

Harvest Health & Recreation Inc. Reports

Fourth Quarter and Full Year 2019 Financial Results

- *Total revenue increased 149% to \$116.8 million in 2019 from \$47.0 million in 2018*
- *Fourth quarter revenue was \$37.8 million, up 123% from the fourth quarter 2018 and 14% sequentially*
- *Revenue growth was driven by new and acquired retail locations and organic growth from the existing retail and wholesale businesses*

PHOENIX, April 7, 2020--[Harvest Health & Recreation Inc. \(CSE: HARV, OTCQX: HRVSE\)](#), a vertically integrated cannabis company and multi-state operator (MSO) in the U.S., today reported its financial and operating results for the fourth quarter and year ended 2019. All financial information is provided in U.S. dollars unless otherwise indicated.

Fourth Quarter and Full Year 2019 Financial Highlights

- Total revenue in the fourth quarter was \$37.8 million, an increase of 123% from \$16.9 million in the fourth quarter of 2018 and up 14%, compared to \$33.2 million in the third quarter of 2019. Full year revenue increased 149% to \$116.8 million in 2019 compared to \$47.0 million in 2018.
- Gross profit excluding biological adjustments in the fourth quarter was \$16.0 million, compared to \$11.6 million in the third quarter of 2019. Gross profit excluding biological adjustments for the full year was \$42.2 million compared to \$24.6 million in 2018.
- Gross profit margin excluding biological adjustments in the fourth quarter was 42.3%, compared to 35.0% for the third quarter of 2019. Gross profit margin excluding biological adjustments for the full year was 36.1% compared to 52.3% in 2018.
- Adjusted EBITDA excluding biological adjustments in the fourth quarter was (\$6.8) million, compared to (\$10.9) million in the third quarter of 2019. Adjusted EBITDA excluding biological adjustments for the full year was (\$34.8) million, compared to \$7.9 million in 2018.
- Net loss was \$88.9 million for the fourth quarter compared to net loss of \$71.1 million during the fourth quarter 2018. Net loss for the full year was \$173.5 million compared to net loss of \$67.5 million in 2018.

Please see the supplemental information (unaudited) regarding Non-IFRS Financial Measures at the end of this press release.

Fourth Quarter Highlights

- New capital raised by Harvest included \$6.5 million of real estate backed debt, approximately \$47.3 million of short-term debt, \$10 million in convertible debt and \$30 million in senior secured debt. During the quarter approximately \$84 million of debt was exchanged into our new senior secured debt, including the short-term debt totaling approximately \$47.3 million raised during the fourth quarter.
- Harvest opened four new retail locations in California and Pennsylvania and added one

operational retail location in Maryland through a managed services agreement.

- Harvest was awarded one of two retail permits in Hanford, California by achieving the top score amongst all applicants.
- Founding shareholders agreed to a voluntary six-month lockup extension in November covering approximately 19.5 million shares.
- Ana Dutra and Eula Adams were appointed to the Board of Directors, adding valuable experience in financial and corporate management disciplines.
- Harvest announced the addition of Daniel Reiner as a special advisor to the board and Scott Atkison as a future board member.
- CannApprove testing and safety protocols were implemented covering THC vape products manufactured by Harvest.

Full Year Highlights

- New capital raised during 2019 included short-term debt, unsecured convertible debt, real estate backed debt, and senior secured debt totaling approximately \$295 million.
- Harvest added 21 retail locations through a combination of organic store openings, acquisitions of operational retail locations, and addition of stores through managed service agreements. At year end, Harvest owned, operated, or managed 31 retail locations in six states, including 11 in Arizona.
- Harvest was awarded licenses allowing for up to 10 additional revenue generating facilities including cultivation and manufacturing facilities and retail dispensaries.

Subsequent Highlights

- New capital raised subsequent to 2019 included \$20 million of real estate backed debt, \$21.3 million in senior secured debt, and \$59 million in equity.
- Harvest added five retail locations through a combination of organic store openings and acquisitions of operational retail locations in Arizona, Arkansas, and Michigan. As of April 3, 2020, Harvest owned, operated, or managed 35 retail locations in seven states, including 14 open dispensaries in Arizona. Harvest owned and operated dispensaries exclude retail locations serviced through Interurban Capital Group.
- Harvest completed the acquisition of Franklin Labs on March 26, 2020, adding cultivation and manufacturing capabilities to its operations in Pennsylvania. The cultivation facility is operational and manufacturing activities are expected to commence during the second quarter of 2020.
- The acquisition of Interurban Capital Group was completed on March 13, 2020, adding strategic investors to the shareholder base and direct and indirect licenses in California and Iowa and rights to acquire assets and provide cannabis retail support services for dispensaries in California, Iowa and Washington.
- The acquisition of Arizona Natural Selections was completed on February 18, 2020, adding three open retail locations, an indoor cultivation facility, greenhouse cultivation facility and potential outdoor cultivation to Harvest's existing operational footprint in Arizona. The acquisition included a fourth vertical license in Arizona and the Darwin product line.
- Harvest announced an agreement to acquire the operations of a cultivation and manufacturing facility in Nevada from MJardin Group in January 2020.
- Harvest announced legal action seeking the termination of the merger agreement with

Falcon International in January 2020.

- The company announced a mutual agreement with Verano Holdings to terminate the pending business combination agreement on March 25, 2020. No breakup fees are required by either party as part of the termination agreement.
- Three members of senior leadership surrendered 2.4 million option awards to contribute to a new equity option award totaling 3.0 million options in February 2020.
- Mark Barnard assumed the role of Chairman of the Board in March 2020.
- Ron Goodson joined Harvest as Chief Operating Officer in January 2020.

COVID-19 Update

Harvest is committed to the health and well-being of patients, customers, and the communities in which we operate. As operators of primarily medical retail dispensaries, the company is working to ensure continued service for patients in need during this challenging time. Stakeholders are encouraged to visit our microsite <https://covid19.harvesthoc.com> regularly for updates.

Outlook

We expect to report first quarter 2020 sequential revenue growth in line with the sequential revenue growth reported for the fourth quarter 2019.

Management Commentary

“2019 was an important investment year for our company. Harvest exited the year with a broader retail presence, expanded cultivation and manufacturing operations, and greater support infrastructure needed to achieve operational efficiencies and return to profitability. Moving forward we believe Harvest has the assets and capital required to succeed long-term in the cannabis industry,” said Chief Executive Officer Steve White.

Conference Call & Webcast

Harvest Health and Recreation Inc. will host a conference call and audio webcast with Chief Executive Officer Steve White and Chief Financial Officer Leo Jaschke, Tuesday April 7, 2020 at 5:00 PM Eastern Time.

To participate in the conference call, please dial:

US/Canada toll free: + 1-844-607-4373

International dial in: + 1-825-312-2262

International Toll Free Dial-In Numbers:

Australia: + 1-800-287011

Hong Kong: + 800-901-563

South Africa: + 0-800-983-113

United Kingdom: + 0-800-051-7107

Access the live webcast link here:

<https://investor.harvesthoc.com/events-and-presentations/default.aspx>

Fourth quarter results and the conference call replay will be available at:

investor.harvesthoc.com/financials

HARVEST HEALTH & RECREATION INC.

Consolidated Statements of Financial Position

December 31, 2019 and 2018

(Amounts expressed in thousands of United States dollars)

	December 31, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 22,685	\$ 191,883
Restricted cash	8,000	8,000
Accounts receivable, net	12,147	2,993
Notes receivable, current portion	51,349	13,600
Biological assets	8,057	6,788
Inventory, net	28,774	23,177
Other current assets	4,788	1,810
Total current assets	135,800	248,251
Notes receivable, net of current portion	34,430	3,076
Property, plant and equipment, net	151,050	31,855
Right-of-use asset, net	57,288	—
Intangibles assets, net	160,114	112,830
Corporate investments	—	5,000
Acquisition deposits	3,645	1,350
Goodwill	84,596	69,407
Other assets	8,641	6,830
TOTAL ASSETS	\$ 635,564	\$ 478,599
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 6,969	\$ 4,694
Other current liabilities	21,944	6,715
Contingent consideration, current portion	13,764	11,520
Income tax payable	5,310	4,120
Lease liability, current portion	2,885	—
Notes payable, current portion	8,395	11,806
Total current liabilities	59,267	38,855
Notes payable, net of current portion	202,619	19,098
Lease liability, net of current portion	54,621	—
Deferred tax liability	28,587	18,173
Contingent consideration, net of current portion	16,249	18,190
Other long-term liabilities	179	4,486
TOTAL LIABILITIES	361,522	98,802
STOCKHOLDERS' EQUITY		
Capital stock	505,709	435,495
Accumulated deficit	(235,348)	(61,270)
Stockholders' equity attributed to Harvest Health & Recreation Inc.	270,361	374,225
Non-controlling interest	3,681	5,572
TOTAL STOCKHOLDERS' EQUITY	274,042	379,797
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 635,564	\$ 478,599

HARVEST HEALTH & RECREATION INC.

Consolidated Statements of Operations

Three Months and Years Ended December 31, 2019 and 2018

(Amounts expressed in thousands of United States dollars, except share or per share data)

	For the three months ended December 31,		For the twelve months ended December 31,	
	2019	2018	2019	2018
Revenue	\$ 37,793	\$ 16,943	\$ 116,780	\$ 46,955
Cost of goods sold	(21,791)	(9,760)	(74,573)	(22,402)
Gross profit, before biological asset adjustments	16,002	7,183	42,207	24,553
Realized fair value amounts included in inventory sold	(13,355)	-	(44,474)	(3,559)
Unrealized fair value gain on growth of biological assets	9,093	267	45,841	5,958
Gross profit	11,740	7,450	43,574	26,952
Expenses				
General and administrative	27,017	22,900	98,165	35,658
Sales and marketing	2,402	557	8,939	1,079
Share-based compensation expense	(1,420)	1,545	17,695	1,545
Depreciation and amortization	2,715	466	10,299	1,544
Fixed and intangible asset impairments	16,977	—	16,977	—
Total expenses	47,691	25,468	152,075	39,826
Operating loss	(35,951)	(18,018)	(108,501)	(12,874)
Other (expense) income				
Gain (loss) on disposal of assets	(2,431)	(995)	(2,225)	566
Other expense	(7,896)	(50,716)	(8,774)	(50,716)
Foreign currency gain (loss)	(469)	512	(970)	512
Interest expense	(7,516)	(885)	(16,242)	(1,677)
Contract and other asset impairment	(35,098)	—	(35,098)	—
Loss before taxes and non-controlling interest	(89,361)	(70,102)	(171,810)	(64,189)
Income taxes	(185)	(1,423)	(3,756)	(3,877)
Loss before non-controlling interest	(89,546)	(71,525)	(175,566)	(68,066)
Loss attributed to non-controlling interest	696	437	2,079	601
Net loss attributed to Harvest Health & Recreation Inc.	\$ (88,850)	\$ (71,088)	\$ (173,487)	\$ (67,465)
Loss per share - basic and diluted	\$ (0.31)		\$ (0.61)	
Attributable to Harvest Health and Recreation Inc. Stockholders	\$ (0.31)		\$ (0.61)	
Attributable to non-controlling interest	\$ 0.00		\$ 0.01	
Weighted-average shares outstanding - basic and diluted	288,902,707		286,626,553	

Non-IFRS Financial and Performance Measures

The Company provides additional financial metrics that are not prepared in accordance with IFRS. 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. This non-IFRS financial measure is Adjusted EBITDA.

Management believes that these non-IFRS financial measures reflect 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 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 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.

Reconciliations of Non-IFRS Financial and Performance Measures

The table below reconciles Net Loss to Adjusted EBITDA for the periods indicated.

	Three months ended December 31,		Twelve months ended December 31,	
	2019	2018	2019	2018
Net loss (IFRS) before non-controlling interest	\$ (89,546)	\$ (71,525)	\$ (175,566)	\$ (68,066)
Add (deduct) impact of:				
Net interest and other financing costs ⁽¹⁾	7,679	885	16,926	1,677
Income tax	185	1,423	3,756	3,877
Amortization and depreciation ⁽²⁾	3,595	466	12,693	1,544
Fixed and intangible asset impairments	16,977	—	16,977	—
(Gain) loss on disposal of assets	2,431	995	2,225	(566)
Fair value adjustment of liability	125	50,716	488	50,716
Other expense	7,771	—	8,286	—
Foreign currency (gain) loss	469	(512)	970	(512)
Share-based compensation expense	(1,420)	1,545	17,695	1,545
Contract and other asset impairment	35,098	—	35,098	—
Realized fair value amounts included in inventory sold	13,355	—	44,474	3,559
Unrealized fair value gain on growth of biological assets	(9,093)	(267)	(45,841)	(5,958)
Other expansion expenses (pre-open)	2,658	5,876	9,770	5,876
Transaction & other special charges	2,894	12,760	17,200	14,174
Adjusted EBITDA (non-IFRS)	<u>\$ (6,822)</u>	<u>\$ 2,362</u>	<u>\$ (34,849)</u>	<u>\$ 7,866</u>

(1) Includes \$162, \$-, \$684, and \$- of interest reported in cost of sales.

(2) Includes \$879, \$-, \$2,394, and \$- of depreciation reported in cost of sales.

About Harvest Health & Recreation Inc.

Headquartered in Tempe, Arizona, Harvest Health & Recreation Inc. is a vertically integrated cannabis company and multi-state operator (MSO). Since 2011, Harvest has been committed to expanding its retail and wholesale presence throughout the U.S., acquiring, manufacturing, and selling cannabis products for patients and consumers in addition to providing services to retail dispensaries. Through organic license wins, service agreements, and targeted acquisitions, Harvest has assembled an operational footprint spanning multiple states in the U.S., with the potential to more than double the number of revenue generating facilities. Harvest's mission is to improve lives through the goodness of cannabis. We hope you'll join us on our journey: <https://harvesthoc.com>

Facebook: [@HarvestHOC](#)

Instagram: [@HarvestHOC](#)

Twitter: [@HarvestHOC](#)

Forward-looking Statements

This press release contains statements which constitute "forward-looking information" within the meaning of applicable securities laws, including statements regarding the plans, intentions, beliefs and current expectations of Harvest with respect to future business activities. Forward-looking information is often identified by the words "may," "would," "could," "should," "will," "intend," "plan," "anticipate," "believe," "estimate," "expect" or similar expressions and include information regarding: (i) expectations regarding the size of the U.S. cannabis market, (ii) the ability of the Company to successfully achieve its business objectives, (iii) plans for expansion of Harvest, and (iv) expectations for other economic, business, and/or competitive factors.

Investors are cautioned that forward-looking information is not based on historical facts but instead reflects Harvest management's expectations, estimates or projections concerning future results or events based on the opinions, assumptions and estimates of management considered reasonable at the date the statements are made. Although Harvest believes that the expectations reflected in such forward-looking information are reasonable, such information involves risks and uncertainties, and undue reliance should not be placed on such information, as unknown or unpredictable factors could have material adverse effects on future results, performance or achievements of the combined Company. Among the key factors that could cause actual results to differ materially from those projected in the forward-looking information are the following: the ability of Harvest to open additional retail locations and meet its revenue growth and profitability objectives, the ability of Harvest to integrate recent acquisitions, the ability of Harvest to obtain and/or maintain licenses or other contractual rights to operate in the jurisdictions in which it operates or in which it expects or plans to operate; changes in general economic, business and political conditions, including changes in the financial markets; and in particular in the ability of Harvest to raise debt and equity capital in the amounts needed and at

the costs that it expects; adverse changes in the public perception of cannabis; decreases in the prevailing prices for cannabis and cannabis products in the markets that Harvest operates in; adverse changes in applicable laws; or adverse changes in the application or enforcement of current laws, including those related to taxation; and increasing costs of compliance with extensive government regulation. This forward-looking information may be affected by risks and uncertainties in the business of Harvest and market conditions.

Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking information prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected. Although Harvest has attempted to identify important risks, uncertainties and factors which could cause actual results to differ materially, there may be others that cause results not to be as anticipated, estimated or intended. Harvest does not intend, and does not assume any obligation, to update this forward-looking information except as otherwise required by applicable law.

Additional Information

The financial information reported in this news release is based on unaudited management prepared financial statements for the quarter and year ended December 31, 2019. Accordingly, such financial information may be subject to change. Financial statements for the period will be released and filed under the Company's profiles on SEDAR at www.SEDAR.com by April 30, 2020. All financial information contained in this news release is qualified in its entirety with reference to such unaudited 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 unaudited financial statements, the financial information contained in this news release shall be deemed to be modified or superseded by the Company's unaudited 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.

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