

May 11, 2020



Schwazze, Formerly Operating as Medicine Man Technologies, Inc., Provides Company Update and Announces First Quarter 2020 Financial Results

Company to Host Conference Call and Webcast Today at 4:30 p.m. ET

Company Completes First Acquisition Amid COVID-19; Remains on Schedule to Roll-up Colorado Cannabis Operators

Total Revenues Increase 59.9%; Gross Profit Increases 160.5%; Net Loss Narrowed Significantly

DENVER--(BUSINESS WIRE)--

Schwazze, formerly operating as Medicine Man Technologies Inc. (OTCQX: SHWZ) ("Schwazze " or "the Company"), today provided a company update and announced financial results for its first quarter ended March 31, 2020.

"Schwazze is uniquely positioned to be a winner as the cannabis industry experiences consolidation, and step by step we are making progress on our stated goal of becoming one of the largest vertically integrated seed-to-sale operators based on revenues. We recently completed our first acquisition, Mesa Organics, and we remain confident that we will make great strides in our outlined acquisition strategy this quarter. These transactions represent just the beginning of what we look forward to accomplishing this year," said Justin Dye, Chief Executive Officer of Schwazze.

"With respect to our financial performance, we had a very strong first quarter characterized by robust top-line growth due primarily to higher product sales and more than doubled our gross profit compared to last year. We also significantly narrowed our net loss despite meaningful investments in our business as we prepare for the future and work tirelessly to execute our strategy. 2020 is poised to be a historic year for our Company, employees, shareholders, communities, and above all, customers," concluded Dye.

Company Update

- During the COVID-19 pandemic, the Company's top priority has been the health of its employees and communities and has therefore enacted measures to do its part to slow down the spread of the virus. It has also collaborated with state and local governments to develop and implement rules and regulations for the cannabis industry throughout Colorado with the underlying goal to protect patients, recreational consumers, employees, and the public. The Company is sincerely grateful to the healthcare

providers, government officials, and essential businesses for their tireless work and is keeping those affected by the pandemic in its thoughts and prayers those affected by the pandemic.

- On March 27, 2020, the Company launched a collective online platform that can now be found at www.schwazze.com/marketplace. Throughout the COVID-19 pandemic, emergency rules and regulations for Colorado cannabis operations have changed. To help Colorado consumers find information and updates on the dispensary operations of our strategic partners, we launched a collective online platform to bring together their ordering capabilities under one marketplace. This has enabled consumers to fulfill their cannabis needs in a manner that was not possible before and we thank our strategic partners for their commitment to supporting cannabis consumers.
- On April 20, 2020, the Company announced that it would now be doing business as Schwazze (pronounced SHHwahZZ). The new branding reflects the Company's goal to create a dynamic, innovative culture and brand identity while supporting the current and future house of brands as Schwazze continues to grow. It also further amplifies the Company's purpose-driven mission to recognize the full potential of cannabis and continue promoting its ability to improve the human condition.
- On April 20, 2020 the Company completed its acquisition of Mesa Organics and its Purplebee's business. Mesa Organics operates four dispensaries throughout southern Colorado in Pueblo, Ordway, Rocky Ford, and Las Animas. Purplebee's is a leading pure CO2 and ethanol extractor and manufacturer, as well as a producer of cannabis products for some of the leading edible companies across the state.
- At this time, the Company is pleased with how it is trending during the second quarter and remains confident that great strides will be made in the outlined acquisition strategy during Q2. Additionally, the Company believes being deemed an essential business during COVID-19 has enabled not only the cannabis industry to thrive but the Company to continue to make significant progress.

First Quarter 2020 Financial Results

Revenues were \$3,203,134 during the three months ended March 31, 2020, representing an increase of 59.9% as compared to \$2,003,476 during the three months ended March 31, 2019. Product sales and consulting and licensing fees increased 63.8% and 46.8%, respectively. The increase in product sales can largely be attributed to consumer stockpiling due to the COVID-19 pandemic.

Cost of goods and services were \$2,148,535 during the three months ended March 31, 2020, representing an increase of 34.4% as compared to \$1,598,712 during the same period in 2019. This increase was due to increased sales of our products, and increased salaries and related employment costs.

Gross profit was \$1,054,599 during the three months ended March 31, 2020 as compared to \$404,764 during the same period in 2019. Gross profit increased to 32.9% of revenues from 20.2% of revenues during the same period in 2019. This improvement was mostly driven by improved product profitability.

Total operating expenses were \$5,165,674 during the three months ended March 31, 2020 as compared to \$2,632,791 during the same period in 2019. The increase was primarily attributable to higher salaries and selling, general and administrative expenses related to building an infrastructure to ensure a seamless integration of the numerous pending acquisitions and to help build the proper platform for sustainable growth, along with non-cash, stock-based compensation.

Net other income was \$2,731,765 during the three months ended March 31, 2020 as compared to net other expenses of \$683,791 during the same period in 2019. This represented an improvement of \$3,415,556. The increase in other income (expense), net was primarily due to the forfeiture of contingent consideration in relation to the resignation of an officer and director, and an unrealized gain recognized on the change in fair value of certain derivative liabilities.

Net loss was \$1,379,310 for the three months ended March 31, 2020, or a loss of approximately \$0.03 per share on a basic weighted average, as compared to net loss of \$2,911,818, or a loss of approximately \$0.10 per share on a basic weighted average, for the three months ended March 31, 2019.

Conference Call and Webcast Today

Schwazze will host a conference call and webcast today at 4:30 p.m. ET. Investors interested in participating in the conference call can dial 412-317-6026 or listen to the webcast from the Company's "Investors" website at <https://ir.schwazze.com>. The webcast will later be archived as well.

Following their prepared remarks, Chief Executive Officer Justin Dye and Chief Financial Officer Nancy Huber will also answer investor questions. Investors may submit questions in advance or during the conference call itself through the weblink: <http://public.viaavid.com/index.php?id=139701>. This weblink has also been posted to the Company's "Investors" website.

Virtual Investor Conferences Participation

On May 12, 2020, Schwazze is pleased to be participating in the Canaccord Genuity's Cannabis Conference. The Company will be hosting meetings and presenting a company update at 2:00 p.m. ET via <http://wsw.com/webcast/canaccord39/sch/> as part of this virtual conference.

The Company will announce additional virtual conference participation in the coming weeks, please check back on the Company's website, ir.schwazze.com for information.

About Schwazze

Medicine Man Technologies, Inc. is now operating under its new trade name, Schwazze. Schwazze is executing its vision to become one of the nation's largest vertically integrated cannabis holding companies by revenue. Upon the completion of its announced acquisitions, its portfolio will consist of top-tier licensed brands spanning cultivation, extraction, infused-product manufacturing, dispensary operations, consulting, and a nutrient line. Schwazze leadership includes Colorado cannabis leaders with proven expertise in product and

business development as well as top-tier executives from Fortune 500 companies. As a leading platform for vertical integration, Schwazze is strengthening the operational efficiency of the cannabis industry in Colorado and beyond, promoting sustainable growth and increased access to capital, while delivering best-quality service and products to the end consumer. The corporate entity continues to be named Medicine Man Technologies, Inc.

Forward-Looking Statements

This press release contains "forward-looking statements." Such statements may be preceded by the words "intends," "may," "will," "plans," "expects," "anticipates," "projects," "predicts," "estimates," "aims," "believes," "hopes," "potential," or similar words. Forward-looking statements are not guarantees of future performance, are based on certain assumptions, and are subject to various known and unknown risks and uncertainties, many of which are beyond the Company's control and cannot be predicted or quantified. Consequently, actual results may differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties include, without limitation, risks and uncertainties associated with (i) our inability to manufacture our products and product candidates on a commercial scale on our own or in collaboration with third parties; (ii) difficulties in obtaining financing on commercially reasonable terms; (iii) changes in the size and nature of our competition; (iv) loss of one or more key executives or scientists; and (v) difficulties in securing regulatory approval to market our products and product candidates. More detailed information about the Company and the risk factors that may affect the realization of forward-looking statements is set forth in the Company's filings with the Securities and Exchange Commission (SEC), including the Company's Annual Report on Form 10-K and its Quarterly Reports on Form 10-Q. Investors and security holders are urged to read these documents free of charge on the SEC's website at <http://www.sec.gov>. The Company assumes no obligation to publicly update or revise its forward-looking statements as a result of new information, future events or otherwise.

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

MEDICINE MAN TECHNOLOGIES, INC.
CONDENSED BALANCE SHEETS
Expressed in U.S. Dollars

	March 31, 2020	December 31, 2019
	(Unaudited)	(Audited)
Assets		
Current assets		
Cash and cash equivalents	\$ 9,075,427	\$ 11,853,627
Accounts receivable, net of allowance for doubtful accounts	511,984	313,317
Accounts receivable – related party	59,512	72,658
Inventory	642,689	684,940
Notes receivable – related party	767,695	767,695
Other assets	707,706	529,416
Prepaid acquisition costs (Note 10)	1,269,367	1,347,462
Total current assets	13,034,380	15,569,115
Non-current assets		
Fixed assets, net accumulated depreciation of \$163,819 and \$159,354, respectively	541,791	239,078
Goodwill	12,304,306	12,304,306
Intangible assets, net accumulated amortization of \$21,459 and \$19,811, respectively	73,641	75,289
Investment	435,898	406,774
Accounts receivable – litigation	3,063,968	3,063,968
Deferred tax assets, net	268,423	268,423
Notes receivable – noncurrent, net	242,959	241,711
Operating lease right of use assets	63,925	59,943
Total non-current assets	16,994,911	16,659,492
Total assets	\$ 30,029,291	\$ 32,228,607
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 1,182,832	\$ 699,961
Accounts payable – related party	2,500	15,372
Accrued expenses	1,194,032	1,091,204
Derivative liabilities	1,118,783	3,773,382
Income taxes payable	1,940	1,940
Total current liabilities	3,500,087	5,581,859
Noncurrent liabilities		
Lease liabilities	75,838	66,803
Total noncurrent liabilities	75,838	66,803
Total liabilities	3,575,925	5,648,662
Commitments and contingencies (Note 10)	–	–
Shareholders' equity		
Common stock \$0.001 par value. 250,000,000 authorized, 39,952,628 were issued and outstanding at March 31, 2020 and December 31, 2019.	39,953	39,953
Additional paid-in capital	51,609,200	50,356,469
Accumulated deficit	(24,195,787)	(22,816,477)
Common stock held in treasury, at cost, 257,732 shares held at March 31, 2020 and December 31, 2019.	(1,000,000)	(1,000,000)
Total shareholders' equity	26,453,366	26,579,945
Total liabilities and stockholders' equity	\$ 30,029,291	\$ 32,228,607

MEDICINE MAN TECHNOLOGIES, INC.
CONDENSED STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS (UNAUDITED)
For the Three Months Ended March 31, 2020 and 2019
Expressed in U.S. Dollars

	Three Months Ended March 31,	
	2020	2019
Operating revenues		
Product sales	\$ 2,418,235	\$ 1,383,710
Product sales – related party	110,696	160,590
Consulting and licensing services	661,257	452,380
Other operating revenues	12,946	6,796
Total revenue	<u>3,203,134</u>	<u>2,003,476</u>
Cost of goods and services		
Cost of goods and services	<u>2,148,535</u>	<u>1,598,712</u>
Total cost of goods and services	<u>2,148,535</u>	<u>1,598,712</u>
Gross profit	<u>\$ 1,054,599</u>	<u>\$ 404,764</u>
Operating expenses		
Selling, general and administrative	\$ 666,919	\$ 295,306
Professional services	1,248,988	591,560
Salaries	1,997,036	435,721
Stock-based compensation	1,252,731	934,221
Derivative expense - contingent compensation	–	375,983
Total operating expenses	<u>5,165,674</u>	<u>2,632,791</u>
Loss from operations	<u>\$ (4,111,075)</u>	<u>\$ (2,228,027)</u>
Other income (expense)		
Interest income	\$ 48,042	\$ –
Gain on forfeiture of contingent consideration	2,161,351	–
Unrealized gain (loss) on derivative liabilities	493,248	(335,036)
Unrealized gain (loss) on investment	29,124	(348,755)
Total other income (expense)	<u>2,731,765</u>	<u>(683,791)</u>
Loss before income taxes	<u>(1,379,310)</u>	<u>(2,911,818)</u>
Provision for income tax (benefit) expense	–	–
Net loss	<u>\$ (1,379,310)</u>	<u>\$ (2,911,818)</u>
Loss per share attributable to common shareholders		
Basic and diluted loss per share	<u>\$ (0.03)</u>	<u>\$ (0.10)</u>
Weighted average number of shares outstanding, basic and diluted	<u>39,952,628</u>	<u>27,887,147</u>
Comprehensive loss	<u>\$ (1,379,310)</u>	<u>\$ (2,911,818)</u>

MEDICINE MAN TECHNOLOGIES, INC.
STATEMENT OF CASH FLOWS (UNAUDITED)
For the Three Months Ended March 31, 2020 and 2019
Expressed in U.S. Dollars

	For the Three Months Ended March 31,	
	2020	2019
Cash flows from operating activities		
Net loss for the period	\$ (1,379,310)	\$ (2,911,818)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	6,113	12,347
Derivative expense	-	375,983
Gain on forfeiture of contingent consideration	(2,161,351)	-
(Gain) loss on change in derivative liabilities	(493,248)	335,036
(Gain) loss on investment, net	(29,124)	348,755
Stock based compensation	1,252,731	934,221
Changes in operating assets and liabilities		
Accounts receivable	(107,426)	910,093
Accrued interest receivable	(1,248)	-
Inventory	42,251	117,590
Other assets	(178,290)	(67,356)
Operating lease right of use assets and liabilities	5,053	(22,613)
Accounts payable and other liabilities	572,827	341,313
Net cash used in operating activities	(2,471,022)	373,551
Cash flows from investing activities		
Purchase of fixed assets	(307,178)	(1,960)
Purchase of intangible assets	-	(6,000)
Issuance of notes receivable	-	(144,358)
Net cash used in investing activities	(307,178)	(152,318)
Cash flows from financing activities		
Proceeds from issuance of common stock, net of issuance costs	-	156,958
Net cash earned for financing activities	-	156,958
Net decrease in cash and cash equivalents	(2,778,200)	378,191
Cash and cash equivalents at beginning of period	11,853,627	321,788
Cash and cash equivalents at end of period	\$ 9,075,427	\$ 699,979

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