

"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

Q3 2020 Earnings Conference Call
November 25, 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/8084816

Webcast Registration:

https://event.on24.com/wcc/r/2628431/737D1FD203D8C36BBA401AB51B70610F

Third 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 $13.4 million grew 68 percent year-over-year. Reported revenue, excluding contributions from the Company's former PAMS subsidiary, increased 67 percent to $11.9 million.
- Retail revenue was approximately $9.9 million in Q3 2020, an increase of 61 percent compared to $6.2 million in Q3 2019. Wholesale revenue of $2.0 million increased by $1.1 million as compared to $980,921 in Q3 2019.
- The Company is on track to complete its previously announced development projects in Arizona, Maryland, Minnesota, and New Mexico before the end of Q1 2021.
- Today the Company also announced the promotions of Christian Gonzalez to the role of Chief Operating Officer and Patrick Peters to the role of Executive Vice President of Retail.



Key Third Quarter 2020 Financial Metrics

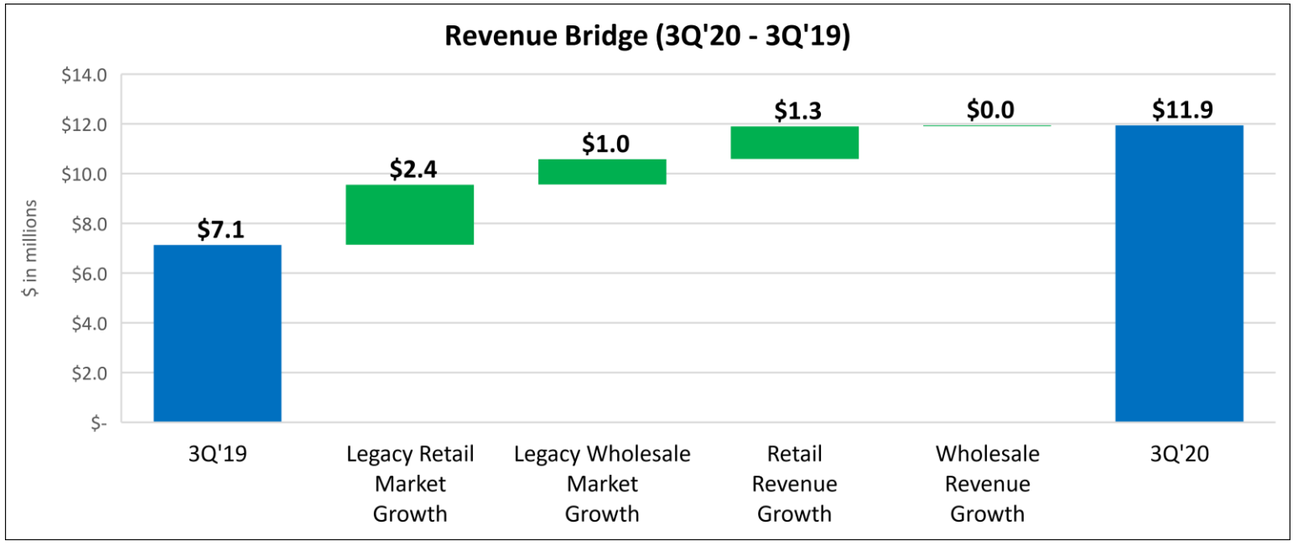
US $ in millions	Three Months Ended September 30, 2020	2019	Variance	Nine Months Ended September 30, 2020	2019	Variance
Total Revenue, Including Disc. Ops	$13.4	$8.0	67.6%	$36.8	$21.0	75.6%
Reported Results						
Revenue[1]	$11.9	$7.1	67.4%	$33.3	$19.1	74.5%
Gross Profit (Before Fair Value Adjustments)	$5.1	$1.8	190.5%	$11.9	$7.5	57.8%
Gross Profit Margin (Before Fair Value Adjustments)	*42.7%*	*24.6%*	*1,809 bps*	*35.7%*	*39.5%*	*-380 bps*
Gross Profit (After Fair Value Adjustments)	$2.1	($6.9)	NM	$28.1	$8.1	246.5%
Gross Profit Margin (After Fair Value Adjustments)	*17.8%*	*-97.1%*	NM	*84.4%*	*42.5%*	*4,187 bps*
Adjusted Operating Expenses[2] (non-IFRS)	$6.1	$7.5	-19.2%	$18.2	$15.4	17.9%
Adjusted Operating Expenses (% of Sales) (non-IFRS)	*50.8%*	*105.1%*	*-5,436 bps*	*54.7%*	*81.0%*	*-2,627 bps*
SG&A Expenses	$2.2	$4.1	-46.5%	$6.8	$7.8	-13.0%
SG&A (% of sales)	*18.2%*	*56.9%*	*-3,869 bps*	*20.3%*	*40.8%*	*-2,044 bps*
Net Income (loss)	$0.1	($14.6)	NM	($10.9)	($19.9)	NM
Adjusted EBITDA (non-IFRS)	($0.7)	($5.2)	-87.1%	($5.6)	($6.6)	-14.4%
Adjusted EBITDA Margin (non-IFRS)	*-5.7%*	*-73.5%*	*6,788 bps*	*-16.9%*	*-34.4%*	*1,755 bps*

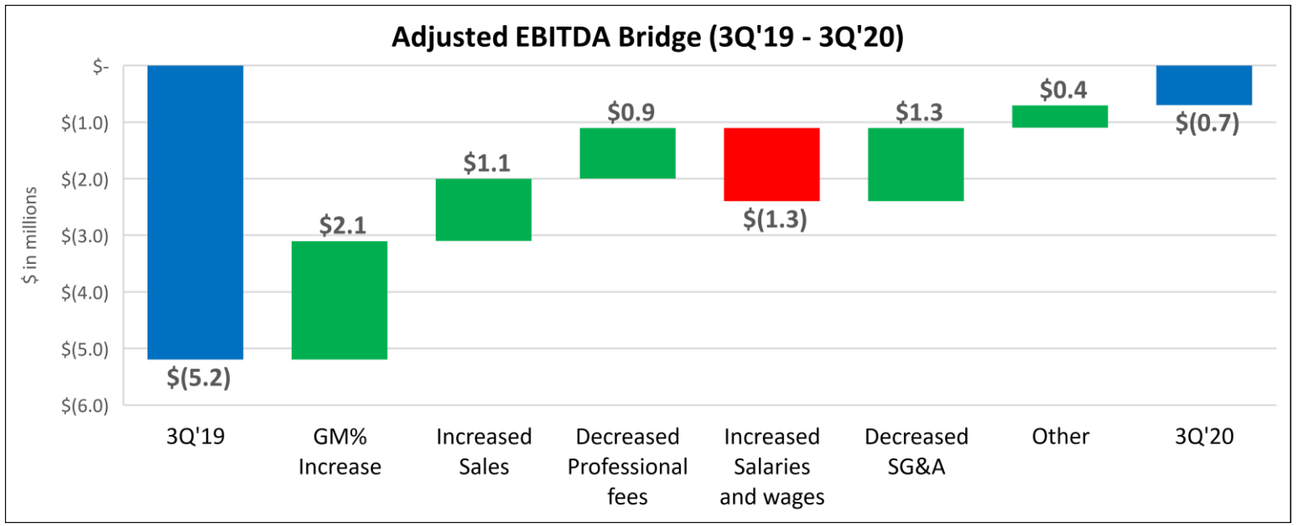
[1] *Reported revenue figures exclude contributions from Vireo's former Pennsylvania cultivation and processing operations*

[2] *Excludes depreciation and share-based compensation expenses*

Third Quarter 2020 Performance

- Reported revenue increased 67 percent year-over-year, driven by greater patient enrollment and average revenue per patient in Minnesota and New Mexico, and contributions from its retail dispensaries in Pennsylvania.
- Adjusted EBITDA loss of $0.7 million improved compared to a loss of $5.2 million in Q3 2019. A favorable variance in gross margin, increased sales and other income, and lower professional fees and SG&A expenses was partially offset by increased salaries and wages.
- Adjusted operating expenses and SG&A expenses as a percentage of revenue in Q3 2020 improved year-over-year and sequentially as compared to Q2 2019.
- The sale of the Company's former PAMS subsidiary resulted in a one-time gain on the divestiture of assets of $16.4 million, resulting in net income of $122,252 during the quarter.
- As of September 30, 2020, the Company had 37,337,138 equity shares issued and outstanding, and 155,376,287 shares outstanding on an as-converted, fully-diluted basis.







vireohealth.com

Consolidated Statements of Loss and Comprehensive Loss

Vireo Health, Inc.
Consolidated Statements of Loss and Comprehensive Loss

For the Three Months Ended September 30, 2020 and 2019 (Unaudited - Expressed in United States Dollars)	Three Month Period Ended September 30, 2020	Three Month Period Ended September 30, 2019
REVENUE	$ 11,942,640	$ 7,136,222
Production Costs	(6,846,390)	(5,381,906)
Gross Profit Before Fair Value Adjustments	**5,096,250**	**1,754,316**
Realized Fair Value Amounts Included in Inventory Sold	(5,879,438)	(844,142)
Unrealized Fair Value Gain on Growth of Biological Assets	2,908,834	(7,839,571)
Gross Profit	**2,125,646**	**(6,929,397)**
EXPENSES		
Depreciation	355,450	515,486
Professional fees	546,128	1,421,033
Salaries and wages	3,347,061	2,023,027
Selling, general and administrative expenses	2,170,871	4,058,524
Share Based Compensation	524,052	229,916
	6,943,562	**8,247,986**
OTHER INCOME (EXPENSE)		
Loss on sale of property and equipment	-	(4,752)
Gain on disposal of assets	16,437,897	-
Loss on assets held for sale	(446,544)	-
Interest expense, net	(1,356,834)	(871,781)
Accretion expense	(19,669)	(72,976)
Gain (Loss) on Derivative Liability	(4,066,335)	-
Inventory adjustment	(151,328)	346,493
Other income (expense)	138,645	(222,852)
Total Other Income (Expense)	**10,535,832**	**(825,868)**
INCOME (LOSS) BEFORE INCOME TAXES	**5,717,916**	**(16,003,251)**
Current income taxes	(2,674,900)	346,000
Deferred income taxes	(3,390,000)	3,160,000
PROVISION FOR INCOME TAXES	**(6,064,900)**	**3,506,000**
LOSS AND COMPREHENSIVE LOSS FROM CONTINUING OPERATIONS	**(346,984)**	**(12,497,251)**
LOSS AND COMPREHENSIVE LOSS FROM DISCONTINUED OPERATIONS	**469,236**	**(2,068,255)**
TOTAL LOSS AND COMPREHENSIVE LOSS	**$ 122,252**	**$ (14,565,506)**
Weighted Average Shares Outstanding - basic and diluted	98,871,038	24,299,953
Net Loss Per Share - basic and diluted		
- Continuing Operations	(0.00)	(0.51)
- Discontinued Operations	0.00	(0.09)

Consolidated Statements of Financial Position

Vireo Health, Inc. Consolidated Statements of Financial Position As at September 30, 2020 and December 31, 2019 (Unaudited - Expressed in United States Dollars)	September 30, 2020	December 31, 2019
ASSETS		
Current Assets		
Cash	$ 16,281,768	$ 7,641,673
Restricted Cash	1,592,500	1,592,500
Note Receivable	3,750,000	-
Receivables	619,491	1,025,963
Inventories	38,343,055	32,437,308
Biological Assets	13,513,582	6,134,209
Prepaid Expenses	2,365,580	2,285,548
Deferred acquisition costs	28,136	28,136
Assets Held for Sale	4,787,026	-
	81,281,138	**51,145,337**
Non-Current Assets		
Right of Use Asset	19,369,077	25,921,603
Property and Equipment	15,155,239	13,326,337
Deposits	1,648,423	2,651,366
Deferred Loss on Sale Leaseback	-	30,481
Goodwill	3,132,491	3,132,491
Intangible Asset	8,562,776	9,001,237
	47,868,006	**54,063,515**
Total Assets	**$ 129,149,144**	**$ 105,208,852**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable and Accrued Liabilities	$ 7,725,246	$ 3,140,086
Current portion of Right of Use Liability	776,541	619,827
Warrant Liability	8,587,565	-
Liabilities Held for Sale	3,637,026	-
	20,726,378	**3,759,913**
Long-Term Liabilities		
Deferred Income Taxes	12,715,000	4,528,000
Right of Use Liability	22,011,662	28,665,681
Long-Term Debt	1,110,000	1,110,000
Convertible debt	833,408	817,446
	57,396,448	**38,881,040**
Shareholders' Equity		
Share Capital	122,511,602	118,453,142
Reserves	20,207,921	7,962,509
Retained Earnings	(70,966,827)	(60,087,839)
	71,752,696	**66,327,812**
Total Liabilities and Equity	**$ 129,149,144**	**$ 105,208,852**

Consolidated Statements of Cash Flows

Vireo Health, Inc. Consolidated Statements of Cash Flows For the Nine Months Ended September 30, 2020 and 2019 (Unaudited - Expressed in United States Dollars)	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Cash Flows from Operating Activities:		
Net Loss	**$ (10,878,988)**	**$ (19,884,720)**
Items Not Affecting Cash:		
Depreciation and Amortization	1,607,649	2,101,142
Loss on Sale of Property and Equipment	35,449	(5,652)
Share Based Compensation	12,245,412	686,868
Gain on disposal of business	(16,437,897)	-
Loss on assets held for sale	446,544	-
Loss on derivative liability	5,032,537	-
Fair Value Adjustment on Sale of Inventory	18,842,382	11,433,782
Fair Value Adjustment on Growth of Biological Assets	(35,022,153)	(11,994,442)
Interest Expense	3,805,740	1,694,898
Deferred Income Taxes	7,952,000	(1,508,000)
Deferred financing and acquisition costs	-	1,836,750
Listing expense	-	2,994,606
Amortization of deferred tenant improvements	-	(175,341)
Deferred gain/loss on sale leaseback	30,481	1,906
Cash flows used in discontinued Operations	2,363,077	1,624,119
Changes in non-cash working capital	3,889,776	(5,174,015)
Cash Flows Used in Operating Activities	**(6,087,991)**	**(16,368,099)**
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	(4,017,205)	(6,188,681)
Proceeds on sale of Property and Equipment	-	982,391
Acquisition Costs	-	(15,937,223)
Divestitures	16,637,489	-
Deposits	30,943	(15,222)
Cash flows used in discontinued Operations	(188,718)	(240,910)
Cash Flows from (Used in) Investing Activities	**12,462,509**	**(21,399,645)**
Cash Flows from Financing Activities:		
Proceeds from private placement, net of issuance costs	7,613,490	47,542,878
Lease payments	(479,504)	(73,972)
Interest Paid	(3,423,454)	(1,398,298)
Cash flows used in discontinued Operations	(1,291,809)	(1,564,266)
Cash Flows from Financing Activities	**2,418,723**	**44,506,342**
Net Change in Cash	**$ 8,793,241**	**$ 6,738,598**
Cash, Beginning of the Period	7,641,673	9,624,110
Cash, End of the Period	**$ 16,434,914**	**$ 16,362,708**

Reconciliation of IFRS to Non-IFRS Financial Measures

	Three Months Ended September 30,	
	2020	2019
Net income (loss)	$ 122,252	$ (14,565,506)
Interest expense, net	1,356,834	871,781
Accretion expense	19,669	72,976
Income taxes	6,064,900	(3,506,000)
Depreciation	355,450	515,486
Amortization	153,357	727,731
EBITDA (non-IFRS)	$ 8,072,462	$ (15,883,532)
Net fair value adjustments	2,970,604	8,683,713
Gain (Loss) on Derivative Liability	4,066,335	-
Inventory adjustment	151,328	(346,493)
Share-based compensation	524,052	229,916
(Gain)/Loss from discontinued operations	(469,236)	2,068,255
Loss on assets held for sale	446,544	-
Gain on sale of discontinued operations	(16,437,897)	-
Adjusted EBITDA (non-IFRS)	$ (675,808)	$ (5,248,141)

Net Loss Per Share - basic and diluted for the nine months ended September 30, 2020 and 2019 was $ (0.12) and $(0.00) , respectively.

Reconciliation of IFRS to Non-IFRS Financial Measures

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	**2019**	**2020**	**2019**
Total Operating Expenses	**$ 6,943,562**	**8,247,986**	**$ 31,663,589**	**17,193,745**
Depreciation	(355,450)	(515,486)	(1,200,729)	(1,057,566)
Share-based compensation	(524,052)	(229,916)	(12,245,412)	(686,868)
Adjusted Operating Expenses	**6,064,060**	**7,502,584**	**18,217,448**	**15,449,311**
% of Revenue	50.8%	105.1%	54.7%	90.1%