

August 30, 2022



## Irwin Naturals Files Q2 2022 Financials

### ***Rapid Execution on Cannabis Licensing and Ketamine Clinic Rollup Strategy to Accelerate Future Growth***

LOS ANGELES, Aug. 30, 2022 (GLOBE NEWSWIRE) -- **Irwin Naturals Inc. (CSE: IWIN) (OTC: IWINF) (FRA: 97X) ("Irwin" or the "Company")** announced the Company filed results for its second quarter of fiscal 2022, the period ended June 30, 2022 on [www.sedar.com](http://www.sedar.com).

Philippe Faraut, CFO, stated, "While supply chain issues, reduced inventory at our customers and product transitions resulted in an 18% decrease in revenues, we maintained profitability. Additionally, as we continue to execute on our cannabis licensing and ketamine clinic rollup strategy, we will be adding new revenue streams to our results in the quarters to come. Following a bump in sales once the nation emerged from the most severe Covid related restrictions, we believe that our mass market (nutraceutical) business, we are now tracking back to normal sales patterns, which we believe will result in secular growth in the coming quarters."

Mr. Faraut continued, "We maintain a healthy balance sheet, have very limited debt and have access to considerable working capital through our credit line and other instruments to invest in accelerated growth through our Emergence clinics and cannabis business lines. With acquisitions resulting in 11 clinics announced and completed, we anticipate seeing considerable growth coming from our Emergence business in the coming quarters, further supported by the rollout of our licensing deals, which now sees us in four states and in Canada."

### **Financial Summary**

(in thousands)	Three months ended				Six months ended			
	June 30,		\$	%	June 30,		\$	%
Combined Statement of Profit	2022	2021	Change	Change	2022	2021	Change	Change
Non-CBD operating revenue	\$ 20,125	\$ 24,100	\$ (3,975)	-16.5%	\$ 40,860	\$ 45,435	\$ (4,575)	-10.1%
CBD operating revenue	1,684	2,493	(809)	-32.5%	3,543	5,293	(1,750)	-33.1%
Total Operating Revenue	21,809	26,593	(4,784)	-18.0%	44,403	50,728	(6,325)	-12.5%
Gross Profit	9,559	12,106	(2,547)	-21.0%	20,605	23,853	(3,248)	-13.6%
Income from Operations	505	3,135	(2,630)	-83.9%	3,031	6,938	(3,907)	-56.3%
Net Profit	111	2,977	(2,866)	-96.3%	1,692	6,692	(5,000)	-74.7%
Statement of Financial Position	As of June 30, 2022	As of Dec 31, 2021	\$ Change	% Change				
Total assets	63,785	47,219	16,566	35.1%				
Total liabilities	34,031	24,103	9,928	41.2%				

Klee Irwin, CEO, commented, “The current proliferation of scientific research into the efficacy of psychedelics assisted mental health treatments has sorted two effects. On the one hand, treating physicians are taking notice of the remarkable results this line of treatment can accomplish, which is driving adoption amongst physicians and other mental health workers. On the demand side, we are seeing a rapidly accelerating destigmatization of psychedelics. Both are drivers that will continue to grow the market and with our rapidly expanding clinics chain, we are exceptionally well positioned to capitalize on this growth.”

Mr. Irwin continued, “While we saw similar patterns with cannabis, we believe that the strong science behind these treatments, with buy-in from both medical professionals and patients, will show an accelerated adoption curve. The one element that was missing was a trusted brand. With the Irwin Naturals brand recognized by over 100 million North Americans, there is now a well-known and trusted provider in the space. This, we believe, will drive additional patients our way to drive a marked acceleration of revenue and profitability growth.”

## Financial Highlights

- The 18.0% decline in overall operating revenues were due largely to supply issues in the CBD segment, related to a fire at a key supplier. The decline in sales is believed to be temporary as production of CBD products has restarted at the Company’s manufacturer. Other factors impacting sales related to order timing and the loss of distribution of certain non-CBD mass market products.
- Income from operations in Q2 2022 came in at \$0.5 million, as compared to \$3.1 million for the same period in the prior year. The reduction in income was driven primarily by the aforementioned decrease in business volume and startup costs related to Emergence by Irwin Naturals (ketamine clinics) and Irwin Naturals Cannabis (intellectual property licensing to the cannabis industry).
- The overall decrease in business volume paired with startup costs related to the Company’s initiatives in cannabis and the aforementioned startup costs, resulted in a decrease in EBITDA<sup>1</sup> to \$0.7 million.

(in thousands)	Three months ended				Six months ended			
	June 30,		\$	%	June 30,		\$	%
	2022	2021			2022	2021		
Net Profit	\$ 111	\$ 2,977	\$ (2,866)	-96.3%	\$ 1,692	\$ 6,692	\$ (5,000)	-74.7%
Interest Expense	111	29	82	282.8%	360	57	303	531.6%
Income Tax Expense	283	129	154	119.4%	979	189	790	418.0%
Depreciation and Amortization	426	353	73	20.7%	831	707	124	17.5%
<b>EBITDA</b>	<b>\$ 931</b>	<b>\$ 3,488</b>	<b>\$ (2,557)</b>	<b>-73.3%</b>	<b>\$ 3,862</b>	<b>\$ 7,645</b>	<b>\$ (3,783)</b>	<b>-49.5%</b>
Other Income	(263)	-	(263)	100.0%	(263)	-	(263)	0.0%
<b>Adjusted EBITDA</b>	<b>\$ 668</b>	<b>\$ 3,488</b>	<b>\$ (2,820)</b>	<b>-80.8%</b>	<b>\$ 3,599</b>	<b>\$ 7,645</b>	<b>\$ (4,046)</b>	<b>-52.9%</b>

<sup>1</sup>EBITDA is a non IFRS metric that management believes provides a metric for rapid analysis of the underlying strength of the business. A reconciliation from IFRS to EBITDA is provided in the accompanying table above and at the end of this release.

- Cash Flows from Operating Activities: Cash provided by operating came in at \$5.9 million and \$10.5 million for the six months ended June 30, 2022 and 2021, respectively. The decrease in operating cash flows is primarily due to lower operating revenue and temporary unfavorability to working capital led by the timing of payments to the Company's primary product manufacturer and non-cash share capital issuance.
- Positive cash flow from operations, combined with a largely undrawn line of credit, provides the Company with the financial resources to drive continued execution of its strategy.

## Operational Highlights & Subsequent Events

Irwin Naturals is executing on an aggressive expansion strategy into the high-growth cannabis and psychedelics sectors. The Company intends to leverage its household name brand status to drive an aggressive rollup of mental health clinics (the Company is focused on ketamine clinics, as this is currently the only FDA-approved and/or regulated psychedelic substance). Furthermore, the Company has begun executing on its brand licensing strategy throughout the US. To date, the Company has announced or completed the acquisition of 11 clinics, as well as the signing of five brand licensing deals that will see Irwin Naturals products enhanced with THC be offered in California, Colorado, New Mexico, Ohio and Canada.

State	Clinic Acquisitions
Florida	Ketamine Health Centers (5 clinics)
Iowa	Midwest Ketafusion
New Hampshire	New England Ketamine
Mexico	Ketamine Health Centers
Vermont	Preventive Medicine
Georgia	Invictus Clinics (2 clinics)

State	Brand Licenses
California	The Hive
Colorado	Larsen Group II
Ohio	BeneLeaves
New Mexico	Assurance Laboratories
Canada	Entourage

## Business highlights and subsequent events

AUG 15, 2022 - [Irwin Naturals Emergence Adds New England Clinic to Its National Footprint](#)

AUG 08, 2022 - [Irwin Naturals Completes Georgia Acquisition, Adds Two Ketamine Clinics to National Chain](#)

AUG 04, 2022 - [Irwin Naturals Cannabis Products to Be Available in Canada](#)

JUL 28, 2022 - [Irwin Naturals Emergence Making Immediate Impact in New England](#)

JUN 21, 2022 - [Irwin Naturals Continues To Expand Clinic Footprint](#)

JUN 17, 2022 - [Irwin Naturals Expands Operations into Northeast with Acquisition of Vermont-Based Clinic](#)

MAY 24, 2022 - [Irwin Naturals Expands Licensing Footprint for Branded THC Products to Ohio](#)

MAY 20, 2022 - [Irwin Naturals Completes Acquisition of Ketamine Health Centers](#)

MAY 20, 2022 - [Irwin Naturals THC Products to Launch in Colorado, the World's 2nd Largest Cannabis Market](#)

MAY 16, 2022 - [Irwin Naturals' Execution of Rollup Strategy Gaining Momentum](#)

MAY 13, 2022 - [Irwin Naturals Advances Into Its Second State, New Mexico, Via a License and Supply Deal With Assurance Laboratories for Branded THC Products](#)

APR 19, 2022 - [Irwin Naturals Enters Into License and Supply Agreement for Branded THC Products California Market](#)

APR 18, 2022 - [Company Leverages Household Brand Status in Effort to be World's Largest Chain of Psychedelic Mental Health Clinics](#)

## About Irwin Naturals

Irwin Naturals has been a household name and best-in-class nutraceutical company since 1994. It is now leveraging its brand into both the cannabis and psychedelic sectors. On a mission to heal the world with plant medicine, Irwin has operated profitably for over 27 years\*. The growing portfolio of products is available in more than 100,000 retail doors across North America, where 80% of households know the Irwin Naturals brand\*\*. In 2018, the Company first leveraged its brand to expand into the cannabis industry by launching hemp-based CBD products into the mass market. The Company is now leveraging its famous halo of brand trust to become, perhaps, the first household name brand to offer THC-based products. Its rapidly growing national chain of psychedelic mental health clinics is called Irwin Naturals Emergence.

\*Under several corporate structures, Klee Irwin has operated the Irwin brand profitably since 1994, as measured by EBITDA adjusted for extraordinary costs.

\*\*Based on a formal Company survey with a sample size of 500 randomly selected adults.

For investor-related information about the Company, please visit [ir.irwinnaturals.com/](http://ir.irwinnaturals.com/)

To contact the Company's Investor Relations department, please call toll-free at (800) 883-

4851 or send an email to [Investors@IrwinNaturals.com](mailto:Investors@IrwinNaturals.com).

*"Klee Irwin"*

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## **Regulatory Overview**

The following is a brief summary of regulatory matters concerning ketamine in the United States ("US"). Under the Controlled Substances Act (21 U.S.C. § 811) (the "CSA"), ketamine is currently a Schedule III drug as well as being listed under the associated Narcotic Control Regulations, and psilocybin is currently a Schedule I drug.

Most US States have enacted Controlled Substances Acts ("**State CSAs**") which regulate the possession, use, sale, distribution, and manufacture of specified drugs or categories of drugs and establish penalties for State CSA violations and form the basis for much state and local drug laws enforcement activity. State CSAs have either adopted drug schedules identical or similar to the federal CSA schedules or, in some instances, have incorporated the federal scheduling mechanism. Among other requirements, some US States have established a prescription drug monitoring or review programs collect information about prescription and dispensing of controlled substances for the purposes of monitoring, analysis and education.

In the United States, facilities holding or administering controlled substances must be registered with the US Drug Enforcement Agency ("**DEA**") to perform this activity. As such, medical professionals and/or the clinics in which they operate, as applicable, are also required to have a DEA license to obtain and administer ketamine (a "**DEA License**"). While ketamine is a controlled substance in the United States, it is approved for general anesthetic induction under the US Food, Drug, and Cosmetic Act. Once a drug is approved for use, physicians may prescribe that drug for uses that are not described in the product's labelling or that differ from those tested by the manufacturer and approved by the Food and Drug Administration (the "**FDA**"). Licensed medical practitioners may prescribe ketamine legally in Canada or the United States where they believe it will be an effective treatment in their professional judgment.

Please see Irwin's filing statement on its SEDAR profile for more information on the regulatory environment and regulations surrounding the US THC industry.

## Forward-Looking Information

This news release contains certain forward-looking statements that reflect the current views and/or expectations of management of the Company with respect to performance, business and future events. Forward-looking statements can often be identified by words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words. Forward-looking statements are based on the then-current expectations, beliefs, assumptions, estimates and forecasts about the business and the industry and markets in which the Company operates. The Company does not undertake any obligation to release publicly any revisions for updating any voluntary forward-looking statements, except as required by applicable securities law.

*Neither the CSE nor its Market Regulator (as that term is defined in policies of the CSE) accepts responsibility for the adequacy or accuracy of this release.*

SOURCE: Irwin Naturals Inc.

## EBITDA and Adjusted EBITDA - Reconciliation

The Company defines EBITDA and Adjusted EBITDA as per the table below. It should be noted that these performance measures are not defined under IFRS and may not be comparable to similar measures used by other entities. The Company believes that these measures are useful financial metrics as they assist in determining the ability to generate cash from operations. Investors should be cautioned that EBITDA and Adjusted EBITDA should not be construed as an alternative to net earnings or cash flows as determined under IFRS. The reconciling items between net earnings, EBITDA, and Adjusted EBITDA are as follows:

(in thousands)	Three months ended				Six months ended			
	June 30,		\$	%	June 30,		\$	%
	2022	2021			2022	2021		
Net Profit	\$ 111	\$ 2,977	\$ (2,866)	-96.3%	\$ 1,692	\$ 6,692	\$ (5,000)	-74.7%
Interest Expense	111	29	82	282.8%	360	57	303	531.6%
Income Tax Expense	283	129	154	119.4%	979	189	790	418.0%
Depreciation and Amortization	426	353	73	20.7%	831	707	124	17.5%
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Other Income	(263)	-	(263)	100.0%	(263)	-	(263)	0.0%
<b>Adjusted EBITDA</b>	<b>\$ 668</b>	<b>\$ 3,488</b>	<b>\$ (2,820)</b>	<b>-80.8%</b>	<b>\$ 3,599</b>	<b>\$ 7,645</b>	<b>\$ (4,046)</b>	<b>-52.9%</b>

## Irwin Naturals Unaudited Condensed Combined Consolidated Interim Statements of Financial Position

	Notes	June 30, 2022	December 31, 2021
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash		\$ 999	\$ 625
Other Financial Assets		-	1
Trade Receivables	15	13,942	16,394
Inventory	6	21,488	18,652
Prepaid Expenses and Other Current Assets	5	1,364	1,469
Total Current Assets		37,793	37,141
<b>Non-Current Assets:</b>			
Property and Equipment	7	183	190
Right-of-Use Assets	9	4,291	3,722
Notes Receivable from IN Nevada Shareholders	18	4,182	3,264
Notes Receivable from Related Parties	11	155	-
Goodwill	4	14,211	-
Intangible Assets	11	87	87
Other Non-Current Assets		242	165
Deferred Tax Asset	20	2,641	2,650
Total Non-Current Assets		25,992	10,078
<b>TOTAL ASSETS</b>		<b>\$ 63,785</b>	<b>\$ 47,219</b>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Trade and Other Payables	10	\$ 12,097	\$ 13,310
Reserve for Returns		491	814
Lease Liability - Current	9	1,878	1,366
Note Payable - Current	14	31	-
Line of Credit	8	9,047	6,178
Total Current Liabilities		23,544	21,668
<b>Non-Current Liabilities:</b>			
Lease Liability - Non Current	9	2,483	2,434
Note Payable - Non Current	14	507	-
Contingent Consideration	4	7,450	-
Deferred Tax Liability	20	47	1
<b>TOTAL LIABILITIES</b>		<b>34,031</b>	<b>24,103</b>
<b>EQUITY</b>			
Subordinate Voting Shares	12	3,002	3,000
Proportionate Voting Shares	12	4,945	-
Multiple Voting Shares	12	59	59
Class B Non Voting Shares	12	13,751	13,750
Accumulated Other Comprehensive Income		(12)	(11)
Retained Earnings		1,529	189
Total Controlling Interest		23,274	16,987
Non-Controlling Interest of IN Nevada	19	6,480	6,129
Total Equity		29,754	23,116
<b>TOTAL LIABILITIES &amp; EQUITY</b>		<b>\$ 63,785</b>	<b>\$ 47,219</b>

**Irwin Naturals Unaudited Condensed Combined Consolidated Interim Statements of  
Profit and Comprehensive Income**

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Operating Revenue	\$ 21,809	\$ 26,593	\$ 44,403	\$ 50,728
Cost of Sales	(12,250)	(14,487)	(23,798)	(26,875)
<b>Gross Profit</b>	<b>9,559</b>	<b>12,106</b>	<b>20,605</b>	<b>23,853</b>
Operating Expenses:				
Selling, General and Administrative Expenses	9,054	8,971	17,574	16,915
Gain on Sale of Property and Equipment	-	-	-	-
<b>Income from Operations</b>	<b>505</b>	<b>3,135</b>	<b>3,031</b>	<b>6,938</b>
Other Expense:				
Interest Income	-	-	-	-
Interest Expense	(111)	(29)	(360)	(57)
Listing Expense	-	-	-	-
Gain / (Loss) on Foreign Currency Exchange	-	-	-	-
Total Other Income / (Expense)	(111)	(29)	(360)	(57)
<b>Profit before Income Taxes</b>	<b>394</b>	<b>3,106</b>	<b>2,671</b>	<b>6,881</b>
Income Tax Expense (Note 20)	(283)	(129)	(979)	(189)
<b>Net Profit</b>	<b>111</b>	<b>2,977</b>	<b>1,692</b>	<b>6,692</b>
Less: Net Profit Attributable to Non-Controlling Interest of IN Nevada	(72)	-	(351)	-
Net Profit Attributable to Controlling Interest	\$ 39	\$ 2,977	\$ 1,341	\$ 6,692
Foreign Currency Translation Differences	(12)	-	(8)	-
<b>Total Comprehensive Income</b>	<b>99</b>	<b>2,977</b>	<b>1,684</b>	<b>6,692</b>
Less: Comprehensive Income Attributable to Non-Controlling Interest of IN Nevada	(72)	-	(351)	-
Comprehensive Income Attributable to Controlling Interest	\$ 27	\$ 2,977	\$ 1,333	\$ 6,692
Earnings per share - basic	\$ 0.09	\$ 2.83	\$ 1.41	\$ 6.52
Earnings per share - diluted	\$ 0.00	\$ 2.83	\$ 0.01	\$ 6.52
Weighted average number of shares outstanding - basic	1,200,309	1,052,632	1,200,156	1,026,181
Weighted average number of shares outstanding - diluted	322,460,549	1,052,632	321,917,412	1,026,181

## Irwin Naturals Unaudited Condensed Combined Consolidated Interim Statements of Cash Flows



	For the Six Months Ended	
	June 30, 2022	June 30, 2021
Net Profit	\$ 1,692	\$ 6,692
Adjustments to Reconcile Net Profit to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	831	707
Change in Allowance for Doubtful Accounts	37	114
Change in Inventory Reserve	(1,154)	-
Deferred Tax Asset	56	-
Non-Cash Share Capital from Acquisitions	4,946	-
Interest Expense	361	57
Income Taxes Expense	979	189
Changes in Working Capital:		
Trade Receivables	2,372	(372)
Inventory	(1,682)	(332)
Prepaid Expenses and Other Assets	26	413
Trade and Other Payables	(2,119)	3,077
Reserve for Returns	(323)	(7)
Changes in Other Non-Current Assets	(77)	(29)
Net Cash Provided by Operating Activities	5,945	10,509
Cash Flow from Investing Activities:		
Disposal of Property and Equipment	(48)	-
Contingent Consideration	7,450	-
Goodwill	(14,211)	-
Net Cash Used in Investing Activities	(6,809)	-
Cash Flow from Financing Activities:		
Proceeds from Line of Credit	47,726	8,810
Payments on Line of Credit	(44,857)	(12,352)
Notes Receivable from Related Parties	(1,072)	-
Distributions to Shareholders	-	(6,589)
Payments on Lease Liability	(558)	(653)
Net Cash Used in Financing Activities	1,239	(10,784)
Effect of Foreign Exchange on Cash	(1)	-
Net Increase in Cash	374	(275)
Cash at Beginning of the Period	625	442
Cash at End of the Period	\$ 999	\$ 167



Source: Irwin Naturals