

August 25, 2020



# TILT Holdings Announces Financial Results for the Three and Six-Months ended June 30, 2020

*Gross margin<sup>1</sup> of 28.3%, a 384 basis point improvement year-over-year*

*Positive cash flow from operations for second consecutive quarter, a 196% improvement year-over-year*

*Cannabis revenues during the six-months ended June 30, 2020 up 103% year-over-year*

*Operating expenses decrease 76% year-over-year*

PHOENIX, Aug. 25, 2020 (GLOBE NEWSWIRE) -- TILT Holdings Inc. ("TILT" or the "Company") (CSE: TILT) (OTCQB: TLLTF), a provider of business solutions to the global cannabis industry, today reported its financial and operating results for the three and six-months ended June 30, 2020. All financial information is unaudited and provided in US dollars except where otherwise indicated.

"Second quarter results reinforced our position that TILT's balanced portfolio of businesses offers multiple trajectories for ongoing shareholder value creation," said Mark Scatterday, CEO of TILT. "For a second consecutive quarter, the company generated positive adjusted EBITDA, increased positive cash flow from operations and improved its cash position, all while navigating the effects COVID-19."

"Jupiter's highly efficient operating model continues to provide a foundation of consistent profitability and broad client reach. This is supplemented by the strong cash flow of our plant-touching businesses in two of the strongest limited license markets, and by Blackbird, which provides additional upside with its highly versatile integrated suite of enterprise software and logistics solutions."

## **Financial Summary for the Quarter Ended June 30, 2020**

- Revenue of \$38.6 million, down 9% from the quarter ended March 31, 2020 and down 1% from the prior year period, driven primarily by COVID-19 related headwinds<sup>2</sup> including decreased sales at the Company's inhalation technology subsidiary, Jupiter Research, LLC ("Jupiter"), as well as lower wholesale demand in the cannabis segment due to the temporary suspension of adult-use sales in Massachusetts from March 24<sup>th</sup> to May 25<sup>th</sup>.
- Gross margin<sup>1</sup> of 28.3%, up 63 basis points ("bps") from the quarter ended March 31, 2020 and 384 bps from the prior year period driven by margin expansion at the Company's software and services subsidiary, Blackbird, as well as improved harvest yields across the cannabis segment.

- Positive adjusted EBITDA for the second consecutive quarter of \$1.2 million, down \$0.5 million from the quarter ended March 31, 2020 and an improvement of \$5.2 million from the prior year period.
- Cash and cash equivalents increased \$2.1 million, up 25% from the previous quarter to \$10.5 million as of June 30, 2020.

### **Operational Highlights for the Quarter Ended June 30, 2020**

- Jupiter's Canadian revenue continues to grow, contributing \$2.4 million for the quarter, an increase of 100% from the quarter ended March 31, 2020.
- Operating cash flow was positive for the second consecutive quarter, increasing 40% from the quarter ended March 31, 2020 and 196% over the prior year period.
- Operating expenses less non-cash adjustments for stock compensation, depreciation and amortization decreased 5% from the quarter ended March 31, 2020 and 29% from the prior year period as the Company continues to streamline operations and drive down costs.
- Cultivation and manufacturing productivity continue to improve with second quarter revenue from the Company's Standard Farms, LLC and Commonwealth Alternative Care, Inc. ("CAC") plant touching subsidiaries up 69% compared to the prior year period.

### **Earnings Call and Webcast**

The Company will host a webcast at 5:00 PM EDT 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=141211>. 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 two 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, a wholly owned subsidiary and leader in the vaporization segment focused on hardware design, R&D and manufacturing, Blackbird, 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](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 expected shift of the economy into a more normalized environment, 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 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 June 30, 2020, 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 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 June 30, 2020, which is available on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

- 1 Gross margin before adjustment for changes in fair value of biological assets and inventories.
- 2 Additional details regarding COVID-19 impact on TILT businesses can be found in the Management Discussion and Analysis of the Company for the quarter ended June 30, 2020, available on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

### Selected Financial Results

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

	Three Months Ended			Six Months Ended	
	Jun 30, 2020	Mar 31, 2020	Jun 30, 2019	Jun 30, 2020	Jun 30, 2019
Revenue	\$38,589	\$42,425	\$39,007	\$81,014	\$73,385
Cost of Goods Sold	\$27,654	\$30,670	\$29,453	\$58,324	\$56,524
Gross Profit, <i>Before FV Adj.</i>	\$10,935	\$11,754	\$9,554	\$22,690	\$16,861
Gross Margin %, <i>Before FV Adj.</i>	28.34%	27.71%	24.49%	28.01%	22.98%
Gain on FV of Bio. Assets	\$3,200	\$15,971	\$19,209	\$19,171	\$20,133
FV of Bio. Assets in Inventory Sold	(\$7,008)	(\$6,073)	(\$3,237)	(\$13,081)	(\$3,939)
Gross Profit, <i>After FV Adj.</i>	\$7,128	\$21,652	\$25,527	\$28,780	\$33,055
Gross Margin %, <i>After FV Adj.</i>	18.47%	51.04%	65.44%	35.52%	45.04%
Total Operating Expenses	\$17,207	\$17,213	\$72,255	\$34,420	\$158,429
Income (Loss) from Operations	(\$10,080)	\$4,440	(\$46,729)	(\$5,640)	(\$125,374)
Total Other Expense (Income)	\$2,230	\$2,080	\$1,772	\$4,310	\$445
Income Tax Expense (Recovery)	(\$3,266)	\$2,308	\$439	(\$958)	\$1,017
Net income (Loss)	(\$9,044)	\$51	(\$48,940)	(\$8,993)	(\$126,836)
EBITDA, Non-IFRS	(\$4,279)	\$10,629	(\$38,732)	\$6,350	(\$107,403)
Adjusted EBITDA, Non-IFRS	\$1,182	\$1,721	(\$4,013)	\$2,903	(\$11,936)

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

	Three Months Ended			Six Months Ended	
	Jun 30, 2020	Mar 31, 2020	Jun 30, 2019	Jun 30, 2020	Jun 30, 2019
<b>Net Income (Loss) (IFRS)</b>	<b>(\$9,044 )</b>	<b>\$51</b>	<b>(\$48,940 )</b>	<b>(\$8,993 )</b>	<b>(\$126,836 )</b>
Add (Deduct) Impact of:					
Interest (Income)	(\$633 )	(\$840 )	(\$833 )	(\$1,473 )	(\$1,614 )
Finance Expense	\$2,782	\$2,996	\$3,165	\$5,778	\$3,510
Income Tax Expense (Recovery)	(\$3,266 )	\$2,308	\$439	(\$958 )	\$1,017
Depreciation and Amortization	\$5,882	\$6,113	\$7,436	\$11,995	\$16,520
<b>Total</b>	<b>\$4,765</b>	<b>\$10,578</b>	<b>\$10,208</b>	<b>\$15,343</b>	<b>\$19,433</b>
<b>EBITDA (Non-IFRS)</b>	<b>(\$4,279 )</b>	<b>\$10,629</b>	<b>(\$38,732 )</b>	<b>\$6,350</b>	<b>(\$107,403 )</b>
Add (Deduct) Impact of:					
Stock Compensation Expense	\$1,309	\$617	\$50,297	\$1,927	\$110,069
Business Acquisition Expense	\$0	\$1	\$224	\$1	\$1,421
Debt Issuance Costs	\$0	\$0	\$103	\$0	\$103
Loss on Conversion of Loan Receivable	\$104	\$0	\$0	\$104	\$0
Unrealized Gain on Investment in Equity Security	(\$91 )	\$0	\$0	(\$91 )	\$0
Severance	\$156	\$104	\$68	\$260	\$68
(Gain) Loss on Sale of Assets	\$59	\$0	\$0	\$59	\$0
Lease Restructuring Costs	\$117	\$267	\$0	\$384	\$0
Unrealized (Gain) Loss on Changes in FV of Bio. Assets	(\$3,200 )	(\$15,971 )	(\$19,209 )	(\$19,171 )	(\$20,133 )
FV Changes in Bio. Assets Included in Inventory Sold	\$7,008	\$6,073	\$3,237	\$13,081	\$3,939
<b>Total Adjustments</b>	<b>\$5,461</b>	<b>(\$8,908 )</b>	<b>\$34,720</b>	<b>(\$3,447 )</b>	<b>\$95,467</b>
<b>Adjusted EBITDA (Non-IFRS)</b>	<b>\$1,182</b>	<b>\$1,721</b>	<b>(\$4,013 )</b>	<b>\$2,903</b>	<b>(\$11,936 )</b>

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

	Three Months Ended			Six Months Ended	
	Jun 30, 2020	Mar 31, 2020	Jun 30, 2019	Jun 30, 2020	Jun 30, 2019
Net Cash Provided by (Used in) Operating Activities	\$5,967	\$4,248	(\$6,188)	\$10,215	(\$18,378)
Net Cash Used in Investing Activities	(\$1,147)	\$1,066	(\$13,134)	(\$82)	(\$88,066)
Net Cash Provided by (Used in) Financing Activities	(\$681)	(\$776)	\$11,748	(\$1,457)	\$13,731
Effect of Foreign Exchange on Cash	(\$2,049)	\$1,310	\$0	(\$739)	\$0
<b>Net Increase (decrease) in Cash</b>	<b>\$4,139</b>	<b>\$4,538</b>	<b>(\$7,575)</b>	<b>\$8,677</b>	<b>(\$92,712)</b>
Cash Balance - Beginning of Period	\$8,428	\$2,580	\$12,109	\$2,580	\$97,247
Cash Balance - End of Period	\$10,517	\$8,428	\$4,534	\$10,517	\$4,534

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

	As of	
	Jun 30, 2020	Dec 31, 2019
Cash and Cash Equivalents	\$10,517	\$2,580
Biological Assets	\$8,378	\$8,580
Inventory	\$46,258	\$48,169
<b>Total Current Assets</b>	<b>\$92,818</b>	<b>\$90,522</b>
Property, Plant & Equipment, Net	\$78,174	\$80,576

Total Assets	\$536,951	\$545,903
Total Current Liabilities	\$51,422	\$50,364
Total Long-Term Liabilities	\$104,688	\$107,790
Total Shareholders' Equity	\$380,841	\$387,749

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

**TILT**  
**HOLDINGS**

Source: TILT Holdings Inc.