

MedMen Reports Fourth Quarter and Fiscal Year 2019 Financial Results - Designated News Release

10/28/2019

- Record full year revenue of \$130 million, up 227% year over year
- Fourth quarter revenue of \$42 million, up 104% year over year
- Surpassed \$110 million in annualized run-rate retail revenue across California, the largest cannabis market in the world
- Company is licensed for 70 retail stores and currently operates 32 retail locations across 9 states, including pending acquisitions

LOS ANGELES--(BUSINESS WIRE)-- MedMen Enterprises Inc. ("MedMen" or the "Company") (CSE: MMEN) (OTCQX: MMNFF) today released its consolidated financial results for fourth quarter and fiscal year ended June 29, 2019. All financial information in this press release is reported in U.S. dollars, unless otherwise indicated.

Management Commentary

"Fiscal 2019 was a transformative year for MedMen, with over two million completed retail transactions to date and revenues increasing 227% year-over-year," said Adam Bierman, MedMen co-founder and chief executive officer.

"Our success was due, largely in part, to our loyal customer base. Throughout the year, we served over one million customers from all 50 states and more than 100 countries. In California, the largest cannabis market in the world, MedMen surpassed a record \$110 million in annualized run-rate retail revenue."

Mr. Bierman continued, "While industry tailwinds propelled us forward over the past twelve months, changing macroeconomic conditions have led us to refocus our strategy, to reevaluate our assets and to determine where it

makes most sense to allocate capital going forward. As we progress into the next fiscal year, our go-forward strategy will therefore focus on three key objectives: optimizing our current retail assets, unlocking the further potential of our factories, and leveraging our omnichannel strategy. As we bring all of our factories online and up to full capacity, and simultaneously optimize our current retail assets across our core geographic markets, we continue on our path toward profitability.”

Fourth Quarter Fiscal 2019 Review

Financial:

- Revenue: Systemwide revenue across MedMen's operations in California, Nevada, New York, Illinois and Arizona increased to \$42.0 million for the fourth quarter, up 15% sequentially and 104% year-over-year.
- Gross Margin: Gross margins across retail operations were 50% in the fourth quarter compared to 53% in the prior quarter. The decline in gross margins was related to new store openings, which initially have lower gross margins.
- Corporate SG&A: Corporate SG&A totaled \$33.0 million in the fourth quarter, a 15% decrease from the fiscal second quarter and 6% decrease from the fiscal third quarter. In total, this represents \$22.4 million in annualized savings over two quarters. In May 2019, the Company announced that it would be targeting a 20% overall reduction from the fiscal second quarter.
- Adjusted EBITDA Loss: The Company reported an Adjusted EBITDA loss of \$39.4 million for the fourth quarter, representing an 7% improvement from the previous quarter.

Retail Highlights:

- California: California retail revenue totaled \$27.5 million for the fourth quarter. MedMen increased its total California retail license count to 17. Of these 17 retail licenses, 13 are operational as MedMen stores, including the recently opened MedMen Sorrento Valley location. The Company was also recently awarded a commercial retail license in Pasadena, California. MedMen expects to have a total of 30 operating retail locations in California by the end of calendar year 2020.
- Nevada: MedMen's Las Vegas location on Paradise, the closest dispensary to the airport, became the Company's second best-performing store across the U.S. MedMen's flagship location in Highland, which is located near the Las Vegas Strip, is currently under construction.
- Florida: During the quarter, the Company opened its first retail location in the state with the opening of its West Palm Beach store. Florida is the third most populous state with a robust medical cannabis program serving over 200,000 qualified patients.
- 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. The stores are currently undergoing re-

branding and expansion efforts in anticipation of potential regulatory changes in the state that would make Arizona a recreational market.

- Illinois: Through the acquisition of Seven Point earlier in the year, the Company currently operates a medical dispensary in Oak Park, Illinois.
- 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.

Corporate Developments:

- Southern California: Following the close of a previously announced acquisition, MedMen added a flagship retail location in Long Beach situated strategically between its Santa Ana and LAX stores. The Company also opened a second San Diego retail location in Sorrento Valley. During the quarter, MedMen was also awarded one of six retail licenses available in the City of Pasadena.
- Northern California: MedMen continued to expand its Northern California retail footprint announcing plans to open a retail store in the city of Vallejo upon completion of a pending acquisition of a retail and distribution license. The Vallejo location will, when opened, be the Company's fourth retail location in the area, joining existing locations in Emeryville, San Jose and Seaside.
- Illinois: On June 25, 2019, Illinois Governor J.B. Pritzker signed a landmark bill legalizing adult cannabis use in the state beginning January 1, 2020. This legislation bodes well for MedMen's Oak Park location as well as assets to be transferred to the Company in Hillcrest, Evanston and the Greater Chicago area. Illinois is projected to be a \$2 billion recreational cannabis market at maturity, per Marijuana Business Daily.

Capital Markets and Financing Activities:

- Credit Facility: In the fourth quarter, MedMen completed amendments to, among other things, eliminate trading price thresholds of the Class B subordinate voting shares necessary under the remaining tranches of the \$250 million senior secured credit facility arranged by Gotham Green Partners. The Company is currently in active discussions with Gotham Green Partners to make additional amendments to the convertible debt facility to further align all parties given current market conditions.
- Equity Investment: Concurrent with the above-mentioned credit facility amendment, Gotham Green Partners, with participation from Wicklow Capital, made an additional \$30 million equity investment in the Company.

Fiscal Year 2019 Review

Financial:

- Revenue: Systemwide revenue for fiscal year 2019 increased to \$130 million, up 227% from 2018.
- Gross Margin: Gross profit for fiscal 2019, before biological asset adjustment, was \$56.5 million, as compared to \$13.1 million in the previous year. Gross profit margin after biological asset adjustment was 47%, compared to 35% in the previous fiscal year.
- Adjusted EBITDA: MedMen reported an Adjusted EBITDA loss of \$172.0 million for fiscal 2019, compared to an Adjusted EBITDA loss of \$50.7 million in the previous year.
- Net Loss: Net loss was \$277.0 million, with net loss attributable to shareholders of MedMen Enterprises \$79.1 million or loss of \$0.75 per basic and diluted share attributable to MedMen Enterprises shareholders for fiscal 2019, compared to a net loss of \$113.9 million, with net loss attribute to shareholders of MedMen Enterprises \$68.3 million or loss of \$1.69 per basic and diluted share, for fiscal 2018.

Subsequent Events

- MedMen Delivery: MedMen's fully owned and operated delivery platform was launched in California and Southern Nevada to provide customers access to quality cannabis and MedMen's unparalleled retail experience from the comfort of their own homes. MedMen plans to roll out delivery from its Florida retail locations before year end. Total sales through e-commerce have surpassed \$5 million in annualized revenue, with over 7,500 delivery transactions to date since the service first launched in August 2019.
- MedMen Buds: The Company announced its new loyalty program, MedMen Buds, in August 2019. In addition to having exclusive access to sales and discounts, loyalty members earn points for every purchase which can be redeemed for rewards. Currently, MedMen Buds is live in stores across Arizona, California, Florida, and Nevada with over 135,000 members enrolled to date.
- Continued Florida Expansion: Subsequent to year end, MedMen opened 6 additional Florida locations including in St. Petersburg, Key West, Pensacola, Jacksonville Beach, Central Orlando and Tallahassee. The Company anticipates opening five additional retail locations in the state by the end of 2019 bringing its total Florida store count to 12.
- M&A: On October 8, 2019, the Company announced the termination of its merger with PharmaCann. The cannabis sector evolved significantly from the initial announcement of the transaction and, with the current macro-environment and future strategic opportunities which exist for the Company, it became clear it was in the best interest of shareholders to terminate the deal. 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 interest 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.

- West Hollywood: The City Council of West Hollywood passed an ordinance to extend the Company's temporary recreational retail license until January 1, 2021, unless otherwise determined. MedMen continues to work with West Hollywood City Council and various community groups on a long-term resolution.
- Management: The Company appointed Zeeshan Hyder as Chief Financial Officer, succeeding Michael Kramer on October 7, 2019. Mr. Kramer signed a consulting agreement with MedMen for the remainder of the calendar year.

ADDITIONAL INFORMATION

Additional information relating to the Company's fourth quarter and fiscal year 2019 results is available on SEDAR at www.sedar.com in the Company's Annual 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 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: 3858067

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, 15 U.S.C.A. Sections 77z-2 and 78u-5 (Supp. 1996). 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 "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, the expected benefits from terminating the merger with PharmaCann, including the ability to complete asset transfers from PharmaCann, expectations regarding the number of locations to be operating in California by the end of calendar year 2020, having 12 stores open in Florida by the end of the calendar year, expected start of construction in Massachusetts in calendar 2020, and expectations for other economic, business, and/or competitive factors, including any indication as to the timing of the Company becoming profitable or achieving any reduction in expenses.

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. In addition, in connection with the forward-looking information and forward-looking statements contained in this press release, MedMen has made certain assumptions. Among the key factors that could cause actual results to differ materially from those projected in the

forward-looking information and statements are the following: inability to receive the requisite regulatory approvals for the transfers of the entities from PharmaCann, changes in general economic, business and political conditions, including changes in the financial markets; changes in applicable laws and compliance with extensive government regulation. Should one or more of these risks, uncertainties or other factors materialize, or should assumptions underlying the forward-looking information or statements prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected.

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 is expressly qualified in its entirety by this notice.

MEDMEN ENTERPRISES INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 29, 2019 AND JUNE 30, 2018
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

| | 2019 | As Restated - Note 23 2018 |
|--|--------------------|----------------------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 33,753,751 | \$ 79,159,970 |
| Restricted Cash | 55,618 | 6,163,599 |
| Accounts Receivable | 1,487,430 | 318,159 |
| Current Portion of Prepaid Rent - Related Party | 1,580,205 | 1,898,863 |
| Prepaid Expenses | 14,147,213 | 9,387,047 |
| Derivative Assets | 5,213,126 | - |
| Income Taxes Receivable | 3,459,019 | - |
| Biological Assets | 3,076,158 | 1,952,580 |
| Inventory | 29,176,192 | 6,248,754 |
| Other Current Assets | 18,913,039 | 2,790,772 |
| Due from Related Party | 4,921,455 | 3,509,035 |
| | <u>115,783,206</u> | <u>111,428,779</u> |
| Non-Current Assets: | | |
| Prepaid Rent - Related Party, Net of Current Portion | 4,327,077 | 2,652,149 |
| Property and Equipment, Net | 220,989,461 | 88,748,447 |
| Intangible Assets, Net | 175,552,837 | 48,792,757 |
| Goodwill | 85,560,531 | 30,217,597 |
| Other Assets | 32,417,123 | 12,403,049 |
| | <u>518,847,029</u> | <u>182,813,999</u> |

| | | | |
|--|--|-----------------------|-----------------------|
| TOTAL ASSETS | | <u>\$ 634,630,235</u> | <u>\$ 294,242,778</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| LIABILITIES: | | | |
| Current Liabilities: | | | |
| Accounts Payable and Accrued Liabilities | | \$ 49,794,041 | \$ 17,135,714 |
| Income Taxes Payable | | 16,873,177 | 3,305,059 |
| Other Current Liabilities | | 10,550,240 | 1,186,148 |
| Derivative Liabilities | | 9,343,485 | - |
| Current Portion of Finance Lease Liability | | 2,502,813 | - |
| Current Portion of Notes Payable | | 20,229,641 | 52,353,625 |
| Due to Related Party | | 5,640,817 | 9,858,445 |
| Total Current Liabilities | | <u>114,934,214</u> | <u>83,838,991</u> |
| Non-Current Liabilities: | | | |
| Finance Lease Liability, Net of Current Portion | | 95,726,766 | - |
| Other Non-Current Liabilities | | 30,877,794 | - |
| Deferred Tax Liabilities | | 24,578,609 | 11,160,195 |
| Senior Secured Convertible Credit Facility | | 90,270,837 | - |
| Notes Payable, Net of Current Portion | | 77,392,749 | 3,593,334 |
| Total Non-Current Liabilities | | <u>318,846,755</u> | <u>14,753,529</u> |
| TOTAL LIABILITIES | | <u>433,780,969</u> | <u>98,592,520</u> |
| SHAREHOLDERS' EQUITY: | | | |
| Share Capital | | 556,651,469 | 129,145,994 |
| Additional Paid-In Capital | | 63,026,656 | 47,091,271 |
| Accumulated Deficit | | <u>(383,622,726)</u> | <u>(67,616,023)</u> |
| Total Equity Attributable to Shareholders of MedMen Enterprises Inc. | | 236,055,399 | 108,621,242 |
| Non-Controlling Interest | | <u>(35,206,133)</u> | <u>87,029,016</u> |
| TOTAL SHAREHOLDERS' EQUITY | | <u>200,849,266</u> | <u>195,650,258</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | <u>\$ 634,630,235</u> | <u>\$ 294,242,778</u> |

MEDMEN ENTERPRISES INC.
CONSOLIDATED STATEMENTS OF
OPERATIONS
FOR THE 52 WEEKS ENDED JUNE 29, 2019 AND YEAR ENDED
JUNE 30, 2018
(Amounts Expressed in United States Dollars Unless
Otherwise Stated)

| | 13 Weeks Ended | Three Months Ended | 52 Weeks Ended | As Restated - Note 23 Year Ended June 30, 2018 |
|---|-------------------|--------------------|-------------------|--|
| | June 29, 2019 | June 30, 2018 | June 29, 2019 | June 30, 2018 |
| Revenue | \$ 41,972,293 | \$ 20,555,442 | \$ 129,963,405 | \$ 39,783,102 |
| Cost of Goods Sold | <u>25,962,076</u> | <u>14,659,409</u> | <u>73,470,844</u> | <u>26,653,267</u> |
| Gross Profit Before Fair Value Adjustments | 16,010,217 | 5,896,033 | 56,492,561 | 13,129,835 |
| Realized Fair Value of Inventory Sold | (8,185,745) | - | (16,037,819) | - |
| Unrealized Gain on Changes in Fair Value of Biological Assets | <u>7,746,190</u> | <u>720,390</u> | <u>20,422,965</u> | <u>720,390</u> |
| Gross Profit | <u>15,570,661</u> | <u>6,616,423</u> | <u>60,877,707</u> | <u>13,850,225</u> |

| | | | | |
|---|------------------------|------------------------|------------------------|------------------------|
| Expenses: | | | | |
| General and Administrative | 51,326,373 | 65,521,828 | 244,047,147 | 98,180,978 |
| Sales and Marketing | 7,427,590 | 4,730,653 | 27,548,784 | 7,014,849 |
| Depreciation and Amortization | <u>10,125,438</u> | <u>2,335,372</u> | <u>20,975,133</u> | <u>5,257,862</u> |
| Total Expenses | <u>68,879,401</u> | <u>72,587,853</u> | <u>292,571,064</u> | <u>110,453,689</u> |
| Loss from Operations | <u>(53,308,740)</u> | <u>(65,971,430)</u> | <u>(231,693,357)</u> | <u>(96,603,464)</u> |
| Other Expense (Income): | | | | |
| Interest Expense | 4,339,749 | 3,283,295 | 12,281,764 | 5,312,433 |
| Interest Income | (293,832) | - | (701,789) | - |
| Amortization of Debt Discount and Loan Origination Fees | 6,764,105 | 10,802,358 | 10,535,402 | 10,802,358 |
| Change in Fair Value of Derivatives | (2,149,747) | (2,869,942) | (4,451,564) | (2,869,942) |
| Unrealized Gain on Changes in Fair Value of Investments | (1,965,000) | - | (4,259,000) | - |
| Unrealized Loss on Changes in Fair Value of Contingent Consideration | 8,438,689 | - | 8,438,689 | - |
| Other Expense | <u>7,204,633</u> | <u>877,477</u> | <u>9,694,867</u> | <u>877,477</u> |
| Total Other Expense | <u>22,338,597</u> | <u>12,093,188</u> | <u>31,538,369</u> | <u>14,122,326</u> |
| Loss Before Provision for Income Taxes | (75,647,337) | (78,064,618) | (263,231,726) | (110,725,790) |
| Provision for Income Taxes | <u>7,260,133</u> | <u>2,221,848</u> | <u>13,814,885</u> | <u>3,086,081</u> |
| Net Loss and Comprehensive Loss | (82,907,470) | (80,286,466) | (277,046,611) | (113,811,871) |
| Net Loss and Comprehensive Loss Attributable to Non-Controlling Interest | <u>58,687,386</u> | <u>47,424,931</u> | <u>197,927,087</u> | <u>46,195,848</u> |
| Net Loss and Comprehensive Loss Attributable to Shareholders of MedMen Enterprises Inc. | <u>\$ (24,220,084)</u> | <u>\$ (32,861,535)</u> | <u>\$ (79,119,524)</u> | <u>\$ (67,616,023)</u> |
| Loss Per Share - Basic and Diluted: Attributable to Shareholders of MedMen Enterprises Inc. | <u>\$ (0.15)</u> | <u>\$ (0.81)</u> | <u>\$ (0.75)</u> | <u>\$ (1.67)</u> |
| Weighted-Average Shares Outstanding - Basic and Diluted | <u>166,307,001</u> | <u>40,480,284</u> | <u>105,915,105</u> | <u>40,480,284</u> |

MEDMEN ENTERPRISES INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE 52 WEEKS ENDED JUNE 29, 2019 AND YEAR ENDED JUNE 30, 2018
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

| | 2019 | As Restated - Note 23 2018 |
|--|------------------|----------------------------------|
| CASH FLOW FROM OPERATING ACTIVITIES: | | |
| Net Loss and Comprehensive Loss | \$ (277,046,611) | \$ (113,811,871) |
| 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 | (20,422,965) | - |
| Deferred Tax (Recovery) Expense | (5,068,784) | 1,547,027 |
| Realized Fair Value of Inventory Sold | 16,037,819 | - |
| Depreciation and Amortization | 22,598,860 | 6,030,947 |
| Amortization of Debt Discount and Loan Origination Fees | 10,535,402 | 10,802,358 |
| Loss on Sale of Property | 1,135,495 | - |
| Accretion of Deferred Gain on Sale of Property | (528,290) | - |
| Unrealized Gain on Changes in Fair Value of Investments | (4,259,000) | - |
| Loss on Extinguishment of Debt | 1,164,054 | - |
| Share-Based Compensation | 32,721,458 | 31,360,669 |
| Write-off of Intangible Assets | - | 19,003 |
| Issuance to Shareholders of Ladera - Common Shares and Subscription Receipts | - | 4,899,215 |
| Shares Issued for Acquisition Costs | 1,112,820 | - |
| Change in Fair Value of Derivatives | (4,451,564) | (2,869,942) |
| Changes in Operating Assets and Liabilities: | | |
| Accounts Receivable | (1,169,271) | (318,159) |
| Notes Receivable | - | - |
| Prepaid Rent - Related Party | (1,356,270) | 2,025,000 |
| Prepaid Expenses | (4,760,166) | (7,326,261) |
| Income Taxes Receivable | (3,459,019) | - |
| Other Current Assets | 3,261,568 | (720,390) |
| Biological Assets | (19,132,047) | (7,249,667) |
| Inventory | 995,821 | - |
| Due from Related Party | (1,412,420) | 456,102 |
| Other Assets | (20,010,746) | (11,226,093) |
| Accounts Payable and Accrued Liabilities | 31,618,214 | 15,685,561 |
| Income Taxes Payable | 12,920,318 | - |
| Other Current Liabilities | (10,603,378) | (789,193) |
| Due to Related Party | (4,217,628) | 2,609,179 |
| Other Non-Current Liabilities | 7,696,467 | - |
| NET CASH USED IN OPERATING ACTIVITIES | (236,099,863) | (68,876,515) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of Property and Equipment | (124,968,929) | (59,589,669) |
| Capitalization of Internally Developed Software | (3,084,097) | - |
| Purchase of Investments | (8,759,791) | - |
| Proceeds from Sale of Property | 96,373,319 | - |
| Cash Payments for Asset Acquisitions | (19,780,494) | - |
| Purchase of Management Agreement | - | (3,999,999) |
| Acquisition of Businesses, Net of Cash Acquired | (26,661,541) | (28,425,000) |
| Restricted Cash | 6,107,981 | (3,973,532) |
| NET CASH USED IN INVESTING ACTIVITIES | (80,773,552) | (95,988,200) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Private Placement in Connection with Reverse Take-Over | - | 101,802,288 |
| Issuance of MM CAN USA, Inc. Class B Shares for | - | 1,289,010 |
| Exercise of MedMen Corp Warrants | - | 36,011,152 |
| Non-Brokered Private Placement | - | - |
| Issuance of Subordinate Voting Shares for Cash | 128,595,775 | - |
| Exercise of Warrants for MedMen Corp Redeemable Shares | 8,521,268 | - |
| Contributions from Members | - | 21,904,035 |
| MM Enterprises USA, LLC Formation and Rollup | - | 5,206,023 |
| Proceeds from Issuance of Senior Secured Convertible Credit Facility | 100,000,000 | - |
| Proceeds from Issuance of Notes Payable | 93,943,539 | 75,283,358 |
| Principal Repayments of Notes Payable | (54,472,654) | (23,363,562) |
| Principal Repayments of Finance Lease Liability | (1,114,503) | - |
| Debt Issuance Costs | (4,296,229) | - |
| Cash Received from Issuance of Class D Units | - | 9,850,000 |
| Contributions - Non-Controlling Interest | 290,000 | 10,322,355 |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 271,467,196 | 238,304,659 |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (45,406,219) | 73,439,944 |
| Cash and Cash Equivalents, Beginning of Period | 79,159,970 | 5,720,026 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 33,753,751 | \$ 79,159,970 |
| CASH PAID DURING PERIOD FOR: | | |
| Interest | \$ 13,372,175 | \$ 5,163,199 |

NON-IFRS RECONCILIATION
FOR THE 13 AND 52 WEEKS ENDED JUNE 29, 2019 AND THREE MONTHS AND YEAR ENDED JUNE 30, 2018
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

| | 13 Weeks Ended June 29, 2019 | Three Months Ended June 30, 2018 | 52 Weeks Ended June 29, 2019 | As Restated - Note 23 Year Ended June 30, 2018 |
|--|------------------------------------|--|------------------------------------|--|
| Net Loss (IFRS) | \$ (82,907,471) | \$ (80,286,466) | \$ (277,046,611) | \$ (113,811,871) |
| Add (Deduct) Impact of: | | | | |
| Transaction Costs | 6,848,941 | 5,099,137 | 17,036,191 | 9,203,143 |
| Share-Based Compensation | 3,421,371 | 30,820,753 | 32,123,699 | 31,360,669 |
| Other Non-Cash Operating Costs | 4,329,137 | (2,700,332) | (2,601,148) | (2,700,332) |
| Total Adjustments | 14,599,449 | 33,219,558 | 46,558,742 | 37,863,480 |
| Adjusted Net Loss (Non-IFRS) | <u>\$ (68,308,022)</u> | <u>\$ (47,066,908)</u> | <u>\$ (230,487,869)</u> | <u>\$ (75,948,391)</u> |
| Net Loss (IFRS) | \$ (82,907,471) | \$ (80,286,466) | \$ (277,046,611) | \$ (113,811,871) |
| Add (Deduct) Impact of: | | | | |
| Net Interest and Other Financing Costs | 5,186,041 | 3,283,296 | 11,579,975 | 5,312,434 |
| Provision for Income Taxes | 7,260,133 | 2,348,810 | 13,814,885 | 3,213,043 |
| Amortization and Depreciation | 16,433,671 | 13,339,503 | 33,129,440 | 16,833,303 |
| Total Adjustments | 28,879,845 | 18,971,609 | 58,524,300 | 25,358,780 |
| EBITDA (Non-IFRS) | <u>\$ (54,027,626)</u> | <u>\$ (61,314,857)</u> | <u>\$ (218,522,311)</u> | <u>\$ (88,453,091)</u> |
| EBITDA (Non-IFRS) | \$ (54,027,626) | \$ (61,314,857) | \$ (218,522,311) | \$ (88,453,091) |
| Add (Deduct) Impact of: | | | | |
| Transaction Costs | 6,848,941 | 5,099,137 | 17,036,191 | 9,203,143 |
| Share-Based Compensation | 3,421,371 | 30,820,753 | 32,123,699 | 31,360,669 |
| Other Non-Cash Operating Costs | 4,329,137 | (2,700,332) | (2,601,148) | (2,700,332) |
| Total Adjustments | 14,599,449 | 33,219,558 | 46,558,742 | 37,863,480 |
| Adjusted EBITDA (Non-IFRS) | <u>\$ (39,428,177)</u> | <u>\$ (28,095,299)</u> | <u>\$ (171,963,569)</u> | <u>\$ (50,589,611)</u> |

SOURCE: MedMen Enterprises

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