TERRASCEND

2023 First Quarter Financial Results

May 11, 2023

terrascend.com

CSE: TER | OTCQX: TRSSF

Executive Leadership **SPEAKERS**

Jason Wild
Executive Chairman

Ziad Ghanem
Chief Executive Officer

Keith Stauffer
Chief Financial Officer

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Non-IFRS Measures, Reconciliation and Discussion

Certain financial measures in this presentation are non-IFRS measures, including, Adjusted Gross Profit and Adjusted EBITDA. These terms are not defined by IFRS and, therefore, may not be comparable to similar measures provided by other companies. These metrics have no direct comparable IFRS financial measure. Such information is 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. For more information, please see "Non-IFRS Financial Measures" in the Company's Interim MD&A available on www.sedar.com.

Adjusted Gross Profit and the associated margin are non-IFRS measures which management uses to evaluate the performance of the Company's business as it reflects its ongoing profitability. The Company believes that certain investors and analysts use this measure to evaluate a company's ability to service debt and to meet other payment obligations or as a common measurement to value companies in certain industries. The Company measures Adjusted Gross Profit as Gross Profit / (loss) less the cost of a one-time inventory impairments. The associated margin is Adjusted Gross Profit as a percentage of Net Sales.

Adjusted EBITDA and the associated margin are non-IFRS measures which management uses to evaluate the performance of the Company's business as it reflects its ongoing profitability. The Company believes that certain investors and analysts use this measure to evaluate a company's ability to service debt and to meet other payment obligations or as a common measurement to value companies in certain industries. The Company measures Adjusted EBITDA as EBITDA less unrealized gain on changes in fair value of biological assets and other income plus fair value changes in biological assets included in inventory sold, impairments, restructuring costs, purchase accounting adjustments, transaction costs, share based compensation, revaluation of warrants and derivatives liabilities, unrealized loss on investments or foreign exchange, settlement costs related to contractual disputes, and other one-time non-recurring items. The associated margin is Adjusted EBITDA as a percentage of Net Sales.

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Company Overview

JASON WILD

Executive Chairman

Q1 2023 Financial Highlights

$69.4 M
Net Revenue

43%
YoY Revenue Growth

6th
Consecutive Quarter of Sequential Revenue Growth

48.8%
Q1 2023 Gross Profit Margin

+420
Basis Point Improvement Sequentially

$8.4 M
Cash Flow from Operations (3rd Consecutive Quarter)

$5.9 M
Free Cash Flow

$33 M
Cash and Cash Equivalents (as compared to $26 M as of 12/31/22)

Looking Ahead

Sales Momentum

- Top 3 Player in New Jersey
  - Retail presence
  - High quality product
  - Popular brands
- Exciting adult-use prospects
  - Maryland
  - Pennsylvania

M&A Opportunities

- Increasing number of attractive opportunities in the pipeline
  - Existing states
  - New markets
- It's a buyer's market
  - Distressed environment

Capital Markets

- Progress continues towards Toronto Stock Exchange listing
- Greater accessibility to a broader group of institutional and retail investors
- TSX up-listing could provide a considerable advantage during M&A discussions
- SAFE Banking

* Includes the benefits of all planned debt reductions once completed

Business Overview

ZIAD GHANEM

Chief Executive Officer

New Jersey

1Q'23 Highlights

- **Continued Strength**
  - Continue to see strong sales and margin performance.
  - Strategically allocating production between retail and wholesale channels.
- **Top 3 Operator**
  - According to BDSA data, capturing significant market share in New Jersey as a top 3 operator in the state.
  - Strong margins continued to improve in Q1.
- **Room for Further Growth**
  - Leveraging own brands and partner's brands.
  - Over-indexing in flower, vapes, concentrates.
  - Gained 4 points of market share in pre rolls in the quarter, further room for growth in edibles with Wana launch.
  - On schedule and on budget for further cultivation expansion at Boonton facility.

Maryland

1Q'23 Highlights

- **Strong Sequential Growth**
  - Q1 sales nearly tripled sequentially (off small base).
  - Early harvests yielded quality levels comparable to other states.
  - Margins improved materially after absorbing full cycle of harvesting.
- **Vertical Integration Plan on Track**
  - Fully operational with cultivation and manufacturing at new Hagerstown facility.
  - Closed on the acquisition of Allegany Medical dispensary (AMMD) in January.
  - Actively evaluating other M&A opportunities for further vertical integration and retail expansion.
- **Adult Use July 1, 2023**
  - Preparing to go to market with a full complement of brands, products and formats, for wholesale distribution, leveraging the same brand strategy that has proven successful in NJ.

Pennsylvania

1Q'23 Highlights

- **PA Remains Key Strategic Focus Area**
  - Current medical market size of over $1.2 billion.
  - Regulatory path towards adult use continues to progress steadily.
  - Continue to minimize expenses and optimize efficiency of existing operation.
  - Prepared to bring on capacity, leverage vertical scale, brands and capabilities to meet increased demand in an expected adult-use market.
- **Retail and Wholesale**
  - 6 dispensaries, retail and wholesale sales were stable sequentially.
  - Fully built-out at large-scale cultivation and manufacturing facility.

1. Source: September 2021, PCC Month in Review, Pennsylvania Cannabis Coalition
2. Source: 8th Edition, The State of the Legal Cannabis Markets, Arcview Market Research (Published May 5, 2020))

Michigan

1Q'23 Highlights

- **Driving Market Share and Profitability**
  - Revenue stable quarter over quarter.
  - Effective brand strategy yielding premium pricing.
  - Increased quarter over quarter gross margin.
- **Retail and Wholesale**
  - Opened Lemonade Centerline retail location.
  - 18 operating retail locations.
  - 19th store expected to open this month in Oxford.
  - Increased Company vs. 3rd party brands in dispensaries.
  - Evaluating healthy pipeline of M&A opportunities.
- **Confident in Path to Positive EBITDA**
  - Fully operational extraction lab poised to add form factors and a broad array of products.
  - Confident in path to positive EBITDA in second half of 2023.

1. Source: 8th Edition, The State of the Legal Cannabis Markets, Arcview Market Research (Published May 5, 2020)

Business Overview

KEITH STAUFFER

Chief Financial Officer

First Quarter 2023 Financial Results

YoY growth driven by launch of adult use in New Jersey along with Gage and Pinnacle Acquisitions

Net Revenue

(in millions, US$)

+43% YoY

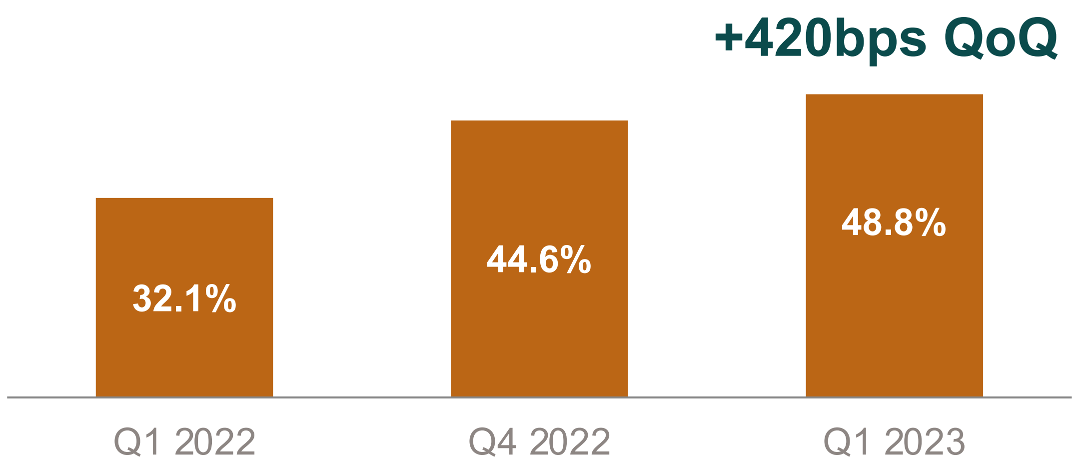
Q1 2022	Q4 2022	Q1 2023
$25.7M Retail $22.9M Wholesale	$57.0M Retail $12.0M Wholesale	$55.4M Retail $14.0M Wholesale

First Quarter 2023 Highlights

- Revenue: $69.4M versus $48.6M in Q1 2022
- Positive growth sequentially and 43% year-over-year
- Driven by adult use in NJ and the additions of Gage and Pinnacle in MI, and AMMD in MD.

Gross Profit Margin

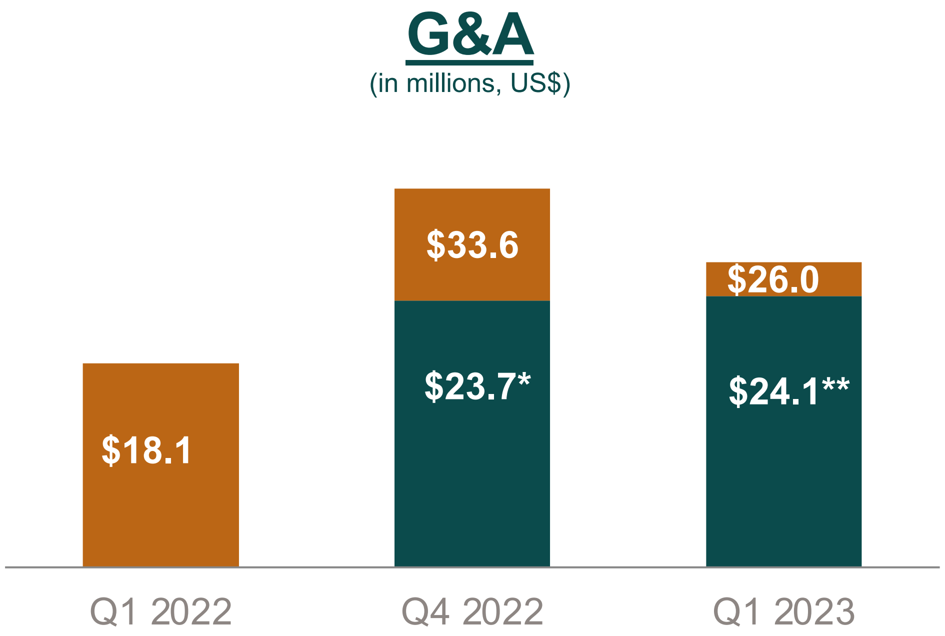
Gross Profit Margin



First Quarter 2023 Highlights

- Gross Profit Margin: 48.8% versus 44.6% in Q4 2022 and 32.1% in Q1 2022
- Impressive sequential improvement driven by increased yields, optimization of mix and better utilization of capacity in NJ, MI and MD

General & Administrative Expenses*



% Rev	37.2%	48.7%	37.6%

First Quarter Highlights

- General & Administrative Expenses: $26.0M versus $33.6M in Q4 2022
- % of Revenue : 37.6% versus 48.7% of revenue, in Q4 2022
- Sequential decline mainly due to a previously disclosed one-time bad debt expense of $9.9M recorded in Q4 2022
- Excluding one-time items, operating expenses up slightly quarter over quarter, primarily driven by acquisition of AMMD
- Stock based compensation was $1.7M in Q1 versus $1.6M in the previous quarter

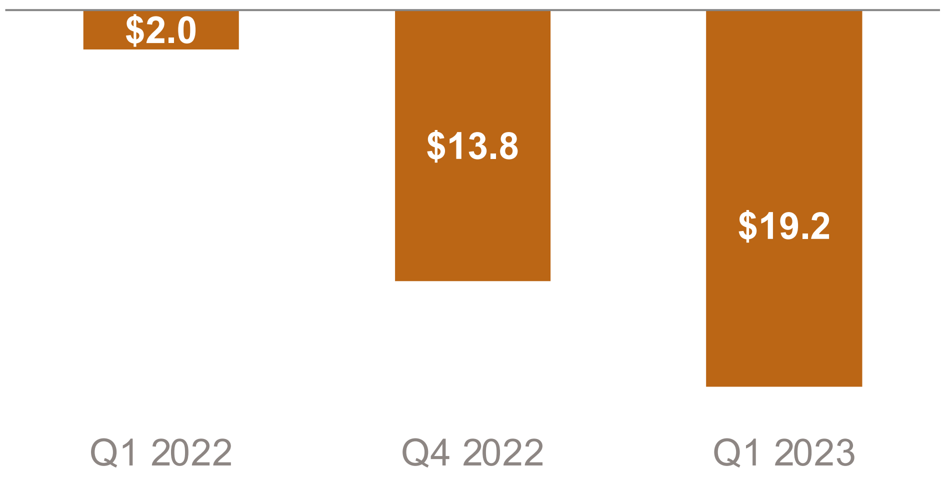
* Excluding stock-based compensation and Amortization and Depreciation
** Excluding one time items

GAAP Net Income/(Loss) and Adjusted EBITDA*

GAAP Net Loss

from continuing operations

(in millions, US$)



Adj EBITDA*

(in millions, US$)

% Rev	10.1%	17.7%	17.6%

First Quarter 2023 Highlights

- GAAP Net loss from continuing operations: $19.2M versus net loss of $2.0M in Q4 2022
- Sequential increase in net loss of $17M primarily relates to $21M reversal of goodwill and intangibles impairments in Q4 2022, related to finalization of purchase accounting for the Gage acquisition
- Adj EBITDA: $12.2M, flat sequentially and versus $4.9M in Q1 2022
- Adj. EBITDA Margin: 17.6% versus 17.7% in Q4 2022 and 10.1% in Q1 2022

* Adj EBITDA is a non-GAAP financial measure. Please refer to disclaimer on slide 3 and Reconciliation of Non-GAAP Measures in appendix.

Cash Flow

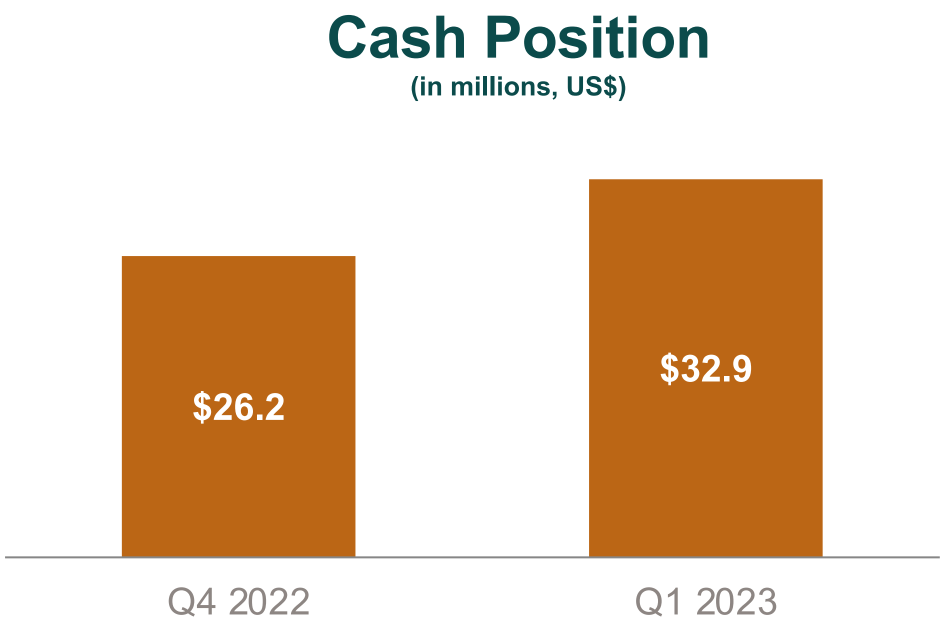
Strong sequential growth highlights continued focus on improving cash flow from operations

Cash Flow From Operations
(in millions, US$)

Cash Flow and Cap Ex Highlights

- Cash flow from operations of $8.4M in Q1, up from $7.3M in Q4
- Capital Expenditures: $2.5M mainly related to store openings in Michigan
- Free cashflow for Q1 was $5.9M
- Lower interest payments in Q1; Accrued taxes for current period of $7.6M; No tax payments in period

Cash Position



Highlights

- Cash Position at 3/31/23 of $32.9M, compared to $26.2M at 12/31/22
- Positive free cash flow of $5.9M drove increase in cash balance
- $12.8M received related to ERC credits
- $9.6M paid to acquire AMMD dispensary in Maryland

Thank You

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Appendix – Reconciliation of Non-GAAP Measures

The table below reconciles net loss to EBITDA from continuing operations and Adjusted EBITDA from continuing operations for the quarters ended March 31, 2023, December 31, 2022, and March 31, 2022.

	For the Three Months Ended		
(in thousands of U.S. Dollars)	**March 31, 2023**	**December 31, 2022**	**March 31, 2022**
Revenue, net	**69,398**	**69,041**	**48,585**
Net loss	**$ (22,769)**	**$ (12,522)**	**$ (16,006)**
Net Loss Margin %	*-32.8%*	*-18.1%*	*-32.9%*
Loss from discontinued operations	3,591	10,572	2,256
Loss from continuing operations	(19,178)	(1,950)	(13,750)
Add (deduct) the impact of:			
Provision for income taxes	12,664	14,819	3,743
Finance expenses	7,875	12,046	6,605
Amortization and depreciation	4,771	5,046	4,525
EBITDA from continuing operations	**6,132**	**29,961**	**1,123**
Add (deduct) the impact of:			
Relief of fair value upon acquisition	—	—	1,806
Vape recall	—	—	1,894
Share-based compensation	1,713	1,638	3,356
Impairment of goodwill and intangible assets	—	(20,158)	—
nt of property and equipment and loss on disposal of fixed assets	334	241	—
Loss on lease termination and derecognition of ROU asset	205	1,162	—
Loss (gain) from revaluation of contingent consideration	—	(1,250)	119
Restructuring and executive severance	—	45	—
Legal settlements	—	623	—
Other one-time items	1,358	998	1,974
Bad debt expense write offs in Michigan	—	9,941	—
Loan modification fees	—	2,507	—
Employee Retention Credits Transfer Fee	2,235	(9,440)	—
Gain on extinguishment of debt	—	(4,153)	—
(Gain) loss on fair value of warrants and purchase option derivative ass	(437)	32	(5,713)
Indemnification asset release	—	—	(25)
Unrealized and realized loss on investments	699	(34)	—
Unrealized and realized foreign exchange loss (gain)	(31)	99	356
Adjusted EBITDA from continuing operations	**$ 12,208**	**$ 12,212**	**$ 4,890**
Adjusted EBITDA Margin from continuing operations	*17.6%*	*17.7%*	*10.1%*

Appendix – Reconciliation of Non-GAAP Measures

The table below reconciles Gross Profit and Adjusted Gross Profit for the quarters ended March 31, 2023, December 31, 2022, and March 31, 2022.

	For the Three Months Ended		
(in thousands of U.S. Dollars)	**March 31, 2023**	**December 31, 2022**	**March 31, 2022**
Revenue, net	69,398	69,041	48,585
Gross profit	33,900	30,798	15,624
Add the impact of:			
Relief of fair value of inventory upon acquisition	—	—	1,806
Non-cash write downs of inventory	—	—	1,894
Other one time adjustments to gross profit	94	453	238
Adjusted Gross Profit	**33,994**	**31,251**	**19,562**
Adjusted Gross Profit Margin %	*49.0%*	*45.3%*	*40.3%*