



# TERRASCEND

Investor Presentation

May 2024

[Terrascend.com](https://www.terrascend.com)

TSX: TSND | OTCQX: TSNDF

# Disclaimer

## Forward-Looking Information

This presentation contains “forward-looking information” within the meaning of applicable securities laws, including the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking information contained in this presentation 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. 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. Examples of forward-looking information contained in this presentation include statements regarding the expectations regarding the Company’s plans to file tax refund claims for past years; the Company’s strategic plans, objectives and roadmap; the estimated addressable market opportunity, including the proposed entry into new markets, such as Ohio; the Company’s outlook, including the Company’s expected financial results for the second quarter of 2024; expectations regarding regulatory reforms and the benefits thereof; and expectations for other economic, business, and/or competitive factors.

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The statements included in this presentation are made as of the date of this presentation. TerrAscend 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.

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# Disclaimer

## Definition and Reconciliation of Non-GAAP Measures

In addition to reporting the financial results in accordance with generally accepted accounting principles in the United States ("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 Adjusted Gross Profit and Adjusted Gross Profit Margin as Gross Profit and gross profit margin adjusted for certain material non-cash items including the one-time relief of fair value upon acquisition, non-cash write downs of inventory, sales returns and write downs of inventory as a result of a vape recall in Pennsylvania, and other one-time adjustments to gross profit that management does not believe are reflective of ongoing operations. We calculate EBITDA from continuing operations and Adjusted EBITDA from continuing operations and Adjusted EBITDA Margin from continuing operations as net loss adjusted for certain material non-cash items such as inventory write downs outside of the normal course of operations, fees related to the modification of debt, impairment charges taken on goodwill, intangible assets and property and equipment, the gain or loss recognized on the revaluation of our contingent consideration liabilities, gains resulting from the extinguishment of debt, loan modification fees related to the modification of debt, the gain recognized on the extinguishment of debt, the gain or loss on fair value of warrants and purchase option derivative assets, relief of fair value upon acquisition and certain other adjustments management believes are not reflective of the ongoing operations and performance. Furthermore, the Company defines Free Cash Flow as net cash provided by operating activities from continuing operations, adjusted for certain cash items such as capital expenditures for property and equipment. 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.

Reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures are contained in the Appendix to this presentation. The Company has not provided a reconciliation of its forward-looking Adjusted EBITDA Margin with the most directly comparable GAAP measure in reliance on the unreasonable efforts exception provided under Item 10(e)(1)(i)(B) of Regulation S-K. The Company is unable to calculate the most directly comparable GAAP measure, without unreasonable efforts due to the variability and low visibility with respect to certain costs such as stock-based compensation, certain fair value measurements, tax items, and others that may arise during the period that are not ascertainable.

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Certain information contained in this presentation and statements made orally during the related earnings webcast relate to or are based on studies, publications, surveys and other data obtained from third-party sources and the Company's own internal estimates and research. While the Company believes these third-party studies, publications, surveys and other data to be reliable as of the date of this presentation, the Company has not independently verified, and makes no representations as to the adequacy, fairness, accuracy or completeness of, any information obtained from third-party sources. In addition, no independent source has evaluated the reasonableness or accuracy of the Company's internal estimates or research and no reliance should be made on any information or statements made in this presentation relating to or based on such internal estimates and research.

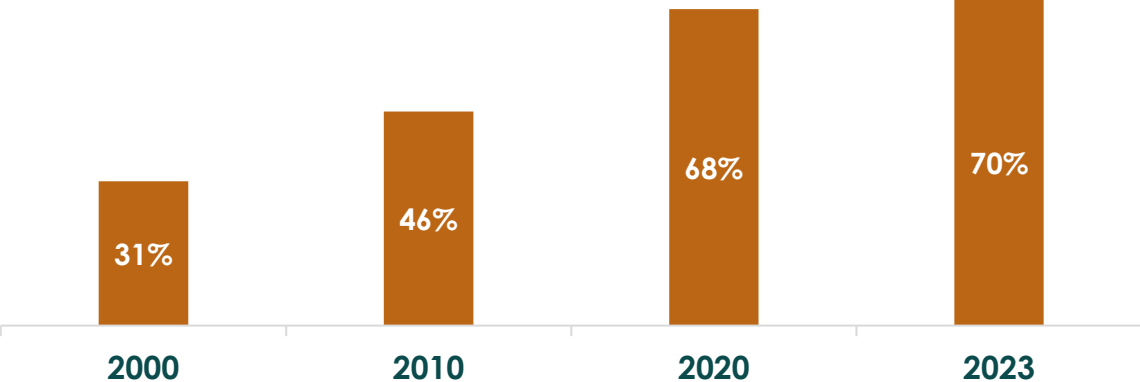
# U.S. Cannabis Market

# U.S. Cannabis Industry

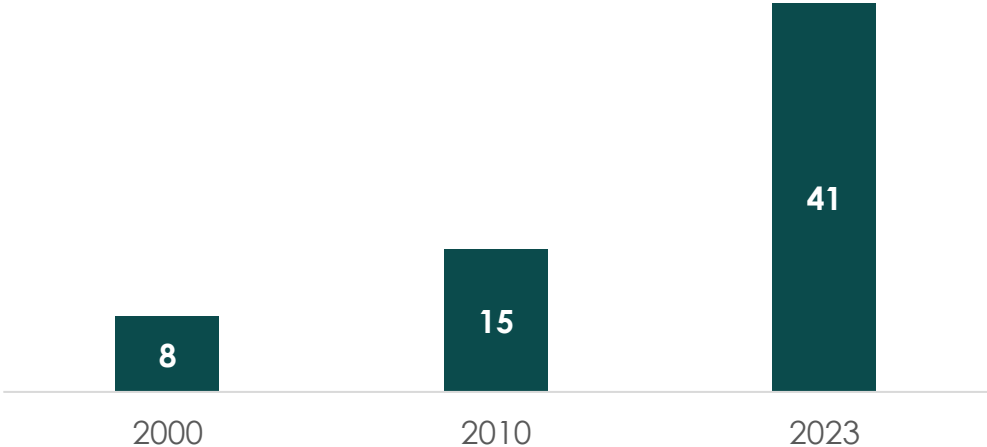
**Total U.S. Cannabis Market Size**  
(in Billions USD)



**% of Americans in Favor of Legalization**



**Number of U.S. States Legalized\***



**Potential Regulatory Catalysts**

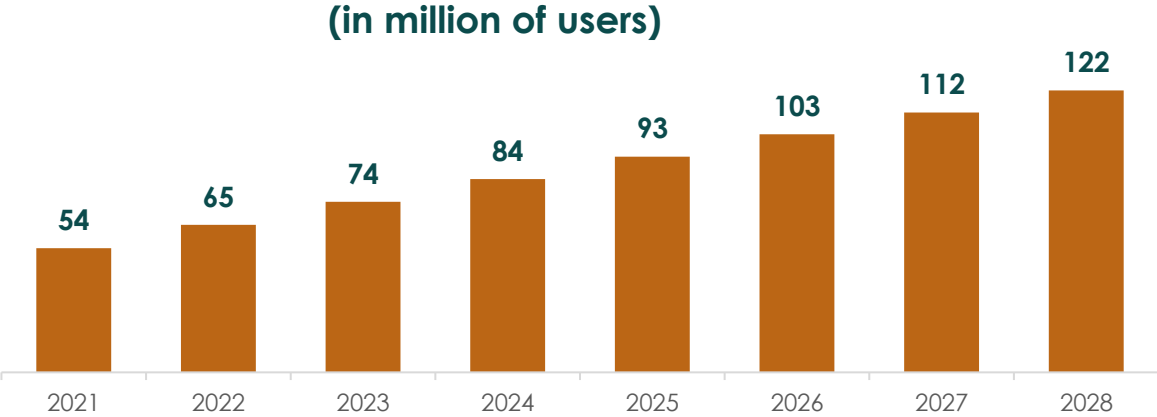
**May 2024:** Recent news that the DEA is moving to re-schedule cannabis to Schedule III.

**SAFER Banking Act:** Would create safe harbours for financial institutions to accept deposits from state licenced cannabis businesses.

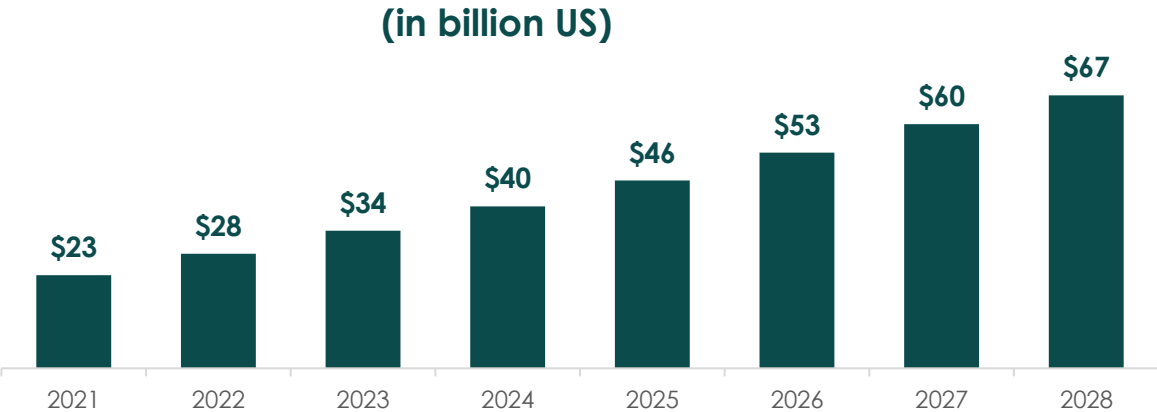
# U.S. Cannabis Market Outlook

- With over 50% of the U.S. population now living in states that have legalized, the total U.S. cannabis user population is projected to continue growing to 122 million users by 2028.
- The U.S. cannabis market is expected to grow at compounded annual growth rate (CAGR) of 15% between 2023 and 2028 to total \$67 billion by 2028.
- With the anticipated rescheduling of cannabis, companies will no longer be affected by 280E and would save an estimated \$2 billion in excess taxes in 2023.

Total U.S. Cannabis Users



Total U.S. Cannabis Market



Source: Cannabis - united states: Statista market forecast. Statista. (n.d.). <https://www.statista.com/outlook/hmo/cannabis/united-states#revenue>

# Company Overview

# Experienced Leadership Team



**Jason Wild**  
Executive Chairman



**Ziad Ghanem**  
Chief Executive Officer



**Keith Stauffer**  
Chief Financial Officer



**Lynn Gefen**  
Chief Legal Officer



**BJ Carretta**  
SVP Marketing



**Chantelle Elsner**  
President, Northeast



**Mary Turon**  
President, Michigan





# Our Journey

**2017**  
Founded



Launched as Canadian LP  
Initial investment of \$52.5M by Canopy Growth and JW Asset Management



**2018**



Pivoted Operations to the US Market  
Awarded NJ Vertically Integrated License



**2019**



Acquired The Apothecarium in CA

Acquired Ilera in PA



**2021**

Acquired 3 Operating Dispensaries in PA  
Acquired HMS Grower / Processor in Maryland



**2022**



Acquired Gage in MI



Acquired 5 Additional Dispensaries in MI

**2023**

Acquired 4 Dispensaries in MD  
MD Begins AU on July 1, 2023



Commenced Trading on the TSX

TSXV METALLA ROYALTY [M.T.A.V] 5.78 ▲ 0.00  
NUBIA TECHNOLOGY [NVA.V] 12.35 ▲ 0.01  
INTERNATIONAL PETROLEUM [IPCQ.TO] 5.00 ▲ 0.00  
IVANHOE MINS LTD [IVN.TO] 6.59 ▲ 0.00  
JAMIESON W 1.64 ▲

TMX THE FUTURE IS YOURS TO SEE.

S&P-TSX COMPOSITE INDEX  
20,180.28

9:30:02 AM  
Tuesday  
Jul 4, 2023

TERRASCEND

THE MARKET IS OPEN



TERRASCEND

TMX Group welcomes  
TerrAscend Corp  
to Toronto Stock Exchange  
TSX:TSND

THE MARKET IS OPEN

TMX THE FUTURE IS YOURS TO SEE.

TMX MA

mark

# Company Strategy



**Delight our customers with great brands & outstanding retail experience**



**Depth & Scale in Attractive Markets with ample greenfield opportunity for expansion**



**Vertical Integration to Maximize Quality & Profitability**



**Operational Excellence & Financial Discipline**



**Culture of Compliance**

# Our Business

A leading, vertically-integrated, North American Operator

 **2017**  
Year Founded

 **38**  
Operating Dispensaries


 **\$317.3 M**  
FY 2023 Net Revenue

 **+28.0%**  
YoY Growth

 **~1,200**  
Total employees

 **10**  
Premium Brands

 **50.3%**  
FY 2023 Gross Profit Margin

 **\$31.1 M**  
FY 2023 Cash Flow from  
Continuing Operations  
(Q4 2023 Represents 6th  
Consecutive Quarter of  
Positive Cash Flow from  
Continuing Operations)

 **5**  
U.S. States

 **Broad Wholesale  
Distribution**

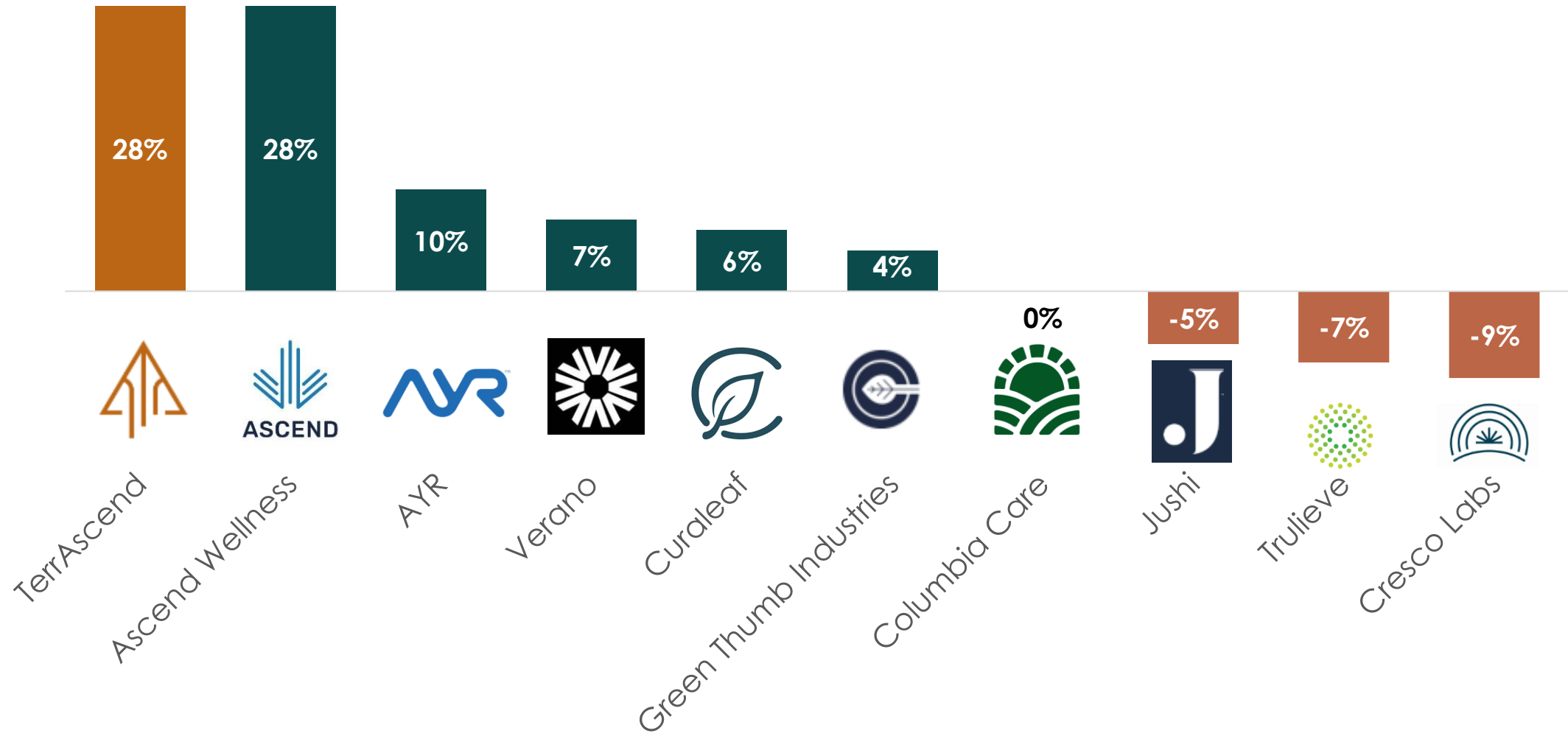
 **+77.1% YoY**  
FY 2023 Adjusted EBITDA  
from Continuing Operations  
\*

 **\$23.4 M**  
FY 2023 Free Cash Flow\*

 **1**  
Canada Retail

 **7**  
U.S. Cultivation &  
Production Facilities

# Sector Leading Full Year 2023 YOY Revenue Growth



# Business Overview

# Operational Efficiencies Across Each Core Market

## CALIFORNIA

Super premium flower & 5 dispensaries

Population  
**40** Million

## MICHIGAN

Scaled vertical operations including cultivation, manufacturing, retail with 19 locations, and exclusive brand partnerships

Population  
**10** Million

## NEW JERSEY

Top 3 Player – Scaled vertical operation with 3 dispensaries

Population  
**9** Million

## PENNSYLVANIA

Scaled vertical operation with large scale cultivation and manufacturing, and 6 medical dispensaries

Population  
**12** Million

## MARYLAND

Vertically integrated operation with state-of-the-art cultivation and manufacturing facility and 4 Dispensaries

Population  
**6** Million

# New Jersey

## 1Q '24 Highlights

- Largest and Most Profitable Market
- According to BDSA, have consistently maintained a top 3 market share position
- In 2023, wholesale revenue doubled from Q2 to Q3, then grew another 25% in Q4, and remained strong in Q1 '24
- Maintained high cultivation yields and product quality, low-cost structure, an efficient retail labor model, leading brands and retail experience
- Future Growth Opportunities for up to 7 additional social equity qualifying dispensaries





# Maryland

## 1Q '24 Highlights

- Still Early Innings of Adult-Use
  - Adult-use began July 1, 2023
  - Q1 retail revenue remained stable
  - Wholesale revenue grew 22%
  - Gross margin improved QoQ
- Fully Vertically Integrated
  - State-of-the-art cultivation facility
  - Recently completed expansion, doubling capacity
  - 4 retail locations; the state limit
    - Continuing to increase our verticality levels in our dispensaries
  - Believed to be among highest performing retail operators in MD
  - Nearly complete with relocation of Parkville location to a new, larger storefront



# Pennsylvania

## 1Q '24 Highlights

- Market Overview
  - Population of 12 million
  - Current medical market size already over \$1.2B
  - According to BDSA, expected to be over \$2B adult-use market by 2028
- Retail and Wholesale Growth
  - Seasonal decline in revenue sequentially at retail, as expected
  - Wholesale revenue grew both sequentially and YOY at rates of 23% and 80%, respectively
  - Legend and Valhalla edibles brands were key drivers with 10% and 54% QoQ growth, respectively

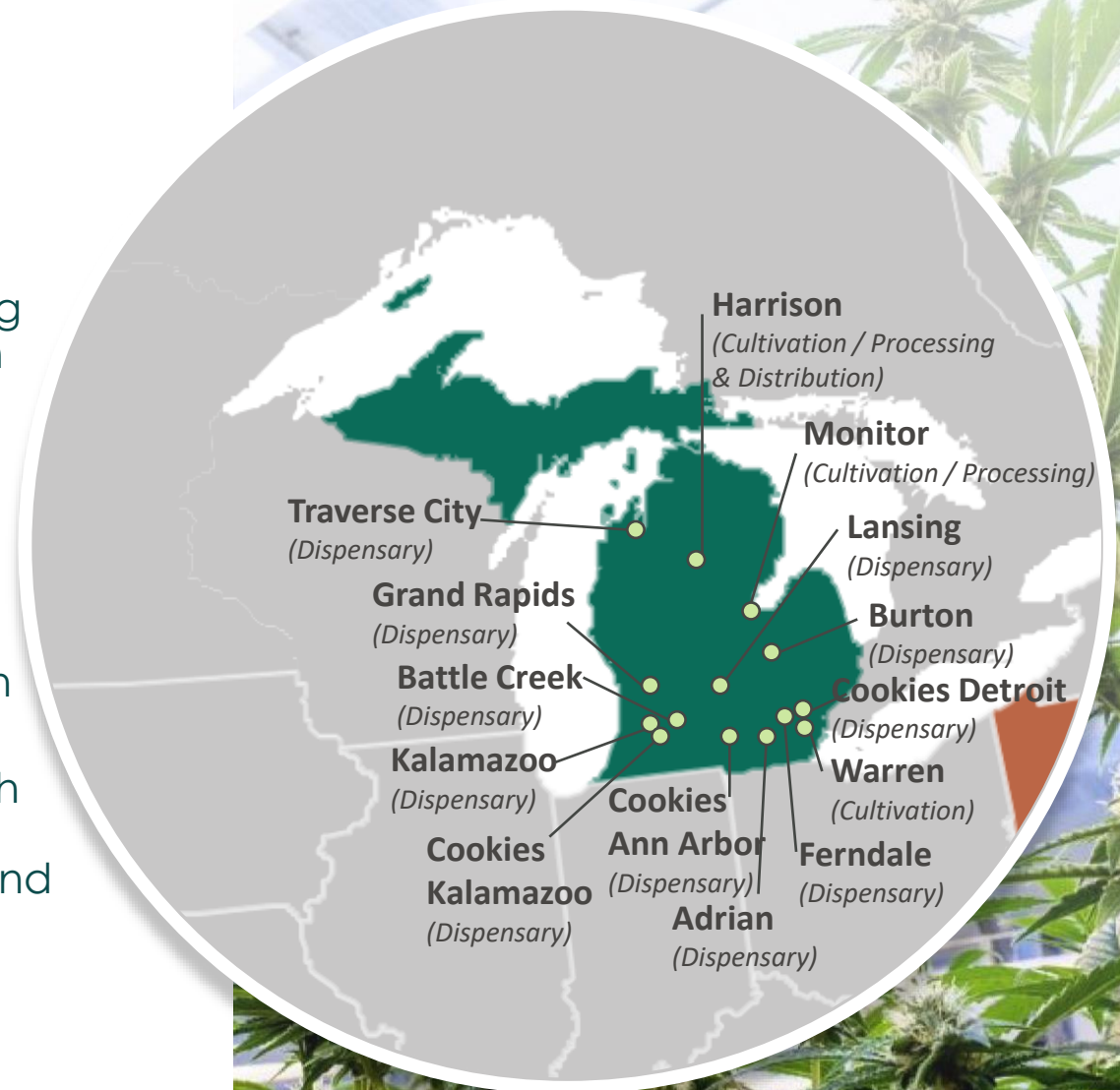
PA Remains a Large Market Opportunity,  
Particularly as State Prepares for AU



# Michigan

## 1Q '24 Highlights

- Focused on Margin and Profitability
  - Improving operational efficiency and driving gross margins to establish a solid foundation from which to expand footprint
  - Once again achieved goal of 40% gross margins
- Large Market Opportunity
  - Second largest cannabis state in nation with over \$3 billion in annual sales
  - Today, 19 retail locations, soon to be 20, with the planned opening of second location in Detroit, scheduled for Memorial Day weekend
- Actively Pursuing Opportunities to Go Deeper in this Market



# California

## • Market Overview

- Population of 39.5 million
- Medical and adult-use market size is currently \$4.3 billion and expected to reach \$5.7 billion by 2025<sup>1</sup>

## • Operations

- Focused on San Francisco / Bay area with 4 retail dispensaries open
- State flower 20K Sq Ft cultivation facility
- 110+ dispensaries with TerrAscend brands
- Valhalla edibles brand



1. Source: 8th Edition, The State of the Legal Cannabis Markets, Arcview Market Research (Published May 5, 2020)

# Attractive M&A Opportunities

Ample greenfield opportunity of attractive new markets to enter, for example, Ohio

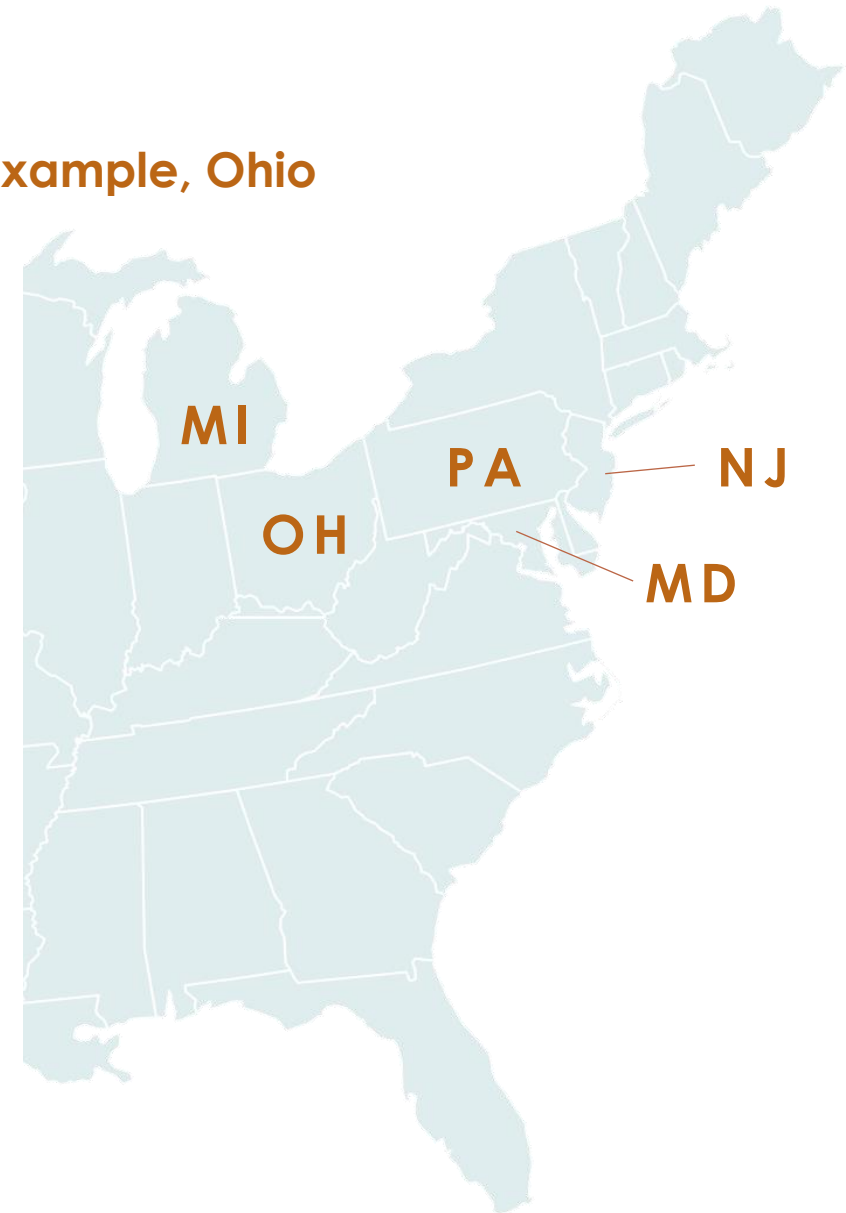


Population

**12** Million

Adult-use on the horizon

- Similar to successful expansion into Maryland, sights are now set on entering Ohio prior to commencement of Adult-Use.
- Ohio has population of 12 million, compared to 9 million in NJ and 6 million in MD.
- Employing AU playbook in Ohio could result in even larger business relative to other top performing TerrAscend markets.
- Plan to leverage Michigan corporate infrastructure in a similar manner to how Maryland integrated into the northeast infrastructure in 2023. Would make MI and OH more profitable combined than on a standalone basis.



# Brand Portfolio



# Elevated Retail Experiences

38 Dispensaries Across Maryland, Pennsylvania, New Jersey, Michigan, California and Canada

- 10 years of operating retail experience in San Francisco, CA
- Designed to provide enhanced patient and customer experiences
- Highly trained staff to provide product education
- Mobile App and online ordering available for express pick-up or delivery (in select markets)



Flagship Castro store in San Francisco named the best designed dispensary in the country by Architectural Digest<sup>2</sup>



# Financial Overview



# Strong 5-Year Revenue and Adjusted EBITDA Growth

(in millions)



\* Adjusted EBITDA and Adjusted EBITDA margin from continuing operations and Free Cash Flow are non-GAAP financial measures. Please refer to disclaimer on slide 2 and 3 and Reconciliation of Non-GAAP Measures in appendix.

# 2023 Accomplishments

- Grew business to new levels and at the highest rate among public companies in the industry
- Strengthened operational performance
- Blazed new trail by being first plant-touching US operator to list on the TSX
- Played leadership role in case filed against the US attorney general
- Went deeper and vertically integrated in MD
- Reduced debt and interest expense
- Became cash flow positive for first year in company history

# Q1 2024 Financial Highlights – Focus on Cash Flow

Generating sufficient cash, in excess of total accrued taxes, including the uncertain tax position related to 280E taxes



**\$80.6 M**  
Net Revenue



**\$16.2 M**  
Adjusted EBITDA from  
Continuing Operations\*



**7<sup>th</sup> Consecutive**  
Quarter of Positive  
Cash Flow from  
Continuing Operations



**+16.1% YoY**



**+33% YoY**



**\$13.3 M**  
Cash Flow from  
Continuing Operations



**48%**  
Gross Profit Margin



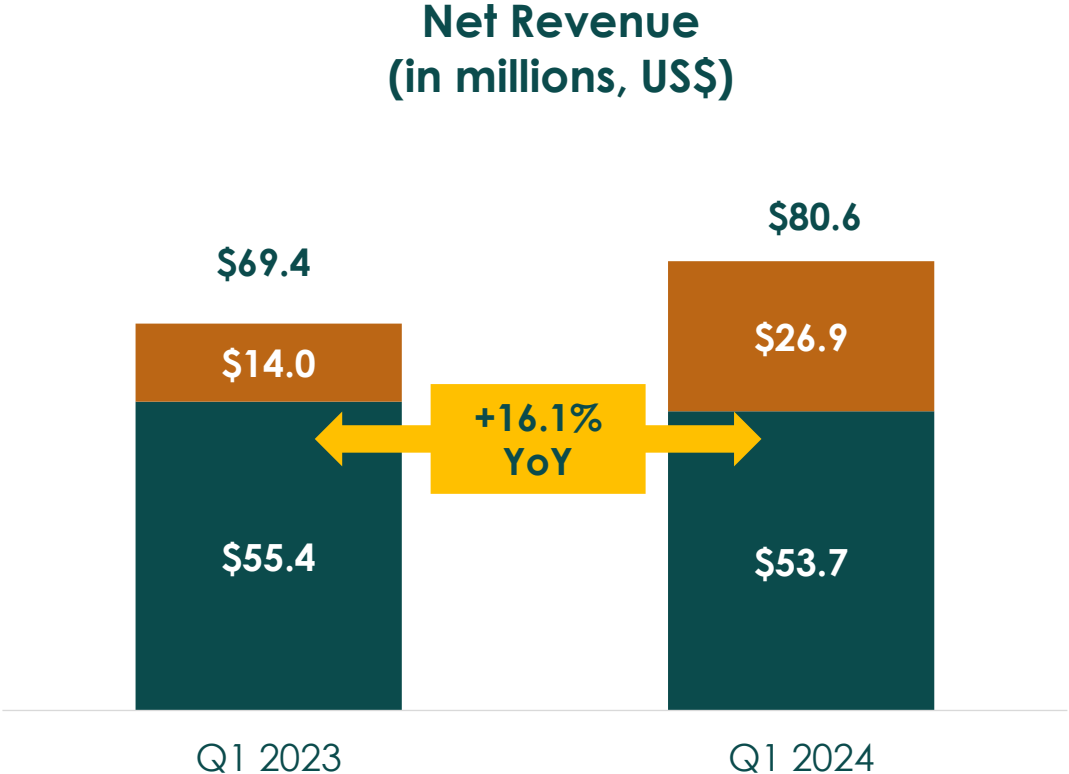
**20.1%**  
Q1 2024 Adjusted  
EBITDA Margin\*



**\$10.5 M**  
Free Cash Flow\*

# First Quarter 2024 Net Revenue

YoY increases driven by acquisition of 4 retail dispensaries and launch of adult-use in Maryland, and strong wholesale growth in New Jersey and Pennsylvania

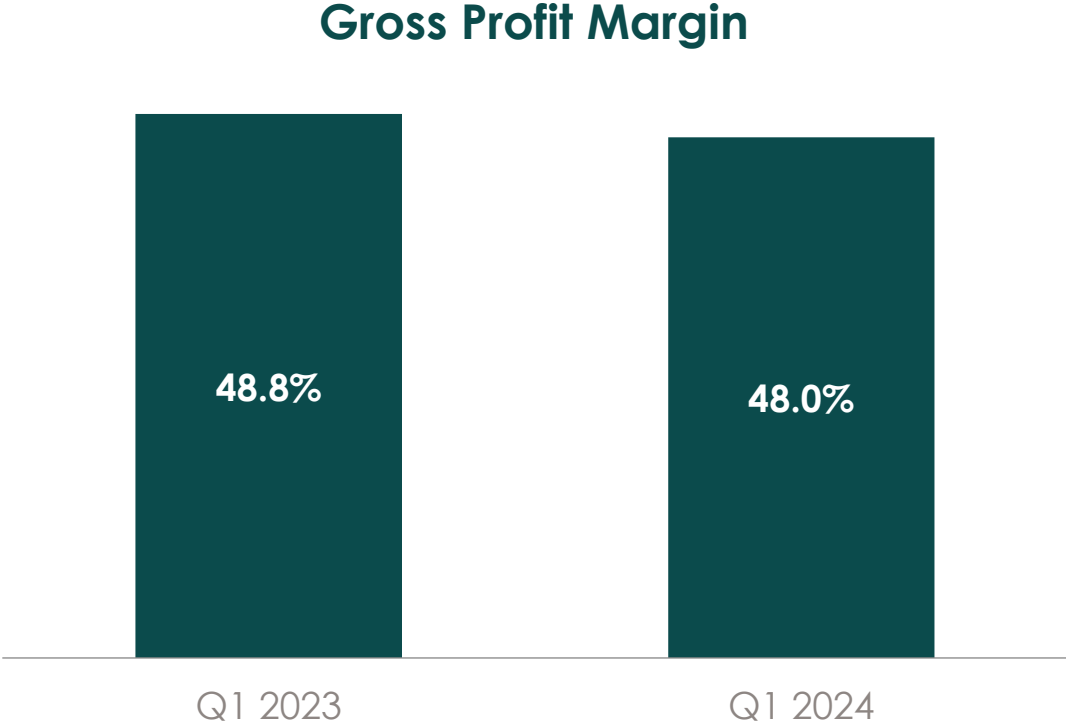


## First Quarter 2024 Highlights

- Revenue: \$80.6M versus \$69.4M in Q1 2023
- +16.1% growth year-over-year
- Wholesale growth 92% year-over-year mainly driven by doubling of wholesale revenue driven by increased demand for brands across the new store openings in NJ and an 80% increase in PA driven by performance of Legend flower and Valhalla edibles brands
- Retail 3% year-over-year decline mainly driven by new door openings in NJ and reductions in unprofitable revenue in MI, offset by growth in MD

# Gross Profit Margin

Slight year-over-year decrease driven by channel mix shift in NJ and scale-up related costs in MD, partially offset by improvements in MI



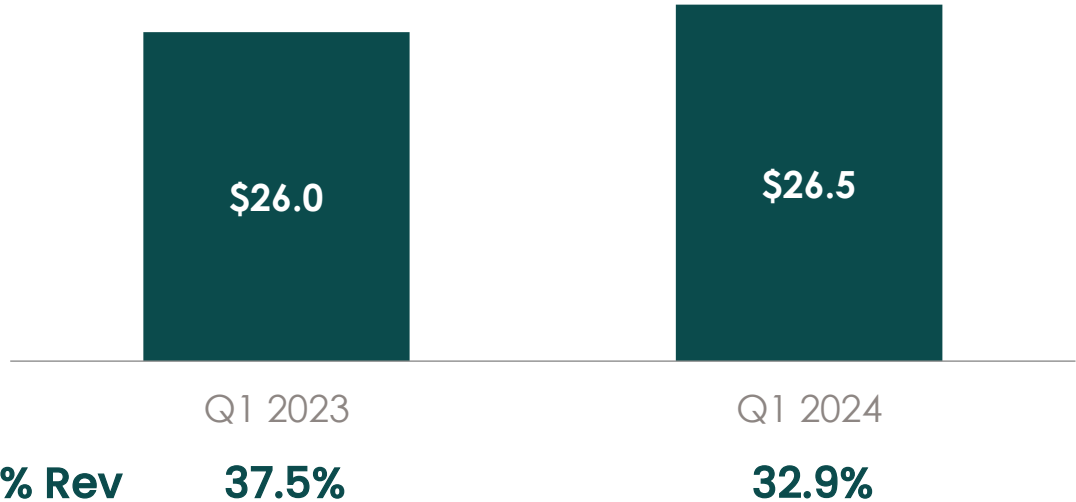
## First Quarter 2024 Highlights

- Gross Profit Margin: 48.0% versus 48.8% in Q1 2023
- YOY decrease was driven by channel mix shift in NJ and scale-up related costs in MD, partially offset by improvements in MI
- While gross margin declined YOY in NJ, absolute gross margin levels remain very strong two years into adult-use
- In MI, achieved goal of 40% gross margins for the second consecutive quarter
- Quarter-over-quarter, also made improvements to gross margin in MD

# General & Administrative Expenses\*

Maintained relatively flat G&A expenses YoY while growing revenue 16%

General & Administrative Expenses\*  
(in millions, US\$)



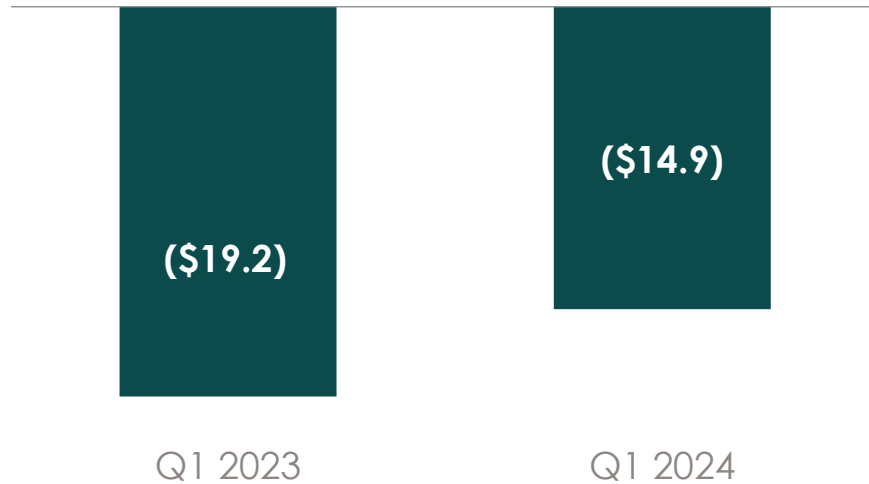
## First Quarter 2024 Highlights

- General & Administrative expenses\* for the first quarter of 2024, excluding stock-based compensation, were \$26.5 million compared to \$26 million for first quarter of 2023
- G&A Expenses\*: 32.9% of revenue compared to 37.5% in Q1 2023

\* General and Administrative Expenses, excluding stock-based compensation, is a non-GAAP financial measure. Please refer to disclaimer on slide 3 and 4 and Reconciliation of Non-GAAP Measures in the appendix.

# Net Income (Loss) and Adjusted EBITDA\*

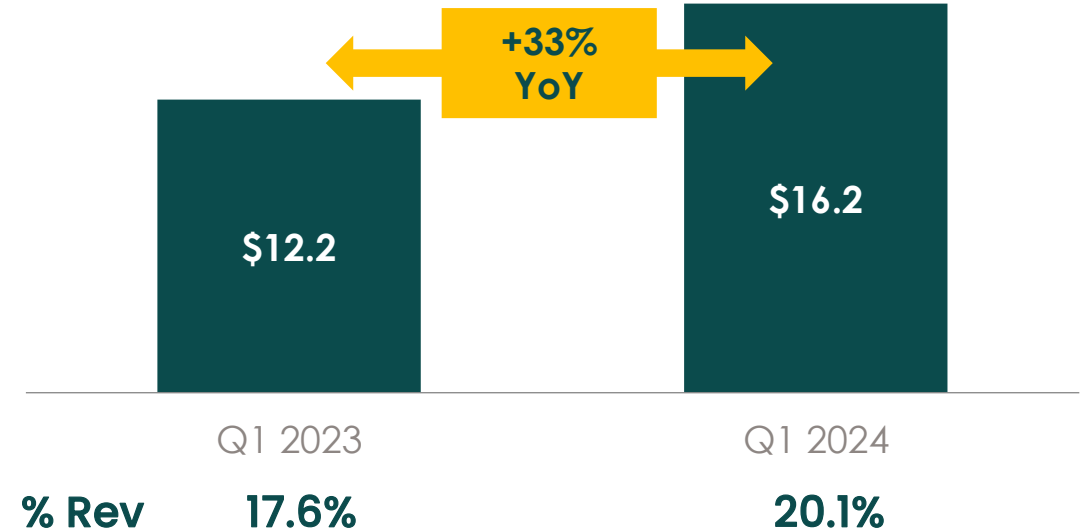
## GAAP Net Loss from continuing operations (in millions, US\$)



### GAAP Net Loss:

- \$14.9 million net loss, compared to a \$19.2 million net loss in Q1 2023
- Improvement driven by revenue and gross margin growth while maintaining G&A expenses relatively flat

## Adj EBITDA\* (in millions, US\$)



### Adjusted EBITDA:

- Grew 33% YoY to \$16.2 million, representing 20.1% Adjusted EBITDA margin, as compared to \$12.2 million and 17.6% in Q1 2023
- 250 basis point improvement driven by G&A expense leverage, partially offset by decline in gross margin

# Balance Sheet and Cash Flow

- Cash, and cash equivalents, including restricted cash:
  - \$25.7 million (3/31/24), compared to \$25.3 million (12/31/23)
- Q1 2024 net cash provided by continuing operations:
  - \$13.3 million, compared to \$10.5 million in Q1 '23, representing 7<sup>th</sup> consecutive quarter of positive cash flow from continuing operations
- Q1 2024 Capex:
  - \$2.8 million, primarily related to capacity expansion at MD facility
- Free Cash Flow:
  - \$10.5 million as compared to \$8 million in Q1 '23
- Debt Paydown:
  - During the quarter, paid down \$9.8 million in debt



# Second Quarter 2024 Expectations

- Expect YoY revenue growth of 11-13%.
- Anticipate gross margin and G&A rates similar to the first quarter of 2024.
- Anticipate Adjusted EBITDA growth of 20-25% YoY.



# LET'S GROW TOGETHER



# Share Count Detail

## Fully Diluted Shares Outstanding (As of May 8, 2024)

## Total Shares (in Millions)

---

Total Common Shares\*

**291**

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Preferred Shares

**13**

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Exchangeable Non-voting Shares (Canopy USA)

**63**

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Total Basic Shares Outstanding

**368**

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Warrants and Options

**42**

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**Total Shares Outstanding (Fully-Diluted)**

**410**

# Appendix – Reconciliation of Non-GAAP Measures

The table below reconciles net loss to EBITDA from continuing operations and Adjusted EBITDA from continuing operations for the quarters ended March 31, 2024 and March 31, 2023.

	For the Three Months Ended	
	March 31, 2024	March 31, 2023
Revenue, net	\$ 80,633	69,398
Net loss	(14,851)	\$ (22,769)
Net loss margin %	-18.4%	-32.8%
Loss from discontinued operations	—	3,591
Loss from continuing operations	(14,851)	(19,178)
<i>Add (deduct) the impact of:</i>		
Provision for income taxes	9,671	12,664
Finance expenses	8,872	7,875
Amortization and depreciation	5,000	4,771
<b>EBITDA from continuing operations</b>	<b>8,692</b>	<b>6,132</b>
<i>Add (deduct) the impact of:</i>		
Share-based compensation	1,485	1,713
Impairment of goodwill and intangible assets	—	—
Loss from revaluation of contingent consideration	1,393	—
Restructuring and executive severance	—	—
Other one-time items	958	1,358
Employee Retention Credits Transfer Fee	—	2,235
Loss (gain) on lease termination and derecognition of right of use assets	—	205
Loss (gain) on fair value of warrants and purchase option derivative asset	983	(437)
Impairment of property and equipment and impairment of right of use assets	2,438	334
Gain on disposal of fixed assets	—	—
Unrealized and realized loss on investments	—	699
Unrealized and realized foreign exchange loss (gain)	285	(31)
<b>Adjusted EBITDA from continuing operations</b>	<b>\$ 16,234</b>	<b>\$ 12,208</b>
<i>Adjusted EBITDA Margin from continuing operations</i>	<i>20.1%</i>	<i>17.6%</i>

# Appendix – Reconciliation of Non-GAAP Measures

The table below reconciles Free Cash Flow for the quarters ended March 31, 2024 and March 31, 2023.

	For the Three Months Ended	
	March 31, 2024	March 31, 2023
Net cash provided by operating activities- continuing operations	\$ 13,251	\$ 10,454
Capital expenditures for property and equipment	(2,796)	(2,497)
Free Cash Flow	<u>\$ 10,455</u>	<u>\$ 7,957</u>

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	
	March 31, 2024	March 31, 2023
Revenue, net	\$ 80,633	\$ 69,398
General & Administrative expenses	28,008	27,730
Less: stock-based compensation	1,485	1,713
General & Administrative expenses excluding stock-based compensation	<u>\$ 26,523</u>	<u>\$ 26,017</u>
G&A excluding stock-based compensation as a % of revenue, net	32.9%	37.5%