

XS FINANCIAL REPORTS THIRD QUARTER 2020 FINANCIAL RESULTS

Strong revenue growth and positive adjusted EBITDA underscore solid third quarter

LOS ANGELES, CA, November 30, 2020 – XS Financial Inc. (“XS Financial”, “XSF” or the “Company”) (CSE: XSF) (OTCQB: XSHLF), a specialty finance company providing equipment leasing solutions to cannabis and hemp companies in the United States, is pleased to announce results for the quarter ended September 30, 2020 (“Q3/20”) and for the nine-month period ended September 30, 2020 (“YTD/20”). All amounts are expressed in U.S. dollars unless indicated otherwise.

Q3/20 Highlights

- Revenue grew to \$3,858,329 from \$663,468 in Q3/19, an increase of 482% year over year
- Monthly recurring revenue grew to \$164,076 from \$57,250 in Q3/19, a 187% increase year over year
- Gross profit was \$76,053 versus a gross loss of \$55,163 in the previous year
- Adjusted EBITDA¹ for the quarter was \$44,910
- Adjusted net loss¹ for the quarter was \$266,509, or nil per share, demonstrating the 5th consecutive quarter of improving operational results
- 4 new leases signed during the quarter totaling \$2,764,451 of new leasing receivables
- Total gross receivables from active leases of \$3,844,293 at the end of Q3/20
- Strong balance sheet at quarter-end with \$1.56MM of unencumbered cash and marketable securities

Post-Quarter Highlights:

- Entered into a \$5 million leasing agreement with Skymint Brands f/k/a Greenpeak Innovations (Michigan’s leading vertically integrated cannabis operator), as announced on October 13, 2020
- Entered into a \$5 million leasing agreement with a large, publicly traded multi-state operator focused on the Nevada and Massachusetts markets, as announced on November 2, 2020
- Improved financial flexibility with the closing of a \$2 million senior secured revolving credit facility with an FDIC insured bank, as previously announced on November 23, 2020
- As of November 30, 2020, the Company has funded \$6,064,977 into 14 active lease schedules, which generate \$200,000 of monthly recurring revenue and a weighted gross unleveraged IRR of 24.0%, while maintaining a conservative 57.6% portfolio lease-to-value
- Total gross receivables from active leases of \$7,568,920, as of November 30, 2020

David Kivitz, CEO of XS Financial commented: “Our third-quarter results were highlighted by strong revenue growth and a swing to positive adjusted EBITDA. We made significant progress on several fronts, including signing 4 new leases during the quarter, which brings our total deployed capital to \$6.1MM. We are also recognizing benefits from several previously announced cost optimization efforts, some of which commenced partway through the third quarter, and are expected to continue into Q4/20 and 2021. Building on this momentum, we also entered into two new leases post-quarter end with leading cannabis operators in their respective markets. Additionally, the company secured a revolving credit facility with favorable pricing and terms from an FDIC insured bank, which strengthens our ability to fund additional equipment leases, with new and existing customers.”

¹ Adjusted EBITDA and Adjusted Net Loss are non-IFRS financial performance measure with no standardized meaning under IFRS. Adjusted Net Loss is calculated as Net Loss per IFRS adjusted for marked-to-market adjustments in the Company’s investments, non-cash accretion expense, gains/losses associated with non-recurring equipment sales, non-cash equity incentives, depreciation and unrealized foreign exchange gains/losses

Summary Financial Results

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Revenue	\$3,858,329	\$663,468	\$5,451,489	\$1,635,493
Cost of sales	\$3,782,276	\$718,631	\$5,297,665	\$1,903,742
Gross profit (loss)	\$76,053	\$(55,163)	\$153,824	\$(268,249)
Operating expenses	\$364,034	\$625,509	\$1,652,669	\$3,096,867
Other expense (income)	\$531,945	\$(2,486,616)	\$2,827,868	\$1,707,121
Income tax expense	-	-	-	\$975
Net (loss) income	\$(819,926)	\$1,805,944	\$(4,326,713)	\$(5,073,212)
Adjusted net (loss) income	\$(266,509)	\$(1,058,210)	\$(1,127,555)	\$(3,004,156)
(Loss) income per share – basic	\$(0.02)	\$0.05	\$(0.08)	\$(0.15)
Adjusted net (loss) per share - basic	<i>nil</i>	\$(0.03)	\$(0.02)	\$(0.09)
Weighted average shares outstanding – basic	54,589,706	36,295,096	52,563,488	33,974,504

Results of Operations

Revenue for Q3/20 was \$3,858,329 compared to \$663,468 in Q3/19. This increase of \$3,194,861 was primarily attributable to the recognition of approximately \$3,060,000 of revenue associated with nine new financing leases between five customers entered into in 2020, and an increase of approximately \$223,000 of equipment sales in 2020 compared to 2019. The increases above are partially offset by an approximate \$111,000 decrease in revenue recognized from royalty sales and operating leases from 2019 to 2020.

Cost of sales for Q3/20 was \$3,782,276 compared to \$718,361 in Q3/19. This increase was attributable to an increase of approximately \$2,814,000 of equipment costs associated with financing leases entered into in Q3/20, and an increase of approximately \$480,000 from the write-off of servicing equipment associated with non-essential equipment sales in the quarter. The increases above are partially offset by decreases totaling \$202,000 related to reduced (i) servicing equipment purchases, (ii) depreciation and amortization expense and (iii) compensation and related expenses for personnel providing services to customers.

Gross profit for Q3/20 was \$76,053 compared to a loss of \$55,163 in Q3/19. The Company anticipates further gross margin improvement due to the curtailment of excess equipment sales and new leasing activity.

Operating expenses for Q3/20 were \$364,034, down from \$625,509 in Q3/19. The decrease of \$261,475 was largely attributable to a decrease in professional fees of approximately \$171,000 related to legal, audit, tax, and internal accounting costs, including costs associated with preparing for the reverse acquisition, subsequent receipts debenture financing, and the Company to be publicly traded.

The Company realized a net loss of \$819,926 for Q3/20 compared to net income of \$1,805,944 for Q3/19. The negative variance of \$2,625,870 was primarily attributable to a one-time non-cash gain recognized in 2019, related to derivative liabilities and the Company's change in functional currency.

Liquidity and Capital Resources

The Company's liquidity needs are primarily to finance growth initiatives, including equipment acquisition, leasing activities, debt services, and for general corporate purposes.

At the end of Q3/20, the Company had working capital of \$348,839 (compared to working capital of \$1,802,038 at the end of Q3/19), including cash of \$717,012 (compared to \$2,487,293 at the end of Q3/19) and marketable securities (\$843,071). The decrease in working capital was primarily attributable to the purchase of servicing equipment and an increase in trade payables and accrued equipment purchases related to new financing leases, and the ongoing funding of operations. These decreases are partially offset by the value of shares received in KushCo, which is recognized as an investment.

The Company's liquidity was significantly boosted post-quarter end through the collection of lease receivables, and the receipt of a new \$2 million senior secured revolving credit facility with an FDIC insured bank.

The Company's unaudited interim condensed Financial Statements ("FS") and Management Discussion & Analysis ("MDA") will be filed under the Company's profile on www.sedar.com, and will also be available on XS Financial's corporate website at www.xsfinancial.com.

About XS Financial

Founded in 2017, XSF specializes in providing equipment leasing solutions in the United States to owner/operators of cannabis and hemp companies. In addition, XSF provides a full range of consulting services including equipment selection and procurement, through its network of preferred vendor partnerships with original equipment manufacturers and equipment distributors. This powerful dynamic provides an end-to-end solution for customers which results in recurring revenues, strong profit margins, and a proven business model for XSF stakeholders. The Company's common shares are traded on the Canadian Securities Exchange under the symbol "XSF" and in the United States on the OTCQB under the symbol "XSHLF." For more information, visit: www.xsfinancial.com.

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Forward-Looking Information

This press release contains "forward-looking information" and may also contain statements that may constitute "forward-looking statements", collectively "forward-looking information", within the meaning of applicable Canadian securities legislation. Such forward-looking information is not representative of historical facts or information or current condition, but instead represent the beliefs and expectations regarding future events about the business and the industry and markets in which XS Financial operates, as well as plans or objectives of management, many of which, by their nature, are inherently uncertain.

Generally, such forward-looking information can be identified by the use of 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". Forward-looking information contained herein may include but is not limited to, any additional leasing opportunities and the ability to capitalize on such and the timing thereof. Forward-looking information is not a guarantee of future performance and involve risks, uncertainties and assumptions which are difficult to predict. Accordingly, readers should not place undue reliance on forward-looking information, which are qualified in their entirety by this cautionary statement. XS Financial Inc., does not undertake any obligation to release publicly any revisions for updating any voluntary forward-looking information, except as required by applicable securities law.

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