GreenSpace Brands Reports Second Quarter F2020 Results Featuring A Return To Adjusted EBITDA Profitability For The First Time in Nearly 2 Years

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

TORONTO, Nov. 18, 2019 /CNW/ - GreenSpace Brands Inc. ("the Company") (TSXV: JTR) today reported its second quarter of fiscal 2020 ended September 30, 2019 results. **Key Highlights for the Second Quarter of Fiscal 2020:**

- **Adjusted EBITDA of $48K, marking the first adjusted EBITDA positive quarter in nearly 2 years**
- **Under new IFRS 9 rules, a provision of nearly $1M was taken (in G&A) for 100% of AR over 60 days, although GreenSpace believes much of this is collectible. Without this provision, EBITDA would have been approximately $700K and adjusted EBITDA would have been over $1M for the quarter**
- **Adjusted gross margin increased dramatically to 28.6% compared to 21.8% for Q1 2020 largely as a result of management decisions to divest of lower margin brands and products.**
- **SG&A expenses continued to decrease from $4.0M in Q1 to $3.7M in Q2, primarily due to the effects of restructuring.**
- **Rebates and discounts as a percentage of gross revenue fell from 14.6% to 11.8% versus the prior quarter.**

Consolidated Performance Summary

(in thousands of Canadian dollars, except per share amounts)	**Three months ended September 30, 2019 $**	Three months ended September 30, 2018 $	**Six months ended September 30, 2019 $**	Six months ended September 30, 2018 $
Gross revenue	**12,831**	21,656	**29,268**	42,641
Less: rebates and discounts	**(1,518)**	(2,349)	**(3,918)**	(4,693)
Less: listing fees	**-**	(262)	**(53)**	(333)
Net revenue	**11,313**	19,045	**25,297**	37,615
Gross profit	**3,240**	4,440	**6,242**	8,755
Adjusted Gross Profit[1]	**3,240**	4,703	**6,295**	9,117
Adjusted Gross Profit margin[1]	**28.6%**	24.4%	**24.8%**	24.0%
SG&A expenses	**3,733**	5,135	**7,749**	11,909
Amortization of intangible assets	**607**	701	**1,246**	1,401
Deferred income tax (recovery)	**(171)**	(195)	**(366)**	(391)
Interest expense	**739**	412	**1,342**	804
Accretion expense	**-**	28	**14**	58
Other income and expense	**(11)**	98	**(26)**	98
Foreign exchange loss	**141**	(143)	**185**	91
Restructuring expense	**-**	-	**195**	-

Net income (loss)	**(1,798)**	(1,596)	**(4,097)**	(5,215)
EBITDA	**(316)**	(672)	**(1,396)**	(3,008)
EBITDA, as a percentage of net revenue	**(2.8%)**	(3.5%)	**(5.5%)**	(8.0%)
Adjusted EBITDA[1]	**48**	(984)	**(215)**	(1,368)
Adjusted EBITDA, as a percentage of net revenue excluding listing fees[1]	**0.4%**	(5.1%)	**(0.8%)**	(3.6%)

1 – See Non-IFRS Measures

Q2 2020 was positively impacted by several factors versus both the previous quarter, Q1 2020, and the previous comparable year, Q2 2019. The quarter saw lower than expected revenue because there was no contribution from the divested brand Kiju, the Company was far more focused on profitability than in the past and the Company saw some weakness in the Central Roast brand. However, GreenSpace saw drastically improved gross margins and significantly improved EBITDA and adjusted EBITDA margins. Q2 2020 continued the trend showing that the previously announced restructurings are having a positive effect and that we have achieved our stated goal of turning around the business to become adjusted EBITDA positive as quickly as possible.

Revenue

Gross revenue for the second quarter ended September 30, 2019 decreased 40.8% and net revenue, which is gross revenue excluding deductions for rebates, discounts and one-time listing fees, decreased 40.6% over the same period in the prior year. The decrease in 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, as well the exclusion of Nothing But Nature revenue from the portfolio as it was sold to Zurban Beverages Inc. on May 21, 2019. Additionally, the Company experienced roughly $2 million in short shipments in the quarter as part of the Q1 working capital issues. This had a negative effect on revenue as well as gross profit $ and ebitda.

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

The Company's adjusted gross profit margin for the second quarter ended September 30, 2019 increased from 24.4% to 28.6% compared to the same period in the prior year, a 17% increase. The increase in the quarter was primarily due to the higher volume of sales from brands with higher margins as well as the discontinuation or sale of lower margin brands.

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

The quarter was positively impacted by a variety of factors, the largest of which is the continued emergence of the effect of some of the previously announced restructurings completed in Q1 2020. SG&A as a percentage of revenue showed a steep decline from the prior year period due in part to the effect of the restructurings, as well as due to enhanced cost saving strategies. Salaries and wages decreased from 8.3% of gross revenue to 6.8% of gross revenue, primarily due to the previously announced restructurings. Advertising and promotion costs also decreased significantly from the prior year period by 3.1% of gross revenue. Management expects SG&A as a percentage of revenue to continue to drop after the recently announced restructurings decrease costs.

"The second quarter finally saw us return to adjusted EBITDA positive results for the first time in a very long time" says Matthew von Teichman, CEO of GreenSpace Brands. "If you remove the effect of the new IFRS 9 rules around removing bad debt from the results, which we believe we will still be able to collect, the end result is EBITDA of over $700K in the quarter and adjusted EBITDA over $1M. It's been almost 2 years since we posted an adjusted EBITDA positive result and it shows how diligent the team has been to remove expenses from the business in order to push towards a return to profitability. As we start to rebuild our sales profile within this leaner operating environment, we hope to continue to achieve improved bottom line results going forward."

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 GreenSpace Brands, and customers will continue to be attracted by the Company's innovation within the natural and organic marketplace.

Management expects to see year on year organic revenue growth at a brand level, continued incremental gross margin improvement and continued positive adjusted EBITDA margins going forward. 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.

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		6-months ended	
	September 30, 2019	September 30, 2019	**September 30, 2019**	September 30, 2019

	$	$	$	$
Gross profit	**3,240**	4,440	**6,242**	8,755
Add back non-recurring expenses				
Listing fees	**-**	262	**53**	333
Loss on discontinued product	**-**	28	**-**	29
Adjusted gross profit	**3,240**	4,730	**6,295**	9,117
Adjusted gross profit percentage	**28.6%**	24.4%	**24.8%**	24.0%

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		**6-months ended**	
	September 30, 2019	September 30, 2019	**September 30, 2019**	September 30, 2019
	$	$	**$**	$
EBITDA	**(316)**	(672)	**(1,396)**	(3,008)
Add back non-cash and non-recurring expenses				
Stock based compensation	**24**	39	**39**	67
Fines and penalties for shorts	**303**	-	**550**	-
Restructure cost	**-**	107	**195**	484
Professional fees	**37**	-	**344**	-
Listing fees	**-**	262	**53**	333
Recall expense	**-**	(720)	**-**	756
Adjusted EBITDA	**48**	(984)	**(215)**	(1,368)

Results Conference Call

The Company will hold its second quarter 2020 conference call on Tuesday November 19th 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 November 26th, 2019. To access the rebroadcast, please dial (416) 764-8677 or 1 (888) 390-0541 and use the passcode 103984.

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, 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 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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For further information: Matthew von Teichman, President & Chief Executive Officer, GreenSpace Brands Inc., Tel: (416) 934-5034 Ext. 200; Stuart Pasternak, Chief Financial Officer, GreenSpace Brands Inc., Tel: (416) 934-5034 Ext. 210

CO: GreenSpace Brands Inc.

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