



Terra Tech Corp.

2020 Year End Financial Results Conference Call

March 30, 2021

C O R P O R A T E P A R T I C I P A N T S

Jason Assad, *Investor Relations (21:00)*

Frank Knuettel II, *Chief Executive Officer (1:57) mouth weird*

Jeff Batliner, *Chief Financial Officer (11:08) Harder r?*

C O N F E R E N C E C A L L P A R T I C I P A N T S

Amer Rethore, *Carter Terry Inc.*

Joe

Cecil Cordell, *Private Investor*

Bobby Williams, *Private Investor*

Akai Victori, *Private Investor*

Daniel Johnson, *Private Investor*

Neil Gallagher, *Private Investor*

P R E S E N T A T I O N

Operator

Welcome to Terra Tech Corp's 2020 Year End Financial Results Conference Call. As a reminder, all participants are in a listen-only mode, and the conference is being recorded.

At this time, I would like to turn the conference over to Jason Assad, Investor Relations with Terra Tech. Please go ahead.

Jason Assad

Thank you, Operator. Good afternoon and welcome to Terra Tech's 2020 Year End Results Conference Call.

With us today are Terra Tech's Chief Executive Officer, Frank Knuettel, and Chief Financial Officer, Jeff Batliner.

Before I turn the call over to management, please remember that this conference call contains forward-looking statements as defined within Section 27A of the Securities Act of 1933 as amended, and Section 21E of the Securities Exchange Act of 1934 as amended.

These forward-looking statements and terms such as anticipate, expect, intend, may, will, should, or other comparable terms involve risks and uncertainties because they relate to events and depend on circumstances that will occur in the future. These statements include statements regarding the intent, belief, or current expectations of Terra Tech and members of its management as well as the assumptions on which such statements are based. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, including those described in Terra Tech's periodic reports filed with the SEC, and that actual results may differ materially from those contemplated by such forward-looking statements. Except as required by federal securities law, the Company undertakes no obligation to update or revise forward-looking statements to reflect changed conditions.

Finally, this conference call is being webcast. The webcast link is available in the Investor Relations section of our website at www.terratechcorp.com.

With that, it's now my pleasure to turn the call over to Terra Tech's CEO, Frank Knuettel. Frank?

Frank Knuettel II

Thanks, Jason, and thank you, everyone, for joining us this afternoon to discuss Terra Tech's 2020 year end operating results.

More importantly, as this is my first time addressing you, thank you for giving me the opportunity to provide you with an update on our strategic initiatives and operating plans as we further define the blueprint we set forth in our shareholder letter in January.

Jeff will provide an overview of our financial results in a moment, but in brief and to no surprise, 2020 was a challenging year for Terra Tech. We endured difficult capital markets, the extended closure of our two dispensaries in the East Bay following the summer riots, the failed one core transaction, and the sale of Edible Gardens. All of these factors, along with some unfortunate luck and the aftermath of some bad historical decisions, led to operational and financial underperformance, and both our Company and our shareholders suffered.

With that said, some of the insightful decisions made in the past have also set us up to relaunch Terra Tech. We are on the verge of being able to take advantage of some of those decisions in what we expect to be a major way, the details regarding which I will share with you shortly.

As I outlined in the shareholder letter in January, we have three primary initiatives for 2021. Principally, stabilization of our balance sheet and operations, harvest the proceeds from prior asset sales and our investment in Hydrofarm, and relaunch Terra Tech on the foundation of our improved operations and expected cash position through the development of existing, currently non-performing assets, and the acquisition of complementary, well-run businesses.

Regarding the first of these goals, stabilization of our operations and balance sheet, I'm pleased to report that we have made a number of important gains. First and foremost was the January amendment to our existing convertible debt allowing for an extension of the maturity date as well as the shoring up of our balance sheet with the infusion of additional capital to provide a bridge to our sale and investment proceeds,

Additionally, Uri Kenig, our Chief Operating Officer, has led an overhaul of our operations, merchandising, and promotional activities. As a result, we continue to see regular, week-over-week sales gains at both dispensaries in the East Bay. While they are not yet at pre-COVID, pre-riot levels, changes initiated by Uri and our Dispensary Management team have led to a positive trajectory with respect to revenue growth, inventory management, and promotional programs with our key vendors. The last item has contributed to increased traffic and ticket sizes as we work to restore the dispensaries to their former levels.

Turning to our asset sale receivables and investment in Hydrofarm, we have three primary items to discuss.

Regarding the first item, the sale of a dispensary in Las Vegas, we have approximately \$2.9 million due on April 15, and that receivable is on track.

We also sold two other dispensaries in Nevada to a different group, the proceeds for which are divided into two components. For the first component, we received stock in Mystic, the purchasing entity. In the event that they are not trading on an exchange, we have monthly put rights over six months starting on April 22, 2021 to redeem the shares for cash.

At this time, we expect that will have the right under many of these monthly triggers to redeem for cash as Mystic has not made, as far as we are aware, the filings necessary to become publicly trading. For the second component, we issued a note in the amount of \$7.0 million that is payable 12 months after the final license transfer. The final license transfer is in queue with the Nevada authorities, and we reasonably expect it to be approved in the next 45 to 60 days.

Finally, turning to Hydrofarm, our lockup expires on June 9, 2021. As of Friday's close, the value of our Hydrofarm stock and warrants is approximately \$50.7 million. While there is no certainty that we will successfully monetize current gains, we are confident with the expansion in the industry and federal legislative efforts that this will be a strong investment for Terra Tech.

We expect that receipt and quantum of these three items will transform our balance sheet and put us in a strong position to execute on our third 2021 initiative, rebuilding.

We announced the first step in this rebuilding program with the announcement a little over weeks ago of our execution of definitive agreements to merge with Unrivaled. We expect that the merger will close after standard closing conditions in early June. Unrivaled has a strong brand portfolio and distribution business in California and Oregon and licenses its flagship brand, Korova, in two additional states. Combined with our cultivation facilities and merging our three existing dispensaries, and other dispensaries currently under development, we believe we'll have a strong core business on which to further build.

At the same time, we anticipate cost savings in our merger associated with consolidating real estate and elimination of overlapping expenses, contributing to margin expansion for each dollar of revenue.

Beyond Unrivaled, we have a pipeline of opportunities we are reviewing in California and contiguous states. While we have nothing to report on the status of any developments at this time, we are engaged in numerous active conversations and expect to provide an update when and if available. With that said, this is a key component of our strategy, and we are working hard to add strong, complementary companies to the Terra Tech platform.

Turning to our existing developmental assets, we have two facilities under development and are working to bring them online. Hegenberger is our 13,000 square foot cultivation in Oakland, and it is substantially complete. We expect to finish this facility in early Q3 and be operating, pending final license issuance, by Q4 of this year.

Our fixed-use facility, Dyer, is a 45,000 square foot building in Santa Ana located on a heavily trafficked road. We are preparing the plans to build out a dispensary along with processing and cultivation operations and expect to execute in multiple phases, with the first phase being the dispensary. We are actively working on our plans and budget and believe that we will have the dispensary operational by the end of the year and the cultivation and processing aspects of the development completed in the first half of 2022. Based on its location and traffic, we believe that once it is completed, the dispensary will be the most prominent dispensary in all of Orange County.

Before I conclude, I would like to reiterate the overarching strategy and guiding principles by which we are and will continue to run the business.

First and foremost is our focus on the cannabis sector, with a further focus on the southwest and west. While there is competition, from both legal and illicit operators, we feel very strongly that there is a clear path for us to build a strong and profitable business focusing on the operation of cannabis assets. Based on the federal legal construct, we have a period of time during which we can aggregate good quality assets and build a formidable operation in California and adjacent states, and at some point, when the federal legal construct changes, be in a position to be one of the winners in our industry.

Keep in mind also the considerable size represented by the California market, a market that dwarfs any other state, and one in which many of the MSOs have historically shied away from. This presents us with a unique opportunity to grow our business at a time where we have some protective moats around the Company.

Along the way, we will strive to provide as much transparency as we can to our shareholders, further refine our corporate governance, and establish clear operating and ethical protocols. The cannabis sector is in its early stages, but as with any industry, it will evolve, and it is our goal to manage Terra Tech's growth during this phase in a professional and responsible manner. Above all, we aspire to do so in a manner that ultimately provides considerable growth and strong returns to our shareholders.

That concludes my prepared remarks. With that, I would like now to turn the call over to Jeff, our CFO, for a detailed look at our 2020 year-end financial results.

Jeff Batliner

Thanks, Frank, and good afternoon, everyone.

For the year ended December 31, 2020, we generated revenues from continuing operations of approximately \$14.3 million, compared to approximately \$16.5 million for the year ended December 31, 2019. This was a decrease of \$2.2 million or 13.3%.

The year-over-year decrease was driven by a decline of dispensary revenue of \$6 million which was partially offset by cultivation and manufacturing revenue increases, which totaled \$3.8 million. The dispensary revenue was negatively impacted by COVID-19 and civil unrest. COVID-19 reduced customer traffic and, hence, our sales volume, while civil unrest resulted in six combined months of store closures for our two Bay-area dispensaries.

Our gross profit for the year ended December 31, 2020 was approximately \$3.6 million, compared to a gross profit of approximately \$10.4 million for the year ended December 31, 2019, a decrease of \$6.8 million.

Our gross margin for the year ended December 31, 2020 was roughly 25.2%, compared to approximately 62.8% for the year ended December 31, 2019.

Our gross profit was impacted by less year-over-year dispensary revenue. Our lower dispensary revenue led to lower product purchasing volume and increased our unit costs. We also experienced higher cost of sales in our cultivation and our production operations.

Selling, general, and administrative expenses for the 2020 Fiscal Year were approximately \$24.6 million, compared to approximately \$36.7 million for the 2019 Fiscal Year, a decrease of \$12.1 million or 32.9%.

This was primarily due to an \$8.7 million decrease in salaries, options expense, advertising expense, and allowance for doubtful accounts. We also had reductions in insurance, legal fees, accounting fees, consulting, and other professional fees.

In general, the decrease was due to costs driven out of the business as we narrowed our focus onto a few key assets. In other words, a smaller operational footprint and less corporate spending in support of that.

Other operating expenses for the year ended December 31, 2020 were approximately \$19.9 million, compared to other operating expenses of \$8.6 million in the prior year. This was an increase in \$11.3 million. The 2020 activity was driven by goodwill impairment charges of \$19.9 million.

Other income for the 2020 Fiscal Year was approximately \$27.1 million, compared to other expenses of \$9.2 million in the prior year, an increase of \$36.3 million. The year-over-year improvement was due to two items; a 2020 income driven by the mark-to-market of the Company's investment in Hydrofarm Holdings, which resulted in a \$29 million unrealized gain, and a \$6.4 million reduction in interest expense.

In total, we incurred a net loss of \$30.12 million, or \$0.16 per share, for the 2020 Fiscal Year, compared to a net loss of \$46.93 million, or \$0.44 per share, for the 2019 Fiscal Year.

I would like to state that management will continue its efforts to lower operating expenses and increase revenue. We will continue to invest in further expanding our operations and a comprehensive marketing campaign with the goal of accelerating the education of potential clients and promoting our name and our products. Given that most of the operating expenses are fixed or have a quasi-fixed character to them, management expects that, as revenue increases, those expenses, as a percentage of revenue, will significantly decrease.

I want to say thank you to the Terra Tech accounting and finance team for all their efforts that went into this annual filing, and thank you to all of our listeners for your attention.

Operator, you may now open the call for questions.

Operator

Our first question is from Amer Rethore with Carter Terry Inc. Please proceed.

Amer Rethore

Hey there. Good call guys. I had a question, Frank. Do you guys plan on up-listing to Nasdaq?

Frank Knuettel II

Thanks for your question. At the moment we are unable to up-list to Nasdaq based on Federal Legislative rules that Nasdaq has adopted or agreed with. I also want you to know that it is a clear path for us and as soon as the window opens, it is our plan to up-list as soon as it is available. We really think that while OTC has serviced the Company well and been a pioneer in opening to lease (inaudible) companies, our aspirations for Terra Tech are larger and really drive us to a Nasdaq listing as soon as it becomes available.

Amer Rethore

Thank you very much. I actually have a second question. Since they're voting today, what impact does New York State's approving of recreational sales—how is that going to impact you all?

Frank Knuettel II

There's a couple of layers to that. The first layer is just at a high level whereby in New York becoming the 17th adult-use-state, it further expands the overall industry acceptance. It drives greater support at the Federal level for legislative changes to adopt new banking regulations, regulatory perspectives, scheduling issues. All of which should facilitate the operations in the cannabis sector. More directly, as you may know, we have a license pending for dispensary in New Jersey and we're reviewing the rules in New Jersey with respect to upgrading that from a medical to adult use license and we will also be reviewing the rules for filing an application or applications in New York.

My general perspective is that organic growth is—if you can get it, just depending on the licensing procedures, is a really concrete and steadfast way in which to grow the Company. Obviously with the geographic size and population size of both New York and New Jersey, we anticipate that those will be very healthy markets. We're reviewing the rules now and looking at our New Jersey license applications, a jumping off point to potential entering the tri-state area.

Operator

Our next question is from Joe (inaudible). Please proceed.

Joe

Could you guys give a little bit more color about your acquisition of Unrivaled?

Frank Knuettel II

Absolutely. Thank you. Technically it is an acquisition from both a legal and accounting perspective but we very much look at it as a merger. Unrivaled has a very solid team and they've grown quite extraordinarily since it's inception in the last couple of years. We feel that the combination of the teams and the complementary businesses really are very much more of a merger than an outright acquisition in that we're going to be integrating members of their management team into our team to further expand the footprint upon which we can build Terra Tech.

More specifically, the merger with Unrivaled brings immediate scale. They are considerably larger from a revenue perspective than is Terra Tech and have strong statewide distribution in California and Oregon.

They also bring with them great brands across various market segments which is something that I think folds in really well with Terra Tech. They also bring additional dispensary assets. It's an opportunity for us to use our platform, our cultivation base and to add their dispensaries to ours and to feed the entire system with high-quality brands that are being distributed in both California and Oregon and they also have, in their Korova brand, a foothold in Arizona and Oklahoma.

For us it's a pretty substantial update or increase in Terra Tech's platform and I think it's going to be a strong addition and allow us to provide a stronger stepping up point for additional acquisitions going forward.

Joe

Thank you.

Operator

Our next question is from Cecil Cordell (phon), Private Investor. Please proceed.

Cecil Cordell

Thank you for having me. I'm kind of excited about Terra Tech. Followed the Company for several years and seen the transferring of management and all the changes you've had to make with rapidly changing environment, COVID, civil unrest. I do business on three or four continents so I'm kind of impressed with your management teams in place at this point.

My question is, with all your acquisitions and all the plans you have for the future, what do you see the potential revenue growth with all the risk factors factored in for 2021?

Frank Knuettel II

As we indicated in our public filings, on a run rate basis, we believe the combination with Unrivaled, we yield conservatively, \$70 million in annualized revenue. I want you to know that while that's a healthy step up from our 2020 operating results, it is not yet anywhere close to a level at which we want to attain. As I mentioned in my prepared remarks, we have active conversations with numerous other companies operating in California or adjacent states that while there is no certainty we'll be able to successfully close on any of those transactions, we do anticipate bringing additional ones on in the next 6, 12 and 18 months.

The short answer is I see the combined two companies, Unrivaled and Terra Tech grossing greater than \$70 million on an annualized basis but that we anticipate supplementing that and potentially even demonstrably supplementing that with additional acquisitions as we move forward. At this point, because of the number of different conversations we have with a number of different companies in different segments of the market in the Pacific Southwest, I don't have any specific items other than the fact that we do anticipate demonstrably increasing the revenue base by way of both organic growth and by acquisition.

Cecil Cordell

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ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.

I think one of the biggest things that I'm also following is Washington and legalizing marijuana and all 48 containing United States with Hawaii and Alaska, which brings it to a whole new level of the banking industry being able to get more involved and not having to do the cash thing and so on. I'm kind of really excited about your guys progress and I'm a Private Investor and I love what you guys are doing.

Frank Knuettel II

Appreciate it. Thank you.

Cecil Cordell

Sure. Thank you.

Operator

Our next question is from Bobby Williams, Private Investor. Please proceed.

Bobby Williams

Hello. Recently within the last few weeks, we saw the stock price run up into the 80s, now it's pulled back into the 30s. Can you give some sort of insight into the cause of both?

Frank Knuettel II

I have no control over our stock price, nor the markets in general. The only think I'll point out is that following the Inauguration of President Biden and then the special election in Georgia, that flipped the Senate from Republicans to Democrats. There is a certain level of exuberance in support of the space and potentially even too much so, given just the time. The whole sector inflated in January and February and selectively came back in many instances as well. That's the only thing I can really point to.

My goal here and my general perspective with respect to the Company and its stock prices, if you build a good company, the stock price will follow. Our number one goal is to be focused on cannabis assets and build a good company, build good operations, expand our revenue base and do it in a fiscally prudent and responsible manner. If we're successful in that goal, then the stock price will follow and any short-term gyrations are out of our control and frankly, while we're certainly conscious of (inaudible), we can or tend to impact through any sort of announcements. We just want to build a good company.

Cecil Cordell

I know it's a lot of work to build a company so we appreciate all the effort you guys have put going forward. Look forward to the future. Thank you.

Frank Knuettel II

Thank you.

Operator

Our next question is from Akai Victori (phon), Private Investor. Please proceed.

Akai Victori

My question is in regard to the political landscape, primarily the SAFE Banking Act, what your perspective is, if that will pass as a stand-alone bill short-term, or do you think it's going to be stalled until we have a more encompassing either decriminalization or legalization bill passed in the Senate?

Frank Knuettel II

Thank you for your question.

There's a lot of pieces and a lot of legislation in Congress right now for different aspects of the sector. I'm not a political prognosticator necessarily, but I would, at the same time, anticipate that the piece of legislation that is most at the top of the list for House members and senators is the SAFE Banking Act, or something akin to the SAFE Banking Act because, at the end of the day, whether Members of Congress like it or not, we're on the verge of having the 17th adult-use state, we have three dozen plus med-use states.

The industry's not going away, and I would say the biggest operating pain point, or certainly one of the biggest operating pain points we have is access to good banking whether it's credit card management, cash receivables, cash management. It's a big struggle, and it causes considerable operational inefficiencies, and at the same time, there's risk associated with moving large amounts of cash around.

Given all those factors, and the fact that it doesn't necessarily address the legal stature of cannabis, I think it is the number one item with respect to the cannabis sector in Congress. From what I've heard from POLITICO is that there is an expectation that it will pass, in some form or another, in the very near future.

With respect to other aspects of cannabis legislation, you run into more difficult scenarios with respect to de-scheduling because the tax impact is that, with respect to 280E, or with respect to the outright legalization and objections from especially Senators in certain states. So, lots of different aspects with cannabis legislation, but with respect to the SAFE Banking Act or something akin to it, whether it's rolled into an (inaudible) bill or not, I do expect and do understand that that is actually likely to move forward in the very near future.

Akai Victori

That's very good news. Well, thank you very much.

Frank Knuettel II

You're welcome. Thank you.

Operator

Our next question is from Daniel Johnson, Private Investor. Please proceed.

Daniel Johnson

Hello. A couple of questions. The first one being can you please outline your warrants in Hydrofarm as far as expiration date and the total quantity?

Frank Knuettel II

The warrants in Hydrofarm, we have approximately 294,000. We have warrants to purchase approximately 294,000 shares, 295,000 shares of Hydrofarm. We can check, but I believe they are five-year warrants.

Daniel Johnson

Okay. Thank you, and the price that you can execute that at, I believe, is \$5?

Frank Knuettel II

It was reverse adjusted immediately prior to their IPO, so it's...

Jeff Batliner

Sixteen-eighty something.

Frank Knuettel II

Yes, it's approximately \$16.80.

Daniel Johnson

Okay, got it, with the three-point-something-something split.

Second question is with the expected mergers and acquisitions that are in the near to long-term future, how do you plan to finance those acquisitions, and mostly, my biggest concern being a shareholder for the past five to six years is that we aren't hit with a lot of dilution or convertible debt.

Frank Knuettel II

Sure. It's going to be fact-based depending on the particular acquisition in that with the Hydrofarm investments becoming available in about nine weeks, combined with the asset sale receivables we have, we will have a pretty strong balance sheet and a fair amount of net cash that we can use to either build out in development facilities or contribute to or actually provide the consideration for all the acquisition, just depending on the size.

I do want you to know that I certainly recognize, I mean, I look at our cap table and I certainly recognize the dilution that we've all had in Terra Tech in the last couple years. One of the comments I made earlier about organic growth by way of new licenses, we're extremely conscious of the ups and downs that were experienced in the fluid capital markets and the 2018 period, followed by the dearth of capital in 2019, and the mad land grab rush that was experienced.

Jeff and I and others in the management team all have financial backgrounds, and it is absolutely our intent to focus on revenue and cash flow with respect to future acquisitions. So, regardless of how we pay for the acquisitions themselves, it is our intent to be very fiscally prudent with respect to the valuations, revenue, and cash flow, as compared to it going forward in those acquisitions.

One of the things that means is we're a little bit more wary about new rec (phon) states, or acquiring a new rec state because new rec states tend to have a premium on them, and generally speaking, you have a lower or even a negative ROI if you're a new entrant in a new rec state.

Regardless of how we finance it, I do want you to know that we're very focused on and cognizant of the Return on Investment and the need to acquire assets at good valuations, as opposed to just acquiring assets.

Daniel Johnson

Fantastic. I appreciate the thorough answer and the vote of confidence. Thank you.

Frank Knuettel II

Thank you.

Operator

Our next question is from Neil Gallagher (phon), Private Investor. Please proceed.

Neil Gallagher

Yes, can you hear me?

Frank Knuettel II

Yes.

Neil Gallagher

Hello? Yes, I was just curious, what are your plans in the Nevada area with Blum and so on and so forth? It seemed like things have kind of backed away from Nevada, and I was just curious if you're going to expand in that area, or continue to back away?

Frank Knuettel II

We're not going to continue to back away. Our overall thesis is to build a really major stronghold in California and contiguous states, and those contiguous states right now are Nevada and Oregon. As I mentioned, Arizona would certainly be an option, although as a new rec state, we're a little wary of the valuations. If an opportunity arises in Arizona where we feel the financial metrics and the valuation match and are in good order, then we'll move into Arizona, but for the immediate future, we're focused on California, Nevada, and Oregon.

In Nevada, we have 50% of an operation that provides or manages both cultivation, manufacturing, and processing facilities, and it is our intent to build on that, or use that as a stepping stone to expand in Nevada, whether by virtue of adding dispensaries on top of it, or rolling out some of Unrivaled's brands on top of our cultivation and processing facilities in Nevada into that state. So, clearly not backing away, and looking for a good entry point to use our joint venture as a steppingstone to expand.

Neil Gallagher

Thank you very much for that information. Appreciate it.

Frank Knuettel II

You're welcome.

Operator

We have reached the end of our question-and-answer session.

I would like to turn the conference back over to Frank for closing comments.

Frank Knuettel II

Thank you very much.

On behalf of Terra Tech, our management, and our employees, I want to thank all of you for the support and, frankly, extend to you my appreciation and understanding that it's been a bit of a roller coaster from time to time, but we really do have a good focus now, and anticipate building on the platform we have in a fiscally responsible and prudent manner, and it is our absolute intent to provide the transparency where available to you all. Just want to thank you for all your support, and look forward to providing good returns and good growth for you all.

Operator

Thank you. This does conclude today's conference. You may disconnect your lines at this time, and thank you for your participation.

Frank Knuettel II

Thank you.