

# TerraAscend Reports Strong Second Quarter 2020 Net Sales of \$47.2 Million and Adjusted EBITDA of \$11.4 Million

*-- Net sales increased 36% quarter-over-quarter and 169% year-over-year*

*--Adjusted EBITDA of \$11.4 million, increasing 131% quarter-over-quarter*

*-- Positive cashflow from operations of \$10.4 million*

*- Anticipates 2020 full year net sales of at least \$192 million and adjusted EBITDA of at least \$45 million; Expects continued positive cashflow from operations in the second half of the year*

NEW YORK and TORONTO, Aug. 20, 2020 /CNW/ - TerraAscend Corp. ("TerraAscend" or the "Company") (CSE: TER) (OTCQX: TRSSF), a leading North American cannabis operator, today reported financial results for its second quarter ending June 30, 2020.

## Second Quarter 2020 Financial Highlights

*(Unless otherwise stated, comparisons are made between Fiscal Q2 2020 and Q2 2019 results and are in Canadian dollars)*

- **Net sales** increased 169% to \$47.2 million from \$17.6 million.
- **Gross margin** increased to 56%, compared to 9% (before gain on fair value of biological assets).
- **Adjusted EBITDA**<sup>1</sup> was \$11.4 million, or 24% of net sales.
- **Positive Cashflow from operations** of \$10.4 million.
- **Cash & equivalents** (including restricted cash) of \$75 million, compared to \$17 million.

## Management Commentary

"We are producing strong revenue growth while maintaining our focus on delivering industry leading margins and profitability," said Jason Ackerman, CEO and Executive Chairman of TerraAscend. "I am incredibly proud of the performance we have achieved to date and want to thank our entire team for the great execution. After achieving our first quarter of positive EBITDA in Q1, we have now achieved another significant milestone of positive cashflow from operations in Q2. Moving into the second half of 2020, we look forward to continued strong revenue and profitable growth as we bring our high-quality products to New Jersey patients through our first Apothecarium dispensary in the state, further expand our cultivation capacity in Pennsylvania, and add to our retail footprint in California. We are also very excited to complete the buildout of our cultivation facility in New Jersey which will begin to generate material sales in early 2021".

## Second Quarter 2020 Operational Highlights

- [Appointed Jason Ackerman as permanent Chief Executive Officer.](#)
- [Named Keith Stauffer as Chief Financial Officer.](#)
- [Closed on an oversubscribed non-brokered private placement, resulting in gross proceeds of US\\$37 million](#)
- [Opened second Pennsylvania Apothecarium dispensary in Lancaster](#)

## Subsequent Events

- [Opened third Pennsylvania Apothecarium dispensary in Thorndale](#)
- [Opened fourth California Apothecarium dispensary in Berkeley](#)
- [Received approval to commence cultivation in its 37,000 square foot New Jersey greenhouse, the first approved for medical cannabis cultivation in the state](#)
- [Named Jason Marks as new Chief Legal Officer](#)

## 2020 OUTLOOK AND GROWTH PLANS

Based on the ongoing strength of the Company's operations, TerrAscend anticipates full year net sales of at least \$192 million driven by second half 2020 net sales growth of at least 34% versus the first half of 2020 and 109% year over year. Adjusted EBITDA for the year is expected to be at least \$45 million. The outlook is driven by the company's continued emphasis on further expansion of its most profitable business in Pennsylvania and ramp up and further expansion of its retail footprint in Pennsylvania, New Jersey, and California while maintaining a tight overall focus on costs.

Key financial highlights are summarized as follows:

### Q2 2020 Financial Summary

<i>(In 000's of Canadian Dollars, Except Per Share Amounts)</i>	<b>Q2 2020</b>	<b>Q1 2020</b>	<b>Q2 2019</b>
Net Sales	<b>\$47,230</b>	\$34,798	\$17,572
QoQ increase	<b>36%</b>		
YoY increase	<b>169%</b>		
Gross profit (loss) before gain on fair value of biological assets	<b>26,464</b>	15,546	1,509
% of Net Sales	<b>56%</b>	45%	9%
General & Administrative Expense	<b>15,706</b>	14,600	11,376
% of Net Sales	<b>33%</b>	42%	65%
EBITDA <sup>1</sup>	<b>3,777</b>	1,802	(16,777)
Total adjusted EBITDA <sup>1</sup>	<b>11,431</b>	4,941	(8,649)
Adjusted EBITDA % of Net Sales	<b>24%</b>	14%	-49%

1. EBITDA and Adjusted EBITDA are Non-IFRS measures. Please see discussion and reconciliation of Non-IFRS measures below.

Net sales increased 169% to \$47.2 million in the second quarter of 2020 ("Q2 2020"), as compared to \$17.6 million in the second quarter of 2019 ("Q2 2019"). Net sales in the U.S were \$42.2 million in Q2 2020, contributing 90% of total consolidated net sales, reflecting TerrAscend's continued focus on this important market. This increase was driven by the operational scale-up of TerrAscend's U.S footprint, which the Company has strategically expanded through investments in production capacity as well as its wholesale and retail sales presence. The Company continued to expand organically through an increase in production and wholesale capacity in Pennsylvania and store expansions in Pennsylvania

and California.

Gross margin, before gain on fair value of biological assets, was 56% in Q2 2020, compared to 45% in Q1 2020 and 9% in Q2 2019. The increase in gross margin is the result of the Company's shift to higher margin opportunities in the U.S., as well as ongoing initiatives to optimize its Canadian operations to focus on a more profitable and sustainable business.

Q2 2020 G&A expense was \$15.7 million, representing 33% of Net Sales, a reduction from 42% of Net Sales in Q1 2020 and 65% of Net Sales in Q2 2019. TerrAscend expects to continue to strategically invest in acquiring the talent and developing the appropriate infrastructure to ensure continued success in the high-growth U.S market while driving operating leverage as the Company's operations continue to scale.

Adjusted EBITDA was \$11.4 million in Q2 2020, compared to \$4.9 million in Q1 2020 and an Adjusted EBITDA Loss of \$(8.6) million in Q2 2019. Adjusted EBITDA margins expanded sequentially to 24% in Q2 2020 from 14% in Q1 2020.

Cashflow from Operations was \$10.4 million, representing the first quarter of positive cashflow from operations for the Company.

Cash and cash equivalents, including restricted cash, were \$75 million as of June 30, 2020, compared to \$17 million as of June 30, 2019, and \$31 million as of March 31, 2020. The sequential increase in cash and equivalents was driven by the previously announced \$37 million non-brokered private placement and positive cashflow from operations.

## Conference Call

TerrAscend will host a conference call today, August 20, 2020, to discuss these results. Jason Ackerman, Executive Chairman and Chief Executive Officer, Keith Stauffer, Chief Financial Officer, and Jason Wild, Chairman, will host the call starting at 8:30 a.m. Eastern time. A question and answer session will follow management's presentation.

DATE:	Thursday, August 20 <sup>th</sup> , 2020
TIME:	8:30 a.m. Eastern Time
WEBCAST:	<a href="#">Click to Access</a>
DIAL-IN NUMBER:	1 (888) 664-6392
CONFERENCE ID:	45891339
REPLAY:	(416) 764-8677 or (888) 390-0541
	Available until 12:00 midnight Eastern Time Friday, September 3 <sup>rd</sup> , 2020

Financial results and analyses are available on the Company's website ([www.terrascend.com](http://www.terrascend.com)) and SEDAR ([www.sedar.com](http://www.sedar.com)).

***The Canadian Securities Exchange ("CSE") has neither approved nor disapproved the contents of this news release. Neither the CSE nor its Market Regulator (as that term is defined in the policies of the CSE) accepts responsibility for the adequacy or accuracy of this release.***

## About TerrAscend

TerrAscend provides quality products, brands, and services to the global cannabinoid market. As the first North American Operator (NAO), with scale operations in both Canada and the US, TerrAscend participates in the medical and legal adult use markets across

these jurisdictions. TerrAscend operates a number of synergistic businesses, including Ilera Healthcare, Pennsylvania's premier medical marijuana cultivator, processor and dispenser; The Apothecarium, an award-winning cannabis dispensary with several retail locations in California; Valhalla Confections, a manufacturer of premium cannabis-infused edibles; and Arise Bioscience Inc., a manufacturer and distributor of hemp-derived products. TerrAscend holds a cultivation permit in the State of New Jersey and is pending approval for a vertically integrated medical cannabis operation with the ability to operate up to 3 Alternative Treatment Centers. Additionally, TerrAscend holds a Medical Cannabis Processor License in the State of Utah. For more information, visit [www.terrascend.com](http://www.terrascend.com).

### **Non-IFRS Measures, Reconciliation and Discussion**

Certain financial measures in this news release are non-IFRS measures, including Pro forma revenue, EBITDA 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](http://www.sedar.com).

Pro forma revenue is a non-IFRS measure which management uses to capture total revenue plus revenue from pending and closed acquisitions as if such acquisitions had occurred at the beginning of the performance period. The Company considers this measure to be an appropriate indicator of the growth and scope of the business.

EBITDA is a non-IFRS measure which management uses to evaluate the performance of the Company's business as it reflects its ongoing profitability. EBITDA is calculated as earnings before interest, tax, depreciation and amortization.

Adjusted EBITDA is a non-IFRS measure 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 Adjusted EBITDA to measure a company's ability to service debt and to meet other payment obligations or as a common measurement to value companies in the biopharmaceutical industry. 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, purchase accounting adjustments, transaction costs, share based compensation and unrealized loss on investments. The Company believes that this definition is suited to measure the Company's ability to service debt and to meet other payment obligations.

Certain comparative figures have been reclassified to conform to the current period's presentation.

### **Caution Regarding Cannabis Operations in the United States**

Investors should note that there are significant legal restrictions and regulations that govern the cannabis industry in the United States. Cannabis remains a Schedule I drug under the US Controlled Substances Act, making it illegal under federal law in the United States to, among other things, cultivate, distribute or possess cannabis in the United States. Financial transactions involving proceeds generated by, or intended to promote, cannabis-related business activities in the United States may form the basis for prosecution under applicable

US federal money laundering legislation.

While the approach to enforcement of such laws by the federal government in the United States has trended toward non-enforcement against individuals and businesses that comply with medical or adult-use cannabis programs in states where such programs are legal, strict compliance with state laws with respect to cannabis will neither absolve TerrAscend of liability under US federal law, nor will it provide a defense to any federal proceeding which may be brought against TerrAscend. The enforcement of federal laws in the United States is a significant risk to the business of TerrAscend and any proceedings brought against TerrAscend thereunder may adversely affect TerrAscend's operations and financial performance.

### **Forward Looking Information**

This news release contains "forward-looking information" within the meaning of applicable securities laws. Forward-looking information contained in this press release may be identified by the use of words such as, "may", "would", "could", "will", "likely", "expect", "anticipate", "believe", "intend", "plan", "forecast", "project", "estimate", "outlook" and other similar expressions, and include statements with respect to future revenue and profits. Forward-looking information is not a guarantee of future performance and is based upon a number of estimates and assumptions of management in light of management's experience and perception of trends, current conditions and expected developments, as well as other factors relevant in the circumstances, including assumptions in respect of current and future market conditions, the current and future regulatory environment; and the availability of licenses, approvals and permits.

Although the Company believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because the Company can give no assurance that they will prove to be correct. Actual results and developments may differ materially from those contemplated by these statements. Forward-looking information is subject to a variety of risks and uncertainties that could cause actual events or results to differ materially from those projected in the forward-looking information. Such risks and uncertainties include, but are not limited to, current and future market conditions; risks related to federal, state, provincial, territorial, local and foreign government laws, rules and regulations, including federal and state laws in the United States relating to cannabis operations in the United States; and the risk factors set out in the Company's annual information form dated May 31, 2019, filed with the Canadian securities regulators and available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

The statements in this press release are made as of the date of this release. The Company disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

### **Financial Outlook**

This press release contains a financial outlook within the meaning of applicable Canadian securities laws. The financial outlook has been prepared by management of TerrAscend to provide an outlook for the first quarter of 2020 and may not be appropriate for any other purpose. The financial outlook has been prepared based on a number of assumptions including the assumptions discussed under the heading "Forward Looking Information"

above and assumptions with respect to production, pricing, and demand, The actual results of TerrAscend's operations for any period will likely vary from the amounts set forth in these projections and such variations may be material. TerrAscend and its management believe that the financial outlook has been prepared on a reasonable basis. However, because this information is highly subjective and subject to numerous risks, including the risks discussed under the heading "Forward Looking Information" above, it should not be relied on as necessarily indicative of future results. Except as required by applicable Canadian securities laws, TerrAscend undertakes no obligation to update the financial outlook.

TerrAscend undertakes no obligation to comment on analyses, expectations or statements made by third parties in respect of TerrAscend, its securities, or financial or operating results (as applicable).

SOURCE TerrAscend