



## 1933 Industries Reports Fourth Quarter and Annual Financial Results for Fiscal Year 2020

**Turning the corner on a challenging year, the Company provides positive outlook for 2021**

VANCOUVER, B.C., CANADA (November 30, 2020) – 1933 Industries Inc. (the “Company” or “1933 Industries”) (CSE: TGIF) (OTCQX: TGIFF), a vertically integrated cannabis consumer packaged goods company, is pleased to announce its fourth quarter (“Q4 2020”) and audited annual financial results for the period ended July 31, 2020 (“Fiscal 2020”). All amounts expressed are in Canadian dollars.

Financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). Detailed information regarding the Company’s financial results as well as management’s discussion and analysis can be found at <https://sedar.com/> and <https://1933industries.com/>.

### **Fiscal 2020 Financial Highlights**

<b>Fiscal 2020 Consolidated Results</b>		
	<b>July 31, 2020</b>	<b>July 31, 2019</b>
Revenues	<b>\$11,962,525</b>	\$18,059,774
Gross margin	<b>\$2,284,674</b>	\$5,296,980
Cash balance	<b>\$2,761,542</b>	\$17,613,900
Net loss	<b>(\$22,203,622)</b>	(\$19,111,991)
Comprehensive loss	<b>(\$21,336,883)</b>	(\$19,011,564)
Adjusted EBITDA loss	<b>(\$16,851,443)</b>	(\$10,113,913)
Basic and diluted loss per share	<b>(\$0.08)</b>	(\$0.08)
Current assets	<b>\$7,788,920</b>	\$23,966,423
Total assets	<b>\$46,584,470</b>	\$61,654,094
Current liabilities	<b>\$1,682,635</b>	\$1,429,439
Total liabilities	<b>\$27,132,288</b>	\$24,465,690
Equity	<b>\$19,452,182</b>	\$37,188,404
<b>Quarterly Comparisons</b>		
	<b>Q4 2020</b>	<b>Q4 2019</b>
Total revenue	<b>\$2,388,010</b>	\$5,244,946
Gross margin	<b>\$63,177</b>	\$430,706
Cash balance	<b>\$2,761,542</b>	\$17,613,900
Net loss	<b>(\$7,236,277)</b>	(\$5,688,422)
Comprehensive loss	<b>(\$8,426,832)</b>	(\$6,589,671)
Adjusted EBITDA loss	<b>(\$7,196,520)</b>	(\$4,287,416)
Basic and diluted loss per share	<b>\$0.03</b>	\$0.02
Total assets	<b>\$46,584,470</b>	\$61,654,094



## Operating Results

- The Company recorded revenues of \$12.0 million, compared to \$18.0 million during Fiscal 2019, as the Company's revenues were negatively affected by the COVID-19 pandemic.
- Gross margin was \$2.3 million or 19% for Fiscal 2020, a decrease from \$5.3 million in Fiscal 2019.
- General and administrative expenses were \$8.7 million for Fiscal 2020, compared to \$6.6 million during the previous year.
- Net loss was (\$22.2 million). The net loss includes a \$2.2 million impairment charge from discontinued operations in California. The Company terminated its Management Services Agreement with Green Spectrum Group LLC during Q4 2020, as it determined that the agreement was not in the best interest of the Company.
- Adjusted EBITDA loss was (\$7.2 million) for Q4 2020 and (\$16.9 million) for Fiscal 2020.
- The Company's licensed cultivation and production subsidiary, Alternative Medicine Association ("AMA") reported revenues of \$6.2 million and negative gross margin of (\$653,000) for Fiscal 2020. Infused MFG, a subsidiary focused on the manufacturing of proprietary hemp derived CBD products under the Canna Hemp™ brand, reported revenues of \$5.7 million and gross margin of \$2.9 million for Fiscal 2020.
- Total revenue for Q4 2020 was \$2.4 million, compared to \$5.2 million in the previous year. The decrease in revenues for the quarter as compared to Q4 2019 was the continuing impact from COVID-19 restrictions in Nevada, the substantial loss of tourism due to the pandemic, and the retail limitations where the Company's products are sold.
- General and administrative expenses for Q4 2020 were \$2.0 million compared to \$1.8 million in Q4 2019. This change over the prior year is primarily driven by increased advertising, office expense, license fees, taxes, and insurance costs.
- Net loss for Q4 2020 was (\$7.2 million), an increase over (\$5.7 million) from the previous year. Adjusted EBITDA loss for the quarter was (\$7.2 million) compared to (\$4.3 million) in Fiscal 2019.



### Balance Sheet

- Both working capital and cash decreased during Fiscal 2020 as operating costs exceeded revenues and gross margins. Cash was \$2.8 million, compared to \$17.6 million at July 31, 2019. Working capital was \$6.1 million, compared to \$22.5 million during Fiscal 2019.
- Total assets were \$46.6 million, compared to \$61.7 million at July 31, 2019.
- Subsequent to the period, the Company added \$1.7 million from capital raising activities and amended the terms of its 10% Senior Unsecured Convertible Debentures due September 14, 2021, to strengthen the balance sheet.

### Management Commentary

Overall, the Company experienced a challenging year as its revenues were negatively impacted by the effects of the COVID-19 pandemic, leading to lower demand for its cannabis and CBD products during the second half of Fiscal 2020. The Company is an established wholesale supplier of unique branded cannabis products to licensed dispensaries in Nevada. During the reporting period, curbside pickup in dispensaries was permitted with retail stores subsequently opening at limited capacity. The Nevada market has seen a strong recovery since the reporting period and the Company has recorded increased month to month sales.

During Fiscal 2020, AMA's cultivation produced biomass to maximize the production of its extensive line of THC concentrates. Subsequent to the reporting period, AMA successfully launched saleable cannabis flower and pre-rolls which make up the largest portion of cannabis sales in Nevada. AMA continues to build its inventory and improve its plant genetics in order to achieve the desired quality of flower that is in demand in the market. The Company anticipates significant increases in demand for its cannabis flower as it ramps up cultivation in Q1 2021.

Under the Canna Hemp™ brand, Infused MFG, LLC manufactures proprietary non-THC CBD branded goods and distributes products under five distinct brands in a variety of verticals and consumption formats, including: tinctures, lotions, creams, vape pens and cartridges, lip balms, and capsules. Infused distributes its branded products through wholesale and retail channels in Nevada and across the US and it is actively opening accounts in brick and mortar stores, online marketplaces and expanding its e-commerce platform.



## **Path to Profitability**

Near the end of Q4 2020, the Board of Directors appointed a new management team to lead the Company. 1933 Industries' newly-appointed CEO, President and CFO have set as their key priorities the short-term goal of achieving profitability and becoming cash-flow positive.

Under the new team, the Company has accomplished the following:

- Discontinued all projects which did not demonstrate an immediate and satisfactory return on investment.
- Streamlined operations in an effort to right-size costs and necessary changes have been made to personnel with a mandate to improve the overall performance of the business, build operational success and create shareholder value.
- Improved the Company's plant genetics and cultivation quality and consistency. Subsequent to the end of Fiscal 2020, the Company began commercial-scale production of saleable cannabis flower from its Las Vegas facility.
- Increased the volume of cannabis flower produced each month. The Las Vegas facility is scheduled to reach full output capacity by March 2021.

The Company expects that the availability of high-quality cannabis flower cultivated in-house will increase demand for the Company's products and have a positive impact on the Company's gross margins going forward. The Company is looking to grow market share in its core market of Nevada, where it is well-positioned to take advantage of a large addressable consumer market, a limited licensing regime and attractive cannabis flower pricing.

Management expects that the benefits of these operational efficiencies combined with its ability to supply high-quality cannabis flower to the market will result in substantial improvements that will be realized in fiscal 2021, with the goal of achieving cash flow break-even and profitability by the second quarter of the current fiscal year.

The Company anticipates strong cannabis sales in 2021, but will continue to adapt its business strategies to meet the challenges of the economic conditions brought on by the COVID-19 pandemic.

Paul Rosen, CEO of 1933 Industries, commented, "As a large shareholder I am understandably disappointed by these results. While undoubtedly the impact of COVID-19 contributed to a very challenging year it was not the sole explanation. When I became CEO



during the 4th quarter, it was immediately apparent that the Company needed to take urgent and decisive action to rectify a number of issues that had contributed to the losses experienced this year. Along with our President Eugene Ruiz and our dedicated team of co-workers, we have made material progress on stabilizing 1933 Industries and putting the Company on a solid path towards profitability. While there is still more work to be done the Company is in a much stronger position going forward from today than these results may indicate.”

#### **Q4 2020 Key Developments**

- On June 15, 2020, the Company announced the appointments of Mr. Paul Rosen as CEO and Mr. Eugene Ruiz as President, replacing both Mr. Chris Rebentisch and Ms. Ester Vigil as CEO and President, respectively.
- On June 18, 2020, the Company announced the launch of a new line of wellness products made with organic hemp seed oil.
- On June 29, 2020, the Company announced that all amendments put forth by the Company were approved by holders of 10% Senior Unsecured convertible debentures due September 14, 2021 at the extraordinary meeting.
- On July 7, 2020, the Company announced the appointment of Ms. Tricia Kaelin, CPA as Chief Financial Officer, replacing Mr. Stephen Radusch.
- On July 22, 2020, the Company announced the addition of premium, craft-style smokable flower and pre-roll joints to its diverse portfolio of consumer-driven brands.

#### **Highlights of Subsequent Events**

- On August 6, 2020, the Company announced the addition of Five Star Extracts to its select roster of licensed partners in Nevada for a one-year term.
- On August 12, 2020, the Company announced the introduction of a new line of extra strength products to its extensive wellness portfolio.
- On September 2, 2020, the Company announced that its Chief Executive Officer, Mr. Paul Rosen, had been appointed to the Board of Directors.
- On September 4, 2020, the Company closed a private placement and issued 10,510,040 Units at a price of \$0.075 per Unit for gross proceeds of \$788,253.
- On September 11, 2020, the Company announced that it had set up distribution of its Canna Hemp™ line of wellness products in conjunction with CBD Plus.
- On October 20, 2020, the Company announced a Supply and Licensing Agreement with Orchid Ventures Inc. (CSE: ORCD) (OTC: ORVRF), for the manufacturing and distribution of Orchid products into the regulated Nevada cannabis market.
- On November 2, 2020, pursuant to the closure of its private placement, the Company issued 13,920,000 Units at a price of \$0.066 (USD\$0.05) per Unit for gross proceeds of \$918,720 (USD\$696,000).



- On November 4, 2020, the Company signed a Membership Interest Purchase Definitive Agreement (the "Agreement") to purchase the remaining 9% interest in AMA Production thereby resulting in the Company's 100% ownership of the subsidiary which contains the property located at 5035 Geist Ave., Las Vegas, Nevada.

Please note the next financial release dates in accordance with the continuous disclosure schedule set out by the British Columbia Securities Commission:

Q1 2021 (Dec 30/20); Q2 2021 (Ap 1/21); Q3 2021 (June 29/2021); Q4 2021 (Nov 30/2021)

### **About 1933 Industries Inc.**

1933 Industries is a vertically-integrated, growth-orientated company, focusing on the cultivation and manufacturing of cannabis consumer branded goods in a wide range of product formats. Operating through two subsidiaries, the Company controls all aspects of the value chain with cultivation, extraction, processing, and manufacturing assets supporting its diversified portfolio of cannabis brands and licensing partners. The Company owns 91% of Alternative Medicine Association, LC (AMA), and 100% of Infused MFG LLC.

### **About Alternative Medicine Association**

AMA is a licensed medical and adult-use cannabis cultivation and extraction subsidiary that produces its own branded line of unique cannabis products and manufactures third-party brands. AMA's extensive menu of cannabis products include: craft cannabis flower, pre-rolls, full spectrum oils, high quality distillates, proprietary blends of terpenes, vaporizer products and boutique concentrates such as shatter, crumble, batter, sugar wax, diamonds, and live resin. With state-of-the-art cultivation and extraction facilities based in Las Vegas, Nevada, AMA seeks to offer medical patients and recreational users alike a cannabis experience that's exceptional, potent, and consistent in quality.

### **About Canna Hemp™**

With an extensive product line that includes topicals, creams, vapes, elixirs, capsules, dabs, lip balms and pre and post workout recovery sports products, 1933 Industries' proprietary Canna Hemp™ brand utilizes the power of hemp and CBD to bring natural wellness. The Company's flagship products, the Canna Hemp™ Relief Cream and Canna Hemp X™ Recovery Cream are recognized as best topicals in the market. Canna Hemp X™ is a CBD sports recovery cream for athletes, bridging the gap between recovery and top performance. All products are triple and third-party tested for safety with test results embedded via QR codes for traceability.



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