GreenSpace Brands Reports First Quarter F2020 Results Featuring a $2.7 million Sequential Improvement in Adjusted EBITDA, and the Hiring of a New President for Love Child Organics

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

TORONTO, Aug. 22, 2019 /CNW/ - GreenSpace Brands Inc. ("the Company") (TSXV: JTR) today reported its first quarter of fiscal 2020 ended June 30, 2019 results. **Key Highlights for the First Quarter of Fiscal 2020:**

- **Gross revenue of $16.4 million, representing a 2% increase over the prior quarter, even though the Kiju brand was divested May 21, 2019**
- **Adjusted gross margin increased to 21.8% compared to 19.5% for Q4 2019.**
- **SG&A expenses decreased from 31.4% to 24.4% of gross revenue, primarily due to the effects of restructuring.**
- **Adjusted EBITDA margins improved to (1.9%) as a percentage of net revenue excluding listing fees, from (22.0%) in Q4 2019.**
- **Rebates and Discounts as a percentage of gross revenue fell from 16.1% to 14.6% versus the prior quarter.**

Consolidated Performance Summary

	Three months ended	
(in thousands of Canadian dollars, except per share amounts)	**June 30, 2019** **$**	March 31, 2019 $
Gross revenue	**16,437**	16,125
Less: rebates and discounts	**(2,400)**	(2,602)
Less: listing fees	**(53)**	(191)
Net revenue	**13,984**	13,332
Gross profit	**3,002**	2,442
Adjusted Gross Profit[1]	**3,055**	2,633
Adjusted Gross Profit margin[1]	**21.8%**	19.5%
SG&A expenses	**4,016**	5,069
Amortization of intangible assets	**639**	(166)
Deferred income tax (recovery)	**(195)**	(196)
Interest expense	**603**	542
Accretion expense	**14**	14
Other income and expense	**(15)**	400
Foreign exchange loss	**44**	(277)
Restructuring expense	**195**	-
Gain on sale of Rolling Meadow Dairy	**-**	(1,376)
Loss on goodwill impairment	**-**	3,475
Net income (loss)	**(2,299)**	(5,043)
EBITDA	**(1,081)**	(2,716)

EBITDA, as a percentage of net revenue	**(7.7%)**	(20.4%)
Adjusted EBITDA[1]	**(264)**	(2,980)
Adjusted EBITDA, as a percentage of net revenue excluding listing fees[1]	**(1.9%)**	(22.0%)

1 – See Non-IFRS Measures

Q1 2020 was positively impacted by several factors versus both Q4 2019 (previous quarter) and Q1 2019 (previous year). Q1 2020 saw the closing of the Nothing but Nature divestiture which brought in much-needed working capital for the business. That divestiture happened approximately halfway through the quarter and allowed the business to order more inventory and fill orders more regularly. Q1 2020 did see significant fines from retailers for short shipping orders, which appear in EBITDA but have been removed as one-time items from adjusted EBITDA. Q1 2020 is the first clear indication that previously announced restructurings are having a positive effect and that the business is making progress towards its stated goal of becoming adjusted EBITDA positive as quickly as possible. The quarter did still feature significant short shipments and the associated penalties, however June saw fill rates rise quickly as working capital became more readily available.

Revenue

Gross revenue for the quarter ended June 30, 2019 increased over the previous quarter ending March 2019, in spite of the Nothing but Nature business only being represented in the results for approximately half the quarter. The increase was due to strong results in both Love Child and Go Veggie, as well as being able to fill orders more regularly in the second half of the quarter within the Central Roast brand. Sequential revenue growth was approximately 2% going from $16.1 million in gross sales in Q4 2019 to $16.4 million in Q1 2020.

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

The Company's Adjusted Gross Profit margin for the first quarter ended June 30, 2019 increased by 2.3%, a 12% improvement, going from 19.5% in Q4 2019 to 21.8% in Q1 2020. The increase was largely due to lower trade spend relative to Q4 2019, as well as continued strength in the gross margin profile prior to trade spend. The expectation is that rebates and discounts as a percentage of revenue will continue to normalize in future quarters and come down to historical norms.

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

The quarter was positively impacted by a variety of factors, the largest of which is the 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 Q4 2019 due in part to the effect of the restructurings, as well as due to the collection of customer payments which reduced the expected credit loss. Salaries and wages decreased from $1.5 million in Q4 2019 to $1.3 million in Q1 2019, a 13% decrease, primarily due to the previously announced restructurings. G&A also showed a dramatic improvement in Q1 2020 from Q4 2019, in part due to the continued rationalization of costs. Advertising and promotion costs also decreased significantly from Q4 2019 to Q1 2020. Management expects SG&A as a percentage of revenue to continue to drop after the recently announced restructurings decrease costs.

"The first quarter was a long-awaited rebound from some difficult results over the last 18 months. The quarter not only saw an increase in revenue quarter over quarter, but much more importantly, it saw a significant drop in the adjusted EBITDA losses we have been incurring for quite some time."

Says Matthew von Teichman, CEO of GreenSpace Brands. "We've gone through a difficult time of having to make a lot of challenging decisions in order to right-size the business and get GreenSpace ready to return to profitability. We have executed on some sweeping structural changes that saw an entire layer of management largely disappear. This was all done in an effort to create a structure that is not only capable of growing brands, but also capable of growing brands profitably. Q1 2020 is the first taste of the potential that those changes bring to our business, and perhaps the first signal to shareholders that we have turned the corner."

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 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.

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 June 30, 2019	3-months ended March 31, 2019
	$	$
Gross profit	3,002	2,442
Add back non-recurring expenses	-	-
Listing fees	53	191
Adjusted gross profit	3,055	2,633
Adjusted gross profit percentage	21.8%	19.5%

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 June 30, 2019	3-months ended March 31, 2019
	$	$
EBITDA	(1,081)	(2,716)
Add back non-cash and non-recurring expenses		
Stock based compensation	15	(12)
Fines and penalties for shorts	247	-
Listing fees	53	191
Restructure cost	195	(231)
Professional fees	307	-
Meatbar discontinuation	-	241
Recall expense	-	(453)
Adjusted EBITDA	(264)	(2,980)

Further to the previously announced granting of 184,159 common shares to a strategic advisor, GreenSpace is settling outstanding indebtedness with an arm's length party in the sum of $45,000 by the issuance of common shares in the capital stock of the Company at a price based on 95% of the 20-day VWAP at the time of settlement (the "Debt for Equity Transaction"). The arm's length party is a consultant and financial advisor that provided various services to the Company from February 2019 until May 2019. It was a term of the engagement letter with the arm's length party that the Company could satisfy any amount owing in cash or common shares in the capital of the Company. The completion of the Debt for Equity Transaction is subject to the approval of the TSX Venture Exchange. The shares to be issued under the Debt for Equity Transaction will be subject to a four-month hold period.

New President of Love Child Organics

GreenSpace is very pleased to announce the hiring of a new President for Love Child Organics, Brittany Compton. Brittany has over 13 years experience building renowned brands at a Tier 1 CPG company and has both Canadian as well as global brand management and operational experience, including taking global leadership positions in brand innovation, digital marketing transformation and sustainability. She is also a mother and certified kids yoga instructor, and a very strong advocate for clean eating and healthy living. Brittany will be responsible for all elements of the Love Child business and will be fully P&L responsible, which is consistent with the new operational structure for GreenSpace as previously announced.

Results Conference Call

The Company will hold its first quarter 2020 conference call on Friday, August 23rd 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 30th, 2019. To access the rebroadcast, please dial (416) 764-8677 or 1 (888) 390-0541 and use the passcode 402072.

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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