December 1, 2020

# TILT Holdings Completes Sale of Blackbird

PHOENIX, Dec. 01, 2020 (GLOBE NEWSWIRE) -- **TILT Holdings Inc.** ("**TILT**" or the "**Company**") (CSE: TILT) (OTCQB: TLLTF), a provider of business solutions to the global cannabis industry, announced today the completion of its previously announced sale (the "**Blackbird Sale**") of all of the membership interests of Yaris Acquisition, LLC (dba. Blackbird) ("**Blackbird**") by Baker Technologies, Inc. ("**Baker**"), an indirect wholly owned subsidiary of the Company, to Slam Dunk, LLC (the "**Buyer**"), a Nevada limited liability corporation controlled by Tim Conder, TILT's former Chief Operating Officer and a member of the board of directors of the Company (the "**Board**"). In accordance with the terms of the securities purchase agreement (the "**Agreement**"), Mr. Conder resigned from his position as the Chief Operating Officer of the Company upon the closing of the Blackbird Sale.

"Jupiter, Commonwealth Alternative Care, and Standard Farms are all synergistic, cashflow positive businesses with ample runway for reinvestment and future growth and now is the right time to give them the additional resources they need," said Gary Santo, President of TILT. "Given the uncertainty and investment required to build Blackbird into a value contributing entity, we believe that completing this asset divestiture in order to focus our time and capital on TILT's fastest growing and most profitable businesses creates immediate value to shareholders."

Mr. Santo continued, "We cannot thank Tim enough for all that he has done during his tenure at TILT, and we wish him well as he steps out on his own to build Blackbird."

**Pro-Forma Consolidated Financial Information Excluding Blackbird**

| | 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 %, *Before FV Adj.* | 30.3% | 31.3% | 28.8% | 30.5% |
| Gross Margin %, *After FV Adj.* | 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 |

**Key Transaction Terms**

- Total consideration (the "**Consideration**") payable for the Blackbird Sale was approximately US$15,000,000 which such figure is unaudited and subject to further reconciliation, and consists 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 were approximately $5,000,000; 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 30, 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 30, 2020 and ending on November 30, 2021;
  ° eleven percent per annum for the period commencing on November 30, 2021 and ending on November 30, 2022; and
  ° twelve percent per annum for the period commencing on November 30, 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 Blackbird Sale was considered and unanimously approved by the Board (with Tim Conder abstaining from the vote due to him being a related party). In connection with its decision to unanimously approve the Blackbird Sale, the Board retained Cormark Securities Inc. ("**Cormark**") to act as financial advisor to the Company in connection with the Blackbird Sale. Under the supervision of the Company, Cormark solicited interest in a potential transaction from a number of parties which were evaluated based on a number of factors. In connection with entry into the Agreement, Cormark provided an opinion (the "**Opinion**") to the Board that, as at November 18, 2020 and subject to the assumptions, limitations and qualifications contained in the Opinion, the Consideration is fair from a financial point of view to the Company. In order to provide the Opinion, Cormark relied upon, without limitation, the following methodologies: (i) reference methodologies including both the strategic alternatives available to TILT with respect to Blackbird and the history of the acquisition of Blackbird; and (ii) core methodologies applying the relative value approach, precedent transaction approach and discounted cash flow approach.

The Blackbird Sale was not subject to regulatory approval or approval by the shareholders of TILT. The Company did not file a Material Change Report in connection with the Blackbird Sale more than 21 days before the closing date of the Blackbird Sale as the closing conditions related to the Blackbird Sale had been satisfied and the Company wished to close the Blackbird Sale on an expedited basis for sound business reasons. The Agreement, including the form of Promissory Note, is available on the Company's SEDAR profile at www.sedar.ca.

**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 35 states in the U.S., as well as Canada, Israel, Mexico, 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 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 economic benefits of the Blackbird Sale to the Company, 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 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 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 in 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.


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

TILT HOLDINGS

Source: TILT Holdings Inc.