

Pathway Health Corp. Reports Fourth Quarter and Full Year 2021 Financial Results

TORONTO, April 27, 2022 /CNW/ - Pathway Health Corp. (TSXV: PHC) (Frankfurt: [KL1](#)) (formerly Colson Capital Corp.) ("**Pathway**" or the "Company"), a Canadian leader in chronic pain solutions and management services, is pleased to report its financial results for the three and twelve-month period ended December 31, 2021. Unless otherwise noted, all amounts are in Canadian dollars and are prepared in accordance with International Financial Reporting Standards ("IFRS").

"2021 was a significant year for the Company. We completed a reverse take-over transaction and transitioned to a public company, all while launching initiatives aimed at growing the breadth and reach of our existing portfolio of chronic pain focused services and products," said Ken Yoon, CEO of Pathway. "We remain optimistic about the future of the business as we expand and leverage on our leading partnership position with some of the largest retail pharmacy companies in Canada. We are also now actively exploring international initiatives that look to leverage our leadership position as the largest provider of medical cannabis services in the country."

Financial and Operational Highlights

- Revenues continue to hold steady in spite of ongoing pandemic challenges, with \$2.7 million and \$10.9 million in revenues for the three and twelve months ended December 31, 2021 respectively
- The Company continues to prudently manage resources and expenses, ending the year with a positive working capital balance of \$2.0 million
- The Company focused on the infrastructure development of a nurse practitioner-led telemedicine service model to extend its footprint in several provinces and improve patient access to care
- Signed a collaboration agreement with Metro Ontario Pharmacies Limited ("Metro Ontario Pharmacies"), a subsidiary of Metro Inc. (TSX: MRU), pertaining to the implementation of Pathway's Medical Cannabis Management System ("MCS") in Metro Ontario Pharmacies' Metro Pharmacy and Food Basics Pharmacy bannered pharmacies across Ontario

Summary of the Q4 2021 Financial Results

Revenues were \$2.7 million and \$10.9 million for the three and twelve months ended December 31, 2021, respectively. Despite the many challenges brought on by the ongoing COVID-19 pandemic, revenues remained stable throughout the fiscal year. Furthermore, if the operating assets of the Company were acquired January 1, 2021 (instead of January 18, 2021) and the Company continued to consolidate the results of a jointly owned subsidiary, management estimates that the revenues for the three and twelve months ended December 31, 2021 would have totaled \$2.8 million and \$11.7 million respectively.

Gross margins were \$1.4 million and \$5.9 million for the three and twelve months ended December 31, 2021, which represented 55.6% and 54.0% of gross revenues respectively. The Company saw an improvement over Q3 2021 gross margin results of 53.1%.

Selling, general and administrative expenses ("SG&A") were \$3.7 million and \$11.7 million for the three and twelve months ended December 31, 2021. The Company saw higher levels of expenses in Q4 2022 due to a \$0.4 million intercompany bad debt expense and \$0.5 million wage and benefit accruals.

Other expenses were \$0.9 million and \$3.1 million for the three and twelve months ended December 31, 2021. Other expenses in Q4 2022 includes a non-cash impairment charge \$0.7 million related to the group billing number and brand name intangible assets of the Silver Medical Group Centre for Pain Care.

The Company incurred a net loss of \$3.2 million and \$8.9 million for the three and twelve months ended December 31, 2021, respectively, and had a basic and diluted loss per share of \$0.03 and \$0.16 for the same periods.

Earnings before interest, tax, depreciation and amortization ("EBITDA")¹ was a loss of \$2.8 million and \$7.4 million for the three and twelve months ended December 31, 2021 respectively. Adjusted EBITDA¹ was a loss of \$1.6 million and \$4.0 million for the same three and twelve month period.

Cash as of December 31, 2021 was \$2.6 million compared to \$0.001 million as of December 31, 2020. The increase in cash is mainly a result of the \$13.8 million gross proceeds from a private placement (\$12.4 million net of transaction costs), offset by \$4.9 million paid to a related party for the asset acquisition which closed on January 18, 2021, \$0.6 million used in professional fees for the reverse takeover transaction and asset acquisition, and funds used in operating activities.

About Pathway Health

Pathway Health is an integrated healthcare company that provides products and services to patients suffering from chronic pain and related conditions. The Company owns and operates eleven community-based clinics across four provinces where its team of health professionals work together to help patients through a variety of evidence-based approaches and products, including medical cannabis. Pathway Health's patient care programs utilize an interdisciplinary approach that is guided by trained pain specialists, physical and occupational therapists, psychologists, nurses, and other healthcare providers. Pathway is also the leading provider of medical cannabis services in Canada and has established itself as the leading partner with national and regional pharmacy companies for the delivery of medical cannabis services to their customers. The Company is working with several pharmacy companies on the development of Cannabis Health Products (CHPs) for OTC product distribution through retail pharmacy locations across the country following anticipated changes to the Cannabis Act.

For more information, visit Pathway Health's website: www.pathwayhealth.ca

¹Non-IFRS financial measures

The non-IFRS measures included in this MD&A are not recognized measures under IFRS, and do not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers. When used, these measures are defined in such terms as to allow the reconciliation to the closest IFRS measure. These measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company's results of operations from its perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS. Despite the importance of these measures to management in goal setting and performance measurement, these are non-IFRS measures that may be limited in their usefulness to investors.

Working capital is a non-IFRS measure calculated as current assets less current liabilities. This measure is used to assist management and investors in understanding liquidity at a specific point in time. Management uses non-IFRS measures, such as EBITDA and Adjusted EBITDA to provide investors with a supplemental measure of the Company's operating performance and thus highlight trends in the Company's core business that may not otherwise be apparent when relying solely on IFRS financial measures. Management also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the valuation of issuers. Management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets, and to assess the Company's ability to meet its future

debt service, capital expenditure and working capital requirements. The definition and reconciliation of EBITDA and Adjusted EBITDA used and presented by the Company to the most directly comparable IFRS measures follows below:

EBITDA and Adjusted EBITDA

EBITDA is defined as net (loss)/income adjusted for income tax, depreciation of property and equipment, amortization of intangible assets, interest on long-term debt and other financing costs, interest income, and changes in fair values of derivative financial instruments. Management uses EBITDA to assess the Company's operating performance. Adjusted EBITDA is defined as EBITDA adjusted for, as applicable, share-based compensation, loss of control of related company, fair value of guarantee, gain on disposal of intangible assets and goodwill, impairment of intangible assets, reverse takeover transaction costs, additional professional fees due to the Reverse Take Over transaction and Asset Acquisition Transaction. We use Adjusted EBITDA as a key metric in assessing our business performance when we compare results to budgets, forecasts and prior years. Management believes Adjusted EBITDA is a good alternative measure of cash flow generation from operations as it removes cash flow fluctuations caused by non-cash expenses, or extraordinary and non-recurring items, including changes in working capital. A reconciliation of net (loss)/income to EBITDA (and Adjusted EBITDA) is set out below:

	For the three months ended December 31,		For the twelve months ended December 31,	
	2021	2020	2021	2020
Net (loss) attributable to shareholders	\$ (3,164,533)	\$ (372,811)	\$ (8,866,250)	\$ (374,506)
Adjustments:				
Amortization of intangible assets	60,063	-	140,577	-
Depreciation	194,673	-	741,890	-
Finance expense*	72,831	-	601,373	-
EBITDA	\$ (2,836,966)	\$ (372,811)	\$ (7,382,410)	\$ (374,506)
Share-based compensation	160,966	-	547,700	-
Loss of control of related company	6,110	-	88,757	-
Related party bad debt expense	365,707	-	365,707	-
Fair value (gain) loss of guarantee	(20,238)	-	54,762	-
Impairment of intangible assets	678,347	-	678,347	-
Gain on disposal of intangible assets and goodwill	-	-	(255,328)	-
Reverse takeover transaction cost	-	-	1,251,608	-
Additional professional fees due to RTO Transaction	-	-	509,252	-
Additional professional fees due to Asset Acquisition Transaction	-	-	112,891	-
Adjusted EBITDA	\$ (1,646,074)	\$ (372,811)	\$ (4,028,714)	\$ (374,506)

*this figure includes interest expense, financing expense, fair value of financing facilities and accretion expense.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This news release includes certain "forward-looking statements" under applicable Canadian securities legislation. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable, are subject to known and unknown risks, uncertainties, and other factors that may cause the actual results and future events to differ materially from those expressed or implied by such forward-looking statements. Such factors include, but are not limited to: general business, economic, competitive, political and social uncertainties; delay or failure to receive applicable approvals; and the results of operations. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Pathway 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 required by law.

Neither the Exchange nor its Regulation Services Provider (as that term is defined in the policies of the Exchange) accepts responsibility for the adequacy or accuracy of this Press Release. The TSX Venture Exchange Inc. has in no way passed upon the merits of the proposed transaction and has neither approved nor disapproved the contents of this press release.

	December 31, 2021	December 31, 2020
Assets		
Current		
Cash	\$ 2,603,429	\$ 588
Restricted cash	75,000	-
Accounts and other receivables	811,587	34,771
Deferred cost	54,978	-
Inventory	340,340	-
Prepays	249,579	-
	<u>4,134,913</u>	<u>35,359</u>
Due from related parties	117,362	-
Property and equipment	2,914,078	-
Intangible assets	691,447	-
Goodwill	504,901	-
Investment in related company	475,824	-
	<u>4,703,612</u>	<u>-</u>
Total assets	\$ 8,838,525	\$ 35,359
Liabilities and Shareholders' equity (deficiency)		
Current		
Accounts payable and accrued liabilities	\$ 1,585,558	\$ 379,568
Current portion of lease liability	545,515	-
Due to related parties	20,459	30,296
	<u>2,151,532</u>	<u>409,864</u>
Lease liability	2,292,993	-
Government loan payable	67,574	-
	<u>2,360,567</u>	<u>-</u>
Total liabilities	4,512,099	409,864
Shareholders' equity (deficiency)		
Share capital	42,630,724	1
Warrants	1,866,866	-
Contributed surplus (deficiency)	(30,930,408)	-
Deficit	(9,240,756)	(374,506)
	<u>4,326,426</u>	<u>(374,505)</u>
Total liabilities and shareholders' equity (deficiency)	\$ 8,838,525	\$ 35,359

Pathway Health Corp. (formerly Colson Capital Corp.)
Consolidated Statements of Loss and Comprehensive Loss
For the year ended December 30, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020

	For the three months ended December 31,		For the year ended December 31, 2021	For the 104 days ended December 31, 2020
	2021	2020		
Revenue	\$ 2,669,658	\$ -	\$ 10,895,372	\$ -
Cost of sales				
Consultants	873,871	-	3,828,453	-
Cost of goods sold	191,901	-	735,951	-
Clinic and medical supplies	118,630	-	448,813	-
Total cost of sales	<u>1,184,402</u>	<u>-</u>	<u>5,013,217</u>	<u>-</u>
Gross margin	1,485,256	-	5,882,155	-
Selling, general and administrative expenses	3,703,059	372,811	11,706,178	374,506
Loss before other items	<u>(2,217,803)</u>	<u>(372,811)</u>	<u>(5,824,023)</u>	<u>(374,506)</u>
Other expenses (income)				
Reverse takeover transaction cost	-	-	1,251,608	-
Finance expense	72,831	-	601,373	-
Impairment of intangible assets	678,347	-	678,347	-
Share-based compensation	160,966	-	547,700	-
Amortization of intangible assets	60,063	-	140,577	-
Share of loss of equity-accounting investment	48,464	-	138,239	-
Loss of control of related company	6,110	-	88,757	-
Fair value loss of guarantee	(20,238)	-	54,762	-
Government grant	-	-	(25,558)	-
Gain on remeasurement of contingent consideration	(59,813)	-	(152,155)	-
Gain on disposal of intangible assets and goodwill	-	-	(255,328)	-
	<u>946,730</u>	<u>-</u>	<u>3,068,322</u>	<u>-</u>
Loss before income taxes	(3,164,533)	(372,811)	(8,892,345)	(374,506)
Income tax expense	-	-	-	-
Net loss and comprehensive loss	<u>(3,164,533)</u>	<u>(372,811)</u>	<u>(8,892,345)</u>	<u>(374,506)</u>

Net loss attributable to:				
Shareholders	(3,164,533)	(372,811)	(8,866,250)	(374,506)
Non-controlling interest	-	-	(26,095)	-
	\$ (3,164,533)	\$ (372,811)	\$ (8,892,345)	\$ (374,506)
Basic and diluted loss per share	\$ (0.03)	\$ (372,811)	\$ (0.16)	\$ (374,506)
Weighted average shares outstanding				
Basic and diluted	93,561,681	1	55,010,082	1

SOURCE Pathway Health Corp.

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