SLANG Worldwide Announces First Quarter 2020 Financial Results

- Strong revenue growth in core markets of Colorado and Oregon
- Delivered first cash flow positive month in June 2020;[(1)] sales rebounding strongly with lifting of stay-at-home orders
- Core and emerging market transformation strategy making progress; new markets set to be commercialized throughout remainder of 2020
- Continued strong brand performance in core markets sets the stage for new product introductions expected to contribute to second-half revenue
- Planned restructuring in California and other emerging markets responsible for sequential revenue decline
- Cost reduction and streamlining initiatives proving effective as the Company operates through challenges related to COVID-19 pandemic

TORONTO, July 7, 2020 -- SLANG Worldwide Inc. (CNSX: SLNG), ("**SLANG**" or the "**Company**"), a leading global cannabis consumer packaged goods (CPG) company with a diversified portfolio of popular brands, today released financial results for the three months ended March 31, 2020. All figures in this press release are stated in Canadian dollars unless otherwise noted.

"We began the first quarter with solid momentum in our core markets, but this growth was not enough to offset the combined effects of recalibrating our business in certain emerging markets, together with the COVID-19 pandemic," said SLANG CEO Peter Miller. "The decisive actions we took in response to these challenges, along with proactive initiatives designed for the market environment, have positioned us to resume our growth in the second half of the year. We have already begun to see positive signs in June, including our highest monthly sales of the year leading to our first month of cash flow positive operations."

Overall Commentary

In the first quarter, the Company delivered strong growth and continued momentum in its core markets of Colorado and Oregon. The growth was offset by revenue decreases in the emerging markets of California and Massachusetts, where the Company recalibrated its supply chain relationships to achieve more sustainable and profitable growth. Recalibration efforts in those markets are expected to result in a return to growth in the second half of the year.

The other major factor affecting recent results has been the COVID-19 pandemic and response. While the Company has successfully maintained its operations throughout this period and retail cannabis dispensaries have largely remained open as essential businesses, the stay-at-home orders had an overall adverse impact on the business. Many retailers that typically sell the Company's hardware products, such as vaporizers and batteries, were not deemed to be essential and significantly reduced their orders during the shutdown period. Furthermore, the decline in tourism led to decreased business activity for many dispensaries, with resulting effects on the Company's wholesale sales continuing into the second quarter.

The Company responded to these events by adjusting business tactics in its core and emerging markets, streamlining its operations to match the current environment, prioritizing cash generation and prudent credit management, and focusing on high margin revenue opportunities. The Company continues to work towards final steps required to complete previously announced acquisitions of Allied Concessions Group ("**ACG**") and Lunchbox Alchemy ("**LBA**").

Financial Highlights

- Revenue of $4.7 million increased 17.5% compared to Q1 2019 reported revenue of $4.0 million, and declined 46% compared to $8.7 million in Q4 2019.
    - The decline compared to Q4 2019 is primarily due to the previously announced decision to recalibrate in California and other emerging markets that management believed were not showing a pathway to profitable growth. During Q1 2020, revenue from California and Massachusetts was down 97% from Q4 2019, and down 99% compared to Q1 2019. In addition, hardware sales were down 81% due to the COVID-19 pandemic, as retailers who were not considered essential businesses were forced to close and did not place their typical quarter-end orders in March.
    - The increase compared to Q1 2019 was driven by growth in the Company's core markets (Colorado and Oregon) during the quarter, which offset the above-mentioned elimination of revenue contributions from California and Massachusetts. Revenue from core markets (Colorado and Oregon) increased by 181% over Q4 2019, and by 757% over Q1 2019.
- Pro-forma revenue of $11 million which includes the estimated impact of the previously announced proposed acquisitions, investments, and assets within the SLANG Network.[(2)]
- Gross profit of $2.9 million (61% gross margin) in Q1 2020 compares to adjusted gross profit of $2.2 million (56% adjusted gross margin) in Q1 2019, reflecting higher sales volumes in core markets and a higher margin profile associated with the licensing sales model. Gross profit declined from $5.5 million (63% gross margin) in Q4 2019 due primarily to the decrease in revenue.
- Adjusted EBITDA loss of $2.7 million (not inclusive of non-cash items and impairments as described below) exceeded the Q4 2019 loss of $1.6 million, due to the decline in revenue which was not fully offset by cost reductions implemented during Q1 2020.
- Ongoing cost reductions from streamlining activities at SLANG and within the SLANG Network have resulted in approximately $10.5 million of annualized cost savings. The Company believes it has achieved a level of operating expenses appropriate for current market conditions, while maintaining the flexibility to scale quickly to accommodate growth.
- $10.4 million of cash and cash equivalents at March 31, 2020. Cash usage during the first quarter included approximately $4.4 million in loans to SLANG Network partners, including material periodic costs such as D&O insurance. During the second quarter, the

Company added $4 million of cash to its balance sheet through the acquisition of Cultivate Brands Corp. ("**Cultivate**"). The Company continues to operate with a strong cash position that is expected to be sufficient to fund operations through to profitability.

- In June 2020, the Company delivered its first cash flow positive month as it began to realize the impact of previously announced streamlining initiatives as well as a rebound in sales at many key retailers with the easing of COVID-related closures.[1]

Year-to-Date Operational Highlights

- **Product Diversification:** Continuing to bring new product SKUs to market in 2020 through the launch of additional brands in new product verticals and expansion of existing product lines.
    - **Flower:** Subsequent to the quarter ended March 31, 2020, SLANG entered the flower category with the introduction of Cookies flower products in Colorado and Oregon under a previously announced partnership with Cookies. Flower is typically a top-selling category of the cannabis market.
    - **Edibles**: Launched District Edibles Sour Gummies in Colorado and Nevada, and introduced District Edibles to the Oregon market, marking the Company's first entry into edibles in Oregon. Edibles represent approximately 12% of the Oregon market, according to BDS Analytics.
    - **Concentrates**: Introduced Cookies-branded "Terp Sauce" cartridges in Colorado at the end of the second quarter of 2020.
- **Path to Profitability:** Accelerating the path to profitability through a rebalancing of the workforce and continued optimization of SLANG Network relationships, resulting in combined annualized savings expected to be approximately $10.5 million. Streamlining efforts were undertaken in the context of a strategic realignment of operations to reflect business realities in the markets where the Company operates, and are expected to improve gross margins and accelerate the timeline to consistently positive cash flow.
- **Emerging Markets:** Continuing to recalibrate or strengthen supply chain relationships most appropriate for each emerging market to provide for sustainable and profitable growth. Recent highlights include:
    - **Ohio**: announced strategic partnership with Standard Wellness Company, LLC in January 2020; product expected in market Q3 2020.
    - **Maine**: announced strategic partnership with Wellness Connection of Maine in March 2020; product launched in Q2 2020.
    - **Michigan**: announced strategic partnership with Gage Cannabis Co. in May 2020.
    - **Oklahoma**: product expected in market in Q3 2020 through strategic partnership with Elite Cultivation LLC announced in 2019.
    - **California and Massachusetts**: the Company is in late-stage conversations with operators in both markets with plans to return to those markets in a manner designed to achieve sustainable growth.

    - **Canada**: Minority-owned licensed producer Agripharm Corp. has received a sales license and expects to have product in market during Q3 2020.

- **Brand Leadership:** SLANG's brands continued to earn market-leading positions across multiple product categories and territories in the first quarter of 2020**.**
    - Highlights include: Open.VAPE ranked as the #1 vape in Colorado and #4 in both Oregon and Nevada; Firefly Mini was the #4 disposable vaporizer in Colorado; Bakked was the #2 distillate in California, and #5 in Colorado, Oregon and Arizona; District Edibles was the #3 gummy in Nevada, #8 in Colorado and #9 in California; Pressies was the #4 pill in Colorado. (Source: BDS Analytics.)
    - **54 million branded servings sold in Q1 2020 (average of approximately 592,000 servings per day)** — Branded servings increased by 19% compared to Q1 2019, reflecting a consumer shift towards more premium, larger format product offerings, but declined by 10% from Q4 2019 due to the same factors affecting branded units.
    - **635,000 branded units sold in Q1 2020** — Branded units decreased by 34% compared to Q1 2019, and by 23% versus Q4 2019, primarily due to the recalibration of supply chain relationships in markets such as California and the impact of COVD-19.
- **Streamlined Management:** On June 11, 2020, the Company announced an executive transition plan which will result in the promotions of Chris Driessen to President & CEO, John Moynan to Chief Operating Officer and General Counsel, and Mikel Rutherford to Chief Financial Officer. Peter Miller will transition from the CEO role to serve as Executive Chairman, while Billy Levy will transition from President to a strategic advisor role, and Kelly Ehler will transition from his current role as CFO to stand for election to the Company's Board of Directors.

Corporate Development

- Working towards final steps required to complete previously announced acquisitions of ACG and LBA.
- Subsequent to quarter end, completed the acquisition of Cultivate, a company with a complementary portfolio of intellectual property, cash and other assets.
- The Company announced that it does not currently expect to exercise its option to acquire NS Holdings, Inc. in the near term. Furthermore, the Company and Arbor Pacific, Inc. have mutually agreed not to pursue the previously announced acquisition, and are actively exploring other accretive ways to work together in their respective markets.

"Our priority this year has been to leverage SLANG's unique strengths and flexible business model to tailor our strategy for success in each of our core and emerging markets," said Mr. Miller. "In a highly dynamic environment, our brands continue to resonate with consumers. We will remain focused on operating with agility, optimizing all aspects of our business, and executing on selective initiatives to drive long-term growth and shareholder value. We are very confident in how the Company is positioned as we enter the second half of the year."

Outlook for 2020

The conditions that affected the Company's business in the first quarter of 2020 generally continued into the second quarter. In particular, the impact of the COVID-19 stay-at-home orders were felt over the full three months, compared to the last several weeks of the first quarter. The recalibration process in California and Massachusetts was also ongoing, as the Company worked towards establishing sustainable strategic partnerships with new operators in both markets. Performance in the Company's core markets of Colorado and Oregon, as well as its wholesaling business, started slowly and improved towards the end of the second quarter as COVID restrictions were eased. These factors are expected to have an overall adverse impact on the Company's Q2 2020 results.

The Company currently anticipates that momentum being realized throughout the business will lead to stronger results in the second half of 2020. Factors expected to contribute to improved top-line and bottom-line performance include the following:

- Licensing revenues from recently-signed strategic partners commencing and continuing to grow as those partners introduce products into their local markets;
- The Company's planned re-entry into the California and Massachusetts markets, provided new strategic partnerships can be successfully concluded;
- Increase sales from the Company's recent and ongoing expansion into new product categories and introduction of new brands;
- The resumption of economic activity as local economies begin to re-open from COVID-19 closures and travel/tourism resumes;
- The expected closing of the LBA acquisition during the second half of the year, and the potential closing of the ACG acquisition within this time frame, leading to consolidation of supply chain assets and a corresponding increase in revenue and margins;
- Positive sales trends in June 2020, which may indicate the start of a bounce-back to pre-COVID sales levels;
- Reduced operating expense run-rate as a result of recent streamlining activities; and
- Continued focus on prudent credit management and prioritization of near-term cash generation.

"The adversity we faced in the first half of 2020 has made us more resilient, with a reduced cost structure that will help insulate us from further surprises," said current SLANG USA President and incoming CEO Chris Driessen. "Despite the challenges experienced in some areas of the business, our core markets have continued to perform. More importantly, we have been putting building blocks in place to deliver sustainable and profitable growth on multiple fronts. We are excited about how all of these initiatives will play out in the second half of the year."

Q1 2020 Financial Review

The consolidated financial statements were prepared in accordance with IFRS.

The following is selected presentation of the Income Statement for the quarters ended March 31, 2020 and March 31, 2019:

	Three Months Ended:	
	March 31, 2020	**March 31, 2019 (Amended)**
(In thousands except per share data and percentages)	**CDN**	**CDN**
NET OPERATING REVENUE	**$ 4,690**	**$ 4,006**
Cost of goods sold	1,836	4,190
GROSS PROFIT	**2,854**	**(184)**
GROSS PROFIT MARGIN	**61%**	**(5)%**
Operating expenses	10,782	11,852
OPERATING (LOSS)	**(7,928)**	**(12,037)**
Other items (Impairment, FV adjustment, FX, gains/losses, deferred tax recovery, etc.)	31,069	(2,901)
TOTAL COMPREHENSIVE INCOME / (LOSS)	**23,141**	**(14,937)**
EARNINGS PER SHARE		
Basic	**$ 0.08**	**$ (0.08)**
Diluted	**$ 0.07**	**$ (0.08)**

Gross Margin

The Company generated a 61% gross margin in the quarter ended March 31, 2020, which improved from an adjusted gross margin of 56% in Q1 2019. Margin improvements were driven by a shift to higher margin products, as well as the Company's refocus on the core markets of Colorado and Oregon.

Cost of goods sold for Q1 2019 includes a one-time expense related to the acquisitions of National Concessions Group and NWT Holdings LLC (Firefly) which required the Company to record the fair value of the inventory on-hand on consolidation at the time the transactions closed. The adjusted gross profit margin of 56%, as shown in the table below, adjusts for the impact of the inventory adjustment.

	Three Months Ended:	
	March 31, 2020	March 31, 2019
(In thousands except per share data and percentages)	CDN	CDN
Net Operating Revenue	**$ 4,690**	**$ 4,006**
Cost of goods sold	1,836	4,190
Inventory fair value adjustment	–	(2,419)
Adjusted Gross Profit	**2,854**	**2,234**
Gross Profit Margin	**61%**	**56%**

Non-IFRS Measures

EBITDA, Adjusted EBITDA, Adjusted Gross Profit, Branded Unit volume and Branded Servings volume are non-IFRS financial measures that the Company uses to assess its operating performance. EBITDA is defined as net earnings (loss) before net finance costs, income tax expense (benefit) and depreciation and amortization expense. Management defines Adjusted EBITDA as EBITDA adjusted for other non-cash items such as the impact of unrealized fair values, share based compensation expense, impairments, one-time gains and losses, and one-time revenues and expenses. Management defines Adjusted Gross Profit as gross profit adjusted for non-recurring items such as fair value adjustments on acquisitions. See the heading "Operations Overview – Branded Volume" in the Company's management's discussion and analysis for the quarter ended March 31, 2020 (the "**Q1 2020 MD&A**") for a description of how each of Branded Unit volume and Branded Servings volume is calculated. This data is furnished to provide additional information and are non-IFRS measures and do not have any standardized meaning prescribed by IFRS. The Company uses these non-IFRS measures to provide shareholders and others with supplemental measures of its operating performance. The Company also believes that securities analysts, investors and other interested parties, frequently use these non-IFRS measures in the evaluation of companies, many of which present similar metrics when reporting their results. As other companies may calculate these non-IFRS measures differently than the Company, these metrics may not be comparable to similarly titled measures reported by other companies. We caution readers that Adjusted EBITDA should not be substituted for determining net loss as an indicator of operating results, or as a substitute for cash flows from operating and investing activities.

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
(In thousands except per share data and percentages)	CDN	CDN
TOTAL COMPREHENSIVE INCOME (LOSS)	**$ 23,141**	**$ (14,937)**
EBITDA	**(6,346)**	**(7,800)**
ADJUSTED EBITDA	**(2,704)**	**(758)**

See the Company's Q1 2020 MD&A for a detailed reconciliation of EBITDA and Adjusted EBITDA to Operating Income / (Loss). SLANG's financial statements and MD&A for the three months ended March 31, 2020 are available on SEDAR at www.sedar.com, and on the Company's Investor Relations website at www.slangww.com.

Stock Options and Share Issuances

The Company also announces that incentive stock options to acquire an aggregate of 8,839,416 common shares in the capital of the Company ("**Common Shares**"), with exercise prices ranging from $0.49 to $1.50, held by certain directors, officers, employees and consultants of the Company, have been voluntarily surrendered for cancellation.

The Company further announces that it will issue an aggregate of 3,153,838 Common Shares, at a deemed price of $0.15 per Common Share, to 15 employees, including an executive officer, who elected to receive shares in lieu of cash as part of their compensation. The issuance will be completed upon lifting of the Company-imposed insider trading blackout on July 9, 2020.

The Company will also issue an aggregate of 909,090 Common Shares, at a deemed price of $0.165 per Common Share, in satisfaction of certain obligations related to the acquisition of Cultivate and which Common Shares are subject to a statutory hold period in Canada, expiring four months and one day from the date of issuance.

Conference Call

The Company will hold a conference call at 10:00 a.m. EDT on Tuesday, July 7, 2020 to discuss the Company's Q1 2020 financial results.

Dial-in:	888.231.8191 (toll free) or (+1) 647.427.7450 (local or international calls)
Webcast:	A live webcast can be accessed from the Investors section of Company's website at www.slangww.com or at this link.
	An archive of the webcast will be available on the Company's website for one year.
Slides:	An investor presentation to accompany management's remarks will be available on the Company's website and on the webcast page.
Replay:	An audio replay of the call will be available for seven days at (+1) 855.859.2056 passcode 8279327.

Media and Investor inquiries
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About SLANG Worldwide Inc.

SLANG Worldwide Inc. is a global leader in the cannabis CPG sector with a diversified portfolio of popular brands distributed across the United States. The Company specializes in acquiring and developing market-proven regional brands as well as launching innovative new brands to seize global market opportunities. SLANG is listed on the Canadian Securities Exchange under the ticker symbol SLNG and on the Frankfurt Stock Exchange under the trading symbol 84S. For more information, please visit www.slangww.com.

Notes:

(1) Preliminary and unaudited financial results are subject to customary financial statement procedures by the Company and its auditors. Actual results could be affected by subsequent events or determinations. While the Company believes there is a reasonable basis for these preliminary financial results, the results involve known and unknown risks and uncertainties that may cause actual results to differ materially. These preliminary fiscal results represent forward-looking information. See "Forward Looking Statements".

(2) This press release contains references to pro forma financial information, including with respect to pro forma revenues. Pro forma revenues include the estimated revenue for the three month period ended March 31, 2020 for previously announced acquisitions. Such proposed acquisitions include the previously announced proposed acquisitions of and LBA and ACG. These acquisitions cannot be consolidated, in the case of ACG, because such acquisition was still under option as at March 31, 2020 and, in the case of LBA, because such acquisition has not yet closed. Pro forma revenues do not include anticipated costs and expenses to generate such revenue. Completion of the proposed acquisitions of LBA and ACG are subject to, among other things, the negotiation and execution of definitive acquisition agreements and related documents and the satisfaction or waiver of any conditions precedent to the consummation of such acquisitions (including the receipt of any requisite regulatory and third-party approvals). There can be no assurance that the Company will complete the acquisitions of LBA and ACG. The Company believes the pro forma results presented provide relevant and useful information for investors because they clarify each company's estimated operating performance, making it easier to compare the Company's results with those of other companies in the same industry as the Company and allow investors to review the performance of these companies in the same way as the Company's management. Since these measures are not calculated in accordance with IFRS, they should not be considered in isolation of, or as a substitute for, our reported results as indicators of the Company's performance, and they may not be comparable to similarly named measurements from other companies.

Forward-Looking Statements

This news release contains statements that constitute "forward-looking statements." Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements, or developments in the industry to differ materially from the anticipated results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects," "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential" and similar expressions, or that events or conditions "will", "would", "may", "could" or "should" occur.

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management of SLANG at this time, are inherently subject to significant business, economic and competitive risks, uncertainties and contingencies that could cause actual results to differ materially from those expressed or implied in such statements.

Investors are cautioned not to put undue reliance on forward-looking statements. Applicable risks and uncertainties include, but are not limited to regulatory risks, risks related to the COVID-19 global pandemic, changes in laws, resolutions and guidelines, market risks, concentration risks, operating history, competition, the risks associated with international and foreign operations and the other risks identified under the headings "Risk Factors" in SLANG's final long form prospectus dated January 17, 2019 and "Risks and Uncertainties" in the Q1 2020 MD&A, as filed on SEDAR at www.sedar.com. SLANG is not under any obligation, and expressly disclaims any intention or obligation, to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as expressly required by applicable law.

Third Party Information

This press release includes market and industry data that has been obtained from third party sources, including industry publications. The Company believes that the industry data is accurate and that its estimates and assumptions are reasonable, but there is no assurance as to the accuracy or completeness of this data. Third party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there is no assurance as to the accuracy or completeness of included information. Although the data is believed to be reliable, the Company has not independently verified any of the data from third party sources referred to in this press release or ascertained the underlying economic assumptions relied upon by such sources.

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