



# Gage Growth Corp. Announces Record Second Quarter 2021 Results and Provides Business Update

- Record Q2 2021 revenue of \$26.4 million, an increase of 130.2% YoY and 49.9% quarter over quarter
- Ended the quarter with over \$32.8 million of cash
- Gross margins of 34.2% compared to 26.1% in Q1 2021, sequential quarter growth of 810 basis points
- July average selling price of approximately \$5,100/lb vs. Michigan average of \$3,500/lb – 46% premium
- The state of Michigan posted \$171 million of cannabis sales in July, which equates to approximately \$2.05 billion when annualized, positioning Michigan as the third largest cannabis market in the United States based on this run-rate
- Nine cultivation facilities in operation today (three Gage operated and six contracted cultivation assets) compared to two cultivation facilities in Q2 2020; the Company expects to expand to 15 cultivation facilities by year end
- Strong average basket size of \$152 in the second quarter of 2021
- The Company expects to operate in-house processing asset in the fourth quarter of 2021 leading to further margin expansion

DETROIT, Aug. 24, 2021 /CNW/ - Gage Growth Corp. ("Gage" or the "Company") (CSE: GAGE), a leading high-quality cannabis premium brand and operator in Michigan, today reported its financial results for the three months ended June 30, 2021. All currency references used in this press release are in U.S. dollars unless otherwise noted.

## Financial Highlights for the quarter ended June 30, 2021

(in millions of US Dollars)	Q2-2021	Q1-2021
Revenue	\$26.4	\$17.6
Gross Profit	\$9.0	\$4.6
Gross Margin %	34.2%	26.1%
Adjusted EBITDA	(\$1.9)	(\$3.8)
Net Loss	(\$9.4)	(\$10.8)
Cash, End of Period	\$32.8	\$43.6

See "Non-IFRS Financial Measures" below for more information regarding Gage's use of Non-IFRS financial measures and other reconciliations.

Revenue increased to \$26.4 million in the second quarter of 2021, as compared to \$17.6 million in the first quarter of 2021, a 49.9% increase. This strong quarter over quarter growth was driven primarily by cultivation capacity expansion, one new dispensary opening and strong same-store growth. Gross margin, before impact of biological asset adjustments, was 34.2% in the second quarter of 2021 compared to 26.1% in the first quarter of 2021. The 810 basis point improvement quarter over quarter in gross margin to 34.2% is due to a greater mix of higher margin sales from retail locations and cultivation capacity expansion via Gage operated cultivation assets, contract grow partners and lower input costs from dedicated wholesale partners. The Company anticipates further quarter over quarter margin expansion in Q3 2021 as cultivation yields increase from Gage operated assets and more contract grow partners come online.

## Management Commentary

"In the second quarter of 2021, Gage had a strong performance across all financial and operating metrics," said Fabian Monaco, CEO of Gage. "We continue to grow rapidly while substantially improving our margins as evidenced by our quarter over quarter gross margin improvement since the fourth quarter of 2020."

Mr. Monaco continued, "Demand for Gage's products and retail experience, along with the Michigan market, is stronger than ever. In fact, the state of Michigan reported \$171 million of cannabis sales in the month of July. This establishes Michigan as the third largest cannabis market in the U.S., and the state may soon surpass Colorado to become the second largest market at its current growth rate. The Company currently operates 10 dispensaries, three cultivation facilities with six contract grow cultivation assets operational, and has secured new multiple licensing partnerships with premium West Coast brands, including Pure Beauty and Wiz Khalifa's Khalifa Kush. This capacity solidifies Gage as the leading operator with true scale in the Michigan market."

Mr. Monaco concluded, "Overall, we continue to execute on our growth strategy in 2021. We are excited to build on our momentum and are already seeing great performance evidenced by continued expansion of our retail footprint and brand partnership."

## Operational Updates and Developments

### 1. Opened 10<sup>th</sup> Gage operated provisioning center (dispensary) in August 2021 in Burton, Michigan

- The Company plans to also open a COOKIES branded dispensary in Toronto, Canada in Q4 2021.
- Five executed Purchase Agreements to add another five dispensary locations by year end. Upon closing, the Company will have 20 locations in its retail portfolio and aims to open the majority of the locations to patients and consumers by the end of 2021.

### 2. Delivering on increased cultivation capacity and margin expansion

- Currently nine cultivation facilities (three Gage operated and six contracted cultivation assets) are operational in the Company's portfolio compared to only two cultivation facilities in operation in Q2 2020.
- The Company's Monitor Phase II cultivation expansion is expected to be completed in Q4 2021. Processing capability at this facility should be operational in the same time frame.
- The Company continues to expand its gross margin as cultivation yields and efficiency increase. Gage anticipates continued margin improvement throughout the year.
- In the month of July, the Company's flower products commanded a 46% premium (approximately \$5,100 per pound) compared to the state average price of approximately \$3,500 per pound.

## Conference Call

The Company will host a conference call on Tuesday, August 24, 2021 at 8:30 a.m. ET to review its operational and financial results and provide an update on current business trends.

To join the call, dial 1-833-366-1123 toll free from the United States or Canada or 1-412-317-5786 if dialing from outside those countries.

The call will be available for replay until Tuesday, September 7, 2021. To access the telephone replay, dial 1-877-344-7529 toll free from the United States,

1-855-669-9658 from Canada or 1-412-317-0088 if dialing from outside those countries, and use the following replay pin number: 10159679.

Please call the conference telephone number 5-10 minutes prior to the start time.

A live audio webcast of the call will also be available at <https://services.choruscall.com/mediaframe/webcast.html?webcastid=LY0Hndaz>.

### **About Gage Growth Corp.**

Gage Growth Corp. is innovating and curating the highest quality cannabis experiences possible for cannabis consumers in the state of Michigan and bringing internationally renowned brands to market. Through years of progressive industry experience, the firm's founding partners have successfully built and grown operations with federal and state licenses, including cultivation, processing and retail locations. Gage's portfolio includes city and state approvals for 19 "Class C" cultivation licenses, three processing licenses and 15 provisioning centers (dispensaries).

For more information about Gage Growth Corp., visit [www.gagecannabis.com](http://www.gagecannabis.com).

Instagram: @gagecannabis

Facebook: @gageusa

Twitter: @gagecannabisco

### **Explanatory Note Regarding the Company's Operations**

References in this news release to the Company and its operations and assets are inclusive of the operations and assets of certain licensed cannabis operators that operate under the Gage brand pursuant to contractual arrangements with the Company. For additional information, please refer to the Company's long form prospectus dated March 26, 2021 and other disclosure documents available on the Company's profile at [www.sedar.com](http://www.sedar.com).

### **Non-IFRS Financial Measures**

The company has provided certain non-IFRS financial measures including "Gross Margin" and Adjusted EBITDA. These non-IFRS financial measures do not have a standardized definition under IFRS, nor are they calculated or presented in accordance with IFRS and may not be comparable to similar measures presented by other companies. The Company defines "Gross Margin" as Gross Profit before fair value of inventory and biological assets divided by Revenue. The Company calculates Adjusted EBITDA as net income as reported adjusted to exclude the impact of the following items: fair value adjustment of sale of inventory, fair value adjustment on growth of biological assets, provision for income taxes, foreign exchange (gain)loss, change in fair value of investments, interest expense, share based compensation, depreciation and amortization, costs associated with public listing, impairment loss, loss on financial instruments and gain on sale of fixed assets.

The Company has provided these non-IFRS financial measures as supplemental information and in addition to the financial measures that are calculated and presented in accordance with IFRS. The Company believes that these supplemental non-IFRS financial measures provide a valuable additional measure to use when analyzing the operating performance of the business. As other companies may calculate these non-IFRS measures differently than the Company, these metrics may not be comparable to similarly titled measures reported by other companies. These supplemental non-IFRS financial measures should not be considered superior to, as a substitute for or as an alternative to, and should only be considered in conjunction with, the IFRS financial measures presented herein.

See the Company's management's discussion and analysis for the three months ended June 30, 2021 (the "Q2 2021 MD&A") for a detailed reconciliation of Adjusted EBITDA to Net Income / (Loss). The Company's financial statements for the three months ended June 30, 2021 and the Q2 2021 MD&A are available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Caution Regarding Cannabis Operations in the United States**

Investors should note that there are significant legal restrictions and regulations that govern the cannabis industry in the United States. While legal in certain states, cannabis remains a Schedule I drug under the U.S. Controlled Substances Act, making it illegal under federal law in the United States to, among other things, cultivate, distribute or possess cannabis. Financial transactions involving proceeds generated by, or intended to promote, cannabis-related business activities in the United States may form the basis for prosecution under applicable U.S. federal money laundering legislation. Investors should carefully read the risk factors and disclosures contained in the Company's long form prospectus dated March 26, 2021 and other disclosure documents available on the Company's profile at [www.sedar.com](http://www.sedar.com).

### **Cautionary Note Regarding Forward-Looking Information and Statements**

This press release contains certain "forward-looking information" within the meaning of applicable Canadian securities legislation and may also contain statements that may constitute "forward-looking statements" within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. Such forward-looking information and forward-looking statements are not representative of historical facts or information or current condition, but instead represent only Gage's beliefs regarding future events, plans or objectives, many of which, by their nature, are inherently uncertain and outside of Gage's control. Generally, such forward-looking information or forward-looking statements can be identified by the use of forward-looking terminology 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 may contain statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "will continue", "will occur" or "will be achieved". The forward-looking information and forward-looking statements contained herein may include, but are not limited to, statements about the anticipated expansion of the Company's operations and growing capacity in Michigan, the Company's prospects and the cannabis market generally in the state of Michigan.

By identifying such information and statements in this manner, Gage is alerting the reader that such information and statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results to be materially different from those expressed or implied by such information and statements. In addition, in connection with the forward-looking information and forward-looking statements contained in this press release, Gage has made certain assumptions. Although Gage believes that the assumptions and factors used in preparing, and the expectations contained in, the forward-looking information and statements are reasonable, undue reliance should not be placed on such information and statements, and no assurance or guarantee can be given that such forward-looking information and statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information and statements. Among others, the key factors that could cause actual results to differ materially from those projected in the forward-looking information and statements are the following: unexpected costs or delays in the completion of the Company's proposed dispensaries and other operations; negative results experienced by the Company as a result of general economic conditions or the ongoing COVID-19 pandemic; delays in the ability of the Company to obtain certain regulatory approvals; unforeseen delays or costs in the completion of the Company's construction projects; adverse changes to demand for cannabis products; ongoing projects by competitors that may impact the relative size of the Company's operations; adverse changes in applicable laws; adverse changes in the application or enforcement of current laws, including those related to taxation; increasing costs of compliance with extensive government regulation; changes in general economic, business and political conditions, including changes in the financial markets; and the other risks disclosed in the Company's long form prospectus dated March 26, 2021 and other disclosure documents available on the Company's profile at [www.sedar.com](http://www.sedar.com).

The forward-looking information and forward-looking statements contained in this press release are made as of the date of this press release, and Gage does not undertake to update any forward-looking information and/or forward-looking statements that are contained or referenced herein, except in accordance with applicable securities laws.

### Third Party Information

This press release includes market and industry data that has been obtained from third party sources, including industry publications. The Company believes that the industry data is accurate and that its estimates and assumptions are reasonable, but there is no assurance as to the accuracy or completeness of this data. Third party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there is no assurance as to the accuracy or completeness of included information. Although the data is believed to be reliable, the Company has not independently verified any of the data from third party sources referred to in this press release or ascertained the underlying economic assumptions relied upon by such sources.

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