

**CRESCOLABS ANNOUNCES INCREASED PROFITABILITY IN THIRD QUARTER 2019  
WITH REVENUE GROWTH OF 184% YEAR-OVER-YEAR AND 21% QUARTER-OVER-QUARTER**

*Conference Call with Investors and Analysts to be Held at 6:00 p.m. Eastern Time Today*

**CHICAGO – November 26, 2019** – Cresco Labs Inc. (CSE: CL) (OTCQX: CRLBF) (FSE: 6CQ) (“Cresco” or the “Company”) one of the largest vertically integrated multistate cannabis operators in the United States, today released its unaudited financial results for the third quarter ended September 30, 2019. All financial information presented in this release is in U.S. dollars, unless otherwise noted.

**Third Quarter 2019 Highlights and Subsequent Events**

Revenue

- Third quarter revenue of \$36.2 million, up 184% year-over-year and 21% quarter-over-quarter.
- Third quarter pro forma revenue<sup>1</sup> increased 48% quarter-over-quarter to \$73.6 million, which includes the impact of pending acquisitions and investments.

EBITDA

- Third quarter Adjusted EBITDA<sup>2</sup> of \$11.1 million, compared to \$9.7 million in the prior-year period. Excluding the impact of biological assets, adjusted EBITDA for the third quarter was \$3.1 million.
- Third quarter 2019 financial results included \$4.5 million related to share-based incentive compensation, acquisition and other non-recurring costs of \$4.7 million, and \$2.2 million in expansion and relaunch costs.

Net Income

- Third quarter net loss<sup>3</sup> of \$8.6 million, compared to net income of \$1.2 million in the prior-year period.

Balance Sheet

- As of September 30, 2019, the Company had total assets of \$416.5 million, including cash and cash equivalents of \$73.7 million and a working capital position of \$144.6 million with zero debt on the balance sheet.
- On November 26, 2019, the Company announced a sale-and-leaseback agreement for its Marshall, Michigan and Yellow Springs, Ohio facilities for \$38 million which is expected to close within 30 days.

<sup>1</sup> Pro forma revenue reflects the results of acquisitions and minority investments closed and with definitive agreements as of the beginning of the year in which the closing or definitive agreement occurred.

<sup>2</sup> See "Non-IFRS Financial Measures" at the end of this press release for more information regarding the Company's use of non-IFRS financial measures.

<sup>3</sup> Net (loss) income includes amounts attributable to non-controlling interest.

### Operations

- As of September 30, 2019, the Company was operational in six U.S. states, with binding transactions pending in New York and Massachusetts, as well as approved expansion into Michigan.
- On October 8, 2019, the Company closed its acquisition of 100% of the membership interests of Gloucester Street Capital, LLC, the parent entity of Valley Agriceuticals, LLC, providing the Company with one of 10 vertically integrated licenses granted in the State of New York.
- The waiting period under the HSR Act for the Company's pending acquisition of Origin House expired on October 22, 2019, satisfying one of the remaining conditions to completing the acquisition. The Company expects its acquisition of Origin House to close in early 2020, which greatly expands its distribution network in California.
- The Company signed a purchase agreement to acquire certain assets from Tryke Companies, LLC, a vertically integrated seed-to-sale cannabis company, including six prime *Reef Dispensary* locations in Nevada and Arizona, expanded licensed cultivation and process capacity in Las Vegas and Phoenix, and entry into the Utah market.
- On November 26, 2019, the Company announced the mutual termination of its proposed acquisition of VidaCann, Ltd eliminating \$120 million in near-term cash requirements.

### Talent

- The Company continued hiring top talent, bringing total staff headcount to over 1,700 employees at the end of the third quarter of 2019, including pending acquisitions.

### **Management Commentary**

"In Q3, our team delivered another quarter of positive adjusted EBITDA while growing top-line revenue 21% over Q2 on an identical asset base, demonstrating the value of our long-term strategy of going deep, in the most populous states, and capturing significant market share through wholesale," said Charles Bachtell, Co-founder and CEO of Cresco Labs. "Subsequent to the end of Q3, we closed the acquisition of Valley Agriceuticals, giving us four dispensaries in New York, one of the most significant hubs of consumer influence in the world. In California, the other market that has an outsized influence on U.S. and global consumer behavior, our wholesale revenue more than doubled in the quarter. We are making meaningful progress on our objective of creating the first national cannabis brand."

Mr. Bachtell continued, "As we've outlined for our shareholders, over the long term we view brands and wholesale distribution as the path to building a platform of high margin revenue, driving high returns on invested capital. We continue to focus on gaining market share with the goal of attaining this long-term state as quickly as possible. One of the best short-term opportunities is in Cresco's backyard, as Illinois transitions to adult-use legalization in January of 2020. We are well-positioned in the state and will continue to rapidly expand our cultivation and processing footprint, to ensure Cresco will have a strong first-mover advantage. Our brand portfolio has already proven to be popular in Illinois, capturing the largest share of the market, and we are well-positioned to maintain our market share and grow it through the adult-use transition and beyond. Illinois is a perfect example of the success of our strategy to get into prospective markets, go deep, build strong brands and capture disproportionate market share. As we move into 2020, we are set to repeat this model across our platform."

### Financial Results for the Third Quarter Ended September 30, 2019 (Unaudited)

Revenue for the third quarter of 2019 was \$36.2 million, an increase of 184% compared to revenue of \$12.7 million for the third quarter of 2018. The increase in revenue was driven by expansion into new markets and continued growth in the states where the Company operates. Third quarter 2019 revenue increased 21% compared to \$29.9 million for the second quarter of 2019, primarily driven by higher revenue generated in California, Pennsylvania, and Illinois. On a pro forma basis, revenue for the third quarter of 2019 increased 48% from the second quarter of 2019 to \$73.6 million, which includes the impact of pending acquisitions and minority investments.

Third quarter 2019 operational gross profit<sup>4</sup>, before the impact of biological assets accounting, was \$17.1 million, or 47.1% of revenues, compared to \$14.4 million, or 48.1% of revenues, for the second quarter of 2019. The change in operational gross profit margin was driven by increased sales and operational efficiencies in the Company's established markets offset by the impact of emerging and recently acquired businesses where the Company is focused on footprint expansion and relaunching Cresco-branded products. The Company expects to see higher margins in these developing markets as these operations continue to scale.

Total expenses for the third quarter of 2019 were \$26.5 million, compared to \$11.6 million for the prior-year period. Total expenses in the third quarter of 2019 included \$4.0 million in expenses related to share-based incentive compensation, \$4.7 million in acquisition and other non-recurring costs, and \$1.0 million of depreciation and amortization. The balance of the increase represents investments made in talent and operational infrastructure to support the Company's continued revenue growth.

Net loss for the third quarter for 2019 was \$8.6 million, compared to net income of \$1.2 million for the prior-year period. Current period net loss included income tax expense of \$4.6 million.

Adjusted EBITDA for the third quarter of 2019 was \$11.1 million, compared to \$9.7 million for the prior-year period. Excluding the net impact of the fair value of biological assets, Adjusted EBITDA for the third quarter of 2019 was \$3.1 million.

### Balance Sheet and Liquidity

As of September 30, 2019, the Company had total assets of \$416.5 million, including cash and cash equivalents of \$73.7 million and a working capital position of \$144.6 million with zero debt on the balance sheet. Use of cash in the third quarter of 2019 included significant investments in the expansion of cultivation, processing and retail facilities in the Company's existing markets and funding provided to pending acquisitions to drive the continued development of facilities.

### Conference Call and Webcast

The Company will hold a conference call and webcast to discuss its business and financial results on Tuesday, November 26, 2019 at 6 p.m. Eastern Time. The conference call may be accessed via Cresco's investors website at [investors.crescolabs.com](http://investors.crescolabs.com) or by dialing 866-688-4235 (409-216-0711 for international callers) and entering conference ID 3385937. Archived access to the webcast will be available for one year on Cresco's investors website.

<sup>4</sup> See "Non-IFRS Financial Measures" at the end of this press release for more information regarding the Company's use of non-IFRS financial measures.

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### **Consolidated Financial Statements**

The financial information reported in this news release is based on unaudited management prepared financial statements for the three and nine months ended September 30, 2019. The Company will file its condensed interim consolidated financial statements on SEDAR by November 29, 2019. Accordingly, such financial information may be subject to change. All financial information contained in this news release is qualified in its entirety with reference to such financial statements. While the Company does not expect there to be any material changes, to the extent that the financial information contained in this news release is inconsistent with the information contained in the Company's financial statements, the financial information contained in this news release shall be deemed to be modified or superseded by the Company's 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. Further, the reader should refer to the additional disclosures in the Company's audited financial statements for the year ended December 31, 2018, previously filed on SEDAR.

Cresco references certain non-IFRS financial measures throughout this press release, which may not be comparable to similar measures presented by other issuers. Please see the "Non-IFRS Financial Measures" section at the end of this press release for more detailed information.

### **About Cresco Labs Inc.**

Cresco Labs is one of the largest vertically-integrated multi-state cannabis operators in the United States. Cresco is built to become the most important company in the cannabis industry by combining the most strategic geographic footprint with one of the leading distribution platforms in North America. Employing a consumer-packaged goods ("CPG") approach to cannabis, Cresco's house of brands is designed to meet the needs of all consumer segments and includes some of the most recognized and trusted national brands including Cresco, Remedi and Mindy's, a line of edibles created by James Beard Award-winning chef Mindy Segal. Sunnyside\*, Cresco's national dispensary brand, is a wellness-focused retailer designed to build trust, education and convenience for both existing and new cannabis consumers. Recognizing that the cannabis industry is poised to become one of the leading job creators in the country, Cresco has launched the industry's first national comprehensive Social Equity and Educational Development (SEED) initiative designed to ensure that all members of society have the skills, knowledge and opportunity to work in and own businesses in the cannabis industry. Learn more about Cresco Labs at [www.crescolabs.com](http://www.crescolabs.com).

### **Non-IFRS Financial Measures**

Operational gross profit, EBITDA and Adjusted EBITDA are non-IFRS measures and do not have standardized definitions under IFRS. The following information provides reconciliations of the supplemental non-IFRS financial measures, presented herein to the most directly comparable financial measures calculated and presented in accordance with IFRS. The Company has also provided unaudited pro forma financial information, which assumes that closed and pending mergers and acquisitions in 2018 are included in the Company's financial results as of the beginning of the quarterly and annual periods in 2018 and that closed and pending mergers and acquisitions in 2019 are included in the Company's financial results as of the beginning of the quarterly and annual periods in 2019. This measure also includes revenue for certain pending or completed minority investments, for which revenue is not consolidated under IFRS rules. The Company has provided the non-IFRS financial measures, which are not calculated or presented in accordance with IFRS, as supplemental information and in addition to the financial measures that are calculated and presented in accordance with IFRS. These supplemental non-IFRS

financial measures are presented because management has evaluated the financial results both including and excluding the adjusted items and believe that the supplemental non-IFRS financial measures presented provide additional perspective and insights when analyzing the core operating performance of the business. These supplemental non-IFRS financial measures should not be considered superior to, as a substitute for or as an alternative to, and should only be considered in conjunction with, the IFRS financial measures presented herein.

#### **Forward Looking Statements**

This press release contains “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 the Company’s beliefs regarding future events, plans or objectives, many of which, by their nature, are inherently uncertain and outside of the Company’s control. Generally, such forward-looking information or forward-looking statements can be identified by the use of forward-looking terminology such as, ‘may,’ ‘will,’ ‘should,’ ‘could,’ ‘would,’ ‘expects,’ ‘plans,’ ‘anticipates,’ ‘believes,’ ‘estimates,’ ‘projects,’ ‘predicts,’ ‘potential’ or ‘continue’ or the negative of those forms or other comparable terms. The Company’s forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the Company’s actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements, including but not limited to those risks discussed under “Risk Factors” in the company’s CSE Listing Statement filed with SEDAR; and other factors, many of which are beyond the control of the Company. Readers are cautioned that the foregoing list of factors is not exhaustive. Because of these uncertainties, you should not place undue reliance on the Company’s forward-looking statements. No assurances are given as to the future trading price or trading volumes of Cresco’s shares, nor as to the Company’s financial performance in future financial periods. The Company does not intend to update any of these factors or to publicly announce the result of any revisions to any of the Company’s forward-looking statements contained herein, whether as a result of new information, any future event or otherwise. Except as otherwise indicated, this press release speaks as of the date hereof. The distribution of this press release does not imply that there has been no change in the affairs of the Company after the date hereof or create any duty or commitment to update or supplement any information provided in this press release or otherwise.

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**Cresco Labs Inc.**  
**Unaudited Financial Information and Non-IFRS Reconciliations**  
*(All amounts expressed in thousands of U.S. Dollars)*

**Unaudited Condensed Interim Consolidated Statements of Operations and Comprehensive Income**  
**For the Three and Nine Months Ended September 30, 2019 and 2018**

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)
Revenue	\$ 36,207	\$ 12,729	\$ 87,152	\$ 26,295
Cost of Sales – Production Costs	(23,369)	(6,723)	(55,228)	(17,469)
Gross Profit Before Fair Value Adjustments	12,838	6,006	31,924	8,826
Realized Changes in Fair Value of Inventory Sold	(22,908)	(8,731)	(56,423)	(17,586)
Unrealized Gain on Changes in Fair Value of Biological Assets	30,910	15,340	80,930	32,955
<b>Gross Profit</b>	<b>20,840</b>	<b>12,615</b>	<b>56,431</b>	<b>24,195</b>
<b>GP%</b>	<b>57.6%</b>	<b>99.1%</b>	<b>64.8%</b>	<b>92.0%</b>
Expenses:				
Selling, General and Administrative	25,474	11,415	61,952	16,575
Depreciation and Amortization	991	151	2,858	283
Total Expenses	26,465	11,566	64,810	16,858
<b>Gain (Loss) from Operations</b>	<b>(5,625)</b>	<b>1,049</b>	<b>(8,379)</b>	<b>7,337</b>
Other (Expense) Income:				
Interest Expense, Net	(1,094)	(4)	(3,600)	(21)
Other Income, Net	2,714	156	1,959	548
Income (Loss) from Investment in Associate	35	35	107	(359)
Total Other Income (Expense), Net	1,655	187	(1,534)	168
<b>(Loss) Income Before Income Taxes</b>	<b>(3,970)</b>	<b>1,236</b>	<b>(9,913)</b>	<b>7,505</b>
Income Tax Expense	(4,624)	-	(10,173)	-
<b>Net (Loss) Income</b> <sup>1</sup>	<b>\$ (8,594)</b>	<b>\$ 1,236</b>	<b>\$ (20,086)</b>	<b>\$ 7,505</b>

<sup>1</sup> Net (loss) income includes amounts attributable to non-controlling interest.

**Cresco Labs Inc.**  
**Unaudited Summarized Consolidated Statements of Financial Position**  
**As of September 30, 2019 and December 31, 2018**

	<b>9/30/2019</b>	<b>12/31/2018</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Cash and Cash Equivalents	\$ 73,658	\$ 131,302
Other Current Assets	116,645	61,402
Property and Equipment, Net	87,084	39,721
Intangible Assets, Net	26,850	25,464
Goodwill	51,159	51,146
Other Long-Term Assets	61,130	9,076
<b>Total Assets</b>	<b>\$ 416,526</b>	<b>\$ 318,111</b>
Total Current Liabilities	\$ 45,746	\$ 25,230
Total Long-Term Liabilities	55,529	9,900
Total Shareholders' Equity	315,251	282,981
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 416,526</b>	<b>\$ 318,111</b>

**Cresco Labs Inc.**  
**Unaudited Revenue and Gross Profit Metrics**  
**For the Three and Nine Months Ended September 30, 2019 and 2018**

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Revenue</b>	\$ 36,207	\$ 12,729	\$ 87,152	\$ 26,295
Cost of Sales – Production Costs <sup>1</sup>	(23,369)	(6,723)	(55,228)	(17,469)
Realized Changes in Fair Value of Inventory Sold	(22,908)	(8,731)	(56,423)	(17,586)
Unrealized Gain on Changes in Fair Value of Biological Assets	30,910	15,340	80,930	32,955
<b>Gross Profit</b>	<b>\$ 20,840</b>	<b>\$ 12,615</b>	<b>\$ 56,431</b>	<b>\$ 24,195</b>
Cultivation Costs Expensed Under IAS 41 <sup>2</sup>	2,075	848	6,030	2,393
Net Impact of Fair Value of Biological Assets	(8,002)	(6,609)	(24,507)	(15,369)
Expansion and Relaunch Costs <sup>3</sup>	2,157	-	2,879	-
<b>Operational Gross Profit (Non-IFRS)</b>	<b>\$ 17,070</b>	<b>\$ 6,854</b>	<b>\$ 40,833</b>	<b>\$ 11,219</b>
<b>Operational GP%</b>	<b>47.1%</b>	<b>53.8%</b>	<b>46.9%</b>	<b>42.7%</b>

<sup>1</sup> Production (manufacturing and processing) costs related to products sold and cultivation costs incurred during the period.

<sup>2</sup> Costs would be capitalized under IAS 2 and do not relate to costs of inventory sold in the period.

<sup>3</sup> Impact of non-recurring third-party product costs and samples/discounts to expand footprint and relaunch in certain markets.

**Cresco Labs Inc.**  
**Unaudited Reconciliation of Net Income to Adjusted EBITDA**  
**For the Three and Nine Months Ended September 30, 2019 and 2018**

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)
<b>Net (Loss) Income<sup>1</sup></b>	\$ (8,594)	\$ 1,236	\$ (20,086)	\$ 7,505
Depreciation and Amortization	3,287	478	7,986	1,171
Other Income, Net	(2,714)	(156)	(1,959)	(548)
Interest Expense, Net	1,094	4	3,600	21
Loss (Income) from Investment in Associate	(35)	(35)	(107)	359
Income Tax Expense	4,624	-	10,173	-
<b>Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) (Non-IFRS)</b>	<b>(2,338)</b>	<b>1,527</b>	<b>(393)</b>	<b>8,508</b>
Expansion and Relaunch Costs <sup>2</sup>	2,157	-	2,879	-
Cultivation Costs Expensed Under IAS 41 <sup>3</sup>	2,075	848	6,030	2,393
Acquisition and Other Non-Recurring Costs	4,709	275	10,370	469
Share-Based Compensation	4,487	7,053	10,745	7,237
<b>Adjusted EBITDA (Non-IFRS)</b>	<b>\$ 11,090</b>	<b>\$ 9,703</b>	<b>\$ 29,631</b>	<b>\$ 18,607</b>
Net Impact of Fair Value of Biological Assets	(8,002)	(6,609)	(24,507)	(15,369)
<b>Adjusted EBITDA (Non-IFRS), Net of Impact of Biological Assets</b>	<b>\$ 3,088</b>	<b>\$ 3,094</b>	<b>\$ 5,124</b>	<b>\$ 3,238</b>

<sup>1</sup> Net (loss) income includes amounts attributable to non-controlling interest.

<sup>2</sup> Impact of non-recurring third-party product costs and samples/discounts to expand footprint and relaunch in certain markets.

<sup>3</sup> Costs would be capitalized under IAS 2 and do not relate to costs of inventory sold in the period.