

August 26, 2019

iAnthus

iAnthus Reports Fiscal Second Quarter 2019 Financial Results

Pro Forma Revenues of \$25 million, Maintained Tight Expense Control

- Pro forma revenues¹ for the second quarter were \$25.0 million, up 35% sequentially from the prior quarter
- Maintained disciplined approach to operating and capital expense investments without compromising growth
- Announced term sheet for up to \$50 million Senior Secured Term Loan financing with Torian Capital
- CBD For Life acquisition closed in June; currently distributed in more than 1,100 retail locations in 46 states
- Opened five new dispensaries in Florida, bringing total to eight as of August 27

NEW YORK and TORONTO, Aug. 26, 2019 /PRNewswire/ -[iAnthus Capital Holdings, Inc.](#) ("iAnthus" or the "Company") (CSE: IAN, OTCQX: ITHUF), which owns, operates, and partners with best-in-class regulated cannabis operations across the United States, is pleased to report its financial results for the fiscal second quarter ended June 30, 2019. Amounts are in U.S. Dollars, unless stated otherwise.

iAnthus

Hadley Ford, CEO of iAnthus, provided the following statement on the Company's second quarter results and outlook for 2019:

"The first half of 2019 has been an exciting time for team iAnthus, and I want to thank all of our employees, nearly 700 strong, for all of their hard work. We have integrated the MPX and iAnthus businesses, and the team effort is beginning to show in our results. MPX products are now carried in three states in over 110 stores and we'll be adding California, Massachusetts and Florida later this year. We continue to generate operational efficiencies without limiting growth. This is evidenced by our 35% sequential revenue growth, expanding gross margins and limited incremental G&A expenses. We are proud of our accomplishments thus far. Since opening our first Florida dispensary in December 2018, we have grown our market share to 3.5% and we are the third highest in the state in terms of THC volume per store. These results in Florida show what we can bring to other greenfield markets for iAnthus like New York and New Jersey. In Massachusetts, we have made significant progress toward opening our first adult-use store in Worcester, and this fall will mark the launch of our new Be. store brand with the opening of our Brooklyn flagship store. As always, reducing our cost of capital remains a focus. Our recently announced commitment for up to \$50 million Senior Secured financing from Torian Capital, once closed, will move us forward on that front. We will continue to prioritize our capital and operating expense investments to maximize returns for our shareholders. We are very excited about the remainder of 2019 and beyond and appreciate your continued support."

Financial Highlights

Revenue

- Total pro forma managed revenues of \$25.0 million¹, up 35% from the prior quarter
- Second quarter reported revenues of \$19.2 million, which has increased 100% from \$9.6 million in the prior quarter (MPX results consolidated as of February 5, 2019)
- Eastern Region revenue increased to \$10.2 million, up 143% from the prior quarter
- Western Region revenue increased to \$9.0 million, up 67% from the prior quarter

See Tables 1 and 2 below for further detail

Gross Profit

- Adjusted gross margin for the quarter was 52.4%, up from 23.4% in the first quarter
- Adjusted gross profit of \$10.1 million, up 347% from \$2.2 million in the prior quarter
- Productivity improvements and increased utilization in Arizona, Florida, Massachusetts, Maryland and Nevada attributed to the gross margin improvement in the quarter

See Table 3 below for further detail

EBITDA and Net Income

- Adjusted EBITDA⁷ loss of \$4.7 million, compared to an adjusted EBITDA loss of \$5.1 million in the prior quarter
- The Company maintained expense discipline in the quarter; General and Administrative expenses increased moderately to \$5.7 million in the second quarter from \$4.1 million in the prior quarter
- Salaries and Benefit expenses increased to \$8.1 million in the second quarter from \$6.1 million in the first quarter as the company continues to add employees; The Company's current employee base is nearly 700
- The Company incurred several acquisition related expenses and other one-time costs totaling \$2.4 million; These expenses include advisory, professional, legal, consulting, severance and accounting fees which have been added back to arrive at adjusted EBITDA as these costs are non-recurring and are not part of ongoing operational activities of the Company
- The Company recorded a second quarter net loss of \$9.3 million, compared to an adjusted net loss of \$16.5 million in the prior quarter
- The change in fair value of financial instruments increased to a gain of \$22.8 million in the second quarter, as a result of the revaluations of the derivative component of the Company's convertible securities

See Table 3 below for further detail

Balance Sheet and Cash Flow

- At June 30, 2019, total assets were \$811.0 million, including cash and cash equivalents of \$30.5 million, an increase of \$642.6 million (or 382%) in total assets from year end 2018
- Current fully dilutive share count of 249.7 million shares which includes 156.1 million common shares, 15.5 million class A shares and 78.1 million dilutive securities
- Capital expenditures totaled \$24.6 million in the second quarter, the majority of which (over 80%) was spent on the cultivation and store expansion in Florida
- On August 20th, the Company announced it had entered a term sheet with Torian Capital for up to \$50 million in Senior Secured debt financing

Second Quarter Operational Highlights

- Increased production 30% sequentially to 5,300 pounds (dried, cured, fresh frozen) from 4,076 pound in the first quarter
- Yield gains of over 10% in targeted initiatives in Massachusetts, Nevada and Arizona helped drive gross margin improvement
- Increased production footprint in Florida to over 120,000 square feet, including 70,000 square feet in a lower cost, outdoor cultivation environment
- Development of new products and extension of existing MPX lines supporting new product introductions in Arizona and Nevada, as well as new releases planned for the second half of 2019 throughout the iAnthus footprint
- Achieved planned milestones for CBD For Life integration and new products planned for the fourth quarter
- Recruited top talent from established industries to facilitate scale and growth
- First wave of Be. rebranded dispensaries will be converted in the fourth quarter, following the opening of the Brooklyn flagship; all remaining stores will be converted during the first half of 2020

Execution against the Company's operations roadmap and planned second quarter milestones in each state was strong including:

Eastern Region:

Florida

- Opened Daytona and Orlando, Miami, Gainesville, and Lakeland locations
- Pending Office of Medical Marijuana Use ("OMMU") and local permitting, the Company expects to have 17 dispensaries open in the state by the end of January 2020, accomplishing this over a 14-month period

- The 33-acre Lake Wales cultivation campus achieved planned milestones to enable a production output gain of four times by November 2019
- Based on the latest OMMU reports of state-wide sales, the Company is ranked third of all Florida operators in terms of THC milligrams sold per dispensary

Massachusetts

- Received approval for adult-use dispensary from the City of Worcester, the second largest city in the state with metropolitan area population of 923,000; The Company expects to be open for operations in the fourth quarter, pending final approval from the Massachusetts Cannabis Control Commission
- Wholesale strategy paying off, now serving 21 dispensaries, up from 15 in the first quarter, representing a 27% penetration of the state's licensed dispensaries
- Upgraded extraction infrastructure in Holliston in the second quarter, enabling processing capacity to increase 700%
- Fall River cultivation facility opening planned in fourth quarter, more than doubling production capacity in Massachusetts

Maryland

- Month-over-month growth in all three open dispensaries, with particular strength in Baltimore and White Marsh
- Wholesale penetration increased to 73% (60 of 73 dispensaries), up from 56% at the end of the first quarter
- Production milestones achieved to enable a doubling of processing capacity by year-end
- Blissiva joint venture launched in July with a market rollout of the Balance Pen, a product formulated by and for women

New York

- Lease signed and build-out commenced for Staten Island dispensary, which will be the only one serving Staten Island's 500,000 residents; expected opening in the fourth quarter
- Successfully transferred the fourth dispensary license from Chemung County to Tompkins County, with a population of 100,000 people and an economy that supports both Cornell University and Ithaca College
- Construction and planning milestones were achieved to open the company's Flagship Be. retail outlet in Brooklyn located directly across the street from the Barclays Center this fall
- The Company eagerly awaits further clarity as to the development of both the medical and recreational programs within the state in order to refine its capital expenditure program

New Jersey

- Development of Phase I (33,000 square feet) of Pleasantville, NJ cultivation and processing facility underway. Phase II expansion will add another 47,000 square feet
- The Atlantic City dispensary is also in development, pending regulatory approvals
- Red Bank offices were opened to support the CBD For Life integration, training and customer engagement

Western Region

Arizona

- New product milestones achieved to enable three new product categories for third quarter release including gummies, live resin and sauce cartridges for discerning customers, and new value segment cartridges
- Established Grow Sciences collaboration for new products and retail sales highlighting its focus on innovation, unique strains sought in the market and an ability to partner with reputable brands with high local affinity
- Achieved yield gains in cultivation of 13% during the quarter as planned while producing 30% more cured resin for MPX products

Nevada

- Revenue growth of 50% and customer growth of 40% over the first quarter, demonstrating the Company's focus on channel penetration
- New product milestones achieved supporting the Company's release of gummies, live resin and sauce cartridges as well as a value offering
- Signed new toll processing partnership with a key player in the Nevada concentrate market

Table 1: Unaudited Reported Financial Highlights

<i>in thousands of US\$, except share and per share amounts (unaudited)</i>	Q2 2019	Q2 2018
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Reported revenues	\$	19,200	\$	256
Gross profit, excluding fair value items		9,197		210
Gross margin, excluding fair value items		47.9%		82.1%
Net loss		(9,290)		(35,436)
Net loss per share		-0.06		-0.61

Table 2: Unaudited Pro Forma Revenues

<i>in thousands of US\$ (unaudited)</i>				
		Q2 2019		Q1 2019
Reported Revenues	\$	19,200	\$	9,620
Eastern Region		10,154		4,187
Western Region		9,046		5,433
Pro forma Adjustments⁽¹⁾:				
MPX Bioceutical Corporation ⁽²⁾		-		3,149
CBD For Life ⁽²⁾		1,206		714
Managed Revenues ⁽¹⁾		4,610		5,061
Total Pro forma Revenues⁽¹⁾:	\$	25,016	\$	18,544

Table 3: Unaudited Adjusted EBITDA Highlights

<i>in thousands of US\$, except share amounts (unaudited)</i>				
		Q2 2019		Q1 2019
Reported Revenue	\$	19,200		9,620
Cost of Sales		(10,003)		(9,080)
Fair value adjustment on inventory from acquisition ⁽³⁾		864		1,709
Adjusted gross profit		10,061		2,249
Adjusted gross margin		52.4%		23.4%
Fair value adjustment on sale of inventory ⁽⁴⁾		(8,895)		1,198
Fair value adjustment on biological assets ⁽⁴⁾		11,143		3,821
Total adjusted gross profit		12,309		7,268
Operating expenses		(35,249)		(23,165)
Other Items		14,514		(659)
Adjusted net loss		(8,426)		(16,556)
Income tax expense		640		668
Interest expense		3,470		2,346
Depreciation and amortization		5,915		2,636
EBITDA (Non-IFRS)		1,599		(10,906)
Adjusting items:				
Share-based compensation		9,586		1,646
Accretion expense		4,606		1,515
Fair market value adjustments		(22,781)		(3,210)
Profit from investment in associate		(75)		(73)
Adjustment for one-time acquisition costs ⁽⁵⁾		1,058		5,173
Adjustment for other one-time costs ⁽⁵⁾		1,304		-
Non-cash inventory adjustment ⁽⁶⁾		-		720
Adjusted EBITDA⁽⁷⁾		(4,703)		(5,135)
Adjusted EBITDA per share		-0.03		-0.04

Conference Call Details

The Company will hold a conference call for financial analysts and investors at 8:30a.m. ET on August 27, 2019 to discuss the Company's second quarter financial results. The call will be archived and available on iAnthus' website for replay. Please visit <https://www.ianthus.com/investors> to access the archived conference call.

Dial-In Number: (888) 231-8191 or international: (647) 427-7450

A replay of the call will be available for 7 days by dialing: (855) 859-2056 and entering password 8867869

The Unaudited Condensed Interim Consolidated Financial Statements and Management's Discussion and Analysis

for the three and six months ended June 30, 2019 and 2018 may be accessed on the Company's website at www.ianthus.com and under the Company's SEDAR profile at www.sedar.com

Non-IFRS Financial Measures Footnotes

¹ Pro forma revenues: refers to full three months ended March 31, 2019 and June 30, 2019 results, regardless of when an acquisition or management contract commenced. This also includes Managed Revenues, which are sales of cannabis products from entities for which management arrangements are in place but iAnthus cannot consolidate due to regulatory restrictions, or from equity investments in which results cannot be consolidated. Managed entities include iAnthus' involvement in certain Arizona operations, Colorado, and New Mexico.

² MPX Bioceutical Corporation includes the January 1 - February 4, 2019 unaudited revenue of MPX, as iAnthus consolidated performance when the MPX Acquisition closed on February 5, 2019. CBD For Life includes full quarter unaudited revenue prior to closing the acquisition.

³ Adjustment related to the fair value adjustment on inventory acquired as part of the MPX transaction that is being released into COGS for sales recognized during the period.

⁴ Adjustment to add back the fair value adjustments from the sale of inventory and growth of biological assets to represent true gross profit for the period.

⁵ Adjustment for one-time acquisition costs include all advisory, professional, legal, consulting, and accounting fees incurred as part of the MPX and CBD acquisitions incurred in the quarter. These costs alongside other one-time costs are added back to the total adjusted EBITDA as these expenses are non-recurring and are not part of ongoing operational activities of the Company.

⁶ Adjustments related to inventory write-downs recognized during the period caused from abnormal one-off events during the quarter. The Company does not expect recurring adjustments as this was an abnormal event during the period.

⁷ Adjusted EBITDA: The Company adds back the following items to provide a more accurate indication of performance for the period. This is a Non-IFRS metric:

1. Income Tax Expense
2. Interest Expense
3. Depreciation and Amortization
4. Share-based compensation
5. Accretion expense
6. Change in fair value on instruments
7. Foreign exchange gains/losses
8. One-time acquisition or other cost adjustments

The Company believes the pro forma results presented provide relevant and useful information for investors because they clarify the Company's actual operating performance, make it easier to compare the Company's results with those of other companies and allow investors to review performance in the same way as the Company's 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 the Company's performance, and they may not be comparable to similarly named measures from other companies.

About iAnthus

iAnthus. owns and operates best-in-class licensed cannabis cultivation, processing and dispensary facilities throughout the United States, providing investors diversified exposure to the U.S. regulated cannabis industry. Founded by entrepreneurs with decades of experience in operations, investment banking, corporate finance, law and health care services, iAnthus provides a unique combination of capital and hands-on operating and management expertise. iAnthus currently has operations in 11 states, and operates 26 dispensaries (AZ-4, MA-1, MD-3, FL-8, NY-2, CO-1, VT-1 and NM-6 where iAnthus has minority ownership). For more information, visit www.iAnthus.com.

Forward Looking Statements

Statements in this news release that are forward-looking statements are subject to various risks and uncertainties

concerning the specific factors disclosed here and elsewhere in iAnthus' periodic filings with Canadian securities regulators. When used in this news release, words such as "will, could, plan, estimate, expect, intend, may, potential, believe, should, our vision" and similar expressions, are forward-looking statements.

Forward-looking statements may include, without limitation, statements relating to the Company's future financial performance, business development, and results of operations.

Readers should not place undue reliance on forward-looking statements. The forward-looking statements in this news release are made as of the date of this release. iAnthus disclaims any intention or obligation to update or revise such information, except as required by applicable law, and iAnthus does not assume any liability for disclosure relating to any other company mentioned herein.

The Canadian Securities Exchange has not reviewed, approved or disapproved the content of this news release.

This news release does not constitute an offer to sell or a solicitation of an offer to sell any of the securities in the United States. The securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws and may not be offered or sold within the United States or to U.S. Persons unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available.

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