



## **Tilray Inc - Class 2 Annual Report 2021**

**Form 10-K (NASDAQ:TLRY)**

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the fiscal year ended **December 31, 2020**

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM** \_\_\_\_\_ **TO** \_\_\_\_\_

Commission File Number **001-38594**

**TILRAY, INC.**

(Exact name of Registrant as specified in its Charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)  
**1100 Maughan Road**  
**Nanaimo, BC**  
(Address of principal executive offices)

**82-4310622**  
(I.R.S. Employer  
Identification No.)

**V9X IJ2**  
(Zip Code)

**Registrant's telephone number, including area code: (844) 845-7291**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class 2 Common Stock, \$0.0001 par value per share	TLRY	The Nasdaq Stock Market LLC The Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES  NO

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. YES  NO

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES  NO   
Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). YES  NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES  NO

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, based on the closing price of the shares of the Registrant's Class 2 Common Stock on The Nasdaq Global Select Stock Market on June 30, 2020, was approximately \$675.6 million.

As of February 17, 2021 there were 171,757,688 shares of the Registrant's Class 2 Common Stock, par value \$0.0001 per share, issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates certain information by reference from the definitive proxy statement to be filed by the registrant in connection with the 2021 Annual Meeting of Stockholders (the "Proxy Statement") with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the year ended December 31, 2020, provided that if such Proxy Statement is not filed within such period, such information will be included in an amendment to this Form 10-K to be filed within such 120-day period.

## Table of Contents

	<u>Page</u>
<b>PART I</b>	
Item 1. <a href="#">Business</a>	2
Item 1A. <a href="#">Risk Factors</a>	17
Item 1B. <a href="#">Unresolved Staff Comments</a>	47
Item 2. <a href="#">Properties</a>	47
Item 3. <a href="#">Legal Proceedings</a>	48
Item 4. <a href="#">Mine Safety Disclosures</a>	50
<b>PART II</b>	
Item 5. <a href="#">Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</a>	51
Item 6. <a href="#">Selected Financial Data</a>	52
Item 7. <a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	53
Item 7A. <a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>	79
Item 8. <a href="#">Financial Statements and Supplementary Data</a>	80
Item 9. <a href="#">Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</a>	128
Item 9A. <a href="#">Controls and Procedures</a>	128
Item 9B. <a href="#">Other Information</a>	132
<b>PART III</b>	
Item 10. <a href="#">Directors, Executive Officers and Corporate Governance</a>	133
Item 11. <a href="#">Executive Compensation</a>	133
Item 12. <a href="#">Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</a>	133
Item 13. <a href="#">Certain Relationships and Related Transactions, and Director Independence</a>	133
Item 14. <a href="#">Principal Accounting Fees and Services</a>	134
<b>PART IV</b>	
Item 15. <a href="#">Exhibits and Financial Statement Schedules</a>	135
Item 16. <a href="#">Form 10-K Summary</a>	140

In this Annual Report on Form 10-K, "we," "our," "us," "Tilray," and "the Company" refer to Tilray, Inc. and, where appropriate, its consolidated subsidiaries. This report contains references to our trademarks and trade names and to trademarks and trade names belonging to other entities. Solely for convenience, trademarks and trade names referred to in this report may appear without the ® or ™ symbols, but such references are not intended to indicate, in any way, that their respective owners will not assert, to the fullest extent under applicable law, their rights thereto. We do not intend our use or display of other companies' trademarks or trade names to imply a relationship with, or endorsement or sponsorship of us by, any other companies.

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## PART I

### Special Note Regarding Forward-Looking Statements

Some of the information contained in this Annual Report on Form 10-K, including information with respect to our plans and strategy for our business and related financing, includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, or “forward-looking information” within the meaning of Canadian securities laws. These statements are often identified by the use of words such as “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “project,” “will,” “would” or the negative or plural of these words or similar expressions or variations. Such forward-looking statements and forward-looking information are subject to a number of risks, uncertainties, assumptions and other factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by the forward-looking statements or forward-looking information. Factors that could cause or contribute to such differences include, but are not limited to, those identified in this Annual Report on Form 10-K and those discussed in the section titled “Risk Factors” set forth in Part I, Item 1A of this Annual Report on Form 10-K and in our other SEC and Canadian public filings. In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this Annual Report on Form 10-K and while we believe that information provides a reasonable basis for these statements, that information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements. You should not rely upon forward-looking statements or forward-looking information as predictions of future events. Furthermore, such forward-looking statements or forward-looking information speak only as of the date of this report. Forward-looking statements in this Annual Report on Form 10-K, other than the statements regarding the proposed arrangement with Aphria Inc., do not assume the consummation of such proposed arrangement unless specifically stated otherwise. Except as required by law, we undertake no obligation to update any forward-looking statements or forward-looking information to reflect events or circumstances after the date of such statements.

### Risk Factor Summary

Investing in our securities involves a high degree of risk. Below is a summary of material factors that make an investment in our securities speculative or risky. Importantly, this summary does not address all of the risks that we face. Additional discussion of the risks summarized in this risk factor summary, as well as other risks that we face, can be found under the heading “Item 1A—Risk Factors” below.

- There are various risks associated with the proposed arrangement with Aphria Inc. which could impact our business operations, financial results and share price, including the failure to complete or delays in completing the arrangement, termination of the arrangement, payment of termination amounts in certain circumstances, and the fixed nature of the consideration.
  - Risks related to COVID-19 have and will continue to impact our operations and could have a material adverse effect on our business, results of operations and financial condition.
  - The development of the adult-use cannabis industry and regulations governing this industry may impact our ability to successfully compete.
  - We may not be able to successfully develop new products or commercialize such products.
  - Competition in the legal adult-use cannabis market in Canada may impact our ability to succeed in this market.
  - Our medical cannabis business is dependent upon regulatory approvals and licenses, ongoing compliance and reporting obligations, and timely renewals.
  - The long-term effect of the legalization of adult-use cannabis in Canada on the medical cannabis industry is unknown, and may negatively impact our medical cannabis business.
  - Our production and processing facilities are integral to our business and adverse changes or developments affecting any of these facilities may have an adverse impact on our business.
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- We have a limited operating history and a history of net losses, and we may not achieve or maintain profitability in the future.
- We are subject to litigation, arbitration and demands, which could result in significant liability and costs, and impact our resources and reputation.
- Market consolidation in the cannabis industry may reduce our ability to compete, due to scale, cost and pricing disadvantages.
- United States regulations relating to hemp-derived CBD products are unclear and rapidly evolving, and changes may not develop in the timeframe or manner most favorable to our business objectives.
- Our strategic alliances and other third-party business relationships may not achieve the intended beneficial impact and expose us to risks.
- We depend on significant customers for a substantial portion of our revenue. If we fail to retain or expand our customer relationships or significant customers reduce their purchases, our revenue could decline significantly.
- Significant interruptions in our access to certain supply chains, for key inputs such as raw materials, electricity, water and other utilities may impair our cannabis growing operations.
- We may require third-party supply of quality cannabis flower, which may adversely affect our costs and subject us to unreliable supply chains or product quality.
- Servicing our debt will require a significant amount of cash, and we may not have sufficient cash flow from our business to pay our substantial debt.
- The price of our Class 2 common stock in public markets has experienced and may experience severe fluctuations.
- Future sales or distributions of our securities could cause the market price for our Class 2 common stock to fall significantly.
- The terms of our outstanding warrants may limit our ability to raise additional equity capital or pursue acquisitions, which may impact funding of our ongoing operations and cause significant dilution to existing stockholders.
- We may not have the ability to raise the funds necessary to settle conversions of the convertible notes in cash or to repurchase the convertible notes upon a fundamental change.

## **Item 1. Business.**

### **Our Vision**

Our vision is to build the world's most trusted and valued cannabis and hemp company.

We are pioneering the future of medical, wellness, and adult-use cannabis and hemp research, cultivation, processing, and distribution, globally. We are one of the leading suppliers of adult-use cannabis in Canada, medicinal cannabis in Germany, and a leading supplier of hemp products in North America.

### **Our Beliefs**

Our founders started Tilray with the belief that patients and consumers should have safe access to, and a reliable supply of, quality-tested pure, precise, and predictable cannabis products.

Tilray is anchored around three core beliefs:

- Medical cannabis is a mainstream medicine consumed by mainstream patients - similarly, we believe adult-use cannabis and hemp products are mainstream consumer products consumed by mainstream consumers;
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- We are witnessing a global paradigm shift regarding regulatory and consumer sentiment about cannabis and hemp. This shift is transforming a multibillion-dollar industry from a state of prohibition to one of legalization; and
- As this transformation occurs, trusted global brands backed by multinational supply chains will shape the future of our industry and earn the confidence of patients, consumers, healthcare practitioners and governments around the world.

## **Our Company**

Tilray is a global pioneer in cannabis research, cultivation, production and distribution. We are focused on producing high-quality cannabis and cannabis-derived products primarily for recreational adult-use in Canada, and the medical cannabis market in Canada and internationally.

We are a leader in the Canadian adult-use market. Through our wholly owned subsidiary, High Park Holdings Ltd., we offer a broad-based portfolio of brands and adult-use products, and we continue to expand our portfolio to include new innovative cannabis products and formats. We have agreements to supply 11 Canadian provinces and territories with our adult-use products for sale through their established retail distribution systems. We have also formed a number of strategic partnerships, positioning High Park to lead the adult-use market by delivering high quality innovative cannabis products. Adult-use legalization occurred in Canada on October 17, 2018 and on October 17, 2019, the Canadian adult-use regulations were amended to permit the sale of new classes of cannabis products including edibles, beverages and vape products.

We currently supply high-quality medical cannabis products to tens of thousands of patients in 17 countries spanning five continents through our subsidiaries in Australia, Canada, Germany, Latin America and Portugal, and through agreements with established pharmaceutical distributors. We cultivate medical and adult-use cannabis in Canada and medical cannabis in Portugal. We only operate in countries where cannabis or hemp-derived cannabinoids are legal and are permitted under all applicable federal, state, provincial, and local laws.

We continue to be a pioneer in the development of the global cannabis market. We were one of the first companies to be licensed by Health Canada to cultivate medical cannabis in Canada and one of the first companies to become a licensed seller of medical cannabis in Canada. We were the first company to legally export medical cannabis from North America to countries in Europe, Africa, and Latin America, Australia, and Israel, and among the first companies to be licensed to cultivate and process medical cannabis in two countries, Canada and Portugal. We were also the first cannabis company to have a North American production facility and a European production facility Good Manufacturing Practice (GMP) certified in accordance with European Medicines Agency standards. Such GMP certification is considered the highest quality standard for a manufacturer of medicines to meet in their production and manufacturing processes. Compliance with GMP standards is also required to access the European Union (EU) medical cannabis market.

We have successfully recruited an international advisory board consisting of world-renowned policy leaders and business leaders, who advise on our global expansion and add to our growing network of experts in their specific fields of expertise.

We are led by an experienced management team and complemented by experienced operators, cannabis industry experts, PhD scientists, horticulturists, and extraction specialists, all of whom apply the latest scientific knowledge and technology to deliver quality-controlled, rigorously tested cannabis products on a large scale. We have made significant investments to establish Tilray as a scientifically rigorous cannabis brand and are committed to quality and excellence in every stage of cultivation, production, packaging, and selling. We have invested significant capital to develop innovative cultivation practices, proprietary product formulations, and automated production processes.

We are committed to establishing a leadership team and corporate culture that promotes inclusion as we continue to grow our business and expand our footprint. Diversity is a priority for our company, and we seek out talented people from a variety of backgrounds to staff our teams in all our markets.

We believe our success is a result of our global strategy, our multinational supply chain and distribution network, and our methodical commitment to research, innovation, quality, and operational excellence. We believe recognized and trusted brands distributed through multinational supply chains will be best positioned to become

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global market leaders. Our strategy is to build our brands and be a global market leader by consistently producing high-quality, differentiated products on a large scale, and distributing them around the world.

## Arrangement Agreement

On December 15, 2020, we entered into an Arrangement Agreement (the "Arrangement Agreement") with Aphria Inc. ("Aphria"), pursuant to which Tilray will acquire all of the issued and outstanding common shares of Aphria pursuant to a plan of arrangement (the "Plan of Arrangement") under the *Business Corporations Act* (Ontario) (the "Arrangement"). Subject to the terms and conditions set forth in the Arrangement Agreement and the Plan of Arrangement, each outstanding common share of Aphria outstanding immediately prior to the effective time of the Arrangement will be transferred to Tilray in exchange for 0.8381 of a share of Tilray Class 2 common stock. The obligations of Tilray and Aphria to consummate the Arrangement are subject to customary conditions, including, but not limited to, (a) obtaining the required approval of the shareholders of Tilray and Aphria, respectively, (b) obtaining an interim order and final order from the Ontario Superior Court of Justice approving the Arrangement, (c) the absence of any injunction or similar restraint prohibiting or making illegal the consummation of the Arrangement or any of the other transactions contemplated by the Arrangement Agreement, (d) obtaining all required regulatory approvals, (e) no material adverse effect having occurred, (f) subject to certain materiality exceptions, the accuracy of the representations and warranties of each party, and (g) the performance in all material respects by each party of its obligations under the Arrangement Agreement. The Arrangement is expected to close in the second quarter of calendar year 2021 following the receipt of all requisite regulatory approvals, as well as court approval of the Arrangement.

In connection with the proposed transaction, Aphria will file a management information circular, and Tilray will file a proxy statement on Schedule 14A containing important information about the proposed transaction and related matters. Additionally, Aphria and Tilray will file other relevant materials in connection with the proposed transaction with the applicable securities regulatory authorities. Investors and security holders of Aphria and Tilray are urged to carefully read the entire management information circular and proxy statement (including any amendments or supplements to such documents) before making any voting decision with respect to the proposed transaction because they contain important information about the proposed transaction and the parties to the transaction. The Aphria management information circular and the Tilray proxy statement will be mailed to the Aphria and Tilray shareholders, respectively, and available on the SEDAR and EDGAR profiles of the respective companies.

We have prepared this Annual Report on Form 10-K and the forward-looking statements contained in this Annual Report on Form 10-K as if we were going to remain an independent company. If the Arrangement is consummated, many of the forward-looking statements contained in this Annual Report on Form 10-K will no longer be applicable.

## Business Segments

We report our operating results in two segments: (i) Cannabis (licensed) and (ii) Hemp (unlicensed). The business segments reflect how our operations are managed, how resources are allocated, how operating performance is evaluated by senior management, and the structure of our internal financial reporting. We report total revenue, inclusive of excise duties, in two reportable segments, by product category and product channel, as follows:

### Revenue by product channel

(in thousands of United States dollars)	Year Ended	% of	Year Ended	% of	Year Ended	% of
	December 31, 2020	Total revenue	December 31, 2019	Total revenue	December 31, 2018	Total revenue
Cannabis						
Adult-use	\$ 83,828	40%	\$ 55,763	33%	\$ 3,521	8%
Canada - medical	15,489	7%	12,556	8%	18,052	42%
International - medical	33,886	16%	13,378	8%	2,912	7%
Bulk	402	0%	25,450	15%	18,645	43%
Total cannabis revenue	\$ 133,605	63%	\$ 107,147	64%	\$ 43,130	100%
Hemp	76,877	37%	59,832	36%	—	—
Total revenue	\$ 210,482	100%	\$ 166,979	100%	\$ 43,130	100%

### Revenue by product category

(in thousands of United States dollars)	Year Ended	% of	Year Ended	% of	Year Ended	% of
	December 31, 2020	Total revenue	December 31, 2019	Total revenue	December 31, 2018	Total revenue
Dried cannabis	\$ 92,781	44%	\$ 82,753	50%	\$ 21,674	50%
Cannabis extracts	39,986	19%	24,139	14%	21,179	49%
Hemp products	76,877	37%	59,832	36%	—	0%
Accessories and other	838	0%	255	0%	277	1%
<b>Total revenue</b>	<b>\$ 210,482</b>	<b>100%</b>	<b>\$ 166,979</b>	<b>100%</b>	<b>\$ 43,130</b>	<b>100%</b>

Revenue for the year ended December 31, 2020 included \$19.1 million of excise duties (2019 - \$13.1 million, 2018 – \$1.2 million). Three customers accounted for 19%, 15% and 11%, respectively, of revenue for the year ended December 31, 2020. Four customers accounted for 87% of our adult-use revenue for the year ended December 31, 2020. Two customers accounted for 13% each of revenue for the year ended December 31, 2019. One customer accounted for 24% of our revenue for the year ended December 31, 2018.

#### **Cannabis**

We are a leader in the legally licensed cannabis market, which includes Canadian Adult-Use, Canadian Medical, International Medical, and B2B bulk sales. We maintain a number of brands in each of these categories.

#### **Hemp**

We are a leader in the unlicensed hemp products market, which includes hemp foods and cannabidiol (“CBD”) products. Our hemp food products are available in 23 countries and our CBD products are available in certain states in the United States depending on local laws and regulations.

#### **Our Opportunity**

We are approaching our business from a long-term, global perspective and see opportunities to:

**Build global brands that lead, legitimize and define the future of cannabis and hemp.** Historically, cannabis has been an illegal, unbranded product. As the legal cannabis market develops, and as both cannabis and hemp products and industries become more established in more countries around the world, we see unique opportunities to create, market, and distribute a broad portfolio of differentiated brands that will appeal to a diverse customer base of patients and consumers. We believe we are positioned to develop dominant global brands and expand the addressable market for our products. We also believe the emergence of the legal cannabis and hemp industries may result in a shift of consumer behavior and discretionary spending to favor cannabis and hemp products versus other products. This shift may result in the disruption of the pharmaceutical, alcohol, tobacco, and functional food and beverages industries as patients and consumers look to supplement or replace products from these categories with cannabis and hemp products. Recognizing the potential of this disruption, several large companies in these sectors have formed partnerships or made investments to gain exposure to the legal cannabis industry including: Anheuser-Busch InBev (“AB InBev”), Apotex Inc., Altria Group, Inc., Constellation Brands, Inc., Imperial Brands PLC, and Molson Coors Beverage Company. Additionally, several alcohol companies have noted in regulatory filings that legal cannabis could have an adverse impact on their business, including AB InBev, Boston Beer Company, and Molson Coors Beverage Company. We also believe many patients rely on medical cannabis as a substitute to opioids and other narcotics. This has been validated by a number of our observational patient studies as well as peer-reviewed academic research which has demonstrated the legalization of cannabis has coincided with a decline in the use of opioid-related products in some jurisdictions. Lastly, we believe functional food and beverage products that contain or are enhanced with vitamins, caffeine, electrolytes, probiotics and other additives and ingredients, will see increased competition from products containing cannabinoids such as CBD. Specifically, as the characteristics of cannabinoids gain acceptance and appreciation, we believe many consumers will choose cannabinoid-enhanced beverages in favor of sports drinks or energy drinks.



**Invest in markets where cannabis and hemp products are federally legal or are expected to be federally legal.** Our goal is to increase our total addressable market size as countries around the world continue to legalize cannabis for medical and adult-use. To date, 42 countries have formally legalized medical cannabis programs for either research or patient access and two countries, Canada and Uruguay, have implemented adult-use access for cannabis. The Agriculture Improvement Act of 2018 (“Farm Bill”), passed into law in December 2018, permits the cultivation of hemp and the production of hemp-derived CBD and other cannabinoids in the United States. Combined with the growing global acceptance of hemp and hemp-derived CBD products, we believe there is a significant market opportunity in hemp and hemp-derived CBD products globally. We expect to monitor, identify and selectively invest in compelling opportunities that will strengthen our leadership position and allow us to further leverage our February 2019 purchase of FHF Holdings Ltd. (“Manitoba Harvest”), a leading manufacturer and distributor of hemp foods and supplements across the United States and Canada.

**Develop innovative products and form factors that change the way the world consumes cannabis and hemp.** We believe the future of the cannabis and hemp industries will primarily focus on non-combustible products that will offer patients and consumers alternatives to smoking. Similar to our beverage partnership with AB InBev, we anticipate future opportunities to partner with established pharmaceutical, food, beverage, and consumer product companies to continue to develop new non-combustible form factors that will appeal to consumers who are not interested in smoking cannabis. By developing new non-combustible products, we believe we will expand our addressable market.

**Expand the availability of pure, precise, and predictable medical cannabis products for patients around the world.** Since 2014, we have seen a significant increase in demand from both patients and governments for pharmaceutical-grade cannabis products. As medical cannabis is increasingly recognized as a viable treatment option for patients suffering from a variety of diseases and conditions, we are well-positioned to expand the availability of these products to more patients in more countries. Importantly, because we operate two fully GMP certified facilities in Canada and Portugal and because many countries require medical products to be sourced from GMP-certified facilities, we are well-positioned to grow market share in the European and other international medical cannabis markets.

**Foster mainstream acceptance of the therapeutic potential of medical cannabis and cannabinoid-based medicines.** We see an opportunity to significantly expand the global market for medical cannabis products by conducting clinical research into the safety and efficacy of medical cannabis for a diverse range of conditions. By generating clinical data demonstrating the safety and efficacy of medical cannabis and cannabinoid-based medicines for various conditions, we see an opportunity to significantly expand and dominate the global medical cannabis market.

## Our Strengths

**We are a global pioneer with a multinational supply chain and distribution network.** We were the first cannabis producer to export medical cannabis from North America and legally import cannabis into the European Union. We have licenses to cultivate cannabis in Canada and Portugal. Our medical products are currently available in 17 countries spanning five continents. To achieve our goal of becoming a global cannabis leader, we have various signed agreements with established global industry leaders, including:

- **AB InBev** - In December 2018, we entered into a research partnership in Canada with AB InBev, the world's leading brewer, to research non-alcoholic beverages containing THC and CBD. AB InBev's participation is through Labatt Breweries of Canada and Tilray's participation is through our wholly owned subsidiary, High Park Farms Ltd. In 2019, the two companies created Fluent Beverage Company (“Fluent”) as a joint venture to develop and commercialize non-alcohol CBD-infused beverages. To date, Fluent has successfully launched ready to drink CBD-infused sparkling beverages and tea bags in Canada.
  - **Cannfections** - In October 2019, High Park announced a strategic partnership with Cannfections Group Inc., whose founder is from a leading company in the confectionery space, with 85 years of experience developing and producing a variety of celebrated confectionery brands. Through our Cannfections partnership we have successfully launched THC infused edible products, including chocolates and gummies, in the Canadian market and continue to develop new product offerings.
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We have agreements in place to supply adult-use cannabis to eleven provinces and territories and have been expanding our distribution, and product offerings and formats, since adult-use was legalized in Canada. We intend to continue to increase our distribution of best-in-class brands and products in the Canadian adult-use market.

**We have scientifically rigorous processes in place to produce high quality medical cannabis products and have received permits to supply patients and researchers on five continents.** Governments in 17 countries have now issued permits allowing our medical cannabis products to be available for distribution to patients. We believe governments have approved the importation of our products in part because of our reputation for being a scientifically rigorous medical cannabis company known for delivering safe, high-quality products. With the guidance of our Medical Advisory Board comprised of highly accomplished researchers and physicians specializing in autism, epilepsy, cancer and dermatology, we are committed to advancing scientific knowledge about the therapeutic potential of cannabis, and have successfully received federal authorizations to supply cannabinoid products to clinical trials in Australia, the United States and Canada.

**We have secured the exclusive rights to produce and distribute a portfolio of certain adult-use brands and products to Canadian consumers in the adult-use market.** The brand licensing agreement between a wholly owned subsidiary of ours and Docklight Brands, Inc. provides us with intellectual property that we believe may give us a competitive advantage in the adult-use market in Canada. The brand licensing agreement includes the rights to commercialize recognized brand names and proprietary product formulations for a wide range of products.

**We have a successful track record of innovation within our industry.** We believe our commitment to research and innovation at this early stage of the cannabis and hemp industries' development differentiates us and gives us a competitive advantage. We have invested significant capital to develop innovative cultivation practices, world class GMP certified facilities, and innovative product formulations.

**We have developed a rigorous production process to ensure product consistency and quality as we increase the scale of our operations globally.** We pride ourselves on consistently delivering high-quality products with precise chemical compositions. We were the first cannabis company to have fully GMP-certified cultivation and production facilities in both North America and Europe. GMP certification provides regulators and health care providers with assurance that our medical products are safe, high-quality products that meet rigorous production standards.

**We have a very experienced management team.** We believe our management team is one of the most accomplished in the cannabis industry. We recognize the cannabis and hemp industries are in the early stages of development and we are taking a long-term, global view as we position ourselves for global success. Our management team has significant experience across a variety of consumer product categories and is well versed in evaluating potential transactions, establishing commercial partnerships, and exploiting growth opportunities. We are analytically driven and pride ourselves on making decisions that we believe will grow our business over the long term and allow us to establish our Company as leader in the cannabis and hemp categories. We continue to identify and acquire talent from leading global companies to join our team and are confident we have the diversity and depth of experience to propel Tilray into a global leadership position.

## **Our Growth Strategy**

We aspire to build the world's most trusted and valuable global cannabis and hemp company through the following key strategies:

**Leveraging our production capacity in North America and Europe to meet current and expected long-term demand growth.** We have established a production footprint in North America and Europe that will allow us to efficiently respond to the anticipated increase in market demand for cannabis and hemp products globally. We have invested in sufficient cultivation capacity, processing, production automation, extraction, and packaging to meet current demand for our products and to achieve efficiencies as we optimize the use of these facilities.

**Partnering with established distributors and retailers.** As the industry continues to evolve, we anticipate the distribution of cannabis products will increasingly mirror the distribution of other pharmaceutical products and consumer packaged goods. To increase our scale efficiently and rapidly, we are partnering with established distributors and retailers globally.

**Developing a differentiated portfolio of brands and products to appeal to diverse sets of patients and consumers.** We are a global pioneer shaping the future of medical and adult-use cannabis and hemp products, by developing a portfolio of high-quality cannabinoid offerings, ranging from dried flower to oils, well-defined clinical preparations, edibles, beverages, and hemp-based food products and supplements. We will continue to invest in