TERRASCEND

2023 Fourth Quarter and Full Year Financial Results

March 14, 2024

Terrascend.com

TSX: TSND | OTCQX: TSNDF

Executive Leadership Speakers

Jason Wild

Executive Chairman

Ziad Ghanem

President &
Chief Executive Officer

Keith Stauffer

Chief Financial Officer

Disclaimer

Forward-Looking Information

This presentation contains “forward-looking information” within the meaning of applicable securities laws, including the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking information contained in this presentation may be identified by the use of words such as, “may”, “would”, “could”, “will”, “likely”, “expect”, “anticipate”, “believe”, “intend”, “plan”, “forecast”, “project”, “estimate”, “outlook” and other similar expressions. Forward-looking information is not a guarantee of future performance and is based upon a number of estimates and assumptions of management in light of management’s experience and perception of trends, current conditions and expected developments, as well as other factors relevant in the circumstances, including assumptions in respect of current and future market conditions, the current and future regulatory environment, and the availability of licenses, approvals and permits. Examples of forward-looking information contained in this presentation include statements regarding the expectations regarding the Company’s plans to file tax refund claims for past years; the benefits of its listing on the Toronto Stock Exchange; the Company’s strategic plans, objectives and roadmap; the estimated addressable market opportunity, including the proposed entry into new markets, such as Ohio; and expectations for other economic, business, and/or competitive factors.

Although the Company believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because the Company can give no assurance that they will prove to be correct. Actual results and developments may differ materially from those contemplated by these statements. Forward-looking information is subject to a variety of risks and uncertainties that could cause actual events or results to differ materially from those projected in the forward-looking information. Such risks and uncertainties include, but are not limited to, our recent growth, which may not be indicative of our future growth; current and future market conditions; risks related to federal, state, provincial, territorial, local and foreign government laws, rules and regulations, including federal and state laws in the United States relating to cannabis operations in the United States; and the risk factors set out in the Company’s most recently filed MD&A, filed with the Canadian securities regulators and available under the Company’s profile on SEDAR+ at www.sedarplus.ca and in the section titled “Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2023 filed with the Securities and Exchange Commission (the “SEC”) on March 14, 2024, and any subsequently filed quarterly reports on Form 10-Q.

The statements included in this presentation are made as of the date of this presentation. TerrAscend disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

No stock exchange, securities commission or other regulatory authority has approved or disapproved the information contained herein.

Disclaimer

Definition and Reconciliation of Non-GAAP Measures

In addition to reporting the financial results in accordance with generally accepted accounting principles in the United States (“GAAP”), the Company reports certain financial results that differ from what is reported under GAAP. Non-GAAP measures used by management do not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies. The Company believes that certain investors and analysts use these measures to measure a company’s ability to meet other payment obligations or as a common measurement to value companies in the cannabis industry, and the Company calculates Adjusted Gross Profit and Adjusted Gross Profit Margin as Gross Profit and gross profit margin adjusted for certain material non-cash items including the one-time relief of fair value upon acquisition, non-cash write downs of inventory, sales returns and write downs of inventory as a result of a vape recall in Pennsylvania, and other one-time adjustments to gross profit that management does not believe are reflective of ongoing operations. We calculate Adjusted EBITDA from continuing operations and Adjusted EBITDA Margin from continuing operations as EBITDA from continuing operations adjusted for certain material non-cash items such as inventory write downs outside of the normal course of operations, fees related to the modification of debt, impairment charges taken on goodwill, intangible assets and property and equipment, the gain or loss recognized on the revaluation of our contingent consideration liabilities, gains resulting from the extinguishment of debt, loan modification fees related to the modification of debt, the gain recognized on the extinguishment of debt, the gain or loss on fair value of warrants and purchase option derivative assets, relief of fair value upon acquisition and certain other adjustments management believes are not reflective of the ongoing operations and performance. Furthermore, we define Free Cash Flow as net cash provided by operating activities from continuing operations, adjusted for certain cash items such as capital expenditures for property and equipment. 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 GAAP. The Company believes this definition is a useful measure to assess the performance of the Company as it provides more meaningful operating results by excluding the effects of expenses that are not reflective of the Company’s underlying business performance and other one-time or non-recurring expenses.

Please refer to the tables in our earnings release and Form 10-K for the period ending December 31, 2023 as posted in the ”Investors” section of our website for a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures. The Company encourages investors to consider its GAAP results alongside its supplemental non-GAAP measures, and to review the reconciliation between GAAP results and non-GAAP measures that is included at the end of this presentation.

Third Party Information

Certain information contained in this presentation and statements made orally during the related earnings webcast relate to or are based on studies, publications, surveys and other data obtained from third-party sources and the Company’s own internal estimates and research. While the Company believes these third-party studies, publications, surveys and other data to be reliable as of the date of this presentation, the Company has not independently verified, and makes no representations as to the adequacy, fairness, accuracy or completeness of, any information obtained from third-party sources. In addition, no independent source has evaluated the reasonableness or accuracy of the Company’s internal estimates or research and no reliance should be made on any information or statements made in this presentation relating to or based on such internal estimates and research.

Company Overview

Jason Wild, Executive Chairman

FY and Q4 2023 Financial Highlights

Full Year 2023

$317.3 M
FY Net Revenue

+28.0% YoY

50.3%
FY Gross Profit Margin

+77.1% YoY
FY Adjusted EBITDA from Continuing Operations *

Q4 2023

$86.6 M
Q4 Net Revenue

+25.5% YoY

48.2%
Q4 Gross Profit Margin

22.7%
Q4 Adjusted EBITDA Margin*

6th Consecutive Quarter of Positive Cash Flow from Continuing Operations

$31.1 M
FY 2023 Cash Flow from Continuing Operations

$23.4 M
FY 2023 Free Cash Flow*

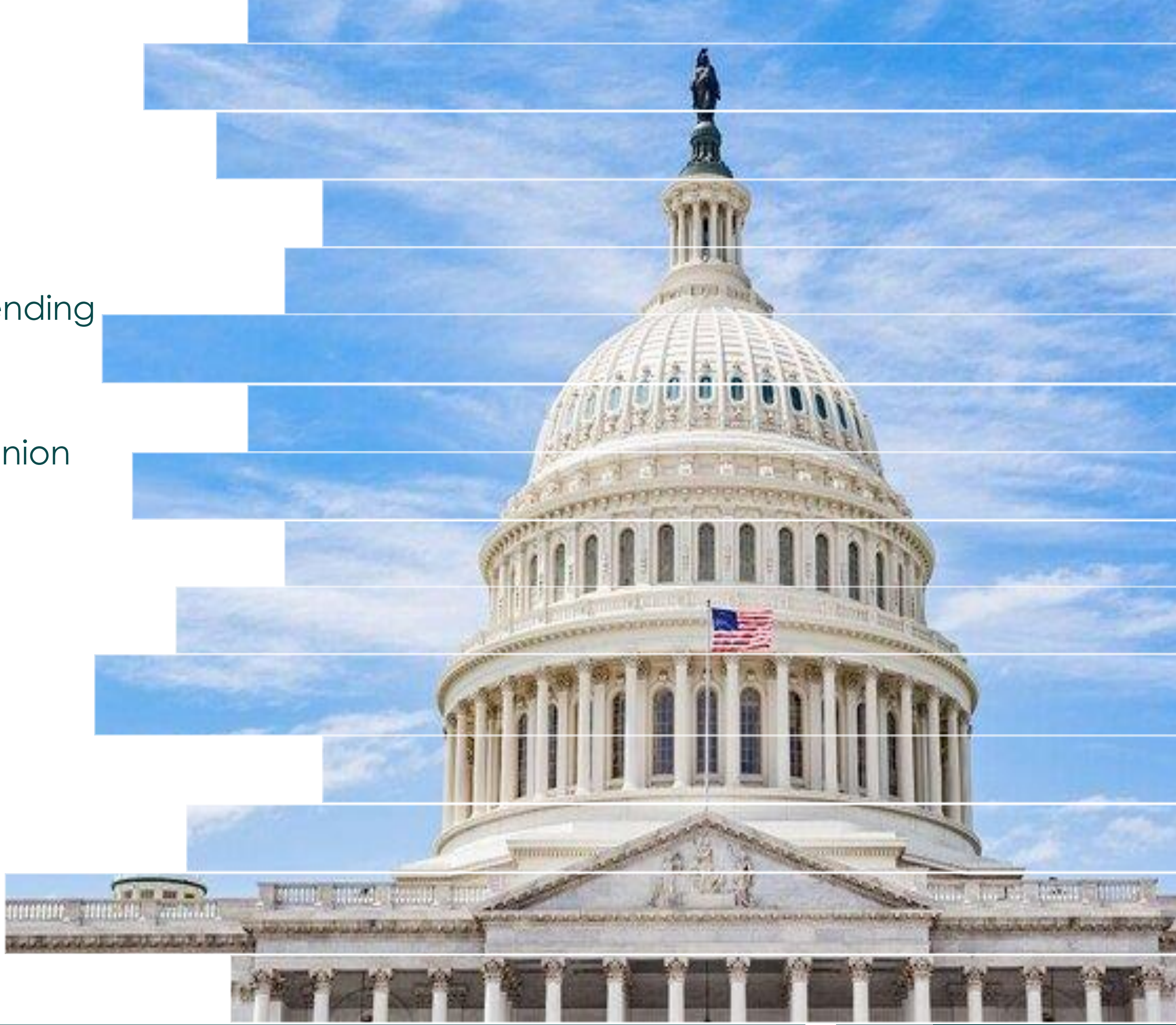
* Adjusted EBITDA margin from continuing operations and Free Cash Flow are non-GAAP financial measures. Please refer to disclaimer on slide 3 and 4 and Reconciliation of Non-GAAP Measures in appendix.

Federal Reform

- Important tax deductions
- Significantly greater profitability
- Greater access to institutional banking and lending
- Lower cost of capital
- Historic mention of Cannabis at State of the Union address

State-Level Reform

- Governor of Pennsylvania has endorsed adult-use program
- Asked legislators for adult-use bill to be signed on July 1, 2024 with launch of full adult-use by January 1, 2025



Taxes and Debt

Tax Reform:
- Initiated a comprehensive evaluation in early 2023
- Based on legal interpretations, changed tax position related to the applicability of IRS section 280E
- Will amend returns, with expected refunds of approximately $26 million

Refinancing:
- Working through a competitive process to refinance debt that matures at the end of this year
- Process includes both existing and potential new lenders
- Pleased with the discussions thus far
- Goal remains to reduce interest expense

* Free Cash Flow is a non-GAAP financial measure. Please refer to disclaimer on slide 3 and 4 and Reconciliation of Non-GAAP Measures in the appendix.

Driving Operational Excellence within Current Footprint

CALIFORNIA

Super premium flower & 5 dispensaries

Population
40 Million

MICHIGAN

Scaled vertical operations including cultivation, manufacturing, retail with 19 locations, and exclusive brand partnerships

Population
10 Million

NEW JERSEY

Top 2 Player – Scaled vertical operation with 3 dispensaries

Population
9 Million

PENNSYLVANIA

Scaled vertical operation with large scale cultivation and manufacturing, and 6 medical dispensaries

Population
13 Million

MARYLAND

Vertically integrated operation with state-of-the-art cultivation and manufacturing facility and 4 Dispensaries

Population
5 Million

Ample Greenfield Opportunity

Ample greenfield opportunity of attractive new markets to enter, for example, Ohio

Population

12 Million

Adult-use on the horizon

- Similar to successful expansion into Maryland, sights are now set on entering Ohio prior to commencement of Adult Use.
- Ohio has population of 12 million, compared to 9 million in NJ and 6 million in MD.
- Employing AU playbook in Ohio could result in even larger business relative to other top performing TerrAscend markets.
- Plan to leverage Michigan corporate infrastructure in a similar manner to how Maryland integrated into the northeast infrastructure in 2023. Would make MI and OH more profitable combined than on a standalone basis.

Expect this to continue to drive a higher rate of growth and improved margins

In Summary

- Grew business to new levels and at the highest rate among public companies in the industry
- Strengthened operational performance
- Blazed new trail by being first plant-touching US operator to list on the TSX
- Played leadership role in case filed against the US attorney general
- Went deeper and vertically integrated in MD
- Reduced debt and interest expense
- Became cash flow positive for first year in company history

Business Overview

Ziad Ghanem, President & Chief Executive Officer

New Jersey

4Q '23 Highlights

- Largest and Most Profitable Market
- According to BDSA, Market Share Position at Virtual Tie for #2
  - 17.5% market share, compared to #3 position in Q3
- High Cultivation Yields, Low-Cost Structure, Leading Brands and Retail Experience
  - Increased wholesale business 25% sequentially
  - Maintained high gross profit, EBITDA margins and cash flow
- Future Growth Opportunities
  - Opportunity to add 7 additional company branded retail doors, would increase retail store count to 10

Maryland

4Q ’23 Highlights

- Early Days of Adult-Use
  - Adult-use began July 1, 2023
  - According to MJBiz Factbook, market size expected to reach $2.1 billion annually by 2027
- Fully Vertically Integrated
  - State-of-the-art cultivation facility
  - 4 retail locations; the state limit
  - Believed to be among highest performing retail operators in MD
  - Near completion on relocation of Parkville location to a new, larger storefront

Pennsylvania

4Q '23 Highlights

- Market Overview
  - Population of 12 million
  - Current medical market size already over $1.2B
  - According to BDSA, expected to be over $2B adult-use market by 2028
- Retail and Wholesale Growth
  - Retail and wholesale revenue grew for the second consecutive quarter
  - Legend brand and Valhalla edibles strong performance continues
  - Activated additional grow rooms to meet current demand

Future Growth Opportunities

- Gov. Shapiro recently voiced support for an expedited adult-use cannabis program

Michigan

4Q '23 Highlights

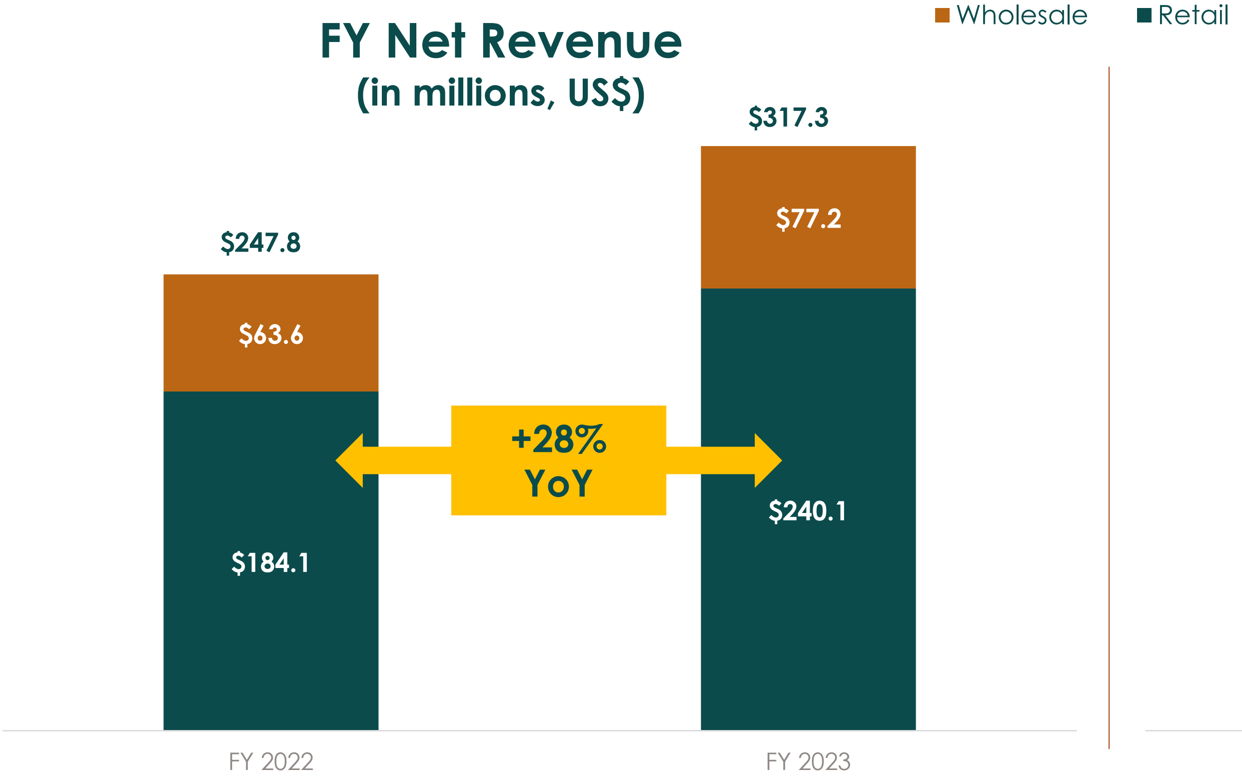
- Market Overview
  - Largest US market per capita
  - #2 market size at over $3 Billion
- Focused on Margin and Profitability
  - Substantially improved gross margins since acquiring the business
  - Achieved ~40% Gross Profit Margin
- Retail and Wholesale
  - 19 retail locations, soon to be 20 with second Detroit location planned for next month
- Opportunity to go deeper with accretive M&A in unlimited license state

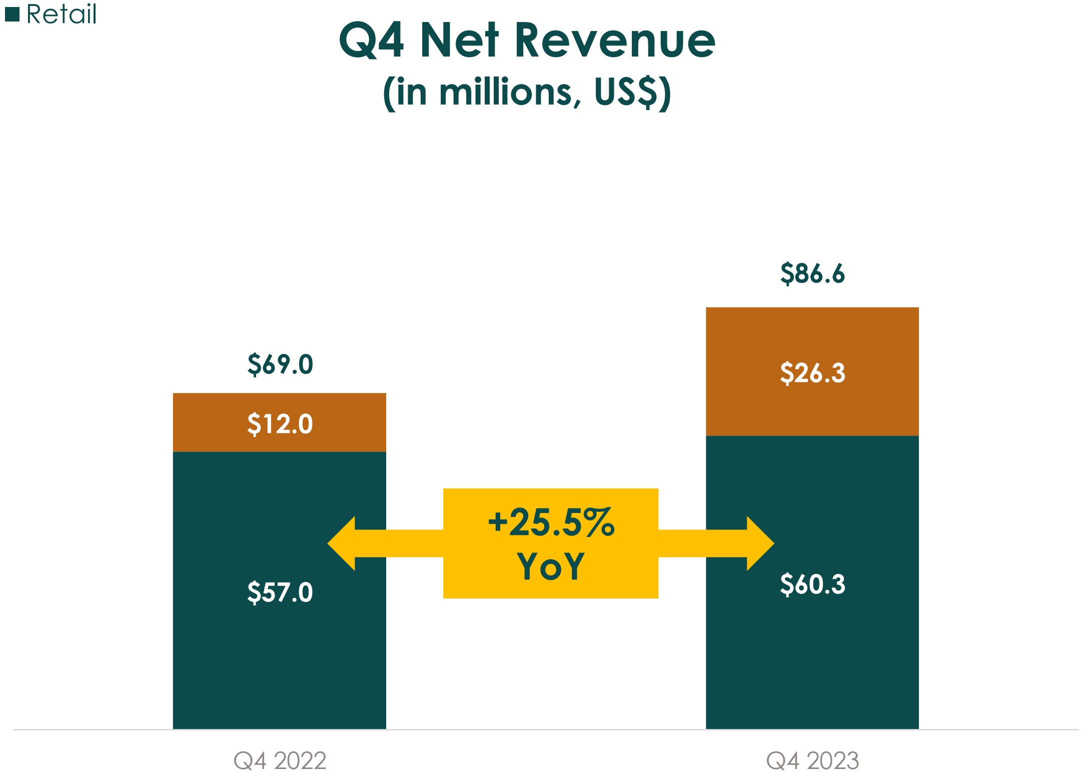
Financial Overview

Keith Stauffer, Chief Financial Officer

Fourth Quarter and Full Year 2023 Net Revenue

YoY increases driven by strong market share in New Jersey, launch of adult-use and acquisition of 4 retail dispensaries in Maryland, and retail sales growth in Michigan

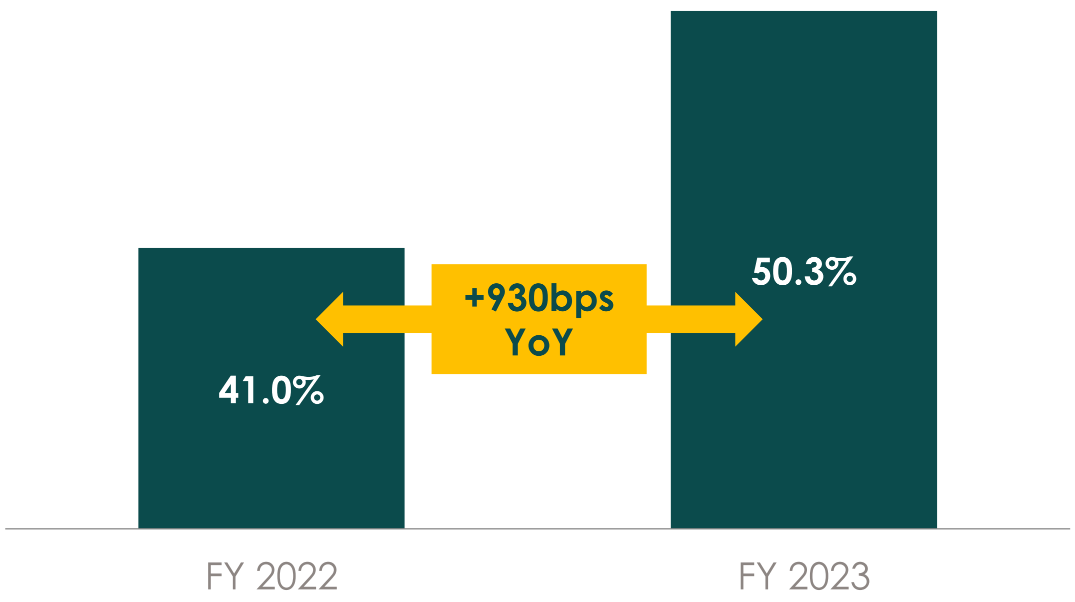




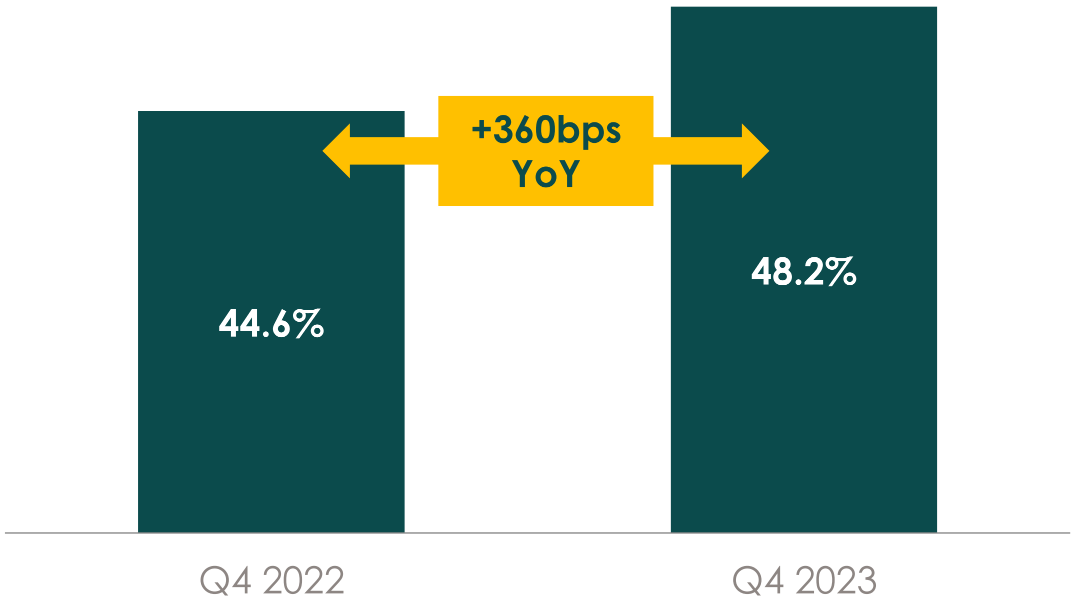
Gross Profit Margin

Improvement driven by adult-use and yield improvements in New Jersey, operational scale up and going vertical in Maryland, various margin optimization efforts in Michigan, and cost optimizations in Pennsylvania

FY Gross Profit Margin



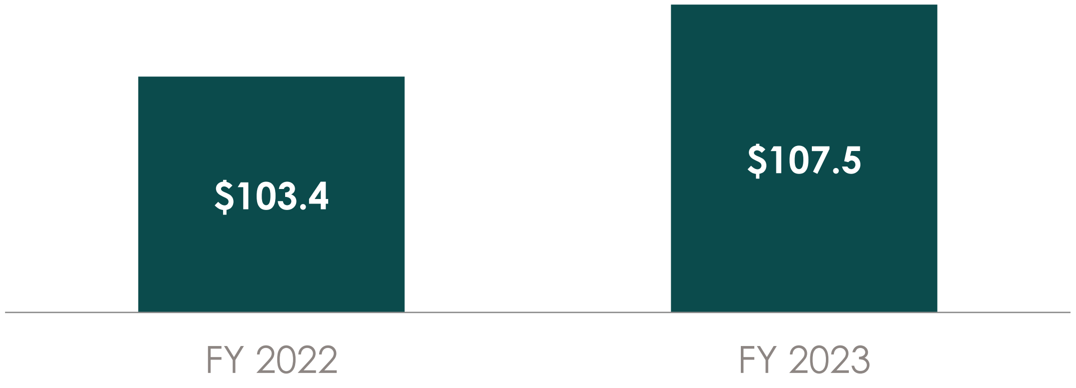
Q4 Gross Profit Margin



General & Administrative Expenses*

790 basis point annual reduction as a percentage of revenue driven by across-the-board efforts to optimize our cost structure and drive positive cash flow from operations

FY General & Administrative Expenses*
(in millions, US$)



41.7% of Revenue (FY 2022) | **33.9% of Revenue** (FY 2023)

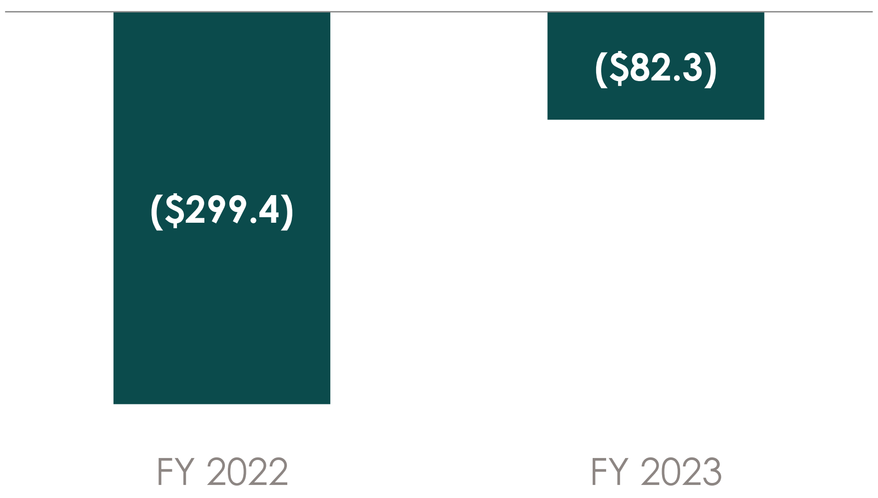
Q4 General & Administrative Expenses*
(in millions, US$)

47.7% of Revenue (Q4 2022) | **29.5% of Revenue** (Q4 2023)

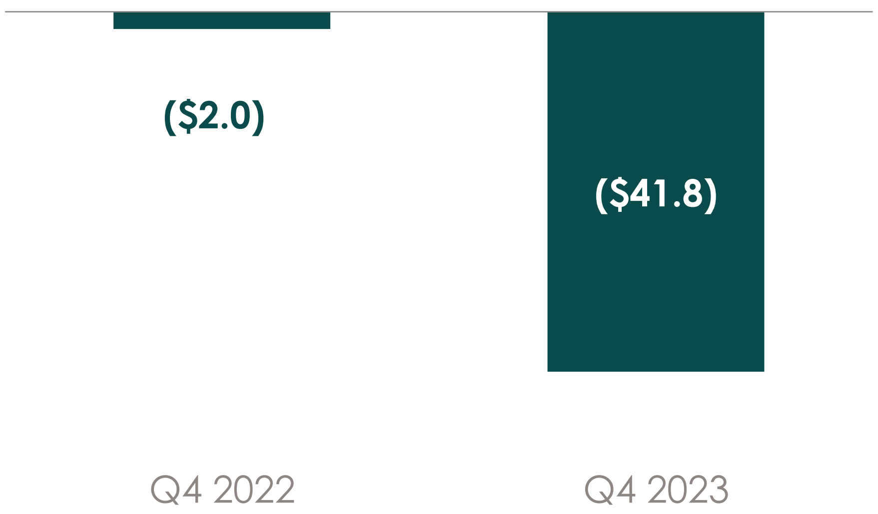
* Excluding stock-based compensation

GAAP Net Income (Loss)

FY GAAP Net Loss
from continuing operations
(in millions, US$)



Q4 GAAP Net Loss
from continuing operations
(in millions, US$)



FY GAAP Net Loss:

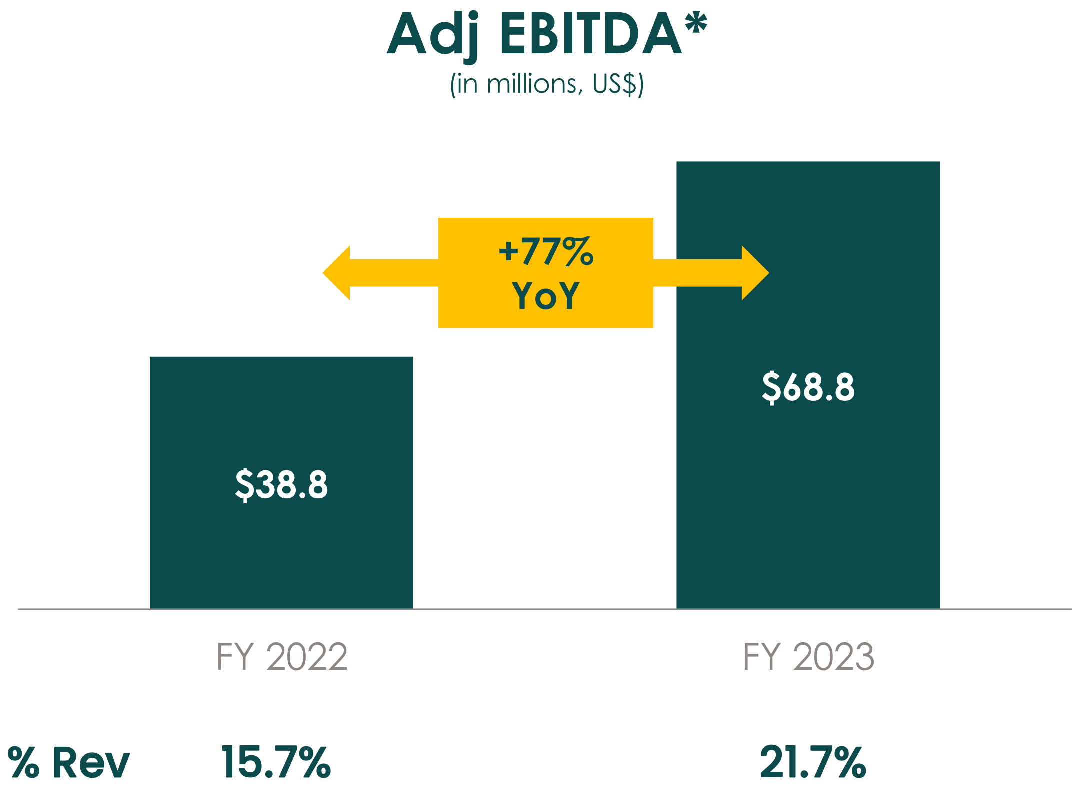
- $82.3 million net loss, inclusive of a $58.0 million non-cash impairment charge, compared to a $299.4 million net loss in 2022, inclusive of a $311.1 million non-cash impairment charge.
- Non-cash impairment charges were recorded against goodwill and intangibles for the Company's Michigan and California businesses.

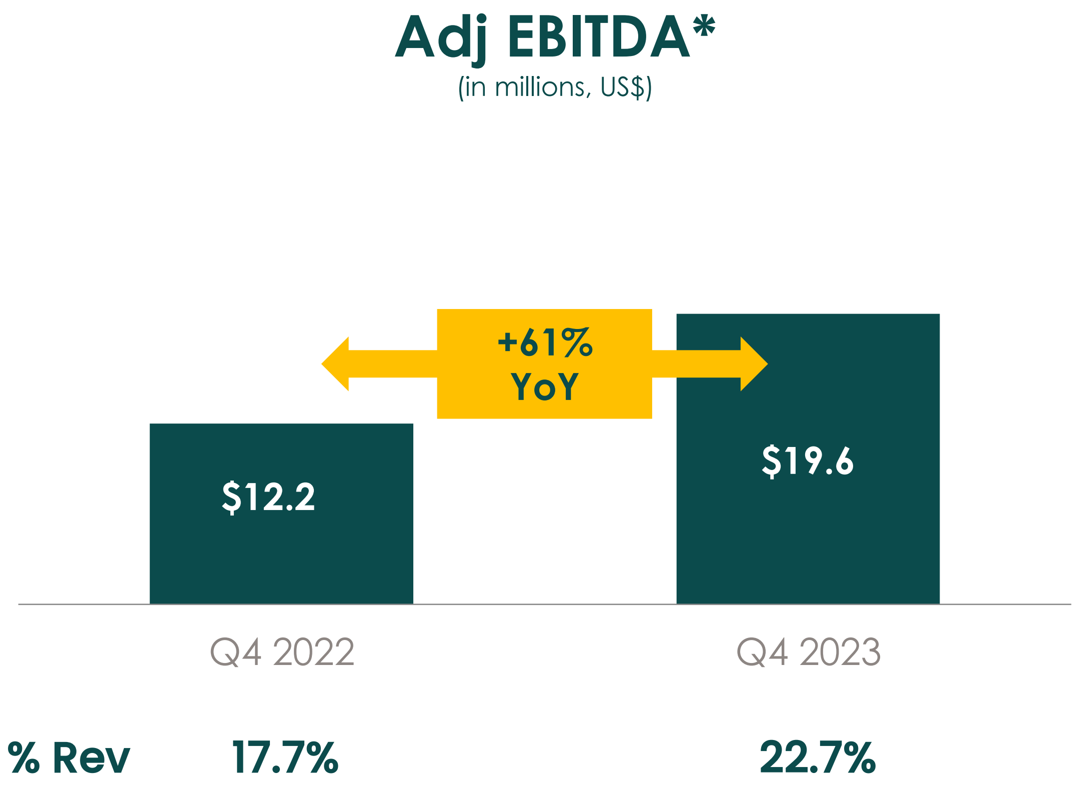
Q4 GAAP Net Loss:

- $41.8 million net loss, inclusive of a $57.7 million non-cash impairment charge, compared to a $2.0 million net loss in Q4 2022.
- Non-cash impairment charges were recorded against goodwill and intangibles for the Company’s Michigan and California businesses.

Adjusted EBITDA*

Year-over-year increase reflects growth in revenue and improvements in gross margin while maintaining G&A relatively flat year-over-year





TERRASCEND

* Adjusted EBITDA from continuing operations, Adjusted EBITDA margin from continuing operations and Free Cash Flow are non-GAAP financial measures. Please refer to disclaimer on slide 3 and 4 and Reconciliation of Non-GAAP Measures in the appendix.

Balance Sheet and Cash Flow

- Cash, and cash equivalents, including restricted cash:
  - $25.3 million (12/31/23), compared to $28.5 million (9/30/23)

- Q4 2023 net cash provided by continuing operations:
  - $9.4 million, 6th consecutive quarter of positive cash flow from continuing operations

- Q4 2023 Capex:
  - $1.5 million, consequently, free cash flow* was $7.9 million for the quarter
  - Main capex project is Maryland facility expansion

- Q4 cash payments:
  - $4.1 million debt paid down
  - $4.7 million of distributions to New Jersey partners

* Free Cash Flow is a non-GAAP financial measure. Please refer to disclaimer on slide 3 and 4 and Reconciliation of Non-GAAP Measures in the appendix.

Taxes

- After initiating a comprehensive evaluation in early 2023, and based on legal interpretations, TerrAscend has changed its tax position as it relates to applicability of Internal Revenue Code Section 280E.

- This has resulted in the reclassification of $59.2 million of tax liabilities, as of December 31, 2023, to long term liabilities and an uncertain tax position on the balance sheet.

- TerrAscend will be filing amended returns for 2020, 2021 and 2022 and expects to receive approximately $26 million of federal and state refunds related to calendar years 2020 and 2021.

- The current income tax liability on December 31, 2023 was $4.8 million and the Company plans to make payments as an ordinary taxpayer going forward.

First Quarter 2024 Expectations

- Expects typical seasonal trends to impact revenue.
- Anticipates a 5-7% decline sequentially resulting in YoY growth of around mid-to-high teens.
- EBITDA growth of 20-25% YoY.

Thank You

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 December 31, 2023 and December 31, 2022 and the years ended December 31, 2023 and December 31, 2022.

	For the Three Months Ended		For the Year Ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Revenue, net	$ 86,566	$ 69,041	$ 317,328	$ 247,829
Net loss	(41,814)	(12,522)	(86,730)	(325,351)
Net loss margin %	-48.3%	-18.1%	-27.3%	-131.3%
Loss from discontinued operations	—	10,572	4,444	25,949
Loss from continuing operations	(41,814)	(1,950)	(82,286)	(299,402)
Add (deduct) the impact of:				
Provision for income taxes	(9,202)	14,819	23,453	(10,783)
Finance expenses	9,065	12,046	35,106	39,059
Amortization and depreciation	5,203	5,046	20,382	22,624
EBITDA from continuing operations	**(36,748)**	**29,961**	**(3,345)**	**(248,502)**
Add (deduct) the impact of:				
Relief of fair value upon acquisition	—	—	—	2,770
Non-cash write downs of inventory	—	—	—	5,894
Vape recall	—	—	—	2,965
Share-based compensation	2,238	1,638	7,707	12,162
Impairment of goodwill and intangible assets	55,993	(20,158)	55,993	311,084
(Gain) Loss from revaluation of contingent consideration	—	(1,250)	(645)	(1,061)
Restructuring and executive severance	186	45	921	472
Legal settlements	—	623	746	623
Other one-time items	2	998	3,808	5,207
Loan modification fees	—	2,507	—	2,507
Bad debt expense write offs in Michigan	—	9,941	—	9,941
Employee Retention Credits Transfer Fee	—	(9,440)	2,236	(9,440)
Gain on extinguishment of debt	—	(4,153)	—	(4,153)
Gain on lease termination and derecognition of ROU asset	(1,217)	1,162	(1,012)	1,162
Gain on fair value of warrants and purchase option derivative asset	(2,886)	32	(322)	(58,523)
Indemnification asset release	—	—	—	3,973
Impairment of property and equipment	1,734	241	2,079	774
Gain on disposal of fixed assets	(35)	—	(1,914)	315
Unrealized and realized loss (gain) on investments	238	(34)	2,603	(43)
Unrealized and realized foreign exchange (gain) loss	122	99	(53)	712
Adjusted EBITDA from continuing operations	**$ 19,627**	**$ 12,212**	**$ 68,802**	**$ 38,839**
Adjusted EBITDA Margin from continuing operations	*22.7%*	*17.7%*	*21.7%*	*15.7%*

TERRASCEND

Appendix – Reconciliation of Non-GAAP Measures

The table below reconciles Free Cash Flow for the quarters ended December 31, 2023 and December 31, 2022 and the years ended December 31, 2023 and December 31, 2022.

	For the Three Months Ended		For the Year Ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Net cash provided by operating activities- continuing operations	$ 9,420	$ 7,308	$ 31,132	$ (21,835)
Capital expenditures for property and equipment	(1,538)	(3,391)	(7,762)	(39,631)
Free Cash Flow	**$ 7,882**	**$ 3,917**	**$ 23,370**	**$ (61,466)**

The table below reconciles Revenue, net to General & Administrative expenses excluding stock-based compensation as a percentage of revenue, net:

	For the Three Months Ended		For the Year Ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Revenue, net	$ 86,566	$ 69,041	$ 317,328	$ 247,829
General & Administrative expenses	27,684	34,500	115,189	115,588
Less: stock-based compensation	2,238	1,638	7,707	12,162
General & Administrative expenses excluding stock-based compensation	$ 25,446	$ 32,862	$ 107,482	$ 103,426
G&A excluding stock-based compensation as a % of revenue, net	29.4%	47.6%	33.9%	41.7%