July 6, 2020

Ayr Strategies Previews June and Second Quarter 2020 Results

- *Ayr Achieves Record Revenue and Adjusted EBITDA in June and Continues to Improve on a Sequential Basis*
- *Q2 Adjusted EBITDA and Profitability are Expected to Increase 8% over Q1 Despite COVID-19 Challenges*
- *Continues to Generate Positive Free Cash Flow even through COVID, with Approximately $16 Million of Cash on Balance Sheet at the end of Q2 and Minimal Future Capex Needs*

TORONTO, July 06, 2020 (GLOBE NEWSWIRE) -- Ayr Strategies Inc. (CSE: AYR.A, OTCQX: AYRSF) (“Ayr”), a vertically-integrated cannabis multi-state operator (MSO), is announcing preliminary financial and operating results for the month of June and three months ended June 30, 2020. Unless otherwise noted, all results are presented in U.S. dollars. The preliminary results are subject to change following completion of the company’s quarterly financial reporting process.

“Despite the many challenges we faced during the second quarter, where our revenues fell essentially to zero at the beginning of April given the temporary regulatory restrictions in Nevada and Massachusetts, today’s preview of our Q2 2020 results shows our business is stronger than ever before,” said Ayr CEO Jon Sandelman. “In addition to increasing adjusted EBITDA and cash flow from operations for the quarter, we set monthly records in June for both revenue and adjusted EBITDA, as well as in income from operations.”

June 2020 Financial Results

- Revenue for June is expected to set an all-time monthly record at approximately $12.7 million, representing a 14% increase over the Q1 monthly average and a 46% increase over June 2019.
- Adjusted EBITDA for June is expected to set an all-time monthly record of approximately $5.0 million, representing an approximate 80% increase over the Q1 monthly average and June 2019 respectively, driven by operational improvements and higher gross margins.
- Adjusted EBITDA margins for June are expected to increase by approximately 1,500 basis points (15%) over the Q1 monthly average.
- Positive contribution from operating income.

Second Quarter 2020[1] Financial Results

- Revenue for the second quarter is expected to be approximately $28.4 million, which represents a 15% decrease from the prior quarter due to COVID-related closures in April and May.
- However, despite the 15% decrease in revenue, adjusted EBITDA for the second quarter is expected to be approximately $9.1 million, representing an approximate 8% increase over Q1, with an estimated 55% of the adjusted EBITDA contribution coming from the month of June.
- Income from operations for the second quarter is expected to range between $0.1 million to $1.0 million, representing an increase compared to the loss from operations in Q1 of $4.8 million, driven by operational improvements and non-cash adjustments such as changes in the fair value of biological assets.
- Cash on the balance sheet continued to grow to an estimated $16.0 million as of June 30, 2020 compared to $9.9 million as of March 31, 2020, with all material capital projects complete and paid for as of June 30, 2020.

June Retail Update

Massachusetts

- Medical dispensary sales continue to increase, with June revenue up 76% from the Q1 monthly average despite adult-use retail dispensaries reopening in late May.
- Average transaction volume up 40% per day compared to Q1 monthly average, with average spend per ticket up 20% compared to Q1 monthly average; gross margin levels of approximately 70%.

Nevada

- Recreational dispensary sales continue to increase, with June revenue up 5% from the Q1 monthly average despite falling essentially to zero at the beginning of the quarter due to COVID regulatory restrictions.
- Average transaction volume down 10% per day compared to Q1 monthly average despite the increase in revenue, with average spend per ticket up 16% compared to Q1 monthly average; gross margin levels of approximately 60%.

June Cultivation and Wholesale Update

Ayr CEO Jon Sandelman continued: “In Massachusetts, our record setting month of June was achieved even as our wholesale business sold only approximately 65% of our monthly capacity. In normalized markets, we sell everything we produce each month, so we are entering the summer months with valuable inventory to sell into the recreational market in Massachusetts, which is repairing post the Q2 COVID shutdown. The number of operating dispensaries in the state has increased 25% since the stores reopened in late May, with Ayr currently selling to 82% of those new stores and a total of 36 out of the 55 dispensaries in the state. We are now seeing wholesale demand steadily increase across our portfolio and expect the market growth to further accelerate our wholesale business.

“In Nevada, the successful completion of our cultivation expansion made an immediate impact on gross margins and was the driving force behind our 1,500 basis point increase to adjusted EBITDA margins in the month of June. In addition to the completed 17,000 sq. ft. cultivation expansion, we are excited about momentum from the consolidation of our production and wholesale efforts and expect our strong wholesale pipeline to further contribute to the growing adjusted EBITDA in the state.

“I couldn’t be prouder of what our team has achieved in the second quarter, from their excellent response to the COVID headwinds to this tremendous finish to the quarter. Our business has begun to unleash its earnings power in June, and we expect to build on this momentum as we continue to drive revenue growth and margin expansion, delivering substantial growth in the second half of the year.”

Financial Statements

Certain financial information reported in this news release is as at and for the three month period ended June 30, 2020. These results presented herein are preliminary and subject to change following the completion of the results for the period ended June 30, 2020.

Definition and Reconciliation of Non-IFRS Measures

The Company reports certain non-IFRS measures that are used to evaluate the performance of its businesses and the performance of their respective segments, as well as to manage their capital structures. As non-IFRS measures generally do not have a standardized meaning, they may not be comparable to similar measures presented by other issuers. Securities regulators require such measures to be clearly defined and reconciled with their most comparable IFRS measure.

The Company references non-IFRS measures and cannabis industry metrics in this document and elsewhere. Non-IFRS measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these are provided as additional information to complement those IFRS measures by providing further understanding of the results of the operations of the Company from management’s perspective. Accordingly, these measures should not be considered in isolation, nor as a substitute for analysis of the Company’s financial information reported under IFRS. Non-IFRS measures used to analyze the performance of the Company’s businesses include “adjusted EBITDA”.

The Company believes that this non-IFRS financial measure provides meaningful supplemental information regarding the Company’s performances and may be useful to investors because it allows for greater transparency with respect to key metrics used by management in its financial and operational decision-making. This financial measure is intended to provide investors with supplemental measures of the Company’s operating performances and thus highlight trends in the Company’s core businesses that may not otherwise be apparent when solely relying on the IFRS measures.

Adjusted EBITDA

“Adjusted EBITDA” represents income (loss) from operations, before interest and tax, adjusted to exclude extraordinary items, non-recurring items, other non-cash items, including stock-based compensation expense, depreciation and amortization, the adjustments for the accounting of the fair value of biological assets, and further adjusted to remove acquisition related costs.

A reconciliation of how Ayr calculates adjusted EBITDA can be found in the MD&A for the 3 months and year ended December 31, 2019 as well as the 3 months ended March 31, 2020. In addition, a reconciliation of Adjusted EBITDA and other disclosures concerning non-IFRS measures will be provided in our MD&A for the 3 months ended June 30, 2020. As well, the Company reminds you that adjusted EBITDA is a non-IFRS measures.

Forward-Looking Statements

Certain information contained in this news release may be forward-looking statements within the meaning of applicable securities laws. Forward-looking statements are often, but not always, identified by the use of words such as “target”, “expect”, “anticipate”, “believe”, “foresee”, “could”, “estimate”, “goal”, “outlook”, “intend”, “plan”, “seek”, “will”, “may”, “tracking”, “pacing” and “should” and similar expressions or words suggesting future outcomes. This news release includes forward-looking information and statements pertaining to, among other things, Ayr’s future growth plans. Numerous risks and uncertainties could cause the actual events and results to differ materially from the estimates, beliefs and assumptions expressed or implied in the forward-looking statements, including, but not limited to: the impact of the COVID-19 virus; anticipated strategic, operational and competitive benefits may not be realized; events or series of events may cause business interruptions; required regulatory approvals may not be obtained; acquisitions may not be able to be completed on satisfactory terms or at all; and Ayr may not be able to raise required additional capital. Among other things, Ayr has assumed that its businesses will operate as anticipated, that it will be able to complete acquisitions on reasonable terms, and that all required regulatory approvals will be obtained on satisfactory terms and within expected time frames.

2020 estimates and assumptions involve known and unknown risks and uncertainties that may cause actual results to differ materially. While Ayr believes there is a reasonable basis for these assumptions, such estimates may not be met. These estimates represent forward-looking information. Actual results may vary and differ materially from the estimates.

Assumptions

Forward-looking information in this subject to the assumptions and risks as described in our MD&A for March 31, 2020. For more information about the Company’s 2020 operations [have we withdrawn our outlook?], please view Ayr’s corporate presentation posted in the Investors section of the Company’s website at www.ayrstrategies.com. As well, we remind you that adjusted EBITDA is a non-IFRS measures. Additional reconciliations and other disclosures concerning non-IFRS measures will be provided in our MD&A for the 3 months ended June 30, 2020.

About Ayr Strategies Inc.

Ayr Strategies (“Ayr”) is an expanding vertically integrated, U.S. multi-state cannabis operator, focusing on high-growth markets. With anchor operations in Massachusetts and Nevada, the company cultivates and manufactures branded cannabis products for distribution through its network of retail outlets and through third-party stores. Ayr strives to enrich and enliven consumers' experience every day – helping them to live their best lives, elevated.

Ayr's leadership team brings proven expertise in growing successful businesses through disciplined operational and financial management, and is committed to driving positive impact for customers, employees and the communities they touch. For more information, please visit www.ayrstrategies.com.

Company Contact:
Jennifer Drake, COO
T: (212) 299-7606

Investor Relations Contact:
Sean Mansouri, CFA or Cody Slach
Gateway Investor Relations
T: (949) 574-3860
Email: ayr@gatewayir.com

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[1] Following the close of the Qualifying Transaction on May 24, 2019, there were only 37 days of operating results in the Second Quarter of 2019 and therefore the prior year quarter is not included for comparative purposes.

Source: Ayr Strategies Inc.