

Second Quarter 2021 Results

August 13, 2021

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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/9694714

Webcast Registration:

https://event.on24.com/wcc/r/3192792/CA7497843486CF43AF499DD59B5FB8BD

Second Quarter Business Highlights



- Total revenue of $14.2 million increased 16.5 percent YoY, driven by organic growth and in the Company's wholesale and retail sales channels.

- Gross profit increased by $3.3 million to $6.9 million, or 48.6 percent of sales (a Company record) as compared to $3.6 million, or 29.4 percent of sales in Q2 of 2020.

- During the quarter, the Company completed the planned expansion of its cultivation and processing facility in New Mexico, which is now fully operational. The Company now has four operating dispensaries and 13,000 sq. ft. of cultivation capacity in the New Mexico market.

- During the quarter, the Company announced the launch of its ground medical cannabis flower products in the state of New York. The ground flower line is being sold in 3.5-gram and 7-gram jars and will be expanded to feature indica, sativa, and hybrid strains such as Killer Kush, Wedding Cake, and a Kosher-approved Tangie Kush.

- The Company ended the quarter with $20.8 million in cash on its balance sheet and $1.1 million in debt due within 12 months.

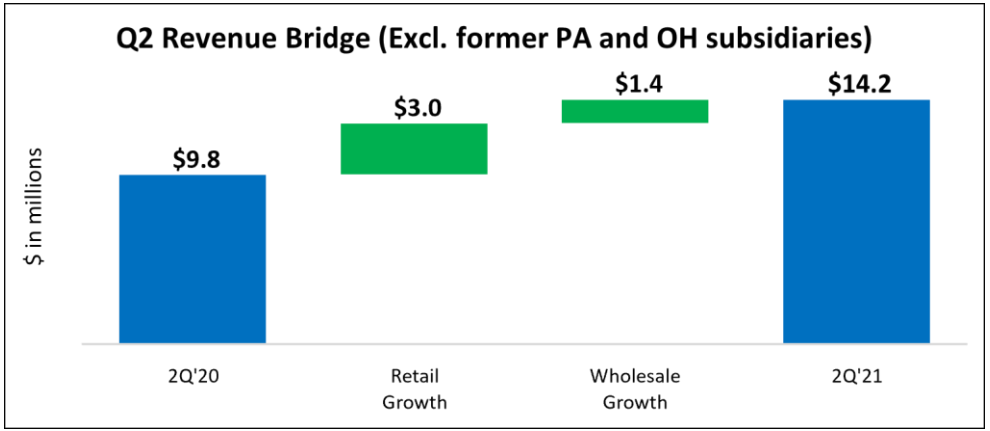
Key Financial Metrics – Second Quarter 2021

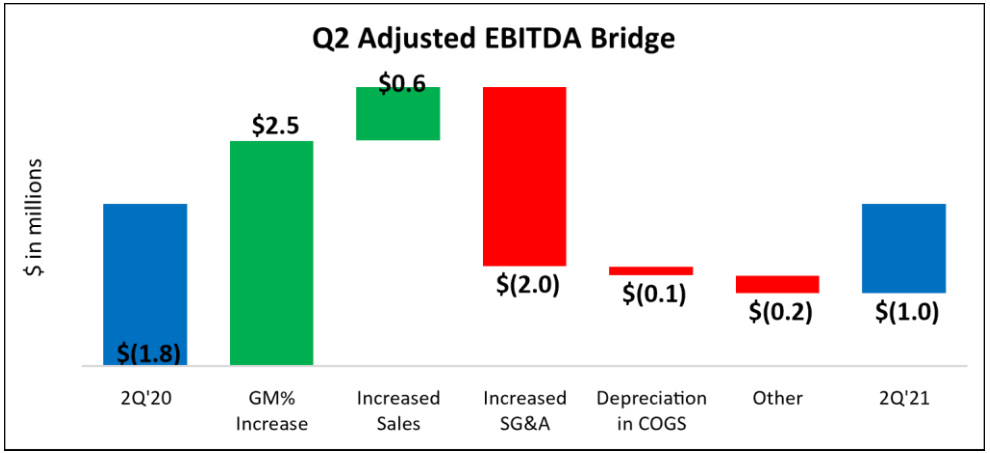
Summary of Key Financial Metrics

US $ in millions	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	Variance	2021	2020	Variance
GAAP Revenue	$14.2	$12.2	16.5%	$27.4	$24.3	12.7%
Revenue (excl. former PA and OH subsidiaries)	$14.2	$9.8	44.5%	$27.4	$19.8	38.0%
GAAP Gross Profit	$6.9	$3.6	92.5%	$12.5	$6.9	82.4%
Gross Profit Margin	*48.6%*	*29.4%*	*1,920 bps*	*45.7%*	*28.2%*	*1,750 bps*
SG&A Expenses	$8.3	$6.3	32.1%	$16.3	$13.2	24.1%
SG&A Expenses (% of Sales)	*58.3%*	*51.4%*	*690 bps*	*59.6%*	*54.1%*	*550 bps*
Adjusted EBITDA (non-GAAP)	($1.0)	($1.8)	NM	($2.7)	($4.9)	NM
Adjusted EBITDA Margin (non-GAAP)	*(6.8%)*	*(14.5%)*	*770 bps*	*(10.0%)*	*(20.1%)*	*1,010 bps*

Second Quarter 2021 Performance

- Q2 revenue excluding results from the Company's former subsidiaries in Pennsylvania and Ohio increased 44.5 percent YoY to $13.2 million, and 8.0% sequentially compared to Q1 of 2021.
- Adjusted EBITDA loss of $1.0 million improved compared to a loss of $1.8 million in Q2 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 58.3 percent of sales as compared to 51.4 percent of sales in Q2 of last year, with the increase primarily driven by operational expansion in Arizona, Maryland, and New Mexico.
- As of June 30, 2021, the Company had 126,021,801 equity shares issued and outstanding on an as-converted basis, and 154,346,560 shares outstanding on an as-converted, fully diluted basis.






Q&A Session
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GOODNESS GROWTH HOLDINGS, INC.

CONSOLIDATED BALANCE SHEETS AS OF 6/30/21 AND 12/31/20 *(Amounts expressed in USD, except for share amounts, unaudited and condensed)*	**June 30, 2021**	**December 31, 2020**
Assets		
Current assets:		
Cash	$ 20,826,356	$ 25,513,180
Restricted cash	-	1,592,500
Accounts receivable, net of allowance for doubtful accounts of $257,729 and $132,490, respectively	2,444,967	696,994
Inventory	16,727,640	12,644,895
Prepayments and other current assets	1,863,841	1,552,278
Notes receivable	100,561	293,700
Deferred acquisition costs	-	28,136
Assets Held for Sale	-	4,596,445
Deferred financing costs	-	120,266
Total current assets	41,963,365	47,038,394
Property and equipment, net	42,104,121	30,566,259
Operating lease, right-of-use asset	8,762,777	8,163,844
Notes receivable, long-term	3,750,000	3,750,000
Intangible assets, net	11,181,670	8,409,419
Goodwill	3,132,491	3,132,491
Deposits	1,413,719	1,412,124
Deferred tax assets	367,000	157,000
Total assets	$ 112,675,143	$ 102,629,531
Liabilities		
Current liabilities		
Accounts Payable and Accrued liabilities	10,012,597	13,477,303
Right of use liability	1,284,248	857,294
Convertible notes, net of issuance costs	-	900,000
Long-Term debt, current portion	1,110,000	1,110,000
Liabilities held for sale	-	3,595,301
Warrant Liability	3,705,859	-
Total current liabilities	16,112,704	19,939,898
Right-of-use liability	21,787,039	20,343,063
Long-Term debt	18,533,128	-
Total liabilities	$ 56,432,871	$ 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	170,442,492	164,079,614
Accumulated deficit	(114,200,220)	(101,733,044)
Total stockholders' equity	$ 56,242,272	$ 62,346,570
Total liabilities and stockholders' equity	$ 112,675,143	$ 102,629,531

GOODNESS GROWTH HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020

(Amounts expressed in USD, except for share amounts, unaudited and condensed)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	**2020**	**2021**	**2020**
Revenue	$ 14,230,900	$ 12,215,365	$ 27,420,789	$ 24,333,932
Cost of sales	-	-	-	-
Product costs	7,273,011	8,430,507	14,779,059	17,132,160
Inventory valuation adjustments	45,000	194,234	113,000	333,242
Gross profit	6,912,889	3,590,624	12,528,730	6,868,530
Operating expenses:	-	-	-	-
Selling, general and administrative	8,299,682	6,283,343	16,335,673	13,160,468
Stock-based compensation expenses	1,408,080	8,985,422	3,722,655	11,721,360
Depreciation	246,247	219,662	417,809	222,628
Amortization	206,442	154,191	412,885	308,381
Total operating expenses	10,160,451	15,642,618	20,889,022	25,412,837
Loss from operations	(3,247,562)	(12,051,994)	(8,360,292)	(18,544,307)
Other income (expense):				
Gain on disposal of assets held for sale	-	-	437,107	-
Derivative gain (loss)	1,531,371	(2,292,130)	1,689,900	(966,202)
Interest expenses, net	(2,756,358)	(1,543,169)	(3,782,504)	(2,993,433)
Other income (expenses)	(98,055)	141,859	(41,387)	(327,413)
Other expenses, net	(1,323,042)	(3,693,440)	(1,696,884)	(4,287,048)
Loss before income taxes	(4,570,604)	(15,745,434)	(10,057,176)	(22,831,355)
Current income tax expenses	(885,000)	(346,900)	(2,620,000)	(852,000)
Deferred income tax recoveries	$ (25,000)	$ (23,000)	$ 210,000	$ 55,000
Net loss and comprehensive loss	(5,480,604)	(16,115,334)	(12,467,176)	(23,628,355)
Net loss per share - basic and diluted	($0.04)	($0.16)	($0.10)	($0.25)
Weighted average shares used in computation of net loss per share - basic and diluted	125,557,734	98,871,038	120,856,801	93,695,441

GOODNESS GROWTH HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2021 AND 2020
(Amounts expressed in USD, except for share amounts, unaudited and condensed)

	Six Months Ended June 30,	
	2021	**2020**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (12,467,176)	$ (23,628,355)
Adjustments to reconcile net loss to net cash used in operating activities:		
Inventory valuation adjustments	113,000	333,242
Depreciation	417,809	222,628
Depreciation capitalized into inventory	986,896	1,057,849
Non-cash operating lease expense	519,176	624,625
Amortization of intangible assets	412,885	308,381
Stock-based payments	3,722,655	11,721,360
Interest Expense	886,628	—
Gain/loss	-	53,077
Deferred income tax	(210,000)	(1,103,100)
Accretion	195,197	348,382
Derivative (Gain) Loss	(1,689,900)	966,202
Gain on disposal of OMS	(437,107)	—
Change in operating assets and liabilities:		
Accounts Receivable	(1,531,985)	128,106
Prepaid expenses	(292,260)	525,028
Inventory	(4,059,044)	(516,787)
Accounts payable and accrued liabilities	(4,182,954)	1,838,680
Change in assets and liabilities held for sale	124,843	(369,485)
Net cash used in operating activities	$ (17,491,337)	$ (7,490,167)
CASH FLOWS FROM INVESTING ACTIVITIES:		
PP&E Additions	$ (11,028,976)	$ (1,402,085)
Proceeds from sale of OMS net of cash	1,150,000	—
Deposits	(1,595)	16,265
Net cash provided by (used in) investing activities	$ (9,880,571)	$ (1,385,820)
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	—
Convertible debt payment	(900,000)	—
Proceeds from option exercises	1,075,723	—
Lease payments	(653,165)	(652,477)
Net cash provided by financing activities	$ 22,685,084	$ 6,961,013
Net change in cash and restricted cash	$ (4,686,824)	$ (1,914,974)
Cash and restricted cash, beginning of period	$ 25,513,180	$ 9,234,173
Cash and restricted cash, end of period	$ 20,826,356	$ 7,319,199

Reconciliation of Non-GAAP to GAAP Financial Measures

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net income (loss)	$ (5,480,604)	$ (16,115,334)	$ (12,467,176)	$ (23,628,355)
Interest expense, net	2,756,358	1,543,169	3,782,504	2,993,433
Income taxes	910,000	369,900	2,410,000	797,000
Depreciation & Amortization	452,689	373,853	830,694	531,009
Depreciation included in cost of goods sold	478,537	582,946	986,896	1,057,849
EBITDA (non-GAAP)	$ (883,020)	$ (13,245,466)	$ (4,457,082)	$ (18,249,064)
Derivative Gain	(1,531,371)	2,292,130	(1,689,900)	966,202
Inventory adjustment	45,000	194,234	113,000	333,242
Share-based compensation	1,408,080	8,985,422	3,722,655	11,721,360
Severance Expense	-	-	-	339,997
Gain on sale of discontinued operations	-	-	(437,107)	-
Adjusted EBITDA (non-GAAP)	$ (961,311)	$ (1,773,680)	$ (2,748,434)	$ (4,888,263)