

# TerrAscend Reports 2020 Financial Results and Raises Full Year 2021 Guidance

-- Full Year 2020 Net Sales increased 134% year-over-year to \$198 million

-- Q4 Net Sales increased 152% year-over-year and 28% quarter-over-quarter to \$65 million

-- Q4 Adjusted EBITDA<sup>1</sup> increased 46% quarter-over-quarter to \$26 million and Adjusted EBITDA margin increased to 40% from 35% in Q3

-- Ended 2020 with \$75 million of cash, mainly driven by positive cash from operations, and subsequently raised \$224 million in an oversubscribed non-brokered private placement

-- Converts guidance to US dollars and raises full year 2021 guidance for Net Sales to exceed USD \$290 million and Adjusted EBITDA to exceed USD \$122 million, both exceeding the high end of previously announced guidance ranges<sup>1,4</sup>

NEW YORK and TORONTO, March 23, 2021 /CNW/ - TerrAscend Corp. ("TerrAscend" or the "Company") (CSE: TER) (OTCQX: TRSSF), a leading North American cannabis operator, today reported financial results for its fourth quarter and year ending December 31, 2020.

## Fourth Quarter 2020 Financial Highlights

*(Unless otherwise stated, results are in Canadian dollars)*

- **Net Sales** of \$65 million compared to \$51 million in Q3 2020, an increase of 28%.
- **Adjusted Gross Margin**<sup>2</sup> increased to 60% compared to 59% in Q3 2020.
- **Adjusted EBITDA**<sup>1</sup> increased to \$26 million compared to \$18 million in Q3 2020.
- **Adjusted EBITDA**<sup>1</sup> **Margin** increased to 40% compared to 35% in Q3 2020.
- **Cash Flow From Operations** of \$24 million compared to \$0 in Q3 2020.

## Full Year 2020 Financial Highlights

*(Unless otherwise stated, results are in Canadian dollars)*

- **Net Sales** increased 134% to \$198 million compared to \$85 million in 2019.
- **Adjusted Gross Margin**<sup>2</sup> increased to 56% from 4% in 2019.
- **Adjusted EBITDA**<sup>1</sup> of \$60 million compared to a loss of \$27 million in 2019.
- **Adjusted EBITDA**<sup>1</sup> **Margin** of 30% compared to negative 31% in 2019.
- **Cash Flow From Operations** of \$33 million compared to a loss of \$48 million in 2019.

## Management Commentary

"In Q4, we drove strong revenue growth, margin expansion and cash generation by focusing on operational excellence, disciplined cost control and effective allocation of capital," said Jason Wild, Executive Chairman of TerrAscend. "I'm pleased to see how our team has executed in the quarter."

Mr. Wild added, "Looking at our growth plans for 2021, we are well positioned to continue our momentum. The business is firing on all cylinders and we are only now just beginning to realize the benefits of our recently completed investments. Sales from facility expansions in Pennsylvania, New Jersey, and California are just starting to come to market, our acquisition in Maryland is expected to close imminently, and two additional retail stores are set to open in New Jersey."

## Fourth Quarter 2020 Operational Highlights

- [Commenced sales from newly expanded State Flower cultivation facility](#) in California
- Realized first sales from 25% capacity expansion in Pennsylvania (in addition to the 3x expansion in Q1 2020)
- [Closed on US\\$120 million term loan secured by Ilera business in Pennsylvania](#)

- [Closed on US\\$20 million loan from Canopy Growth to the Company's Arise Bioscience division](#)
- [Appointed Ed Schutter to its Board of Directors](#)
- [Announced expansion of U.S. footprint via acquisition of Maryland Based Grower Processor](#)
- [Opened fifth California Apothecarium dispensary in Capitola](#)
- [Received Permit to dispense medical cannabis at first New Jersey dispensary in Phillipsburg](#)

## Subsequent Events

- [Completed second phase of New Jersey 140,000 sq ft cultivation and manufacturing facility](#)
- [Received permit in New Jersey allowing for processing, extraction and manufacturing of cannabis products](#)
- [Raised \\$224 million in an oversubscribed non-brokered private placement in January 2021](#)
- [Agreed to settlement and termination of offtake agreement with Pharmhouse for an immaterial amount](#)

## Financial Summary of Q4 2020 and Comparative Periods

<i>(In millions of Canadian Dollars)</i>	<b>Q4 2020</b>	<b>Q3 2020</b>	<b>Q4 2019</b>	<b>FY 2020</b>	<b>FY 2019</b>
Net Sales	<b>65.3</b>	51.0	25.9	<b>198.3</b>	84.9
QoQ increase	<b>28%</b>	8%	-3%	<b>NMF</b>	<b>NMF</b>
YoY increase	<b>152%</b>	90%	414%	<b>134%</b>	1143%
Gross profit before gain on fair value of biological assets	<b>36.2</b>	30.1	(4.2)	<b>108.2</b>	3.6
Adjusted Gross profit <sup>1,2</sup>	<b>39.2</b>	30.1	(4.2)	<b>111.3</b>	3.6
% of Net Sales	<b>60%</b>	59%	-16%	<b>56%</b>	4%
General & Administrative Expense	<b>15.1</b>	13.7	18.5	<b>59.1</b>	50.1
% of Net Sales	<b>23%</b>	27%	71%	<b>30%</b>	59%
Adjusted EBITDA <sup>1</sup>	<b>25.9</b>	17.8	(5.7)	<b>60.1</b>	(26.6)
Adjusted EBITDA % of Net Sales	<b>40%</b>	35%	-22%	<b>30%</b>	-31%
Net income / (loss)	<b>(109.3)</b>	(17.6)	(171.8)	<b>(154.3)</b>	(219.0)
Adjusted Net Income <sup>1,3</sup>	<b>19.9</b>	12.7	NR	<b>16.9</b>	NR
Cash Flow from Operations	<b>24.3</b>	(0.4)	(3.6)	<b>33.0</b>	(47.9)

1. Adjusted Gross Profit, Adjusted EBITDA, and Adjusted Net Income are Non-IFRS measures. Please see discussion and reconciliation of Non-IFRS measures below.
2. Adjusted Gross profit and margin exclude \$3 million of one-time non-cash inventory impairment in our Canadian operations.
3. Q4 and FY2020 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 \$124 million and the revaluation of contingent consideration of \$5 million, predominantly attributable to the Ilera acquisition. 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 million and the revaluation of contingent consideration of \$8 million, predominantly attributable to the Ilera acquisition. Adjusted Net Income was Not Reported (NR) in Q4 and FY 2019.
4. Beginning in Q1 2021 the Company anticipates reporting financial results in US dollars. Conversion of previous guidance in Canadian dollars uses November 19<sup>th</sup>, 2020 CAD/USD FX rate of 1.3082 (prevailing rate at the time guidance was introduced) and corresponds to previous guidance of C\$360-380 million in Net Sales and C\$140-160 million of Adjusted EBITDA.

Net Sales increased 152% to \$65 million in the fourth quarter of 2020, as compared to \$26 million in the fourth quarter of 2019. Net Sales increased 28% sequentially. The Company continued to expand organically through an increase in cultivation capacity in Pennsylvania and California, the first sales into the New Jersey market, the continued growth and ramp-up at its three retail stores in Pennsylvania as well as two new store locations in California.

Gross margin, before gain on fair value of biological assets, was 55% in the fourth quarter of 2020. Adjusted gross margin, excluding inventory impairment in Canada, a one-time non-cash item, was 60% in the fourth quarter of 2020 compared to 59% in the third quarter of 2020. The sequential improvement in adjusted gross margin is the result of higher mix as well as improved yields and lower cost per pound from the Pennsylvania operations.

G&A expense was \$15 million, representing 23% of Net Sales in the fourth quarter of 2020, a reduction from 27% of Net Sales in the third quarter of 2020. This strong leverage is a result of tight control of costs combined with continued robust revenue growth.

Adjusted EBITDA<sup>1</sup> was \$26 million in the fourth quarter of 2020, compared to \$18 million in the third quarter of 2020. Adjusted EBITDA margins expanded sequentially to 40% in the fourth quarter of 2020 from 35% in the third quarter of 2020 driven by improvements in both gross margin and G&A leverage.

Net loss for the fourth quarter of 2020 was \$109 million, largely impacted by a net increase in fair value of warrant and derivative liability of \$124 million and a revaluation of contingent consideration of \$5 million.

Adjusted net income<sup>2</sup> for the fourth quarter of 2020 was \$20 million, a positive result for the second time in

company history following the \$13 million result in the third quarter of 2020.

Cash flow from operations was a positive \$24 million in the fourth quarter of 2020 driven by continued ramp in U.S. operations partially offset by income taxes. Resulting cash and cash equivalents were CAD \$75 million as of December 31, 2020, compared to CAD \$12 million as of December 31, 2019, and CAD \$45 million as of September 30, 2020. Also during the quarter, the Company closed on a US \$120 million term loan secured by the Ilera Healthcare division and used part of the net proceeds to pay US \$106 million towards the final earnout payment for the acquisition of Ilera. The remaining earnout payment of US \$30 million was deferred to June 30, 2021 per a separate agreement with the sellers. Subsequent to quarter end, the Company completed an equity offering raising gross proceeds of CAD \$224 million, further strengthening an already strong balance sheet.

As of March 23, 2021, total basic shares outstanding on an as converted basis were approximately 232 million. Fully diluted shares outstanding were 313 million, including approximately 178 million common shares, 15 million common share equivalent preferred shares, 39 million exchangeable non-voting shares, and 81 million warrants and options. The warrants and options had a weighted average strike price of \$4.84.

## 2021 Outlook

TerrAscend is raising full year 2021 guidance to exceed the high end of previously communicated ranges. Additionally, the Company is converting guidance into US dollars due to the anticipated change to USD reporting currency from CAD in the first quarter 2021. The Company expects full year 2021 Net Sales to exceed USD \$290 million and Adjusted EBITDA to exceed USD \$122 million.<sup>4</sup>

TerrAscend's 2021 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.

In Pennsylvania, sales and profits are expected to benefit from the annualization of multiple increases in cultivation capacity completed in 2020.

In New Jersey, sales from the Company's 40,000 square foot greenhouse and 80,000 square foot indoor cultivation facilities are expected to ramp throughout 2021. TerrAscend's Phillipsburg, New Jersey dispensary will achieve its first full quarter of sales in the first quarter of 2021 and the Company plans to open two additional dispensaries in the state in the second quarter and third quarter of 2021.

In California, the Company completed an expansion of its State Flower cultivation facility in late 2020 which is expected to increase annual production capacity of super-premium craft flower by 500%. The Company's California retail footprint continued to expand with the opening of two new Apothecarium locations in Berkeley and Capitola in the second half of 2020. Both locations continue to scale, and the overall business continues to recover from the easing of COVID restrictions in the state.

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, the Company anticipates becoming a U.S. filer with the United States Securities and Exchange Commission by the end of 2021. Furthermore, the Company is preparing to meet the requirements necessary for its securities to be traded on a national U.S. exchange should such an event become permissible by U.S. law.

## Conference Call

TerrAscend will host a conference call today, March 23, 2021, to discuss these results. Jason Wild, Executive Chairman, Keith Stauffer, Chief Financial Officer and Greg Rochlin, Chief Executive Officer of Northeast operations will host the call starting at 8:30 a.m. Eastern time. A question and answer session will follow management's presentation.

### CONFERENCE CALL DETAILS

DATE	Tuesday, March 23 <sup>rd</sup> , 2021
TIME	8:30 a.m. Eastern Time
WEBCAST:	<a href="#">Click to Access</a>
DIAL-IN NUMBER:	1-888-664-6392
CONFERENCE ID:	53793717

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 several synergistic businesses and brands, including The Apothecarium, Ilera Healthcare, Kind Tree, Prism, 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, Adjusted Gross Profit, 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).

Adjusted Gross Profit 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 Gross Profit as Gross Profit / (loss) less the cost of a one-time inventory impairment at its Canadian operation.

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 year 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).

SOURCE TerrAscend

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