

# iAnthus

October 21, 2019

Dear Shareholders,

2019 has been a transformative year for iAnthus Capital Holdings, Inc. (“iAnthus” or the “Company”) and we have had strong operating progress. From the historic merger with MPX Bioceutical Corporation (“MPX”) in February 2019, to the increase in market share and revenue generating initiatives across all iAnthus markets, iAnthus is poised for a bright future, including positive EBITDA and cash flow in 2020. A strong balance sheet, good corporate governance and the right team are also keys to our success.

## **Strong Operating Progress**

We recognize the past year has been a frustrating time to be an investor in cannabis and in iAnthus; however, the decline in our share price does not reflect our operational achievements and recent successes:

- ✓ We closed our historic merger with MPX, and integration of the first public-to-public merger in the U.S. cannabis sector is largely complete. The revenue and cost synergies will be evident in 2020;
- ✓ In Florida, from a standing start, the Company has gone from 0% to almost 4% market share, opening nine retail stores this year and made nearly 120,000 square feet of cultivation facilities operational. We are now generating well over US\$1.5 million of revenue per month in this important and rapidly growing state;
- ✓ In several of our key markets, including Massachusetts and the Southwest, we are operating cashflow positive and will achieve this in other key markets later this year and in 2020; and
- ✓ Our wholesale business has been a big success with our THC products now carried in over 170 stores and our CBD for Life products available across the United States.

Overall, we now have 27 open dispensaries, 11 of which have opened in the last 10 months. We are growing in every market in which we operate and we are one of the few multi-state operators (MSOs) that has meaningful revenue and operational infrastructure in multiple states, including Arizona, Florida, Maryland, Massachusetts, and Nevada. 2020 has the potential for multiple states to transform from medical into recreational markets, specifically New York, New Jersey, Arizona, and Florida. We have correspondingly planned the timing of many of our capital investments based on these possible regulatory catalysts.

## **Funding our Growth**

We recently announced a new financing agreement with an existing investor, Gotham Green Partners (“GGP”). GGP is a leading cannabis-focused investment firm with multiple investments across the cannabis value chain. Since first investing in iAnthus in May 2018, GGP has been a meaningful partner in our operating success to date. GGP is backing a financing plan of up to US\$100 million, of which the first closing of US\$20 million occurred on September 30, 2019. The full US\$100 million investment will be used to finance our entire operating plan, which we believe will enable iAnthus to achieve positive EBITDA and deliver sustainable operating cash flows beginning in the second half of next year. We believe that in the current market environment, maintaining an adequate capital base will help insulate iAnthus from market gyrations and may lead to additional strategic opportunities as the U.S. cannabis market evolves.

## **Commitment to Good Corporate Governance**

Earlier this year we announced that we moved to a single class of stock to better align all shareholders. On October 17, 2019 we took another important step in improving our commitment to good corporate governance. We are very pleased to be nominating Robert M. Whelan Jr., Michael P. Muldowney, Diane M. Ellis, Mark Dowley and Joy Chen, to join our board of directors (“Board”). All proposed directors being nominated are completely independent of all iAnthus officers, directors, affiliates, and major shareholders of the business **(Their biographies are attached in the Company’s Management Proxy Circular dated October 21, 2019)**. Adding these highly qualified individuals to our Board accomplishes one of our primary 2019 objectives of appointing a best-in-class board of directors, that is independent and comprised of highly experienced and proven leaders from across multiple industries.

We are committed to being at the forefront of good corporate governance and maintaining sound governance principles that effectively represent the interests of the Company and its shareholders. Having an independent Board is just the first step. We recognize that our governance practices must evolve regularly, and we continue to monitor advancements in governance practices. To this end, we expect to implement several changes to the Company’s corporate charters in support of this commitment that are designed to meet and exceed the highest standards for corporate governance best practices. Such changes include:

1. Independent Directors: Establishing a diverse Board with a majority of independent directors (five of the Company’s eight proposed directors up for election are independent);
2. Lead Independent Director: Establishing a requirement to nominate a Lead Independent Director;
3. Independent Committees: Constituting compensation, audit, nominating and governance committees comprised solely of independent directors;
4. Committee Criteria Policy: Establishing expertise and other required thresholds for appointment to committees;
5. Business Practices and Policies: Improving diversification, and formally implementing an insider trading and confidentiality policies, among others; and
6. Commitment to Business and Ethical Conduct: Adopting a Whistleblower Policy and Third-Party Independent Hotline mechanism for confidential and anonymous submission of concerns.

## **Building the Best Team in Cannabis**

In order to be successful in cannabis you need the right assets and you need the right team. In the past year, we have grown Team iAnthus to over 700 employees with tremendous experience in the key elements of success for this industry:

- ✓ In cannabis, we have team members with scores of cannabis cups and other industry awards under their belts;
- ✓ In retail, Beth Stavola and her team pioneered their award-winning retail concepts in Arizona and Maryland;
- ✓ In brand building, our Chief Marketing Officer, Neil Calvesbert developed distribution for Quicksilver (Apparel) in Europe at the start of his career, ultimately growing his region to over US\$30 million in sales before his 21<sup>st</sup> birthday. More recently he led the marketing effort at Monster Energy where his team took sales from US\$1 billion to US\$3 billion of lifestyle brands helping to drive their stock up 4x during his tenure;
- ✓ In operational excellence, our Chief Operating Officer, Pat Tiernan took Stone Brewery, a little-known craft beer maker from southern California to over 50 countries and a top five ranking in the category. Like cannabis, the beer has to be the same in every location; and

- ✓ In financial control and planning, our Chief Financial Officer, Julius Kalcevich has focused on operating and cost efficiency, and has assembled the necessary resources to execute on these drivers to shareholder returns. The operations finance function will continue to underpin our budgeting, forecasting, and cash management. In addition, our M&A team has a proven ability to add footprint, and even more importantly, has successfully integrated over 15 acquisitions in the last 20 months.

As a collective group, we all wake up every day with one focus: to work for you, our shareholders.

### **A Brighter Future Ahead**

As we look toward the future, we are confident we have the assets, the people, and the capital to make iAnthus one of the leaders in the emerging cannabis industry. Our new Board will be highly focused on setting the standards in the industry for governance, human capital management, compensation, retention, regulatory oversight, and transparency. The year ahead will be an exciting one for iAnthus as we continue to expand our operations in existing states and look forward to launching and expanding exciting new initiatives across our platform. The new year promises to bring new opportunities with regulatory changes at both federal and state levels and we are well positioned both operationally and financially to capitalize on those opportunities as they arise.

We thank you for your trust and support.

Sincerely,

A handwritten signature in black ink, appearing to read 'Hadley Ford', written in a cursive style.

Hadley Ford