



TERRASCEND REPORTS FIRST QUARTER NET SALES OF \$34.8 MILLION AND ADJUSTED EBITDA OF \$4.9 MILLION

-- Net sales increased 34% quarter-over-quarter and 139% year-over-year

--Adjusted EBITDA of \$4.9 million

-- U.S. operations generated 25% adjusted EBITDA margin

-- Anticipates Q2 2020 net sales of approximately \$45 million, representing 30% quarter-over-quarter growth, with continued gross margin and adjusted EBITDA margin expansion

NEW YORK and TORONTO, May 28, 2020 // - TerrAscend Corp. ("TerrAscend" or the "Company") (CSE: TER, OTCQX: TRSSF), a leading North American cannabis operator, today reported financial results for its first quarter ending March 31, 2020.

First Quarter 2020 Financial Highlights

(Unless otherwise stated, comparisons are made between Fiscal Q1 2020 and Q1 2019 results and are in Canadian dollars)

- **Net sales:** Net sales increased 139% to \$34.8 million from \$14.6 million.
- **Gross margin:** Gross margin increased to 45%, compared to 10% (before gain on fair value of biological assets).
- **Adjusted EBITDA¹:** Adjusted EBITDA¹ was \$4.9 million, compared with \$(5.5) million.
- **U.S. Operations:** The Company's U.S. operations generated 57% Gross Margin and 25% Adjusted EBITDA margin.
- **Balance Sheet:** Cash & equivalents (including restricted cash) of \$31.4 million, compared to \$8.6 million.
- **Capital Markets & Financing:** The Company closed the final tranches of its previously announced private placement in January resulting in proceeds of \$12.7 million and completed a loan financing agreement with Canopy Growth in March, providing \$80.5 million in capital that was partially used to fully retire an existing credit facility held with JW Asset Management.

Management Commentary

"Getting to adjusted EBITDA profitability is a transformational milestone for our Company, and I'd like to thank the team for their tireless efforts towards that goal," said Jason Ackerman, Executive Chairman and CEO of TerrAscend. "These results were driven by the strong performance of our U.S. operations, which continue to perform ahead of plan. With our Pennsylvania expansion complete and construction of our New Jersey facilities well underway, we're confident in the ongoing growth targets that we have set. We remain focused on prudently investing our capital in the markets where we see the greatest and most profitable opportunities."

Jason Wild, Chairman added, "We've assembled a high-caliber team that is executing on the opportunities ahead. I'm extremely proud of the results reported today and pleased to see the commitment to driving strong revenue growth coupled with profitability."

First Quarter 2020 Operational Highlights

- Tripled Ilera Healthcare's cultivation output and completed the phase II expansion, with total footprint of 150,000 square feet

- Announced the opening of two Apothecarium retail dispensary locations in Pennsylvania to serve medical marijuana patients.
- Issued a permit to cultivate medical marijuana by the New Jersey Department of Health.
- TerrAscend Canada Inc., a wholly owned subsidiary, entered into a loan financing agreement with Canopy Growth in the amount of \$80.5 million pursuant to a secured debenture. A portion of the proceeds received from Canopy Growth was used to retire the outstanding principal and interest amounts under the credit facility with JW Asset Management

Subsequent Events

- Appointed Jason Ackerman as permanent Chief Executive Officer.
- Named Keith Stauffer as Chief Financial Officer.
- Announced a US\$30 million non-brokered private placement
- Closed the initial tranche of the non-brokered private placement, resulting in gross proceeds of US\$27.3 million

Outlook and Preliminary Q2 2020 Revenue Guidance

Based on the success of the Company's operations to-date, TerrAscend anticipates Q2 2020 net sales of approximately \$45 million, representing 30% quarter-over-quarter growth. The Company also anticipates ongoing expansion of gross margin and adjusted EBITDA margin beyond Q1 2020 levels.

TerrAscend remains focused on the execution of its U.S. expansion strategy. To date, the Company has grown its U.S. presence, both organically and through targeted strategic acquisitions, which include Arise Bioscience, The Apothecarium, Ilera Healthcare, and State Flower. This has enabled TerrAscend to enter new markets and establish a strong foothold. The Company's U.S expansion strategy is rooted in a commitment to achieving scale and profitability in the select markets where it operates. To that end, TerrAscend is focused on fully leveraging the expansion completed at the Company's cultivation and manufacturing facility in Pennsylvania, completing the construction of its cultivation facility in New Jersey, and continuing to add depth to the Company's portfolio of retail locations in California, Pennsylvania, and New Jersey. The Company continues to evaluate additional markets for potential entry through organic license applications and strategic acquisitions.

Ensuring the health, safety and well-being of its employees, patients, customers, and the communities in which it operates remains TerrAscend's highest priority. In response to the ongoing COVID-19 pandemic, TerrAscend continues to adhere to stringent, company-wide measures which include taking employee temperatures at the beginning of each shift; thoroughly cleaning equipment and high-traffic areas; using hand-sanitizer between transactions; requiring non-essential employees to work from home; and practicing social distancing from fellow employees, customers and patients. In addition, TerrAscend has implemented convenient drive through services and curb side pick up options at its retail dispensaries, where permitted. TerrAscend's management team continues to monitor this situation and will proactively implement new measures as required.

Q1 2020 Financial Summary

(In 000's of Canadian Dollars, Except Per Share Amounts)

	Q1 2020	Q4 2019	Q1 2019
Net Sales	\$34,798	\$25,883	\$14,582
QoQ increase	34%		
YoY increase	139%		

Gross profit (loss) before gain on fair value of biological assets	15,546	(4,243)	1,507
<i>% of Net Sales</i>	45%	-16%	10%
Net impact, fair value of biological assets	8,645	1,483	427
Gross profit (loss)	24,191	(2,760)	1,934
<i>% of Net Sales</i>	70%	-11%	13%
General & Administrative Expense	14,600	12,273	8,821
Total operating expenses	19,261	12,693	11,604
Income (loss) from operations	4,930	(15,453)	(9,670)
Net loss after income tax	(13,864)	(171,805)	(10,690)
EBITDA ¹	1,802	(162,938)	(9,475)
Total adjusted EBITDA ¹	4,941	(5,737)	(5,543)
Canada adjusted EBITDA ¹	(3,260)	(4,302)	(4,150)
U.S. adjusted EBITDA ¹	8,201	(1,435)	(1,393)

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

Net sales increased 139% to \$34.8 million in the first quarter of 2020 (“Q1 2020”), as compared to \$14.6 million in the first quarter of 2019 (“Q1 2019”). Net sales in the U.S. were \$30.9 million in Q1 2020, contributing 89% of total consolidated net sales, reflecting TerrAscend’s continued focus on this important market. This increase was driven by the operational scale-up of TerrAscend’s U.S. footprint, which the Company has strategically expanded through investments in production capacity as well as wholesale and retail sales presence.

Gross margin, before gain on fair value of biological assets, was 45% in Q1 2020, compared to 10% in Q1 2019. The increase in gross margin is the result of the Company’s shift to higher margin opportunities in the U.S., as well as ongoing initiatives to rationalize its Canadian operations to the current market opportunity.

Q1 2020 G&A expense was \$14.6 million, an increase of 66% compared to Q1 2019. The change was primarily driven by the Company’s strategic focus on entering the U.S. market which drove 139% total net sales growth compared to the prior period. TerrAscend expects to continue to strategically invest in acquiring the talent and developing the appropriate infrastructure to ensure continued expansion in the high-growth U.S. market while driving operating leverage as the Company’s operations continue to scale.

Adjusted EBITDA was \$4.9 million in Q1 2020, compared to \$(5.5) million in Q1 2019. On a geographic basis, adjusted EBITDA from the Company’s U.S. and Canadian operations in Q1 2020 was \$8.2 million and \$(3.3) million, respectively. Adjusted EBITDA margin generated from the Company’s U.S. operations was 25%.

Cash and cash equivalents, including restricted cash, were \$31.4 million as of March 31, 2020, compared to \$8.6 million as of March 31, 2019, resulting from the net proceeds from the \$80.5 million Canopy Growth financing arrangement. \$64.8 million of those proceeds were used to retire an existing credit facility with JW Asset Management.

Conference Call

TerrAscend will host a conference call tomorrow, May 29, 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: Friday, May 29th, 2020
TIME: 8:30 a.m. Eastern Time
WEBCAST: [Click to Access](#)
DIAL-IN NUMBER: 1 (888) 664-6392
CONFERENCE ID: 62330066
REPLAY: (416) 764-8677 or (888) 390-0541
Available until 12:00 midnight Eastern Time Friday, June 12th, 2020

Financial results and analyses are available on the Company's website (www.terrascend.com) and SEDAR (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 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, TerrAscend participates in the medical and legal adult use markets across these jurisdictions. TerrAscend operates a number of synergistic businesses, including Ilera Healthcare, Pennsylvania's premier medical marijuana cultivator, processor and dispenser; The Apothecarium, an award-winning cannabis dispensary with several retail locations in California; Valhalla Confections, a manufacturer of premium cannabis-infused edibles; and Arise Bioscience Inc., a manufacturer and distributor of hemp-derived products. TerrAscend holds a cultivation permit in the State of New Jersey and is pending approval for a vertically integrated medical cannabis operation with the ability to operate up to 3 Alternative Treatment Centers. Additionally, TerrAscend holds a Medical Cannabis Processor License in the State of Utah. For more information, visit www.terrascend.com.

Non-IFRS Measures, Reconciliation and Discussion

Certain financial measures in this news release are non-IFRS measures, including Pro forma revenue, EBITDA 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.

Pro forma revenue is a non-IFRS measure which management uses to capture total revenue plus revenue from pending and closed acquisitions as if such acquisitions had occurred at the beginning of the

performance period. The Company considers this measure to be an appropriate indicator of the growth and scope of the business.

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 Adjusted EBITDA to measure a company's ability to service debt and to meet other payment obligations or as a common measurement to value companies in the biopharmaceutical industry. 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, purchase accounting adjustments, transaction costs, share based compensation and unrealized loss on investments. The Company believes that this definition is suited to measure the Company's ability to service debt and to meet other payment obligations.

Certain comparative figures have been reclassified to conform to the current period's presentation.

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 annual information form dated May 31, 2019, filed with the Canadian securities regulators and available under the Company's profile on SEDAR at 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 the first quarter of 2020 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).

SCHEDULE 1

TerrAscend Corp.

Consolidated Statements of Loss and Comprehensive Loss

For the Three Months Ended March 31, 2020 and 2019

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

	Three months ended March 31,	
	2020	2019
Sales, gross	\$ 37,849	\$ 14,965
Excise taxes	(3,051)	(383)
Sales, net	<u>34,798</u>	<u>14,582</u>
Cost of sales	19,252	13,075
Gross profit before gain on fair value of biological assets	<u>15,546</u>	<u>1,507</u>
Unrealized gain on changes in fair value of biological assets	14,889	444
Realized fair value amounts included in inventory sold	(6,244)	(17)
Gross profit	<u>24,191</u>	<u>1,934</u>

General and administrative expense	14,600	8,821
Research and development	2,817	1,907
Share-based payments	1,637	752
Amortization and depreciation	207	124
Total operating expenses	<u>19,261</u>	<u>11,604</u>
Income (loss) from operations	4,930	(9,670)
Revaluation of contingent consideration	5,575	—
Finance and other expenses	3,304	732
Transaction and restructuring costs	576	—
Unrealized loss on investments	465	618
Impairment of intangible assets	462	—
Foreign exchange loss	54	40
Loss before income taxes	(5,506)	(11,060)
Current income tax expense	4,406	—
Deferred income tax expense (recovery)	3,952	(370)
Net loss	<u>(13,864)</u>	<u>(10,690)</u>
Other comprehensive (income) loss	(5,707)	510
Comprehensive loss	<u>\$ (8,157)</u>	<u>\$ (11,200)</u>
Net loss attributable to:		
TerrAscend Corp.	(13,206)	(10,530)
Non-controlling interests	(658)	(160)
Comprehensive loss attributable to:		
TerrAscend Corp.	(7,499)	(11,040)
Non-controlling interests	(658)	(160)
Net loss per share – basic and diluted	<u>(0.09)</u>	<u>(0.14)</u>
Weighted average number of outstanding common shares	<u>146,469,201</u>	<u>77,332,357</u>

SCHEDULE 2

TerrAscend Corp.

Consolidated Net Sales

For the Three Months Ended March 31, 2020 and 2019

(Amounts expressed in thousands of Canadian dollars)

	Three months ended	
	March 31,	
	2020	2019
Canada	\$ 3,842	\$ 9,243
United States	<u>30,956</u>	<u>5,722</u>
Consolidated	<u>\$ 34,798</u>	<u>\$ 14,965</u>

SCHEDULE 3

TerrAscend Corp.

Reconciliation of Net Loss to Adjusted EBITDA

For the Three Months Ended March 31, 2020 and 2019

(Amounts expressed in thousands of Canadian dollars)

	Notes	Three months ended March 31,	
		2020	2019
Net loss		\$ (13,864)	\$ (10,690)
<i>Add (deduct) the impact of:</i>			
Current income tax expense		4,406	—
Deferred income tax expense (recovery)		3,952	(372)
Finance expense		3,408	732
Depreciation of property, plant and equipment		1,882	290
Amortization of intangible assets		2,018	565
EBITDA	(a)	<u>1,802</u>	<u>(9,475)</u>
<i>Add (deduct) the impact of:</i>			
Revaluation of contingent consideration	(b)	5,575	—
Share-based payments	(c)	3,109	2,566
Non-cash write downs of inventory	(d)	1,907	—
Restructuring costs	(e)	520	—
Unrealized loss on investments	(f)	465	617
Impairment of intangible assets	(g)	462	—
Transaction costs	(h)	56	808
Unrealized loss on changes in fair value of biological assets	(i)	(14,889)	(444)
Relief of fair value of inventory upon acquisition	(j)	(310)	368
Realized loss on changes in fair value of biological assets	(k)	6,244	17
Adjusted EBITDA	(l)	<u>\$ 4,941</u>	<u>\$ (5,543)</u>

Notes:

(a) EBITDA is a non-IFRS measure and is calculated as earnings before interest, tax, depreciation and amortization.

(b) Represents the loss on period end revaluation of the Company's contingent consideration liabilities.

(c) Represents non-cash share-based compensation expense.

(d) Represents inventory write downs to net realizable value.

(e) Represents costs associated with severance and winding down of business units.

(f) Represents unrealized loss on fair value changes on strategic investments held.

(g) Represents impairment charges taken on the Company's intangible assets.

(h) In connection with the Company's acquisitions, the Company incurred expenses related to professional fees, consulting, legal and accounting that would otherwise not have been incurred. These fees are not indicative of the Company's ongoing

costs and are expected to be incurred only as additional acquisitions are completed. Transaction costs include US\$3 million termination fee on Gravitas transaction.

(i) Represents fair value changes of biological assets based on the average stage of growth of plants compared to expected growth period of plants from planting to harvesting.

(j) In connection with the Company's acquisitions, inventory was acquired at fair value, which included a markup for profit. Recording inventory at fair value in purchase accounting had the effect of increasing inventory and thereby increasing the cost of sales in subsequent periods as compared to the amounts the Company would have recognized if the inventory was sold through at cost. The write-up of acquired inventory represents the incremental cost of sales that were recognized as a result of purchase accounting. It is anticipated that the remainder of this inventory will be sold in fiscal 2020 and will impact net income in that period.

(k) Represents the portion of inventory harvested and sold in the period that is related to the changes in fair value of biological assets.

(l) Adjusted EBITDA is a non-IFRS measure and is calculated as EBITDA before realized and unrealized fair value changes in biological assets, acquisition related adjustments and transactions costs, share-based payments and fair value changes in investments.

SCHEDULE 4

TerrAscend Corp.

Consolidated Statements of Financial Position

(Amounts Expressed in thousands of Canadian Dollars)

	March 31, 2020	December 31, 2019
	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 15,772	\$ 11,900
Restricted cash	15,626	—
Receivables, net of expected credit losses	7,951	7,623
Share subscriptions receivable	—	31,772
Notes receivable	—	5,986
Investments	—	465
Biological assets	10,336	5,484
Inventory	28,800	20,422
Prepaid expenses and other current assets	6,447	7,081
Total Current Assets	<u>84,932</u>	<u>90,733</u>
Investment in associate	1,419	1,299
Property, plant and equipment	135,145	112,650
Intangible assets and goodwill	287,818	241,148
Indemnification asset	16,315	14,936
Total Assets	<u>\$ 525,629</u>	<u>\$ 460,766</u>
Liabilities and Shareholders' Equity		
Accounts payable and accrued liabilities	27,463	25,002

Deferred revenue	893	1,179
Loan payable	6,287	63,068
Contingent consideration payable	214,528	31,182
Lease liability	1,479	1,157
Corporate income tax payable	27,787	21,276
Total Current Liabilities	278,437	142,864
Loan payable	68,834	6,298
Contingent consideration payable	—	175,848
Lease liability	24,791	19,572
Convertible debentures	4,910	13,874
Deferred tax liability	34,275	26,981
	132,810	242,573
Total Liabilities	411,247	385,437
Shareholders' Equity		
Share capital	277,565	259,892
Contributed surplus	82,195	54,777
Accumulated other comprehensive loss	3,715	(1,992)
Deficit	(256,669)	(245,998)
Non-controlling interest	7,576	8,650
Total Shareholders' Equity	114,382	75,329
Total Liabilities and Shareholders' Equity	\$ 525,629	\$ 460,766

For more information regarding TerrAscend:

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