



Cansortium Inc. Reports Second Quarter Financial Results

08/26/2020

Company achieves record revenue, more than doubling last year's second quarter revenue

MIAMI, Aug. 26, 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 second quarter and six months ended June 30, 2020. 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 at www.cansortium.com.

Selected Second Quarter 2020 Financial Highlights

- Consolidated revenue of \$13.2 million, an increase of 117 percent or \$7.1 million compared with consolidated revenue of \$6.1 million in the second quarter of 2019.
- Consolidated income from operations of \$0.8 million, compared to loss from operations of \$(8.1) million in the second quarter of 2019.
- Consolidated Adjusted EBITDA⁽¹⁾ of \$2.6 million, compared to Adjusted EBITDA⁽¹⁾ loss of \$(1.7) million in the second quarter of 2019.
- Consolidated net loss of \$(5.5) million, or \$(0.03) per diluted share, compared to consolidated net loss of \$(5.3) million, or \$(0.03) per diluted share for the same period last year.
- During the second quarter of 2020, the Company opened its 20th medical marijuana dispensary in East Orlando, FL. It operated 11 dispensaries during the comparable period in 2019. On August 21st, the Company opened its 21st Florida dispensary in Coral Springs, FL.

(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.

Chief Financial Officer Marcos Pedreira commented, "We delivered strong results during the second quarter of 2020. Revenue more than doubled from a year ago and we continue to make significant improvements to deliver the 2020 projected financial results."

Selected Year-to-Date 2020 Financial Highlights

- Consolidated revenue of \$23.4 million, an increase of 101 percent or \$11.8 million compared with consolidated revenue of \$11.6 million in the first half of 2019.
- Consolidated income from operations of \$3.2 million, compared to loss from operations of \$(20.6) million in the first half of 2019.
- Consolidated Adjusted EBITDA⁽¹⁾ of \$3.3 million, compared to Adjusted EBITDA⁽¹⁾ loss of \$(5.1) million in the first half of 2019.
- Consolidated net loss of \$(19.4) million, or \$(0.10) per diluted share, compared to consolidated net loss of \$(21.8) million, or \$(0.12) per diluted share for the same period last year.

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Full Year 2020 Outlook

The Company has continued to make progress on its targeted initiatives focused on growth and long-term shareholder value creation. In the second quarter, the Company completed its exit from the non-core markets of Canada and Puerto Rico, streamlining operations and freeing up capital for its U.S. markets. In its home state of Florida, the Company secured an additional cultivation and production facility with minimum capital outlay, with operations anticipated to commence in the fourth quarter of 2020, and has opened three of the seven dispensaries planned for 2020. In Pennsylvania, the Company is actively pursuing two additional dispensary locations to augment the strong sales of its existing Hanover dispensary. In Michigan, the Company enhanced the cultivation team on the ground with the engagement of Freedom Town. Finally, in Texas, the Company recently secured an extension of its convertible notes to allow the Company to continue to seek longer-term solutions there. The Company reiterates 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.

ABOUT CANSORTIUM 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.

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. 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 June 30, 2020 and December 31, 2019
(USD '000)

	June 30, 2020	December 31, 2019
Assets		
Current assets		
Cash and cash equivalents	\$ 5,202	\$ 2,516
Accounts receivable	133	144
Inventory	12,045	6,709
Biological assets	5,747	3,845
Note receivable	4,416	3,870
Prepaid expenses and other current assets	1,408	556
Total current assets	28,951	17,640
Investment held for sale	324	-
Assets held for sale	-	6,301
Property and equipment, net	19,334	19,128
Intangible assets, net	97,800	98,566
Right-of-use assets	19,152	20,190
Investment in associate	3,209	3,424
Goodwill	1,526	1,526
Other assets	375	291
Total assets	\$ 170,671	\$ 167,066
Liabilities		
Current liabilities		
Accounts payable	5,835	7,860
Accrued liabilities	5,011	5,135
Income taxes payable	5,902	1,492
Derivative liabilities	12,762	13,198
Current portion of notes payable	35,060	9,350
Lease obligations	1,998	1,761
Other current liabilities	100	-
Total current liabilities	66,668	38,796

Liabilities held for sale	-	3,240
Notes payable, net of current portion	12,671	31,053
Lease obligations, net of current portion	20,335	21,166
Deferred income taxes	26,819	24,957
Other long-term liabilities	761	676
Total liabilities	127,254	119,888

Shareholders' equity

Share capital	145,060	149,322
Share-based compensation reserve	4,075	2,977
Equity conversion feature	12,250	7,613
Warrants	13,128	11,773
Accumulated deficit	(130,717)	(123,785)
Accumulated other comprehensive loss	(379)	(563)
Total shareholders' equity attributable to Consortium Inc. shareholders	43,417	47,337
Non-controlling interests	-	(159)
Total shareholders' equity	43,417	47,178

Total liabilities and shareholders' equity	\$ 170,671	\$ 167,066
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Cansortium Inc.

Consolidated Statement of Operations

For the three and six months ended June 30, 2020 and 2019

(USD '000)

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Revenue, net of discounts	\$ 13,241	\$ 6,091	\$ 23,404	\$ 11,619
Cost of goods sold	4,567	1,540	8,227	4,100
Gross profit before fair value adjustments	8,674	4,551	15,177	7,519
Realized fair value of increments on inventory sold	4,953	2,233	12,515	3,351
Unrealized change in fair value of biological assets	(7,572)	(972)	(19,682)	(2,073)
Gross profit	11,293	3,290	22,344	6,241
Expenses				
General and administrative	3,064	5,369	6,202	15,022
Share-based compensation	2,362	883	3,249	1,487
Sales and marketing	3,481	2,705	6,602	5,623
Depreciation and amortization	1,572	2,403	3,074	4,701
Total expenses	10,479	11,360	19,127	26,833
Income (loss) from operations	814	(8,070)	3,217	(20,592)
Discontinued operations	34	-	(342)	-
Other expense (income)				
Interest expense, net	3,798	2,543	7,557	6,860
Change in fair market value of derivative	(828)	(1,662)	1,007	(3,542)
Loss on investment in associate	31	-	215	-
Gain in fair market value of investment in associate	-	(3,388)	-	(3,388)
Loss on debt restructuring	-	-	8,065	-
Gain on disposal of assets	(54)	-	(54)	-
Other expense (income)	(8)	(1,562)	7	28
Total other expense (income)	2,939	(4,069)	16,797	(42)
Loss before taxes	(2,159)	(4,001)	(13,238)	(20,550)
Income taxes	3,308	1,276	6,141	1,276
Net loss	(5,467)	(5,277)	(19,379)	(21,826)
Net loss attributable to non-controlling interest	-	(270)	-	(353)
Net loss attributable to controlling interest	\$ (5,467)	\$ (5,007)	\$ (19,379)	\$ (21,473)

Net loss per share

Basic	\$	(0.03)	\$	(0.03)	\$	(0.10)	\$	(0.12)
Diluted	\$	(0.03)	\$	(0.03)	\$	(0.10)	\$	(0.12)

Cansortium Inc.
Consolidated Statement of Cash Flows
For the six months ended June 30, 2020 and 2019
(USD '000)

	For the six months ended	
	June 30,	
	2020	2019
Operating activities		
Net loss	\$ (19,379)	\$ (21,826)
Adjustments to reconcile net loss to net cash used in operating activities:		
Unrealized gain on changes in fair value of biological assets	(19,682)	(2,073)
Share-based compensation	3,249	1,747
Depreciation and amortization	4,059	5,412
Discontinued operations	(342)	-
Amortization of debt discount	-	2,910
Accretion of convertible debentures	3,834	-
Interest on lease liabilities	1,987	-
Change in fair market value of derivative	1,007	(3,542)
Loss on investment in associate	215	-
Gain in fair market value of investment in associate	-	(3,388)
Loss on debt restructuring	8,065	-
Gain on disposal of right-of-use assets	(54)	-
Deferred tax expense	1,862	-
Changes in operating assets and liabilities:		
Accounts receivable	11	(104)
Inventory	(5,401)	(3,881)
Biological assets	17,780	2,201
Prepaid expenses and other current assets	(646)	(1,555)
Right-of-use assets	(728)	-
Other assets	(84)	1,375
Accounts payable	968	956
Accrued liabilities	1,083	(3,386)
Income taxes payable	4,410	1,406
Lease obligations	-	1,357
Other current liabilities	-	285
Other liabilities	115	-
Net cash provided by (used in) operating activities	2,329	(22,106)
Investing activities		
Purchases of property and equipment	(2,126)	(9,049)
Payment of notes receivable	150	-
Notes receivable	(696)	-
Proceeds from sale of subsidiary	600	-
Net cash used in investing activities	(2,072)	(9,049)
Financing activities		
Proceeds from IPO	-	56,178
Proceeds from issuance of shares and warrants	4,351	-
Proceeds from issuance of notes payable	62	41,006
Payment of lease obligations	(2,133)	(1,305)
Principal repayments of notes payable	(35)	(45,341)
Net cash provided by financing activities	2,245	50,538
Effect of foreign exchange on cash and cash equivalents	184	(34)
Net increase in cash and cash equivalents	2,686	19,349
Cash and cash equivalents, beginning of period	2,516	2,026
Cash and cash equivalents, end of period	\$ 5,202	\$ 21,375
Cash paid during the period for interest	\$ 865	\$ 2,124
Non-cash transactions:		
Issuance of shares to acquire additional interest in consolidated entity	\$ -	\$ 13,786
Shares returns for sale of interest in subsidiaries	\$ (4,374)	\$ -
Founders shares return	\$ (10,970)	\$ -
Note payable amendment	\$ 10,380	\$ -

Cansortium Inc.
Financial Highlights
For the three and six months ended June 30, 2020 and 2019
(USD '000)

Financial results	Three months ended			Six months ended		
	June 30, 2020	June 30, 2019	Variance	June 30, 2020	June 30, 2019	Variance
Revenue	\$ 13,241	\$ 6,091	\$ 7,150	\$ 23,404	\$ 11,619	\$ 11,785
Gross profit	\$ 11,293	\$ 3,290	\$ 8,003	\$ 22,344	\$ 6,241	\$ 16,103
Gross margin	85.3%	54.0%	31.3%	95.5%	53.7%	41.8%
Adjusted gross profit ⁽¹⁾	\$ 8,674	\$ 4,551	\$ 4,123	\$ 15,177	\$ 7,519	\$ 7,658
Adjusted gross margin ⁽¹⁾	65.5%	74.7%	-9.2%	64.8%	64.7%	0.1%
Selling, general and administrative expenses	\$ 10,479	\$ 11,360	\$ (881)	\$ 19,127	\$ 26,833	\$ (7,706)
EBITDA ⁽¹⁾	\$ 3,703	\$ 1,772	\$ 1,931	\$ (1,628)	\$ (7,369)	\$ 5,741
Adjusted EBITDA ⁽¹⁾	\$ 2,629	\$ (1,709)	\$ 4,338	\$ 3,343	\$ (5,128)	\$ 8,471
Net loss	\$ (5,467)	\$ (5,277)	\$ (191)	\$ (19,379)	\$ (21,826)	\$ 2,447
Net loss per share (basic)	\$ (0.03)	\$ (0.03)	\$ 0.00	\$ (0.10)	\$ (0.12)	\$ 0.02
Net loss per share (diluted)	\$ (0.03)	\$ (0.03)	\$ 0.00	\$ (0.10)	\$ (0.12)	\$ 0.02

(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 and six months ended June 30, 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			Six months ended		
	June 30, 2020	June 30, 2019	Variance	June 30, 2020	June 30, 2019	Variance
Net income (loss)	\$ (5,467)	\$ (5,277)	\$ (190)	\$ (19,379)	\$ (21,826)	\$ 2,447
Interest expense	3,798	2,543	1,255	7,557	6,860	697
Income taxes	3,308	1,276	2,032	6,141	1,276	4,865
Depreciation and amortization	2,064	3,230	(1,166)	4,053	6,322	(2,269)
EBITDA	\$ 3,703	\$ 1,772	\$ 1,931	\$ (1,628)	\$ (7,369)	\$ 5,741

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			Six months ended		
	June 30, 2020	June 30, 2019	Variance	June 30, 2020	June 30, 2019	Variance
EBITDA	\$ 3,703	\$ 1,772	\$ 1,931	\$ (1,628)	\$ (7,369)	\$ 5,741
Change in fair value of biological assets	(2,619)	1,261	(3,880)	(7,167)	1,278	(8,445)
Change in fair market value of derivative	(828)	(1,662)	834	1,007	(3,541)	4,548
Gain in fair value of investment in associate	-	(3,388)	3,388	-	(3,388)	3,388
Share based compensation	2,362	883	1,479	3,249	1,487	1,762
Discontinued operations	34	-	34	(342)	-	(342)
Loss on debt restructuring	-	(1,134)	1,134	8,065	-	8,065
Other non-recurring expense (income)	(23)	559	(582)	159	6,405	(6,246)
Adjusted EBITDA	\$ 2,629	\$ (1,709)	\$ 4,338	\$ 3,343	\$ (5,128)	\$ 8,471

SOURCE Consortium Inc

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