



CHARLOTTE'S WEB™

STANLEY BROTHERS

Charlotte's Web Holdings, Inc. Reports Third Quarter 2018 Financial Results

Q3 revenue of \$17.7 million on 57% year-over-year growth

Year-to-date revenue reaches \$48.0 million with 34% Adjusted EBITDA

Boulder, Colorado, November 27, 2018 (Business Wire) – Charlotte's Web Holdings, Inc. ("Charlotte's Web" or the "Company") (CSE:CWEB, OTCQX:CWBHF), the market share leader in hemp-based CBD wellness products, today reported financial results for the third quarter and nine-months ended September 30, 2018. All amounts are expressed in United States dollars. Certain metrics, including those expressed on an adjusted basis, are non-IFRS measures.

Highlights of Third Quarter 2018 Results versus Third Quarter 2017 Results

- Organic revenue growth of 57% to \$17.7 million
- Gross profit (before biological asset adjustments) increased 54% to \$13.8 million, or 78% of consolidated revenue
- Adjusted EBITDA increased 23% to \$5.4 million, or 31% of consolidated revenue
- Significant marketing investment made in brand relaunch to be leveraged throughout 2019
- Completed Initial Public Offering generating net proceeds of \$71.5 million

Highlights of Nine-Months 2018 Results versus Nine-Months 2017 Results

- Organic revenue growth of 75% to \$48.0 million
- Gross profit (before biological asset adjustments) increased 80% to \$37.1 million, or 77% of consolidated revenue
- Adjusted EBITDA increased 71% to \$16.2 million, or 34% of consolidated revenue

"During the third quarter we completed a successful initial public offering and private placement that generated significant capital for the Company that is being deployed to accelerate our growth in the hemp-derived CBD sector," said Hess Moallem, President and Chief Executive Officer. "This capital is being used primarily to expand the Company's cultivation and production capacities to meet the increasing demand for our industry leading Charlotte's Web products, both domestically and internationally. Charlotte's Web is the market leader in the rapidly expanding hemp-derived CBD wellness markets, and we are committed to the highest quality products and efficacy. Our future product expansion plans will continue to support the stringent demands and expectations of our valuable customers."

Mr. Moallem added, “a successful passing of the forthcoming 2018 Farm Bill by the US Congress will be a catalyst for the growth in our industry adding further momentum to the evolving market sector. We have contributed to and supported this important legislation from the beginning for the positive impact it will have on consumer access for both hemp-based CBD products and for our valuable farming communities throughout the country.”

“Product portfolio sales increased year-over-year during the quarter with human nutrition products and animal nutrition products growing by 42% and 153%, respectively, with the pet line growing from a smaller base as it was just launched in February of last year,” said Mr. Moallem. “In general, broader consumer awareness of the benefits of cannabinoids, namely cannabidiol (CBD), and whole plant hemp extract is driving increased uptake in both our retail channels and within our e-commerce platform.”

Primarily available in natural health stores throughout the United States, the Company recently surpassed 3000 retail locations during the quarter after the first a major drug-store chain began carrying Charlotte’s Web products in the northwest US. Consumer education is driving demand through ever larger retail chains illustrating the widening mainstream awareness and demand for Charlotte’s Web products.

The Company continues to expand its market leading product line, adding two new products in September; a Maximum Strength Hemp Extract Oil and a CBD Isolate Oil. The Maximum Strength Hemp Extract product is a 100% CO₂-extracted formulation containing the highest level of CBD in the Company’s product line to support overall health and wellness. The Company’s new CBD Isolate product, a formulation that contains no more than 13 parts per million tetrahydrocannabinol (THC), gives Charlotte’s Web users the ability to add more CBD to their existing full spectrum routine without increasing intake of other cannabinoids, if desired. These products are just the beginning of the Company’s expanding product portfolio as new products will continue to be introduced demonstrating the Company’s leadership in the market. Additional products are under development where CBD can be incorporated into lifestyle products such as beverages, animal nutrition and other wellness related products.

Third Quarter and Year-to-Date 2018 Results

The following table sets forth selected financial information for the periods indicated.

U.S. \$ millions, except per share data	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Revenue	\$ 17.7	\$ 11.3	\$ 48.0	\$ 27.5
Gross profit before biological assets adjustment	\$ 13.8	\$ 9.0	\$ 37.1	\$ 20.6
Net impact, fair value of biological assets	\$ 1.5	\$ 0.7	\$ 1.0	\$ 0.6
IPO related costs expensed	\$ 0.5	\$ -	\$ 1.3	\$ -
Income before taxes	\$ 2.8	\$ 3.3	\$ 11.9	\$ 7.9
Net income	\$ 1.8	\$ 2.0	\$ 8.7	\$ 5.1
EPS basic	\$ 0.02	\$ 0.03	\$ 0.11	\$ 0.06
EPS diluted	\$ 0.02	\$ 0.02	\$ 0.10	\$ 0.06
Adjusted EBITDA	\$ 5.4	\$ 4.4	\$ 16.2	\$ 9.5
Assets:	Sep 30, 2018	Jun 30, 2018	Mar 31, 2018	Dec 31, 2017
Cash and cash equivalents	\$ 79.4	\$ 10.8	\$ 10.4	\$ 7.1
Total assets	\$ 110.4	\$ 27.6	\$ 24.3	\$ 19.5
Liabilities:				
Long-term liabilities	\$ 2.9	\$ 0.4	\$ 0.4	\$ 0.5
Total liabilities	\$ 14.2	\$ 7.7	\$ 8.3	\$ 6.8

The following information sets forth selected quarterly revenue information for the Company's eight most recent fiscal quarters.

U.S. \$ millions	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Total revenue	\$ 17.7	\$ 17.2	\$ 13.1	\$ 12.5	\$ 11.3	\$ 9.1	\$ 7.1	\$ 5.0

Revenue for the quarter ended September 30, 2018 (Q3-2018) totaled \$17.7 million, compared to \$11.3 million for the same period in 2017, representing a 57% increase. On a year-over-year basis for Q3-2018, e-commerce revenue grew by 37% and wholesale, distributor and retail revenue grew by 118%. Revenue from human nutrition products and animal nutrition products grew by 42% and 153%, respectively (the Company's canine products were introduced in February of 2017).

Revenue for the year-to-date period ended September 30, 2018 (YTD-2018) totaled \$48.0 million, compared to \$27.5 million for the same period in 2017, representing a 75% increase. On a year-over-year basis for YTD-2018, e-commerce revenue grew by 48% and WDR revenue grew by 156%. On a year-over-year basis for YTD-2018, revenue from human nutrition products and canine products grew by 76% and 199%, respectively. The Company's topical products accounted for approximately 2% of total revenue during YTD-2018.

Gross profit totaled \$12.3 million for the quarter ended September 30, 2018, compared to \$8.2 million for the same period in 2017, a year-over-year increase of 50%. As a percent of total revenue, gross profit in Q3-2018 was 69%, compared to 73% for the same period in 2017. Gross profit prior to biological asset adjustments as a percentage of revenue for both the Q3-2018 and Q3-2017 periods was 78% and 79%, respectively.

Gross profit totaled \$36.0 million for the year-to-date period ended September 30, 2018, compared to \$20.0 million for the same period in 2017, a year-over-year increase of 80%. As a percent of total revenue, gross profit for YTD-2018 was 75% compared to 73% for the same period in 2017. Gross profit prior to the biological asset adjustment as a percentage of revenue for YTD-2018 was 77%, compared to 75% for the same period in 2017.

For the quarters ended September 30, 2018 and 2017, advertising, promotions and selling costs were \$2.8 million and \$0.6 million, respectively (year-to-date \$4.7 million and \$2.1 million, respectively). As a percent of revenue, advertising, promotions and selling costs for the quarters ending September 30, 2018 and 2017 were 15.8% and 5.3%, respectively.

Certain marketing expenditures during Q3-2018 were higher than prior quarters due to a brand relaunch and associated media spend. Significant costs were incurred for production of marketing assets (video, photography and creative) that will be leveraged throughout 2019 within packaging, website, social, print, PR and additional brand awareness, customer acquisition and retention efforts. Additionally, onetime programming and development fees were incurred for the Company's website relaunch to further drive an improved user experience, product education, e-commerce sales and support, and improved customer conversion rates.

Operating Income decreased slightly during Q3-2018 to \$2.5 million (year-to-date \$11.7 million) from \$3.3 million (year-to-date \$8.1 million) during the same period in 2017. Excluding IPO related costs of \$0.5 million in Q3-2018 (year-to-date \$1.3 million), operating income was \$3.0 million (year-to-date \$13.0 million) and reflects a significant investment in marketing related activities during the quarter and \$1.5 million of adjustments for biological assets.

U.S. \$ millions	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Net income (loss)	\$ 1.8	\$ 2.0	\$ 8.7	\$ 5.1
Depreciation of property and equipment	0.4	0.2	1.0	0.5
Financing costs	0.0	0.1	0.2	0.2
Income taxes	1.0	1.3	3.3	2.8
EBITDA	3.2	3.6	13.0	8.5
Share-based compensation	0.2	0.1	0.6	0.3
IPO related costs	0.5	-	1.3	-
Impairment of assets	0.1	-	0.2	-
Net impact, fair value of biological assets	1.5	0.7	1.0	0.6
Adjusted EBITDA	\$ 5.4	\$ 4.4	\$ 16.2	\$ 9.5

Adjusted EBITDA¹ as a percentage of consolidated revenue for the quarters ended September 30, 2018 and 2017 was 31% and 39%, respectively. For the year-to-date period ended September 30, 2018 and 2017, adjusted EBITDA as a percentage of consolidated revenue was 34% for both periods.

Balance Sheet and Cash Flow

The Company used \$4.6 million of cash in operations during the third quarter 2018 compared to \$2.5 million of cash provided from operations during the third quarter of 2017. The reduction in cash flows from operations primarily reflects the investment in inventory associated with the 2018 hemp crop and other raw materials used in the production process in anticipation of materially increasing revenue opportunities. The Company's cash at September 30, 2018 was \$79.4 million compared to \$7.1 million on September 30, 2017. Working capital at September 30, 2018 was \$90.2 million.

	Three months ended		\$ Change	% Change
	September 30			
	2018	2017		
Cash beginning of period	\$ 10.8	\$ 3.2	\$ 7.6	237%
Cash flows from (used in):				
Operating activities	(4.6)	2.5	(7.1)	-281%
Investing activities	(1.1)	(0.8)	(0.3)	35%
Financing activities	74.2	(0.0)	74.3	n/a
Cash, end of period	\$ 79.4	\$ 4.9	\$ 74.5	1518%

Consolidated Financial Statements and Management's Discussion and Analysis

The Company's unaudited condensed consolidated interim financial statements and accompanying notes as at and for the three and nine months ended September 30, 2018 and related management's discussion and analysis of financial condition and results of operations ("MD&A") are available under the Company's profile on SEDAR at www.sedar.com and on the Investor Relations section of the Company's website at <https://investors.cwhemp.com>.

Conference Call

Management will host a conference call to discuss the Company's third quarter 2018 results at 4:30 pm ET on Tuesday, November 27, 2018. To participate in the call, please dial 1-647-427-7450 or 1-888-231-8191 approximately 10 minutes before the conference call and provide conference ID 6842466. A recording of the call will be available through December 4, 2018. To listen to the rebroadcast please dial 1-416-849-0833 and provide the same conference ID.

A webcast of the call can be accessed through the investor relations section of the Charlotte's Web website.

About Charlotte's Web Holdings, Inc.

Charlotte's Web Holdings, Inc. is the market leader in the production and distribution of innovative hemp-based cannabidiol ("CBD") wellness products. Founded by the Stanley Brothers, the Company's premium quality products start with proprietary hemp genetics that are responsibly manufactured into whole plant hemp extracts naturally containing a full spectrum of phytocannabinoids, including CBD, terpenes, flavonoids and other beneficial hemp compounds. Industrial hemp products are non-intoxicating. Charlotte's Web current product categories include tinctures (liquid products), capsules, topical, as well as pet products. Charlotte's Web hemp-based whole plant extracts are sold through select distributors, brick and mortar retailers, and online through the Company's website at www.cwhemp.com. The rate the Company pays for agricultural products reflects a fair and sustainable rate driving higher quality yield, encouraging food farming practices, and supporting U.S. farming communities.

Charlotte's Web is a socially conscious company and is committed to using business as a force for good and a catalyst for innovation. The Company weighs sound business decisions with consideration for how its efforts affect its employees, customers, the environment, and the communities where its employees live and where it does business, while maximizing profits and strengthening its brands. The Company's management believes that socially oriented actions have a positive impact on the Company, its employees and its shareholders. Charlotte's Web donates a portion of its pre-tax earnings to charitable organizations.

Shares of Charlotte's Web trade on the Canadian Securities Exchange under the symbol "CWEB" and in the United States on the OTCQX under the symbol "CWBHF". Charlotte's Web has 17,247,246 Common Shares outstanding and 188,816.57 Proportionate Voting Shares convertible at 400:1, for an effective equivalent of 92,773,474 Common Shares outstanding.

1. Adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA) is not a recognized performance measure under IFRS. The term EBITDA consists of net income (loss) and excludes interest (financing costs), taxes and depreciation. Adjusted EBITDA also excludes share-based compensation, IPO related costs, impairment of assets and adjustments for fair valuing of biological assets. Adjusted EBITDA is included as a supplemental disclosure because Management believes that such measurement provides a better assessment of the Company's operations on a continuing basis by eliminating certain non-cash charges and charges or gains that are nonrecurring. The most directly comparable measure to adjusted EBITDA calculated in accordance with IFRS is net income (loss). The following is a reconciliation of the Company's net income (loss) to Adjusted EBITDA.

Forward-Looking Information

This press release may contain forward-looking information within the meaning of applicable securities legislation. In the interest of providing the shareholders and potential investors of Charlotte's Web Holdings, Inc. with information about the Company and its subsidiaries, including management's assessment of the Company and its subsidiaries' future plans and operations, certain information provided in this press release constitutes forward-looking statements or information (collectively, "forward-looking statements"). Forward-looking statements are typically identified by words such as "may", "will", "should", "could", "anticipate", "expect", "project", "estimate", "forecast", "plan", "intend", "target", "believe" and similar words suggesting future outcomes or statements regarding an outlook. Although these forward-looking statements are based on assumptions the Company considers to be reasonable based on the information available on the date such statements are made, such statements are not guarantees of future performance and readers are cautioned against placing undue reliance on forward-looking statements. By their nature, these statements involve a variety of assumptions, known and unknown risks and uncertainties, and other factors which may

cause actual results, levels of activity, and achievements to differ materially from those expressed or implied by such statements. The forward-looking information contained in this press release is based on certain assumptions and analysis by management of the Company in light of its experience and perception of historical trends, current conditions and expected future development and other factors that it believes are appropriate.

The Company's forward-looking statements are subject to risks and uncertainties pertaining to, among other things, revenue fluctuations, nature of government regulations, economic conditions, loss of key customers, retention and availability of executive talent, competing products, common share price volatility, loss of proprietary information, product acceptance, internet and system infrastructure functionality, information technology security, cash available to fund operations, availability of capital and, international and political considerations, including but not limited to those risks and uncertainties discussed under the heading "Risk Factors" in the MD&A and the Company's other filings with securities regulators. The impact of any one risk, uncertainty, or factor on a particular forward-looking statement is not determinable with certainty as these are interdependent, and the Company's future course of action depends on Management's assessment of all information available at the relevant time. Except to the extent required by law, the Company assumes no obligation to publicly update or revise any forward-looking statements made in this press release, whether as a result of new information, future events, or otherwise. All subsequent forward-looking statements, whether written or oral, attributable to the Company or persons acting on the Company's behalf, are expressly qualified in their entirety by these cautionary statements.

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CHARLOTTE'S WEB HOLDINGS, INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In thousands of United States dollars)

	September 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash	\$ 79,359	\$ 7,056
Trade and other receivables	3,456	2,129
Inventories	14,396	4,808
Prepaid expenses and other current assets	4,299	436
	101,510	14,429
Non-current assets:		
Property and equipment, net	4,915	3,373
Deferred tax assets	3,167	549
Loan due from related party	107	107
Other long-term assets	683	996
	\$ 110,382	\$ 19,454
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 3,675	\$ 948
Accrued liabilities	6,838	3,343
Deferred revenue	438	490
Income taxes payable	53	157
Convertible note	-	1,040
Current portion of notes payable	9	15
Current portion of finance lease obligations	282	299
	11,295	6,292
Non-current liabilities:		
Long-term note payable	14	28
Long-term finance lease obligations	188	397
Deferred rent	76	98
Other long-term liabilities	2,643	-
	14,216	6,815
Shareholders' equity:		
Share capital	79,222	5,835
Contributed surplus	2,271	787
Retained earnings	14,673	6,017
	96,166	12,639
Commitments		
	\$ 110,382	\$ 19,454

CHARLOTTE'S WEB HOLDINGS, INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME

(In thousands of United States dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Revenue	\$ 17,736	\$ 11,274	\$ 48,046	\$ 27,454
Cost of sales	3,967	2,318	10,990	6,877
Gross profit before loss on fair value of biological assets	13,769	8,956	37,056	20,577
Realized fair value amounts included in inventory sold	(147)	(50)	(600)	(167)
Unrealized fair value loss on growth of biological assets	1,622	789	1,622	789
Gross profit	12,294	8,217	36,034	19,955
Expenses:				
General and administrative	5,272	3,214	14,252	7,274
Sales and marketing	3,910	1,507	8,385	4,244
Research and development	132	157	386	380
Initial public offering related costs	473	-	1,332	-
	9,787	4,878	24,355	11,898
Operating income	2,507	3,339	11,679	8,057
Financing costs	(31)	(69)	(160)	(180)
Interest income	138	7	191	9
Other income	196	-	196	-
Income before taxes	2,810	3,277	11,906	7,886
Income taxes	(987)	(1,250)	(3,250)	(2,769)
Net income (loss) and comprehensive income (loss)	\$ 1,823	\$ 2,027	\$ 8,656	\$ 5,117
Weighted average number of common shares - basic	83,472,950	79,439,113	80,792,665	79,144,336
Weighted average number of common shares - diluted	91,501,078	84,626,894	86,937,632	84,332,118
Earnings per share - basic	\$ 0.02	\$ 0.03	\$ 0.11	\$ 0.06
Earnings per share - diluted	\$ 0.02	\$ 0.02	\$ 0.10	\$ 0.06

CHARLOTTE'S WEB HOLDINGS, INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In thousands of United States dollars)

Nine months ended September 30, 2017	Share capital	Contributed surplus	Retained earnings (deficit)	Total
Balance - December 31, 2016	\$ 5,835	\$ 327	\$ (1,458)	\$ 4,704
Share-based compensation expense	-	294	-	294
Net income	-	-	5,117	5,117
Balance - September 30, 2017	\$ 5,835	\$ 621	\$ 3,659	\$ 10,115

Nine months ended September 30, 2018	Share capital	Contributed surplus	Retained earnings (deficit)	Total
Balance - December 31, 2017	\$ 5,835	\$ 787	\$ 6,017	\$ 12,639
Initial public offering	71,958	-	-	71,958
Private placement	4,256	-	-	4,256
Exercise of stock options	42	-	-	42
Issuance of broker stock warrants	(845)	845	-	-
Exercise of broker stock warrants	1,782	-	-	1,782
Share-based compensation expense	-	639	-	639
Share issuance costs	(3,806)	-	-	(3,806)
Net income	-	-	8,656	8,656
Balance - September 30, 2018	\$ 79,222	\$ 2,271	\$ 14,673	\$ 96,166

CHARLOTTE'S WEB HOLDINGS, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of United States dollars)

	Nine months ended September 30,	
	2018	2017
Cash flows from operating activities:		
Net income	\$ 8,656	\$ 5,117
Items not involving cash:		
Depreciation	951	475
Loss from change in fair value of biological assets	1,622	621
Accretion on convertible note	71	105
Loss from change in fair value of convertible note	(66)	(63)
Allowance for doubtful accounts	119	(13)
Write down obsolete inventory	181	-
Deferred rent	(22)	(28)
Share-based compensation	639	294
Gain on sale of assets	(28)	-
Deferred income taxes	(2,617)	(13)
Changes in working capital:		
Trade and other receivables	(1,446)	(691)
Inventories	(11,391)	(1,031)
Prepaid expenses and other current assets	(3,863)	(307)
Accounts payable	2,727	(142)
Accrued liabilities	3,494	1,473
Income taxes	(104)	(819)
Deferred revenue	(52)	(130)
Other long-term liabilities	2,643	-
	1,514	4,848
Cash flows from investing activities:		
Purchases of property and equipment	(2,503)	(1,404)
Proceeds from sale of assets	38	-
Other long-term assets	313	(496)
	(2,152)	(1,900)
Cash flows from financing activities:		
Proceeds from initial public offering	71,958	-
Proceeds from private placement	4,256	-
Proceeds from stock warrant exercise	1,782	-
Payments on notes payable	(20)	(10)
Payments on finance lease obligations	(226)	(159)
Payments on convertible note	(1,000)	-
Debt settlement	(45)	-
Share issuance costs	(3,806)	-
Proceeds from sale of common stock	42	-
Proceeds from notes payable	-	1,038
	72,941	869
Increase in cash	72,303	3,817
Cash, beginning of year	7,056	1,090
Cash, end of period	\$ 79,359	\$ 4,907
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 31	\$ 73