



FOR IMMEDIATE RELEASE

Inner Spirit Holdings Announces Third Quarter 2020 Financial Results with \$31 Million in System-Wide Retail Sales¹ and \$1.3 Million in Positive Adjusted EBITDA¹

Canada's largest single brand network of recreational cannabis stores achieves positive cash flow from operations for second consecutive quarter and further expands its Ontario footprint

CALGARY, Alberta (November 16, 2020) – Inner Spirit Holdings Ltd. (“**Inner Spirit**” or the “**Company**”) (CSE:ISH), a Canadian company that has established a national network of Spiritleaf retail cannabis stores, today announced it has filed its interim Financial Statements and corresponding Management’s Discussion and Analysis for the nine months ended September 30, 2020. The filings are available for review on the Company’s SEDAR profile at www.sedar.com and the Company’s website at www.innerspiritholdings.com.

“The Company’s financial results for the third quarter of 2020 show significant year over year growth with \$31 million recorded in system-wide retail sales¹ for the Spiritleaf network and a second successive quarter of positive cash flow from operations. For the third quarter as well as for the first nine months of this year, we achieved positive Adjusted EBITDA¹ and positive operating profit before other expenses. We have been very fortunate to build a loyal and dedicated group of franchise partners and Spiritleaf staff to bring a now-proven and highly respected cannabis retail experience to local communities and customers across the country. We are strategic in our approach to the market, have an outstanding team developed to seize organic growth opportunities, and are dedicated to delivering an absolutely premium and authentic store experience for our customers,” said Darren Bondar, President and CEO of Inner Spirit.

Inner Spirit reported the following financial highlights for the three months and nine months ended September 30, 2020:

- System-wide retail sales¹ was \$31.0 million in the third quarter of 2020, an increase of 243% compared with \$9.0 million in the third quarter of 2019 and an increase of 51% compared with \$20.5 million in the second quarter of 2020.
- System-wide retail sales¹ was \$68.7 million for the first nine months of 2020, an increase of 342% compared with \$15.5 million in the comparable period in 2019.
- Total revenue was \$8.1 million in the third quarter of 2020, an increase of 152% compared with \$3.2 million in the third quarter of 2019 and an increase of 49% compared with \$5.4 million in the second quarter of 2020.
- Total revenue was \$17.6 million for the first nine months of 2020, an increase of 282% compared with \$4.6 million in the comparable period in 2019.
- Operating profit before other expenses was \$0.7 million in the third quarter of 2020, an increase of \$1.7 million compared with an operating loss before other expenses of \$1.0 million in the third quarter of 2019 and an increase of \$0.7 million compared with an operating loss before other expenses of \$0.03 million in the second quarter of 2020.
- Adjusted EBITDA¹ was \$1.3 million in the third quarter of 2020, an increase of \$2.2 million compared with an Adjusted EBITDA¹ loss of \$0.9 million in the third quarter of 2019 and an increase of 151% compared with an Adjusted EBITDA¹ of \$0.5 million in the second quarter of 2020.
- Adjusted EBITDA¹ was \$1.7 million for the first nine months of 2020, an increase of \$7.3 million compared with an Adjusted EBITDA¹ loss of \$5.6 million in the comparable period in 2019.



- Gross profit was \$3.8 million or a gross margin of 46.4% in the third quarter of 2020, compared with \$1.5 million or a gross margin of 46.2% in the third quarter of 2019 and \$2.5 million or a gross margin of 46.9% in the second quarter of 2020.
- Total net loss was \$1.0 million, or \$0.00 per share, in the third quarter of 2020, compared with \$2.5 million, or \$0.01 per share, in the third quarter of 2019.
- Cash flow provided by operations for the first nine months of 2020 was \$0.4 million, an improvement of \$3.9 million compared with cash flow used in operations of \$3.4 million in the comparable period in 2019.
- Cash increased to \$4.5 million as at September 30, 2020, compared with \$3.4 million as at June 30, 2020 and compared with \$3.2 million as at December 31, 2019.
- General and administrative expenses were \$1.9 million for the first nine months of 2020, compared with \$3.4 million in the comparable period in 2019. This improvement in the managing of expenses occurred at the same time total revenue increased to \$17.6 million from \$4.6 million during the same periods, which demonstrates the Company's effective control of costs.

During the third quarter of 2020 and subsequently, the Company has been active with store openings in Alberta, Ontario, and Newfoundland and Labrador. Recently opened Spiritleaf stores bring the number of locations to 64 across the country – the most cannabis stores being operated under a single retail brand in Canada. Last week, the Company opened a franchised Spiritleaf store in the community of Waterdown, Ontario just north of Hamilton. Other recent store openings in Ontario bring the total there to 14 Spiritleaf locations operating in urban centres such as Toronto, Ottawa, London, Windsor, Burlington, Guelph and Kingston. Please visit www.spiritleaf.ca for information on store locations and operating hours.

“We continue to expand the Spiritleaf network due to the excellent support and loyalty of our franchise partners, employees, customers, investors and strategic partners. We have developed a strong business model that attracts entrepreneurs to invest their hard-earned capital in the Spiritleaf opportunity and to represent the brand in their local communities. The Company's ability to manage costs and operate efficiently as we further build out the network is proven and bodes well for our future success and profitability,” said Bondar.

Additional potential store locations have been conditionally secured in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, and Newfoundland and Labrador. These stores will further solidify Spiritleaf as a true Canadian brand and coast-to-coast retailer.

The Company continues to be recognized for its strong marketing efforts as Spiritleaf received a 2020 MarCom Platinum Award of Excellence for its Spirit Bus Tour campaign. The award recognized the campaign's creativity and its sales results as the virtual bus tour visited Spiritleaf stores across Canada during the summer months. MarCom is an international creative competition held annually by the Association of Marketing and Communication Professionals.

Due to the ongoing COVID-19 pandemic, Spiritleaf stores have been operating with enhanced customer service processes to ensure the safety of employees and customers. Spiritleaf's Select & Collect service enables customers to pre-shop and order online prior to pick-up in store. Customers can also connect with their local Spiritleaf store through The Collective customer benefits program to further streamline and individualize their shopping experience. The fast-growing Collective program has over 150,000 members. These loyal supporters of Spiritleaf tend to shop with larger than average basket size, visit stores more regularly and buy more product in bulk when shopping.

¹ System-wide retail sales and Adjusted EBITDA are Non-IFRS financial measures. For more detail, see the "Non-IFRS Financial Measures" section below.



About Inner Spirit

Inner Spirit Holdings Ltd. (CSE:ISH) is a franchisor and operator of Spiritleaf recreational cannabis stores across Canada. The Spiritleaf network includes franchised and corporate locations, all operated with an entrepreneurial spirit and with the goal of creating deep and lasting ties within local communities. Spiritleaf aims to be the most knowledgeable and trusted source of recreational cannabis by offering a premium consumer experience and quality curated cannabis products. The Company is led by passionate advocates for cannabis who have years of retail, franchise and consumer marketing experience. Spiritleaf holds a Franchisees' Choice Designation from the Canadian Franchise Association for its award-winning national support centre. The Company's key industry partners and investors include Auxly Cannabis Group Inc. (TSX.V:XLY), HEXO Corp (TSX:HEXO; NYSE:HEXO), Tilray, Inc. (NASDAQ:TLRY) and Prairie Merchant Corporation. Learn more at www.innerspiritholdings.com and www.spiritleaf.ca.

Non-IFRS Financial Measures

In this news release, the Company reports "system-wide retail sales" and "Adjusted EBITDA", financial measures that are not determined or defined in accordance with the International Financial Reporting Standards, as issued by the International Accounting Standards Board ("**IFRS**"). Such financial measures do not have standardized meanings prescribed by IFRS and Inner Spirit's methods of calculating these financial measures may differ from methods used by other companies. Accordingly, such non-IFRS financial measures may not be comparable to similarly titled measures presented by other companies. These measures are provided as additional information to complement IFRS by providing a further understanding of operations from management's perspective and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

System-wide retail sales represents the sum of the revenue reported to Inner Spirit by (i) franchisees of Spiritleaf retail cannabis stores and (ii) Company-owned Spiritleaf retail cannabis stores. This measure is useful to management and the investment community in evaluating brand scale and market penetration and is used by management of Inner Spirit to assess the financial and operational performance of the Company and the strength of the Company's market position relative to its competitors.

Adjusted EBITDA is defined as the net and comprehensive income (loss) for the period, as reported, adjusted for right-of-use asset depreciation, depreciation and amortization, unrealized and realized gain (loss) on marketable securities, gain (loss) on sublease arrangement, financial guarantee liability expense, finance income, interest expense (accretion) - leases, interest expense, convertible debenture accretion, share-based compensation, taxes, and other non-cash and non-recurring items. Management believes Adjusted EBITDA is a useful financial metric to assess its operating performance prior to consideration of how operations are financed, how the results are taxed, and how the results are impacted by non-cash charges and charges that are irregular in nature or not reflective of the Company's core operations. The following table reconciles the Company's net loss and comprehensive loss, being the most directly comparable measure calculated in accordance with IFRS, to Adjusted EBITDA.



	Three months ended		Nine months ended	
	September 30		September 30	
	2020	2019	2020	2019
Net loss and comprehensive loss for the period	\$ (1,009,210)	\$ (2,490,323)	\$ (4,182,974)	\$ (7,304,831)
Add back:				
Right of use asset depreciation	178,167	-	520,824	-
Depreciation and amortization	394,980	264,668	1,131,639	488,901
Unrealized loss (gain) on marketable securities	(357,212)	969,585	-	761,691
Realized loss (gain) on marketable securities	361,492	-	361,492	(73,634)
Impairment loss	508,622	1,070	508,622	1,070
Loss (gain) on sublease arrangement	1,401	-	(209,137)	-
Financial guarantee liability expense	58,096	-	74,133	-
Finance income	(308,112)	-	(856,924)	-
Interest expense (accretion) - leases	470,631	-	1,393,994	-
Interest expense	306,667	334,458	809,883	486,840
Convertible debenture accretion	514,278	-	1,578,439	-
Share-based compensation	166,660	-	535,570	55,111
Adjusted EBITDA	\$ 1,286,460	\$ (920,542)	\$ 1,665,561	\$ (5,584,852)

Forward-Looking Information

This news release contains statements and information that, to the extent that they are not historical fact, may constitute “forward-looking information” within the meaning of applicable securities legislation. Forward-looking information is typically, but not always, identified by the use of words such as “potential”, “will” and similar words, including negatives thereof, or other similar expressions concerning matters that are not historical facts. Forward-looking information in this news release includes, but is not limited to, a statement regarding additional potential store locations being conditionally secured in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, and Newfoundland and Labrador. Such forward-looking information is based on various assumptions and factors that may prove to be incorrect, including, but not limited to, factors and assumptions with respect to: the ability of the Company to successfully implement its strategic plans and initiatives and whether such strategic plans and initiatives will yield the expected benefits; and the receipt by the Company and its franchise partners of necessary licences from regulatory authorities, and the timing thereof. Although the Company believes that the assumptions and factors 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 it will prove to be correct or that any of the events anticipated by such forward-looking information will transpire or occur, or if any of them do so, what benefits the Company will derive therefrom. Actual results could differ materially from those currently anticipated due to a number of factors and risks including, but not limited to: the risk that the Company and its franchisees do not receive the necessary retail cannabis licences or that they are not able to open additional retail cannabis stores as anticipated or at all; the ability of management to execute its business strategy, objectives and plans; the availability of capital to fund the build-out and opening of corporate and franchised retail cannabis stores; and the impact of general economic conditions and the COVID-19 pandemic in Canada. The forward-looking information included in this news release is made as of the date of this news release and the Company does not undertake an obligation to publicly update such forward-looking information to reflect new information, subsequent events or otherwise, except as required by applicable law.

For further information

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