SLANG Worldwide Announces Second Quarter 2020 Financial Results

- Q2 2020 revenue of $4.6 million, a 3% decrease from Q1 2020 revenue of $4.7 million as results were significantly impacted by the COVID-19 crisis; weaker April and May activity was offset by a sales rebound in June
- Core market revenues were up more than 130% year-over-year in June and more than 4x compared to April, which saw a 50% decline vs. April 2019
- Core market sales have continued to accelerate through July and August
- Pro-forma revenue of $10.1 million, which includes the estimated impact of the previously announced proposed acquisitions, investments, and assets within the SLANG Network[(1)]
- SLANG Network assets in core markets generated positive cash flow in June; cash and equivalents of $11.1 million at June 30, 2020, up from $10.4 million on March 31, 2020
- Obtained regulatory approvals in core markets of Colorado and Oregon that will pave the way for completion of the Company's previously announced acquisitions
- Company anticipates solid growth in the second half of 2020 compared to the first half driven by continued strength in core markets, new product launches and traction in newly-entered markets

TORONTO, August 27, 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 and six months ended June 30, 2020. All figures in this press release are stated in Canadian dollars unless otherwise noted.

"We were encouraged to see our revenues and margins hold steady in the second quarter despite facing a full three months of the COVID-related challenges that first appeared in March," said SLANG President & CEO Chris Driessen. "These results reflect improvements in June, which offset weak April and May activity driven by the COVID-19 crisis. Additionally, the decisive steps we have taken to adjust to the market environment have led to reduced operating expenses and more efficient use of our cash resources. The success we have experienced since the recovery in June is further proof that we are emerging from the challenges of the first half of the year even stronger, with revenues and momentum exceeding pre-COVID levels."

Key Financial and Operational Highlights

Q2 2020 Financial Highlights

- Revenue of $4.6 million in Q2 2020 decreased by 36% compared to Q2 2019 revenue of $7.2 million and declined 3% compared to $4.7 million in Q1 2020. The year-over-year decline is primarily due to the previously announced decision to recalibrate supply chain relationships in California and other emerging markets that management believed were not showing a pathway to profitable growth. The stay-at-home orders associated with the COVID-19 response also adversely affected certain retail locations that sell the Company's branded products.

- Performance in the Company's core markets (Colorado and Oregon) helped offset decreased revenues in its emerging markets. On a year-over-year basis, core market revenues were down 50% in the month of April, at the height of the pandemic, but recovered by June to deliver a 130% increase over June 2019.
- Pro-forma revenue of $10.1 million, which includes the estimated impact of the previously announced proposed acquisitions, investments, and assets within the SLANG Network.(1)
- Gross profit of $2.8 million (62% gross margin) in Q2 2020 compared to gross profit of $3.3 million (45% gross margin) in Q2 2019, as a higher margin profile associated with the licensing sales model helped offset the revenue decrease. Gross profit was consistent with $2.9 million (61% gross margin) reported in Q1 2020.
- Adjusted EBITDA loss of $1.8 million narrowed in comparison to the Q1 2020 loss of $2.7 million and the Q2 2019 loss of $2.1 million, due to the ongoing realization of cost reductions implemented in recent quarters. Cost reductions from streamlining activities at SLANG and within the SLANG Network have resulted in approximately $10.5 million of annualized cost savings.
- $11.1 million of cash and cash equivalents at June 30, 2020, compared to $10.4 million at March 31, 2020. The Company continues to operate with a strong cash position that is expected to be sufficient to fund operations through to profitability.

Corporate Development Update

- Subsequent to quarter end, the Company's application for suitability was approved by the Colorado Department of Revenue's Marijuana Enforcement Division. The approval is a required step for the Company to execute on its core market strategy of consolidating its supply chain through the acquisition of "plant-touching" operations such as manufacturing and distribution facilities in Colorado.
- Subsequent to quarter end, the Oregon Liquor Control Commission has approved the Company as a license holder in Oregon. The approval positions SLANG to consolidate its supply chain in Oregon, including closing the proposed acquisition of Lunchbox Global, LLC ("**LBA**") by the Company.
- During Q2 2020, the Company completed the acquisition of Cultivate Brands Corp., a company with a strong cash position and other complementary assets.

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.

- **Concentrates**: Introduced Cookies-branded "Terp Sauce" cartridges and O.penVAPE-branded Craft RESERVE Live Resin cartridges in Colorado during the summer of 2020.
- **Flower:** SLANG has entered the flower category with the introduction of Cookies-branded flower products in Colorado and Oregon. Flower is typically a top-selling category of the cannabis market.
- **Edibles**: Introduced District Edibles to the Oregon market, marking the Company's first entry into edibles in Oregon.

- **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. SLANG Network partner assets in Colorado and Oregon are demonstrating the capability for profitable cash flow from operations and we are optimistic for the future as those acquisitions are near completion.
- **Strategic Partnerships:** Continuing to recalibrate or strengthen relationships in emerging markets to provide for sustainable and profitable growth. Recent highlights include: the launch of Firefly 2+ vaporizers in Florida at Trulieve Cannabis Corp. retail locations which account for approximately half of cannabis sales by volume in the state; product availability in Oklahoma starting in July 2020 through strategic partner Elite Cultivation LLC; and in Canada, minority-owned licensed producer Agripharm Corp. has received a sales license and announced a supply agreement with the Province of Ontario.
- **Brand Leadership:** SLANG's brands continued to earn market-leading positions in its core markets in the second quarter of 2020. Highlights include: Open.VAPE ranked as the #1 vape in Colorado and #6 in Oregon; Firefly Mini was the #4 disposable vaporizer in Colorado; Bakked was the #4 distillate in Oregon and #5 in Colorado; District Edibles was the #9 gummy in Colorado; Pressies was the #4 pill in Colorado. (Source: BDS Analytics.)
- **Key Performance Indicators**: 494,000 branded units sold in Q2 2020; 44 million branded servings sold in Q2 2020 (average of approximately 485,000 servings per day).
- **Streamlined Management:** As previously announced, the Company has promoted Chris Driessen to President & CEO, John Moynan to Chief Operating Officer & General Counsel, and Mikel Rutherford to Chief Financial Officer. Peter Miller has transitioned from the CEO role to serve as Executive Chairman, while Billy Levy has transitioned from President to a strategic advisor role, and former CFO Kelly Ehler has been elected to the Company's Board of Directors.
- **Strengthened Board of Directors:** At the Company's annual meeting held on July 8, 2020, shareholders elected four new board members: Chris Donnelly, Kelly Ehler, Matt Fraser and Robert Verdun. The new directors are expected to contribute considerable expertise in consumer products, marketing, corporate strategy and financial management to the Board of Directors.

Outlook for Second Half of 2020

"We remain optimistic about delivering growth in the second half of this year, driven by market fundamentals as well as our own strategic initiatives," said SLANG President & CEO Chris Driessen. "The positive sales momentum that began in June has continued into July and August, indicating that we are past the worst of the COVID-19 impact and signaling a strong third quarter. In addition, we have been active in launching new products and advancing our strategic partnerships in emerging markets. We also expect to begin consolidating our supply chain in core markets through the completion of pending acquisitions."

The Company 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;
- Continued expansion into new emerging markets, such as California and Massachusetts, provided strategic partnerships can be successfully concluded;
- Increased sales from the Company's recent and ongoing expansion into new product categories and introduction of new brands;
- The ongoing recovery from the effects of COVID-19 closures, as demonstrated by positive sales trends in July and August;
- The consolidation of supply chain assets, and a corresponding increase in revenue and margins, resulting from the potential closing of the proposed acquisitions of LBA in Oregon, and Allied Concession Group ("**ACG**"), Peoria Partners LLC and Pleasant Valley Ranch, LLC in Colorado;
- 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.

Conference Call

The Company will hold a conference call at 10:00 a.m. EDT on Thursday, August 27, 2020 to discuss the Company's Q2 2020 financial results.

Dial-in:	833.529.0214 (toll free) or (+1) 647.689.6824 (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.
	A replay of the webcast will be archived on the Company's website for one year.

Q2 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 June 30, 2020 and June 30, 2019:

	Three Months Ended:	
	June 30, 2020	**June 30, 2019 (Amended)**
(In thousands except per share data and percentages)	**CDN**	**CDN**
NET OPERATING REVENUE	**$ 4,570**	**$ 7,194**
Cost of goods sold	1,729	3,927
GROSS PROFIT	**2,841**	**3,267**
GROSS PROFIT MARGIN	**62%**	**45%**
Operating expenses	8,678	13,087
OPERATING (LOSS)	**(5,837)**	**(9,820)**
Other items (Impairment, FV adjustment, FX, gains/losses, deferred tax recovery, etc.)	(8,549)	(26,226)
TOTAL COMPREHENSIVE INCOME / (LOSS)	**2,712**	**16,406**
EARNINGS PER SHARE		
Basic	**$ 0.01**	**$ 0.08**
Diluted	**$ 0.01**	**$ 0.06**

Gross Margin

The Company generated a 62% gross margin in the quarter ended June 30, 2020, which improved from an adjusted gross margin of 45% in Q2 2019. Margin improvements were driven by an increasing emphasis on a licensing model, as well as the Company's refocus on the core markets of Colorado and Oregon.

Below is the gross profit margin from operations for the quarters ended June 30, 2020 and June 30, 2019:

	Three Months Ended:	
	June 30, 2020	**June 30, 2019**
(In thousands except per share data and percentages)	**CDN**	**CDN**
Net Operating Revenue	**$ 4,570**	**$ 7,194**
Cost of goods sold	1,729	3,927
Gross Profit	**2,841**	**3,267**
Gross Profit Margin	**62%**	**45%**

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 June 30, 2020 (the "**Q2 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 June 30, 2020	**Three Months Ended June 30, 2019**
(In thousands except per share data and percentages)	**CDN**	**CDN**
TOTAL COMPREHENSIVE INCOME	**$ 2,712**	**$ 16,406**
EBITDA	**(4,239)**	**(4,287)**
ADJUSTED EBITDA	**(1,771)**	**(2,054)**

See the Company's Q2 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 June 30, 2020 are available on SEDAR at www.sedar.com, and on the Company's Investor Relations website at www.slangww.com.

<u>Issuance of RSUs and Promissory Note</u>

The Company announces that it will grant 7,800,000 restricted share units ("**RSUs**") to directors, officers and a consultant of the Company. 4,050,000 of the RSUs will be subject to vesting provisions and 3,750,000 of the RSUs will be subject to performance-based milestones being achieved.

The Company further announces that through ongoing cost cutting measures, it has significantly reduced and deferred certain commitments, some of which will be carried through a convertible unsecured promissory note (the "**Note**"), to settle current indebtedness of the Company owed to one insider, subject to the approval of the Canadian Securities Exchange (the "**Exchange**"). The Note has an outstanding principal amount of USD$807,000, accrues interest at the U.S. Prime Rate, matures on August 26, 2023, and is convertible, from time to time, in whole or in part, into Common Shares at a price equal to the greater of (i) the volume-weighted average price of a Common Share on the Exchange for the thirty (30) day period ending on the date prior to which a conversion notice is delivered, and (ii) the minimum price permitted by the Exchange. The Note and any securities issued pursuant to the Note are subject to four month hold period expiring on December 27, 2020. The issuance of the Note constitutes a "related party transaction" within the meaning of Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions ("**MI 61-101**"). This transaction is exempt from the formal valuation and minority shareholder approval requirements of MI 61-101 pursuant to section 5.5(a) and section 5.7(1)(a) as the fair market value of the Note is not more than 25% of the Company's market capitalization.

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. For more information, please visit www.slangww.com.

Notes:

(1) 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 June 30, 2020 for previously announced acquisitions. Such proposed acquisitions include the previously announced proposed acquisitions of LBA and ACG. These acquisitions cannot be consolidated, in the case of ACG, because such acquisition was still under option as at June 30, 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 Q2 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.

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

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