



Cansortium Inc. Reports Third Quarter 2019 Financial Results; Revises Full Year 2019 Outlook

11/29/2019

MIAMI, Nov. 29, 2019 /PRNewswire/ -- [Cansortium](#) Inc. (CSE:TIUM.U) (OTCQB: CNTMF) ("Cansortium" or the "Company"), a vertically-integrated provider of premium-quality medical cannabis, today announced financial results of the third quarter and nine months ended September 30, 2019. The Company's unaudited condensed interim consolidated financial statements and accompanying notes, along with the Management Discussion and Analysis (MD&A) are available under the Company's profile on SEDAR at www.sedar.com and are also accessible through a link on the Investor Relations section of the [Company's website](#).

Selected Third Quarter 2019 Financial Highlights Versus Pro-Forma Third Quarter 2018 Results⁽¹⁾

- Consolidated revenue increased 151 percent to \$7.4 million, compared with pro-forma revenues of \$2.9 million for the third quarter of 2018
- Consolidated net loss totaled \$(11.3) million, or \$(0.05) per diluted share, compared to pro-forma net loss of \$(6.8) million, or \$(0.05) per diluted share for the third quarter of 2018
- Consolidated EBITDA⁽²⁾ totaled \$(4.5) million, compared to pro-forma EBITDA⁽²⁾ of \$(5.4) million for the third quarter of 2018
- Consolidated Adjusted EBITDA⁽²⁾ totaled \$(2.7) million, compared to Adjusted pro-forma EBITDA⁽²⁾ of \$(4.3) million for the third quarter of 2018

Selected Year-to-Date 2019 Financial Highlights Versus Year-to-Date 2018 Pro-Forma Results⁽¹⁾

- Consolidated revenue for the nine months ended September 30, 2019 increased 36 percent to \$19.0 million, compared with pro-forma revenue of \$14.0 million for the same period of 2018
- Consolidated net loss for the nine months ended September 30, 2019 totaled \$(33.1) million, or \$(0.15) per diluted share, compared to pro-forma net loss of \$(8.4) million, or \$(0.06) per diluted share for the same period of 2018
- Consolidated EBITDA⁽²⁾ for the nine months ended September 30, 2019 totaled \$(11.9) million, compared to pro-forma EBITDA⁽²⁾ of \$(5.3) million for the same period of 2018
- Consolidated Adjusted EBITDA⁽²⁾ for the nine months ended September 30, 2019 totaled \$(9.3) million, compared to Adjusted pro-forma EBITDA⁽²⁾ of \$(5.7) million for the same period of 2018

Selected Events Subsequent to September 30, 2019

- Opened 1 additional medical cannabis dispensary in Florida, for a total of 17 in Florida
- Formed a Special Committee of the Board of Directors to develop and work with management to implement strategic reorganization and capital allocation initiatives to focus the Company's capital on sustainable profitable growth opportunities
- Reached an agreement with co-founders José Hidalgo and Henry Batievsky, along with two other former senior executives, for their immediate return of shares representing more than 26 million common shares of the Company, in aggregate, representing approximately 14 percent of Cansortium's outstanding shares on an as-converted basis.
- On November 14, 2019, the Company entered into a share purchase agreement with Brian Lagerwerf, Jennifer Weessies and 2638116 Ontario Inc. (their holding company) pursuant to which the Company agreed to sell 1931074 Ontario Inc. (the "Corporation") for an undisclosed amount (the "Transaction"). Brian Lagerwerf and Jennifer Weessies were the former owners of the Corporation and the Company's in-market partners in Canada. Closing of the Transaction is subject to obtaining approval from Health Canada as well as approval pursuant to the secured trust indenture dated May 23, 2019.

Cansortium's Chief Executive Officer Jose Hidalgo commented, "Management is working closely with the Special Committee of the Board to ensure that the company is adequately capitalized and allocating its resources towards the opportunities with the most potential for near-term returns. We believe that the successful execution of our strategic reorganization plan will further serve to set a stronger foundation for long-term growth."

Revised Full Year 2019 Outlook

All projections related to anticipated future results are forward-looking in nature and are subject to risks and uncertainties that may cause actual results to differ, perhaps materially. Projections are predicated on the Company's ability to continue successfully implementing the strategic growth and cost-saving initiatives identified by the Special Committee of the Board. In addition, projections are based on the Company's ability to secure and effectively deploy its capital resources toward those initiatives.

Effective March 22, 2019, the Company became subject to U.S. IRS Tax Code Section 280E, under which gross profit from the Company's U.S. retail operations is taxed at U.S. federal corporate tax rates, without the opportunity to deduct any selling, general & administrative expenses attributable to the Company's U.S. operations. The Company's 2019 outlook also assumes that legal, regulatory and tax policies in key markets remain largely unaltered for the balance of the year.

As indicated in the accompanying financial statements, year-to-date Consolidated Net Loss is approximately \$33 million, which includes over \$10 million of expenses associated with the Company's Initial Public Offering completed in late March and subsequent financing activities completed during 2019. These expenses are not anticipated to re-occur in 2020.

The Company now anticipates full year 2019 revenue of approximately \$30.0 million, compared to its prior 2019 revenue outlook of approximately \$40.0 million, and full year 2019 operating loss of approximately \$(30.0) million, unchanged from its prior 2019 operating loss outlook. This updated outlook primarily reflects a timing shift in the commencement of revenues from its Michigan business, from the fourth quarter of 2019 to the first quarter of 2020; lower revenues in Florida due to delays in new dispensary openings; and losses on the disposal of manufacturing assets in Puerto Rico and cultivation operations in Polk City, Florida that are expected to be recognized in the fourth quarter, offset by the estimated benefits of cost saving initiatives implemented during the fourth quarter.

The Company also announced that Marcos Pedreira, who had previously been chosen by the Board to become CFO of the Company so that Henry Batievsky could focus on production, has decided to remain Head of Finance. Mr. Batievsky will therefore continue to serve as the Company's CFO, as well as oversee production.

ABOUT CONSORTIUM INC.

Headquartered in Miami, Florida, and operating under the Fluent™ brand, Consortium is focused on being the highest quality cannabis company in the State of Florida driven by unrelenting commitment to operational excellence from seed to sale. Consortium has developed strong proficiencies in each of cultivation, processing, retail, and distribution activities, the result of successfully operating in the highly regulated cannabis industry. In addition to Florida, Consortium is seeking to create significant shareholder value in the attractive markets of Texas, Michigan and Pennsylvania, where the Company has secured licenses and established operations.

Consortium Inc.'s common shares and warrants trade on the CSE under the symbol "TIUM.U" and "TIUM.WT.U", respectively, and on the OTCQB Venture Market under the symbol (OTCQB: CNTMF). Investors can find current financial disclosure and Real-Time Level 2 quotes for the Company on www.otcmarkets.com.

Forward-Looking Information

Certain information in this news release, may constitute forward-looking information. In some cases, but not necessarily in all cases, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "targets", "expects" or "does not expect", "is expected", "an opportunity exists", "is positioned", "estimates", "intends", "assumes", "anticipates" or "does not anticipate" or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", "will" or "will be taken", "occur" or "be achieved". In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding future events. Forward-looking information is necessarily based on a number of opinions, assumptions and estimates that, while considered reasonable by the Company as of the date of this news release, are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to the factors described in the public documents of the Company available at www.sedar.com. These factors are not intended to represent a complete list of the factors that could affect the Company; however, these factors should be considered carefully. There can be no assurance that such estimates and assumptions will prove to be correct. The forward-looking statements contained in this news release are made as of the date of this news release, and the Company expressly disclaims any obligation to update or alter statements containing any forward-looking information, or the factors or assumptions underlying them, whether as a result of new information, future events or otherwise, except as required by law.

For further information:
www.getfluent.com

Financial Tables Follow

Consortium Inc.

Consolidated Statements of Financial Position

**As at September 30, 2019 and December 31, 2018
(USD '000)**

	September 30, 2019	December 31, 2018
Assets		
Current assets		
Cash	\$ 5,014	\$ 2,026
Accounts receivable	113	62
Inventory	6,552	2,837
Biological assets	2,985	2,549
Prepaid expenses and other current assets	6,353	543
Total current assets	21,017	8,017
Property and equipment, net	28,766	22,398
Intangible assets, net	102,220	106,417
Right-of-use assets	16,309	-
Goodwill	17,911	10,315
Other assets	320	721
Total assets	\$ 186,543	\$ 147,868

Liabilities

Current liabilities

Accounts payable	\$ 5,012	\$ 4,910
Accrued expenses	3,166	3,936
Income taxes payable	1,838	-
Derivative liabilities	8,386	9,242
Current portion of notes payable	8,930	51,463
Lease obligations	1,637	-
Other current liabilities	1,388	1,350
Total current liabilities	30,357	70,901
Notes payable, net of current portion	28,761	1,910
Lease obligations, net of current portion	16,389	-
Other long-term liabilities	1,497	451
Total liabilities	77,004	73,262
Shareholders' equity		
Share capital	165,079	92,000
Share-based compensation reserve	810	-
Equity conversion feature	341	-
Warrants	8,686	296
Accumulated deficit	(64,780)	(16,687)
Non-controlling interests	(50)	(515)
Accumulated other comprehensive loss	(547)	(488)
Total shareholders' equity	109,539	74,606
Total liabilities and shareholders' equity	\$ 186,543	\$ 147,868

Cansortium Inc.

Consolidated Statements of Operations

For the three and nine months ended September 30, 2019 and 2018

(USD '000)

	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
Revenue	\$ 7,387	\$ 2,938	\$ 19,005	\$ 3,162
Cost of goods sold	2,722	1,056	6,822	1,111
Gross profit before fair value adjustments	4,665	1,882	12,183	2,051
Realized fair value of increments on inventory sold	3,341	973	6,692	973
Unrealized change in fair value of biological assets	(1,109)	(387)	(3,182)	(387)
Gross profit	2,433	1,296	8,673	1,465
Expenses				
General and administrative	4,362	5,100	19,384	8,769
Shared-based compensation	258	-	1,744	-
Sales and marketing	3,348	1,553	8,972	1,924
Depreciation and amortization	2,549	551	7,250	868
Total expenses	10,517	7,204	37,350	11,561
Loss from operations	(8,084)	(5,908)	(28,677)	(10,096)
Other expense (income)				
Interest expense, net	2,926	458	9,786	1,577
Change in fair market value of derivative	(2,631)	(1)	(6,172)	2,939
Gain on investment in associate	-	(3,409)	-	(2,762)
Gain in fair market value of investment in associate	-	(31,849)	(3,388)	(31,849)
Loss on disposal of assets	2,205	-	2,205	-
Other expense	257	1	285	-
Total other expense (income)	2,757	(34,800)	2,716	(30,095)
Income (loss) before taxes	(10,841)	28,892	(31,393)	19,999
Income taxes	432	-	1,708	-
Net income (loss)	(11,273)	28,892	(33,101)	19,999
Net income (loss) attributable to non-controlling interest	83	(252)	(204)	(556)
Net income (loss) attributable to controlling interest	\$ (11,356)	\$ 29,144	\$ (32,897)	\$ 20,555

Net income (loss) per share				
Basic	\$ (0.06)	\$ 0.20	\$ (0.18)	\$ 0.15
Diluted	\$ (0.05)	\$ 0.20	\$ (0.15)	\$ 0.15

Cansortium Inc.
Consolidated Statements of Cash Flows
For the nine months ended September 30, 2019 and 2018
(USD '000)

	For the nine months ended	
	September 30,	
	2019	2018
Operating activities		
Net income (loss)	\$ (33,101)	\$ 19,999
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	8,252	1,098
Loss on disposal of assets	2,205	-
Amortization of debt discount	4,497	896
Equity based compensation	2,005	1,623
Gain on investment in associate	-	(2,761)
Gain in fair market value of investment in associate	(3,388)	(31,849)
Change in fair market value of derivative	(6,172)	2,939
Unrealized gain on changes in fair value of biological assets	(3,182)	-
Changes in operating assets and liabilities:		
Accounts receivable	(51)	3
Inventory	(3,715)	(996)
Biological assets	2,746	-
Prepaid expenses and other current assets	(5,561)	289
Other assets	(1,116)	(830)
Accounts payable	102	1,814
Accrued expenses	(3,357)	482
Income taxes	1,838	-
Lease obligations	1,772	-
Other current and long-term liabilities	398	1,250
Net cash used in operating activities	(35,828)	(6,043)
Investing activities		
Purchases of property and equipment	(12,558)	(6,117)
Purchase of intangible assets	(319)	-
Due from associate	-	(1,588)
Net cash used in investing activities	(12,877)	(7,705)
Financing activities		
Proceeds from IPO	56,178	-
Proceeds from issuance of shares	-	16,626
Proceeds from issuance of notes payable	41,006	-
Distribution to initial investors	-	(600)
Payment of lease obligations	921	-
Principal repayments of notes payable	(46,353)	(92)
Net cash provided by financing activities	51,752	15,934
Effect of foreign exchange on cash and cash equivalents	(59)	(78)
Net increase in cash and cash equivalents	2,988	2,108
Cash and cash equivalents, beginning of period	2,026	3,033
Cash and cash equivalents, end of period	\$ 5,014	\$ 5,141
Cash paid during the period for interest	\$ 585	\$ 2
Non-cash transactions:		
Notes payable issued to acquire additional non-controlling interest of subsidiary	\$ -	\$ 52,008
Share swap agreement issuance of shares to acquire non-controlling interest of subsidiary	\$ -	\$ 11,341
Issuance of equity for business acquisition	\$ -	\$ 18,796
Issuance of equity for additional interest in consolidated entity	\$ 13,786	\$ -
Conversion of capital contributions to notes payable	\$ -	\$ 1,809
Conversion of accrued interest and notes payable to equity	\$ -	\$ 9,013

Cansortium Inc.
Financial Highlights
For the three months ended September 30, 2019 and 2018

(USD '000)

Financial results	Three months ended			PRO-FORMA ⁽¹⁾	
	September	September	Variance	Three months ended	
	30, 2019	30, 2018		September	Variance
				30, 2018	vs. 9/30/19
Revenue	\$ 7,387	\$ 2,937	\$ 4,450	\$ 5,475	\$ 1,912
Gross profit	\$ 2,433	\$ 1,295	\$ 1,138	\$ 2,416	\$ 17
Gross margin	32.9%	44.1%	-11.2%	44.1%	-11.2%
Adjusted gross profit ⁽²⁾	\$ 4,665	\$ 1,881	\$ 2,784	\$ 3,587	\$ 1,078
Adjusted gross margin ⁽²⁾	63.2%	64.0%	-0.9%	65.5%	-2.4%
Selling, general and administrative expenses	\$ 10,517	\$ 7,204	\$ 3,313	\$ 8,720	\$ 1,797
EBITDA ⁽²⁾	\$ (4,483)	\$ 29,979	\$ (34,462)	\$ (5,423)	\$ 939
Adjusted EBITDA ⁽²⁾	\$ (2,677)	\$ (1,286)	\$ (1,392)	\$ (4,253)	\$ 1,575
Net income (loss)	\$ (11,273)	\$ 28,891	\$ (40,164)	\$ (6,763)	\$ (4,510)
Net income (loss) per share (basic)	\$ (0.06)	\$ 0.20	\$ (0.26)	\$ (0.05)	\$ (0.01)
Net income (loss) per share (diluted)	\$ (0.05)	\$ 0.20	\$ (0.25)	\$ (0.05)	\$ 0.00

Cansortium Inc.
Financial Highlights
For the nine months ended September 30, 2019 and 2018
(USD '000)

Financial results	Nine months ended			PRO-FORMA ⁽¹⁾	
	September	September	Variance	Nine months ended	
	30, 2019	30, 2018		September	Variance
				30, 2018	vs. 9/30/19
Revenue	\$ 19,006	\$ 3,161	\$ 15,845	\$ 13,950	\$ 5,056
Gross profit	\$ 8,673	\$ 1,464	\$ 7,209	\$ 14,098	\$ (5,425)
Gross margin	45.6%	46.3%	-0.7%	101.1%	-55.4%
Adjusted gross profit ⁽²⁾	\$ 12,183	\$ 2,050	\$ 10,133	\$ 10,757	\$ 1,426
Adjusted gross margin ⁽²⁾	64.1%	64.9%	-0.8%	77.1%	-13.0%
Selling, general and administrative expenses	\$ 37,351	\$ 11,561	\$ 25,790	\$ 17,985	\$ 19,366
EBITDA ⁽²⁾	\$ (11,853)	\$ 22,523	\$ (34,376)	\$ (5,298)	\$ (6,556)
Adjusted EBITDA ⁽²⁾	\$ (9,293)	\$ 26,047	\$ (35,341)	\$ (5,700)	\$ (3,593)
Net income (loss)	\$ (33,101)	\$ 19,998	\$ (53,099)	\$ (8,399)	\$ (24,702)
Net income (loss) per share (basic)	\$ (0.18)	\$ 0.15	\$ (0.33)	\$ (0.06)	\$ (0.12)
Net income (loss) per share (diluted)	\$ (0.15)	\$ 0.15	\$ (0.30)	\$ (0.06)	\$ (0.08)

CANSORTIUM INC.
RECONCILIATION OF NON-IFRS FINANCIAL MEASURES
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018
(USD '000)

EBITDA

EBITDA is a non-IFRS financial measure that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. The Company calculates EBITDA from net income (loss), plus (minus) interest expense (income), plus income taxes, plus depreciation and amortization, as follows:

	Three months ended			PRO-FORMA ⁽¹⁾	
	September	September	Variance	Three months ended	
	30, 2019	30, 2018		September	Variance
				30, 2018	
Net income (loss)	\$ (11,273)	\$ 28,891	\$ (40,164)	\$ (6,763)	\$ (4,510)
Interest expense	2,926	458	2,468	459	2,467
Income taxes	432	-	432	-	432
Depreciation and amortization	3,432	630	2,802	881	2,551

EBITDA	\$ (4,483)	\$ 29,979	\$ (34,462)	\$ (5,423)	\$ 939
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				PRO-FORMA ⁽¹⁾	
	Nine months ended			Nine months ended	
	September 30, 2019	September 30, 2018	Variance	September 30, 2018	Variance
Net income (loss)	\$ (33,101)	\$ 19,998	\$ (53,099)	\$ (8,399)	\$ (24,702)
Interest expense	9,786	1,577	8,209	1,583	8,203
Income taxes	1,708	-	1,708	-	1,708
Depreciation and amortization	9,754	948	8,805	1,518	8,236
EBITDA	\$ (11,853)	\$ 22,523	\$ (34,376)	\$ (5,298)	\$ (6,556)

(1) Pro-forma measures reflect the consolidation of Knox Servicing, which was accounted for as an equity method investment until August 15, 2018, the date on which the Company acquired the remaining interest in Knox Servicing and became the sole member, and are non-IFRS financial measures that do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies.

CANSORTIUM INC.
RECONCILIATION OF NON-IFRS FINANCIAL MEASURES
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018
(USD '000)

Adjusted EBITDA

Adjusted EBITDA is a non-IFRS financial measure that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. The Company calculates adjusted EBITDA from EBITDA plus (minus) unrealized loss (gain) on embedded derivatives, plus (minus) certain one-time non-operating expenses, as determined by management. The reconciliation from EBITDA to Adjusted EBITDA is as follows:

				PRO-FORMA ⁽¹⁾	
	Three months ended			Three months ended	
	September 30, 2019	September 30, 2018	Variance	September 30, 2018	Variance
EBITDA	\$ (4,483)	\$ 29,979	\$ (34,462)	\$ (5,423)	\$ 939
Change in fair value of biological assets	2,232	586	1,646	1,171	1,061
Change in fair market value of derivative	(2,631)	(1)	(2,630)	(1)	(2,630)
Gain in fair market value of investment in associate	-	(31,849)	31,849	-	-
Other non-recurring expense ⁽²⁾	2,205	-	2,205	-	2,205
Adjusted EBITDA	\$ (2,677)	\$ (1,286)	\$ (1,392)	\$ (4,253)	\$ 1,575

				PRO-FORMA ⁽¹⁾	
	Nine months ended			Nine months ended	
	September 30, 2019	September 30, 2018	Variance	September 30, 2018	Variance
EBITDA	\$ (11,853)	\$ 22,523	\$ (34,376)	\$ (5,298)	\$ (6,556)
Change in fair value of biological assets	3,510	586	2,924	(3,342)	6,852
Change in fair market value of derivative	(6,172)	2,939	(9,111)	2,939	(9,111)
Gain in fair market value of investment in associate	(3,388)	-	(3,388)	-	(3,388)
Other non-recurring expenses ⁽²⁾	8,610	-	8,610	-	8,610
Adjusted EBITDA	\$ (9,293)	\$ 26,047	\$ (35,341)	\$ (5,700)	\$ (3,593)

(1) Pro-forma measures reflect the consolidation of Knox Servicing, which was accounted for as an equity method investment until August 15, 2018, the date on which the Company acquired the remaining interest in Knox Servicing and became the sole member, and are non-IFRS financial measures that do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies.

(2) Other non-recurring expenses includes IPO related fees and expenses of \$6,405 and loss on disposal of assets of \$2,205.

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