

May 25, 2021



TILT Holdings Reports Record First Quarter 2021 Financial Results

Record Q1 Revenue of \$46.8 Million up 15% YoY and 11% QoQ

Record Adjusted EBITDA of \$6.2 Million up 28% YoY and 36% QoQ

Reiterates 2021 Guidance of Revenue Between \$205 - \$210 Million and Adjusted EBITDA Between \$30 - \$32 Million

PHOENIX, May 25, 2021 (GLOBE NEWSWIRE) -- [TILT Holdings Inc.](#) ("TILT" or the "Company") (CSE: TILT) (OTCQX: TLLTF), a global provider of cannabis business solutions that include inhalation technologies, cultivation, manufacturing, processing, brand development and retail, reported its financial and operating results for the three-months ended March 31, 2021. All financial information is provided in U.S. dollars unless otherwise indicated.

"Our first quarter results reflect another period of strong execution as we continue to build an integrated B2B cannabis company that partners with leading MSOs, LPs and cannabis brands," said Gary Santo, President of TILT. "The results of that execution and our team's hard work show up where it matters—in the numbers. We generated double-digit revenue growth and reduced cash operating costs on an absolute basis, all from the same asset base. We are more efficient operators today and we are just getting started. Over the coming quarters, we expect to benefit from our recently added cultivation capacity and secure additional brand partners as we expand our portfolio of products and services for our B2B partners and the industry at large."

Q1 2021 Financial Summary (vs. Q1 2020, where applicable)

- Revenue increased 15% to \$46.8 million compared to \$40.6 million driven by growth in both cannabis and inhalation and accessory revenue. Cannabis revenue increased 45% to \$11.7 million and inhalation and accessory revenue increased 8% to \$35.1 million.
- Gross profit before fair value adjustments increased 7% to \$13.5 million or 29% of revenue, compared to \$12.6 million or 31% of revenue. Gross margins were impacted by timing of capacity expansions in Massachusetts.
- Operating expenses less non-cash adjustments for stock compensation, depreciation/amortization and one-time charges was \$7.9 million, a 10% decrease from \$8.8 million. As a percentage of revenue, operating expenses totaled 17% compared to 22%.
- Adjusted EBITDA increased 28% to \$6.2 million compared to \$4.9 million. As a percentage of revenue, Adjusted EBITDA totaled 13.2% compared to 12%.
- At March 31, 2021, cash and cash equivalents increased 21% to \$9.0 million

compared to \$7.4 million at December 31, 2020.

Q1 2021 Operational Highlights

- Generated record accessory orders during the quarter.
- Generated record flower sales for March in Pennsylvania, where cultivation yields are up 16% over the last five months.
- Launched three Her Highness NYC branded products in Massachusetts within 30 days of signing manufacturing and distribution contract.
- Completed expansion of additional grow rooms in Massachusetts, which more than doubles cultivation capacity in the state to 56,500 ft².
- Taunton, MA medical dispensary reported record monthly revenue in March.
- Increased footprint in the northeast with completed acquisition of Standard Farms Ohio LLC, which brings a 9,600 ft² processing and CO₂ extraction facility.

Operational Highlights Subsequent to Quarter End

- President Gary Santo to succeed Mark Scatterday as CEO of TILT Holdings, effective June 1, 2021. Mark Scatterday to continue on as Chairman of the Board.
- Approved for adult-use license in Brockton, Massachusetts; state license still pending.
- Announced partnership with Airo Brands, a multi-state CPG company focused on proprietary inhalation products to launch products in Pennsylvania.

Earnings Call and Webcast

The Company will host a webcast at 5:00 PM ET today to discuss financial and operational results for the reported quarter.

The live webcast may be accessed from the Events and Presentations menu in the Investor Relations section of the Company's website at <http://public.viavid.com/index.php?id=144960> or to access the conference call via telephone, please dial, 1-877-705-6003. Please register at least 10 minutes prior to the scheduled start to download and install any necessary audio software.

A replay of the webcast will be available in the Past Events section of the Company's Investor Relations website approximately 2 hours after the live event and will be archived for 30 days.

About TILT

[TILT](#) helps cannabis businesses build brands. Through a portfolio of companies providing technology, hardware, cultivation and production, TILT services brands and cannabis retailers across 36 states in the U.S., as well as Canada, Israel, Mexico, South America and the European Union. TILT's core businesses include [Jupiter Research LLC](#), a wholly-owned subsidiary and leader in the vaporization segment focused on hardware design, research, development and manufacturing; and cannabis operations, [Commonwealth Alternative Care, Inc.](#) in Massachusetts, [Standard Farms LLC](#) in Pennsylvania and [Standard Farms Ohio,](#)

[LLC](#) in Ohio. TILT is headquartered in Phoenix, Arizona. For more information, visit www.tiltholdings.com.

Forward-Looking Information

This news release contains forward-looking information based on current expectations. Forward-looking information is provided for the purpose of presenting information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. Forward looking information may include, without limitation, expectations regarding 2021 revenue and Adjusted EBITDA guidance, anticipated benefits from recently added cultivation capacity, expectations with respect to securing additional brand partners, the opinions or beliefs of management, prospects, opportunities, priorities, targets, goals, ongoing objectives, milestones, strategies and outlook of TILT, and includes statements about, among other things, future developments, the future operations, strengths and strategy of TILT. Generally, forward looking information can be identified by the use of forward looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". These statements should not be read as guarantees of future performance or results. These statements are based upon certain material factors, assumptions and analyses that were applied in drawing a conclusion or making a forecast or projection, including TILT's experience and perceptions of historical trends, the ability of TILT to maximize shareholder value, current conditions and expected future developments, as well as other factors that are believed to be reasonable in the circumstances.

Although such statements are based on management's reasonable assumptions at the date such statements are made, there can be no assurance that it will be completed on the terms described above and that such forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such forward-looking information. Accordingly, readers should not place undue reliance on the forward-looking information. TILT assumes no responsibility to update or revise forward-looking information to reflect new events or circumstances unless required by applicable law.

By its nature, forward-looking information is subject to risks and uncertainties, and there are a variety of material factors, many of which are beyond the control of TILT, and that may cause actual outcomes to differ materially from those discussed in the forward-looking statements.

For additional information regarding forward-looking statements and their related risks, please refer to the "Risk Factors and Uncertainties" section in the Management Discussion and Analysis of the Company for the quarter and year ended on December 31, 2020, which is available on the Company's SEDAR profile at www.sedar.com.

Non-IFRS Financial and Performance Measures

In addition to providing financial measurements based on International Financial Reporting Standards ("IFRS"), the Company provides additional financial metrics that are not prepared

in accordance with IFRS. Management uses non-IFRS financial measures, in addition to IFRS financial measures, to understand and compare operating results across accounting periods, for financial and operational decision making, for planning and forecasting purposes and to evaluate the Company's financial performance. These non-IFRS financial measures are EBITDA and Adjusted EBITDA. Management believes that these non-IFRS financial measures reflect the Company's ongoing business in a manner that allows for meaningful comparisons and analysis of trends in the business, as they facilitate comparing financial results across accounting periods and to those of peer companies. Management also believes that these non-IFRS financial measures enable investors to evaluate the Company's operating results and future prospects in the same manner as management. These non-IFRS financial measures may also exclude expenses and gains that may be unusual in nature, infrequent or not reflective of the Company's ongoing operating results.

As there are no standardized methods of calculating these non-IFRS measures, the Company's methods may differ from those used by others, and accordingly, the use of these measures may not be directly comparable to similarly titled measures used by others.

Accordingly, these non-IFRS measures are 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.

EBITDA and Adjusted EBITDA

EBITDA and Adjusted EBITDA are financial measures that are not defined under IFRS. The Company uses these non-IFRS financial measures, and believes they enhance an investor's understanding of the Company's financial and operating performance from period to period, because they exclude certain material non-cash items and certain other adjustments management believes are not reflective of the Company's ongoing operations and performance. The Company calculates EBITDA as net income (loss), plus (minus) income taxes (recovery), plus (minus) finance expense (income), plus depreciation and amortization expense. Adjusted EBITDA excludes certain one-time, non-cash or non-operating expenses, as determined by management, including stock compensation expense, business acquisition expense, debt issuance costs, severance, unrealized (gain) loss on changes in fair value of biological assets and fair value changes in biological assets included in inventory sold.

Reconciliations of Non-IFRS Financial and Performance Measures

Adjusted EBITDA is reconciled to Net Loss below as well as the section labelled "Reconciliation of Net Income (Loss) to Non-IFRS Measures" in the Management Discussion and Analysis of the Company for the three months ended on March 31, 2021, which is available on the Company's SEDAR profile at www.sedar.com.

Selected Financial Results

Table 1: Income Statement:
(in US\$ thousands, unaudited)

	Three Months Ended		
	Mar 31, 2021	Dec 31, 2020	Mar 31, 2020
(\$ thousands)			
Revenue	\$ 46,780	\$ 42,265	\$ 40,625

Cost of Goods Sold	33,327	30,985	28,000
Gross Profit, <i>Before FV Adj.</i>	13,453	11,280	12,625
Gross Margin %, <i>Before FV Adj.</i>	29%	27%	31%
Gain on FV of Bio. Assets	14,720	13,650	15,971
FV of Bio. Assets in Inventory Sold	(13,400)	(14,063)	(6,073)
Gross Profit, <i>After FV Adj.</i>	14,773	10,867	22,523
Gross Margin %, <i>After FV Adj.</i>	32%	26%	55%
Total Operating Expenses	13,108	49,703	14,215
Income (Loss) from Continuing Operations	1,665	(38,836)	8,308
Total Other Income (Expense)	(2,768)	(15,841)	(2,212)
Income Tax (Expense) Recovery	(477)	9,313	(2,308)
Net Income (Loss) from Continuing Operations	\$ (1,579)	\$ (45,364)	\$ 3,788
Net (Loss) from discontinued operations, net of tax	-	(46,783)	(3,737)
Net Income (Loss)	\$ (1,579)	\$ (92,147)	\$ 51
EBITDA, Non-IFRS	6,421	(49,612)	13,765
Adjusted EBITDA, Non-IFRS	\$ 6,195	\$ 4,545	\$ 4,855

Table 2: Reconciliation of Non-IFRS Measures:

(in US\$ thousands, unaudited)

(\$ thousands)	Three Months Ended		
	Mar 31, 2020	Dec 31, 2020	Mar 31, 2020
Net (Loss) from Continuing Operations	\$ (1,579)	\$ (45,364)	\$ 3,788
Add (Deduct) Impact of:			
Interest (Income)	(603)	(1,595)	(840)
Finance Expense	2,597	1,847	2,846
Income Tax Expense (Recovery)	477	(9,313)	2,308
Depreciation and Amortization	5,529	4,813	5,663
Total Adjustments	8,000	(4,248)	9,977
EBITDA (Non-IFRS)	\$ 6,421	\$ (49,612)	\$ 13,765
Add (Deduct) Impact of:			
Stock Compensation Expense	882	817	617
Severance	-	-	104
(Gain) Loss on Sale of Assets	67	(32)	-
Lease Restructuring Costs	(14)	-	267

Deferred Rent Adjustment	(548)	-	-
Legal Settlement	2	275	-
Unrealized (Gain) Loss on Investment in Equity Security	705	23	-
Loss on Loan Receivable	-	16,416	-
One time bad debt expense	-	2,169	-
Derecognition and impairment loss	-	34,076	-
Unrealized (Gain) on Changes in FV of Bio. Assets	(14,720)	(13,650)	(15,971)
FV Changes in Bio. Assets Included in Inventory Sold	13,400	14,063	6,073
Total Adjustments	(226)	54,157	(8,910)
Adjusted EBITDA (Non-IFRS)	\$ 6,195	\$ 4,545	\$ 4,855

Table 3: Condensed Consolidated Statements of Cash Flow:

(in US\$ thousands, unaudited)

	Mar 31, 2021	Mar 31, 2020
Cash provided by (used in) operating activities - continuing operations	\$ 2,621	\$ 6,344
Cash (used in) operating activities - discontinuing operations	-	(2,095)
Net cash provided by operating activities	2,621	4,249
Cash (used in) provided by investing activities - continuing operations	(350)	1,393
Cash (used in) investing activities - discontinuing operations	-	(327)
Net cash (used in) provided by investing activities	(350)	1,066
Cash (used in) financing activities - continuing operations	(747)	(776)
Cash (used in) financing activities - discontinuing operations	-	-
Net cash (used in) financing activities	(747)	(776)
Effect of foreign exchange on cash and cash equivalents	4	1,310
Net change in cash and cash equivalents	1,528	5,848
Cash and cash equivalents, beginning of year	7,427	2,580
Cash and cash equivalents, end of year	\$ 8,955	\$ 8,428

Table 4: Condensed Consolidated Statements of Financial Position (Select Items)

(in US\$ thousands, unaudited):

	Mar 31, 2021	Dec 31, 2020
(\$ thousands)		
Cash and Cash Equivalents	\$ 8,955	\$ 7,427
Biological Assets	15,076	11,201
Inventory	52,460	52,634
Total Current Assets	98,326	101,889
Property, Plant & Equipment, Net	68,580	66,795
Total Assets	427,163	429,604
Total Current Liabilities	41,919	44,488
Total Long-Term Liabilities	102,747	102,069
Total Shareholders' Equity	282,497	283,047
Working Capital	56,407	57,401

The CSE has neither approved nor disapproved the contents of this news release.

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TILT
HOLDINGS

Source: TILT Holdings Inc.