

## GABY Reports First Quarter Results for 2022

- With the April 1<sup>st</sup>, 2021 acquisition of Mankind, a long standing California retail cannabis dispensary located in San Diego, GABY reported operating improvements as follows:
  - Q1 revenue in 2022 of \$7.3 million is up 115 % over the comparative period
  - Q1 gross profit margin of 44% improved from 7% of the respective period last year,
  - Q1 Adjusted EBITDA<sup>1</sup> of \$0.5 million is up from negative \$0.8 million of the respective period last year,
  - Q1 Net income of \$1.5 million is up from negative \$2.5 million from the same quarter last year
- Closed Santa Rosa based Sonoma Pacific Distribution Inc. ("Sonoma Pac" or "SPD") effective August 31, 2021, and in Q1-2022 settled SPD's indebtedness to the California Department of Tax and Fee Administration ("CDTFA") and dissolved SPD eliminating the remaining outstanding payables of \$3 million.
- In 2021 GABY cut costs by US \$3.0 million which have started to materialize in 2022.
- In April 2022, Gaby launched a new high end flower brand, Dank Space™, which has become the number one selling flower brand in the Mankind dispensary within the first month of launch.
- In March 2022 Mankind ran an event to celebrate its one millionth transaction.

**SAN DIEGO, CA/ACCESSWIRE /May 31, 2022/GABY Inc.** ("GABY" or the "Company") (CSE:GABY)(OTCQB:GABLF), a California consolidator of cannabis dispensaries and the parent company of San Diego's Mankind Dispensary ("Mankind "), reported its financial and operating results for the first quarter 2022. All financial information is provided in Canadian dollars unless otherwise indicated. GABY's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

### First Quarter ("Q1") Financial Highlights

In millions of \$	Q1		
	2022	2021	% Yoy improvement
Revenue	7.30	3.40	115%
Gross profit	3.25	0.24	1254%
Gross profit margin	45%	7%	
Adjusted EBITDA <sup>1</sup>	0.50	(0.80)	163%
Net Income (loss)	1.55	(2.52)	162%

(1) See "Non-GAAP Measures" below

- As part of GABY's rationalization strategy, the operations of Sonoma Pac was shut down in Q3 of 2021 and in Q1-2022 the Company settled SPD's indebtedness to the CDTFA and dissolved SPD eliminating the remaining outstanding payables of \$3 million, strengthening its balance sheet and accounts for a part of the improvement in the net loss over Q1 2021.

- As a result of terminating its low margin wholesale and distribution business and further savings to be realized in 2022 on the USD 3 million reduction of payroll and operating costs implemented late Q4 2021, Management expects continued improvement in income from operations in 2022.

Management anticipates it will be able to sustain revenue, despite consumption normalizing to pre-COVID levels, and continue to generate synergies going forward as its experienced retail management team continues to implement operating efficiencies and well-established retail strategies. Management is particularly focused in 2022 on margin and SG&A improvements at the licensed manufacturing and distribution business and the enhancement of its delivery business.

Margot Micallef, Founder and Chief Executive Officer of GABY commented “I’m impressed with the ability of our experienced retail operating team to continue to generate cost savings and realize synergies in this challenging market. Our dispensary, Mankind, is better merchandized and our sales team is better trained in retail sales techniques and product knowledge than ever before. These improvements coupled with our data analytics give GABY an advantage in attracting new customers and retaining them. I’m convinced that we have the most hands-on experience in retail of any of our competitors and that bodes well for our future,” she concluded.

“My experience prior to joining GABY was in extracting the highest gains with the least cost possible. I’m pleased that the operations team is equally focused on that goal and I anticipate Management will be able to continue to realize operating efficiencies in future,” said Paul Stacey, Senior Vice-President and Chief Financial Officer of GABY. He continued, “Management’s strong retail experience will enable GABY to navigate around the complexities of the cannabis industry and our focus on simplifying operations will allow us to take advantage of the opportunities in the market.”

## **ABOUT GABY**

GABY Inc. is a California-focused retail consolidator and the owner of Mankind Dispensary, one of the oldest licensed dispensaries in California. Mankind Dispensary is a well-known and highly respected dispensary with deep roots in the California cannabis community operating in San Diego. GABY curates and sells a diverse portfolio of products, including its own proprietary brands, Kind Republic™ Dank Space™ and Lulu's™ through Mankind, A pioneer in the industry with a strong management team with experience in retail, consolidation, and cannabis, GABY is poised to grow its retail operations both organically and through acquisition.

GABY's common shares trade on the Canadian Securities Exchange ("CSE") under the symbol "GABY" and on the OTCQB under the symbol "GABLF". For more information on GABY, visit [www.GABYInc.com](http://www.GABYInc.com) or the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

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### **Currency Presentation**

*Unless otherwise indicated, all references to "\$" or "C\$" in this press release refer to Canadian dollars and all references to "US\$" in this Listing Statement refer to United States dollars.*

### **Disclaimer and Forward-Looking Information**

*The CSE does not accept responsibility for the adequacy or accuracy of this release. Certain information set forth in this news release may contain forward-looking statements that involve substantial known and unknown risks and uncertainties, certain of which are beyond the control of the Company. 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. These statements are only predictions. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Forward-looking statements include, but are not limited to, management's expected continued improvement to GABY's profitability in 2022, the estimated current and future cost savings of the Company, the Company's future business strategy, including its plans to expand organically and through future acquisitions or greenfield expansions, and the anticipated benefits to be derived from GABY's rationalization and cost cutting program. Although GABY believes that the expectations and assumptions on which such forward-looking statements and information are based are reasonable, undue reliance should not be placed on the forward-looking statements and information because GABY can give no assurance that they will prove to be correct. By its nature, such forward-looking information is subject to various risks and uncertainties, which could cause the actual results and expectations to differ materially from the anticipated results or expectations expressed. Without limitation, these risks and uncertainties include: the severity of the COVID-19 pandemic; risks associated with the cannabis industry in general; failure to benefit from partnerships or successfully integrate acquisitions; actions and initiatives of federal, state and provincial governments and changes to government policies and the execution and impact of these actions, initiatives and policies; the size of the medical-use and adult-use cannabis market; competition from other industry participants; adverse United States ("U.S."), Canadian and global economic conditions; failure to comply with certain regulations; and departure of key management personnel or inability to attract and retain talent. GABY undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.*

*To the extent any information contained in forward-looking statements in this press release constitutes "future-oriented financial information" or "financial outlooks" within the meaning of applicable Canadian securities laws, such information is being provided to demonstrate the anticipated financial performance of the Company and 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 future-oriented financial information or financial outlooks. Future-oriented financial information and financial outlooks, as with forward-looking statements generally, are, without limitation, based on the assumptions and subject to the risks set out above for forward-looking statements. The Company's actual financial position and results of operations may differ materially from its management's current expectations and, as a result, the Company's actual revenue may differ materially from the prospective revenue estimates or projections provided in this press release. Such information is presented for illustrative purposes only and may not be an indication of the Company's actual financial position or results of operations for the applicable financial periods.*

*Selected financial information outlined above for the Company's Q1 2022 should be read in conjunction with, GABY's interim annual financial statements and management's discussion and analysis ("MD&A") for the three months ended March 31, 2022, which has been filed on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com) and the Company's website [www.GABYinc.com](http://www.GABYinc.com).*

*Each of Mankind and GABY Manufacturing, are subsidiaries of GABY and hold a cannabis license in the State of California. Readers are cautioned that unlike in Canada which has Federal 032320-F legislation uniformly governing the cultivation, distribution, sale and possession of medical cannabis under the Cannabis Act (Federal), in the U.S., cannabis is largely regulated at the State level. Cannabis is legal in the State of California; however, cannabis remains illegal under U.S. federal laws. Notwithstanding the permissive regulatory environment of cannabis at the State level, cannabis continues to be categorized as a controlled substance*

under the Controlled Substances Act in the U.S. and as such, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis are illegal under U.S. federal law. To the knowledge of the Company, the businesses operated by each of GABY's subsidiaries are conducted in a manner consistent with the State law of California, as applicable, and are in compliance with regulatory and licensing requirements applicable in the State of California, respectively. However, readers should be aware that strict compliance with State laws with respect to cannabis will neither absolve GABY, or its subsidiary of liability under U.S. federal law, nor will it provide a defense to any federal proceeding in the U.S. which could be brought against any of GABY, or its subsidiary. Any such proceedings brought against GABY, or its subsidiary may materially adversely affect the Company's operations and financial performance generally in the U.S. market specifically.

#### Non-GAAP Measures

(1) Adjusted EBITDA does not have any standardized meaning as prescribed by IFRS, and, therefore, is considered a non-GAAP measure and may not be comparable to similar measures presented by other issuers and should not be viewed as a substitute for measures reported under IFRS. Adjusted EBITDA from continuing operations is used by management and investors to analyze the Corporation's profitability based on the Corporation's principal business activities regardless of how: these activities are financed; assets are depreciated and amortized, and results are taxed in various jurisdictions or subject to entity specific tax planning. It therefore excludes interest expense, taxes, depreciation, and items which management considers are not related to operational performance of its core businesses. In addition, Adjusted EBITDA provides an indication of the Corporation's ongoing ability to service its debt, income taxes and capital expenditures and therefore excludes non-cash expenses. Readers should refer to GABY's MD&A under section entitled "NON-GAAP DISCLOSURE" for a full description of why certain items are excluded from net loss in arriving at the non-GAAP measure Adjusted EBITDA.

Below is a reconciliation of the non-GAAP measure Adjusted EBITDA from continuing operations for the quarters ended March 31, 2022 and 2021:

	<u>Q1</u>	
In millions of \$	<b>2022</b>	2011
Net income (loss) from continuing operations	<b>1.55</b>	(2.52)
Add (Subtract)		
Interest expense	<b>1.04</b>	0.14
Income tax expense (recovery)	<b>0.63</b>	(0.01)
Depreciation (COGS and operating)	<b>0.29</b>	0.06
Amortization	<b>0.27</b>	
<b>EBITDA</b>	<b>3.78</b>	(2.33)
Adjustments:		
Share-based compensation and expenses	<b>0.41</b>	0.22
Other (income) and expense aside from interest expense	<b>(3.68)</b>	1.29
<b>Adjusted EBITDA</b>	<b>0.51</b>	(0.82)