

## XS FINANCIAL'S FIRST QUARTER CONTINUES SOLID GROWTH

*Strong First Quarter With a 210% YoY Increase in Revenue, Addition of Two New Customers, and Positive EBITDA*

LOS ANGELES, CA, May 26, 2022 – XS Financial Inc. ("XS Financial", "XSF" or the "Company") (CSE: XSF) (OTCQB: XSHLF), a specialty finance company providing CAPEX and equipment financing solutions to cannabis companies in the United States, reported its financial results today for the first quarter ended March 31, 2022. All amounts are expressed in U.S. dollars unless indicated otherwise.

### Q1/22 Financial Highlights

- **210% YoY increase in revenue** to \$1.3 million in Q1/22 from \$0.4 million in Q1/21;
- **368% YoY increase in monthly recurring payments** to \$1.4 million in Q1/22 from \$0.3 million in Q1/21;
- **358% YoY increase in total closed leases since inception** to \$48.3 million in Q1/22 from \$10.5 million in Q1/21;
- **295% YoY increase in gross lease receivables** to \$48.1 million in Q1/22 from \$12.2 million in Q1/21;
- **EBITDA profit** of \$0.2 million (Q1/21 - loss of \$0.4 million);
- **Adjusted EBITDA<sup>1</sup> profit** of \$0.7 million (Q1/21 - loss of \$0.0 million);
- **14 new lease schedules** with Ayr Wellness, Columbia Care, PharmaCann, and others, resulting in closed lease transactions totaling \$6.7 million and equipment value totaling \$6.9 million;

### Post-Quarter-End Portfolio and Corporate Highlights:

	As of Q2/21	As of Q3/21	As of Q4/21	As of Q1/22	As of 5/25/2022
<b># of Customers</b>	8	8	8	10	10
<b># of Active Leases</b>	38	51	66	77	91
<b>Total Closed Leases Since Inception</b>	\$22.1 million	\$34.2 million	\$41.5 million	\$48.3 million	\$65.1 million
<b>Average Lease Size by Customer</b>	\$2.8 million	\$4.3 million	\$5.2million	\$4.8 million	\$6.5 million
<b>Monthly Recurring Payments</b>	\$0.6 million	\$1.0 million	\$1.2 million	\$1.4 million	\$1.7 million
<b>Gross Lease Receivables</b>	\$26.0 million	\$38.5 million	\$43.6 million	\$48.1 million	\$70.1 million

**David Kivitz, CEO of XS Financial commented:** "We were pleased with our first quarter results and are expecting positive trends to continue through 2022. One of our goals for the current year was to diversify our customer base and we were thrilled to announce two new customers in Q1, increasing our number of customers from 8 to 10. XS continues to focus on acquiring new clients and diversification of revenue sources and we understand that servicing our current loyal customer base and strengthening existing relationships will contribute to our long-term success. This was also evidenced earlier this month when we announced a \$37.4 million upsized lease facility with Ayr Wellness, our third increase for them. Our optimism is only growing with the market backdrop and customer acceptance of our financing, and we are set to capitalize on opportunities as we take the next step in evolving our business.

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

**Summary Financial Results – Three Months Ended March 31, 2022**

The following table sets forth selected financial information for the periods indicated that was derived from our audited financial statements.

	For the three months ended March 31	
	2022	2021
Revenue	<b>\$1,288,633</b>	\$416,172
Operating expenses	<b>\$1,065,960</b>	\$776,656
Other expenses (income)	<b>\$1,968,484</b>	\$42,673
Net (loss) income	<b>(\$1,745,811)</b>	(\$403,157)
Income (loss) per share – basic	<b>(\$0.02)</b>	(\$0.01)
Weighted average shares outstanding – basic	<b>103,885,041</b>	70,307,170

Revenues for the quarter increased 209.6% to \$1,288,633 from \$416,172 for the same period the year before. The increase of \$872,461 was attributable to revenue recognized from financing income associated with 52 new financing leases from 2020 to 2021.

Operating expenses for the quarter increased 37.2% to \$1,065,960 from \$776,656 for the same period the year before. The increase was primarily the result of the increase in personnel and contractor costs due to an increase in operations and non-cash incentive compensation, offset by a decrease in professional fees.

Other expenses for the quarter increased to \$1,968,484 from \$42,673 for the same period the year before. The increase in other expense of \$1,925,811 was primarily attributable to an increase of approximately \$970,000 in financing and accretion expenses and \$720,00 in non-cash accretion expenses associated with debt and equity issuances in 2021. Additionally, the Company had non-cash loss of approximately \$329,000 related to the change in fair value of derivative liabilities.

Net loss for the quarter was \$1,745,811, compared to net loss of \$403,157 for the first quarter of 2021.

**Earnings Per Share (“EPS”) and Adjusted Net Loss**

*Comparative table illustrating changes EPS for the period ending March 31, 2021 (“Q1/21”), the period ending June 30, 2021 (“Q2/21”), the period ending September 30, 2021 (“Q3/21”), the period ending December 31, 2021 (“Q4/21”), and Q1/22.*

	<u>Q1/21</u>	<u>Q2/21</u>	<u>Q3/21</u>	<u>Q4/21</u>	<u>Q1/22</u>
<b>Earnings (Loss) Per Share</b>	\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.02)

The Company realized a loss of \$1,745,811 for Q4/21 compared to a loss of \$403,157 for Q1/21. After adjusting for non-cash items including unrealized loss in fair value change of investments, accretion expense, and change in fair value of derivative liabilities the Company reported an adjusted net loss of \$906,670 compared to an adjusted net loss of \$519,650 as previously reported in Q1/21.

XS Financials' complete annual financial statements and management's discussion and analysis for the first quarter ended March 31, 2022, will be filed under the Company's profile on [www.sedar.com](http://www.sedar.com), and will also be available on XS Financial's corporate website at [www.xsfinancial.com](http://www.xsfinancial.com).

### **About XS Financial**

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

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### **Non-IFRS Financial Measures**

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

### **Forward-Looking Information**

This press release contains "forward-looking information" and may also contain statements that may constitute "forward-looking statements", collectively "forward-looking information", within the meaning of applicable Canadian securities legislation. Such forward-looking information is not representative of historical facts or information or current condition, but instead represent the beliefs and expectations regarding future events about the business and the industry and markets in which XS Financial operates, as well as plans or objectives of management, many of which, by their nature, are inherently uncertain. Generally, such forward-looking information can be identified by the use of terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or may contain statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "will continue", "will occur" or "will be achieved". Forward-looking information contained herein may include but is not limited to, any additional leasing opportunities and the ability to capitalize on such and the timing thereof. Forward-looking information is not a guarantee of future performance and involve risks, uncertainties and assumptions which are difficult to predict. Accordingly, readers should not place undue reliance on forward-looking information, which are qualified in their entirety by this cautionary statement. XS Financial Inc., does not undertake any obligation to release publicly any revisions for updating any voluntary forward-looking information, except as required by applicable securities law.

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