



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

- Record Q1 2021 revenue of \$17.6 million, an increase of 219.4% YoY and 67.9% quarter over quarter
- Ended the quarter with over \$43.6 million of cash
- Gross margins of 26.1% compared to 17.3% in Q4 2020, sequential quarter growth of 880 basis points
- The state of Michigan posted \$154 million of cannabis sales in April, which equates to approximately \$1.85 billion when annualized, positioning Michigan as the third largest cannabis market in the United States based on this run-rate
- Eight cultivation facilities in operation today (three Gage operated and five contracted cultivation assets) compared to two cultivation facilities in Q1 2020; the Company expects to expand to 13 cultivation facilities by year end
- Strong average basket size of \$158 in the first quarter of 2021
- Expects to operate in-house processing asset in the third quarter of 2021 leading to further margin expansion
- Entered into strategic outdoor off-take agreement for up to 10,000 pounds of premium Gage and Cookies flower strains

DETROIT, May 27, 2021 /CNW/ - Gage Growth Corp. ("Gage" or the "Company") (CSE: GAGE) a leading high-quality cannabis brand and operator in Michigan, today reported its financial results for the three months ended March 31, 2021. All currency references used in this press release are in U.S. dollars unless otherwise noted.

Financial Highlights for the quarter ended March 31, 2021

(in millions of US Dollars)	Q1-2021	Q4-2020
Revenue	\$17.6	\$10.5
Gross Profit	\$4.6	\$1.8
Gross Margin %	26.1%	17.3%
Adjusted EBITDA	(\$3.8)	(\$5.7)
Net Loss	(\$10.8)	(\$14.5)
Cash, End of Period	\$43.6	\$45.5

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

Revenue increased to \$17.6 million in the first quarter of 2021, as compared to \$10.5 million in the fourth quarter of 2020, a 67.9% increase. This strong quarter over quarter growth was driven primarily by cultivation capacity expansion and two new dispensary openings.

Gross margin, before gain on fair value of biological assets, was 26.1% in the first quarter of 2021 compared to 17.3% in the fourth quarter of 2020. The 880 basis point improvement quarter over quarter in gross margin to 26.1% 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 Q2 2021 as cultivation yields increase from Gage operated assets and more contract grow partners come online.

Management Commentary

"After Gage's tremendous growth this quarter with revenue of \$17.6 million, we expect our first half of 2021 revenue to exceed full fiscal year 2020 revenue and more than double the first half of fiscal year 2020. We are rapidly growing as our investments in infrastructure have started to deliver operating leverage and the team continues to meet the evolving needs of our patients, customers and communities," said Fabian Monaco, CEO of Gage.

Mr. Monaco continued, "Demand for Gage's products and retail experience, along with the Michigan market, is extremely strong as cannabis continues to behave like a consumer staple. We opened two new dispensaries during the quarter, including the first adult-use Cookies branded dispensary in the Midwest. In late April, we opened our Battle Creek location, bringing our total retail footprint to eight dispensaries. On the cultivation side, the Company's three cultivation facilities are fully operational and keeping pace with rising consumer demand while we continue to optimize yields and efficiency. This is all made possible by the dedicated team members we have throughout the organization."

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 and cultivation footprint."

Operational Updates and Developments

1. Outdoor Off-Take Agreement

- The Company is pleased to announce it has entered into an off-take agreement securing up to 10,000 pounds annually of premium Gage and Cookies flower strains.
- Highlights the Company's continual push to expand its product line and brand via a capital light strategy with an attractive cost per pound of only \$400 which will further expand margins.
- Will increase the Company's flower offering and secure cost-effective supply for processing initiatives in H2 2021 and H1 2022.

2. Opening 9th Gage operated dispensary on May 28th, 2021 in Jackson, Michigan

- The Company continues to execute on its retail expansion strategy with the goal of opening 20 locations by year end.

3. Delivering on cultivation ramp-up and opening of processing lab to satisfy consumer demand

- Currently eight cultivation facilities (three Gage operated and five contracted cultivation assets) are operational in the Company's portfolio compared to only two cultivation facilities in operation in Q1 2020.
- The Company's Monitor Phase II cultivation expansion is expected to be completed in Q4 2021, with the 80,000 sq. ft. building now fully complete and indoor build-out starting by the end of Q2 2021.
- Five contract grow partners in operation today, of which three have already delivered product while the remaining two partners are currently harvesting product. The Company anticipates adding several more partners by the end of the year and expanding our total grow capacity to over 7,000 pounds per month by the end of the year.
- Gage is expected to open a processing asset in the third quarter of 2021. This will allow the Company to produce in-house branded extract-based products which command significantly higher margin. Additionally, the processing facility allows the Company to introduce new products (Blue River™ Extracts & Terpenes) and bring internationally recognized brands to market (SLANG Worldwide).

Q2 2021 Outlook⁽¹⁾

The Company reiterates Q2 2021 revenue guidance of \$26-31 million previously provided. The Company further reiterates guidance previously provided of flower margins expanding in Q2 2021 and anticipates a further material increase in Q2 2021 gross margin from improved output from its cultivation facilities and improvement in input costs.

Notes:

1. These preliminary and unaudited financial results are subject to customary financial statement procedures by the Company. Actual results could be affected by subsequent events or determinations. While the Company believes there is a reasonable basis for these preliminary financial results, the results involve known and unknown risks and uncertainties that may cause actual results to differ materially. These preliminary fiscal results represent forward-looking information. See "Cautionary Note Regarding Forward-Looking Information and Statements" and "Financial Outlook".

Conference Call

The Company will host a conference call on Friday, May 28, 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 1-877-317-6789 toll free from the United States or Canada or 1-412-317-6789 if dialing from outside those countries.

The call will be available for replay until Friday, June 11, 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: 10157206.

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=w3Qc6mqM>.

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 13 provisioning centers (dispensaries).

For more information about Gage Growth Corp., visit www.gagecannabis.com

Instagram: @gagecannabis

Facebook: @gageusa

Twitter: @gagecannabisco

Sources: Gage Growth Corp., Marijuana Regulatory Agency.

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.

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 March 31, 2021 (the "Q1 2021 MD&A") for a detailed reconciliation of Adjusted EBITDA to Net Income / (Loss). The Company's financial statements for the three months ended March 31, 2021 and the Q1 2021 MD&A are available on SEDAR at 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.

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, projected financial results for the second quarter of 2021, potential acquisitions and 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.

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.

Financial Outlook

This news release contains a financial outlook within the meaning of applicable Canadian securities laws. The financial outlook has been prepared by management of the Company to provide an outlook for the second quarter of 2021 and may not be appropriate for any other purpose. The financial outlook has been prepared based on a number of assumptions including the assumptions discussed in this press release and assumptions with respect to market conditions, pricing, and demand. The actual results of the Company's operations for any period will likely vary from the amounts set forth in these projections and such variations may be material. The Company and its management believe that the financial outlook has been prepared on a reasonable basis. However, because this information is highly subjective and subject to numerous risks, including the risks discussed under the heading "Cautionary Note Regarding Forward-Looking Information and Statements", it should not be relied on as necessarily indicative of future results.

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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