

November 27, 2023



# Irwin Naturals Reports Q3 2023 Financial Results

LOS ANGELES, Nov. 27, 2023 (GLOBE NEWSWIRE) -- **Irwin Naturals Inc. (CSE: IWIN) (OTC: IWINF) (FRA: 97X)** (“Irwin” or the “Company”) reported its financial results for its third quarter of fiscal 2023, the period ended September 30, 2023, on [www.sedar.com](http://www.sedar.com).

## Financial Highlights for Q3 2023

- Q3 revenue was \$19.1 million, down 13.4% from \$22.0 million in Q3 2022.
- Income from operations decreased \$2.9 million from \$0.6 million in Q3 2022 to a loss of \$2.3 million in Q3 2023. The decrease is primarily attributed to the continued startup costs related to the Company’s 2022 and 2023 Acquisitions at Irwin Naturals Emergence.
- Sold the assets of underperforming clinics and shifted its focus on the clinics wholly-owned and operated by Irwin Naturals Emergence.

## Financial Highlights for Year-to-Date September 30, 2023

- Completed the acquisition of Serenity Health, LLC, one of the leading ketamine clinics in Louisville, KY on February 17, 2023.
- Announced the successful acquisition of Keta Media, LLC, dba Ketamine Media, the nation's foremost advertising company dedicated to raising awareness about the clinical use of ketamine, on March 17, 2023.

## Operational Highlights

During the first half of 2023, the Company launched the first products to the continental cannabis market and has signed ten brand licensing deals that will see Irwin Naturals products enhanced with THC being offered in places like California, Colorado, Mississippi, Michigan, New Mexico, Oregon, Oklahoma, and Canada. Additionally, to date, the Company owns and operates five mental health clinics and one advertising company specializing in ketamine treatments. The Company will continue to build upon this solid foundation and make the necessary investments to support our growth objectives within the psychedelics sector.

Sean Sand, CFO, stated, “During the first three quarters of 2023, we successfully launched our branded licensing initiative in our cannabis sector. Sales have exceeded our expectations and we look forward continuing our licensing efforts in the space. We also continued to expand our mental health footprint through the acquisition of an industry leading

marketing and patient acquisition platform, Ketamine Media, enabling greater treatment availability and market expansion.”

## 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 its nutraceutical business profitably for over 28 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.

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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Klee Irwin  
Chief Executive Officer  
T: 310-306-3636  
[investors@irwinnaturals.com](mailto:investors@irwinnaturals.com)

## 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:

	Three Months Ended September 30, (in thousands)				Nine Months Ended September 30, (in thousands)			
	2023	2022	\$ Change	% Change	2023	2022	\$ Change	% Change
<b>Statement of Profit</b>								
Net (loss) income	\$ (1,964)	\$ (583)	\$ (1,381)	% 100.0+	\$ (15,064)	\$ 1,109	\$ (16,173)	% (100.0+)
Interest expense, net	685	181	504	100.0+	1,982	541	1,441	100.0+
Income tax (recovery) expense	(1,059)	1,024	(2,083)	(100.0+)	(4,249)	2,003	(6,252)	(100.0+)
Depreciation and amortization	687	467	220	47.1	2,202	1,298	904	69.6
<b>EBITDA</b>	(1,651)	1,089	(2,740)	(100.0+)	(15,129)	4,951	(20,080)	(100.0+)
Foreign currency translation adjustments	—	1	(1)	(100.0+)	3	1	2	100.0+
Gain on contingent consideration	—	(42)	42	(100.0+)	(6,154)	(305)	(5,849)	100.0+
Intangible assets impairment	—	—	—	—	5,587	—	5,587	100.0+
Goodwill impairment	—	—	—	—	11,922	—	11,922	100.0+
<b>Adjusted EBITDA</b>	\$ (1,651)	\$ 1,048	\$ (2,699)	% (100.0+)	\$ (3,771)	\$ 4,647	\$ (8,418)	% (100.0+)

Irwin Naturals, Inc.

Consolidated Interim Statements of Financial Position (Unaudited)

As of September 30, 2023 and December 31, 2022

(Expressed in thousands of US dollars, except share amounts)

	September 30, 2023	December 31, 2022
<b>ASSETS</b>		
Current assets:		
Cash	\$ 5,484	\$ 800
Trade receivables, net	12,626	21,311
Inventory	17,369	22,506
Prepaid expenses and other current assets	2,418	2,932
Notes receivable from related parties, current	38	255
Total current assets	37,935	47,804
Non-current assets:		
Property and equipment, net	348	271
Right-of-use assets	3,134	4,194
Notes receivable from shareholders	7,141	6,014
Notes receivable from related parties, non-current	183	—
Goodwill	11,611	10,215
Intangible assets, net	3,617	7,677
Deferred tax asset	6,623	2,367
Other non-current assets	263	259
Total non-current assets	32,920	30,997
<b>TOTAL ASSETS</b>	<b>\$ 70,855</b>	<b>\$ 78,801</b>
<b>LIABILITIES</b>		
Current liabilities:		
Trade and other payables	\$ 14,643	\$ 17,997
Reserve for returns	648	2,036
Lease liabilities, current	1,652	1,817
Line of credit, net of debt issuance costs	25,666	16,448
Notes payable due to acquiree, current	5,750	—
Notes payable, current	42	36
Total current liabilities	48,401	38,334
Non-current liabilities:		
Lease liabilities, non-current	1,671	2,529
Notes payable, non-current	668	498
Contingent consideration	—	6,154
Notes payable due to acquiree, non-current	5,250	—
Deferred tax liability	983	983
Total non-current liabilities	8,572	10,164
<b>TOTAL LIABILITIES</b>	<b>\$ 56,973</b>	<b>\$ 48,498</b>
<b>EQUITY AND NONCONTROLLING INTEREST</b>		
Class B Shares, 320,000,000 shares authorized, issued and outstanding	\$ 13,750	\$ 13,750
Subordinate Voting Shares, 2,643,668 shares authorized, issued and outstanding	6,198	7,068
Multiple Voting Shares, 18,240 shares authorized, issued and outstanding	59	59
Proportionate Voting Shares, 1,066,000 shares authorized, issued and outstanding	2,697	5,610
Warrants reserve	30	30
Accumulated other comprehensive income	(12)	3
Retained (deficit) earnings	(15,568)	(3,324)
Total controlling interest	7,154	23,196
Noncontrolling interest	6,728	7,107
<b>TOTAL EQUITY AND NONCONTROLLING INTEREST</b>	<b>13,882</b>	<b>30,303</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 70,855</b>	<b>\$ 78,801</b>

Irwin Naturals, Inc.

Consolidated Interim Statements of Profit and Comprehensive Income (Unaudited)  
For the Three and Nine Months Ended September 30, 2023 and 2022

(Expressed in thousands of US dollars, except share and per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Operating revenue	\$ 19,069	\$ 22,024	\$ 63,704	\$ 66,427
Cost of sales	(11,270)	(11,421)	(34,912)	(35,219)
Gross profit	7,799	10,603	28,792	31,208
Selling, general and administrative expenses	10,084	9,981	34,393	27,555
Income (loss) from operations	(2,285)	622	(5,601)	3,653
Other (income) expenses:				
Interest expense, net	685	181	1,982	541
Loss (gain) on foreign currency exchange	—	—	3	—
Goodwill impairment	—	—	11,922	—
Intangible assets impairment	—	—	5,587	—
Intangible assets amortization	98	—	417	—
Gain on termination of leases	(45)	—	(45)	—
Gain on contingent liabilities	—	—	(6,154)	—
Total other (income) expenses	738	181	13,712	541
Net (loss) income before income taxes	(3,023)	441	(19,313)	3,112
Income tax (recovery) expense	(1,059)	1,024	(4,249)	2,003
Net (loss) income	(1,964)	(583)	(15,064)	1,109
Less: net (loss) income attributable to non-controlling interest	(228)	90	(379)	441
Net (loss) income attributable to controlling interest	(1,736)	(673)	(15,747)	668
<b>Comprehensive Income</b>				
Net (loss) income	\$ (1,964)	\$ (583)	\$ (15,064)	\$ 1,109
Foreign currency translation adjustments	(1)	(33)	(15)	(45)
Total comprehensive (loss) income	(1,965)	(616)	(15,079)	1,064
Less: net (loss) income attributable to non-controlling interest	(228)	90	(379)	441
Comprehensive (loss) income attributable to controlling interest	\$ (1,737)	\$ (706)	\$ (14,685)	\$ 623
(Loss) earnings per share, controlling interest – basic	\$ (0.56)	\$ (0.49)	\$ (4.48)	\$ 0.53
(Loss) earnings per share, controlling interest – diluted	\$ (0.56)	\$ (0.49)	\$ (4.48)	\$ 0.00
Weighted average number of shares outstanding – basic	3,105,169	1,375,552	3,281,259	1,259,295
Weighted average number of shares outstanding – diluted	3,105,169	1,375,552	3,281,259	322,425,690

Irwin Naturals, Inc.

Consolidated Interim Statements of Cash Flows (Unaudited)

For the Nine Months Ended September 30, 2023 and 2022

(Expressed thousands of US dollars)

	Nine Months Ended September 30,	
	2023	2022
Net (loss) income	\$ (15,065)	\$ 1,109
Adjustments to reconcile to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,202	1,298
Gain on contingent consideration	(6,154)	(305)
Goodwill impairment	11,922	—
Intangible assets impairment	5,587	—
Change in allowance for doubtful accounts	243	11
Change in inventory reserve	161	(3,765)
Change in deferred tax assets	(4,256)	1,455
Notes receivable from shareholders	(1,050)	(1,800)
Notes receivable from related parties	(260)	(255)
Loss on disposal of fixed assets / Loss on termination of leases	(47)	—
Interest (income) expense, net	(98)	42
Changes to working capital:		
Trade receivables	9,282	2,226
Inventory	4,976	(1,130)
Prepaid expenses and other current assets	338	(641)
Trade and other payables	(2,776)	711
Reserve for returns	(1,387)	(323)
Other non-current assets	(3)	(75)
Net cash provided by (used in) operating activities	3,615	(1,442)
Cash flows from investing activities:		
Business combinations, net of cash acquired (Note 5)	(6,195)	303
Purchases of property and equipment	(110)	(86)
Net cash (used in) provided by investing activities	(6,305)	217
Cash flows from financing activities:		
Proceeds from line of credit	75,205	68,430
Payments to line of credit	(65,429)	(64,399)
Payments to notes payable	(117)	(1,098)
Payments of debt issuance costs	(764)	—
Payments on operating leases	(1,424)	(1,100)
Purchase of treasury stock	(112)	—
Net cash provided by (used in) financing activities	7,389	1,833
Effect of foreign exchange on cash	(15)	(28)
Net increase in cash	4,684	580
Cash at beginning of the year	800	625
Cash at period end	\$ 5,484	\$ 1,205



Source: Irwin Naturals