

# The Parent Company Reports Second Quarter 2021 Financial Results

*Achieves Q2 Net Sales of \$54.2 Million*

*Maintains Industry-Leading Balance Sheet with \$257.5 Million in Cash*

*NEO Accepts Normal Course Issuer Bid for Common Shares and Warrants up to \$25M*

*Expands Consumer Reach to over 70% of California and Acquires Additional Consumer Delivery Hub in Sacramento, California*

*Conference Call to be Held Today, August 16, 2021, at 5:00 p.m. EDT*

SAN JOSE, Calif., Aug. 16, 2021 /CNW/ - [TPCO Holding Corp.](#) ("The Parent Company" or the "Company") (NEO: GRAM.U) (OTCQX: GRAMF), today reported financial results for the second quarter ending June 30, 2021 ("Q2 2021"). All amounts are expressed in U.S. dollars.

## Q2 2021 Financial Highlights

- Net sales for Q2 2021 were \$54.2 million, comprised of \$11.9 million in direct-to-consumer revenue and \$42.3 million in wholesale revenue
- Adjusting for a full year of sales beginning January 1, 2021, H1 2021 net sales would have been approximately \$99.8 million
- Gross profit for Q2 2021 was \$8.1 million, or 15% of net sales
- Adjusted EBITDA loss for Q2 2021 was \$10.4 million. Adjusted EBITDA removes the effects of changes in fair value of financial instruments, impairment charges and other non-cash items.
- Cash and equivalents totaled \$257.5 million as of June 30, 2021

## Management Commentary

"We continue to execute on our consolidation and expansion initiatives to lead the California cannabis market," said Steve Allan, Chief Executive Officer of The Parent Company. "Through the acquisition of two new retail dispensaries, as well as our new distribution hubs in San Diego and Sacramento, and the recent opening of our newest dispensary in Hanford, we have made great progress in improving our state distribution reach, which is currently over 70%. This expanded state coverage enables us to scale our direct-to-consumer omnichannel platform, bringing products to market sooner and improving the accessibility of high-quality cannabis for California consumers."

Mr. Allan added, "We are focused on delivering an industry leading consumer experience by providing our customers with both innovative new products and safe, and efficient ways to purchase them. This includes the recent launch of our approachable and affordable Fun Uncle Cruisers vape line featuring both distillate and live resin products which rose to the #6 brand ranking per BDSA<sup>1</sup> within the first four months of launch. Additionally, we launched our Caliva mobile shopping app. The Caliva app provides our consumers with the ability to browse products, complete in-app purchases, schedule a delivery and track their order to see when it is out for delivery or ready for pickup. Since its launch, the app has contributed to almost 10% of online commerce with a nearly 25% increase in conversion rate."

Mr. Allan continued, "The cannabis industry has the potential to create long-term, generational wealth and we are proud to support future entrepreneurs of color, through our Social Equity Ventures program. In the quarter this included our first two investments, Josephine & Billie's and the Peakz Company, and we have a strong pipeline of additional investment opportunities that we are currently reviewing."

Mr. Allan concluded, "We have made solid progress on our plan to employ an asset-light model and to expand our operations into new states, and we expect to provide an update on those efforts before the end of the year. As we execute on our deep pipeline of potential acquisition targets, together with our organic business expansion, we believe we will create meaningful, long-term shareholder value."

## Q2 2021 Operational Highlights

- [Shawn 'JAY-Z' Carter's MONOGRAM challenges national drug policy and launches digital and out-of-home awareness campaign to magnify the hypocrisies of](#)
- Served over 58k customers and processed over 165k consumer transactions
- [Launched Fun Uncle Cruisers – a disruptive entry into the value vape category](#) – netting 3.5% CA market share by units in first quarter of launch (BDSA Data April – June 2021)
- Over 23k consumers have enrolled in the Company's newly [Launched \(4/23\) integrated loyalty program: Caliva CLUB](#)
- MONOGRAM launched a campaign that reimagines the iconic photos of renowned mid-century American photographer Slim Aarons through a contemporary lens
- [Appointed Desiree Perez, CEO of Roc Nation, to the Board of Directors](#)
- [Signed a definitive agreement to acquire four acres of outdoor cultivation located in Sonoma County, CA from Mosaic.Ag, an affiliate of Soma Rosa Farms](#)
- Disposed of the Company's 34% minority interest in Half Moon Grow, as well the Company's Acai Puree business line
- Entered into a definitive agreement to sell its hemp CBD business unit to Arcadia Biosciences, Inc.® (Nasdaq: RKDA) ("Arcadia"), a leader in science-based approaches to enhancing the quality and nutritional content of crops and food ingredients, for \$4 million in cash and 827,400 shares of Arcadia stock
- Appointed Social Equity Fund Advisory Committee Members
- Completed first social equity investment into Josephine & Billie's
- Completed second social equity investment in The Peakz Company

## Subsequent Events

- [Expands California Retail Footprint](#) through the acquisition of Calma, West Hollywood
- Improved Value Vape Offering [with Launch of Fun Uncle Cruisers Vapes With Live Resin](#)
- Opened a New Delivery Hub in San Diego Via Caliva's Direct-To-Consumer Platform
- Launched First-Of-Its-Kind, Cannabis Mobile Shopping App Through Apple App Store to improve Cannabis Accessibility
- Announced Voluntary Board of Director and Executive Team Lock-Up Agreements
- [Strengthened its California Retail Footprint](#) through the acquisition of Jayden's Journey in Ceres, California
- Filed Form 10 registration statement with the United States Securities and Exchange Commission ("SEC") in advance of potentially being permitted to list the Common Shares and the Warrants on the New York Stock Exchange or the Nasdaq Stock Market

## Sacramento Consumer Delivery Hub Acquisition

The Parent Company also announced today that it has further expanded its distribution reach through the acquisition of an additional consumer delivery hub located in Sacramento, California. The new hub will service an additional 2.4 million residents of the greater Sacramento area, expanding the reach of the Company to directly service approximately 70% of California's population. Delivery service will be available starting this week from the new hub, offering consumers in the region access to the Company's entire suite of high-quality products through caliva.com. Terms of the transaction were not disclosed and remain subject to customary closing conditions, including regulatory approval.

## Normal Course Issuer Bid

The Company is pleased to announce that the Neo Exchange Inc. (the "Exchange") has accepted the Company's notice of intention to commence a Normal Course Issuer Bid (the "Common Share Bid") for common shares of the Company (the "Common Shares") and a Normal Course Issuer Bid (the "Warrant Share Bid") and, together with the Common Share Bid, the "Bids") for the Company's purchase warrants to acquire Common Shares (the "Warrants").

Pursuant to the Bids, the Company may repurchase on the open market (or as otherwise permitted), up to 4,912,255 Common Shares and 1,791,875 Warrants, representing approximately 5% of the issued and outstanding of each of the Common Shares and the Warrants (within the meaning of the rules of the Exchange), subject to the normal terms and limitations of such bids. Notwithstanding the foregoing, the Bids are subject to an aggregate cap of \$25,000,000. The Company may purchase its Common Shares and Warrants at its discretion during the period commencing on August 18, 2021, and ending on the earlier of (i) August 17, 2022, (ii) \$25,000,000 of purchases under the Bids, and (iii) the completion of purchases under the applicable Bid. Notwithstanding the foregoing, the Company may not commence purchases under the Bids until the expiry of its regular self-imposed quarterly blackout period.

Under the Exchange rules, during the six months ended July 30, 2021, the average daily trading volume on all marketplaces of the Common Shares and the Warrants was 540,578 and 67,477, respectively and, accordingly, daily purchases on the Exchange pursuant to the Bids will be limited to 135,144 Common Shares and 16,869 Warrants (other than purchases made pursuant to the block purchase exception) which represents 25% of the average daily trading volume. The actual number of Common Shares and Warrants which may be purchased pursuant to the Bids and the timing of any such purchases will be determined by the Company, subject to applicable law and the rules of the Exchange. As of July 30, 2021, the Company had 98,245,106 Common Shares and 35,837,500 Warrants issued and outstanding.

Purchases pursuant to the Bids are expected to be made through the facilities of the Exchange, or such other permitted means (including through alternative trading systems), at prevailing market prices or as otherwise permitted. The Bids will be funded using existing cash resources and any Common Shares and Warrants repurchased by the Company under the Bids will be cancelled.

The Parent Company may establish an automatic securities purchase plan in connection with the Bids under which a designated broker could purchase Common Shares and/or Warrants pursuant to the Bids during times when the Company would ordinarily not be permitted to purchase its Common Shares or Warrants due to regulatory restrictions or self-imposed blackout periods. Any such plan would be subject to the prior approval of the Exchange.

The Parent Company's Board of Directors believes that the market price of the Company's common shares may from time to time not reflect the underlying value of The Parent Company, specifically its growth opportunities, and that the proposed purchasing of its common shares is in the best interests of The Parent Company and represents an appropriate use of corporate funds. It is expected that any purchases made by The Parent Company could also enhance value and liquidity for its shareholders.

## Q2 2021 Financial Results

Net sales in Q2 2021 were \$54.2 million, representing approximately 18.9% growth compared to the adjusted Q1 2021 revenue of approximately \$45.6 million. This was driven by 7.2% growth in the Company's Direct to Consumer Business ("DTC") and 22.6% growth in Wholesale revenue. Q2 2021 DTC and wholesale revenues were \$11.9 million and \$42.3 million, respectively.

Gross profit in Q2 2021 was \$8.1 million, representing gross margin of 15% in Q2 2021. With the Company's focus on driving stronger direct-to-consumer sales, The Parent Company expects to shift its sales to more higher margin product categories, which over time, is expected to drive expanded gross profit.

Operating expenses in Q2 2021 were \$60.7 million, of which \$31.8 million were non-cash expenses. In the quarter, cash expenses primarily included general and administrative costs of \$11 million, salaries and benefits of \$10.4 million, sales and marketing expenses of \$7.4 million, and rent expense of \$0.1 million. Non-cash expenses primarily included stock-based compensation of \$6.1 million, depreciation & amortization of \$9 million and a \$16.7 million impairment loss associated with several non-core licenses.

Adjusted EBITDA loss for the second quarter 2021 was \$10.4 million. The Adjusted EBITDA loss in Q2 2021 was primarily attributable to the ongoing operations of the Company's core business.

Cash and cash equivalents totaled \$257.5 million as of June 30, 2021, compared to \$281.0 million as at March 31, 2021.

The Company's Q2 2021 consolidated financial statements, as well as its accompanying management discussion and analysis ("MD&A") have been filed on SEDAR ([www.sedar.com](http://www.sedar.com)). Please refer to TPCO's MD&A for additional detail and discussion on the Company's results from operations.

## Conference Call

The Parent Company will host a conference call today, August 16, 2021, to discuss these results. Steve Allan, Chief Executive Officer, Mike Batesole, Chief Financial Officer, and Dennis O'Malley, Chief Operating Officer and President of Caliva, will host the call starting at 5:00 p.m. Eastern time. A question and answer session will follow management's prepared remarks.

|                |  |
|----------------|--|
| DATE           | Monday, August 16, 2021  |
| TIME           | 5:00 p.m. Eastern Time   |
| WEBCAST:       | <a href="#">Click Here</a>   |
| DIAL-IN NUMBER | 1-(888)-864-6392   |
| CONFERENCE ID  | 26533062   |
| REPLAY:        | 1-(888)-390-0541 or 1 (416)-764-8677                               |
|                | Available until 12:00 midnight Eastern Time Monday August 23, 2021 |
|                | Replay Code: 533062  |

Financial results and analyses are available on the Company's website ([ir.theparent.co](http://ir.theparent.co)) and SEDAR ([www.sedar.com](http://www.sedar.com)).

## About The Parent Company:

Formed in January 2021, The Parent Company is California's leading vertically integrated cannabis company. The company's three manufacturing facilities guarantee unparalleled access to high-quality, low-cost cannabis, while its vast wholesale distribution network of more than 450 California dispensaries, an unrivaled direct-to-consumer omnichannel platform, three consumer delivery hubs and five omni-channel retail locations, currently service approximately 70% of the largest legal cannabis market in the country. The Company's curated product portfolio includes eight of the most valuable and scalable brands in cannabis, including Monogram by Shawn "JAY-Z" Carter, Caliva, Deli, Fun Uncle, and Mirayo, which sets the tone for The Parent Company's industry leadership in California and beyond.

In addition to its vast manufacturing infrastructure, consumer reach and cultural influence, The Parent Company is committed to using its resources and status to play a significant role in molding a more equitable cannabis industry. Its social equity ventures initiative, established by Chief Visionary Officer Shawn "JAY-Z" Carter, was created to break down the systematic barriers Black and other minority entrepreneurs face as they endeavor to secure meaningful participation, growth and leadership in the multibillion-dollar legal cannabis industry.

Shares of The Parent Company common stock are traded on NEO Exchange under the ticker symbol "GRAM.U" and on the OTCQX under the ticker symbol "GRAMF".

For the latest news, activities, and media coverage, please visit [www.theparent.co](http://www.theparent.co) or connect with us on [LinkedIn](#) and [Twitter](#).

## Forward Looking Statements

This press release may contain forward-looking information within the meaning of applicable securities legislation which reflects The Parent Company's current expectations regarding future events. The words "will", "expects", "intends" and similar expressions are often intended to identify forward looking information, although not all forward-looking information contains these identifying words.

Specific forward-looking information contained in this press release includes, but is not limited to, statements concerning (i) the Company's future financial

performance (ii) ability of The Parent Company to execute on its growth and consolidation strategy; (iii) potential usage of the Company's NCIB; (iv) expectations regarding future corporate development activities; (v) and expectations regarding the Company's expansion into new states. Forward-looking information is based on a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond The Parent Company's control, which could cause actual results and events to differ materially from those that are disclosed in or implied by such forward looking information. Such risks and uncertainties include, but are not limited to: changes in general economic, business and political conditions, changes in applicable laws, the U.S. and Canadian regulatory landscapes and enforcement related to cannabis, changes in public opinion and perception of the cannabis industry, reliance on the expertise and judgment of senior management, as well as the factors discussed under the heading "Risk Factors" in The Parent Company's Annual Information Form dated March 25, 2021, which is available on SEDAR at [www.sedar.com](http://www.sedar.com). The Parent Company undertakes no obligation to update such forward-looking information, whether as a result of new information, future events or otherwise, except as expressly required by applicable law.

#### **Non-IFRS Financial Performance Measures (Unaudited)**

Adjusted net income (loss), EBITDA and adjusted EBITDA are not recognized measures under IFRS and this data may not be comparable to data presented by other companies. For a reconciliation of EBITDA and adjusted EBITDA to the most directly comparable IFRS measure, see the section entitled "Reconciliation of Non-IFRS Measures" of the Q2 2021 MD&A.

Adjusted net income (loss) is calculated by adjusting net income (loss) as recorded in the unaudited condensed consolidated interim statements of income (loss) and comprehensive income (loss) for the exclusion of certain other income and expense items determined in accordance with IFRS. The Company believes that this generally accepted measure allows the evaluation of the results of continuing operations and is useful in making comparisons between periods. Adjusted net income (loss) is intended to provide investors with information about the Company's continuing income generating capabilities. Management uses this measure to monitor and plan for the operating performance of the Company in conjunction with other data prepared in accordance with IFRS.

EBITDA is calculated by adjusting net income (loss) as recorded in the unaudited condensed consolidated statements of income (loss) and comprehensive income (loss) for finance costs, current and deferred income tax, depreciation and amortization expenses. The Company believes that this measure allows the evaluation of the results of continuing operations and is useful in making comparisons between periods. EBITDA is intended to provide investors with information about the Company's continuing income generating capabilities. Management uses this measure to monitor and plan for the operating performance of the Company in conjunction with other data prepared in accordance with IFRS.

Adjusted EBITDA is calculated by adjusting net income (loss) as recorded in the unaudited consolidated financial statements of income (loss) and comprehensive income (loss) for the exclusion of certain other income and expense items determined in accordance with IFRS, being the calculation for adjusted net income (loss) and then further adjusting for finance costs, current and deferred income tax, change in fair values, other non-recurring amounts, depreciation and amortization expenses. The Company believes that this generally accepted measure allows the evaluation of the results of continuing operations and is useful in making comparisons between periods. Adjusted EBITDA is intended to provide investors with information about the Company's continuing income generating capabilities. Management uses this measure to monitor and plan for the operating performance of the Company in conjunction with other data prepared in accordance with IFRS.

#### **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. 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 in the United States. 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.

While the approach to enforcement of such laws by the federal government in the United States has trended toward non-enforcement against individuals and businesses that comply with medical or adult-use cannabis programs in states where such programs are legal, strict compliance with state laws with respect to cannabis will neither absolve The Parent Company of liability under U.S. federal law, nor will it provide a defense to any federal proceeding which may be brought against the Company. The enforcement of federal laws in the United States is a significant risk to the business of The Parent Company and any proceedings brought against the Company thereunder may adversely affect the Company's operations and financial performance.

SOURCE The Parent Company

View original content: <http://www.newswire.ca/en/releases/archive/August2021/16/c5857.html>

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