



Source: Cannara Biotech (Québec) Inc.

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Cannara Biotech Reports Q3 2024 Financial Results

Gross cannabis revenues before excise taxes increased to \$26.2 million in Q3 2024 from \$20.6 million in Q3 2023, a \$5.6 million or 27.6% increase.

Total revenues, net of excise taxes, increased to \$19.5 million in Q3 2024 from \$15.9 million in Q3 2023, a \$3.6 million or 22.6% increase.

Delivered a thirteenth consecutive quarter of positive Adjusted EBITDA¹ of \$2.8 million.

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

MONTREAL, July 23, 2024 (GLOBE NEWSWIRE) -- [Cannara Biotech Inc.](#) ("**Cannara**" or the "**Company**") (TSXV: LOVE) (OTCQB: LOVFF) (FRA: 8CB0), 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 2024 financial and operating results for the three and nine-month periods ended May 31, 2024. The full set of Condensed Interim Consolidated Financial Statements for the three and nine-month periods ended May 31, 2024, and the accompanying Management's Discussion and Analysis can be accessed by visiting the Company's website at <https://www.cannara.ca/en/investor-area> or by accessing its profile pages on SEDAR+ at www.sedarplus.ca.

"We're delighted to share that Cannara continues to show strong performance, with net revenues reaching \$19.5 million this quarter, a 22.6% increase from the previous year," commented Zohar Krivorot, President & Chief Executive Officer of Cannara. "Historically, our sales growth has been driven by great customer loyalty and strong demand for our products, amplified by organic word-of-mouth promotion. However, as indicated by our flat quarter-to-quarter results, this can only take us so far. To continue our expansion across the country, we have begun enhancing our sales force and infrastructure. These strategic investments are expected to drive significant returns. As we achieve greater sales volumes, it's crucial to deploy more sophisticated sales and marketing strategies to enhance our distribution and market share and we have begun to do so. By investing in these areas and preparing for our next cultivation expansion phase, we are confident in Cannara's ability to thrive. Our innovative products under Tribal, Nugz, and Orchid CBD will continue to deliver premium quality at accessible prices, ensuring our position as a leading licensed producer in Canada."

"The cannabis industry is navigating a highly competitive landscape with significant price compression due to challenging conditions," stated Nicholas Sosiak, Chief Financial Officer of Cannara. "Despite these pressures, Cannara's resilience is evident in our increased net revenues of \$19.5 million versus this time last year and our thirteenth consecutive quarter of positive Adjusted EBITDA, totaling \$2.8 million this quarter. We also achieved an operating income of \$3.6 million and generated \$1.2 million in free cash flow this quarter. While price compression has impacted our growth quarter over quarter, we believe current industry conditions are unsustainable for many of our competitors with less scale and higher costs. We fully expect a return to stronger pricing and demand as those who cannot compete cease to operate. Cannara's ability to generate positive cash flows in this environment helps us navigate these dynamic market conditions and is a testament to our strength to succeed. We are investing in sales and marketing to expand our distribution and capture more market share from competitors, setting the stage for future success as market

conditions improve. Our focus remains committed to profitable growth and steady cash flow, delivering high-quality, innovative products to Canadians through our leading brands."

Third Quarter Financial Highlights

- Gross cannabis revenues before excise taxes increased to \$26.2 million in Q3 2024 from \$20.6 million in Q3 2023, a \$5.6 million or 27.6%, increase. The increase is attributable to Cannara's entrance into new provinces in Canada, as well as the launch of several new SKUs and sales generated from the wholesale market.
- Total revenues, net of excise taxes, increased to \$19.5 million in Q3 2024 from \$15.9 million in Q3 2023, a \$3.6 million or 22.6% increase.
- Gross profit, before fair value adjustments, decreased to \$5.7 million in Q3 2024 from \$6.1 million in Q3 2023, representing a 6.1% decline. This decrease was primarily due to a reduction in yields resulting from cultivation changes implemented during Q2 2024, which impacted the cost of goods sold in Q3 2024. During the quarter, the Company reversed these changes and focused on stabilizing its production yields, successfully restoring them to previous levels. Cannara is dedicated to advancing research and development, harnessing our expertise to strengthen the knowledge and core competencies in large-scale cannabis production. Through these ongoing investments, we aim to consistently elevate our cultivation techniques, maximize production yields, and enhance the overall quality of our products.
- Gross profit percentage before fair value adjustments in Q3 2024 was 29% compared to 38% in Q3 2023.
- Operating income of \$3.6 million in Q3 2024 compared to \$4.3 million in Q3 2023, mainly due to an increased costs of goods sold this quarter as mentioned above, as well as increases in selling and marketing expenses to promote and grow our market share across Canada. These impacts were reduced by a gain of \$2 million resulting from the sale of a parcel of unused land at the Valleyfield site.
- Net income of \$2.0 million in Q3 2024 compared to \$2.9 million in Q3 2023, as a result of the items mentioned above.
- Adjusted EBITDA of \$2.8 million in Q3 2024, compared to \$3.9 million in Q3 2023.
- The Company generated operating cash flow amounting to \$4.3 million in Q3 2024 compared to \$2.5 million in Q3 2023, an increase of 72%.
- Free cash flow² for Q3 2024 increased to \$1.2 million from (\$37,000) in Q3 2023.
- Generated earnings per share of \$0.02 in Q3 2024 compared to \$0.03 in Q3 2023.

Third Quarter Operational Highlights

Expansion in Manitoba, Canada: In March 2024, the Company secured authorization from the Manitoba Liquor & Lotteries Corporation (MBLL) to introduce its branded cannabis products within the province of Manitoba. This approval marks a significant milestone in Cannara's expansion efforts, allowing the Company to extend its market reach in Canada. The Company successfully completed its first sale into Manitoba at the end of May 2024 with 35 listings.

Successful Launch of 3 New Genetics for Cannara's House of Brands: Cannara completed its most recent pheno-hunt program, unlocking 3 new high-powered genetics for its house of brands. The Company launched two genetics under Tribal (Neon Sunshine and Bubble Up) and one under Nugz (Guava Jam) in Q3 2024. Cannara is now focused on its FY 2025 pheno-hunt program that will aim to unlock more exotic genetics.

Sale of Parcel of Land at Valleyfield Site: In January 2024, the Company's Board of Directors decided to pursue the sale of a currently unused parcel of land, in addition to an adjacent building under construction at its Valleyfield site, which had previously been intended to be leased out. On April 24, 2024, the Company sold the parcel of land at the Valleyfield Facility for \$2.1 million, generating a gain on disposal of asset held for sale of \$2.0 million. The building under construction and the land on which it is being constructed remains to be sold and is currently being actively marketed.

Cannara enters East Coast Recreational Market With 4/20-Themed Offer with NSLC: Cannara successfully launched its consumer favourite Tribal Cuban Linx pre-rolls with the Nova Scotia Liquor Corporation (NSLC) for a 4/20-themed holiday limited time offer. As a result of its success, the NSLC has now accepted the SKU, in addition to a 28g offering of Cuban Linx set to launch in early Fall 2024 as general listings, with more SKUs to be accepted in the quarters to come.

Continued Expansion in Quebec and Other Provinces: Cannara's continued efforts to develop a unique portfolio of brands, tailored to appeal to consumers across various categories, demonstrated positive consumer response in the third quarter of 2024. Notably, in Quebec, according to Weedcrawler data, the Company saw a 7.8% increase in market share, and by June, its market share had risen to 11.6%, marking a 19.6% growth³. We believe these gains are driven by our strong portfolio of SKUs, highly appreciated by customers in Quebec, highlighting our ability to continually achieve high customer demand, market penetration, and satisfaction. Going forward, Cannara will focus on strategic production expansion, product innovation and ultimately, focusing its sales and marketing efforts on increasing distribution and sales velocity within its provincial product portfolios.

Capital Transactions

During the third quarter of 2024, the Company granted 25,000 stock options at an exercise price of \$1.80 to employees subject to certain vesting conditions in accordance with the Company's employee share option plan.

Outstanding Shares

As at the date of this news release, the Company had 90,018,952 common shares, 4,549,927 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 by visiting the Company's website at <https://www.cannara.ca/en/investor-area> or by accessing its profile pages on SEDAR+ at www.sedarplus.ca.

SELECTED FINANCIAL INFORMATION

Selected Financial Highlights	Three-month periods ended		Nine-month periods ended	
	May 31, 2024	May 31, 2023	May 31, 2024	May 31, 2023
Net revenue ¹	\$ 19,475,137	\$ 15,840,140	\$ 58,563,040	\$ 38,929,458
Other income	69,779	96,688	148,373	354,731
Total revenues	19,544,916	15,936,828	58,711,413	39,284,189
Gross profit, before fair value adjustments	5,747,047	6,120,878	20,824,040	14,174,905
Gross profit	6,958,256	8,594,235	19,334,110	17,688,552
Operating expenses	3,404,212	4,311,958	14,300,967	11,632,065
Operating income	3,554,044	4,282,277	5,033,143	6,056,487
Net finance expense	1,530,658	1,353,634	4,349,098	3,742,948
Net income	2,023,386	2,928,643	684,045	2,313,539
Adjusted EBITDA ²	2,776,397	3,887,634	11,447,529	8,825,357

Percentages of Total revenues

Gross profit, before fair value adjustments as a percentage of Total revenues ³	29%	38%	35%	36%
Gross profit as a percentage of Total revenues ⁴	36%	54%	33%	45%
Operating income as a percentage of Total revenues ⁵	18%	27%	9%	15%
Net income as a percentage of Total revenues ⁶	10%	18%	1%	6%

Adjusted EBITDA as a percentage of Total revenues ⁷ 14% 24% 19% 22%

Earnings per share

Basic earning per share	\$	0.02	\$	0.03	\$	0.01	\$	0.03
Diluted earning per share	\$	0.02	\$	0.03	\$	0.01	\$	0.03

		May 31, 2024	August 31, 2023
Cash	\$	5,464,378	\$ 4,270,517
Accounts receivable		11,829,419	10,592,705
Biological assets		4,852,449	5,774,121
Inventory		32,603,729	27,997,589
Working capital ⁸		35,242,622	30,513,009
Total assets		148,768,302	141,522,254
Total current liabilities		26,777,902	21,182,827
Total non-current liabilities		40,222,572	40,595,383
Net assets		81,767,828	79,744,044
Free cash flow ⁹		1,242,527	1,107,464

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

² Adjusted EBITDA is a non-GAAP financial measure.

³ Gross profit before fair value adjustments as a percentage of Total revenues is a non-GAAP financial ratio. For more details see the Non-GAAP and Other Financial Measures section of this news release.

⁴ Gross profit as a percentage of Total revenues is a non-GAAP financial ratio. For more details see the Non-GAAP Measures section of this news release.

⁵ Operating income as a percentage of Total revenues is a non-GAAP financial ratio. For more details see the Non-GAAP Measures section of this news release.

⁶ Net income as a percentage of Total revenues is a non-GAAP financial ratio. For more details see the Non-GAAP Measures section of this news release.

⁷ Adjusted EBITDA as a percentage of Total revenues is a non-GAAP financial ratio. For more details see the Non-GAAP Measures section of this news release.

⁸ Working capital is a non-GAAP financial measure. For more details see the Non-GAAP Measures section of this news release

⁹ Free cash flow is a non-GAAP financial measure. For more details see the Non-GAAP Measures section of this news release.

Non-GAAP Measures, Non-GAAP Ratios and Segment Measures

The Company reports its financial results in accordance with International Financial Reporting Standards (“IFRS”). Cannara uses a number of financial measures when assessing its results and measuring overall performance. Some of these financial measures are not calculated in accordance with IFRS. National Instrument 52-112 respecting Non-GAAP and Other Financial Measures Disclosure (“NI 52-112”) prescribes disclosure requirements that apply to the following types of measures used by the Company: (i) non-GAAP financial measures (ii) non-GAAP financial ratios and (iii) total of segments measures. In this news release, the following non-GAAP measures, non-GAAP ratios and segment measures are used by the Company: adjusted EBITDA, free cash flow, working capital, segment gross profit before fair value adjustments as a percentage of segment net revenue, segment gross profit as a percentage of segment net revenue, segment operating income as a percentage of segment net revenue, and adjusted EBITDA as a percentage of net revenue. There

are no total of segments measures included in this press release. Additional details for these non-GAAP and other financial measures can be found in the section entitled “Non-GAAP Financial Measures, Non-GAAP Ratios and Segment Measures” of Cannara’s MD&A for the three and nine-months ended May 31, 2024, which is posted on Cannara’s website at www.cannara.ca and filed on SEDAR+ at www.sedarplus.ca. Reconciliations of non-GAAP financial measures and non-GAAP ratios to the most directly comparable IFRS measures are provided below. Management believes that these non-GAAP financial measures and non-GAAP ratios provide useful information to investors regarding the Company’s financial condition and results of operations as they provide key metrics of its performance. These measures are not recognized under IFRS, do not have any standardized meanings prescribed under IFRS and may differ from similar computations as reported by other issuers, and accordingly may not be comparable. These measures should not be viewed as a substitute for the related financial information prepared in accordance with IFRS.

Reconciliation of Adjusted EBITDA

Adjusted EBITDA is a non-GAAP Measure and can be reconciled with net income, the most directly comparable IFRS financial measure, as detailed below. Management has changed the composition of Adjusted EBITDA since the second quarter of 2024 to add the gain on disposal of asset held for sale in the adjustments made to calculate the EBITDA. These changes are intended to allow investors and analysts to understand Company’s operational performance by excluding non-recurring transactions.

Adjusted EBITDA as a percentage of Total revenues is a non-GAAP financial ratio, determined as adjusted EBITDA divided by total revenues.

Reconciliation of adjusted EBITDA	Three-month periods ended		Nine-month periods ended	
	May 31, 2024	May 31, 2023	May 31, 2024	May 31, 2023
Net income	\$ 2,023,386	\$ 2,928,643	\$ 684,045	\$ 2,313,539
Adjustments:				
Changes in fair value of inventory sold	5,137,341	4,023,826	17,161,049	9,971,578
Unrealized gain on changes in fair value of biological assets	(6,348,550)	(6,497,183)	(15,671,119)	(13,485,225)
Amortization, including amortization of cost of goods sold	1,785,153	1,187,620	4,134,592	2,918,501
Write-down of inventory to net realizable value	283,244	474,654	1,206,613	1,886,363
Gain on disposal of asset held for sale	(2,039,007)	-	(2,039,007)	-
Loss on disposal of property, plant and equipment	-	-	5,380	63,247
Share-based compensation	404,172	416,440	1,616,878	1,414,406
Net finance expense	1,530,658	1,353,634	4,349,098	3,742,948
Adjusted EBITDA*	\$ 2,776,397	\$ 3,887,634	\$ 11,447,529	\$ 8,825,357
Adjusted EBITDA as a percentage of Total revenues**	14%	24%	19%	22%

*Non-GAAP financial measure

**Non-GAAP financial ratio

Reconciliation of Free Cash Flow

Free cash flow is a non-GAAP measure and can be reconciled with cash from operating activities, the most directly comparable IFRS financial measure, as detailed below.

	Three-month periods ended		Nine-month periods ended	
	May 31, 2024	May 31, 2023	May 31, 2024	May 31, 2023
Reconciliation of free cash flow				
Cash from operating activities	\$ 4,325,380	\$ 2,540,852	\$ 7,496,392	\$ 3,023,289
Adjustment:				
Capital expenditures	3,082,853	2,577,685	6,975,869	8,099,061
Free cash flow*	\$ 1,242,527	\$ (36,833)	\$ 520,523	\$ (5,075,772)

*Non-GAAP financial measure

Reconciliation of working capital

Working capital is a non-GAAP Measure and can be reconciled with total current assets and total current liabilities, the most directly comparable GAAP financial measure, as detailed below.

	As at	As at
	May 31, 2024	August 31, 2023
Reconciliation of working capital		
Total current assets	\$ 62,020,524	\$ 51,695,836
Total current liabilities	26,777,902	21,182,827
Working capital*	\$ 35,242,622	\$ 30,513,009

*Non-GAAP financial measure

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About Cannara Biotech Inc.

Cannara Biotech Inc. ([TSXV: LOVE](https://www.cannara.ca/en/)) ([OTCQB: LOVFF](https://www.cannara.ca/en/)) ([FRA: 8CB0](https://www.cannara.ca/en/)), 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 100,000 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 <https://www.cannara.ca/en/>.

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 news release may contain "forward-looking information" within the meaning of applicable securities legislation ("forward-looking statements"). These forward-looking statements are made as of the date of this news release and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation. Forward-looking statements relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events and include, but are not limited to, the Company and its operations, its projections or estimates about its future business operations, its planned expansion activities, the adequacy of its financial resources, the

ability to adhere to financial and other covenants under lending agreements, future economic performance, and the Company's ability to become a leader in the field of cannabis cultivation, production, and sales.

In certain cases, forward-looking statements can be identified by the use of words such as "plans," "expects" or "does not expect," "is expected," "budget," "scheduled," "estimates," "forecasts," "intends," "anticipates" or "does not anticipate," or "believes," or variations of such words and phrases or statements that certain actions, events or results "may," "could," "would," "might" or "will be taken," "occur" or "be achieved" or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including "may," "future," "expected," "intends" and "estimates." By their very nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

Such factors include, but are not limited to, the factors discussed in the section "Risk Factors" of the MD&A as well as those factors detailed from time to time in the Company's interim and annual financial statements and the related MD&A of those statements. Although the Company has attempted to identify important factors that could cause actual actions, events, or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended.

The Company provides no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations.

¹ Adjusted EBITDA is a non-GAAP financial measure. For more details see the *Non-GAAP Measures, Non-GAAP Ratios and Segment Measures* section of this news release.

² Free cash flow is a non-GAAP financial measure. For more details see the *Non-GAAP Measures, Non-GAAP Ratios and Segment Measures* section of this news release.

³ Based on estimated sales data provided by Weed Crawler and ST Analytics, for the period of June 2024.