

Cansortium Reports Third Quarter 2022 Financial Results

11/29/2022

- Q3 Revenue up 42% YoY to \$22.1 Million -

- Q3 Adjusted EBITDA up 15% QoQ and More Than 2x YoY to a Record \$11.7 Million, with \$5.4 Million of Cash from Operations -

MIAMI, Nov. 29, 2022 /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 and operating results for the third quarter ended September 30, 2022. Unless otherwise indicated, all results are presented in U.S. dollars.



CANSORTIUM

"We continued to execute on our profitability objectives during the third quarter, leading to another period of gross margin expansion and a record bottom line with strong cash flow generation," said CEO Robert Beasley. "Had it not been for Hurricane Ian driving store closures in late September, we would have generated our 11th consecutive quarter of revenue growth, so I am very pleased with our team's consistent effort to deliver on our goals."

"As we exit the year and look to 2023, we expect to continue opening new stores in Florida while driving organic growth in our three Pennsylvania dispensaries. We also have plans to begin building out our footprint in Texas and look forward to growing our presence in the state in 2023."

Q3 2022 Financial Highlights (vs. Q3 2021)

- Revenue increased 42% to \$22.1 million compared to \$15.6 million.
- Florida revenue increased 39% to \$18.2 million compared to \$13.1 million.
- Adjusted gross profit^[1] increased 71% to \$16.7 million or 75.5% of revenue, compared to \$9.8 million or 62.7% of revenue.
- Adjusted EBITDA increased 140% to a record \$11.7 million or 53.1% of revenue, compared to \$4.9 million or 31.3% of revenue.
- Cash from operations increased significantly to \$5.4 million compared to cash used of \$(4.2) million.
- At September 30, 2022, the Company had approximately \$9.1 million of cash and cash equivalents and \$69.4 million of total debt, with approximately 252.3 million fully diluted shares outstanding (based on treasury stock method and share price on September 30, 2022).

¹ 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.

Operational Highlights

- In Florida, the Company anticipates opening one new store by the end of 2022 and an additional three stores in the first half of 2023. All of these locations are currently under contract and going through construction.
- During the third quarter, Cansortium temporarily closed twelve of its dispensaries in Florida during Hurricane Ian. All of the Company's stores reopened in October 2022.
- In Pennsylvania, the Company's newest dispensary in Annville is ramping and achieved a record month of sales in October 2022.

2022 Outlook

The Company has continued to make progress on its targeted initiatives focused on growth and long-term shareholder value creation and is revising its previously issued revenue projection for 2022. Consortium now expects revenue for 2022 to range between \$85-\$90 million (previously expected \$90-\$95 million). The Company also expects to close the year with Adjusted EBITDA exceeding its previously issued guidance of \$25-\$28 million for 2022.

Conference Call

The Company will host a conference call and live audio webcast today at 4:30 p.m. Eastern time to discuss its financial and operational results, followed by a question-and-answer period.

Date: Tuesday, November 29, 2022

Time: 4:30 p.m. Eastern time

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

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

Conference ID: 10020760

Link: [Cansortium Conference 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 (720) 330-2829.

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 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.

Forward-Looking Information

Certain information in this news release may constitute forward-looking information within the meaning of applicable Canadian securities legislation and may also contain statements that may constitute "forward-looking statements" within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. 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 the Company's expectations, estimates, and projections regarding future events, plans or objectives, many of which, by their nature, are inherently uncertain and outside of the Company's control.

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. 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.

CANSORTIUM INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of September 30, 2022 and December 31, 2021

(USD '000)

	September 30, 2022	December 31, 2021
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Assets

Current assets

Cash and cash equivalents	\$	9,099	\$	9,024
Trade receivable		53		26
Inventory, net		10,621		8,981
Biological assets		4,713		3,297
Investment held for sale		200		200
Prepaid expenses and other current assets		1,772		2,007
Total current assets		26,458		23,535

Property and equipment, net		32,738		34,160
Intangible assets, net		94,674		95,822
Right-of-use assets, net		30,018		19,169
Note receivable		-		4,886
Deposit		-		2,727
Goodwill		1,526		1,526
Other assets		769		632
Total assets	\$	186,182	\$	182,457

Liabilities

Current liabilities

Trade payable		9,009		8,518
Accrued liabilities		8,080		5,846
Income taxes payable		10,173		2,120
Derivative liabilities		8,981		3,960
Current portion of notes payable		43		619
Current portion of lease obligations		2,014		2,500
Total current liabilities		38,300		23,563

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Notes payable	56,013	53,674
Lease obligations	33,233	21,091
Deferred tax liability	20,860	21,563
Other long-term liabilities	750	-
Total liabilities	149,156	119,891

Shareholders' equity

Share capital	180,792	180,657
Share-based compensation reserve	6,329	6,176
Equity conversion feature	6,677	4,933
Warrants	28,939	28,869
Accumulated deficit	(185,378)	(157,649)
Foreign currency translation reserve	(334)	(421)
Total shareholders' equity	37,026	62,565

Total liabilities and shareholders' equity **\$** **186,182** **182,457**

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STATEMENT OF OPERATIONS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Revenue, net of discounts	\$ 22,100	\$ 15,568	64,228	\$ 47,153
Cost of goods sold	5,419	5,805	20,990	16,956
Gross profit before fair value adjustments	16,681	9,763	43,238	30,197
Fair value adjustments on inventory sold	(9,605)	(5,113)	(25,023)	(14,433)
Unrealized gain on changes in fair value of biological assets	2,558	6,113	13,224	11,768
Gross profit	9,634	10,763	31,439	27,532

Expenses					
General and administrative	2,188	2,084	7,348	8,241	
Share-based compensation	53	731	153	4,248	
Sales and marketing	4,556	4,033	12,833	11,094	
Depreciation and amortization	1,656	1,649	5,014	4,727	
Total expenses	8,453	8,497	25,348	28,310	
(Loss) income from operations	1,181	2,266	6,091	(778)	
Other expense (income)					
Finance costs, net	4,422	3,383	11,922	11,233	
Loss (gain) on change in fair value of derivative liability	313	-	5,021	(1,551)	
Equity loss on investment in associate	-	-	-	-	
Private Placement issuance expense	-	890	-	7,530	
Loss on debt settlement	-	(10,794)	1,136	(42)	
Loss on disposal of assets	(22)	(20)	(22)	30	
Other (income) expense	(1)	7	(373)	(124)	
Total other expense	4,712	(6,534)	17,684	17,076	
Loss before income taxes	(3,531)	8,800	(11,593)	(17,854)	
Income tax expense	2,026	1,437	7,542	4,868	
Net income (loss) from continuing operations	(5,557)	7,363	(19,135)	(22,722)	
Net loss (income) from discontinued operations	19	2	8,594	33	
Net income (loss)	\$	(5,576)\$	7,361\$	(27,729)#\$	(22,755)
Other comprehensive gain that may be reclassified to profit or loss in subsequent years					
Exchange differences on translation of foreign operations and reporting currency ⁶²		(22)	87	(33)	

Comprehensive income (loss)	\$	(5,514)\$	7,339\$	(27,642)#\$	(22,788)
Net income (loss) per share					
Basic and diluted - continuing operations	\$	(0.02)\$	0.03\$	(0.11) \$	(0.10)
Weighted average number of shares					
Basic number of shares		252,276,742	248,405,314	252,230,588	221,637,004
Diluted number of shares		309,136,061	303,101,057	308,192,639	265,312,794

CANSORTIUM INC.

STATEMENTS OF CASH FLOWS

(USD '000)

For the nine months ended September 30,

2022

2021

Operating activities

Net loss from continuing operations	\$	(27,729)\$	(22,755)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Unrealized gain on changes in fair value of biological assets	(13,224)	(11,768)	
Realized gain on changes in fair value of biological assets	25,023	14,433	
Share-based compensation	153	3,883	
Depreciation and amortization	9,534	7,529	
Accretion and interest of convertible debentures	-	3,457	
Interest and debt issuance costs of term loan	9,359	-	
Interest income on notes receivable	(71)	-	
Loss on disposal of assets	(22)	30	
Loss on debt settlement	1,136	-	
Discontinued operations	8,594	33	
Change in fair market value of derivative	5,021	(1,551)	
Interest on lease liabilities	2,546	1,911	

Deferred tax expense	(703)	(852)
Changes in operating assets and liabilities:		
Trade receivable	(27)	(153)
Inventory	1,185	(4,969)
Biological assets	(15,495)	(3,859)
Prepaid expenses and other current assets	(477)	1,632
Right of Use Assets/Liabilities	236	-
Other assets	-	(122)
Trade payable	333	(123)
Accrued liabilities	2,060	(396)
Income taxes payable	8,053	(9,553)
Net cash provided by (used in) operating activities	15,486	(23,193)
Investing activities		
Purchases of property and equipment	(5,439)	(15,210)
Purchase of intangible assets	-	(318)
Payment of notes receivable	119	1,477
Proceeds from sale of property and equipment	-	29
Advances for notes receivable	(94)	(1,802)
Net cash used in investing activities	(5,414)	(15,824)
Financing activities		
Proceeds from issuance of shares and warrants	-	23,730
Proceeds from issuance of debt, net of loan issuance costs	-	63,086
Proceeds from issuance of convertible debenture and warrants	4,710	-
Payment of lease obligations	(4,226)	(3,342)
Exercise of Options	135	-
Exercise of warrants	-	1,365
Principal repayments of notes payable	-	(35,373)
Repayments of principal and interest of Senior Secure Term loan	(10,703)	-

Net cash provided by (used in) financing activities	(10,084)	49,466	
Effect of foreign exchange on cash and cash equivalents	87	(33)	
Net increase (decrease) in cash and cash equivalents	75	10,416	
Cash and cash equivalents, beginning of period	9,024	3,392	
Cash and cash equivalents, end of period	\$	9,099 \$	13,808

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ADJUSTED EBITDA RECONCILIATION

(USD '000)

	Three months ended		
	September	September	Variance
	30, 2022	30, 2021	
Net loss	\$ (5,576)	\$ 7,361	(12,937)
Finance costs, net	4,422	3,383	1,039
Income taxes	2,026	1,437	589
Depreciation and amortization	3,464	2,844	620
EBITDA	\$ 4,336	\$ 15,025	(10,689)

	Three months ended		
	September	September	Variance
	30, 2022	30, 2021	
EBITDA	\$ 4,336	\$ 15,025	(10,689)
Change in fair value of biological assets	7,047	(1,000)	8,047
Change in fair market value of derivative	313	-	313
Loss on debt settlement	-	(10,794)	10,794
Private placement issuance expense	-	890	(890)
Share-based compensation	53	731	(678)
Discontinued operations	19	2	17
Loss on disposal of assets	(22)	(20)	(2)

Other non-recurring expense/(income)	(1)	52	(53)	
Adjusted EBITDA	\$	11,745	\$ 4,886	\$ 6,859

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