

## **XS FINANCIAL'S FOURTH QUARTER CAPS YEAR OF STRONG GROWTH IN FINANCING INCOME AND OPERATING LEASE REVENUE**

*Transformational year marked by new customer wins and growing lease portfolio*

**LOS ANGELES, CA, April 29, 2021 – XS Financial Inc. ("XS Financial", "XSF" or the "Company") (CSE: XSF) (OTCQB: XSHLF)**, an equipment finance and leasing company serving cannabis and hemp companies in the United States, reported its financial results today for the fourth quarter and year ended December 31, 2020. All amounts are expressed in U.S. dollars unless indicated otherwise.

### **Q4/20 Highlights**

- Added two new customers and entered into nine leasing agreements for a combined total of \$5.5 million equipment value;
- Financing income and operating lease revenue increased 163.8% to \$310.7 thousand;
- Net loss decreased by 61.2% to \$726.7 thousand;
- Obtained a \$2.0 million senior secured revolving credit facility with an FDIC insured bank, as previously announced on November 23, 2020;
- Total financing income and operating lease revenue customers grew from one as of year-end 2019 to six as of year-end 2020;
- EBITDA loss of \$598.3 thousand (Q4/19 - loss of \$1,108 thousand); Adjusted EBITDA<sup>1</sup> loss of \$124.2 thousand (Q4/19 - loss of \$427.5 thousand).

### **Post-quarter Highlights:**

- Added one new customer and entered into 11 leasing agreements for a combined total of \$4.0 million equipment value;
- Launched syndication platform, entering into a series of lease syndications totaling \$1.0 million maturing in 2024;
- Raised gross proceeds of approximately \$10.7 million by way of private placement in March 2021.

**David Kivitz, CEO of XS Financial commented:** "2020 was a transformational year for XS Financial. We changed our name, improved our financial flexibility, and most importantly, made strong progress executing our strategy focused on partnering with and supporting the growth of premier cannabis operators, resulting in larger leasing agreements and repeat business. We grew our customer base, adding five new customers, including two in the fourth quarter. Our client base is comprised of market leaders, large vertically-integrated companies, multi-state operators and a mix of private and publicly listed companies – businesses with a high demand for growth capital."

"We've carried the momentum into 2021. So far this year, we've continued to grow the number of high-quality customers we finance, we completed a private placement financing, raising gross proceeds of \$10.7 million, and we launched our syndication platform, improving our access to non-dilutive financing options. We look forward to accelerating our rate of capital deployment, enhancing our returns, and funding more growth in the U.S. cannabis industry."

### **Summary Financial Results**

In fiscal 2020, the Company shifted exclusively into lease arrangements that generate financing income, shown as Financing Income and Operating Lease Revenue in XS Financial's financial statements, reflecting revenue earned on the financing component of lease transactions and leases not deemed as financing leases. Previously, the Company recorded leases as sales-type financing leases resulting in the recognition of revenue on acceptance and had a cost of sales representing costs directly attributable to the generation of equipment and sales-type financing revenue.

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<sup>1</sup> Adjusted EBITDA is a non-IFRS financial performance measure. Adjusted EBITDA is calculated as operating income adjusted for non-cash expenses, non-cash equity incentives, one-time expenses, and one-time impairment charges.

As a result of this transition, the Company no longer meets the definition of a manufacturer or dealer, and the Company's financial results, commencing with fiscal 2020, no longer include equipment and sales-type financing revenue, nor breakout cost of sales and gross profit.

	For the three months ended December 31		For the year ended December 31	
	2020	2019	2020	2019
Financing income and operating lease revenue	<b>\$310,697</b>	\$117,793	<b>\$676,460</b>	\$330,399
Operating expenses	<b>\$913,553</b>	\$1,052,712	<b>\$2,628,521</b>	\$4,149,579
Other expenses (income)	<b>\$123,753</b>	\$1,146,785	<b>\$3,101,261</b>	\$2,853,906
Income tax expense (recovery)	-	(\$384,000)	-	(\$383,025)
Net (loss) income	<b>(\$726,609)</b>	(\$1,873,634)	<b>(\$5,053,322)</b>	(\$6,946,846)
Income (loss) per share – basic	<b>(\$0.01)</b>	(\$0.04)	<b>(\$0.10)</b>	(\$0.18)
Weighted average shares outstanding – basic	<b>54,882,906</b>	48,210,200	<b>53,145,555</b>	37,562,660

Financing income and operating lease revenue for the quarter grew 163.8% to \$310,697 from \$117,793 for the fourth quarter of 2019. The increase was attributable to growth in revenue recognized from financing income associated with new financing leases. During the quarter, the Company entered into lease agreements with two new customers: Columbia Care Inc. and Skymint Brands (formerly known as Green Peak Innovations).

Operating expenses for the quarter decreased 13.2% to \$913,553 from \$1,052,712 for the same period the year before. The decrease of \$61,647 was primarily the result of the decrease in professional fees related to legal, audit, tax and internal accounting costs from 2019, including costs associated with preparing for the reverse acquisition, subsequent receipts debenture financing and the Company to be publicly traded. To a lesser degree, the decrease is also attributable to a reduction in non-cash incentive compensation. The above decreases are partially offset by an increase in the use of third-party contactors and employees, and the management fee charged from a related party for day-to-day executive management and support to the Company.

Other expenses for the quarter decreased 89.2% to \$123,753 compared to \$1,146,785 for the comparative period. The decrease of \$1,023,032 was attributable to decreases of approximately \$385,000 in the losses on the sale of servicing equipment from 2019 to 2020, and a 2019 non-cash impairment loss of approximately \$472,000 relating to the Company's mutual exclusivity and intellectual property intangible asset as a result of Company's termination of the joint venture and corresponding purchase commitments agreement with Khrysos in November 2019. The decrease also resulted from a net gain of approximately \$256,000 in the fourth quarter of 2020 from the sale of the KushCo investment, netted against previously recognized unrealized losses.

Net loss for the quarter narrowed to \$726,609, representing an improvement of \$1,147,025 from the net loss of \$1,873,634 incurred in the fourth quarter of 2019.

XS Financial's complete annual financial statements and management's discussion and analysis for the fourth quarter and year ended December 31, 2020, will be filed under the Company's profile on [www.sedar.com](http://www.sedar.com), and will also be available on XS Financial's corporate website at [www.xsfinancial.com](http://www.xsfinancial.com).

## About XS Financial

XS Financial provides the U.S. cannabis industry access to competitively-priced, non-dilutive CAPEX financing solutions. Founded in 2017, the Company specializes in providing financing for equipment and other qualified capital expenditures to growing cannabis companies, including cultivators, processors, manufacturers and testing laboratories. In addition, XSF has partnered with over 150 original equipment manufacturers (OEM) through its network of Preferred Vendor partnerships. This powerful dynamic provides an end-to-end solution for customers, resulting in recurring revenues, strong profit margins, and a proven business model for XSF stakeholders. The Company's subordinate voting 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](http://www.xsfinancial.com).

For inquiries please contact:

<b>David Kivitz</b> Chief Executive Officer	<b>Antony Radbod</b> Chief Operating Officer
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Tel: 1-310-683-2336  
Email: [ir@xsfinancial.com](mailto:ir@xsfinancial.com)

## Non-IFRS Financial Measures

This press release includes references to certain non-IFRS financial measures. These non-IFRS measures do not have any standardized meanings prescribed by International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and are therefore unlikely to be comparable to similar measures presented by other companies. Accordingly, they should not be considered in isolation, in addition to, not as a substitute for or superior to, measures of financial performance prepared in accordance with IFRS.

## 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.

*Neither the Canadian Securities Exchange nor its Regulation Services Provider accepts responsibility for the adequacy or accuracy of this release.*