

"We are building the cannabis company of the future by bringing the best of science, medicine and engineering to the cannabis industry."

- Kyle Kingsley, M.D.
  Founder & CEO

VIREO

Q1 2020 Earnings Conference Call
June 16, 2020

CNSX: VREO **OTCQX: VREOF**

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Today's Presenters



Kyle Kingsley, M.D.
Founder & Chief Executive Officer



Shaun Nugent
Chief Financial Officer



Sam Gibbons
Vice President, Investor Relations

Dial-in & Webcast Details:

Dial-ins: 833-714-0863 (Toll-Free)
778-560-2618 (International)
ID 7783416

Webcast Link:

https://event.on24.com/wcc/r/2395200/4F34D7BF58C5B938E83F029655D0B5B2

First Quarter 2020 Highlights

- The Company generated operating revenue in seven states during the first quarter: Arizona, Maryland, Minnesota, New Mexico, New York, Ohio, and Pennsylvania.
- Strongest quarter of revenue growth in Company history, with 34 percent growth sequentially and 110 percent growth year-over-year to $12.1 million.
- Retail revenue was approximately $8.2 million in Q1 2020, an increase of 58 percent compared to $5.2 million in Q1 2019. Wholesale revenue of $3.9 million increased by $3.3 million as compared to $610,881 Q1 2019.
- The Company expects minimal capital expenditures during the remainder of fiscal year 2020, and anticipates the benefits of recent cost reduction initiatives will materialize more substantially in second quarter results.
- The Company's operating strategy is focused on its core medical markets and management anticipates becoming cash flow positive during the first half of fiscal year 2021.

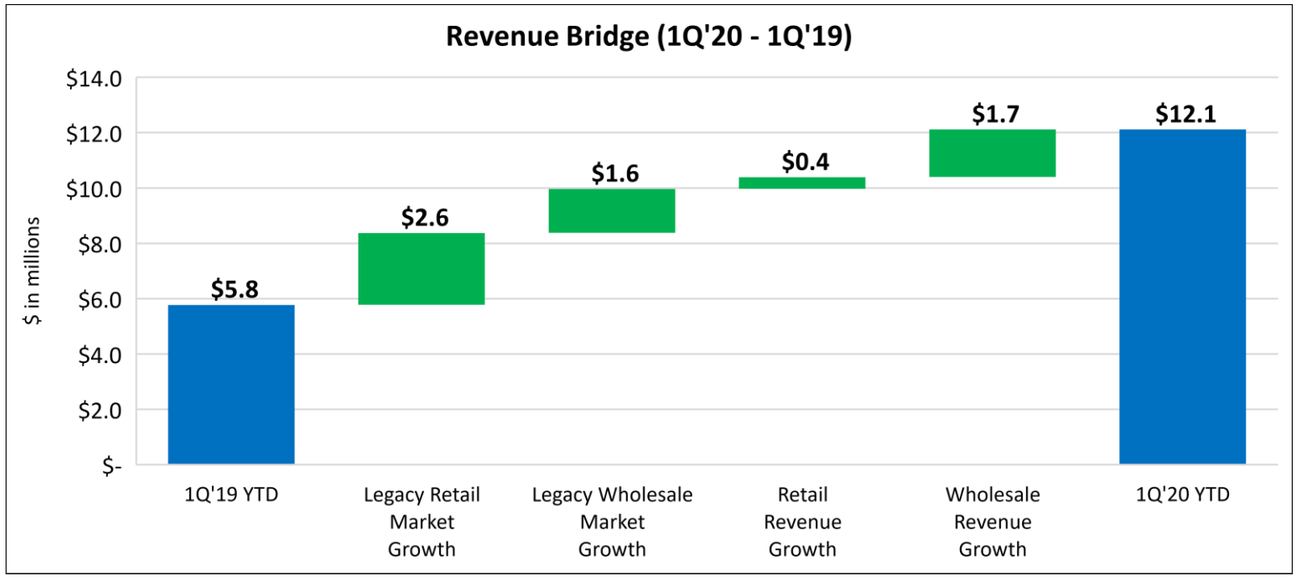


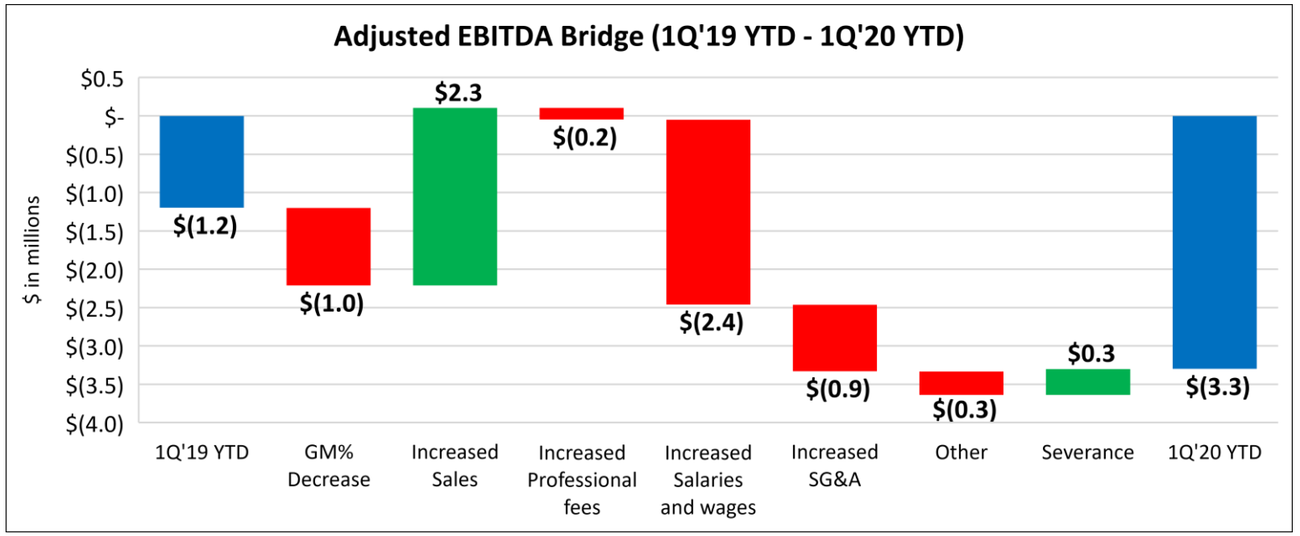
Key First Quarter 2020 Financial Metrics

$ in millions, except per share data	Three Months Ended March 31, 2020	2019	Variance
Revenue	$12.1	$5.8	$6.3
Gross Profit (Before Fair Value Adjustments)	$3.4	$2.1	$1.3
Gross Profit Margin	28.2%	36.6%	*-836 bps*
Gross Profit (After Fair Value Adjustments)	$11.4	$7.2	$4.2
Gross Profit Margin	93.9%	123.8%	*-2,991 bps*
SG&A Expenses	$2.3	$1.4	$0.9
SG&A (% of sales)	19.1%	25.0%	*-591 bps*
Net Income (Loss)	($2.0)	($2.0)	$0.0
Adjusted Net Income (Loss)	($8.1)	($4.8)	($3.3)
Adjusted EBITDA (non-IFRS)	($3.3)	($1.2)	($2.1)
Adjusted EBITDA Margin (non-IFRS)	-27.2%	-20.8%	*-645 bps*

First Quarter 2020 Performance

- Total revenue increased 110 percent year-over-year, driven by increasing demand and patient counts across most markets, continued wholesale market growth, and contributions from acquired entities in Arizona and New Mexico.
- Adjusted EBITDA loss of $3.3 million as compared to a loss of $1.2 million in Q1 2019, with the variance primarily driven by lower gross margin, and increased salaries and wages and SG&A expenses, offset partially by greater sales.
- The Company incurred severance expenses of $340,000 during the quarter and recorded a one-time gain of $1.3 million on a derivative liability related to the issuance of compensation warrants.
- As of March 31, 2020, the Company had 37,952,477 equity shares issued and outstanding, and 153,463,362 shares outstanding on an as-converted, fully-diluted basis.







vireohealth.com

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

VIREO HEALTH INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the Three Months Ended March 31, 2020 and 2019
(Unaudited - Expressed in United States Dollars)

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
REVENUE	$ 12,118,567	$ 5,777,792
Production Costs	(8,701,653)	(3,665,869)
Gross Profit Before Fair Value Adjustments	**3,416,914**	**2,111,923**
Realized Fair Value Amounts Included in Inventory Sold	(7,768,781)	(3,026,731)
Unrealized Fair Value Gain on Growth of Biological Assets	15,725,754	8,065,726
Gross Profit	**11,373,887**	**7,150,918**
EXPENSES		
Depreciation	315,278	373,779
Professional fees	729,121	574,260
Salaries and wages	3,564,715	1,152,940
Selling, general and administrative expenses	2,313,506	1,444,749
Share Based Compensation	2,735,938	201,187
	9,658,558	**3,746,915**
OTHER INCOME (EXPENSE)		
Loss on sale of property and equipment	(13,800)	(484)
Interest expense	(1,712,656)	(1,023,815)
Accretion expense	(19,198)	(9,671)
Listing expense	-	(3,464,613)
Gain (Loss) on derivative liability	1,325,928	-
Inventory impairment	(139,008)	-
Other expense	(436,274)	(140,179)
Total Other Income (Expense)	**(995,008)**	**(4,638,762)**
INCOME (LOSS) BEFORE INCOME TAXES	**720,321**	**(1,234,759)**
Current income taxes	(505,100)	(745,000)
Deferred income taxes	(2,239,000)	(1,467,000)
PROVISION (RECOVERY) FOR INCOME TAXES	**(2,744,100)**	**(2,212,000)**
LOSS AND COMPREHENSIVE LOSS	**$ (2,023,779)**	**$ (3,446,759)**
Weighted Average Shares Outstanding - basic and diluted	88,519,845	59,757,979
Net Loss Per Share - basic and diluted	$ (0.02)	$ (0.06)

Consolidated Statements of Financial Position

VIREO HEALTH INTERNATIONAL, INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
As at March 31, 2020 and December 31, 2019
(Unaudited - Expressed in United States Dollars)

	March 31, 2020	December 31, 2019
ASSETS		
Current Assets		
Cash	$ 11,729,866	$ 7,641,673
Restricted Cash	1,592,500	1,592,500
Receivables	859,212	1,025,963
Inventories	30,460,205	32,437,308
Biological Assets	16,334,123	6,134,209
Prepaid Expenses	1,151,981	2,285,548
Deferred acquisition costs	28,136	28,136
	62,156,023	**51,145,337**
Non-Current Assets		
Right of Use Assets	32,019,710	25,921,603
Property and Equipment	13,533,060	13,326,337
Deposits	2,626,366	2,651,366
Deferred Loss on Sale Leaseback	-	30,481
Goodwill	3,132,491	3,132,491
Intangible Asset	8,847,047	9,001,237
	60,158,674	**54,063,515**
Total Assets	**$ 122,314,697**	**$ 105,208,852**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable and Accrued Liabilities	$ 4,285,630	$ 3,140,086
Current portion of Right of Use Liability	480,610	619,827
Derivative Liability	2,229,101	-
	6,995,341	**3,759,913**
Long-Term Liabilities		
Deferred Income Taxes	6,767,000	4,528,000
Right of Use Liability	35,507,281	28,665,681
Long-Term Debt	1,110,000	1,110,000
Convertible debt	836,644	817,446
	51,216,266	**38,881,040**
Shareholders' Equity		
Share Capital	122,511,602	118,453,142
Reserves	10,698,447	7,962,509
Deficit	(62,111,618)	(60,087,839)
	71,098,431	**66,327,812**
Total Liabilities and Equity	**$ 122,314,697**	**$ 105,208,852**

Reconciliation of IFRS to Non-IFRS Financial Measures

	Three Months Ended March 31,	
	2020	**2019**
Net loss	$ (2,023,779)	$ (3,446,759)
Net fair value adjustments	(7,956,973)	(5,038,995)
Listing expense	-	3,464,613
Gain (Loss) on Derivative Liabilitiy	(1,325,928)	-
Inventory adjustment	139,008	-
Share-based compensation	2,735,938	201,187
Severance Expense	339,997	-
Adjusted net loss (non-IFRS)	$ (8,091,737)	$ (4,819,954)
Net loss	$ (2,023,779)	$ (3,446,759)
Interest income	(124)	(76)
Interest expense	1,712,780	1,023,891
Accretion expense	19,198	9,671
Income taxes	2,744,100	2,212,000
Depreciation	315,278	373,779
EBITDA (non-IFRS)	$ 2,767,453	$ 172,506
Net fair value adjustments	(7,956,973)	(5,038,995)
Listing expense	-	3,464,613
Gain (Loss) on Derivative Liabilitiy	(1,325,928)	-
Inventory adjustment	139,008	-
Share-based compensation	2,735,938	201,187
Severance Expense	339,997	-
Adjusted EBITDA (non-IFRS)	$ (3,300,505)	$ (1,200,689)

Net Loss Per Share - basic and diluted for the three months ended March 31, 2020 and 2019 was $(0.02) and $(0.06), respectively.