TURNING POINT BRANDS STRENGTHENS DISTRIBUTION PARTNERSHIP IN CANADA

NYSE **TPB**

$31.62 $-0.17

08/05/2020 04:00 PM EDT

Price is delayed by 15 mins

December 23, 2019

LOUISVILLE, Ky.--(BUSINESS WIRE)-- Turning Point Brands, Inc. (NYSE: TPB), a Kentucky-based industry leading marketer of Other Tobacco Products (OTP) and adult consumer alternatives, announced today it has executed a binding letter of intent with its Canadian partner and distributor of Zig-Zag rolling papers, Imperial Tobacco Company Limited ("ITC").

The newly executed agreement provides the foundation for accelerated success in the dynamic Canadian marketplace with stronger TPB Zig-Zag rolling paper margins and the ability to complement the traditional Direct-Store-Delivery network of ITC with supplemental distribution in the alternative channels space, including dispensaries, through our recently established partnership with ReCreation Marketing.

"Our long-standing partnership with Imperial Tobacco remains strong and highly collaborative as we jointly work to grow the Zig-Zag brand in the rapidly evolving Canadian marketplace," said Graham Purdy, Chief Operating Officer. "Over the last two years we have successfully introduced several new Canadian product innovations, including Zig-Zag cones. This contract amendment is an investment in our continued partnership with ITC and affords us new flexibility to leverage ReCreation Marketing's expertise in achieving alternative channels Zig-Zag distribution. Additionally, the amendment also grants us the ability to introduce a line of Zig-Zag accessories to further strengthen brand equity and build affinity with adult consumers while also yielding stronger TPB margins over the next several years."

Efforts to expand Zig-Zag's retail footprint into the alternative channels space, including dispensaries, is expected to begin in the second quarter of 2020. In addition to the Zig-Zag rolling papers expansion initiative, ReCreation Marketing is also readying efforts for a highly innovative new smoking products launch in 2020. TPB paid ITC a $3 million contract amendment fee as part of the agreement.

"Together with both ITC and ReCreation, we intend to ignite new growth momentum on behalf of Zig-Zag in the Canadian marketplace," said Purdy.

About Turning Point Brands, Inc.

Louisville, Kentucky-based Turning Point Brands, Inc. (NYSE: TPB) is a leading U.S. provider of Other Tobacco Products and adult consumer alternatives. TPB, through its focus brands, 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;
- uncertainty related to the regulation and taxation of our NewGen products;
- our products are subject to developing and unpredictable regulation, for example, current court action moving forward certain substantial Pre Market Tobacco Application obligations;

- our products contain nicotine which is considered to be a highly addictive substance;
- 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;
- the scientific community's lack of information regarding the long-term health effects of electronic cigarettes, 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.

Robert Lavan, Senior Vice President, CFO

ir@tpbi.com (502) 774-9238

Source: Turning Point Brands, Inc.