



NEWS RELEASE

Nova Announces Second Quarter 2021 Results

8/12/2021

Average sales on an annual run-rate basis for stores converted to Value Buds now \$3.5 million versus \$1.4 million before conversion

EDMONTON, AB, Aug. 12, 2021 /CNW/ - Nova Cannabis Inc. (the "Company" or "Nova") (TSX: NOVC) today released its unaudited condensed interim consolidated financial statements (the "interim financial statements") and management's discussion and analysis ("MD&A") for the three and six months ended June 30, 2021.

"During the second quarter we continued to successfully execute against our growth strategy capturing market share at an aggressive pace," said Darren Karasiuk, CEO of Nova. "In two months from conversion, our Value Buds stores are already operating at an average sales on an annual run-rate basis¹ of \$3.5 million which is, in our estimation, at least three times the sales volume of the average Alberta cannabis retailer."

"Value Buds is clearly resonating with Alberta cannabis consumers and drawing customers from the illicit market as well as legal cannabis retailers. We expect the same response in Ontario as we accelerate our pace of openings in Canada's largest market. All signs suggest that our high-volume value conscious consumer strategy is disrupting the market, and we expect to benefit disproportionately from the growth tailwinds in our markets."

¹ Annual run rate is a non-IFRS financial measure that does not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. For more information on non-IFRS financial measures, see the 'Non-IFRS Financial Measures' section and the 'Non-IFRS Financial Measures' in our MD&A for the three and six months ended June 30, 2021, which is available on the Company's website (www.novacannabis.ca) and on the SEDAR website (www.sedar.com).

Business and Operating Highlights

- Graduated from the TSX Venture Exchange and began trading on the TSX on July 15, 2021
- Converted thirty-six (36) stores from legacy banners to Value Buds
- Opened nine (9) new Value Buds stores: six (6) in Ontario and three (3) in Alberta
- Nova now has sixty (60) stores operating and a further twenty-five (25) new stores are under development/construction with thirty (30) more in Ontario under active negotiation
- Launched Nova Cannabis Analytics, an ancillary revenue stream offering comprised of a proprietary, regulatory-compliant data and analytics platform with several subscription agreements signed since its launch and subsequent to the end of the fiscal quarter
- Bolstered its board composition with the election of Marvin Singer, former senior partner at Norton Rose Fulbright

Outlook

The Company expects to adopt an aggressive and disciplined stance toward growth focusing on:

- Organic store openings
- Opportunistic and sensible acquisitions to complement organic growth
- Same-store sales growth
- Private label
- Basket size growth

When it comes to both organic growth and acquisition opportunities, the Company is focused on store locations that management believes will have long-term viability. Management recognizes that in Ontario, due to its historically slow retail cannabis store rollout, many existing cannabis retail locations have enjoyed monopoly-like positions in very large trade areas. These monopolies have provided many cannabis retailers with revenues that we believe are unsustainable with greater competition and vulnerability to new retailers who can offer better pricing as well as traditional retail fundamentals such as visibility, parking, and proximity to other customer draws.

It is anticipated that all existing stores will be converted to Value Buds by the end of Q3 2021 and all new stores will be opened with the Value Buds banner. Value Buds stores are designed to accommodate the substantially increased customer count we see in these high-volume stores.

The Company continues to expect to have at least eighty-five (85) stores built and/or opened by the end of 2021.

Second Quarter 2021 Financial Highlights

The interim financial statements for the three and six months ended June 30, 2021 reflect the results of the stores formerly owned by Alcanna Inc. as well as the results from the stores owned by the Company (when it was known as YSS Corp.) from the closing of the reverse take-over transaction on March 22, 2021 (the "RTO") until June 30, 2021. The comparative period for 2020 in the interim financial statements only presents the financial results for the stores that were owned by Alcanna Inc. and operated under the Nova Cannabis banner with a different operating, pricing and margin strategy than they were operated within 2021. As such, the interim financial statements for the three and six months ended June 30, 2021 and 2020 are not directly comparable.

Sales increased 106.6% compared to the second quarter of 2020, to \$29.7 million from \$14.4 million. The increase is primarily due to the seven (7) retail cannabis stores that have opened since March 31, 2020, the retail cannabis stores acquired through the RTO and the increased sales from Nova Cannabis banner stores that were re-branded to Value Buds at various times throughout Q4 2020 and the first six months of 2021.

For further information, refer to the interim financial statements and the MD&A of the Company for the three and six months ended June 30, 2021, which are available from the Company's profile on SEDAR, at www.sedar.com, or on the Company's website at www.novacannabis.ca.

CONFERENCE CALL

Management will conduct a conference call on August 13, 2021 at 12:00p.m. ET (10:00a.m. MT) to discuss its second quarter operating and financial results. To participate, please dial (416) 406-0743 or (800) 806-5484 and use the required participant access code: 2286294#. The playback will be made available approximately four hours after the event at (905) 694-9451 or (800) 408-3053, required access code: 5616005#.

ABOUT NOVA CANNABIS INC.

Nova Cannabis Inc. (TSX: NOVC) is one of Canada's largest and fastest growing cannabis retailers with a goal to disrupt the cannabis retail market by offering a wide range of high-quality cannabis products at every-day best value prices. The Company currently operates sixty (60) locations across Alberta, Ontario, and Saskatchewan primarily under its Value Buds and Nova Cannabis banners. The Company is majority owned by Alcanna Inc. (TSX: CLIQ).

Additional information about Nova Cannabis Inc. is available at www.sedar.com and the Company's website at www.novacannabis.ca.

NON-IFRS FINANCIAL MEASURES

Average sales on an annual run-rate basis is not a measure recognized by IFRS and does not have a standardized meaning prescribed by IFRS. Investors are cautioned that this measure should not replace sales, net earnings or loss (as determined in accordance with IFRS) as an indicator of the Company's performance, of its cash flows from operating, investing and financing activities or as a measure of its liquidity and cash flows. The Company's method of calculating the aforementioned non-IFRS financial measure may differ from the methods used by other issuers. Therefore, the measure may not be comparable to similar measures presented by other issuers.

Average sales on an annual run-rate basis is calculated by taking the average of the actual weekly sales for July 2021 of the stores that have been converted to Value Buds for at least eight (8) weeks, and multiplying by fifty-two (52) weeks. This is one of the key metrics that the Company uses to assess performance and provides a useful comparison as to how these stores that have been converted to our Value Buds discount banner are performing. Management believes the presentation of average sales on an annual run-rate basis provides for useful information to investors and shareholders as it provides increased transparency on the current performance of these stores.

FORWARD LOOKING STATEMENTS

This news release contains forward-looking statements or information (collectively "**forward-looking statements**") within the meaning of applicable securities legislation. Forward-looking statements are typically identified by words such as "continue", "anticipate", "will", "should", "plan", "intention", and similar words suggesting future events or future performance. All statements and information other than statements of historical fact contained in this news release are forward-looking statements. In particular, this news release contains forward-looking statements pertaining to: Nova's average sales on an annual run-rate basis; Nova's expectations for sales growth in Ontario, in general and relative to other cannabis retailers; Nova's retail cannabis business strategy, including organic growth and strategic acquisitions; Nova's discount pricing model; the conversion of Nova Cannabis stores to the Value Buds banner and the timing thereof; the Company's objectives, including planned construction of new stores, timing of new store openings, evaluation of potential sites and sales growth, particularly in the Value Buds banner; the ability of the Company to obtain government licenses for its new stores; Nova's gross margin as a percentage of sales and sales forecast for the balance of 2021; and expectations as to consumer demands.

With respect to forward-looking statements contained in this news release, the Company has made assumptions regarding, among other things: the Company's ability to identify locations for, construct and open new stores and the costs related thereto; the availability of hardware and equipment for those stores; government regulation and applicable laws will not change in a manner adverse to the Company; receipt of necessary regulatory approvals to open new stores; the Company's ability to obtain leases for new sites and attract the necessary personnel to

operate new stores; the cost of converting existing stores to the Value Buds banner; demand for the products the Company sells; other factors that will drive sales growth in the Value Buds banner; availability of acquisition opportunities; sustainability of competitors' businesses and competition in the retail cannabis industry, including from the illicit cannabis market; consumer demands; and factors that influence consumer behavior.

Although the Company believes that the expectations reflected in the forward-looking statements, and the assumptions on which such forward-looking statements are made, are reasonable, especially given the unprecedented uncertainty of the full extent and impact of COVID-19, there can be no assurance that such expectations and assumptions will prove to be correct. Readers should not place undue reliance on forward-looking statements included in this news release. Forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties that may cause actual performance and financial results to differ materially from any estimates, forecasts or projections. These risks and uncertainties include, among other things, the duration and severity of the COVID-19 pandemic on the business, operations and financial condition of the Company; the risk that Nova will be unable to execute its strategic plan and growth strategy, as planned without significant adverse impacts from various factors beyond its control; dependence on suppliers; potential delays or changes in plans with respect to capital expenditures and the availability of capital on acceptable terms; risks inherent in the retail cannabis industry; competition for, among other things, customers, supply, capital and skilled personnel; changes in labour costs and markets; incorrect assessments of the value of acquisitions; general economic and political conditions in Canada (including Alberta and Ontario), and globally; industry conditions, including changes in government regulations; fluctuations in foreign exchange or interest rates; unanticipated operating events; failure to obtain regulatory and third-party consents and approvals when required; changes in tax and other laws that affect us and our shareholders; the potential failure of counterparties to honour their contractual obligations; stock market volatility; and the other factors described in the Company's public filings available at www.sedar.com. Readers are cautioned that this list of risk factors should not be construed as exhaustive.

The forward-looking statements contained in this news release are made as of the date hereof. Except as expressly required by applicable securities legislation, Nova does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this news release are expressly qualified by this cautionary statement.

SOURCE Nova Cannabis Inc.