



## Vibe Reports Record Positive Adjusted EBITDA and Revenue; Provides First Quarter 2020 Financial Results and Second Quarter Outlook

SACRAMENTO, California, May 28, 2020 – **Vibe Bioscience Ltd. (CSE:VIBE)(OTC:VBSCF)** (the “Company” or “Vibe”), a vertically integrated cannabis retailer and marijuana cultivator, is pleased to announce record quarterly Adjusted EBITDA during the first quarter of 2020 as a result of significantly increased year-over-year sales volumes at its California dispensaries, and reports the financial and operating results for the three months ended March 31, 2020. All financial information is provided in U.S. dollars unless otherwise indicated. The Financial Statements and Management’s Discussion and Analysis (“MD&A”) for the three months ended March 31, 2020 are available on the Company’s SEDAR profile at [www.sedar.com](http://www.sedar.com) and on Vibe’s website at [www.vibebycalifornia.com](http://www.vibebycalifornia.com).

“The first quarter of 2020 marked a significant milestone for Vibe,” stated Mark Waldron, Chief Executive Officer. “Not only did we achieve record dispensary sales volumes and positive adjusted EBITDA, Vibe was one of only a few public cannabis companies to achieve positive pre-tax net income during a challenging quarter. Our results reinforce our belief that providing exceptional experiences to our customers while aggressively managing costs positions Vibe to become a leading California retailer and creator of long-term value for our shareholders.”

### First Quarter 2020 Financial Highlights <sup>(a)</sup>

- Adjusted EBITDA of \$335,549, a 312% increase from the fourth quarter of 2019 and a 466% increase over the \$59,336 recorded during the 42 days recorded in the first quarter of 2019;
- Revenue was \$4.27 million, a 225% increase over the first quarter of 2019;
- Pre-tax income from operations was \$44,329;
- Gross margin reached \$1.47 million, a 25% increase over Q4 2019 and year-over-year growth of 152%;
- Net loss narrowed to \$0.22 million, a decrease of approximately \$2 million year-over-year;
- Adjusted funds flow was \$13,273 versus a negative \$709,650 of adjusted funds flow in the first quarter of 2019; and
- Total general and administrative expenses decreased by 22% to \$0.62 million compared to the fourth quarter of 2019.

### Second Quarter 2020 Outlook

- Vibe is on pace to generate positive net income for the quarter, one of only a few publicly traded cannabis operators to achieve profitability;
- The Company is seeing an increase in merger, acquisition and business development opportunities. At the same time, the capital markets appear more receptive to funding accretive asset development situations. To position itself for these emerging opportunities, the Company has added M&A personnel and resources;
- Vibe has increased market share in its operating segments;
- The Company anticipates revenues of approximately \$5.35 million to \$5.50 million in the second quarter of 2020, representing an approximately 74% increase over the second quarter of 2019<sup>(b)</sup>;
- The Company expects selling, marketing and security costs as a percentage of sales to decrease in the second quarter of 2020;



- Upon the closing of the NGEV Inc. cultivation acquisition, the Company will commence an expansion of the cultivation canopy by approximately 40%;
- Apart from the canopy expansion, the Company does not anticipate any significant capital expenditures on existing assets in 2020.

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- (a) This is a non-IFRS measure. Readers are cautioned that the amounts presented do not have standardized meanings prescribed by IFRS. Please see the non-GAAP Financial Measures Disclosure below.
- (b) This is a forward-looking statement. See "Forward-Looking Information".

### Significant Growth at California Dispensaries

- Vibe's Stockton dispensary generated revenue of \$1,789,749 and gross margin of \$741,188 in the three months ended March 31, 2020, an increase of 183% and 145%, respectively, over the prior year's quarter;
- The Company's Sacramento dispensary generated \$2,170,068 and gross margin of \$751,138 in the three months ended March 31, 2020, an increase of 292% and 179%, respectively; and
- Vibe's Redding dispensary opened on February 26th and did not contribute to the Company's gross margin during the first quarter of 2020. The store has surpassed management projections in the second quarter to date.

### First Quarter 2020 Operational Highlights

- **Redding acquisition.** On February 26, 2020, Vibe commenced retail operations at its Redding, California dispensary, following the completion of the acquisition of all membership interests in the outstanding securities of EVR Managers LLC in December 2019.
- **NGEV acquisition.** In March 2020, the Company entered into an acquisition agreement with NGEV Inc. to acquire a 13,000 square foot cannabis cultivation facility in Crescent City, California. The acquisition will be completed with the issuance of 600,000 common shares of the Company and the assumption of approximately \$463,000 in term debt. The completion of the NGEV acquisition is subject to, among other things, the receipt of regulatory approvals, receipt of certain consents from third parties and the satisfaction or waiver of closing conditions and is expected to occur in the second quarter.
- **Touchless curbside pickup.** In March 2020, the Company obtained local and state approvals to provide compliant touchless pickup options at all locations, enabling Vibe's clients and staff to remain healthy. The Company's priority is on the safety and well-being of its employees and clients.
- **Delivery service commenced.** In March 2020, Vibe applied for a delivery license from the City of Redding. The delivery license was approved on or about April 9, 2020. Vibe expects to realize the benefits of this throughout 2020. Customer adoption of Vibe's delivery services has continued to increase as clients adjust to the restrictions resulting from the COVID-19 Pandemic.
- **Store renovation.** In late March and early April 2020, Vibe undertook and completed a renovation of its Sacramento dispensary. The store renovation greatly improves the customer experience and expands product placement opportunities by more than 75%.

### Financial Highlights

The Company's core cannabis business commenced upon the acquisition of the U.S. Targets on February 18, 2019. Consequently, first quarter 2019 revenue, gross margin, G&A, selling and marketing expense and adjusted EBITDA amounts include results of; (i) the U.S. Targets from February 18, 2019 to March 31, 2019; and (ii) the Company's



head office for the entire three months ended March 31, 2019. The Company's key financial results for the three months ended March 31, 2020 are as follows:

U.S. dollars	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Total revenue <sup>(a)</sup>	\$4,272,598	\$1,313,726
Gross margin	\$1,467,759	\$583,307
Gross margin % <sup>(a)</sup>	34.4	44.4
Adjusted EBITDA <sup>(a)</sup>	\$335,549	\$59,336
Adjusted EBITDA % <sup>(a)</sup>	7.9	4.5
Adjusted funds flow <sup>(a)</sup>	13,273	(709,650)

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### Additional Highlights

- Management is broadening its acquisition outreach in California;
- Successful launch of "Hype Cannabis Co." extracts, and the addition of genetically optimized craft cannabis flower and products in its retail locations and select third-party dispensaries;
- Completion of a significant expansion and upgrade of its existing cultivation facilities, with upgrades expected to improve the harvest process, increase yields and harvested annual volumes;
- The Company is determined to continuously maximize efficiency of the point-of-sale process at its dispensary locations and improve on the methods of product delivery, including providing on-line ordering and door-to-door delivery;
- The Company successfully secured delivery licenses in June 2019 (Sacramento), April 2020 (Redding), and May 2020 (Stockton), the benefits of which is being realized in 2020, especially in light of the COVID-19 pandemic;
- Management believes that by providing multiple and convenient product payment and delivery methods the Company will attract a wider and more varied customer demographic and further increase customer loyalty; and
- Management is focused on ensuring all retail dispensaries deliver an exceptional and unique "Vibe by California" customer experience. Capital has been invested in all dispensary locations, which is intended to develop consistent store branding in addition to creating an inviting and consistent customer experience. Management believes that investing in consistent corporate and product branding across all dispensaries will improve customer recognition and loyalty for the "Vibe by California" and "Hype Cannabis Co." brands while maximizing the return on capital invested.

### About Vibe Bioscience Ltd.

Vibe is a vertically integrated cannabis company delivering exceptional retail experiences with its Vibe by California brand and ethos, premier cultivation product and high-efficiency delivery, and online sales. The Company's management team brings expertise in retail, cannabis cultivation and mergers and acquisitions to support its U.S. expansion through accretive acquisitions and organic growth. For more information, please visit [www.vibecalifornia.com](http://www.vibecalifornia.com).



### **Special Note Regarding non-GAAP Financial Measures**

- (a) This is a non-GAAP measure. Readers are cautioned that the amounts presented do not have standardized meanings prescribed by IFRS. See discussion of non-IFRS Measures in the MD&A for reconciliation to measures reported in the Company's consolidated financial statements.
- (b) Adjusted funds flow (previously referred to as funds flow from operations) is a non-GAAP measure that represents cash flows from operating activities as presented in the Company's Consolidated Statements of Cash Flows before the changes in non-cash working capital. The Company considers adjusted funds flow a key measure as it demonstrates the Company's ability to generate the cash flow necessary to fund future growth through capital investment and to repay debt.

### **Forward-Looking Information**

Certain statements contained in this press release constitute forward-looking information. These statements relate to future events or future performance. The use of any of the words "anticipate", "could", "intend", "expect", "believe", "will", "projected", "estimated" and similar expressions and statements relating to matters that are not historical facts are intended to identify forward-looking information and are based on the parties' current belief or assumptions as to the outcome and timing of such future events, and may be impacted as a result of general economic conditions or the ongoing COVID-19 pandemic. Actual future results may differ materially.

The forward-looking information contained in this release is made as of the date hereof and the parties are not obligated to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable securities laws. Because of the risks, uncertainties and assumptions contained herein, investors should not place undue reliance on forward looking information. The foregoing statements expressly qualify any forward-looking information contained herein. Risk factors related to the Company are described in the Company's Management Discussion and Analysis, a copy of which is available under the Company's profile on SEDAR.

This press release does not constitute an offer to sell or a solicitation of an offer to buy any of the securities in the United States. The 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. Not for distribution to U.S. Newswire Services or for dissemination in the United States. Any failure to comply with this restriction may constitute a violation of U.S. securities laws.

Unlike in Canada which has Federal legislation uniformly governing the cultivation, distribution, sale and possession of medical cannabis under the Cannabis Act (Federal), readers are cautioned that in the U.S., cannabis is largely regulated at the State level. To the knowledge of Vibe Bioscience Ltd., there are to date a total of 33 states, plus the District of Columbia, that have legalized cannabis in some form. Notwithstanding the permissive regulatory environment of medical cannabis at the State level, cannabis continues to be categorized as a controlled substance under the Controlled Substances Act in the U.S. and as such, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis are illegal under U.S. Federal law. Strict compliance with State laws with respect to cannabis will neither absolve Vibe Bioscience Ltd. of liability under the U.S. Federal law, nor will it provide a defense to any Federal proceeding, which may be brought against Vibe Bioscience Ltd. Any such proceedings brought against Vibe Bioscience Ltd. may adversely affect its operations and financial performance.



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