



“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



Q4 2020 Earnings Conference Call
March 25, 2021

CSE: VREO OTCQX: VREOF

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RECONCILIATION OF NON-GAAP FINANCIAL MEASURES: EBITDA, and Adjusted EBITDA are non-GAAP measures and do not have standardized definitions under U.S. GAAP accounting principles. This presentation provides reconciliations of the supplemental non-GAAP financial measures, presented herein to the most directly comparable financial measures calculated and presented in accordance with GAAP. The Company has provided the non-GAAP financial measures, which are not calculated or presented in accordance with GAAP, as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. These supplemental non-GAAP financial measures are presented because management has evaluated the financial results both including and excluding the adjusted items and believe that the supplemental non-GAAP financial measures presented provide additional perspective and insights when analyzing the core operating performance of the business. These supplemental non-GAAP 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 GAAP 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/7871948>

Webcast Registration:

<https://event.on24.com/wcc/r/2947732/7426ED93AF2EB2DD22B3005FEBFE65D8>

Full Year 2020 Highlights

- Total revenue of \$49.2 million increased 64.3 percent YoY, driven by organic growth and the successful execution of management's core market strategies during the year.
- Gross profit increased by \$9.8 million to \$17.1 million, or 34.8 percent of sales as compared to \$7.3 million, or 24.5 percent of sales in fiscal year 2019.
- During the year, the Company completed the expansion of its Green Goods™ retail stores in Minnesota. All eight of Vireo's dispensary licenses in Minnesota are now operational.
- The Company opened 4 new Green Goods™ dispensaries in fiscal year 2020 and ended the year with 15 operational dispensaries across its nationwide operating footprint.
- During the year, the Company divested its former subsidiaries in the state of Pennsylvania for total consideration of \$26.0 million and utilized a portion of the proceeds to invest in more attractive opportunities in the Arizona and Maryland markets.
- The Company ended fiscal year 2020 with \$25.5 million in cash on its balance sheet.

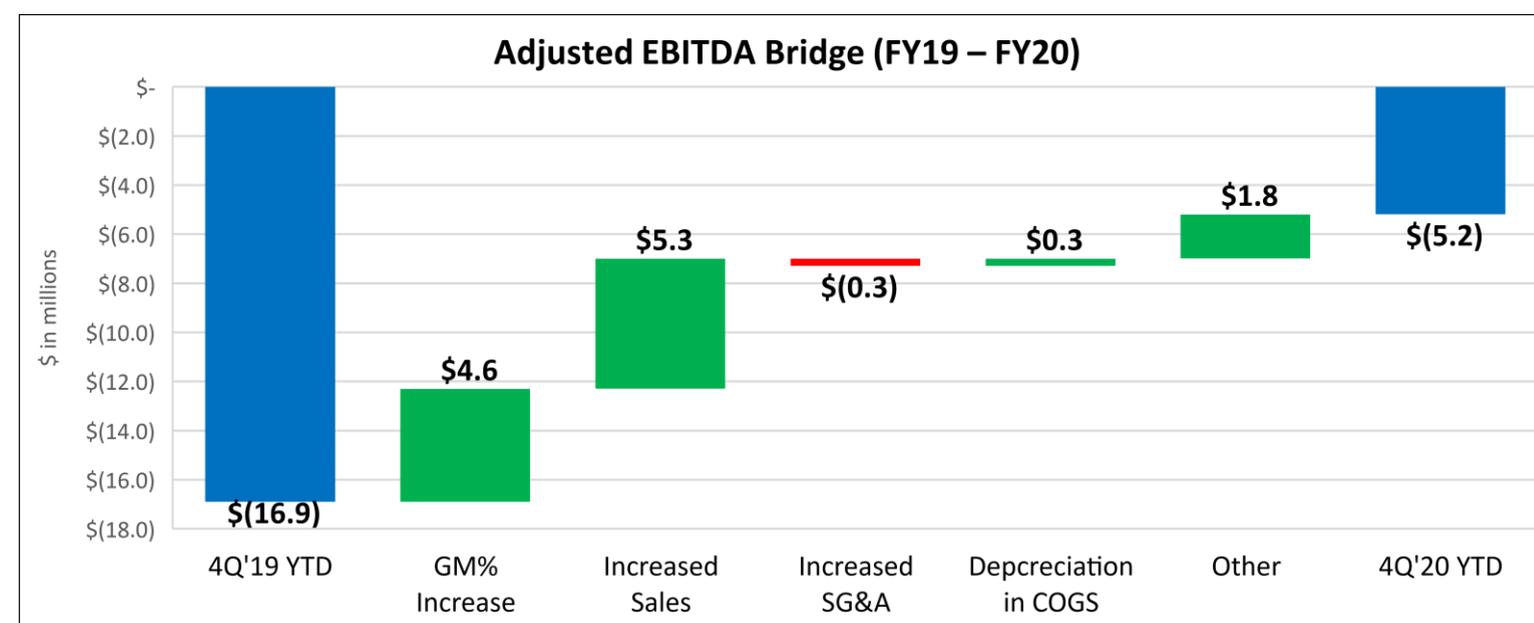
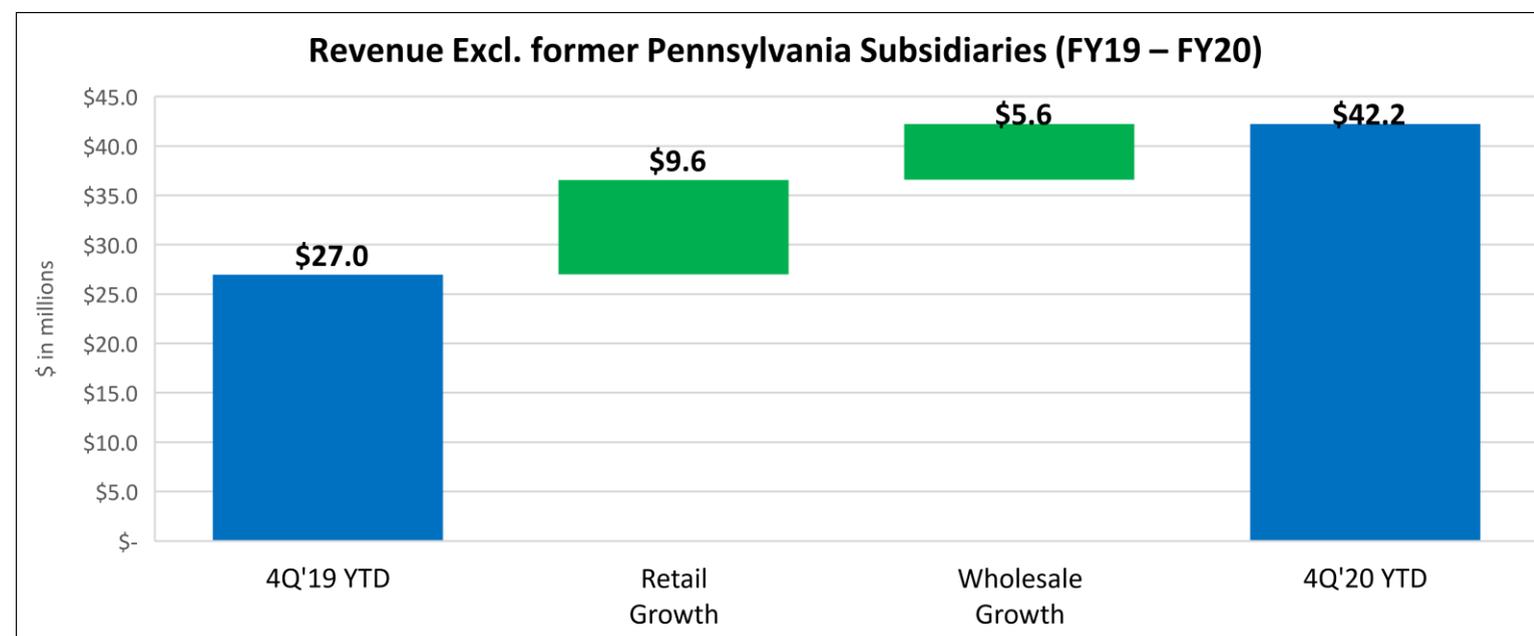


Key Fourth Quarter and Full Year 2020 Financial Metrics

Summary of Key Financial Metrics	Three Months Ended			Twelve Months Ended		
	December 31,			December 31,		
<i>US \$ in millions</i>	2020	2019	Variance	2020	2019	Variance
GAAP Revenue	\$12.4	\$9.0	38%	\$49.2	\$30.0	64%
Revenue (excl. former Pennsylvania subsidiaries)	\$11.5	\$7.9	46%	\$42.2	\$27.0	57%
GAAP Gross Profit	\$5.3	\$1.3	303%	\$17.1	\$7.3	133%
<i>Gross Profit Margin</i>	42.7%	14.6%	2,810 bps	34.8%	24.5%	1,030 bps
SG&A Expenses	\$6.7	\$9.2	-27%	\$26.4	\$25.0	5%
<i>SG&A Expenses (% of Sales)</i>	53.9%	102.2%	-4,830 bps	53.6%	83.6%	-3,000 bps
Adjusted EBITDA (non-GAAP)	\$0.1	(\$7.3)	NM	(\$5.2)	(\$16.9)	NM
<i>Adjusted EBITDA Margin (non-GAAP)</i>	0.9%	(81.1%)	8,200 bps	(10.6%)	(56.4%)	4,580 bps

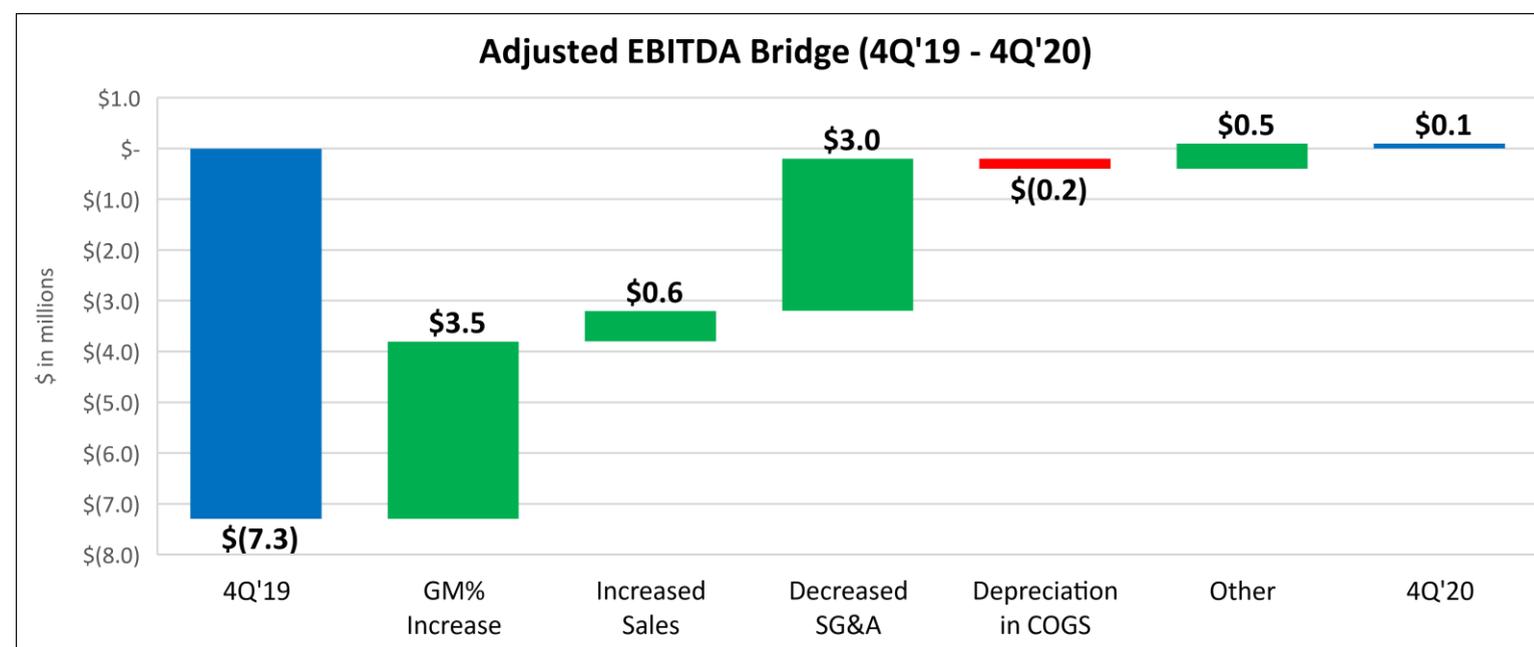
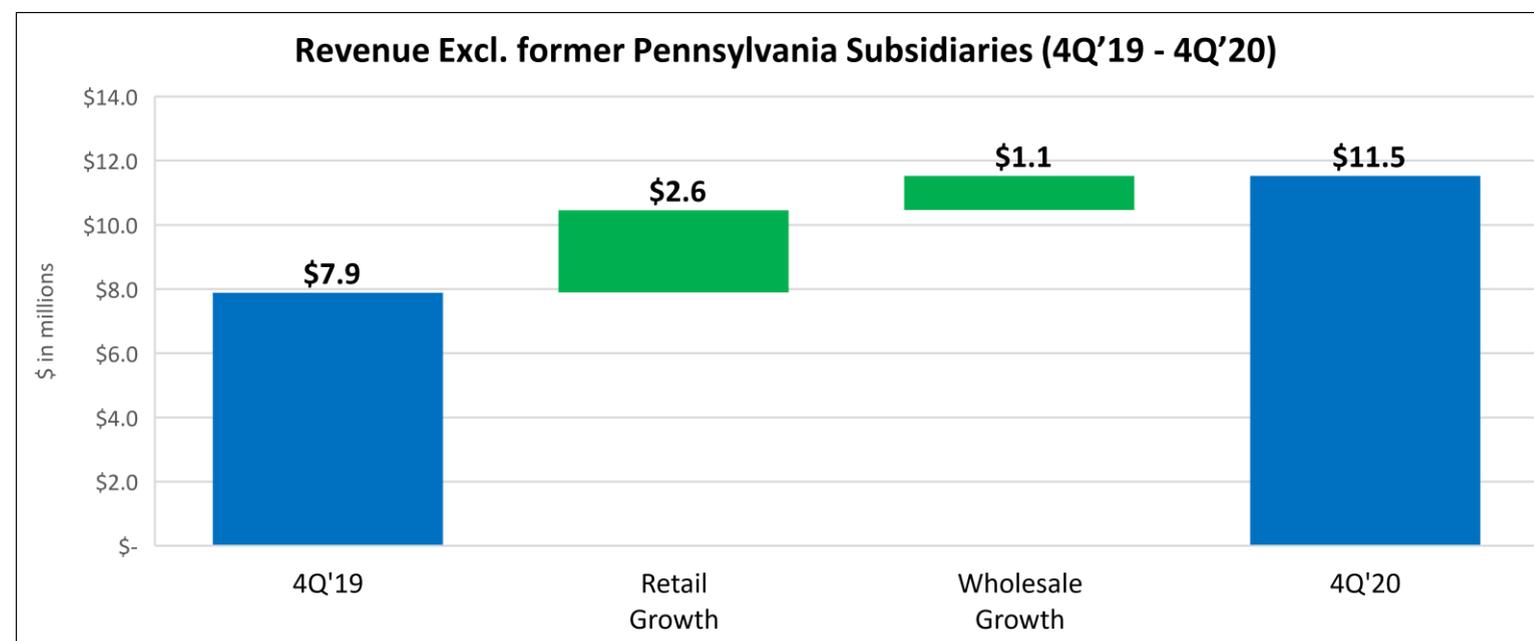
Fiscal Year 2020 Performance

- Total GAAP revenue increased 64.3 percent year-over-year, driven by organic growth across all of Vireo's operational markets and the successful execution of management's core market strategies.
- Excluding results from the Company's former subsidiaries in Pennsylvania, revenue increased 57.0 percent to \$42.2 million.
- Adjusted EBITDA loss of \$5.2 million improved compared to a loss of \$16.9 million in 2019. The favorable variance was driven by higher gross margin, and increased sales and other income, partially offset by a slight increase in SG&A expenses.
- SG&A expenses as a percentage of revenue improved year-over-year to 53.6 percent of sales as compared to 83.6 percent of sales in 2019.
- As of December 31, 2020, the Company had 113,016,459 equity shares issued and outstanding on an as-converted basis, and 157,274,493 shares outstanding on an as-converted, fully diluted basis.



Fourth Quarter 2020 Performance

- Total GAAP revenue of \$12.4 million increased 38 percent year-over-year, driven by organic growth across all of Vireo's operational markets and the successful execution of management's core market strategies.
- Excluding results from the Company's former subsidiaries in Pennsylvania, revenue of \$11.5 million increased approximately 46 percent year-over-year and 9.0 percent sequentially.
- Adjusted EBITDA of \$0.1 million improved compared to a loss of \$7.3 million in Q4 2019. The favorable variance was driven by higher gross margin, increased sales, lower SG&A and one-time expenses related to the Company's transition from IFRS to U.S. GAAP accounting standards, partially offset by depreciation.
- SG&A expenses as a percentage of revenue improved year-over-year to 53.9 percent of sales as compared to 102.2 percent of sales in Q4 2019.





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Consolidated Balance Sheets as of December 31, 2020 and 2019

VIRO HEALTH INTERNATIONAL, INC.		
CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2020 AND 2019		
	December 31,	December 31,
	2020	2019
<i>(Amounts Expressed in United States Dollars, Except for Share Amounts)</i>		
Assets		
Current assets:		
Cash	\$ 25,513,180	\$ 7,641,673
Restricted cash	1,592,500	1,592,500
Accounts receivable, net of allowance for doubtful accounts of \$132,490 and \$278,309, respectively	696,994	1,025,963
Inventory	12,644,895	14,671,576
Prepayments and other current assets	1,552,278	2,285,548
Notes receivable	293,700	-
Deferred acquisition costs	28,136	28,136
Assets Held for Sale	4,596,445	-
Deferred financing costs	120,266	-
Total current assets	47,038,394	27,245,396
Property and equipment, net	30,566,259	34,544,127
Operating lease, right-of-use asset	8,163,844	7,306,820
Notes receivable, long-term	3,750,000	-
Intangible assets, net	8,409,419	9,001,237
Goodwill	3,132,491	3,132,491
Deposits	1,412,124	2,651,366
Deferred Loss on Sale Leaseback	-	30,481
Deferred tax assets	157,000	1,520,000
Total assets	<u>\$102,629,531</u>	<u>\$ 85,431,918</u>
Liabilities		
Current liabilities		
Accounts Payable and Accrued liabilities	13,477,303	3,137,086
Right of use liability	857,294	619,827
Convertible notes, net of issuance costs	900,000	-
Long-Term debt, current portion	1,110,000	-
Liabilities held for sale	3,595,301	-
Total current liabilities	19,939,898	3,756,913
Right-of-use liability	20,343,063	30,929,230
Deferred Income Tax Liability	-	-
Convertible notes, net of issuance costs	-	950,001
Long-Term debt	-	1,110,000
Total liabilities	<u>\$ 40,282,961</u>	<u>\$ 36,746,144</u>
Stockholders' equity		
Subordinate Voting Shares (\$- par value, unlimited shares authorized; 51,062,559 shares issued and outstanding)	-	-
Multiple Voting Shares (\$- par value, unlimited shares authorized; 554,128 shares issued and outstanding)	-	-
Super Voting Shares (\$- par value; unlimited shares authorized; 65,411 shares issued and outstanding, respectively)	-	-
Additional Paid in Capital	164,079,614	127,476,624
Accumulated deficit	(101,733,044)	(78,790,850)
Total stockholders' equity	<u>\$ 62,346,570</u>	<u>\$ 48,685,774</u>
Total liabilities and stockholders' equity	<u>\$102,629,531</u>	<u>\$ 85,431,918</u>



Consolidated Statements of Operations

Years Ended December 31, 2020 and 2019

VIREO HEALTH INTERNATIONAL, INC. CONSOLIDATED STATEMENTS OF OPERATIONS YEARS ENDED DECEMBER 31, 2020 AND 2019 <i>(Amounts Expressed in United States Dollars, Except for Share Amounts)</i>		
	December 31, 2020	December 31, 2019
Revenue	\$ 49,211,329	\$ 29,956,172
Cost of sales		
Product costs	31,109,224	21,754,487
Inventory valuation adjustments	974,384	865,405
Gross profit	17,127,721	7,336,280
Operating expenses:		
Selling, general and administrative	26,365,182	25,045,229
Stock-based compensation expenses	12,777,474	3,303,297
Depreciation	413,092	491,170
Amortization	615,095	864,230
Total operating expenses	40,170,843	29,703,926
Loss from operations	(23,043,122)	(22,367,646)
Other income (expense):		
Impairment of Intangible assets and goodwill	-	(28,264,850)
Loss on sale of property and equipment	(13,800)	-
Gain (Loss) on disposal of assets held for sale	20,253,177	-
Derivative loss	(6,260,480)	-
Interest expenses, net	(5,095,848)	(4,460,331)
Other income (expenses)	7,879	(1,800,485)
Other income (expenses), net	8,890,928	(34,525,666)
Loss before income taxes	(14,152,194)	(56,893,312)
Current income tax expenses	(7,427,000)	(2,231,000)
Deferred income tax recoveries (expense)	(1,363,000)	1,645,000
Net loss and comprehensive loss	(22,942,194)	(57,479,312)
Net loss per share - basic and diluted	\$ (0.24)	\$ (0.71)
Weighted average shares used in computation of net loss per share - basic and diluted	97,551,146	80,822,129



Consolidated Statements of Operations

3-Months Ended December 31, 2020 and 2019

VIREO HEALTH INTERNATIONAL, INC.		
CONSOLIDATED STATEMENTS OF OPERATIONS		
THREE MONTHS ENDED DECEMBER 31, 2020 AND 2019		
<i>(Amounts Expressed in United States Dollars, Except for Share Amounts)</i>		
	Q4 2020	Q4 2019
Revenue	\$ 12,401,615	\$ 8,991,909
Cost of sales		
Product costs	6,616,393	7,335,957
Inventory valuation adjustments	489,814	343,179
Gross profit	5,295,408	1,312,773
Operating expenses:		
Selling, general and administrative	6,687,250	9,192,976
Stock-based compensation expenses	532,062	2,616,429
Depreciation	152,367	80,993
Amortization	153,358	(648,545)
Total operating expenses	7,525,037	11,241,853
Loss from operations	(2,229,629)	(9,929,080)
Other income (expense):		
Impairment of Intangible assets and goodwill	-	(28,264,850)
Gain (Loss) on disposal of assets held for sale	3,815,548	-
Derivative loss	(1,227,943)	-
Interest expenses, net	(846,758)	(1,628,867)
Other expenses (income)	212,940	(263,517)
Other expenses (income), net	1,953,787	(30,157,234)
Loss before income taxes	(275,842)	(40,086,314)
Current income tax expenses	(2,852,000)	(1,301,000)
Deferred income tax recoveries (expense)	862,000	1,893,000
Net loss and comprehensive loss	(2,265,842)	(39,494,314)
Net loss per share - basic and diluted	\$ (0.02)	\$ (0.46)
Weighted average shares used in computation of net loss per share - basic and diluted	103,862,278	85,243,627



Consolidated Statements of Cash Flows

Years Ended December 31, 2020 and 2019

VIREO HEALTH INTERNATIONAL, INC.		
CONSOLIDATED STATEMENTS OF CASH FLOWS		
YEARS ENDED DECEMBER 31, 2020 AND 2019		
<i>(Amounts Expressed in United States Dollars, Except for Share Amounts)</i>		
	December 31,	December 31,
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (22,942,194)	\$ (57,479,312)
Adjustments to reconcile net loss to net cash used in operating activities:		
Inventory valuation adjustments	974,384	865,405
Depreciation	413,092	491,170
Depreciation capitalized into inventory	2,067,991	1,755,809
Non-cash operating lease expense	1,243,047	877,514
Amortization of intangible assets	615,095	864,230
Share-based payments	12,777,474	3,303,297
Impairment of goodwill	-	8,538,414
Impairment of intangible assets	-	19,726,436
Gain/loss	-	19,330
Deferred income tax	1,363,000	(1,645,000)
Deferred Gain/Loss Sale Leaseback	30,481	-
Accrued interest	-	9,861
Acquisition costs	-	739,880
Accretion	544,492	501,540
Loss on Sale of Property and Equipment	13,800	-
Derivative Loss	6,260,480	-
Loss on disposal of business HG	272,723	-
Gain on disposal of PDS	(3,402,794)	-
Gain on disposal of business MWH	(7,038)	-
Gain on disposal of business PAMS	(17,116,068)	-
Change in operating assets and liabilities:		
Accounts Receivable	(396,974)	1,478,191
Prepaid expenses	462,083	(1,315,536)
Inventory	(2,661,090)	(6,834,419)
Accounts payable and accrued liabilities	8,680,476	421,346
Deferred acquisition costs	-	775,000
Change in assets and liabilities held for sale	(124,843)	-
Net cash used in operating activities	<u>\$ (10,932,383)</u>	<u>\$ (26,906,844)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sale of PPE	\$ -	\$ 1,000,257
PP&E Additions	(8,449,097)	(7,690,753)
Proceeds from sale of PAMS net of cash	16,408,411	-
Proceeds from sale of HG net of cash	(17,945)	-
Proceeds from sale of PDS	4,745,294	-
Acquisition of High Gardens	-	(250,000)
Acquisition of Silver Fox	-	(1,924,305)
Acquisition of Mayflower	-	(1,045,207)
Acquisition of XAAS Agro	-	(918,501)
Acquisition of Midwest Hemp	-	(12,229)
Acquisition of Elephant Head	-	(10,159,493)
Deposits	249,008	(214,470)
Net cash provided by (used in) investing activities	<u>\$ 12,935,671</u>	<u>\$ (21,214,701)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	\$ 7,613,490	\$ 48,213,438
Deferred financing costs	(120,266)	-
Proceeds from long-term debt	-	100,000
Proceeds from warrant exercises	9,857,498	-
Proceeds from option exercises	94,050	-
Lease payments	(1,576,553)	(581,830)
Net cash provided by financing activities	<u>\$ 15,868,219</u>	<u>\$ 47,731,608</u>
Net change in cash and restricted cash	<u>\$ 17,871,507</u>	<u>\$ (389,937)</u>
Cash and restricted cash, beginning of year	<u>\$ 9,234,173</u>	<u>\$ 9,624,110</u>
Cash and restricted cash, end of year	<u>\$ 27,105,680</u>	<u>\$ 9,234,173</u>



Reconciliation of Non-GAAP to GAAP Financial Measures

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2020	2019	2020	2019
Net income (loss)	\$ (2,265,842)	\$ (39,494,314)	\$ (22,942,194)	\$ (57,479,312)
Interest expense, net	846,758	1,628,867	5,095,848	4,460,331
Income taxes	1,990,000	(592,000)	8,790,000	586,000
Depreciation & Amortization	305,725	(567,552)	1,028,187	1,355,400
Depreciation included in cost of goods sold	304,123	508,436	2,067,991	1,755,809
EBITDA (non-GAAP)	\$ 1,180,764	\$ (38,516,563)	\$ (5,960,168)	\$ (49,321,772)
Derivative Loss	1,227,943	-	6,260,480	-
Inventory adjustment	489,814	343,179	974,384	865,405
Share-based compensation	532,062	2,616,429	12,777,474	3,303,297
Severance Expense	-	-	339,997	-
Impairment of intangible assets and goodwill	-	28,264,850	-	28,264,850
Gain on sale of discontinued operations	(3,815,548)	-	(20,253,177)	-
Costs associated with IFRS to GAAP transition	497,617	-	630,282	-
Adjusted EBITDA (non-GAAP)	\$ 112,652	\$ (7,292,105)	\$ (5,230,728)	\$ (16,888,220)