

Cannara Biotech Inc. Reports Record Q3 2023 Financial Results with Net Revenues of \$15.9 Million and Net Income of \$2.9 million



NEWS PROVIDED BY
Cannara Biotech Inc. →
27 Jul, 2023, 08:00 ET

Three- and nine-month net revenue were \$15.9 million and \$39.3 million, a 57% and 63% increase compared to the same periods of prior year

Delivered its ninth consecutive quarter of positive Adjusted EBITDA of \$3.9 million, a 129% increase compared to Q3 2022

Generated Q3 2023 net income of \$2.9 million and free cash flow of \$3.2 million

Reached an annual production capacity of 30,500 kg of premium-grade cannabis per year, increasing production capacity by 50% since August 31, 2022

All financial results are reported in Canadian dollars, unless otherwise stated.

MONTREAL, July 27, 2023 /PRNewswire/ - Cannara Biotech Inc. ("**Cannara**" or the "**Company**") (TSXV: LOVE) (OTCQB: LOVFF) (FRA: 8CB), a vertically integrated producer of premium-grade cannabis and derivative product offerings at affordable prices with two mega facilities based in Quebec spanning over 1,650,000 sq. ft., today announced its fiscal third quarter 2023 financial and operating results for the three- and nine-month periods ended May 31, 2023.

"This past quarter was a tremendous success as Cannara grew its market share by more than 30% in Quebec (7%¹ to 9.3%²) and in Ontario (2%³ to 2.7%⁴), along with growing sales in BC and the commencement of sales in a new market, Alberta, the second largest cannabis market in Canada. With the firm's robust and innovative pipeline leading the way, SKU listings rising and an additional three 25,000 square feet growing zones activated this year, revenues, gross profits, EBITDA, and net income all increased, paving the way for sustained growth moving forward," said Zohar Krivorot, President & Chief Executive Officer of Cannara. "The response in the consumer market for our premium, high-quality yet affordable cannabis products has been tremendous since inception, and we expect to continue to grow market share across all provinces as we continue to introduce new and innovative products to our customers across Canada. As evidenced by the significant increases in SKUs, I am very confident that Cannara is on its way to becoming one of Canada's leading cannabis producers," concluded Mr. Krivorot.

Nicholas Sosiak, Chief Financial Officer of Cannara commented, "Our ninth consecutive quarter of positive Adjusted EBITDA in addition to positive net income was the culmination of innovation and hard work, improved capacity utilization, improved efficiencies and increased demand for Cannara's' products across all markets. The initial response in the Alberta market has been spectacular, and we are excited to increase our footprint in this vibrant, growing market, with the imminent listing of 16 additional SKUs for the Alberta consumer by next month. The company's stated goal of expanding cultivation capacity by 50% by year end was achieved three months ahead of schedule and we continue to execute on our strategy of increasing our production capacity in line with growing demand. As the Cannara brand continues to resonate with the cannabis consumer market and with our capabilities of further expanding profitable production output, I couldn't be more excited for the future of this Company, its shareholders, and stakeholders" concluded Mr. Sosiak.

¹ Based on estimated sales data provided by Weed Crawler, for the period of December to February 2023

² Based on estimated sales data provided by Weed Crawler, for the period of March to May 2023

³ Based on actual wholesale sales OCS data program for the period of December to February 2023

⁴ Based on actual wholesale sales OCS data program for the period of March to May 2023

Fiscal Third Quarter 2023 Financial Highlights

- Q3 2023 gross cannabis revenue of \$20.6 million and \$47.6 million for the first nine months of 2023, a 96% and 97% increase respectively, compared to the same period of prior year. Compared to the Q2 2023, gross cannabis revenues saw a 30% growth quarter over quarter ("QoQ").
- Q3 2023 net revenue of \$15.9 million, and \$39.3 million for the first nine months of 2023, a 57% and 63% increase respectively, compared to the three and nine-month period in 2022. Net revenues increased by 22% QoQ, from \$13 million in Q2 2023 to \$15.9 million in Q3 2023.
- Q3 2023 gross profit before fair value adjustments was \$6.1 million, and \$14.2 million for the first nine months of 2023, a 64% and 51% increase respectively compared to the three and nine-month period in 2022. Gross profit before fair value adjustments increased by 53% QoQ as a result of increased sales and lower inventory adjustments.
- Operating income increased to \$4.3 million for Q3 2023 and \$6.1 million for the first nine months of 2023, compared to \$1.5 million of operating income in Q3 2022 and \$1.2 million of operating income for the nine-month period of 2022, resulting in an increase of 187% and 408% respectively. Compared to Q2 2023, operating income increased by 617% QoQ.
- Delivered the Company's ninth straight quarter of positive Adjusted EBITDA of \$3.9 million, and Adjusted EBITDA of \$8.8 million for the nine-month period of 2023, a 105% and 184% increase respectively, compared to the three and nine-month period in 2022. Adjusted EBITDA increased by 22% QoQ, from \$3.2 million in Q2 2023 to \$3.9 million in Q3 2023.
- Net income of \$2.9 million, a 107% improvement compared to \$1.4 million of net income for Q3 2022. Net income for the first nine months of 2023 is \$2.3 million compared to a net loss of \$248,000 in the first nine months of 2022. Compared to prior quarter, net income increased by \$3.5 million from a net loss of \$0.6 million.
- Free cash flow for Q3 2023 increased to \$3.2 million from \$1.5 million in Q3 2022, an 113% increase, and \$7.1 million for the nine-month period of 2023 compared to the \$2.9 million in the same period last year, a 145% increase. Free cash flow increased by 68% QoQ, from

\$1.9 million in Q2 2023 to \$3.2 million in Q3 2023.

- The Company has \$27.1 million in working capital as of May 31, 2023, which includes \$4 million of cash on hand and \$10 million in accounts receivable.

Fiscal Third Quarter 2023 and Subsequent Sales and Operational Highlights

- Cannara activated its 9th of 24 individual 25,000 square foot growing zones at its Valleyfield Facility, a 50% capacity increase at the Valleyfield Facility compared to the previous fiscal year end, reaching a total of 225,000 square feet of active canopy. Combined with its Farnham Facility, the Company's current annual production capacity is approximately 30,500 kg of premium-grade cannabis per year, which will increase up to 100,000 kg per year when the Valleyfield Facility is fully built out.
- Increased employee headcount from 210 employees in Q3 2022 to 270 employees in Q3 2023; a 29% increase to support operational growth.
- Units sold across 3 flagship brands increased by 20% QoQ, from approximately 860,000 units sold in Q2 2023 to 1,032,000 units sold in Q3 2023.
- Approximately 1,032,000 units were sold across 3 flagship brands during the third quarter of 2023 and 2,521,000 units were sold during the nine-month period of 2023, an 83% increase and 96% increase respectively, compared to the same three and nine-month periods of 2022.
- The Company estimates its current market share as of the third quarter of 2023 is approximately 9.3%⁵ in Quebec, the third largest producer in the province, increasing market share in Quebec by 33% from a 7%⁶ market share in the second quarter of 2023.
- The Company currently has 64 accepted SKUs in the Ontario market, a 121% increase from the 29 SKUs available in the previous quarter. Cannara's products can be found in over 1400 retail stores across Ontario⁷, being represented in over 89% of stores in Ontario and holds a market share of 2.7%⁸, a 35% increase from the previous quarter.
- Cannara began selling into the Alberta market as of May 2023. The initial order of 3 SKUs sold out in a week and Cannara now has 19 accepted SKUs that will be available for purchase and be sold in over 45% of all Alberta cannabis stores.
- Cannara continued to grow its distribution in British Columbia with 15 SKUs available, an 114% increase compared to the 7 listed SKUs available in the previous quarter. Cannara's products including dried flower, pre-rolls, extracts, and hash products, are now carried in over 67% of provincial retailers.

⁵ Based on estimated sales data provided by Weed Crawler, for the period of March to May 2023

⁶ Based on estimated sales data provided by Weed Crawler, for the period of December to February 2023

⁷ Trellis Distribution Insights, July 2023

⁸ Based on actual wholesale sales OCS data program for the period of March to May 2023

Capital Transactions

- During the quarter, the Company granted a total of 20,000 stock options at an exercise price of \$1.80, subject to certain vesting conditions in accordance with the employee share option plan.
- Subsequent to quarter-end, the Company granted a total of 210,000 stock options at an exercise price of \$1.80, subject to certain vesting conditions in accordance with the employee share option plan.

Selected Financial Information

Selected Financial Highlights	Three-month periods ended		Nine-month periods ended	
	May 31, 2023	May 31, 2022	May 31, 2023	May 31, 2022
Gross revenue ¹	\$ 15,840,140	\$ 9,988,905	\$ 38,929,458	\$ 23,588,299
Other income	96,688	74,811	354,731	462,347
	15,936,828	10,063,716	39,284,189	24,050,646
Gross profit, before fair value adjustments	6,120,878	3,735,420	14,174,905	9,385,052
% ²	38 %	37 %	36 %	39 %
Gross profit	8,594,235	4,748,643	17,688,552	10,384,262
% ³	54 %	47 %	45 %	43 %
Operating expenses	4,311,958	3,214,557	11,632,065	9,206,248
Operating income (loss)	4,282,277	1,534,086	6,056,487	1,178,014
% ⁴	27 %	15 %	15 %	5 %
Net finance expense	1,353,634	105,789	3,742,948	1,426,039
Net income (loss)	2,928,643	1,428,297	2,313,539	(248,025)
% ⁵	18 %	14 %	6 %	-1 %
Adjusted EBITDA ⁵	3,887,634	1,914,175	8,825,357	3,127,142
% ⁶	24 %	19 %	22 %	13 %
Basic income (loss) per share	\$ 0.03	\$ 0.01	\$ 0.03	\$ (0.01)
Diluted income (loss) per share	\$ 0.03	\$ 0.01	\$ 0.03	\$ (0.01)
			May 31, 2023	August 31, 2022
Cash			\$ 4,027,972	\$ 12,114,691
Accounts receivable			10,021,230	8,526,918
Biological assets			5,208,230	5,712,456
Inventory			24,962,580	13,266,987
Working capital ⁷			27,135,896	29,127,599
Total assets			135,374,624	125,617,047
Total current liabilities			18,522,090	11,861,085
Total non-current liabilities			41,876,538	47,020,201
Net assets			74,975,996	66,735,761
Free cash flow ⁶			3,223,423	2,510,534

¹ Gross revenue included revenue from sale of goods, net of excise taxes, services revenues and lease revenues.

² Gross profit before fair value adjustments % is determined as Gross profit before fair value adjustments divided by Total revenues.

³ Gross profit % is determined as Gross profit divided by Total revenues.

⁴ Net loss % is determined as Net loss divided by Total revenues.

⁵ Operating income (loss) % is determined as Operating income (loss) divided by Total revenues.

⁶ Adjusted EBITDA, working capital and free cash flow are non-GAAP financial performance measures with no standard definition under IFRS.

A reconciliation of these measures is presented elsewhere in this MD&A.

Adjusted EBITDA % is a non-GAAP financial ratio and is determined as Adjusted EBITDA divided by total revenues.

⁷ Working capital is determined as total current assets minus total current liabilities.

Outstanding Shares

As at the date of this report, the Company had 90,406,752 common shares, 3,860,778 stock options and 789,183 RSUs issued and outstanding. For further information, the complete condensed interim Consolidated Financial Statements and Management's Discussion and Analysis, along with additional information about the Company and all of its public filings that are available at sedar.com and the Company's investor website, investors.cannara.ca.

About Cannara Biotech Inc.

Cannara Biotech Inc. (TSXV: LOVE) (OTCQB: LOVFF) (FRA: 8CB) is a vertically integrated producer of affordable premium-grade cannabis and cannabis-derivative products for the Québec and Canadian markets. Cannara owns two mega facilities based in Québec spanning over 1,650,000 sq. ft., providing the Company with 100,000 kg of potential annualized cultivation output. Leveraging Québec's low electricity costs, Cannara's facilities produce premium-grade cannabis products at an affordable price. For more information, please visit cannara.ca.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

Cautionary Statement Regarding "Forward-Looking" Information

This information release contains certain forward-looking information. Such information involves known and unknown risks, uncertainties and other factors that may cause actual results, performance, or achievements to be materially different from those implied by statements herein, and therefore these statements should not be read as guarantees of future performance or results. All forward-looking statements are based on the Company's current beliefs as well as assumptions made by and information currently available to it as well as other factors. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release. Due to risks and uncertainties, including the risks and uncertainties identified by the Company in its public securities filings, actual events may differ materially from current expectations. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

SOURCE Cannara Biotech Inc.



PRN Top Stories Newsletters

Sign up to get PRN's top stories and curated news delivered to your inbox weekly!

Enter Your Email

Select Country

Submit

By signing up you agree to receive content from us.

Our newsletters contain tracking pixels to help us deliver unique content based on each subscriber's engagement and interests. For more information on how we will use your data to ensure we send you relevant content please visit our [PRN Consumer Newsletter Privacy Notice](#). You can withdraw your consent at any time in the footer of every email you'll receive.

