

GABY Reports Second Quarter Results for 2022

Reports revenue of \$5.2 million as the Company focuses on higher margin revenue

Gross margin improved to 43% up from 35% over same quarter last year despite California headwinds

Reduced SG&A expenses by 11% in the quarter over the same quarter last year

Sale of Company owned brands now makes up 15% of flower sold in GABY's retail dispensary

New proprietary brand, Dank Space™ has become top premium flower seller in GABY's retail dispensary

Additional cost savings of \$0.7 million annually realized from streamlining inventory management

SAN DIEGO, CA/ACCESSWIRE /August 29, 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 quarter ending June 30, 2022 ("Q2 2022") All financial information is provided in United States dollars unless otherwise indicated. GABY's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

Q2 2022 Financial & Operational Highlights

- Revenue for Q2 2022 was \$5.2 million, which after adjustment for the closure of GABY's wholesale distribution business, is down from \$7.1 million or -26% over same quarter last year, while margins remained relatively stable at 43%.
- Gross profit for Q2 2022 was \$2.2 million which is down from \$3.2 million in Q2 2021 but the gross margin is up 8% to 43% from 35% in Q2 2021. Adjusted EBITDA¹ was \$0 down from \$0.7 million in Q2 2021 on lower revenue as described above.
- The net loss of \$3.0 million for Q2 2022 included a \$1.1 million foreign exchange loss on translation of the \$25.5 million promissory note (the "Note") issued as consideration for the acquisition of the Mankind Dispensary on April 1, 2021, and was \$1.7 million down from the same quarter last year.
- In Q2 2022, the number of transactions in the delivery channel grew by 28% to 8,141, revenue grew 4% to \$0.9 million, and margin remained stable at 57% as compared to Q2 2021 - despite pricing pressures and expansion of service

Management's Commentary

Wholesale flower prices in California dropped 43% over the same period last year as artificially high prices during the pandemic came down as a result of over-supply and decreased consumer demand in the market. These headwinds in wholesale flower pricing have pushed retail revenue downwards over the last 12 months as operators look to pass cost savings on to the consumer, but retail margins have remained stable due to management's ability to control supplier costs while maintaining premium

services through its focus on the customer experience, staff education, a high quality product mix and its focus on the expansion of its proprietary product offering.

Over the last 12 months, retail sales in mature markets like California saw a return to pre Covid-19 demand and consumption levels with a negative 15% variance from Q2 2021 to Q2 2022¹. During this same period the number of dispensaries in San Diego County increased by 44% from 45 to 65². Mankind has largely protected its customer base - generating for the 12 month period ending June 30, 2022 - 87% of the number of transactions generated in same period for the prior year.

Management has given notice to the holders of the Note of certain claims to which they believe GABY is entitled to indemnification pursuant to the Stock Purchase Agreement (the "Indemnity Claim"). Management is of the view that the Indemnity Claim has merit and is currently in discussions with the Note holders to offset the amount due under the Indemnity Claim against the principal amounts due under the Note.

Margot Micallef, Founder and Chief Executive Officer of GABY commented "the artificially high prices and demand brought on by the pandemic have made for a challenging market as pricing and demand stabilizes to pre-COVID levels. This market will benefit the good operators. The experience our team has in running retail operations gives us an advantage over other operators with less experience and I am confident the strategies we have implemented and the operating efficiencies we have generated will result in increased revenue in the back half of the year".

"We remain relentlessly focused on managing costs, inventory turns, and cashflow," said Paul Stacey, Senior Vice-President, and Chief Financial Officer of GABY. "Now that prices and demand are stabilizing, our focus for the rest of the year is to continue to work with our supplier partners to ensure we can bring the best products to market at the best prices while continuing to keep our retail store margins stable", he concluded.

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 franchising and 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 or the Company's SEDAR profile at www.sedar.com.

¹ Report from CDTFA on Cannabis Tax Revenues, 8/20/2022

² Department of Cannabis Control (California). Active Licensed Retailers by County

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Currency Presentation

All financial information is provided in United States dollars unless otherwise indicated.

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 setoff against the Note in connection with its indemnification claim under the Stock Purchase Agreement, 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: management's expected setoff against the Note not being successful due to an unsuccessful indemnification claim under the Stock Purchase Agreement, 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 Q2 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 June 30, 2022, which has been filed on the Company's SEDAR profile at www.sedar.com and the Company's website 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 June 30, 2022 and 2021:

In Millions of \$	Q2	
	2022	2021
Net loss from continuing operations	(3.0)	(1.3)
Add (Subtract)		
Interest expense	0.8	0.9
Income tax expense (recovery)	0.5	0.7
Depreciation (COGS and operating)	0.2	0.3
Amortization of intangibles	0.2	0.0
EBITDA	(1.3)	0.5
Adjustments:		
Share based compensation and expen:	0.3	0.4
Other (income) expense	1.0	(0.1)
Adjusted EBITDA	0.0	0.7