



Goodness Growth Holdings Announces Third Quarter 2023 Results

- Q3 revenue of \$24.7 million increased 44.0% YoY and 28.2% sequentially excluding discontinued operations –
- Stronger revenue growth and margins largely driven by adult-use activation in Maryland –
- Record operating income reflects Maryland’s performance and early returns on our strategic plan, despite continued headwinds in New York –
- New York divestiture process taking longer than anticipated –

MINNEAPOLIS – November 14, 2023 – Goodness Growth Holdings, Inc. ("Goodness Growth" or the "Company") (CSE: GDNS; OTCQX: GDNSF), a cannabis company committed to providing safe access, quality products and great value to its customers, today reported financial results for its third quarter ended September 30, 2023. Key financial results are presented below in summary form with supporting commentary and discussion from management of certain key operating metrics which the Company uses to judge its performance. All currency figures referenced herein are denominated in U.S. dollars.

Summary of Key Financial Metrics

US \$ in millions	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	Variance	2023	2022	Variance
GAAP Revenue	\$24.7	\$18.9	30.9%	\$64.0	\$55.6	15.1%
Revenue (excluding discontinued operations)	\$24.7	\$17.1	44.0%	\$62.0	\$48.2	28.4%
GAAP Gross Profit	\$13.2	\$9.5	38.4%	\$32.0	\$22.4	43.1%
Gross Profit Margin	53.5%	50.6%	290 bps	50.1%	40.3%	980 bps
SG&A Expenses	\$6.7	\$8.5	-20.5%	\$22.0	\$26.4	-16.8%
SG&A Expenses (% of Sales)	27.4%	45.0%	1,760 bps	34.3%	47.5%	1,320 bps
Operating Income (Loss)	\$5.9	(\$0.2)	NM	\$5.2	(\$7.6)	NM
Operating Income Margin	23.8%	(1.0%)	2,480 bps	8.1%	-13.7%	2,180 bps
EBITDA	\$7.0	(\$1.2)	NM	\$11.3	(\$10.8)	NM
EBITDA Margin	28.5%	(6.5%)	3,500 bps	17.7%	(19.4%)	3,710 bps

NM = Not Meaningful

Management Commentary

Interim Chief Executive Officer Josh Rosen commented, “The strength of our third quarter results reflects a combination of benefits from our recent operational improvement initiatives and regulatory catalysts in Maryland following the launch of adult use sales in July. We are very proud of our team, who have adapted quickly to our decentralized approach to operations. These efforts and the substantial regulatory catalyst in Maryland enabled us to produce positive cash flow from operations in the quarter. De-risking our balance sheet remains a critical focus, and while we have not yet executed definitive documents related to our divestiture process in New York, we expect to do so before the end of this year and look forward to sharing more visibility into our future profitability expectations once that process is complete.”

Amber Shimpa, President and CEO of Vireo Health of Minnesota commented, “Our operational key performance indicators continued to improve during the quarter despite the seasonal challenges we experience in our greenhouse environment in Minnesota. We are encouraged by the strength of our performance in the Maryland market following the implementation of adult-use. Based on early indications, we believe we are outpacing the overall market growth in Maryland, which is an internal goal and standard by which we measure our performance. In Minnesota, we remain focused on driving better value and quality of products for patients as we move out of what is seasonally a very challenging climate for our flower production.”

Core Market KPIs¹

US \$ in millions	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	Variance	2023	2022	Variance
Total Harvest Pounds (Biomass)	9,111	7,530	21.0%	27,142	20,727	30.9%
% "A" Flower ²	20.5%	18.7%	180 bps	19.5%	16.9%	260 bps
Total Retail Revenue	\$20.1	\$14.7	37.4%	\$51.8	\$40.9	26.8%
Same Store Sales Growth	-	-	37.4%	-	-	26.8%
Minnesota	-	-	15.0%	-	-	26.6%
New York	-	-	-14.0%	-	-	-16.7%
Maryland	-	-	229.4%	-	-	88.7%
Total Wholesale Revenue	\$4.5	\$2.5	83.7%	\$9.9	\$7.4	34.5%

¹ Core Markets refer to the Company's operations in Maryland, Minnesota, and New York.

² "A Flower" refers to produced biomass that meet the Company's highest internal standards for flower quality, size, and appearance.

Other Events

On August 14, 2023, the Company announced that it has entered into consulting, licensing and wholesale agreements with two additional dispensaries in Maryland that are owned and controlled by HA-MD LLC and currently operate under the Ethos brand name. The agreements will result in the two Ethos dispensaries in Hampden and Rockville being, upon regulatory approval, rebranded to Green Goods® and include an option to acquire the two dispensaries if and when allowed by applicable law and regulations.

On October 5, 2023, the Company announced that it completed previously disclosed warrant issuances with Grown Rogue International, Inc. Goodness Growth issued 10,000,000 warrants to purchase subordinate voting shares of Goodness Growth to Grown Rogue, with a strike price equal to C\$0.317 (US\$0.233), which represented a 25.0 percent premium to the 10-day volume weighted average price (“VWAP”) of Goodness Growth’s subordinate voting shares on the trading day immediately prior to the effective date of the Agreement. Similarly, Grown Rogue issued 8,500,000 warrants to purchase shares of Grown Rogue to Goodness Growth, with a strike price equal to C\$0.225 (US\$0.166), which represented a 25.0 percent premium to the 10-day VWAP of Grown Rogue’s subordinate voting shares on the trading day immediately prior to the effective date of the Agreement. The warrants exchanged in the agreement were issued with five-year terms to exercise.

On October 30, 2023, the Company announced that it executed a fifth amendment to its lease with its landlord on its cannabis cultivation and manufacturing facilities located in Johnstown, New York. The Company and its landlord agreed to increase the tenant improvement allowance on the lease by an additional \$14.0 million, with the increase in funds to be utilized to support the completion of the construction of the Company’s indoor expansion project which was announced in September 2021. The parties also agreed to a monthly base rental increase of \$210,000 beginning November 2023. Goodness Growth management stated that the amendment is intended to support the Company’s ongoing divestment process in the State of New York.

Balance Sheet and Liquidity

As of September 30, 2023, total current assets were \$135.1 million, including cash on hand of \$13.3 million. Total current liabilities were \$165.4 million.

As of September 30, 2023, including the required issuance of warrants to Grown Rogue International, Inc., the Company had a total of 143,126,330 equity shares issued and outstanding on an as-converted basis, 236,986,611 shares outstanding on an as-converted, fully diluted basis, and 153,573,359 fully-diluted shares outstanding on the treasury method basis.

Conference Call and Webcast Information

Goodness Growth management will host a conference call with research analysts today, November 14, 2023, at 5:00 p.m. ET (4:00 p.m. CT) to discuss its financial results for its third quarter ended September 30, 2023. Interested parties may attend the conference call by dialing 1-888-414-4585 (Toll-Free) (US and Canada) or 1-646-960-0331 (Toll) (International) and referencing conference ID number 8663261.

A live audio webcast of this event will also be available in the Events & Presentations section of the Company's Investor Relations website and via the following link:

<https://events.q4inc.com/attendee/917057239>.

About Goodness Growth Holdings, Inc.

Goodness Growth Holdings, Inc. is a cannabis company whose mission is to provide safe access, quality products and value to its customers while supporting its local communities through active participation and restorative justice programs. The Company is evolving with the industry and is in the midst of a transformation to being significantly more customer-centric across its operations, which include cultivation, manufacturing, wholesale and retail business lines. Today, the Company is licensed to grow, process, and/or distribute cannabis in four markets and operates 14 dispensaries in three states. For more information about Goodness Growth Holdings, please visit www.goodnessgrowth.com.

Additional Information

Additional information relating to the Company's third quarter 2023 results will be available on EDGAR and SEDAR later today. Goodness Growth refers to certain non-GAAP financial measures such as Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in circumstances in which the Company believes that doing so provides additional perspective and insights when analyzing the core operating performance of the business. These measures do not have any standardized meaning and may not be comparable to similar measures presented by other issuers. Please see the Supplemental Information and Reconciliation of Non-GAAP Financial Measures at the end of this news release for more detailed information regarding non-GAAP financial measures.

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Forward-Looking Statement Disclosure

This press release contains “forward-looking information” within the meaning of applicable United States and Canadian securities legislation. To the extent any forward-looking information in this press release constitutes “financial outlooks” within the meaning of applicable United States or Canadian securities laws, this information is being provided as preliminary financial results; the reader is cautioned that this information may not be appropriate for any other purpose and the reader should not place undue reliance on such financial outlooks. Forward-looking information contained in this press release may be identified by the use of words such as “should,” “believe,” “estimate,” “would,” “looking forward,” “may,” “continue,” “expect,” “expected,” “will,” “likely,” “intend,” “subject to,” “transformation,” and “pending,” variations of such words and phrases, or any statements or clauses containing verbs in any future tense. These statements should not be read as guarantees of future performance or results. Forward-looking information includes both known and unknown risks, uncertainties, and other factors which may cause the actual results, performance, or achievements of the Company or its subsidiaries to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements or information contained in this press release. Financial outlooks, as with forward-looking information generally, are, without limitation, based on the assumptions and subject to various risks as set out herein and in our Annual Report on Form 10-K filed with the Securities Exchange Commission. Our actual financial position and results of operations may differ materially from management’s current expectations and, as a result, our revenue, EBITDA, and cash on hand may differ materially from the values provided in this press release. Forward-looking information is based upon a number of estimates and assumptions of management, believed but not certain to be reasonable, in light of management’s experience and perception of trends, current conditions, and expected developments, as well as other factors relevant in the circumstances, including assumptions in respect of current and future market conditions, the current and future regulatory environment, and the availability of licenses, approvals and permits.

Although the Company believes that the expectations and assumptions on which such forward-looking information is based are reasonable, the reader should not place undue reliance on the forward-looking information because the Company can give no assurance that they will prove to be correct. Actual results and developments may differ materially from those contemplated by these statements. Forward-looking information is subject to a variety of risks and uncertainties that could cause actual events or results to differ materially from those projected in the forward-looking information. Such risks and uncertainties include, but are not limited to: risks related to the timing and content of adult-use legislation in markets where the Company currently operates; current and future market conditions, including the market price of the subordinate voting shares of the Company; risks related to epidemics and pandemics; federal, state, local, and foreign government laws, rules, and regulations, including federal and state laws and regulations in the United States relating to cannabis operations in the United States and any changes to such laws or regulations; operational, regulatory and other risks; execution of business strategy; management of growth; difficulties inherent in forecasting future events; conflicts of interest; risks inherent in an agricultural business; risks inherent in a manufacturing business; liquidity and the ability of the Company to raise additional financing to continue as a going concern; the Company’s ability to meet the demand for flower in Minnesota; risk of failure in the lawsuit with Verano and the cost of that litigation; our ability to dispose of our assets held for sale at an acceptable price or at all; and risk factors set out in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022, which is available on EDGAR with the U.S. Securities and Exchange Commission and filed with the Canadian securities regulators and available under the Company’s profile on SEDAR at www.sedar.com.

The statements in this press release are made as of the date of this release. Except as required by law, we undertake no obligation to update any forward-looking statements or forward-looking information to reflect events or circumstances after the date of such statements.

Supplemental Information

The financial information reported in this news release is based on unaudited financial statements for the fiscal quarters ended September 30, 2023, and September 30, 2022. All financial information contained in this news release is qualified in its entirety with reference to such financial statements. To the extent that the financial information contained in this news release is inconsistent with the information contained in the Company's audited financial statements, the financial information contained in this news release shall be deemed to be modified or superseded by the Company's audited financial statements. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation for purposes of applicable securities laws.

GOODNESS GROWTH HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS AS OF 9/30/2023 AND 12/31/2022
(Amounts Expressed in United States Dollars, Unaudited and Condensed)

	September 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash	\$ 13,296,137	\$ 15,149,333
Accounts receivable, net of allowance for doubtful accounts of \$344,937 and \$453,860, respectively	5,688,782	4,286,072
Inventory	19,056,338	20,508,023
Prepayments and other current assets	1,834,013	2,544,532
Notes receivable, current	3,750,000	—
Warrants Receivable	1,566,445	—
Assets Held for Sale	89,918,392	4,240,781
Total current assets	135,110,107	46,728,741
Property and equipment, net	23,812,949	89,606,932
Operating lease, right-of-use asset	2,182,174	6,110,787
Notes receivable, long-term	—	3,750,000
Intangible assets, net	8,935,019	8,776,946
Goodwill	—	183,836
Deposits	383,645	2,312,161
Deferred tax assets	1,245,000	1,687,000
Total assets	\$ 171,668,894	\$ 159,156,403
Liabilities		
Current liabilities		
Accounts Payable and Accrued liabilities	\$ 33,638,534	\$ 14,928,780
Long-Term debt, current portion	55,432,463	11,780,000
Right of use liability	907,998	1,680,294
Liabilities held for sale	75,439,119	1,319,847
Total current liabilities	165,418,114	29,708,921
Right-of-use liability	9,700,492	79,757,994
Other long-term liabilities	235,577	—
Convertible debt, net	5,107,477	—
Long-Term debt	4,060,633	46,248,604
Total liabilities	\$ 184,522,293	\$ 155,715,519
Stockholders' equity		
Subordinate Voting Shares (\$- par value, unlimited shares authorized; 108,332,330 shares issued and outstanding)	—	—
Multiple Voting Shares (\$- par value, unlimited shares authorized; 347,940 shares issued and outstanding)	—	—
Super Voting Shares (\$- par value; unlimited shares authorized; 0 shares issued and outstanding)	—	—
Additional Paid in Capital	185,991,816	181,321,847
Accumulated deficit	(198,845,215)	(177,880,963)
Total stockholders' equity	\$ (12,853,399)	\$ 3,440,884
Total liabilities and stockholders' equity	\$ 171,668,894	\$ 159,156,403

GOODNESS GROWTH HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(Amounts Expressed in United States Dollars, Unaudited and Condensed)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenue	\$ 24,675,145	\$ 18,854,101	\$ 63,960,125	\$ 55,582,821
Cost of sales				
Product costs	10,493,561	9,186,241	30,347,357	29,532,469
Inventory valuation adjustments	984,196	131,000	1,563,872	3,657,788
Gross profit	13,197,388	9,536,860	32,048,896	22,392,564
Operating expenses:				
Selling, general and administrative	6,749,314	8,489,728	21,965,576	26,393,136
Stock-based compensation expenses	296,617	896,081	4,009,415	2,636,594
Depreciation	99,929	167,940	377,121	487,164
Amortization	180,034	172,267	498,828	516,800
Total operating expenses	7,325,894	9,726,016	26,850,940	30,033,694
Gain (loss) from operations	5,871,494	(189,156)	5,197,956	(7,641,130)
Other income (expense):				
Impairment of long-lived assets	—	(2,108,703)	—	(7,476,618)
Gain (loss) on disposal of assets	(50,686)	—	(2,798,567)	168,359
Gain (loss) on sale of property and equipment	—	7,583	—	(3,347)
Interest expenses, net	(7,915,658)	(5,573,263)	(22,795,242)	(15,472,885)
Other income (expenses)	345,824	79,750	6,166,472	1,196,975
Other income (expenses), net	(7,620,520)	(7,594,633)	(19,427,337)	(21,587,516)
Loss before income taxes	(1,749,026)	(7,783,789)	(14,229,381)	(29,228,646)
Current income tax expenses	(3,980,000)	(1,790,000)	(7,357,871)	(4,130,000)
Deferred income tax recoveries	500,000	1,150,000	623,000	4,185,000
Net loss and comprehensive loss	(5,229,026)	(8,423,789)	(20,964,252)	(29,173,646)
Net loss per share - basic and diluted	\$ (0.04)	\$ (0.07)	\$ (0.16)	\$ (0.23)
Weighted average shares used in computation of net loss per share - basic & diluted	141,332,852	128,120,949	132,576,879	128,114,570

GOODNESS GROWTH HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(Amounts Expressed in United States Dollars, Unaudited and Condensed)

	September 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (20,964,252)	\$ (29,173,646)
Adjustments to reconcile net loss to net cash used in operating activities:		
Inventory valuation adjustments	1,563,872	3,657,788
Depreciation	377,121	487,164
Depreciation capitalized into inventory	1,846,418	1,959,536
Non-cash operating lease expense	423,821	852,687
Amortization of intangible assets	498,828	516,800
Amortization of intangible assets capitalized into inventory	24,779	—
Stock-based payments	4,009,415	2,636,594
Warrants receivable	(1,566,445)	—
Interest Expense	5,111,930	3,430,733
Impairment of long-lived assets	—	7,476,618
Deferred income tax	(623,000)	(4,185,000)
Accretion	800,392	3,407,030
Loss (gain) on sale of property and equipment	—	3,347
Loss on disposal of Red Barn Growers	2,909,757	—
Loss (gain) on disposal of assets	(111,190)	—
Gain on disposal of royalty asset	—	(168,359)
Change in operating assets and liabilities:		
Accounts Receivable	(902,709)	(1,408,580)
Prepaid expenses	684,987	(1,601,742)
Inventory	(1,932,554)	(2,205,236)
Accounts payable and accrued liabilities	7,459,350	2,360,044
Change in assets and liabilities held for sale	(116,882)	—
Net cash used in operating activities	\$ (506,362)	\$ (11,954,222)
CASH FLOWS FROM INVESTING ACTIVITIES:		
PP&E Additions	\$ (2,630,724)	\$ (4,938,587)
Intangible license additions	(1,090,919)	—
Proceeds from sale of Red Barn Growers net of cash	439,186	387,512
Proceeds from sale of property, plant, and equipment	242,088	—
Proceeds from sale of royalty asset	—	236,635
Deposits	(263,545)	(482,539)
Net cash provided by (used in) investing activities	\$ (3,303,914)	\$ (4,796,979)
CASH FLOWS FROM FINANCING ACTIVITIES	\$	\$
Proceeds from long-term debt, net of issuance costs	—	24,868,143
Proceeds from convertible debt, net of issuance costs	5,348,140	—
Proceeds from option exercises	—	7,201
Debt principal payments	(1,976,362)	—
Lease principal payments	(1,414,698)	(1,437,346)
Net cash provided by (used in) financing activities	\$ 1,957,080	\$ 23,437,998
Net change in cash	\$ (1,853,196)	\$ 6,686,797
Cash, beginning of period	\$ 15,149,333	\$ 15,155,279
Cash, end of period	\$ 13,296,137	\$ 21,842,076

GOODNESS GROWTH HOLDINGS, INC.
STATE-BY-STATE REVENUE PERFORMANCE
THREE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

	Three Months Ended September 30,			
	2023	2022	\$ Change	% Change
Retail:				
MN	\$ 11,791,001	\$ 10,252,523	\$ 1,538,478	15 %
NY	2,185,701	2,541,913	(356,212)	(14) %
NM	—	1,721,017	(1,721,017)	(100) %
MD	6,170,372	1,873,773	4,296,599	229 %
Total Retail	\$ 20,147,074	\$ 16,389,226	\$ 3,757,848	23 %
Wholesale:				
MD	2,923,376	1,333,864	1,589,512	119 %
NY	1,375,730	1,131,011	244,719	22 %
NM	—	—	—	100 %
Total Wholesale	\$ 4,299,106	\$ 2,464,875	\$ 1,834,231	74 %
MD Service Revenue	228,965	—	228,965	100 %
Total Revenue	\$ 24,675,145	\$ 18,854,101	\$ 5,821,044	31 %
AZ and NM Revenue	\$ —	\$ (1,721,017)	\$ 1,721,017	(100) %
Total Revenue excluding AZ and NM	\$ 24,675,145	\$ 17,133,084	\$ 7,542,061	44 %

GOODNESS GROWTH HOLDINGS, INC.
STATE-BY-STATE REVENUE PERFORMANCE
NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

	Nine Months Ended September 30,			
	2023	2022	\$ Change	% Change
Retail:				
MN	\$ 33,989,289	\$ 26,844,812	\$ 7,144,477	27 %
NY	6,827,278	8,193,540	(1,366,262)	(17) %
NM	1,964,285	4,984,945	(3,020,660)	(61) %
MD	10,981,121	5,819,644	5,161,477	89 %
Total Retail	\$ 53,761,973	\$ 45,842,941	\$ 7,919,032	17 %
Wholesale:				
AZ	\$ —	\$ 2,355,683	\$ (2,355,683)	(100) %
MD	6,324,396	4,162,287	2,162,109	52 %
NY	3,605,064	2,549,770	1,055,294	41 %
NM	39,727	—	39,727	100 %
MN	—	672,140	(672,140)	(100) %
Total Wholesale	\$ 9,969,187	\$ 9,739,880	\$ 229,307	2 %
MD Service Revenue	228,965	-	228,965	100 %
Total Revenue	\$ 63,960,125	\$ 55,582,821	\$ 8,377,304	15 %
AZ and NM Revenue	\$ (2,004,012)	\$ (7,340,628)	\$ 5,336,616	(73) %
Total Revenue excluding AZ and NM	\$ 61,956,113	\$ 48,242,193	\$ 13,713,920	28 %

Reconciliation of Non-GAAP Financial Measures

Goodness Growth management occasionally elects to provide certain non-GAAP financial measures such as Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA). EBITDA is a non-GAAP measure and does not have a standardized definition under GAAP. The following information 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 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.

Reconciliation of Net Loss to EBITDA

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income (loss)	\$ (5,229,026)	\$ (8,423,789)	(20,964,252)	(29,173,646)
Interest expense, net	7,915,658	5,573,263	22,795,242	15,472,885
Income taxes	3,480,000	640,000	6,734,871	(55,000)
Depreciation & Amortization	279,963	340,207	875,949	1,003,964
Depreciation included in cost of goods sold	577,132	645,480	1,871,197	1,959,536
EBITDA (non-GAAP)	\$ 7,023,727	\$ (1,224,839)	11,313,007	(10,792,261)