

May 19, 2021



TerrAscend Reports First Quarter Net Sales of USD \$53.4 Million and Adjusted EBITDA(1) of USD \$22.6 Million

-- Raises full year 2021 guidance for Net Sales to exceed USD \$300 million and Adjusted EBITDA to exceed USD \$128 million²

-- Substantial cash balance of USD \$234 million provides ample support for future growth initiatives

NEW YORK and TORONTO, May 19, 2021 /CNW/ - TerrAscend Corp. ("TerrAscend" or the "Company") (CSE: TER) (OTCQX: TRSSF), a leading North American cannabis operator, today reported financial results for its first quarter ending March 31, 2021.

First Quarter 2021 Financial Highlights

(Unless otherwise stated, all results are in U.S. dollars)²

- **Net Sales** increased 106% to \$53.4 million compared to \$25.9 million in Q1 2020.
- **Adjusted Gross Profit Margin³** increased to 65% compared to 45% in Q1 2020.
- **Adjusted EBITDA** increased more than five-fold to \$22.6 million compared to \$3.7 million in Q1 2020.
- **Adjusted EBITDA Margin¹** was 42% compared to 14% in Q1 2020.
- **Cash Flow From Operations** was \$13.3 million compared to a loss of \$0.8 million in Q1 2020.
- **Cash balance** of \$234 million at quarter end to support future growth initiatives.

Management Commentary

"In Q1, we drove strong revenue growth, margin expansion and cash generation by continued focus on operational excellence, disciplined cost control and effective allocation of capital," said Jason Wild, Executive Chairman of TerrAscend. "I'm pleased with the strong results our team has delivered to begin the year."

Mr. Wild added, "Looking ahead to the rest of the year, there are strong operational tailwinds helping our business as we continue to see the benefits from recently completed cultivation expansions, and the addition of retail locations in New Jersey, Pennsylvania and Maryland."

First Quarter 2021 Operational Highlights

- [Completed 80,000 square foot indoor cultivation and manufacturing facility in New Jersey](#)
- [Received permit allowing for extraction, processing, and manufacturing in New Jersey](#)
- [Raised \\$175 million in an oversubscribed non-brokered private placement in January](#)

2021

- [Agreed to settlement and termination of offtake agreement with PharmHouse for an immaterial amount](#)

Subsequent Events

- [Announced and completed Pennsylvania dispensary acquisition of Keystone Canna Remedies \('KCR'\)](#)
- [Completed Maryland grower processor acquisition of HMS Health](#)
- [Opened largest Apothecarium dispensary on East Coast in Maplewood, New Jersey](#)

Financial Summary of Q1 2021 and Comparative Periods

	Q1 2021	Q4 2020	Q1 2020
<i>(In millions of U.S. Dollars)</i>			
Net Sales	53.4	49.6	25.9
QoQ increase	8%	30%	N/C
YoY increase	106%	154%	N/C
Gross profit before gain on fair value of biological assets	34.9	27.5	11.6
Adjusted Gross profit ³	34.9	29.7	11.6
% of Net Sales	65%	60%	45%
General & Administrative Expense	15.8	11.6	10.9
% of Net Sales	30%	23%	42%
Adjusted EBITDA	22.6	19.6	3.7
Adjusted EBITDA % of Net Sales	42%	40%	14%
Net income / (loss)	(12.7)	(87.8)	(10.3)
Cash Flow from Operations	13.3	18.6	(0.8)

1. Adjusted EBITDA and the respective margin are Non-IFRS measures. Please see discussion and reconciliation of Non-IFRS measures below.
 2. Beginning in Q1 2021 the Company began reporting financial results in US dollars. Conversion of previous guidance in Canadian dollars uses an average CAD/USD FX rate of 1.26598 for Q1 2021, 1.34490 for Q1 2020 and 1.34150 for Q4 2020.
 3. Adjusted Gross profit and the respective margin are Non-IFRS measures and are calculated before the impact from biological assets. The 4Q 2020 result excludes \$2.3 million of one-time non-cash inventory impairment in Canadian operations.
- N/C – Not Comparable

Net Sales increased 106% to \$53.4 million in the first quarter of 2021, as compared to \$25.9 million in the first quarter of 2020. This strong year over year growth was driven by cultivation capacity expansions in Pennsylvania, New Jersey, and California as well as five new dispensary openings during 2020. Net Sales increased 8% quarter-over-quarter driven by a full quarter of capacity expansion in Pennsylvania and the initial ramp up of the operations in New Jersey.

Adjusted gross margin, before gain on fair value of biological assets, was 65% in the first quarter of 2021 compared to 45% in the first quarter of 2020 and 60% in the fourth quarter of 2020. The 500 basis point improvement quarter-over-quarter in adjusted gross margin to 65% is due to greater mix of higher margin sales from Pennsylvania and the initial ramp of retail and wholesale operations in New Jersey.

G&A expense was \$15.8 million, representing 30% of Net Sales in the first quarter of 2021, a decrease from 42% of Net Sales in the first quarter of 2020. Sequentially, G&A expense increased from 23% in the fourth quarter of 2020. Approximately half of the increase was related to one-time legal and severance costs while the remainder was related to planned investments in personnel, systems and other capabilities to enable future growth.

Adjusted EBITDA was \$22.6 million in the first quarter of 2021 compared to \$3.7 million in the first quarter of 2020. Adjusted EBITDA margin in the first quarter of 2021 was 42%

compared to 14% in the first quarter of 2020 and 40% in the fourth quarter of 2020.

Net loss for the first quarter of 2021 was \$12.7 million, largely impacted by a loss on fair value of warrants of \$5 million and an unrealized foreign exchange loss of \$3 million, along with income tax expense of \$10 million, financing, and other expenses of \$7 million, share based compensation of \$4 million and depreciation and amortization, inclusive of depreciation and amortization in cost of goods sold, of \$4 million.

Cash and cash equivalents were \$234 million as of March 31, 2021, compared to \$59 million as of December 31, 2020 demonstrating the strong balance sheet position to support the Company's growth initiatives. The Company raised net proceeds of \$173.4 million in January in an oversubscribed non-brokered private placement and received \$9 million of proceeds from warrant and option exercises during the quarter. Cash from operations was positive \$13 million for the quarter while free cash flow, after \$8 million of capex spending, was positive \$5 million for the quarter. This is the second consecutive quarter in which the Company generated a positive free cash flow.

As of May 19, 2021, there were 319 million shares outstanding on a fully diluted basis. Fully diluted shares outstanding include approximately 184 million common shares, 14 million common share equivalent preferred shares, 39 million exchangeable non-voting shares, and 82 million warrants and options. Basic shares outstanding on an as converted basis are approximately 237 million. The warrants and options had a weighted average strike price of C\$4.90 on March 31, 2021.

2021 Outlook

TerrAscend is raising full year guidance and expects Net Sales to exceed USD \$300 million versus previous guidance of USD \$290 million and Adjusted EBITDA to exceed USD \$128 million versus previous guidance of USD \$122 million.

In Pennsylvania, the Company will benefit from increased cultivation capacity completed in late 2020, as well as, the recent acquisition of KCR, which increased its dispensary footprint to six locations.

In New Jersey, sales from the Company's 40,000 square foot greenhouse and 80,000 square foot indoor cultivation facilities are expected to ramp up throughout 2021. TerrAscend's Phillipsburg, New Jersey dispensary achieved its first full quarter of sales in the first quarter of 2021, a second dispensary opened in Maplewood on May 7th, and the Company plans to open a third dispensary later this summer.

In Maryland, the Company will benefit from the contribution of the recently acquired HMS Maryland business.

In California, the Company will benefit from a full quarter of sales from the recently expanded State Flower cultivation facility which has increased annual production capacity of super-premium craft flower by 500%. The Company's California retail footprint will benefit from the two Apothecarium locations in Berkeley and Capitola which opened in the second half of 2020. Both locations continue to ramp up and the overall business continues to recover from the easing of COVID restrictions in the state.

In Canada, the Company expects to see positive contributions to sales and profits with its newly streamlined product portfolio and optimized cost structure.

Finally, the Company remains on track to become a U.S. filer with the United States Securities and Exchange Commission (SEC) by the end of 2021 and is preparing to meet the requirements necessary for its securities to be traded on a national U.S. exchange should such an event become permissible by U.S. law.

Conference Call

TerrAscend will host a conference call today, May 19, 2021, to discuss these results. Jason Wild, Executive Chairman, Keith Stauffer, Chief Financial Officer and Greg Rochlin, Chief Executive Officer of Northeast operations will host the call starting at 8:30 a.m. Eastern time. A question-and-answer session will follow management's presentation.

CONFERENCE CALL DETAILS

DATE: Wednesday, May 19th, 2021
TIME: 8:30 a.m. Eastern Time
WEBCAST: [Click to Access](#)
DIAL-IN NUMBER: 1-888-664-6392
CONFERENCE ID: 88025412
REPLAY: (416) 764-8677 or (888) 390-0541
Available until 12:00 midnight Eastern Time Wednesday, June 2nd, 2021
Replay Code: 025412

Financial results and analyses are available on the Company's website (www.terrascend.com) and SEDAR (www.sedar.com).

The Canadian Securities Exchange ("CSE") has neither approved nor disapproved the contents of this news release. Neither the CSE nor its Market Regulator (as that term is defined in the policies of the CSE) accepts responsibility for the adequacy or accuracy of this release.

About TerrAscend

TerrAscend is a leading North American cannabis operator with vertically integrated operations in Pennsylvania, New Jersey, and California, licensed cultivation and processing operations in Maryland and licensed production in Canada. TerrAscend operates an award-winning chain of The Apothecarium dispensary retail locations as well as scaled cultivation, processing, and manufacturing facilities on both the East and West coasts. TerrAscend's best-in-class cultivation and manufacturing practices yield consistent, high-quality cannabis, providing industry-leading product selection to both the medical and legal adult-use market. The Company owns several synergistic businesses and brands, including The Apothecarium, Ilera Healthcare, Kind Tree, Prism, State Flower, Valhalla Confections, and Arise Bioscience Inc. For more information, visit www.terrascend.com.

Non-IFRS Measures, Reconciliation and Discussion

Certain financial measures in this news release 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 impairment at its Canadian operation in the fourth quarter of 2020. 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.

Caution Regarding Cannabis Operations in the United States

Investors should note that there are significant legal restrictions and regulations that govern the cannabis industry in the United States. Cannabis remains a Schedule I drug under the US Controlled Substances Act, making it illegal under federal law in the United States to, among other things, cultivate, distribute, or possess cannabis in the United States. Financial transactions involving proceeds generated by, or intended to promote, cannabis-related business activities in the United States may form the basis for prosecution under applicable US federal money laundering legislation.

While the approach to enforcement of such laws by the federal government in the United States has trended toward non-enforcement against individuals and businesses that comply with medical or adult-use cannabis programs in states where such programs are legal, strict compliance with state laws with respect to cannabis will neither absolve TerrAscend of liability under US federal law, nor will it provide a defense to any federal proceeding which may be brought against TerrAscend. The enforcement of federal laws in the United States is a significant risk to the business of TerrAscend and any proceedings brought against TerrAscend thereunder may adversely affect TerrAscend's operations and financial performance.

Forward Looking Information

This news release contains "forward-looking information" within the meaning of applicable

securities laws. Forward-looking information contained in this press release 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, and include statements with respect to future revenue and profits. 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.

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, 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.sedar.com.

The statements in this press release are made as of the date of this release. The Company 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.

Financial Outlook

This press release contains a "financial outlook" within the meaning of applicable Canadian securities laws. The financial outlook has been prepared by management of TerrAscend to provide an outlook for full year 2021 and may not be appropriate for any other purpose. The financial outlook has been prepared based on a number of assumptions including the assumptions discussed under the heading "Forward Looking Information" above and the following assumptions: revenue earned in existing retail stores is representative both of revenue that will continue to be earned by such retail stores, as well as of revenue earned in new retail stores; the Company's ability to capitalize on the New Jersey market being generally undersupplied and underdeveloped at the retail and consumer level; the Company's retail locations continuing to be favorably located to take advantage of commuter and other traffic across its footprint; the Company's estimates about the growth in demand for medical cannabis outstripping the aggregate supply in the marketplace in each of its key markets being accurate; the Company's ability to continue to have a diversified customer base and avoid dependence or concentration in any one customer or small group of customers; the Company's Canadian business successfully scaling up its operations to meet customer demand; and, the success of the Company in integrating acquired businesses into its organizational structure and operations, including achieving anticipated economies of

scale and revenue projections in connection with such acquisitions. The actual results of the Company's operations for any period will likely vary from the amounts set forth in these projections and such variations may be material. TerrAscend and its management believe that the financial outlook has been prepared on a reasonable basis. However, because this information is highly subjective and subject to numerous risks, including the risks discussed under the heading "Forward Looking Information" above, it should not be relied on as necessarily indicative of future results. Except as required by applicable Canadian securities laws, TerrAscend undertakes no obligation to update the financial outlook. TerrAscend undertakes no obligation to comment on analyses, expectations or statements made by third parties in respect of TerrAscend, its securities, or financial or operating results (as applicable).

Consolidated Statements of Financial Position (Unaudited) (\$ thousands)

	At March 31, 2021	At December 31, 2020*	At January 1, 2020*
Assets			
Current Assets			
Cash and cash equivalents	\$ 234,237	\$ 59,226	\$ 9,162
Restricted cash	—	—	—
Receivables, net of sales returns and allowances	10,391	10,876	5,869
Share subscriptions receivable	12	—	24,463
Note receivable	—	—	4,609
Investments	—	—	358
Biological assets	17,479	17,816	4,222
Inventory	41,220	34,696	15,723
Prepaid expenses and other assets	4,713	5,165	4,757
	<u>308,052</u>	<u>127,779</u>	<u>69,163</u>
Non-Current Assets			
Investment in associate	1,508	1,379	1,000
Property, plant and equipment	135,881	129,735	86,734
Intangible assets and goodwill	198,480	199,985	185,670
Indemnification asset	10,303	11,500	11,500
Prepaid expenses and other assets	8,852	3,923	695
	<u>355,024</u>	<u>346,522</u>	<u>285,599</u>
Total Assets	\$ 663,076	\$ 474,301	\$ 354,762
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 23,972	\$ 27,176	\$ 19,256
Deferred revenue	740	638	908
Loans payable	1,705	5,734	48,559
Contingent consideration payable	40,553	30,966	24,008
Lease liability	2,117	1,710	891
Corporate income tax payable	32,466	27,739	16,381
Preferred share liability	—	—	—
	<u>101,553</u>	<u>93,963</u>	<u>110,003</u>
Non-Current Liabilities			
Loans payable	180,614	178,804	4,849
Contingent consideration payable	—	6,590	135,393
Lease liability	26,326	22,609	15,070
Warrant liability	121,551	132,257	—
Convertible debentures	—	4,083	10,682
Deferred income tax liability	27,275	27,263	20,774
	<u>355,766</u>	<u>371,606</u>	<u>186,768</u>
Total Liabilities	\$ 457,319	\$ 465,569	\$ 296,771
Shareholders' Equity			
Share capital	448,449	242,336	196,978
Contributed surplus	71,012	69,205	41,874
Cumulative translation adjustment	(1,858)	(3,819)	(826)
Deficit	(320,385)	(306,423)	(186,496)
Non-controlling interest	8,539	7,433	6,461

Total Shareholders' Equity	<u>205,757</u>	<u>8,732</u>	<u>57,991</u>
Total Liabilities and Shareholders' Equity	\$ 663,076	\$ 474,301	\$ 354,762
Total Number of Common and Proportionate Voting Shares Outstanding	<u>178,956,366</u>	<u>155,834,272</u>	<u>141,980,314</u>

* Change in Presentation Currency; Please refer to Note 23 of the Company's filed Unaudited Condensed Interim Consolidated Financial Statements for and as of the three months ended March 31, 2021 for further discussion.

Consolidated Statements of Profit and Losses (Unaudited) (\$ thousands)

	For the three months ended	
	March 31, 2021	March 31, 2020*
Sales, gross	\$ 56,496	\$ 28,143
Excise and cultivation taxes	<u>(3,142)</u>	<u>(2,268)</u>
Sales, net	53,354	25,875
Cost of sales	18,424	14,315
Gross profit before gain on fair value of biological assets	34,930	11,560
Unrealized gain on changes in fair value of biological assets	23,523	11,071
Realized fair value amounts included in inventory sold	<u>(20,991)</u>	<u>(4,643)</u>
Gross profit	37,462	17,988
Operating expenses:		
General and administrative	15,762	10,856
Share-based payments	4,184	2,097
Amortization and depreciation	2,273	1,218
Research and development	—	154
Total operating expenses	22,219	14,325
Income from operations	15,243	3,663
Revaluation of contingent consideration	2,997	4,145
Finance and other expenses	7,246	2,457
Transaction and restructuring costs	—	428
Unrealized (gain) loss on investments	(228)	346
Impairment of intangible assets	—	344
Loss on fair value of warrants	5,410	—
Unrealized foreign exchange loss	<u>2,783</u>	<u>40</u>
Loss before income taxes	(2,965)	(4,097)
Current income tax expense (recovery)	9,212	4,361
Deferred income tax (recovery) expense	571	1,853
Net loss	\$ (12,748)	\$ (10,311)
Currency translation adjustment	(1,961)	1,853
Comprehensive loss	\$ (10,787)	\$ (12,164)
Net loss (income) attributable to:		
Shareholders of the Company	(14,015)	(9,822)
Non-controlling interests	1,267	(489)
Comprehensive loss (income) attributable to:		
Shareholders of the Company	(12,054)	(11,675)
Non-controlling interests	1,267	(489)
Net loss per share, basic and diluted		
Net loss per share – basic and diluted	\$ (0.08)	\$ (0.07)
Weighted average number of outstanding common and proportionate voting shares	<u>171,371,637</u>	<u>146,469,201</u>

* Change in Presentation Currency; Please refer to Note 23 of the Company's filed Unaudited Condensed Interim Consolidated Financial Statements for and as of the three months ended March 31, 2021 for further discussion.

SOURCE TerrAscend