two minority shareholders, through its wholly-owned subsidiary Empower Healthcare Assets Inc., for consideration having an aggregate value of \$3,960,000. Sun Valley operates a network of professional medical cannabis and pain management practices, with five clinics in Arizona, one clinic in Las Vegas, a tele-medicine platform serving California, and a fully developed franchise business model for domestic and international markets.
- **Strategic Development:** The Company has opened its first hemp-derived CBD extraction facility in greater Portland, Oregon with the first extraction system expected to have the capacity to produce 6,000 kg of extracted product per year. The Company took possession of the new extraction facility June 1<sup>st</sup>, 2019 and has recently been awarded it's hemp-handlers licence from the Oregon Department of Agriculture, allowing the Company to enter the next phase of build-out and full operations in 2019.

## 2019 Outlook and Catalysts

- **Enhanced Corporate Governance:** The Company has prioritized corporate governance practices under the leadership of its Board of Directors and Chairman Steven McAuley, to ensure financial and accounting controls operate at the highest of standards.
- **Improved Capital Markets Profile:** Empower is diversifying its business model to become a vertically integrated operator in the global cannabis sector with a focus on patient care, CBD product distribution, research & development and CBD product extraction. The Company believes this will appeal to a broader base of shareholders and investors and provide greater access to capital and improved trading liquidity.
- **Increased Patient Access:** With a rapidly expanding company-owned clinic network and significant expansion opportunity through the Sun Valley Health franchise model, Empower anticipates it will grow its total patient list substantially in the years ahead. This is expected to provide greater opportunity for treatment analysis using artificial intelligence (AI), through progressive initiatives that include adding the Endocanna DNA test kit to the Company product & service offering in clinics and online. Ensuring the Company is a leader in understanding the efficacy of cannabis-related treatment options is an imperative.
- **Focus on CBD Product Sales:** The Company has launched its online store to sell its lines of hemp-derived CBD based products and premium health & wellness supplements. Customers can purchase products, including CBD lotions, tinctures, spectrum oils, capsules, lozenges, patches, e-drinks, topical lotions, gel caps, hemp extract drops and pet-elixir hemp extract drops. Patients and customers will be able to access Sun Valley Health customer service, home delivery and e-commerce platforms.
- **Market Leading Technology:** Empower utilizes market-leading patient electronic management and POS system that is HIPAA compliant and provides deep insight to patient care. The Company supports remote patients using its tele-medicine portal, enabling patients who do not

live near one of its clinic locations, or are disabled or unable to come to a location, to still benefit from a doctor consultation.

- **Launches Nationwide Franchise:** The Company has launched its nationwide franchise program under the Sun Valley Health brand to dramatically grow our clinic & store footprint increasing direct access to patients and to sell hemp-derived CBD products and premium wellness products directly to our customers and online at our new e-commerce store at [www.sunvalleyhealth.com](http://www.sunvalleyhealth.com)
- **Opens CBD Extraction Facility:** The Company has opened its first hemp-derived CBD extraction facility near Portland, OR in a region that is surrounded by numerous licensed hemp farms, that has the potential to produce 6,000kg of extraction distillate or isolate to serve the Company's own CBD product lines and other third party processing contracts.

## Financial Summary

\$, except where noted	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Patient visits	4,299	2,187	5,497	4,429
Clinic Revenues	591,024	312,485	743,869	614,627
Direct Clinic Expenses	(82,750)	(107,271)	(122,163)	(212,436)
Loss from operations	(1,424,070)	(2,703,891)	(1,703,379)	(3,311,426)
Net loss	(1,456,505)	(3,915,443)	(1,855,047)	(3,754,191)
Net loss per share	(0.01)	(0.06)	(0.02)	(0.08)

## Financial Performance

Clinic revenues for Q2 2019 were \$591,024, compared to Q2 2018 revenues of \$312,485. This increase over the prior year is attributable to the acquisition of Sun Valley Clinics effective May 1, 2019, and includes two months of accretive revenue. Future results will include a full three months of results of Sun Valley in quarters going forward.

Direct clinic expenses for Q2 2019 were \$82,750, compared to Q2 2018 direct clinic expenses of \$107,271. These expenses declined despite the increase in revenues due to improved operational controls to align labor cost with direct patient consultations. The Company employs a diverse mix of physicians and practitioners.

Net loss from operations for Q2 2019 was \$1,424,070, compared to Q2 2018 net loss of \$2,703,891. This decrease in loss below prior year is primarily attributable to two factors. Operating expense decreased due to a decrease in salaries and benefits as a result of aggressive headcount cuts and facility changes. Additionally, share-based payments decreased due to timing of share-based awards to management.

Net loss for Q2 2019 was \$1,456,505, respectively, compared to Q2 2018 net loss of \$3,915,443. This decrease over prior year is primarily attributable to the decrease in operating expenses and share-based compensation expense. In addition, Q2 2018 included listing fees associated with the RTO.

During Q2 2019, the Company used \$1,331,950 in cash from operations after changes in non-cash working capital. The Company invested \$543,573 for the acquisition of Sun Valley Clinics and raised \$2,576,907 via proceeds from various issuances of shares, convertible debentures and notes.

Please refer to the Company's unaudited condensed interim consolidated financial statements, related notes and accompanying management discussion and analysis for a full review of the operations.

## ABOUT EMPOWER

Empower is a vertically integrated and growth-oriented CBD life sciences company, and a multi-state operator of medical health & wellness clinics, operating the Sun Valley Health clinic brand [www.sunvalleyhealth.com](http://www.sunvalleyhealth.com), for its nine corporate locations and for franchises in the United States. As a CBD product manufacturer under the Sollievo brand, the Company distributes its lines through clinics, online and through retail partners. Extraction operations are currently being developed in the Company's new extraction facility in Oregon.

## ON BEHALF OF THE BOARD OF DIRECTORS:

Steven McAuley  
Chief Executive Officer

## DISCLAIMER FOR FORWARD-LOOKING STATEMENTS

*This news release contains certain "forward-looking statements" or "forward-looking information" (collectively "forward looking statements") within the meaning of applicable Canadian securities laws. 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. Forward-looking statements can frequently be identified by words such as "plans", "continues", "expects", "projects", "intends", "believes", "anticipates", "estimates", "may", "will", "potential", "proposed" and other similar words, or information that certain events or conditions "may" or "will" occur. Forward-looking statements in this news release include statements regarding; the Company's intention to open a hemp-based CBD extraction facility, the expected benefits to the Company and its shareholders as a result of the proposed acquisitions and partnerships; the terms of the proposed acquisitions and partnerships; the effectiveness of the extraction technology; the expected benefits for Empower's patient base and customers; the benefits of CBD based products; the effect of the approval of the Farm Bill; the growth of the Company's patient list and that the Company will be positioned to be a market-leading service provider for complex patient requirements in 2019 and beyond. Such statements are only projections, are based on assumptions known to management at this time, and are subject to risks and uncertainties that may cause actual results, performance or developments to differ materially from those contained in the forward-looking statements, including; that the Company may not open a hemp-based CBD extraction facility; that the hemp-based CBD extraction facility may not be fully operational in 2019 if at all; that legislative changes may have an adverse effect on the Company's business and product development; that the Company may not be able to obtain adequate financing to pursue its business plan; general business, economic, competitive, political and social uncertainties; failure to obtain any necessary approvals in connection with the proposed acquisitions and partnerships; and other factors beyond the Company's control. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits the Company will obtain from them. Readers are cautioned not to place undue reliance on the forward-looking statements in this release, which are qualified in their entirety by these cautionary statements. The Company is under no obligation, and expressly disclaims any intention or obligation, to update or revise any forward-looking statements in this release, whether as a result of new information, future events or otherwise, except as expressly required by applicable laws.*

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