

Third Quarter 2021 Results

November 10, 2021

Disclaimer

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION: This document includes information, statements, beliefs and opinions which are forward-looking, and which reflect current estimates, expectations and projections about future events, referred to herein and which constitute "forward-looking statements" or "forward-looking information" within the meaning of Canadian and U.S. securities laws. Statements containing the words "believe", "expect", "intend", "should", "seek", "anticipate", "will", "positioned", "plan", "may", "estimate", "could", "continue", "outlook", "strategy", "initiative", "foreseeable", or, in each case, their negative and words of similar meaning are intended to identify forward-looking statements. By their nature, forward-looking statements involve a number of known and unknown risks, uncertainties and assumptions concerning, among other things, the Company's anticipated business strategies, anticipated trends in the Company's business and anticipated market share, that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These risks, uncertainties and assumptions could adversely affect the outcome and financial effects of the plans and events described herein. In addition, even if the outcome and financial effects of the plans and events described herein are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods. Although the Company has attempted to identify important risks and factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors and risks that cause actions, events or results not to be as anticipated, estimated or intended. Forward-looking information contained in this presentation is based on the Company's current estimates, expectations and projections, which the Company believes are reasonable as of the current date. The Company can give no assurance that these estimates, expectations and projections will prove to have been correct. You should not place undue reliance on forward-looking statements, which are based on the information available as of the date of this document. Forward-looking statements contained in this document are made of the date of this presentation and, except as required by applicable law, the Company assumes no obligation to update or revise them to reflect new events or circumstances.

Historical statements contained in this document regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. In this regard, certain financial information contained herein has been extracted from, or based upon, information available in the public domain and/or provided by the Company. In particular historical results should not be taken as a representation that such trends will be replicated in the future. No statement in this document is intended to be nor may be construed as a profit forecast.

CAUTIONARY NOTE REGARDING FUTURE-ORIENTED FINANCIAL INFORMATION: To the extent any forward-looking information in this presentation constitutes "future-oriented financial information" or "financial outlooks" within the meaning of applicable Canadian securities laws, such information is being provided to demonstrate the anticipated market penetration and 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 future-oriented financial information and financial outlooks. Future-oriented financial information and financial outlooks, as with forward-looking information generally, are, without limitation, based on the assumptions and subject to the risks set out above under the heading "Cautionary Note Regarding Forward-Looking Information". Vireo's actual financial position and results of operations may differ materially from management's current expectations and, as a result, Vireo's revenue and expenses may differ materially from the revenue and expenses profiles provided in this presentation. Such information is presented for illustrative purposes only and may not be an indication of Vireo's actual financial position or results of operations.

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/1664907

Webcast Registration:

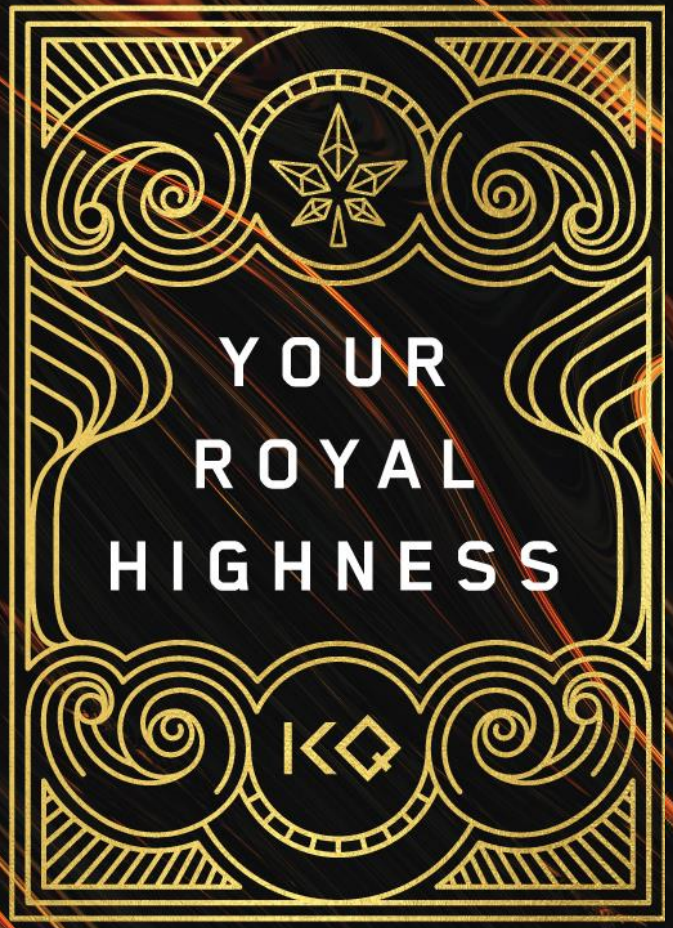
https://event.on24.com/wcc/r/3499604/61186A068815380E7BA234FA004F08EF



Summary of Third Quarter Results

- GAAP revenue of $13.4 million increased 7.2 percent YoY, driven by organic growth in each of the Company's various state markets. Excluding discontinued operations, revenue grew 27.6% YoY compared to Q3 of 2020.
- Gross profit increased by $0.1 million to $5.1 million, or 38.3 percent of sales, as compared to $5.0 million, or 39.8 percent of sales in Q3 of 2020.
- Revenue and gross margin performance in the quarter was negatively impacted by unfavorable weather in Arizona, which experienced one of the harshest monsoon seasons of the past decade.
- Adjusted EBITDA was a loss of $1.9 million in Q3 2021, as compared to a loss of $0.6 million in Q3 2020.
- During the quarter, the Company announced that it closed on a sale-leaseback transaction with Innovative Industrial Properties, Inc. in New York, which will finance construction of a new 324,000 square foot cannabis cultivation, processing, and research and development facility.

New Brands Built for Adult-Use Markets





New Brands Built for Adult-Use Markets

Sweet and delicious edible delights, adding colorful fun to help you enjoy the moment. High quality provenance flavors created by our very own Chef Michelle Mango.



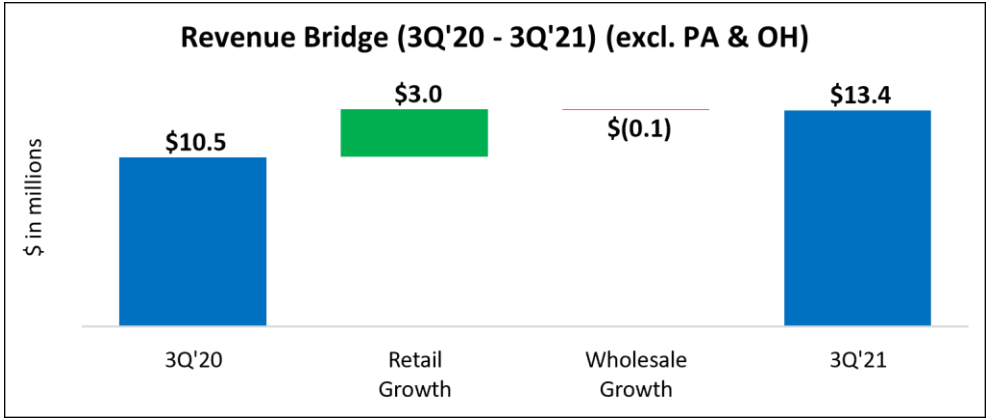
Key Financial Metrics – Third Quarter 2021

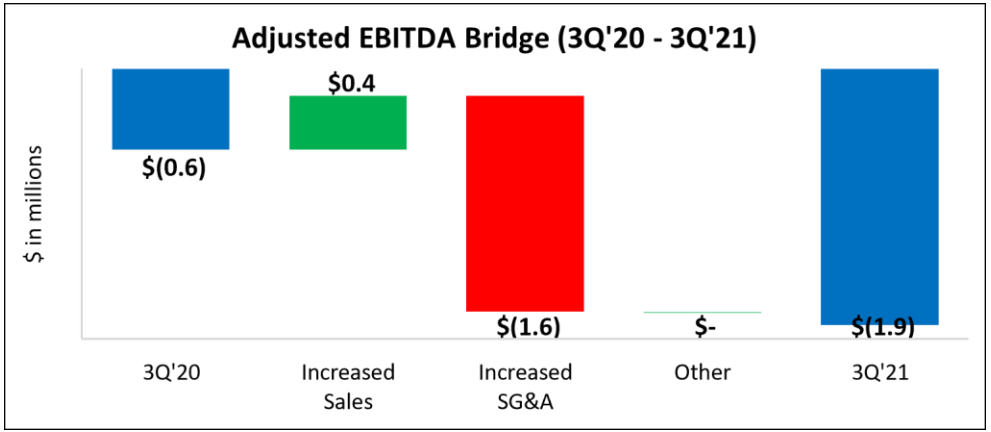
Summary of Key Financial Metrics

US $ in millions	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	2020	Variance	2021	2020	Variance
GAAP Revenue	$13.4	$12.5	7.2%	$40.8	$36.8	10.9%
Revenue (excl. former PA and OH subsidiaries)	$13.4	$10.5	27.6%	$40.7	$30.3	34.3%
GAAP Gross Profit	$5.1	$5.0	2.0%	$17.6	$11.8	49.2%
Gross Profit Margin	*38.3%*	*39.8%*	*-150 bps*	*43.3%*	*32.1%*	*1,120 bps*
SG&A Expenses	$8.1	$6.5	24.6%	$24.4	$19.7	23.9%
SG&A Expenses (% of Sales)	*60.4%*	*52.0%*	*840 bps*	*59.8%*	*53.5%*	*630 bps*
Adjusted EBITDA (non-GAAP)	($1.9)	($0.6)	NM	($4.6)	($5.5)	NM
Adjusted EBITDA Margin (non-GAAP)	*(14.0%)*	*(4.8%)*	*-920 bps*	*(11.3%)*	*(14.9%)*	*360 bps*

Third Quarter 2021 Performance

- Q3 revenue excluding results from the Company's former subsidiaries in Pennsylvania and Ohio increased 27.6 percent YoY to $13.4 million, and declined 6.0% sequentially compared to Q2 of 2021.
- Adjusted EBITDA loss was $1.9 million, compared to a loss of $0.6 million in Q3 of last year. The variance was driven by higher selling, general and administrative expenses supporting the Company's growth, offset partially by increased sales.
- SG&A expenses as a percentage of revenue was 60.4 percent of sales as compared to 52.0 percent of sales in Q3 of last year, with the increase primarily driven by operational expansion in Arizona, Maryland, Minnesota, and New Mexico.
- As of September 30, 2021, the Company had 126,351,477 equity shares issued and outstanding on an as-converted basis, and 154,358,312 shares outstanding on an as-converted, fully diluted basis.






Q&A Session
goodness
growth
holdings tm

GOODNESS GROWTH HOLDINGS, INC. CONSOLIDATED BALANCE SHEETS AS OF 9/30/21 AND 12/31/20 *(Amounts Expressed in USD, Except for Share Amounts, Unaudited and Condensed)*	September 30, 2021	December 31, 2020
Assets		
Current assets:		
Cash	$ 11,779,295	$ 25,513,180
Restricted cash	-	1,592,500
Accounts receivable, net of allowance for doubtful accounts of $189,467 and $132,490, respectively	975,205	696,994
Inventory	20,141,951	12,644,895
Prepayments and other current assets	3,145,490	1,552,278
Notes receivable	19,954	293,700
Deferred acquisition costs	-	28,136
Assets Held for Sale	8,692,419	4,596,445
Deferred financing costs	-	120,266
Total current assets	44,754,314	47,038,394
Property and equipment, net	99,954,310	30,566,259
Operating lease, right-of-use asset	8,417,965	8,163,844
Notes receivable, long-term	3,750,000	3,750,000
Intangible assets, net	5,421,895	8,409,419
Goodwill	183,836	3,132,491
Deposits	1,344,283	1,412,124
Deferred tax assets	337,000	157,000
Total assets	$ 164,163,603	$ 102,629,531
Liabilities		
Current liabilities		
Accounts Payable and Accrued liabilities	9,525,659	13,477,303
Right of use liability	1,403,465	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	116,803	3,595,301
Warrant Liability	3,078,694	-
Total current liabilities	15,234,621	19,939,898
Right-of-use liability	78,606,734	20,343,063
Long-Term debt	19,411,212	-
Total liabilities	$ 113,252,567	$ 40,282,961
Stockholders' equity		
Subordinate Voting Shares ($- par value, unlimited shares authorized; 79,538,377 shares issued and outstanding)	-	-
Multiple Voting Shares ($- par value, unlimited shares authorized; 402,720 shares issued and outstanding)	-	-
Super Voting Shares ($- par value; unlimited shares authorized; 65,411 shares issued and outstanding, respectively)	-	-
Additional Paid in Capital	171,354,487	164,079,614
Accumulated deficit	(120,443,451)	(101,733,044)
Total stockholders' equity	$ 50,911,036	$ 62,346,570
Total liabilities and stockholders' equity	$ 164,163,603	$ 102,629,531

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

(Amounts Expressed in USD, Except for Share Amounts, Unaudited and Condensed)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenue	$ 13,369,432	$ 12,475,782	$ 40,790,221	$ 36,809,714
Cost of sales				
Product costs	7,903,444	7,360,671	22,682,503	24,492,831
Inventory valuation adjustments	351,000	151,328	464,000	484,570
Gross profit	5,114,988	4,963,783	17,643,718	11,832,313
Operating expenses:				
Selling, general and administrative	8,106,187	6,517,464	24,441,860	19,677,932
Stock-based compensation expenses	835,122	524,052	4,557,777	12,245,412
Depreciation	98,098	38,097	515,907	260,725
Amortization	206,442	153,356	619,327	461,737
Total operating expenses	9,245,849	7,232,969	30,134,871	32,645,806
Loss from operations	(4,130,861)	(2,269,186)	(12,491,153)	(20,813,493)
Other income (expense):				
Loss on sale of property and equipment	-	-	-	(13,800)
Gain on disposal of assets held for sale	-	16,884,173	437,107	16,884,173
Loss on assets held for sale	-	(446,544)	-	(446,544)
Derivative gain (loss)	627,165	(4,066,335)	2,317,065	(5,032,537)
Interest expenses, net	(2,254,553)	(1,255,656)	(6,037,057)	(4,249,090)
Other income (expenses)	75,018	108,552	33,631	(205,061)
Other income (expenses), net	(1,552,370)	11,224,190	(3,249,254)	6,937,141
Loss before income taxes	(5,683,231)	8,955,004	(15,740,407)	(13,876,352)
Current income tax expenses	(530,000)	(3,723,000)	(3,150,000)	(4,575,000)
Deferred income tax recoveries	(30,000)	(2,280,000)	180,000	(2,225,000)
Net loss and comprehensive loss	(6,243,231)	2,952,004	(18,710,407)	(20,676,352)
Net loss per share - basic and diluted	$ (0.05)	$ 0.03	$ (0.15)	$ (0.22)
Weighted average shares used in computation of net loss per share - basic	126,363,104	98,871,038	122,704,872	95,433,233
Weighted average shares used in computation of net loss per share - diluted	126,363,104	112,517,113	122,704,872	95,433,233

GOODNESS GROWTH HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
(Amounts Expressed in USD, Except for Share Amounts, Unaudited and Condensed)

	Nine Months Ended September 30,	
	2021	**2020**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (18,710,407)	$ (20,676,352)
Adjustments to reconcile net loss to net cash used in operating activities:		
Inventory valuation adjustments	464,000	484,570
Depreciation	515,907	260,725
Depreciation capitalized into inventory	1,678,558	1,757,281
Non-cash operating lease expense	764,266	943,905
Amortization of intangible assets	619,327	461,737
Stock-based payments	4,557,777	12,245,412
Loss on assets held for sale	—	446,544
Interest Expense	1,764,711	—
Gain/loss	—	65,930
Deferred income tax	(180,000)	710,301
Gain on disposal of business	—	(16,884,173)
Accretion	310,704	573,573
Derivative (Gain) Loss	(2,317,065)	5,032,537
Gain on disposal of OMS	(437,107)	—
Change in operating assets and liabilities:		
Accounts Receivable	18,384	(302)
Prepaid expenses	(1,573,909)	(239,174)
Inventory	(7,765,288)	(1,091,279)
Accounts payable and accrued liabilities	(2,555,634)	4,759,842
Held for sale assets and liabilities	8,575,615	153,146
Change in assets and liabilities held for sale	(8,450,772)	—
Net cash used in operating activities	$ (22,720,933)	$ (10,995,777)
CASH FLOWS FROM INVESTING ACTIVITIES:		
PP&E Additions	$ (14,637,331)	$ (3,581,289)
Proceeds from sale of PAMS net of cash	—	16,637,489
Proceeds from sale of OMS net of cash	1,150,000	—
Deposits	67,841	282,943
Net cash provided by (used in) investing activities	$ (13,419,490)	$ 13,339,143
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	1,152,596	—
Debt interest payments	—	(65,962)
Lease payments	(1,008,584)	(1,250,799)
Net cash provided by financing activities	$ 22,406,538	$ 6,296,729
Net change in cash and restricted cash	$ (13,733,885)	$ 8,640,095
Cash and restricted cash, beginning of period	$ 25,513,180	$ 9,234,173
Cash and restricted cash, end of period	$ 11,779,295	$ 17,874,268

Reconciliation of Non-GAAP to GAAP Financial Measures

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net income (loss)	$ (6,243,231)	$ 2,952,004	$ (18,710,407)	$ (20,676,352)
Interest expense, net	2,254,553	1,255,656	6,037,057	4,249,090
Income taxes	560,000	6,003,000	2,970,000	6,800,000
Depreciation & Amortization	304,540	191,453	1,135,234	722,462
Depreciation included in cost of goods sold	691,662	699,432	1,678,558	1,757,281
EBITDA (non-GAAP)	$ (2,432,476)	$ 11,101,545	$ (6,889,558)	$ (7,147,519)
Derivative (Gain) Loss	(627,165)	4,066,335	(2,317,065)	5,032,537
Inventory adjustment	351,000	151,328	464,000	484,570
Share-based compensation	835,122	524,052	4,557,777	12,245,412
Severance Expense	-	-	-	339,997
Loss on assets held for sale	-	446,544	-	446,544
Gain on sale of discontinued operations	-	(16,884,173)	(437,107)	(16,884,173)
Adjusted EBITDA (non-GAAP)	$ (1,873,519)	$ (594,369)	$ (4,621,953)	$ (5,482,632)