

# NEWS RELEASE

## SOLO GROWTH CORP™ ANNOUNCES OPERATIONAL UPDATE AND FIRST QUARTER 2019 RESULTS

**CALGARY, ALBERTA, May 23, 2019** – Solo Growth Corp.™ (the “**Company**” or “**Solo Growth**”) (TSXV: SOLO) (WKN:A2PBMC), a cannabis retailer operating as **YSS™** with the vision to become a premier retailer and the trusted destination for cannabis in Canada, is pleased to announce an operational update along with the financial and operating results for the three months ended March 31, 2019. Selected financial and operational information is outlined below and should be read in conjunction with Solo Growth’s condensed interim consolidated financial statements for the three months ended March 31, 2019 and related management’s discussion and analysis (“**MD&A**”) which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

On March 20, 2019, Solo Growth closed the acquisition of a licensing agreement for an established operating retail cannabis store in Red Deer, Alberta (the “**Red Deer Acquisition**”) currently operating under the brand Greentown (the “**Red Deer Store**”). Readers are reminded that the Company’s Q1 2019 results reflect only nine days of operations from the Red Deer Store during the quarter. The Red Deer Store will be rebranded and commence serving customers under the YSS banner in the third quarter of 2019.

### Operational Update

- Operations at the Red Deer Store continue to meet expectations and are on track to generate approximately \$4.5 million in sales and approximately \$1.2 million of store-level adjusted cash flow on annualized basis.
- Rebranding to YSS Red Deer and expansion from 980 square feet to 1,960 square feet is underway and the Company expects to hold a grand re-opening early in the third quarter of 2019.
- The Company also has six constructed locations that have been inspected by the Alberta Gaming, Liquor and Cannabis Commission (“**AGLC**”) in Calgary (Woodbine), Vermilion, Lloydminster, Stony Plain, Vegreville and Spruce Grove which are in-queue for licensing and opening, the timing of which remains subject to the supply dynamic and AGLC.
- The Company’s first Edmonton location is expected to be complete and ready for AGLC inspection in early June.
- Planning has begun on three additional Alberta locations prioritized for construction.
- The Company has an incremental 12 AGLC retail cannabis license applications with associated secured or prospective locations and developments permits that will be prioritized for future construction capital.
- In April, AGLC granted an additional 26 cannabis retail licenses, bringing the total to 101 across the province. Management views this development as a positive indicator that the supply dynamic is improving allowing AGLC to continue to issue new licenses.

- In addition to building out physical retail stores, the Company has focused resources on establishing the critical components to deliver an exceptional retail experience in store including understanding of customer demands, implementation of standardized procedures, investment in brand and retail design, creation of a robust product catalogue, as well as the development of staff training, development and sales tools. Investments in our customer's experience align with the Company's stated goal of becoming the trusted destination for cannabis in Canada and are expected to help drive customer loyalty, brand recognition and ultimately future business.

"We are extremely pleased to have our first operating location in Alberta, which continues to steadily generate positive revenue and cash flow for Solo Growth," said Theo Zunich, CEO of the Company. "With encouraging signs of improved supply from AGLC, Licensed Producers and Health Canada and our growing portfolio of ready-to-open stores, we are very excited about the future outlook for YSS across Alberta and other provinces as the Canadian retail cannabis industry continues to evolve."

### **Q1 2019 Financial Highlights**

- Revenue was \$159 thousand over the nine open days in the period following closing of the Red Deer Acquisition to March 31, 2019, representing average daily sales of \$18 thousand per open day.
- Cost of goods sold and operating costs for Q1 2019 totaled \$108 thousand resulting in store-level adjusted cash flow of \$51 thousand over the nine open days between closing of the Red Deer Acquisition and March 31, 2019.
- Net income and comprehensive income of \$208 thousand was recorded in Q1 2019, attributable to net margin from the newly acquired Red Deer Store, a deferred income tax recovery as well as interest and other income from cash on hand raised through the 2018 private placement and rights offering, offset by G&A costs, depreciation and terminated lease asset costs.
- Approximately \$3.3 million was directed to investing activities during Q1 2019, of which \$2.5 million (\$2.817 million net of \$317 thousand cash acquired) was used for the acquisition of the Red Deer Store, with the balance for additional leasehold improvements and equipment for the Company's YSS retail stores in Alberta.
- The Company exited the quarter with \$14.9 million in cash.
- The adoption of IFRS 16 during the quarter ended March 31, 2019 has resulted in the recognition of a portion of principal lease payments as cash used for financing payments.
- The Company believes it has sufficient capital, supported by the newly acquired revenue stream from the Red Deer Store, to sustain the short-term licensing suspension in Alberta and is funded for forecasted capital investments, initial inventory expenditures and ongoing operations well past 2021.

### **Annual Meeting of Shareholders: May 29, 2019**

- Solo Growth will be holding the annual meeting of shareholders on Wednesday, May 29, 2019 at 2:00 p.m. MT at the office of Stikeman Elliott LLP, the Company's legal counsel, located at

4300 Bankers Hall West, 888 – 3<sup>rd</sup> Street S.W., Calgary, Alberta, during which several key resolutions will be brought forth; all shareholders and other interested parties are invited to attend. Details of the agenda are included in the Company's Management Information Circular mailed to the Company's registered shareholders and filed on SEDAR on May 2, 2019.

### **Additional Information**

For additional information regarding Solo Growth please see the corporate website at [www.sologrowth.ca](http://www.sologrowth.ca) and filings available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

### **About Solo Growth Corp.**

Operating as **YSS™**, the Company is a cannabis retailer with the vision to become a premier retailer and the trusted destination for cannabis in Canada. Since its launch in June of 2018, the Company has built a strategic portfolio of locations while managing financial commitments. The Company has a licensing agreement on one operating store in Red Deer, Alberta; has built and received AGLC inspections on six additional Alberta stores, and has another location in Edmonton, Alberta nearing completion of construction. An additional 15 AGLC applications are being reviewed for construction priority within the current regulatory environment. YSS management brings excellence across capital markets, financial management and a strong commitment to deliver shareholder value by leveraging high-quality opportunities within this exciting new industry. The YSS retail experience is built on our five fundamental pillars: convenience, value, selection, team, and above all else, trust.

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### **Forward-Looking and Cautionary Statements**

*This news release may include forward-looking statements including opinions, assumptions, estimates, the Company's assessment of future plans and operations, and, more particularly, statements concerning : Solo*

Growth's retail cannabis business strategy, including organic growth and strategic activities; the Red Deer Acquisition; the proposed rebranding of the Red Deer Store; the ability to build, own and operate retail cannabis stores; the receipt of necessary permits and licenses to open stores; the ability to capitalize on potential opportunities that may arise and the ability to exercise thereon; expectations regarding investments in technology and staff training; the annual meeting of shareholders; and enhancing value for shareholders. When used in this document, the words "will," "anticipate," "believe," "estimate," "expect," "intent," "may," "project," "should," and similar expressions are intended to be among the statements that identify forward-looking statements. The forward-looking statements are founded on the basis of expectations and assumptions made by the Company. Forward-looking statements are subject to a wide range of risks and uncertainties and, although the Company believes that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will be realized. Any number of important factors could cause actual results to differ materially from those in the forward-looking statements including, but not limited to: regulatory and third party approvals not being obtained in the manner or timing anticipated, including AGLC inspections and licenses; the ability to implement corporate strategies; the state of domestic capital markets; the ability to obtain financing; changes in general market conditions; industry conditions and events; the size of the recreational cannabis market; changing customer habits; the availability of cannabis-retail products from licensed producers; government regulations, including future legislative and regulatory developments involving recreational cannabis; competition from other industry participants; and other factors more fully described from time to time in the reports and filings made by the Company with securities regulatory authorities. Please refer to the Company's annual information form and management's discussion and analysis for the year ended December 31, 2018 and MD&A for additional risk factors relating to the Company, which can be accessed under the Company's profile on [www.sedar.com](http://www.sedar.com).

Except as required by applicable laws, the Company does not undertake any obligation to publicly update or revise any forward-looking statements.

This news release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about: (i) the Company's, investments, balance sheet, expenses, profit, revenue and cash flow; and (ii) sales and store level adjusted cash flow in respect of the Red Deer Store, which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth in the above paragraphs. FOFI contained in this document was made as of the date of this document and was provided for the purpose of providing further information about Solo Growth's future business operations. Solo Growth disclaims any intention or obligation to update or revise any FOFI contained in this document, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained in this document should not be used for purposes other than for which it is disclosed herein.

Store level adjusted cash flow is not prescribed by International Financial Reporting Standards ("IFRS"). The Company uses this measure to help evaluate the financial and operating performance of the Red Deer Store. This non-IFRS financial measure does not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. "Store level adjusted cash flow on annualized basis" is calculated as annualized gross margin less expected continuing expenses of the business such as rent, wages, utilities, IT related charges, repairs & maintenance, bank charges, store supplies and general office expenses, but before interest, depreciation, amortization or taxes.

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