

Pathway Reports Fiscal 2021 Third Quarter Financial Results And Operational Highlights

TORONTO, Nov. 24, 2021 /CNW/ - Pathway Health Corp. (TSXV: PHC) (formerly Colson Capital Corp.) ("**Pathway**" or the "Company") today reported its financial results for the three and nine-month period ended September 30, 2021. Unless otherwise noted, all amounts are in Canadian dollars and are prepared in accordance with International Financial Reporting Standards ("IFRS").

Third Quarter Highlights

- Completed acquisition of O Cannabis We Stand on Guard for Thee Corp. ("OCC") to give the Company access to approximately 4,000 new active patients and expand its telemedicine footprint in several provinces
- Products, provincially non-insured physician services and cannabis education revenues hold steady quarter over quarter in spite of ongoing pandemic challenges
- Continued focus on the development of Cannabis Health Products ("CHPs") in preparation for the next round of Health Canada changes to the Cannabis Act

"While Pathway did experience ongoing COVID-19 pandemic-related challenges which hampered growth during this period, we are optimistic about the business headed into the new year," said Ken Yoon, CEO of Pathway. "We continue to execute on our growth through acquisition strategy and work with partners in the development of Cannabis Health Products, or CHPs, as we continue to add new services and products to better serve our patients."

Summary of the Q3 2022 Financial Results

Total revenue for the three and nine months ended September 30, 2021 was \$2.7 million and \$8.2 million respectively. Revenues were impacted during the third quarter by physician summer vacations and the continued impact of COVID-19 pandemic. Furthermore, if the operating assets of the Company were acquired January 1, 2021 (instead of January 18, 2021) and the company continued to consolidate the results of a jointly owned subsidiary, revenue for the three and nine months ended September 30, 2021 would have totaled \$2.8 million and \$8.9 million respectively.

Gross margins were \$1.4 million and \$4.4 million for the three and nine months ended September 30, 2021, respectively, showing consistent positive results.

Selling, general and administrative expenses ("SG&A") were \$2.8 million and \$8.0 million for the three and nine months ended September 30, 2021. SG&A has decreased from Q1 and Q2 levels due to lower professional fees related to the reverse take over transaction that was completed in Q2 2021, offset by additional expenses related to CHP development work.

The Company incurred a net loss of \$1.6 million and \$5.7 million for the three and nine months ended September 30, 2021, respectively, and had a basic and diluted loss per share of \$0.02 and \$0.14 for the same periods.

Earnings before interest, tax, depreciation, and amortization ("EBITDA")¹ was a loss of \$1.3 million and \$4.5 million for the three and nine months ended September 30, 2021, respectively. Adjusted EBITDA¹ was a loss of \$1.4 million and \$2.1 million for the same three- and nine-month periods.

Cash as of September 30, 2021 was \$4.2 million compared to \$0.001 million as of December 31,

2020. The increase in cash is mainly a result of the \$13.8 million gross proceeds from a private placement (\$12.4 million net of transaction costs), offset by \$4.9 million paid to a related party for the asset acquisition which closed on January 18, 2021, \$0.6 million used in professional fees for the reverse takeover transaction and asset acquisition, and funds used in operating activities.

About Pathway Health

Pathway Health is an integrated healthcare company that provides products and services to patients suffering from chronic pain and related conditions. The Company owns and operates nine community-based clinics across four provinces where its team of health professionals work together to help patients through a variety of evidence-based approaches and products, including medical cannabis. Pathway's patient care programs utilize an interdisciplinary approach that is guided by trained pain specialists, physical and occupational therapists, psychologists, nurses, and other healthcare providers. Pathway is also the leading provider of medical cannabis services in Canada and has established itself as the leading partner with national and regional pharmacy companies for the delivery of medical cannabis services to their customers. The Company is working with several pharmacy companies on the development of Cannabis Health Products (CHPs) for OTC product distribution through retail pharmacy locations across the country following anticipated changes to the Cannabis Act.

For more information, visit Pathway Health's website: www.pathwayhealth.ca

Notice Regarding Forward-Looking Statements

Certain statements in this news release are forward-looking statements and are prospective in nature. Forward-looking statements are not based on historical facts, but rather on current expectations and projections about future events and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. These statements generally can be identified by the use of forward-looking words such as "may", "should", "could", "would", "intend", "estimate", "plan", "anticipate", "expect", "believe", "working on" or "continue", or the negative thereof or similar variations. There are numerous risks and uncertainties that could cause actual results and Pathway's plans and objectives to differ materially from those expressed in the forward-looking information, including: business disruption risks relating to COVID-19; regulatory risks, including those related to healthcare, privacy, and data security; and integration risks relating to newly acquired businesses. Actual results and future events could differ materially from those anticipated in such information. These and all subsequent written and oral forward-looking information are based on estimates and opinions of management on the dates they are made and are expressly qualified in their entirety by this notice. Except as required by law, the Company does not intend to update these forward-looking statements.

¹Non-IFRS Financial Measures

The non-IFRS measures included in this press release are not recognized measures under IFRS, and do not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers. When used, these measures are defined in such terms as to allow the reconciliation to the closest IFRS measure. These measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company's results of operations from its perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS. Despite the importance of these measures to management in goal setting and performance measurement, these are non-IFRS measures that may be limited in their usefulness to investors.

Management uses non-IFRS measures, such as EBITDA and Adjusted EBITDA to provide investors with a supplemental measure of the Company's operating performance and thus highlight trends in

the Company's core business that may not otherwise be apparent when relying solely on IFRS financial measures. Management also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the valuation of issuers. Management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets, and to assess the Company's ability to meet its future debt service, capital expenditure and working capital requirements. The definition and reconciliation of EBITDA and Adjusted EBITDA used and presented by the Company to the most directly comparable IFRS measures follows below:

EBITDA and Adjusted EBITDA

EBITDA is defined as net (loss)/income adjusted for income tax, depreciation of property and equipment, amortization of intangible assets, interest on long-term debt and other financing costs, interest income, and changes in fair values of derivative financial instruments. Management uses EBITDA to assess the Company's operating performance. Adjusted EBITDA is defined as EBITDA adjusted for, as applicable, share-based compensation, loss of control of related company, fair value of guarantee, gain on disposal of intangible assets and goodwill, reverse takeover transaction costs, additional professional fees due to the RTO transaction and Asset Acquisition Transaction. We use Adjusted EBITDA as a key metric in assessing our business performance when we compare results to budgets, forecasts and prior years. Management believes Adjusted EBITDA is a good alternative measure of cash flow generation from operations as it removes cash flow fluctuations caused by non-cash expenses, or extraordinary and non-recurring items, including changes in working capital. A reconciliation of net (loss)/income to EBITDA (and Adjusted EBITDA) is set out below:

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Net (loss) attributable to shareholders	\$ (1,597,308)	\$ (1,695)	\$ (5,701,717)	\$ (1,695)
Adjustments:				
Amortization of intangible assets	25,878	-	80,514	-
Depreciation	189,654	-	547,217	-
Finance expense*	76,074	-	528,542	-
EBITDA	\$ (1,305,702)	\$ (1,695)	\$ (4,545,444)	\$ (1,695)
Share-based compensation	125,856	-	386,734	-
Loss of control of related company	6,108	-	82,647	-
Fair value (gain) loss of guarantee	(25,001)	-	75,000	-
Reverse takeover transaction cost	-	-	1,251,608	-
Additional professional fees due to RTO Transaction	(143,463)	-	509,252	-
Additional professional fees due to Asset Acquisition Transaction	(12,699)	-	112,891	-
Adjusted EBITDA	\$ (1,354,901)	\$ (1,695)	\$ (2,127,312)	\$ (1,695)

*this figure includes interest expense, financing expense, fair value of financing facilities and accretion expense.

For further details on the results, please refer to Pathway's Management's Discussion and Analysis and Condensed Consolidated Interim Financial Statements for the three and nine months ended September 30, 2021, which are available under the Company's profile on SEDAR (www.sedar.com).

Neither the Exchange nor its Regulation Services Provider (as that term is defined in the policies of the Exchange) accepts responsibility for the adequacy or accuracy of this Press Release. The TSX Venture Exchange Inc. has in no way passed upon the merits of the proposed transaction and has neither approved nor disapproved the contents of this press release.

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