

Aegis Brands Inc. Announces Sale of Hemisphere Cannabis Co. to Kiaro Holdings Corp.

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Aegis Brands Inc.

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TORONTO, July 13, 2021 /CNW/ - Aegis Brands Inc., ("Aegis" or the "Company") (TSX: **AEG**) today announced that it has entered into a strategic transaction with Kiaro Holdings Corp. ("Kiaro"), a TSX-V-listed cannabis retailer and wholesale distributor, pursuant to which it has agreed to sell Hemisphere Cannabis Co. ("Hemisphere"), a wholly-owned subsidiary of Aegis, in consideration for a substantial equity stake in Kiaro. In consideration for 100% of Hemisphere's common shares, Kiaro will issue 61,300,000 common shares to Aegis (having a current value of \$7,900,863, based on the five-day volume weighted average price of Kiaro's common shares), plus 6,700,000 common share purchase warrants. Kiaro will issue an additional 6,700,000 shares to Aegis upon the achievement of certain commercial milestones during the first year following closing. Upon completion of the sale transaction, Aegis will hold approximately 25% of Kiaro's common shares and will be Kiaro's largest individual shareholder. Aegis' CEO Steven Pelton will join the Kiaro Board of Directors at closing.

"The retail cannabis space is changing rapidly in Canada. We recognize the need for scale to ensure success in this sector. As such, we are thrilled to transition ownership of Hemisphere, a premium supplier of cannabis and cannabis accessories, to Kiaro in return for a substantial equity interest in a larger company with aggressive growth plans. This transaction will enable Kiaro to build a cannabis retailer with a prominent nationwide presence and a clear path to substantially increased revenues," said Steven Pelton, President and CEO of Aegis Brands. "The sale of Hemisphere will provide Kiaro with two likeminded Canadian brands, which we expect to elevate the customer experience and bolster Kiaro's growth and profitability," said Pelton.

Following completion of the transaction, Kiaro will operate 16 cannabis retail locations in multiple Canadian provinces and an expected 18 locations by the end of Q1 2022. In addition to its current retail presence in British Columbia and Saskatchewan, Kiaro also has wholesale

business operations in Saskatchewan and an e-commerce platform selling consumption accessories in Canada, U.S. and Australia. All Hemisphere retail locations are in Ontario. The broader national retail footprint resulting from the transaction is expected to provide Kiaro with significant business synergies and organic growth opportunities, while further growth is anticipated to be fuelled by additional M&A activities. The transaction is expected to close in mid-September.

In connection with the transaction, Jen Juby, Vice President of Operations at Hemisphere, will join the Kiaro team as Vice President of Retail. Ms. Juby will contribute to the integration of the Hemisphere stores and will use her expertise to continue the implementation of the retail experience.

"The acquisition of Hemisphere is a transformational transaction for Kiaro," said Daniel Petrov, Chief Executive officer of Kiaro "By more than doubling Kiaro's store count, and combining two premium cannabis retail brands, we expect to achieve our objective of exponential revenue and EBITDA growth. We look forward to working with the Aegis team to bring our vision for this company to life in a compelling way that meets the needs of consumers and their local communities."

The transaction will allow Aegis management to focus on growing the Bridgehead Coffee brand and executing their acquisition strategy. The Company continues to actively engage strong, proven brands with great growth potential to add to its platform. "At Aegis we believe in the entrepreneur. We believe in Daniel and his team at Kiaro to grow and succeed in the cannabis industry and we are seeking to align ourselves with similarly brilliant restaurateurs to grow and succeed in the food service hospitality space," said Pelton.

Kronos Capital Partners is acting as financial advisor to Aegis in collaboration with Haywood Securities as financial advisor to Kiaro.

About Aegis Brands Inc.

Aegis Brands Inc. owns and operates a portfolio of brands currently consisting of Bridgehead and Hemisphere Cannabis Co. For more information, please visit www.aegisbrands.ca or find the Company on Facebook and Twitter.

About Kiaro Brands Inc.

Based in Vancouver, British Columbia, Kiaro is an independent, omni-channel cannabis retailer and distributor. Through existing storefronts across British Columbia and Saskatchewan, a wholesale distribution division servicing Saskatchewan, and plans for national expansion, Kiaro is driven to introduce new and experienced consumers to a lifelong exploration of cannabis. With more than 40 years of collective retail-focused experience, Kiaro's leadership team has a proven

track record of growing retail brands across North America and plans to open multiple retail locations nationwide over the coming years.

Cautionary Note on Forward Looking Statements

This press release contains forward-looking statements within the meaning of Canadian securities laws. These forward-looking statements contain statements of intent, belief or current expectations of Aegis. Forward-looking information is often, but not always identified by the use of words such as "anticipate", "believe", "expect", "plan", "intend", "forecast", "target", "project", "may", "will", "should", "could", "estimate", "predict" or similar words suggesting future outcomes or language suggesting an outlook.

The forward-looking statements included in this press release, including statements regarding the potential issuance of additional shares upon the achievement of certain commercial milestones, potential future growth of Kiaro's revenues and profitability, the number of retail stores expected to be operated by Kiaro by Q1/2022, the broader national footprint and the business synergies and organic growth expected to be realized as a result of the transaction, further growth of Kiaro through additional M&A activities, Kiaro's expectations regarding the achievement of exponential revenue and EBITDA growth, the nature of Aegis' growth strategy going forward and execution on any of its potential plans (including with respect to the growth and development of Bridgehead Coffee and identification of future acquisition targets) are not guarantees of future results and involve risks and uncertainties that may cause actual results to differ materially from the potential results discussed in the forward-looking statements. Aegis has made the forward-looking statements and information included in this press release in reliance on certain assumptions that it believes are reasonable at this time, including the ability of Kiaro to integrate Hemisphere into its operations, open new retail stores, realize the anticipated synergies, continue to increase its growth of revenues and profitability and realize on future M&A opportunities, and the Company to manage the risks (economic, operational, financial, and other risks) associated with the COVID-19 pandemic, the ability of the Company to identify new acquisition opportunities and to successfully integrate past and future acquisition targets into the Company's business, and the Company's ability to generally execute on its strategy going forward. Accordingly, readers should not place undue reliance on the forward-looking statements and information contained in this news release.

Risks and uncertainties that may cause such differences include but are not limited to: risks that the transaction may have a negative impact on the market price and liquidity of the common shares; risks that the commercial milestones referenced above will not be achieved; risks related to the Company's strategy going forward; risks related to the COVID-19 pandemic; risks relating to the ability of Kiaro to successfully integrate Hemisphere and realize the expected synergies and revenue and EBITDA growth; and other risks inherent in the industry in which Aegis and Kiaro operate.

The risks associated with the COVID-19 pandemic include: the ultimate extent, duration and severity of the pandemic itself and the associated government restrictions; effects on consumer and commercial behavior and other factors associated with or resulting from such pandemic, including that the outbreak of the COVID-19 pandemic could continue to negatively impact the operations of our Bridgehead coffee houses, a decrease in the willingness of guests to patronize the Company's coffee houses, shortages of employees to staff the Company's coffee houses; interruption of supplies from third parties upon which the Company relies; the imposition of governmental regulations that adversely impact the Company's business; landlord willingness to consider the Company's requests to amend or terminate certain coffee house leases; and that the pandemic and the consumer, governmental and commercial response to it could materially impact economic activity in general and otherwise have a material adverse effect on the Company's business, financial condition and results of operations. Such adverse effects could be rapid and unexpected.

When relying on forward-looking statements to make decisions, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect Aegis' operations or financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com).

The forward-looking statements in this press release are made as of the date it was issued and Aegis does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks that outcomes implied by forward-looking statements will not be achieved. Aegis cautions readers not to place undue reliance on these statements.

SOURCE Aegis Brands Inc.

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