

August 27, 2019



Curaleaf Reports Second Quarter 2019 Financial and Operational Results

Reported Record Pro Forma Revenue⁽¹⁾⁽²⁾ of \$110.9 million and Managed Revenue⁽¹⁾ of \$55.1 Million

Generated \$3.4 million of Adjusted EBITDA⁽¹⁾ as Operations Continue to Scale

Announced Acquisition of Grassroots, Inc. the Largest Private U.S. MSO for approximately \$875 million Creating World's Largest Cannabis Company and Expanding Presence to 19 States

WAKEFIELD, Mass., Aug. 27, 2019 /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 second quarter ended June 30, 2019. All financial information is provided in U.S. dollars unless otherwise indicated.

Q2 2019 Financial Highlights (Unaudited)

(\$ thousands, except per share amounts)	Q2 2019	Q1 2019	% qoq Change	Q2 2018	% yoy Change
Managed Revenue ⁽¹⁾	\$55,100	\$40,682	35%	\$17,294	219%
Total Revenue	\$48,489	\$35,251	38%	\$14,644	231%
Gross profit before impact of biological assets	\$26,020	\$18,107	44%	\$7,809	233%
Gross profit on cannabis sales ⁽¹⁾	\$15,257	\$10,624	44%	\$4,631	229%
Gross margin on cannabis sales ⁽¹⁾	40%	38%		40%	
Adjusted EBITDA ⁽¹⁾	\$3,357	(\$3,686)		(\$3,838)	
Net income (loss) attributable to Curaleaf Holdings Inc.	(\$24,541)	(\$10,209)		(\$4,933)	
Net income (loss) per share – basic and diluted	(\$0.05)	(\$0.02)		(\$0.01)	

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 Eureka Investment Partners, LLC ("Eureka"), Absolute Healthcare, Inc.'s Emerald Dispensary operations, Acres Cannabis ("Acres"), Phytotherapeutics Management Services, LLC, Glendale Greenhouse, Cura Partners, Inc. ("Select") and GR Companies, Inc. ("Grassroots") as if they occurred on January 1, 2019.

Second Quarter Highlights

- Reported record quarterly pro forma revenue of \$110.9 million, managed revenue of \$55.1 million and Adjusted EBITDA of \$3.4 million
- Announced the acquisition of Select, the leading cannabis wholesale brand in the U.S.; Select transaction would combine Curaleaf's retail locations, vertical integration, wellness brand and strong East Coast market presence with Select's wholesale model, lifestyle brand and leading West Coast market presence.
- Acquired exclusive rights to operate Absolute Healthcare, Inc.'s Emerald dispensary in Gilbert, Arizona one of the highest grossing dispensaries in the state
- Announced two additional acquisitions in Arizona, both of which closed in August 2019
 - Glendale Greenhouse, a vertically integrated cannabis operation in the Phoenix metro area
 - Phytotherapeutics Management Services, the license of which will be applied to a newly developed flagship dispensary located at 2175 N 83rd Avenue
- Closed on acquisitions of Eureka in Northern California and Blackjack in Las Vegas, Nevada
- Acquired option to purchase Ohio Grown Therapies LLC's medical cannabis cultivation and processing licenses and facility in Ohio

Post Second Quarter Highlights

- Announced acquisition of Chicago, Illinois-based Grassroots, the largest private U.S. MSO for approximately \$875 million creating world's largest cannabis company which will expand presence to 19 states

- Received approval for change of ownership and control in Massachusetts
- Signed a sale-leaseback agreement with Freehold Properties, Inc. for six properties valued at \$28.3 million

"We have made significant progress over the last few months in executing on our strategy to become the leading vertically integrated multi-state cannabis operator in the United States," said Joseph Lusardi, Chief Executive Officer of Curaleaf. "The recently announced acquisitions of Select and Grassroots, as well as, tuck in acquisitions in Arizona, California, Nevada and Ohio position Curaleaf as the undisputed leader in the cannabis industry. With the industry's largest operational footprint, we have the scale to rapidly accelerate growth across the country. I continue to believe Curaleaf is the best positioned operator in the cannabis space with the potential to create substantial shareholder value."

Neil Davidson, Chief Financial Officer of Curaleaf, added, "We achieved a number of milestones in the second quarter, foremost, we generated positive Adjusted EBITDA for the first time in Company history, and we achieved record pro forma revenue of \$111 million. As our operations continue to ramp, we expect to see further improvement in our overall operating margins and an improving and accelerating cash flow profile. We continue to focus on positioning ourselves as the industry leader through prudent capital allocation to deliver strong organic growth."

Financial Results for the Second Quarter Ended June 30, 2019

Managed Revenue for the second quarter was \$55.1 million an increase of 219% over the prior year and 35% over the prior quarter. Pro Forma Revenue was \$110.9 million.

Total Revenue for the second quarter of 2019 increased 231% year-over-year to \$48.5 million, compared to \$14.6 million in the second quarter of 2018. Total Revenue for the second quarter of 2019 increased 38% over the prior quarter.

Retail and wholesale revenue increased more than three-fold to \$37.7 million during the quarter, compared to \$11.5 million in the second quarter of 2018. The increase in retail and wholesale revenue was primarily due to organic growth in Florida resulting from opening dispensaries, the opening of two dispensaries in New York, contributions from acquisitions in Arizona and Maryland, as well as increased wholesale revenue in Massachusetts as a result of adult-use dispensaries opening in the state.

Gross profit before impact of biological assets for the second quarter of 2019 was \$26.0 million, compared to \$7.8 million for the second quarter of 2018. The increase was due to continued improvement in the operating capacity of the Company's cultivation and processing facilities.

Gross profit on cannabis sales⁽¹⁾ was \$15.3 million in the second quarter of 2019, resulting in a 40% margin, compared to \$4.6 million in the second quarter of 2018. The increase was due to the mix in retail revenue over wholesale revenue and continued improvement in the operating capacity of the Company's cultivation and processing facilities.

Adjusted EBITDA⁽¹⁾ was \$3.4 million for the second quarter of 2019, compared to a loss of \$3.8 million for the second quarter of 2018.

Net loss for the second quarter of 2019 was \$24.4 million, compared to a net loss of \$6.4 million in the second quarter of 2018 due to an increase of \$5.8 million in depreciation and amortization and an increase of \$3.8 million in share-based compensation, both of which are non-cash, an increase of \$4.4 million in one-time charges, primarily acquisition related, an increase of \$3.4 million in net interest expense and an increase of \$7.0 million in provision for income tax. Net loss per share for the second quarter of 2019 was \$0.05, compared to a loss of \$0.01 in the second quarter of 2018.

Balance Sheet and Liquidity

As of June 30, 2019, we had \$107.3 million of cash, \$95.5 million of outstanding debt and fully diluted shares outstanding of 461.3 million.

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 +1-877-407-9039 (U.S. Toll-Free) or +1-201-689-8470 (International). 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/ir-calendar>.

For interested individuals unable to join the conference call, a dial-in replay of the call will be available until September 10, 2019 at 11:59 pm ET and can be accessed by dialing +1-844-512-2921 (U.S. Toll Free) or +1-412-317-6671 (International) and entering replay pin number: 13693392. The online archive of the webcast will be available on <https://ir.curaleaf.com/ir-calendar> for 30 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 acquisition and financing related costs. Curaleaf considers these measures to be an important indicator of the financial strength and performance of our business. The following tables provide a reconciliation of each of the non-IFRS measures to its closest IFRS measure.

Managed Revenue

	<u>Q2 2019</u>	<u>Q1 2019</u>	<u>Q2 2018</u>
Total Revenue	\$ 48,489	\$ 35,251	\$ 14,644
Revenue from managed entities, net of MSA fees	6,611	5,431	2,650
Managed revenue	<u>\$ 55,100</u>	<u>\$ 40,682</u>	<u>\$ 17,294</u>

Gross Profit on Cannabis Sales

	<u>Q2 2019</u>	<u>Q1 2019</u>	<u>Q2 2018</u>
Retail and wholesale revenues	\$ 37,726	\$ 27,768	\$ 11,466
Cost of goods sold	22,469	17,144	6,835
Gross profit on cannabis sales	<u>\$ 15,257</u>	<u>\$ 10,624</u>	<u>\$ 4,631</u>

Adjusted EBITDA

	<u>Q2 2019</u>	<u>Q1 2019</u>	<u>Q2 2018</u>
Net loss	\$ (24,435)	\$ (10,828)	\$ (6,430)
Interest expense, net	2,895	2,648	(488)
Income tax recovery (expense)	8,192	(1,438)	1,235
Depreciation and amortization	7,195	4,895	1,428
Share-based compensation	4,489	1,782	649
Other (income) expense	1,135	26	—
Change in fair value of biological assets	(1,392)	(2,246)	(1,120)
One time charges	5,278	1,475	888
Adjusted EBITDA	<u>\$ 3,357</u>	<u>\$ (3,686)</u>	<u>\$ (3,838)</u>

About Curaleaf Holdings

Curaleaf Holdings, Inc. (CSE: CURA) (OTCQX: CURLF) ("Curaleaf") is the leading vertically integrated multi-state cannabis operator in the United States. It is a high-growth cannabis company with a national brand known for quality, trust and reliability. The company is positioned in highly populated, limited license states, and currently operates in 12 states with 48 dispensaries, 14 cultivation sites and 13 processing sites. Curaleaf has the executive expertise and research and development capabilities to provide leading service, selection, and accessibility across the medical and adult-use markets, as well as in the CBD category through its Curaleaf Hemp brand. On May 1, 2019, Curaleaf announced the acquisition of the Select brand from Cura Partners for approximately \$949 million. On July

17, 2019, Curaleaf announced the acquisition of Grassroots for approximately \$875 million.

Condensed Interim Consolidated Statements of Financial Position (Unaudited)
(\$ thousands)

	<u>June 30,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Assets		
Current assets:		
Cash	\$ 107,346	\$ 266,616
Accounts receivable	14,415	9,402
Inventory, net	42,154	27,976
Biological assets	9,010	4,491
Prepaid expenses and other current assets	6,784	4,975
Total current assets	179,708	313,460
Deferred tax asset	2,556	2,556
Notes receivable	47,568	33,811
Property, plant and equipment, net	103,788	66,969
Right-of-use assets	56,165	—
Intangible assets, net	99,449	52,925
Goodwill	90,593	47,267
Investments	68,164	45,408
Other assets	7,070	7,440
Total assets	<u>\$ 655,061</u>	<u>\$ 569,836</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 10,376	\$ 3,974
Accrued expenses	16,907	15,721
Income tax payable	3,839	2,730
Current portion of lease liability	7,374	—
Current portion of notes payable	8,000	—
Current portion of notes payable – related party	2,570	2,403
Total current liabilities	49,065	24,828
Deferred tax liability	2,895	6,508
Notes payable	84,928	81,901
Lease Liabilities	51,512	—
Non-controlling interest redemption liability	2,957	2,957
Contingent consideration liability	14,475	—
Contingent consideration liability - related party	18,000	18,000
Total liabilities	<u>223,833</u>	<u>131,194</u>
Shareholders' equity:		
Share capital	680,987	657,525
Treasury shares	(4,663)	(4,325)
Reserves	(141,192)	(146,761)
Accumulated deficit	(100,416)	(65,666)
Total Curaleaf Holdings, Inc. shareholders' equity	434,716	440,773
Redeemable non-controlling interest	(2,957)	(2,957)
Non-controlling interest	(531)	(2,174)
Total shareholders' equity	<u>431,228</u>	<u>435,642</u>
Total liabilities and shareholders' equity	<u>\$ 655,061</u>	<u>\$ 569,836</u>

Condensed Interim Consolidated Statements of Profits and Losses (Unaudited)
(\$ thousands, except for share and per share amounts)

Three Months Ended

Six Months Ended

	June 30,		June 30,	
	2019	2018	2019	2018
Revenues:				
Retail and wholesale revenues	\$ 37,726	\$ 11,466	\$ 65,494	\$ 17,176
Management fee income	10,763	3,178	18,246	6,550
Total revenues	48,489	14,644	83,740	23,726
Cost of goods sold	22,469	6,835	39,614	11,691
Gross profit before impact of biological assets	26,020	7,809	44,126	12,035
Realized fair value amounts included in inventory sold	(15,478)	(2,871)	(25,833)	(4,336)
Unrealized fair value gain on growth of biological assets	16,870	3,991	29,471	5,957
Gross profit	27,412	8,929	47,764	13,656
Operating expenses:				
Selling, general and administrative	28,029	12,535	51,298	19,834
Share-based compensation	4,489	649	6,270	1,161
Depreciation and amortization	7,195	1,428	12,091	2,544
Total operating expenses	39,713	14,612	69,659	23,539
Loss from operations	(12,301)	(5,683)	(21,895)	(9,883)
Other income (expense):				
Interest income	2,436	1,702	4,919	3,157
Interest expense	(3,983)	(1,214)	(8,147)	(2,026)
Interest expense related to lease liabilities	(1,348)	—	(2,315)	—
Other expense	(1,047)	—	(1,073)	—
Total other income (expense), net	(3,942)	488	(6,616)	1,131
Loss before provision for income taxes	(16,243)	(5,195)	(28,511)	(8,752)
Income tax benefit (expense)	(8,192)	(1,235)	(6,753)	(1,012)
Net loss and comprehensive loss	(24,435)	(6,430)	(35,264)	(9,764)
Less: Net loss attributable to non-controlling interest	106	(1,497)	(513)	(2,604)
Net loss attributable to Curaleaf Holdings, Inc.	\$ (24,541)	\$ (4,933)	\$ (34,751)	\$ (7,160)
Loss per share attributable to Curaleaf Holdings, Inc. – basic and diluted	\$ (0.05)	\$ (0.01)	\$ (0.08)	\$ (0.02)
Weighted average common shares outstanding – basic and diluted	461,313,741	382,618,764	459,499,816	381,856,676

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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, future 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 "Risk Factors" in the Company's Annual Management, Discussion and Analysis dated April 22, 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.

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