



# Hollister Biosciences Inc. Reports Q2 2021 Financial Results including USD \$17.6 million revenue, and USD \$3.2 million of Adjusted EBITDA

- Q2 revenue was USD \$17.6 million compared to USD \$8.5 million in the second quarter of 2020 and USD \$23.1 million in the first quarter of 2021
- Q2 net income was USD \$1.6 million compared to USD \$0.3 million in the second quarter of 2020 and USD \$2 million in the first quarter of 2021
- Adjusted EBITDA<sup>(1)</sup> was USD \$3.2 million in the second quarter compared to USD \$0.5 million in the second quarter of 2020 USD \$2.8 million in the first quarter of 2021
- 2021 revenue target of USD \$70 million<sup>(2)</sup>

VANCOUVER, BC, Aug. 26, 2021 /CNW/ - Hollister Biosciences Inc. (CSE: HOLL) (OTC: HSTRF) (FRANKFURT: HOB) (the "**Company**", "**Hollister Cannabis Co.**" or "**Hollister**") a diversified cannabis branding company reported its financial and operating results for the second quarter of 2021. All financial information is presented in U.S. dollars unless otherwise indicated.

## Second Quarter 2021 Financial Results

- Total revenue in the second quarter was \$17.6 million compared to \$8.5 million in the second quarter of 2020 and \$23.1 million in the first quarter of 2021
- Gross profit in the second quarter was \$4.3 million, compared to \$1.5 million in the second quarter of 2020 and \$3.6 million in the first quarter of 2021
- Gross profit margin in the second quarter was 25%, compared to 18% in the second quarter of 2020 and 16% in the first quarter of 2021
- Net income in the second quarter was \$1.6 million compared to \$2 million in the first quarter of 2021
- Adjusted EBITDA<sup>(1)</sup> in the second quarter was \$3.2 million compared to \$2.8 million in the first quarter of 2021

## Second Quarter 2021 Business Highlights

- On April 5<sup>th</sup>, 2021, Hollister announced that it entered into an exclusive partnership with Nabis, one of California's leading distributors, to streamline sales, grow retail opportunities and reduce wholesale delivery times on all orders
- On April 8<sup>th</sup>, 2021, Hollister announced that the Hollister, Easyriders collaboration officially launched its first product in the market with premium pre-roll packs in silver or black collectible tins featuring the iconic Easyriders logo available in dispensaries throughout California
- On May 17<sup>th</sup>, 2021, Hollister announced that the Company and Heavy Grass have partnered with Slipknot co-founder Shawn "Clown" Crahan for special-edition HashBone packs featuring six half-gram pre-rolls and matches in a soft-touch matte black case.
- On June 28<sup>th</sup>, 2021, Hollister announced that it commenced pre-roll production and distribution in Arizona to complement the Company's existing cannabis concentrate product suite in the state through its wholly owned Labtronix, Inc. d/b/a Venom Extracts ("**Venom**") subsidiary.

## Recent Developments

- **Brand Campus** - On August 25<sup>th</sup>, 2021 ([Press Release](#)) the company announced its Hollister Brand Campus in Arizona, a site dedicated to supporting the development of company-owned and third-party brands development in Arizona. The Hollister Brand Campus includes more than 700,000 square feet of cultivation area and a 28,500 square foot processing facility. The addition of the Hollister Brand Campus supports the Company's goals to increase gross profit margin and diversify product offerings.
- **ERP System** - The Company has enabled the Viridian enterprise resource planning "ERP" solution for its California operation and intends to expand it company-wide to maximize efficiencies and help drive profitable growth. This system is designed to improve accounting and reporting functionality and the implementation has occurred over the last 7 months.
- **EVP of Cultivation** - Along with the announcement of the Hollister Brand Campus in Arizona, the Company appointed Damian Solomon as Executive Vice President of Cultivation. Damian has more than 20 years' experience with greenhouse and indoor vertical-farming systems. In 2014 he focused on the emerging cannabis industry by consulting the first two license holders in Canada: Tilray and Tweed. Since then, he has supported more than 30 projects in North America, Europe, Israel and Australia with notable companies like Harvest Health & Recreation, Glasshouse Farms, Grassroots Cannabis, Cronos, DOJA (now Canopy), Flower One, Global, Indus Holdings, Natura Life Sciences, Pacific Dutch Group, Raw Garden, TerrAscend, Caliva, The Pharm/Sunday Goods and Wonderbrett. He also served as a member of the advisory board for Node Labs/Compound Genetics, Calyx Peak Companies and LOBO Cannagar.

## Outlook

The sales normalization between Q1 2021 and Q2 2021 was mainly attributable to excess inventory levels at our wholesale brand and dispensary partners in Arizona. The adult-use market started sales in January of 2021 several months ahead of the anticipated start date. Venom supplies bulk wholesale oils and finished products to 40 different brands and this segment of the business had rapidly increased as brands readied inventory for their dispensary partners. In the first quarter, a substantial portion of revenue was derived from the sale of bulk wholesale products to brands serving the anticipated adult use demand.

In the second quarter, as brands and dispensaries normalized inventory, the Company's higher margin branded products and white-label products were a larger portion of overall revenue. Additionally, access to raw materials has been a challenge for the Company as demand increased across the market. Prices for raw materials are at an all-time high and availability is scarce. The Company is confident in its ability to reduce costs and improve gross margins and access due to its recently announced Hollister Brand Campus.

The Company continues to see tremendous growth opportunities in its core market of Arizona and beyond and is targeting \$70 million revenue for 2021<sup>(2)</sup> The anticipated increase in quarterly revenues for the latter half of 2021 is expected to be derived from an increase in Venom branded product sales as well as an increase in Venom's white label business. In addition, the Company's leadership position and platform developed in the Arizona market, creates optionality for expansion of additional products and brands in both Arizona and other markets. All figures reported with respect to the year ending December 31, 2021, are "financial outlooks" within the meaning of applicable Canadian securities laws, are based on several assumptions and are subject to a number of risks and uncertainties. Actual results may differ materially. Accordingly, investors are cautioned not to place undue reliance on the foregoing information. See "Cautionary Statement Regarding Forward-Looking Information".

The Company plans to continue focusing on its core growth areas which include enhancing existing product margins, expanding product penetration and same-store sales in California and Arizona and continuing to diversify and expand its branded product portfolio. Operating expenses in the second quarter were approximately 10% of revenue which is a testament to the Company's continued prudent management of expenses.

## Management Commentary

"Our second quarter results demonstrate continued momentum to increase profitability as we focus on scale and expansion of higher margin branded and finished products," said Chief Executive Officer Carl Saling. "We are focused on operational and financial functions for an improvement in gross margins and expanding penetration and same store sales. We are very pleased with the operational and financial advances made so far in 2021 and look forward to continued growth in

our core market and beyond."

## Venom Extracts Highlights

The Venom product suite is a category leader in Arizona, accounting for up to 30% of category sales state-wide. Venom is positioned for continued growth in Arizona, it has a strong brand recognition and distribution network, with products in the vast majority of dispensaries statewide. Venom operates an 11,000 square foot facility located in Phoenix, Arizona.

Arizona is one of the largest medical marijuana markets in the world with over \$1B in 2020 sales. Legal sales of adult-use cannabis in Arizona commenced midday on Friday January 22, 2021, several months ahead of industry expectations, and the fastest that any of the 15 states with recreational marijuana has gone from voter approval to actual sales. The state realized over \$2.9M in recreational sales within 10 days of legalization. "Marijuana Business Daily projects that the state's recreational market could generate up to \$400 million in revenue its first year and more than \$700 million by 2024."

## Use of Non-IFRS Financial Measures

This press release includes references to "Adjusted EBITDA", which is a non-IFRS financial measure. A reconciliation of Adjusted EBITDA to the most directly comparable financial measure presented in accordance with IFRS is included below. This information should be considered as supplemental in nature and not as a substitute for, or superior to, any measure of performance prepared in accordance with IFRS. Management uses Adjusted EBITDA to evaluate the Company's operating performance and trends and to make planning decisions. The Company believes that Adjusted EBITDA helps identify underlying trends in the Company's business that could otherwise be masked by the effect of the items that are excluded. Accordingly, management believes that Adjusted EBITDA provides useful information to investors and others in understanding and evaluating the Company's operating results, enhancing the overall understanding of the Company's past performance and future prospects and allowing for greater transparency with respect to key financial metrics used by management in its financial and operational decision-making.

## Reconciliation of Non-IFRS Financial Measures

The table below reconciles Net income (loss) to Adjusted EBITDA for the periods indicated.

	Three months ended		Six months ended	
	June 30,	2020	2021	June 30,
	2021	2020	2021	2020
Net income (loss) and comprehensive income (loss)	\$ 1,596,699	\$ 305,377	\$ 3,583,501	\$ (1,848,102)
Add (deduct) impact of:				
Accretion	-	3,151	-	6,301
Depreciation	327,081	51,954	631,122	129,053
Finance costs	108,423	110,179	209,605	219,861
Foreign exchange gain	-	-	(28,296)	-
Interest expense	2,500	37,500	20,014	50,000
Share-based compensation	240,739	-	240,739	-
Transaction costs	-	-	-	828,100
Interest income	(40,478)	-	(66,088)	-
Gain on sublease	(262,015)	-	(262,015)	-
Income tax expense	1,013,000	-	1,821,000	-
Deferred income tax recovery	(73,000)	-	(128,000)	-
Foreign currency translation adjustment	282,355	2,027	(15,811)	77,740
<b>Adjusted EBITDA (LOSS)</b>	<b>3,195,304</b>	<b>510,188</b>	<b>6,005,771</b>	<b>(537,047)</b>

## Notes:

1. This is a non-IFRS reporting measure. For a reconciliation of this to the nearest IFRS measure, see "Use of Non-IFRS Measures".
2. This is forward-looking information and based on a number of assumptions. See "Cautionary Note Regarding Forward-Looking Information"

## About Hollister Biosciences Inc.

Hollister Biosciences Inc. is a multi-state company with a portfolio of innovative, high-quality cannabis & hemp branded consumer products and white-labeling manufacturing. Our products are sold in 370 dispensaries across Arizona and California. Hollister Biosciences wholly-owned brand, Venom Extracts, is a category-leading brand that sold more than 4 million grams in 2020, accounting for up to 30% of category sales in Arizona.

Products from Hollister Biosciences Inc. include HashBone, the brand's premier artisanal hash-infused pre-roll, along with concentrates (shatter, budder, crumble), distillates, solvent-free bubble hash, pre-packaged flower, pre-rolls, tinctures, vape products and full-spectrum high CBD pet tinctures. Our wholly-owned California subsidiary Hollister Cannabis Co is the 1st state and locally licensed cannabis company in the city of Hollister, CA, birthplace of the "American Biker".

Website: [www.hollisterbiosciences.co](http://www.hollisterbiosciences.co)

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION:

*This news release includes certain "forward-looking information" as defined under applicable Canadian securities legislation, including statements regarding the plans, intentions, beliefs, and current expectations of the Company with respect to future business activities and operating performance. To the extent any forward-looking information in this news release constitutes "financial outlooks" or "future-oriented financial information" within the meaning of applicable Canadian securities laws, the reader is cautioned that this information may not be appropriate for any other purpose and the reader should not place undue reliance on such financial outlooks or future-oriented financial information. Forward-looking information is often identified by the words "may", "would", "could", "should", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect" or similar expressions and includes information regarding: the Company's anticipated revenue for 2021; the impact of the Hollister Brand Campus; and expectations for other economic, business, and/or competitive factors. Forward-looking information is necessarily based upon a number of estimates and assumptions that, while considered reasonable, are subject to known and unknown risks, uncertainties, and other factors which may cause the actual results and future events to differ materially from those expressed or implied by such forward-looking information.*

*Investors are cautioned that forward-looking information is not based on historical fact but instead reflects management's expectations, estimates or projections concerning future results or events based on the opinions, assumptions and estimates of management considered reasonable at the date the statements are made. Financial outlooks and future-oriented financial information, as with forward-looking information generally, are, without limitation, based on the assumptions and subject to various risks as set out herein. The Company's actual financial position and results of operations may differ materially from management's current expectations and, as a result, the Company's revenue may differ materially from the revenue target provided in this news release. Although the Company believes that the expectations reflected in such forward-looking information are reasonable, such information involves risks and uncertainties, and undue reliance should not be placed on such information, as unknown or unpredictable factors could have material adverse effects on future results, performance, or achievements of the Company. Among the key factors that could cause actual results to differ materially from those projected in the forward-looking information are the following: regulatory and licensing risks; changes in consumer demand and preferences; changes in general economic, business and political conditions, including changes in the financial markets; the global regulatory landscape and enforcement related to cannabis, including political risks and risks relating to regulatory change; compliance with extensive government regulation; public opinion and perception of the cannabis industry; the impact of COVID-19; and the risk factors set out in the Company's annual information form dated August 28, 2020, filed with Canadian securities regulators and available on the Company's profile on SEDAR at [www.secdar.com](http://www.secdar.com).*

*The Company, through several of its subsidiaries, is indirectly involved in the manufacture, possession, use, sale, and distribution of cannabis in the recreational and medicinal cannabis marketplace in the United States. Local state laws where the Company operates permit such activities however, 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 US 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 US federal money laundering legislation.

While the approach to enforcement of such laws by the federal government in the United States has trended toward nonenforcement against individuals and businesses that comply with recreational and medicinal cannabis programs in states where such programs are legal, strict compliance with state laws with respect to cannabis will neither absolve the Company of liability under US 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 Company and any proceedings brought against the Company thereunder may adversely affect the Company's operations and financial performance.

Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking information prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated, or expected. Although the Company has attempted to identify important risks, uncertainties and factors that could cause actual results to differ materially, there may be others that cause results not to be as anticipated, estimated or intended. Accordingly, readers should not place undue reliance on forward-looking information, which speak only as of the date of this news release. The Company disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

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