

MedMen Reports First Quarter Fiscal 2020 Financial Results – Designated News Release

11/26/2019

- First quarter revenue of \$44.0 million, up 105% year over year
- Opened four new retail locations during the quarter, including three in Florida and one in California
- Company is licensed for 70 retail stores and currently operates 33 retail locations across 9 states, including pending acquisitions
- Post quarter end, announced five-part plan to reduce costs and accelerate path towards profitability

LOS ANGELES--(BUSINESS WIRE)-- MedMen Enterprises Inc. ("MedMen" or the "Company") (CSE: MMEN) (OTCQX: MMNFF) today released its consolidated financial results first quarter 2020 ended September 28, 2019. All financial information in this press release is reported in U.S. dollars, unless otherwise indicated.

Management Commentary

"We entered Fiscal 2020 on a mission to build a more nimble and financially flexible MedMen," said Adam Bierman, MedMen co-founder and chief executive officer. "As we right-size our organization and implement an intensified focus on free cash flow generation, our business will become more efficient, in turn allowing us to better serve our stakeholders. Through the successful execution of these goals, we expect MedMen will be EBITDA positive by the end of calendar year 2020."

"Since 2016, MedMen has aggressively executed on a plan to become the most recognizable brand in cannabis. The company's focus on profitability will provide greater flexibility to navigate near term market fluctuations, as they continue to capitalize on the sector's overall opportunity. We have supported the business since 2016 and are supportive of the vision going forward," said Ben Rose, executive chairman of the Board and chief investment

officer of Wicklow Capital.

First Quarter Fiscal 2020 Review

Financial:

- Revenue: Systemwide revenue across MedMen's operations in California, Nevada, New York, Illinois and Arizona increased to \$44.0 million for the quarter, up 105% year-over-year and 5% sequentially.
- Gross Margin: Gross margins across retail operations were 52% compared to 50% in the prior quarter. The increase in gross margins reflect increased leverage with suppliers and favorable vendor terms.
- Corporate SG&A: Corporate SG&A totaled \$30.6 million, a 21% decrease from fiscal second quarter 2019, representing \$31.6 million in annualized savings since the initial cost-cutting efforts began.
- Adjusted EBITDA Loss: The Company reported an Adjusted EBITDA loss of \$22.2 million for the quarter. Approximately \$7.4 million of rent expense was not included in Adjusted EBITDA for the quarter due to the application of IFRS 16 Leases. Adjusted EBITDA loss under the previous methodology would have been \$29.6 million compared to a \$39.4 million loss in the previous quarter.

Retail Highlights:

- California: California retail revenue totaled \$30.0 million for the first quarter, representing a 9% sequential increase from the previous quarter. In California, MedMen has 17 retail licenses, 13 of which are operational as MedMen stores.
- Nevada: MedMen's Las Vegas location on Paradise, the closest dispensary to the airport, remains the Company's second best-performing store across the U.S.
- Florida: During the quarter, the Company opened three locations in Florida, which include retail stores in St. Petersburg, Key West and Pensacola.
- Arizona: The Company continued to operate three retail locations in Arizona, through the acquisitions of Monarch and Level Up, which were both announced in fiscal 2019.
- Illinois: Through the acquisition of Seven Point earlier in the year, the Company currently operates a medical dispensary in Oak Park, Illinois. Due to regulatory changes and the termination of the PharmaCann transaction, the Company expects to have four operational recreational stores in Illinois during calendar 2020.
- Massachusetts: The Company's Fenway location is pending final regulatory approval and construction is anticipated to begin in calendar year 2020. In Newton, Massachusetts MedMen has signed a lease on a retail location and now is awaiting pending regulatory approvals.
- New York: The Company operates four medical dispensaries in the state, with a flagship location on Fifth Avenue near Bryant Park.

CPG Highlights:

- Nevada Factory, Mustang: The ramp-up of MedMen's Nevada manufacturing and cultivation facility continues to progress with the factory generating positive EBITDA for its first quarter ever. The factory is expected to be at full capacity by the second quarter of calendar year 2020. In the past eight weeks, [statemade] was the highest-selling pre-roll brand at MedMen stores across Nevada. In addition to its in-house brands, the Company executed licensing deals with leading cannabis brands, Platinum Vape and Nature's Lab for manufacturing and distribution in the state.
- California Factory, Desert Hot Springs: MedMen anticipates its manufacturing and cultivation facility in California will be operating at full capacity in the first-half of calendar 2020. As of November 2020, the Company's [statemade] brand is officially available throughout California and was the highest selling pre-roll brand at the Downtown Los Angeles, Abbot Kinney and Beverly Hills locations.
- Florida Factory, Eustis: MedMen is in the process of expanding its manufacturing and cultivation facility in Florida to keep up with the growth of its retail footprint in the state, which currently includes eight locations.

Technology Highlights:

- Delivery: On August 19, 2019, the Company announced the launch of its same-day delivery in California. The platform expands MedMen's omni-channel experience by offering customers best-in-class production selection with expedited delivery times. On November 15, 2019, the Company announced that the delivery platform had exceeded \$6 million in annualized run-rate revenue.
- Loyalty Program: Earlier in the year, the Company furthered its commitment to its customers by launching a first-of-its-kind loyalty program, called MedMen Buds. As of today, the Company announced had enrolled over 170,000 members into its loyalty program.

Plan to Achieve Positive EBITDA:

- On November 15, 2019, the Company announced a five-part plan to achieve positive EBITDA by the end of calendar 2020. The 90 day plan includes: 1) focusing on core markets while divesting non-core assets; 2) reducing corporate SG&A; 3) driving asset-level EBITDA; 4) limiting cash outlays for the next 12 months; and 5) reinvesting in the Company's employees and culture.
- As part of this corporate rightsizing, the Company initiated the process of laying off 190 employees, including over 80 corporate-level employees, which combined comprised 20% of the total employee base. The layoffs once complete are anticipated to achieve \$10 million in annual cost savings.
- Additional cost savings: \$20 million in annual savings through reductions in marketing and technology spend; at least \$2 million in annual savings through re-negotiated insurance policies for healthcare, D&O and property.

Subsequent Events:

- **Credit Facility:** As part of the amendment to the Company's \$250 million senior secured credit facility, Gotham Green Partners has an obligation to fund the \$10 million tranche by November 29, 2019.
- **Continued Florida Expansion:** Post the quarter end, MedMen opened four additional stores in Florida comprising Jacksonville Beach, Central Orlando, Tallahassee and Sarasota bringing the Company's total state store count to eight retail locations.
- **Transfer of Assets in Illinois and Virginia:** On October 8, 2019, the Company announced the termination of its Business Combination Agreement with PharmaCann. As part of the agreement to terminate, MedMen will forgive \$21.0 million owed by PharmaCann under an existing line of credit, and PharmaCann agreed to pay a termination fee to MedMen through a transfer of the membership interests in three entities holding the following four assets: 1) an operational cultivation and production facility in Hillcrest, Illinois, 2) a retail location in Evanston, Illinois, 3) a retail license for Greater Chicago, Illinois, and 4) a license for a vertically integrated facility in Virginia. The transfer of the Virginia license closed on October 18, 2019 and the transfer of the Evanston license is anticipated to close on December 2, 2019.
- **Sale of Interest in Treehouse REIT:** The Company recently sold its stake in the manager of Treehouse REIT, the first ever cannabis-focused REIT to target both cannabis retail and cultivation / manufacturing operations, for net proceeds of \$12.5 million.

ADDITIONAL INFORMATION

Additional information relating to the Company's first quarter 2020 results is available on SEDAR at www.sedar.com in the Company's Interim Financial Statements and Management Discussion & Analysis ("MD&A") for the quarter.

MedMen refers to certain non-IFRS financial measures such as Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA), adjusted EBITDA (defined as earnings before interest, taxes, depreciation, amortization, less certain non-cash equity compensation expense, including one-time transaction fees and all other non-cash items) and four-wall retail gross margins. These measures do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers.

Please see the "Supplemental Information (Unaudited) Regarding Non-IFRS Financial Measures" at the end of this press release and the MD&A for more detailed information regarding non-IFRS financial measures.

CONFERENCE CALL AND WEBCAST:

MedMen Enterprises will host a conference call and audio webcast with Chief Executive Officer and Co-Founder

Adam Bierman and Chief Financial Officer Zeeshan Hyder today at 5:00 pm Eastern to discuss the financial results in further detail.

Webcast Information:

A live audio webcast of the call will be available on the Events and Presentations section of MedMen's website at: <https://investors.medmen.com/events-and-presentations/default.aspx> and will be archived for replay.

Calling Information:

Toll Free Dial-In Number: (844) 559-7829

International Dial-In Number: (647) 689-5387

Conference ID: 7253627

ABOUT MEDMEN:

Founded in 2010, MedMen is North America's premium cannabis retailer. Founders Adam Bierman and Andrew Modlin have defined the next generation discovery platform for cannabis and all its benefits. A robust selection of high-quality products, including MedMen-owned brands [statemade], LuxLyte and MedMen Red, coupled with a team of cannabis-educated associates cement the Company's commitment to providing an unparalleled experience. MedMen's industry-leading technology enables a fully compliant, owned-and-operated delivery service and MedMen Buds, a nationwide loyalty program. MedMen believes that a world where cannabis is legal and regulated is safer, healthier and happier. Learn more at www.medmen.com

Cautionary Note Regarding Forward-Looking Information and Statements

This press release contains certain "forward-looking information" within the meaning of applicable Canadian securities legislation and may also contain statements that may constitute "forward-looking statements" within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. Such forward-looking information and forward-looking statements are not representative of historical facts or information or current condition, but instead represent only MedMen's beliefs regarding future events, plans or objectives, many of which, by their nature, are inherently uncertain and outside of MedMen's control. Generally, such forward-looking information or forward-looking statements can be identified by the use of forward-looking terminology such as "target of", "objectives", "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or may contain statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "will continue", "will occur" or "will be achieved". The forward-looking information and forward-looking statements contained herein may include, but are not limited to, expectations regarding the timing and results of the Company's ongoing corporate SG&A optimization efforts, the target of being EBITDA positive by

the end of calendar year 2020, expectations to continue to eliminate layers in the organization, expected increases in gross margins, implementing a cost rationalization program, consolidating corporate offices to reduce rent expense, other considerations that could impact achieving positive EBITDA, and the production capacity of cultivation and manufacturing factories.

This forward-looking information is based on certain assumptions made by management and other factors used by management in developing such information. These include the following:

- The assumed cost reductions set out above under the heading “Reduce Corporate SG&A”, which savings are based on the following assumptions:
 - That the Company is able to initiate and complete the intended layoffs of 20% of its current employee base as of the date of this press release, and that no additional extenuating circumstances that would reduce the overall savings to the Company – additional severance costs, potential lawsuits, and other related items to the termination of employees – prevent the intended \$10 million in cost savings from being reached.
 - That no additional marketing or technology spend will be needed outside of the intended uses of funds – consumer engagement, retail programing and partnerships and revenue-generating activities, such as the delivery program – that would preclude the Company from achieving the anticipated \$20 million in cost savings.
 - That the renegotiated healthcare, D&O and property expenses are negotiated under acceptable and terms in order to achieve the \$2 million in projected annual cost savings.
- The statements set out under the heading “Drive Asset-Level EBITDA” take into account the following:
 - That all of the Company’s recently signed California vendors, which includes at least eight brands or approximately 30% of retail sales as of the date of this press release, are able to achieve 60% gross margins on the sale of their products in stores.
 - That the Company’s factories are able to reach full capacity by the end of the second quarter fiscal 2020 and that MedMen is able to sell all such cultivated product within a reasonable time frame for a competitive, higher than cost, price.
 - That the Company has enough free cash flow to continue to invest in its delivery platform which is anticipated to need further investment in order to maintain its current level of service.

By identifying such information and statements in this manner, MedMen is alerting the reader that such information and statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of MedMen to be materially different from those expressed or implied by such information and statements, including the following risks:

- That the Plan must be revised to eliminate certain elements, or must be implemented over a longer period, in order to maintain the Company's operations and customer and supplier goodwill.
- The Company's sales do not continue to grow at levels experienced in the past or at the assumed growth rate, reducing overall expected gross profit. Production delays, inability to meet capacity, or crop failures in the Company's factories, resulting in delayed or reduced co-manufacturing revenues.
- That the Company does not identify strategic alternatives for certain retail licenses that could generate significant cash proceeds to MedMen.
- That the stores MedMen opens in 2020 do not reach \$10 million in sales within the first year of operation, that the stores currently in operation are unable to achieve their historical profit levels, or that the overall demand of product sold in current and impending retail locations does not decline, which combined could lower revenue and margins.
- That MedMen is unable to exit its minority investments in various high growth brands on anticipated terms and therefore cannot achieve the \$8 million in intended net proceeds.
- That the new bonus plan does not reduce costs or incentivize employees as planned thus hindering the Company's overall revenue and retail margins.
- Estimates of severance and similar amounts owing to laid off employees are too low.
- That the Company is unable to exit one of its current office leases and must maintain two locations in California rather than consolidate into a single campus.

Although MedMen believes that the assumptions and factors used in preparing, and the expectations contained in, the forward-looking information and statements are reasonable, undue reliance should not be placed on such information and statements, and no assurance or guarantee can be given that such forward-looking information and statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information and statements. The forward-looking information and forward-looking statements contained in this press release are made as of the date of this press release, and MedMen does not undertake to update any forward-looking information and/or forward-looking statements that are contained or referenced herein, except in accordance with applicable securities laws. All subsequent written and oral forward-looking information and statements attributable to MedMen or persons acting on its behalf are expressly qualified in its entirety by this notice.

Non-IFRS Measures

This press release uses certain non-IFRS measures. Management uses non-IFRS financial measures, in addition to IFRS financial measures, to understand and compare operating results across accounting periods, for financial and operational decision-making, for planning and forecasting purposes and to evaluate the Company's financial performance. These measures include EBITDA, which is defined as net income or loss adjusted for net interest and other financing costs, provision for income taxes, and amortization and depreciation.

Management believes that these non-IFRS financial measures assess the Company's ongoing business in a manner that allows for meaningful comparisons and analysis of trends in the business, as they facilitate comparing financial results across accounting periods and to those of peer companies. Management also believes that these non-IFRS financial measures enable investors to evaluate the Company's operating results and future prospects in the same manner as management. These non-IFRS financial measures may also exclude expenses and gains that may be unusual in nature, infrequent or not reflective of the Company's ongoing operating results.

As there are no standardized methods of calculating these non-IFRS financial measures, the Company's methods may differ from those used by others, and accordingly, the use of these measures may not be directly comparable to similarly titled measures used by others. Accordingly, these non-IFRS financial measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

SOURCE: MedMen Enterprises

MEDMEN ENTERPRISES INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 28, 2019 AND JUNE 29, 2019
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

| | September 28, 2019 | June 29, 2019 |
|--|------------------------------|------------------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 42,236,178 | \$ 33,753,751 |
| Restricted Cash | 12,141 | 55,618 |
| Accounts Receivable | 3,151,631 | 1,487,430 |
| Current Portion of Prepaid Rent - Related Party | - | 1,580,205 |
| Prepaid Expenses | 8,472,119 | 14,147,213 |
| Derivative Assets | 2,448,562 | 5,213,126 |
| Income Taxes Receivable | 2,994,072 | 3,459,019 |
| Biological Assets | 2,754,899 | 3,076,158 |
| Inventory | 40,456,695 | 29,176,192 |
| Assets Held for Sale | 8,453,664 | - |
| Other Current Assets | 22,947,187 | 18,913,039 |
| Due from Related Party | 5,403,130 | 4,921,455 |
| Total Current Assets | <u>139,330,278</u> | <u>115,783,206</u> |
| Non-Current Assets: | | |
| Prepaid Rent - Related Party, Net of Current Portion | - | 4,327,077 |
| Property and Equipment, Net | 399,493,631 | 220,989,461 |
| Intangible Assets, Net | 179,209,136 | 175,552,837 |
| Goodwill | 91,933,531 | 85,560,531 |
| Other Assets | 39,439,999 | 32,417,123 |
| Total Non-Current Assets | <u>710,076,297</u> | <u>518,847,029</u> |
| TOTAL ASSETS | <u><u>\$ 849,406,575</u></u> | <u><u>\$ 634,630,235</u></u> |

LIABILITIES AND SHAREHOLDERS' EQUITY

LIABILITIES:

| | | |
|--|------------------------------|------------------------------|
| Current Liabilities: | | |
| Accounts Payable and Accrued Liabilities | \$ 53,849,166 | \$ 49,794,041 |
| Income Taxes Payable | 24,453,535 | 16,873,177 |
| Other Current Liabilities | 11,758,575 | 10,550,240 |
| Derivative Liabilities | 4,215,065 | 9,343,485 |
| Current Portion of Lease Liabilities | 17,570,252 | 2,502,813 |
| Current Portion of Notes Payable | 13,146,816 | 20,229,641 |
| Due to Related Party | 4,922,968 | 5,640,817 |
| Total Current Liabilities | <u>129,916,377</u> | <u>114,934,214</u> |
| Non-Current Liabilities: | | |
| Lease Liabilities, Net of Current Portion | 276,134,636 | 95,726,766 |
| Other Non-Current Liabilities | 49,835,098 | 30,877,794 |
| Deferred Tax Liabilities | 24,500,321 | 24,578,609 |
| Senior Secured Convertible Credit Facility | 115,767,928 | 90,270,837 |
| Notes Payable, Net of Current Portion | 74,851,057 | 77,392,749 |
| Total Non-Current Liabilities | <u>541,089,040</u> | <u>318,846,755</u> |
| TOTAL LIABILITIES | <u>671,005,417</u> | <u>433,780,969</u> |
| SHAREHOLDERS' EQUITY: | | |
| Share Capital | 629,761,969 | 556,651,469 |
| Contributed Surplus | 69,776,751 | 63,026,656 |
| Accumulated Deficit | (435,078,733) | (383,622,726) |
| Total Equity Attributable to Shareholders of MedMen Enterprises Inc. | <u>264,459,987</u> | <u>236,055,399</u> |
| Non-Controlling Interest | (86,058,829) | (35,206,133) |
| TOTAL SHAREHOLDERS' EQUITY | <u>178,401,158</u> | <u>200,849,266</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | <u>\$ 849,406,575</u> | <u>\$ 634,630,235</u> |

MEDMEN ENTERPRISES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
13 WEEKS ENDED SEPTEMBER 28, 2019 AND
THREE MONTHS ENDED SEPTEMBER 30, 2018
 (Amounts Expressed in United States Dollars Unless Otherwise Stated)

| | 13 Weeks Ended September 28, 2019 | Three Months Ended September 30, 2018 |
|--|--|--|
| Revenue | \$ 43,974,745 | \$ 21,460,195 |
| Cost of Goods Sold | <u>22,150,013</u> | <u>9,809,333</u> |
| Gross Profit Before Fair Value Adjustments | 21,824,732 | 11,650,862 |
| Realized Fair Value of Inventory Sold | (10,997,772) | - |
| Unrealized Gain on Changes in Fair Value of Biological Assets | <u>6,386,921</u> | <u>(1,947,936)</u> |
| Gross Profit | <u>17,213,881</u> | <u>9,702,926</u> |
| Expenses: | | |
| General and Administrative | 49,066,463 | 65,739,450 |
| Sales and Marketing | 5,783,728 | 4,800,233 |
| Depreciation and Amortization | <u>11,280,064</u> | <u>2,450,320</u> |
| Total Expenses | <u>66,130,255</u> | <u>72,990,003</u> |
| Loss from Operations | <u>(48,916,374)</u> | <u>(63,287,077)</u> |
| Other Expense (Income): | | |
| Interest Expense | 11,618,049 | 2,410,032 |
| Interest Income | (369,342) | - |
| Amortization of Debt Discount and Loan Origination Fees | 2,931,805 | 58,758 |
| Change in Fair Value of Derivatives | (132,895) | (773,929) |
| Unrealized Gain on Changes in Fair Value of Investments | (11,480,321) | - |
| Unrealized Loss on Changes in Fair Value of Contingent Consideration | <u>2,743,443</u> | <u>-</u> |

| | | |
|---|------------------------|------------------------|
| Other Expense | 20,438,042 | 105,627 |
| Total Other Expense | <u>25,748,781</u> | <u>1,800,488</u> |
| Loss Before Provision for Income Taxes | (74,665,155) | (65,087,565) |
| Provision for Income Taxes | <u>7,970,304</u> | <u>1,408,658</u> |
| Net Loss and Comprehensive Loss | (82,635,459) | (66,496,223) |
| Net Loss and Comprehensive Loss Attributable to Non-Controlling Interest | <u>(51,159,144)</u> | <u>(54,018,293)</u> |
| Net Loss and Comprehensive Loss Attributable to Shareholders of MedMen Enterprises Inc. | <u>\$ (31,476,315)</u> | <u>\$ (12,477,930)</u> |
| Loss Per Share - Basic and Diluted: | | |
| Attributable to Shareholders of MedMen Enterprises Inc. | <u>\$ (0.16)</u> | <u>\$ (0.27)</u> |
| Weighted-Average Shares Outstanding - Basic and Diluted | <u>191,711,038</u> | <u>46,948,133</u> |

MEDMEN ENTERPRISES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
13 WEEKS ENDED SEPTEMBER 28, 2019 AND
THREE MONTHS ENDED SEPTEMBER 30, 2018
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

| | 13 Weeks Ended September 28, 2019 | Three Months Ended September 30, 2018 |
|--|--|--|
| CASH FLOW FROM OPERATING ACTIVITIES: | | |
| Net Loss and Comprehensive Loss | \$ (82,635,459) | \$ (66,496,223) |
| Adjustments to Reconcile Net Loss and Comprehensive Loss to Net Cash Used in Operating Activities: | | |
| Unrealized Gain on Changes in Fair Value of Biological Assets | (6,386,921) | - |
| Deferred Tax (Recovery) Expense | (78,288) | - |
| Interest Expense | 11,618,049 | - |
| Realized Fair Value of Inventory Sold | 10,997,772 | - |
| Depreciation and Amortization | 15,009,625 | 2,661,950 |
| Accretion of Debt Discount and Loan Origination Fees | 2,931,805 | 58,758 |
| Change in Fair Value of Contingent Consideration | 2,743,443 | - |
| Accretion of Deferred Gain on Sale of Property | (252,084) | - |
| Unrealized Gain on Changes in Fair Value of Investments | (11,480,321) | - |
| Loss on Extinguishment of Debt | 20,852,426 | - |
| Share-Based Compensation | 5,076,484 | 11,183,536 |
| Shares Issued for Acquisition Costs | 421,497 | - |
| Change in Fair Value of Derivatives | (132,895) | (773,929) |
| Changes in Operating Assets and Liabilities: | | |
| Accounts Receivable | (1,664,201) | 5,746 |
| Prepaid Rent - Related Party | - | 473,750 |
| Prepaid Expenses | 5,675,094 | (9,885,821) |
| Income Taxes Receivable | 464,947 | - |
| Biological Assets | (4,289,592) | 1,947,936 |
| Inventory | (10,875,503) | (4,905,117) |
| Other Current Assets | (558,609) | - |
| Due from Related Party | (481,675) | (877,618) |
| Other Assets | (7,022,876) | 3,342,671 |
| Accounts Payable and Accrued Liabilities | 2,199,410 | 16,624,543 |
| Income Taxes Payable | 7,580,358 | - |
| Other Current Liabilities | (2,950,720) | 436,778 |
| Due to Related Party | (717,849) | (4,060,138) |
| NET CASH USED IN OPERATING ACTIVITIES | <u>(43,956,083)</u> | <u>(50,263,178)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of Property and Equipment | (10,237,002) | (21,654,267) |
| Internally Developed Software Cost Capitalized | (1,580,400) | - |
| Purchase of Investments | - | (6,500,000) |
| Proceeds from Sale of Property | 20,400,000 | - |
| Distributions | (310,633) | - |
| Acquisition of Businesses, Net of Cash Acquired | (1,000,000) | (6,625,000) |
| Additions to Restricted Cash | 43,477 | 4,752,612 |

| | | |
|---|---------------|---------------|
| NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES | 7,315,442 | (30,026,655) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Exercise of Warrants for MedMen Corp Redeemable Shares | - | 6,116,506 |
| Issuance of Subordinate Voting Shares for Cash | 38,894,012 | 61,579,231 |
| Proceeds from Issuance of Senior Secured Convertible Credit Facility | 25,000,000 | - |
| Proceeds from Issuance of Notes Payable | - | 2,473,339 |
| Principal Repayments of Notes Payable | (10,193,715) | (5,740,630) |
| Lease Liability Payments | (5,863,079) | - |
| Interest Paid on Notes Payable and Senior Secured Convertible Credit Facility | (2,204,356) | - |
| Debt Issuance Costs | (509,794) | - |
| Contributions - Non-Controlling Interest | - | 200,000 |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 45,123,068 | 64,628,446 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 8,482,427 | (15,661,387) |
| Cash and Cash Equivalents, Beginning of Period | 33,753,751 | 79,159,970 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 42,236,178 | \$ 63,498,583 |

MEDMEN ENTERPRISES INC.
NON-IFRS RECONCILIATION
13 WEEKS ENDED SEPTEMBER 28, 2019 AND
THREE MONTHS ENDED SEPTEMBER 30, 2018
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

| | 13 Weeks Ended September 28, 2019 | Three Months Ended September 30, 2018 |
|---|---|---|
| Net Loss (IFRS) | \$ (82,635,459) | \$ (66,496,223) |
| Add Impact of: | | |
| Transaction Costs | 1,019,922 | 1,423,351 |
| Share-Based Compensation | 6,411,409 | 11,183,536 |
| Other Non-Cash Operating Costs | 15,821,803 | 1,279,634 |
| Total Adjustments | 23,253,134 | 13,886,521 |
| Adjusted Net Loss (Non-IFRS) | \$ (59,382,325) | \$ (52,609,702) |
| Net Loss (IFRS) | \$ (82,635,459) | \$ (66,496,223) |
| Add Impact of: | | |
| Net Interest and Other Financing Costs | 11,248,707 | 2,410,032 |
| Provision for Income Taxes | 7,970,304 | 1,408,658 |
| Amortization and Depreciation | 17,941,429 | 2,720,708 |
| Total Adjustments | 37,160,440 | 6,539,398 |
| EBITDA (Non-IFRS) | \$ (45,475,019) | \$ (59,956,825) |
| EBITDA (Non-IFRS) | \$ (45,475,019) | \$ (59,956,825) |
| Add Impact of: | | |
| Transaction Costs & Restructuring Costs | 1,019,922 | 1,423,351 |
| Share-Based Compensation | 6,411,409 | 11,183,536 |
| Other Non-Cash Operating Costs | 15,821,803 | 1,279,634 |
| Total Adjustments | 23,253,134 | 13,886,521 |
| Adjusted EBITDA (Non-IFRS) | \$ (22,221,885) | \$ (46,070,304) |

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