

August 24, 2021



# TILT Holdings Reports Record Second Quarter 2021 Financial Results

*Record Q2 Revenue up 33% YoY to \$48.5 Million*

*Record Q2 Adjusted EBITDA up 2.7x to \$6.5 Million*

*Reiterates 2021 Guidance of Revenue Between \$205 - \$210 Million and Adjusted EBITDA Between \$30 - \$32 Million*

PHOENIX, Aug. 24, 2021 (GLOBE NEWSWIRE) -- [TILT Holdings Inc.](#) ("TILT" or the "Company") ([NEO:TILT](#)) ([OTCQX: TLLTF](#)), a global provider of cannabis business solutions that include inhalation technologies, cultivation, manufacturing, processing, brand development and retail, is reporting its financial and operating results for the three-months and six-months ended June 30, 2021. All financial information is provided in U.S. dollars unless otherwise indicated.

"We generated another quarter of record results by continuing to execute our B2B strategy and driving synergies across our business segments," said Gary Santo, CEO of TILT. "Our ability to cross-sell and deepen relationships with our 700+ customer base is materializing in the numbers. In fact, at the end of last year, 20% of our revenue was generated by our customers leveraging services across our cannabis inhalation and accessory businesses. By the end of Q2, that number increased to over 30%, which tells us that our strategy is working."

"Earlier today we announced a historic partnership with the Shinnecock Indian Nation to develop vertical cannabis operations in New York, marking our entrance into what is projected to be one of the largest cannabis markets in the country. I am incredibly excited for both our teams as well as the economic opportunity this will create for the Nation—this is truly what an equitable partnership should look like."

"We remain committed to delivering shareholder value through growth and profitability. We are on track to deliver strong organic results in 2021, and given our recently awarded provisional licenses in Massachusetts, our expanded canopy, new and expanded brand partnerships, and our entry into New York, 2022 is positioned to be an even stronger year for TILT."

## **Q2 2021 Financial Summary (vs. Q2 2020, where applicable)**

- Revenue increased 33% to \$48.5 million driven by growth in both cannabis and inhalation and accessory revenue. Cannabis revenue increased 31% to \$10.0 million and inhalation and accessory revenue increased 34% to \$38.5 million.
- Gross profit before fair value adjustments increased 25% to \$13.1 million or 27% of revenue, compared to \$10.5 million or 28.9% of revenue. Gross margins were

impacted by supply chain expenses related to freight costs for the Company's inhalation and accessory business.

- Adjusted EBITDA was up 2.7x to \$6.5 million compared to \$2.4 million. As a percentage of revenue, Adjusted EBITDA increased 680 basis points to 13.5% compared to 6.7%.
- At June 30, 2021, cash and cash equivalents increased 29% to \$9.6 million compared to \$7.4 million at December 31, 2020.

## **Q2 2021 Operational Highlights**

- TILT's inhalation and accessory business generated record monthly sales in April.
- Generated record quarterly flower sales in Pennsylvania.
- Launched exclusive partnership with Old Pal to bring select products to Massachusetts.
- Expanded exclusive partnership with Airo Brands to bring select products to Pennsylvania.
- Secured local approval by the City Council of Brockton for adult use cannabis sales at the Company's Brockton dispensary.
- Appointed Gary Santo to CEO; Mark Scatterday continues serving as Chairman of the Board.

## **Operational Highlights Subsequent to Quarter End**

- Announced partnership with the Shinnecock Indian Nation to enter New York's cannabis market.
- Received four new provisional adult-use licenses in Massachusetts and final medical dispensary license for the Company's Brockton location.
- Expanded partnership with [Old Pal](#) to bring select products to market in Pennsylvania.
- Announced partnership with [1906](#) to launch various products in three key markets: Massachusetts, Pennsylvania and Ohio.
- Commenced trading of TILT's common shares on the more senior [NEO Exchange](#) in Canada.
- Entered into a new \$10 million revolving credit facility that bears interest at Prime plus 3.5%.
- Deepened talent pool with several key new hires, including a new Chief Operating Officer, Head of Cannabis Operations and Head of Cultivation.

## **Earnings Call and Webcast**

The Company will host a conference call today at 5:00 p.m. Eastern time to discuss its financial and operational results.

The live webcast may be accessed from the Events and Presentations menu in the Investor Relations section of the Company's [website](#) as well as through this [link](#). To access the conference call via telephone, please dial 1-877-705-6003. Please register at least 10 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 2 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 technology, hardware, cultivation and production, TILT services brands and cannabis retailers across 36 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, [Standard Farms LLC](#) in Pennsylvania and [Standard Farms Ohio, LLC](#) in Ohio, and its partnership with the Shinnecock Indian Nation in New York. 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, expectations regarding 2021 revenue and Adjusted EBITDA guidance, expected success of New York cannabis market, projected expansion into the Commonwealth, expectations with respect to expanding operations and solutions, 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 it 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 Annual Information Form of the Company for the year ended on December 31, 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 three and six months ended on June 30, 2021, which is available on the Company’s SEDAR profile at [www.sedar.com](http://www.sedar.com).

## Selected Financial Results

Table 1: Condensed Interim Consolidated Statements of Operations and Comprehensive Income (Loss)  
(in US\$ thousands, unaudited)

(\$ thousands)	Three Months Ended			Six Months Ended	
	Jun 30, 2021	Mar 31, 2021	Jun 30, 2020	Jun 30, 2021	Jun 30, 2020
<b>Revenue</b>	<b>\$ 48,506</b>	<b>\$ 46,780</b>	<b>\$ 36,436</b>	<b>\$ 95,286</b>	<b>\$ 77,061</b>
Cost of Goods Sold	35,389	33,327	25,907	68,716	53,907
Gross Profit, Before FV Adj.	13,117	13,453	10,529	26,570	23,154
Gross Margin %, Before FV Adj.	27%	29%	29%	28%	30%
Gain on FV of Bio. Assets	11,807	14,720	3,200	26,527	19,171
FV of Bio. Assets in Inventory Sold	(10,219)	(13,400)	(7,008)	(23,619)	(13,081)
<b>Gross Profit, After FV Adj.</b>	<b>14,705</b>	<b>14,773</b>	<b>6,721</b>	<b>29,478</b>	<b>29,244</b>
Gross Margin %, After FV Adj.	30%	32%	18%	31%	38%
Total Operating Expenses	15,045	13,108	15,182	28,153	29,397
<b>Income (Loss) from Continuing Operations</b>	<b>(340)</b>	<b>1,665</b>	<b>(8,461)</b>	<b>1,325</b>	<b>(153)</b>
Total Other Income (Expense)	(2,622)	(2,768)	(2,024)	(5,389)	(4,236)
Income Tax (Expense) Recovery	(1,019)	(477)	1,677	(1,496)	(631)
<b>Net Income (Loss) from Continuing Operations</b>	<b>\$ (3,981)</b>	<b>\$ (1,579)</b>	<b>\$ (8,808)</b>	<b>\$ (5,560)</b>	<b>\$ (5,020)</b>
Net (Loss) from discontinued operations, net of tax	-	-	(236)	-	(3,973)
<b>Net Income (Loss)</b>	<b>\$ (3,981)</b>	<b>\$ (1,579)</b>	<b>\$ (9,044)</b>	<b>\$ (5,560)</b>	<b>\$ (8,993)</b>
EBITDA, Non-IFRS	5,101	6,421	(2,859)	11,522	10,906
<b>Adjusted EBITDA, Non-IFRS</b>	<b>\$ 6,532</b>	<b>\$ 6,195</b>	<b>\$ 2,427</b>	<b>\$ 12,727</b>	<b>\$ 7,230</b>

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

(\$ thousands)	Three Months Ended			Six Months Ended	
	Jun 30, 2021	Mar 31, 2021	Jun 30, 2020	Jun 30, 2021	June 30, 2020
<b>Net (Loss) from Continuing Operations</b>	<b>\$ (3,981)</b>	<b>\$ (1,579)</b>	<b>\$ (8,808)</b>	<b>\$ (5,560)</b>	<b>\$ (5,020)</b>
Add (Deduct) Impact of:					
Interest (Income)	16	(603)	(633)	(587)	(1,473)
Finance Expense	2,484	2,597	2,662	5,081	5,508
Income Tax Expense (Recovery)	1,019	477	(1,677)	1,496	631
Depreciation and Amortization	5,563	5,529	5,597	11,092	11,260
Total Adjustments	9,082	8,000	5,949	17,082	15,926
<b>EBITDA (Non-IFRS)</b>	<b>\$ 5,101</b>	<b>\$ 6,421</b>	<b>\$ (2,859)</b>	<b>\$ 11,522</b>	<b>\$ 10,906</b>

Add (Deduct) Impact of:

Share-based compensation	675	882	1,310	1,557	1,927
Severance	17	-	155	17	207
(Gain) Loss on Sale of Assets	(8)	67	-	59	-
Lease Restructuring Costs	-	(14)	-	(14)	267
Deferred Rent Adjustment	-	(548)	-	(548)	-
Legal Settlement	2,325	2	-	2,327	-
Unrealized (Gain) Loss on Investment in Equity Security	53	705	(91)	758	(91)
Loss on Loan Receivable	-	-	104	-	104
One time operating expense adjustments	(43)	-	-	(43)	-
Unrealized (Gain) on Changes in FV of Bio. Assets	(11,807)	(14,720)	(3,200)	(26,527)	(19,171)
FV Changes in Bio. Assets Included in Inventory Sold	10,219	13,400	7,008	23,619	13,081
Total Adjustments	1,431	(226)	5,286	1,205	(3,676)

<b>Adjusted EBITDA (Non-IFRS)</b>	<b>\$ 6,532</b>	<b>\$ 6,195</b>	<b>\$ 2,427</b>	<b>\$ 12,727</b>	<b>\$ 7,230</b>
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Table 3: Condensed Interim Consolidated Statements of Cash Flows  
(in US\$ thousands, unaudited)

	<b>2021</b>	<b>2020</b>
Cash provided by (used in) operating activities - continuing operations	\$ 2,345	\$ 13,486
Cash (used in) operating activities - discontinuing operations	-	(3,271)
<b>Net cash provided by operating activities</b>	<b>2,345</b>	<b>10,215</b>
Cash (used in) provided by investing activities - continuing operations	1,274	14
Cash (used in) investing activities - discontinuing operations	-	(96)
<b>Net cash (used in) provided by investing activities</b>	<b>1,274</b>	<b>(82)</b>
Cash (used in) financing activities - continuing operations	(1,485)	(1,312)
Cash (used in) financing activities - discontinuing operations	-	(145)
<b>Net cash (used in) financing activities</b>	<b>(1,485)</b>	<b>(1,457)</b>
Effect of foreign exchange on cash and cash equivalents	11	(739)
<b>Net change in cash and cash equivalents</b>	<b>2,145</b>	<b>7,937</b>
Cash and cash equivalents, beginning of year	7,427	2,580
<b>Cash and cash equivalents, end of year</b>	<b>\$ 9,572</b>	<b>\$ 10,517</b>

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

(\$ thousands)	<b>Jun 30, 2021</b>	<b>Dec 31, 2020</b>
Cash and Cash Equivalents	\$ 9,572	\$ 7,427
Biological Assets	13,904	11,201
Inventory	70,602	52,634
Total Current Assets	115,741	101,889
Property, Plant & Equipment, Net	65,804	66,795
Total Assets	435,478	429,604
Total Current Liabilities	53,881	44,488
Total Long-Term Liabilities	102,390	102,069
Total Shareholders' Equity	279,207	283,047
Working Capital	61,860	57,401

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**TILT**  
**HOLDINGS**

Source: TILT Holdings Inc.