

May 16, 2022



# TILT Holdings Reports First Quarter 2022 Results, Announces \$55 Million Non-Dilutive Capital Raise

*Sale Leaseback Transactions with IIPR include Massachusetts and Pennsylvania Facilities*

*Net Proceeds from Both Transactions Expected to Reduce Existing Debt by up to 50%*

PHOENIX, May 16, 2022 (GLOBE NEWSWIRE) -- [TILT Holdings Inc.](#) ("TILT" or the "Company") (NEO: [TILT](#)) (OTCQX: [TLLTF](#)), a global provider of cannabis business solutions that include inhalation technologies, cultivation, manufacturing, processing, brand development and retail, is reporting its financial and operating results for the three months ended March 31, 2022. All financial information is provided in U.S. dollars unless otherwise indicated.

"As discussed on our March 30<sup>th</sup> earnings call, during the first quarter we experienced the effects of inflationary pressure on consumers exacerbated by legacy product mix in our key plant touching markets, coupled with both customer ordering and regulatory timing delays that affected Jupiter's performance," said Gary Santo, CEO of TILT. "Exiting the quarter, the broader market appears to be gaining momentum, with our inhalation business experiencing the second strongest sales order month in its history in April. Furthermore, opportunistic improvements made to our cultivation and processing operations over the past two quarters would appear to be well-timed to these changing market conditions, positioning the Company for a strong second half of 2022."

"Entering the second year of our B2B strategy, demand from potential brand partners remains strong, with the addition of Timeless Refinery and Toast during the quarter, along with our recently announced partnership with Black Buddha Cannabis, another exceptional brand driven by social impact. With initial revenue attributable to brand partnerships already representing nearly one-third of our wholesale sales, as we continue to activate new partnerships and expand the product offerings for those brands previously launched, we believe the path we have chosen is the right one as we seek to become the partner of choice for independent brands seeking to scale."

"Today we are also announcing two sale leaseback transactions totalling \$55 million, the first of which closed earlier today with the second scheduled to close before quarter-end. Delivering on our promise to seek non-dilutive sources of capital, we plan to use the net proceeds to pay down outstanding debt by up to 50%, representing the first two legs of a stool designed to improve TILT's overall capital structure."

## Q1 2022 Financial Summary

- Revenue was \$42.4 million compared to \$46.8 million in the year ago period. The

decrease was primarily driven by lower sales volume in the Company's inhalation business related to the timing of purchases by certain large customers, as well as price compression for the Company's bulk and house-branded wholesale cannabis products.

- Gross profit before fair value adjustments was \$9.4 million or approximately 22% of revenue, compared to \$13.5 million or approximately 29% of revenue in the year ago period. The decrease in gross margin was primarily driven by customer mix in the Company's inhalation business and lower cannabis wholesale pricing for legacy house brands and bulk wholesale.
- Operating expenses less non-cash adjustments for stock compensation, depreciation and amortization, and impairment charges were \$10.4 million compared to \$7.9 million in the year-ago period. As a percentage of revenue, operating expenses less non-cash adjustments totaled approximately 24% in the first quarter of 2022 compared to approximately 17%, with the increase driven by change in headcount attributed to headcount additions to support expanded retail locations as well as building out our corporate team and costs associated with becoming an SEC registrant.
- Adjusted EBITDA was \$1.5 million compared to \$6.2 million in the year ago period. The decrease was driven by the aforementioned lower revenue and gross margin, as well as higher operating expenses.
- Cash provided by operations was \$4.0 million compared to \$2.6 million in the year ago quarter, driven by the sell through of Jupiter stock inventory and collection of accounts receivable.
- Cash and cash equivalents at March 31, 2022, was \$9.2 million compared to \$7.0 million at December 31, 2021. Working capital was \$38.2 million compared to \$41.1 million at December 31, 2021.
- Total debt at March 31, 2022 was \$88.0 million compared to \$86.6 million at December 31, 2021. Subsequent to quarter end, the Company completed a sale leaseback for its Massachusetts facility and signed a purchase and sale for its Pennsylvania facility to pay down its outstanding corporate debt. Additional details of the transaction are below.

## **Q1 2022 Operational Highlights**

- Signed a new brand partnership with Timeless Refinery, which is also one of the Company's inhalation clients, to initially launch products in Ohio.
- Signed a multi-state agreement with Toast™, which will initially launch in Massachusetts this summer.
- In the first quarter of 2022, brand partner revenue more than doubled over Q4 2021 and, in the Pennsylvania market alone, brand partner revenue as a percentage of wholesale tripled sequentially.
- Planted 25 new strains across our Massachusetts and Pennsylvania facilities to improve strain diversification

## **Recent Operational Highlights**

- In April, the Company's inhalation business booked its second strongest month of

sales orders in its history.

- Announced two sale leaseback transactions totalling \$55 million, which will enable the Company to reduce a portion of its senior and junior corporate debt that was set to term within the next twelve months by nearly 50%.
- Announced exclusive partnership with social impact driven brand, Black Buddha Cannabis, to launch products in both Massachusetts and Pennsylvania later this year.
- Filed Form 10 Registration Statement to prepare for alignment with U.S. reporting standards and further improve shareholder transparency.

## **2022 Financial Guidance**

TILT continues to expect 2022 annual revenue to range between \$255 – \$265 million, and adjusted EBITDA to range between \$27 – \$32 million. At the midpoint, this reflects approximately 28% revenue growth and approximately 31% adjusted EBITDA growth over 2021.

## **IIPR Sale Leaseback Completed and Signed Purchase & Sale for PA**

TILT's subsidiary, Commonwealth Alternative Care, Inc. ("CAC"), completed the previously announced acquisition of its facility located in Taunton, MA (the "Taunton Facility" and the acquisition, the "Taunton Purchase"). Concurrently, CAC closed on the sale of the Taunton Facility (the "Massachusetts Sale" and, with the Taunton Purchase, the "Massachusetts Transaction") to Innovative Industrial Properties, Inc. (NYSE: IIPR) ("IIP"). The purchase price for the property in the Massachusetts Sale was \$40.0 million. The all cash net proceeds of the Massachusetts Transaction of approximately \$27 million will be used by TILT to pay down its outstanding corporate debt. Concurrent with the closing of the Massachusetts Sale, IIP entered into a long-term, triple-net lease agreement for the Taunton Facility with CAC. The lease agreement is for a term of 20 years, with two 5-year extensions exercisable at the tenant's discretion.

In addition to the Massachusetts Transaction, the Company announced it has entered into a definitive purchase and sale agreement between TILT's subsidiary, White Haven RE, LLC, and an affiliate of IIP, providing for the sale and leaseback of TILT's cultivation and production facility in White Haven, PA (the "Pennsylvania Transaction") in exchange for \$15 million cash. The Pennsylvania Transaction is subject to various closing conditions, including standard property/title inspections and appraisals and is scheduled to close in the coming weeks. In accordance with the terms of the Pennsylvania Transaction, TILT's subsidiary, Standard Farms, LLC ("SF"), will also execute a long-term, triple-net lease agreement with substantially the same terms as the lease pertaining to the Taunton Facility.

CAC and SF anticipate no disruption to their operations as a result of the transactions.

## **Earnings Call and Webcast**

TILT management will host a conference call today at 5:00 p.m. Eastern time to discuss its financial and operational results, followed by a question-and-answer period.

Date: Monday, May 16, 2022  
Time: 5:00 p.m. Eastern Time

Toll-free dial-in number: (877) 705-6003  
International dial-in number: (201) 493-6725  
Conference ID: 13729376  
Webcast: [TILT Q1 2022 Earnings Call](#)

Please call the conference telephone number 5-10 minutes prior to the start time. An operator will register your name and organization. If you have any difficulty connecting with the conference call, please contact Elevate IR at (720) 330-2829.

The conference call will also be broadcast live and available for replay in the investor relations section of the Company's website at [www.tiltholdings.com](http://www.tiltholdings.com).

## About TILT

[TILT](#) helps cannabis businesses build brands. Through a portfolio of companies providing technology, hardware, cultivation and production, TILT services brands and cannabis retailers across 36 states in the U.S., as well as Canada, Israel, South America and the European Union. TILT's core businesses include [Jupiter Research LLC](#), a wholly-owned subsidiary and leader in the vaporization segment focused on hardware design, research, development and manufacturing; and cannabis operations, [Commonwealth Alternative Care, Inc.](#) in Massachusetts, [Standard Farms LLC](#) in Pennsylvania, [Standard Farms Ohio, LLC](#) in Ohio, and its [partnership](#) with the Shinnecock Indian Nation in New York. TILT is headquartered in Phoenix, Arizona. For more information, visit [www.tiltholdings.com](http://www.tiltholdings.com).

Instagram: @tiltholdings  
Twitter: @TILT\_Holdings

## 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, anticipated performance of the Company for the remainder of 2022, expected expansion of product offerings and additional brand partners, anticipated closing of the Pennsylvania Transaction, the expected use of net proceeds from the Massachusetts Transaction to pay down the Company's outstanding corporate debt by almost 50% and the concurrent anticipated improval of TILT's capital structure, expectations regarding 2022 revenue and Adjusted EBITDA guidance, 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 Annual Information Form of the Company for the year ended on December 31, 2021, which is available on the Company's SEDAR profile at [www.sedar.com](http://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, Adjusted EBITDA, and Working Capital, and gross margin percentage. 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.

### **Working Capital**

The calculation of working capital provides additional information and is not defined under IFRS. The Company defines working capital as current assets less current liabilities. This measure should not be considered in isolation or as a substitute for any standardized measure under IFRS. This information is intended to provide investors with information about the Company's liquidity. Other businesses in the Company's industry may calculate this differently than the Company does, limiting usefulness as a comparative measure. A reconciliation of working capital to IFRS measures can be found under the "Q1 2022 Financial Condition Including Liquidity and Capital Resources" section of the Management Discussion and Analysis of the Company for the three months ended on March 31, 2022.

### **Supplementary Financial Measures**

The supplementary financial measure presented in this news release is gross margin percentage representing gross margin as a percentage of revenue.

### **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 three months ended on March 31, 2022, which is available on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

#### **Company Contact:**

Lynn Ricci, VP of Investor Relations & Corporate Communications  
TILT Holdings Inc.  
[lr Ricci@tiltholdings.com](mailto:lr Ricci@tiltholdings.com)

#### **Investor Relations Contact:**

Sean Mansouri, CFA  
Elevate IR  
[TILT@elevate-ir.com](mailto:TILT@elevate-ir.com)  
720.330.2829

#### **Media Contact:**

Juliet Fairbrother  
MATTIO Communications

Table 1: Condensed Interim Consolidated Statements of Operations  
(in US\$ thousands, unaudited)

(\$ thousands)	Three Months Ended		
	Mar 31, 2022	Dec 31, 2021	Mar 31, 2021
<b>Revenue</b>	<b>\$ 42,352</b>	<b>\$ 54,057</b>	<b>\$ 46,780</b>
Cost of Goods Sold	32,929	42,801	33,327
Gross Profit, <i>Before FV Adj.</i>	9,423	11,256	13,453
Gross Margin %, <i>Before FV Adj.</i>	22%	21%	29%
Gain on FV of Bio. Assets	11,941	12,103	14,720
FV of Bio. Assets in Inventory Sold	(8,111)	(5,969)	(13,400)
<b>Gross Profit, After FV Adj.</b>	<b>13,253</b>	<b>17,390</b>	<b>14,773</b>
Gross Margin %, <i>After FV Adj.</i>	31%	32%	32%
Total Operating Expenses	16,631	54,375	13,108
<b>Income (Loss) from Operations</b>	<b>(3,378)</b>	<b>(36,985)</b>	<b>1,665</b>
Total Other Income (Expense)	(5,597)	1,433	(16,683)
Income Tax (Expense) Recovery	(94)	5,876	(477)
<b>Net Loss Before Non-Controlling Interest</b>	<b>\$ (9,069)</b>	<b>\$ (29,676)</b>	<b>\$ (15,495)</b>
Less: Net Loss Attributable to Non-Controlling Interest	5	-	-
<b>Net Loss Attributable to TILT Holdings Inc.</b>	<b>\$ (9,064)</b>	<b>\$ (29,676)</b>	<b>\$ (15,495)</b>
EBITDA, Non-IFRS	(211)	(26,611)	(7,495)
<b>Adjusted EBITDA, Non-IFRS</b>	<b>\$ 1,535</b>	<b>\$ 4,801</b>	<b>\$ 6,195</b>

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

(\$ thousands)	Three Months Ended		
	Mar 31, 2022	Dec 31, 2021	Mar 31, 2021
<b>Net Loss Attributable to Non-Controlling Interest</b>	<b>\$ (9,069)</b>	<b>\$ (29,676)</b>	<b>\$ (15,495)</b>
Add (Deduct) Impact of:			
Interest (Income)	(18)	(6)	(603)
Finance Expense	2,894	2,872	2,597
Income Tax Expense (Recovery)	94	(5,876)	477
Depreciation and Amortization	5,888	6,075	5,529
Total Adjustments	8,858	3,065	8,000
<b>EBITDA (Non-IFRS)</b>	<b>\$ (211)</b>	<b>\$ (26,611)</b>	<b>\$ (7,495)</b>
Add (Deduct) Impact of:			
Share-based Compensation	1,226	1,398	882
Severance	-	159	-
(Gain) Loss on Sale of Assets	(1)	(20)	67
Lease Restructuring Costs	-	(117)	(14)
Deferred Rent Adjustment	-	-	(548)
Legal Settlement	-	-	2
Unrealized (Gain) Loss on Investment in Equity Security	45	62	705
Change in Fair Value of Financial Instruments	2,163	(8,783)	13,916
Loss on Loan Receivable	517	4,562	-
Derecognition and Impairment Loss	697	39,306	-
Foreign Exchange (Gain) Loss	-	-	-
One Time Bad Debt Expense	-	137	-

One Time Adjustments	929	842	-
Unrealized (Gain) on Changes in FV of Bio. Assets	(11,941)	(12,103)	(14,720)
FV Changes in Bio. Assets Included in Inventory Sold	8,111	5,969	13,400
Total Adjustments	1,746	31,412	13,690
<b>Adjusted EBITDA (Non-IFRS)</b>	<b>\$ 1,535</b>	<b>\$ 4,801</b>	<b>\$ 6,195</b>

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

	Three Months Ended	
	March 31, 2022	March 31, 2021
Net Cash Provided by Operating Activities	\$ 4,009	\$ 2,621
Net Cash (Used in) Investing Activities	(775)	(350)
Net Cash (Used in) Financing Activities	(954)	(747)
Effect of Foreign Exchange on Cash and Cash Equivalents	-	4
<b>Net Change in Cash and Cash Equivalents</b>	<b>2,280</b>	<b>1,528</b>
Cash and Cash Equivalents, Beginning of Period	6,952	8,859
<b>Cash and Cash Equivalents, End of Period</b>	<b>\$ 9,232</b>	<b>\$ 10,387</b>

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

(\$ thousands)	Mar 31, 2022	Dec 31, 2021
Cash and Cash Equivalents	\$ 9,232	\$ 6,952
Biological Assets	12,031	9,609
Inventory	80,456	85,017
Total Current Assets	136,495	140,575
Property, Plant & Equipment, Net	60,200	62,360
Total Assets	405,828	415,183
Total Current Liabilities	98,284	99,482
Total Long-Term Liabilities	81,354	81,669
Total Shareholders' Equity	226,190	234,032
Working Capital	38,211	41,093

**TILT**  
**HOLDINGS**

Source: TILT Holdings Inc.