

Curaleaf Reports Record First Quarter 2020 Financial and Operational Results

Reported Record Pro Forma Revenue⁽¹⁾⁽²⁾ of \$147.4 Million and Managed Revenue⁽¹⁾ of \$105.0 Million;

Generated \$20.0 Million of Record Adjusted EBITDA⁽¹⁾ as Operations Across 17 States Continue to Scale;

Completed Acquisitions of Select and Arrow in Connecticut Securing Vertical Integration;

Completed Negotiations to Finalize the Closing of the Grassroots Acquisition Which is Expected to Close by the End of the Second Quarter

WAKEFIELD, Mass., May 18, 2020 [/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 first quarter ended March 31, 2020. All financial information is provided in U.S. dollars unless otherwise indicated.

Q1 2020 Financial Highlights (Unaudited)

(\$ thousands, except per share amounts)	Q1 2020	Q4 2019	% qoq		% yoy	
			Change	Q1 2019	Change	
Managed Revenue ⁽¹⁾	\$105,022	\$81,667	29%	\$40,682	158%	
Total Revenue	\$96,496	\$75,457	28%	\$35,251	174%	
Gross profit before impact of biological assets	\$52,483	\$39,762	32%	\$18,107	190%	
Gross profit on cannabis sales ⁽¹⁾	\$33,042	\$21,986	50%	\$10,624	211%	
Gross margin on cannabis sales ⁽¹⁾	43%	38%		38%		
Adjusted EBITDA ⁽¹⁾	\$20,006	\$13,824	45%	(\$2,773)		
Net income (loss) attributable to Curaleaf Holdings Inc.	(\$15,089)	(\$26,561)		(\$10,209)		
Net income (loss) per share – basic and diluted	(\$0.03)	(\$0.06)		(0.02)		

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 Arrow Alternative Care ("Arrow"), Cura Partners, Inc. ("Select") and GR Companies, Inc. ("Grassroots") as if they occurred on January 1, 2020.

First Quarter Highlights

- Reported record managed revenue of \$105.0 million, which grew 29% sequentially
- Reported record total revenue of \$96.5 million, which grew 28% sequentially
- Record Adjusted EBITDA of \$20.0 million, which grew 45% sequentially
- Closed \$300 million senior secured term loan facility
- Opened Company's second adult-use dispensary and the first adult-use dispensary on Cape Cod in Provincetown, MA and the Company's third adult-use dispensary in Ware, MA
- Completed acquisition of Select and enhanced management team with key leadership appointments
- Won retail and processing licenses in Utah and received Clinical Registrant Designation by the Pennsylvania Department of Health permitting Curaleaf to open a cultivation and processing facility and up to six dispensaries under the Commonwealth's medical marijuana research program

Post First Quarter Highlights

- Closed the acquisition of Arrow in Connecticut with retail locations in Hartford, Milford and Stamford allowing Curaleaf to become vertically integrated in the state

Joseph Lusardi, Chief Executive Officer of Curaleaf stated, "Curaleaf delivered record first quarter results, highlighted by managed revenues exceeding our outlook as well as a 45% sequential improvement in Adjusted EBITDA. We achieved these results while remaining fully committed to protecting the health and wellness of customers and team members, all as we

operate as an essential service across our markets. Our ability to adapt and innovate Curaleaf's operations as well as the customer experience within the current environment has allowed us to continue to expand through these extraordinary times. Overall, Curaleaf remains well positioned for improving top and bottom-line performance in 2020 driven by our organic growth initiatives as well as strategic acquisitions. We expect the pending completion of our purchase of Grassroots, the largest private vertically integrated multi-state cannabis operator, to affirm our position as the world's largest cannabis company by both revenue and operating presence."

Mike Carlotti, Chief Financial Officer of Curaleaf, added, "The strength of our financial performance in the first quarter also drove improved operating cash flow. Combined with the strength of our balance sheet, which was improved by the \$300 million senior secured credit facility that closed in January 2020, this has allowed us to remain opportunistic in terms of investing in the business, as well as, pursuing strategic acquisitions. Most notably, in early February, we successfully completed the acquisition of Select. In early April, we completed the acquisition of Arrow, achieving a key objective of vertically integrating our operations in Connecticut and providing us new dispensaries in three of Connecticut's largest metro-areas. Looking forward, we currently anticipate the continued rise in managed and pro forma revenue, with sequential growth in the second quarter of 2020 despite temporary COVID-19 related restrictions that occurred in Massachusetts and Nevada."

Financial Results for the First Quarter Ended March 31, 2020

Managed Revenue for the first quarter was a record \$105.0 million, an increase of 158% compared to \$40.7 million in the first quarter of 2019. Managed Revenue for the first quarter increased 29% sequentially.

Total Revenue for the first quarter of 2020 was a record \$96.5 million, an increase of 174% compared to \$35.3 million in the first quarter of 2019. Total Revenue for the first quarter of 2020 increased 28% sequentially.

Retail revenue increased by 197% to \$56.6 million during the quarter, compared to \$19.0 million in the first quarter of 2019. Growth in retail revenue was primarily due to organic growth and new store openings in Florida, Massachusetts and New York, along with the acquisitions of three dispensaries in Arizona, two dispensaries in Nevada and from Maryland due to the addition of the HMS/MI businesses and Elevate Takoma.

Wholesale revenue increased by 134% to \$20.4 million during the quarter, compared to \$8.7 million in the first quarter of 2019. Growth in wholesale revenue was due primarily to the addition of Select and as a result of the increased number of adult-use dispensaries in Massachusetts.

Management fee income increased by 160% to \$19.4 million during the quarter, compared to \$7.5 million in the first quarter of 2019. Growth in management fee income was due primarily to growth in New Jersey and management fees generated from Alternative Therapies Group ("ATG") in Massachusetts.

Gross profit before impact of biological assets for the first quarter of 2020 was \$52.5 million, compared to \$18.1 million for the first quarter of 2019. The increase was due to higher operating capacity of the Company's cultivation and processing facilities.

Gross profit on cannabis sales was \$33.0 million in the first quarter of 2020, resulting in a 43% margin, compared to \$10.6 million in the first quarter of 2019. The increase in margin was primarily due to the continued improvement in the operating capacity of the Company's cultivation and processing facilities.

Adjusted EBITDA was a record \$20.0 million for the first quarter of 2020, compared to a loss of \$2.8 million for the first quarter of 2019.

Net loss for the first quarter of 2020 was \$15.5 million, compared to a net loss of \$10.8 million in the first quarter of 2019. The increase was primarily driven by a \$14.7 million increase in income tax expense largely resulting from deferred taxes associated with biological assets, a \$9.1 million increase in depreciation and amortization, a \$2.7 million increase in share-based compensation, both of which are non-cash, a \$9.7 million increase in one-time charges, primarily business development, acquisition and financing related, and a \$7.2 million increase in interest expense offset by a \$13.3 million change in the fair value of biological assets.

Balance Sheet and Liquidity

As of March 31, 2020, we had \$176.4 million of cash, \$281.5 million of outstanding debt net of unamortized debt discounts and 507.7 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 +1-888-317-6003 (U.S.), +1-866-284-3684 (Canada) or +1-412-317-6061 (Int'l) Passcode: 7021619. 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/events>.

For interested individuals unable to join the conference call, a dial-in replay of the call will be available until May 25, 2020 at 11:59 pm ET and can be accessed by dialing +1-877-344-7529 (U.S.), +1-855-669-9658 (Canada) or +1-412-317-0088 (International) and entering replay pin number: 10143246. The online archive of the webcast will be available on <https://ir.curaleaf.com/events> 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, financing and reorganization 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)

	Q1 2020	Q4 2019	Q1 2019
Retail revenue	\$ 56,633	\$ 48,196	\$ 19,038
Wholesale revenue	20,422	9,485	8,730
Management fee income	19,441	17,776	7,483
Total Revenue	96,496	75,457	35,251
Revenue from managed entities, net of MSA fees	8,526	6,210	5,431
Managed revenue	\$ 105,022	\$ 81,667	\$ 40,682

Gross Profit on Cannabis Sales

(\$ thousands)

	Q1 2020	Q4 2019	Q1 2019
Retail and wholesale revenues	\$ 77,055	\$ 57,681	\$ 27,768
Cost of goods sold	44,013	35,695	17,144
Gross profit on cannabis sales	\$ 33,042	\$ 21,986	\$ 10,624

Adjusted EBITDA

(\$ thousands)

	Q1 2020	Q4 2019	Q1 2019
Net income (loss)	\$ (15,452)	\$ (27,152)	\$ (10,828)
Interest expense, net	9,804	5,095	2,648
Income tax recovery (expense)	13,249	12,026	(1,438)

Depreciation and amortization	14,906	12,699	5,808
Share-based compensation	4,501	5,663	1,782
Other (income) expense	(2,608)	2,763	26
Change in fair value of biological assets	(15,556)	(5,533)	(2,246)
One time charges	11,162	8,263	1,475
Adjusted EBITDA	<u>\$ 20,006</u>	<u>\$ 13,824</u>	<u>\$ (2,773)</u>

(1) Depreciation and amortization expense in Q1 2020 and Q4 2019 include amounts charged to cost of goods sold on the statement of profits and losses. Prior period Q1 2019 has been adjusted to reflect the current period calculation of Adjusted EBITDA.

About Curaleaf Holdings

Curaleaf Holdings, Inc. (CSE: CURA) (OTCQX: CURLF) ("Curaleaf") is a leading vertically integrated multi-state cannabis operator with a dominant presence on both the East and West coasts of the United States, the largest cannabis market in the world. As a high-growth cannabis company known for quality, expertise and reliability, the company and its brands, Curaleaf and Select, provide industry-leading service, product selection and accessibility across the medical and adult-use markets. Strategically positioned in highly populated, limited-license states, the company currently operates in 17 states with 57 dispensaries, 15 cultivation sites, and 24 processing sites. Curaleaf employs over 2,200 people across the United States. For more information please visit www.curaleaf.com.

Condensed Interim Consolidated Statements of Financial Position (Unaudited)

(\$ thousands)

	March 31,	December 31,
	2020	2019
Assets		
Current assets:		
Cash	\$ 176,355	\$ 42,310
Accounts receivable	26,201	18,335
Inventory, net	104,007	63,210
Biological assets	27,062	19,197
Prepaid expenses and other current assets	7,995	6,479
Total current assets	<u>341,620</u>	<u>149,531</u>
Deferred tax asset	2,687	2,628
Notes receivable	71,765	57,166
	157,871	129,812
Property, plant and equipment, net		
Right-of-use assets	87,888	82,794
Intangible assets, net	392,342	185,635
Goodwill	181,465	69,326
Investments	51,209	51,209
Other assets	9,906	8,825
Total assets	<u>\$ 1,296,753</u>	<u>\$ 736,926</u>

Liabilities and Shareholders' Equity

Current liabilities:

Accounts payable	\$ 18,501	\$ 12,742
Accrued expenses	32,516	18,016
Income tax payable	32,232	15,114
Current portion of lease liability	13,052	11,835
Current portion of notes payable	9,500	17,000
Current contingent consideration liability	18,000	—
Other current liabilities	656	31,549
Total current liabilities	124,457	106,256
Deferred tax liability	79,260	22,642
Notes payable	272,015	87,953
Lease Liabilities	87,147	81,319
Non-controlling interest redemption liability	2,694	2,694
Contingent consideration liability	64,264	32,616
Total liabilities	629,837	333,480

Shareholders' equity:

Share capital	983,522	693,699
Treasury shares	(5,208)	(5,208)
Reserves	(159,430)	(146,819)
Accumulated deficit	(147,999)	(132,910)
Total Curaleaf Holdings, Inc. shareholders' equity	670,885	408,762
Redeemable non-controlling interest	(3,907)	(2,694)
Non-controlling interest	(62)	(2,622)
Total shareholders' equity	666,916	403,446
Total liabilities and shareholders' equity	\$ 1,296,753	\$ 736,926

Condensed Interim Consolidated Statements of Profits and Losses (Unaudited)

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

	Three Months Ended	
	March, 31	
	2020	2019
Revenues:		
Retail and wholesale revenues	\$ 77,055	\$ 27,768
Management fee income	19,441	7,483
Total revenues	96,496	35,251
Cost of goods sold	44,013	17,144
Gross profit before impact of biological assets	52,483	18,107
Realized fair value amounts included in inventory sold	(21,191)	(10,355)

Unrealized fair value gain on growth of biological assets	36,747	12,601
Gross profit	68,039	20,353
Operating expenses:		
Selling, general and administrative	45,857	23,268
Share-based compensation	4,501	1,782
Depreciation and amortization	12,688	4,895
Total operating expenses	63,046	29,945
Income (Loss) from operations	4,993	(9,592)
Other income (expense):		
Interest income	2,846	2,483
Interest expense	(10,492)	(4,164)
Interest expense related to lease liabilities	(2,158)	(967)
Other income (expense)	2,608	(26)
Total other income (expense), net	(7,196)	(2,674)
Loss before provision for income taxes	(2,203)	(12,266)
Income tax benefit (expense)	(13,249)	1,438
Net loss and comprehensive loss	(15,452)	(10,828)
Less: Net loss attributable to non-controlling interest	(363)	(619)
Net loss attributable to Curaleaf Holdings, Inc.	\$ (15,089)	\$ (10,209)
Loss per share attributable to Curaleaf Holdings, Inc. – basic and diluted	\$ (0.03)	\$ (0.02)
Weighted average common shares outstanding – basic and diluted	507,700,498	453,559,765

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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, 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 March 26, 2020, 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 first 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 March 31, 2020. 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 May 20, 2020. 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.

SOURCE Curaleaf Holdings, Inc.