

August 13, 2020



Schwazze Announces Second Quarter 2020 Financial Results and Provides Company Update

Total Revenues Increase 208.6%; Gross Profit Increases 245.2%; Net Loss Narrowed Significantly

Company Completes Accretive Acquisition of Mesa Organics and Drives Value to the Bottom Line

Company to Host Conference Call and Webcast Today at 4:30 p.m. ET

DENVER--(BUSINESS WIRE)-- Schwazze, formerly operating as Medicine Man Technologies Inc. (OTCQX: SHWZ) ("Schwazze " or "the Company"), today announced financial results for its second quarter ended June 30, 2020.

Justin Dye, Chairman and Chief Executive Officer of Schwazze shared, "We are building a unique, differentiated business with leading cannabis brands and believe Schwazze is well-positioned to become a leading seed to sale company as our industry consolidates. During the second quarter, we made significant progress integrating our recent Mesa Organics and Purplebee's acquisition, which has already proven to be a great strategic fit, and our platform benefited from its strong and accretive results. In fact, our top line and gross profit more than tripled while our net loss sharply narrowed compared to the prior year second quarter."

"Our intention is to create shareholder value by growing organically and through merger and acquisition opportunities. We currently have definitive agreements with 14 Star Buds locations, which we anticipate closing in the coming months. These pending acquisitions add to our size and scale in the state of Colorado. In addition to our rigorous M&A activity, we continue to make strides with respect to integration through the implementation of our operating playbook. We are focused on driving growth, leveraging our cost structure, and driving value to the bottom line," concluded Dye.

Company Update

- On April 20, 2020, the Company completed its acquisition of Mesa Organics and Purplebee's. Mesa Organics operates four dispensaries throughout southern Colorado in Pueblo, Ordway, Rocky Ford, and Las Animas. Purplebee's is a leading pure CO2 and ethanol extractor and manufacturer, as well as a producer of cannabis products for some of the leading edible companies across the state.
- On June 8, 2020, the Company announced that it had signed definitive acquisition agreements for 14 Star Buds locations in Colorado. Star Buds, one of the most recognized and successful retail cannabis operators in North America based on revenue-per-location and profit, is home to a wide selection of strains, concentrates,

edibles, tinctures, and best-in-class customer service. Based on the consolidated, unaudited 2019 results the Company received from Star Buds, these acquisitions collectively earned approximately \$50 million in revenues with a strong EBITDA margin. The Company has submitted the change of ownership applications with the Colorado Marijuana Enforcement Division for the 14 Star Buds locations and the transactions are expected to close in the coming months.

- The Company had previously indicated that it will not be proceeding with the following targets: Dabble Extracts, Los Sueños Farms, and Medically Correct. The Company has also provided notice that its term sheet with Medicine Man Denver will expire at the end of the month and it is terminating the term sheet. However, the Company remains in negotiations with the following announced acquisitions: Roots Rx, MedPharm, and Canyon Cultivation and continues to build a robust pipeline.
- At this time, the Company is pleased with how it is trending during the third quarter with increased product sales from Mesa Organics. This is due in part to the year-over-year expansion of dispensary locations and Purplebee's benefiting from product expansion and additional white labeling opportunities. The Company continues to be optimistic regarding its path and is confident the platform it is building positions it to become a market leader.

Second Quarter 2020 Financial Results

Revenues were \$5,424,329 during the three months ended June 30, 2020, representing an increase of 208.6% as compared to \$1,757,819 during the three months ended June 30, 2019. Product sales increased 263.3% while consulting and licensing fees increased 38.6%, respectively. The increase in product sales can largely be attributed to the revenue associated with the acquisition of Mesa Organics in April 2020.

Cost of goods and services were \$3,106,686 during the three months ended June 30, 2020, representing an increase of 186.0% as compared to \$1,086,413 during the same period in 2019. This increase was due to increased sales of our products. As a percentage of revenue, cost of goods and services decreased 450 basis points to 57.3% versus 61.8% in the prior year second quarter as we leveraged an increase in sales related to the acquisition of Mesa Organics.

Gross profit was \$2,317,643 during the three months ended June 30, 2020 as compared to \$671,406 during the same period in 2019. Gross profit margin increased to 42.7% of revenues from 38.2% of revenues during the same period in 2019. The 245.2% increase in gross profit and 450 basis points in margin expansion were mostly driven by the strength of the Mesa Organics acquisition.

Total operating expenses were \$8,667,604 during the three months ended June 30, 2020 as compared to \$9,014,276 during the same period in 2019. The decrease was primarily attributable to the derivative expense for contingent compensation in the prior year. This was partially offset by higher expenses and non-cash, stock-based compensation associated with activities related to building infrastructure and ensuring a seamless integration of acquisitions in the pipeline. As the Company progresses through the balance of the year, its startup expenses should decline, and its operating leverage should improve through internal growth and acquisitions.

Total other expenses were \$245,746 during the three months ended June 30, 2020 as

compared to net other expenses of \$479,780 during the same period in 2019. This represents an improvement of \$234,034. The decrease in other expenses, net was primarily due to lower interest expense coupled with other income related to an unrealized gain recognized on derivative liabilities and an unrealized gain on investments.

Net loss was \$6,595,707 for the three months ended June 30, 2020, or a loss of approximately \$0.16 per share on a basic weighted average, as compared to net loss of \$8,822,650, or a loss of approximately \$0.30 per share on a basic weighted average, for the three months ended June 30, 2019. The Company expects that once the anticipated closing of the Star Buds locations is completed, it will achieve profitability.

Conference Call and Webcast Today

Schwazze will host a conference call and webcast today at 4:30 p.m. ET. Investors interested in participating in the conference call can dial 201-389-0879 or listen to the webcast from the Company's "Investors" website at <https://ir.schwazze.com>. The webcast will later be archived as well.

Following their prepared remarks, Chief Executive Officer Justin Dye and Chief Financial Officer Nancy Huber will also answer investor questions. Investors may submit questions in advance or during the conference call itself through the weblink: <http://public.viavid.com/index.php?id=140284>. This weblink has also been posted to the Company's "Investors" website.

About Schwazze

Medicine Man Technologies, Inc. is now operating under its new trade name, Schwazze. Schwazze is executing its vision to become one of the nation's largest vertically integrated cannabis holding companies by revenue. Upon the completion of its acquisitions, its portfolio will consist of top-tier licensed brands spanning cultivation, extraction, infused-product manufacturing, dispensary operations, consulting, and a nutrient line. Schwazze leadership includes Colorado cannabis leaders with proven expertise in product and business development as well as top-tier executives from Fortune 500 companies. As a leading platform for vertical integration, Schwazze is strengthening the operational efficiency of the cannabis industry in Colorado and beyond, promoting sustainable growth and increased access to capital, while delivering best-quality service and products to the end consumer. The corporate entity continues to be named Medicine Man Technologies, Inc.

Forward-Looking Statements

This press release contains "forward-looking statements." Such statements may be preceded by the words "intends," "may," "will," "plans," "expects," "anticipates," "projects," "predicts," "estimates," "aims," "believes," "hopes," "potential," or similar words. Forward-looking statements are not guarantees of future performance, are based on certain assumptions, and are subject to various known and unknown risks and uncertainties, many of which are beyond the Company's control and cannot be predicted or quantified. Consequently, actual results may differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties include, without limitation, risks and uncertainties associated with (i) our inability to manufacture our products and product candidates on a commercial scale on our own or in collaboration with third parties; (ii)

difficulties in obtaining financing on commercially reasonable terms; (iii) changes in the size and nature of our competition; (iv) loss of one or more key executives or scientists; and (v) difficulties in securing regulatory approval to market our products and product candidates. More detailed information about the Company and the risk factors that may affect the realization of forward-looking statements is set forth in the Company's filings with the Securities and Exchange Commission (SEC), including the Company's Annual Report on Form 10-K and its Quarterly Reports on Form 10-Q. Investors and security holders are urged to read these documents free of charge on the SEC's website at <http://www.sec.gov>. The Company assumes no obligation to publicly update or revise its forward-looking statements as a result of new information, future events or otherwise.

SCHWAZZE
CONDENSED BALANCE SHEET
Expressed in U.S. Dollars

	June 30, 2020	December 31, 2019
	(Unaudited)	(Audited)
Assets		
Current assets		
Cash and cash equivalents	\$ 5,418,317	\$ 11,853,627
Accounts receivable, net of allowance for doubtful accounts	1,291,082	313,317
Accounts receivable – related party	124,856	72,658
Inventory	1,977,572	684,940
Notes receivable – related party	767,695	767,695
Prepaid expenses and other current assets	422,000	529,416
Prepaid acquisition costs (Note 11)	–	1,347,462
Total current assets	<u>10,001,522</u>	<u>15,569,115</u>
Non-current assets		
Fixed assets, net accumulated depreciation of \$670,535 and \$159,354, respectively	2,562,612	239,078
Goodwill	17,445,843	12,304,306
Intangible assets, net accumulated amortization of \$23,106 and \$19,811, respectively	71,994	75,289
Investment	517,514	406,774
Accounts receivable – litigation	3,063,968	3,063,968
Deferred tax assets, net	268,423	268,423
	292,101	241,711
Notes receivable – noncurrent, net		
Operating lease right of use assets	1,747,109	59,943
Other assets	41,879	–
Total non-current assets	<u>26,011,443</u>	<u>16,659,492</u>
Total assets	<u>\$ 36,012,965</u>	<u>\$ 32,228,607</u>
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 2,808,718	\$ 699,961
Accounts payable – related party	606,196	15,372
Accrued expenses	1,848,933	1,091,204
Derivative liabilities	1,467,318	3,773,382
Income taxes payable	–	1,940
Total current liabilities	<u>6,731,165</u>	<u>5,581,859</u>
Noncurrent liabilities		
Lease liabilities	1,770,742	66,803
Total noncurrent liabilities	<u>1,770,742</u>	<u>66,803</u>
Total liabilities	<u>8,501,907</u>	<u>5,648,662</u>
Commitments and contingencies (Note 11)		
	–	–
Shareholders' equity		
Common stock \$0.001 par value, 90,000,000 authorized, 42,194,878 shares issued and 41,937,146 shares outstanding at June 30, 2020, and 39,952,628 shares issued and outstanding at December 31, 2019.	42,195	39,953
Additional paid-in capital	59,260,357	50,356,469
Accumulated deficit	(30,791,494)	(22,816,477)
Common stock held in treasury, at cost, 257,732 shares held at June 30, 2020 and December 31, 2019.	(1,000,000)	(1,000,000)
Total shareholders' equity	<u>27,511,058</u>	<u>26,579,945</u>
Total liabilities and stockholders' equity	<u>\$ 36,012,965</u>	<u>\$ 32,228,607</u>

SCHWAZZE
CONDENSED STATEMENT OF COMPREHENSIVE (LOSS) AND INCOME
For the Three and Six Months Ended June 30, 2020 and 2019
Expressed in U.S. Dollars

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
Operating revenues:				
Product sales, net	\$ 4,779,243	\$ 1,212,499	\$ 7,197,478	\$ 2,596,209
Product sales – related party, net	59,411	119,480	170,107	280,070
Consulting and licensing services	585,675	422,596	1,246,932	876,265
Other operating revenues	–	3,244	12,946	8,751
Total revenue	<u>5,424,329</u>	<u>1,757,819</u>	<u>8,627,463</u>	<u>3,761,295</u>
Cost of goods and services:				
Cost of goods and services	3,106,686	1,086,413	5,255,221	2,685,125
Total cost of goods and services	<u>3,106,686</u>	<u>1,086,413</u>	<u>5,255,221</u>	<u>2,685,125</u>
Gross profit	<u>2,317,643</u>	<u>671,406</u>	<u>3,372,242</u>	<u>1,076,170</u>
Operating expenses:				
Selling, general and administrative expenses	1,088,479	454,389	1,755,398	823,195
Professional services	2,371,743	863,068	3,620,731	1,633,849
Salaries, benefits and related expenses	2,098,291	446,837	4,095,327	809,058
Stock based compensation	3,109,091	2,225,406	4,361,822	2,980,406
Derivative expense – contingent compensation	–	5,024,576	–	5,400,559
Total operating expenses	<u>8,667,604</u>	<u>9,014,276</u>	<u>13,833,278</u>	<u>11,647,067</u>
Income from operations	<u>(6,349,961)</u>	<u>(8,342,870)</u>	<u>(10,461,036)</u>	<u>(10,570,897)</u>
Other income (expense):				
Gain on forfeiture of contingent consideration	–	–	1,462,636	–
Interest income (expense), net	(11,447)	(192,277)	36,595	(192,277)
Other income (expense)	32,621	–	32,621	–
Unrealized gain (loss) on derivative liabilities	(348,535)	80,472	843,428	(254,564)
Unrealized gain (loss) on investments	81,615	(367,975)	110,739	(716,730)
Total other income (expense)	<u>(245,746)</u>	<u>(479,780)</u>	<u>2,486,019</u>	<u>(1,163,571)</u>
Net income (loss)	<u>\$ (6,595,707)</u>	<u>\$ (8,822,650)</u>	<u>\$ (7,975,017)</u>	<u>\$ (11,734,468)</u>
Earnings (loss) per share attributable to common shareholders:				
Basic and diluted earnings (loss) per share	<u>\$ (0.16)</u>	<u>\$ (0.30)</u>	<u>\$ (0.20)</u>	<u>\$ (0.40)</u>
Weighted average number of shares outstanding - basic and diluted	<u>41,568,147</u>	<u>29,857,473</u>	<u>40,742,462</u>	<u>29,113,665</u>
Other comprehensive income (loss), net of tax				
Total other comprehensive income (loss), net of tax	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Comprehensive income (loss)	<u>\$ (6,595,707)</u>	<u>\$ (8,822,650)</u>	<u>\$ (7,975,017)</u>	<u>\$ (11,734,468)</u>

SCHWAZZE
STATEMENT OF CASH FLOWS (UNAUDITED)
For the Six months Ended June 30, 2020 and 2019
Expressed in U.S. Dollars

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Net income for the period	\$ (7,975,017)	\$ (11,734,468)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	94,269	29,042
Bad debt expense	-	-
Common stock issued in exchange for fees and services	-	210,521
Derivative expense	-	5,400,559
Loss on change in derivative liabilities	(2,306,064)	254,563
Loss on investment, net	(110,739)	716,730
Stock based compensation	4,361,822	2,980,406
Changes in operating assets and liabilities		
Accounts receivable	780,772	775,962
Inventory	445,345	(43,844)
Prepaid expenses and other assets	65,538	(54,279)
Operating lease right of use assets and liabilities	16,773	(45,226)
Accounts payable and other liabilities	575,153	776,684
Income taxes payables	(1,940)	-
Net cash (used in) operating activities	<u>(4,054,088)</u>	<u>(733,348)</u>
Cash flows from investing activities		
Purchase of fixed assets, net of sales	(593,785)	(7,312)
Purchase of intangible assets	-	(6,000)
Consideration for acquisition of business	(2,609,500)	-
Issuance of notes receivable	(50,390)	(229,358)
Net cash (used in) investing activities	<u>(3,253,675)</u>	<u>(242,670)</u>
Cash flows from financing activities		
Proceeds from issuance of common stock, net of issuance costs and return of common stock	374,500	4,400,000
Proceeds from exercise of common stock purchase warrants, net of issuance costs	-	601,725
Net cash provided by financing activities	<u>374,500</u>	<u>5,001,725</u>
Net decrease in cash and cash equivalents	(6,933,263)	4,025,707
Cash and cash equivalents - beginning of period	12,351,580	321,788
Cash and cash equivalents - end of period	<u>\$ 5,418,317</u>	<u>\$ 4,347,495</u>

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