

Harvest Health & Recreation Inc. Reports

Third Quarter 2019 Financial Results

- *Total revenue for the third quarter was \$33.2 million, up 197% from the third quarter 2018 and 25% sequentially (all dollars are U.S. dollars unless otherwise noted)*
- *Revenue growth was driven by new and acquired retail locations and organic growth from the existing retail and wholesale businesses*

PHOENIX, Nov. 20, 2019--[Harvest Health & Recreation Inc. \(CSE: HARV, OTCQX: HRVSF\)](#), a vertically-integrated cannabis company with one of the largest and deepest footprints in the U.S., today reported the company's third quarter fiscal year 2019 financial results. During the quarter Harvest opened six new retail locations, acquired four retail locations, won a cultivation license in Utah and made progress toward completing several significant strategic acquisitions.

“During the third quarter, Harvest continued to execute on its strategy by investing in assets and infrastructure needed to return to profitable growth. As a Company, we have the assets and team required to achieve operational excellence and succeed in the cannabis industry,” said Chief Executive Officer Steve White.

Financial Highlights for the Third Quarter Ended September 30, 2019

- Total revenue was \$33.2 million, an increase of 197% from \$11.2 million in the third quarter of 2018 and up 25%, compared to \$26.6 million in the second quarter of 2019.
- On a pro forma basis, Harvest along with completed and pending disclosed acquisitions, generated \$95 million of revenue in the third quarter, or over \$380 million annualized.
- Third quarter pro forma revenue increased 22% over second quarter pro forma revenue of \$78 million.
- Gross profit excluding biological adjustments was \$11.6 million, compared to \$6.7 million in the second quarter of 2019.
- Gross profit margin excluding biological adjustments was 35.0%, compared to 25.1% for the second quarter of 2019.
- Adjusted EBITDA excluding biological adjustments was (\$10.9) million, compared to (\$12.4) million in the second quarter of 2019.
- Net loss was \$39.1 million for the third quarter, which is reflective of investments to support the Company's growth initiatives, disclosed acquisitions and planned expansion.

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

Business Highlights

Financing Activities

Subsequent to quarter end, the Company has raised \$6.5 million in real estate financing and CAD\$62.5 million in short term secured debt financing.

Footprint Expansion

As of September 30, 2019, the Company operated 26 retail locations, compared to 16 retail locations at the end of June 30, 2019. During the quarter, the Company opened new retail locations in Chandler, AZ, Venice, CA, Gainesville, FL, Williston, ND, Bismarck, ND, and Reading, PA. Harvest acquired retail locations in Casa Grande, AZ, Phoenix, AZ, Grover Beach, CA, and Lutherville-Timonium, MD during the third quarter. Harvest was one of eight companies selected to move forward to finalize a cultivation license in Utah. Subsequent to quarter end, the Company opened new retail locations in Palm Springs, CA, Scranton, PA, Johnstown, PA, and Harrisburg, PA and was awarded a cannabis dispensary permit with delivery service by the City of Hanford, CA.

Brand and Product Distribution

During the third quarter, Harvest began offering new premium-quality products from lifestyle and cannabis brand Cookies at select Arizona retail locations.

During the third quarter, the Company commenced shipment of CBD product lines as part of a previously announced agreement with the Asian American Trade Associations Council.

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 November 20, 2019 at 8:00 AM 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>

Third 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

September 30, 2019 and December 31, 2018

(Amounts expressed in thousands of United States dollars)

	September 30, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 18,290	\$ 191,883
Restricted cash	8,000	8,000
Accounts receivable, net	11,192	2,993
Notes receivable, current portion	44,658	13,600
Biological assets	11,054	6,788
Inventory, net	36,663	23,177
Other current assets	7,703	1,810
Total current assets	137,560	248,251
Notes receivable, net of current portion	33,285	3,076
Property, plant and equipment, net	142,911	31,855
Right-of-use asset, net	54,042	—
Intangibles assets, net	163,509	112,830
Corporate investments	5,000	5,000
Acquisition deposits	4,561	1,350
Goodwill	84,549	69,407
Other assets	8,598	6,830
TOTAL ASSETS	\$ 634,015	\$ 478,599
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 10,683	\$ 4,694
Other current liabilities	22,843	6,715
Contingent consideration, current portion	11,289	11,520
Income tax payable	6,263	4,120
Lease liability, current portion	4,582	—
Notes payable, current portion	9,636	11,806
Total current liabilities	65,296	38,855
Notes payable, net of current portion	114,222	19,098
Lease liability, net of current portion	49,243	—
Deferred tax liability	26,919	18,173
Contingent consideration, net of current portion	18,369	18,190
Other long-term liabilities	211	4,486
TOTAL LIABILITIES	274,260	98,802
STOCKHOLDERS' EQUITY		
Capital stock	502,064	435,495
Accumulated deficit	(146,498)	(61,270)
Stockholders' equity attributed to Harvest Health & Recreation Inc.	355,566	374,225
Non-controlling interest	4,189	5,572
TOTAL STOCKHOLDERS' EQUITY	359,755	379,797
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 634,015	\$ 478,599

HARVEST HEALTH & RECREATION INC.

Interim Unaudited Condensed Consolidated Statements of Operations

Three and Nine Months Ended September 30, 2019 and 2018

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
Revenue, net of discounts	\$ 33,151	\$ 11,153	\$ 78,987	\$ 30,012
Cost of goods sold	(21,532)	(5,565)	(52,782)	(12,642)
Gross profit before biological asset adjustments	11,619	5,588	26,205	17,370
Realized fair value amounts included in inventory sold	(17,644)	(2,133)	(31,119)	(3,559)
Unrealized fair value gain on growth of biological assets	17,901	5,691	36,748	5,691
Gross profit	11,876	9,146	31,834	19,502
Expenses				
General and administrative	30,998	6,571	71,148	12,357
Sales and marketing	2,895	486	6,537	923
Share-based compensation	7,718	—	19,115	—
Depreciation and amortization	4,491	342	7,584	1,078
Total expenses	46,102	7,399	104,384	14,358
Operating (loss) income	(34,226)	1,747	(72,550)	5,144
Other (expense) income				
Gain on sale of assets	116	35	206	1,561
Other expense	(629)	—	(878)	—
Foreign currency loss	277	—	(501)	—
Interest expense	(5,512)	(487)	(8,726)	(792)
(Loss) income before taxes and non-controlling interest	(39,974)	1,295	(82,449)	5,913
Income taxes	464	(1,034)	(3,571)	(2,454)
(Loss) income before non-controlling interest	(39,510)	261	(86,020)	3,459
Loss (income) attributed to non-controlling interest	415	(714)	1,383	164
Net (loss) income attributed to Harvest Health & Recreation Inc.	(39,095)	(453)	(84,637)	3,623
(Loss) income per share - basic and diluted	<u>\$ (0.14)</u>		<u>\$ (0.30)</u>	
Attributable to Harvest Health and Recreation Inc. Stockholders	<u>\$ (0.14)</u>		<u>\$ (0.30)</u>	
Attributable to non-controlling interest	<u>\$ 0.00</u>		<u>\$ 0.00</u>	
Weighted-average shares outstanding - basic and diluted	<u>288,137,942</u>		<u>285,853,929</u>	

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) Income to Adjusted EBITDA for the periods indicated.

	Three months ended		Nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Net (loss) income (IFRS) before non-controlling interest	\$ (39,510)	\$ 261	\$ (86,020)	\$ 3,459
Add (deduct) impact of:				
Net interest and other financing costs ⁽¹⁾	5,512	487	9,248	792
Income tax	(464)	1,034	3,571	2,454
Amortization and depreciation ⁽²⁾	4,894	342	9,099	1,078
Gain on assets	(116)	(35)	(206)	(1,561)
Other expense	629	—	878	—
Foreign currency loss	(277)	—	501	—
Share-based compensation expense	7,718	—	19,115	—
Realized fair value amounts included in inventory sold	17,644	2,133	31,119	3,559
Unrealized fair value gain on growth of biological assets	(17,901)	(5,691)	(36,748)	(5,691)
Other expansion expenses (pre-open)	4,616	—	7,111	—
Transaction & other special charges	6,346	1,085	14,304	1,414
Adjusted EBITDA (non-IFRS)	<u>\$ (10,909)</u>	<u>\$ (384)</u>	<u>\$ (28,028)</u>	<u>\$ 5,504</u>

⁽¹⁾ Includes \$-, \$-, \$522, and \$- of interest reported in cost of sales.

⁽²⁾ Includes \$403, \$-, \$1,515, and \$- of depreciation reported in cost of sales.

About Harvest Health & Recreation Inc.

Headquartered in Tempe, Arizona, Harvest Health & Recreation Inc. is a multi-state cannabis operator (MSO) and vertically-integrated cannabis company. Subject to completion of announced acquisitions, Harvest will have one of the largest footprints in the U.S., with rights to operate more than 210 facilities, of which approximately 130 are retail locations, and more than 1,700 employees across 18 states and territories. Since 2011, the Company has been committed to expanding its Harvest House of Cannabis retail and wholesale presence throughout the U.S., acquiring, creating and growing leading brands for patients and consumers nationally and continuing on a path of profitable growth. Harvest's mission is to improve lives through the goodness of cannabis and is focused on its vision to become the most valuable cannabis company in the world. We hope you'll join us on our journey: <https://harvestHOC.com>.

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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 develop Harvest's brand and meet its growth objectives, the ability of Harvest to complete planned acquisitions that are accretive to its revenue, the ability of Harvest to obtain and/or maintain licenses 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 the ability of the Company to raise debt and equity capital in the amounts 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 the Company operates in; adverse changes in applicable laws; or adverse changes in the application or enforcement of current laws, including those related to taxation; the inability to locate and acquire suitable companies, properties and assets necessary to execute on the Company's business plans; 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 September 30, 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 November 30, 2019. 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.

Media Contact:

Alex Howe, Head of Corporate Communications
ahowe@harvestinc.com

Investor Contact:

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