Indiva Reports First Quarter 2023 Results

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Indiva Achieves Positive Adjusted EBITDA and Remains Edibles Leader in Canada

INDIVA Ltd. (the "Company" or "Indiva") (TSXV:NDVA), the leading Canadian producer of cannabis edibles and other cannabis products, is pleased to announce its financial and operating results for the first fiscal quarter ended March 31, 2023. All figures are reported in Canadian dollars ($), unless otherwise indicated. Indiva's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). For a more comprehensive overview of the corporate and financial highlights presented in this news release, please refer to Indiva's Management's Discussion and Analysis of Financial Condition and Results of Operations for the Three Months Ended March 31, 2023, and the Company's Condensed Consolidated Interim Financial Statements for the Three Months Ended March 31, 2023 and 2022, which are filed on SEDAR and available on the Company's website, www.indiva.com.

"We are pleased to report record gross profit and positive adjusted EBITDA in the first quarter of 2023, and continued gross margin improvement on a sequential and year-over-year basis, as Indiva begins to realize the benefits of our investment into automation for production and processing of edible products," said Niel Marotta, President and Chief Executive Officer of Indiva. "We are extremely pleased as well to see the continued growth in revenue contribution and market share from Pearls by Grön gummies, which are now finally available in Alberta. Indiva remains the edibles leader in Canada, holding the #1 overall market share position in the edibles category, including in aggregate the #1 position in the gummies, chocolate, and baked goods sub-categories. Looking forward, Indiva will continue to leverage its core strengths, low-cost production platform and capability to launch and scale new products on a national basis, while leaning more heavily on in-house innovation of new products. Over time we expect our revenue mix to shift away from licensed products, as we continue to introduce new products that delight of-age cannabis consumers."

HIGHLIGHTS

Quarterly Performance

- Gross revenue in Q1 2023 was $10.4 million, representing a 0.7% sequential increase from Q4 2022, and a 6.9% increase year-over-year from Q1 2022.
- Net revenue in Q1 2023 was $9.4 million, representing a 1.1% sequential increase from Q4 2022, and a 6.0% increase year-over-year from Q1 2022, driven primarily by new product introduction.
- Net revenue from edible products declined to $7.3 million, down 2.6% from $7.5 million in Q4 2022 and down 14.2% from $8.5 million in the prior year period. Edible product sales represent 77.7% of net revenue in Q1 2023.
- Gross profit before fair value adjustments, impairments and one-time items improved year-over-year by 20.3% and sequentially by 15.8%, to a record $3.2 million, or 33.6% of net revenue, versus 29.3% in Q4 2022 and 29.6% in Q1 2022. The improvement in gross margin percentage was due to the commissioning of automated equipment in edibles processing and packaging, as well as product mix.
- In Q1 2023, Indiva sold products containing 111.9 million milligrams of cannabinoids, the active ingredient in edible products, which represents a 36.7% increase when compared to the 81.8 million milligrams in product sold in Q4 2022, and a 105.2% increase compared to 54.5 million milligrams sold in Q1 2022. The increase was a function of higher sales and a mix shift towards products with higher average cannabinoid content.
- Inventory impairment charges in the quarter totaled $0.8 million. This impairment includes a write off of aged finished goods and bulk cannabis, bulk lozenges which cannot be sold due to Health Canada's recent order to halt production and sale of these products, as well as certain packaging and raw materials. The Company will continue to work to monetize any impaired inventory which remains saleable.
- Operating expenses in the quarter decreased 16.7% sequentially, and 7.7% year-over-year, representing 34.3% of net revenue, versus 41.7% in Q4 2022 and 39.4% in Q1 2022. Operating expenses declined sequentially primarily due to lower marketing and sales costs.

- Adjusted EBITDA improved sequentially in Q1 2023 to a profit of $0.4 million, versus a loss of $0.5 million in Q4 2022, and a loss of $ 0.4 million in Q1 2022 due to higher sales and higher gross margins as well as lower operating expenses. See "Non-IFRS Measures", below.
- Comprehensive net loss of $2.3 million included one-time gains and non-cash charges for impairment of inventory and property, plant and equipment totaling $0.9 million. Excluding these amounts, comprehensive loss declined to $1.3 million versus an adjusted loss of $2.4 million in Q4 2022 and $1.9 million in Q1 2022.

Operational Highlights for the First Quarter 2023

- Indiva completed the commissioning of two key pieces of automation used in the processing and packaging of its top-selling edible brands. This is an important milestone for the Company as it allows Indiva to scale innovation and continue to drive unit costs lower.
- Indiva began supplying Tilray Brands, Inc.'s ("Tilray") medical platform with Indiva products. Products are now available to Tilray medical patients including Pearls by Grön, Wana Sour Gummies, Bhang Chocolate as well as Indiva Life Double-Stuffed Sandwich Cookies.
- Pearls by Grön gummies continue to gain market share in Ontario and British Columbia, quickly becoming one of the top edibles in the country.
- Indiva signed a non-exclusive agreement with Valiant Distribution Cannabis, a subsidiary of Canna Cabana Inc, for the distribution of its products in the province of Saskatchewan. This agreement simplifies Indiva's path to market in Saskatchewan and substantially reduces shipping costs.
- Per the Company's news release dated March 14, 2023, the Company received notification from Health Canada of its determination that certain of its lozenges have been improperly classified as an "extract" rather than an "edible" under applicable cannabis regulations. Health Canada requested that Indiva cease production of the lozenges, and Indiva immediately complied with such order. The lozenges subject to this determination are the Indiva Life Wild Cherry THC Lozenges and Indiva Life Lemon THC Lozenges in their 100 mg, 250 mg and 500 mg THC per package formats (the "Products"). Prior to the launch of the Products, the Company closely considered the regulatory requirements of the legislation, including with respect to product classification, and conducted substantial research. Consistent with the legislative requirements and the Company's research, the Company classified the Products as cannabis extracts. Subsequent to quarter end, Indiva completed a right-sizing of its production team to reflect the permanent removal of lozenges from its production schedule.

Events Subsequent to Quarter End

- Initial deliveries of Pearls by Grön gummies were made to the province of Alberta. Four flavours were delivered including Blackberry Lemonade 1:1:1 CBN:CBD:THC, Blue Razzleberry 3:1 CBG:THC, Pomegranate 4:1 CBD:THC and Sour Apple THC. The Company expects meaningful revenue contribution from Pearls gummies in this important market.
- Indiva introduced three new Wana gummie SKUs including Citrus Burst Sativa 5:1 CBD/THC, Wild Raspberry Indica 5:1 CBD/THC and Pineapple Passionfruit 1:1:1 CBD/THC/CBG.
- Indiva introduced three new chocolates into the Alberta market under the INDIVA 1432 brand, namely 1:1 CBN/THC Dark Chocolate, 1:1 THC/CBD Cookies and Cream and 1:1 THC/CBD Caramel Dark Chocolate.
- Indiva recently proposed 18 new products for listing in its recent submission to the OCS, the majority of which were derived from new in-house innovation.

Market Share

- Data from Hifyre Inc. for the first quarter of 2023 shows strong sell-through of Indiva's edible products. With 27.0% share of sales across British Columbia, Alberta, Saskatchewan, Manitoba, and Ontario, Indiva continues to lead in the #1 market share position in the edibles category on an aggregate basis:
  - Ontario: #1 with 29.2% market share.
  - Alberta: #1 with 21.5% market share.
  - British Columbia: #1 with 35.9% market share.
  - Saskatchewan: #3 with 10.4% market share.
  - Manitoba: #3 with 14.7% market share.
  - Gummies: Indiva continues to hold the #1 market share in the gummies sub-category with 27.3% market share. Wana™ Sour Gummies ranked as #2 in the edibles category, with 13.7% category share and 19.6% sub-category share. Pearls by Grön gummies ranked as #7 in the edibles category with 5.4% share and 7.7% sub-category share, despite not yet being available in Alberta during the period.
  - Chocolate: Indiva held 34.8% total sub-category share, as Bhang® continued to lead the chocolate category with 32.6% sub-category share.
  - Baked Goods: Indiva led the baked goods category with 61.0% sub-category share, driven by the success of Indiva Life Double-Stuffed Sandwich Cookies.
  - Product ranking in Q1 2023 showed two of the Top 10 edible SKUs are from Indiva.
  - Based on data from British Columbia, Alberta, Ontario, Manitoba and Saskatchewan, the edibles category increased by 4.2% in Q1 2023 to $66.6 million in retail sales from $63.9 million in Q4 2022, and increased by 26.1% versus $52.8 million in Q1 2022.

Outlook

- The Company expects Q2 2023 net revenue to improve compared to the same period last year; however, there is risk that net revenue may decline sequentially, if sales of new products fail to offset lower sales of ingestible extracts as a result of Health Canada's recent order to stop production and sale of these products. Sequential growth in net revenue is expected to resume in the second half of 2023 driven by the introduction of new products in the third and fourth quarters, resulting primarily from in-house innovation. Gross margins are expected to continue to trend higher and benefit from the implementation of automation in the production and packaging of edible products.

OPERATING AND FINANCIAL RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022

	Three months ended	
	March 31	
(in thousands of $, except gross margin % and per share figures)	2023	2022
Gross revenue	10,369.3	9,698,8
Net revenue	9,412.1	8,878.6
Gross margin before fair value adjustments and impairments	3,161.4	2,628.4
Gross margin before fair value adjustment and impairments (%)	33.6%	29.6%
Loss and comprehensive loss	2,252.4	3,074.1
Adjusted EBITDA[1]	414.8	(378.4)
Earnings per share - basic and diluted	(0.02)	(0.02)
Comprehensive earnings per share - basic and diluted	(0.02)	(0.02)

[1] See "Non-IFRS Measures", below.

Operating Expenses

	Three months ended	
	March 31	
(in thousands of $)	2023	2022
General and administrative	1,584.6	1,448.2
Marketing and sales	1,212.0	1,730.7
Research and development	266.7	110.7
Share-based compensation	66.1	111.4
Depreciation of property, plant and equipment	50.2	47.1
Amortization of intangible assets	51.9	51.9
Expected credit loss	0.5	1.8
Total operating expenses	3,232.0	3,501.7

CONFERENCE CALL - Tuesday, May 16, 2023 at 10:30 a.m. (EST):

The Company will host a conference call to discuss its results on Tuesday, May 16, 2023 at 10:30 a.m. (EST). Interested participants can join by dialing 416-764-8646 or 1-888-396-8049. The conference ID is 42712962.

A recording of the conference call will be available for replay following the call. To access the recording please dial 416-764-8691 or 1-877-674-6060. The replay ID is 712962#. The recording will remain available until Thursday, June 15, 2023.

ABOUT INDIVA

Indiva is proud to be Canada's #1 producer of cannabis edibles. We set the gold standard for quality and innovation with our award-winning products, across a wide range of brands including Wana, Bhang, Pearls by Grön, as well as Indiva branded edibles and extracts. Indiva manufactures its top-quality products in its state-of-the-art facility in London, Ontario, and has a corporate workforce remotely distributed across Southern Ontario. Click here to connect with Indiva on LinkedIn, Instagram, Twitter and Facebook, and here to find more information on the Company and its products.

DISCLAIMER AND READER ADVISORY

General

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) has in any way passed upon the merits of the contents of this news release and neither of the foregoing entities accepts responsibility for the adequacy or accuracy of this news release or has in any way approved or disapproved of the contents of this news release.

Certain statements contained in this news release constitute forward-looking information. These statements relate to future events or future performance. The use of any of the words "could", "intend", "expect", "believe", "will", "projected", "estimated" and similar expressions and statements relating to matters that are not historical facts are intended to identify forward-looking information and are based on the parties' current belief or assumptions as to the outcome and timing of such future events. Actual future results may differ materially. In particular, this news release contains forward-looking information relating to, among other things, (i) the Company's outlook for and expected operating margins and future financial results, including the Company's ability to achieve a year-over-year and sequential growth of net revenue in Q2 2023, (ii) the projected growth of its business and operations (including existing and new segments thereof), and the future business activities of, and developments related to, the Company within such segments after the date of this news release, including the anticipated introduction of new product offerings (iii) the Company's ability to capture and/or maintain its market share in any jurisdiction, (iv) the Company's ability to deliver on its commitments for existing or new listings of products, including scaling of existing products on a national basis, (v) the Company's ability to shift its revenue mix away from licensed products and towards products developed by the Company, and (vi) the Company's ability to monetize any impaired saleable inventory. Various assumptions or factors are typically applied in drawing conclusions or making the forecasts or projections set out in forward-looking information. Those assumptions and factors are based on information currently available to the Company, and include, without limitation, assumptions about the Company's future business objectives, goals, and capabilities, the cannabis market, the regulatory framework applicable to the Company and its operations, and the Company's financial resources. Although the Company believes that the assumptions underlying, and the expectations reflected in, forward-looking statements in this news release are reasonable, it can give no assurance that such expectations will prove to have been correct. A number of factors could cause actual events, performance or results to differ materially from what is projected in the forward-looking statements. Specifically, readers are cautioned that forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, as applicable, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to: (i) the available funds of the Company and the anticipated use of such funds, (ii) the availability of financing opportunities, (iii) legal and regulatory risks inherent in the cannabis industry, (iv) risks associated with economic conditions, (v) dependence on management, (vi) public opinion and perception of the cannabis industry, (vii) risks related to contracts with third-party service providers, (vii) risks related to the enforceability of contracts, (viii) reliance on the expertise and judgment of senior management of the Company, and ability to retain such senior management, (ix) risks related to proprietary intellectual property and potential infringement by third-parties, (x) risks relating to the management of growth and/or increasing competition in the industry, (xi) risks associated to cannabis products manufactured for human consumption, including potential product recalls, (xii) risks related to the economy generally, and (xiii) risk of litigation.

The forward-looking information contained in this news release is made as of the date hereof and the Company is not obligated to, and does not undertake to, update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable securities laws. Because of the risks, uncertainties and assumptions inherent in forward-looking information, investors should not place undue reliance on forward looking information. The foregoing statements expressly qualify any forward-looking information contained herein.

This news release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about the Company's prospective results of operations, which are subject to the same assumptions, risk factors, limitations, and qualifications as set out in the above paragraph. FOFI contained in this news release was approved by management as of the date of this news release and was provided for the purpose of providing further information about the Company's future business operations. The Company disclaims any intention or obligation to update or revise any FOFI contained in this news release, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained in this document should not be used for purposes other than for which it is disclosed herein.

Non-IFRS Measures

This news release makes reference to certain non-IFRS measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS, and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS.

The non-IFRS measure used in this news release includes "Adjusted EBITDA". The Company calculates Adjusted EBITDA as a sum of net revenue, other income, cost of inventory sold, production salaries and wages, production supplies and expense, general and administrative expense, and sales and marketing expense, as determined by management. Adjusted license fee eliminates 50% of the fee which is equivalent to the Company's share of the joint venture company to which the license fee is paid. Adjusted EBITDA is provided to assist readers in determining the ability of the Company to generate cash from operations and to cover financial charges. Management believes that Adjusted EBITDA provides useful information to investors as it is an important indicator of an issuer's ability to generate liquidity through cash flow from operating activities and equity accounted investees. Adjusted EBITDA is also used by investors and analysts for assessing financial performance and for the purpose of valuing an issuer, including calculating financial and leverage ratios. The most directly comparable financial measure that is disclosed in the financial statements of the Company to which the non-IFRS measure relates is income (loss) from operations.

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