



Ben Kovler
Chairman, Chief Executive Officer and
Founder

**“You’re off to Great Places!
Today is your day!
Your Mountain is waiting,
So.... Get on your way!”**

– Dr. Seuss

Dear GTI Shareholder,

I am honored to write our first annual letter to shareholders as a public company. We are proud that GTI stands as a leader in the US cannabis industry and are thankful for the tremendous support we have received from our customers, colleagues, friends and shareholders. We successfully went public in June 2018 on the Canadian Securities Exchange, and throughout the 2018 calendar year raised nearly \$250 million. That said, we believe our best days are to come as our team and our business are positioned to execute on the extraordinary opportunity ahead.

We founded the business in 2014 with the goal of giving people the right to wellness through cannabis products. In our first update to GTI shareholders in 2014, we said the following:

“We view this as the beginning of a long journey into a nascent industry responding to drastic shifts in the populous’ thinking with state and federal law evolving rapidly along the way. Investing on the cusp of regulatory change has proven a wise choice over the last 150 years in the United States. Let’s hope history rhymes one more time.” – *GTI Investor Update #1, 8/25/2014*

I believe these words remain equally true today. We have seen sentiment in the US shift dramatically in recent years towards acceptance and support of legal cannabis. There is bipartisan support in DC, and US Gallup polls show over 90% support for medical cannabis and over 66% for legal adult-use cannabis. US consumers are actively looking for alternatives to opioids and US states are hungry for new tax revenue. The tidal wave of demand is real and we have seen US states quickly evolve over the last five years.

Executing A Proven Growth Strategy

The US cannabis industry offers a truly unique opportunity. With sales projected to exceed \$50 billion annually, the industry is growing more than 20% a year, is highly fragmented, and has significant barriers to entry. It’s a capitalist’s fantasy, yet operating in federal gray space with limited access to capital and newly-formed service providers makes everyone a rookie in an industry where the rules are just being formed. Our underlying objective is to employ exceptional discipline to drive shareholder value as we navigate an ever-changing environment that is growing at breakneck speed, and remain focused on execution – building the best business for the long term, as opposed to the biggest today.

Our long-term goal is to distribute brands at scale, and our strategy is simple – Enter, Open and Scale. Enter means put ourselves in the position to operate through a license win or acquisition. Open means operationalizing a production facility to manufacture our own brands as well as building and opening our Rise retail stores. Scale means expanding vertically or horizontally across markets, consumer products, or retail businesses to increase our capabilities and leverage costs. To establish our foothold in highly attractive markets, much of our time has focused on the Enter and Open phase. We are graduating to Scale as we begin to optimize our growth strategy to build an extraordinary business. While we are still in the early innings of developing GTI’s potential, we will proceed with discipline and precision.

Ultimately, two distinct growth paths drive our business: consumer packaged goods and retail. Both business units continue to post strong results and, in fact, each tripled its revenue quarter-over-quarter and year-over-year.



Our consumer packaged goods business involves the production and distribution of our portfolio of brands: Rythm, Dogwalkers, The Feel Collection, Beboe, Dr. Solomon's and Incredibles. Each brand serves a unique segment of the market and I am very excited to see the brands take shape and connect with consumers to deliver long-term value. This is just the beginning. Brands that scale is a winning strategy and fundamental towards becoming the leading CPG company in the cannabis industry.

Rise, our retail business, has an exciting future. Our people-first approach is working – delivering world-class customer service while offering a thoughtful assortment in an environment that is warm, welcoming and positive is building reputational equity that drives store traffic, loyal repeat customers, and word-of-mouth referrals. Our commitment to our customers bears fruit in the strong unit economics, while bringing people relief and improving their lives – a very special combination.

Hitting Major Milestones

The team has been hard at work for you. We ended 2017 distributing our brands and operating our retail stores in three markets and ended 2018 with five markets generating revenue. At the time of this letter, we are operational in nine markets – all working towards our long-established commitment to deliver best-in-class consumer products and people-first retail experiences.

Winning a license is one of the best ways to drive shareholder value as it is often the most cost-efficient way to enter a market. In 2018 we had several big application wins that propelled organic scale and expansion. In support of our consumer products business, we were awarded a cultivation license in Maryland, a processing license in Ohio and a cultivation and processing license in New Jersey. Adding to our retail business, we won five retail licenses in Ohio, twelve new licenses in Pennsylvania, and a retail license in New Jersey. Integral Associates, our pending acquisition, won eight additional retail licenses in Nevada, as well as a coveted license for a retail and consumption lounge in West Hollywood, California.

We were also busy growing the business with strategic M&A. It is important to understand our approach to capital allocation, which at its core, is to ensure every dollar we invest is done through the lens of value creation for shareholders. Given the regulations, counterparties and dynamic marketplace, M&A in the cannabis space is difficult, yet I am especially proud of what the team has accomplished throughout 2018 and early 2019. We closed on a transaction to secure three additional retail licenses in Pennsylvania; we signed and closed the acquisition of a Florida license and, at the end of the year, we announced the acquisition of Integral Associates in Nevada.

In early 2019, we closed two more acquisitions – Advanced Grow Labs and For Success Holdings. Advanced Grow Labs is a leading operator in Connecticut, where there is currently a medical program with momentum around adult-use. And with the acquisition of Los Angeles-based For Success Holdings, owner of the Beboe brand, we expanded our brand portfolio with a luxury lifestyle product line and a CBD beauty skincare line called Beboe Therapies, which is for sale direct-to-consumer as well as in mainstream department stores including Barney's and Neiman Marcus.

None of these accomplishments would be possible without a world-class team. We began 2018 with 190 employees and ended the year with more than 500 team members. We also expanded our senior leadership with the additions of General Counsel, Senior Vice President of Marketing, Senior Vice President of Operations, and others. GTI is a “people-first” company and we are proud of the team and how they represent us. As a team we talk about the “Golden Rule” and “The Wall Street Journal Cover Test” and feel good about our decisions.

Ultimately, the business we are building will be judged on our results. We generated more than \$62 million in revenue in 2018, our third year in a row of tripling revenue. Gross profit margin before biological adjustments of 46.5% was in line with our projections and the marginal EBITDA and net income loss was within our comfort zone. And we made selective strategic investments in other cannabis and cannabis-related businesses we believe will materially help our core consumer products business.



We maintained a strong balance sheet in 2018, ending the year with a cash balance of \$146 million and just over \$7 million in debt. We continue to be selective and deliberate in our capital allocation and remain committed to delivering substantial growth while maintaining a healthy and clean balance sheet.

Looking Ahead – 2019 Initiatives

We are excited about what's ahead in 2019. There is increasing demand for our branded products from retailers around the country which gives us confidence to invest in the business and drive scale. The upcoming year is all about execution as we grow both the consumer products and retail businesses.

We continue to refine and build our brand portfolio supported by standardization and automation as we expand capacity; wholesale consumer product facility expansions are underway in Pennsylvania, Illinois, Maryland, Florida, Massachusetts and Nevada. In addition, we are working to operationalize new wholesale facilities in New Jersey and Ohio. On the retail business front, in 2019 we plan to open 15 to 20 new stores with openings in nearly all of our markets including Florida, Pennsylvania, Ohio, Massachusetts, New Jersey, New York, Nevada and California. To give you a sense of the pace, we opened Rise Pinellas Park in Florida on April 26, Rise Lorain (Ohio) on May 3, and Rise Toledo (Ohio) on May 6. And on May 12, Rise Amherst opened for adult-use recreational sales in Massachusetts.

Last, but certainly not least, we will be focused on welcoming and integrating our new team members from Integral, Advanced Grow Labs, and Beboe into the GTI family. We believe each of these acquisitions will prove that 1 + 1 can equal 3. Our goal remains to create real long-term sustainable value for our shareholders and we are proud to do what we say we're going to do.

In Closing

One idea that has served us well since the beginning is the simple fact that we don't know what we don't know. Embracing that idea has differentiated GTI. In a cannabis world where more than half of the US population now has access to legal cannabis, where some of the biggest alcohol and tobacco companies have invested billions of dollars into Canadian marijuana companies, and US demand continues to skyrocket, we must embrace the inevitable change and uncertainty it brings. Yet despite a seemingly uncertain landscape, we embrace the adage that "the more things change, the more they stay the same."

What that means for GTI is that the traditional business principles that have worked in the past will work again. We are investing in the business because we believe in our future. We are confident in the business foundation we have built and how we have positioned ourselves throughout the country.

I want to thank our Board of Directors for their guidance, and our GTI colleagues who are the true ambassadors for what GTI represents. Most importantly, we are grateful to our shareholders for your support and to all our loyal customers and friends who made this successful year possible. As always, please feel free to reach out to anyone on the GTI team with questions, thoughts or ideas. We are all working together to make this a successful enterprise and welcome any collaboration to achieve that goal.

On behalf of the entire GTI team,



Ben Kovler
Founder and Chief Executive Officer
May 13, 2019

