



SLANG Worldwide Announces Q1 2019 Financial Results and Full Year 2019 Guidance

- Over \$32 million of gross retail sales generated by SLANG's portfolio of brands
- Over 1 million branded units sold
- Full quarter net operating revenue of \$5 million
- Full year guidance of \$130 - \$160 million annualized revenue, with 50 – 60% gross margins

TORONTO, May 30, 2019 -- SLANG Worldwide Inc. ([CNSX: SLNG](#)), (Frankfurt: 84S), ("SLANG" or the "Company"), today announced that it has filed its financial results for the three months ended March 31, 2019. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"). All figures are stated in Canadian dollars unless otherwise noted.

SLANG CEO Peter Miller said, "SLANG's capital-light model and partnership focus enables us to generate significant brand value within our portfolio while also supporting the success of the cultivators, extractors, distributors, and retailers that make up the SLANG network. The proof of this success, and the benchmark by which we measure brand performance, is Branded Unit volumes. In our first quarter as a public company, 1 million SLANG-branded units, containing 52 million branded servings, were purchased by consumers. Our approach to existing operations and M&A will continue to support our brands' success at the cash register, enhance our unit economics, and generate substantial overall growth."

Q1 2019 Highlights and Key Subsequent Events

Financial Highlights:

- Full quarter net operating revenue of \$5 million included revenue of National Concessions Group, Inc. ("Organa Brands") and NWT Holdings, LLC ("Firefly") from January 1, 2019; SLANG's acquisitions of Organa Brands and Firefly were completed on January 22, 2019. Revenue from January 1 – March 31, 2019, excluding revenues of Organa Brands and Firefly prior to acquisitions was \$4.0 million.
- Adjusted gross profit of \$2 million (56% adjusted gross margin) excluding the impact of acquisition related one-time inventory fair value adjustment; gross profit of negative \$224,000 including the impact of the fair value adjustments.
- Adjusted EBITDA loss of \$1 million, which reflects the sustainability of our business model in a high growth sector



- Net loss for the period of \$16.1 million, which includes start-up, financing, non-cash derivative adjustments and professional service costs as well as depreciation of acquired assets
- \$13 million of cash on-hand at the end of the quarter is sufficient to fund current operations into the foreseeable future.

Key Performance Indicators for Brands:

SLANG CEO Peter Miller said, “Cultivators are concerned with physical yields, manufacturers focus on efficiency and consistency, distributors aim to maximize inventory turnover, and retailers are measured by revenue per square foot. Branded unit volumes are our priority as a brand owner, and this will be the KPI by which our peer group of cannabis brand owners will be measured.”

- **Over 1 million branded units sold** — Branded unit volume represents the number of finished good products purchased by consumers. This metric helps illustrate how consumers are voting with their dollars.
- **Over 52 million branded servings (average of 600,000+ servings per day)** — Branded servings volume, which measures the number of 5 mg cannabinoid servings (lowest regulatory denominator on max serving size), helps the Company track the number of experiences consumers are having with SLANG brands. Brand experiences lead to brand loyalty, which is core to creating sustained brand value.
- **\$32 million in retail sales** — Retail sales is a measure of the gross merchandise value generated by retailers through the sale of SLANG’s branded products. It serves as a comparison for SLANG to other United States Multi-State Operators that primarily generate revenue from retail operations.
- **2,600+ retail stores across 11 states selling SLANG’s branded products** — The number of retail stores is a measure of SLANG’s total distribution footprint, indicating both market penetration and revenue concentration. The Company’s ability to build brands relies heavily on the broad availability of SLANG products. SLANG has one of the largest distribution footprints in the industry, and revenue is spread across a large number of retail accounts.

Operational Highlights:

- Entered into partnership with Trulieve Cannabis Corp. on February 29, 2019 to bring SLANG products to Trulieve’s retail network of over 20 dispensaries in Florida.



- Entered into partnership with Southern Development Holdings on March 6, 2019 to offer SLANG's branded cannabis products to Puerto Rico customers including tourists with active medical cannabis licenses from qualified states.
- Launched the RESERVE product line in California on March 11, 2019.
- Established SLANG Health & Wellness, a new wellness-focused business division on May 2, 2019. The new business unit will develop and market a portfolio of plant-based cannabidiol ("CBD") products that will be distributed in partnership with Greenlane Holdings, Inc. (NASDAQ: GNLN) ("Greenlane") through its extensive distribution network.
- Launched latest vaporizer product, the Firefly 2+, on May 23, 2019. Firefly 2+ enhances the flagship product's purpose-built dry herb and extracts technology and premium experience while broadening accessibility with a lower price.

Corporate Development Highlights:

- Closed acquisitions of Firefly and Organa Brands on January 22, 2019; entered into binding option agreement to acquire Organa Brands' historical manufacturing and distribution partners.
- Expanded distribution relationship with Greenlane on March 18, 2019 to provide distribution of Firefly 2+ vaporizer. Greenlane currently delivers products into over 9,600 brick and mortar retail locations around the world and has a significant e-commerce presence.
- Announced proposed acquisition of Arbor Pacific, Inc. ("Arbor") on April 16, 2019. Arbor is a leading producer of branded cannabis products. Arbor's product portfolio includes a mix of branded offerings that span the vaporizer, flower and cannabidiol ("CBD") product categories. Arbor's Avitas and Hellavated brands are among the highest selling cannabis brands in the Pacific Northwest, with multiple products regularly listed among the top 10 best-selling vape SKUs in Washington state, according to Headset.
- On May 14, 2019, the Company announced the proposed acquisition of LBA Global Corporation including its Lunchbox Alchemy brand portfolio and distribution subsidiary Hydra Distribution. The proposed transaction will bolster SLANG's position in the Pacific Northwest by adding a complementary portfolio of top-selling products in Oregon and California and robust supply chain and distribution capabilities.
- On May 21, 2019, SLANG's Canadian investee, Agripharm Corp., secured one of the country's first outdoor cannabis production licenses, further bolstering SLANG's Canadian supply chain.



Capital Markets and Financial Activity:

- Satisfied escrow release conditions of \$66 million subscription receipt financing on January 22, 2019.
- Completed listing of the Company's common shares on the CSE under ticker SLNG with trading commencing on January 29, 2019.
- Listed shares on the Frankfurt Exchange under symbol 84S with trading on March 25, 2019.
- Announced on May 24, 2019 that the Company's warrants originally issued on July 23, 2018 would have their expiry date accelerated in accordance with their terms. The warrants will now expire on June 28, 2019 at 5:00PM (Toronto time). Gross proceeds to the Company will be approximately \$10.5 million if all accelerated warrants are exercised.

2019 Full Year Outlook

FY2019 Guidance

- Full year guidance of \$130 - \$160 million annualized revenue, with 50 – 60% gross margins.

2019 Growth Catalysts

- Continuing to aggressively expand into new geographic areas—with sales to commence in Florida and Puerto Rico in Q2 2019 and in Canada in Q4 2019 (subject to the coming into force of Canadian infused product regulations).
- Complete acquisition and integration of certain SLANG network supply chain assets to capture value added revenues and margin by Q4 2019. The Company anticipates pursuing the exercise of its option to acquire the Organa Brands manufacturing and distribution assets in the fiscal year, and the exercise of such options shall be subject to the terms and conditions of the applicable options agreements.
- Category expansion and new product launches, including the launch of SLANG Health & Wellness, Firefly 2+, Firefly Mini, and Strain Hunters flower brand.

Q1 2019 Financial Review

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (“IFRS”). All figures are stated in Canadian dollars unless otherwise noted. The acquisitions of Firefly and Organa Brands were completed on January 22, 2019—operations



were consolidated from that date representing fully consolidated figures for approximately 75% of the quarter.

The following is selected presentation of the Income Statement for the quarter January 1, 2019 to March 31, 2019:

	March 31, 2019	March 31, 2018
(In thousands except per share data and percentages)	CDN	CDN
NET OPERATING REVENUE	\$ 4,006	\$ 29
Cost of goods sold (1)	4,230	0
GROSS PROFIT	(224)	29
GROSS PROFIT MARGIN	-6%	100%
Operating expenses – cash based	5,677	616
Operating expenses – non cash based	6,716	
OPERATING LOSS	(12,617)	(587)
Share of loss of investment	239	0
Financing cost and FV adjustment	3,257	0
LOSS BEFORE INCOME TAXES	(16,113)	(587)
Income taxes	1	0
NET LOSS FOR PERIOD	(16,114)	(587)
Exchange on translation of foreign operations	(250)	0
TOTAL COMPREHENSIVE LOSS	\$ (16,364)	\$ (587)
EARNINGS PER SHARE		
Basic	\$ (0.09)	\$ (0.01)
Diluted	\$ (0.09)	\$ (0.01)

(1)Includes an inventory increase fair value adjustment from the acquisition of Organa Brands and Firefly in the amount of \$2,449. Cost of goods sold excluding this valuation adjustment would be \$1,781. Described in further detail below in the “Gross Margin” section.



Gross Margin

Cost of goods sold includes a one-time adjustment from the acquisition of Organa Brands and Firefly which required the Company to record the fair value of the inventory on-hand on consolidation at the time the transaction closed. The increases were \$139,171 to Firefly and \$2,309,392 for Organa Brands at January 22, 2019. The increased cost was subsequently expensed throughout Q1 2019. This had the effect of overstating cost of goods sold for the period and therefore reducing the margin. The normalized gross profit margin from operations, after adjusting for the FV increases, is detailed below:

	March 31, 2019	March 31, 2018
(In thousands except per share data and percentages)	CDN	CDN
NET OPERATING REVENUE	\$ 4,006	\$ 29
Cost of goods sold	4,230	0
Inventory fair value adjustment	(2,449)	0
GROSS PROFIT	\$ 2,225	\$ 29
GROSS PROFIT MARGIN	56%	100%

Since the acquisitions of Organa Brands and Firefly, SLANG has initiated a process to integrate certain operations and as a result expects to realize increased gross margins as well as capture higher economics in future reporting periods. 2019 costs of goods sold were largely product and packaging costs relating to sales of branded units to licensees and distribution partners. 2018 revenue was limited to only rental and interest income, neither of which had direct costs allocated to them therefore resulting in a 100% margin.

EBITDA and Adjusted EBITDA

EBITDA and Adjusted EBITDA 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 impacts of unrealized fair values, share based compensation expense, impairments, one-time gains and losses, and one-time revenues and expenses. This data is furnished to provide additional information and is a non-IFRS measure and does not have any standardized meaning prescribed by IFRS. The Company uses these non-IFRS measures to provide investors 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 deterring net loss as an indicator of operating results or as a substitute for cash flows from operating and investing activities.

	March 31, 2019	March 31, 2018
(In thousands except per share data and percentages)	CDN	CDN
TOTAL COMPREHENSIVE LOSS	\$ (16,364)	\$ (587)
Exchange on translation of foreign operations	250	0
Income taxes	4	0
Financing cost and FV adjustment	3,257	0
Share of loss of investment	239	0
Share based payments	1,673	8
Depreciation	4,971	0
EBITDA	(5,972)	(587)
FV increase inventory on acquisitions	2,449	0
Non-recurring professional fees (1)	1,026	0
Non-recurring compensation (2)	1,177	0
Non-recurring marketing (3)	304	0
ADJUSTED EBITDA	\$ (1,016)	\$ (587)

- (1) During Q1 2019 as the Company completed multiple substantive transactions as well as requiring general corporate and securities advice. Tax planning and audit costs increased in connection with these substantive transactions as well. Additionally, the work was finalized for the Company to have its common shares listed on the CSE - the common shares commenced trading on January 29, 2019. This required a significant amount of legal and audit support that are considered to be one-time costs.
- (2) During the period, bonuses were paid to key management personnel which are considered to be one-time costs.
- (3) During the period there were one-time marketing expenditures that are not expected to be recurring.



SLANG's Q1 2019 Financial Statements and Management's Discussion and Analysis will be filed on SEDAR at www.sedar.com, and on the Company's Investor Relations website at www.slangww.com.

Conference Call

The Company will hold a conference call at 6:00 p.m. EDT on Thursday, May 30, 2019 to discuss the Company's Q1 2019 financial results and outlook for 2019.

- 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 416.849.0833, passcode 9092768.

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About SLANG Worldwide Inc.

SLANG Worldwide Inc. is a leading cannabis-focused consumer packaged goods company. The Company is focused on acquiring and developing market-proven regional brands, as well as creating new brands to meet the needs of cannabis consumers worldwide. 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, 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 management discussion and analysis for the year ended December 31, 2018 and three months ended March 31, 2019 , each 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.

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

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