



Plus Products Reports Audited 2020 4th Quarter and Year-End Financial Results

April 7, 2021

SAN MATEO, Calif., April 07, 2021 (GLOBE NEWSWIRE) -- Plus Products Inc. (CSE: PLUS) (OTCQX: PLPRF) (the "Company" or "PLUS"), a cannabis branded products company in the U.S., today released its audited financial and operational results for the three and twelve months ended December 31, 2020, expressed in U.S. dollars. These filings are available for review on the Company's SEDAR profile at www.sedar.com and on the Canadian Securities Exchange (the "CSE") website at www.thecse.com.

2020 Year-End Financial Highlights

- **Gross Profits:** Gross profits grew 104% to \$5.6M in 2020 compared to \$2.8M in 2019. Gross profit margin in 2020 was 35%, up from 20% in 2019. Gross profits reached \$0.95M in Q4 2020 compared to \$0.9M in Q4 2019. Gross profit margin in Q4 2020 was 30%, up from 26% in Q4 2019.
- **Cash Balance:** The Company reported \$11.6M in cash and cash equivalents at December 31, 2020. Cash and cash equivalents fell by \$3.6M during the year. With \$1.5M in semi-annual interest payments occurring during the period, the Company consumed just \$2.1M in cash from normal operating and investing activities for the full year 2020.
- **Revenues:** Net revenues climbed to \$15.9M in 2020, representing 15% year-over-year growth as compared to 2019 net revenues of \$13.9M. Net revenues were \$3.1M in Q4 2020. Net revenues were lower than expected due, in part, to the Company's previously announced transition to a self-service distribution partner which resulted in the return of inventory originally sold to its prior distribution partner in Q4 2020, along with higher than anticipated promotional costs.
- **Operating Profits (Losses):** Operating losses were \$(8.3M) in 2020, representing a 67% improvement year-over-year from \$(24.8M) in 2019. Operating losses were \$(3.4M) in Q4 2020, representing a 59% improvement year-over-year from \$(8.2M) in Q4 2019.

2020 Business Updates:

New Product Highlights

- In February 2020, the Company announced the launch of its *PLUS CBDRelief* brand. The expansion represented a significant extension beyond the core *PLUS* line of products and into the wellness and relief market segment, which represents over one-third of cannabis use occasions.¹ *PLUS CBDRelief* has sold into over 340 licensed retailers to date.
- In July 2020, the Company announced the launch of the highest concentrated cannabis gummy in California with its new *HI-CUBES* brand. Featuring 100% whole plant, full-spectrum oil, *HI-CUBES* contain only 5 calories and less than 1g of sugar per cube, while still delivering 10mg of THC per serving.
- In September 2020, the Company announced the launch of its new *PLUS SLEEP* brand into the California adult-use market. *PLUS SLEEP* gummies are scientifically formulated with a precise blend of cannabinoids intended to help consumers fall asleep quickly and enjoy a full, restful night's sleep. The product was developed for the 71% of cannabis sleep aid users who are not satisfied with their current remedies.² *PLUS SLEEP* has sold into over 250 licensed retailers to date.
- In December 2020, the Company launched its *PLUS Strains* brand. The initial line-up included three permanent offerings, and one special holiday edition: *Lemon Jack (Sativa)*, *Pineapple Express (Hybrid)*, *Granddaddy Purple (Indica)*, and *Sugar Plum (Sativa)*. Each gummy offers full spectrum cannabis oil and real fruit, containing 5mg of THC per serving. *PLUS Strains* has sold into over 200 licensed retailers to date.

General Highlights

- In January 2020, the Company undertook a significant restructuring to improve costs including the reduction of 20% of its non-production workforce and executive salary reductions ranging from 20% to up to 50%. The restructuring, in conjunction with higher revenues and a more focused growth strategy, led to a reduction in cash consumption of greater than 85% from 2019 to 2020.
- In June 2020, the Company announced the retirement of CFO Jon Paul, and the transition of Nate Pearson, former Vice-President of Finance, into the role of CFO.

Post-Period End Business Updates

- In January 2021, the Company announced the launch of its 100% hemp CBD Gummies in the United Kingdom exclusively

through online CBD marketplace, Elements of Green.

- Also in January 2021, the Company announced that its *Sour Watermelon UPLIFT* gummies were recognized as LeafLink's best-selling cannabis edible in the California market and one of the five best-selling edible products across all active U.S. cannabis markets. LeafLink is a leading e-commerce wholesale marketplace for cannabis products.
- In February 2021, the Company announced that it entered into a partnership with CannRx Biosciences, a leading Israeli cannabis firm in the boutique field of cannabis-based botanical medicine, to enhance the onset of the Company's products.
- Also in February 2021, the Company announced a strategic shift to expand its sales team, internalize all account management, and transition to a self-service distribution partner in the California adult-use market. To facilitate this shift, the Company invested heavily in its internal sales force, expanding the team by greater than fifty percent (50%) since the start of Q4 2020, and partnered with a self-service distribution provider with access to 99% of California's licensed retailers in order to manage all order fulfillment as of February 15, 2021.
- Also in February 2021, the Company announced that holders of the Company's 8.00% unsecured convertible debentures (the "Debentures") originally due on February 28, 2021, approved certain proposed amendments to the terms of the Debentures, including a three-year extension of the maturity date from February 28, 2021 to February 28, 2024 and increase in the coupon rate of the Debentures from 8.00% to 12.00% per annum effective February 28, 2021. In conjunction with the amendments, the Company issued 8.5M warrants to debentureholders as consideration for a consent fee paid to certain holders. Further details can be found [here](#) in the Company's initial announcement regarding the approval of the amendments to the Debentures.
- In March 2021, the Company announced that Jennifer Tung will be leaving her roles as Chief Risk Officer and General Counsel on April 15, 2021. She will remain a special advisor to the Board of Directors.
- Also in March 2021, the Company announced that it is partnering with Eaze Technologies ("Eaze"), one of California's largest delivery marketplaces for legal cannabis, to launch a co-branded, limited-edition cannabis gummy.
- Also in March 2021, the Company announced that it completed the previously announced conversion of certain Debentures in accordance with the terms of the first supplemental indenture dated February 25, 2021 between the Company and Odyssey Trust Company.

Management Commentary

"At the outset of last year, we detailed our goal to rein in costs and set PLUS on a path towards profitability. We knew that 2020 in the cannabis industry would be defined by companies that were able to effectively transition from growth-at-all-cost efforts to strategies that allow companies to capture sustainable growth while leaning on a foundation of solid fundamentals.

"In pursuing this goal, we drastically reduced our cash consumption by 85% year-over-year to just \$3.6M for the full-year 2020 and were able to expand our gross margins significantly from 20% in 2019 up to 35% in 2020.

"These changes to the core economics of the business, along with the \$11.6M in cash on hand to close the year and recent 3-year extension to the term of our debentures, have greatly expanded our runway to continue executing on our growth efforts.

"Despite the substantial improvements on the cost side, we were still able to achieve 15% growth for the full-year 2020. While our topline performance in the final quarter of the year was not what we had hoped, we have made two important transitions to the business that we believe will set us up well to continue capturing growth in 2021 and beyond.

"The first was the Company's shift over the last year from a single brand to a portfolio of brands. In making this shift, we expanded our product offerings to ensure that consumers looking for all different types of experiences can turn to PLUS for their cannabis needs. This transition, which incorporated the introduction of products targeted at specific cannabis use cases such as wellness, relief, and sleep, are increasingly relevant as consumers in our industry grow increasingly sophisticated in their choices.

"The second was the Company's recently announced transition to a self-service distribution partner, which was coupled with an expansion of our sales team and internalization of all account management. Despite the success we have had with our full-service distribution partners, in which we relied on a hybrid of both internal and external personnel to make up our sales force, we believe that the most effective way for us to achieve the broadest distribution for our products is to have a member of the PLUS team representing the Company at every interaction with our retail customers. This transition will make that a reality across the entire California market.

"With one of the strongest cannabis brands in California³, a robust product portfolio, plenty of cash on hand, and a recently expanded sales team, we believe PLUS is in a position to excel over the coming year.

"Looking forward to the first quarter of 2021, the Company does expect net revenues will be negatively impacted by a significant one-time accounting shift in which PLUS will move to recognizing revenue at the time its products are sold to licensed retailers for all sales occurring through the Company's new self-service distributor. Previously, the Company recognized revenue at the point in which inventory was transferred (sold) to its full-service distribution partners. The shift will result in an effective delay in the time at which all sales of products through the Company's new distributor are recognized relative to sales that occurred to its previous distribution partners."

(1) According to proprietary research conducted through HJR Associates, a third-party firm contracted by the Company, over one-third of cannabis use occasions are for relieving pain, stress, and anxiety.

(2) BrightField Consumer Survey (July 2020)

(3) According to PLUS's – Brightfield Brand Health Survey – Wave 2: December 2020; N=1,535 CA edible consumers PLUS had the highest unaided brand awareness among edible users in California.

Conference Call Details

At 5:00 pm Eastern Time / 2:00 pm Pacific Time on April 7, 2021 the Company will host a conference call and webcast to discuss the financial results and its recent corporate highlights.

Participant Dial-In Numbers:

Toll-Free: (866) 220-4156

Toll / International: (864) 663-5231

*Participants should request the Plus Products Earnings Call or provide conference ID: 9539855

The call will also be webcast at <https://edge.media-server.com/mmc/p/2xq3e9mb>. Please visit the website at least 15 minutes prior to the call to register, download, and install any necessary audio software. Following the conclusion of the call, there will be an archived audio webcast of the conference call available for replay on the Company's website at PlusProductsInc.com.

Jake Heimark, Co-founder and Chief Executive Officer and Nate Pearson, Chief Financial Officer, will be conducting a question and answer session following the prepared remarks.

About PLUS

PLUS is a cannabis and hemp food company focused on using nature to bring balance to consumers' lives. PLUS's mission is to make cannabis safe and approachable – that begins with high-quality products that deliver consistent consumer experiences. PLUS is headquartered in San Mateo, CA.

For further information contact:

Jake Heimark
CEO & Co-founder
ir@plusproducts.com

Investors:

Cole Stewart
Investor Relations
cole@plusproducts.com
Tel +1 213.282.6987

Media:

plus@mattio.com
Mattio Communication

The CSE does not accept responsibility for the adequacy or accuracy of this release.

Forward-Looking Statements:

This press release includes statements containing certain "forward-looking information" within the meaning of applicable securities law (each, a "forward-looking statement"). 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 and include, but are not limited to, statements relating to: the extent to which, if at all, *PLUS SLEEP* will help consumers fall asleep quickly and enjoy a full, restful night's sleep; the extent to which, if at all, the Company's partnership with CannRx Biosciences will lead to enhanced onset of the Company's products; the expected consummation of a partnership with Eaze to launch a co-branded, limited-edition cannabis gummy; the extent to which, if at all, the cannabis industry will be defined by companies that were able to effectively transition from growth-at-all-cost efforts to strategies that allow companies to capture sustainable growth while leaning on a foundation of solid fundamentals; the extent to which, if at all, the progress made to the Company's core economics, along with the \$11.6M in cash on hand and recent 3-year extension of the Company's debentures greatly expand the Company's runway to continue executing its growth efforts; the extent to which, if at all, the Company's two transitions in its business are important and set the Company up to continue capturing growth in 2021 and beyond; the extent to which, if at all, consumers looking for all different types of experiences can turn to PLUS for their cannabis needs; the extent to which, if at all, the introductions of products targeted at specific use cases are increasingly relevant as consumers in the cannabis industry grow increasingly sophisticated in their choices, the extent to which, if at all, the most effective way for the Company to achieve the broadest distribution for its products is to have a member of the PLUS team representing the Company at every interaction with its retail customers, and the extent to which, if at all, that will be made possible through the Company's transition to a new distributor; the extent to which, if at all, the strength of the Company's brand, product portfolio, recently expanded sales team and amount of cash on hand puts the Company in a position to excel over the coming year; and the extent to which net revenues will be negatively impacted by a significant one-time accounting shift in the Company's recognition of revenue for products sold through its new self-service distribution partner.

These forward-looking statements are only predictions. Various assumptions were used in drawing the conclusions or making the projections contained in the forward-looking statements throughout this press release. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These risks include, but are not limited to, the success of the Company's investments, the ability to retain key personnel, the ability to continue investing in infrastructure to support growth, the ability to obtain financing on acceptable terms, the continued quality of the Company's products, customer experience and retention, the continued development of adult-use sales channels, managements estimation of consumer demand in in jurisdictions where the Company exports, expectations of future results and expenses, the availability of additional capital to complete capital projects and facilities improvements, the ability to expand and maintain distribution capabilities, the impact of competition, the ability of the Company to implement initiatives and the possibility for changes in laws, rules, and

regulations in the industry.

Further, the duration and severity of the current COVID-19 pandemic may significantly impact or exacerbate some of the above-listed risks and uncertainties. Risks that may be further impacted by the COVID-19 pandemic relate to the Company's operations and expansion, including the Company's ability to grow its brand and sales and to maintain production levels in the event that the Company's employees are restricted from accessing facilities for a significant period of time; to the Company's ability to access capital and the level of borrowing costs; the Company's ability service obligations under its debt securities and other debt or lease obligations; and the Company's ability to comply with the covenants contained in the agreements that govern the Company's existing indebtedness.

The transmission of COVID-19 and efforts to contain its spread have resulted in international, national and local border closings, travel restrictions, significant disruptions to business operations, supply chains and customer activity and demand (across all sectors), service cancellations, reductions and other changes, and quarantines, as well as considerable general concern and uncertainty.

The overall severity and duration of COVID-19-related adverse impacts on the Company's business will depend on future developments which cannot currently be predicted, including directives of government and public health authorities, the speed at which suppliers and distributors can return to full production, the status of labor availability and the ability to staff the Company's operations and facilities. Even after the COVID-19 outbreak has subsided, the Company may continue to experience material adverse impacts to the businesses as a result of its global economic impact, including any related recession.

The Company is under no obligation, and expressly disclaims any intention or obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as expressly required by applicable law.

Non-GAAP Measures:

Adjusted uncompressed weighted average shares outstanding and loss per share.

The Company has additionally determined the adjusted uncompressed weighted average shares outstanding and loss per share, basic and diluted. The Company believes these measures to be representative of loss and comprehensive loss on a per share basis; however, these performance measures have no standardized meaning. As such, there are likely to be differences in the method of computation when compared to similar measures presented by other issuers. Management believes that, in addition to conventional measures prepared in accordance with GAAP, some investors use this information to evaluate the Company's performance. Accordingly, they are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

PLUS PRODUCTS INC.

Consolidated Statements of Financial Position
(Expressed in U.S. Dollars)

		As at December 31, 2020	As at December 31, 2019
	Note	\$	\$
Assets			
Current			
Cash and cash equivalents		11,578,213	15,176,184
Trade receivables		1,932,986	4,040,183
Prepays and deposits	6	290,076	1,262,269
Taxes recoverable	21	108,098	112,377
Note receivable	7	145,520	200,000
Inventory	8	2,225,331	3,872,175
		16,280,224	24,663,188
Non-current			
Prepays and deposits	6	867,495	789,521
Property and equipment	9	2,188,784	3,703,597
Intangible assets	4, 10	40,441	98,665
Deferred tax asset	21	2,109,704	-
		21,486,648	29,254,971
Liabilities			
Current			
Accounts payable and accrued liabilities	11	1,304,848	2,289,393
Current portion of vehicle loans		28,751	27,753
Current portion of lease liabilities	12	242,125	284,588
Current portion of convertible debentures	13	19,331,949	-
		20,907,673	2,601,734
Non-current			
Vehicle loans		108,688	137,588
Lease liabilities	12	420,305	1,028,218
Convertible debentures	13	-	17,188,223

Total liabilities		21,436,666	20,955,763
Shareholders' equity			
Share capital	14	41,962,392	41,782,711
Reserves	14	9,362,064	7,884,184
Deficit		(50,594,383)	(41,138,127)
Accumulated other comprehensive loss		(680,091)	(229,560)
Total shareholders' equity		49,982	8,299,208
Total liabilities and shareholders' equity		21,486,648	29,254,971

PLUS PRODUCTS INC.

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in U.S. Dollars, except number of shares)

	Note	Year Ended December 31,	
		2020	2019
		\$	\$
Revenue		15,863,446	13,850,351
Cost of sales		10,242,500	11,091,720
Gross margin		5,620,946	2,758,631
Operating expenses			
Advertising and promotion		1,608,938	7,163,051
Depreciation and amortization	9, 10	100,787	39,465
Consulting fees		652,966	1,852,249
General and administrative		1,448,158	2,064,426
Meals and travel expenses		178,291	1,036,303
Professional fees		1,322,387	3,242,096
Regulatory fees		35,140	24,835
Research and development		37,698	179,003
Salaries and benefits	15	5,942,266	6,825,547
Provision for expected credit losses	16	675,964	1,571,666
Share-based compensation	14(f)(h)	1,912,894	3,560,342
Loss from operations		(8,294,543)	(24,800,352)
Other (income) expense			
Interest and other income		(41,836)	(106,424)
Accretion finance income	5	(161,303)	(121,260)
Accretion expense	13	1,701,370	1,437,344
Interest expense		1,674,424	1,439,655
Foreign exchange loss (gain)		58,063	(19,921)
Loss on deemed financing benefit	5	-	408,841
Gain on lease termination		(12,900)	-
Loss on sale of fixed assets		28,289	-
Impairment of property and equipment	9	10,765	1,570,896
Impairment of intangible assets and goodwill	10	-	803,159
Loss before income taxes		(11,551,415)	(30,212,642)
Income tax (recovery) expense	21	(2,095,159)	13,820
Loss for the year		(9,456,256)	(30,226,462)
Currency translation adjustment		450,531	229,560
Loss and comprehensive loss for the year		(9,906,787)	(30,456,022)
Weighted average common shares outstanding:			
Basic and diluted		41,748,380	30,656,764
Loss per share:			
Basic and diluted		(0.23)	(0.99)