



TerrAscend Announces Record Revenues for Second Quarter 2019 and Increases Full Year Guidance

-- Second quarter revenue of \$17.6 million, an increase of 21% from \$14.6 million in the first quarter of 2019.

-- On a pro forma basis, TerrAscend, including completed and pending disclosed acquisitions, generated \$42 million of revenue in the second quarter, or over \$168 million on an annualized basis.¹

-- Company raises guidance. Revenues now expected to exceed \$141 million¹ in 2019, up from \$135 million¹ as previously announced on April 15, 2019.

-- Strong enterprise-wide sales growth in the US and Canada.

-- Good Manufacturing Practices (“GMP”) certification achieved in second quarter with first exports to Germany in August 2019, making TerrAscend the first and only global cannabis company with sales in the US, Canada and Europe.

-- TerrAscend Canada has completed construction and is awaiting licensing from Health Canada for 41,000 sq ft of additional cultivation, processing, and R&D space.

TORONTO, August 22, 2019 /CNW/ - TerrAscend Corp. (CSE: TER; OTCQX: TRSSF) (“TerrAscend” or “the Company”) today reported financial results for the second quarter ending June 30, 2019. Financial results and analyses are available on the Company's website (www.terrascend.com) and SEDAR (www.sedar.com). All figures are reported in Canadian dollars, unless otherwise indicated.

Financial Highlights

- For the three months ended June 30, 2019, TerrAscend generated revenue of \$17.6 million, an increase of 21% from \$14.6 million in the first quarter of 2019 and compared with \$0.01 million in the comparable second quarter of 2018.
- Adjusted EBITDA (non-GAAP measure) was (\$12.5 million) for the second quarter of 2019, compared with (\$6.4 million) in the first quarter of 2019 and (\$4.0 million) in the comparable second quarter of 2018.
- On a pro forma basis, TerrAscend, including completed and pending disclosed acquisitions, generated \$42 million of revenue in the second quarter, or over \$168 million on an annualized basis. Second quarter pro forma revenue increased 13% over first quarter pro forma revenue of \$37 million.¹



- Company raises guidance. Revenues now expected to exceed \$141 million¹ in 2019, up from \$135 million¹ as previously announced on April 15, 2019
- As of June 30, 2019, the Company held \$17 million in cash and cash equivalents. On May 27, 2019, the Company closed the previously announced private placement with total proceeds of approximately \$69 million.

“The Company continues to experience strong growth in demand. We are pleased to be in the position to raise our revenue guidance only four months after initially providing it. We are seeing a substantial acceleration in sales growth in the third quarter and expect this to continue through the fourth quarter. In Canada, our Haven Street Premium Cannabis brand is resonating with consumers. This sales growth will be driven by licensing of expanded space, scaled-up production, increased automation, improvements in operational efficiencies and continued growth in the adult-use, medical and international markets,” said Michael Nashat, TerrAscend’s CEO. “We continue to focus on improving margins, which will be fueled by cost effective strategic supply agreements that provide access to bulk dry flower and extract-based cannabinoids while maintaining TerrAscend’s standards for quality and consistency. We currently have nine existing bulk supply partners and several additional new partners coming online in the near term. Additionally, our new product launches, including vape pens and cartridges, premium edibles and hot beverages, will utilize our improving operational scalability to create high margin product formats, delivering incremental shareholder value.”

“TerrAscend continues to increase its global footprint with the build-out of our New Jersey operations, construction of multiple dispensaries in California, and the upcoming acquisition of Ilera Healthcare,” said Matthew Johnson, President TerrAscend Corp. & TerrAscend USA. “We are looking forward to opening new dispensaries in California, Pennsylvania and New Jersey in the coming months. We are proud to have brought Valhalla Confections and The Apothecarium California into our family of companies this quarter with the closing of those transactions. Additionally, we are excited for the upcoming close of The Apothecarium Nevada. Importantly, our recent and pending acquisitions are all margin accretive and generate strong cash flow.”

Second Quarter 2019 Highlights

- The Company has completed construction and has commenced the licensing process with Health Canada for the additional 41,000 square feet of its 67,000 square foot Mississauga facility. Once licensing has been granted, the Company expects to deliver significant increases in production capacity, automation and cost efficiency. Specifically, the scalability of our operations will allow us to fill in excess of 400,000 Vape Pens/ Cartridges per month. The expanded space is expected to be licensed and online by the fourth quarter of 2019.
- In the second quarter, the Company received its GMP certificate in accordance with the rules governing medicinal products in the European Union for its facility in Mississauga, Ontario.



- On May 27, 2019, the Company closed its upsized non-brokered private placement to raise approximately \$69 million through the issuance of common shares. Please refer to the Company's press releases dated May 7, 2019 and May 28, 2019 for more information.
- On June 6, 2019, the Company announced the closing of the California component of the Apothecarium transaction. Apothecarium is a multi-state award-winning retail dispensary operator with three dispensaries in California; a vertically integrated operation in Nevada with cultivation, manufacturing, and an Apothecarium dispensary; and Valhalla Confections, a California provider of leading premium edible products. The Apothecarium Nevada transaction will close once the Company receives final regulatory approvals from certain authorities, which is expected to occur late in the third quarter of 2019.
- The Company continues to drive sales for its adult-use brand, Haven Street premium cannabis, in the six Canadian provincial jurisdictions where it is sold, achieving top-10 selling status where reported.
- The Company made substantial progress in building out its U.S. dispensary footprint. It plans to open new Apothecarium locations in Berkeley, California, an additional undisclosed California location, and Phillipsburg, New Jersey in the fourth quarter of 2019.
- In June of 2019, Arise Biosciences ("Arise") officially launched its new Original Hemp™ brand, featuring a premium line of hemp-derived cannabinoid products, which is experiencing strong consumer demand and feedback.
- The Company continues to execute in New Jersey, including hiring of key personnel and the building-out of its cultivation/processing facility in Boonton Township and dispensary in Phillipsburg. The Company expects both sites will be operational in the fourth quarter of 2019.
- On July 19, 2019, PharmHouse Inc., TerrAscend Canada's supply partner, secured a cannabis cultivation license from Health Canada. PharmHouse will grow and supply flower, trim, and clones to TerrAscend Canada from 20% of the dedicated flowering from its 1.3 million square foot greenhouse.
- On August 7, 2019, TerrAscend Canada entered into a new strategic supply agreement with Indiva Limited for bulk extraction services to provide bulk supply for TerrAscend's next generation of product formats.

Subsequent Events



- On July 8, 2019 the Company received its oil sales license and has commenced sales in Canada.
- On August 2, 2019, the Company signed a definitive agreement to acquire Ilera Healthcare (“Ilera”), one of five vertically-integrated cannabis cultivator, processor, and dispensary operators in Pennsylvania. Ilera plans to open two additional dispensary sites in Pennsylvania within the year. In addition to selling its products in its own dispensary, Ilera distributes its dried flower, concentrates, tinctures, and topicals to 50 of Pennsylvania’s 52 medical cannabis dispensaries. The Company is progressing through the required closing conditions and anticipates the transaction closing before year end.
- On August 14, 2019, TerrAscend made its first shipment to Germany through its sales and distribution agreement with iuvo Therapeutics GmbH, making it the first and only global cannabis operator with sales in the US, Canada, and the EU.
- Construction is now complete at the Company’s Drug Preparation Premises, SolaceRx, and the Company expects licensing from the Ontario College of Pharmacists in the fourth quarter.

Second Quarter 2019 Results

	Three months ended June 30, 2019	Three months ended June 30, 2018
	\$	\$
Sales	17,572	9
Gross profit (loss) before gain on fair value of biological assets	1,509	(1,025)
Net impact, fair value of biological assets	649	99
Gross profit (loss)	2,158	(926)
Total operating expenses	21,671	4,272
Net Loss and Comprehensive Loss after Income Tax	(21,532)	(5,198)
Less: Net loss attributable to non-controlling interest	432	-
Net loss attributable to controlling interest	(21,100)	(5,198)
Net loss per share – basic	(0.37)	(0.05)

	Three months ended June 30, 2019	Three months ended June 30, 2018	Three months ended March 31, 2019
Net Loss and Comprehensive Loss after Income Tax	(21,532)	(5,198)	(11,200)
	—	—	—
Unrealized gain on changes in fair value of biological assets	(1,009)	(99)	(444)
Realized loss on changes in fair value of biological assets	360	—	17
Accretion and accrued interest	1,300	—	732
Transaction costs	2,997	—	808
Depreciation of property, plant and equipment	556	185	290
Amortization of intangible assets	878	20	565
Share-based payments	2,196	1,127	2,566
Unrealized gain on investments	2,107	—	617
Current income taxes	39	—	—
Future income taxes	(414)	—	(372)
Adjusted EBITDA - Non-GAAP Measure	(12,522)	(3,966)	(6,421)

	December 31, 2018	June 30, 2019
	\$	\$
Cash and cash equivalents	21,773	17,056
Working capital	27,718	(17,826)
Non-current assets	30,184	212,470
Total assets	88,978	280,947
Current liabilities	31,076	86,303
Long-term liabilities	-	43,103
Total shareholders' equity	57,902	151,541

About TerrAscend

TerrAscend provides quality products, brands, and services to the global cannabinoid market. As the first North American Operator (“NAO”), with scale operations in both Canada and the US, the Company participates in the medical and legal adult use market across Canada and in several US states where cannabis has been legalized for therapeutic or adult use. Additionally, TerrAscend is the first and only cannabis company with sales in the US, Canada, and Europe as it has received EU-GMP certification for its manufacturing facility in Mississauga, Ontario. TerrAscend recently announced the planned acquisition of Ilera Healthcare, one of five vertically-integrated cannabis cultivator, processor, and dispensary operators in Pennsylvania and was also recently chosen by the state of New Jersey to be one of six permit applicants for a vertically integrated medical cannabis operation. TerrAscend operates a number of synergistic



businesses, including The Apothecarium, an award-winning cannabis dispensary with several retail locations in California and Nevada; Arise Bioscience Inc., a manufacturer and distributor of hemp-derived products; Ascendant Laboratories Inc., a biotechnology and licensing company committed to the continuous improvement of cannabinoid expressing plants; Solace RX Inc., a proposed Drug Preparation Premises (“DPP”) focused on the development of novel formulations and delivery forms; and Valhalla Confections, a manufacturer of premium cannabis-infused edibles. For more information, visit <https://www.terrascend.com>

Caution Regarding Cannabis Operations in the United States

Investors should note that there are significant legal restrictions and regulations that govern the cannabis industry in the United States. Cannabis remains a Schedule I drug under the US Controlled Substances Act, making it illegal under federal law in the United States to, among other things, cultivate, distribute or possess cannabis in the United States. Financial transactions involving proceeds generated by, or intended to promote, cannabis-related business activities in the United States may form the basis for prosecution under applicable US federal money laundering legislation.

While the approach to enforcement of such laws by the federal government in the United States has trended toward non-enforcement against individuals and businesses that comply with medical or adult-use cannabis programs in states where such programs are legal, strict compliance with state laws with respect to cannabis will neither absolve TerrAscend of liability under US federal law, nor will it provide a defense to any federal proceeding which may be brought against TerrAscend. Following any investment made by TerrAscend in operations in the United States, enforcement of federal laws in the United States will be a significant risk to the business of TerrAscend and any proceedings brought against TerrAscend thereunder may adversely affect TerrAscend's operations and financial performance.

Forward Looking Information

This news release contains "forward-looking information" within the meaning of applicable securities laws. Forward-looking statements in this press release 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, and include statements with respect to the completion of the transactions discussed herein, the payment of future consideration therefor and the anticipated benefits thereof, as well as future plans for Ilera (including additional dispensaries) and sales by TerrAscend into Europe. Forward-looking statements are not a guarantee of future performance and are 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.

Although TerrAscend believes that the expectations and assumptions on which such forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because TerrAscend 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 statements are 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 statements. Such risks and uncertainties include, but are not limited to, the inability of the parties to satisfy the conditions to closing of the transaction in a timely way or at all; TerrAscend's ability to fund any future consideration payments; 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; TerrAscend's ability to successfully integrate any acquired businesses in the future; and fluctuations in foreign currency exchange rates.

Financial Outlook

This press release contains financial outlook within the meaning of applicable Canadian securities laws. The financial outlook has been prepared by management of TerrAscend to provide an outlook for calendar year 2019 and may not be appropriate for any other purpose. The financial outlook has been prepared based on a number of assumptions including the assumptions discussed under the heading "Forward Looking Information" above and assumptions with respect to production, pricing, demand and that the acquisition of the Nevada operations of The Apothecarium will be completed late in the third quarter of 2019. The actual results of TerrAscend's operations for any period will likely vary from the amounts set forth in these projections and such variations may be material. TerrAscend and its management believe that the financial outlook has been prepared on a reasonable basis. However, because this information is highly subjective and subject to numerous risks, including the risks discussed under the heading "Forward Looking Information" above, it should not be relied on as necessarily indicative of future results. Except as required by applicable Canadian securities laws, TerrAscend undertakes no obligation to update the financial outlook.

The statements in this press release are made as of the date of this release. 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. TerrAscend undertakes no obligation to comment on analyses, expectations or statements made by third parties in respect of TerrAscend, its securities, or financial or operating results (as applicable).

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¹ Presented on a pro forma basis including transactions that have not closed. Does not include anticipated costs / expenses to generate such revenue.