

# TerrAscend Reports Record Third Quarter 2020 Net Sales of \$51 Million and Adjusted EBITDA(1) of \$17.8 Million

-- Net sales increased 90% year-over-year to \$51 million

-- Adjusted EBITDA<sup>1</sup> margin increased to 35% from 24% in Q2

-- 2020 full year guidance increased to at least \$196 million in net sales from \$192 million and at least \$54 million of adjusted EBITDA<sup>1</sup> from \$45 million

-- 2021 full year guidance initiated at \$360-380 million in net sales and \$140-160 million of adjusted EBITDA<sup>1</sup>

NEW YORK and TORONTO, Nov. 19, 2020 /CNW/ - TerrAscend Corp. ("TerrAscend" or the "Company") (CSE: TER) (OTCQX: TRSSF), a leading North American cannabis operator, today reported financial results for its third quarter ending September 30, 2020.

## Third Quarter 2020 Financial Highlights

(Unless otherwise stated, results are in Canadian dollars)

- **Net sales** of \$51 million in Q3 2020 compared to \$47 million in Q2 2020 and \$35 million in Q1 2020.
- **Gross margin** increased to 59% in Q3 2020 compared to 56% in Q2 2020 and 45% in Q1 2020 (before gain on fair value of biological assets).
- **Adjusted EBITDA<sup>1</sup>** increased to \$17.8 million in Q3 2020 compared to \$11.4 million in Q2 2020 and \$4.9 million in Q1 2020.
- **Adjusted EBITDA margin** increased to 35% in Q3 2020 compared to 24% in Q2 2020 and 14% in Q1 2020.

## Management Commentary

"We're driving strong revenue growth and continued margin expansion by focusing on operational excellence, controlled SG&A spending, and strategically allocating our capital." said Jason Ackerman, CEO and Executive Chairman of TerrAscend. "Leveraging the skills of our of best-in-class operating team, we are focused on rapidly building scale in growing limited license markets."

Mr. Ackerman added, "We continued to build out our footprint in the northeast, including completion of an additional 25% cultivation expansion at our Pennsylvania facility in Q3, which began selling into the market in November. In New Jersey, where I believe we will be a major player, sales from our newly operational cultivation facility and our first retail location in Phillipsburg are expected to begin in the coming days. I look forward to realizing the full benefit of our substantially larger cultivation and manufacturing capacities across our system, including our recently announced Maryland acquisition, to further accelerate our revenue and adjusted EBITDA growth in Q4 and beyond."

## Third Quarter 2020 Operational Highlights

- Completed additional 25% cultivation expansion in Pennsylvania
- TerrAscend Canada achieved breakeven adjusted EBITDA
- [Opened third Pennsylvania Apothecarium dispensary in Thorndale](#)
- [Opened fourth California Apothecarium dispensary in Berkeley](#)
- [Received approval for and commenced cultivation in its 37,000 square foot New Jersey greenhouse, the first approved for medical cannabis cultivation in the state](#)
- [Named Jason Marks as new Chief Legal Officer](#)

## Subsequent Events

- [Commenced sales from newly expanded State Flower cultivation facility in California](#)
- [Appointed Ed Schutter to its Board of Directors](#)
- [Expanded U.S. footprint via acquisition of Maryland Based Grower Processor](#)
- [Opened fifth California Apothecarium dispensary in Capitola](#)

## Financial Summary of Q3 2020 and Comparative Periods

(In 000's of Canadian Dollars)	Q3 2020	Q2 2020	Q3 2019
Net Sales	\$50,968	\$47,230	\$26,831
QoQ increase	8%	36%	
YoY increase	90%	169%	
Gross profit before gain on fair value of biological assets	30,088	26,464	4,800
% of Net Sales	59%	56%	18%
General & Administrative Expense	13,736	15,706	12,187
% of Net Sales	27%	33%	45%
EBITDA <sup>1</sup>	(12,187)	3,777	(15,008)
Total adjusted EBITDA <sup>1</sup>	17,786	11,431	(6,628)
Adjusted EBITDA % of Net Sales	35%	24%	25%
Net income / (loss)	(17,550)	(13,625)	(17,321)
Adjusted Net Income <sup>2</sup>	12,718	(7,433)	(17,321)

1. EBITDA and Adjusted EBITDA are Non-IFRS measures. Please see discussion and reconciliation of Non-IFRS measures below.

2. Adjusted Net Income is a Non-IFRS measure. Please see discussion of Non-IFRS measures below. Q3 2020 Adjusted net income is equal to Net income / (loss), excluding two non-cash and non-recurring items which include the impact of net increase in fair value of warrant and derivative liability of \$22.2 million and the revaluation of contingent consideration of \$8.1 million, predominantly attributable to Ilera acquisition. Q2 2020 Adjusted net income is equal to Net income / (loss), excluding a non-cash revaluation of contingent consideration of \$6.2 million.

Net sales increased 90% to \$51 million in the third quarter of 2020, as compared to \$26.8 million in the third quarter of 2019. Net sales increased 8% sequentially. The Company continued to expand organically through an increase in cultivation capacity in Pennsylvania and store expansions in Pennsylvania and California.

Gross margin, before gain on fair value of biological assets, was 59% in Q3 2020, compared to 18% in Q3 2019 and 56% in Q2 2020. The sequential increase in gross margin is the result of higher mix as well as improved yields and lower cost per pound from the Pennsylvania operations. Additionally, the turnaround of the Canadian operations has contributed to this sequential improvement.

Q3 2020 G&A expense was \$13.7 million, representing 27% of Net Sales, a reduction from 33% of Net Sales in Q2 2020 and 45% of Net Sales in Q3 2019. This strong leverage is a result of tight control of costs combined with continued robust revenue growth.

Adjusted EBITDA<sup>1</sup> was \$17.8 million in Q3 2020, compared to \$11.4 million in Q2 2020 and a loss of \$(6.6) million in Q3 2019. Adjusted EBITDA margins expanded sequentially to 35% in Q3 2020 from 24% in Q2 2020, driven by the growing contribution of Ilera combined with an adjusted EBITDA breakeven result for TerrAscend Canada.

Net loss for Q3 2020 was \$17.6 million, largely impacted by a net increase in fair value of warrant and derivative liability of \$22.2 million and a revaluation of contingent consideration of \$8.1 million.

Adjusted net income<sup>2</sup> for Q3 2020 was \$12.7 million, a positive result for the first time in company history.

Cash and cash equivalents, including restricted cash, were \$45 million as of September 30, 2020, compared to \$6.9 million as of September 30, 2019, and \$75 million as of June 30, 2020.

As of September 30, 2020, there were 291 million shares outstanding on a fully diluted basis. Fully diluted shares outstanding include 77 million common shares, 76 million common share equivalent proportionate voting shares, 15 million preferred shares, 39 million exchangeable non-voting shares, and 84 million warrants and options. The warrants and options having a weighted average strike price of \$4.48.

## 2020 and 2021 Outlook

TerrAscend is increasing full year 2020 guidance to at least \$196 million in net sales and at least \$54 million of adjusted EBITDA. TerrAscend is also providing first time guidance for 2021. The Company expects full year 2021 net sales of \$360-380 million and adjusted EBITDA of \$140-160 million.

TerrAscend's outlook is driven by the Company's emphasis on organic growth through expansion in high-quality, limited license markets while continuing to maintain tight control on costs. TerrAscend's sales and profits in Pennsylvania are expected to continue to scale following its recently completed 25% cultivation expansion. In New Jersey, sales from the Company's greenhouse and indoor cultivation facilities are expected to commence this month and ramp throughout 2021. TerrAscend's Phillipsburg, New Jersey dispensary is expected to open in the coming days, with plans to open two additional dispensaries in the state in the first half of 2021.

In California, the Company recently completed an expansion of its State Flower cultivation facility which enables a 500% increase in annual production capacity of super-premium craft flower. The Company's California retail footprint continued to expand with the opening of two new Apothecarium locations in Berkeley and Capitola.

In Canada, with a newly streamlined and targeted product portfolio and an optimized cost structure, TerrAscend expects to see positive contributions to sales and profit growth in 2021.

Lastly, upon completion of TerrAscend's previously announced grower/processor acquisition in Maryland, the Company expects to scale its operations in the state, leveraging both its strong portfolio of brands and existing talent to gain market share.

## Conference Call

TerrAscend will host a conference call today, November 19, 2020, to discuss these results. Jason Ackerman, Executive Chairman and Chief Executive Officer, Keith Stauffer, Chief Financial Officer, and Jason Wild, Chairman, will host the call starting at 8:30 a.m. Eastern time. A question and answer session will follow management's presentation.

DATE: Thursday, November 19<sup>th</sup>, 2020  
TIME: 8:30 a.m Eastern Time  
WEBCAST: [Click to Access](#)  
DIAL-IN NUMBER: 1 (888) 664-6392  
CONFERENCE ID: 65635544  
REPLAY: (416) 764-8677 or (888) 390-0541  
Available until 12:00 midnight Eastern Time Thursday, December 3<sup>rd</sup>, 2020

Financial results and analyses are available on the Company's website ([www.terrascend.com](http://www.terrascend.com)) and SEDAR ([www.sedar.com](http://www.sedar.com)).

***The Canadian Securities Exchange ("CSE") has neither approved nor disapproved the contents of this news release. Neither the CSE nor its Market Regulator (as that term is defined in the policies of the CSE) accepts responsibility for the adequacy or accuracy of this release.***

## About TerrAscend

TerrAscend is a leading North American cannabis operator with vertically integrated operations in Pennsylvania, New Jersey, and California in addition to operating as a licensed producer in Canada. TerrAscend operates an award-winning chain of Apothecarium dispensary retail locations as well as scaled cultivation, processing and manufacturing facilities on both the East and West coasts. TerrAscend's best-in-class cultivation and manufacturing practices yield consistent, high-quality cannabis, providing industry-leading product selection to both the medical and legal adult-use market. The Company owns a number of synergistic businesses and brands, including The Apothecarium, Ilera Healthcare, State Flower, Valhalla Confections, and Arise Bioscience Inc. For more information, visit [www.terrascend.com](http://www.terrascend.com).

## Non-IFRS Measures, Reconciliation and Discussion

Certain financial measures in this news release are non-IFRS measures, including EBITDA, Adjusted EBITDA, and Adjusted Net Income. These terms are not defined by IFRS and, therefore, may not be comparable to similar measures provided by other companies. These metrics have no direct comparable IFRS financial measure. 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 IFRS. For more information, please see "Non-IFRS Financial Measures" in the Company's Interim MD&A available on [www.sedar.com](http://www.sedar.com).

EBITDA is a non-IFRS measure which management uses to evaluate the performance of the Company's business as it reflects its ongoing profitability. EBITDA is calculated as earnings before interest, tax, depreciation and amortization.

Adjusted EBITDA is a non-IFRS measure which management uses to evaluate the performance of the Company's business as it reflects its ongoing profitability. The Company believes that certain investors and analysts use this measure to evaluate a company's ability to service debt and to meet other payment obligations or as a common measurement to value companies in certain industries. The Company measures Adjusted EBITDA as EBITDA less unrealized gain on changes in fair value of biological assets and other income plus fair value changes in biological assets included in inventory sold, impairments, restructuring costs, purchase accounting adjustments, transaction costs, share based compensation, revaluation of warrants and derivatives liabilities, and unrealized loss on investments.

Adjusted net income is a non-IFRS measure which management uses to evaluate the performance of the Company's business as it reflects its ongoing profitability. The Company believes that certain investors and analysts use this measure to evaluate a company's ability to service debt and to meet other payment obligations or as a common measurement to value companies in certain industries. The Company measures Adjusted net income as Net Income / (loss) plus revaluation of contingent consideration plus net increase in fair value of warrant and derivative liabilities. The company considers these two specific items to be non-cash and non-recurring in nature.

## 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. The enforcement of federal laws in the United States is 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 information contained 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 future revenue and profits. 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.

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, 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.sedar.com](http://www.sedar.com).

The statements in this press release are made as of the date of this release. The Company 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.

#### **Financial Outlook**

This press release contains a 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 full years 2020 and 2021 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, and demand. 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.

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).

1 See "Non-IFRS Financial Measures" at the end of this press release for more information regarding the Company's use of non-IFRS financial measures.

SOURCE TerrAscend

View original content: <http://www.newswire.ca/en/releases/archive/November2020/19/c9266.html>

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