

Curaleaf Reports Third Quarter 2018 Financial and Operational Results

WAKEFIELD, Mass., Nov. 26, 2018 /PRNewswire/ --

- *Total Revenue for Q3 and Nine Months 2018 Increased 289% and 247%, Respectively*
- *Total Revenue for Q3 2018 Increased 46% Sequentially Compared to Q2 2018*
- *On a Pro-forma Basis, Consolidated with Non-profit Entities, Revenue for Q3 and Nine Months 2018 Was \$25 Million and \$55 Million, Respectively*
- *Successfully Raised Approximately US\$400 Million in Oversubscribed Private Placement*
- *Ended Q3 2018 with 29 Curaleaf Retail Locations; On Pace to Have Over 40 Locations by End of 2018 and at least 67 Locations at End of 2019*

Curaleaf Holdings, Inc. (CSE: CURA) ("**Curaleaf**" or the "**Company**"), a leading vertically integrated cannabis operator in the United States, today reported its unaudited financial and operating results for the third quarter and nine months ended September 30, 2018.

"Boasting the largest retail dispensary footprint under a single, unified brand, with now 33 locations across 10 states, Curaleaf has established itself as a leader in the burgeoning U.S. cannabis industry. The expansion of our retail footprint was one of several key factors that drove significant year-over-year quarterly revenue growth of 289%, a majority of which was attributable to organic growth," said Joe Lusardi, Chief Executive Officer of Curaleaf. "With the closing of our US\$400 million private placement and going-public transaction in October, we strengthened both our balance sheet and ability to accelerate our growth objectives in 2019. With a strengthened balance sheet, we are actively seeking accretive acquisitions in several major markets across the United States, including Maryland, Massachusetts, Nevada, Florida, Arizona and Connecticut. We are confident that strong organic growth, combined with a sound M&A strategy, will allow Curaleaf to establish the first national cannabis retail dispensary brand in the United States."

Financial Highlights for the Third Quarter Ended September 30, 2018

- Total revenue was \$21.4 million, an increase of 289%, compared to \$5.5 million in Q3 2017.
- Total revenue increased 47% sequentially, compared to \$14.6 million in Q2 2018.
- On a pro-forma basis, consolidated for non-profit entities, revenue for the third quarter was \$25.0 million.
- Gross profit excluding the impact of biological assets was \$13.8 million, an increase of 360%, compared to \$3.0 million in Q3 2017.
- Gross profit margin, excluding the impact of biological assets was 64%, compared to 55% in Q3 2017.
- Adjusted EBITDA(1) loss was \$5.5 million, compared to a loss of \$0.2 million in Q3 2017.
- Net loss was \$33.7 million for the 2018 third quarter, including a \$25 million one-time, non-cash, accounting entry as part of the RTO transaction and investments in new store openings and facilities, compared to a net income of \$0.5 million in Q3 2017.

Financial Highlights for the Nine Months Ended September 30, 2018

- Total revenue for the nine months ended September 30, 2018 was \$45.1 million, an increase of 247%, compared to \$13.0 million for the same period in 2017.
- On a pro-forma basis, consolidated for non-profit entities, revenue for the first nine months of 2018 was \$55.0 million.
- Gross profit excluding the impact of biological assets was \$25.9 million, an increase of 275% compared to \$6.9 million for the nine months ended September 30, 2018.
- Gross profit margin, excluding the impact of biological assets was 57% for the nine months ended September 30, 2018, compared to 53% in the same period the prior year.
- Adjusted EBITDA(1) loss totaled \$12.9 million for the nine months ended September 30, 2018, compared to a loss of \$3.5 million for the same period in 2017.
- Net loss was \$40.8 million for the nine months ended September 30, 2018, which included a \$25 million one-time, non-cash, accounting entry as part of the RTO transaction and investments in new store openings and facilities, compared to net loss of \$3.5 million for the same period in 2017.

Year-to-Date Highlights

Industry Firsts

- First cannabis company to achieve the Safe Quality Food certification under the Global Food Safety Initiative.
- First cannabis company in New Jersey to formulate and sell vaporizer cartridges to patients.
- First cannabis company in New York within 2017 license class to open a dispensary; three dispensaries opened year-to-date.
- First cannabis company to open drive-thru dispensary on the East Coast.

Acquisition Activity

- In April, acquired Swell Farmacy, a vertically-integrated Arizona operator with four dispensaries.
- In October, acquired Midtown Roots, the only dispensary located in the heart of downtown Phoenix, AZ.

Retail Footprint Expansion

- As of September 30, 2018, the retail footprint of Curaleaf branded dispensaries was 29 locations.
- As of November 26, 2018, there are a total of 33 locations including new stores in North Miami, Tampa and Tallahassee, Florida and a new store in downtown Phoenix, Arizona.

Capital Markets, Financing Activities and Growth Strategy

- October 25, 2018 Curaleaf raised approximately US\$400 million in an oversubscribed private placement offering.
- Use of proceeds:
 - Apply for and win new licenses, leveraging management's expertise and track record of successfully doing so through

competitive application processes in strict regulatory environments.

- Enter new markets through accretive acquisitions. Have already committed approximately \$83.5 million to fund acquisitions in Maryland, Massachusetts, Nevada, and Arizona with an additional \$83 million for minority buy-outs in Massachusetts, Florida and Connecticut.
 - Increase existing production capacity and new dispensary openings, budgeting approximately \$80 million to increase cultivation and processing capacity in existing licensed states to meet expected demand and to open new dispensaries to reach the maximum number of stores permitted under licenses currently held.
 - Increase same store sales in existing dispensaries.
- October 29, 2018 completed RTO and public listing on the Canadian Securities Exchange.

Financial Results for Third Quarter Ended September 30, 2018

Total revenue for the third quarter 2018 increased 289% to \$21.4 million, compared to \$5.5 million in the third quarter of 2017. The increase was primarily attributable to growth in the Company's retail and wholesale segment. Revenue for the third quarter of 2018 increased 47%, compared to \$14.6 million in the second quarter of 2018. Retail and wholesale revenue increased 472% to \$16.6 million during the quarter, compared to \$2.9 million in the third quarter of 2017. This increase was primarily driven by increased sales attributable to new retail dispensaries in Florida, New York and Massachusetts and the acquisition of Swell in April of 2018.

On a pro-forma basis, including revenue generated by non-profit entities, gross revenue for the third quarter was \$25.0 million.

Total gross profit excluding the impact of biological assets for the third quarter 2018 was \$13.8 million, representing a gross margin of 64%, compared to gross profit of \$3.0 million and a gross margin of 55% in the third quarter of 2017. As Curaleaf continues to grow its business and achieve scale particularly in limited license markets, including Florida, New York, Maryland and Massachusetts, the Company expects its gross profits margin to expand meaningfully in 2019.

Adjusted EBITDA(1) loss was \$5.5 million for the 2018 third quarter, compared to a loss of \$0.2 million for the third quarter of 2017.

Net loss for the third quarter 2018 was \$33.7 million, compared to net income of \$0.5 million in the third quarter of 2017. The increase in net loss was primarily driven by a \$25 million one-time, non-cash, accounting entry as part of the RTO transaction and investments in new stores openings and facilities.

Financial Results for the Nine Months Ended September 30, 2018

Total revenue for the nine months ended September 30, 2018 increased 247% to \$45.1 million, compared to \$13 million in the same period of 2017. Increased revenues are primarily attributable to growth in the Company's retail and wholesale segment. Retail and wholesale revenue increased 463% to \$33.8 million during the nine months ended September 30, 2018, compared to \$6 million in the same period of 2017. This is primarily driven by increased sales from the opening of new retail dispensary and production facilities.

Total gross profit excluding the impact of biological assets for the nine months ended September 30, 2018 was \$25.9 million, representing a total gross margin of 57%, compared to gross profit of \$6.9 million and a gross margin of 53% in the same period of 2017.

Adjusted EBITDA(1) loss was \$12.9 million for the nine months ended September 30, 2018 due to forward spending on cultivation and manufacturing capacity, dispensary openings and increased marketing activities.

Net loss for the nine months ended September 30, 2018 was \$40.8 million, compared to a net loss of \$3.5 million in the same period of 2017. The increase in net loss was again, primarily driven by a one-time, non-cash, accounting entry as part of the RTO transaction and investments including new stores openings and facilities.

Balance Sheet and Liquidity

As of September 30, 2018, the Company had \$48 million of cash.

On October 29, 2018, the Company received net proceeds of approximately \$380 million from the completion of its private placement offering. As of today, the Company has approximately \$320 million in cash after paying an aggregate of \$65m for the minority buyouts in Florida and Connecticut of \$25 million and \$40 million respectively.

As of October 25, 2018, total common shares were 457,635,788, of which 335,465,083 are subordinated voting shares and 122,170,705 are multiple voting shares. Fully diluted, the Company has 508,120,208 shares outstanding.

Outlook for Full Year 2019

For the full year 2019, Curaleaf estimates revenue of \$400 million enterprise wide, including revenue generated by the non-profits, and free cash flow of \$100 million. The Company anticipates completing two acquisitions in the fourth quarter of 2018 in Maryland and Massachusetts. At the end of 2018, Curaleaf anticipates at least 40 operational stores.

The guidance for fiscal 2019 are based on a number of assumptions, including:

- The successful execution and implementation of a business strategy that allows the Company to increase its footprint to at least 67 retail stores by the end of 2019.
- Increase same store sales at existing retail dispensaries.
- Expansion of current cultivation and manufacturing capacity.
- Receiving the appropriate regulatory approvals that allow the Company to enter at least two additional states.
- Continued forward momentum of the regulatory landscape in the United States.
- The absence of a significant shift in economic conditions or material changes in the retail competitive environment.

(1) See "Non-IFRS Financial and Performance Measures" below for more information regarding Curaleaf's use of Non-IFRS financial measures.

Consolidated Financial Statements and Management's Discussion and Analysis

The Company's unaudited consolidated interim financial statements and accompanying notes as at and for the three and nine months ended September 30, 2018 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 ir.curaleaf.com.

Conference Call and Webcast Information

Curaleaf will host a conference call and audio webcast on Monday, November 26th at 4:30 p.m. EST to answer questions about the Company's operational and financial highlights. The dial-in numbers for the conference call are +1-877-407-9039 (U.S. Toll-Free) or +1-201-689-8470 (International). Please dial-in 10 to 15 minutes prior to the start time of the conference call and an operator will register your name and organization.

The conference call will also be available via webcast, which can be accessed through the Investor Relations section of Curaleaf's website, <https://ir.curaleaf.com/ir-calendar>.

For interested individuals unable to join the conference call, a dial-in replay of the call will be available until December 10, 2018 and can be accessed by dialing +1-844-512-2921 (U.S. Toll Free) or +1-412-317-6671 (International) and entering replay pin number: 13684909. The online archive of the webcast will be available on <https://ir.curaleaf.com/ir-calendar> for 30 days following the call.

About Curaleaf Holdings, Inc.

Curaleaf Holdings, Inc. is the parent of Curaleaf, Inc., a leading vertically integrated cannabis operator in the United States. Headquartered in Wakefield, Massachusetts, Curaleaf, Inc. has a presence in 12 states. Curaleaf, Inc. operates 33 dispensaries, 12 cultivation sites and 10 processing sites with a focus on highly populated, limited license states, including Florida, Massachusetts, New Jersey and New York. Curaleaf, Inc. leverages its extensive research and development capabilities to distribute cannabis products in multiple formats with the highest standard for safety, effectiveness, consistent quality and customer care. Curaleaf is committed to being the industry's leading resource in education and advancement through research and advocacy. Curaleaf Inc.'s Florida operations were the first in the cannabis industry to receive the Safe Quality Food certification under the Global Food Safety Initiative, setting a new standard of excellence.

For more information please visit www.curaleaf.com.

Non-IFRS Financial and Performance Measures

In this press release Curaleaf refers to certain non-IFRS financial measures such as Adjusted EBITDA, being Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) less certain non-cash equity compensation expense, including one-time transaction fees and all other non-cash items. These measures do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers.

Adjusted EBITDA loss for the three-month period of \$5.5 million is calculated as the Company's loss from operations of \$6.8 million less Depreciation and amortization of \$1.3 million. For the nine-month period, adjusted EBITDA loss of \$12.9 million is calculated as the Company's loss from operations of \$16.7 million less Depreciation and amortization of \$3.8 million.

Forward Looking Information

Certain statements in this press release are forward-looking statements and are prospective in nature. Forward-looking statements are not based on historical facts, but rather on current expectations and projections about future events, many of which, by their nature, are inherently uncertain and outside of the Company's control and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. These statements generally can be identified by the use of forward-looking words such as "may", "should", "will", "could", "intend", "estimate", "plan", "anticipate", "expect", "believe" or "continue", or the negative thereof or similar variations. Forward-looking statements in this news release include, but are not limited to, information concerning the ability of the Company to successfully achieve business objectives, and expectations for other economic, business, and/or competitive factors. Those assumptions and factors are based on information currently available to the Company. Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements or forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. Among the key factors that could cause actual results to differ materially from those projected in the forward-looking information and statements are the following: the ability of the Company to develop the Company's brand and meet its growth objectives, the ability of the Company to complete acquisitions that are accretive to the Company's revenue, the ability of the Company to obtain and/or maintain licenses to operate in the jurisdictions in which it operates or in which it expects or plans to operate. Should one or more of these risks, uncertainties or other factors materialize, or should assumptions underlying the forward-looking information or statements prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Readers should not place undue reliance on forward-looking statements and forward-looking information. The forward-looking information contained in this release is made as of the date hereof and the Company assumes no obligation to update or revise any forward-looking statements or forward-looking information that are incorporated by reference herein, whether as a result of new information, future events or otherwise, except as required by applicable securities laws. The foregoing statements expressly qualify any forward-looking information contained herein. All subsequent written and oral forward-looking information and statements attributable to the Company or persons acting on its behalf is expressly qualified in its entirety by this notice.

Company Contact:

Curaleaf Holdings, Inc.
Christine Rigby, SVP, Investor Relations
PH: (781) 451-0145
Info@curaleaf.com

Investor Contact:

KCSA Strategic Communications

Valter Pinto, Managing Director
PH: (212) 896-1260
IR@curaleaf.com

Media Contact:

KCSA Strategic Communications
Anne Donohoe, Managing Director
PH: (347) 487-6199
Media@curaleaf.com

Curaleaf, Inc.
Condensed Interim Consolidated Statements of Financial Position
Unaudited
(In thousands, except for share and per share amounts)

	September 30, 2018	December 31, 2017
Assets		
Current assets:		
Cash	\$ 48,050	\$ 20,975
Accounts receivable	3,592	1,246
Inventory	22,029	12,661
Biological assets	2,385	1,439
Prepaid expenses and other current assets	2,043	844
Total current assets	78,099	37,165
Property and equipment	48,901	23,519
Notes receivable	29,107	21,051
Intangible assets, net	47,252	27,223
Goodwill	39,599	31,561
Investments	4,667	3,754
Other assets	5,485	5,278
Total assets	\$ 253,110	\$ 149,551
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 5,368	\$ 1,720
Accrued taxes	3,347	827
Accrued expenses	6,137	2,246
Non-controlling interest contingency and buyout	68,099	—
Convertible note	32,716	—
Total current liabilities	115,667	4,793
Deferred tax liability	1,822	1,453
Notes payable - net of current portion	80,098	1,872
Notes payable - related party, net of current portion	2,403	8,322
Non-controlling interest contingency	—	28,346
Total liabilities	199,990	44,786
Shareholders' equity:		
Share capital	137,406	109,855
Treasury shares	(3,466)	(966)
Reserves	13,788	5,404
Accumulated deficit	(49,733)	(8,899)
Total Curaleaf, Inc. shareholders' equity	97,995	105,394
Redeemable non-controlling interest contingency and buyout	(68,099)	(28,346)
Non-controlling interest contingency	—	1,335

Redeemable non-controlling interest	<u>23,224</u>	<u>26,382</u>
Total shareholders' equity	<u>53,120</u>	<u>104,765</u>
Total liabilities and shareholders' equity	<u>\$ 253,110</u>	<u>\$ 149,551</u>

Curaleaf, Inc.
Condensed Interim Consolidated Statements of Profit and Loss
Unaudited
(In thousands, except for share and per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Revenues:				
Retail and wholesale revenue	\$ 16,625	\$ 2,868	\$ 33,801	\$ 6,002
Management fee income	4,745	2,678	11,295	7,029
Total revenues	21,370	5,546	45,096	13,031
Cost of goods sold	12,420	3,517	28,447	8,089
Increase in fair value of biological assets	5,085	2,679	11,041	4,226
Gross profit	14,035	4,708	27,690	9,168
Operating expenses:				
Salaries and benefits	7,713	2,025	16,971	4,698
Sales and marketing	1,047	781	2,319	1,474
Rent and occupancy	2,246	38	4,289	401
Travel	973	225	2,269	715
Professional fees	4,966	923	8,774	2,765
General and administrative	2,664	302	4,840	735
Depreciation and amortization	1,271	841	3,796	2,213
Share-based compensation	(28)	658	1,133	1,889
Total operating expenses	20,852	5,793	44,391	14,890
Loss from operations	(6,817)	(1,085)	(16,701)	(5,722)
Other income (expense)	20	—	20	—
Interest income	1,163	2,421	3,123	3,905
Interest expense	(2,124)	(1,311)	(2,953)	(1,805)
Loss on change in FV on convertible note	(25,100)	—	(25,100)	—
Total other income (expense), net	(26,041)	1,110	(24,910)	2,100
Income (loss) before provision for income taxes	(32,858)	25	(41,611)	(3,622)
Income tax recovery (expense)				
Current	(2,515)	133	(3,347)	(1,613)
Deferred, net	(189)	—	(369)	—
Net Income (loss) and comprehensive income (loss)	(35,562)	158	(45,327)	(5,235)
Less: Net income (loss) attributable to redeemable non-controlling interest	(1,889)	(301)	(4,493)	(1,731)
Net income (loss) attributable to Curaleaf, Inc.	\$ (33,673)	\$ 459	\$ (40,834)	\$ (3,504)
Basic net income (loss) per share attributable to Curaleaf, Inc.	\$ (2.86)	\$ 0.05	\$ (3.49)	\$ (0.36)
Diluted net income (loss) per share attributable to Curaleaf, Inc.	\$ (2.86)	\$ 0.04	\$ (3.49)	\$ (0.36)
Weighted average common shares outstanding—basic	11,793,172	9,724,007	11,714,165	9,701,885
Weighted average common shares outstanding—diluted	11,793,172	10,236,609	11,714,165	9,701,885

Reconciliation to adjusted EBITDA

Loss from operations	(6,817)	(1,085)	(16,701)	(5,722)
Less depreciation and amortization	1,271	841	3,796	2,213
Adjusted EBITDA	(5,546)	(244)	(12,905)	(3,509)

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