



CANSORTIUM

## Cansortium Reports Second Quarter 2021 Financial Results

August 24, 2021

*Q2 Revenue up 24% YoY to \$16.5 Million; Adjusted EBITDA up ~2x to \$5.2 Million*

*Management to Host Conference Call Tomorrow at 8:30 A.M. Eastern Time*

MIAMI, Aug. 24, 2021 /CNW/ - [Cansortium Inc.](#) (CSE: TIUM.U) (OTCQX: CNTMF) ("Cansortium" or the "Company"), a vertically-integrated cannabis company operating under the Fluent™ brand, today announced financial results for the second quarter ended June 30, 2021, as well as recent operational highlights. Unless otherwise indicated, all results are presented in U.S. dollars.



CANSORTIUM

"We continued to drive growth and profitability in our key markets during the second quarter, as reflected by another month of record sales in May," said CEO Robert Beasley. "Our continued focus on providing differentiated, high-quality flower and wellness products has been well received by our patients. Additionally, we are now offering several boutique strains that have never been sold in the Florida market."

Cansortium significantly improved its balance sheet during the quarter with debt and equity financings of nearly \$90 million, which enabled the Company to cancel legacy debt and extend maturities to 2025, as well as redeem all outstanding convertible notes. Cansortium now has both the capital and flexibility needed to execute its expansion plans.

Mr. Beasley continued, "Our core operations in Florida are performing well and our expansion plans are fully-funded. There have been minor supply chain and construction delays for several projects in Florida, which will delay the expected timing of our production ramp and push our schedule back by approximately two months. In addition, we have experienced delays in the Michigan market which, albeit a small market for us, will also impact our guidance for 2021 as we continue to hold product for sale to hedge against volatile pricing."

"Overall, we continue to expect significant growth in 2021. Our revised outlook for 2021 calls for \$70-80 million of revenue with \$18-26 million of adjusted EBITDA<sup>1</sup>, reflecting year-over-year growth of approximately 43% and 114%, respectively. We see upside to these numbers if the construction market opens up earlier than our current projections."

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<sup>1</sup> 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. A reconciliation from adjusted EBITDA to net loss is included in the accompanying financial schedules.

"Other progress on various initiatives includes last week's opening of a new dispensary in Mechanicsburg, Pennsylvania, and securing our third Pennsylvania location in Annville, which we expect to open by the end of the year. In addition, we expect to open our 27<sup>th</sup> dispensary in Florida by the end of the third quarter and have identified four additional sites for continued growth in the first half of 2022."

### **Q2 2021 Financial Highlights (vs. Q2 2020)**

- Revenue increased 24% to \$16.5 million compared to \$13.2 million.
- Florida revenue increased 22% to \$14.6 million compared to \$12.0 million.
- Adjusted gross profit<sup>2</sup> increased 24% to \$10.7 million or 65.1% of revenue, compared to \$8.7 million or 65.5% of revenue.

- Adjusted EBITDA approximately doubled to \$5.2 million or 31.8% of revenue, compared to \$2.6 million or 19.7% of revenue.
- At June 30, 2021, the Company had approximately \$26 million of cash and cash equivalents and \$71 million of total debt, with approximately 264 million fully diluted shares outstanding (based on treasury stock method and share price on June 30, 2021).

### **Recent Operational Highlights**

- Launched [Sweetwater](#), a new line of premium cannabis whole flower.
- Hired a new Head of Cultivation.
- Appointed multiple new board members, including Mark Eckenrode, Alex Spiro, and the Company's new Executive Chairman of the Board, William Smith.
- In July, the Company opened its 26<sup>th</sup> Florida dispensary in Deerfield Beach.
- All convertible notes from the Company's capital structure were converted to shares during the second quarter. A total of approximately \$18.0 million of debt was converted into common shares of the Company.
- The Company sold approximately 2,600 lbs. of biomass from Michigan inventory in July.

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<sup>2</sup> Adjusted gross profit 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 gross profit from gross profit plus (minus) the changes in fair value of biological assets, as presented in the consolidated statement of operations.

### **2021 Outlook**

The Company is revising its 2021 outlook for revenue to range between \$70-\$80 million, with adjusted EBITDA ranging between \$18-\$26 million. This compares to approximately \$52 million of revenue and \$10 million of adjusted EBITDA in 2020.

In Florida, Consortium continues to expect a total of 27 dispensaries to be operational by the end of 2021 and has identified four additional locations to be opened in 2022. In Michigan, the Company is holding 900 lbs. of flower prepared for sale. However, due to the pricing volatility, the Company is timing the sales cycle to realize optimal value.

The Company's unaudited consolidated financial statements and accompanying notes, along with the Management Discussion and Analysis (MD&A), will be available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com) and are also accessible through the Investor Relations section of the Company's website at [www.getfluent.com](http://www.getfluent.com).

### **Conference Call**

The Company will host a conference call and live audio webcast tomorrow at 8:30 a.m. Eastern time to discuss its financial results and operational highlights.

Toll-free dial-in number: (800) 319-4610

International dial-in number: (604) 638-5340

Conference ID: 10016120

Link: [Cansortium Q2 2021 Earnings Call](#)

Please call the conference telephone number 5-10 minutes prior to the start time. An operator will register your name and organization. If you have any difficulty connecting with the conference call, please contact Elevate IR at (949) 200-4603.

The conference call will also be available for replay via the News & Events section of the Company's investor relations website at <https://investors.getfluent.com/>.

### **About Consortium Inc.**

Cansortium is a vertically-integrated cannabis company with licenses and operations in Florida, Pennsylvania, Michigan and Texas. The Company operates under the Fluent™ brand and is dedicated to being one of the highest quality cannabis companies for the communities it serves. This is driven by Consortium's unrelenting commitment to operational excellence in cultivation, production, distribution and retail. The Company is headquartered in Miami, Florida.

Cansortium Inc.'s common shares trade on the CSE under the symbol "TIUM.U" and on the OTCQX Best Market under the symbol "CNTMF." For more information about the Company, please visit [www.getfluent.com](http://www.getfluent.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 many 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.

For further information: [www.getfluent.com](http://www.getfluent.com)

## CANSORTIUM INC.

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(USD '000)

	<b>June 30, December 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$26,004	\$ 3,392
Accounts receivable	122	148
Inventory, net	5,560	5,006
Biological assets	2,495	1,914
Note receivable	4,462	3,859
Prepaid income taxes	1,598	-
Prepaid expenses and other current assets	1,267	1,365
Total current assets	41,508	15,684
Investment held for sale	200	200
Property and equipment, net	25,309	19,517
Intangible assets, net	96,269	97,035
Right-of-use assets	19,008	19,094
Deposit	2,727	1,050
Goodwill	1,526	1,526
Other assets	486	425
<b>Total assets</b>	<b>\$187,033</b>	<b>\$ 154,531</b>

**Liabilities**

## Current liabilities

Accounts payable	4,530	4,808
Accrued liabilities	6,834	7,614
Income taxes payable	-	8,925
Derivative liabilities	-	7,412
Current portion of notes payable	375	38,583
Lease obligations	2,181	1,894
Total current liabilities	13,920	69,236
	-	
Notes payable, net of current portion and loan issuance costs	53,410	13,182
Lease obligations, net of current portion	20,889	20,811
Deferred income taxes	24,430	23,471
Total liabilities	<b>112,649</b>	<b>126,700</b>

**Shareholders' equity**

Share capital	196,588	137,835
Share-based compensation reserve	5,717	4,675
Equity conversion feature	11,044	11,044
Warrants	30,148	13,265
Accumulated deficit	(168,723)	(138,609)
Accumulated other comprehensive loss	(390)	(379)
Total shareholders' equity	74,384	27,831
<b>Total liabilities and shareholders' equity</b>	<b>\$187,033</b>	<b>\$ 154,531</b>

**CANSORTIUM INC.****STATEMENT OF OPERATIONS****USD ('000)**

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Revenue, net of discounts	\$ 16,469	\$ 13,241	\$ 31,584	\$ 23,404
Cost of goods sold	5,745	4,567	11,152	8,227
Gross profit before fair value adjustments	10,724	8,674	20,432	15,177
Realized fair value of increments on inventory sold	(4,727)	(4,953)	(9,320)	(12,515)
Unrealized change in fair value of biological assets	(1,224)	7,572	5,655	19,682
Gross profit	4,773	11,293	16,767	22,344
Expenses				
General and administrative	2,868	3,064	6,156	6,202
Share-based compensation	285	2,362	3,517	3,249
Sales and marketing	3,515	3,481	7,061	6,602
Depreciation and amortization	1,547	1,572	3,078	3,074
Total expenses	8,215	10,479	19,812	19,127
Loss from operations	(3,442)	814	(3,045)	3,217
Other expense (income)				
Interest expense, net	4,719	3,798	7,849	7,557
Change in fair market value of derivative liability	(1,143)	(828)	(1,551)	1,007
Loss on debt settlement	10,751	-	10,751	-
Private placement issuance expense	6,640	-	6,640	-
Equity loss on investment in associate	-	31	-	215
Loss on debt restructuring	-	-	-	8,065
(Gain)/Loss on disposal of assets	1	(54)	50	(54)
Other (income) expense	(18)	(8)	(131)	7
Total other expense (income)	20,950	2,939	23,609	16,797
Loss before income taxes	(24,392)	(2,125)	(26,654)	(13,580)

Income taxes	594	3,308	3,431	6,141
Net loss	(24,986)	(5,433)	(30,085)	(19,721)
(Gain)/Loss from discontinued operations	33	34	31	(342)
Net loss after discontinued operations	\$(25,019)	\$(5,467)	\$(30,115)	\$(19,379)
Other comprehensive loss:				
Foreign exchange translation gain (loss)	(16)	254	(11)	184
Comprehensive loss	\$(25,035)	\$(5,213)	\$(30,126)	\$(19,195)
Net loss per share				
Basic	\$(0.11)	\$(0.03)	\$(0.14)	\$(0.10)
Diluted	\$(0.11)	\$(0.03)	\$(0.14)	\$(0.10)

## CANSORTIUM INC.

### STATEMENTS OF CASH FLOWS

(USD '000)

	For the six months ended June 30,	
	2021	2020
<b>Operating activities</b>		
Net loss	\$ (30,115)	\$ (19,379)
Adjustments to reconcile net loss to net cash used in operating activities:		
Unrealized gain on changes in fair value of biological assets	(5,655)	(19,682)
Realized gain on changes in fair value of biological assets	9,320	12,515
Share-based compensation	3,517	3,249
Depreciation and amortization	4,675	4,059
Discontinued operations	31	(342)
Accretion of convertible debentures	2,242	3,834

Interest on lease liabilities	1,257	1,987
Change in fair market value of derivative	(1,551)	1,007
Loss on investment in associate	-	215
Loss on debt restructuring	-	8,065
Loss on debt settlement	10,751	-
(Gain)/Loss on disposal of assets	50	(54)
Deferred tax expense	959	1,862
Changes in operating assets and liabilities:		
Accounts receivable	26	11
Inventory	(554)	(5,401)
Biological assets	(4,246)	5,265
Prepaid expenses and other current assets	1,875	(646)
Right-of-use assets	(1,280)	(728)
Right-of-use liabilities	1,262	-
Other assets	(61)	(84)
Accounts payable	(278)	968
Accrued liabilities	(651)	1,083
Income taxes	(10,523)	4,410
Other liabilities	-	115
Net cash provided by (used in) operating activities	(18,949)	2,329
<b>Investing activities</b>		
Purchases of property and equipment	(8,408)	(2,126)
Payment of notes receivable	284	150
Proceeds from sale of property and equipment	24	-
Notes receivable	(1,020)	(696)
Proceeds from sale of subsidiary	-	600
Net cash used in investing activities	(9,120)	(2,072)
<b>Financing activities</b>		

Proceeds from issuance of shares and warrants	23,730	4,351
Proceeds from issuance of debt, net of loan issuance costs	63,133	62
Payment of lease obligations	(2,154)	(2,133)
Exercise of warrants	1,365	-
Principal repayments of notes payable	(35,382)	(35)
Net cash provided by financing activities	50,692	2,245
Effect of foreign exchange on cash and cash equivalents	(11)	184
Net increase (decrease) in cash and cash equivalents	22,612	2,686
Cash and cash equivalents, beginning of period	3,392	2,516
Cash and cash equivalents, end of period	\$ 26,004	\$ 5,202

**CANSORTIUM INC.**

**ADJUSTED EBITDA RECONCILIATION**

**USD ('000)**

	<b>Three months ended</b>		
	<b>June 30,</b>	<b>June 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>Variance</b>
Net loss	\$ (25,019)	\$ (5,467)	\$ (19,552)
Interest expense	4,719	3,798	921
Income taxes	594	3,308	(2,714)
Depreciation and amortization	2,429	2,064	365
EBITDA	\$ (17,277)	\$ 3,702	\$ (20,979)

	<b>Three months ended</b>		
	<b>June 30,</b>	<b>June 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>Variance</b>
EBITDA	\$ (17,277)	\$ 3,702	\$ (20,979)



Change in fair value of biological assets	5,951	(2,619)	8,570
Change in fair market value of derivative	(1,143)	(828)	(315)
Loss on debt settlement	10,751	-	10,751
Private placement issuance expense	6,640	-	6,640
Share-based compensation	285	2,362	(2,077)
Discontinued operations	33	34	(1)
Loss on disposal of assets	1	\$(54)	55
Other non-recurring expense/(income)	(18)	31	(49)
Adjusted EBITDA	\$ 5,223	\$2,628	\$2,595

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