

February 26, 2020



Ayr Strategies Reports Record Fourth Quarter and Full Year 2019 Financial Results

- *Ayr Reports Annualized 2019 Results In-Line with Ambitious Growth Expectations; Reiterates Strong 2020 Outlook*
- *Record Quarterly Revenue of \$32.3 Million and Adjusted EBITDA¹ of \$9.2 Million*
- *Generated \$3.9 Million Cash Flow from Operations in Q4*
- *Nevada Retail Stores Average MSO-Leading \$17 Million in Annual Sales, Accounting for Over 10% of all Nevada Cannabis Dispensary Revenue in Q4 2019²*
- *Massachusetts & Nevada Cultivation Expansion Projects Complete and Fully Funded, with Sales from Initial Harvest Expected in Q2*

TORONTO, Feb. 26, 2020 (GLOBE NEWSWIRE) -- Ayr Strategies Inc. (CSE: AYR.A, OTCQX: AYRSF) ("Ayr" or the "Company"), a vertically-integrated cannabis multi-state operator (MSO) with a presence in the western and eastern U.S., is reporting financial results for the three months and full year ended December 31, 2019.

Unless otherwise noted, all results are presented in U.S. dollars.

Annualized Full Year 2019 Financial Summary³ (vs. 2018)

- Total revenue increased 75% to \$124.2 million compared to \$70.9 million.
- Adjusted Gross Profit (a non-IFRS measure defined below) increased 78% to \$63.0 million compared to \$35.5 million.
- Adjusted EBITDA (a non-IFRS measure defined below) increased 47% to \$34.5 million compared to \$23.5 million; when excluding corporate and public company costs, Adjusted EBITDA increased 80%.
- Loss from operations decreased 8% to \$61.9 million compared to \$66.8 million.

Q4 2019 Financial Summary (vs. Q3 2019)

- Total revenue increased to \$32.3 million compared to \$32.1 million.
- Adjusted Gross Profit was \$15.1 million compared to \$17.2 million, with the decrease primarily resulting from reclassification of approximately \$2 million of SG&A expenses.
- Adjusted EBITDA increased 6% to \$9.2 million compared to \$8.7 million.
- Loss from operations was \$16.9 million compared to \$10.7 million, with the increase entirely resulting from non-cash charges.

Management Commentary

“In just seven months of combined operations, our business has thrived and we have delivered on the ambitious expectations that we laid out for our shareholders,” said Ayr CEO Jon Sandelman. “Our Nevada dispensaries have become the market and industry leader in terms of productivity, and our Massachusetts businesses continued to outperform despite multiple regulatory challenges.

“BDS Analytics ranks our dispensaries as the highest revenue generating stores among MSOs. In Nevada, our retail performance is stronger than ever with average annual revenue per dispensary of \$17 million, with our top store generating nearly \$26 million annually. We also consistently improved profitability across our Nevada portfolio in 2019 as we vertically integrated the four businesses we acquired, and our in-house brands are now accounting for approximately 27% of dispensary sales compared to 22% in Q3 and less than 3% at the start of 2019.

“In Massachusetts, we currently sell to more than two-thirds of all recreational dispensaries. In light of the Massachusetts vape ban in the fourth quarter, we pivoted our resources to make up the lost revenue and margin from vapes, and we were the first cannabis company back to market when the vape ban was lifted earlier than expected in December. Further, we rolled out several Nevada brands in Massachusetts during the quarter, and both customer feedback and initial sell-through have been very strong. All of this underscores the strength of our teams on the ground, which provide us operational leverage and flexibility that is essential in the cannabis industry.

“For 2020, our ambitious organic growth plans are fully funded. We have completed construction on our cultivation expansions in both Nevada and Massachusetts, and these expansions have more than doubled our capacity, taking our canopy from 27,000 square feet to 63,000 square feet. We are underway with our first grow cycles in these new facilities and expect sales from our initial harvests to begin in Q2 2020.

“Looking beyond these key growth drivers for 2020, we continue to target business combinations that can expand our initial portfolio and footprint; these combinations would add to our current 2020 financial outlook. The cannabis market environment continues to favor our strengths of financial discipline, cash flow generation and a fully funded growth strategy, and we have every expectation of capitalizing on attractive M&A opportunities in 2020.”

2020 Outlook

Ayr expects 2020 revenue to range between \$207 million and \$227 million, reflecting approximately 67% to 83% organic growth from 2019. The Company also expects adjusted EBITDA to range between \$93 million and \$103 million, reflecting approximately 170% to 199% organic growth from 2019.

For more information about the Company’s 2020 outlook, including detailed financial bridges outlining various growth initiatives, please view Ayr’s corporate presentation posted in the Investors section of the Company’s website at www.ayrstrategies.com.

¹ Non-IFRS measure defined in “Definition and Reconciliation of Non-IFRS Measures”

below.

² Includes data for October and November 2019; Nevada sales for December 2019 are unavailable.

³ Due to the qualifying transaction completed on May 24, 2019, the 2019 annual results have been normalized by taking the 221-day period and annualizing it to produce a full year of results, whereas the 2018 results represent pro forma consolidated results as reported in the Company's Business Acquisition Report filed on August 7, 2019.

Conference Call

Ayr CEO Jonathan Sandelman, CFO Brad Asher and COO Jennifer Drake will host a conference call tomorrow, February 27, 2020 at 8:30 a.m. Eastern time, followed by a question and answer period.

Conference Call Date: Thursday, February 27, 2020

Time: 8:30 a.m. Eastern time

Toll-free dial-in number: (877) 282-0546

International dial-in number: (270) 215-9898

Conference ID: 2431737

Please call the conference telephone number 5-10 minutes prior to the start time. An operator will register your name and organization. If you have any difficulty connecting with the conference call, please contact Gateway Investor Relations at (949) 574-3860.

The conference call will be broadcast live and available for replay [here](#).

A telephonic replay of the conference call will also be available after 11:30 a.m. Eastern time on the same day through March 5, 2020.

Toll-free replay number: (855) 859-2056

International replay number: (404) 537-3406

Replay ID: 2431737

Financial Statements

Certain financial information reported in this news release is extracted from Ayr's financial statements as at and for the three and twelve month periods ended December 31, 2019. These results presented herein are preliminary and subject to change. Ayr will file its annual financial statements on SEDAR shortly. All such financial information contained in this news release is qualified in its entirety by reference to such financial statements.

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" and "Adjusted Gross Profit".

The Company believes that these non-IFRS financial measures provide meaningful supplemental information regarding the Company's performances and may be useful to investors because they allow for greater transparency with respect to key metrics used by management in its financial and operational decision-making. These financial measures are 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, as reported, 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 the incremental costs to acquire cannabis inventory in a business combination, and further adjusted to remove acquisition related costs.

Adjusted Gross Profit

"Adjusted Gross Profit" represents the gross profit, as reported, adjusted to exclude the accounting for the fair value of biological assets and the incremental costs to acquire cannabis inventory in a business combination.

A reconciliation of how Ayr calculates Adjusted EBITDA and Adjusted Gross Profit and reconciles them to IFRS figures is provided below. As well, the Company reminds you that Adjusted EBITDA and Adjusted Gross Profit are non-IFRS measures. Additional reconciliations and other disclosures concerning non-IFRS measures will be provided in our MD&A for the 3 months and year ended December 31, 2019, when filed.

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" 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: 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 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 targets, and the related 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 targets, such targets may not be met. These targets represent forward-looking information. Actual results may vary and differ materially from the targets.

Assumptions

Forward-looking information in this subject to the assumptions and risks as described in our MD&A for September 30, 2019. Please see our MD&A for September 30, 2019 for a summary of assumptions underlying our targets for 2020 revenues. For more information about the Company's 2020 outlook, including detailed financial bridges outlining various growth initiatives, 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 and Adjusted Gross Profit are non-IFRS measures. Additional reconciliations and other disclosures concerning non-IFRS measures will be provided in our MD&A for the 3 months and year ended December 31, 2019, when filed.

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.

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Ayr Strategies Inc. (formerly, Cannabis Strategies Acquisition Corp.)

Unaudited Condensed Consolidated Statements of Financial Position

(Expressed in United States Dollars)

	As at	
	December 31, 2019	December 31, 2018
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	8,403,196	109,952
Accounts receivable	2,621,239	-
Due from related parties	85,000	-
Inventory	13,718,840	-
Biological assets	2,935,144	-
Prepaid expenses and other assets	2,163,329	274,886
	29,926,748	384,838
Non-current		
Restricted cash and short-term investments held in escrow	-	99,684,243
Property, plant and equipment	37,152,861	-
Right-of-use assets	12,315,417	-
Goodwill and intangible assets	274,639,440	-
Equity investments	427,399	-
Other assets	638,394	-
Total assets	355,100,259	100,069,081
LIABILITIES		
Current		
Trade payables	6,806,053	-
Accrued liabilities	5,123,865	2,489,096
Advances from related parties	-	536,382
Lease obligations - current portion	1,087,835	-
Purchase consideration payable	9,831,700	-
Income tax payable	5,202,943	-
Debts payable - current portion	6,628,843	-
	34,681,239	3,025,478
Non-current		
Deferred underwriters commission	-	3,457,154
	41,077,761	-
Deferred tax liabilities		
Class A Restricted Voting Shares subject to redemption	-	145,694,363
Warrant liability	36,874,124	23,983,372
Lease obligations - non-current portion	13,033,310	-
Contingent consideration	22,656,980	-
Debts payable - non-current portion	37,366,818	-
Accrued interest payable	815,662	-
Total liabilities	186,505,894	176,160,367
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share capital	382,210,006	1,821,997
Treasury stock	(245,469)	-
Contributed surplus	28,879,225	-
Other comprehensive income	3,265,610	3,422,120
Deficit	(245,515,007)	(81,335,403)
Total shareholders' equity (deficiency)	168,594,365	(76,091,286)
Total liabilities and shareholders' equity	355,100,259	100,069,081

Ayr Strategies Inc. (formerly, Cannabis Strategies Acquisition Corp.)

Unaudited Condensed Consolidated Statements of Loss and Comprehensive Loss

(Expressed in United States Dollars)

	Three Months Ended		Year Ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	\$	\$	\$	\$
Revenues, net of discounts	32,282,616	-	75,195,556	-
Cost of goods sold excluding fair value items	17,158,918	-	37,009,909	-
Incremental costs to acquire cannabis inventory in business combination	3,764,678	-	3,764,678	-
Cost of goods sold	20,923,596	-	40,774,587	-
Gross profit before fair value adjustments	11,359,020	-	34,420,969	-
Fair value adjustment on sale of inventory	(4,838,814)	-	(18,272,212)	-
Unrealized gain on biological asset transformation	1,765,527	-	10,108,105	-
Gross profit	8,285,733	-	26,256,862	-
Expenses				
General and administrative	7,248,271	2,341,604	19,036,452	3,241,993
Sales and marketing	463,452	-	1,345,009	-
Depreciation	1,017,198	-	1,392,994	-
Amortization	2,434,288	-	7,222,595	-
Stock-based compensation	13,296,643	-	28,879,225	-
Acquisition expense	724,139	-	5,847,800	-
Total expenses	25,183,991	2,341,604	63,724,075	3,241,993
Loss from operations	(16,898,258)	(2,341,604)	(37,467,213)	(3,241,993)
Other (expense) income				
Share of gain (loss) on equity investments	241,115	-	(72,600)	-
Transaction costs	-	-	-	(454,288)
Foreign exchange	(17,904)	-	(141,106)	-
Unrealized gain (loss) - changes to fair value of financial liabilities	2,771,673	(42,503,558)	(119,235,147)	(72,351,356)
Interest expense	(1,176,278)	-	(3,035,492)	-
Interest income	8,483	231,553	404,835	932,867
Other	185,458	-	202,610	-
Total other income (expense)	2,012,547	(42,272,005)	(121,876,900)	(71,872,777)
Loss before income tax	(14,885,711)	(44,613,609)	(159,344,113)	(75,114,770)
Current tax	(3,795,071)	-	(8,728,061)	-
Deferred tax	1,216,549	-	3,892,570	-
Net loss	(17,464,233)	(44,613,609)	(164,179,604)	(75,114,770)

Foreign currency translation adjustment	468,229	(66,489)	(156,510)	3,504,595
Net loss and comprehensive loss	(16,996,004)	(44,680,098)	(164,336,114)	(71,610,175)
Basic and diluted net loss per share	(0.65)	(12.07)	(9.43)	(20.26)
Weighted average number of shares outstanding (basic and diluted)	26,672,864	3,696,486	17,404,742	3,707,710

Ayr Strategies Inc. (formerly, Cannabis Strategies Acquisition Corp.)

Unaudited Condensed Consolidated Statements of Cash Flows

(Expressed in United States Dollars)

	Year Ended	
	December 31, 2019	December 31, 2018
	\$	\$
Operating activities		
Net loss	(164,179,604)	(75,114,770)
Adjustments for:		
Acquisition costs associated with financing activities	129,235	454,288
Net unrealized loss on changes in the fair value of financial liabilities	119,235,147	72,351,356
Stock-based compensation	28,879,225	-
Depreciation	2,172,373	-
Amortization on intangible assets	8,137,864	-
Share of loss on equity investments	72,600	-
Incremental costs to acquire cannabis inventory in business combination	3,764,678	-
Fair value adjustment on sale of inventory	18,272,212	-
Unrealized gain on biological asset transformation	(10,108,105)	-
Deferred tax benefit	(3,892,570)	-
Interest accretion	1,652,510	-
Interest income	-	(932,867)
Changes in non-cash operations, net of business acquisition:		
Accounts receivable	(1,308,328)	-
Inventory and biological assets	(5,809,848)	-
Prepaid expenses and other assets	(1,459,072)	(272,021)
Trade payables	2,992,073	-
Accrued liabilities	(179,574)	2,195,529
Income tax payable	5,202,943	-
Cash provided by (used in) operating activities	3,573,759	(1,318,485)
Investing activities		
Transfer of (Investment in) restricted cash and short term investments held in escrow and interest income	99,684,243	(7,526,058)
Purchase of property, plant and equipment	(14,417,635)	-
Deferred underwriters commission paid	(3,457,154)	263,415
Cash paid for business combinations, net of cash acquired	(74,714,171)	-
Cash paid for business combinations, working capital	(547,042)	-
Payments for interests in equity accounted investments	(500,000)	-
Advances (to) from related corporation	(809,191)	120,105
Cash provided by (used in) investing activities	5,239,050	(7,142,538)

Financing activities		
Proceeds from issuance of Class A and B shares	-	8,328,708
Proceeds from exercise of warrants	2,460,150	-
Redemption of Class A shares	(7,519)	-
Repayments of debts payable	(2,879,329)	-
Repayments of lease obligations (principal portion)	(763,878)	-
Purchase of treasury stock	(311,674)	-
Cash (used in) provided by financing activities	(1,502,250)	8,328,708
Net increase (decrease) in cash	7,310,559	(132,315)
Effect of foreign currency translation	982,685	(1,180,907)
Cash and cash equivalents, beginning of period	109,952	1,423,174
Cash and cash equivalents, end of period	8,403,196	109,952

Ayr Strategies Inc. (formerly, Cannabis Strategies Acquisition Corp.)

Unaudited Condensed Consolidated Adjusted EBITDA Reconciliation

(Expressed in United States Dollars)

	Three Months ended December 31,		Year ended December 31,		Annualized ² Year ended December 31,
	2019	2018	2019	2018	2019
Loss from operations	(16,898,258)	(2,341,604)	(37,467,213)	(3,241,993)	
Non-cash items accounting for adjustments of cannabis inventory					
Incremental costs to acquire cannabis inventory in business combination	3,764,678		3,764,678		
Fair value adjustment on sale of inventory	4,838,814		18,272,212		
Unrealized gain on biological asset transformation	(1,765,527)		(10,108,105)		
	6,837,965		11,928,785		
Interest	295,630		295,630		
Depreciation and amortization (from statement of cash flows)	4,511,734		10,310,237		
Acquisition costs	724,139		5,847,800		
Stock-based compensation, non-cash	13,296,643		28,879,225		
Other ¹	472,326		1,105,694		
	19,300,472		46,438,586		
Adjusted EBITDA (Non-IFRS)	9,240,179	(2,341,604)	20,900,158	(3,241,993)	34,518,360

¹ Other adjustments made to exclude the impact of non-recurring items.

² Due to the qualifying transaction completed on May 24, 2019, the 2019 annual results have been normalized by taking the 221-day period and annualizing it to produce a full year of results, whereas the 2018 results represent pro forma consolidated results as reported in the Company's Business Acquisition Report filed on August 7, 2019.

Ayr Strategies Inc. (formerly, Cannabis Strategies Acquisition Corp.)
Unaudited Condensed Consolidated Adjusted Gross Profit Reconciliation
(Expressed in United States Dollars)

	Three Months ended December 31,		Year ended December 31,		Annualized ¹ Year ended December 31,
	2019	2018	2019	2018	2019
Gross Profit	8,285,733		26,256,862		
Non-cash items accounting for adjustments of cannabis inventory					
Incremental costs to acquire cannabis inventory in business combination	3,764,678		3,764,678		
Fair value adjustment on sale of inventory	4,838,814		18,272,212		
Unrealized gain on biological asset transformation	(1,765,527)		(10,108,105)		
	6,837,965		11,928,785		
Adjusted Gross Profit (Non-IFRS)	15,123,698		38,185,647		63,066,793

¹ Due to the qualifying transaction completed on May 24, 2019, the 2019 annual results have been normalized by taking the 221-day period and annualizing it to produce a full year of results, whereas the 2018 results represent pro forma consolidated results as reported in the Company's Business Acquisition Report filed on August 7, 2019.



Source: Ayr Strategies Inc.