

May 30, 2022



# Irwin Naturals Files Q1 2022 Financials

***Cannabis Licensing and Ketamine Clinic  
Rollup Strategy Accelerating Growth***

**Company to host conference call Tuesday, May 31, 2022 at 2:00 pm EST**

LOS ANGELES, May 30, 2022 (GLOBE NEWSWIRE) -- **Irwin Naturals Inc. (CSE: IWIN) (OTC: IWINF) (FRA: 97X) (“Irwin” or the “Company”)** announced the Company filed results for its first quarter of fiscal 2022, the period ended March 31, 2022 on [www.sedar.com](http://www.sedar.com).

Philippe Faraut, CFO, stated, “Revenues were slightly impacted by supply chain issues related to a fire at a key supplier producing our CBD product line. These issues were resolved and, subsequent to the quarter, CBD sales are trending back to normal. Further impacts came from product transitions and order timing. Profitability remained strong with an 11.2% operating margin despite start-up expenses related to building our cannabis licensing and psychedelic clinics businesses. Overall, with little debt on our balance sheet, positive cash flow, a rapidly growing network of profitable clinics and an expanding network of brand licensees for THC enhanced products, we remain in very robust financial health to fuel profitable expansion.”

## Financial Summary

<i>(US\$ '000s)</i>	<b>Q1 2022</b>	<b>Change</b>	<b>Q1 2021</b>
<i>Operating Revenue</i>	\$22,594	-6.4%	\$24,135
<i>Income from operations</i>	\$2,526	-33.6%	\$3,803
<i>Margin</i>	11.2%	-25.6%	15.8%
<i>EBITDA<sup>1</sup></i>	\$2,931	-29.5%	\$4,157
<i>Net Cash generated from Operating Activities</i>	\$5,518	-26.6%	\$7,514

<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 tables at the end of this release.

Klee Irwin, CEO, commented, “As mentioned in [this](#) 2-page overview document and my [keynote talk](#) last week at Davos ‘22, brand is king. I strongly believe that in order to increase adoption rates of these amazingly effective treatments we need to build a national footprint of clinics, offering treatments at price points accessible to those who need them, not just those who can afford them. This is a natural extension of the Irwin Naturals brand promise, one known and trusted by over 100 million North Americans\*\*.

Mr. Irwin continued, “We hit the ground running with deals involving seven clinics in the last several weeks. While only the beginning, our pace shows that clinics want to join our rollup and that our brand promise resonates with them. We will continue to expand our pipeline, currently at over 100 target clinics, and will continue to add profitable acquisitions, expand our international footprint and accelerate profitable growth.”

## **Financial Highlights**

- The 6.4% 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. According to market data from Nielsen, the Company is outpacing the market in the CBD ingestible and topical area year-over-year. New non-CBD sales continue to perform due to the brand status and customer loyalty of Irwin’s traditional products. Other factors impacting sales related to order timing and the losses and gains of distribution of certain non-CBD mass market products
- Income from operations in Q1 2022 came in at \$2.5 million, down by 33.6%, driven primarily by the aforementioned decrease in business volume and startup costs related to Emergence by Irwin Naturals (ketamine clinics) and Irwin Naturals Cannabis (brand 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 29.5% decrease in EBITDA to \$2.9 million.
- The Company recorded positive cash flow from operations of \$3.2 million. While down from the same period in the prior year, in part due to the aforementioned startup costs, the Company continues to be financially strong and consistently generates cash to fuel accelerated growth.
- Positive cash flow from operations, combined with a largely undrawn line of credit, provides the Company with the financial resources to drive execution of its strategy.

## **Operational Highlights & Subsequent Events**

Irwin Naturals has commenced its expansion 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 psychedelic substance). Furthermore, the Company has begun executing on its brand licensing strategy throughout the US. To date, the Company has announced the acquisition of seven clinics (New England Ketamine has a binding Asset Purchase Agreement but is subject to closing conditions) as well as the signing of four brand licensing deals that will see Irwin Naturals products enhanced with THC offered in California, Colorado, Ohio and New Mexico.

State	Psychedelic Clinic Acquisitions
Florida	Ketamine Health Centers (5 clinics)
Iowa	Midwest Ketafusion
New Hampshire	New England Ketamine (Asset Purchase Agreement subject to closing conditions)

State	Cannabis Licensees
California	The Hive
Colorado	Larsen Group II
New Mexico	Assurance Laboratories
Ohio	BeneLeaves

### Clinics acquired and brand license deals announced to date

- See our [2-page investor relations deck](#) with certain forward-looking statements.
- May 24, 2022: see [Irwin Naturals Expands Licensing Footprint for Branded THC Products to Ohio](#)
- May 20, 2022: see [Irwin Naturals Completes Acquisition of Ketamine Health Centers](#)
- May 20, 2022: see [Irwin Naturals THC Products to Launch in Colorado, the World's 2nd Largest Cannabis Market](#)
- May 16, 2022: see [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](#)
- May 02, 2022, see [Irwin Naturals Posts Record Revenues and Record Net Profits for FY2021](#)
- Apr 19, 2022: see [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](#)
- Mar 24, 2022: see [Planned Strategy to Add New Mental Health Treatments and Collaborate with 3rd Party Payors](#)
- Mar 17, 2022, [Irwin Naturals Completes Acquisition of Midwest Ketafusion](#)
- Mar 1, 2022; see ["Irwin Naturals Announces Intention to File Draft Registration Statement.](#)
- Feb 9, 2022: see [Irwin Naturals Begins Rollup of Psychedelic Mental Health Clinics](#)
- Jan 12, 2022: see [Irwin Naturals Announces the Closing of an Expanded Line of Credit.](#)

### Conference Call Details

CEO Klee Irwin and CFO Philippe Faraut will be hosting a conference call on Tuesday, May 31, 2022 to discuss the results, as well as the Company's strategy and execution going forward. Details for participants to listen to the call are as follows:

Date & time: May 31, 2022 at 2:00 pm EST, via zoom  
Meeting URL: <https://us02web.zoom.us/j/87935465330?pwd=ymntNlelNBwhHZajU3RQFsBnkt0-DN.1>  
Meeting ID: 879 3546 5330  
By telephone: Canada: 1-647-558-0588  
North America: 1-646-558-8656

## 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:

<i>(in thousands)</i>	Three months ended		\$	%
	March 31,			
	2022	2021		
Net Profit	\$ 2,235	\$ 3,715	\$ (1,480)	-39.8 %
Interest Expense	249	28	221	789.3 %
Income Tax (Recovery) / Expense	42	60	(18)	-30.0 %
Depreciation and Amortization	405	354	51	14.4 %
<b>EBITDA</b>	<b>\$ 2,931</b>	<b>\$ 4,157</b>	<b>\$ (1,226)</b>	<b>-29.5 %</b>

## Irwin Naturals Consolidated Audited Balance Sheet

	Notes	March 31, 2022	December 31, 2021
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash		\$ 853	\$ 625
Other Financial Assets		1	1
Trade Receivables	15	16,273	16,394
Inventory	6	20,003	18,652
Prepaid Expenses and Other Current Assets	5	1,237	1,469
Total Current Assets		<u>38,367</u>	<u>37,141</u>
<b>Non-Current Assets:</b>			
Property and Equipment	7	203	190
Right-of-Use Assets	9	3,552	3,722
Notes Receivable from Shareholders	18	3,272	3,264
Notes Receivable from Related Parties	11	100	-
Goodwill	4	6,114	-
Intangible Assets	11	87	87
Other Non-Current Assets		165	165
Deferred Tax Asset	20	2,337	2,650
Total Non-Current Assets		<u>15,830</u>	<u>10,078</u>
<b>TOTAL ASSETS</b>		<b>\$ 54,197</b>	<b>\$ 47,219</b>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Trade and Other Payables	10	\$ 15,476	\$ 13,310
Reserve for Returns		491	814
Lease Liability - Current	9	1,488	1,366
Note Payable - Current	14	7	-
Line of Credit	8	3,636	6,178
Total Current Liabilities		<u>21,098</u>	<u>21,668</u>
<b>Non-Current Liabilities:</b>			
Lease Liability - Non Current	9	2,101	2,434
Note Payable - Non Current	14	109	-
Contingent Consideration	4	3,910	-
Deferred Tax Liability	20	20	1
<b>TOTAL LIABILITIES</b>		<u>27,238</u>	<u>24,103</u>
<b>EQUITY</b>			
Multiple Voting Shares	12	59	59
Subordinate Voting Shares	12	0	0
Class B Non Voting Shares	12	13,750	13,750
Accumulated Other Comprehensive Income		4	(9)
Retained Earnings		2,024	681
Total Controlling Interest		<u>15,837</u>	<u>14,481</u>
Non-Controlling Interest	19	11,122	8,635
Total Equity		<u>26,959</u>	<u>23,116</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>		<b>\$ 54,197</b>	<b>\$ 47,219</b>

## Irwin Naturals Consolidated Audited Statement of Profit and Loss

	<b>For the Three Months Ended</b>	
	<b>March 31, 2022</b>	<b>March 31, 2021</b>
Operating Revenue	\$ 22,594	\$ 24,135
Cost of Sales	(11,548)	(12,388)
<b>Gross Profit</b>	<b>11,046</b>	<b>11,747</b>
Operating Expenses:		
Selling, General and Administrative Expenses	8,520	7,944
<b>Income from Operations</b>	<b>2,526</b>	<b>3,803</b>
Other Expense:		
Interest Expense	(249)	(28)
Total Other Expense	(249)	(28)
<b>Profit before Income Taxes</b>	<b>2,277</b>	<b>3,775</b>
Income Tax Expense (Note 20)	(696)	(60)
<b>Net Profit</b>	<b>1,581</b>	<b>3,715</b>
Less: Net Profit Attributable to Non-Controlling Interest	(237)	-
Net Profit Attributable to Controlling Interest	\$ 1,344	\$ 3,715
Foreign Currency Translation Differences	4	-
<b>Total Comprehensive Income</b>	<b>1,585</b>	<b>3,715</b>
Less: Comprehensive Income Attributable to Non-Controlling Interest	(237)	-
Comprehensive Income Attributable to Controlling Interest	\$ 1,348	\$ 3,715
Earnings per share - basic	\$ 1.32	\$ 3.72
Earnings per share - diluted	\$ 0.00	\$ 3.72
Weighted average number of shares outstanding- basic	1,200,001	1,000,000
Weighted average number of shares outstanding - diluted	321,368,241	1,000,000

## Irwin Naturals Consolidated Audited Statements of Cash Flows



	<b>For the Three Months Ended</b>	
	<b>March 31, 2022</b>	<b>March 31, 2021</b>
Net Profit	\$ 1,581	\$ 3,715
Adjustments to Reconcile Net Profit to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	405	354
Change in Allowance for Doubtful Accounts	58	69
Change in Inventory Reserve	(355)	-
Deferred Tax Asset	332	-
Non-Cash Share Capital from Ketafusion Acquisition	2,248	-
Interest Income	(8)	-
Interest Expense	38	28
Income Taxes Expense	696	60
Changes in Working Capital:		
Trade Receivables	63	192
Inventory	(996)	(766)
Prepaid Expenses and Other Assets	231	242
Trade and Other Payables	1,548	3,656
Reserve for Returns	(323)	(7)
Changes in Other Non-Current Assets	-	(29)
Net Cash Provided by Operating Activities	<u>5,518</u>	<u>7,514</u>
Cash Flow from Investing Activities:		
Purchases of Property and Equipment	(40)	-
Contingent Consideration	3,910	-
Goodwill	(6,114)	-
Net Cash Used in Investing Activities	<u>(2,244)</u>	<u>-</u>
Cash Flow from Financing Activities:		
Proceeds from Line of Credit	13,338	622
Payments of Line of Credit	(15,880)	(7,122)
Notes Receivable from Related Parties	(100)	-
Distributions to Shareholders	-	(1,097)
Payments on Lease Liability	(419)	(325)
Net Cash Used in Financing Activities	<u>(3,061)</u>	<u>(7,922)</u>
Effect of Foreign Exchange on Cash	16	-
Net Increase in Cash	229	(408)
Cash at Beginning of the Year	625	442
Cash at End of the Year	<u>\$ 854</u>	<u>\$ 34</u>



Source: Irwin Naturals