GREEN SPACE BRANDS

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

## FOR IMMEDIATE RELEASE

# GreenSpace Brands Inc. Reports Third Quarter F2021 Results

**TORONTO, ONTARIO**, **February 25th, 2021** – GreenSpace Brands Inc. ("the Company") (TSXV: JTR) today announced that it has filed its Condensed Consolidated Interim Financial Statements for the three and nine-month periods ended December 31, 2020 and 2019.

**Key Highlights for the Third Quarter of Fiscal 2021:**

- **Gross revenue from continuing operations of $6.9 million, represented a 39% decrease as compared to the same three-month period of the prior year due to: (i) working capital constraints, which caused short-shipments to its customers and customer losses; and (ii) the cessation of the Cedar and Life Choices Brands. The current quarter's sales were marginally lower than the $7.4 million of gross revenue for the prior quarter ended September 30, 2020.**
- **Adjusted gross margin of 8.1% compares unfavorably to the same three-month period of the prior year due to: (i) one-time inventory write-offs and provisions for obsolete and slow-moving inventory; and (ii) contested manufacturer charge backs ("MCBs") received from customers' arising from third-party audits of MCBs of prior years.**
- **The resulting negative adjusted EBITDA from continuing operations of $2.2 million would have been in-line with prior quarter on slightly lower gross revenues, had it not been for these provisions, write-offs and prior-years' MCBs.**
- **The Company completed a private placement equity raise of net $7.1 million which is expected to improve its working capital position and allow the Company to begin the process of improving customer service and its relationships with all its trading partners.**

**Comments on the Quarter:**

During the three-month period ended December 31, 2020, the Company's limited working capital negatively impacted sales and customer relationships as the Company did not have the required levels of inventory to service customer demand and participate in customer-driven promotional activity of our brands. One time inventory write-offs and provisions for slow-moving, discontinued and/or obsolete inventory totaled $1.0 million, which together with contested MCBs received from customers relating to prior years, adversely impacted the Company's adjusted gross margin and EBITDA for the quarter.

The Company's use of working capital as a source of financing continued to adversely impact supplier relationships. During the three-month period ended December 31, 2020, a growing number of its key suppliers began or continued to require payment with order, which meant the Company had to invest in a portion of its limited working capital into prepaid expenses rather than into the inventory it needed to service its customers.

Demonstrating continued enthusiasm for the product categories in which the Company operates, on December 23, 2020, the Company raised a net of $7.1 million in cash through an over-subscribed private placement which has moved the Company closer to its working capital targets. The Company has started using these proceeds to reestablish the flow of inventory by investing in working capital.

"This past quarter may prove to be a turning point for the Company, as the successful private placement represents a good first step in the delivery of better customer service and over time is expected to allow the Company to achieve improved relationships with all its trading partners," said Paul Henderson, Executive Chairman and Interim Chief Executive Officer of the Company. "Management believes that with the appropriate level of working capital that it can improve its levels of sales and with further improvements to its operations, it can produce positive EBITDA and free cash flow to help finance the future growth opportunities available to the Company".

**Consolidated Performance Summary**

| (expressed in thousands of Canadian dollars) | For the three-month period ended December 31 | | | | For the nine-month period ended December 31 | | | |
|---|---|---|---|---|---|---|---|---|
| | **2020** | 2019 Reclassified | Inc/(Dec) | Inc/(Dec) | **2020** | 2019 Reclassified | Inc/(Dec) | Inc/(Dec) |
| | **$** | $ | $ | % | **$** | $ | $ | % |
| Gross revenue | **6,889** | 11,285 | (4,396) | (39.0%) | **24,633** | 39,239 | (14,606) | (37.2%) |
| Less: rebates and discounts | **(1,315)** | (1,516) | 201 | (13.3%) | **(4,099)** | (5,138) | 1,039 | (20.2%) |
| Less: listing fees | **-** | (120) | 120 | (100.0%) | **(332)** | (170) | (162) | 95.3% |
| Net revenue | **5,574** | 9,649 | (4,075) | (42.2%) | **20,202** | 33,931 | (13,729) | (40.5%) |
| Cost of goods sold | **5,124** | 6,742 | (1,618) | (24.0%) | **16,676** | 25,022 | (8,346) | (33.4%) |
| Gross profit | **450** | 2,907 | (2,457) | (84.5%) | **3,526** | 8,909 | (5,383) | (60.4%) |
| Gross profit percentage | **8.1%** | 30.1% | | | **17.5%** | 26.3% | | |
| **Adjusted gross profit[1]** | **450** | 3,027 | (2,577) | (85.1%) | **3,858** | 9,079 | (5,221) | (57.5%) |
| **Adjusted gross profit margin** | **8.1%** | 31.0% | | | **18.8%** | 26.6% | | |
| General and administrative | **679** | 224 | 455 | 203.1% | **1,646** | 3,956 | (2,310) | (58.4%) |
| Storage and delivery | **596** | 471 | 125 | 26.5% | **1,990** | 2,644 | (654) | (24.7%) |
| Salaries and benefits | **1,113** | 1,077 | 36 | 3.3% | **3,808** | 3,405 | 403 | 11.8% |
| Advertising and promotion | **171** | 378 | (207) | (54.8%) | **550** | 1,058 | (508) | (48.0%) |
| Professional fees | **394** | 194 | 200 | 103.1% | **1,180** | 636 | 544 | 85.5% |
| Stock-based compensation | **20** | 21 | (1) | (4.8%) | **23** | 60 | (37) | (61.7%) |
| Amortization of intangible assets | **168** | 608 | (440) | (72.4%) | **506** | 1,854 | (1,348) | (72.7%) |
| Net loss before underlying items | **(2,691)** | (66) | (2,625) | 3977.3% | **(6,177)** | (4,704) | (1,473) | 31.3% |
| Interest expense | **1,144** | 592 | 552 | 93.2% | **2,492** | 1,933 | 559 | 28.9% |
| Accretion expense | **9** | - | 9 | | **27** | 14 | 13 | 92.9% |
| Restructuring expense | **-** | - | - | | **-** | 195 | (195) | (100.0%) |
| Other (income) /expense | **(204)** | (68) | (136) | 200.0% | **(157)** | (94) | (63) | 67.0% |
| Foreign exchange (gain) loss | **(418)** | (125) | (293) | 234.4% | **(1,674)** | 60 | (1,734) | (2890.0%) |
| Net loss before income taxes | **(3,222)** | (465) | (2,757) | 592.9% | **(6,865)** | (6,812) | (53) | 0.8% |
| Deferred income tax recovery | **-** | (171) | 171 | (100.0%) | **-** | (537) | 537 | (100.0%) |
| Net loss from continuing operations | **(3,222)** | (294) | (2,928) | 995.9% | **(6,865)** | (6,275) | (590) | 9.4% |
| Net loss from discontinued operations | **-** | - | - | | **-** | 357 | (357) | (100.0%) |
| Net loss | **(3,222)** | (294) | (2,928) | 995.9% | **(6,865)** | (5,918) | (947) | 16.0% |
| EBITDA[1] | **(2,423)** | 749 | (3,172) | (423.5%) | **(5,345)** | (2,570) | (2,775) | 108.0% |
| As a percentage of net revenue | **(43.5%)** | 7.8% | | | **(26.5%)** | (7.6%) | | |
| **Adjusted EBITDA[1]** | **(2,193)** | 953 | (3,146) | (330.1%) | **(3,680)** | (947) | (2,733) | 288.6% |
| **As a percentage of net revenue, excluding listing fees** | **(39.3%)** | 9.8% | | | **(17.9%)** | (2.8%) | | |

1 – Use of Non-IFRS Measures - The Company's condensed consolidated interim financial statements are prepared in accordance with IFRS. Management uses IFRS, non-IFRS and operating performance measures as key performance indicators to better assess the Company's underlying performance. See discussion on Non-IFRS measures in the Management's Discussion and Analysis for the three-month period ended December 31, 2020 and 2019 on SEDAR at sedar.com.

## FORWARD-LOOKING STATEMENTS

Certain statements in this document constitute forward-looking statements within the meaning of applicable securities laws. Forward-looking statements include, but are not limited to, statements made concerning the Company's 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 successful completion of the Offering; entering into a definitive agreement with the Lenders; cyclical nature of the construction and agriculture industries; general and market conditions (including equity, commodity, foreign exchange and interest rate); increased funding costs and market volatility due to market illiquidity and competition for funding; operational outcomes (including technology and infrastructure); insurance; environmental conditions; capital adequacy; the general business and economic conditions in the regions in which the Company operates; the ability of the Company to execute on key priorities; the ability to implement business strategies and pursue business opportunities; the failure of third parties to comply with their obligations to the Company or its affiliates; the impact of new and changes to, or application of, current laws and regulations; critical accounting estimates and changes to accounting standards, policies, and methods used by the Company; the occurrence of natural and unnatural catastrophic events and claims resulting from such events; and risks related to COVID-19 including various recommendations, orders and measures of governmental authorities to try to limit the pandemic, including travel restrictions, border closures, nonessential business closures, quarantines, self-isolations, shelters-in-place and social distancing, disruptions to markets, economic activity, financing, and supply chains, and a deterioration of general economic conditions including a possible national or global recession, 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.

*Neither the TSX Venture Exchange nor its regulation services provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

**ADDITIONAL INFORMATION**

Additional information, including the Company’s Condensed Consolidated Interim Financial Statements for the three-month and nine-month periods ended December 31, 2020 and 2019 and its related Management Discussion and Analysis and its Chief Executive Officer and Chief Financial Officer certifications, is on SEDAR at www.sedar.com.

**For more information, please contact:**

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