

Cannara Biotech Reports Fourth Quarter and 2023 Fiscal Year Results: Record Growth and Profitability Continues

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Cannara Biotech Inc. →
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Record Q4 and year end net revenues of \$18.3 million and \$57.6 million, representing a 53% and 60% increase compared to the same periods of 2022

Sequentially, Q4 showed significant growth over Q3 2023 with higher net revenues by 15%, operating income by 36%, Adjusted EBITDA by 26% and net income by 58%

Delivered a tenth consecutive quarter of positive Adjusted EBITDA of \$4.9 million

Generated a record quarterly net income of \$4.6 million and operating cash flows of \$2.8 million

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

MONTREAL, Dec. 7, 2023 /CNW/ - 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 fourth quarter 2023 financial and operating results for the three and twelve month periods ended August 31, 2023.

"Cannara Biotech isn't just growing, we're charting a path of sustained, profitable growth that sets a new standard for the industry," stated Zohar Krivorot, President & Chief Executive Officer. "In this dynamic cannabis market, our rapid ascent to having the third-largest market share in Quebec is just the beginning¹. We're seeing continued growth in Ontario, Alberta, and British Columbia, and our achievement of activating 9 grow zones well ahead of schedule in the third quarter of this year is a testament to our team's dedication and strategic planning. Our three flagship brands have not only captured market attention but have also played a pivotal role in driving our profitability, with over 70 new SKUs delivered this year, achieving yet another record for Cannara. This success is a clear indicator of our ability to balance growth with profitability. Our commitment to bringing high-quality, innovative cannabis products to the market is unyielding, and we anticipate our expanding product catalog to further solidify our position as a leader in the industry."

"At Cannara, we're not just focused on growing bigger, we're focused on growing smarter. Our approach to expansion is underpinned by a robust operational strategy that ensures sustained profitability at each step. This focus has not only positioned us at the high end of profitability compared to our peers but also ensures our capacity to invest in future opportunities. We're setting a new benchmark in the industry for how to grow profitably and sustainably," concluded Mr. Krivorot.

¹ Based on estimated sales data provided by Weed Crawler, for the period of September 2022 to August 2023

"I am excited to share that Cannara has delivered remarkable financial milestones in the fourth quarter and throughout fiscal year 2023," declared Nicholas Sosiak, CFO of Cannara. "Our net revenues soared by over 50% for both the quarter and the year, reflecting our expanding market reach and operational excellence. The 45% and 91% growth in our Q4 2023 gross profit and Adjusted EBITDA, respectively, when compared to Q4 2022 for the quarter, as well as an

impressive 141% increase in 2023 Adjusted EBITDA over last year, demonstrates the strength of our financial strategy and operational efficiency. The significant increase in our net income, achieving \$4.6 million for the quarter and \$7 million for the year, validates our effective expansion strategy.

"Our net income growth – 81% for the quarter when compared to Q4 2022 and over 200% for the year compared to last year – signifies more than just numbers. It reflects our strategic vision and the distinct competitive edge we have as a leading Quebec-based producer. Importantly, our fourth quarter showed significant sequential growth over the third quarter of 2023, with higher revenue by 15%, operating income by 36%, Adjusted EBITDA by 26%, and net income by 58%. Looking to 2024, we expect to see these figures grow even further as we continue to increase our market share across Canada. Our positive cash flow situation not only enables us to pursue expansion organically but also allows us to stay committed to providing high-quality, affordable cannabis products. The loyalty of our customers and the consistent demand for our products underscore the excellence of what we offer."

"Furthermore, our strategic expansion has led to remarkable achievements in key markets. In Ontario, we have increased our market share to rank 9th overall and aim to improve our position further with the increasing popularity of our products. Our progress in Alberta is even more striking, ranking 14th overall in just three months in Alberta since our launch in May 2023². This remarkable surge underlines our ability to effectively tap into new markets and rapidly gain a foothold. Meanwhile, in Quebec, we continue to uphold our strong leadership position, maintaining our rank as third largest by market share. These successes across various provinces underscore Cannara's growing influence in the Canadian cannabis industry. As we cement our position as a true player in the market, our trajectory is clearly set towards becoming the leader in this highly competitive landscape," concluded Mr. Sosiak.

² Based on Headset Data for the periods of March to May 2023 and June to August 2023

Fiscal Fourth Quarter and FY 2023 Financial Highlights

- Q4 2023 net revenues increased by 53% to \$18.3 million compared to Q4 2022. For FY 2023, net revenues rose by 60% compared to FY 2022, reaching \$57.6 million.
- Q4 2023 gross profit before fair value adjustments was \$6.9 million, and \$21.1 million in FY 2023, a 45% and 49% increase respectively compared to the three and twelve-month period in 2022. Gross profit percentage before fair value adjustments was 38% for Q4 2023 and 37% for FY 2023. Gross profit after fair value adjustments was 54% for Q4 2023 and 48% for FY 2023.
- Operating income increased to \$5.8 million for Q4 2023 and \$11.9 million for FY 2023, compared to operating income \$3.8 million of in Q4 2022 and \$4.9 million for the twelve-month period of 2022, resulting in increases of 55% and 141% respectively.
- Delivered the Company's tenth straight quarter of positive Adjusted EBITDA of \$4.9 million, and Adjusted EBITDA of \$13.7 million for FY 2023, a 91% and 141% increase respectively, compared to the three and twelve-month period in 2022.
- Q4 2023 net income of \$4.6 million is an over 80% improvement compared to \$2.6 million of net income for Q4 2022. Net income for FY 2023 was \$7.0 million, a 201% improvement compared to the net income of \$2.3 million generated in FY 2022.
- The Company increased its earnings per share from \$0.03 per share in FY 2022 to \$0.08 per share in FY 2023.
- Posted positive operating cash flows of \$2.8 million for Q4 2023 compared to negative operating cash flows of \$3.2 million in the same period of the prior year. For FY 2023, positive cash flows generated for the year was \$5.4 million compared to negative operating cash flows of \$6.1 million in FY 2022.
- Free cash flow for Q4 2023 increased to \$4.4 million from \$2.5 million in Q4 2022, a 77% increase, and \$11.6 million for FY 2023 compared to the \$5.4 million earned in the prior year, a 114% increase.
- The Company has \$30.5 million in working capital as of August 31, 2023.

Fourth Quarter & FY 2023 Sales and Operational Highlights

- Successfully achieved its 2023 goals in expanding its market share in the Canadian cannabis recreational market:
 - In Quebec, the Company ranked in market share as Quebec's 3rd largest licensed producer, holding approximately 8.5% of the market on August 31, 2023. Subsequent to year-end, Cannara's market share in Quebec increased to 8.8% in October 2023³.
 - In Ontario, the Company's market share grew by 11% in Q4 2023 compared to Q3 2023, ranking Cannara 9th with a 3% market share in Canada's largest cannabis market. In October 2023, Cannara has further increased its market share to 3.2%⁴.
 - Dramatically increased market share in the Alberta market by 1,100% since its launch in May 2023. As of August 31, 2023, Cannara accounts for 1.2% of the total market in Alberta, Canada's second largest cannabis market. In October 2023, Cannara reached a market share of 2.3% in Alberta, a 92% increase from August 2023⁴.
 - Additionally, Cannara's market share in British Columbia increased by 60% in Q4 2023 compared to Q3 2023, and now represents a market share of 0.8%. Market share in British Columbia in October 2023 has since increased to 0.9%⁴.
- Increased its total product portfolio of cannabis products from 23 SKUS at the end of fiscal 2022, to 97 SKUS at the end of fiscal 2023, representing an increase of over 320%, with over 40 more SKUs accepted by end of calendar year.
- Units sold across 3 flagship brands increased by 20% Quarter over Quarter, from Q1 2023 to Q3 2023 and by 17% from Q3 2023 to Q4 2023.
- 1,202,000 units sold during Q4 2023 across 3 flagship brands compared to 730,000 units sold during the same period of the prior year, a 65% increase.
- 3.7 million units sold across 3 flagship brands during the year of 2023 compared to 2 million units sold during the prior year, an 85% increase.
- Activation of 3 more growing zones, increasing production capacity by 50% – 1 new growing zone was activated per quarter at the Valleyfield Facility for the first three

quarters of 2023. A total of 225,000 square foot of cultivation area is actively operating at the Valleyfield Facility, capable of producing in conjunction with its Farnham Facility, approximately 30,500kg of cannabis per year.

- Increased employee and contracted worker headcount to a total of 461 as of August 31, 2023, to support the growth of the business.

³ Based on estimated sales data provided by Weed Crawler, for the periods of June to August 2023 and October 2023

⁴ Based on Headset Data for the period of June to August 2023 and October 2023

Q4 2023 Capital Transactions

During the quarter, 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.

Subsequent to year-end, the Company granted a total of 625,000 stock options at an exercise price of \$1.20, 89,000 stock options at an exercise price of \$1.80, and 715,000 restricted share units to employees and board members, which are subject to certain vesting conditions in accordance with the Company's employee share option and restricted share unit plan.

Selected Financial Highlights

	Three-month periods ended				Years ended			
	August 31, 2023		August 31, 2022		August 31, 2022			
Selected Financial Highlights								
Gross revenue ¹	\$	18,138,453	\$	11,894,302	\$	57,067,911	\$	35,482,601
Other income		140,160		52,810		494,891		515,157
		18,278,613		11,947,112		57,562,802		35,997,758
Gross profit, before fair value adjustments		6,894,634		4,759,816		21,069,539		14,144,868
% ²		38 %		40 %		37 %		39 %
Gross profit		9,844,782		7,103,374		27,533,334		17,487,636
% ³		54 %		59 %		48 %		49 %
Operating expenses		4,013,476		3,340,653		15,645,541		12,546,901
Operating income		5,831,306		3,762,721		11,887,793		4,940,735
% ⁴		32 %		31 %		21 %		14 %
Net finance expense		1,199,427		1,209,277		4,942,375		2,635,316
Net income		4,631,879		2,553,444		6,945,418		2,305,419
% ⁵		25 %		21 %		12 %		6 %
Adjusted EBITDA ⁵		4,906,640		2,566,590		13,731,997		5,693,732
% ⁶		27 %		21 %		24 %		16 %
Basic earning per share	\$	0.05	\$	0.01	\$	0.08	\$	0.01
Diluted earning per share	\$	0.05	\$	0.01	\$	0.08	\$	0.01
					August 31, 2023		August 31, 2022	
Cash					\$	4,270,517	\$	12,114,691
Accounts receivable						10,592,705		8,526,918
Biological assets						5,774,121		5,712,456
Inventory						27,997,589		13,266,987
Working capital ⁷						30,513,009		29,127,599
Total assets						141,522,254		125,617,047
Total current liabilities						21,182,827		11,861,085
Total non-current liabilities						40,595,383		47,020,201
Net assets						79,744,044		66,735,761
Free cash flow ⁶						11,550,569		5,404,306

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 income % is determined as Net income divided by Total revenues.

⁵ Operating income % is determined as Operating income 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 in the 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 90,018,592 common shares, 4,542,800 stock options and 1,504,183 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 sedarplus.ca 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 Canadian markets. Cannara owns two mega facilities based in Québec spanning over 1,650,000 sq. ft., providing the Company with 100,000kg 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.

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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.

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