

August 26, 2020



Ayr Strategies Reports Financial Results & Reaches Agreements to Enter New Markets

- *Q2 Results In-Line with Earnings Pre-Announcement Issued on July 6, 2020*
- *Ayr has Delivered Dramatic Improvements Across Key Financial Metrics Each Month Through July 2020*
- *As of July 2020, Operating at an Annual Revenue & Adjusted EBITDA Run-Rate of \$181 Million and \$77 Million, Respectively*
- *Generated \$8.7 Million in Cash from Operations in Q2; Cash Balance Remains Strong with \$17 Million at July 31, 2020*
- *Expanding Footprint to Three New States; Today Announcing a Binding Agreement Signed for Cultivation, Production and Dispensary Assets in Pennsylvania, and an Additional Two New Markets Anticipated to be Announced in Q3*
- *Announces the Appointment of New Executives and Board Member*

TORONTO, Aug. 26, 2020 (GLOBE NEWSWIRE) -- Ayr Strategies Inc. (CSE: AYR.A, OTCQX: AYRSF) ("Ayr" or the "Company"), a vertically-integrated cannabis multi-state operator (MSO), is reporting financial results for the three months ended June 30, 2020, as well as preliminary results for July 2020. The Company is also announcing that it has entered into an agreement to expand its footprint to include cultivation, production and dispensary assets in Pennsylvania. Unless otherwise noted, all results are presented in U.S. dollars.

"Our business has performed extremely well across market environments, and we enter the next phase of our corporate development in a position of even greater operational strength," said Ayr CEO Jon Sandelman. "Over the past four months, we have driven consistent, material month-over-month improvements in our operations. We achieved monthly records for revenue, adjusted EBITDA and operating income in July, and we are currently operating at an exceptional \$181 million and \$77 million annual run rate for revenue and adjusted EBITDA, respectively. I am incredibly proud of our team's hard work and the momentum we have generated; but I want to stress that we are just getting started."

Financial Highlights (\$ in millions, excl. margin items)

	Jan 2020	Feb 2020	Mar 2020	Apr 2020	May 2020	Jun 2020	Jul 2020
Revenue	\$ 11.7	\$ 11.7	\$ 10.2	\$ 5.8	\$ 9.8	\$ 12.7	\$ 15.1
Gross Margin before Fair Value Adj.	48.2%	48.7%	52.3%	58.2%	61.9%	60.2%	60.8%
Adj. EBITDA	\$ 2.9	\$ 3.0	\$ 2.5	\$ 0.8	\$ 3.3	\$ 5.0	\$ 6.4

The preliminary July 2020 results are subject to change following completion of the company's quarterly financial reporting process.

	Q1 2020	Q2 2020	% Change
Revenue	\$ 33.6	\$ 28.3	(16)%
Gross Profit	\$ 20.3	\$ 23.5	16%
Gross Profit before Fair Value Adj.	\$ 16.6	\$ 17.1	3%
Operating Income/(Loss)	\$ (4.9)	\$ 1.0	N/A
Net Income/(Loss)	\$ 1.6	\$ (7.5)	N/A
Adj. EBITDA	\$ 8.4	\$ 9.1	8%

Sandelman continued: “Our monthly revenue improvements have been driven by exceptional retail growth in Nevada, where dispensary sales have grown by nearly 20% month-over-month in July. Gross margins have also benefitted from our expanded cultivation capacity in the state, which has driven higher levels of vertical integration in our dispensaries. The additional dispensary licenses we were recently granted in Clark County and Henderson will allow us to deepen our presence and reach an even greater number of patients and customers, and we are targeting opening our new Clark County dispensary before year end. In Massachusetts, our wholesale business has continued to ramp up due to our expanded cultivation capacity and strong demand resulting from new recreational dispensaries coming online every month. Our two medical dispensaries have also nearly doubled in revenue from pre-COVID levels. Our success in the Massachusetts and Nevada markets, especially amid a challenging operating environment, demonstrates the power and discipline of our strategy as we take our approach into new markets.”

Acquisition Overview

Speaking on Ayr’s proposed acquisition, Sandelman commented: “Our entry into new markets will build on the successful operational foundation we have established over the last 12 months, where we drove exceptional organic growth across our business. Moreover, we did so while simultaneously building the strong 600+ person team, culture, and financial and operational control framework we have today.

“The transaction we are announcing today and the additional transactions we will announce through the rest of this quarter are just the first step to expanding our footprint and firmly establishing Ayr as a top MSO – not only in terms of revenue, adjusted EBITDA, operating income and cash flow generation, but also in terms of presence across the industry’s most relevant markets. We believe today’s announced acquisition in Pennsylvania, along with the two expected additional markets to be announced later this quarter, will integrate efficiently into our established platform as a result of the strong foundation and scalable systems we have built. As we expand our footprint, we intend to repeat the playbook of excellent operations and successful greenfield project development that we have established and proven over the last 12 months.

“Similar to our prior acquisitions, we are bringing on exceptional teams to add to our deep talent pool, and we are purchasing these assets at very attractive levels of forward adjusted

EBITDA for a combination of \$27 million cash, \$15 million stock and \$15 million vendor notes. We have also been working diligently with strong institutional financing partners to seek to ensure that our future expansion plans are fully financed. We are extremely pleased that the debt markets have been highly receptive to Ayr's strong credit profile. We are proud of the platform we have built and believe this is the beginning of an even stronger growth cycle for Ayr.

"Finally, I am thrilled to welcome a few new members to the Ayr team. Glenn Isaacson, who currently serves as Vice Chairman at Cushman & Wakefield, is joining our Board of Directors. He is also on the board of the American Foundation for AIDS Research. Glenn's experience will prove invaluable and we look forward to leveraging his expertise as we continue to expand our footprint. Further, Megan Kulick has joined as our new Head of Investor Relations; she is a Wall Street veteran who also brings great cannabis experience. Karen Rinaldi has been promoted to our Head of Human Resources, a role that has become incredibly important as we have grown to over 600 employees and counting. We are excited to have these key new members of the team on board."

Market Highlights	Pennsylvania
Population (m)	12.8
Legal Status	Medical
License Issuance	Limited
Penetration Rate (%) ¹	2.9%
# of Active Dispensaries	89
# of Cultivators & Processors	32

¹ Penetration rate is calculated as current number of patients in a respective state divided by total state population.

Pennsylvania

Ayr has reached an agreement to acquire and develop six retail dispensaries and a significant cultivation and production footprint in a limited license state for total consideration of \$57 million. The PA market is undersupplied with high barriers to entry and potential for substantial growth, as it has only 32 grower processor licenses and 198 dispensary permits to serve a rapidly growing medical patient base.

Ayr plans to acquire the membership interests in a licensed operator which includes a 143,000 ft² cultivation and processing facility with the initial construction phases comprising 45,000 ft² nearly complete. The 13-acre site provides ample room for further expansion even beyond the existing 143,000 ft² facility. The licensed operator also has the right to operate six dispensaries poised to open in excellent retail locations, most of which are clustered in the Pittsburgh and Philadelphia region. Three of these dispensaries are expected to open by January 2021. The licensed operator also has a strong research program in collaboration with a local medical school. The agreement, which is reflected in a binding term sheet, is subject to, among other things, the satisfactory completion of due diligence, the receipt of required regulatory approvals and the absence of a material adverse change.

Operational Highlights

As a reminder, Nevada regulators limited all cannabis sales to delivery-only beginning March 21, 2020, with curbside pick-up approved on May 1st and in-store sales on May 9th. In

Massachusetts, regulators restricted adult use cannabis sales beginning March 24, 2020, with adult use sales commencing on May 25th.

Nevada Results

- July average daily revenues were over \$300k; daily transaction volumes over 4,360, with an average ticket of \$71 per transaction
- Recently awarded two additional dispensary licenses in the greater Las Vegas market—one in Clark County and one in Henderson—and aim to open the additional Clark County dispensary this year

Massachusetts Results

- July average daily retail revenues are currently over \$56k; daily transaction volumes over 350, with an average ticket of \$162 per transaction
- Selling to 48 of the state's 67 dispensaries, with valuable inventory to sell into the state's growing recreational market
- Wholesale revenues have ramped to over \$3.4 Million in July, reflecting growth of over 30% from levels at the start of 2020

Cultivation Expansions

- In Massachusetts, Ayr has completed several months of harvests from its cultivation expansion, resulting in strong inventories available to address pent-up demand for adult use sales
- The new Massachusetts cultivation facility is producing excellent results, with THC levels up to 30%, and improved gross margins in the state of approximately 70% in Q2 from the low 60% range in Q1
- In Nevada, product from Ayr's cultivation expansion arrived in stores in June, allowing for internally sourced product to increase from 25% in Q1 to over 40% in Q2
- Nevada gross margin increased as a result, to approximately 60% in Q2 from 44% in Q1

Conference Call

Ayr CEO Jonathan Sandelman, COO Jennifer Drake and CFO Brad Asher will host the conference call, followed by a question and answer period.

Conference Call Date: Thursday, August 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: 5578887

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 September 3, 2020.

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

International replay number: (404) 537-3406

Replay ID: 5578887

Financial Statements

Certain financial information reported in this news release is extracted from Ayr's financial statements as at and for the three and six month periods ended June 30, 2020. These results presented herein are preliminary and subject to change. Ayr will file its interim 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."

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.

A reconciliation of how Ayr calculates adjusted EBITDA is provided below. Additional reconciliations 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 measure.

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”, “would”, “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: anticipated strategic, operational and competitive benefits may not be realized; events or series of events, including in connection with COVID-19, 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 debt or equity 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. In particular, there can be no assurance that we will complete the acquisition in Pennsylvania or enter into agreements with respect to other acquisitions.

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 June 30, 2020. For more information about the Company’s 2020 operations and 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 measure. Additional reconciliations and other disclosures concerning non-IFRS measures will be provided in our MD&A for the 3 and 6 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

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

Unaudited Condensed Interim Consolidated Statements of Financial Position

(Expressed in United States Dollars)

	As at	
	June 30, 2020	December 31, 2019
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	15,986,515	8,403,196
Accounts receivable	1,935,036	2,621,239
Due from related parties	85,000	85,000
Inventory	20,419,223	13,718,840
Biological assets	9,239,566	2,935,144
Prepaid expenses and other current assets	3,168,822	2,163,329
	50,834,162	29,926,748
Non-current		
Property, plant and equipment	39,487,778	37,152,861
Intangible assets	183,044,803	189,802,136
Right-of-use assets	11,399,736	12,315,417
Goodwill	84,837,304	84,837,304
Equity investments	477,961	427,399
Other assets	753,394	638,394
Total assets	370,835,138	355,100,259

LIABILITIES

Current

Trade payables	7,907,441	6,806,053
Accrued liabilities	5,829,850	5,123,865
Lease obligations - current portion	939,602	1,087,835
Purchase consideration payable	6,290,897	9,831,700
Income tax payable	13,470,358	5,202,943
Debts payable - current portion	8,247,133	6,628,843
	42,685,281	34,681,239

Non-current

Deferred tax liabilities	42,429,247	41,077,761
Warrant liability	26,088,841	36,874,124
Lease obligations - non-current portion	12,607,312	13,033,310
Contingent consideration	23,376,154	22,656,980
Debts payable - non-current portion	33,839,333	37,366,818
Accrued interest payable	1,513,866	815,662

Total liabilities	182,540,034	186,505,894
--------------------------	--------------------	--------------------

SHAREHOLDERS' EQUITY (DEFICIENCY)

Share capital	385,975,933	382,210,006
Treasury stock	(552,911)	(245,469)
Contributed surplus	50,127,987	28,879,225
Accumulated other comprehensive income	4,217,744	3,265,610
Deficit	(251,473,649)	(245,515,007)

Total shareholders' equity	188,295,104	168,594,365
-----------------------------------	--------------------	--------------------

Total liabilities and shareholders' equity	370,835,138	355,100,259
---	--------------------	--------------------

Ayr Strategies Inc. (formerly, Cannabis Strategies Acquisition Corp.)**Unaudited Condensed Interim Consolidated Statements of Loss and Comprehensive Loss****(Expressed in United States Dollars)**

	Three Months Ended		Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	\$	\$	\$	\$
Revenues, net of discounts	28,310,633	10,823,206	61,863,313	10,823,206
Cost of goods sold before biological asset adjustments	11,219,545	4,923,766	28,130,267	4,923,766
Gross profit before fair value adjustments	17,091,088	5,899,440	33,733,046	5,899,440
Fair value adjustment on sale of inventory	(9,328,081)	(4,696,472)	(16,331,570)	(4,696,472)
Unrealized gain on biological asset transformation	15,706,510	2,479,803	26,332,388	2,479,803
Gross profit	23,469,517	3,682,771	43,733,864	3,682,771
Expenses				
General and administrative	8,958,708	3,084,872	17,764,940	3,084,872
Sales and marketing	409,245	236,711	943,844	236,711

Depreciation	601,351	138,649	1,125,982	138,649
Amortization	2,998,667	1,387,977	5,997,333	1,387,977
Stock-based compensation	9,103,459	4,520,138	21,248,762	4,520,138
Acquisition expense	368,930	2,591,312	497,309	4,132,400
Total expenses	22,440,360	11,959,659	47,578,170	13,500,747
Income (Loss) from operations	1,029,157	(8,276,888)	(3,844,306)	(9,817,976)
Other (expense) income				
Share of loss (income) on equity investments	(8,013)	106,911	(23,138)	106,911
Foreign exchange	191	(35,083)	(2,619)	(18,368)
Unrealized (loss) gain - changes to fair value of financial liabilities	(2,861,022)	(26,621,554)	8,888,849	(162,434,128)
Interest expense	(752,614)	(586,389)	(1,519,577)	(586,389)
Interest income	26	137,302	-	364,518
Other	44,785	(12,212)	161,050	(12,212)
Total other (expense) income	(3,576,647)	(27,011,025)	7,504,565	(162,579,668)
(Loss) Income before income tax	(2,547,490)	(35,287,913)	3,660,259	(172,397,644)
Current tax	(4,223,419)	(1,430,813)	(8,267,415)	(1,430,813)
Deferred tax	(742,799)	932,901	(1,351,486)	932,901
Net loss	(7,513,708)	(35,785,825)	(5,958,642)	(172,895,556)
Foreign currency translation adjustment	(823,634)	(1,677,876)	952,134	(880,469)
Net loss and comprehensive loss	(8,337,342)	(37,463,701)	(5,006,508)	(173,776,025)
Basic and diluted loss per share	(0.28)	(2.18)	(0.22)	(20.94)
Weighted average number of shares outstanding (basic and diluted)	27,241,386	16,440,042	27,065,654	8,256,123

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

Unaudited Condensed Interim Consolidated Statements of Cash Flows

(Expressed in United States Dollars)

	Six Months Ended	
	June 30, 2020	June 30, 2019
	\$	\$
Operating activities		
Net loss	(5,958,642)	(172,895,556)
Adjustments for:		
Acquisition costs associated with financing activities	-	129,236
Net unrealized (gain) loss on changes in the fair value of financial liabilities	(8,888,849)	162,434,128
Stock-based compensation	21,248,762	4,520,138
Depreciation	2,017,982	257,245
Amortization on intangible assets	6,757,333	1,387,977
Share of loss on equity investments	23,138	(106,911)
Fair value adjustment on sale of inventory	16,331,570	4,696,472
Unrealized gain on biological asset transformation	(26,332,388)	(2,479,803)

Deferred tax expense (benefit)	1,351,486	(932,901)
Interest accrued	698,204	264,770
Interest income	-	(364,518)
Changes in non-cash operations, net of business acquisition:		
Accounts receivable	686,203	568,471
Inventory and biological assets	(3,003,987)	797,064
Prepaid expenses and other assets	(1,120,493)	(2,255,026)
Trade payables	3,265,691	2,455,857
Accrued liabilities	705,985	772,978
Income tax payable	8,267,415	1,430,813
Cash provided by operating activities	16,049,410	680,434
Investing activities		
Transfer of restricted cash and short term investments held in escrow and interest income	-	100,048,761
Purchase of property, plant and equipment	(5,601,523)	(160,254)
Deferred underwriters commission paid	-	(3,457,154)
Cash paid for business combinations, net of cash acquired	-	(74,714,171)
Payments for interests in equity accounted investments	(73,700)	-
Advances from related corporation	-	(1,520,909)
Cash (used in) provided by investing activities	(5,675,223)	20,196,273
Financing activities		
Redemption of Class A shares	-	(7,519)
Repayments of debts payable	(1,909,195)	(539,579)
Repayments of lease obligations (principal portion)	(574,231)	(43,878)
Repurchase of Subordinate Voting Shares	(307,442)	-
Cash used in financing activities	(2,790,868)	(590,976)
Net increase in cash	7,583,319	20,285,731
Effect of foreign currency translation	-	(2,466,655)
Cash and cash equivalents, beginning of the period	8,403,196	109,952
Cash and cash equivalents, end of the period	15,986,515	17,929,028
Supplemental disclosure of cash flow information:		
Interest paid during the period	1,287,017	321,619
Taxes paid during the period	-	111,607

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

Unaudited Condensed Interim Consolidated Adjusted EBITDA Reconciliation

(Expressed in United States Dollars)

	Three Months ended June 30,		Six Months ended June 30,	
	2020	2019	2020	2019
Income (Loss) from operations	1,029,157	(8,276,888)	(3,844,306)	(9,817,976)
Non-cash items accounting for biological assets and inventory				
Fair value adjustment on sale of inventory	9,328,081	4,696,472	16,331,570	4,696,472
Unrealized gain on biological asset transformation	(15,706,510)	(2,479,803)	(26,332,388)	(2,479,803)
	(6,378,429)	2,216,669	(10,000,818)	2,216,669
Interest	253,770	-	466,191	-
Depreciation and amortization (from statement of cash flows)	4,507,139	1,645,222	8,775,315	1,645,222

Acquisition costs	368,930	2,591,312	497,309	4,132,400
Stock-based compensation, non-cash	9,103,459	4,520,138	21,248,762	4,520,138
Other ¹	239,352	312,801	420,464	312,801
	14,472,650	9,069,473	31,408,041	10,610,561
Adjusted EBITDA (non-IFRS)	9,123,378	3,009,254	17,562,917	3,009,254

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



Source: Ayr Strategies Inc.