

August 8, 2024



TerrAscend Reports Second Quarter 2024 Financial Results

Net Revenue of \$77.5 million, an increase of 7.5% year-over-year

Cash Flow from continuing operations of \$13.1 million and Free Cash Flow¹ of \$11.7 million

#1 market share position in New Jersey throughout first half of 2024

TORONTO, Aug. 08, 2024 (GLOBE NEWSWIRE) -- TerrAscend Corp. ("TerrAscend" or the "Company") (TSX: TSND, OTCQX: TSNDF), a leading North American cannabis company, today reported its financial results for the second quarter ended June 30, 2024. All amounts are expressed in U.S. dollars and are prepared under U.S. Generally Accepted Accounting Principles ("GAAP"), unless indicated otherwise. The financial results of the Company include all entities that are consolidated in the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2024 (the "Consolidated Entities"). Any references in this press release to TerrAscend or the Company include references to the Company and the Consolidated Entities.

The following financial measures are reported as results from continuing operations due to the shutdown of the Company's licensed producer business in Canada, which is reported as discontinued operations through September 30, 2023. All historical periods have been restated accordingly.

Second Quarter 2024 Financial Highlights

- **Net Revenue** was \$77.5 million, compared to \$72.1 million, an increase of 7.5% year-over-year.
- **Gross Profit Margin** was 48.6%, compared to 50.2% in Q2 2023.
- **GAAP Net loss from continuing operations** was \$6.2 million, compared to a net loss of \$12.9 million in Q2 2023.
- **EBITDA from continuing operations¹** was \$18.6 million, compared to \$6.5 million in Q2 2023, an increase of 186% year-over-year.
- **Adjusted EBITDA from continuing operations¹** was \$15.6 million, compared to \$12.8 million in Q2 2023, an increase of 21.9% year-over-year.
- **Adjusted EBITDA Margin from continuing operations¹** was 20.2%, compared to 17.8% in Q2 2023.
- **Net Cash provided by continuing operations** was \$13.1 million compared to \$1.8 million in Q2 2023.
- **Free Cash Flow¹** was \$11.7 million compared to negative \$0.2 million in Q2 2023.

"For the second quarter, revenue and EBITDA increased materially year-over-year and we delivered another quarter of positive free cash flow," stated Jason Wild, Executive Chairman of TerrAscend. "We have the right team, high-performing assets, and a major differentiation

in having a ‘wide open map’. This will enable us to strike accretive deals to enter attractive new states via best in breed operators. We are closing in on multiple transactions to expand our geographic footprint and the recent closing of our \$140 million term loan provides financial flexibility and fuel to execute this growth strategy. We can’t wait to share more details, when appropriate.”

Financial Summary Q2 2024 and Comparative Periods

All figures are restated for the Canadian business recorded as discontinued operations through Q3 2023.

| <i>(in millions of U.S. Dollars)</i> | Q2 2024 | Q2 2023 |
|---|----------------|----------------|
| Revenue, net | 77.5 | 72.1 |
| Year-over-Year increase | 7.5% | 12.7% |
| Gross profit | 37.7 | 36.2 |
| Gross profit margin | 48.6% | 50.2% |
| General & Administrative expenses | 24.1 | 30.5 |
| Share-based compensation expense (included in G&A expenses above) | 2.0 | 2.0 |
| G&A as a % of revenue, net | 31.1% | 42.3% |
| Net loss from continuing operations | (6.2) | (12.9) |
| EBITDA from continuing operations ¹ | 18.6 | 6.5 |
| Adjusted EBITDA from continuing operations ¹ | 15.6 | 12.8 |
| Adjusted EBITDA Margin from continuing operations ¹ | 20.2% | 17.8% |
| Net cash provided by operations - continuing operations | 13.1 | 1.8 |
| Free Cash Flow ¹ | 11.7 | (0.2) |

1. EBITDA from continuing operations, Adjusted EBITDA from continuing operations, Adjusted EBITDA Margin from continuing operations, and Free Cash Flow are non-GAAP measures defined in the section titled “Definition and Reconciliation of Non-GAAP Measures” below and reconciled to the most directly comparable GAAP measure, at the end of this release.

Second Quarter 2024 Business and Operational Highlights

- Achieved 8th consecutive quarter of positive cash flow provided by continuing operations.
- Achieved #1 market share position in New Jersey throughout the first half of 2024, according to BDSA.
- Doubled Pennsylvania wholesale revenue year-over-year.
- Doubled New Jersey wholesale revenue year-over-year.
- Grew Maryland wholesale revenue by 117% year-over-year.
- Delivered 40% gross margin in Michigan for the third consecutive quarter.
- Celebrated the opening of new Detroit dispensary, GAGE 313.
- Relocated and opened dispensary in Nottingham, Maryland.
- Expanded cultivation capacity at Hagerstown, Maryland facility.

Subsequent Events

- Closed on a senior secured term loan for gross proceeds of \$140 million carrying an interest rate of 12.75%, maturing in August 2028, and containing no prepayment penalties or warrants.

Second Quarter 2024 Financial Results

Net revenue for the second quarter of 2024 was \$77.5 million, an increase of 7.5% compared to \$72.1 million for the second quarter of 2023. This growth was driven by a 75% increase in wholesale revenue led by New Jersey, Pennsylvania and Maryland, partially offset by an 8.7% decline year-over-year in retail revenue mainly driven by New Jersey and Michigan.

Gross profit margin for the second quarter of 2024 was 48.6% as compared to 50.2% in the second quarter of 2023. The year-over-year decrease of 160 basis points was driven by channel mix shift and retail price compression in New Jersey, partially offset by margin expansion in both Michigan and Maryland.

General & Administrative expenses (G&A) for the second quarter of 2024 were \$24.1 million as compared to \$30.5 million in the second quarter of 2023. G&A as a percent of revenue was 31.1% in the second quarter of 2024, compared to 42.3% in the second quarter of 2023. The reduction in G&A as a percent of revenue was driven by a \$4.2 million reversal of a bad debt provision related to a legal settlement, combined with other underlying reductions across the business, while growing revenue by 7.5% year-over-year.

Net loss from continuing operations for the second quarter of 2024 was \$6.2 million, compared to a net loss of \$12.9 million in the second quarter of 2023. The improvement was driven by revenue growth while maintaining relatively stable gross profit margins and materially reducing G&A expenses.

Adjusted EBITDA from continuing operations for the second quarter of 2024 grew 21.9% year-over-year to \$15.6 million, representing a 20.2% Adjusted EBITDA margin, as compared to \$12.8 million and 17.8% in the second quarter of 2023. The year-over-year improvement of 240 basis points was driven by G&A expense leverage, partially offset by the decline in gross margin.

Balance Sheet and Cash Flow

Cash and cash equivalents, including restricted cash, were \$30.5 million as of June 30, 2024, compared to \$25.7 million as of March 31, 2024. Net cash provided by continuing operations was \$13.1 million for the second quarter of 2024 compared to \$1.8 million in the second quarter of 2023. This represented the Company's eighth consecutive quarter of positive cash flow from continuing operations. The second quarter of 2024 included an \$8.4 million federal tax refund related to certain amended tax returns for Consolidated Entities. Capex spending was \$1.4 million in the second quarter of 2024 mainly related to the completion of the Company's Hagerstown, Maryland expansion which doubled the output capacity at that site. Free cash flow was \$11.7 million as compared to (\$0.2) million in the second quarter of 2023. During the second quarter of 2024, payments were made related to \$5.8 million of debt paydown and \$1.2 million for distributions to the Company's New Jersey minority partners.

Subsequent to the end of the quarter, the Company closed on a senior secured term loan (the "Loan") for gross proceeds of \$140 million from funds managed by FocusGrowth Asset

Management, LP (“FocusGrowth”), a leading capital provider to the cannabis sector, along with other members of a loan syndicate. The Loan includes an initial draw of \$114 million in gross proceeds by certain of the Consolidated Entities in Pennsylvania, Maryland and California, with a second draw of \$26 million in gross proceeds expected in September 2024 by the Consolidated Entities in Michigan. The Loan carries an interest rate of 12.75%, matures in August 2028, contains no prepayment penalties, and is guaranteed by the Company and TerrAscend USA, Inc. No warrants were issued as part of the Loan. The proceeds from the initial draw were used to retire the Company’s existing indebtedness in Pennsylvania with the remainder available for potential M&A transactions focused on geographic expansion. The proceeds from the second draw will be used to retire the Company’s existing indebtedness in Michigan.

As of August 7, 2024, there were approximately 368 million basic shares of the Company issued and outstanding, including 291 million Company common shares, 13 million Company preferred shares, as converted, and 63 million Company exchangeable shares. Additionally, there are 44 million warrants and options outstanding at a weighted average price of \$3.84.

Conference Call

TerrAscend will host a conference call today, August 8, 2024, to discuss these results. Jason Wild, Executive Chairman, Ziad Ghanem, President and Chief Executive Officer, and Keith Stauffer, Chief Financial Officer, will host the call starting at 5:00 p.m. Eastern time. A question-and-answer session will follow management’s presentation.

Date: Thursday, August 8, 2024
Time: 5:00 p.m. Eastern Time
Webcast: <https://app.webinar.net/LVQnp1BkreY>
Dial-in Number: 1-888-664-6392
Replay: 416-764-8677 or 1-888-390-0541

Available until 12:00 midnight Eastern Time Thursday, August 22, 2024
Replay Entry Code: 532477#

Financial results and analyses are available on the Company’s website (www.terrascent.com), the SEC’s Electronic Data Gathering and Analysis Retrieval System (EDGAR) (www.sec.gov), and SEDAR+ (www.sedarplus.ca).

The Toronto Stock Exchange (“TSX”) has neither approved nor disapproved the contents of this news release. Neither the TSX nor any securities regulator accepts responsibility for the adequacy or accuracy of this release.

About TerrAscend

TerrAscend is a leading TSX-listed cannabis company with interests across the North American cannabis sector, including vertically integrated operations in Pennsylvania, New Jersey, Maryland, Michigan and California through TerrAscend Growth Corp. and retail operations in Canada through TerrAscend Canada Inc.. TerrAscend operates The Apothecarium, Gage and other dispensary retail locations as well as scaled cultivation, processing, and manufacturing facilities in its core markets. TerrAscend’s cultivation and manufacturing practices yield consistent, high-quality cannabis, providing industry-leading product selection to both the medical and legal adult-use markets. The Company owns or licenses several synergistic businesses and brands including Gage Cannabis, The

Apothecarium, Cookies, Lemonnade, Ilera Healthcare, Kind Tree, Legend, State Flower, Wana, and Valhalla Confections. For more information visit www.terrascend.com.

Caution Regarding Cannabis Operations in the United States

Investors should note that there are significant legal restrictions and regulations that govern the cannabis industry in the United States. Cannabis remains a Schedule I drug under the US Controlled Substances Act, making it illegal under federal law in the United States to, among other things, cultivate, distribute, or possess cannabis in the United States. Financial transactions involving proceeds generated by, or intended to promote, cannabis-related business activities in the United States may form the basis for prosecution under applicable US federal money laundering legislation.

While the approach to enforcement of such laws by the federal government in the United States has trended toward non-enforcement against individuals and businesses that comply with medical or adult-use cannabis programs in states where such programs are legal, strict compliance with state laws with respect to cannabis will neither absolve TerrAscend of liability under U.S. federal law, nor will it provide a defense to any federal proceeding which may be brought against TerrAscend. The enforcement of federal laws in the United States is a significant risk to the business of TerrAscend and any proceedings brought against TerrAscend thereunder may adversely affect TerrAscend's operations and financial performance.

Forward Looking Information

This news release contains “forward-looking information” within the meaning of applicable securities laws. Forward-looking information contained in this press release may be identified by the use of words such as, “may”, “would”, “could”, “will”, “likely”, “expect”, “anticipate”, “believe”, “intend”, “plan”, “forecast”, “project”, “estimate”, “outlook” and other similar expressions, and include statements with respect to the Company’s expectations regarding the financial and other benefits of the Loan to the Company’s operations and growth strategy; the Company’s expected use of proceeds from the Loan; the Company’s potential expansion into other markets and U.S federal regulatory reform. Forward-looking information is not a guarantee of future performance and is based upon a number of estimates and assumptions of management in light of management’s experience and perception of trends, current conditions and expected developments, as well as other factors relevant in the circumstances, including assumptions in respect of current and future market conditions, the current and future regulatory environment, and the availability of licenses, approvals and permits.

Although the Company believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because the Company can give no assurance that they will prove to be correct. Actual results and developments may differ materially from those contemplated by these statements. Forward-looking information is subject to a variety of risks and uncertainties that could cause actual events or results to differ materially from those projected in the forward-looking information. Such risks and uncertainties include, but are not limited to, current and future market conditions; risks related to federal, state, provincial, territorial, local and foreign government laws, rules and regulations, including federal and state laws in the United States relating to cannabis operations in the United States; and the risk factors set out in the Company’s most recently filed MD&A, filed with the

Canadian securities regulators and available under the Company's profile on SEDAR+ at www.sedarplus.ca and in the section titled "Risk Factors" in the Company's Annual Report for the year ended December 31, 2023 filed with the Securities and Exchange Commission on March 14, 2024.

The statements in this press release are made as of the date of this release. The Company disclaims any intent or obligation to update any forward-looking information, whether, as a result of new information, future events, or results or otherwise, other than as required by applicable securities laws.

Definition and Reconciliation of Non-GAAP Measures

In addition to reporting the financial results in accordance with GAAP, the Company reports certain financial results that differ from what is reported under GAAP. Non-GAAP measures used by management do not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies. The Company believes that certain investors and analysts use these measures to measure a company's ability to meet other payment obligations or as a common measurement to value companies in the cannabis industry, and the Company calculates: (i) EBITDA from continuing operations and Adjusted EBITDA from continuing operations as net loss, adjusted to exclude provision for income taxes, finance expenses, depreciation and amortization, share-based compensation, loss from revaluation of contingent consideration, gain on fair value of derivative liabilities and purchase option derivative assets, gain on lease termination, and certain other items, which management believes is not reflective of the ongoing operations and performance, (ii) Adjusted EBITDA Margin from continuing operations as EBITDA from continuing operations adjusted for certain material non-cash items such as share-based compensation, loss from revaluation of contingent consideration, gain on fair value of derivative liabilities and purchase option derivative assets, gain on lease termination, certain other items, which management believes is not reflective of the ongoing operations and performance of the Company, (iii) Free Cash Flow as net cash provided by operating activities from continuing operations as presented in the Consolidated Statements of Cash Flows, less capital expenditures for property and equipment, and (iv) General & Administrative expenses excluding stock-based compensation as a percentage of Revenue, net. Such information is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. The Company believes this definition is a useful measure to assess the performance of the Company as it provides more meaningful operating results by excluding the effects of expenses that are not reflective of the Company's underlying business performance and other one-time or non-recurring expenses.

For more information regarding TerrAscend:

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TerrAscend Corp.

Consolidated Balance Sheet

(Amounts expressed in thousands of United States dollars, except for share and per share amounts)

| | At June 30, 2024 | At December 31, 2023 |
|--|--------------------------|----------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 27,378 | \$ 22,241 |
| Restricted cash | 3,113 | 3,106 |
| Accounts receivable, net | 16,799 | 19,048 |
| Investments | 1,737 | 1,913 |
| Inventory | 51,009 | 51,683 |
| Prepaid expenses and other current assets | 4,771 | 4,898 |
| Total current assets | <u>104,807</u> | <u>102,889</u> |
| Non-current assets | | |
| Property and equipment, net | 193,340 | 196,215 |
| Deposits | 284 | 337 |
| Operating lease right of use assets | 41,645 | 43,440 |
| Intangible assets, net | 212,515 | 215,854 |
| Goodwill | 106,929 | 106,929 |
| Other non-current assets | 724 | 854 |
| Total non-current assets | <u>555,437</u> | <u>563,629</u> |
| Total assets | <u>\$ 660,244</u> | <u>\$ 666,518</u> |
| Liabilities and shareholders' equity | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 46,918 | \$ 49,897 |
| Deferred revenue | 4,699 | 4,154 |
| Loans payable, current | 15,946 | 137,737 |
| Contingent consideration payable, current | 2,632 | 6,446 |
| Operating lease liability, current | 2,330 | 1,244 |
| Derivative liability, current | 899 | — |
| Lease obligations under finance leases, current | 93 | 2,030 |
| Corporate income tax payable | 3,184 | 4,775 |
| Other current liabilities | 756 | 717 |
| Total current liabilities | <u>77,457</u> | <u>207,000</u> |
| Non-current liabilities | | |
| Loans payable, non-current | 171,926 | 61,633 |
| Operating lease liability, non-current | 42,654 | 45,384 |
| Lease obligations under finance leases, non-current | 2,140 | 407 |
| Derivative liability, non-current | 2,253 | 5,162 |
| Convertible debt | 8,126 | 7,266 |
| Deferred income tax liability | 16,760 | 17,175 |
| Contingent consideration payable, non-current | 2,109 | — |
| Liability on uncertain tax position and other long term liabilities | 110,673 | 81,751 |
| Total non-current liabilities | <u>356,641</u> | <u>218,778</u> |
| Total liabilities | <u>434,098</u> | <u>425,778</u> |
| Commitments and contingencies | | |
| Shareholders' equity | | |
| Share capital | | |
| Series A, convertible preferred stock, no par value, unlimited shares authorized; 12,350 and 12,350 shares outstanding as of June 30, 2024 and December 31, 2023, respectively | — | — |
| Series B, convertible preferred stock, no par value, unlimited shares authorized; 600 and 600 shares outstanding as of June 30, 2024 and December 31, 2023, respectively | — | — |
| Series C, convertible preferred stock, no par value, unlimited shares authorized; nil and nil shares outstanding as of June 30, 2024 and December 31, 2023, respectively | — | — |
| Series D, convertible preferred stock, no par value, unlimited shares authorized; nil and nil shares outstanding as of June 30, 2024 and December 31, 2023, respectively | — | — |
| Proportionate voting shares, no par value, unlimited shares authorized; nil and nil shares outstanding as of June 30, 2024 and December 31, 2023, respectively | — | — |

Exchangeable shares, no par value, unlimited shares authorized; 63,492,038 and 63,492,038 shares outstanding as of June 30, 2024 and December 31, 2023, respectively

Common shares, no par value, unlimited shares authorized; 291,507,430 and 288,327,497 shares outstanding as of June 30, 2024 and December 31, 2023, respectively

| | | |
|---|-------------------|-------------------|
| Additional paid in capital | 945,797 | 944,859 |
| Accumulated other comprehensive income | 2,457 | 1,799 |
| Accumulated deficit | (723,590) | (704,162) |
| Non-controlling interest | 1,482 | (1,756) |
| Total shareholders' equity | <u>226,146</u> | <u>240,740</u> |
| Total liabilities and shareholders' equity | <u>\$ 660,244</u> | <u>\$ 666,518</u> |

TerrAscend Corp.

Consolidated Statements of Operations and Comprehensive Loss

(Amounts expressed in thousands of United States dollars, except for share and per share amounts)

| | For the Three Months Ended | | For the Six Months Ended | |
|--|----------------------------|--------------------|--------------------------|--------------------|
| | June 30, 2024 | June 30, 2023 | June 30, 2024 | June 30, 2023 |
| Revenue, net | \$ 77,523 | \$ 72,124 | \$ 158,156 | \$ 141,522 |
| Cost of sales | 39,840 | 35,898 | 81,742 | 71,396 |
| Gross profit | 37,683 | 36,226 | 76,414 | 70,126 |
| Operating expenses: | | | | |
| General and administrative | 24,060 | 30,476 | 52,068 | 58,206 |
| Amortization and depreciation | 2,190 | 2,242 | 4,405 | 4,271 |
| Impairment of property and equipment and right of use assets | — | — | 2,438 | 28 |
| Other operating (income) expense | (1,186) | 10 | (1,186) | 317 |
| Total operating expenses | 25,064 | 32,728 | 57,725 | 62,822 |
| Income from operations | 12,619 | 3,498 | 18,689 | 7,304 |
| Other expense (income) | | | | |
| Loss from revaluation of contingent consideration | 1,827 | — | 3,220 | — |
| Gain on fair value of derivative liabilities and purchase option derivative assets | (2,922) | (215) | (1,939) | (653) |
| Finance and other expenses | 8,891 | 8,171 | 17,480 | 18,258 |
| Transaction and restructuring costs | — | 389 | — | 392 |
| Unrealized and realized foreign exchange loss (gain) | 104 | (101) | 389 | (132) |
| Unrealized and realized loss on investments | 227 | 1,661 | 227 | 2,360 |
| Income (loss) from continuing operations before provision for income taxes | 4,492 | (6,407) | (688) | (12,921) |
| Provision for income taxes | 10,729 | 6,448 | 20,400 | 19,112 |
| Net loss from continuing operations | \$ (6,237) | \$ (12,855) | \$ (21,088) | \$ (32,033) |
| Discontinued operations: | | | | |
| Loss from discontinued operations, net of tax | \$ — | \$ (621) | \$ — | \$ (4,212) |
| Net loss | \$ (6,237) | \$ (13,476) | \$ (21,088) | \$ (36,245) |
| Foreign currency translation adjustment | (260) | 408 | (658) | 755 |
| Comprehensive loss | \$ (5,977) | \$ (13,884) | \$ (20,430) | \$ (37,000) |
| Net loss from continuing operations attributable to: | | | | |

| | | | | | | | | |
|---|----|-------------|----|-------------|----|-------------|----|-------------|
| Common and proportionate Shareholders of the Company | \$ | (8,180) | \$ | (14,998) | \$ | (25,235) | \$ | (36,362) |
| Non-controlling interests | \$ | 1,943 | \$ | 2,143 | \$ | 4,147 | \$ | 4,329 |
| Comprehensive loss attributable to: | | | | | | | | |
| Common and proportionate Shareholders of the Company | \$ | (7,920) | \$ | (16,027) | \$ | (24,577) | \$ | (41,329) |
| Non-controlling interests | \$ | 1,943 | \$ | 2,143 | \$ | 4,147 | \$ | 4,329 |
| Net loss per share - basic: | | | | | | | | |
| Continuing operations | \$ | (0.03) | \$ | (0.05) | \$ | (0.09) | \$ | (0.13) |
| Discontinued operations | | — | | — | | — | | (0.02) |
| Net loss per share - basic | \$ | (0.03) | \$ | (0.05) | \$ | (0.09) | \$ | (0.15) |
| Weighted average number of outstanding common shares | | | | | | | | |
| | | 291,488,661 | | 275,186,279 | | 291,053,614 | | 271,223,233 |
| Net loss per share - diluted: | | | | | | | | |
| Continuing operations | \$ | (0.03) | \$ | (0.05) | \$ | (0.09) | \$ | (0.13) |
| Discontinued operations | | — | | — | | — | | (0.02) |
| Net loss per share - diluted | \$ | (0.03) | \$ | (0.05) | \$ | (0.09) | \$ | (0.15) |
| Weighted average number of outstanding common shares, assuming dilution | | | | | | | | |
| | | 291,488,661 | | 275,186,279 | | 291,053,614 | | 271,223,233 |

TerrAscend Corp.

Consolidated Statements of Cash Flows

(Amounts expressed in thousands of United States dollars, except for share and per share amounts)

| | For the Six Months Ended | | | |
|--|--------------------------|---------------|----|----------|
| | June 30, 2024 | June 30, 2023 | | |
| Operating activities | | | | |
| Net loss from continuing operations | \$ | (21,088) | \$ | (32,033) |
| Adjustments to reconcile net loss to net cash provided by operating activities | | | | |
| Non-cash adjustments of inventory | | — | | 1,081 |
| Accretion expense | | 8,375 | | 5,673 |
| Depreciation of property and equipment and amortization of intangible assets | | 9,993 | | 9,761 |
| Amortization of operating right-of-use assets | | 1,481 | | 932 |
| Share-based compensation | | 3,446 | | 3,694 |
| Deferred income tax (recovery) expense | | (415) | | 815 |
| Gain on fair value of derivative liabilities and purchase option derivative assets | | (1,939) | | (653) |
| Gain on disposal of fixed assets | | (17) | | 345 |
| Unrealized and realized loss on investments | | 227 | | 2,410 |
| Loss from revaluation of contingent consideration | | 3,220 | | — |
| Impairment of property and equipment and right of use assets | | 2,438 | | — |
| Gain on lease termination | | (1,169) | | — |
| Bad debt recovery | | (1,307) | | (23) |
| Unrealized and realized foreign exchange loss (gain) | | 389 | | (132) |
| Changes in operating assets and liabilities | | | | |
| Receivables | | 1,358 | | 318 |
| Inventory | | 1,970 | | (7,851) |
| Prepaid expense and other current assets | | 119 | | (319) |
| Deposits | | 53 | | 431 |
| Other assets | | 77 | | 714 |
| Accounts payable and accrued liabilities and other payables | | (8,019) | | 4,089 |
| Operating lease liability | | (1,147) | | (337) |
| Other liability | | (536) | | (173) |
| Uncertain tax position liabilities | | 29,917 | | 1,258 |

| | | |
|--|------------------|------------------|
| Corporate income tax payable | (1,591) | 22,127 |
| Deferred revenue | 545 | 157 |
| Net cash provided by operating activities- continuing operations | 26,380 | 12,284 |
| Net cash used in operating activities - discontinued operations | — | (3,164) |
| Net cash provided by operating activities | 26,380 | 9,120 |
| Investing activities | | |
| Investment in property and equipment | (4,272) | (4,504) |
| Investment in intangible assets | (699) | (262) |
| Principal payments received on lease receivable | — | 104 |
| Insurance recovery for property and equipment | 871 | — |
| Receipt of convertible debenture payment | — | 738 |
| Payment for land contracts | (478) | (769) |
| Cash portion of consideration paid in acquisitions, net of cash of acquired | (250) | (14,469) |
| Net cash used in investing activities - continuing operations | (4,828) | (19,162) |
| Net cash provided investing activities - discontinued operations | — | 14,285 |
| Net cash used in investing activities | (4,828) | (4,877) |
| Financing activities | | |
| Transfer of Employee Retention Credit | — | 12,677 |
| Proceeds from loan payable, net of transaction costs | 3,137 | 23,872 |
| Proceeds from options and warrants exercised | — | 81 |
| Loan principal paid | (18,048) | (40,359) |
| Loan amendment fee paid and prepayment premium paid | — | (1,178) |
| Capital distributions paid to non-controlling interests | (1,564) | (3,415) |
| Proceeds from private placement, net of share issuance costs | — | 19,218 |
| Payments made for financing obligations and finance lease | (316) | (941) |
| Net cash (used in) provided by financing activities- continuing operations | (16,791) | 9,955 |
| Net cash used in financing activities- discontinued operations | — | (5,539) |
| Net cash (used in) provided by financing activities | (16,791) | 4,416 |
| Net increase in cash and cash equivalents and restricted cash during the period | 4,761 | 8,659 |
| Net effects of foreign exchange | 383 | (901) |
| Cash and cash equivalents and restricted cash, beginning of the period | 25,347 | 26,763 |
| Cash and cash equivalents and restricted cash, end of the period | \$ 30,491 | \$ 34,521 |
| Supplemental disclosure with respect to cash flows | | |
| Income taxes paid (refund received) | \$ (8,116) | \$ (4,582) |
| Interest paid | \$ 12,599 | \$ 9,259 |
| Lease termination fee paid | \$ 271 | \$ — |
| Non-cash transactions | | |
| Equity and warrant liability issued for acquisitions and non-controlling interest | \$ 4,674 | \$ 10,267 |
| Shares issued for legal and liability settlement | \$ — | \$ 794 |
| Distribution payable to non-controlling interests | \$ 719 | \$ — |
| Accrued capital purchases | \$ 811 | \$ 529 |

TerrAscend Corp.

Reconciliation of GAAP to Non-GAAP Financial Measures

(Amounts expressed in thousands of United States dollars, except for percentages)
(unaudited)

The table below reconciles net loss from continuing operations to EBITDA from continuing operations and Adjusted EBITDA from continuing operations:

| | For the Three Months Ended | |
|--------------|----------------------------|---------------|
| | June 30, 2024 | June 30, 2023 |
| Revenue, net | \$ 77,523 | 72,124 |

| | | |
|--|------------------|------------------|
| Net loss | (6,237) | \$ (13,476) |
| Net loss margin % | -8.0 % | -18.7 % |
| Loss from discontinued operations | — | 621 |
| Loss from continuing operations | (6,237) | (12,855) |
| <i>Add (deduct) the impact of:</i> | | |
| Provision for income taxes | 10,729 | 6,448 |
| Finance expenses | 9,132 | 7,963 |
| Amortization and depreciation | 4,993 | 4,991 |
| EBITDA from continuing operations | 18,617 | 6,547 |
| <i>Add (deduct) the impact of:</i> | | |
| Share-based compensation | 1,960 | 1,981 |
| Loss from revaluation of contingent consideration | 1,827 | — |
| Bad debt recovery | (4,169) | — |
| Other one-time items | 1,176 | 2,932 |
| Loss (gain) on lease termination and derecognition of ROU asset | (1,169) | — |
| Gain on fair value of derivative liabilities and purchase option derivative assets | (2,922) | (215) |
| Impairment of property and equipment | — | 10 |
| Gain on disposal of fixed assets | (17) | — |
| Unrealized and realized loss on investments | 227 | 1,661 |
| Unrealized and realized foreign exchange loss (gain) | 104 | (101) |
| Adjusted EBITDA from continuing operations | \$ 15,634 | \$ 12,815 |
| <i>Adjusted EBITDA Margin from continuing operations</i> | 20.2 % | 17.8 % |

The table below reconciles Net cash provided by (used in) operating activities – continuing operations to Free Cash Flow:

| | For the Three Months Ended | |
|--|----------------------------|---------------|
| | June 30, 2024 | June 30, 2023 |
| Net cash provided by operating activities- continuing operations | \$ 13,129 | \$ 1,830 |
| Capital expenditures for property and equipment | (1,476) | (2,007) |
| Free Cash Flow | \$ 11,653 | \$ (177) |

The table below reconciles Revenue, net to General & Administrative expenses excluding stock-based compensation as a percentage of revenue, net:

| | For the Three Months Ended | |
|--|----------------------------|---------------|
| | June 30, 2024 | June 30, 2023 |
| Revenue, net | \$ 77,523 | \$ 72,124 |
| General & Administrative expenses | 24,060 | 30,476 |
| Less: stock-based compensation | 1,960 | 1,981 |
| General & Administrative expenses excluding stock-based compensation | \$ 22,100 | \$ 28,495 |
| G&A excluding stock-based compensation as a % of revenue, net | 28.5 % | 39.5 % |



Source: TerrAscend