SLANG Worldwide Announces 2019 Financial Results

- Revenue of $29.2 million in fiscal 2019, $8.7 million in Q4 2019
- Full-year 2019 pro forma revenue of $90.7 million, which includes the impact of the previously announced proposed acquisitions, investments, and assets within the SLANG Network[(1)]
- Adjusted gross margin of 53% for the year and 63% in Q4 2019
- Adjusted EBITDA loss of $6.5 million for the year, $1.4 million in fourth quarter
- Cash and equivalents of $18.9 million at year-end
- Sold approximately 4 million branded units, containing over 243 million branded servings in FY19, including 822,000 branded units, containing 60 million branded servings in the fourth quarter

TORONTO, May 26, 2020 -- SLANG Worldwide Inc. (CNSX: SLNG), (Frankfurt: 84S), ("**SLANG**" or the "**Company**"), a leading global cannabis consumer packaged goods (CPG) company with a diversified portfolio of popular brands, today released audited financial results for the full year and three months ended December 31, 2019. The Company previously announced preliminary results for the same periods on April 29, 2020. All figures in this press release are stated in Canadian dollars unless otherwise noted.

"We delivered a solid fourth quarter in the context of significant public health concerns related to illicit vaporizers, demonstrating both the quality of our products and the diversity of our portfolio," said SLANG CEO Peter Miller. "Overall, 2019 was a successful and transformational year. We established SLANG as a public company, integrated operations and personnel, grew our brands across multiple markets and formed important new strategic partnerships. I believe we also demonstrated the strength of our capital-light business model and our ability to adjust quickly to changing conditions in our markets. This nimble approach remains essential as we continue to adapt our business to market realities and take advantage of selected growth opportunities in 2020."

Key Financial and Operational Highlights

Full-Year 2019 Financial Highlights:

- Revenue of $29.2 million reflects operations since January 22, 2019, the date the National Concessions Group ("NCG") and NWT Holdings LLC ("Firefly") acquisitions were completed. 2018 results did not include those operations and are not comparable.
- Full-year 2019 pro forma revenue of $90.7 million, which includes the impact of the previously announced proposed acquisitions, investments, and assets within the SLANG Network.[(1)] This result compares to previously announced 2019 pro forma annualized revenue guidance of $70-$100 million.

- Full-year 2019 adjusted gross profit of $15.6 million and adjusted gross profit margin of 53%.
- Adjusted EBITDA loss of $6.5 million from operations (not inclusive of non-cash items and impairments as described below).
- $18.9 million of cash and cash equivalents at December 31, 2019.

Fourth Quarter 2019 Financial Highlights:

- Revenue of $8.7 million, reflecting the short-term impact of public health concerns about illicit market vaporizers and associated exchanges, returns, and/or production planning shifts in the category.
- Pro forma revenue of $23.4 million which includes the impact of the previously announced proposed acquisitions, investments, and assets within the SLANG Network,[(1)] and is reflective of exchanges, returns, and/or production planning shifts in the vaporizer category.
- Gross profit of $5.5 million and gross margin of 63% improved over Q3 2019 gross profit of $4.6 million (49% gross margin).
- Adjusted EBITDA loss of $1.4 million compares to Q3 2019 adjusted EBITDA loss of $1.6 million (not inclusive of non-cash items and impairments as described below).
- Completed a non-brokered private placement financing for gross proceeds of $16.9 million.

Impairment charge:

The Company recognized a non-cash impairment charge for the year of $224.0 million which resulted in a FY 2019 net loss of $202.1 million. The net loss was also driven by an operating loss of $59.7 million, partially offset by a $51.6 million financing cost and fair value adjustment and a $34.5 million recovery of deferred tax expenses. The Q4 2019 net loss of $202.3 million was driven by an operating loss of $26.7 million, an impairment charge of $128.6 million attributable to the fourth quarter, and a $78.3 million financing cost and fair value adjustment reduction, partially offset by a $34.5 million recovery of previously recorded deferred tax expense. The impairment expense is a write-down of previously recognized goodwill and intangible assets resulting from management's evaluation of growth expectations following a series of unfavourable events affecting the cannabis sector in 2019, and the Company's strategic response to prioritize certain core markets and accelerate the path to profitability.

Full-Year 2019 Operational Highlights:

- Announced a strategic partnership with cannabis and lifestyle brand Cookies in October, initially in Colorado and subsequently extended into Oregon.
- Entered the Florida market in 2019 through a strategic partnership with Trulieve Cannabis Corp.
- Entered licensing agreements in Oklahoma and Puerto Rico to bring our branded products to these markets, in line with our emerging markets strategy.

- Broadened the product portfolio through new introductions including the Firefly 2+ dry herb vaporizer and the RESERVE line of O.penVAPE vaporizer cartridges.
- The Company exercised its option to acquire Allied Concessions Group ("ACG"), with the objective of consolidating its operations in Colorado to increase revenue and streamline costs. Completion of the transaction is subject to the completion of definitive documentation and the receipt of State licensing approval.
- Completed the acquisition of the NCG and Firefly businesses and the listing of the Company's common shares on the Canadian Securities Exchange and the Frankfurt Stock Exchange.

Brand Key Performance Indicators:

- **4 million branded units sold in FY 2019; 822,000 branded units sold in Q4 2019** — Throughout the year, the Company's branded units sales mix continued to evolve as consumer preferences changed. Beginning in Q3, we began to see consumers shift from vape concentrate cartridges to more premium devices, like the Firefly 2+. Despite headwinds, the O.penVAPE line maintained its #1 sales position in Colorado, the Company's largest market. Additionally, sales of Firefly 2+ continue to exceed historical quarterly averages, as consumers purchased premium flower vaporizers.
- **250 Million branded servings sold in FY 2019; nearly 60 million branded servings in Q4 2019 (average of approximately 650,000 servings per day)** — The branded servings metric measures the number of branded experiences SLANG consumers are having with SLANG products. These experiences lead to brand loyalty, something SLANG considers core to creating sustained brand value. Branded servings decreased by 6% from the previous quarter; however, they exceeded the Company's Q1 2019 servings despite challenges in the vaporizer category, demonstrating an overall growth trend for the year and reflect a consumer shift towards more premium, larger format product offerings in the SLANG portfolio.

Brand Highlights:

SLANG's brands continued to earn market-leading positions across multiple product categories and territories in fourth quarter 2019 and full year 2019.

O.penVAPE:

- Q4 2019: #1 vape in Colorado, #7 in Nevada
- FY 2019: #1 vape in Colorado, #6 in Nevada
- #2 best-selling cannabis brand of all time

Firefly

- Q4 2019: #5 disposable vaporizer in Colorado

Bakked:

- Q4 2019: #2 distillate in California and Vermont, #3 in Arizona, #5 in Colorado and Oregon
- FY 2019: #2 distillate in Arizona and California, #5 in Colorado, #7 in Oregon

District Edibles:

- Q4 2019: #3 gummy in Nevada, #6 in California, #7 in Colorado
- FY 2019: #3 in gummy in Nevada, #7 in California and Colorado

Pressies:

- Q4 2019: #4 pill in Colorado
- FY 2019: #3 pill in Colorado

Sources: BDS Analytics, Headset, proprietary POS data

Subsequent Events:

- Organic growth and brand leadership positions have continued into 2020 within the SLANG Network core markets of Colorado and Oregon.
- The Company continues to operate with a strong cash position that is expected to be sufficient to fund operations through 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 in excess of $7 million.
- Continuing to recalibrate supply chain relationships in several emerging markets to provide for more sustainable and profitable growth highlighted by new licensing agreements signed in Ohio and Maine.
- 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, such as the introduction of District Edibles Sour Gummies.
- Introduced dried flower product in Colorado under a previously announced partnership with Cookies, and on track to release Cookies-branded product in Oregon in Q2 2020.
- Completed the acquisition of Cultivate Brands Corp. ("**Cultivate**"), a company with a complementary portfolio of brands and other intellectual property, and assets which include extraction equipment and other machinery, cash of approximately $4 million, and a strategic investment in a company within the cannabis industry supply chain.
- Working towards final steps required to complete previously announced acquisitions of Allied Concessions Group ("**ACG**") and Lunchbox Alchemy ("**LBA**") while continuing evaluations and negotiations in respect of other previously announced proposed acquisitions.

Commentary on 2020

"We see opportunities for targeted growth in 2020 within our core markets, where our team is executing effectively to build on the momentum of our brands," said Peter Miller. "We are also focused on managing through the challenges related to COVID-19 and changing competitive dynamics in some of our emerging markets. Our capital-light model has enabled us to improve the efficiency of our operations and accelerate our path to profitability. I believe we are well positioned to withstand the current headwinds and build upon our position as cannabis CPG leaders."

Streamlining Operations Across Core and Emerging Markets:

In 2020, the Company has focused on managing costs and cash resources to reflect the current environment, through streamlining initiatives that include the following:

- Maintaining a strong balance sheet with continued focus on the prudent allocation of capital and ongoing operational improvements;
- Continued optimization of its workforce and recalibration of SLANG Network relationships, resulting in an estimated $7 million in annualized savings;
- A prioritization of the Company's core markets and a disciplined and more sustainable approach to operating in emerging markets, as described in the Company's April 29 announcement of preliminary financial results; and
- Deferring opportunities previously announced with the SLANG Health & Wellness CBD product vertical and in Colombia and Greece until such time that market dynamics allow for favorable unit economics and commercialization of products.

Growth Catalysts:

Initiatives expected to contribute to the Company's growth in 2020, and beyond, include, but are not limited to, the following:

- Entry into the flower category through the previously announced partnership with Cookies;
- Organic growth across core markets driven by the release of new products under the Company's existing brand portfolio;
- Benefits from the prolonged presence of brands in emerging markets as they mature;
- Capital-efficient entry into additional emerging markets through licensing and partnership agreements; and
- Consolidation of supply chain assets in Colorado and Oregon following the anticipated completion of previously-announced acquisitions.

Given the uncertainty in the economic environment, the Company does not intend to provide financial guidance for 2020.

2019 Financial Review

The consolidated financial statements were prepared in accordance with IFRS.

The following is selected presentation of the Income Statement for the three and 12 month periods ended December 31, 2019 and the comparable periods in 2018:

	Three Months Ended:		12 Months Ended:	
	December 31, 2019	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
(In thousands except per share data and percentages)	**CDN**	**CDN**	**CDN**	**CDN**
NET OPERATING REVENUE	**$ 8,716**	**$ 2,564**	**$ 29,229**	**$ 5,230**
Cost of goods sold	3,214	–	16,094	–
GROSS PROFIT	**5,502**	**2,564**	**13,135**	**5,230**
GROSS PROFIT MARGIN	**63%**	**100%**	**45%**	**100%**
Operating expenses	32,236	4,659	72,811	19,942
OPERATING (LOSS)	**(26,734)**	**(2,095)**	**(59,676)**	**(14,712)**
Other items (Impairment, FV adjustment, FX, gains/losses, deferred tax recovery, etc.)	(175,579)	3,876	(142,471)	(13,342)
TOTAL COMPREHENSIVE INCOME / (LOSS)	**(202,313)**	**1,781**	**(202,147)**	**(28,054)**
EARNINGS PER SHARE				
Basic	**$ (0.78)**	**$ 0.02**	**$ (0.87)**	**$ (0.37)**
Diluted	**$ (0.78)**	**$ 0.02**	**$ (0.87)**	**$ (0.37)**

Gross Margin

The Company generated a 63% gross margin in the quarter ended December 31, 2019, benefiting from high-margin rental income recognized in the quarter, as well as the ongoing integration of certain operations acquired earlier this year. In addition, product mix and market segmentation of sales will impact gross margin in any particular quarter.

Cost of goods sold for 2019 includes a one-time expense related to the acquisition of NCG and Firefly which required the Company to record the fair value of the inventory on-hand on consolidation at the time the transactions closed. The normalized gross profit margin of 53%, as shown in the table below, adjusts for the impact of the inventory adjustment.

	Three Months Ended:		12 Months Ended:	
	December 31, 2019	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
(In thousands except per share data and percentages)	**CDN**	**CDN**	**CDN**	**CDN**
Net Operating Revenue	**$ 8,716**	**$ 2,564**	**$ 29,229**	**$ 5,230**
Cost of goods sold	3,214	–	16,094	–
Inventory fair value adjustment	–	–	(2,449)	–
Adjusted Gross Profit	**5,502**	**2,564**	**15,584**	**5,230**
Gross Profit Margin	**63%**	**100%**	**53%**	**100%**

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 year ended December 31, 2019 (the "**2019 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 December 31, 2019	**12 Months Ended December 31, 2019**
(In thousands except per share data and percentages)	**CDN**	**CDN**
TOTAL COMPREHENSIVE INCOME (LOSS)	**$ (202,313)**	**$ (202,147)**
EBITDA	**(4,704)**	**(15,433)**
ADJUSTED EBITDA	**(1,359)**	**(6,454)**

See the 2019 MD&A for a detailed reconciliation of EBITDA and Adjusted EBITDA to Total Comprehensive Income / (Loss).

SLANG's financial statements for the year ended December 31, 2019 and the 2019 MD&A are available on SEDAR at www.sedar.com, and on the Company's Investor Relations website at www.slangww.com.

Media inquiries
Media@SLANGworldwide.co

Investor inquiries
Investors@SLANGworldwide.co

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.

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 2019 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.

Notes:

(1) This press release contains references to pro forma financial information, including with respect to pro forma revenues. Pro forma revenues include the revenue for the twelve month and three month periods ended December 31, 2019 for each of Arbor Pacific, Inc. ("Arbor"), LBA, NS Holdings, Inc. ("NSH") and ACG. Such proposed acquisitions include the previously announced proposed acquisitions of Arbor and LBA, as well as the exercise

of options to acquire the remaining Organa Brands businesses, NSH and ACG. These acquisitions cannot be consolidated, in the case of NSH and ACG, because such acquisitions were still under option as at December 31, 2019 and, in the case of Arbor and LBA, because such acquisitions have not yet closed. Pro forma revenues do not include anticipated costs and expenses to generate such revenue. Completion of the proposed acquisitions of Arbor and LBA and the exercise of the Company's option for NSH, and the acquisition of NSH 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 exercise its option to acquire NSH and/or complete the acquisitions of Arbor, LBA, NSH and ACG.

The Company believes the pro forma results presented provide relevant and useful information for investors because they clarify the Company's actual operating performance, make 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 performance 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.

The Canadian Securities Exchange has not reviewed, approved or disapproved the content of this news release.

###