

November 18, 2020



TILT Holdings Reports Third Quarter 2020 Financial Results Including Record Adjusted EBITDA, Enters into Definitive Agreement for the Sale of Blackbird Subsidiary

Revenue of \$40.4 million, driven in part by a 24% sequential increase in the cannabis segment compared to the second quarter of 2020

Gross margin of 30.3%, a 193-basis point improvement from the second quarter of 2020, driven by margin expansion in the cannabis segment

Record adjusted EBITDA of \$2.8 million, an increase of 134% from the second quarter of 2020

Upon closing, Blackbird divestiture reduces cash burn, improves third quarter 2020 adjusted EBITDA by 96% on a pro-forma basis

PHOENIX, Nov. 18, 2020 (GLOBE NEWSWIRE) -- **TILT Holdings Inc.** ("TILT" or the "**Company**") (CSE: TILT) (OTCQB: TLLTF), a provider of business solutions to the global cannabis industry, reported its financial and operating results for the three and nine-months ended September 30, 2020. All financial information is unaudited and provided in U.S. dollars except where otherwise indicated.

"In the third quarter we saw sequential growth across our core Jupiter and plant-touching operations reflecting our diversified position within the growing U.S. cannabis industry," said [Mark Scatterday](#), CEO of TILT. "We also reported record adjusted EBITDA that was positive for the third consecutive quarter, a result of our actions to right size the business while strengthening our platform to scale as a preferred B2B partner to the cannabis industry."

Scatterday continued: "We are encouraged by the continuing trends that we see in our businesses, supported by recent regulatory tailwinds in the U.S. that we believe will continue to create more opportunities for TILT to deliver value to our shareholders."

Financial Summary for the Quarter Ended September 30, 2020

- Revenue of \$40.4 million, a 5% increase from the second quarter of 2020 and a decline of 12% from the prior year period.
- Gross margin¹ of 30.3%, up 193 basis points ("bps") from the second quarter of 2020 and up 8 bps from the prior year period.
- Positive adjusted EBITDA for the third consecutive quarter at \$2.8 million, a 134%

increase from the second quarter of 2020, and a 3% increase from the prior year period.

- Excluding the impact of Blackbird, pro-forma adjusted EBITDA of \$5.4 million for the second quarter of 2020 and \$12.7 million year to date.
- Cash and cash equivalents of \$4.3 million, a decline from the previous quarter \$10.5 million as of June 30, 2020 due, in part, to additional inventory required to fulfill increasing orders.

Operational Highlights for the Quarter Ended September 30, 2020

- Jupiter Research LLC's ("Jupiter") Canadian revenue improves 20% compared to the second quarter of 2020, contributing \$2.9 million for the quarter.
- Cultivation and manufacturing throughput at the Company's Standard Farms, LLC ("Standard Farms") and Commonwealth Alternative Care, Inc. ("CAC") plant-touching subsidiaries continued to improve with revenue increasing 24% from the second quarter of 2020.
- Operating expenses less non-cash adjustments for stock compensation, depreciation and amortization was \$10.6 million, a 3% decline from the second quarter of 2020 and a 17% decline from the prior year period as the Company continues to streamline operations.

Blackbird Divestiture

Earlier today, Baker Technologies, Inc. ("Baker"), an indirect wholly owned subsidiary of TILT, entered into a securities purchase agreement (the "Agreement") for the sale (the "Blackbird Sale") of all of the membership interests of Yaris Acquisition, LLC ("Yaris") (dba. Blackbird) to Slam Dunk, LLC (the "Buyer"), a Nevada limited liability corporation controlled by Tim Conder, TILT's Chief Operating Officer and a member of the board of directors of the Company.

"We continue to believe that the Blackbird platform offers a comprehensive technology solution capable of bringing cannabis brands, retailers and consumers together on a single platform," said Gary Santo, President of TILT. "Unfortunately, the marketplace for such solutions is fragmented and hyper-competitive with multiple players offering disparate systems at irrational prices and creating headwinds for sustained profitability."

"Blackbird is effectively a start-up company contributing 4% to our revenue year-to-date while requiring additional capital and resources in order to achieve scale," continued Santo. "Given the growth potential within Jupiter and our cannabis operations, we believe the opportunity costs associated with continuing to invest in the platform are not in our shareholder's best interests. Upon closing, we expect this transaction to significantly improve profitability and free up cash flow that can be redeployed to grow our core businesses, while the proposed structure will allow TILT to participate in Blackbird's future success."

Key Transaction Terms

- Total consideration payable for the Blackbird Sale is approximately US\$15,000,000 consisting of:
 - a convertible senior secured promissory note (the "Promissory Note") in the

- principal amount of \$10,000,000 (the “Base Principal Amount”);
 - the assumption of various liabilities, which are currently estimated to be approximately \$5,000,000 and will be determined upon closing of the Blackbird Sale in accordance with the terms of the Agreement; and
 - the Promissory Note is secured by a perfected security interest in all of the assets of Blkbrd Software LLC.
- Interest shall accrue and be payable on November 18, 2023 (the “Maturity Date”) on any unpaid Base Principal Amount and unpaid interest thereon outstanding from time to time at a rate of:
 - ten percent per annum for the period commencing on November 18, 2020 and ending on November 18, 2021;
 - eleven percent per annum for the period commencing on November 18, 2021 and ending on November 18, 2022; and
 - twelve percent per annum for the period commencing on November 18, 2022 and ending on the Maturity Date.
- Upon the satisfaction of certain terms and conditions outlined in the Agreement, for a period of six months following the closing of the Blackbird Sale, Baker may advance to the Buyer an amount equal up to an aggregate of US\$1,000,000 (the “Additional Funding Amount”), with any such advances increasing the principal balance outstanding under the Promissory Note.
 - Interest on the Additional Funding Amount shall accrue at a rate of 15% per annum over the first twelve months, 16% over the second twelve months and 17% over the final twelve months.
- The Base Principal Amount and, if any, Additional Funding Amount may be converted in whole or in part into membership interests of the Buyer or other preferred or common equity interest of the Buyer, at the discretion of Baker, based on the fair market value of such interests, provided that the conversion is not into more than forty-nine percent of the then outstanding membership interests of the Buyer.

The Agreement is subject to standard closing conditions and termination provisions. The parties anticipate closing the Blackbird Sale on or prior to December 31, 2020; however the Blackbird Sale may close within twenty-one days of the date hereof provided that closing conditions are satisfied prior to that time. Details of the Blackbird Sale were settled on the date hereof and the Company wishes to close the Blackbird Sale on an expedited basis for sound business reasons. The Agreement, including the form of Promissory Note will be available on the Company’s SEDAR profile at www.sedar.ca.

Cormark Securities Inc. is acting as financial advisor to TILT for this transaction.

Selected Financials

	Three Months Ended		Nine Months Ended	
	Reported	Pro-forma excluding Blackbird	Reported	Pro-forma excluding Blackbird
	Sep 30, 2020	Sep 30, 2020	Sep 30, 2020	Sep 30, 2020
Revenue	\$40,439	\$39,084	\$121,453	\$116,144
Gross Margin %, <i>Before FV Adj.</i>	30.3%	31.3%	28.8%	30.5%
Gross Margin %, <i>After FV Adj.</i>	46.6%	48.2%	39.2%	41.4%
Total Operating Expenses	\$17,048	\$14,006	\$51,470	\$43,658

Net Income (Loss)	(\$4,617)	(\$1,428)	(\$13,610)	(\$6,332)
EBITDA, Non-IFRS	\$7,451	\$10,019	\$13,800	\$20,937
Adjusted EBITDA, Non-IFRS	\$2,764	\$5,409	\$5,667	\$12,653

Earnings Call and Webcast

The Company will host a webcast later today at 5:00 PM EST to discuss financial and operational results for the reported quarter.

The live webcast may be accessed from the Events and Presentations menu in the Investor Relations section of the Company's website at <https://investors.tiltholdings.com/ir-calendar> or at <http://public.viavid.com/index.php?id=142183>. Please register at least 15 minutes prior to the scheduled start to download and install any necessary audio software.

A replay of the webcast will be available in the Past Events section of the Company's Investor Relations website approximately 2 hours after the live event and will be archived for 30 days.

About TILT

TILT helps cannabis businesses build brands. Through a portfolio of companies providing hardware, software, logistics, cultivation and production, TILT services more than 2,000 brands and cannabis retailers across 33 states in the U.S., as well as Canada, Israel, Mexico, South America and the European Union. TILT's core businesses include Jupiter Research, a wholly owned subsidiary and leader in the vaporization segment focused on hardware design, research, development and manufacturing; Blackbird Holdings Corp., a software and operations solutions provider for wholesale and retail distributors; and cannabis operations Commonwealth Alternative Care, Inc. in Massachusetts and Standard Farms, LLC in Pennsylvania. TILT is headquartered in Phoenix, Arizona. 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 anticipated development and timing of a new, medically certified inhalation device, expected global testing trends for medical inhalation device certification, the expected European markets for a new medical inhalation device, 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, the ability of TILT to maximize shareholder value, 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 it will 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.

For additional information regarding forward-looking statements and their related risks, please refer to the "Risk Factors and Uncertainties" section in the Management Discussion and Analysis of the Company for the quarter ended on September 30, 2020, which is available on the Company's SEDAR profile at www.sedar.com.

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

Reconciliations of Non-IFRS Financial and Performance Measures

Adjusted EBITDA is reconciled to Net Loss below as well as the section labelled "Reconciliation of Net Income (Loss) to Non-IFRS Measures" in the Management Discussion and Analysis of the Company for the quarter ended on September 30, 2020, which is available on the Company's SEDAR profile at www.sedar.com.

Selected Financial Results

Table 1: Income Statement:
(in US\$ thousands, unaudited)

	Three Months Ended			Nine Months Ended	
	Sep 30, 2020	Jun 30, 2020	Sep 30, 2019	Sep 30, 2020	Sep 30, 2019
Revenue	\$40,439	\$38,589	\$46,123	\$121,453	\$119,508
Cost of Goods Sold	\$28,200	\$27,654	\$32,199	\$86,524	\$88,724
Gross Profit, <i>Before FV Adj.</i>	\$12,239	\$10,935	\$13,924	\$34,929	\$30,783
Gross Margin %, <i>Before FV Adj.</i>	30.3%	28.3%	30.2%	28.8%	25.8%
Gain on FV of Bio. Assets	\$14,477	\$3,200	\$8,076	\$33,648	\$28,209
FV of Bio. Assets in Inventory Sold	(\$7,870)	(\$7,008)	(\$10,503)	(\$20,951)	(\$14,442)
Gross Profit, <i>After FV Adj.</i>	\$18,846	\$7,128	\$11,497	\$47,626	\$44,551
Gross Margin %, <i>After FV Adj.</i>	46.6%	18.5%	24.9%	39.2%	37.3%
Total Operating Expenses	\$17,048	\$17,207	(\$18,658)	\$51,470	\$139,771
Income (Loss) from Operations	\$1,797	(\$10,080)	\$30,155	(\$3,844)	(\$95,220)
Total Other Expense	\$2,760	\$2,230	\$3,733	\$7,070	\$4,176
Income Tax Expense (Recovery)	\$3,654	(\$3,266)	\$290	\$2,696	\$1,307
Net Income (Loss)	(\$4,617)	(\$9,044)	\$26,133	(\$13,610)	(\$100,703)
EBITDA, Non-IFRS	\$7,451	(\$4,279)	\$37,383	\$13,800	(\$70,020)
Adjusted EBITDA, Non-IFRS	\$2,764	\$1,182	\$2,671	\$5,667	(\$9,265)

Table 2: Reconciliation of Non-IFRS Measures:
(in US\$ thousands, unaudited)

(\$ thousands)	Three Months Ended			Nine Months Ended	
	Sep 30, 2020	Jun 30, 2020	Sep 30, 2019	Sep 30, 2020	Sep 30, 2019
Net Income (Loss) (IFRS)	(\$4,617)	(\$9,044)	\$26,133	(\$13,610)	(\$100,703)
Add (Deduct) Impact of:					
Interest (Income)	(\$767)	(\$633)	(\$823)	(\$2,240)	(\$2,437)

Finance Expense	\$3,198	\$2,782	\$5,750	\$8,976	\$9,260
Income Tax Expense (Recovery)	\$3,654	(\$3,266)	\$290	\$2,696	\$1,307
Depreciation and Amortization	\$5,983	\$5,882	\$6,033	\$17,978	\$22,553
Total	\$12,068	\$4,765	\$11,250	\$27,410	\$30,683
EBITDA (Non-IFRS)	\$7,451	(\$4,279)	\$37,383	\$13,800	(\$70,020)
EBITDA (Non-IFRS)	\$7,451	(\$4,279)	\$37,383	\$13,800	(\$70,020)
Add (Deduct) Impact of:					
Stock Compensation Expense	\$1,456	\$1,309	(\$37,356)	\$3,383	\$72,714
Business Acquisition Expense	-	-	-	-	\$1,421
Debt Issuance Costs	-	-	\$106	\$1	\$209
Loss on conversion of loan receivable	-	\$104	-	\$104	-
Unrealized gain on investment in equity security	\$301	(\$91)	-	\$210	-
Severance	-	\$156	\$110	\$260	\$178
(Gain) Loss on Sale of Assets	\$25	\$59	-	\$84	-
Lease Restructuring Costs	-	\$117	-	\$384	-
Impairment loss	\$138	-	-	\$138	-
Unrealized Loss on Changes in FV of Bio. Assets	(\$14,477)	(\$3,200)	(\$8,076)	(\$33,648)	(\$28,209)
FV Changes in Bio. Assets Included in Inventory Sold	\$7,870	\$7,008	\$10,503	\$20,951	\$14,442
Total Adjustments	(\$4,687)	\$5,461	(\$34,712)	(\$8,134)	\$60,755
Adjusted EBITDA (Non-IFRS)	\$2,764	\$1,182	\$2,671	\$5,667	(\$9,265)

Table 3: Condensed Consolidated Statements of Cash Flow:
(in US\$ thousands, unaudited)

	Three Months Ended			Nine Months Ended	
	Sep 30, 2020	Jun 30, 2020	Sep 30, 2019	Sep 30, 2020	Sep 30, 2019
Net Cash Provided by (Used in) Operating Activities	(\$5,197)	\$5,967	\$2,067	\$5,018	(\$16,311)
Net Cash Used in Investing Activities	\$18	(\$1,147)	(\$2,763)	(\$64)	(\$90,829)
Net Cash Provided by (Used in) Financing Activities	(\$700)	(\$681)	(\$260)	(\$2,157)	\$13,471
Effect of Foreign Exchange on Cash	(\$301)	(\$2,049)	-	(\$1,040)	-
Net Increase (Decrease) in Cash	(\$5,879)	\$4,139	(\$956)	\$2,797	(\$93,669)
Cash Balance - Beginning of Period	\$10,517	\$8,428	\$4,534	\$2,580	\$97,247
Cash Balance - End of Period	\$4,337	\$10,517	\$3,578	\$4,337	\$3,578

Table 4: Condensed Consolidated Statements of Financial Position (Select Items)
(in US\$ thousands, unaudited):

(\$ thousands)	As of	
	Sep 30, 2020	Dec 31, 2019
Cash and Cash Equivalents	\$4,337	\$2,580
Biological Assets	\$9,680	\$8,580
Inventory	\$54,511	\$48,169
Total Current Assets	\$93,825	\$90,526
Property, Plant & Equipment, Net	\$78,015	\$80,576
Total Assets	\$532,468	\$545,905
Total Current Liabilities	\$44,927	\$50,366
Total Long-Term Liabilities	\$109,485	\$107,789
Total Shareholders' Equity	\$378,056	\$387,751
Working Capital	\$48,898	\$40,160

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The CSE has neither approved nor disapproved the contents of this news release.

TILT
HOLDINGS

Source: TILT Holdings Inc.