

June 6, 2019



## TILT Releases Letter from CEO Responding to Investor Concerns

CAMBRIDGE, Mass.--(BUSINESS WIRE)-- TILT Holdings Inc. ("TILT" or the "Company") (CSE: TILT) (OTCQB: SVVTF), a leading provider of products and services to businesses operating in the cannabis industry, today released a letter from the Company's Interim Chief Executive Officer, Mark Scatterday.

### Dear TILT Shareholders:

In stepping into TILT's CEO role last month, I shared that one of my operational priorities was committing our organization to regular shareholder communication and updates. Our investors have been and remain our key partners in building TILT into what it is today—a Top 5 US-focused cannabis company by revenue with 500+ employees, and products and solutions in 40 US States across cultivation, production, consumer devices, packaged goods, software, services and distribution.

While I won't make it a regular practice to comment on daily stock price movements, I have observed there remains a great deal of confusion out in the market around TILT. After a strong first quarter earnings last week where TILT reported \$40mm of pro forma revenue, representing 3x year-over-year revenue growth and a 330 basis point improvement in Adjusted pro forma EBITDA Margin compared to the same period a year ago, I do think it is valuable to briefly check-in.

I have heard six primary questions from shareholders and investors since Q1 earnings. Below are my thoughts in regard to each:

1. Did management decide to give itself a special first quarter comp payout of stock options?

**Answer:** No. The approximately \$60 million of non-cash stock option expense in the first quarter came from options that were issued 6 months ago as part of TILT's foundational four-way merger and going public process, well before I stepped into the role of Interim CEO. These options have an exercise price of \$5.25 CAD, and were on a vesting schedule that automatically creates non-cash stock option expense each quarter due to standard accounting rules around option valuation. Q1's option expense was based on a vesting schedule set at the time of the merger. The options' \$5.25 exercise price means that at today's current stock price these options are deeply out of the money. There should be no confusion on this point—these options will only have value as TILT keeps growing and focuses on taking the stock price up past \$5.25 CAD. Therefore, management, option recipients and other shareholders are entirely aligned in their incentives to keep TILT growing and reaching profitability for full year 2019.

2. Does TILT have sufficient sources of cash?

**Answer:** As I said on the earnings call, we secured a \$20 million credit facility last month, and have been in the process of securing additional capital. Fortunately, our Jupiter vaporization business and many of our other assets are at a sufficient scale to support incremental debt, and we have received significant interest from potential capital providers in supporting TILT's focus on maintaining strong organic growth of our existing assets, as well as achieving both profitability and a self-sustaining free cash flow operating model in 2019. To that end, we have been engaging established investors that specialize in the cannabis space to help us build on our momentum and investor interest, and to optimize the amount raised in this next funding round.

3. What does TILT intend to do with these funds? Said differently, what are its priorities for 2019?

**Answer:** Much like our May 2019 credit facility, this next round of capital is a bridge to profitability. Again, as I conveyed on the earnings call, we are focused on operational excellence, integrating our previous acquisitions, and driving growth and profitability based on our existing assets.

4. Is Mark Scatterday as Interim CEO committed to TILT?

**Answer:** Regarding this question on my involvement in TILT, let me say unequivocally, Yes, I am clearly committed to TILT. I am one of the largest securityholders of TILT through TILT's previous acquisition of my firm Jupiter Research, and my incentives are therefore clearly aligned with other securityholders.

5. Is TILT management and its founders committed to the company?

**Answer:** Yes, strongly so. As you also saw this morning, we had a key announcement in this regard with key founders and executives having entered into voluntary lock-up agreements around their shares. The voluntary lock-up agreements with TILT are tied to 80,340,640 common shares in the capital of the Company ("**Common Shares**") or securities convertible into Common Shares (the "**Locked-up Securities**"), representing 18.6% of the voting shares of the Company, assuming the conversion or exercise of all issued and outstanding compressed shares, options to purchase Common Shares and other securities convertible into or exchangeable for Common Shares. Under the Lock-up Agreement, the Locked-up Shareholders agree to an additional lock-up of their Locked-up Securities, forfeiting rights to offer to sell, contract to sell or otherwise dispose of their Locked-up Securities, or enter into any transaction to such effect, directly or indirectly, in addition to other restrictions, including restrictions contained in certain pre-existing lock-up agreements, on or before the dates set forth in the Lock-up Agreement. In accordance with the Lock-up Agreement, 10%, or 8,034,064 of the Locked-up Securities, will be released from escrow on June 6, 2019, 40%, or 32,136,256 of the Locked-up Securities, will be released on December 6, 2019 and the remaining 50%, or 40,170,320 Locked-up Securities, will be released on June 6, 2020. This schedule reflects an extension from the pre-existing lock-up terms applying to certain TILT shareholders which are to be released from lock-up 50% on June 6, 2019 and the remaining 50% on December 6, 2019.

6. Does TILT remain optimistic about the US cannabis industry?

**Answer:** Yes, as much as ever. We are continuing to scale rapidly, as confirmed by our 3x year over year revenue growth in the first quarter, and are improving our profitability and cash flow profile. Moreover, we continue to see positive developments and large market expansion opportunities for our existing assets to support, such as Illinois legalizing adult-use cannabis and establishing a regulated sales structure through its legislature. The recent legislative evolution in Illinois is just the latest example of our addressable market continuing to grow, and we look forward to capitalizing on the opportunities. Additionally, in Massachusetts, we recently began expansion of Blackbird's software solutions to clients to facilitate the efficient movement of cannabis products at each touch point within the supply chain. With 21 adult-use dispensaries industry-wide having recently received the final license and another 31 with provisional licenses, we continue to anticipate significant rates of growth in the adult-use market in Massachusetts.

I look forward to maintaining a direct dialogue with our shareholders and prospective investors on TILT and our opportunity ahead as one of the largest and most innovative US-focused cannabis companies in the industry.

Sincerely Yours,

Mark Scatterday  
Interim Chief Executive Officer

### **About TILT**

TILT is a leading provider of products and services to businesses operating in the cannabis industry. The Company offers the contract manufacturing of marijuana in a variety of form factors, vaporizer and inhalation devices, business and consumer delivery services and a broad suite of software products for over 1,500 retailers and brands throughout the United States ("U.S."), Canada and Europe. The majority of TILT's products are customized to client specifications and branding, all enabling them to operate their businesses more efficiently and connect with their customers more effectively. The Company is organized in two main business units, Software & Services and Consumer Devices & Packaged Goods, designed to augment competencies across the organization in research, manufacturing, packaging and technology to deliver end-to-end services and customer solutions. All of TILT's products are supported by an extensive research process led by scientists and engineers, using data analytics and discovery to produce new products helping shape the industry. Headquartered in Cambridge, MA, with offices throughout the U.S., Toronto and London, TILT has over 500 employees and has sales in 40 U.S. states, Canada and Europe. For more information, please visit [www.tiltholdings.com](http://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 receipt of the Certificate of Operation by Standard Farms, the operational date of the Facility, the expected growth of the Massachusetts and Illinois cannabis market, 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, the 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.*

## **Pro Forma Presentation**

*The pro forma information ("Pro Forma Information") presented herein is not necessarily indicative of the operating results or financial condition that would have been achieved if the proposed acquisitions to which the Pro Forma Information relates had been completed on the dates or for the periods presented, nor do they purport to project the results of operations or financial position of the combined entities for any future period or as of any future date. Actual amounts recorded upon consummation of the acquisitions to which the Pro Forma Information relates would likely differ from those recorded in the Pro Forma Information. The Pro Forma Information does not reflect any special items such as integration costs or operating synergies that may be realized as a result of the acquisitions to which the Pro Forma Information relates.*

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