MJardin Group, Inc. Reports Third Quarter 2018 Financial Results

DENVER--(BUSINESS WIRE)--November 28, 2018--MJardin Group, Inc. ("**MJardin**" or the "**Company**") (CSE: MJAR), a leader in cannabis management, today reported financial results for its third quarter ended September 30, 2018. All amounts are expressed in United States dollars. Certain metrics, including those expressed on an adjusted basis, are non-IFRS measures. See "Non-IFRS Financial Measures" below.

Highlights of the Third Quarter 2018 Results Versus Third Quarter 2017 Results

- Revenue increased 65.1% to $7.0 million compared to the prior year of $4.3 million;
- Gross margin[1] increased to 56.3% from 38.7% in the prior year;
- Adjusted EBITDA increased 48.4% to $1.0 million compared to the prior year of $0.6 million;
- Net loss was $0.4 million compared to net income of $0.6 million in the prior year, largely reflecting higher interest expense, compensation and benefits, and higher legal and consulting fees related to recent acquisitions, equity and RTO transactions;
- Completed Cheyenne acquisition (license transfers pending), establishing MJardin as a principal operator in Nevada;
- Completed an investment into DNA Genetics, providing an entry into the California market and expansion in the European region, with a leading Cannabis brand;
- In addition, subsequent to the end of the third quarter, in November 2018 the Company announced the pending acquisition of GrowForce Holdings ("**GrowForce**").

[1] *Gross margin is defined as net revenue divided by gross revenue*

"We are pleased to report our first quarterly results as a publicly traded company, continuing our strong growth trends and positive EBITDA," said Rishi Gautam, Chairman of MJardin. "This is a very exciting time for MJardin with this month's public listing of Mjardin shares and the announcement of the proposed acquisition of GrowForce. We believe we are well positioned as one of the largest and most experienced cannabis operators in North America and as the largest multi-national operator. We intend to continue to grow our footprint of managed and owned facilities, both across the U.S. and Canada as well as globally, and are pleased with the progress we have and are continuing to make towards becoming a preeminent global operator of legal cannabis assets."

"Based on current operations, MJardin has one of the largest international footprints of any cannabis provider. MJardin now operates with direct ownership, or has investment, in three provinces and three states. MJardin will continue to expand either organically or through acquisitions both in these locations and into new markets that are consistent with our operating principles," continued Gautam.

Third Quarter 2018 Results

Revenue increased 65.1% to $7.0 million in the third quarter of 2018 from $4.2 million in the third quarter of 2017. The growth was driven primarily by facility design and build-out fees earned from GrowForce for cultivation centers, interest on notes receivable and rent income earned from Buddy Boy Brands. At the end of the third quarter of 2018, the Company was managing 37 total facilities / operations.

	Three months ended September 30, (Unaudited)				Nine months ended September 30, (Unaudited)			
Gross revenue		2018		2017		2018		2017
Affiliated operators								
Cultivation and management services	$	3,898,635	$	3,231,302	$	10,886,279	$	10,033,139
Facility design and build out services		1,848,077		-		1,848,077		-
Interest income		829,141		-		2,488,297		-
Rent		292,107		-		876,321		-
Total affiliated operator revenue		**6,867,960**		**3,231,302**		**16,098,974**		**10,033,139**
Non-affiliated operators								
Cultivation and management services		169,041		745,462		801,154		1,299,435
Consulting				285,400		7,283		1,190,972
Total non-affiliated revenue		**169,041**		**1,030,862**		**808,437**		**2,490,407**
Total revenue	**$**	**7,037,001**	**$**	**4,262,164**	**$**	**16,907,411**	**$**	**12,523,546**

Net revenue, defined as gross revenue less direct expenses incurred for compensation and benefits and other operating costs borne by the Company in performing its consulting, and cultivation and operations management services, increased 140.1% to $4.0 million in the third quarter of 2018 from $1.7 million in the third quarter of 2017 and gross margin increased to 56.3% from 38.7% in the same period a year ago. The increase in gross margin primarily reflects revenue earned for facility design and build-out fees from GrowForce-owned cultivation centers in Canada, the increase in revenue from interest income and rent earned from affiliated operator Buddy Boy Brands.

Total operating expenses increased 58.9% to $5.8 million from $3.6 million in the prior year period. The increase reflects increased compensation and benefits to support growth, including increased grow facility personnel at affiliated and non-affiliated operator facilities and the continued expansion of the Company's executive team and corporate office personnel. The operating expense increase also includes a $0.7 million increase in professional fees to support recent equity, public listing and strategic transactions.

Operating income increased 101.1% to $1.3 million in the third quarter of 2018 from $0.6 million in the third quarter of 2017 and operating margin increased to 17.9% from 14.7% in the same respective periods.

Net loss for the third quarter of 2018 was $0.4 million, or $0.01 per common share, compared to a net income of $0.6 million in the third quarter of 2017[1].

Adjusted EBITDA increased 48.4% to $1.0 million in the third quarter of 2018 from $0.6 million in the third quarter of 2017. Adjusted EBITDA, which is not an IFRS measure, is defined by us to mean EBITDA adjusted for acquisition-related costs, share-based compensation, corporate restructuring charges, compensation-related derivative gains or losses (e.g. stock options and warrants) and gains or losses on property and equipment. There is no directly comparable IFRS measure for Adjusted EBITDA; the most directly comparable measure is net (loss) income.

See the reconciliation of Net (Loss) Income to Adjusted EBITDA below.

Balance Sheet and Cash Flow

As of September 30, 2018, the Company had $2.5 million in cash and cash equivalents, total assets of $78.3 million and $31.8 million of total debt. After the end of the third quarter, on October 19, 2018, MJardin completed an equity capital raise in the form of a subscription receipt offering in the approximate amount of CAD$26 million. On November 13, 2018, MJardin completed the reverse take-over of Sumtra Holdings. On November 15, 2018 the Company commenced trading on the Canadian Securities Exchange and the $26 million of subscription receipt proceeds were released from escrow and available to the Company.

During the first nine months of fiscal 2018, the Company used $3.4 million of cash in operations and invested $3.6 million in capital expenditures, including $2.6 million of payments made for equipment on behalf of GrowForce Holdings. The operating cash use primarily reflects a $5.4 million increase in payments due from affiliates.

Conference Call

Management will host a conference call to discuss the Company's third quarter 2018 results today at 6:00 a.m. Mountain Time (8:00 a.m. Eastern Time). Investors interested in participating in the live call can dial (888) 254-3590 from the U.S. and Canada or international callers can dial (323) 994-2093. A telephone replay will be available approximately two hours after the call concludes and will be available through Wednesday, December 5, 2018, by dialing (844) 512-2921 from the U.S. and Canada or (412) 317-6671 from international locations and entering confirmation code 7162341.

There also will be a simultaneous, live webcast available on the Investors – Events and Presentations section of the Company's web site at http://investors.mjardin.com/ or directly at http://public.viavid.com/index.php?id=132426. The webcast will be archived for approximately 90 days on the Company's website.

About MJardin

MJardin is a global cannabis management platform with extensive experience in cultivation, processing, distribution and retail. For over 10 years, MJardin has refined cultivation methodologies, developed state of the art facilities and implemented vertical integration for and on behalf of license owners. As a well-capitalized organization, MJardin continues to pursue strategic expansion and M&A opportunities across global legal cannabis markets. MJardin is based in Denver Colorado, with offices in Toronto, Canada and Barcelona, Spain.

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[1] The third quarter of 2018 is the first full quarter of operations during which the entity was structured as a corporation. Previously, the entity was structured primarily as a group of pass-through entities with ownership interests represented by member interests instead of common shares.

The CSE has neither approved nor disapproved the contents of this news release.

*This news release does not constitute an offer to sell or a solicitation of an offer to sell any of the securities in the United States. The securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**") or any state securities laws and may not be offered or sold within the United States or to U.S. Persons unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available.*

Forward-Looking Information

This news release contains forward-looking information based on current expectations. Statements about, among other things, future developments and the business and operations of MJardin and GrowForce are all forward-looking information. These statements should not be read as guarantees of future performance or results. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from those implied by such statements. Such factors include, but are not limited to: the ability to integrate the operations of companies we acquire and pursue growth, financing and other strategic objectives. Although such statements are based on management's reasonable assumptions at the date such statements are made, there can be no assurance that such forward-looking information will prove to be accurate, actual results and future events could differ materially from those anticipated in such forward-looking information. Accordingly, readers should not place undue reliance on the forward-looking information. MJardin assumes no responsibility to update or revise forward-looking information to reflect new events or circumstances unless required by applicable law.

MJardin Group, Inc.

Condensed Interim Combined Consolidated Statements of Operations

For the three and nine months ended September 30, 2018 and 2017

(Expressed in United States dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2018	**2017**	**2018**	**2017**
Revenue	$ 7,037,001	$ 4,262,164	$ 16,907,411	$ 12,523,546
Operating Expenses:				
Compensation and benefits	4,139,954	3,149,677	11,417,656	8,966,880
Sales, general and administrative	764,104	321,649	1,791,779	1,233,651
Software development and IT infrastructure	62,566	57,707	170,256	177,017
Depreciation and amortization	62,546	15,961	89,093	36,908
Professional fees	749,022	91,075	1,511,469	289,462
Total operating expenses	5,778,192	3,636,069	14,980,253	10,703,918
(Loss) Income before interest income (expense), other income (expense) and income taxes	1,258,809	626,095	1,927,158	1,819,628
Restructuring charge	-	-	(3,429,864)	-
Interest expense	(1,251,538)	9	(3,687,659)	47
Change in fair value of derivative liability	-	-	466,904	-
Foreign currency transaction losses, net	(368,631)	-	(410,320)	-
Total other (expense) income, net	(1,620,169)	9	(7,060,939)	47
(Loss) Income before provision for income taxes, non-controlling interests and comprehensive income	(361,360)	626,104	(5,133,781)	1,819,675
Provision for income taxes	80,280	-	80,280	-
Net (Loss) income before other comprehensive income (loss) and non-controlling interests	(441,640)	626,104	(5,214,061)	1,819,675
Other comprehensive income:				
Foreign currency translation adjustment (loss)	64,019	-	32,519	-
Comprehensive (loss) income for the period	$ (377,621)	$ 626,104	$ (5,246,580)	$ 1,819,675
Net (loss) income is attributable to:				
Owners of MJardin Group Companies	$ (436,973)	626,104	(5,179,050)	1,819,675
Non-controlling interests	(4,667)	-	(35,011)	-
	$ (441,640)	$ 626,104	$ (5,214,061)	$ 1,819,675
Comprehensive (loss) is attributable to:				
Owners of MJardin Group Companies	(377,621)	626,104	(5,246,580)	1,819,675
Non-controlling interests	-	-	-	-
	$ (377,621)	$ 626,104	$ (5,246,580)	$ 1,819,675

MJardin Group of Companies
Condensed Interim Combined Consolidated Statements of Financial Position
as of September 30, 2018, and December 31, 2017
(Expressed in United States dollars)

	September 30, 2018 *(Unaudited)*	PY 12/31/2017 *(Audited)*
Assets		
Current assets		
Cash and cash equivalents	$2,468,049	$5,665,987
Margin deposit	1,153,810	-
Accounts receivable, net	5,000	84,007
Escrowed funds receivable	-	50,430,428
Subscriptions receivable	-	450,000
Due from affiliates	9,881,996	784,278
Deposit to purchase real estate	-	590,000
Deferred legal charges	580,182	-
Prepaid expenses and other current assets	282,977	121,348
Total current assets	**14,372,014**	**58,126,048**
Non-current assets		
Property and equipment, net	9,839,868	785,718
Goodwill and other intangible assets	26,037,818	-
Notes Receivable	27,866,432	-
Other non-current assets	187,884	65,541
Total assets	**$78,304,016**	**$58,977,307**
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,184,413	416,563
Other current liabilities	2,076,258	925,451
Forward currency contract	780,702	-
Accrued bridging loan transaction costs payable	-	1,004,596
Bridging loan payable, net	31,613,122	24,236,460
Total current liabilities	**35,654,495**	**26,583,070**
Non-current liabilities		
Derivative liability	2,629	1,674,320
Convertible debentures, net	195,056	17,889,466
Total liabilities	**35,852,180**	**46,146,856**
Commitments and contingencies		
Post-reporting date events		
Shareholders' / Members' equity		
Common share equity	-	5,251,512
Series A Preferred shares Equity	-	6,780,767
Shares Reserved for issuance	5,694,000	-
Share capital	45,838,062	-
Accumulated deficit	(9,880,536)	-
Non-controlling interests	(35,011)	(4,630)
Warrant Reserve	846,532	846,532
Accumulated other comprehensive income	(11,211)	(43,730)
Total shareholders' / members' equity	**42,451,836**	**12,830,451**
Total liabilities and shareholders' / members' equity	**$78,304,016**	**$58,977,307**

MJardin Group, Inc.
Condensed Interim Combined Consolidated Statements of Cash Flows
For the Nine Months Ended September 30, 2018 and 2017
(Expressed in United States dollars)
(Unaudited)

	For the Nine months ended September 30, 2018	2017
Cash flows from operating activities		
Net (loss) income	$ (5,214,061)	$ 1,819,675
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Foreign currency transaction gains, net	410,320	-
Restructuring charge	3,429,864	-
Interest paid in-kind	1,032,563	-
Depreciation	89,093	36,908
Change in fair value of derivative liability	(466,904)	-
Other adjustments from conversion of debentures	339,768	-
Accretion of deferred transaction costs and interest paid-in-kind	594,082	-
Change in operating assets and liabilities:		
Accounts receivable, net	79,007	66,153
Due from affiliates	(5,416,750)	704,674
Prepaid expenses and other current assets	(161,629)	12,132
Accounts payable and accrued liabilities	767,850	(17,367)
Other current liabilities	1,150,807	124,120
Net cash provided by (used in) operating activities	**$ (3,365,990)**	**$ 2,746,295**
Cash flows from investing activities		
Payments made for equipment on behalf of GrowForce Holdings Inc.	(2,551,777)	-
Margin deposits pursuant to forward currency contract	(1,153,810)	-
Working capital advances paid to affiliated operators	(629,191)	-
Payments for short-term loans to affiliated operators	(500,000)	-
Purchases of property, plant and equipment	(1,040,359)	(40,408)
Net cash used in investing activities	**$ (5,875,137)**	**$ (40,408)**
Cash flows from financing activities		
Cash proceeds from borrowing - bridging loan payable	7,229,558	-
Financing costs for increase in bridging loan payable	(466,778)	-
Prepaid financing costs for issuance of common shares in connection with public offering	(580,182)	-
Cash proceeds from issuance of convertible debentures	450,000	-
Distributions paid to founding common equity share members	(589,409)	-
Net cash provided by financing activities	$ 6,043,189	$ -
Net (decrease) increase in cash	(3,197,938)	2,705,887
Cash and cash equivalents - beginning of period	5,665,987	668,229
Cash and cash equivalents - end of period	**$ 2,468,049**	**$ 3,374,116**
Income taxes paid	$ -	$ -
Interest paid on loans	$ 665,695	$ -
Supplemental disclosure of non-cash investing activities:		
Purchases of notes receivable	$ 27,866,432	$ -
Purchases of property, plant and equipment	$ 8,168,000	$ -
Purchased goodwill and other intangible assets	$ 26,037,818	$ -
Supplemental disclosure of non-cash financing activities:		
Escrowed funds receivable	$ (50,430,428)	$ -
Accrued bridging loan transaction costs payable	$ (1,004,596)	$ -
Bridging loan payable	$ 11,341,380	$ -
Common shares reserved for issuance in connection with acquisition	$ 5,624,000	$ -
Common shares issued in connection with acquisition	$ 7,286,000	$ -

MJardin Group, Inc.
EBITDA Reconciliation
For the Three and Nine Months Ended September 30, 2018 and 2017

Adjusted EBITDA Non-GAAP Measure	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Net (loss) income before other comprehensive income (loss) from operations and non-controlling interests - as reported	$ (441,640)	$626,104	$(5,214,061)	$1,819,675
Interest Expense	(1,251,538)	9	(3,687,659)	47
Depreciation and amortization	62,546	15,961	89,093	36,908
Income taxes	80,280	-	80,280	-
EBITDA	**$ 952,724**	**$642,056**	**$(1,357,029)**	**$1,856,536**
Restructuring charge	-	-	(3,429,864)	-
Adjusted EBITDA	**$ 952,724**	**$642,056**	**$ 2,072,835**	**$1,856,536**

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