

Harvest Health & Recreation Inc. Reports

First Quarter 2020 Financial Results

- *First quarter revenue was \$45.0 million, up 134% from the first quarter 2019 and 19% sequentially*
- *Cost cutting measures expected to save \$24 million annually*

PHOENIX, May 20, 2020--[Harvest Health & Recreation Inc. \(CSE: HARV, OTCQX: HRVSF\)](#), a vertically integrated cannabis company and multi-state operator (MSO) in the U.S., today reported its financial and operating results for the first quarter 2020. All financial information is provided in U.S. dollars unless otherwise indicated.

First Quarter 2020 Financial Results

- Total revenue in the first quarter was \$45.0 million, an increase of 134% from \$19.2 million in the first quarter of 2019 and up 19% compared to \$37.8 million in the fourth quarter of 2019.
- Gross profit excluding biological adjustments in the first quarter was \$18.3 million, compared to \$7.9 million in the first quarter of 2019 and \$16.0 million in the fourth quarter of 2019.
- Gross profit margin excluding biological adjustments in the first quarter was 40.6% compared to 41.1% in the first quarter of 2019 and 42.3% in the fourth quarter of 2019.
- Net loss was \$20.0 million for the first quarter compared to net loss of \$20.0 million in the first quarter of 2019 and \$88.9 million for the fourth quarter 2019.
- Adjusted EBITDA excluding biological adjustments in the first quarter was (\$3.9) million compared to (\$4.7) million in the first quarter of 2019 and (\$6.8) million in the fourth quarter of 2019.

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

First Quarter 2020 Business Highlights

- New capital raised 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 May 20, 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 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.

Subsequent Events

- High Times Holdings agreed to purchase a portfolio of 13 planned and operational dispensaries in California for total consideration up to \$80 million including \$5 million in cash, \$7.5 million as a one-year promissory note with 10% interest, and \$67.5 million in Series A Preferred Stock.
- Ongoing cost cutting measures implemented companywide year to date are expected to yield annualized savings of \$24 million.
- Our facilities have remained online with modified operating procedures due to the COVID-19 pandemic. Last week we were able to resume in store purchases with appropriate social distancing measures at select retail locations.

Outlook

Full year 2020 revenue target is approximately \$200 million. Harvest is on track to achieve positive Adjusted EBITDA during the second half of 2020. Forecasts assume no meaningful impacts or disruptions to our operations as a result of the COVID-19 pandemic beyond the new protocols and safeguards already implemented throughout the company.

Management Commentary

“Our improved financial results during the first quarter demonstrate progress toward our primary goal of returning to profitability through cost reduction measures and investments in core markets Arizona, Florida, Maryland, and Pennsylvania” said Chief Executive Officer Steve White. “In 2020 we have raised additional capital and completed several acquisitions adding strategic assets in core markets while continuing to streamline operations as highlighted by continued improving quarterly trends.”

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, Wednesday May 20, 2020 at 5:00 PM Eastern Time.

To participate in the conference call via telephone, please dial:

North America toll free: + 1(833) 513-0564	Conference ID: 8496809
United Kingdom toll free: 08000323836	Conference ID: 8496809
South Africa toll free: 0800984088	Conference ID: 8496809

China, Hong Kong: 58030358
Australia toll Free: 1800637926

Conference ID: 8496809
Conference ID: 8496809

Access the live webcast link here:

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

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

investor.harvesthoc.com/financials

HARVEST HEALTH & RECREATION INC.

Interim Unaudited Condensed Consolidated Statements of Financial Position

March 31, 2020 and December 31, 2019

(Amounts expressed in thousands of United States dollars)

	March 31, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 82,515	\$ 22,685
Restricted cash	9,050	8,000
Accounts receivable, net	15,682	12,147
Notes receivable, current portion	51,811	51,349
Biological assets	14,796	8,057
Inventory, net	36,629	28,774
Other current assets	6,213	4,788
Total current assets	216,696	135,800
Notes receivable, net of current portion	35,949	34,430
Property, plant and equipment, net	169,509	151,050
Right-of-use asset, net	81,362	57,288
Intangibles assets, net	235,065	160,114
Acquisition deposits	652	3,645
Goodwill	110,501	84,596
Assets held for sale	8,500	—
Other assets	18,719	8,641
TOTAL ASSETS	<u>\$ 876,953</u>	<u>\$ 635,564</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 7,950	\$ 6,969
Other current liabilities	24,592	21,944
Contingent consideration, current portion	20,809	13,764
Income tax payable	9,285	5,310
Lease liability, current portion	6,545	2,885
Notes payable, current portion	32,964	8,395
Total current liabilities	102,145	59,267
Notes payable, net of current portion	257,045	202,619
Lease liability, net of current portion	75,048	54,621
Deferred tax liability	48,990	28,587
Contingent consideration, net of current portion	1,108	16,249
Other long-term liabilities	528	179
TOTAL LIABILITIES	484,864	361,522
STOCKHOLDERS' EQUITY		
Capital stock	642,446	505,709
Accumulated deficit	(255,338)	(235,348)
Stockholders' equity attributed to Harvest Health & Recreation Inc.	387,108	270,361
Non-controlling interest	4,981	3,681
TOTAL STOCKHOLDERS' EQUITY	392,089	274,042
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 876,953</u>	<u>\$ 635,564</u>

HARVEST HEALTH & RECREATION INC.

Interim Unaudited Condensed Consolidated Statements of Operations Three Months Ended March 31, 2020 and 2019

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

	For the three months ended	
	March 31,	
	2020	2019
Revenue, net of discounts	\$ 45,018	\$ 19,240
Cost of goods sold	(26,743)	(11,335)
Gross profit before biological asset adjustments	18,275	7,905
Realized fair value amounts included in inventory sold	(9,093)	(5,735)
Unrealized fair value gain on growth of biological assets	12,818	5,772
Gross profit	22,000	7,942
Expenses		
General and administrative	23,962	18,386
Sales and marketing	1,299	1,589
Share-based compensation	13,804	3,303
Depreciation and amortization	3,475	1,493
Total expenses	42,540	24,771
Operating loss	(20,540)	(16,829)
Other (expense) income		
Gain on sale of assets	2,527	—
Other (expense) income	9,050	(49)
Foreign currency gain (loss)	(138)	(375)
Interest expense	(7,045)	(775)
Loss before taxes and non-controlling interest	(16,146)	(18,028)
Income taxes	(3,932)	(2,398)
Loss before non-controlling interest	(20,078)	(20,426)
Loss attributed to non-controlling interest	88	378
Net loss attributed to Harvest Health & Recreation Inc.	\$ (19,990)	\$ (20,048)
Loss per share - basic and diluted	\$ (0.07)	\$ (0.07)
Attributable to Harvest Health and Recreation Inc. Stockholders	\$ (0.07)	\$ (0.07)
Attributable to non-controlling interest	\$ 0.00	\$ 0.00
Weighted-average shares outstanding - basic and diluted	304,179,427	284,310,532

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 March 31,	
	2020	2019
Net loss (IFRS) before non-controlling interest	\$ (20,078)	\$ (20,426)
Add (deduct) impact of:		
Net interest and other financing costs ⁽¹⁾	7,214	775
Income tax	3,932	2,398
Amortization and depreciation ⁽²⁾	4,256	2,076
Gain on assets	(2,527)	—
Other expense (income)	(9,050)	49
Foreign currency loss	138	375
Share-based compensation expense	13,804	3,303
Realized fair value amounts included in inventory sold	9,093	5,735
Unrealized fair value gain on growth of biological assets	(12,818)	(5,772)
Other expansion expenses (pre-open)	1,740	1,130
Transaction & other special charges	446	5,622
Adjusted EBITDA (non-IFRS)	<u>\$ (3,850)</u>	<u>\$ (4,735)</u>

(1) Includes \$166 and \$0 of interest reported in cost of sales.

(2) Includes \$784 and \$583 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 with cultivation, manufacturing and retail locations spanning multiple states in the U.S. 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](#)

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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 ended March 31, 2020. 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 May 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.

Investor Contact:

Christine Hersey, Director of Investor Relations
chersey@harvestinc.com