

Curaleaf Reports Third Quarter 2019 Financial and Operational Results

Reported Record Pro Forma Revenue⁽¹⁾⁽²⁾ of \$129.0 million and Managed Revenue⁽¹⁾ of \$73.2 Million

Generated \$9.0 million of Adjusted EBITDA⁽¹⁾ as Inflection Point Reached in Several Key States

Announced Amended Deal Terms for Select and Expiration of Hart-Scott-Rodino Act (HSR) Waiting Period

WAKEFIELD, Mass., Nov. 19, 2019 /PRNewswire/ -- Curaleaf Holdings, Inc. (CSE: CURA) (OTCQX: CURLF) ("Curaleaf" or the "Company"), a leading vertically integrated cannabis operator in the U.S., today reported its financial and operating results for the third quarter ended September 30, 2019. All financial information is provided in U.S. dollars unless otherwise indicated.

Q3 2019 Financial Highlights (Unaudited)

(\$ thousands, except per share amounts)	Q3 2019	Q2 2019	% qoq Change	Q3 2018	% yoy Change
Managed Revenue ⁽¹⁾	\$73,192	\$55,100	33%	\$24,350	201%
Total Revenue	\$61,820	\$48,489	27%	\$21,370	189%
Gross profit before impact of biological assets	\$34,741	\$26,020	34%	\$13,869	150%
Gross profit on cannabis sales ⁽¹⁾	\$23,602	\$15,257	55%	\$9,124	159%
Gross margin on cannabis sales ⁽¹⁾	47%	40%		55%	
Adjusted EBITDA ⁽¹⁾	\$9,016	\$3,357	169%	(\$3,155)	386%
Net income (loss) attributable to Curaleaf Holdings Inc.	(\$6,835)	(\$24,541)		(\$33,673)	
Net income (loss) per share – basic and diluted	(\$0.01)	(\$0.05)		(0.09)	

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

² Pro Forma Revenue includes the revenue of closed and pending acquisitions of Acres Cannabis ("Acres"), Phytotherapeutics Management Services, LLC ("Phyto"), Glendale Greenhouse ("Glendale"), Cura Partners, Inc. ("Select") and GR Companies, Inc. ("Grassroots") as if they occurred on January 1, 2019.

Third Quarter Highlights

- Reported record quarterly Pro Forma Revenue of \$129.0 million, Managed Revenue of \$73.2 million, which grew 33% sequentially and Adjusted EBITDA of \$9.0 million, which grew 169% sequentially
- Announced acquisition of Chicago, Illinois-based Grassroots, the largest private U.S. MSO for approximately \$875 million creating world's largest cannabis company which will expand presence to 19 states
- Received approval for three final and two provisional adult-use licenses by the Massachusetts Cannabis Control Commission
- Closed on acquisitions of Glendale and Phyto in Arizona
- Signed sale-leaseback agreement with Freehold Properties, Inc. for six properties generating net cash proceeds of approximately \$24.8 million

Post Third Quarter Highlights

- Launched adult-use operation in Oxford, Massachusetts
- Closed on acquisition of Acres cultivation and processing facilities in Amargosa Valley, Nevada
- Announced expiration of HSR waiting period and amended deal terms for Select acquisition
- Announced core shareholders, representing 75% of the issued and outstanding shares of the Company, entered into an amended and extended lock-up agreement

"Our increasing scale along with the incredible efforts of our team around the country who ensure our patients and customers have a superior experience, helped drive the strong financial results we posted this quarter," said Joseph Lusardi, Chief Executive Officer of Curaleaf. "We look forward to the closing and integration of the Select and Grassroots acquisitions which

are expected to bring significant operational capacity to Curaleaf in key markets. We are focused on operating with excellence to meet the growing demand for our products and positioning the Company to create substantial shareholder value."

Neil Davidson, Chief Financial Officer of Curaleaf, added, "The third quarter demonstrated the power of our increased scale as we reported record total and managed revenue, record adjusted EBITDA and expanded operating margins as we benefited from increased scale and strong demand in key markets. Our main focus continues to be prudent capital allocation, operational improvement and integration of our pending and closed acquisitions to drive continued strong overall growth and operating leverage."

Financial Results for the Third Quarter Ended September 30, 2019

Managed Revenue for the third quarter was \$73.2 million, an increase of 201% over the prior year and 33% over the prior quarter. Pro Forma Revenue for the third quarter was \$129.0 million.

Total Revenue for the third quarter of 2019 increased 189% year-over-year to \$61.8 million, compared to \$21.4 million in the third quarter of 2018. Total Revenue for the third quarter of 2019 increased 27% over the prior quarter.

Retail and wholesale revenue increased more than three-fold to \$50.7 million during the quarter, compared to \$16.6 million in the third quarter of 2018. The increase in retail and wholesale revenue was primarily due to organic growth in Florida, New York and acquisitions in Arizona and Maryland. Additionally, wholesale revenue increased in Massachusetts as a result of the number of newly opened adult-use dispensaries.

Gross profit before impact of biological assets for the third quarter of 2019 was \$34.7 million, compared to \$13.9 million for the third quarter of 2018. The increase was due to continued improvement in the operating capacity of the Company's cultivation and processing facilities.

Gross profit on cannabis sales was \$23.6 million in the third quarter of 2019, resulting in a 47% margin, compared to \$9.1 million in the third quarter of 2018. The increase was due to the mix in retail revenue over wholesale revenue and continued improvement in the operating capacity of the Company's cultivation and processing facilities.

Adjusted EBITDA was \$9.0 million for the third quarter of 2019, compared to a loss of \$3.2 million for the third quarter of 2018.

Net loss for the third quarter of 2019 was \$7.4 million, compared to a net loss of \$35.6 million in the third quarter of 2018. The decrease was primarily driven by a decrease in other expense related to a loss on the change in fair value of convertible notes in 2018, partially offset by an increase of \$7.7 million in depreciation and amortization and an increase of \$4.7 million in share-based compensation, both of which are non-cash, an increase of \$5.2 million in one-time charges, primarily business development, acquisition and financing related, an increase of \$3.2 million in net interest expense and an increase of \$2.6 million in the provision for income tax.

Balance Sheet and Liquidity

As of September 30, 2019, we had \$91.2 million of cash, \$106.0 million of outstanding debt and approximately 464.1 million fully diluted shares outstanding.

Conference Call and Webcast Information

Curaleaf will host a conference call and audio webcast today at 5:00 pm ET 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 3, 2019 at 11:59 pm ET 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: 13695783. The online archive of the webcast will be available on <https://ir.curaleaf.com/ir-calendar> for 90 days following the call.

Non-IFRS Financial and Performance Measures

In this press release Curaleaf refers to certain non-IFRS financial measures such as "Pro Forma Revenue", "Managed Revenue", "Gross Profit on Cannabis Sales" and "Adjusted EBITDA". These measures do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers. Curaleaf defines "Managed Revenue" as total revenue plus revenue from entities for which the Company has a management contract but does not consolidate the financial results based on IFRS 10 – Consolidated Financial Statements. Curaleaf defines "Pro Forma Revenue" as "Managed Revenue" plus revenue from operations of pending and closed acquisitions as if such acquisitions

occurred on January 1, 2019. The Company defines "Gross Profit on Cannabis Sales" as retail and wholesale revenues less cost of goods sold. "Adjusted EBITDA" is defined by Curaleaf as earnings before interest, taxes, depreciation and amortization less share-based compensation expense and one-time charges related to business development, acquisition and financing related costs. Curaleaf considers these measures to be an important indicator of the financial strength and performance of our business. We believe the adjusted results presented provide relevant and useful information for investors because they clarify our actual operating performance, make it easier to compare our results with those of other companies and allow investors to review performance in the same way as our management. Since these measures are not calculated in accordance with IFRS, they should not be considered in isolation of, or as a substitute for, our reported results as indicators of our performance, and they may not be comparable to similarly named measures from other companies. The following tables provide a reconciliation of each of the non-IFRS measures to its closest IFRS measure.

Managed Revenue

(\$ thousands)

	Q3 2019	Q2 2019	Q3 2018
Total Revenue	\$ 61,820	\$ 48,489	\$ 21,370
Revenue from managed entities, net of MSA fees	11,372	6,611	2,980
Managed revenue	\$ 73,192	\$ 55,100	\$ 24,350

Gross Profit on Cannabis Sales

(\$ thousands)

	Q3 2019	Q2 2019	Q3 2018
Retail and wholesale revenues	\$ 50,681	\$ 37,726	\$ 16,625
Cost of goods sold	27,079	22,469	7,501
Gross profit on cannabis sales	\$ 23,602	\$ 15,257	\$ 9,124

Adjusted EBITDA

(\$ thousands)

	Q3 2019	Q2 2019	Q3 2018
Net income (loss)	\$ (7,434)	\$ (24,435)	\$ (35,562)
Interest expense, net	4,178	2,895	961
Income tax recovery (expense)	5,279	8,192	2,704
Depreciation and amortization	8,938	7,195	1,271
Share-based compensation	4,673	4,489	(28)
Other (income) expense	(580)	1,135	25,080
Change in fair value of biological assets	(13,810)	(1,392)	(166)
One time charges	7,772	5,278	2,585
Adjusted EBITDA	\$ 9,016	\$ 3,357	\$ (3,155)

About Curaleaf Holdings

Curaleaf Holdings, Inc. (CSE: CURA) (OTCQX: CURLF) ("Curaleaf") is the leading vertically integrated multi-state cannabis operator in the United States. It is a high-growth cannabis company with a national brand known for quality, trust and reliability. The company is positioned in highly populated, limited license states, and currently operates in 12 states with 50 dispensaries, 14 cultivation sites and 13 processing sites. Curaleaf has the executive expertise and research and development capabilities to provide leading service, selection, and accessibility across the medical and adult-use markets, as well as in the CBD category

through its Curaleaf Hemp brand.

Condensed Interim Consolidated Statements of Financial Position (Unaudited)

(\$ thousands)

	September 30,	December 31,
	2019	2018
Assets		
Current assets:		
Cash	\$ 91,202	\$ 266,616
Accounts receivable	14,401	9,402
Inventory, net	59,957	27,976
Biological assets	15,919	4,491
Prepaid expenses and other current assets	5,105	4,975
Total current assets	186,584	313,460
Deferred tax asset	2,556	2,556
Notes receivable	45,724	33,811
Property, plant and equipment, net	109,904	66,969
Right-of-use assets	83,019	—
Intangible assets, net	114,901	52,925
Goodwill	96,193	47,267
Investments	65,331	45,408
Other assets	9,028	7,440
Total assets	\$ 713,240	\$ 569,836
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 11,959	\$ 3,974
Accrued expenses	24,910	15,721
Income tax payable	7,167	2,730
Current portion of lease liability	10,822	—
Current portion of notes payable	17,000	—
Current portion of notes payable – related party	2,570	2,403
Total current liabilities	74,428	24,828
Deferred tax liability	11,481	6,508
Notes payable	86,383	81,901
Lease liabilities	78,405	—
Non-controlling interest redemption liability	2,957	2,957
Contingent consideration liability	16,239	—
Contingent consideration liability - related party	18,000	18,000
Total liabilities	287,893	134,194

Shareholders' equity:

Share capital	679,313	657,525
Treasury shares	(5,208)	(4,325)
Reserves	(137,421)	(146,761)
Accumulated deficit	(107,250)	(65,666)
Total Curaleaf Holdings, Inc. shareholders' equity	429,434	440,773
Redeemable non-controlling interest	(2,957)	(2,957)
Non-controlling interest	(1,130)	(2,174)
Total shareholders' equity	425,347	435,642
Total liabilities and shareholders' equity	\$ 713,240	\$ 569,836

Condensed Interim Consolidated Statements of Profits and Losses (Unaudited)

(\$ thousands, except for share and per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Revenues:				
Retail and wholesale revenues	\$ 50,681	\$ 16,625	\$ 116,176	\$ 33,801
Management fee income	11,139	4,745	29,386	11,295
Total revenues	61,820	21,370	145,562	45,096
Cost of goods sold	27,079	7,501	66,692	19,192
Gross profit before impact of biological assets	34,741	13,869	78,870	25,904
Realized fair value amounts included in inventory sold	(15,004)	(4,919)	(40,836)	(9,255)
Unrealized fair value gain on growth of biological assets	28,814	5,085	58,285	11,041
Gross profit	48,551	14,035	96,319	27,690
Operating expenses:				
Selling, general and administrative	33,497	19,609	84,795	39,462
Share-based compensation	4,673	(28)	10,944	1,133
Depreciation and amortization	8,938	1,271	21,029	3,796
Total operating expenses	47,108	20,852	116,768	44,391
Loss from operations	1,443	(6,817)	(20,449)	(16,701)
Other income (expense):				
Interest income	2,568	1,163	7,488	3,123
Interest expense	(4,852)	(2,124)	(12,999)	(2,953)
Interest expense related to lease liabilities	(1,894)	—	(4,209)	—
Loss on change in FV on convertible note	—	(25,100)	—	(25,100)
Other income (expense)	580	20	(494)	20
Total other income (expense), net	(3,598)	(26,041)	(10,214)	(24,910)
Income / (Loss) before provision for income taxes	(2,155)	(32,858)	(30,663)	(41,611)
Income tax benefit (expense)	(5,279)	(2,704)	(12,033)	(3,716)
Net income /(loss) and comprehensive income/ (loss)	(7,434)	(35,562)	(42,696)	(45,327)

Less: Net loss attributable to non-controlling interest		(599)	(1,889)	(1,112)	(4,493)
Net income / (loss) attributable to Curaleaf Holdings, Inc.	\$	(6,835)	\$ (33,673)	\$ (41,584)	\$ (40,834)
Earnings / (Loss) per share attributable to Curaleaf Holdings, Inc. – basic and diluted	\$	(0.01)	\$ (0.09)	\$ (0.09)	\$ (0.11)
Weighted average common shares outstanding – basic and diluted		464,073,130	385,754,657	461,045,835	383,170,281

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This press release contains "forward-looking information" and "forward-looking statements" within the meaning of Canadian securities laws and United States securities laws ("forward-looking statements"). Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based on management's current beliefs, expectations or assumptions regarding the future of the business, future plans and strategies, operational results and other future conditions of the Company. In addition, the Company may make or approve certain statements in future filings with Canadian securities regulatory authorities, in press releases, or in oral or written presentations by representatives of the Company that are not statements of historical fact and may also constitute forward-looking statements. All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as "assumptions", "assumes", "guidance", "outlook", "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words and includes, among others, information regarding: its outlook for and expected operating margins, capital allocation, free flow cash and other financial results; growth of its operations via expansion, for the effects of any transactions; expectations for the potential benefits of any transactions; statements relating to the business and future activities of, and developments related to, the Company after the date of this press release, including such things as future business strategy, competitive strengths, goals, expansion and growth of the Company's business, operations and plans; expectations that planned acquisitions will be completed; expectations regarding cultivation and manufacturing capacity; expectations regarding receipt of regulatory approvals; expectations that licenses applied for will be obtained; potential future legalization of adult-use and/or medical cannabis under U.S. federal law; expectations of market size and growth in the U.S. and the states in which the Company operates; expectations for other economic, business, regulatory and/or competitive factors related to the Company or the cannabis industry generally; and other events or conditions that may occur in the future. Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as at the date they are made and are based on information currently available and on the then current expectations. Holders of securities of the Company are cautioned that forward-looking statements are not based on historical facts but instead are based on reasonable assumptions and estimates of management of the Company at the time they were provided or made and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, as applicable, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to: the available funds of the Company and the anticipated use of such funds; the availability of financing opportunities; legal and regulatory risks inherent in the cannabis industry; risks associated with economic conditions, dependence on management and currency risk; risks relating to U.S. regulatory landscape and enforcement related to cannabis, including political risks; risks relating to anti-money laundering laws and regulation; other governmental and environmental regulation; public opinion and perception of the cannabis industry; risks related to contracts with third-party service providers; risks related to the enforceability of contracts; reliance on the expertise and judgment of senior management of the Company, and ability to retain such senior management; risks related to proprietary intellectual property and potential infringement by third parties; the concentrated voting control of the Company's Chairman and the unpredictability caused by the capital structure; risks relating to the management of growth; increasing competition in the industry; risks inherent in an agricultural business; risks relating to energy costs; risks associated to cannabis products manufactured for human consumption including potential product recalls; reliance on key inputs, suppliers and skilled labor; cybersecurity risks; ability and constraints on marketing products; fraudulent activity by employees, contractors and consultants; tax and insurance related risks; risks related to the economy generally; risk of litigation; conflicts of interest; risks relating to certain remedies being limited and the difficulty of enforcement of judgments and effect service outside of Canada; risks related to future acquisitions or dispositions; sales by existing shareholders; limited research and data relating to cannabis; as well as those risk factors discussed under "Risk Factors" in the Company's Annual Management, Discussion and Analysis

dated April 22, 2019, and in the Company's Annual Information Form dated September 23, 2019, and as described from time to time in documents filed by the Company with Canadian securities regulatory authorities. The purpose of forward-looking statements is to provide the reader with a description of management's expectations, and such forward-looking statements may not be appropriate for any other purpose. In particular, but without limiting the foregoing, disclosure in this press release as well as statements regarding the Company's objectives, plans and goals, including future operating results and economic performance may make reference to or involve forward-looking statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. A number of factors could cause actual events, performance or results to differ materially from what is projected in the forward-looking statements. You should not place undue reliance on forward-looking statements contained in this press release. Such forward-looking statements are made as of the date of this press release. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. The Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement.

This news release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about Curaleaf's prospective results of operations, production and production efficiency, commercialization, revenue and cash on hand, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth in the above paragraph. FOFI contained in this document was approved by management as of the date of this document and was provided for the purpose of providing further information about Curaleaf's future business operations. Curaleaf disclaims any intention or obligation to update or revise any FOFI contained in this document, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained in this document should not be used for purposes other than for which it is disclosed herein.

The financial information reported in this news release is based on unaudited management prepared financial statements for the quarter ended September 30, 2019. Accordingly, such financial information may be subject to change. Financial statements for the period will be released and filed under the Company's profiles on SEDAR at www.sedar.com by November 30, 2019. All financial information contained in this news release is qualified in its entirety with reference to such unaudited financial statements. While the Company does not expect there to be any material changes, to the extent that the financial information contained in this news release is inconsistent with the information contained in the Company's unaudited financial statements, the financial information contained in this news release shall be deemed to be modified or superseded by the Company's unaudited financial statements. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation for purposes of applicable securities laws.

Neither the Canadian Securities Exchange nor its Regulation Service Provider has reviewed and does not accept responsibility for the adequacy or accuracy of the content of this news release.

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