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TILT HOLDINGS

TILT Holdings Reports Second Quarter Revenue of US$39 Million, Positive Adjusted EBITDA for July

Second Quarter Revenue Increased 13% Over the First Quarter of 2019

Second Quarter Adjusted EBITDA Loss Narrowed by 49% Compared to the First Quarter of 2019

Preliminary Unaudited July Revenue of US $15M Contributed to TILT's First-Ever Month of Positive Adjusted EBITDA

CAMBRIDGE, Mass.--(BUSINESS WIRE)-- TILT Holdings Inc. ("TILT" or the "Company") (CSE: TILT) (OTCQB: SVVTF), a foundational technology cannabis platform comprised of assets to support brands worldwide, announced today its financial results for the quarter ending June 30, 2019, and provided an overview of recent operational highlights.

Second Quarter 2019 and Recent Financial and Operational Highlights

- Revenue of US$39.0 million in the second quarter of 2019, a 13% increase from the first quarter of 2019.
- Narrowed second quarter adjusted EBITDA loss by 49% to US$4.0 million from US$7.9 million in the first quarter of 2019.
- Preliminary unaudited July revenue of US$15 million and the first-ever month of positive adjusted EBITDA with adjusted EBITDA of US$0.5 million during the month of July.
- Appointment of Mark Scatterday as interim Chief Executive Officer of TILT and Tim Conder as Chief Operating Officer of TILT.
- Expanded the fully licensed cultivation facility in Massachusetts and accelerated wholesale operations at the end of the second quarter.
- Added 4 new greenhouses in Pennsylvania in mid-June, doubling existing greenhouse footprint.
- Continued growth in the Company's SaaS and distribution solutions, specifically in the growing California and Nevada cannabis markets, where Blackbird now distributes wholesale products to 100% of the licensed retailers in California and Nevada and control 90% of cannabis distribution in Nevada.*
- Completed the full integration of Blackbird's logistics and distribution operations with Baker's CRM toolset.
- TILT ended the second quarter of 2019 with cash and cash equivalents of US$4.5 million.

"The second quarter was a highly productive period for TILT. We continue to optimize our organization, including the dismissal and re-alignment of senior leadership, accelerate integration efforts, dramatically reduce overhead and instill an enhanced focus on profitable growth. TILT is making progress on our key initiatives to drive operational stability and progress toward profitability, which is reflected in our strong second quarter revenue of US $39 million and the 49% narrowing of our adjusted EBITDA loss when compared to the first quarter," TILT Holdings interim CEO Mark Scatterday said. "These improvements to our financial performance have accelerated thus far in the third quarter. During July, we generated our first ever month of positive adjusted EBITDA, reaffirming the successful execution by our committed team members. This includes optimizing our operations, increasing revenue across our businesses and accelerating wholesale cannabis sales in Massachusetts under the leadership of our new COO and his team. We are capitalizing on opportunities to improve each aspect of our operation, with a focus on growth and profitability. We have an attractive portfolio of assets that support growth across the global cannabis supply chain. We will continue to leverage each of our core operating assets to further build a leading platform to support cannabis brands worldwide. We are confident that the growth and operational strategies enacted over the last few months are quickly gaining traction and demonstrating results as shown by our July positive adjusted EBITDA."

Second Quarter 2019 Financial Highlights

In USD millions	Q2 2019	Q1 2019
Net Revenue	US$39.0	US$34.4
Gross Profit	US$25.5	US$7.5
Gross Profit, excluding changes in fair value of biological assets	US$9.5	US$7.3
Net Income(loss)	(US$48.9)	(US$77.9)
Adjusted EBITDA	(US$4.0)	(US$7.9)

Operational Results - Second Quarter 2019 Compared to Second Quarter 2018

Revenue for the second quarter of 2019 was US$39 million, an increase from zero in the same period in the second quarter of 2018. Compared to the first quarter of 2019, revenue increased 13%. Second quarter year over year sales growth reflects the Company's business combination completed in late 2018 and growth of the underlying businesses, along with the successful acquisitions of Jupiter Research, Blackbird and Standard Farms in January 2019. On a sequential basis, growth over the first quarter of 2019 reflects a full quarter of contribution from acquired businesses, growth of Baker Technologies and Blackbird and growth at the Company's licensed cultivation facilities in Massachusetts, partially offset by the seasonality of Jupiter Research sales.

Gross profit after fair value adjustments to biological assets** was US$25.5 million, or 65.4% of revenue, compared to zero in the prior year period. Gross profit before the impact of changes in fair value of biological assets was US$9.6 million, or 24.5% of revenue, compared to zero in the prior year period. On a sequential basis, compared to the first quarter of 2019, gross profit increased 239%, and gross profit before changes in the fair value of biological assets increased 31%. As a percentage of revenue, the gross margin before gains on the fair value of biological assets increased 324 basis points compared to the first quarter of 2019 and gross margin after gains on the fair value of biological assets increased 4,354 basis points compared to the first quarter of 2019. The sequential gross margin improvement reflected higher margins at Jupiter, due to fewer shipping surcharges which are heavy early in the calendar year, increased utilization at Blackbird, and improved yields in cultivation operations.

Second quarter net loss was US$48.9 million, compared to US$5.3 million in the prior year period and US$77.9 million in the first quarter of 2019. When compared to the first quarter of 2019, the reduced net loss reflects revenue growth, improved margins, as well as a reduction in non-cash stock compensation expense. Stock based compensation of US$50.3 million during the quarter continued to reflect share grants associated with the business combination in late 2018 and did not reflect new grants made during the current period. This elevated level of non-cash stock-based compensation reflected the initial vesting schedule developed at the time of grant.

Second quarter adjusted EBITDA, adjusted for non-cash stock compensation expense, unrealized gains/losses on changes in fair value changes in biological assets, fair value changes in biological assets included in inventory sold, as well as certain one-time non-operating expenses including business acquisition expense, debt issuance costs and severance was a loss of US$4.0 million compared to a loss of US$6.1 million in the prior year period and compared to a loss of US$7.9 million in the first quarter of 2019. The improvement in adjusted EBITDA loss compared to the first quarter of 2019 reflects the full quarter of revenue from acquisitions plus improved gross margins due to lack of Chinese New Year surcharges and continued maturity of Massachusetts from start-up activities, as well as a reduction in our operating expenses. As a percent of sales, adjusted EBITDA loss decreased 1,280 basis points to negative 10.3% when compared to the first quarter of 2019.

Preliminary Unaudited July Results

The Company also reported preliminary unaudited July revenue and adjusted EBITDA results. During July, preliminary unaudited net revenue was approximately US$15 million and preliminary unaudited adjusted EBITDA was US$0.5 million. The July results reflect the first month of positive adjusted EBITDA since the company’s inception. The improved revenue and adjusted EBITDA reflects:

- accelerated wholesale cannabis sales in Massachusetts in July, leveraging the growing capacity of the Company’s Taunton cultivation and processing operations;
- improved gross margins reflecting increased capacity utilization and the benefits of accelerated integration efforts; and
- reduced overhead as a result of new management’s initiatives to optimize operations, including rightsizing staff and offices to improve efficiencies.

Earnings Call and Webcast

The Company will hold a webcast with the investment community on Wednesday, August 28, at 5:00 PM Eastern Time. A live webcast with the ability to ask questions will be available on the Investors – Events & Presentations section of the Company's website at https://investors.tiltholdings.com/ir-calendar or directly at http://public.viavid.com/index.php?id=135821. Please visit TILT's website at least 15 minutes prior to the start of the call to register, download and install any necessary audio software. The webcast will be archived for approximately 30 days.

About TILT

TILT Holdings serves cannabis brands worldwide through a strong network of portfolio companies committed to technological innovations that support long-term success. TILT services more than 1,500 brands and cannabis retailers across 33 states in the U.S., as well as in Canada, Israel, Mexico, South America and the European Union. As the market leader in cannabis technology and related products and services, the Company's core assets include wholly-owned subsidiaries Jupiter Research, a company that focuses on the vast potential of inhalation through innovative design, development and manufacturing; Blackbird, a company that provides operations and software solutions for wholesale and retail distribution; and Baker, a CRM platform helping dispensaries grow their business. The Company also owns cannabis operations in states including Massachusetts, led by Commonwealth Alternative Care; and in Pennsylvania, led by Standard Farms. Headquartered in Cambridge, Massachusetts, with offices throughout the U.S., and London, TILT has over 400 employees and has sales in the U.S., Canada and Europe. 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, 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, 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, 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 they it 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. The CSE has neither approved nor disapproved the contents of this news release.

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 Adjusted EBITDA and Pro Forma Adjusted EBITDA.

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) interest expense (income), plus depreciation and amortization expense. Adjusted EBITDA excludes certain one-time non-operating expenses, as determined by management, including stock compensation expense, unrealized gain/loss on changes in fair value of biological assets, fair value changes in biological assets included in inventory sold and business acquisition expense.

Reconciliations of Non-IFRS Financial and Performance Measures

Adjusted EBITDA is reconciled to Net Loss in the Management Discussion and Analysis of the Company for the quarter ended on June 30, 2019, which is available on the Company's SEDAR profile at www.sedar.com. Pro Forma Adjusted EBITDA is reconciled to Net Loss in the table that follows:

The table below reconciles Net Loss to EBITDA and Adjusted EBITDA for the periods indicated.

	Three Months Ended	
	Jun. 30, 2019	**Jun. 30, 2018**

Net Income (Loss) (IFRS)	**($48,940,030)**	**($ 5,325,708)**
Add (Deduct) Impact of:		
Interest (Income)	($ 832,812)	($ 788,977)
Interest Expense	$ 3,165,269	$ 799
Income Tax Expense (Recovery)	$ 439,138	-
Depreciation and Amortization	$ 7,436,314	$ 50,725
Stock Compensation Expense	$50,296,988	-
Business Acquisition Expense	$ 223,778	-
Debt Issuance Costs	$ 102,759	-
Severance	$ 68,269	-
Unrealized (Gain) Loss on Changes in FV of Bio. Assets	($19,209,433)	-
FV Changes in Bio. Assets Included in Inventory Sold	$ 3,237,197	-
Total Adjusting Items	$44,927,467	($ 737,453)
Adjusted EBITDA (Non-IFRS)	**($ 4,012,563)**	**($ 6,063,161)**

Footnotes:

*According to internal company estimates

**The net increase in fair value of biological assets and inventory from Q1 2019 to Q2 2019 was mainly attributable to a quarter-over-quarter increase in biological assets, the continued maturity of the Company's biological assets and reduced cost to cultivate those biological assets.

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