TERRASCEND

2022 Second Quarter Financial Results

August 2022

terrascend.com

CSE: TER | OTCQX: TRSSF)

Executive Leadership **SPEAKERS**

Jason Wild
Executive Chairman

Ziad Ghanem
President & Chief Operating Officer

Keith Stauffer
Chief Financial Officer

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("Gage") Meeting; the satisfaction of closing conditions which include, without limitation (i) required Gage and TerrAscend shareholder approvals, (ii) certain termination rights available to the parties under the Arrangement Agreement, (iii) obtaining the necessary approvals from the CSE for the listing of TerrAscend's common shares in connection with the Transaction, (iv) anticipated timing for the opening of additional Gage dispensaries, and (v) other approvals and closing conditions contained in the Arrangement Agreement; statements with respect to the anticipated effects of the Transaction on TerrAscend and its strategy going forward and statements with respect to the anticipated benefits associated with the acquisition of Gage. Actual results and developments may differ materially from those contemplated by these statements. 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Risk factors that could cause actual results to differ materially from forward-looking information in this presentation include: the Company's exposure to legal and regulatory risk; the effect of the legalization of adult-use cannabis in jurisdictions where the Company operates on the medical cannabis industry is unknown and may significantly and negatively affect the Company's medical cannabis business; that the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis are not as currently expected; that adverse changes or developments affecting the Company's main or planned facilities may have an adverse effect on the Company; that the medical cannabis industry and market may not continue to exist or develop as anticipated or the Company may not be able to succeed in this market; risks related to market competition; risks related to the proposed adult-use and medical cannabis industries and markets including the Company's ability to enter into or compete in such markets; that the Company has a limited operating history and a history of net losses and that it may not achieve or maintain profitability in the future; risks related to the Company's current or proposed international operations; risks related to future third party strategic alliances or the expansion of currently existing relationships with third parties; that the Company may not be able to successfully identify and execute future acquisitions or dispositions or successfully manage the impacts of such transactions on its operations; risks inherent to the operation of an agricultural business; that the Company may be unable to attract, develop and retain key personnel; risks resulting from significant interruptions to the Company's access to certain key inputs such as raw materials, electricity, water and other utilities; that the Company may be unable to transport its cannabis products to patients in a safe and efficient manner; risks related to recalls of the Company's cannabis products or product liability or regulatory claims or actions involving the Company's cannabis products; risks related to the Company's reliance on pharmaceutical distributors, suppliers and skilled labor; that the Company, or the cannabis industry more generally, may receive unfavourable publicity or become subject to negative consumer or investor perception; that certain events or developments in the cannabis industry more generally may impact the Company's reputation or its relationships with customers or suppliers; risks related to insurance; that the Company may become subject to liability arising from fraudulent or illegal activity by its employees, contractors, consultants and others; that the Company may experience breaches of security at its facilities or losses as a result of the theft of its products; risks related to the Company's information technology systems; that the Company may be unable to sustain its revenue growth and development; that the Company may be unable to expand its operations quickly enough to meet demand or manage its operations beyond their current scale; that the Company may be unable to secure adequate or reliable sources of necessary funding; risk related to the available funds of the Company and the use of such funds; risks related to, or associated with, the Company's exposure to reporting requirements; risks related to conflicts of interest; risks related to the reliance on the expertise and judgment of senior management of the Company, and ability to retain such senior management; risks related to the management of growth; risk of litigation; risks related to energy costs; risks related to fluctuations in foreign currency exchange rates; risks related to the Company's potential exposure to greater-than-anticipated tax liabilities; risks related to the protection and enforcement of the Company's intellectual property rights, or the intellectual property that it licenses from others; that the Company may become subject to allegations that it or its licensors are in violation of the intellectual property rights of third parties; that the Company may not realize the full benefit of the clinical trials or studies that it participates in; that the Company may not realize the full benefit of its licenses if the licensed material has less market appeal than expected and the licenses may not be profitable; and any other risks that may be included in the Filings.

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Non-IFRS Measures, Reconciliation and Discussion

Certain financial measures in this presentation are non-IFRS measures, including, Adjusted Gross Profit and Adjusted EBITDA. These terms are not defined by IFRS and, therefore, may not be comparable to similar measures provided by other companies. These metrics have no direct comparable IFRS financial measure. Such information is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. For more information, please see "Non-IFRS Financial Measures" in the Company's Interim MD&A available on www.sedar.com.

Adjusted Gross Profit and the associated margin are non-IFRS measures which management uses to evaluate the performance of the Company's business as it reflects its ongoing profitability. The Company believes that certain investors and analysts use this measure to evaluate a company's ability to service debt and to meet other payment obligations or as a common measurement to value companies in certain industries. The Company measures Adjusted Gross Profit as Gross Profit / (loss) less the cost of a one-time inventory impairments. The associated margin is Adjusted Gross Profit as a percentage of Net Sales.

Adjusted EBITDA and the associated margin are non-IFRS measures which management uses to evaluate the performance of the Company's business as it reflects its ongoing profitability. The Company believes that certain investors and analysts use this measure to evaluate a company's ability to service debt and to meet other payment obligations or as a common measurement to value companies in certain industries. The Company measures Adjusted EBITDA as EBITDA less unrealized gain on changes in fair value of biological assets and other income plus fair value changes in biological assets included in inventory sold, impairments, restructuring costs, purchase accounting adjustments, transaction costs, share based compensation, revaluation of warrants and derivatives liabilities, unrealized loss on investments or foreign exchange, settlement costs related to contractual disputes, and other one-time non-recurring items. The associated margin is Adjusted EBITDA as a percentage of Net Sales.

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Company Overview

JASON WILD
Executive Chairman

Among the Leaders in Each of our Four Key Markets

MICHIGAN

Population
9.9 Million

Industry Leading Retail and Exclusive Brand Partnerships

PENNSYLVANIA

Population
12.8 Million

Scaled Vertical Operation

NEW JERSEY

Population
8.9 Million

1 of 7 Adult-Use Operators

1 of 2 Operators with 3 Adult-Use Dispensaries Opened

MARYLAND

Population
6.2 Million

Scaled Facility Operationalizing Imminently

Four Key Markets

New Jersey

- Launch of adult-use in late April
- 3 retail locations; Maplewood, Phillipsburg, and Lodi
- Each store can achieve at least a $40M run rate in first full year of adult-use sales

Pennsylvania

- Sales grew sequentially amidst a challenging and competitive environment
- Completed transition from old to new genetics, which are resonating well with patients
- Capital expenditures complete
- Library of new strains and upcoming new product and brand launches
- PA remains a key market long term

Maryland

- Adult Use on November ballot
- On schedule with Hagerstown expansion and closing of Allegany dispensary acquisition
- Pursuit of additional dispensaries, up to 4 dispensary limit, will position as leading vertically integrated operator

Michigan

- Integration of Gage acquisition nearly complete
- Adjusted cost structure
- Launched branded wholesale initiative and opened manufacturing and extraction lab
- Expect to have 20 total retail locations open by year end

Business Overview

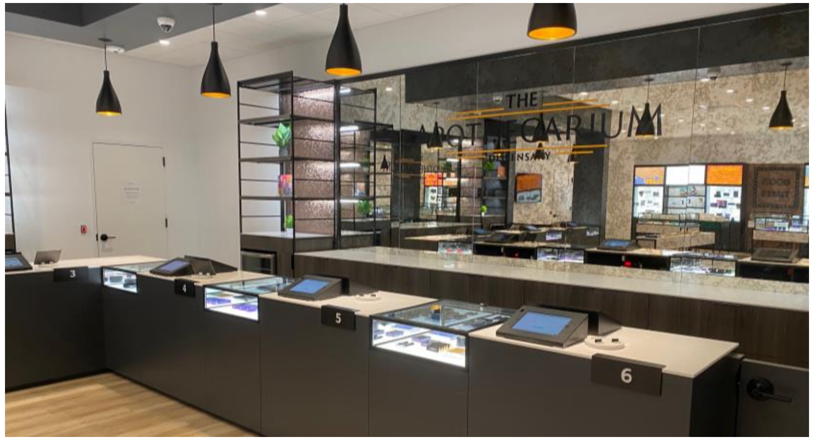
ZIAD GHANEM
President & COO

New Jersey

2Q'22 Highlights

- **Adult-Use Sales Began on April 21st**
  - Results reflect a partial quarter of adult-use sales at 2 of 3 locations.
  - Phillipsburg and Maplewood stores are performing well, with revenue, foot traffic, basket size and other key metrics exceeding expectations.
- **Although Later than Expected, Third Location in Lodi is Now Open**
  - Soft opening over past two weeks with Grand Opening planned for this weekend.
- **Today, Only 1 of 2 Operators with all 3 Dispensaries Open for Recreational Sales**

LODI, NEW JERSEY



Cookies®

BOONTON, NJ

Pennsylvania

2Q'22 Highlights

- **Revenue Grew Sequentially**
  - Improvements made to cultivation facility and genetic library have significantly upgraded product quality and selection
  - Fully transitioned from old genetics to popular new strains
  - Wholesale customers and retail patients are responding positively
- **Retail and Wholesale**
  - 6 dispensaries open
  - Seeing attractive acquisition opportunities for larger retail footprint
  - At wholesale, sequential increase in realized sales price per pound of flower
- **Completed Investment in PA**
  - Resulted in higher quality product and additional capacity
  - Prepared to meet increased demand in an expected adult-use market without significant further investment

1. Source: September 2021, PCC Month in Review, Pennsylvania Cannabis Coalition
2. Source: 8th Edition, The State of the Legal Cannabis Markets, Arcview Market Research (Published May 5, 2020))

Maryland

2Q'22 Highlights

- **Hagerstown Buildout**
  - Build out will be complete and operational this quarter
  - Large facility, at 150,000 square feet, a fully functioning processing area and a kitchen
  - Doubles existing capacity with room for further expansion
  - Enables expansion into new product offerings
- **Allegany Medical**
  - Expect to close in coming weeks, subject to regulatory approval
  - 8,000 square foot dispensary within 6 miles of West Virgina and Pennsylvania
- **Further Dispensary Acquisition**
  - Continue to actively look for other retail locations to achieve the 4 dispensary limit to be better positioned for the anticipated strong adult-use demand

1. Source: 8th Edition, The State of the Legal Cannabis Markets, Arcview Market Research (Published May 5, 2020)

Michigan

2Q'22 Highlights

- **Gage Acquisition**
  - First full quarter of contribution from Gage
  - Continued integration to best position for efficiency, profitability and positive cash flow
- **Wholesale**
  - Launched branded wholesale business – leveraging popular Cookies and Gage brands
  - Branded wholesale is an important growth driver going forward
- **Retail**
  - Today, retail footprint is comprised of 12 dispensaries
  - Introduced Khalifa Kush into dispensaries during the quarter
  - Expecting 20 total locations in coming months

1. Source: 8th Edition, The State of the Legal Cannabis Markets, Arcview Market Research (Published May 5, 2020)

GAGE

CANNABIS CO

Business Overview

KEITH STAUFFER
Chief Financial Officer

2022 Second Quarter Financial Results

Q2 Net Sales: $64.8 million
+30.5% sequentially; +10.4% YOY

30.5% sequential growth driven mainly by a partial quarter of adult use sales in NJ, followed by a full quarter contribution related to Gage acquisition

$16.8M Wholesale

- Decline of 30% sequentially:
  - Discontinuing lower margin, non-branded wholesale in Michigan
  - +11% in Pennsylvania
  - Decrease in Maryland due to legacy facility challenges

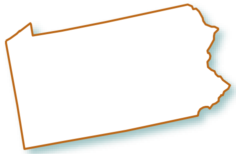
$48M Retail

- Increase of 87% sequentially:
  - Full quarter of sales in Michigan
  - Beginning of adult use sales in New Jersey
  - Pennsylvania and California both stable QoQ

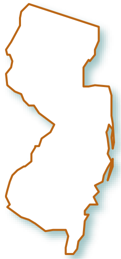
Q2 Gross Profit Margin: 35.5%

Adj. Gross Margin*: 47.1% (Q2 '22) vs 38.4% (Q1 ‘22)

* Excluding one-time impacts, which includes reserves for aged inventory in Pennsylvania dating back to our revamp of the facility in the second half of 2021.



Pennsylvania, experienced a nearly 1,000 basis point expansion driven by volume improvement in both flower and vapes.



New Jersey, margin improved by over 800 basis points as the business scaled with the beginning of adult-use sales in late April. Margins improved sequentially each month of the quarter.

Michigan, margins recovered back to nearly 40% as we focused on profitable revenue by discontinuing non-branded wholesale sales. Opened extraction facility in Q2 which is expected to benefit margins from this capability in Q3.

Expect Second Half 2022 Adjusted Gross Margins to be Similar to Q2 Levels

Tailwinds include growth in NJ, ramp up of extraction lab in MI, and on-going COGS productivity initiatives across all facilities, while pricing pressure in PA and MI will continue to be a headwind.

Q2 Adjusted EBITDA:
$5.8 million

Adjusted EBITDA Margin:
8.9% (Q2) vs 6.6% (Q1)

Highlights

- Improvement was driven by higher sales and improved gross margin, offset by higher G&A expenses with the addition of Gage for a full quarter
- Expect continued sequential growth in Adj. EBITDA as well as Adj. EBITDA margin expansion in Q3 and Q4
- GAAP Net Income of $14.2 million

Thank You

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Appendix – Reconciliation of Non-GAAP Measures

The table below reconciles net loss to EBITDA and Adjusted EBITDA for the quarters ended June 30, 2022, March 31, 2022, and June 30, 2021.

	For the Three Months Ended		
	June 30, 2021	**March 31, 2022**	**June 30, 2022**
Net income (loss)	$ (29,662)	$ (16,006)	$ 14,162
Add (deduct) the impact of:			
Provision for income taxes	6,937	3,743	4,688
Finance expenses	6,424	6,699	9,427
Amortization and depreciation	3,529	5,084	7,046
EBITDA	**(12,772)**	**(480)**	**35,323**
Add (deduct) the impact of:			
Relief of fair value of inventory upon acquisition	567	1,806	549
Non-cash write downs of inventory	449	-	5,894
Vape recall	-	1,894	1,071
Share-based compensation	4,648	3,356	4,463
Impairment of goodwill and intangible assets	8,640	—	—
Loss on disposal of fixed assets	36	—	929
Revaluation of contingent consideration	(7)	119	34
Restructuring and executive severance	467	—	—
Legal settlements	740	—	—
Other one-time items	860	1,974	924
(Gain) loss on fair value of warrants and purchase option derivative asset	19,891	(5,713)	(47,345)
Indemnification asset release	2,599	(25)	3,998
Unrealized and realized loss (gain) on investments	(5,964)	—	234
Unrealized and realized foreign exchange loss	3,055	356	(306)
Adjusted EBITDA	**$ 23,209**	**$ 3,287**	**$ 5,768**

Appendix – Reconciliation of Non-GAAP Measures

The table below reconciles Gross Profit and Adjusted Gross Profit for the quarters ended June 30, 2022, March 31, 2022, and June 30, 2021.

	For the Three Months Ended		
(in millions of U.S. Dollars)	**June 30, 2021**	**March 31, 2022**	**June 30, 2022**
Gross profit	34,835	15,140	22,993
Add (deduct) the impact of:			
Vape recall	—	1,894	1,071
Accelerated depreciation	—	238	—
Non-cash write downs of inventory	449	—	5,894
Relief of fair value of inventory upon acquisition	567	1,806	549
Adjusted gross profit	**35,851**	**19,078**	**30,507**