Golden Leaf Holdings Announces Closing of Transformational Acquisition of Retail Store Chain in Oregon

PORTLAND, Ore., May 19, 2021 (GLOBE NEWSWIRE) -- Golden Leaf Holdings Ltd. (CSE:GLH) (OTCQB:GLDFF) ("Golden Leaf," "GLH" or the "Company"), operating as Chalice Brands, a premier, consumer-driven cannabis company specializing in retail, production, processing, wholesale and distribution, announces the signing of a definitive agreement today, May 19, and concurrent closing of the purchase of 100% ownership in SMS Ventures, LLC, dba Homegrown Oregon ("Homegrown"), a chain of five retail dispensaries located in Portland, Salem and Albany, Oregon, for total consideration of approximately US$9.75 million or 0.9 times Homegrown's first quarter 2021 annualized revenue[2]. The added fact that Homegrown is profitable makes this a highly accretive acquisition for Golden Leaf earnings per share.

Transaction Highlights:

- Total consideration of US$9.75 million, consisting of a US$6 million cash payment at closing, approximately 37 million common shares of the Company priced at a price of C$0.065, plus a secured promissory note for US$1.75 million carrying interest of 8% interest, payable over 48 months with interest only for the first year, with monthly principal payments to start upon the one-year anniversary of closing. Certain additional amounts may be due based on the market price of the Company's common shares.
- For the quarter ended March 31, 2021, Homegrown reported unaudited gross revenues of US$2.7 million and Adjusted EBITDA[1] of US$368,000.
- On a pro-forma basis, had Homegrown been included, first quarter 2021 revenues for GLH would have been US$8.2 million with a 47% gross margin and Adjusted EBITDA1 of approximately US$722,000.
- Homegrown's first quarter 2021 revenue extrapolates to annualized revenue[2] of US$10.8 million or 33% of GLH's fiscal 2020 revenue and Adjusted EBITDA[1] of US$1.5M, before realizing on potential benefits of operational synergies between the two organizations or factoring in GLH organic growth for 2021.
- Store count in Oregon increases from seven to 12. Homegrown is expected to carry Chalice Brands products by Q4 2021, providing the opportunity to increase gross margins by between 5% and 10% in the newly acquired stores.
- Total consideration of US$9.75 million represents 0.9 times 2021 Homegrown annualized revenue[2] the quarter ended March 31, 2021 and is immediately accretive to GLH. To fund this acquisition, GLH raised C$10.5 million at a valuation of 3.2 times fiscal 2020 revenue.
- Incremental shareholder value of C$43.0 million or C$0.032 per share at FY 2020 revenue multiples based on post transaction 1,355,125,275 shares outstanding[3].

"Management is excited to combine with Homegrown and fully expects to continue its migration to better valuations for shareholders as we continue to execute our acquisition strategy. As part of our West Coast-focused growth strategy, we will continue to seek acquisitions like these to demonstrate that we are good allocators of capital," noted John Varghese, Executive Chairman. "We will continue to grow our business with positive cash flow from both internal organic revenue growth with stringent cost containment. On the acquisition front, we have a growing funnel of actionable and accretive targets that we are assessing and will pursue in the near term."

"We have been diligently searching for the appropriate footprint expansion for our retail business in Oregon that represented the right fit and to be in a position to fund the acquisition. Homegrown's culture aligns perfectly within ours and provides an exceptional geographic compatibility with Chalice and offers an expansion into parts of Oregon in which Chalice does not operate currently. We have the ability to significantly increase vertical margin revenue through the distribution of our existing edibles and extraction manufacturing as well as our own grow," noted Jeff Yapp, president and CEO of GLH. "Homegrown is a well-run retail operation with a very dedicated team at all five stores that we will continue to rely on as we go forward. The owners of Homegrown have been wonderful to work with during this process and will continue to assist us as we transition and integrate the business. Like GLH, Homegrown holds a deep commitment to prioritizing customer service with exceptional consumer transparency and building long-term relationships with people."

"The completion of this transaction increases our retail store footprint to 12 locations in the state of Oregon, supported by our own award-winning cultivation operations, our production facilities in Portland and our internal wholesale team covering the state. Chalice has set a target to achieve 5% market share in Oregon while we grow in other markets. Homegrown helps us progress toward that goal," added Mr. Yapp.

About Golden Leaf Holdings:

Golden Leaf Holdings, operating as Chalice Brands, is a premier consumer-driven cannabis company specializing in production, processing, wholesale, distribution and retail, with seven dispensaries in Portland, Oregon. The Company is committed to developing a dynamic portfolio built around the recognized brands of Chalice Farms, with a focus on health and wellness. GLH operates nationally through Fifth and Root and has operations in Oregon and California. Visit http://www.glhmonthly.com for regular updates.

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Disclaimers:

This press release contains “forward-looking information” within the meaning of applicable securities legislation. Generally, forward looking information can be identified by the use of forward-looking terminology such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved”. Forward-looking information includes, but is not limited to, statements with respect to the Company’s future business operations, the opinions or beliefs of management and future business goals, that the acquisition of Homegrown will receive regulatory approvals and will close, the anticipated timing of closing and the expected benefits of the acquisition of Homegrown.

Specific material forward-looking information in this press release includes statements with respect to any implied FY2021 revenue for Homegrown through an annualized calculation (which the Company disclaims), any implied forecast increase in GLH revenue for 2021 due to the acquisition of Homegrown and its annualized revenue, and the incremental shareholder value of C$43.0 M or C$0.032 per share from the acquisition of Homegrown. The assumptions for the increase in GLH revenue are that Homegrown's revenue for 2021 is at least equal to the annualized revenue reported above. The assumptions for the incremental shareholder value are that the market will ascribe the same value to the revenue of Homegrown that it ascribed to the Company's revenue.

Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information. These risks include but are not limited to general business, economic and competitive uncertainties, regulatory risks, market risks, risks inherent in manufacturing and retail operations such as unforeseen costs and production shutdowns, difficulties in maintaining brand loyalty, changing consumer tastes, and other risks of the cannabis industry. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward looking information. Forward-looking information is provided herein for the purpose of presenting information about management’s current expectations relating to the future and readers are cautioned that such information may not be appropriate for other purpose. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws. This press release does not constitute an offer of securities for sale in the United States, and such securities may not be offered or sold in the United States absent registration or an exemption from registration or an exemption from registration.

Chalice Brands does not provide medical advice and you should consult with your physician prior to beginning or continuing the use of cannabis or any health and wellness program. These statements have not been evaluated by the Food and Drug Administration. The products described above in this release, are not intended to diagnose, treat, cure, or prevent any disease. To the fullest extent permitted by applicable law, no warranties, promises and/or representations of any kind, express or implied, including but not limited to warranties of merchantability or fitness for a particular purpose, are given as to the nature, standard, accuracy, effectiveness, or otherwise of the information Chalice Farms provides in its digital wellness initiative, nor to the suitability or otherwise of the information to your particular case or circumstances and you expressly agree that your use of the Chalice Farms digital wellness initiative information is at your sole risk. Chalice Farms and the Chalice Farms logo are registered trademarks of GL Management, Inc.

Non-IFRS Measures:

[1]Adjusted EBITDA is a non-IFRS measure defined by the Company as earnings before interest, taxes, depreciation and amortization, non-cash compensation expenses, one-time transaction fees and other non-cash charges that include impairments, start-up costs and extraordinary operational curtailment charges and excluding fair value changes related to biological assets. Adjusted EBITDA does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers. Management believes providing Adjusted EBITDA is useful to investors’ understanding and assessment of the Company’s ongoing continuing operations and prospects for the future and it is used by the financial community to evaluate the market value of companies considered to be in similar businesses.

[2]First quarter of 2021 Annualized revenue is a non-IFRS measure defined by the Company as total revenue for the 3-month period ending March 31, 2021 of US$2.7 million multiplied by four. It is a mathematical calculation only not an actual measure of 2021 revenue for Homegrown nor is it intended to be a forecast of 2021 revenue for Homegrown. Annualized revenue does

not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers. Management believes providing annualized revenue is useful to investors' understanding and assessment of Homegrown's ongoing continuing operations and prospects for the future.

[3]FY 2020 revenue multiple is calculated as closing share price as at April 30, 2021 multiplied by approximately 1,355,125,275 shares outstanding post this transaction divided by FY 2020 revenue times 1.25 US$/C$ exchange rate, resulting in a multiple of 2.93. Incremental shareholder value is calculated by multiplying annualized Homegrown FY2021 revenue of US$10.8 million by FY 2020 revenue multiple of 2.93. Revenue multiples do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. Management believes providing a revenue multiple is useful to investors' understanding and assessment of the relative value of the Company compared to its peers.

Adjusted EBITDA, GLH and Homegrown

Adjusted Proforma EBITDA						
	For the three months ended					
	March 31, 2021		March 31, 2021		March 31, 2021	
	Golden Leaf		Homegrown		Total	
(Loss) income before income taxes	$	(868,468)	$	362,985	$	(505,483)
Adjustments:						
Net impact, fair value of biological assets		(81,763)		-		(81,763)
Depreciation and amortization		461,625		5,784		467,409
Share based compensation		69,050		-		69,050
Interest expense, net		359,767		(1,180)		358,587
Transaction costs		160,736		-		160,736
Start-up costs (2)		110,528		-		110,528
Nevada curtailment expenses and other (1)		57,989		-		57,989
Impairments and other		84,466		-		84,466
Adjusted EBITDA income	$	353,930	$	367,589	$	721,519

(1) Losses experienced in Nevada due to unexpected shut down and facility abandonment due to COVID-19

(2) Write-off of significant start up costs related to the Company's California business