GREEN SPACE BRANDS

GreenSpace Brands Reports Fourth Quarter and Fiscal 2019 Results, Goodwill Impairment Charges and Love Child Distribution Win

TSXV: JTR
www.greenspacebrands.ca
(all amounts in Cdn$ unless otherwise noted)

TORONTO, July 29, 2019 /CNW/ - GreenSpace Brands Inc. ("the Company") (TSXV: JTR) today reported its fourth quarter and fiscal year ended March 31, 2019 results. **Key Highlights for the Fourth Quarter of Fiscal 2019:**

- **Gross revenue of $16.1 million, representing a (15.7%) decrease over the prior year period due to the sale of the Rolling Meadow and Kiwi Pure Brands and short shipments, primarily within Central Roast.**
- **Adjusted gross margin of 19.5% compared to 20.4% for the prior year period.**
- **SG&A expenses increased from 23.9% to 31.4% of gross revenue year over year, primarily due to the sale of brands and short shipments, leading to lower revenues.**
- **Adjusted EBITDA margins fell to (22.0%) as a percentage of net revenue excluding listing fees, from (1.5%) in the prior year period.**
- **Rebates and Discounts as a percentage of gross revenue was 16.1% compared to 11.1% in the prior year period.**

Consolidated Performance Summary

	Three months ended Mar 31		Year ended Mar 31	
	2019	2018	**2019**	2018
(in thousands of Canadian dollars, except per share amounts)	**$**	$	**$**	$
Gross revenue	**16,125**	19,132	**77,994**	65,082
Less: rebates and discounts	**(2,602)**	(2,116)	**(9,577)**	(7,408)
Less: listing fees	**(191)**	(543)	**(976)**	(1,369)
Net revenue	**13,332**	16,473	**67,441**	56,305
Gross profit	**2,442**	2,935	**14,898**	11,434
Adjusted Gross Profit[1]	**2,633**	3,478	**15,903**	12,803
Adjusted Gross Profit margin[1]	**19.5%**	20.4%	**23.2%**	22.2%
SG&A expenses	**5,069**	4,579	**22,403**	13,412
Amortization of intangible assets	**(166)**	600	**1,936**	1,620
Deferred income tax (recovery)	**(196)**	20	**(782)**	(283)
Interest expense	**542**	272	**1,749**	518
Accretion expense	**14**	22	**87**	171
Other income and expense	**400**	-	**1,571**	-
Gain on sale of Rolling Meadow Dairy	**(1,376)**	-	**(1,376)**	-
Loss on goodwill impairment	**3,475**	6,789	**3,475**	6,789
Foreign exchange loss	**(277)**	317	**511**	317
Net income (loss)	**(5,043)**	(9,664)	**(14,676)**	(11,110)
Net loss per share (basic and diluted)				
EBITDA	**(2,716)**	(1,530)	**(8,383)**	(1,773)
EBITDA, as a percentage of net revenue	**(20.4%)**	(9.3%)	**(12.4%)**	(3.1%)

Adjusted EBITDA1	**(2,980)**	(262)	**(5,296)**	1,045
Adjusted EBITDA, as a percentage of net revenue excluding listing fees1	**(22.0%)**	(1.5%)	**(7.7%)**	1.8%

1 – See Non-IFRS Measures

The quarter was negatively impacted by several issues, the largest of which was compressed working capital and the subsequent inability to fill orders, mainly within the Central Roast brand. Order shorts in Q4 alone were responsible for approximately $4.0 million of lost sales, which would have translated into roughly $1.0 million in additional gross margin dollars contribution. In addition to the shorted orders, GreenSpace also incurred fines related to the shorts from retailers. The working capital shortage has largely been solved through the subsequent to quarter end sale of Nothing But Nature as well as through the advance of the Primary Capital debt deal. Recently announced restructurings in the Canadian business have stripped significant costs out of the business in an effort to become adjusted EBITDA positive again in the near future. GreenSpace's principle focus is on returning to profitability and cleaning up the Balance Sheet in an effort to be able to continue to invest in a smaller number of brands that are best positioned to be truly disruptive in the North American Natural Food market. Given this path, GreenSpace has also decided to exit the Meatbar brand entirely.

Revenue

Gross revenue for the quarter ended March 31, 2019, decreased 15.7% and net revenue, which is gross revenue net of deductions for rebates, discounts and one-time listing fees, decreased 19.1% over the same period in the prior year.

The decrease in gross and net revenue was primarily due to the exclusion of Rolling Meadow Dairy and Kiwi Butter revenue from the portfolio, as they were sold to Agrifoods Cooperative Subsidiary on January 31, 2019, in addition to the discontinuation of most of the Life Choices portfolio in Q4. The revenue shortfalls in Q4 2019 compared to Q4 2018 from discontinued or sold products are estimated to be approximately $1.8 million for the quarter. In addition, revenue decreases year on year were the result of significant short shipments, mostly in the Central Roast brand, due to tight working capital in the quarter. Lost sales due to weak working capital are estimated to be approximately $4.0 million.

Gross Profit and Adjusted Gross Profit (see Non-IFRS Measures)

The Company's Adjusted Gross Profit margin for the fourth quarter ended March 31, 2019, decreased by 0.9%. The decrease in the quarter was largely due to larger than expected rebates and discount expenses in the quarter of 16.1%, in part due to the timing of receiving those expenses from retailers on brands and products that we have either sold or discontinued, in conjunction with a lower sales quarter than expected. The expectation is that rebates and discounts as a percentage of revenue will normalize in future quarters.

Consistent with prior periods, listing fees incurred in the current quarter (considered one-time, non-recurring costs) have been added back to gross profit by the Company in calculating Adjusted Gross Profit. Please see the non-IFRS measures for details on these adjustments.

Selling, General and Administrative ("SG&A") Expenses

Overall, SG&A expenses for the fourth quarter ended March 31, 2019, increased from 23.9% of gross revenue in the fourth quarter of fiscal 2019 to 31.4% of gross revenue in the current quarter. The increase was primarily due to increased operating costs and fines from retailers for short shipments of products, coupled with lower sales due to the sale of brands and short shipments. Management expects SG&A as a percentage of revenue to return to normalized levels after recently announced restructurings decrease costs as well as anticipated increased sales materialize due to the reduction of short shipments.

Other Income and Expense

The Company recorded a gain of $1.4 million on sale of Rolling Meadow Dairy to Agrifoods' subsidiary, Organic Meadow Limited Partnership.

The Company recorded a $0.4 million write-down of goodwill related to the Central Roast business due to a sales decline in fiscal 2019 primarily due to working capital issues and a write-down of the goodwill associated with the Kiju brand of $3.1 million, which was sold subsequent to the year-end. GreenSpace also recorded a $1.4 million gain associated with the sale of the Rolling Meadow Dairy brand. Additionally, the values of intangible assets recognized for the acquisition of Galaxy were finalized, resulting in goodwill impairment of $6.8 million for the year ended March 31, 2018.

"The fourth quarter was another difficult quarter for us. Working capital shortages meant that we could not fill all of our orders, and we saw significant shortages of product to our customers, primarily within the Central Roast brand. Those shorts meant that we had less revenue and gross profit dollars to offset our cost base, creating a larger than expected loss in the quarter" says Matthew von Teichman, CEO of GreenSpace Brands. "The recent sale of Kiju has restored our working capital and allowed us to start filling our Central Roast order book, which remained very strong throughout that challenging period. Our other big brands, Love Child and Go Veggie, continue to do very well and are gaining distribution regularly. The Plant-Based cheese category, in particular, is seeing a tremendous amount of momentum, which we expect will continue to benefit the Go Veggie brand. Finally, we believe the changes we've made in our operating structure with our recently announced restructuring, will produce significantly improved EBITDA margins in very short order, as we strive to return to profitability as quickly as possible."

Outlook

GreenSpace continues to believe that there are a number of fundamental trends occurring within both the Global and North American food industries, that offer large opportunities for some of our brands. In particular, the Plant-Based cheese category is one of the fastest growing segments of the Natural Food market, and the Go Veggie business is well positioned in that market. These trends will continue to drive consumer demand for GSB brands, and customers will continue to be attracted by the Company's innovation within the natural and organic marketplace.

Management expects to see continued year on year organic revenue growth at a brand level, continued incremental gross margin improvement and a return to positive adjusted EBITDA margins in the near future. The Company continues to believe it is in a strong position to be one of the innovation leaders in the North American natural and organic food market, due to its industry position and accumulated reputational goodwill.

Use of Non-IFRS Measures, Measures of Operating Performance and Reconciliation of Net (Loss) Earnings to Adjusted EBITDA

This press release contains references to "Adjusted Gross Profit" and "Adjusted EBITDA," which are not measures prescribed by International Financial Reporting Standards (IFRS). Management uses IFRS, non-IFRS and operating performance measures as key performance indicators to better assess the Company's underlying performance and provides this additional information in this MD&A.

Adjusted Gross Profit is a non-IFRS measure which represents gross profit adjusted to exclude non-recurring, one-time listing fees which would not be considered part of on-going, normal operations. The Company's management believes that in addition to gross profit, adjusted gross profit is a useful supplemental measure of gross profit prior to one-time expense items such as listing fees. Adjusted Gross Profit allows management to compare the Company's margin over time on a consistent basis. However, adjusted gross profit is not a recognized measure under IFRS. Investors are cautioned that Adjusted Gross Profit should not be construed as an alternative to gross profit determined in accordance with IFRS. The Company's method of calculating adjusted gross profit may differ from the method used by other issuers, and accordingly, the Company's adjusted gross profit calculation may not be comparable to similarly titled measures used by other issuers.

Adjusted EBITDA is a non-IFRS measure and excludes finance costs, interest income, income tax expense or recovery, depreciation and amortization and income or expenses of a non-recurring, unusual or one-time nature. Adjusted EBITDA is a measure used by management, the food and beverage industry and investors as an indicator of the Company's operating performance, ability to incur and service debt, and as a valuation metric. The Company uses adjusted EBITDA to evaluate the operating performance of its business as well as an executive compensation metric. While adjusted EBITDA is a non-IFRS measure, management believes that it is an important indicator of operating performance because it excludes the effect of financing and investing activities by eliminating the effects of interest and depreciation and removes the impact of certain non-recurring items that are not indicative of our ongoing operating performance. The Company's method of calculating Adjusted EBITDA may differ from the method used by other issuers and, accordingly, the Company's Adjusted EBITDA calculation may not be comparable to similarly titled measures used by other issuers.

EBITDA is a non-IFRS measure calculated by adding back non-cash expenses to operating income and is used by management to measure operating performance. The Company defines EBITDA as earnings before interest, taxes, depreciation, amortization and goodwill impairment charges.

A reconciliation of the Company's Gross Profit to Adjusted gross profit is outlined in the following table:

Reconciliation of Gross profit to Adjusted gross profit
(expressed in thousands of Canadian dollars)

	3-months ended March 31, 2019	3-months ended March 31, 2018	**Year ended March 31, 2019**	Year ended March 31, 2018
	$	$	**$**	$
Gross profit	**2,442**	2,935	**14,898**	11,434
Add back non-recurring expenses				
Listing fees	**191**	543	**976**	1,369
Loss on discontinued product	**-**	-	**29**	-
Adjusted gross profit	**2,633**	3,478	**15,903**	12,803
Adjusted gross profit percentage	**19.5%**	20.4%	**23.1%**	22.2%

Reconciliation of Net loss from continuing operations to EBITDA and Adjusted EBITDA from continuing operations
(expressed in thousands of Canadian dollars)

A reconciliation of the Company's net loss to Adjusted EBITDA is outlined in the following table:

	3-months ended March 31, 2019	3-months ended March 31, 2018 (restated)	**Year ended March 31, 2019**	Year ended March 31, 2018 (restated)
	$	$	**$**	$
EBITDA	**(2,716)**	(1,530)	**(8,383)**	(1,773)
Add back non-cash and non-recurring expenses				
Fees associated with Equity Offerings	**-**	38	**-**	169
Stock based compensation	**(12)**	47	**92**	172
Fines and penalties for shorts	**-**	380	**-**	380
Recall expense	**(452)**	-	**306**	-
Listing fees	**191**	543	**976**	1,369
Meatbar discontinuation	**241**	-	**241**	-
Restructure cost	**(231)**	260	**1,473**	728
Adjusted EBITDA	**(2,980)**	(262)	**(5,296)**	1,045

Further to its news release dated December 24, 2018, the Company has issued the remaining shares of an aggregate of 346,666 common shares of the Company (the "**Loan Fee Shares**") at a deemed price of $0.375 per Loan Fee Share to the lenders under the previously disclosed loan agreement dated December 24, 2018 (the "**Loan Agreement**") between the Company and Primary Capital Inc., as administrative and collateral agent for a syndicate of lenders. The Loan Fee Shares are subject to a four month hold period in accordance with applicable Canadian securities laws which will expire on November 10, 2019. Details of the Loan Agreement are set forth in the Company's news release dated December 24, 2018. In addition, GreenSpace has granted 184,159 common shares to a strategic vendor and advisor for services previously rendered.

GreenSpace also announced the granting of approximately 826,000 options to staff and directors at the 20 day volume weighted average price of the shares of $0.27.

Love Child Distribution Win

GreenSpace also announced a significant new distribution win with a major Canadian retailer, expanding distribution into the rest of their principle banners across Canada. The distribution win includes both pouches and snacks into 380 stores representing 7580 new points of distribution and is expected to add a material amount of additional volume to the Love Child business in Fiscal 2020.

Results Conference Call

The Company will hold its fourth quarter and fiscal year 2019 conference call on Tuesday July 30th, 2019 at 8:30am (ET).

The call will be hosted by Matthew von Teichman, President and Chief Executive Officer and Stuart Pasternak, Chief Financial Officer. Following management's presentation, there will be a question and answer session for analysts and investors. To participate in the teleconference, dial (416) 764-8688 or 1 (888) 390-0546 (Toll-free). Callers are advised to call five minutes in advance of the call.

A taped rebroadcast will be available until 11:59 pm (ET) on August 9th, 2019. To access the rebroadcast, please dial (416) 764-8677 or 1 (888) 390-0541 and use the passcode 882769.

About GreenSpace Brands Inc.

GreenSpace is a Canadian-based brand ideation team that develops, markets and sells premium natural food products to consumers across North America. GreenSpace owns Love Child, a producer of 100% organic food for infants and toddlers made with the purest, natural and most nutritionally-rich ingredients, Central Roast, a clean snacking brand featuring a wide assortment of nut and seed mixes, Kiju, the Canadian market leader in the shelf stable organic juice segment, CEDAR, the leaders in the Canadian Cold Press Juice category and the most recently acquired brand, GO VEGGIE, one of the leaders in the US plant based dairy market. All brands are wholly owned and retail in a variety of natural and mass retail grocery locations across Canada.

For more information, visit www.greenspacebrands.ca. GreenSpace's filings are also available at **www.SEDAR.com**.

Forward-Looking Statements

Certain statements in this press release constitute forward-looking statements within the meaning of applicable securities laws. Forward-looking statements include, but are not limited to, statements made under the heading "Outlook" and other statements concerning the Company's 2018 objectives, strategies to achieve those objectives, as well as statements with respect to management's beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "should", "plans" or "continue", or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those contemplated by such statements, and there can be no assurance that actual results will be consistent with these forward-looking statements. Factors that could cause such differences include the cyclical nature of the construction and agriculture industries, changes in general economic conditions and interest rates, adverse weather, cost and availability of materials used to manufacture the Company's products, competitive developments, legislative and government policy changes, as well as other risk factors included in the Company's Annual Information Form dated August 22, 2018 under the heading "Risks and Uncertainties Related to the Business" and as described from time to time in the reports and disclosure documents filed by the Company with Canadian securities regulatory agencies and commissions. This list is not exhaustive of the factors that may impact the Company's forward-looking statements. These and other factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. As a result of the foregoing and other factors, no assurance can be given as to any such future results, levels of activity or achievements or levels of dividends and neither the Company nor any other person assumes responsibility for the accuracy and completeness of these forward-looking statements. The factors underlying current expectations are dynamic and subject to change. Certain statements included in this press release may be considered "financial outlook" for purposes of applicable securities laws, and such financial outlook may not be appropriate for all purposes. All forward-looking statements in this press release are qualified by these cautionary statements. The forward-looking statements contained herein are made as of the date of this press release, and except as required by applicable law, the Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

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