



## Cansortium Inc. Reports 2020 Third Quarter Financial Results

11/23/2020

MIAMI, Nov. 23, 2020 /PRNewswire/ - [Cansortium](#) Inc. (CSE: TIUM.U) (OTCQB: [CNTME](#)) ("Cansortium" or the "Company"), a vertically-integrated provider of premium-quality medical cannabis, today announced financial results for its third quarter and nine months ended September 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](http://www.sedar.com) and are also accessible through a link on the Investor Relations section of the Company's website at [www.cansortium.com](http://www.cansortium.com).

The Company will host a conference call and live audio webcast on November 24, 2020 at 5:00 P.M. Eastern time, to discuss its third quarter 2020 financial results. All interested parties can join the conference call by dialing 1-800-319-4610 (Canada/USA) or +1-604-638-5340 (international). Callers should dial in 5 to 10 minutes prior to the scheduled start time and ask to join the call. A live audio webcast of the conference call will also be available at: <http://services.choruscall.ca/links/cansortium20201123.html>

### **Selected Third Quarter 2020 Financial Highlights**

- Consolidated revenue of \$14.3 million, an increase of 94 percent or \$6.9 million compared with consolidated revenue of \$7.4 million in the third quarter of 2019.
- Consolidated loss from operations of \$(1.9) million, compared to loss from operations of \$(8.1) million in the third quarter of 2019.
- Consolidated Adjusted EBITDA<sup>(1)</sup> of \$3.6 million, compared to Adjusted EBITDA<sup>(1)</sup> loss of \$(2.1) million in the third quarter of 2019.
- Consolidated net loss of \$(8.9) million, or \$(0.04) per diluted share, compared to consolidated net loss of \$(11.3) million, or \$(0.06) per diluted share for the same period last year.
- During the third quarter of 2020, the Company opened its 21<sup>st</sup> medical marijuana dispensary in Coral Springs, FL. It operated 16 dispensaries during the comparable period in 2019. In October and November of 2020, the Company opened its 22<sup>nd</sup> and 23<sup>rd</sup> Florida dispensary in Coral Gables, FL and Kendall, FL, respectively.

### **Selected Year-to-Date 2020 Financial Highlights**

- Consolidated revenue of \$37.7 million, an increase of 50 percent or \$18.7 million compared with consolidated revenue of \$19.0 million during the nine months ended September 30, 2019.
- Consolidated income from operations of \$1.3 million, compared to loss from operations of \$(28.7) million during the nine months ended September 30, 2019.
- Consolidated Adjusted EBITDA<sup>(1)</sup> of \$7.0 million, compared to Adjusted EBITDA<sup>(1)</sup> loss of \$(7.2) million during the nine months ended September 30, 2019.
- Consolidated net loss of \$(28.3) million, or \$(0.14) per diluted share, compared to consolidated net loss of \$(33.1) million, or \$(0.18) per diluted share for the same period last year.

(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 reiterates its full year 2020 outlook for consolidated revenue of \$55 million to \$60 million with anticipated Adjusted EBITDA of approximately \$14 million. The forecast is based on projected revenue of at least \$45 million for Cansortium's Florida operations with additional revenue from the Michigan, Pennsylvania and Texas markets.

### **Initial 2021 and 2022 Outlook**

The Company has continued to make progress on its targeted initiatives focused on growth and long-term shareholder value creation. In its home state of Florida, the Company secured an additional cultivation and production facility with operations anticipated to commence in December 2020 and further expansion expected during 2021 and 2022 and will continue to grow its retail footprint with a total of 33 dispensaries anticipated to be operational by the end of 2022. In Pennsylvania, the Company has secured an additional dispensary location that is expected to open in early 2021 in order to augment the strong sales of its existing Hanover dispensary. A third location is expected to come online in the first half of 2021. In Michigan, the Company enhanced the cultivation team on the ground and is pursuing expansion opportunities. Finally, in Texas, the Company has rights to expand the cultivation facility up to 400,000 additional sq. ft. as demand requires.

The Company is projecting revenue of \$95 million to \$100 million and \$140 to \$145 million for 2021 and 2022, respectively, and Adjusted EBITDA of

\$30 million to \$35 million and \$60 to \$65 million for 2021 and 2022, respectively.

## **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: [CNTME](#)). Investors can find current financial disclosure and Real-Time Level 2 quotes for the Company on [www.otcm Markets.com](http://www.otcm Markets.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 September 30, 2020 and December 31, 2019**

**(USD '000)**

	<b>September 30, December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 4,072	\$ 2,516
Accounts receivable	65	144
Inventory	9,574	6,709
Biological assets	6,128	3,845
Note receivable	4,895	3,870

Prepaid expenses and other current assets	1,311	556
Total current assets	26,045	17,640
Investment held for sale	324	-
Assets held for sale	-	6,301
Property and equipment, net	18,677	19,128
Intangible assets, net	97,418	98,566
Right-of-use assets	19,410	20,190
Investment in associate	3,043	3,424
Goodwill	1,526	1,526
Other assets	390	291
<b>Total assets</b>	<b>\$ 166,833</b>	<b>\$ 167,066</b>

#### Liabilities

##### Current liabilities

Accounts payable	4,558	7,860
Accrued liabilities	4,107	5,135
Income taxes payable	6,401	1,492
Derivative liabilities	13,436	13,198
Current portion of notes payable	37,211	9,350
Lease obligations	1,979	1,761
Other current liabilities	350	-
Total current liabilities	68,042	38,796
Liabilities held for sale	-	3,240
Notes payable, net of current portion	12,695	31,053
Lease obligations, net of current portion	20,728	21,166
Deferred income taxes	26,657	24,957
Other long-term liabilities	468	676

Total liabilities	<b>128,590</b>	<b>119,888</b>
<b>Shareholders' equity</b>		
Share capital	147,846	149,322
Share-based compensation reserve	4,148	2,977
Equity conversion feature	12,250	7,613
Warrants	13,265	11,773
Accumulated deficit	(138,891)	(123,785)
Accumulated other comprehensive loss	(375)	(563)
Total shareholders' equity attributable to Consortium Inc. shareholders	38,243	47,337
Non-controlling interests	-	(159)
Total shareholders' equity	38,243	47,178
<b>Total liabilities and shareholders' equity</b>	<b>\$ 166,833</b>	<b>\$ 167,066</b>

#### Consortium Inc.

#### Consolidated Statement of Operations

For the three and nine months ended September 30, 2020 and 2019

(USD '000)

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Revenue, net of discounts	\$ 14,313	\$ 7,387	\$ 37,718	\$ 19,005
Cost of goods sold	4,784	2,722	13,011	6,822
Gross profit before fair value adjustments	9,529	4,665	24,707	12,183
Realized fair value of increments on inventory sold	6,051	3,341	18,566	6,692
Unrealized change in fair value of biological assets	(4,263)	(1,109)	(23,945)	(3,182)
Gross profit	7,741	2,433	30,086	8,673
Expenses				

General and administrative	2,861	4,362	9,064	19,384
Share-based compensation	1,689	258	4,938	1,744
Sales and marketing	3,561	3,348	10,162	8,972
Depreciation and amortization	1,561	2,549	4,635	7,250
Total expenses	9,672	10,517	28,799	37,350
Income (loss) from operations	(1,931)	(8,084)	1,287	(28,677)
Discontinued operations	236	-	(106)	-
Other expense (income)				
Interest expense, net	3,892	2,926	11,448	9,786
Change in fair market value of derivative	673	(2,631)	1,680	(6,172)
Loss on investment in associate	166	-	381	-
Gain in fair market value of investment in associate	-	-	-	(3,388)
Loss on debt restructuring	-	-	8,065	-
Loss on disposal of assets	710	2,205	656	2,205
Other expense	1	257	7	285
Total other expense (income)	5,442	2,757	22,237	2,716
Loss before taxes	(7,609)	(10,841)	(20,844)	(31,393)
Income taxes	1,281	432	7,422	1,708
Net loss	(8,890)	(11,273)	(28,266)	(33,101)
Net income (loss) attributable to non-controlling interest	-	83	-	(204)
Net loss attributable to controlling interest	\$ (8,890)	\$ (11,356)	\$ (28,266)	\$ (32,897)
Net loss per share				
Basic	\$ (0.04)	\$ (0.06)	\$ (0.14)	\$ (0.18)
Diluted	\$ (0.04)	\$ (0.06)	\$ (0.14)	\$ (0.18)

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

	<b>For the nine months ended September 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>Operating activities</b>		
Net loss	\$(28,266)	\$(33,101)
Adjustments to reconcile net loss to net cash used in operating activities:		
Unrealized gain on changes in fair value of biological assets	(23,945)	(3,182)
Share-based compensation	4,938	2,005
Depreciation and amortization	6,146	8,252
Discontinued operations	(106)	-
Amortization of debt discount	-	4,497
Accretion of convertible debentures	5,974	-
Interest on lease liabilities	3,324	-
Change in fair market value of derivative	1,680	(6,172)
Loss on investment in associate	381	-
Gain in fair market value of investment in associate	-	(3,388)
Loss on debt restructuring	8,066	-
Loss on disposal of assets	656	2,205
Deferred tax expense	1,700	-
Changes in operating assets and liabilities:		
Accounts receivable	79	(51)
Inventory	(2,930)	(3,715)
Biological assets	21,662	2,746
Prepaid expenses and other current assets	(492)	(5,561)
Right-of-use assets	(1,439)	-

Other assets	(99)	(1,116)
Accounts payable	(309)	102
Accrued liabilities	2,205	(3,357)
Income taxes payable	4,909	1,838
Lease obligations	-	1,772
Other current liabilities	(251)	398
Other liabilities	(160)	-
Net cash provided by (used in) operating activities	3,723	(35,828)
<b>Investing activities</b>		
Purchases of property and equipment	(3,136)	(12,558)
Purchase of intangible assets	-	(319)
Payment of notes receivable	350	-
Notes receivable	(1,375)	-
Proceeds from sale of subsidiary	600	-
Net cash used in investing activities	(3,561)	(12,877)
<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	41,006
Payment of lease obligations	(3,207)	921
Interest repayments of notes payable	-	-
Principal repayments of notes payable	-	(46,353)
Net cash provided by financing activities	1,206	51,752
Effect of foreign exchange on cash and cash equivalents	188	(59)
Net increase in cash and cash equivalents	1,556	2,988
Cash and cash equivalents, beginning of period	2,516	2,026
Cash and cash equivalents, end of period	\$4,072	\$5,014

Cash paid during the period for interest	\$2,457	\$585
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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	\$-
Issuance of share for convertible debentures amendment	\$2,082	\$-

**Cansortium Inc.**

**Financial Highlights**

**For the three and nine months ended September 30, 2020 and 2019**

**(USD '000)**

Financial results	Three months ended			Nine months ended		
	September 30, 2020	September 30, 2019	Variance	September 30, 2020	September 30, 2019	Variance
Revenue	\$ 14,313	\$ 7,387	\$ 6,926	\$ 37,718	\$ 19,005	\$ 18,713
Gross profit	\$ 7,741	\$ 2,433	\$ 5,308	\$ 30,086	\$ 8,673	\$ 21,413
Gross margin	54.1%	32.9%	21.1%	79.8%	45.6%	34.1%
Adjusted gross profit <sup>(1)</sup>	\$ 9,529	\$ 4,665	\$ 4,864	\$ 24,707	\$ 12,183	\$ 12,524
Adjusted gross margin <sup>(1)</sup>	66.6%	63.2%	3.4%	65.5%	64.1%	1.4%
Selling, general and administrative expenses	\$ 9,672	\$ 10,517	\$ (845)	\$ 28,799	\$ 37,350	\$ (8,552)
EBITDA <sup>(1)</sup>	\$ (1,617)	\$ (4,483)	\$ 2,867	\$ (3,243)	\$ (11,854)	\$ 8,611
Adjusted EBITDA <sup>(1)</sup>	\$ 3,645	\$ (2,095)	\$ 5,740	\$ 6,990	\$ (7,224)	\$ 14,215
Net loss	\$ (8,890)	\$ (11,273)	\$ 2,383	\$ (28,266)	\$ (33,101)	\$ 4,835
Net loss per share (basic)	\$ (0.04)	\$ (0.06)	\$ 0.01	\$ (0.14)	\$ (0.18)	\$ 0.04
Net loss per share (diluted)	\$ (0.04)	\$ (0.06)	\$ 0.01	\$ (0.14)	\$ (0.18)	\$ 0.04

Adjusted gross profit, adjusted gross margin, EBITDA and Adjusted EBITDA are non-IFRS financial measures that do not have any standardized (1) 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 nine months ended September 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			Nine months ended		
	September 30, 2020	September 30, 2019	Variance	September 30, 2020	September 30, 2019	Variance
Net loss	\$ (8,890)	\$ (11,273)	\$ 2,383	\$ (28,266)	\$ (33,101)	\$ 4,835
Interest expense	3,892	2,926	966	11,448	9,786	1,662
Income taxes	1,281	432	849	7,422	1,708	5,714
Depreciation and amortization	2,100	3,432	(1,332)	6,153	9,753	(3,600)
EBITDA	\$ (1,617)	\$ (4,483)	\$ 2,866	\$ (3,243)	\$ (11,854)	\$ 8,611

**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			Nine months ended		
	September 30, 2020	September 30, 2019	Variance	September 30, 2020	September 30, 2019	Variance
EBITDA	\$ (1,617)	\$ (4,483)	\$ 2,866	\$ (3,243)	\$ (11,854)	\$ 8,611
Change in fair value of biological assets	1,788	2,232	(444)	(5,379)	3,510	(8,889)
Change in fair market value of derivative	673	(2,631)	3,304	1,680	(6,172)	7,852
Gain in fair value of investment in associate-	-	-	-	-	(3,388)	3,388
Share-based compensation	1,689	258	1,431	4,938	1,744	3,194
Discontinued operations	236	-	236	(106)	-	(106)
Loss on debt restructuring	-	-	-	8,065	-	8,065
Other non-recurring expense	876	2,530	(1,654)	1,035	8,935	(7,900)

Adjusted EBITDA	\$ 3,645	\$ (2,095)	\$ 5,740	\$ 6,990	\$ (7,224)	\$ 14,215
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