Charlotte's Web Reports Q3-2021 Increased Sales Volumes with Improved Profit and Operating Margins

DENVER - November 15, 2021 – (TSX:CWEB, OTCQX:CWBHF), Charlotte's Web Holdings, Inc. ("Charlotte's Web" or the "Company"), the market share leader in full spectrum hemp extract wellness products, today reported financial results for the third quarter ended September 30, 2021. All amounts are expressed in United States' dollars, unless otherwise noted. Certain metrics, including those expressed on an adjusted basis, are non-IFRS measures.

Q3-2021 Financial Highlights Vs. Q3-2020

- Net Revenue of $23.7M vs. $25.2M with increased unit sales offset by product and channel mix
    - Gummy sales contributed 30% vs. 23%
    - Tincture sales contributed 37% vs. 49%
- DTC eCommerce revenue was $15.2M vs. $16.7M with increased customers and unit sales
- B2B revenue increased to $8.5M vs. $8.4M with increased unit sales and new distribution
- Gross profit increased to $14.9M, expanding to 62.9% of consolidated revenue vs. 58.7%
- Operating expenses decreased 15.6% year-over-year, ahead of plan
- Adjusted EBITDA[1] of ($2.8M), improved vs.($6.7M) and sequentially vs. ($3.9M)
- $21.1M cash (excluding $10.9M IRS tax refund) and $87.5M working capital at September 30, 2021
- $10M unused line of credit with JPMorgan; potential to extend to $20M

Business Highlights

- Expanded #1 market share position across every channel vs. competitive set
- Increased pet product retail distribution by 222 doors
- Launched 3 new gummy products: *Daily Wellness*, *THC-Free* and *Immunity*
- Achieved USDA organic certification on select products
- Entered multi-phase research on hemp extracts with Colorado State University
- Operationalized new 137,000 sq. ft. production and distribution facility
- Advancing extraction and R&D capabilities

Events Subsequent to Q3-2021

- California state Assembly Bill 45 passed into law legalizing hemp CBD in California
- Commenced the expansion of new distribution in Q4-2021 with retail partners in California
- Partnered to expand further bi-partisan sponsorship of Federal Bill H.R. 841 advancing US CBD regulatory framework
- Completed first international harvest of Charlotte's Web (proprietary) patented hemp cultivars in Canada
- Readied plan for product launch in Israel in 2022

“As the category evolved from early adopters of higher priced CBD oil tinctures to lower priced gummies, topicals and pet products, we adjusted our portfolio offer and expanded our presence across new channels. This increased our unit sales and market share across every channel, but reduced total net revenue versus Q3-2020,” said Deanie Elsner, CEO of Charlotte’s Web. “We’ve demonstrated an ability to anticipate where the consumer is going and launch advantaged innovation that wins in the market.”

Q3-2021 Financial Review

The following table sets forth selected financial information for the periods indicated.

	Three months ended September 30,	
U.S. $ millions, except per share data	**2021**	2020
Revenue	**$ 23.7**	$ 25.2
Gross profit before biological assets adjustment	**14.9**	15.3
Net impact, fair value of biological assets	**—**	0.5
Gross profit	**14.9**	14.8
Operating expenses	**23.9**	28.3
Operating loss	**(9.0)**	(13.6)
Change in fair value of financial instruments and other expense (income), net	**(8.4)**	(7.4)
Net loss and comprehensive loss	**(0.9)**	(6.5)
Loss per share - basic	**$ (0.01)**	$ (0.05)
Loss per share - diluted	**$ (0.01)**	$ (0.05)
Adjusted EBITDA[1]	**$ (2.8)**	$ (6.7)

Assets:	**September 30, 2021**	December 31, 2020
Cash and cash equivalents	**$ 21.1**	$ 52.8
Total assets	**$ 286.6**	$ 310.9
Liabilities:		
Long-term liabilities	**$ 21.3**	$ 27.7
Total liabilities	**$ 44.9**	$ 56.7

The following information sets forth selected quarterly revenue information for the Company’s recent fiscal quarters.

U.S. $ millions	**Q3 2021**	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Revenue	**$ 23.7**	$ 24.2	$ 23.4	$ 26.9	$ 25.2	$ 21.7	$ 21.5	$ 22.8

Consolidated revenue for the three months ended September 30, 2021 decreased 5.8% year-over-year to $23.7 million, due to mix and supply chain disruptions. Total sales volume increased year-over-year and Charlotte's Web increased market share in all of its core channels. Operating metrics improvement were achieved in the quarter including increased gross margins, improved operating expenses and Adjusted EBITDA.

"Temporary supply chain disruptions affected some product availability, however we substantially resolved these issues in October and are on our growth trajectory with the holiday buying season in the fourth quarter," explained Wes Booysen, Charlotte's Web Chief Financial Officer. "In parallel, we are streamlining operations and reducing expenses."

Consolidated business-to-business ("B2B") revenue increased 1.3% year-over-year on higher unit sales volume with new pet, topicals, and gummies distribution. Direct-to-consumer ("DTC") ecommerce experienced increased customers, however net revenue was 9.3% lower year-over-year due to product mix and higher discounting in a more competitive DTC market. Year-over-year new subscriptions increased 47% and conversion rates increased 21%. DTC accounted for 64% of total revenue in the third quarter of 2021 versus 67% for the same period in 2020.

Charlotte's Web brand leadership drove ongoing number one market share gains at retail across its core retail channels, including total US Food/Drug/Mass retail and total US natural specialty retail.

	Three months September 30,		Year-over-year % Increase/(decrease)
	2021	2020	
Revenue - U.S. $ millions	**$ 23.7**	$ 25.2	(5.8) %
Direct-to-consumer ("DTC")	**$ 15.2**	$ 16.7	(9.3) %
Business-to-business ("B2B")	**$ 8.5**	$ 8.4	1.3 %

Gross profit was $14.9 million versus $14.8 million in the prior year. Gross margin increased to 62.9% of revenue versus 58.7% in Q3-2020 primarily due to higher unit sales volume, partially offset by product mix, third quarter supply chain disruptions and higher discounting.

Operating expenses were $23.9 million, a 15.6% year-over-year improvement from $28.3 million due to expense reductions, cost controls, Abacus acquisition synergies, and supply chain optimization.

Adjusted EBITDA for the quarter was negative $2.8 million, or (11.7)% of consolidated revenue, a 58.3% improvement from negative Adjusted EBITDA of $6.7 million, or (26.4)% of consolidated revenue, for the third quarter of 2020.

For Q3-2021, Charlotte's Web reported a net loss of $0.9 million for the quarter, compared to a net loss of $6.5 million for the same quarter a year ago, for an improvement of $5.6 million, or 86%.

Balance Sheet and Cash Flow

The Company used $20.6 million of cash in operations during the nine months ended September 30, 2021 compared to $43.5 million of cash used in operations during the nine months ended September 30, 2020. The Company's cash and working capital at September 30, 2021 were $21.1 million and $87.5 million, respectively, compared to $52.8 million and $113.6 million at December 31, 2020. Charlotte's Web has a near-term IRS tax refund of $10.9 million and maintains an unused $10 million line of credit with JPMorgan, with potential to extend to $20 million.

	Nine months ended September 30			
U.S. $ millions	2021	2020	$ Change	% Change
Cash beginning of period	$ 52.8	$ 68.6	$ (15.8)	(23.0)%
Cash flows from (used in):				
Operating activities	(20.6)	(43.5)	22.9	(52.6)%
Investing activities	(11.1)	(11.9)	0.8	(6.7)%
Financing activities	—	52.7	(52.7)	(100.0)%
Cash, end of period	**$ 21.1**	**$ 65.9**	**$ (44.8)**	**(68.0)%**

Nine-Month Financial Review

For the nine-month period ended September 30, 2021, Charlotte's Web reported a net revenue increase of 4.3% to $71.3 million, with B2B revenue increasing 10.6% and DTC revenue increasing 1.4% versus the same period in 2020. Gross profit increased 7.5% to $44.4 million on gross margin of 62.3%, an improvement from 60.5% for the same period in 2020. Expenses decreased by 10.1% to $72.9 million and Adjusted EBITDA loss of $11.4 million was an improvement of $6.7 million. The nine-month net loss of $20.2 million was a $12.2 million improvement versus the prior period.

Consolidated Financial Statements and Management's Discussion and Analysis

The Company's unaudited financial statements and accompanying notes for the periods ended September 30, 2021 and 2020 and related management's discussion and analysis of financial condition and results of operations ("MD&A") are available under the Company's profile on SEDAR at www.sedar.com and on the Investor Relations section of the Company's website at https://investors.charlottesweb.com.

Conference Call

Management will host a conference call to discuss the Company's third quarter 2021 results at 4:30 p.m. ET on November 15, 2021. To participate in the call, please dial 1-416-764-8659 or 1-888-664-6392 approximately 10 minutes before the conference call. A recording of the call will be available through November 22, 2021. To listen to the rebroadcast please dial 1-416-764-8677 and provide conference ID 407437. A webcast of the call can be accessed through the investor relations section of the Charlotte's Web website.

About Charlotte's Web Holdings, Inc.

Charlotte's Web Holdings, Inc., a Certified B Corporation headquartered in Denver, Colorado, is the market leader in innovative whole-plant hemp extract wellness products under a family of brands which includes Charlotte's Web™, CBD Medic™, CBD Clinic™, and Harmony Hemp™. Charlotte's Web branded premium quality products start with proprietary hemp genetics that are 100-percent American farm grown and manufactured into whole-plant hemp extracts containing naturally occurring phytocannabinoids including cannabidiol ("CBD"), CBC, CBG, terpenes, flavonoids and other beneficial hemp compounds. The Company's CW Labs R&D science division is located at the University at Buffalo in New York which is part of the State University of New York (SUNY) system

of 64 universities. Charlotte's Web product categories include full spectrum hemp extract oil tinctures (liquid products), gummies (sleep, stress, inflammation recovery), capsules, topical creams and lotions, as well as pet products for dogs. Charlotte's Web products are distributed to more than 14,000 retail outlets and 8,000 health care practitioners, and online through the Company's website at www.CharlottesWeb.com.

Shares of Charlotte's Web trade on the Toronto Stock Exchange (TSX) under the symbol "CWEB" and are quoted in U.S. Dollars in the United States on the OTCQX under the symbol "CWBHF". As of November 12, 2021, Charlotte's Web had 142,606,464 Common Shares outstanding.

[(1)]Non-IFRS Measures

Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") is not a recognized performance measure under International Financial Reporting Standards ("IFRS"). Adjusted EBITDA does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. The term EBITDA consists of net loss and excludes interest ("financing costs"), taxes, depreciation and amortization. Adjusted EBITDA also excludes share-based compensation, impairment of assets, transaction costs, legal settlement costs, restructuring charges, and adjustments for fair value. Adjusted EBITDA is included as a supplemental disclosure because management of the Company believes that such measurement provides a more meaningful assessment of the Company's operations on a continuing basis by eliminating certain non-cash charges and charges or gains that are infrequent. The most directly comparable measure to Adjusted EBITDA calculated in accordance with IFRS is net loss. See "Adjusted EBITDA" in the MD&A for a reconciliation of Adjusted EBITDA to net loss.

	Three months ended September 30,	
U.S. $ millions	**2021**	2020
Net loss and comprehensive loss	**$(0.9)**	$(6.5)
Depreciation of property and equipment and amortization of intangibles	**3.3**	2.8
Financing costs	**0.3**	0.3
Interest income	**—**	—
Income tax benefit	**—**	—
EBITDA	**$2.7**	$(3.4)
Mark-to-market financial instruments	**(8.5)**	(6.5)
Net impact, fair value of biological assets	**—**	0.5
Share-based compensation	**1.6**	2.0
Impairment of assets	**—**	(0.3)
SEC registration and other transaction costs	**0.6**	0.2
Legal settlement	**—**	—
Restructuring charges	**0.7**	0.8
Adjusted EBITDA	**$(2.9)**	$(6.7)

Forward-Looking Information

In the interest of providing the shareholders and potential investors of Charlotte's Web Holdings, Inc. with information about the Company, certain information provided herein constitutes forward-looking statements or information (collectively, "forward-looking statements"). Forward-looking statements are typically identified by words such as "may", "will", "should", "could", "anticipate", "expect", "project", "estimate", "forecast", "plan", "intend", "target", "believe" and similar words suggesting future outcomes or statements regarding an outlook. Although these forward-looking statements are based on assumptions the Company considers to be reasonable based on the information available on the date such statements are made, such statements are not guarantees of future performance and readers are cautioned against placing undue reliance on forward-looking statements. By their nature, these statements involve a variety of assumptions, known and unknown risks and uncertainties, and other factors which may cause actual results, levels of activity, and achievements to differ materially from those expressed or implied by such statements. The forward-looking statements contained in this press release are based on certain assumptions and analysis by management of the Company in light of its experience and perception of historical trends, current conditions and expected future development and other factors that it believes are appropriate.

Specifically, this press release contains forward-looking statements relating to, but not limited to: expansion of new distribution in Q4-2021; sponsorship of legislation to advance regulatory framework; anticipated consumer trends and corresponding product innovation; anticipated future financial results; international expansion activities and strategy, including Israel product launch; future availability of line of credit and expansion of same; the impact of certain activities on the Company's business and financial condition; suggested regulatory developments; the Company's anticipated trajectory, long-term growth expectations and shareholder value creation; and product expansion.

The material factors and assumptions used to develop the forward-looking statements herein include, but are not limited to, the following: the impact of the COVID-19 pandemic; the regulatory climate in which the Company currently operates and may in the future operate; successful sales of the Company's products; the success of sales and marketing activities; there will be no significant delays in the development and commercialization of the Company's products, including in relation to supply chain disruptions; outcomes from R&D activities; ability for the Company to leverage R&D and brand recognition for product sales; the Company's ability to deal with adverse growing conditions (due to pests, disease, fungus, climate or other factors) in a timely and cost-effective manner; there will be no significant reduction in the availability of qualified and cost-effective human resources; new products will continue to be added to the Company's portfolio; demand for the Company's products will grow in the foreseeable future; there will be no significant barriers to the acceptance of the Company's products in the market; the Company will be able to maintain compliance with applicable contractual and regulatory obligations and requirements; there will be adequate liquidity available to the Company to carry out its operations and business plans; and products do not develop that would render the Company's current and future product offerings undesirable and the Company is otherwise able to minimize the impact of competition and keep pace with changing consumer preferences.

The Company's forward-looking statements are subject to risks and uncertainties pertaining to, among other things, the adverse impact of the COVID-19 pandemic to the Company's operations, supply chain, distribution chain, and to the broader market for the Company's products; revenue fluctuations; nature of government regulations (both domestic and foreign); economic conditions; loss of key customers; retention and availability of executive talent; competing products; common share price volatility; loss of proprietary information; product acceptance; internet and system infrastructure functionality; information technology security; available capital to fund operations and business plans; crop risk; international and political considerations; regulatory changes; and including but not limited to those risks and uncertainties discussed under the heading "Risks and Uncertainties" in the MD&A, the Company's most recently filed annual information form, and the Company's other filings with securities regulators available on SEDAR. The impact of any one risk, uncertainty, or factor on a particular forward-looking statement is not determinable with certainty as these are interdependent, and the Company's future course of action depends on management's assessment of all information available at the relevant time. Except to the extent required by law, the Company assumes no obligation to publicly update or revise any forward-looking statements made, whether as a result of new information, future events, or otherwise. All forward-looking statements, whether written or oral, attributable to the Company or persons acting on the Company's behalf, are expressly qualified in their entirety by these cautionary statements.

For further information contact:

Wes Booysen
Chief Financial Officer
Wes.Booysen@CharlottesWeb.com

Cory Pala
Director of Investor Relations
(720) 484-8930
Cory.Pala@CharlottesWeb.com

CHARLOTTE'S WEB HOLDINGS, INC.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In thousands of United States dollars)

	September 30, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$21,069	$52,803
Trade and other receivables, net	5,726	6,274
Note receivable	1,324	1,753
Note receivable - related party	1,029	1,004
Current finance lease receivable	1,013	—
Inventories	62,334	61,936
Prepaid expenses and other current assets	7,739	7,390
Income taxes receivable	10,876	11,440
	111,110	142,600
Non-current assets:		
Property and equipment, net	56,978	60,269
Intangible assets, net	23,434	25,376
Goodwill	77,454	77,454
Stanley Brothers USA Holdings purchase option	12,900	—
Long-term finance lease receivable	2,487	—
Other long-term assets	2,218	5,182
	$286,581	$310,881
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$7,574	$4,891
Accrued liabilities	8,781	11,519
Deferred revenue	801	615
Current cultivation liabilities	4,129	9,304
Current notes payable	229	629
Current lease obligations	2,091	2,015
	23,605	28,973
Non-current liabilities:		
Long-term cultivation liabilities	—	2,513
Long-term notes payable	—	144
Long-term lease obligations	21,035	20,567
Warrant liabilities	223	4,304
Other long-term liabilities	45	151
	44,908	56,652
Shareholders' equity:		
Share capital	283,720	279,308
Contributed surplus	23,108	19,849
Accumulated deficit	(65,155)	(44,928)
	241,673	254,229
	$286,581	$310,881

CHARLOTTE'S WEB HOLDINGS, INC.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND OTHER COMPREHENSIVE LOSS
(In thousands of United States dollars, except per share amounts)

	Three months ended September 30,	
	2021	2020
Revenue	$23,704	$25,156
Cost of sales	8,789	9,898
Gross profit before (gain) loss on fair value of biological assets	14,915	15,258
Unrealized fair value loss on growth of biological assets	—	501
Gross profit	14,915	14,757
Expenses:		
General and administrative	14,051	17,816
Sales and marketing	8,378	8,512
Research and development	1,471	1,984
Operating expenses	23,900	28,312
Operating loss	(8,985)	(13,555)
Financing costs	307	369
Interest income	2	(24)
Change in fair value of financial instruments and other expense (income), net	(8,381)	(7,379)
Loss before taxes	(913)	(6,521)
Income tax expense	—	18
Net loss and comprehensive loss	$(913)	$(6,539)
Weighted average number of common shares - basic	140,521,244	138,866,673
Weighted average number of common shares - diluted	140,521,244	138,866,673
Loss per share - basic	$(0.01)	$(0.05)
Loss per share - diluted	$(0.01)	$(0.05)

CHARLOTTE'S WEB HOLDINGS, INC.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(In thousands of United States dollars)

Nine months ended September 30, 2020	Share capital	Contributed surplus	Accumulated deficit	Total
Balance - December 31, 2019	$123,927	$27,513	$ 2,258	$153,698
Exercise of stock options	2,140	(599)	—	1,541
Withholding of common stock upon vesting of restricted share awards	1,269	(1,285)	—	(16)
Accumulated effect of income tax from stock options	—	(16,087)	—	(16,087)
Share-based compensation expense	—	4,336	—	4,336
2020 Share Offering	47,959	—	—	47,959
Share issuance costs	(3,368)	—	—	(3,368)
Abacus acquisition	105,461	5,407	—	110,868
Net loss and comprehensive loss	—	—	(32,468)	(32,468)
Balance - September 30, 2020	$277,388	$19,285	$ (30,210)	$266,463

Nine months ended September 30, 2021	Share capital	Contributed surplus	Accumulated deficit	Total
Balance - December 31, 2020	$279,308	$19,849	$ (44,928)	$254,229
Exercise of common stock options	61	(31)	—	30
Exercise of common stock warrants	485	(45)	—	440
Withholding of common stock upon vesting of restricted share awards	1,109	(1,251)	—	(142)
Share-based compensation expense	—	4,586	—	4,586
ATM Program	3,234	—	—	3,234
Share issuance costs	(477)	—	—	(477)
Net loss and comprehensive loss	—	—	(20,227)	(20,227)
Balance - September 30, 2021	$283,720	$23,108	$ (65,155)	$241,673

CHARLOTTE'S WEB HOLDINGS, INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of United States dollars)

	Nine months ended September 30,	
	2021	2020
Cash flows from operating activities:		
Net loss	$(20,227)	$(32,468)
Items not involving cash:		
Depreciation	7,629	5,513
Amortization	2,656	1,216
Change in fair value of biological assets	(41)	415
Change in fair value of warrant liabilities	(4,081)	(13,082)
Change in fair value of SBH Purchase Option	(4,900)	—
Expected credit losses	590	716
Inventory provision, net	178	2,216
Share-based compensation	4,586	4,336
Loss on disposal of assets	267	2
Deferred income taxes	4	14,340
Changes in working capital:		
Trade and other receivables, net	199	2,145
Inventories	(876)	2,672
Prepaid expenses and other current assets	(313)	(10,286)
Accounts payable	2,506	(8,286)
Accrued liabilities	(2,896)	2,143
Income taxes	564	(8,089)
Cultivation liabilities	(7,166)	(7,477)
Other operating assets and liabilities, net	739	426
	(20,582)	(43,548)
Cash flows from investing activities:		
Cash acquired in business combinations	—	11,181
Purchases of property and equipment	(3,482)	(22,340)
Purchases of intangible assets	(606)	—
Proceeds from sale of assets	9	46
Funding/Collections on notes receivable	468	(440)
Investment in SBH Purchase Option	(8,000)	—
Other investing activities	521	(309)
	(11,090)	(11,862)
Cash flows from financing activities:		
Proceeds from public offering, net of share issuance costs	2,896	53,797
Proceeds from common stock option exercises	30	1,541
Proceeds from common stock warrant exercises	440	—
Payments on lease obligations	(2,742)	(2,101)
Other financing activities	(686)	(489)
	(62)	52,748
(Decrease) increase in cash	(31,734)	(2,662)
Cash and cash equivalents, beginning of year	52,803	68,553
Cash and cash equivalents, end of period	$21,069	$65,891

Supplemental disclosures of cash flows from operating activities:		
Cash paid for interest	$(43)	$(62)
Cash paid for interest on lease obligations	(936)	(841)
Cash received from interest	33	179
Cash received (paid) for taxes	600	(56)
Non-cash purchases of property and equipment	(2,490)	(2,359)
Non-cash purchases of intangible assets	(108)	—
Non-cash inventory provision	(543)	—
Non-cash disposal of right-of-use-assets	(3,465)	—