



## TerrAscend Reports Third Quarter Net Sales of \$49.1 Million and Adjusted EBITDA<sup>1</sup> of \$10.5 Million

NEW YORK and TORONTO, November 16, 2021 // - TerrAscend Corp. (“TerrAscend” or the “Company”) (CSE: TER, OTCQX: TRSSF), a leading North American cannabis operator, today reported its financial results for the third quarter and nine-month periods ending September 30, 2021. All amounts are expressed in U.S. dollars unless indicated otherwise and are prepared under International Financial Reporting Standards (“IFRS”).

### Third Quarter 2021 Financial Highlights

*(Unless otherwise stated, all results are in U.S. dollars)*

- **Net Sales** increased 29% year-over-year to \$49.1 million and declined 16% sequentially.
- **Adjusted Gross Profit Margin<sup>1</sup>** of 46% compared to 59% in Q3 2020 and 61% in Q2 2021.
- **Adjusted EBITDA<sup>1</sup>** of \$10.5 million compared to \$13.2 million in Q3 2020 and \$24.3 million in Q2 2021.
- **Adjusted EBITDA Margin<sup>1</sup>** of 21% compared to 35% in Q3 2020 and 41% in Q2 2021.
- **Cash balance** of \$103 million at quarter end to support growth initiatives.

Jason Wild, Executive Chairman of TerrAscend, commented, “I am pleased with the improvements made in Pennsylvania since we withdrew full year 2021 guidance in August. The ratio of quality flower to trim from recent harvests has increased dramatically. Additionally, THC and Terpene potency has been testing at all-time highs. In New Jersey, we are well prepared for adult use once the state gives us the go ahead. Our New Jersey Apothecarium dispensaries will have some of the best selection and depth of product available in the state at launch. We are building this business for success over the long term and will continue to make decisions with that mindset. For the 4<sup>th</sup> quarter, we expect to show sequential revenue and adjusted EBITDA growth with these positive trends accelerating into 2022.”

### Third Quarter 2021 Operational Highlights

- Previously disclosed yield issues in Pennsylvania have been rectified, with the highest quality flower the facility has ever grown hitting the market in recent weeks.
- Announced the acquisition of Gage Growth Corp. (“Gage”) and expect the transaction to close in early 2022, ahead of previous expectations.
- Signed exclusive agreement to cultivate, manufacture and distribute COOKIES licensed product and bring COOKIES Corners to all three Apothecarium dispensaries in New Jersey, subject to regulatory approval.
- Purchased an additional 12.5% of the equity of TerrAscend New Jersey, bringing total ownership to 87.5%.
- Successfully launched premium California edibles brand, Valhalla Confections, in New Jersey.

### Subsequent Events

- Shareholders overwhelmingly approved the acquisition of Gage at the special shareholder meeting held on November 11, 2021.
- Closed on the purchase of a 156,000 square foot facility in Hagerstown, MD intended for expansion of cultivation and processing in the state, with plans to be operational in Q1 2022, in preparation for potential adult use legislation.
- Filed Form 10 registration statement with the SEC to convert from a foreign private issuer and IFRS reporting to U.S. GAAP effective January 1, 2022. The Company is now prepared to list on a US Exchange once permissible.
- Entered into amendment to membership interest purchase agreement to acquire Gage’s licensed operators to potentially expedite the timeframe to complete conditions to close.

### Financial Summary of Q3 2021 and Comparative Periods

(In millions of U.S. Dollars)

	Q3 2020	Q2 2021	Q3 2021	YTD 20	YTD 21
Net Sales	38.1	58.7	49.1	98.2	161.2
QoQ increase	11%	10%	-16%		
YoY increase	88%	72%	29%	121%	64%
Gross profit before gain on fair value of biological assets	22.5	34.7	22.6	53.2	92.3
Adjusted Gross profit <sup>1</sup>	22.5	35.7	22.6	54.4	93.3
% of Net Sales	59%	61%	46%	55%	58%
General & Administrative Expense	10.3	14.8	15.0	32.5	45.5
% of Net Sales	27%	25%	30%	33%	28%
Adjusted EBITDA <sup>1</sup>	13.2	24.3	10.5	25.3	57.3
Adjusted EBITDA % of Net Sales	35%	41%	21%	26%	36%
Net income / (loss)	(14.6)	(23.1)	62.3	(34.7)	26.5
Cash Flow from Operations	(1.2)	3.4	(16.9)	5.2	(0.2)

1. Adjusted EBITDA and the respective margin and Adjusted Gross Profit and the respective margin are Non-IFRS measures. Please see discussion and reconciliation of Non-IFRS measures below.

Net Sales increased 29% to \$49.1 million in the third quarter of 2021, as compared to \$38.1 million in the third quarter of 2020. This year over year growth was driven by the acquisitions of KCR and HMS, cultivation capacity expansions in Pennsylvania, New Jersey, and California as well as an increase in the number of dispensaries from seven to thirteen. Net Sales declined 16% quarter over quarter primarily driven by temporary yield declines in Pennsylvania related to ongoing construction and expansion efforts.

Adjusted gross margin, before gain on fair value of biological assets, was 46% in the third quarter of 2021 compared to 59% in the third quarter of 2020 and 61% in the second quarter of 2021. The compression year over year and quarter over quarter in adjusted gross margin was due to yield declines in Pennsylvania leading to under absorption of fixed costs and a higher mix of retail versus wholesale sales.

SG&A expense, excluding stock-based compensation, was \$15.0 million compared to \$10.3 million in the third quarter 2020. The year over year increase was primarily due to the increase in dispensary count from seven to thirteen and a non-recurring increase in professional fees related to US filing and IFRS to US GAAP conversion. SG&A as a percent of net sales was 30% in the third quarter of 2021, including these non-recurring professional fees, compared to 27% in the third quarter of 2020 and 25% in the second quarter of 2021. The Company continues to invest in building infrastructure to support growth while realizing improved operating leverage over time.

Adjusted EBITDA<sup>1</sup> was \$10.5 million in the third quarter of 2021 compared to \$13.2 million in the third quarter of 2020 and \$24.3 million in second quarter 2021. The decline in Adjusted EBITDA<sup>1</sup> was primarily due to the yield declines in Pennsylvania.

Net income for the third quarter of 2021 was \$62 million, largely impacted by a non-cash gain on fair value of warrants of \$69 million.

### Balance Sheet and Cash Flow

Cash and cash equivalents were \$103 million as of September 30, 2021, compared to \$154 million as of June 30, 2021, providing ample capacity to fund planned organic and inorganic growth initiatives.

Cash used in operations was \$17 million, including a \$21 million tax payment in the quarter. During the quarter a payment of \$25 million was also made related to the partial buyout of our New Jersey partnership, taking total ownership up to 87.5%, from 75%. Capex spending was \$16 million focused primarily on the continued expansion work at the Pennsylvania cultivation facility and the construction of the third New Jersey dispensary in Lodi expected to open in the fourth quarter.

As of November 16, 2021, there were 313 million shares outstanding on a fully diluted basis. Fully diluted shares outstanding include approximately 185 million common shares, 14 million common share equivalent preferred shares, 39 million exchangeable non-voting shares, and 75 million warrants and options. Basic shares outstanding on an as converted basis were approximately 238 million. The warrants and options had a weighted average strike price of C\$5.20 on September 30, 2021, with potential USD cash proceeds of approximately \$300 million if exercised.

### **US Filing Update**

On November 2, 2021, the Company filed a Form-10 registration statement with the SEC and will therefore become a U.S. filer under U.S. Generally Accepted Accounting Principles (US GAAP) with the United States Securities and Exchange Commission (SEC) effective on 1/1/22. The Company is now prepared to list on a US stock Exchange once permissible.

### **Conference Call**

TerrAscend will host a conference call today, November 16, 2021, to discuss these results. Jason Wild, Executive Chairman, and Keith Stauffer, Chief Financial Officer 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, November 16, 2021
TIME:	8:30 a.m. Eastern Time
WEBCAST:	<a href="#">Click Here</a>
DIAL-IN NUMBER:	1-888-664-6392
CONFERENCE ID:	35677280
REPLAY:	(416) 764-8677 or (888) 390-0541 Available until 12:00 midnight Eastern Time Tuesday, November 30, 2021 Replay Code: 677280

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, licensed cultivation and processing operations in Maryland and licensed production in Canada. TerrAscend operates an award-winning chain of The 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 and Adjusted EBITDA. 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 and the associated margin are non-IFRS measures 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 impairments. The associated margin is Adjusted Gross Profit as a percentage of Net Sales.

Adjusted EBITDA and the associated margin are non-IFRS measures 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, unrealized loss on investments or foreign exchange, settlement costs related to contractual disputes, and other one-time non-recurring items. The associated margin is Adjusted EBITDA as a percentage of Net Sales.

### **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 U.S. 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.

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## Unaudited Condensed Interim Consolidated Statements of Financial Position

*(Amounts expressed in thousands of United States dollars, except for per share amounts)*

	At September 30, 2021	At December 31, 2020	At January 1, 2020
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 102,638	\$ 59,226	\$ 9,162
Receivables, net of sales returns and allowances	10,831	10,876	5,869
Share subscriptions receivable	—	—	24,463
Note receivable	—	—	4,609
Investments	—	—	358
Biological assets	12,578	17,816	4,222
Inventory	71,158	34,696	15,723
Prepaid expenses and other assets	5,745	5,165	4,757
	<b>202,950</b>	<b>127,779</b>	<b>69,163</b>
<b>Non-Current Assets</b>			
Investment in associate	—	1,379	1,000
Property, plant and equipment	161,626	129,735	86,734
Intangible assets and goodwill	296,429	199,985	185,670
Indemnification asset	4,581	11,500	11,500
Prepaid expenses and other assets	5,776	3,923	695
	<b>468,412</b>	<b>346,522</b>	<b>285,599</b>
<b>Total Assets</b>	<b>\$ 671,362</b>	<b>\$ 474,301</b>	<b>\$ 354,762</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	\$ 48,992	\$ 27,176	\$ 19,256
Deferred revenue	925	638	908
Loans payable	10,669	5,734	48,559
Contingent consideration payable	10,488	30,966	24,008
Lease liability	2,601	1,710	891
Corporate income tax payable	10,924	27,739	16,381
	<b>84,599</b>	<b>93,963</b>	<b>110,003</b>
<b>Non-Current Liabilities</b>			
Loans payable	182,208	178,804	4,849
Contingent consideration payable	1,115	6,590	135,393
Lease liability	28,626	22,609	15,070
Warrant liability	69,432	132,257	—
Convertible debentures	—	4,083	10,682
Deferred income tax liability	54,304	27,263	20,774
Other non-current liabilities	3,750	—	—
	<b>339,435</b>	<b>371,606</b>	<b>186,768</b>
<b>Total Liabilities</b>	<b>\$ 424,034</b>	<b>\$ 465,569</b>	<b>\$ 296,771</b>
<b>Shareholders' Equity</b>			
Share capital	492,656	242,336	196,978
Contributed surplus	31,264	69,205	41,874
Cumulative translation adjustment	(105)	(3,819)	(826)
Deficit	(285,458)	(306,423)	(186,496)
Non-controlling interest	8,971	7,433	6,461
<b>Total Shareholders' Equity</b>	<b>247,328</b>	<b>8,732</b>	<b>57,991</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 671,362</b>	<b>\$ 474,301</b>	<b>\$ 354,762</b>
<b>Total Number of Common and Proportionate Voting Shares Outstanding</b>	<b>184,540,757</b>	<b>155,834,272</b>	<b>141,980,314</b>

# Unaudited Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

(Amounts expressed in thousands of United States dollars, except for per share amounts)

	For the three months ended		For the nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
<b>Sales, gross</b>	\$ 50,537	\$ 40,416	\$ 169,010	\$ 104,926
Excise and cultivation taxes	(1,398)	(2,288)	(7,794)	(6,709)
<b>Sales, net</b>	<b>49,139</b>	<b>38,128</b>	<b>161,216</b>	<b>98,217</b>
<b>Cost of sales</b>	<b>26,541</b>	<b>15,659</b>	<b>68,966</b>	<b>44,973</b>
<b>Gross profit before gain on fair value of biological assets</b>	<b>22,598</b>	<b>22,469</b>	<b>92,250</b>	<b>53,244</b>
Unrealized gain on changes in fair value of biological assets	24,581	18,885	75,789	46,678
Realized fair value amounts included in inventory sold	(23,726)	(15,505)	(60,785)	(33,896)
<b>Gross profit</b>	<b>23,453</b>	<b>25,849</b>	<b>107,254</b>	<b>66,026</b>
<b>Operating expenses:</b>				
General and administrative	14,966	10,324	45,546	32,525
Share-based payments	1,496	3,129	11,910	7,710
Amortization and depreciation	2,310	1,912	6,969	5,429
Research and development	-	17	—	292
<b>Total operating expenses</b>	<b>18,772</b>	<b>15,382</b>	<b>64,425</b>	<b>45,956</b>
<b>Income from operations</b>	<b>4,681</b>	<b>10,467</b>	<b>42,829</b>	<b>20,070</b>
Impairment of property, plant, and equipment	—	—	—	—
Revaluation of contingent consideration	(338)	6,047	2,652	14,667
Finance and other expenses	7,822	2,476	25,055	7,199
Transaction and restructuring costs	1,034	195	1,466	1,889
Unrealized gain on note receivable	—	0	—	—
Unrealized (gain) loss on investments	-	(304)	(6,192)	(60)
Impairment of goodwill	-	-	5,007	—
Impairment of intangible assets	-	-	3,633	734
Realized gain on investments	—	0	—	—
(Gain) loss on fair value of warrants	(69,016)	17,833	(43,715)	17,833
Unrealized foreign exchange (gain) loss	(1,256)	34	4,582	111
<b>Income (loss) before income taxes</b>	<b>66,435</b>	<b>(15,814)</b>	<b>50,341</b>	<b>(22,303)</b>
Current income tax expense	5,966	2,122	22,054	13,596
Deferred income tax (benefit) expense	(1,880)	(3,336)	1,811	(1,163)
<b>Net income (loss)</b>	<b>\$ 62,349</b>	<b>\$ (14,600)</b>	<b>\$ 26,476</b>	<b>\$ (34,736)</b>
<i>Items that will be subsequently reclassified to profit or loss:</i>				
Currency translation adjustment	1,267	90	(3,714)	2,099
<b>Comprehensive income (loss)</b>	<b>\$ 61,082</b>	<b>\$ (14,690)</b>	<b>\$ 30,190</b>	<b>\$ (36,835)</b>
<b>Net income (loss) attributable to:</b>				
Shareholders of the Company	60,371	(14,123)	20,417	(33,122)
Non-controlling interests	1,978	(477)	6,059	(1,614)
<b>Comprehensive income (loss) attributable to:</b>				
Shareholders of the Company	59,104	(14,213)	24,131	(35,221)
Non-controlling interests	1,978	(477)	6,059	(1,614)
<b>Net income (loss) per share, basic and diluted</b>				
Net income (loss) per share – basic	\$ 0.33	\$ (0.09)	\$ 0.11	\$ (0.22)
Weighted average number of outstanding common and proportionate voting sh	184,438,603	149,492,681	179,441,224	148,335,223
Net income (loss) per share – diluted	\$ 0.28	\$ (0.09)	\$ 0.10	\$ (0.22)
Weighted average number of outstanding common and proportionate voting sh	214,134,641	149,492,681	214,756,569	148,335,223

# Unaudited Condensed Interim Consolidated Statements of Cash Flow

(Amounts expressed in thousands of United States dollars, except for per share amounts)

	For the nine months ended	
	September 30, 2021	September 30, 2020
<b>Operating activities</b>		
Net income (loss)	\$ 26,476	\$ (34,736)
Add (deduct) items not involving cash		
Unrealized gain on changes in fair value of biological assets	(75,789)	(46,678)
Realized fair value amounts included in inventory sold	60,785	33,896
Non-cash write downs of inventory	961	3,258
Accretion, accrued interest and loan forgiveness	17,938	7,213
Depreciation of property, plant and equipment	7,218	4,382
Amortization of intangible assets	5,523	4,395
Share-based payments	11,910	8,109
Current income tax expense	22,054	13,596
Deferred income tax expense	1,811	(1,163)
(Gain) loss on fair value of warrants	(43,715)	17,833
Unrealized (gain) loss on investments	(6,192)	(60)
Revaluation of contingent consideration	2,652	14,667
Impairment of intangible assets	3,633	734
Impairment of goodwill	5,007	—
Release of indemnification asset	3,891	—
Forgiveness of loan principal and interest	(766)	—
Unrealized foreign exchange gain (loss)	4,582	111
Changes in working capital items	(11,149)	(13,304)
Income taxes paid	(37,032)	(7,023)
<b>Cash inflow from operating activities</b>	<b>(202)</b>	<b>5,230</b>
<b>Financing activities</b>		
Proceeds from warrants exercised	10,365	1,426
Proceeds from options exercised	3,677	467
Proceeds from loan	766	65,769
Capital contributions and return of capital to non-controlling interests	174	662
Loan principal and interest paid	(15,932)	(56,656)
Proceeds from private placement, net of share issuance costs	173,477	70,700
Lease payments	(2,963)	(2,026)
<b>Cash inflow from financing activities</b>	<b>169,564</b>	<b>80,342</b>
<b>Investing activities</b>		
Investment in property, plant and equipment	(26,706)	(29,368)
Investment in intangible assets	(342)	(1,092)
Principal and interest payments received on lease receivable	559	131
Distribution of earnings to associates	469	—
Advances to joint venture partner	—	153
Deposits for business acquisition	—	(1,000)
Deposits for property, plant and equipment	(1,739)	—
Investment in NJ partnership	(25,000)	—
Payments of contingent consideration	(29,668)	(31,039)
Cash portion of consideration paid on acquisition of KCR	(20,337)	—
Cash portion of consideration paid on acquisition of HMS	(22,399)	—
Cash received on acquisition of State Flower	—	739
<b>Cash outflow from investing activities</b>	<b>(125,163)</b>	<b>(61,476)</b>
<b>Increase (decrease) in cash and cash equivalents during the period</b>	<b>44,199</b>	<b>24,096</b>
Net effects of foreign exchange	(787)	742
<b>Cash and cash equivalents, beginning of period</b>	<b>59,226</b>	<b>9,162</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 102,638</b>	<b>\$ 34,000</b>