

"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

Q2 2020 Earnings Conference Call
August 26, 2020

CNSX: VREO **OTCQX: VREOF**

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RECONCILATION OF NON-IFRS FINANCIAL MEASURES: Adjusted Net loss, EBITDA, Adjusted EBITDA, and Adjusted Operating Expenses are non-IFRS measures and do not have standardized definitions under IFRS. This presentation provides reconciliations of the supplemental non-IFRS financial measures, presented herein to the most directly comparable financial measures calculated and presented in accordance with IFRS. The Company has provided the non-IFRS financial measures, which are not calculated or presented in accordance with IFRS, as supplemental information and in addition to the financial measures that are calculated and presented in accordance with IFRS. These supplemental non-IFRS financial measures are presented because management has evaluated the financial results both including and excluding the adjusted items and believe that the supplemental non-IFRS financial measures presented provide additional perspective and insights when analyzing the core operating performance of the business. These supplemental non-IFRS financial measures should not be considered superior to, as a substitute for or as an alternative to, and should be considered in conjunction with, the IFRS financial measures presented.

Today's Presenters



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



John Heller
Chief Financial Officer



Sam Gibbons
Vice President, Investor Relations

Dial-in & Webcast Details:

Conference Call Registration:

http://www.directeventreg.com/registration/event/7027889

Webcast Registration:

https://event.on24.com/wcc/r/2551145/E03315255278E8A5F7BCA2ED140E4269

Second Quarter 2020 Highlights

- The Company generated operating revenue in seven states during the second quarter: Arizona, Maryland, Minnesota, New Mexico, New York, Ohio, and Pennsylvania.
- Total revenue of $12.2 million grew 70 percent year-over-year. Reported revenue, excluding contributions from the Company's former PAMS subsidiary, increased 59 percent to $10.8 million.
- Retail revenue was approximately $9.2 million in Q2 2020, an increase of 46 percent compared to $6.3 million in Q2 2019. Wholesale revenue of $1.6 million increased by $1.1 million as compared to $444,023 in Q2 2019.
- The sale of the Company's former PAMS subsidiary closed on August 11, 2020. At the time of closing the Company had approximately $21.1 million in cash on hand.
- During the second half of fiscal year 2020, the Company plans to invest between $8.0 and $9.0 million in strategic growth investments in Arizona, Maryland, Minnesota, and New Mexico.
- These projects should be complete by the end of Q1 2021 and are expected to contribute to revenue growth and margin expansion and enable the Company to begin producing positive cash flow from operations around the midpoint of next year.

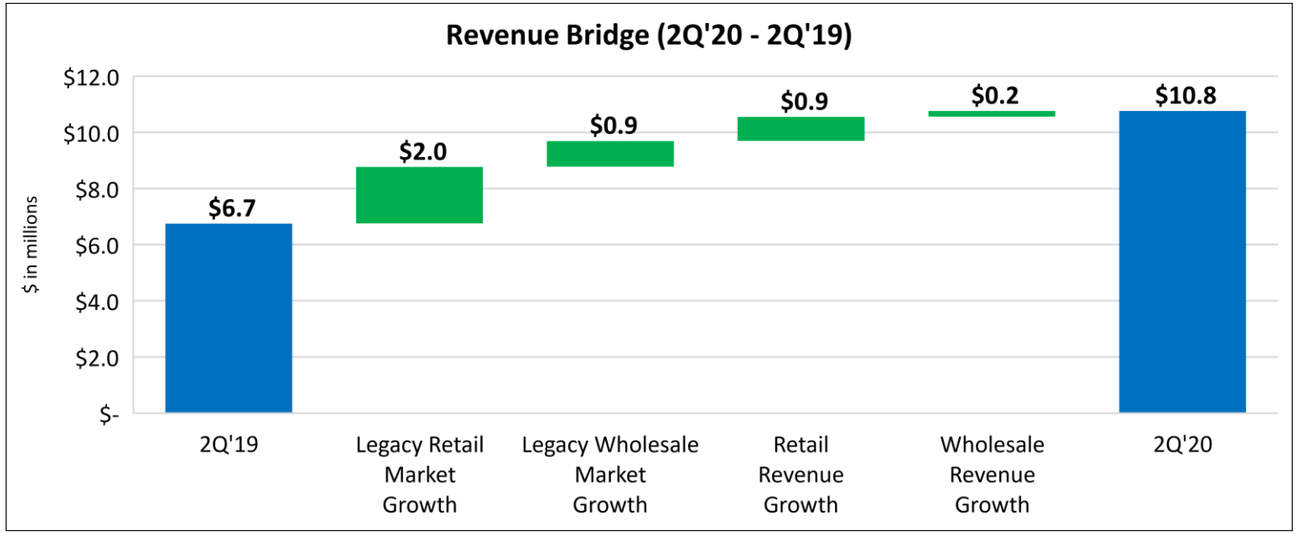


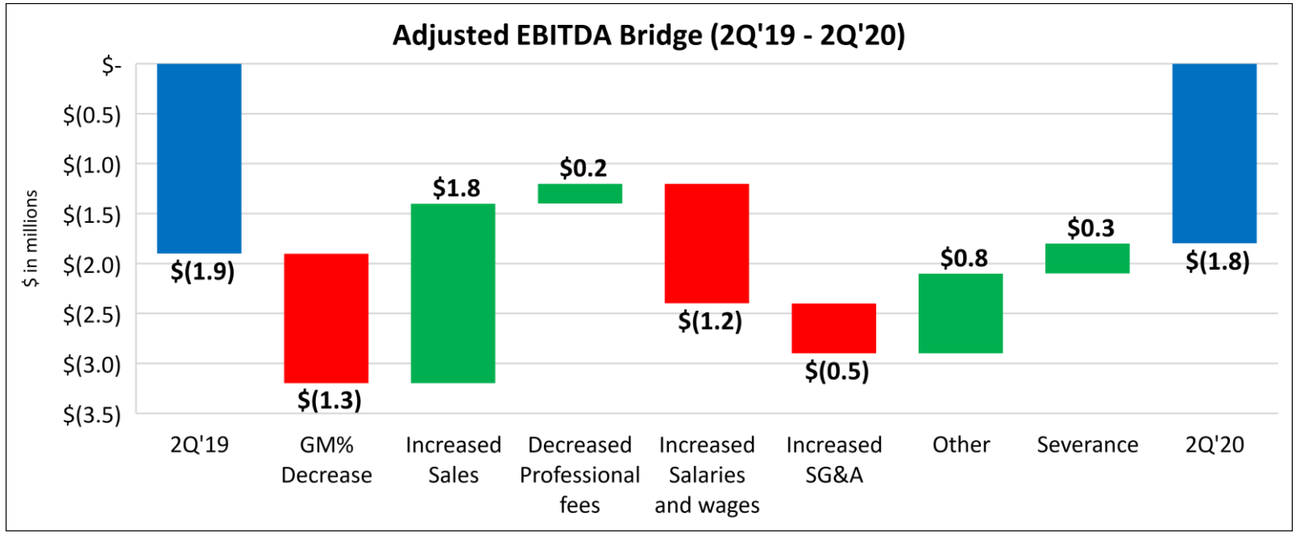
Key Second Quarter 2020 Financial Metrics

$ in millions, except per share data	Three Months Ended June 30, 2020	2019	Variance
Total Revenue, Including Disc. Ops	$12.2	$7.2	$5.0
Reported Results			
Revenue	$10.8	$6.7	$4.0
Gross Profit (Before Fair Value Adjustments)	$3.5	$3.0	$0.5
Gross Profit Margin	32.3%	44.8%	*-1,250 bps*
Gross Profit (After Fair Value Adjustments)	$14.9	$7.3	$7.6
Gross Profit Margin	138.1%	108.1%	*2,994 bps*
Adjusted Operating Expenses	$6.0	$5.0	$1.0
Adjusted Operating Expenses (% of Sales)	54.9%	74.2%	*-1,930 bps*
SG&A Expenses	$2.4	$2.4	$0.0
SG&A (% of sales)	22.0%	35.7%	*-1,372 bps*
Net Income (Loss)	($9.0)	($1.9)	($7.1)
Adjusted Net Income (Loss)	($7.4)	($4.1)	($3.2)
Adjusted EBITDA (non-IFRS)	($1.8)	($1.9)	$0.1
Adjusted EBITDA Margin (non-IFRS)	-16.4%	-27.6%	*1,117 bps*

Second Quarter 2020 Performance

- Reported revenue increased 59 percent year-over-year, driven by greater patient enrollment and average revenue per patient in Minnesota and New Mexico, contributions from new retail dispensaries in Pennsylvania, and wholesale growth in Maryland, New York and Ohio.
- Adjusted EBITDA loss of $1.8 million was roughly flat as compared to Q2 of 2019. An unfavorable variance in gross margin and increased salaries, wages, and SG&A expenses was partially offset by increased sales and other income.
- Adjusted operating expenses and SG&A expenses as a percentage of revenue continued to improve in-line with management's expectations.
- As of June 30, 2020, the Company had 37,952,477 equity shares issued and outstanding, and 153,203,217 shares outstanding on an as-converted, fully-diluted basis.







vireohealth.com

Consolidated Statements of Loss and Comprehensive Loss

VIREO HEALTH INTERNATIONAL, INC. CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS For the Three Months Ended June 30, 2020 and 2019 (Unaudited - Expressed in United States Dollars)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019
REVENUE	10,763,125	6,748,691
Production Costs	(7,283,163)	(3,723,355)
Gross Profit Before Fair Value Adjustments	**3,479,962**	**3,025,336**
Realized Fair Value Amounts Included in Inventory Sold	(5,279,567)	(7,627,275)
Unrealized Fair Value Gain on Growth of Biological Assets	16,661,446	11,900,180
Gross Profit	**14,861,841**	**7,298,241**
EXPENSES		
Depreciation	497,793	168,301
Professional fees	755,244	947,884
Salaries and wages	2,834,481	1,648,858
Selling, general and administrative expenses	2,362,763	2,407,698
Share-Based Compensation	8,985,422	255,765
	15,435,703	**5,428,506**
OTHER INCOME (EXPENSE)		
Loss on sale of property and equipment	-	(643)
Interest income (expense), net	(1,206,705)	(721,697)
Accretion expense	(20,142)	(40,591)
Gain (Loss) on derivative liability	(2,292,130)	-
Acquisition related costs	-	(772,110)
Inventory impairment	(89,154)	(479,803)
Other income (expense)	208,388	197,068
Total Other Expense	**(3,399,743)**	**(1,817,776)**
INCOME (LOSS) BEFORE INCOME TAXES	**(3,973,605)**	**51,959**
Current income taxes	(1,395,000)	(460,000)
Deferred income taxes	(2,323,000)	(185,000)
PROVISION FOR INCOME TAXES	**(3,718,000)**	**(645,000)**
LOSS FROM CONTINUING OPERATIONS	**(7,691,605)**	**(593,041)**
LOSS FROM DISCONTINUED OPERATIONS	**(1,285,856)**	**(1,279,416)**
LOSS AND COMPREHENSIVE LOSS	**(8,977,461)**	**(1,872,457)**
Weighted Average Shares Outstanding - basic and diluted	98,871,038	23,272,657
Net Loss Per Share - basic and diluted		
- Continuing Operations	(0.08)	(0.03)
- Discontinued Operations	(0.01)	(0.05)

Consolidated Statements of Financial Position

VIREO HEALTH INTERNATIONAL, INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
As at June 30, 2020 and December 31, 2019
(Unaudited - Expressed in United States Dollars)

	June 30, 2020	December 31, 2019
ASSETS		
Current Assets		
Cash	$5,726,699	$7,641,673
Restricted Cash	1,592,500	1,592,500
Receivables	706,964	1,025,963
Inventories	38,884,568	32,437,308
Biological Assets	15,694,537	6,134,209
Prepaid Expenses	1,514,635	2,285,548
Deferred acquisition costs	28,136	28,136
Assets Held for Sale	16,854,142	-
	81,002,181	**51,145,337**
Long-Term Assets		
Right of Use Assets	21,299,482	25,921,603
Property and Equipment	13,447,308	13,326,337
Deposits	1,915,101	2,651,366
Deferred Loss on Sale Leaseback	-	30,481
Goodwill	3,132,491	3,132,491
Intangible Asset	8,692,856	9,001,237
	48,487,238	**54,063,515**
Total Assets	**$129,489,419**	**$105,208,852**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable and Accrued Liabilities	$4,747,430	$3,140,086
Current portion of Right of Use Liability	432,616	619,827
Derivative Liability	4,521,230	-
Liabilities Held for Sale	13,506,842	-
	23,208,118	**3,759,913**
Long-Term Liabilities		
Deferred Income Taxes	9,090,000	4,528,000
Right of Use Liability	24,118,123	28,665,681
Long-Term Debt	1,110,000	1,110,000
Convertible debt	856,786	817,446
	58,383,027	**38,881,040**
Shareholders' Equity		
Share Capital	122,511,602	118,453,142
Reserves	19,683,869	7,962,509
Deficit	(71,089,079)	(60,087,839)
	71,106,392	**66,327,812**
Total Liabilities and Shareholders' Equity	**$129,489,419**	**$105,208,852**

Consolidated Statements of Cash Flows

VIREO HEALTH INTERNATIONAL, INC. CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS For the Six Months Ended June 30, 2020 and 2019 (Unaudited - Expressed in United States Dollars)	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Cash Flows from Operating Activities:		
Net income (loss)	**(11,001,240)**	**(5,319,214)**
Item not affecting cash:		
Depreciation and amortization	1,153,659	1,021,416
Loss on sale of property and equipment	13,800	(1,013)
Share-based compensation	11,721,360	456,952
Loss on derivative liability	966,202	-
Fair value adjustment on sale of inventory	12,962,945	10,589,640
Fair value adjustment on growth of biological assets	(32,113,318)	(19,834,013)
Interest expense	2,355,070	1,448,205
Deferred income taxes	4,562,000	1,652,000
Deferred financing costs	-	448,480
Listing expense	-	2,999,986
Amortization of deferred tenant improvements	-	(652)
Deferred gain/loss on sale leaseback	30,481	(2,846)
Cash flows used in discontinued operations	2,959,190	276,722
Changes in non-cash working capital	2,137,538	(1,312,381)
Cash Flows Used in Operating Activities	**(4,252,313)**	**(7,576,718)**
Cash Flows from Investing Activities:		
Purchase of property and equipment	(1,249,717)	(3,680,949)
Proceeds on sale of property and equipment	-	974,162
Acquisition costs on business combinations and assets	-	(16,073,617)
Deferred acquisition costs	-	1,816,863
Deposits	16,265	-
Cash flows used in discontinued operations	(152,368)	(247,610)
Cash Flows from Investing Activities	**(1,385,820)**	**(17,211,151)**
Cash Flows from Financing Activities:		
Proceeds from sale of stock, net of issuance costs	7,613,490	47,542,878
Lease payments	(351,010)	(126,251)
Interest paid	(2,122,422)	(1,356,273)
Cash flows used in discontinued operations	(1,047,414)	(556,139)
Cash Flows from Financing Activities	**4,092,644**	**45,504,215**
Net Change in Cash	**(1,545,489)**	**20,716,346**
Cash, Beginning of the Period	7,641,673	9,624,110
Cash, End of the Period	**6,096,184**	**30,340,456**

Reconciliation of IFRS to Non-IFRS Financial Measures

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
Net loss	(8,977,461)	(1,872,457)	(11,001,240)	(5,319,214)
Net fair value adjustments	(11,381,880)	(4,272,905)	(19,150,373)	(9,244,373)
Listing expense	-	-	-	3,464,613
Gain (Loss) on Derivative Liability	2,292,130	-	966,202	-
Inventory adjustment	89,154	479,803	165,290	752,696
Share-based compensation	8,985,422	255,765	11,721,360	456,952
Severance Expense	339,997	-	339,997	-
Loss from discontinued operations	1,285,856	1,279,416	2,005,773	2,174,418
Adjusted net loss (non-IFRS)	(7,366,782)	(4,130,378)	(14,952,991)	(7,714,908)
Net loss	(8,977,461)	(1,872,457)	(11,001,240)	(5,319,214)
Interest expense, net	1,206,705	721,697	2,355,070	1,390,477
Accretion expense	20,142	40,591	39,340	50,262
Income taxes	3,718,000	645,000	6,462,100	2,857,000
Depreciation	497,793	168,301	845,279	542,080
Amortization	154,190	691,364	308,380	785,044
Loss from discontinued operations	1,285,856	1,279,416	2,005,773	2,174,418
EBITDA (non-IFRS)	(2,094,775)	1,673,912	1,014,702	2,480,067
Net fair value adjustments	(11,381,880)	(4,272,905)	(19,150,373)	(9,244,373)
Listing expense	-	-	-	3,464,613
Gain (Loss) on Derivative Liability	2,292,130	-	966,202	-
Inventory adjustment	89,154	479,803	165,290	752,696
Share-based compensation	8,985,422	255,765	11,721,360	456,952
Severance Expense	339,997	-	339,997	-
Adjusted EBITDA (non-IFRS)	(1,769,952)	(1,863,425)	(4,942,822)	(2,090,045)

Reconciliation of IFRS to Non-IFRS Financial Measures

	Three Months Ended June 30,	
	2020	**2019**
Total Operating Expenses	**15,435,703**	**5,428,506**
Depreciation	(497,793)	(168,301)
Share-based compensation	(8,985,422)	(255,765)
Adjusted Operating Expenses	**5,952,488**	**5,004,440**
% of Revenue	55.3%	74.2%