

GABY Inc. Reports Solid Q3 2021 Revenue of \$9.5MM with Record Gross Profit Margin of 39%

- **Gross Profit Improved (pro forma, ex Sonoma Pacific Distribution Inc.) to \$4.3MM**
- **Adjusted EBITDA* improved to \$1.9MM**

SAN DIEGO, CA / ACCESSWIRE / NOVEMBER 24, 2021 /GABY Inc. ("GABY" or the "Company") (CSE:GABY)(OTCQB:GABLF), a California consolidator of cannabis dispensaries and the parent company of San Diego's Mankind Dispensary ("**Mankind Dispensary**"), is pleased to announce third quarter revenue of \$9.5 million and gross profit of \$3.7 million compared to \$806.7 thousand and \$22.5 thousand, respectively, the same quarter last year.

Gross margin for the period continues to expand with a Company-record 39.3% compared to 2.8% the same quarter last year. Adjusted EBITDA from continuing operations¹ improved to \$0.6 million from negative \$1.3 million the same quarter last year. The improvements were attributable to the higher volumes and margins generated from the acquisition of Mankind Dispensary on April 1, 2021. In addition, the improved gross margin reflects a higher percentage sale of Mankind Dispensary's proprietary brand, Kind Republic™, which inherently has higher margins.

For the third quarter of 2021 the net loss of \$4.3 million for the quarter is \$2.8 million higher than the same quarter last year primarily due to an increase in non-cash items, transaction costs and other items of expense (recovery) being \$2.8 million while the improvement in Adjusted EBITDA from continuing operations of \$1.9 million was offset by higher interest of \$1.1 million mostly due to the Notes¹ issued on the Miramar Transaction and higher income tax expense of \$0.8 million.

In August 2021, the Company terminated the operations of Sonoma Pacific Distribution ("**SPD**") including its low margin wholesale brokerage operations and consolidated all distribution efforts into a single hub in its new headquarters in San Diego.

The closure of SPD's low margin operations resulted in lower revenue of \$9.5 million in Q3 down from \$11.3 million in Q2. Although revenue decreased Q3 over Q2, variable gross profit margin improved from 38% in Q2 to 42% in Q3 and gross profit margin improved from 35% in Q2 to 39% in Q3 again, primarily due to the decrease in lower margin bulk flower brokerage sales in Q3. Excluding the now discontinued wholesale brokerage business operated by Sonoma Pacific Distribution, gross profit improved to \$4.3 million or 50% of revenue in Q3 compared to \$4.0 million or 46% of revenue in Q2.

With the closure of SPD and additional synergies going forward at Mankind Dispensary, management believes the Company will continue to grow its top line revenue and gross margins. Gaby has continued to rationalize its asset base and has shed approximately \$3 million in annual operating costs commencing Q4-2021 and will continue to seek out opportunities to cut further costs and generate additional revenue, thereby improving Adjusted EBITDA and net income in the future. In addition, management believes its consolidation and integration strategy will further enhance operational synergies of the Miramar Transaction.

¹ "Notes" refers to the secured non-convertible promissory note for US\$25.5 million issued by the Company in connection with the acquisition of Miramar Professional Services which owns and operates Mankind Dispensary.

“Success in any industry is governed by management’s ability to execute on the strategic vision established by the Board and the CEO”, said Margot Micallef, Founder and Chief Executive Officer of GABY. “As the market said about Tim Cook, CEO of Apple Inc., ‘... *he is the one who was able to take the vision and execute on it in a way never before seen at scale*². In a nascent industry such as the cannabis industry it is often easier to find visionaries than it is to find operators. Thanks to the focus placed on building a strong management team, GABY has both – a rarity in the cannabis industry”, she concluded.

“In the short few months I’ve been at GABY, I have been impressed by the diversity, commitment, and skillsets displayed by our management team. Not only has the team executed, they’ve executed rapidly. What this management team has done in the short six months since the acquisition of the Mankind Dispensary is nothing short of impressive”, said Marshall Minor, Chief Financial Officer of GABY. “I’m confident that this team will continue to build on the vision Margot has established for us and continue to achieve ever greater heights”, he concluded.

ABOUT GABY

GABY Inc. is a California-focused retail consolidator and the owner of Mankind Dispensary, one of the oldest licensed dispensaries in California. Mankind Dispensary is a well-known and highly respected dispensary with deep roots in the California cannabis community operating in San Diego. GABY curates and sells a diverse portfolio of products, including its own proprietary brands, Kind Republic™ and Lulu's™ through Mankind, and manufactures and distributes its brands through its wholly owned subsidiary, Wild West Industries Inc. (“Wild West Industries”), also based in San Diego. A pioneer in the industry with a multi-vertical retail foundation, and a strong management team with experience in retail, consolidation, and cannabis, GABY is poised to grow its retail operations both organically and through acquisition.

GABY's common shares trade on the Canadian Securities Exchange (“CSE”) under the symbol “GABY” and on the OTCQB under the symbol “GABLF”. For more information on GABY, visit www.GABYInc.com or the Company’s SEDAR profile at www.sedar.com.

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(*) Adjusted EBITDA (from continuing operations) does not have any standardized meaning as prescribed by International Financial Reporting Standards (“IFRS”), and, therefore, is considered a non-GAAP measure and may not be comparable to similar measures presented by other issuers. Management of GABY believe that the non-GAAP measure of Adjusted EBITDA combined with IFRS measures, such as revenue and net loss, is a useful measure to GABY's investors as management relies

² Source: Bloomberg Business Week, February 15th, 2021.

on it to provide a measure of operating cash flows before servicing debt, income taxes, capital expenditures and other gains and losses. As referenced and reconciled in GABY's September 30, 2021 interim financial statements as filed on www.sedar.com, Adjusted EBITDA (from continuing operations) is gross profit (loss) less selling, general and administrative expenses, and therefore excludes charges or income items of: share-based compensation and expenses, depreciation and amortization, interest income, interest expense and other items of income (expense). See Non-GAAP Disclosure in the Company's September 30, 2021 MD&A on www.sedar.com for a full explanation of the use of the non-GAAP measure Adjusted EBITDA from continuing operations for which there is a reconciliation to the nearest GAAP measure below:

	Quarter		YTD	
	2021	2020	2021	2020
Net loss from continuing operations:	(4,294,335)	(1,390,964)	(8,390,430)	(6,239,458)
Add (subtract):				
Income tax expense (recovery)	812,295	(80,255)	1,610,954	(174,153)
Depreciation of plant equipment (COGS and operating)	311,361	60,982	695,222	403,964
EBITDA	(2,089,203)	(1,337,688)	(3,811,805)	(5,563,209)
Adjustments:				
Share-based compensation and expenses	435,728	148,353	1,099,910	182,745
Other (income) expense	3,287,136	(75,791)	5,567,019	494,472
Adjusted EBITDA from continuing operations	552,185	(1,337,675)	582,675	(5,332,430)

Cautionary Statement

The purpose of forward-looking statements is to provide the reader with a description of management's expectations, and such forward-looking statements may not be appropriate for any other purpose. In particular, but without limiting the foregoing, disclosure in this press release as well as statements regarding the Company's objectives, plans and goals, including future operating results and economic performance may make reference to or involve forward-looking statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Certain of the forward-looking statements and other information contained herein concerning the cannabis industry and the general expectations of the Company concerning the industry and the Company's business and operations are based on estimates prepared by the Company using data from publicly available governmental sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which the Company believes to be reasonable. However, although generally indicative of relative market positions, market shares and performance characteristics, such data is inherently imprecise. While

the Company is not aware of any misstatement regarding any industry or government data presented herein, the cannabis industry involves risks and uncertainties that are subject to change based on various factors. A number of factors could cause actual events, performance or results to differ materially from what is projected in the forward-looking statements. You should not place undue reliance on forward-looking statements contained in this press release. Such forward-looking statements are made as of the date of this press release. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. The Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement.

To the extent any information contained in forward-looking statements in this press release constitutes "future-oriented financial information" or "financial outlooks" within the meaning of applicable Canadian securities laws, such information is being provided to demonstrate the anticipated financial performance of the Company and the reader is cautioned that this information may not be appropriate for any other purpose and the reader should not place undue reliance on such future-oriented financial information or financial outlooks. Future-oriented financial information and financial outlooks, as with forward-looking statements generally, are, without limitation, based on the assumptions and subject to the risks set out above for forward-looking statements. The Company's actual financial position and results of operations may differ materially from its management's current expectations and, as a result, the Company's actual revenue may differ materially from the prospective revenue projections provided in this press release. Such information is presented for illustrative purposes only and may not be an indication of the Company's actual financial position or results of operations.

Each of Mankind Dispensary and Wild West Industries, Inc. are subsidiaries of GABY and hold a cannabis licenses in the State of California. Readers are cautioned that unlike in Canada which has Federal 032320-F legislation uniformly governing the cultivation, distribution, sale and possession of medical cannabis under the Cannabis Act (Canada), in the U.S, cannabis is largely regulated at the state level. Cannabis is legal in the State of California; however, cannabis remains illegal under U.S. federal laws. Notwithstanding the permissive regulatory environment of cannabis at the state level, cannabis continues to be categorized as a controlled substance under the Controlled Substances Act in the U.S. and as such, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis are illegal under U.S. federal law. To the knowledge of the Company, the businesses operated by each of GABY's subsidiaries are conducted in a manner consistent with the law of the State of California and are in compliance with regulatory and licensing requirements applicable in the State of California. However, readers should be aware that strict compliance with state laws with respect to cannabis will neither absolve GABY, or its subsidiaries of liability under U.S. federal law, nor will it provide a defense to any federal proceeding in the U.S. which could be brought against any of GABY, or its subsidiaries. Any such proceedings brought against GABY, or its subsidiaries may materially adversely affect the Company's operations and financial performance.

Neither the CSE nor its Regulation Services Provider accepts responsibility for the adequacy or accuracy of this release. Selected financial and operational information is outlined above and should be read in conjunction with GABY's unaudited condensed consolidated interim financial statements and management's discussion and analysis for the quarter ended September 30, 2021 which are available on the Company's SEDAR profile at www.sedar.com and the Company's website www.GABYinc.com.

SOURCE: GABY Inc.