

November 15, 2021



TILT Holdings Reports Third Quarter 2021 Financial Results; Record Quarterly Revenue of \$53.4 Million, Up 37% YoY and 10% QoQ

PHOENIX, Nov. 15, 2021 (GLOBE NEWSWIRE) -- [TILT Holdings Inc.](#) (“TILT” or the “Company”) ([NEO:TILT](#)) ([OTCQX:TLLTF](#)), a global provider of cannabis business solutions that include inhalation technologies, cultivation, manufacturing, processing, brand development and retail, is reporting its financial and operating results for the three-months and nine-months ended September 30, 2021. All financial information is provided in U.S. dollars unless otherwise indicated.

“TILT’s B2B strategy originated from our belief that the rising supply of wholesale cannabis in multiple markets across the U.S. would require a differentiated approach, shifting away from bulk flower sales towards branded packaged goods,” said Gary Santo, CEO of TILT. “When we launched our strategy at the start of the year, we envisioned that marketplace transition would take 12 to 18 months as new cultivation came online. In the third quarter, we saw that timeline accelerate along with macro-economic pressure impacting consumers.”

“Competition for shelf space is accelerating. Compressing margins are forcing MSOs and SSOs to focus on their own branded products while still maintaining a portion of that shelf space for a curated portfolio of high demand third-party products. This is the space where TILT plays, and although we are still early in scaling our operations to meet brand partner demand, our top-line performance during the quarter demonstrates that by establishing partnerships with the right brands at the right price points, TILT can support retailers while expanding the reach of independent brands.”

“While we expect ongoing improvements in our efficiency and margin profile in our cannabis business as we ramp cultivation, Jupiter continues to lead the way in cannabis inhalation devices with record revenue during the quarter. Our supply chain management expertise has been on full display throughout the year, and while there has been a near-term impact to our margins due to higher freight costs, our ability to strategically deploy working capital to ensure availability of product has benefitted our customers while attracting the business of our competitors’ customers.”

The Company reiterates its 2021 revenue guidance of \$205-\$210 million, expecting to come in at the lower end of the range primarily as a result of unexpected delays in obtaining new product approvals in Pennsylvania. This, coupled with higher freight costs associated with the Company’s inhalation and accessories business and expanding cultivation in Massachusetts, has resulted in the Company revising its 2021 adjusted EBITDA outlook to range between \$24-\$26 million, representing a 42%-54% increase compared to 2020.

Q3 2021 Financial Summary (vs. Q3 2020, where applicable)

- Revenue increased 37% to \$53.4 million driven by growth in both cannabis and inhalation and accessory revenue. Cannabis revenue increased 19% to \$11.2 million and inhalation and accessory revenue increased 42% to \$42.1 million.
- Gross profit before fair value adjustments increased to \$12.7 million or 23.7% of revenue, compared to \$12.2 million or 31.3% of revenue. Gross margins were impacted by higher freight costs for the Company's inhalation and accessory business, as well as ramping cultivation in the Company's cannabis business.
- Total operating expense was \$16.3 million compared to \$14.5 million. As a percentage of revenue, opex improved to 30.5% compared to 37% in the year ago quarter as a result of better operating efficiencies.
- Adjusted EBITDA was \$5.0 million compared to \$5.1 million. As a percentage of revenue, adjusted EBITDA was 9.3% compared to 13.1%.
- At September 30, 2021, cash and cash equivalents was \$6.7 million compared to \$7.4 million at December 31, 2020. Working capital increased to \$64.9 million compared to \$57.4 million at December 31, 2020.

Q3 2021 Operational Highlights

- Received approval to commence medical retail sales at the Company's Brockton, Massachusetts dispensary; grand opening took place in October.
- Announced partnership with the Shinnecock Indian Nation to enter New York's cannabis market.
- Expanded partnership with [Old Pal](#) to bring select products to market in Pennsylvania.
- Announced partnership with [1906](#) to launch various products in three key markets: Massachusetts, Pennsylvania and Ohio.

Earnings Call and Webcast

TILT management will host a conference call today at 5:00 p.m. Eastern time to discuss its financial and operational results, followed by a question-and-answer period.

Date: Monday, November 15, 2021

Time: 5:00 p.m. Eastern time

Toll-free dial-in number: (844) 826-3035

International dial-in number: (412) 317-5195

Conference ID: 10161687

Webcast: [TILT Q3 2021 Earnings Call](#)

Please call the conference telephone number 5-10 minutes prior to the start time. An operator will register your name and organization. If you have any difficulty connecting with the conference call, please contact Elevate IR at (949) 200-4603.

The conference call will also be broadcast live and available for replay in the investor relations section of the Company's website at www.tiltholdings.com.

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, [Standard Farms Ohio, LLC](#) in Ohio, and its [partnership](#) with the Shinnecock Indian Nation in New York. 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, ,expectations with respect to scaling operations and improving efficiency and margin profile, 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 Annual Information Form of the Company for the 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, Adjusted EBITDA, and Working Capital. 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.

Working Capital

The calculation of working capital provides additional information and is not defined under IFRS. The Company defines working capital as current assets less current liabilities. This measure should not be considered in isolation or as a substitute for any standardized measure under IFRS. This information is intended to provide investors with information about the Company’s liquidity. Other businesses in the Company’s industry may calculate

this differently than the Company does, limiting usefulness as a comparative measure. A reconciliation of working capital to IFRS measures can be found under the “Q3 2021 Financial Condition Including Liquidity and Capital Resources” section of the Management Discussion and Analysis of the Company for the three and nine months ended on September 30, 2021.

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 and nine months ended on September 30, 2021, which is available on the Company’s SEDAR profile at www.sedar.com.

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Table 1: Condensed Interim Consolidated Statements of Operations and Comprehensive Income (Loss)
(in US\$ thousands, unaudited)

	Three Months Ended			Nine Months Ended	
	Sep 30, 2021	Jun 30, 2021	Sep 30, 2020	Sep 30, 2021	Sep 30, 2020
(\$ thousands)					
Revenue	\$ 53,362	\$ 48,506	\$ 39,084	\$ 148,648	\$ 116,145
Cost of Goods Sold	40,697	35,389	26,845	109,413	80,752
Gross Profit, <i>Before FV Adj.</i>	12,665	13,117	12,239	39,235	35,393
Gross Margin %, <i>Before FV Adj.</i>	24%	27%	31%	26%	30%
Gain on FV of Bio. Assets	8,559	11,807	14,477	35,086	33,648
FV of Bio. Assets in Inventory Sold	(9,886)	(10,219)	(7,870)	(33,505)	(20,951)
Gross Profit, <i>After FV Adj.</i>	11,338	14,705	18,846	40,816	48,090
Gross Margin %, <i>After FV Adj.</i>	21%	30%	48%	27%	41%
Total Operating Expenses	16,260	15,045	14,452	44,413	43,850
Income (Loss) from Continuing Operations	(4,922)	(340)	4,394	(3,597)	4,240
Total Other Income (Expense)	(2,833)	(2,622)	(2,475)	(8,222)	(6,711)
Income Tax (Expense) Recovery	652	(1,019)	(3,640)	(844)	(4,270)

Net Income (Loss) from Continuing Operations	\$ (7,103)	\$ (3,981)	\$ (1,721)	\$ (12,663)	\$ (6,741)
Net (Loss) from discontinued operations, net of tax	-	-	(2,896)	-	(6,869)
Net Income (Loss)	\$ (7,103)	\$ (3,981)	\$ (4,617)	\$ (12,663)	\$ (13,610)
EBITDA, Non-IFRS	1,414	5,101	9,677	12,936	20,582
Adjusted EBITDA, Non-IFRS	\$ 4,954	\$ 6,532	\$ 5,138	\$ 17,681	\$ 12,368

Table 2: Reconciliation of Non-IFRS Measures
(in US\$ thousands, unaudited)

AEBITDA Reconciliation	Three Months Ended			Nine Months Ended	
	Sep 30, 2021	Jun 30, 2021	Sep 30, 2020	Sep 30, 2021	Sep 30, 2020
(\$ thousands)					
Net (Loss) from Continuing Operations	\$ (7,103)	\$ (3,981)	\$ (1,721)	\$ (12,663)	\$ (6,741)
Add (Deduct) Impact of:					
Interest (Income)	1	16	(767)	(586)	(2,240)
Finance Expense	3,035	2,484	2,981	8,116	8,489
Income Tax Expense (Recovery)	(652)	1,019	3,640	844	4,270
Depreciation and Amortization	6,133	5,563	5,544	17,225	16,804
Total Adjustments	8,517	9,082	11,398	25,599	27,323
EBITDA (Non-IFRS)	\$ 1,414	\$ 5,101	\$ 9,677	\$ 12,936	\$ 20,582

Add (Deduct) Impact of:

Share-based compensation	849	675	1,456	2,406	3,383
Severance	739	17	71	756	279
(Gain) Loss on Sale of Assets	(127)	(8)	102	(68)	102
Lease Restructuring Costs	-	-	-	(14)	267
Deferred Rent Adjustment	-	-	-	(548)	-
Legal Settlement	36	2,325	-	2,363	-
Unrealized (Gain) Loss on Investment in Equity Security	71	53	301	829	210
Loss on Loan Receivable	-	-	-	-	104
Derecognition and impairment loss	194	-	138	194	138
One time bad debt expense	-	-	-	-	-

One time operating expense adjustments	451	(43)	-	408	-
Unrealized (Gain) on Changes in FV of Bio. Assets	(8,559)	(11,807)	(14,477)	(35,086)	(33,648)
FV Changes in Bio. Assets Included in Inventory Sold	9,886	10,219	7,870	33,505	20,951
Total Adjustments	3,540	1,431	(4,539)	4,745	(8,214)
Adjusted EBITDA (Non-IFRS)	\$ 4,954	\$ 6,532	\$ 5,138	\$ 17,681	\$ 12,368

Table 3: Condensed Interim Consolidated Statements of Cash Flows
(in US\$ thousands, unaudited)

	Nine Months Ended	
	September 30, 2021	September 30, 2020
Cash provided by operating activities - continuing operations	(4,276)	10,202
Cash (used in) operating activities - discontinuing operations	-	(5,183)
Net cash (used in) provided by operating activities	(4,276)	5,019
Cash (used in) provided by investing activities - continuing operations	1,492	(64)
Cash (used in) investing activities - discontinuing operations	-	-
Net cash (used in) provided by investing activities	1,492	(64)
Cash (used in) financing activities - continuing operations	2,064	(1,630)
Cash (used in) financing activities - discontinuing operations	-	(527)
Net cash (used in) financing activities	2,064	(2,157)
Effect of foreign exchange on cash and cash equivalents	11	(1,041)
Net change in cash and cash equivalents	(709)	1,757
Cash and cash equivalents, beginning of period	7,427	2,580
Cash and cash equivalents, end of period	\$ 6,718	\$ 4,337

Table 4: Condensed Interim Consolidated Statements of Financial Position (Select Items)
(in US\$ thousands, unaudited)

Balance Sheet

(\$ thousands)	Sep 30, 2021	Dec 31, 2020
Cash and Cash Equivalents	\$ 6,718	\$ 7,427
Biological Assets	8,995	11,201
Inventory	77,293	52,634
Total Current Assets	121,537	101,889
Property, Plant & Equipment, Net	64,347	66,795
Total Assets	437,728	429,604
Total Current Liabilities	56,651	44,488
Total Long-Term Liabilities	107,588	102,069
Total Shareholders' Equity	273,489	283,047
Working Capital	64,886	57,401



Source: TILT Holdings Inc.