



• Ayr Strategies Reports Third Quarter 2020 Results & Updates Investors on 2021 Expansion Initiatives

- *Q3 Revenue up 61% Q/Q to \$45.5 Million; Adjusted EBITDA More Than Doubles to \$19.3 Million*
- *Annual Revenue & Adjusted EBITDA Run-Rate of \$182 Million and \$77 Million, Respectively*
- *Generated Over \$13 Million in Cash from Operations in Q3; Cash Balance Remains Strong with \$23 Million as of September 30, 2020*
- *Received Three HCA Approvals to Enter Adult-Use Market in Greater Boston in 2021*
- *Announced Planned Expansions into Pennsylvania, Ohio and Arizona; More than Tripling Addressable Market to Over 40 Million People Across Five States*

Toronto, Ontario, November 18, 2020 – Ayr Strategies Inc. (CSE: AYR.A, OTCQX: AYRSF) (“Ayr” or the “Company”), a vertically-integrated cannabis multi-state operator (MSO), is reporting financial results for the three months ended September 30, 2020. Unless otherwise noted, all results are presented in U.S. dollars.

“These past several months have been a transformative period for our business,” said Ayr CEO Jonathan Sandelman. “We had a record quarter with revenues up 42% year-over-year and 61% sequentially and Adjusted EBITDA more than doubled. And our strong annual run-rate through Q3 does not include our new dispensary in Las Vegas set to open in a few weeks, our transition to adult-use retail sales in Massachusetts, nor our recently announced acquisitions in Arizona, Pennsylvania and Ohio, all of which when completed point to an even more robust 2021.”

Financial Highlights (\$ in millions, excl. margin items)

	Q3 2019	Q2 2020	Q3 2020	% Change Y/Y	% Change Q/Q
Revenue	\$32.1	\$28.3	\$45.5	42%	61%
Gross Profit	\$14.3	\$23.5	\$40.8	185%	74%
Gross Profit before Fair Value Adj.	\$17.2	\$17.1	\$27.4	59%	60%
Operating Income/(Loss)	\$(10.7)	\$1.0	\$22.0	N/M	N/M
Net Income/(Loss)	\$26.2	\$(7.5)	\$(26.8)	N/M	N/M
Adj. EBITDA	\$8.7	\$9.1	\$19.3	123%	112%
AEBITDA Margin	27.0%	32.2%	42.4%	1550 bps	1020 bps

“Regarding the roll out of our adult-use sales in Massachusetts, the team in Massachusetts has done an incredible job to get us closer to opening our adult-use stores in 2021, as we received Host Community Agreement approvals for three of our Greater Boston locations, which include our existing Somerville dispensary and new locations in Watertown and on Boylston Street in Boston, right next to the Apple Store. And, while we are incredibly excited to be building out the best retail footprint in Massachusetts, we can’t forget about the strength of our wholesale business, which continues to benefit from expanded cultivation capacity and strong demand resulting from new adult-use dispensaries coming online every month,” Mr. Sandelman continued.



“In Nevada, our revenue improvements have been driven by exceptional retail growth, where dispensary sales are up more than 34% year-over-year on a same-store sales basis. Gross margins have also continued to improve as a result of our expanded cultivation capacity. In August, we were granted an additional dispensary license in Clark County and our new dispensary is on track to open before the end of the year, allowing us to deepen our market presence in the state and reach an even greater number of patients and customers.”

“We are excited about our announced expansion into Arizona, Pennsylvania and Ohio and are working hard toward closing these transactions. With our acquisition partner, we opened our first dispensary in Pennsylvania just last month and continue to expect additional dispensary openings in early 2021. I’ve always said this business depends on its people and we’ve seen that this year more than ever – from implementing a rapid COVID response, to receiving three HCA approvals in Massachusetts, to growing the highest quality flower, our team has formed a solid foundation for growth. Our acquisitions in Arizona, Pennsylvania and Ohio will bring many more great people and we look forward to welcoming them to the Ayr family,” Mr. Sandelman concluded.

Warrant Update

As of September 30, 2020, the Company had 12.3 million listed warrants¹ issued and outstanding, exercisable for one Subordinate Voting Share at C\$11.50 and expiring in May 2024. The warrants can be accelerated by the Company if the shares trade at C\$18 or higher for a period of 20 out of 30 trading days. That threshold was triggered on November 5, 2020. The Company has not made any announcements regarding warrant acceleration, however, approximately \$10 million worth of warrants have been exercised for cash in the open market between September 30, 2020 and November 18, 2020.

Acquisition Updates

Arizona

Earlier this month, Ayr signed a binding term sheet to acquire a vertically integrated cannabis operator in Arizona. The terms of the transaction include upfront consideration of \$81 million, made up of \$10 million in cash, \$30 million in seller notes, and \$41 million in stock (approximately 2.75 million shares priced at 10-day VWAP prior to announcement), with an additional 2 million shares may be payable upon the achievement of established cultivation targets.

Additional earn-out consideration in 2021 and 2022 may be paid in shares exchangeable into subordinate voting shares of Ayr, priced at the then 10-day VWAP, with the earnout value calculated based on a set discount to Ayr’s then trading enterprise value to Adjusted EBITDA multiple and based on exceeding Adjusted EBITDA hurdles in each year.

The agreement includes three licensed dispensaries, two in Chandler and one in Glendale, a 10,000 ft² licensed indoor cultivation and processing facility in Chandler and an 80,000 ft² licensed indoor cultivation facility under development in Phoenix.

Pennsylvania

In August, Ayr reached an agreement to acquire 100% of the membership interests in CannTech LLC for total consideration of \$57 million. CannTech LLC is a licensed operator in the Commonwealth of Pennsylvania including a 143,000 ft² cultivation and processing facility with the initial construction phase comprising 45,000 ft² recently

¹ Excludes non-traded sponsor warrants



approved for cultivation and expected first harvest in March 2021. The 13-acre site provides ample room for further expansion even beyond the existing 143,000 ft² facility. The licensed operator also has the right to operate six dispensaries poised to open in excellent retail locations, most of which are clustered in the Pittsburgh and Philadelphia region. The first dispensary opened last month in New Castle, PA, with two more expected to open in early 2021. The licensed operator also has a strong research program in collaboration with a local medical school. The transaction is expected to close by year-end.

In a separate transaction in September, Ayr proposed to acquire 100% of the membership interests in grower-processor DocHouse LLC for total consideration of \$20.8 million. DocHouse LLC includes a 38,400 ft² cultivation and extraction facility which has the capacity to expand to 74,000 ft². The expected first harvest from the facility is in the second quarter of 2021. The transaction is expected to close by the end of November.

Ohio

In September, Ayr signed a definitive purchase agreement for an operational processing facility and has signed a non-binding term sheet regarding exclusive management rights for a level 1 cultivation license (the largest canopy license in the state) in Ohio, a growing and undersupplied market. According to the Ohio Department of Commerce, annualized retail medical marijuana sales exceeded \$200 million as of October, more than doubling the market size since January 2020. Consideration for the two transactions totals \$18.2 million, including \$10.2 million of cash and \$8.0 million in convertible seller notes.

The cultivation facility of approximately 58,000 ft² is under construction and the approximately 9,000 ft² processing facility is operational. Following the closing and completion of the initial phase of the level 1 cultivation facility build-out, Ayr has the flexibility to further expand canopy subject to the approval of the Ohio Department of Commerce. These transactions are expected to close in the first quarter of 2021.

These agreements are subject to, among other things, the satisfactory completion of due diligence, definitive documentation, the receipt of required regulatory approvals and the absence of a material adverse change prior to closing.

Operational Highlights

Nevada Results

- Average daily retail revenues (medical and adult-use) were over \$305,000 in the third quarter; daily transaction volumes over 4,500, with an average ticket of \$68 per transaction
- Same-store-sales increased more than 34% year-over-year, driven by a 14% increase in daily ticket volume and 20% increase in average ticket
- Recently awarded two additional dispensary licenses in the greater Las Vegas market—one in Clark County and one in Henderson—target opening date for Clark County dispensary December 2020
- Highly Edible voted best gummy at Las Vegas Cannabis Awards two years in a row; CannaPunch second place for best drink and Nordic Goddess second place for best topical



Massachusetts Results

- Average daily retail revenues (medical only) increased to over \$55,000 in the third quarter; daily transaction volumes of ~350, with an average ticket of \$158 per transaction
- Same-store-sales increased 140% year-over-year, split about evenly between ticket volume and average ticket
- Selling to 60 of the state's 81 adult-use dispensaries, with number one market share in flower, vapes and concentrates according BDS Analytics
- Wholesale revenues ramped to over \$11.0 million in the quarter, growth of 63% y/y reflecting the increase in capacity brought on in May 2020

Conference Call

Ayr CEO Jonathan Sandelman, COO Jennifer Drake and CFO Brad Asher will host the conference call, followed by a question and answer period.

Conference Call Date: Wednesday, November 18, 2020

Time: 5:00 p.m. Eastern time

Toll-free dial-in number: (877) 282-0546

International dial-in number: (270) 215-9898

Conference ID: 5982555

Please call the conference telephone number 5-10 minutes prior to the start time. An operator will register your name and organization. If you have any difficulty connecting with the conference call, please contact Gateway Investor Relations at (949) 574-3860.

The conference call will be broadcast live and available for replay [here](#).

A telephonic replay of the conference call will also be available after 8:00 p.m. Eastern time on the same day through November 25, 2020.

Toll-free replay number: (855) 859-2056

International replay number: (404) 537-3406

Replay ID: 5982555

Financial Statements

Certain financial information reported in this news release is extracted from Ayr's financial statements as at and for the three and nine month periods ended September 30, 2020. These results presented herein are preliminary and subject to change. Ayr will file its interim financial statements on SEDAR shortly. All such financial information contained in this news release is qualified in its entirety by reference to such financial statements.

Definition and Reconciliation of Non-IFRS Measures

The Company reports certain non-IFRS measures that are used to evaluate the performance of its businesses and the performance of their respective segments, as well as to manage their capital structures. As non-IFRS measures generally do not have a standardized meaning, they may not be comparable to similar measures



presented by other issuers. Securities regulators require such measures to be clearly defined and reconciled with their most comparable IFRS measure.

The Company references non-IFRS measures and cannabis industry metrics in this document and elsewhere. Non-IFRS measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these are provided as additional information to complement those IFRS measures by providing further understanding of the results of the operations of the Company from management's perspective. Accordingly, these measures should not be considered in isolation, nor as a substitute for analysis of the Company's financial information reported under IFRS. Non-IFRS measures used to analyze the performance of the Company's businesses include "adjusted EBITDA."

The Company believes that these non-IFRS financial measures provide meaningful supplemental information regarding the Company's performances and may be useful to investors because they allow for greater transparency with respect to key metrics used by management in its financial and operational decision-making. These financial measures are intended to provide investors with supplemental measures of the Company's operating performances and thus highlight trends in the Company's core businesses that may not otherwise be apparent when solely relying on the IFRS measures.

Adjusted EBITDA

"Adjusted EBITDA" represents income (loss) from operations, as reported, before interest and tax, adjusted to exclude non-recurring items, other non-cash items, including stock-based compensation expense, depreciation and amortization, the adjustments for the accounting of the fair value of biological assets, and further adjusted to remove acquisition related costs.

A reconciliation of how Ayr calculates adjusted EBITDA is provided below. Additional reconciliations of adjusted EBITDA and other disclosures concerning non-IFRS measures will be provided in our MD&A for the three and nine months ended September 30, 2020. As well, the Company reminds you that adjusted EBITDA is a non-IFRS measure.

Forward-Looking Statements

Certain information contained in this news release may be forward-looking statements within the meaning of applicable securities laws. Forward-looking statements are often, but not always, identified by the use of words such as "target", "expect", "anticipate", "believe", "foresee", "could", "would", "estimate", "goal", "outlook", "intend", "plan", "seek", "will", "may", "tracking", "pacing" and "should" and similar expressions or words suggesting future outcomes. This news release includes forward-looking information and statements pertaining to, among other things, Ayr's future growth plans. Numerous risks and uncertainties could cause the actual events and results to differ materially from the estimates, beliefs and assumptions expressed or implied in the forward-looking statements, including, but not limited to: anticipated strategic, operational and competitive benefits may not be realized; events or series of events, including in connection with COVID-19, may cause business interruptions; required regulatory approvals may not be obtained; acquisitions may not be able to be completed on satisfactory terms or at all; and Ayr may not be able to raise additional debt or equity capital. Among other things, Ayr has assumed that its businesses will operate as anticipated, that it will be able to complete acquisitions on reasonable terms, and that all required regulatory approvals will be obtained on satisfactory terms and within expected time frames. In particular, there can be no assurance that we will



complete the pending acquisitions in or enter into agreements with respect to other acquisitions.

2020 estimates and assumptions involve known and unknown risks and uncertainties that may cause actual results to differ materially. While Ayr believes there is a reasonable basis for these assumptions, such estimates may not be met. These estimates represent forward-looking information. Actual results may vary and differ materially from the estimates.

Assumptions

Forward-looking information in this subject to the assumptions and risks as described in our MD&A for September 30, 2020. For more information about the Company's 2020 operations and outlook, please view Ayr's corporate presentation posted in the Investors section of the Company's website at www.ayrstrategies.com. As well, we remind you that adjusted EBITDA is a non-IFRS measure. Additional reconciliations and other disclosures concerning non-IFRS measures will be provided in our MD&A for the three and nine months ended September 30, 2020.

About Ayr Strategies Inc.

Ayr Strategies ("Ayr") is an expanding vertically integrated, U.S. multi-state cannabis operator, focusing on high-growth markets. The Company cultivates and manufactures branded cannabis products for distribution through its network of retail outlets and through third-party stores. Ayr strives to enrich consumers' experience every day – helping them to live their best lives, elevated.

Ayr's leadership team brings proven expertise in growing successful businesses through disciplined operational and financial management, and is committed to driving positive impact for customers, employees and the communities they touch. For more information, please visit www.ayrstrategies.com.

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Ayr Strategies Inc. (formerly, Cannabis Strategies Acquisition Corp.)

Unaudited Condensed Interim Consolidated Statements of Financial Position

(Expressed in United States Dollars)

	As at	
	September 30, 2020	December 31, 2019
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	23,180,198	8,403,196
Accounts receivable	2,929,522	2,621,239
Due from related parties	85,000	85,000
Inventory	32,989,013	13,718,840
Biological assets	12,690,663	2,935,144
Prepaid expenses and other current assets	3,809,485	2,163,329
	75,683,881	29,926,748
Non-current		
Property, plant and equipment	39,354,982	37,152,861
Intangible assets	180,066,136	189,802,136
Right-of-use assets	11,795,599	12,315,417
Goodwill	84,837,304	84,837,304
Equity investments	487,717	427,399
Notes Receivable	3,000,000	-
Other assets	685,545	638,394
Total assets	395,911,164	355,100,259
LIABILITIES		
Current		
Trade payables	7,512,946	6,806,053
Accrued liabilities	7,160,365	5,123,865
Lease obligations - current portion	1,117,605	1,087,835
Purchase consideration payable	5,687,806	9,831,700
Income tax payable	19,140,631	5,202,943
Debts payable - current portion	8,908,820	6,628,843
	49,528,173	34,681,239
Non-current		
Deferred tax liabilities	45,471,419	41,077,761
Warrant liability	65,130,370	36,874,124
Lease obligations - non-current portion	12,977,535	13,033,310
Contingent consideration	23,744,258	22,656,980
Debts payable - non-current portion	31,804,104	37,366,818
Accrued interest payable	1,894,747	815,662
Total liabilities	230,550,606	186,505,894
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share capital	386,509,334	382,210,006
Treasury stock	(556,899)	(245,469)
Contributed surplus	54,828,781	28,879,225
Accumulated other comprehensive income	2,845,964	3,265,610
Deficit	(278,266,622)	(245,515,007)
Total shareholders' equity	165,360,558	168,594,365
Total liabilities and shareholders' equity	395,911,164	355,100,259



Ayr Strategies Inc. (formerly, Cannabis Strategies Acquisition Corp.)

Unaudited Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in United States Dollars)

	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	\$	\$	\$	\$
Revenues, net of discounts	45,486,365	32,087,805	107,349,679	42,912,940
Cost of goods sold before biological asset adjustments	18,127,313	14,887,337	46,257,581	19,850,991
Gross profit before fair value adjustments	27,359,052	17,200,468	61,092,098	23,061,949
Fair value adjustment on sale of inventory	(4,844,505)	(8,736,926)	(21,176,075)	(13,433,398)
Unrealized gain on biological asset transformation	18,242,342	5,862,775	44,574,730	8,342,578
Gross profit	40,756,889	14,326,317	84,490,753	17,971,129
Expenses				
General and administrative	9,319,917	8,836,934	27,084,857	11,788,182
Sales and marketing	643,005	509,472	1,586,849	881,556
Depreciation	523,311	283,007	1,649,293	375,795
Amortization	2,998,667	3,400,331	8,996,000	4,788,308
Stock-based compensation	4,700,795	11,062,444	25,949,556	15,582,582
Acquisition expense	557,457	968,580	1,054,766	5,123,661
Total expenses	18,743,152	25,060,768	66,321,321	38,540,084
Income (Loss) from operations	22,013,737	(10,734,451)	18,169,432	(20,568,955)
Other (expense) income				
Share of loss on equity investments	(8,244)	(420,626)	(31,383)	(313,714)
Foreign exchange	(6,421)	(104,834)	(9,038)	(123,202)
Unrealized (loss) gain - changes to fair value of financial liabilities	(38,210,209)	40,427,308	(29,321,360)	(122,006,820)
Interest expense	(729,469)	(1,272,421)	(2,249,046)	(1,859,213)
Interest income	5,034	31,834	5,034	396,352
Other	(141,079)	12,864	19,971	17,152
Total other (expense) income	(39,090,388)	38,674,125	(31,585,822)	(123,889,445)
(Loss) Income before income tax	(17,076,651)	27,939,674	(13,416,390)	(144,458,400)
Current tax	(6,674,153)	(3,502,178)	(14,941,568)	(4,932,991)
Deferred tax	(3,042,171)	1,743,121	(4,393,657)	2,676,022
Net (loss) income	(26,792,975)	26,180,617	(32,751,615)	(146,715,369)
Foreign currency translation adjustment	(1,371,781)	255,298	(419,646)	(624,738)
Net (loss) income and comprehensive (loss) income	(28,164,756)	26,435,915	(33,171,261)	(147,340,107)
Basic (loss) earnings per share	(0.96)	0.99	(1.20)	(10.23)
Diluted (loss) earnings earnings per share	(0.96)	0.84	(1.20)	(10.23)
Weighted average number of shares outstanding (basic)	27,909,251	26,406,682	27,247,047	14,337,386
Weighted average number of shares outstanding (diluted)	27,909,251	31,179,896	27,247,047	14,337,386



Ayr Strategies Inc. (formerly, Cannabis Strategies Acquisition Corp.)

Unaudited Condensed Interim Consolidated Statements of Cash Flows

(Expressed in United States Dollars)

	Nine Months Ended	
	September 30, 2020	September 30, 2019
	\$	\$
Operating activities		
Net loss	(32,751,615)	(146,715,369)
Adjustments for:		
Acquisition costs associated with financing activities	-	129,236
Net unrealized loss on changes in the fair value of financial liabilities	29,321,360	122,006,820
Stock-based compensation	25,949,556	15,582,582
Depreciation	3,283,383	1,010,195
Amortization on intangible assets	10,136,000	4,788,308
Share of loss on equity investments	31,383	313,714
Fair value adjustment on sale of inventory	21,176,075	13,433,398
Unrealized gain on biological asset transformation	(44,574,730)	(8,342,578)
Deferred tax expense (benefit)	4,393,657	(2,676,022)
Interest accrued	1,079,085	931,542
Changes in non-cash operations, net of business acquisition:		
Accounts receivable	(308,283)	445,793
Inventory and biological assets	(5,627,037)	(2,957,318)
Prepaid expenses and other assets	(1,693,307)	(1,127,045)
Trade payables	2,900,278	2,147,083
Accrued liabilities	2,036,500	(781,144)
Income tax payable	13,937,688	1,407,872
Cash provided by (used in) operating activities	29,289,993	(402,933)
Investing activities		
Transfer of restricted cash and short term investments held in escrow and interest income	-	99,684,243
Purchase of property, plant and equipment	(6,291,344)	(6,445,302)
Deferred underwriters commission paid	-	(3,457,154)
Cash paid for business combinations, net of cash acquired	-	(74,714,171)
Cash paid for business combinations, working capital	(603,092)	(490,435)
Payments for interests in equity accounted investments	(91,700)	(500,000)
Advances from related corporation	-	(724,191)
Bridge financing and deposits for business combinations	(3,000,000)	-
Purchases of intangible assets	(400,000)	-
Cash (used in) provided by investing activities	(10,386,136)	13,352,990
Financing activities		
Proceeds from exercise of Warrants	361,043	2,460,150
Redemption of Class A shares	-	(7,519)
Repayments of debts payable	(3,282,737)	(1,660,425)
Repayments of lease obligations (principal portion)	(893,731)	(166,414)
Repurchase of Subordinate Voting Shares	(311,430)	-
Cash (used in) provided by financing activities	(4,126,855)	625,792
Net increase in cash	14,777,002	13,575,849
Effect of foreign currency translation	-	972,111
Cash and cash equivalents, beginning of the period	8,403,196	109,952
Cash and cash equivalents, end of the period	23,180,198	14,657,912
Supplemental disclosure of cash flow information:		
Interest paid during the period	1,898,207	321,619
Taxes paid during the period	1,003,880	111,607



Ayr Strategies Inc. (formerly, Cannabis Strategies Acquisition Corp.)

Unaudited Condensed Interim Consolidated Adjusted EBITDA Reconciliation

(Expressed in United States Dollars)

	Three Months ended September 30,		Nine Months ended September 30,	
	2020	2019	2020	2019
Income (Loss) from operations	22,013,737	(10,734,451)	18,169,432	(20,568,955)
<u>Non-cash items accounting for biological assets and inventory</u>				
Fair value adjustment on sale of inventory	4,844,505	8,736,926	21,176,075	13,433,398
Unrealized gain on biological asset transformation	(18,242,342)	(5,862,775)	(44,574,730)	(8,342,578)
	(13,397,837)	2,874,151	(23,398,655)	5,090,820
Interest	262,602	-	728,793	-
Depreciation and amortization (from statement of cash flows)	4,644,067	4,159,252	13,419,383	5,798,503
Acquisition costs	557,457	968,580	1,054,766	5,123,661
Stock-based compensation, non-cash	4,700,795	11,062,444	25,949,556	15,582,582
Other non-operating ¹	487,105	320,567	907,569	633,368
	10,652,026	16,510,843	42,060,067	27,138,114
Adjusted EBITDA (non-IFRS)	19,267,926	8,650,543	36,830,844	11,659,979

¹ Other non-operating adjustments made to exclude the impact of non-recurring items