



TERRASCEND

2023 Third Quarter Financial Results

November 9, 2023

[Terrascend.com](https://www.terrascend.com)

TSX: TSND | OTCQX: TSNDF

Executive Leadership Speakers



Jason Wild

Executive Chairman



Ziad Ghanem

Chief Executive Officer



Keith Stauffer

Chief Financial Officer

Disclaimer

Forward-Looking Information

This presentation contains “forward-looking information” within the meaning of applicable securities laws, including the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking information contained in this presentation may be identified by the use of words such as, “may”, “would”, “could”, “will”, “likely”, “expect”, “anticipate”, “believe”, “intend”, “plan”, “forecast”, “project”, “estimate”, “outlook” and other similar expressions. Forward-looking information is not a guarantee of future performance and is based upon a number of estimates and assumptions of management in light of management’s experience and perception of trends, current conditions and expected developments, as well as other factors relevant in the circumstances, including assumptions in respect of current and future market conditions, the current and future regulatory environment, and the availability of licenses, approvals and permits. Examples of forward-looking information contained in this presentation include statements regarding the guidance for fiscal year 2023; the Company’s strategic plans, objectives and roadmap; the estimated addressable market opportunity; and expectations for other economic, business, and/or competitive factors.

Although the Company believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because the Company can give no assurance that they will prove to be correct. Actual results and developments may differ materially from those contemplated by these statements. Forward-looking information is subject to a variety of risks and uncertainties that could cause actual events or results to differ materially from those projected in the forward-looking information. Such risks and uncertainties include, but are not limited to, our recent growth, which may not be indicative of our future growth; current and future market conditions; risks related to federal, state, provincial, territorial, local and foreign government laws, rules and regulations, including federal and state laws in the United States relating to cannabis operations in the United States; and the risk factors set out in the Company’s most recently filed MD&A, filed with the Canadian securities regulators and available under the Company’s profile on SEDAR+ at www.sedarplus.ca and in the section titled “Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022 filed with the Securities and Exchange Commission (the “SEC”) on March 16, 2023, the Company’s Annual Report on Form 10-K/A for the year ended December 31, 2022 filed with the SEC on May 4, 2023 and its subsequently filed quarterly reports on Form 10-Q.

The statements included in this presentation are made as of the date of this presentation. TerrAscend disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

No stock exchange, securities commission or other regulatory authority has approved or disapproved the information contained herein.

Disclaimer

Definition and Reconciliation of Non-GAAP Measures

In addition to reporting the financial results in accordance with generally accepted accounting principles in the United States ("GAAP"), the Company reports certain financial results that differ from what is reported under GAAP. Non-GAAP measures used by management do not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies. The Company believes that certain investors and analysts use these measures to measure a company's ability to meet other payment obligations or as a common measurement to value companies in the cannabis industry, and the Company calculates Adjusted Gross Profit and Adjusted Gross Profit Margin as Gross Profit and gross profit margin adjusted for certain material non-cash items including the one-time relief of fair value of inventory on acquisition, non-cash write downs of inventory, sales returns and write downs of inventory as a result of a vape recall in Pennsylvania, and other one-time adjustments to gross profit that management does not believe are reflective of ongoing operations. We calculate Adjusted EBITDA from continuing operations and Adjusted EBITDA Margin from continuing operations as EBITDA from continuing operations adjusted for certain material non-cash items such as inventory write downs outside of the normal course of operations, share based compensation expense, impairment charges taken on goodwill, intangible assets and property and equipment, the gain or loss recognized on the revaluation of our contingent consideration liabilities, one-time write off of accounts receivable related to one customer that was deemed uncollectible, loan modification fees related to the modification of debt, the gain recognized on the extinguishment of debt, the gain or loss recognized on the remeasurement of the fair value of the U.S denominated preferred share warrants, one time fees incurred in connection with our acquisitions and certain other adjustments management believes are not reflective of the ongoing operations and performance. Such information is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. The Company believes this definition is a useful measure to assess the performance of the Company as it provides more meaningful operating results by excluding the effects of expenses that are not reflective of the Company's underlying business performance and other one-time or non-recurring expenses.

Please refer to the tables in our earnings release and Form 10-Q for the period ending September 30, 2023 as posted in the Investors section of our website for a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures. The Company encourages investors to consider its GAAP results alongside its supplemental non-GAAP measures, and to review the reconciliation between GAAP results and non-GAAP measures that is included at the end of this presentation.

Third Party Information

Certain information contained in this presentation and statements made orally during the related earnings webcast relate to or are based on studies, publications, surveys and other data obtained from third-party sources and the Company's own internal estimates and research. While the Company believes these third-party studies, publications, surveys and other data to be reliable as of the date of this presentation, the Company has not independently verified, and makes no representations as to the adequacy, fairness, accuracy or completeness of, any information obtained from third-party sources. In addition, no independent source has evaluated the reasonableness or accuracy of the Company's internal estimates or research and no reliance should be made on any information or statements made in this presentation relating to or based on such internal estimates and research.

Company Overview

Jason Wild, Executive Chairman

Q3 2023 Financial Highlights



\$89.2 M
Net Revenue



53.6%
Q3 2023 Gross
Profit Margin



**5th Consecutive
Quarter of Positive
Cash Flow from
Continuing Operations**



**8th Consecutive
Quarter of Sequential
Revenue Growth**



\$24.2 M, +89% QoQ
Adjusted EBITDA from
Continuing Operations*



\$9.4 M
Cash Flow from
Continuing Operations



+23.7% QoQ



27.1%
Q3 2023 Adjusted
EBITDA Margin*



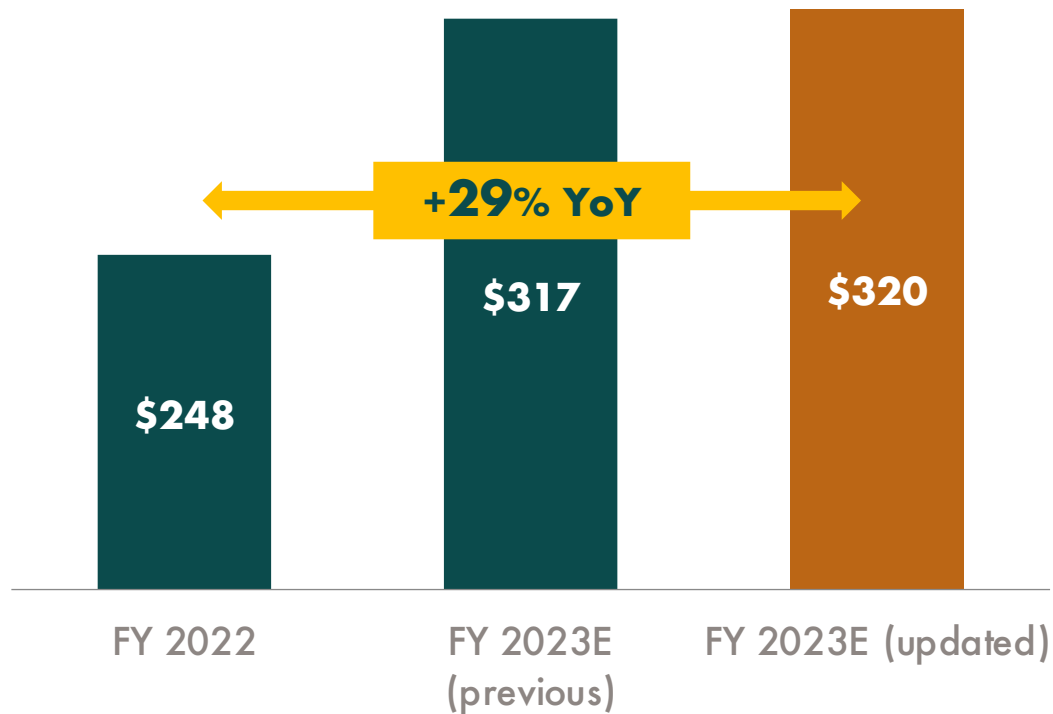
\$7.7 M
Free Cash Flow*



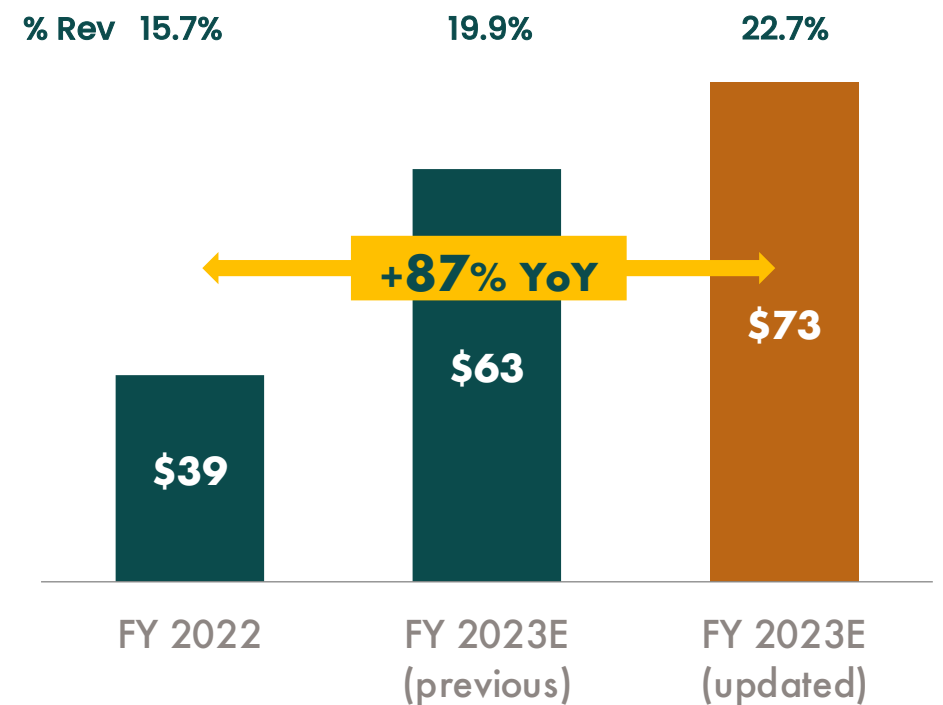
+34.7% YoY

Raising 2023 Guidance

Net Revenue (in millions, US\$)

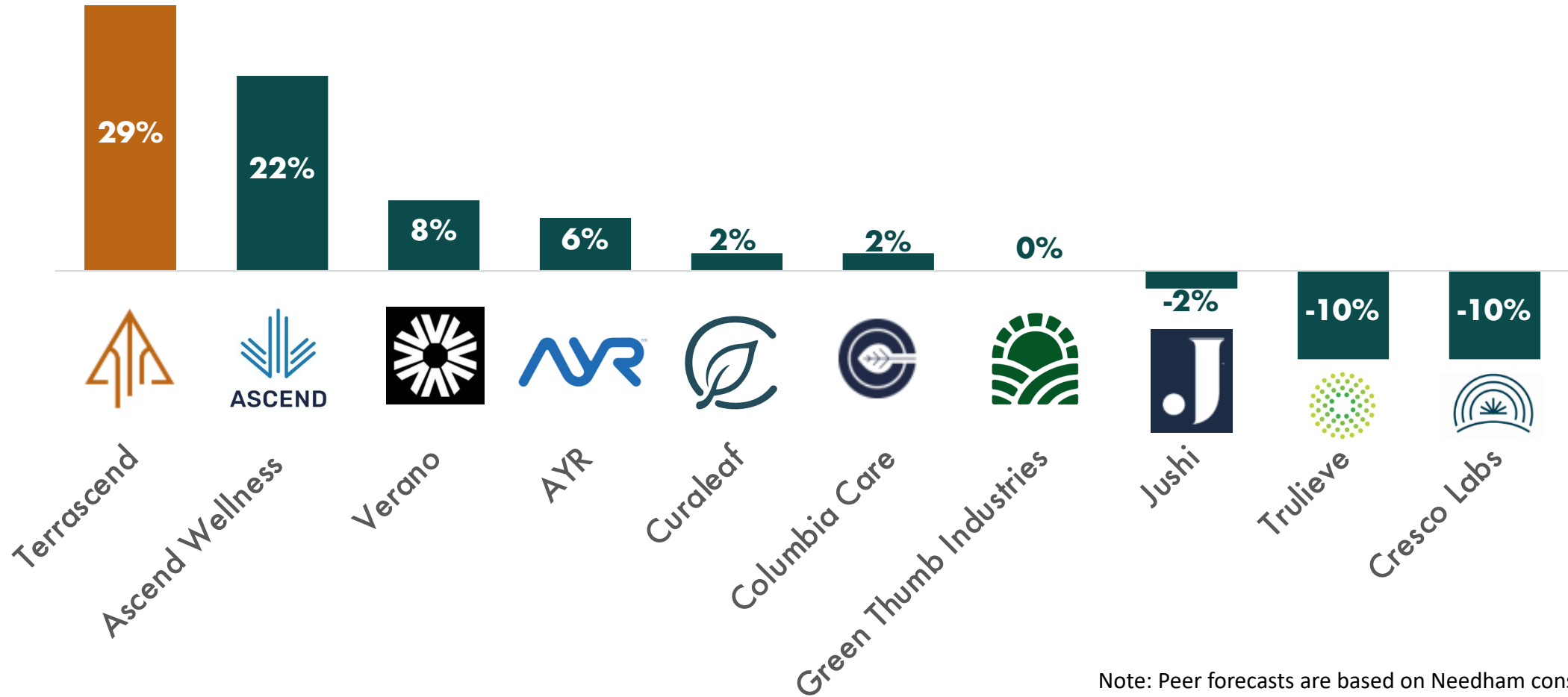


Adj EBITDA* (in millions, US\$)



Implies Q4 Net Revenue of \$89 million and Adjusted EBITDA from continuing operations* of \$24 million

Sector Leading 2023 YOY Revenue Growth



Note: Peer forecasts are based on Needham consensus
Source: Needham Multi-State Operator Quarterly Recap - 2Q23

Ready to Go "Deep and Wide"

CALIFORNIA

Super Premium Flower & 5 Dispensaries

Population **40** Million

MICHIGAN

Scaled vertical operations including cultivation, manufacturing, industry leading retail with 19 locations, and exclusive brand partnerships

Population **10** Million

PENNSYLVANIA

Scaled vertical operation with large scale cultivation and manufacturing, and 6 medical dispensaries

Population **13** Million

NEW JERSEY

Top 2 Player – Scaled Vertical Operation with 3 Dispensaries

Population **9** Million

1 of 7

Adult-Use Operators

MARYLAND

Vertically integrated operation with state-of-the-art cultivation and manufacturing facility in Hagerstown and 4 Dispensaries

Population **5** Million

TSXV METALLA ROYALTY [M.T.A.V] 63.38 ▼ -0.95
MUBUVA TECHNOLOGY [MVA.V] 5.78 ▲ 0.00
INTERNATIONAL PETROLEUM [IPCQ.TO] 12.35 ▲ 0.01
IVANHOE MINS LTD [IVN.TO] 30.2
JAMIESON W 1.64 ▲

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TERRASCEND

THE MARKET IS OPEN



TERRASCEND
TMX Group welcomes
TerrAscend Corp
to Toronto Stock Exchange
TSX:TSND
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TMX THE FUTURE IS YOURS TO SEE.

TMX MA
mark

Taking Action

The cannabis industry and its employees deserve to be treated equally, on an even playing field with every other business and TerrAscend is committed to help deliver that well deserved change.

Lawsuit Seeks Equal Treatment for Cannabis Businesses

NEWS PROVIDED BY
[Boies Schiller Flexner LLP](#) →
26 Oct, 2023, 13:47 ET

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Federal criminalization of safe, regulated intrastate cannabis legal in 38 states is unconstitutional—and unfair to small businesses

Cannabis businesses are unconstitutionally prevented from getting small business loans, investments; unable to have normal banking relations; and subject to discriminatory taxes

SPRINGFIELD, Mass., Oct. 26, 2023 /PRNewswire/ -- A coalition of U.S. cannabis operators and investors working in state-legal medical and adult-use cannabis markets today filed a lawsuit against U.S. Attorney General Merrick Garland. The coalition, represented by the law firm Boies Schiller Flexner, seeks to enjoin the federal government from enforcing the Controlled Substances Act in a manner that interferes with the intrastate cultivation, manufacture, possession, and distribution of cannabis, pursuant to state law. The lawsuit asserts that the federal government has no basis for enforcing the Controlled Substances Act against intrastate, state-regulated cannabis operations.

Boies Schiller Flexner and Lesser, Newman, Aleo & Nasser LLP filed the lawsuit in the United States District Court for the District of Massachusetts, Western Division, and will represent plaintiffs Gyasi Sellers (CEO and Founder of Treevit), Canna Provisions, and Wiseacre Farm, all of which are local independent operators in Massachusetts who have suffered significant harm and business challenges due to federal prohibition. Verano Holdings (OTCQX: [VRNOF](#)) is also named as a plaintiff, while foundational supporters of the suit include Ascend Wellness Holdings (OTCQX: [AAWH](#)), TerrAscend (TSX: [TSND](#)) and Green Thumb Industries (OTCQX: [GTBIF](#)), as well as Eminence Capital and Poseidon Investment Management.

Business Overview

Ziad Ghanem, Chief Executive Officer

New Jersey

3Q '23 Highlights

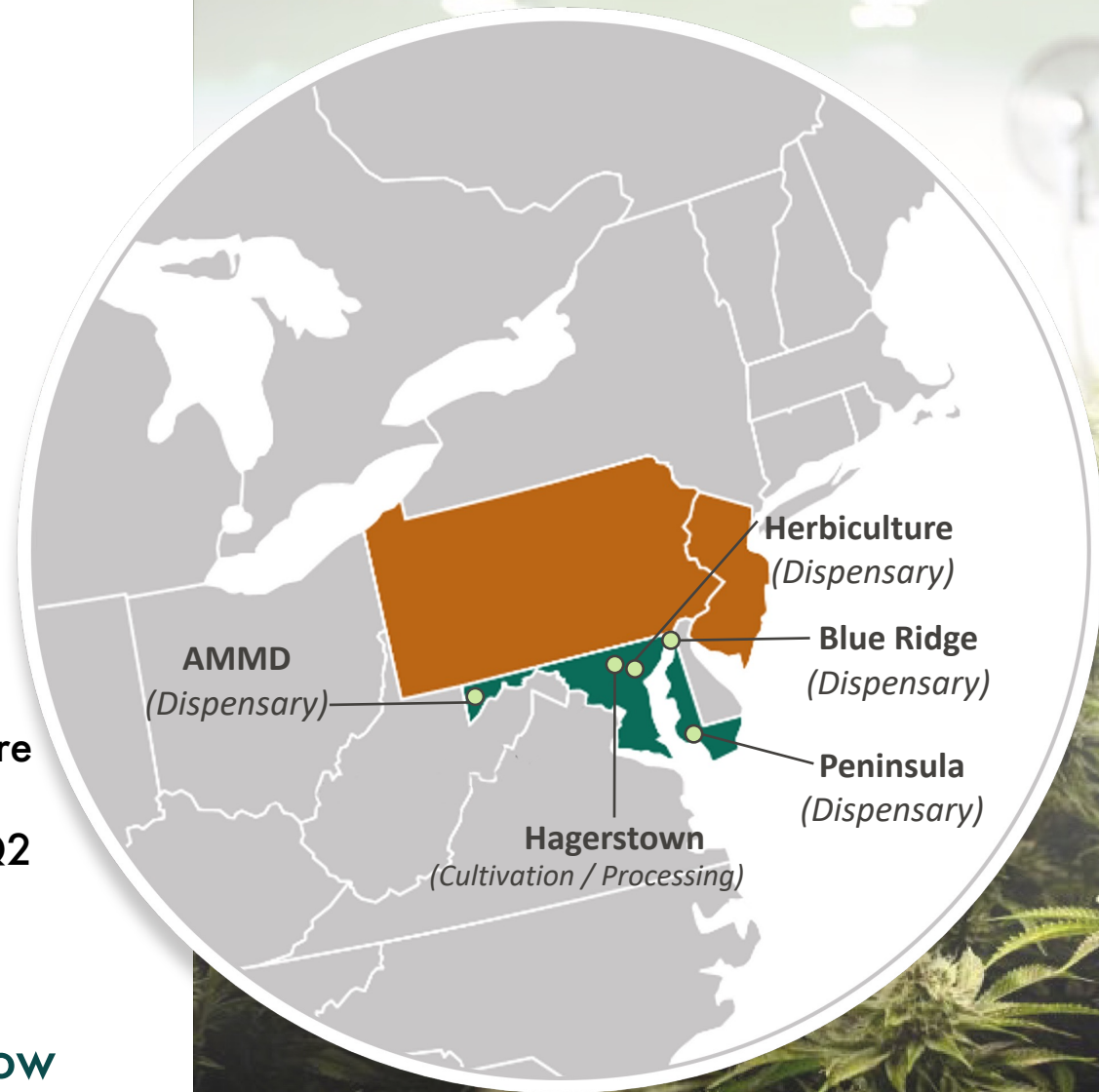
- Largest and Most Profitable Market
- According to BDSA, in August Improved Market Share Position from #3 to #2
 - In Sept. achieved 18.6% market share, only 0.2% from #1 spot of 18.8%
- Cultivation Yields Up 50% Since January
 - Drove growth in wholesale business, nearly doubling QoQ
- Future Growth Opportunities
 - Opportunity to add 7 additional retail doors



Maryland

3Q '23 Highlights

- **First Full Quarter of Adult-Use**
 - Adult-use began July 1, 2023
 - Market sales run rate of ~\$1 billion annually, roughly doubling the medical market
- **Vertically Integrated Operations**
 - Leveraging same successful strategy as NJ
 - 4 retail locations - the state limit
 - 2 of the top performing stores in MD
 - Believed to be one of the top retail market share in MD
 - Wholesale business more than doubled from Q2 to Q3
 - Additional capacity coming online in 2024
- **Attractive Margins and Significant Cashflow**



Pennsylvania

3Q '23 Highlights

- **Market Overview**

- Population of 13 million
- Current medical market size already over \$1.2B

- **Return to Growth**

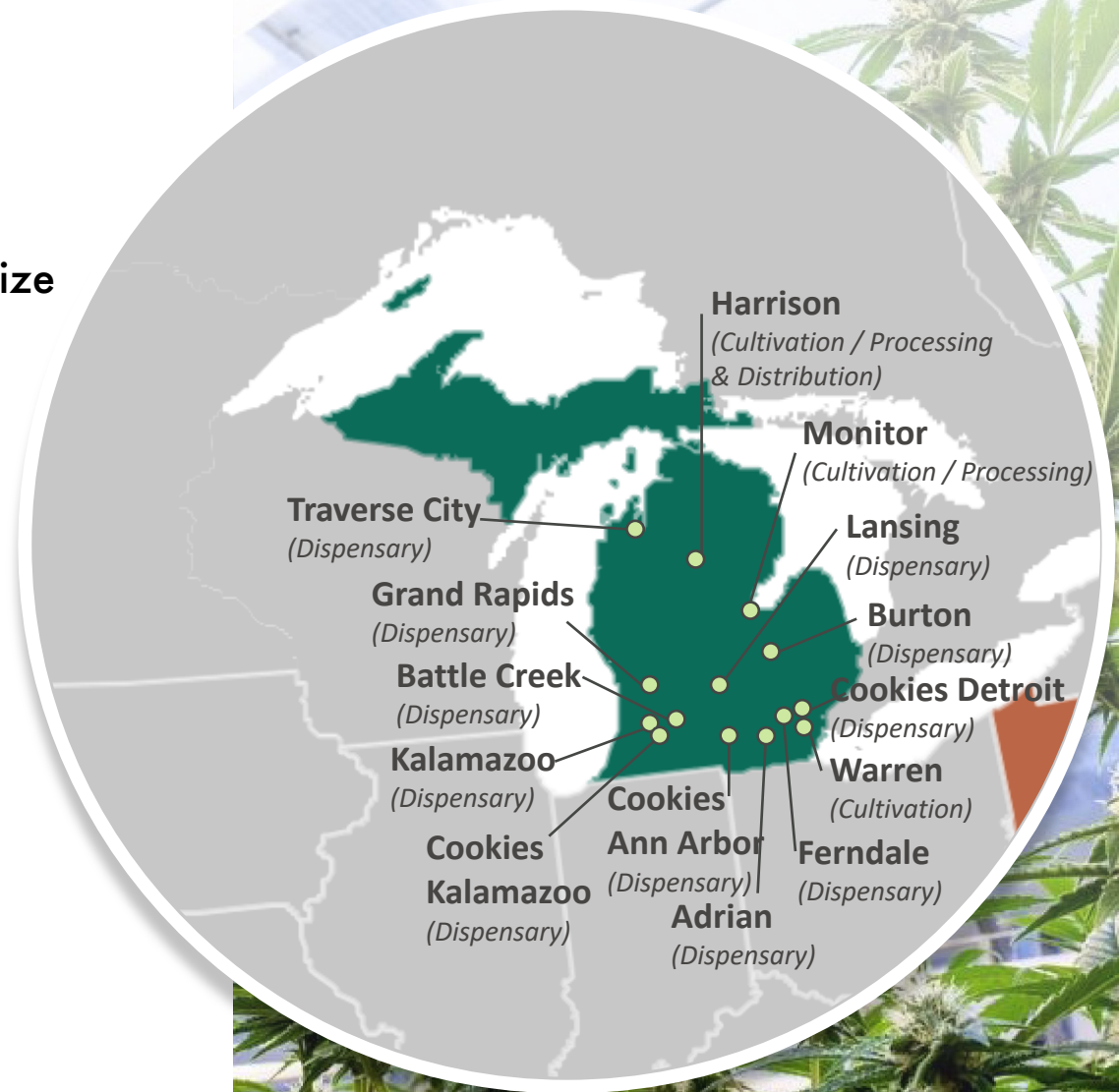
- 6 Apothecarium locations grew 6% sequentially and 8% year over year
- Wholesale business grew 20% sequentially and 10% year over year
- Gross margin improved materially sequentially driven by the sales growth and improved costs and utilization



Michigan

3Q '23 Highlights

- Focused on Margin and Profitability
 - Largest US market per capita and #2 market size at over \$3 Billion
 - Improved gross margins by 1,800 basis points since acquiring the business
 - Eclipsing 40% in September
- Retail and Wholesale
 - 19 retail locations, soon to be 20 with second Detroit location planned early 2024
- Opportunity to go deeper with accretive M&A in unlimited license state



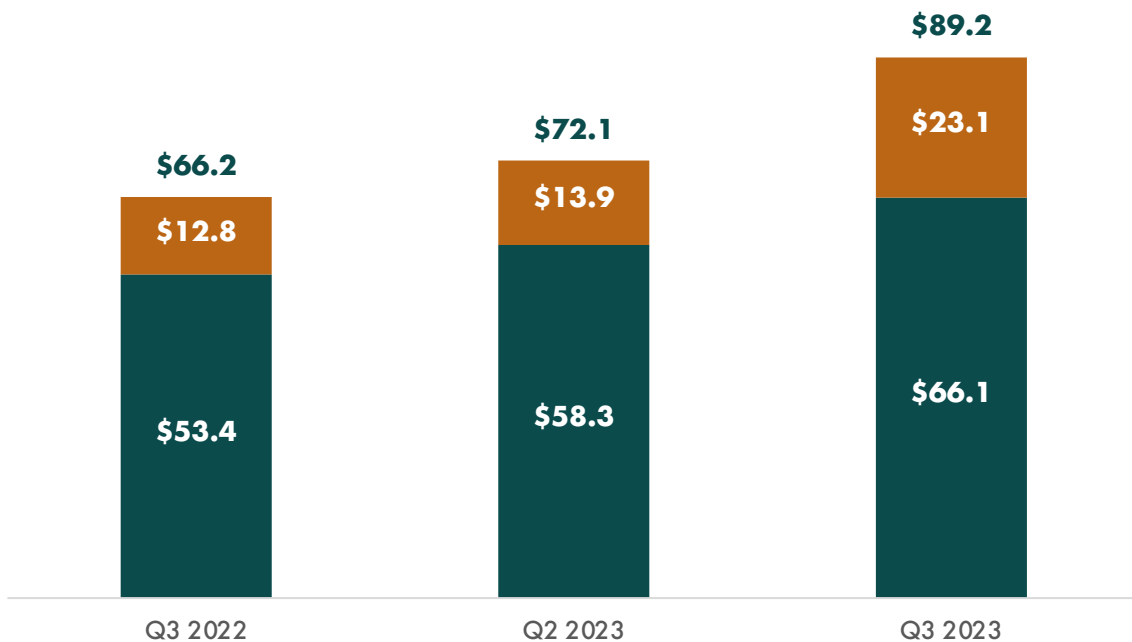
Financial Overview

Keith Stauffer, Chief Financial Officer

Third Quarter 2023 Net Revenue Growth

YoY increase driven by growth across Maryland, Pennsylvania and New Jersey

Net Revenue (in millions, US\$)

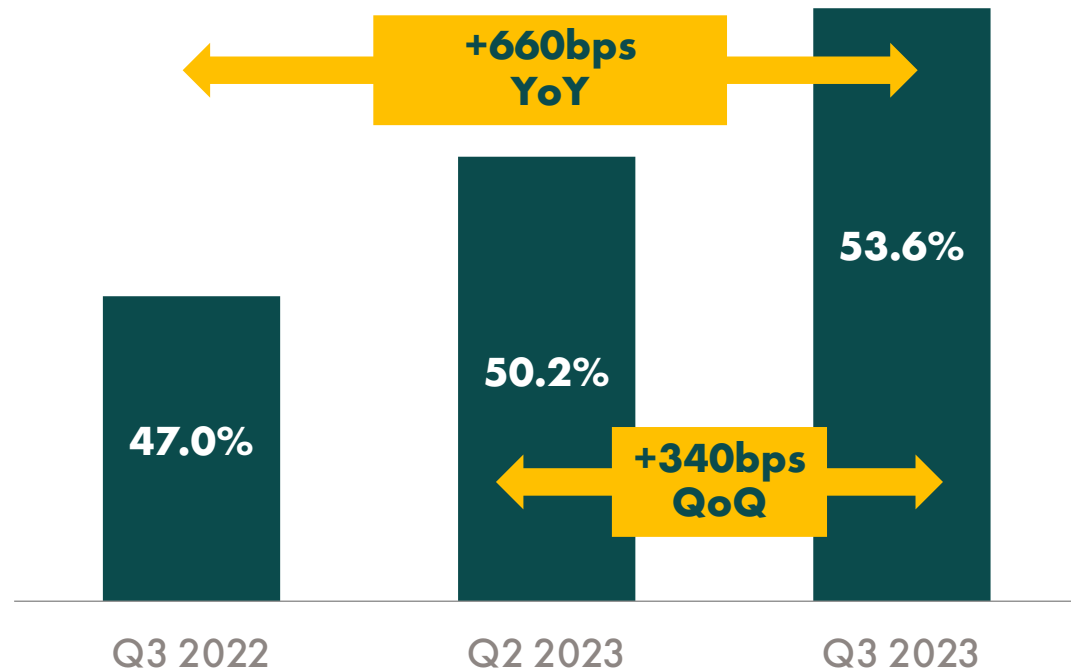


QoQ growth of +23.7%
YoY growth of +34.7%

Third Quarter 2023 Highlights

- Revenue: \$89.2M versus \$66.2M in Q3 2022
- +23.7% growth sequentially and +34.7% year-over-year
- Retail growth 13.3% sequentially and 23.8% year-over-year driven by adult-use and additions of 3 dispensaries in MD and same store growth in PA
- Wholesale growth 66% sequentially and 80% year-over-year driven by broad based growth in NJ, MD, PA and MI

Third Quarter 2023 Gross Profit Margin

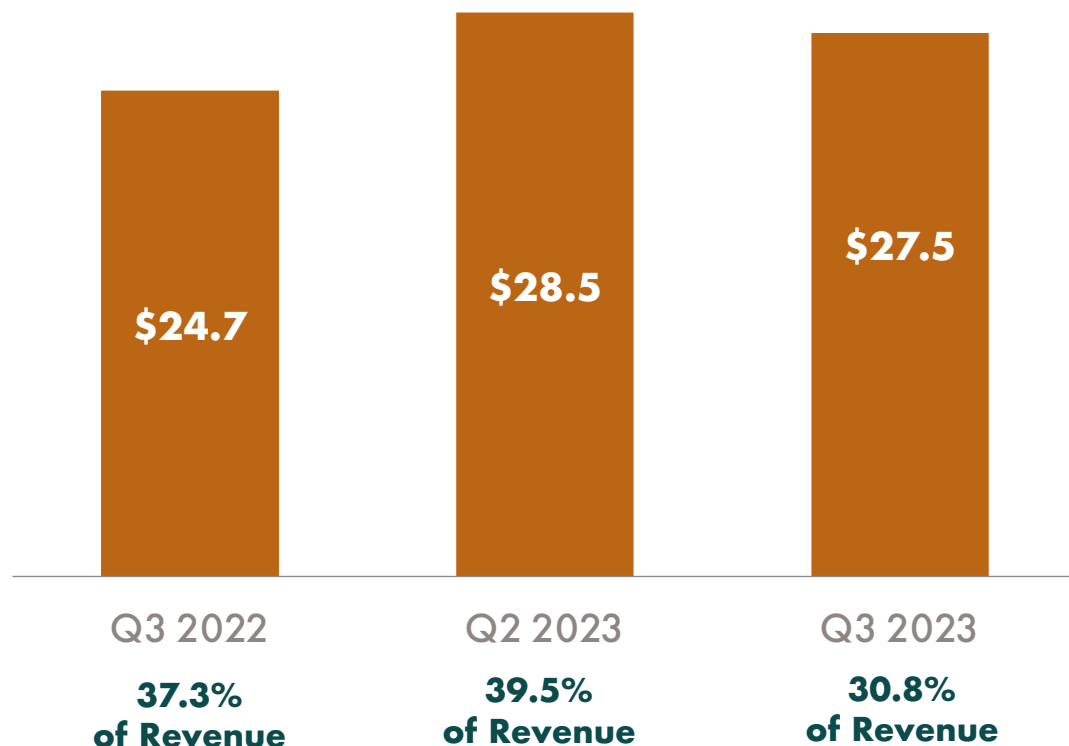


Third Quarter 2023 Highlights

- Gross Profit Margin: 53.6% versus 50.2% in Q2 2023 and 47.0% in Q3 2022
- A 340-basis point improvement quarter-over-quarter and up 660 basis points year-over-year
- Driven by progress across all states including:
 - Increased utilization of Hagerstown facility in MD
 - Optimization of operations in PA
 - Eclipsing target 40% mark in MI
 - Continued strength in NJ

General & Administrative Expenses*

(in millions, US\$)

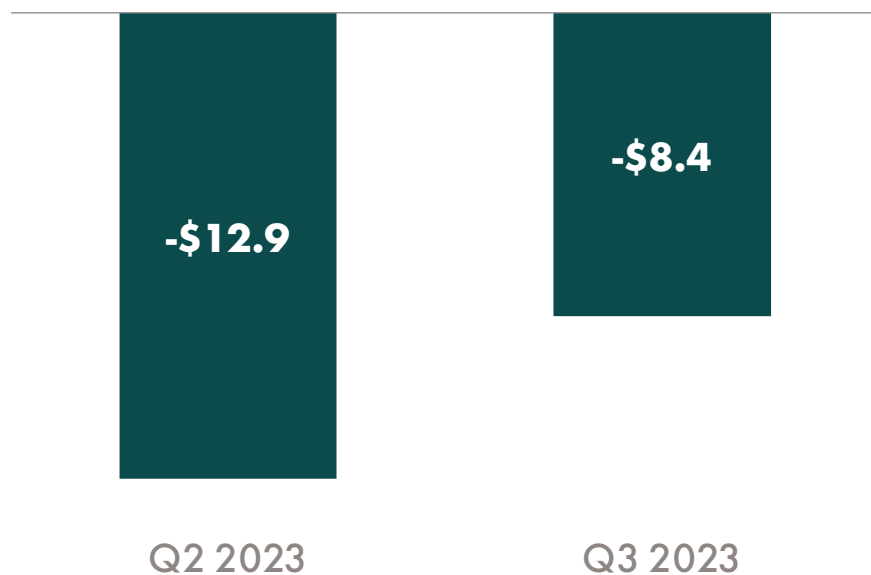


Third Quarter 2023 Highlights

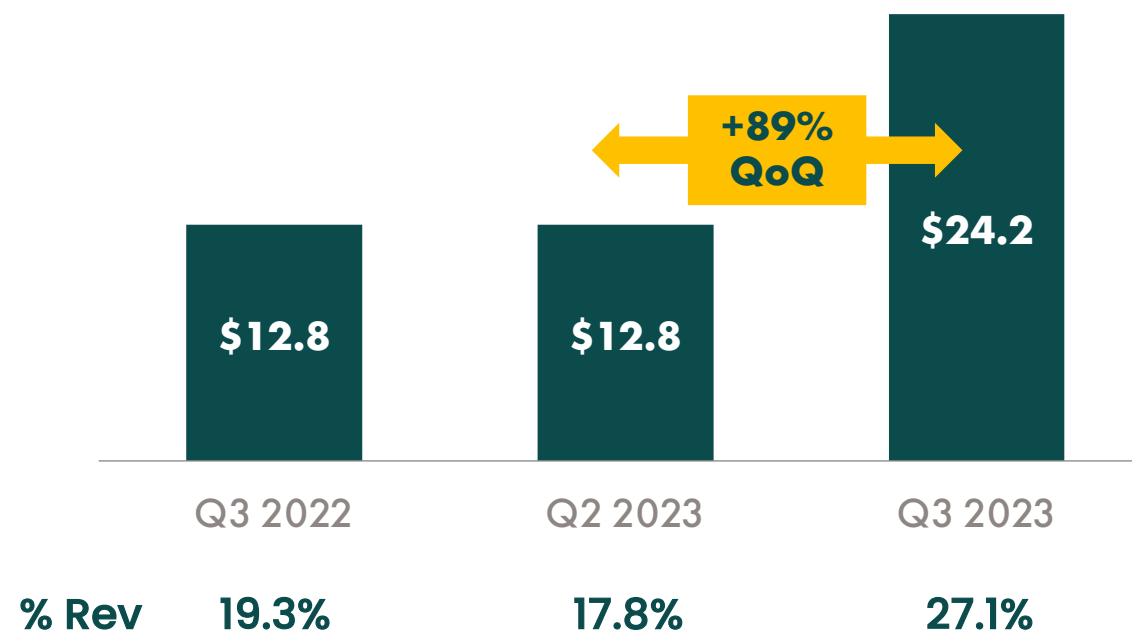
- General & Administrative Expenses*: 30.8% of revenue in Q3, a reduction of 870-basis points sequentially, from 39.5% in Q2
- Predominately due to tight control of costs while also incorporating 3 newly acquired Maryland dispensaries into TerrAscend's structure
- Tight control of spending, combined with a 24% sequential growth of the top line, led to strong sequential gain in operating leverage

GAAP Net Income/(Loss) and Adjusted EBITDA*

GAAP Net Loss from continuing operations (in millions, US\$)



Adj EBITDA* (in millions, US\$)



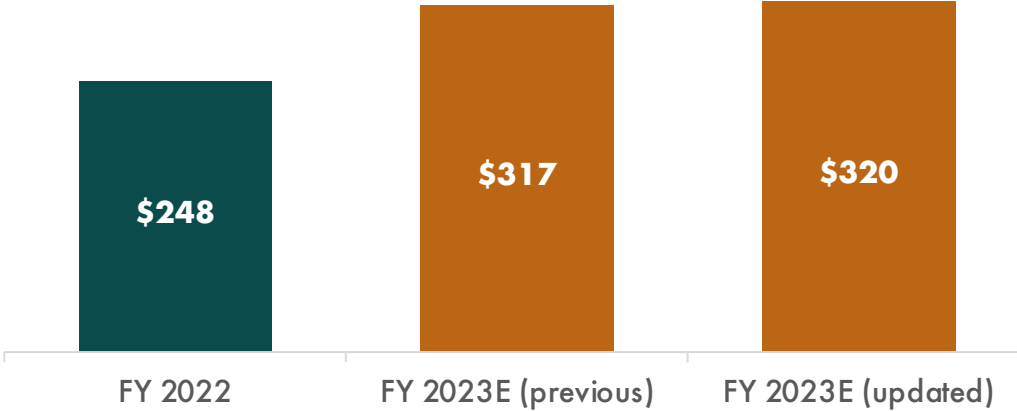
Balance Sheet and Cash Flow

- Cash, and cash equivalents, including restricted cash, were \$28.5 million as of 9/30/23, compared to \$34.5 million as of 6/30/23.
- Net cash provided by continuing operations was \$9.4 million, representing 5th consecutive quarter of positive cashflow from continuing operations.
- Capex spending was \$1.7 million in the quarter, consequently, free cashflow was \$7.7 million for the quarter.
- During the third quarter, \$5.7 million of debt was paid down, including \$3.8 million of success fee in NJ, and \$3 million for dispensary acquisitions in MD.

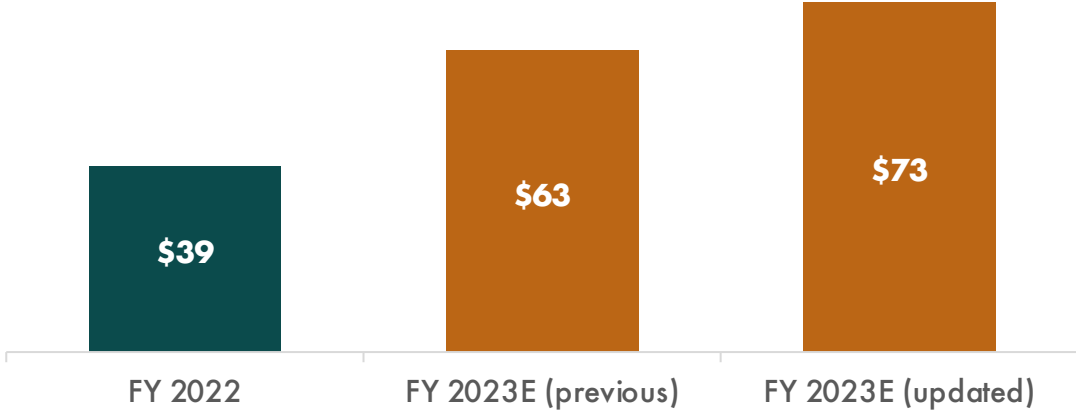
Raised 2023 Full Year Guidance

- FY '23: \$320M net revenue, +29% YOY and \$73M Adjusted EBITDA from continuing operations, +87% YOY
- Adjusted EBITDA from continuing operations guidance represents a 22.7% margin for the year
- 2023 FY guidance implies Q4 net revenue of \$89 million and Adjusted EBITDA from continuing operations of \$24 million, representing a 27% margin
- Q4 expectations: Gross margin to exceed 50%, G&A expenses to be at or below 30% of revenue, and free cash flow from continuing operations to be positive

Full Year Net Revenue
(In Millions US\$)



Adj EBITDA *
(in millions, US\$)



Thank You

Appendix – Reconciliation of Non-GAAP Measures

The table below reconciles net loss to EBITDA from continuing operations and Adjusted EBITDA from continuing operations for the quarters ended September 30, 2023, June 30, 2023, and September 30, 2022.

	For the three months ended		
	September 30, 2023	June 30, 2023	September 30, 2022
Revenue, net	89,240	72,124	66,243
Net loss	\$ (8,671)	\$ (13,476)	\$ (310,985)
Net loss margin %	-9.7%	-18.7%	-469.5%
Loss from discontinued operations	232	621	10,424
Loss from continuing operations	(8,439)	(12,855)	(300,561)
<i>Add (deduct) the impact of:</i>			
Provision for income taxes	13,543	6,448	(34,033)
Finance expenses	10,203	7,963	10,347
Amortization and depreciation	5,417	4,991	6,560
EBITDA from continuing operations	20,724	6,547	(317,687)
<i>Add (deduct) the impact of:</i>			
Relief of fair value upon acquisition	—	—	415
Share-based compensation	1,775	1,981	2,705
Impairment of goodwill and intangible assets	—	—	331,242
(Gain) Loss from revaluation of contingent consideration	(645)	—	36
Other one-time items	998	2,932	1,311
(Gain) loss on fair value of warrants and purchase option derivative asset	3,217	(215)	(5,497)
Impairment of property and equipment	—	10	(81)
Gain on disposal of fixed assets	(1,879)	—	—
Unrealized and realized (gain) loss on investments	5	1,661	(231)
Unrealized and realized foreign exchange (gain) loss	(43)	(101)	583
Adjusted EBITDA from continuing operations	\$ 24,152	\$ 12,815	\$ 12,796
<i>Adjusted EBITDA Margin from continuing operations</i>	<i>27.1%</i>	<i>17.8%</i>	<i>19.3%</i>

Appendix – Reconciliation of Non-GAAP Measures

The table below reconciles Free Cash Flow for the quarters ended September 30, 2023, June 30, 2023, and September 30, 2022.

	For the three months ended		
	September 30, 2023	June 30, 2023	September 30, 2022
Net cash (used in) provided by operating activities- continuing operations	9,428	1,830	2,300
Capital expenditure	(1,720)	(2,007)	(11,780)
Free cash flow	7,708	(177)	(9,480)