

"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 2021 Earnings Conference Call
May 14, 2021

CSE: VREO **OTCQX: VREOF**

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RECONCILATION 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/2254847

Webcast Registration:

https://event.on24.com/wcc/r/3081651/22E367A1264B82C7538DEA825986EA1A

First Quarter 2021 Business Highlights

- Total revenue of $13.2 million increased 8.8 percent YoY, driven by organic growth and the successful execution of management's core market strategies during the year.
- Gross profit increased by $2.3 million to $5.6 million, or 42.6 percent of sales as compared to $3.3 million, or 27.0 percent of sales in Q1 of 2020.
- During the quarter, the Company closed on its previously-disclosed purchase of four cannabis licenses in Nevada, which allow for the cultivation and production of cannabis products for both medical and adult-use purposes.
- The Company also completed and received regulatory approval of its 110,000 sq. ft. cultivation facility in Maryland and opened its first retail dispensary in the state, which brought its total number of operational dispensaries to 16.
- The Company ended the quarter with $40.6 million in cash on its balance sheet.



Green Goods™ Retail Dispensaries – Recent Openings in Maryland and Minnesota









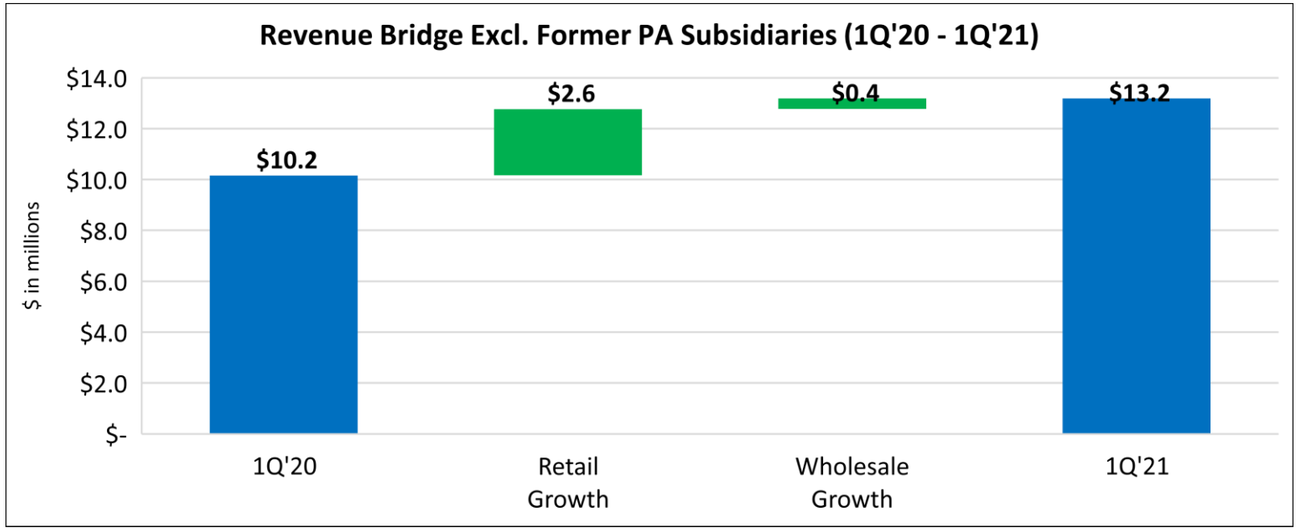


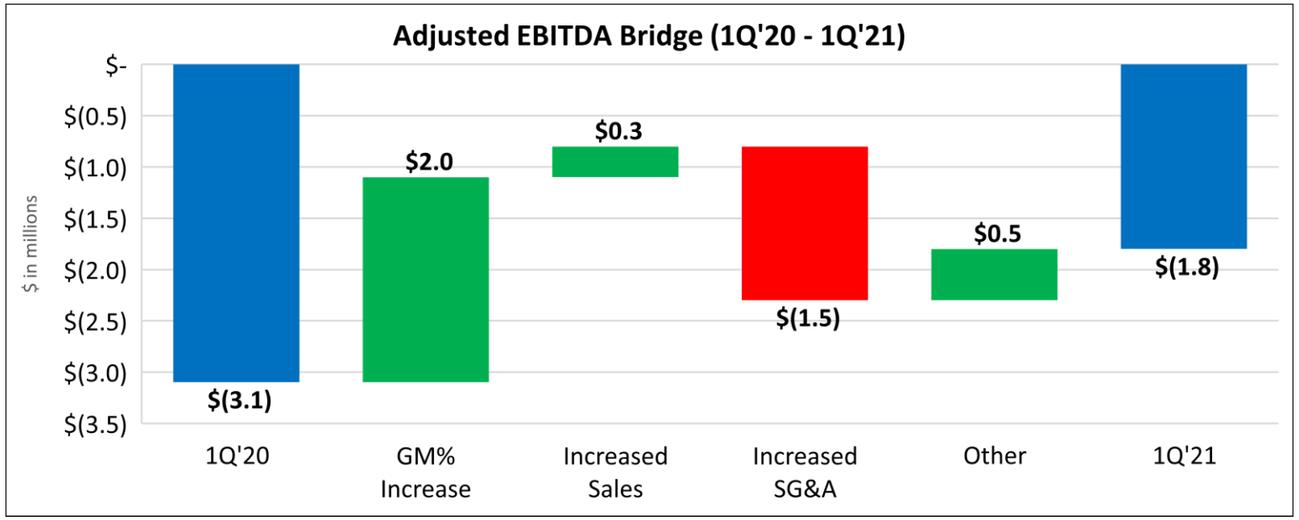
Key Financial Metrics – First Quarter 2021

Summary of Key Financial Metrics *US $ in millions*	Three Months Ended March 31,		
	2021	2020	Variance
GAAP Revenue	$13.2	$12.1	8.8%
Revenue (excl. former PA subsidiaries)	$13.2	$10.2	29.8%
GAAP Gross Profit	$5.6	$3.3	71.3%
Gross Profit Margin	*42.6%*	*27.0%*	*1,560 bps*
SG&A Expenses	$8.0	$6.9	16.9%
SG&A Expenses (% of Sales)	*60.9%*	*56.7%*	*420 bps*
Adjusted EBITDA (non-GAAP)	($1.8)	($3.1)	NM
Adjusted EBITDA Margin (non-GAAP)	*(13.5%)*	*(25.7%)*	*1,220 bps*

First Quarter 2021 Performance

- Q1 revenue excluding results from the Company's former subsidiaries in Pennsylvania increased 29.8 percent YoY to $13.2 million, and 14.0% sequentially compared to Q4 of last year.
- Adjusted EBITDA loss of $1.8 million improved compared to a loss of $3.1 million in Q1 of last year. The favorable variance was driven by higher gross margin and increased sales, partially offset by increased SG&A expenses supporting the Company's growth.
- SG&A expenses as a percentage of revenue was 60.9 percent of sales as compared to 56.7 percent of sales in Q1 of last year, with the increase driven by operational expansion in Arizona, Maryland, and New Mexico, as well as the addition of four new retail dispensaries in Minnesota.
- As of March 31, 2021, the Company had 125,196,702 equity shares issued and outstanding on an as-converted basis, and 153,577,058 shares outstanding on an as-converted, fully diluted basis.







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Consolidated Balance Sheets as of March 31, 2021 and December 31, 2020

VIREO HEALTH INTERNATIONAL, INC. CONSOLIDATED BALANCE SHEETS AS OF 3/31/21 AND 12/31/20 *(Amounts expressed in USD, except for share amounts, unaudited and condensed)*	March 31, 2021	December 31, 2020
Assets		
Current assets:		
Cash	$ 40,561,051	$ 25,513,180
Restricted cash	—	1,592,500
Accounts receivable	867,593	696,994
Inventory	14,532,336	12,644,895
Prepayments and other current assets	2,458,295	1,552,278
Notes receivable	198,471	293,700
Deferred acquisition costs	—	28,136
Assets Held for Sale	—	4,596,445
Deferred financing costs	—	120,266
Total current assets	58,617,746	47,038,394
Property and equipment, net	35,923,904	30,566,259
Operating lease, right-of-use asset	8,833,728	8,163,844
Notes receivable, long-term	3,750,000	3,750,000
Intangible assets, net	11,388,112	8,409,419
Goodwill	3,132,491	3,132,491
Deposits	1,413,719	1,412,124
Deferred tax assets	392,000	157,000
Total assets	$ 123,451,700	$ 102,629,531
Liabilities		
Current liabilities		
Accounts Payable and Accrued liabilities	15,675,443	13,477,303
Right of use liability	1,197,597	857,294
Convertible notes, net of issuance costs	900,000	900,000
Long-Term debt, current portion	1,110,000	1,110,000
Liabilities held for sale	—	3,595,301
Warrant Liability	5,237,230	—
Total current liabilities	24,120,270	19,939,898
Right-of-use liability	21,479,700	20,343,063
Long-Term debt	17,646,501	—
Total liabilities	$ 63,246,471	$ 40,282,961
Stockholders' equity		
Subordinate Voting Shares ($- par value, unlimited shares authorized; 72,660,602 shares issued and outstanding)	—	—
Multiple Voting Shares ($- par value, unlimited shares authorized; 459,950 shares issued and outstanding)	—	—
Super Voting Shares ($- par value; unlimited shares authorized; 65,411 shares issued and outstanding, respectively)	—	—
Additional Paid in Capital	168,924,845	164,079,614
Accumulated deficit	(108,719,616)	(101,733,044)
Total stockholders' equity	$ 60,205,229	$ 62,346,570
Total liabilities and stockholders' equity	$ 123,451,700	$ 102,629,531

Consolidated Statements of Operations
Three Months Ended March 31, 2021 and 2020

VIREO HEALTH INTERNATIONAL, INC. CONSOLIDATED STATEMENTS OF OPERATIONS THREE MONTHS ENDED MARCH 31, 2021 AND 2020 *(Amounts expressed in USD, except for share amounts, unaudited and condensed)*	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Revenue	$ 13,189,889	$ 12,118,567
Cost of sales		
Product costs	7,506,048	8,701,653
Inventory valuation adjustments	68,000	139,008
Gross profit	5,615,841	3,277,906
Operating expenses:		
Selling, general and administrative	8,035,991	6,877,125
Stock-based compensation expenses	2,314,575	2,735,938
Depreciation	171,562	2,966
Amortization	206,443	154,190
Total operating expenses	10,728,571	9,770,219
Loss from operations	(5,112,730)	(6,492,313)
Other income (expense):		
Gain on disposal of assets held for sale	437,107	—
Derivative gain	158,529	1,325,928
Interest expenses, net	(1,026,146)	(1,450,264)
Other income (expenses)	56,668	(469,272)
Other expenses, net	(373,842)	(593,608)
Loss before income taxes	(5,486,572)	(7,085,921)
Current income tax expenses	(1,735,000)	(505,100)
Deferred income tax recoveries	235,000	78,000
Net loss and comprehensive loss	(6,986,572)	(7,513,021)
Net loss per share - basic and diluted	$ (0.06)	$ (0.08)
Weighted average shares used in computation of net loss per share - basic and diluted	116,103,635	88,519,845

Consolidated Statements of Cash Flows
Three Months Ended March 31, 2021 and 2020

VIREO HEALTH INTERNATIONAL, INC. CONSOLIDATED STATEMENTS OF CASH FLOWS THREE MONTHS ENDED MARCH 31, 2021 AND 2020 *(Amounts expressed in USD, except for share amounts, unaudited and condensed)*	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (6,986,572)	$ (7,513,021)
Adjustments to reconcile net loss to net cash used in operating activities:		
Inventory valuation adjustments	68,000	139,009
Depreciation	171,562	2,966
Depreciation capitalized into inventory	508,358	474,903
Non-cash operating lease expense	286,296	297,406
Amortization of intangible assets	206,443	154,190
Share-based payments	2,314,575	2,735,938
Deferred income tax	(235,000)	(78,000)
Deferred Gain/Loss Sale Leaseback	—	30,481
Accretion	91,507	149,309
Loss on Sale of Property and Equipment	—	13,800
Derivative Loss	(158,529)	(1,325,928)
Gain on disposal of OMS	(437,107)	—
Change in operating assets and liabilities:		
Accounts Receivable	(52,521)	166,751
Prepaid expenses	(886,714)	1,133,567
Inventory	(1,875,784)	(385,647)
Accounts payable and accrued liabilities	1,885,815	1,270,264
Change in assets and liabilities held for sale	124,843	—
Net cash used in operating activities	$ (4,974,828)	$ (2,734,012)
CASH FLOWS FROM INVESTING ACTIVITIES:		
PP&E Additions	$ (4,922,251)	$ (506,336)
Proceeds from sale of OMS net of cash	1,150,000	—
Deposits	(1,595)	25,000
Net cash provided by (used in) investing activities	$ (3,773,846)	$ (481,336)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	$ —	$ 7,613,490
Deferred financing costs	(865,769)	—
Proceeds from long-term debt	24,028,295	—
Proceeds from option exercises	966,156	—
Lease payments	(332,137)	(309,949)
Net cash provided by financing activities	$ 23,796,545	$ 7,303,541
Net change in cash and restricted cash	$ 15,047,871	$ 4,088,193
Cash and restricted cash, beginning of period	$ 25,513,180	$ 7,641,673
Cash and restricted cash, end of period	$ 40,561,051	$ 11,729,866

Reconciliation of Non-GAAP to GAAP Financial Measures

	Three Months Ended March 31,	
	2021	**2020**
Net income (loss)	$ (6,986,572)	$ (7,513,021)
Interest expense, net	1,026,146	1,450,264
Income taxes	1,500,000	427,100
Depreciation & Amortization	378,005	157,156
Depreciation included in cost of goods sold	508,359	474,903
EBITDA (non-GAAP)	$ (3,574,062)	$ (5,003,598)
Derivative Gain	(158,529)	(1,325,928)
Inventory adjustment	68,000	139,008
Share-based compensation	2,314,575	2,735,938
Severance Expense	—	339,997
Gain on sale of discontinued operations	(437,107)	—
Adjusted EBITDA (non-GAAP)	$ (1,787,123)	$ (3,114,583)