



Indus Holdings, Inc. Reports Fourth Quarter and Fiscal Year End 2019, Financial and Operational Results, and Preliminary First Quarter 2020 Results

Vertically-integrated cannabis leader lays out path to self-sustaining profitability with operational upgrades, leadership changes, and go-forward strategy

SALINAS, Calif., April 30, 2020 -- **Indus Holdings, Inc.** ("Indus" or the "Company") (CSE:INDS; OTCQX: INDXF), a leading, vertically-integrated, California-focused cannabis company, announced its financial results for the fourth quarter and fiscal year 2019 (ended December 31, 2019), and the Company provided preliminary results for the first quarter 2020 (ended March 31, 2020). All figures stated are in US Dollars.

Fourth Quarter and Year End Financial and Operational Highlights:

- Revenue generated for the three-month period ended December 31, 2019, was \$10.8 million; 73% year-over-year growth. Revenue for the year ended December 31, 2019, was \$37.0 million; 115% year-over-year growth.
- EBITDA for the three-month period ended December 31, 2019, was (\$13.4 million); EBITDA for the year-end December 31, 2019, was (\$36.3 million). EBITDA included (\$6.4 million) in write-offs of certain inventory in net loss, foregoing any future remediation, labor, and sales costs required. The inventory adjustments included revaluation and write-offs driven by the Company's decision to discontinue certain amending processes as a result of enhancing internal quality metrics. See "Use of Non-IFRS Financial Information" below.
- Operating expenses were \$12.0 million for the three-month period ended December 31, 2019, compared to \$12.4 million in the prior quarter.

"The fourth quarter was a pivotal quarter to create efficiencies. We had a lot of learnings last year and they are all valuable as they helped us get to where we are today," said Mark Ainsworth, Chief Executive Officer for Indus Holdings, Inc.

Subsequent events to the fiscal fourth quarter December 31, 2019:

On January 10, 2020, Indus Holdings, Inc. announced US\$1.5 Million Bridge Loan Financing

- Press release can be viewed [here](#).

On March 16, 2020, Indus Holdings, Inc. and Investor Group Led by Geronimo Capital Announce Bridge Financing and Terms for Total Financing of Up to US\$14.5 Million

- Press release can be viewed [here](#).

On April 13, 2020, Indus Holdings, Inc. announced the closing of US\$15.1 Million Convertible Debenture Financing along with management and board changes

- Press release can be viewed [here](#).
- Indus entered into a debenture and warrant purchase agreement ("Purchase Agreement") and closed a US\$15.1 million financing of senior secured convertible debentures ("Convertible Debentures"), which are convertible into an aggregate of 75.3 million subordinate voting shares of the Company ("Subordinate Voting Shares"), and warrants ("Warrants") to purchase an aggregate of 75.3 million Subordinate Voting Shares.
- A further US\$0.9 million of Convertible Debentures and associated Warrants may be issued in subsequent tranches pursuant to the Purchase Agreement.
- The Convertible Debentures bear a fixed interest rate of 5.5% per annum and will mature 42 months after closing. Indus may prepay the Convertible Debentures without penalty or premium any time after the 24-month anniversary of the closing.
- The entire amount of all bridge loans previously announced by the Company were repaid in full from the proceeds of the Financing yielding net cash to the Company of approximately US\$10.5 million after factoring in external transaction related expenses of approximately US\$0.6 million.

Leadership Changes:

Concurrently with the Financing, the following management and board changes occurred:

- Robert Weakley resigned as Chief Executive Officer and Chairman of the board of Indus and remained on the board as a Director.
- Mark Ainsworth, Chief Operating Officer and Executive Vice President, was appointed Chief Executive Officer of the Company.
- Steve Neil was appointed Chief Financial Officer for the Company.
- Kelly Crampton was appointed Senior Vice President of Distribution for the Company.

Board of Director Changes:

- George Allen, founder of Geronimo Capital, was appointed Chairman of the board of Indus.
- Brian Shure was appointed to the Company's board of directors.
- Kevin McGrath was appointed to the Company's board of directors.
- Arthur Maxwell resigned from the Company's board of directors.

"With George's guidance at the helm of the board and our new partners being bullish on California, our team is laser focused on delivering on the promise we made to our investors," said Ainsworth. "We are thankful for this opportunity to showcase everyone that has supported Indus Holdings, Inc., both since inception or recently."

Preliminary First Quarter Financial Results:

- Preliminary revenue generated for the three-month period ended March 31, 2020, was \$9.4 million; 46.7% year-over-year growth and a decrease of 12.6% from the prior quarter. The decline was due to planned reduction in lower margin agency brand sales. As a percentage of revenues, owned brands grew from 51% in the prior quarter to 55% in the first quarter while agency brands declined from 41% to 29% in the corresponding quarters.
- Preliminary net loss for the three-month period ended March 31, 2020, was (\$4.0) million, compared to (\$18.3) million in the prior quarter. This \$14.3 million improvement was due to cost reduction initiatives, strategic product mix improvements, a favorable biological asset fair value change, and elimination of certain charges that impacted the prior quarter.

Operational Highlights and Initiatives Underway in 2020:

The Company remains focused on the most profitable parts of its business. Its top priorities are finalizing the cultivation and becoming self-sustainable, improving operational efficiency, and focusing on the most profitable parts of the business.

- **California Cultivation Facility Build-out:**
 - The renovation of two greenhouses will be completed by May 2020, adding 110,000 square feet of additional cultivation; resulting in an annual rate of 45,000 pounds by the first quarter of this year from an annual rate of 9,000 pounds last year.
 - Resulting in an increased flower production from 1,000 pounds per month exiting 2019 to 4,000 pounds per month, while reducing the cost of growing flower by approximately 40%.
 - This will not only increase margins in all owned brands but it will provide the ability to control inventory and become self-sustainable.
- **Cultivation Capacity:**
 - The Company aims to achieve full cultivation capacity in the 2020 calendar year, increasing its overall production from eight grow rooms and four and half turns a year to 30 grow rooms and six turns a year. The Company plans to grow its production from approximately 25,000 pounds in 2020 to 45,000 pounds in 2021.
- **Indus-Owned Core Brand Positioning:**
 - Cypress Cannabis, a flower brand, is now the 6th highest volume flower brand in the California market according to BDS Analytics.
 - Moon, an edibles brand, increased revenue sales by 49% from the fourth quarter 2019 to the first quarter 2020.
 - Since bringing Kaizen Medicinals online, a concentrate brand, in the third quarter 2019, revenue sales have increased by 74% in the first quarter 2020.
- **Distribution Capabilities:**
 - Increased daily deliveries by 265% quarter over quarter going from an average of 31 to 113 while delivering to approximately 85% of the licensed dispensaries in California.
- **Accounts Receivable:**
 - Improved collection processes has resulted in a reduction of past due balances by over \$1M in the first quarter.
- **Operational Efficiencies:**
 - Indus transitioned to a sales-driven forecast production plan in manufacturing, which now forecasts seven weeks out for visibility while creating little to no waste.
 - The purchasing strategy has been refined to only carry four weeks' worth of raw materials and ingredients and an eight to 10 weeks maximum of packaging at a given time.

Ainsworth noted, "We are in a positive trajectory and believe we have positioned ourselves to be cash-flow positive and profitable in the second half of the year. In looking at the fourth quarter and this first few months of 2020, we know the trend is there and we are moving in the right direction."

"There have been massive improvements and that was driven by the team's dedication to plan, produce, and sell. We have assembled an incredible team and are pulling out the best of everyone, maximizing their full capabilities." Ainsworth further commented, "We are having to make a lot of smaller decisions to achieve our ultimate goal of being profitable. I am reenergized and believe that we are more disciplined, more efficient, and more streamlined than ever for a cash-positive future."

Q4 and Year End 2019 Audited Financial Results Earnings Conference Call Details:

Indus Holdings, Inc. plans to host a conference call with management Thursday, April 30 at 4:30 p.m. EDT.

The call can be accessed using the following dial-in information:

U.S and Canadian Toll-free: +1 877-876-9173

International: +1 785-424-1667

Conference ID: INDUS419

Please dial-in at least 15 minutes before the call to register.

The conference call will be [webcast live](#) and archived on the investor relations section of the Indus Holdings, Inc. website at <https://ir.indusholdingco.com/>.

About Indus Holdings, Inc.

Indus Holdings, Inc. (CSE: INDS; OTCQX: INDXF) is a vertically-integrated cannabis company with advanced production capabilities, including cultivation, extraction, manufacturing, brand sales & marketing, and distribution. Founded in 2014 and based in Salinas, California, Indus offers services supporting every step of the supply chain and an extensive portfolio of award-winning brands, including Cypress Cannabis, House Weed, The Original Pot Co., MOON, Acme, and Kaizen Medicinals. Indus Distribution, a division of Indus Holdings, Inc., is a leading distributor of cannabis products, servicing an extensive portfolio of brands and licensed retailers.

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Use of Non-IFRS Financial Information

To supplement the Company's financial results presented in accordance with International Financial Reporting Standards ("IFRS"), Indus uses non-IFRS measures to understand and compare operating results across accounting periods, for financial and operational decision making, for planning and forecasting purposes and to evaluate the Company's financial performance. These non-IFRS financial measures are adjusted EBITDA, adjusted gross profit, adjusted gross margin, and non-IFRS net earnings (loss). Management believes that these non-IFRS financial measures reflect the Company's ongoing business in a manner that allows for meaningful comparisons and analysis of trends in the business, as they facilitate comparing financial results across accounting periods and to those of peer companies. Management also believes that these non-IFRS financial measures enable investors to evaluate the Company's operating results and future prospects in the same manner as management. These non-IFRS financial measures may also exclude expenses and gains that may be unusual in nature, infrequent or not reflective of the Company's ongoing operating results. 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 our performance, and they may not be comparable to similarly named measures from other companies.

Forward-Looking Information and Statements

This press release contains certain "forward-looking information" within the meaning of applicable Canadian securities legislation and may also contain statements that may constitute "forward-looking statements" within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. Such forward-looking information and forward-looking statements are not representative of historical facts or information or current condition, but instead represent only Indus' beliefs regarding future events, plans or objectives, many of which, by their nature, are inherently uncertain and outside of Indus' control. Generally, such forward-looking information or forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or may contain statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "will continue", "will occur" or "will be achieved." The forward-looking information and forward-looking statements contained herein may include, but are not limited to, the ability of the Company to successfully achieve business objectives (including completion of renovations and increasing production capacity), and expectations for other economic, business, and/or competitive factors. There can be no assurance that such forward-looking information will prove to be accurate, and actual results and future events could differ materially from those anticipated in such forward-looking information. This forward-looking information reflects Indus' current beliefs and is based on information currently available to Indus and on assumptions Indus believes are reasonable.

Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Indus to be materially different from those expressed or implied by such forward-looking information. Such risks and other factors may include, but are not limited to: general business, economic, competitive, political and social uncertainties; general capital market conditions and market prices for securities; delay or failure to receive board or regulatory approvals; the actual results of future operations; operating and development costs; competition; changes in legislation or regulations affecting Indus; the timing and availability of external financing on acceptable terms; the available funds of Indus and the anticipated use of such funds; delay or inability to complete an acquisition; favorable production levels and outputs; the stability of pricing of cannabis products; the level of demand for cannabis product; the availability of third-party service providers and other inputs for Indus' operations; lack of qualified, skilled labor or loss of key individuals; and risks and delays resulting from the COVID-19 pandemic. A description of additional assumptions used to develop such forward-looking information and a description of additional risk factors that may cause actual results to differ materially from forward-looking information can be found in Indus' disclosure documents, such as Indus' listing statement filed on the SEDAR website at www.sedar.com. Although Indus has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. Readers are cautioned that the foregoing list of factors is not exhaustive. Readers are further cautioned not to place undue reliance on forward-looking information as there can be no assurance that the plans, intentions or expectations upon which they are placed will occur. Forward-looking information contained in this news release is expressly qualified by this cautionary statement.

The forward-looking information contained in this news release represents the expectations of Indus as of the date of this news release and, accordingly, is subject to change after such date. However, Indus 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 securities law. Neither the Canadian Securities Exchange nor its Regulation Service Provider has reviewed, or accepts responsibility for the adequacy or accuracy of, the content of this news release.

INDUS HOLDINGS, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands)	December 31, 2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,344	\$ 10,310
Accounts Receivable—net of allowance for doubtful accounts of \$2,595 at December 31, 2019 and \$250 at December 31, 2018	6,890	2,965
Subscription Receivable	-	3,200
Inventory	9,376	13,608
Biological assets	1,716	576
Prepaid expenses and other current assets	2,729	2,086
Total current assets	22,055	32,745
Long-term investments	397	1,148
Property and equipment, net	42,972	4,063
Goodwill	357	357
Other intangibles, net	1,153	190
Other assets	2,274	454
Total assets	\$ 69,208	\$ 38,957
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 7,127	\$ 2,191
Accrued payroll and benefits	531	259
Notes payable, current portion	135	147
Lease obligation, current portion	2,325	-
Other current liabilities	1,933	1,838
Total current liabilities	12,051	4,436
Notes payable	371	389
Lease obligation	31,480	-
Other long-term liabilities	946	-
Total liabilities	44,848	4,824
STOCKHOLDERS' EQUITY		
Share capital	96,160	54,333
Accumulated deficit	(71,800)	(20,201)
Shareholders' equity - parent	24,360	34,133
Total stockholders' equity	24,360	34,133
Total liabilities and stockholders' equity	\$ 69,208	\$ 38,957

INDUS HOLDING COMPANY AND AFFILIATES
CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)	Years Ended December 31, 2019	2018
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Net revenue	\$	37,045	\$	17,199
Cost of goods sold		45,641		14,612
Gross profit before biological asset adjustments		(8,596)		2,587
Net effect of change in fair value of biological assets		638		(2,903)
Gross profit		(9,234)		5,490
Operating expenses				
General and administrative		25,814		8,779
Sales and marketing		8,029		2,513
Depreciation and amortization		3,322		101
Total operating expenses		37,165		11,393
Loss from operations		(46,399)		(5,902)
Other income/(expense)				
Other income/(expense)		95		(106)
Unrealized loss on change in fair value of investment		(2,250)		-
Gain/(Loss) on foreign currency		159		-
Interest expense		(2,152)		(1,178)
Total other income/(expense)		(4,148)		(1,284)
Loss before provision for income taxes		(50,547)		(7,186)
Provision for income taxes		205		97
Net loss	\$	(50,752)	\$	(7,283)
Net loss per share - basic and diluted	\$	(1.62)		
Weighted average shares outstanding - basic and diluted		31,379		

INDUS HOLDING COMPANY AND AFFILIATES
STATEMENTS OF CASH FLOWS

(in thousands)	Year Ended December 31,	
	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES		
Net loss	\$ (50,752)	\$ (3,738)
<i>Adjustments to reconcile net loss to net cash used in operating activities:</i>		
Depreciation and amortization	3,914	312
Amortization of debt issuance costs	-	289
Share-based compensation expense	3,385	140
Provision for doubtful accounts	2,345	175
Allowance for inventory obsolescence	700	-
Warrants issued in exchange for services	-	87
Loss on sale of assets	446	-
Unrealized gain on change in fair value of investments	1,713	(1,659)
Changes in operating assets and liabilities:		
Accounts receivable	(6,230)	(810)
Inventory	3,538	(3,322)
Biological assets	(1,140)	(631)
Prepaid expenses and other current assets	(463)	(357)
Other assets	(2,000)	-

Accounts payable and accrued expenses	5,207	(779)
Other long-term liabilities	13	718
Net cash used in operating activities	(39,323)	(9,574)
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from asset sales	1,455	-
Purchases of property and equipment	(9,991)	(726)
Investment in corporate interests	(1,525)	-
Net cash used in investing activities	(10,061)	(726)
CASH FLOW FROM FINANCING ACTIVITIES		
Principal payments on lease obligations	(1,155)	(32)
Payments on notes payable	(106)	(600)
Proceeds from notes payable	76	500
Proceeds from brokered private placement	40,195	-
Fees on public brokered private placement	(1,919)	-
Proceeds from exercise of options	127	-
Issuance of subordinate voting shares	3,200	-
Proceeds from issuance of series B preferred stock, net of issuance costs	-	8,850
Net cash provided by financing activities	40,418	8,718
Change in cash and cash equivalents and restricted cash	(8,966)	(1,582)
Cash and cash equivalents—beginning of year	10,310	2,229
Cash, cash equivalents and restricted cash—end of period	\$ 1,344	\$ 646

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the period for interest	\$ 2,147	\$ 97
Cash paid during the period for income taxes	\$ 105	\$ -

OTHER NONCASH INVESTING AND FINANCING ACTIVITIES

Property and equipment acquired via capital lease	\$ -	\$ 42
Debt and associated accrued interest converted to series B preferred shares	\$ -	\$ 12,441
Issuance of warrants	\$ 2,291	\$ -
Shares issued to acquiree in connection with reverse takeover	\$ 1,513	\$ -
Issuance of supervoting shares	\$ 40	\$ -
Acquisition of private entities	\$ 1,028	\$ 571

INDUS HOLDINGS, INC. AND AFFILIATES

ADJUSTED EBITDA

(Unaudited)

Year Ended December 31,

(in thousands)

	2019	2018
Net loss attributable to Indus Holdings, Inc. (IFRS)	\$ (50,752)	\$ (7,283)
Interest expense	2,152	1,178
Provision (benefit) for income taxes	205	97
Depreciation in cost of goods sold	592	211
Depreciation and amortization in operating expenses	3,322	101
Investment and currency losses	2,091	-
Share-based compensation	3,385	140
Transaction and other special charges	2,341	-
Net effect of change in fair value of biological assets	638	(2,903)
Adjusted EBITDA (non-IFRS)	\$ (36,026)	\$ (8,459)

⁽¹⁾ Adjusted gross profit (loss) excludes the fair value adjustments for biological assets. Management believes this measure provides useful information as it removes fair value metrics tied to increasing stock levels (decreasing stock levels) required by IFRS.

⁽²⁾ Adjusted EBITDA is net income (loss), excluding the effects of income taxes (recovery); net interest expense depreciation

and amortization; non-cash fair value adjustments on investments; unrealized foreign currency gains/losses; non-cash fair value adjustments on sale of inventory and on growth of biological assets; share-based compensation; and other transactional and special expenses, such as acquisition costs and expense related to our continuing operations. Management believes this measure provides useful information as it is a commonly used measure in the capital markets and as it is a close proxy for reputable cash generated by operations.