



## Cansortium Inc. Reports First Quarter Financial Results; Reiterates Full Year 2020 Outlook

07/07/2020

MIAMI, July 7, 2020 /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 for its first quarter ended March 31, 2020 and reiterated its full year 2020 outlook. 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](http://www.sedar.com) and are also accessible through a link on the Investor Relations section of the Company's website at [www.getfluent.com](http://www.getfluent.com).

Executive Chairman Neal Hochberg commented, "During the first quarter of 2020 we continued to make significant improvements to the business and achieved positive quarterly Adjusted EBITDA for the first time in the Company's history, driven by strong revenue growth and tightly focused operations. We believe that revenue growth and profitability will continue to strengthen through the remainder of 2020."

### **Selected First Quarter 2020 Financial Highlights Versus First Quarter 2019 Results**

- Consolidated revenue increased 84 percent to \$10.2 million, compared with revenue of \$5.5 million.
- Consolidated income from operations totaled \$2.4 million, compared to loss from operations of \$(12.5) million.
- Consolidated Adjusted EBITDA<sup>(1)</sup> totaled \$0.7 million, compared to Adjusted EBITDA<sup>(1)</sup> loss of \$(3.4) million, marking the first time the Company has achieved quarterly Adjusted EBITDA profitability.
- Consolidated net loss totaled \$(13.9) million, or \$(0.07) per diluted share, compared to consolidated net loss of \$(16.3) million, or \$(0.10) per diluted share.
- During the first quarter of 2020, the Company opened its 19<sup>th</sup> medical marijuana dispensary in Panama City, FL. It operated 9 dispensaries during the comparable period in 2019. In April, the Company opened its 20<sup>th</sup> Florida dispensary in East Orlando, FL – it's third in the greater Orlando market.

(1) 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. Reconciliations from EBITDA and Adjusted EBITDA to Net Loss are included in the accompanying financial schedules.

### **Full Year 2020 Outlook**

The Company reiterated its full year 2020 outlook for consolidated revenues in the range of \$55 million to \$60 million and Adjusted EBITDA of more than \$15 million. The forecast is based on projected revenues of at least \$45 million for Cansortium's Florida operations with additional revenue from the Michigan, Pennsylvania and Texas markets.

The Company expects to open up to six additional Florida dispensaries during the remainder of 2020, contingent upon timing of construction and final permitting. These locations include Coral Gables, Kendall, and Coral Springs. In addition, the Company expects to develop two new dispensaries in the south-central region of Pennsylvania during 2020 that will begin operating by early 2021.

Mr. Hochberg noted, "Our first quarter results and full year 2020 outlook reflect confidence in management's ability to execute Phase 2 of the operational and financial restructuring plan (the "Plan") developed by the Company's Board of Directors and its Special Committee during 2019. Phase 2 of the Plan will focus on growth and long-term shareholder value creation. We believe that Cansortium's projected profitability will enable the Company to pursue the following targeted initiatives:

- Expand its Florida dispensary network up to 26 by the end of 2020;
- Augment its Florida cultivation capacity;
- Utilize technology and various marketing initiatives to increase sales and customer loyalty;
- Generate revenue in Michigan during 2020;
- Grow its Pennsylvania dispensary network to three by 2021; and
- Continue to promote expansion of the medicinal cannabis market in Texas."

Mr. Hochberg continued, "We are committed to carefully focusing our capital and other resources on the most promising, actionable U.S. medical marijuana markets to grow revenues, while managing expenses to drive profitability. In Florida, despite the unprecedented challenges presented by the ongoing global COVID-19 pandemic, we are strengthening the Fluent brand's competitive position by serving Florida's growing medical marijuana patient population as a designated essential service. Together with additional opportunities in Michigan, Pennsylvania and Texas, we are positioned to make meaningful progress in 2020 toward enhanced cash flow and profitability."

### **Company Promotes Marcos Pedreira to Chief Financial Officer**

Mr. Hochberg also announced the promotion of Marcos Pedreira to the position of Chief Financial Officer, effective immediately. Mr. Pedreira, who joined the Company in October 2018 as Head of Finance, is a Certified Public Accountant and Certified Internal Auditor with a Master's in Business Administration. He brings nearly 20 years of progressive experience in international accounting and finance, and extensive expertise in financial planning and reporting and internal controls. Before joining Cansortium, Mr. Pedreira served for eight years as Assistant Controller and Senior Director of Finance at Campbell Soup Company.

"I look forward to working closely with Marcos as the Company pursues its strategic growth opportunities in 2020 and beyond," concluded Mr. Hochberg.

#### **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.

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](http://www.otcmarkets.com).

#### **Forward-Looking Information**

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.

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](http://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.

Financial Tables Follow

**Consortium Inc.**  
**Consolidated Statements of Financial Position**  
**As of March 31, 2020 and December 31, 2019**  
**(USD '000)**

	March 31, 2020	December 31, 2019
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 4,846	\$ 2,516
Accounts receivable	136	144
Inventory	8,336	6,709
Biological assets	6,678	3,845
Note receivable	4,209	3,870
Prepaid expenses and other current assets	1,148	556
<b>Total current assets</b>	<b>25,353</b>	<b>17,640</b>
Investment held for sale	324	-
Assets held for sale	4,210	6,301
Property and equipment, net	19,311	19,128
Intangible assets, net	98,183	98,566
Right-of-use assets	19,532	20,190
Investment in associate	3,240	3,424
Goodwill	1,526	1,526
Other assets	290	291
<b>Total assets</b>	<b>\$ 171,969</b>	<b>\$ 167,066</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable	5,858	7,860
Accrued liabilities	4,324	5,135
Income taxes payable	3,218	1,492
Derivative liabilities	13,590	13,198
Current portion of notes payable	7,849	9,350

Lease obligations	1,852	1,761
Total current liabilities	36,691	38,796
Liabilities held for sale	3,017	3,240
Notes payable, net of current portion	37,895	31,053
Lease obligations, net of current portion	20,674	21,166
Deferred income taxes	26,065	24,957
Other long-term liabilities	750	676
Total liabilities	<b>125,092</b>	<b>119,888</b>
<b>Shareholders' equity</b>		
Share capital	144,481	149,322
Share-based compensation reserve	3,099	2,977
Equity conversion feature	12,250	7,613
Warrants	13,128	11,773
Accumulated deficit	(125,289)	(123,785)
Accumulated other comprehensive loss	(633)	(563)
Total shareholders' equity attributable to Consortium Inc. shareholders	47,036	47,337
Non-controlling interests	(159)	(159)
Total shareholders' equity	46,877	47,178
<b>Total liabilities and shareholders' equity</b>	<b>\$ 171,969</b>	<b>\$ 167,066</b>

**Cansortium Inc.**  
**Consolidated Statement of Operations**  
**For the three months ended March 31, 2020 and 2019**  
**(USD '000)**

	For the three months ended March 31,	
	2020	2019
Revenue, net of discounts	\$ 10,163	\$ 5,528
Cost of goods sold	3,660	2,561
Gross profit before fair value adjustments	6,503	2,967
Realized fair value of increments on inventory sold	7,562	1,118
Unrealized change in fair value of biological assets	(12,110)	(1,101)
Gross profit	11,051	2,950
Expenses		
General and administrative	3,139	9,654
Share-based compensation	886	604
Sales and marketing	3,121	2,917
Depreciation and amortization	1,502	2,299
Total expenses	8,648	15,474
Income (loss) from operations	2,403	(12,524)
Discontinued operations	(376)	-
Other expense (income)		
Interest expense, net	3,759	4,317
Change in fair market value of derivative	1,835	(1,879)
Loss on investment in associate	183	-
Loss on debt restructuring	8,065	-
Other expense	16	1,589
Total other expense (income)	13,858	4,027
Loss before taxes	(11,079)	(16,551)
Income taxes	2,833	-
Net loss	(13,912)	(16,551)
Net loss attributable to non-controlling interest	-	(270)
Net loss attributable to controlling interest	\$ (13,912)	\$ (16,281)

Net loss per share			
Basic	\$	(0.07)	\$ (0.10)
Diluted	\$	(0.07)	\$ (0.10)

**Cansortium Inc.**  
**Consolidated Statement of Cash Flows**  
**For the three months ended March 31, 2020 and 2019**  
**(USD '000)**

	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Operating activities</b>		
Net loss	\$ (13,912)	\$ (16,551)
Adjustments to reconcile net loss to net cash used in operating activities:		
Share-based compensation	806	1,203
Depreciation and amortization	1,990	2,654
Unrealized gain on changes in fair value of biological assets	(12,110)	(1,101)
Amortization of debt discount	-	1,378
Accretion of convertible debentures	1,822	-
Discontinued operations	(370)	-
Change in fair market value of derivative	1,835	(1,879)
Loss (gain) on investment in associate	184	-
Loss on debt restructuring	8,064	-
Interest on lease liabilities	663	-
Deferred tax expense	1,108	-
Changes in operating assets and liabilities:		
Accounts Receivable	8	(15)
Inventory	(1,627)	(1,686)
Biological assets	9,277	1,508
Prepaid expenses and other current assets	(592)	(2,148)
Other assets	1	748
Accounts payable	998	1,690
Accrued liabilities	528	(157)
Income taxes payable	1,726	-
Lease obligations	-	338
Other current liabilities	-	236
Other liabilities	132	-
<b>Net cash provided by (used in) operating activities</b>	<b>531</b>	<b>(13,782)</b>
<b>Investing activities</b>		
Purchases of property and equipment	(1,132)	(2,718)
Notes receivable	(339)	-
<b>Net cash used in investing activities</b>	<b>(1,471)</b>	<b>(2,718)</b>
<b>Financing activities</b>		
Proceeds from IPO	-	56,178
Proceeds from issuance of shares and warrants	4,351	-
Proceeds from issuance of notes payable	62	13,166
Payment of lease obligations	(1,064)	(647)
Principal repayments of notes payable	(9)	(44,500)
<b>Net cash provided by financing activities</b>	<b>3,340</b>	<b>24,197</b>
<b>Effect of foreign exchange on cash and cash equivalents</b>	<b>(70)</b>	<b>136</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,330</b>	<b>7,833</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>2,516</b>	<b>2,026</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 4,846</b>	<b>\$ 9,859</b>
Cash	\$ 4,846	\$ 9,859
Cash included in assets held for sale	-	-
<b>Total cash</b>	<b>\$ 4,846</b>	<b>\$ 9,859</b>
Cash paid during the period for interest	\$ 409	\$ 2,627
Non-cash transactions:		
Issuance of shares to acquire additional interest in consolidated entity	\$ -	\$ 12,002
Shares returns for sale of interest in subsidiaries	\$ (3,294)	\$ -
Founders shares return	\$ (10,970)	\$ -
Note payable amendment	\$ 10,380	\$ -

**Cansortium Inc.**  
**Financial Highlights**  
**For the three months ended March 31, 2020 and 2019**  
**(USD '000)**

Financial results	Three months ended		
	March 31, 2020	March 31, 2019	Variance
Revenue	\$ 10,163	\$ 5,528	\$ 4,635
Gross profit	\$ 11,051	\$ 2,950	\$ 8,101
Gross margin	108.7%	53.4%	55.4%
Adjusted gross profit (loss) <sup>(1)</sup>	\$ 6,503	\$ 2,967	\$ 3,536
Adjusted gross margin <sup>(1)</sup>	64.0%	53.7%	10.3%
Selling, general and administrative expenses	\$ 8,648	\$ 15,474	\$ (6,826)
EBITDA <sup>(1)</sup>	\$ (5,330)	\$ (9,142)	\$ 3,811
Adjusted EBITDA <sup>(1)</sup>	\$ 715	\$ (3,420)	\$ 4,135
Net loss	\$ (13,912)	\$ (16,551)	\$ 2,639
Net loss per share (basic)	\$ (0.07)	\$ (0.10)	\$ 0.03
Net loss per share (diluted)	\$ (0.07)	\$ (0.10)	\$ 0.03

(1) Adjusted gross profit, adjusted gross margin, EBITDA and Adjusted EBITDA 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. Refer to the reconciliation to IFRS and quarterly results of operations sections at the Company's Management Discussion and Analysis document for reconciliation to IFRS.

#### Cansortium Inc.

#### Reconciliation of non-IFRS financial measures

For the three months ended March 31, 2020 and 2019

(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		
	March 31, 2020	March 31, 2019	Variance
Net income (loss)	\$ (13,912)	\$ (16,551)	\$ 2,639
Interest expense	3,759	4,317	(558)
Income taxes	2,833	-	2,833
Depreciation and amortization	1,989	3,092	(1,103)
EBITDA	\$ (5,330)	\$ (9,142)	\$ 3,811

#### 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:

	Three months ended		
	March 31, 2020	March 31, 2019	Variance
EBITDA	\$ (5,330)	\$ (9,142)	\$ 3,811
Change in fair value of biological assets	(4,548)	17	(4,565)
Change in fair market value of derivative	1,835	(1,879)	3,714
Share based compensation	886	604	282
Discontinued operations	(376)	-	(376)
Loss on debt restructuring	8,065	-	8,065
Other non-recurring expense	183	6,980	(6,797)
Adjusted EBITDA	\$ 715	\$ (3,420)	\$ 4,135

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