



Indus Holdings, Inc. Reports Record Third Quarter 2020 Results

Company delivers strong results despite being adversely affected by California Wildfires

Vertically-integrated California cannabis leader reports highest revenue quarter since its inception

SALINAS, Calif., Nov. 09, 2020 -- **Indus Holdings, Inc.** ("Indus" or the "Company") (CSE:INDS; OTCQX: INDXF), a leading, vertically-integrated, California-focused cannabis company, announces its financial results for the third quarter ended September 30, 2020 following the previously released preliminary financial highlights. All figures stated are in US Dollars.

Third Quarter Financial Highlights:

- Revenue generated for the three-month period ended September 30, 2020, was \$14.1 million; a 40% year-over-year growth from the third quarter last year and an increase of 43% from the prior quarter. As a percentage of revenues, owned brands grew from 73% in the prior quarter to 84% in the third quarter.
- EBITDA for the three-month period ended September 30, 2020, was \$2.3 million; EBITDA for the previous quarter ended June 30, 2020, was (\$3.9 million). Note that previously reported negative EBITDA for the quarter ended June 30, 2020 was (\$3.3 million), which has been corrected to properly reflect investment gains in the quarter. See "Use of Non-IFRS Financial Information" below.
- Net income for the three-month period ended September 30, 2020, was \$2.4 million, compared to a net loss of (\$4.8 million) in the second quarter.
- Adjusted gross margin (before net change in fair value of biological assets) of 41.5% compared to negative margin of (9%) in Q2 2020. See "Use of Non-IFRS Financial Information" below.
- Operating income before net change in fair value of biological assets of \$1.0 million compared to operating loss of (\$5.2 million) in Q2 2020. See "Use of Non-IFRS Financial Information" below.
- Operating result improvements from the previous quarter reflects strategic product mix improvements as increased flower volumes were realized and the continuing impact from cost reduction efforts.

Impact of California Wildfires

- During Q3 the Company experienced harvest weights that were on average 20% below Q2 levels. The company attributes the declines to remediation measures the Company adopted to avoid crop-loss during the wildfires.
- The Company did increase in total flower harvest volumes during the quarter due to the increased number of harvests resulting from the expansion efforts in the first half of the year.
- The Company is implementing automated environmental controls to mitigate similar losses in the future.
- Indus expects that harvest yields will remain suppressed into the fourth quarter as we work through the plants in the greenhouse that were impacted by the remediation measures.

"Despite the headwinds caused by the wildfires, our Q3 results are the direct result of a strategy that prioritizes increased cultivation output and the Indus family of owned products," says Mark Ainsworth, Chief Executive Officer for Indus Holdings, Inc. "While exceeding our expectations for the quarter, our performance was well short of where we could have been but for the impact of the wildfires and we are taking steps to be better prepared in the future."

Operational Highlights and Ongoing Initiatives in 2020:

The Company showcased expected positive results due to the focus and strategic planning of key initiatives that are continuing to drive sustainable profitable growth, with top priorities of finalizing renovation of its cultivation facilities, improving operational efficiency, and refinement of biological assets.

- **California Cultivation Facility Build-out:**
 - The Company has completed its greenhouse renovations bringing it to 29 active flower rooms. These renovations added 110,000 square feet bringing the current total cultivation to approximately 185,000 square feet.
 - The nursery renovation has been completed. This upgrade allows Indus to maximize square footage in the flowering rooms and maintain consistency throughout.
 - Successfully completed the majority of electrical, mechanical, and environmental upgrades with final approval from the county.
 - Plans for renovation of processing space underway and new dry rooms have been submitted for permitting with the county.
- **Cultivation Quality and Efficiency:**
 - Indus portfolio of strains coming from the newly improved cultivation have consistently tested in the mid to high 20's and low 30's for THC potency.
 - Continued improved cultivation processes, refined genetics, and enhanced facilities and systems have led to a consistent increase in potency and yields.
 - Indus is actively exploring tissue culture clones in order to expand and refine its strain selection.
 - The Company is implementing advanced Environmental Control systems that are customized and

adaptable. Expected completion is December 2020.

- Continued yield improvements are expected to be seen as the environmental control system is installed.
- In October, Indus commissioned our automated flower packaging line which will improve production time and speed to market while reducing labor costs.

Indus Owned Core Brands:

- Indus owned brands continue to gain market share by strategically expanding in a variety of categories in the third the quarter of 2020:
 - Flavor grew 71% from Q2 to Q3.
 - Original Pot Co. successfully launched two additional new baked good SKUs in Q3 and grew 42% from Q2. Allowing the team to penetrate in over 70 net-new dispensaries and garnered the highest month of revenue for the brand to date.
 - Moon, a chocolate edible brand, continues its position in the top three highest selling brands in cannabis-infused chocolates according to BDS Analytics.
 - Moon launched four different SKU's from its highly anticipated gummy line, the first expansion into gummies for the brand.
 - Cypress brand sales grew by 42% from Q2 to Q3.
 - Due to our cultivation producing higher quality flower, Indus' flower continues to fill the void in the market for a higher demand in potency at a competitive price.
- Indus' expanding portfolio of brands:
 - Indus is working on expanding existing brands into new categories while also growing its brand portfolio to engage with new consumers and create additional revenue streams.
- **Distribution Capabilities:**
 - Since bringing distribution technologies in house, Indus has improved its processing and ordering technology to maximize revenue and provide world-class service.
 - Deliveries to dispensaries per day increased by 11% from Q2 to Q3.
 - Average delivery value increased by 19% from Q2 to Q3.
 - In order to process the increased flower from its renovated cultivation, Indus has submitted for a cultivation and processing license application for warehouse facilities. Plans for construction of the post-harvest processing space have been submitted to the City.

"The turnaround at Indus has been the result of huge efforts by a highly talented team," said George Allen, Chairman of the Board of Indus Holdings, Inc. "Not only has Indus solidified its market position as a dominant force in the cannabis industry, but the organization has positioned itself for greater success in the coming fiscal year.

Q3 Financial Results Earnings Conference Call Details:

The conference call with management at 8:30 a.m. ET on Tuesday, November 10 can be accessed using the following dial-in information:

U.S. and Canadian Toll-free: 1-877-407-0789
International: 1-201-689-8562
Conference ID: 13712405

Please dial-in at least 10 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, Humble Flower, 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.

Investor Relations Contact

Bill Mitoulas
416.479.9547
bill@indusholdingco.com

Media Contact

Renata Follmann
pr@indusholdingco.com

Company Contact

Forward-Looking Information and Statements and non-IFRS Financial Measures

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.

This press release includes non-IFRS financial measures, specifically adjusted EBITDA, which is not a measure of financial performance under IFRS and should not be considered superior to, as a substitute for or as an alternative to, and should only be considered in conjunction with IFRS financial measures.

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 (Unaudited)

(in thousands)	Note	September 30, 2020	December 31, 2019
ASSETS			
Current assets:			
Cash and cash equivalents		\$ 6,487	\$ 1,344
Accounts Receivable—net of allowance for doubtful accounts of \$1,196 at September 30, 2020 and \$2,595 at December 31, 2019		4,167	6,890
Inventory	6	11,150	9,376
Biological assets	7	10,323	1,716
Prepaid expenses and other current assets	5	5,796	2,729
Total current assets		37,923	22,055
Long-term investments	10	652	397
Property and equipment, net	8	41,717	42,972

Goodwill	9	357	357
Other intangibles, net	9	567	1,153
Other assets		274	2,274
Total assets		\$ 81,490	\$ 69,208
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable		\$ 1,178	\$ 7,127
Accrued payroll and benefits		985	531
Notes payable, current portion	12	1,091	135
Lease obligation, current portion	13	2,870	2,325
Other current liabilities		10,230	1,933
Total current liabilities		16,354	12,051
Notes payable	12	508	371
Lease obligation	13	29,260	31,480
Convertible debentures	12	13,829	-
Other long-term liabilities		-	946
Total liabilities		59,951	44,848
STOCKHOLDERS' EQUITY			
Share capital		99,908	96,160
Accumulated deficit		(78,369)	(71,800)
Total stockholders' equity		21,539	24,360
Total liabilities and stockholders' equity		\$ 81,490	\$ 69,208

See accompanying notes to interim consolidated financial statements.

INDUS HOLDINGS, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

Periods Ended September 30, (in thousands except per share amounts)	Note	Three Months		Nine Months	
		2020	2019	2020	2019
Net revenue		\$ 14,131	\$ 10,119	\$ 33,467	\$ 26,242
Cost of goods sold		8,269	17,738	29,652	31,004
Gross profit before biological asset adjustments		5,862	(7,618)	3,815	(4,762)
Net effect of change in fair value of biological assets	7	(3,350)	(2,103)	(11,359)	(241)
Gross profit		9,212	(5,515)	15,174	(4,522)
Operating expenses					
General and administrative	18	2,559	8,787	8,575	16,754
Sales and marketing		1,274	2,606	3,684	6,016
Depreciation and amortization	8	1,044	985	2,806	2,444
Total operating expenses		4,878	12,378	15,066	25,214
Income/(Loss) from operations		4,334	(17,893)	108	(29,735)
Other income/(expense)					
Other income/(expense)		56	(104)	81	(17)
Loss on termination of investment	4	(843)	-	(4,367)	-
Unrealized gain/(loss) on change in fair value of investment	10	(199)	(1,554)	192	(712)

Gain/(Loss) on foreign currency		-	(21)	-	161
Interest expense	13	(838)	(525)	(2,414)	(2,066)
Total other income/(expense)		(1,824)	(2,204)	(6,509)	(2,633)
Income/(Loss) before provision for income taxes		2,510	(20,097)	(6,400)	(32,369)
Provision for income taxes	15	119	(459)	169	44
Net income/(loss)		\$ 2,391	\$ (19,638)	\$ (6,569)	\$ (32,412)
Net income/(loss) per share - basic	16	\$ 0.07	\$ (0.61)	\$ (0.20)	\$ (1.01)
Net income/(loss) per share - diluted	16	\$ 0.01	\$ (0.61)	\$ (0.20)	\$ (1.01)
Weighted average shares outstanding - basic	16	33,398	32,228	33,048	32,199
Weighted average shares outstanding - diluted	16	174,043	32,228	33,048	32,199

INDUS HOLDINGS, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF CASH FLOW
(Unaudited)

Periods Ended September 30, (in thousands)	Nine Months	
	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES		
Net loss	\$ (6,569)	\$ (32,412)
<i>Adjustments to reconcile net loss to net cash used in operating activities:</i>		
Depreciation and amortization	3,044	2,901
Debt issuance cost amortization	352	-
Loss on termination of investment	4,367	-
Share-based compensation expense	2,012	2,123
Provision for doubtful accounts	1,000	230
Unrealized gain on change in fair value of investments	(192)	712
Changes in operating assets and liabilities:		
Accounts receivable	1,523	(7,307)
Inventory	(1,774)	(1,206)
Biological assets	(8,607)	(698)
Prepaid expenses and other assets	(430)	(1,740)
Accounts payable and accrued expenses	2,344	6,430
Other long-term liabilities	(90)	(304)
Net cash used in operating activities	(3,019)	(31,270)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(5,784)	(5,379)
Net cash received from disposition of business interest	500	-
Investment in corporate interests	-	(1,500)
Net cash used in investing activities	(5,284)	(6,879)
CASH FLOW FROM FINANCING ACTIVITIES		
Principal payments on lease obligations	(1,795)	(1,082)
Payments on notes payable	(3,990)	(83)
Payments from lease obligations	120	-
Proceeds from notes payable	3,800	106
Proceeds from convertible notes, net of financing costs	15,219	-
Issuance of subordinate voting shares associated with convertible notes offering	62	-
Proceeds from brokered private placement	-	40,150
Fees on public brokered private placement	-	(1,875)
Proceeds from series B offering	-	3,200
Proceeds from exercise of warrants	30	-
Proceeds from exercise of options	-	127
Issuance of subordinate voting shares	-	4
Net cash provided by financing activities	13,446	40,547
Change in cash and cash equivalents	5,143	2,398
Cash and cash equivalents—beginning of year	1,344	10,310
Cash, cash equivalents and restricted cash—end of period	\$ 6,487	\$ 12,708

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the period for interest	\$	2,062	\$	1,247
Cash paid during the period for income taxes	\$	102	\$	5

OTHER NONCASH INVESTING AND FINANCING ACTIVITIES

Purchase of property and equipment not yet paid for	\$	688	\$	-
Disposition of business interests	\$	500	\$	-
Issuance of warrants	\$	1,556	\$	2,291
Shares issued for services in connection with convertible debenture offering	\$	62	\$	-
Shares issued to acquiree in connection with reverse takeover	\$	-	\$	1,513
Issuance of supervoting shares	\$	-	\$	40
Acquisition of private entities	\$	-	\$	1,028
Issuance of subordinate voting shares in exchange for acquisition of private entity	\$	-	\$	240

The table below reconciles Gross Profit (Loss) and Gross Margin to Adjusted Gross Profit (Loss) and Adjusted Gross Margin for the periods indicated.

Periods Ended September 30, (in thousands)	Three Months		Nine Months	
	2020	2019	2020	2019
Net revenue	\$ 14,131	\$ 10,119	\$ 33,467	\$ 26,242
Cost of goods sold	\$ 8,269	\$ 17,738	\$ 29,652	\$ 31,004
Net effect of change in fair value of biological assets	\$ (3,350)	\$ (2,103)	\$ (11,359)	\$ (241)
Gross profit (loss)	\$ 9,212	\$ (5,515)	\$ 15,174	\$ (4,522)
Gross margin	65.2%	-54.5%	45.3%	-17.2%
Adjusted gross profit (loss) ⁽¹⁾	\$ 5,862	\$ (7,618)	\$ 3,815	\$ (4,762)
Adjusted gross margin ⁽¹⁾	41.5 %	-75.3 %	11.4 %	-18.1 %

⁽¹⁾ Non-IFRS measure - see Non-IFRS Financial Measures in this MD&A.

The table below reconciles Net Loss to Adjusted EBITDA for the periods indicated.

Adjusted EBITDA

Periods Ended September 30, (in thousands)	Three Months		Nine Months	
	2020	2019	2020	2019
Net income/(loss) attributable to Indus Holdings, Inc. (IFRS)	\$ 2,391	\$ (19,638)	\$ (6,569)	\$ (32,412)
Interest expense	838	525	2,414	2,066
Provision for income taxes	119	(459)	169	44
Depreciation in cost of goods sold	13	207	238	458
Depreciation and amortization in operating expenses	1,044	985	2,806	2,444
Investment and currency (gains)/ losses ⁽²⁾	199	1,575	(192)	551
Share-based compensation	187	1,613	2,012	2,123
Transaction and other special charges	843	500	4,367	2,111
Net effect of change in fair value of biological assets	(3,350)	(2,103)	(11,359)	(241)
Adjusted EBITDA⁽¹⁾	\$ 2,285	\$ (16,795)	\$ (6,113)	\$ (22,857)

⁽¹⁾ Non-IFRS measure - see Non-IFRS Financial Measures in this MD&A.

⁽²⁾ Nine month Adjusted EBITDA for the period ended September 30, 2020 reflects a correction of investment and currency (gains)/losses for the quarter ended June 30, 2020 which inadvertently reflected a \$306 gain in the quarter as a loss.

Periods Ended September 30, (in thousands)	Three Months		Nine Months	
	2020	2019	2020	2019
Income/(Loss) from operations	\$ 4,334	\$ (17,893)	\$ 108	\$ (29,735)
Net effect of change in fair value of biological assets	(3,350)	(2,103)	(11,359)	(241)

Adjusted income/(loss) from operations	\$	984	\$	(19,996)	\$	(11,251)	\$	(29,976)
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