TURNING POINT BRANDS

TURNING POINT BRANDS ACQUIRES SOLACE TECHNOLOGIES AND EXPANDS NU-X TEAM

NYSE **TPB**

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Opens Nu-X Headquarters in Southern California

LOUISVILLE, Ky.--(BUSINESS WIRE)--

Turning Point Brands (NYSE:TPB), a Kentucky-based industry leading marketer of Other Tobacco Products (OTP) and adult consumer alternatives, announced today it will acquire the assets of Solace Technologies ("Solace") for $15.25 million. Solace is an innovative product development company which established one of the top e-liquid brands in the vapor industry and has since grown into a leader in alternative products. The Solace assets and team will be combined with TPB's Nu-X Ventures division, led by TPB veteran Graham Purdy. As part of the transaction, Nu-X Ventures will establish a headquarters in Southern California.

"The original Solace Salts product brought highly innovative change to the nicotine delivery industry. When we first met the Solace team and saw the collection of new product offerings and technologies in the Solace pipeline, we immediately saw the perfect fit with our Nu-X team. This acquisition takes an already robust Nu-X product portfolio to the next level", said Graham Purdy, President of Nu-X Ventures. "The Solace organization has demonstrated an ability to develop popular brands and produce quality products that meet adult consumer needs. The Nu-X and Solace teams are excited to come together to create the next evolution in the alternative product consumer experience."

Solace's legacy and new innovative products will be combined with Nu-X Ventures' strong and nimble development engine. Nu-X Ventures was formed to leverage TPB's expertise in traditional OTP management and its extensive distribution network to alternative products including synthetic nicotine and hemp-derived products. TPB has over 100 years of collective management team experience navigating complex federal, state and local regulations that are directly applicable to the growing alternatives market. TPB's large traditional sales and distribution network provide the infrastructure to reach approximately 185,000 retail outlets in North America and millions of consumers through its B2C sales engine.

"This transaction will enable our team to build a sustainable and scalable future for the various customers and distributors who rely on Solace products. We look forward to continuing to innovate and transform the alternative products industry in coming years," said Lorenzo De Plano, President and Co-Founder of Solace Technologies.

Total consideration of the deal is $15.25 million, consisting of $8.25 million in cash and $7.0 million of performance-based restricted stock units of TPB. The performance-based restricted stock units will vest over three years as determined by sales performance of Nu-X products. 2018 Sales and EBITDA for Solace was approximately $10 and $3 million, respectively after adjusting out certain transactions that would be considered intercompany.

About Turning Point Brands, Inc.

Louisville, Kentucky-based Turning Point Brands, Inc. (NYSE: TPB) is a leading U.S. provider of Other Tobacco Products. TPB, through its focus brands, Stoker's® in Smokeless products, Zig-Zag® in Smoking products and VaporBeast®, VaporFi® and Nu-X™ in NewGen products, generates solid cash flow which it uses to finance acquisitions, increase brand support and strengthen its capital structure. TPB does not sell cigarettes. More information about the company is available at its corporate website, www.turningpointbrands.com.

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of the federal securities laws. Forward-looking statements may generally be identified by the use of words such as "anticipate," "believe," "expect," "intend," "plan" and "will" or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. As a result, actual events may differ materially from those expressed in or suggested by the forward-looking statements. Any forward-looking statement made by TPB in this press release speaks only as of the date hereof. New risks and uncertainties come up from time to time, and it is impossible for TPB to predict these events or how they may affect it. TPB has no obligation, and does not intend, to update any forward-looking statements after the date hereof, except as required by federal securities laws. Factors that could cause these differences include, but are not limited to:

•declining sales of tobacco products, and expected continuing decline of sales, in the tobacco industry overall;

•our dependence on a small number of third-party suppliers and producers;

•the possibility that we will be unable to identify or contract with new suppliers or producers in the event of a supply or product disruption;

•the possibility that our licenses to use certain brands or trademarks will be terminated, challenged or restricted;

•failure to maintain consumer brand recognition and loyalty of our customers;

•substantial and increasing U.S. regulation;

•regulation of our products by the FDA, which has broad regulatory powers;

•our products are subject to developing and unpredictable regulation;

•our products contain nicotine which is considered to be a highly addictive substance;

•uncertainty related to the regulation and taxation of our NewGen products;

•possible significant increases in federal, state and local municipal tobacco- and vapor-related taxes;

•possible increasing international control and regulation;

•our reliance on relationships with several large retailers and national chains for distribution of our products;

•our amount of indebtedness;

•the terms of our credit facilities, which may restrict our current and future operations;

•intense competition and our ability to compete effectively;

•uncertainty and continued evolution of markets containing our NewGen products;

•significant product liability litigation;

•some of our products are subject to developing and unpredictable regulations;

•the scientific community's lack of information regarding the long-term health effects of electronic cigarette, vaporizer and e-liquid use;

•requirement to maintain compliance with master settlement agreement escrow account;

•competition from illicit sources;

•our reliance on information technology;

•security and privacy breaches;

•contamination of our tobacco supply or products;

•infringement on our intellectual property;

•third-party claims that we infringe on their intellectual property;

•failure to manage our growth;

•failure to successfully integrate our acquisitions or otherwise be unable to benefit from pursuing acquisitions;

•fluctuations in our results;

•exchange rate fluctuations;

•adverse U.S. and global economic conditions;

•sensitivity of end-customers to increased sales taxes and economic conditions;

•failure to comply with certain regulations;

•departure of key management personnel or our inability to attract and retain talent;

•imposition of significant tariffs on imports into the U.S.;

•reduced disclosure requirements applicable to emerging growth companies may make our common stock less attractive to investors, potentially decreasing our stock price;

•failure to maintain our status as an emerging growth company before the five-year maximum time period a company may retain such status;

•our principal stockholders will be able to exert significant influence over matters submitted to our stockholders and may take certain actions to prevent takeovers;

•our certificate of incorporation and bylaws, as well as Delaware law and certain regulations, could discourage or prohibit acquisition bids or merger proposals, which may adversely affect the market price of our common stock;

•our certificate of incorporation limits the ownership of our common stock by individuals and entities that are Restricted Investors. These restrictions may affect the liquidity of our common stock and may result in Restricted Investors being required to sell or redeem their shares at a loss or relinquish their voting, dividend and distribution rights;

•future sales of our common stock in the public market could reduce our stock price, and any additional capital raised by us through the sale of equity or convertible securities may dilute your ownership in us;

•we may issue preferred stock whose terms could adversely affect the voting power or value of our common stock; and

•our status as a "controlled company" could make our common stock less attractive to some investors or otherwise harm our stock price.

Non-GAAP Financial Measures

To supplement Solace's financial information presented in accordance with generally accepted accounting principles in the United States, or U.S. GAAP, we use non-U.S. GAAP financial measures, including EBITDA. We believe EBITDA provides useful information to management and investors regarding certain financial and business trends relating to Solace's financial condition and results of operations. EBITDA is used by management to compare performance to that of prior periods for trend analyses and planning purposes and is presented to our board of directors. We believe that EBITDA is an appropriate measure of operating performance because it eliminates the impact of expenses that do not relate to business performance. We define "EBITDA" of Solace as net income before depreciation, interest expense and provision for income taxes. Non-U.S. GAAP measures should not be considered a substitute for, or superior to, financial measures calculated in accordance with U.S. GAAP. EBITDA excludes significant expenses that are required by U.S. GAAP to be recorded in our financial statements and is subject to inherent limitations. In addition, other companies in our industry may calculate this non-U.S. GAAP measure differently than we do or may not calculate it at all, limiting its usefulness as a comparative measure. The table below provides a reconciliation between net income and EBITDA for the trailing twelve months ended December 31, 2018 for Solace.

Solace Technologies

Reconciliation of GAAP Net Income to EBITDA

January 1, 2018 - December 31, 2018

(dollars in thousands)(unaudited)

Net Income	$3,544
Gross Profit from TPB Entities	($348)
Interest Expense	$15
EBITDA	$3,211

View source version on businesswire.com: https://www.businesswire.com/news/home/20190719005070/en/

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Source: Turning Point Brands