



## Plus Products Reports Third Quarter 2020 Financial Results

November 23, 2020

### PLUS achieves 40% gross margins and first adjusted-EBITDA positive month

SAN MATEO, Calif., Nov. 23, 2020 (GLOBE NEWSWIRE) -- Plus Products Inc. (CSE: PLUS) (OTCQX: PLPRF) (the "Company" or "PLUS"), a cannabis branded products company in the U.S., today released its unaudited financial and operational results for the three months ended September 30, 2020, expressed in U.S. dollars. These filings are available for review on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com) and on the Canadian Securities Exchange (the "CSE") website at [www.thecse.com](http://www.thecse.com).

### Q3 2020 Financial Highlights

- **Revenues:** Net revenues reached \$3.7M in Q3 2020, up from Q3 2019 net revenues of \$3.5M. During the period, the Company continued to have strong cannabis revenues in the California adult-use market with contributions from the Nevada adult-use market and its national hemp CBD product line. In July, the Company increased the wholesale price of its core product line, resulting in a temporary slow-down in sales during the first two months of the period. The Company exited the period with strong sales in the final month and expects Q4 2020 net revenues to exceed \$4.0M.
- **Gross Profits:** Gross profits climbed to \$1.4M in Q3 2020, up from \$0.5M in Q3 2019. Gross profit margin was 40% in Q3 2020, up from 13% in Q3 2019. Reduced costs per unit derived from operating at increased scale, along with a higher average selling price per unit, continues to drive the improvement in profitability.
- **Operating Profits (Losses):** Operating losses were \$(1.5M) in Q3 2020, representing an 84% improvement year-over-year from \$(9.5M) in Q3 2019.
- **Cash Balance:** The Company reported \$12.6M in cash and cash equivalents at September 30, 2020. Cash and cash equivalents fell by \$0.4M during the third quarter.

### Q3 2020 Business Highlights

- In July 2020, the Company announced the launch of its new *HI-CUBES* brand. With 10mg of THC packed into each 5 calorie serving, HI-CUBES are the most concentrated gummy products available by volume within the California market.<sup>1</sup> Manufactured with 100% whole-plant full-spectrum oil, the product delivers an array of cannabinoids, flavonoids and aromatic terpenes to create a powerful effect for consumers looking for an intense cannabis experience.
- In September 2020, the Company further expanded its product offering by releasing its new PLUS SLEEP brand into the California adult-use market. Containing THC, CBD, CBN, and melatonin, the new product targets the 71% of cannabis sleep aid users who are not satisfied with their current remedies.<sup>2</sup>
- In September 2020, the Company achieved its first EBITDA-positive month (adjusted for stock-based compensation), marking a significant milestone in the Company's path to sustained profitability.

### Management Commentary

"The third quarter was an exciting period for PLUS as we continued our steady progress towards profitability, achieving 40% gross margins for the first time and consuming just \$0.4M in cash," stated Jake Heimark, Co-founder and CEO.

"Commercially, we took significant steps in expanding our product portfolio in both size and purpose with two new product launches. We delivered the most concentrated cannabis gummy in the California market to consumers with our *HI-CUBES* product line,<sup>1</sup> a launch that was followed shortly by the introduction of our first line of sleep-focused products. A majority of consumers looking for cannabis-centric sleep aids are still unsatisfied,<sup>2</sup> a finding made clear by the success of *PLUS SLEEP*, which sold into over two-hundred accounts during the first two months following its launch.

"While sales in the third quarter were not as robust as the first half of the year, we believe the short-term slow-down in sales, mostly attributable to the price increase on our core product line, will be well worth the improved unit economics and long-term sustainability of the PLUS brand on shelves.

"In Nevada, despite manufacturing complications during the initial wave of COVID-19 restrictions, PLUS achieved over \$1.5M in retail sales during its first year on shelves while maintaining a spot as a top-5 brand in a market with over 50 competitors.<sup>3</sup>

"With the expectation of profitability on the horizon, over \$12.5M in cash on hand, and one of the leading edibles brands in the industry's largest legal market, we believe PLUS is poised for continued growth over both the short and long term."

### 8% Unsecured Convertible Debentures

PLUS is actively working towards a solution to address the maturity of the Company's 8% unsecured convertible subordinated debentures (the "Debentures") totaling CAD\$25M that mature on February 28, 2021 and expects to engage PI Financial Corp. to support its efforts related to this matter.

### COVID-19 Update

In March 2020, there was a global outbreak of COVID-19, which continues to rapidly evolve. The extent to which the virus may impact the Company will depend on future developments, which are highly uncertain and cannot be predicted with confidence. The ultimate geographic spread of the disease; the duration of the outbreak; travel restrictions; social distancing; business closures or business disruptions; and the effectiveness of actions taken in the United States and other countries to contain and treat the disease all remain unknown.

While cannabis has been deemed an essential business throughout most of California, it is still too early to understand how COVID-19 will ultimately impact PLUS or the market as a whole. To date, the Company has not seen a sustained downside impact on consumer demand in its core California market and has been able to fulfill orders without interruption. The Company believes it has been well prepared to respond to this crisis. Please visit [plusproductsinc.com/coronavirus](https://plusproductsinc.com/coronavirus) to see the actions PLUS has taken to respond to this unique challenge.

- (1) According to internal market research
- (2) BrightField Consumer Survey (July 2020)
- (3) Headset.io over the last twelve months

### Conference Call Details

At 5:00 pm Eastern Time / 2:00 pm Pacific Time today (Monday, November 23, 2020) the Company will host a conference call and webcast to discuss the financial results and its recent corporate highlights.

#### Participant Dial-In Numbers:

Toll-Free: (866) 220-4156

Toll / International: (864) 663-5231

\*Participants should request the Plus Products Earnings Call or provide conference ID: 1087279

**Please dial-in or log-on to the webcast at least 15 minutes before the start of the call**

The call will also be webcast at <https://edge.media-server.com/mmc/p/sqg6kpgjg>.

Please visit the website at least 15 minutes prior to the call to register, download, and install any necessary audio software. Following the conclusion of the call, there will be an archived audio webcast of the conference call available for replay on the Company's website at [PlusProductsInc.com](https://PlusProductsInc.com).

Jake Heimark, Co-founder and Chief Executive Officer and Nate Pearson, Chief Financial Officer, will be conducting a question and answer session following the prepared remarks.

### About PLUS

PLUS is a cannabis branded products company focused on using nature to bring balance to consumers' lives. PLUS's mission is to make cannabis safe and approachable – that begins with high-quality products that deliver consistent consumer experiences. PLUS is headquartered in San Mateo, CA.

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***The CSE does not accept responsibility for the adequacy or accuracy of this release.***

#### Forward-Looking Statements:

This press release includes statements containing certain "forward-looking information" within the meaning of applicable securities law (each, a "forward-looking statement"). Forward-looking statements are frequently characterized by words such as "plan", "continue", "expect", "project", "intend", "believe", "anticipate", "estimate", "may", "will", "potential", "proposed" and other similar words, or statements that certain events or conditions "may" or "will" occur and include, but are not limited to, statements relating to: the expectation for Q4 2020 net revenues to return to greater than \$4.0M; the Company's achievement of the first EBIDTA-positive month and the extent to which this event is a significant milestone in the Company's path to sustained profitability; the extent to which consumers are looking for cannabis-centric sleep aids and the level of dissatisfaction of such consumers, and the extent to which this consumer behavior was clarified by the SLEEP product line; the extent to which the increase in price in the Company's core product line led to the short-term slow-down in growth, and the extent to which this will impact unit economics and long-term sustainability of the PLUS brand on shelves; the expectation of profitability on the horizon and the extent to which this profitability, together with the Company's cash on hand and the position of the Company's brand in the market, will contribute to continued growth over both the short and long term;

how successful, if at all, the Company's efforts to find a solution to the Debentures will be; and the extent to which the Company is prepared to respond to the COVID-19 crisis.

These forward-looking statements are only predictions. Various assumptions were used in drawing the conclusions or making the projections contained in the forward-looking statements throughout this press release. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These risks include, but are not limited to, the success of the Company's investments, the ability to retain key personnel, the ability to continue investing in infrastructure to support growth, the ability to obtain financing on acceptable terms, the continued quality of the Company's products, customer experience and retention, the continued development of adult-use sales channels, managements estimation of consumer demand in jurisdictions where the Company exports, expectations of future results and expenses, the availability of additional capital to complete capital projects and facilities improvements, the ability to expand and maintain distribution capabilities, the impact of competition, the ability of the Company to implement initiatives and the possibility for changes in laws, rules, and regulations in the industry.

Further, the duration and severity of the current COVID-19 pandemic may significantly impact or exacerbate some of the above-listed risks and uncertainties. Risks that may be further impacted by the COVID-19 pandemic relate to the Company's operations and expansion, including the Company's ability to grow its brand and sales and to maintain production levels in the event that the Company's employees are restricted from accessing facilities for a significant period of time; to the Company's ability to access capital and the level of borrowing costs; the Company's ability to service obligations under its debt securities and other debt or lease obligations; and the Company's ability to comply with the covenants contained in the agreements that govern the Company's existing indebtedness.

The transmission of COVID-19 and efforts to contain its spread have recently resulted in international, national and local border closings, travel restrictions, significant disruptions to business operations, supply chains and customer activity and demand (across all sectors), service cancellations, reductions and other changes, and quarantines, as well as considerable general concern and uncertainty.

The overall severity and duration of COVID-19-related adverse impacts on the Company's business will depend on future developments that cannot currently be predicted. Even after the COVID-19 outbreak has subsided, the Company may continue to experience material adverse impacts to the businesses as a result of its global economic impact, including any related recession.

The Company is under no obligation and expressly disclaims any intention or obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as expressly required by applicable law.

#### Non-GAAP Measures:

Adjusted uncompressed weighted average shares outstanding and loss per share.

The Company has additionally determined the adjusted uncompressed weighted average shares outstanding and loss per share, basic and diluted. The Company believes these measures to be representative of loss and comprehensive loss on a per share basis; however, these performance measures have no standardized meaning. As such, there are likely to be differences in the method of computation when compared to similar measures presented by other issuers. Management believes that, in addition to conventional measures prepared in accordance with GAAP, some investors use this information to evaluate the Company's performance. Accordingly, they are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

#### PLUS PRODUCTS INC.

Condensed Interim Consolidated Statements of Financial Position  
(Expressed in U.S. Dollars - Unaudited)

	As at September 30, 2020	As at December 31, 2019
	\$	\$
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	12,627,236	15,176,184
Trade receivables	3,545,814	4,040,183
Prepays and deposits	553,316	1,262,269
Taxes recoverable	112,973	112,377
Note receivable	180,260	200,000
Inventory	2,175,467	3,872,175
	<b>19,195,066</b>	<b>24,663,188</b>
<b>Non-current</b>		
Prepays and deposits	977,945	789,521
Property and equipment	2,440,789	3,703,597
Intangible assets	54,997	98,665
Deferred tax asset	1,862,111	-
<b>Total assets</b>	<b>24,530,908</b>	<b>29,254,971</b>

#### Liabilities

**Current**

Accounts payable and accrued liabilities	1,319,067	2,289,393
Current portion of vehicle loans	28,498	27,753
Current portion of lease liabilities	198,577	284,588
	<b>1,546,142</b>	<b>2,601,734</b>

**Non-current**

Vehicle loans	115,930	137,588
Lease liabilities	731,303	1,028,218
Deferred tax liability	297,194	-
Convertible debentures	18,023,160	17,188,223
	<b>18,023,160</b>	<b>17,188,223</b>

<b>Total liabilities</b>	<b>20,713,729</b>	<b>20,955,763</b>
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**Shareholders' equity**

Share capital	41,984,088	41,782,711
Reserves	8,577,679	7,884,184
Deficit	(46,945,906)	(41,138,127)
Accumulated other comprehensive income (loss)	201,318	(229,560)
	<b>201,318</b>	<b>(229,560)</b>
<b>Total shareholders' equity</b>	<b>3,817,179</b>	<b>8,299,208</b>

<b>Total liabilities and shareholders' equity</b>	<b>24,530,908</b>	<b>29,254,971</b>
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**PLUS PRODUCTS INC.**

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss  
(Expressed in U.S. Dollars, except number of shares - Unaudited)

	Three Months Ended September		Nine Months Ended September 30,	
	2020	30, 2019	2020	2019
	\$	\$	\$	\$
<b>Revenue</b>	<b>3,650,028</b>	3,531,465	<b>12,715,331</b>	10,353,270
<b>Cost of sales</b>	<b>2,200,425</b>	3,084,729	<b>8,043,581</b>	8,493,054
<b>Gross margin</b>	<b>1,449,603</b>	446,736	<b>4,671,750</b>	1,860,216
<b>Operating expenses</b>				
Advertising and promotion	322,035	3,910,055	879,917	4,620,615
Depreciation and amortization	25,319	13,694	75,956	14,772
Consulting fees	151,504	331,753	446,091	1,411,113
General and administrative	277,719	509,261	1,121,244	1,537,888
Meals and travel expenses	14,806	337,446	152,701	753,756
Professional fees	201,208	933,869	998,443	2,554,863
Regulatory fees	20,184	15,739	34,219	21,774
Research and development	5,385	538,512	24,677	675,531
Salaries and benefits	1,296,287	1,935,043	4,451,068	4,788,153
Share-based compensation	618,590	1,382,390	1,395,097	2,559,189
<b>Loss from operations</b>	<b>(1,483,434)</b>	(9,461,026)	<b>(4,907,663)</b>	(17,077,438)
<b>Other (income) expense</b>				
Interest and other income	(1,014)	(30,662)	(22,689)	(104,849)
Accretion finance income	(40,436)	-	(126,916)	-
Accretion expense	424,907	433,240	1,265,815	1,005,047
Interest expense	407,698	422,864	1,234,214	1,014,293
Foreign exchange loss (gain)	9,020	(73,534)	69,681	(140,373)
Gain on lease termination	-	-	(12,900)	-
Loss on sale of fixed assets	28,289	-	28,289	-
Impairment of property and equipment	-	-	10,765	-
Impairment of intangible assets and goodwill	-	803,159	-	803,159
<b>Loss before income taxes</b>	<b>(2,311,898)</b>	(11,016,093)	<b>(7,353,922)</b>	(19,654,715)
Income tax (recovery) expense	118,585	384,400	(1,546,143)	565,695

<b>Loss for the period</b>	<b>(2,430,483)</b>	(11,400,493)	<b>(5,807,779)</b>	(20,220,410)
Currency translation adjustment	<b>377,274</b>	-	<b>(430,878)</b>	-
<b>Loss and comprehensive loss for the period</b>	<b>(2,807,757)</b>	(11,400,493)	<b>(5,376,901)</b>	(20,220,410)
Basic and diluted	<b>49,056,135</b>	32,979,665	<b>39,254,970</b>	29,554,811
Basic and diluted	<b>(0.05)</b>	(0.35)	<b>(0.15)</b>	(0.68)