

May 30, 2019



# Curaleaf Reports First Quarter 2019 Financial and Operational Results

Reported Pro Forma Revenue<sup>(1)(2)</sup> of \$75.1 million in First Quarter 2019

Delivered Managed Revenue<sup>(1)</sup> of \$40.7 Million in First Quarter 2019 through Continued Expansion of Market-Leading Operational Footprint

Announced Acquisition of Select, the Leading Cannabis Wholesale Brand in the U.S.

WAKEFIELD, Mass., May 30, 2019 /PRNewswire/ -- Curaleaf Holdings, Inc. (CSE: CURA) (OTC: CURLF), a leading vertically integrated cannabis operator in the U.S., today reported its financial and operating results for the first quarter ended March 31, 2019. All financial information is provided in U.S. dollars unless otherwise indicated.

## Q1 2019 Financial Highlights (Unaudited)

(\$ thousands, except per share amounts)	Q1 2019	Q4 2018	% qoq Change	Q1 2018	% yoy Change
Managed Revenue <sup>(1)</sup>	\$40,682	\$34,850	17%	\$11,303	260%
Total Revenue	\$35,251	\$31,961	10%	\$9,082	288%
Gross profit before impact of biological assets	\$18,107	\$19,981	-9%	\$4,226	328%
Gross profit on cannabis sales <sup>(1)</sup>	\$10,624	\$11,757	-10%	854	1144%
Gross margin on cannabis sales <sup>(1)</sup>	38%	50%		15%	
Adjusted EBITDA <sup>(1)</sup>	(\$3,686)	(\$661)		(\$2,014)	
Net income (loss) attributable to Curaleaf Holdings Inc.	(\$10,209)	(\$11,200)		(\$2,306)	
Net income (loss) per share – basic and diluted	(\$0.02)	(\$0.02)		(\$0.01)	

<sup>1</sup> See "Non-IFRS Financial and Performance Measures" below for more information regarding Curaleaf's use of Non-IFRS financial measures and other reconciliations.

<sup>2</sup> Pro Forma Revenue includes the revenue of pending and closed acquisitions of Eureka Investment Partners, LLC ("Eureka"), Acres Cannabis ("Acres"), Cura Partners, Inc. ("Select"), and Absolute Healthcare, Inc.'s Emerald Dispensary operations as if they occurred on January 1, 2019.

## First Quarter Highlights

- Reported Pro Forma Revenue of \$75.1 million<sup>(1)(2)</sup>
- Opened seven new dispensaries at a rapid pace in key markets such as Florida, Maryland and New York, building on existing licenses and prior acquisitions
- Qualified to list on OTC Markets Group's OTCQX® Best Market under the symbol "CURLF"

## Post First Quarter Highlights

- 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 option to purchase Ohio Grown Therapies LLC's medical cannabis cultivation and processing licenses and facility in Ohio
- Completed acquisition of exclusive rights to operate Absolute Healthcare, Inc.'s Emerald dispensary in Gilbert, Arizona one of the highest grossing dispensaries in the state
- Completed acquisition of Eureka in California

"In the months since our last earnings release we have continued to execute 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. "We reported strong organic growth, anchored by our core East Coast markets, and announced several landmark transactions, including the acquisition of Select, that will position Curaleaf to lead the industry forward. The combination of Curaleaf and Select will bring together the largest retailer and largest wholesaler, with the leading wellness and lifestyle brands in the United States, providing substantial opportunities to accelerate revenue growth, achieve significant cost savings and expand overall margins. I am excited for the future as we continue to pursue

ways to expand our footprint and integrate across states to create value for shareholders."

Neil Davidson, Chief Financial Officer of Curaleaf, added, "In addition to Select, we prudently deployed capital focusing on tuck-in acquisitions that will expand our footprint and capabilities in key markets. We remain focused on positioning ourselves as the industry leader through prudent capital allocation to deliver strong organic growth. We are confident in our strategy and plans for accelerated growth in the back half of the year, as we build out a national platform and brands with the goal of producing profitable and positive cash flow over the long-term."

<sup>1</sup> See "Non-IFRS Financial and Performance Measures" below for more information regarding Curaleaf's use of Non-IFRS financial measures and other reconciliations.

<sup>2</sup> Pro Forma Revenue includes the revenue of pending and closed acquisitions of Eureka, Acres, Select, and Absolute Healthcare, Inc.'s Emerald Dispensary operations as if they occurred on January 1, 2019.

### **Financial Results for the First Quarter Ended March 31, 2019**

Managed Revenue for the first quarter was \$40.7 million an increase of 260% over the prior year and 17% over the prior quarter. Pro Forma Revenue<sup>(1)(2)</sup> was \$75.1 million.

Total Revenue for the first quarter of 2019 increased 288% year-over-year to \$35.3 million, compared to \$9.1 million in the first quarter of 2018. Revenue for the first quarter of 2019 increased 10% over the prior quarter.

Retail and wholesale revenue saw a nearly five-fold increase to \$27.8 million during the quarter, compared to \$5.7 million in the first quarter of 2018. The increase in cannabis revenue was primarily due to the contribution from acquisitions made throughout 2018 as well as from new dispensaries that opened during the quarter in Florida and New York.

Gross profit before impact of biological assets for the first quarter of 2019 was \$18.1 million, resulting in gross margin of 51%, compared to \$4.2 million for the first quarter of 2018. The increase over the prior year was due to improved operating capacity of the Company's cannabis business.

Gross profit on cannabis sales<sup>(1)</sup> was \$10.6 million in the first quarter of 2019, resulting in a 38% margin, compared to \$0.9 million in the first quarter of 2018.

Adjusted EBITDA<sup>(1)</sup> loss was \$3.7 million for the first quarter of 2019, compared to a loss of \$2.0 million for the first quarter of 2018.

Net loss for the first quarter of 2019 was \$10.9 million, compared to a net loss of \$3.4 million in the first quarter of 2018 due to an increase of \$5.0 million in non-cash depreciation and amortization and share-based compensation and an increase in net interest expense of \$4.3 million. Net loss per share for the first quarter of 2019 was \$0.02, compared to a loss of \$0.01 in the first quarter of 2018.

### **Balance Sheet and Liquidity**

As of March 31, 2019, we had \$172.6 million of cash, \$85.9 million of outstanding debt and fully diluted shares outstanding of 453.6 million.

### **Conference Call and Webcast Information**

Curaleaf will host a conference call and audio webcast today at 6:00 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 June 13, 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: 13691231. 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

(\$ thousands)

	<u>Q1 2019</u>	<u>Q4 2018</u>	<u>Q1 2018</u>
Total Revenue	\$ 35,251	\$ 31,961	\$ 9,082
Revenue from managed entities, net of MSA fees	5,430	2,889	2,221
Managed revenue	\$ 40,681	\$ 34,850	\$ 11,303

### Gross Profit on Cannabis Sales

(\$ thousands)

	<u>Q1 2019</u>	<u>Q4 2018</u>	<u>Q1 2018</u>
Retail and wholesale revenues	\$ 27,768	\$ 23,737	\$ 5,710
Cost of goods sold	17,144	11,980	4,856
Gross profit on cannabis sales	\$ 10,624	\$ 11,757	\$ 854

### Adjusted EBITDA

(\$ thousands)

	<u>Q1 2019</u>	<u>Q4 2018</u>	<u>Q1 2018</u>
Net loss	\$ (10,826)	\$ (16,472)	\$ (3,413)
Interest expense, net	2,648	2,674	(643)
Income tax recovery (expense)	(1,438)	1,926	(223)
Depreciation and amortization	4,895	3,612	1,116
Share-based compensation	1,782	1,096	512
Other (income) expense	26	(31)	—
Change in fair value of biological assets	(2,246)	1,385	501
One time charges	1,475	5,149	136
Adjusted EBITDA	\$ (3,686)	\$ (661)	\$ (2,014)

## 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 45 dispensaries, 12 cultivation sites and 11 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 the CBD category through its Curaleaf Hemp brand.

### Condensed Interim Consolidated Statements of Financial Position (Unaudited)

(\$ thousands)

	<u>Three Months Ended</u>	
	<u>March 31,</u>	
	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Current assets:		
Cash	\$ 172,617	\$ 266,616

Accounts receivable	11,661	9,402
Inventory, net	35,249	27,976
Biological assets	5,425	4,491
Prepaid expenses and other current assets	5,824	4,975
Total current assets	230,776	313,460
Deferred tax asset	2,556	2,556
Notes receivable	39,020	33,811
Property, plant and equipment, net	82,475	66,969
Right-of-use assets	40,079	—
Intangible assets, net	55,704	52,925
Goodwill	75,090	47,267
Investments	68,499	45,408
Other assets	7,050	7,440
Total assets	<u>\$ 601,249</u>	<u>\$ 569,836</u>

#### Liabilities and Shareholders' Equity

##### Current liabilities:

Accounts payable	\$ 9,304	\$ 3,974
Accrued expenses	6,981	15,721
Income tax payable	407	2,730
Current portion of lease liabilities	6,899	—
Current portion of notes payable – related party	2,570	2,403
Total current liabilities	26,161	24,828
Deferred tax liability	7,528	6,508
Notes payable	83,322	81,901
Lease liabilities	34,912	—
Non-controlling interest redemption liability	2,957	2,957
Other long-term liabilities	1,852	—
Contingent consideration liability – related party	18,000	18,000
Total liabilities	<u>174,732</u>	<u>134,194</u>

##### Shareholders' equity:

Share capital	657,784	657,525
Treasury shares	(4,663)	(4,325)
Reserves	(144,979)	(146,761)
Accumulated deficit	(75,875)	(65,666)
Total Curaleaf Holdings, Inc. shareholders' equity	432,267	440,773
Redeemable non-controlling interest	(2,957)	(2,957)
Non-controlling interest	(2,793)	(2,174)
Total shareholders' equity	426,517	435,642
Total liabilities and shareholders' equity	<u>\$ 601,249</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	
	March 31,	
	2019	2018
Revenues:		
Retail and wholesale revenues	\$ 27,768	\$ 5,710
Management fee income	7,483	3,372
Total revenues	35,251	9,082
Cost of goods sold	17,144	4,856
Gross profit before impact of biological assets	18,107	4,226
Realized fair value amounts included in inventory sold	(10,355)	(1,465)
Unrealized fair value gain on growth of biological assets	12,601	1,966
Gross profit	20,353	4,727

Operating expenses:		
Selling, general and administrative	23,268	7,378
Share-based compensation	1,782	512
Depreciation and amortization	4,895	1,116
Total operating expenses	<u>29,945</u>	<u>9,006</u>
Loss from operations	(9,592)	(4,279)
Other income (expense):		
Interest income	2,483	1,455
Interest expense	(4,164)	(812)
Interest expense related to lease liabilities	(967)	—
Other expense	(26)	—
Total other income (expense), net	<u>(2,674)</u>	<u>643</u>
Loss before provision for income taxes	(12,266)	(3,636)
Income tax benefit (expense)	1,438	223
Net loss and comprehensive loss	(10,828)	(3,413)
Less: Net loss attributable to non-controlling interest	(619)	(1,107)
Net loss attributable to Curaleaf Holdings, Inc.	<u>\$ (10,209)</u>	<u>\$ (2,306)</u>
Loss per share attributable to Curaleaf Holdings, Inc. – basic and diluted	<u>\$ (0.02)</u>	<u>\$ (0.01)</u>
Weighted average common shares outstanding – basic and diluted	<u>453,559,765</u>	<u>381,086,113</u>

#### Investor Contact:

Curaleaf Holdings, Inc.

Daniel Foley, VP, Corporate Finance & Investor Relations

[IR@curaleaf.com](mailto:IR@curaleaf.com)

#### Media Contact:

Teneo

Megan Bishop, SVP

[Media@curaleaf.com](mailto:Media@curaleaf.com)

#### Cautionary Note Regarding Forward-Looking Statements and Future-Oriented Financial Information

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 2019; expected 2019 Pro Forma Revenue, 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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