



# FQ1 2021 Supplemental Earnings Slides

January 11, 2021

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# AGENDA

1. FQ1 2021 Highlights
2. FQ1 2021 Financial Summary
3. FY 2021 Outlook and Guidance
4. Q&A Session



# FQ1 2021 Highlights



# FQ1 2021 FINANCIAL HIGHLIGHTS

## ✓ Net Revenue of \$26.8 Million

- ✚ Represents growth of 1% compared to FQ4 2020, due to COVID-19-related shipping delays pushing some orders into FQ2 (which led to our strongest December in company history with **\$14.7** million in sales)
- ✚ Secured a long-term supply contract with a Top 5 public MSO (**4 supply contracts total**) with more in the works
- ✚ Over 20 stainless steel tank energy contracts executed as of January 11, 2021

## ✓ GAAP Gross Margins of 21% and Non-GAAP Gross Margins of 24%

- ✚ Seventh consecutive quarter of 20%+ non-GAAP gross margins

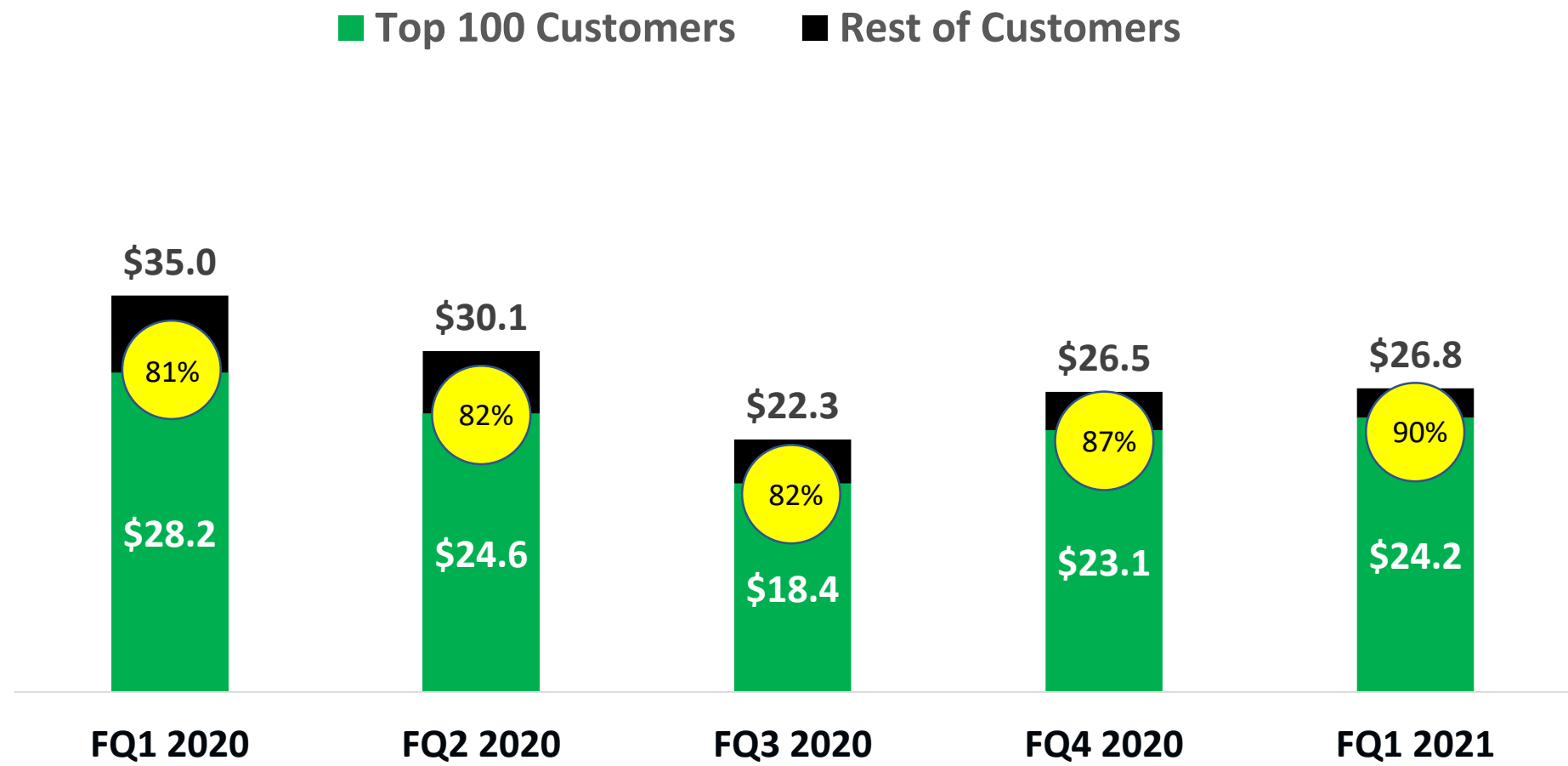
## ✓ Cash SG&A of \$6.5 million

- ✚ Lowest quarterly Cash SG&A in recent years
- ✚ Cash SG&A down 10% from FQ4 2020

## ✓ Positive Adjusted EBITDA of \$0.5 Million

- ✚ Second consecutive quarter of positive adjusted EBITDA

# REVENUE BREAKOUT BY CUSTOMER GROUP



**Note:** The figures in yellow dots represent the percentage of the quarter’s total revenue that is represented by the Top 100 customers by revenue.

# REVENUE BREAKOUT BY LOCATION

Geography	Q1 2021 Revenue	% Q1 2021 Revenue	QoQ Growth
CA	\$3.5	13.0%	-18%
MI	\$2.3	8.5%	-1%
MA	\$1.5	5.8%	0%
IL	\$1.3	4.7%	-11%
CO	\$1.2	4.6%	-19%
WA	\$1.2	4.4%	-42%
NV	\$0.9	3.5%	45%
OR	\$0.8	2.9%	-27%
ME	\$0.3	1.0%	-14%
Other Rec States	\$0.1	0.4%	-33%
<b>REC STATES TOTAL</b>	<b>\$13.1</b>	<b>48.8%</b>	<b>-14%</b>
Medical States	\$11.0	41.2%	22%
Canada	\$2.3	8.7%	46%
Other Countries	<\$0.1	0.1%	-78%
Other*	\$0.3	1.2%	-31%
<b>TOTAL REVENUES</b>	<b>\$26.8</b>	<b>100.0%</b>	<b>1%</b>

	QoQ Growth
<b>RECREATIONAL STATES</b>	-14%
<b>MEDICAL STATES</b>	22%
<b>TOTAL REVENUE</b>	1%

# REVENUE BREAKOUT BY CATEGORY

Product Categories	Q1 2021 Revenue	% of Revenue	QoQ Growth
Vape	\$18.2	67.9%	-1%
Packaging, Papers & Supplies	\$6.9	25.8%	9%
Energy & Natural Products	\$1.7	6.3%	-1%
Services**	<\$0.1	0.1%	NM
<b>TOTAL REVENUES</b>	<b>\$26.8</b>	<b>100.0%</b>	<b>1%</b>

\* Amounts in millions. Total amounts may not add up due to rounding

\*\* Services revenue includes sales from hemp trading, retail services and the Hybrid Creative  
NM = Not Meaningful



# FQ1 2021 Financial Summary



# FQ1 2021 INCOME STATEMENT SNAPSHOT

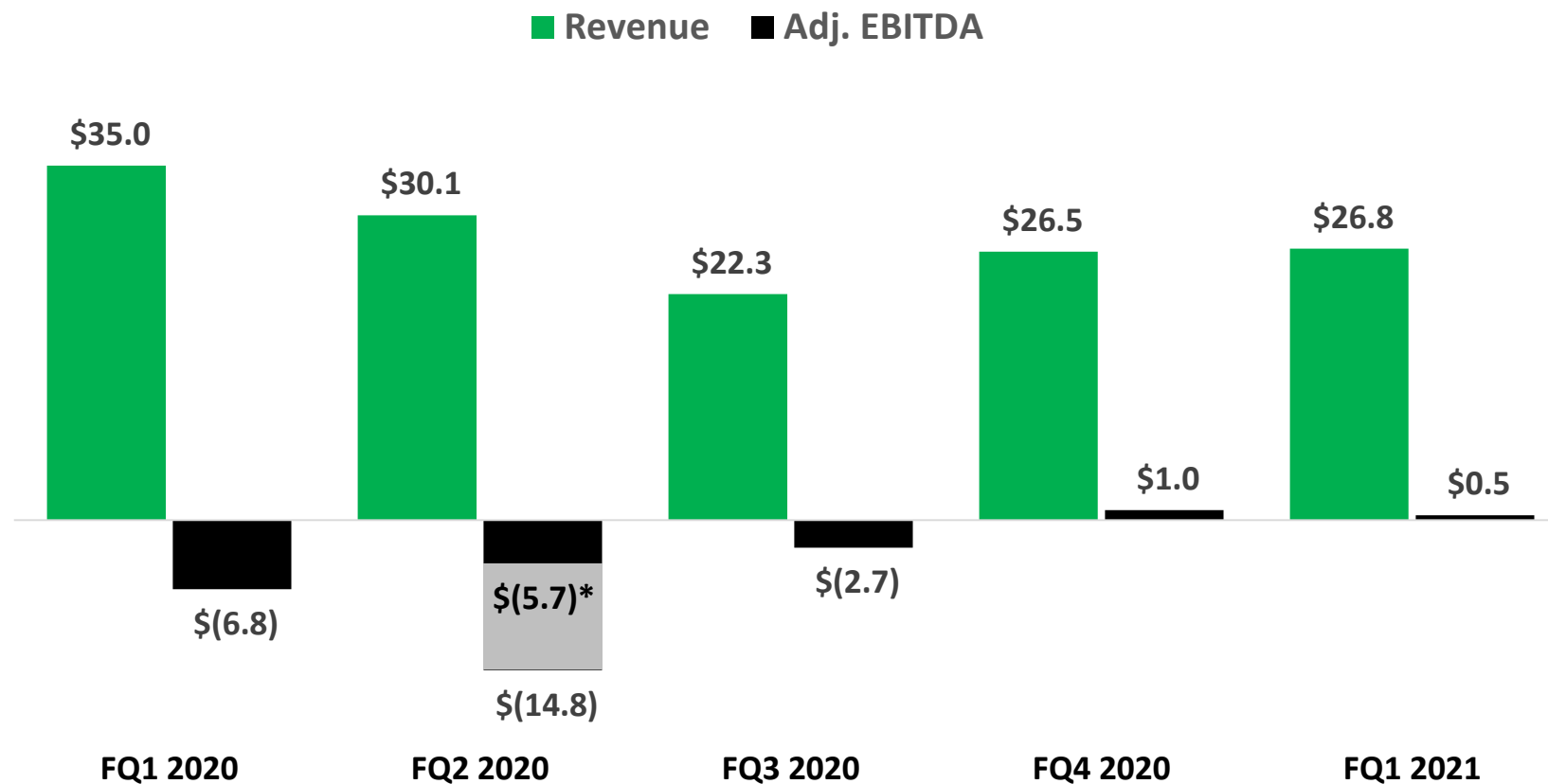
	Q1 2021	Q4 2020	Q1 2020
<b>Net Revenue</b>	<b>\$26.8</b>	<b>\$26.5</b>	<b>\$35.0</b>
GAAP Gross Profit [Margin]	\$5.7 [21%]	\$6.8 [26%]	\$7.3 [21%]
<b>Non-GAAP Gross Profit [Margin]<sup>1</sup></b>	<b>\$5.9 [24%]</b>	<b>\$6.9 [29%]</b>	<b>\$7.2 [23%]</b>
Cash SG&A <sup>2</sup>	\$6.5	\$7.3	\$15.5
<b>Adjusted EBITDA</b>	<b>\$0.5</b>	<b>\$1.0</b>	<b>(\$6.8)</b>

1) Non-GAAP Gross Profit excludes the impact of certain non-recurring items. Non-GAAP Gross Profit Margin is calculated by dividing Non-GAAP Gross Profit by Non-GAAP Net Revenue [Net Revenue minus the total amount billed for Section 301 Tariffs]. Non-GAAP Net Revenue for the three months ended November 30, 2020, August 31, 2020, and November 30, 2019 were \$24.3 million, \$24.0 million, and \$32.0 million, respectively.

2) Cash SG&A excludes non-cash expenses, such as bad debt, depreciation, amortization, and stock-based compensation.

Amounts in millions. NM = Not Meaningful


# SECOND QUARTER OF POSITIVE AEBITDA





# FQ1 2021 BALANCE SHEET SNAPSHOT

	Nov. 30, 2020	Aug. 31, 2020	Nov. 30, 2019
Accounts Receivable, Net	\$12.0	\$9.4	\$26.8
Inventory, Net	\$34.7	\$28.0	\$40.0
Cash	\$5.7	\$10.5	\$14.7

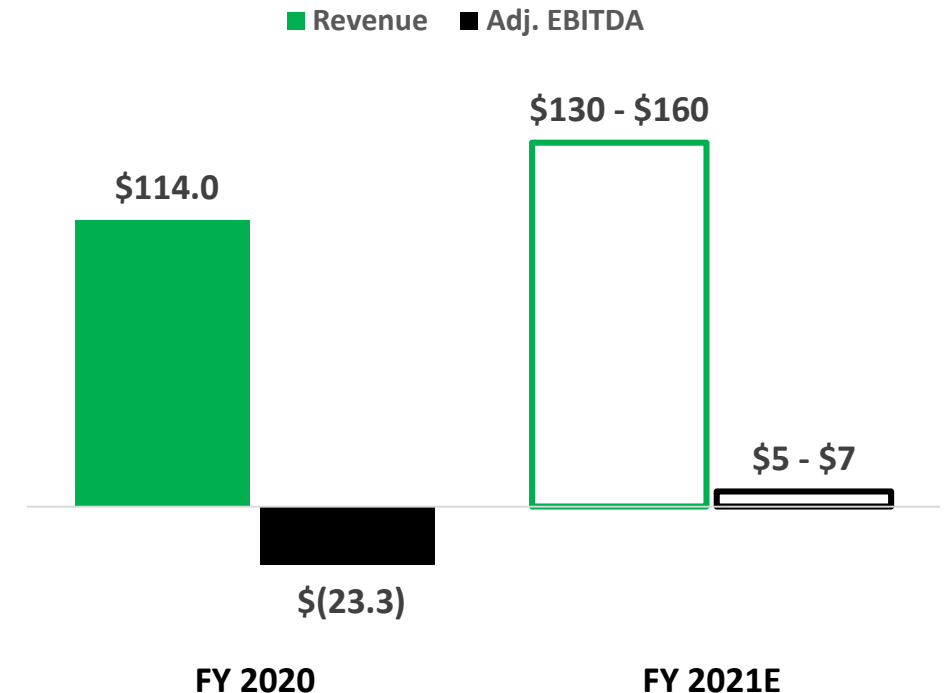


Amounts in millions.

# FY 2021 Outlook & Guidance

# OUTLOOK AND GUIDANCE

Metric	FY 2021 Guidance
Revenue	\$130.0 - \$160.0 million <i>(previously \$120.0 - \$150.0 million)</i>
Adj. EBITDA	\$5.0 - \$7.0 million



**Note:** Guidance is effective only as of the date of this presentation. The Company has provided Adjusted EBITDA guidance only on a non-GAAP basis and has not provided a reconciliation of the forward-looking non-GAAP Adjusted EBITDA financial measure to the most directly comparable GAAP financial measure, net income (loss), because not all of the information necessary for a quantitative reconciliation is available to the Company without unreasonable effort. For the same reasons, the Company is unable to address the probable significance of the unavailable information. Forward-looking non-GAAP financial measures provided without the most directly comparable GAAP financial measures may vary materially from the corresponding GAAP financial measures.



# THANK YOU

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## Appendix

# NON-GAAP FINANCIAL MEASURES

	Three Months Ended November 30, 2020		Three Months Ended November 30, 2019	
Net Revenue	\$	26,761	\$	34,963
China tariff surcharge		(2,432)		(2,924)
<b>Non-GAAP Net Revenue</b>		<b>24,329</b>		<b>32,039</b>
GAAP Gross Profit	\$	5,739	\$	7,271
GAAP Gross Profit %		21%		21%
Adjusted for China tariff impact, net		182		(43)
<b>Non-GAAP Gross Profit</b>	\$	<b>5,921</b>	\$	<b>7,228</b>
Non-GAAP Gross Profit %*		24%		23%
<b>GAAP Net Loss</b>	\$	<b>(4,450)</b>	\$	<b>(12,506)</b>
Adjusted for China tariff impact, net		182		(43)
Non-recurring litigation and consulting costs		215		859
Stock-based compensation		2,360		4,662
Restructuring costs		8		623
Foreign exchange loss		5		-
Loss on extinguishment of debt		877		-
Change in fair value of warrant liability		183		(3,204)
Change in fair value of equity investment		(1,251)		395
<b>Non-GAAP Net Loss</b>	\$	<b>(1,871)</b>	\$	<b>(9,214)</b>
Non-GAAP Net Loss per basic share	\$	(0.01)	\$	(0.09)
Non-GAAP Net loss per diluted share		(0.01)		(0.09)
Basic and Diluted Weighted Average Shares Outstanding		127,201		101,638
<b>Non-GAAP Net Loss</b>	\$	<b>(1,871)</b>	\$	<b>(9,214)</b>
Depreciation and amortization expense		845		962
Interest expense		1,546		1,488
<b>Adjusted EBITDA</b>	\$	<b>520</b>	\$	<b>(6,764)</b>

\*Non-GAAP Gross Profit % is calculated by dividing Non-GAAP Gross Profit by Non-GAAP Net Revenue [Net Revenue minus the total amount billed for Section 301 Tariffs]. Non-GAAP Net Revenue for the three months ended November 30, 2020 and November 30, 2019 were \$24.3 million and \$32.0 million, respectively.