VERANO

Verano Announces 2021 Fourth Quarter and Full Year U.S. GAAP Financial Results

April 27, 2022

- *Company delivers record 2021 U.S. GAAP and proforma revenue[1] of $738 million and $760 million, respectively*
- *2021 Adjusted EBITDA[2] margin of 44% -- in line with Company guidance*
- *Financial results presented in U.S. GAAP*

CHICAGO, April 27, 2022 (GLOBE NEWSWIRE) -- Verano Holdings Corp. (CSE: VRNO) (OTCQX: VRNOF) ("Verano" or the "Company"), a leading multi-state cannabis company, today announced its 2021 financial results which were prepared in accordance with U.S. Generally Accepted Accounting Principles ("U.S. GAAP"). For comparisons, financial results for the full year 2020 referenced in this news release are also based on U.S. GAAP. Full year 2021 and 2020 financial statements prepared in accordance with U.S. GAAP and audited in accordance with U.S. Public Company Accounting Oversight Board standards ("U.S. PCAOB") are included in the Company's Registration Statement on Form 10, filed on April 26, 2022 with the U.S. Securities and Exchange Commission ("SEC") pursuant to Section 12(g) of the Securities Exchange Act of 1934, as amended, to register the Company's Class A subordinated voting shares (the "U.S. Registration Statement"), subject to the U.S. Registration Statement becoming effective. Upon the effectiveness of the U.S. Registration Statement, the Company will be subject to the reporting and disclosure requirements of the SEC, including being obligated to file and report U.S. GAAP financial statements.

2021 Fourth Quarter U.S. GAAP Financial Highlights

- Q4 2021 revenue of $211 million.
- Gross profit for the quarter was $115 million, or 54% of revenue.
- Q4 net income was $27 million, or 13% of revenue.
- Adjusted EBITDA[3] for the quarter was $84 million or 40% of revenue.

2021 Full Year U.S. GAAP Financial Highlights

- 2021 revenue increased by 223% to $738 million, compared to 2020.
- On a proforma basis, revenue[4] increased to $760 million, up by 233% compared to 2020.
- 2021 gross profit increased by 147% to $335 million, or 45% of revenue, compared to $136 million or 59% of revenue in 2020; excluding a one-time inventory step up as well as the adoption of the amortization of licenses totaling $140 million, 2021 gross margin would have improved slightly over 2020.
- Net loss for the year was $15 million, compared to a net income of $38 million in 2020, driven primarily from depreciation and amortization of acquisitions and expansion capex.
- Adjusted EBITDA[5] was $323 million or 44% of revenue, compared to $107 million or 47% of revenues in 2020.
- 2021 SG&A expense was $188 million or 26% of revenue.
- Cash flow from operations was $181 million, compared to $72 million in 2020; after self-funding $141 million of capital expenditures in 2021, Free Cash Flow[6] was $40 million, compared to $11 million in 2020.

20 21 Fourth Quarter Operational Highlights

- Added non-dilutive funding of $120 million under the Company's senior secured credit facility.
- Appointed Destiny Thompson as Chief People Officer to lead all aspects of human resources including a people-first culture at Verano.
- Bolstered the Company's retail footprint, including:
  - Entered the Connecticut market ahead of adult-use sales with the acquisition of two active dispensaries and one 217,000 square foot cultivation and production facility;
  - Opened three new Florida MÜV dispensaries in Melbourne, Orange Park, and Stuart;
  - Opened a third Nevada Zen Leaf dispensary in Las Vegas;
  - Opened a new Zen Leaf dispensary in West Chester, Pennsylvania; and
  - Relocated Zen Leaf St. Charles, Illinois dispensary to a new prime location.

2022 Recent Operational Highlights

- Appointed as Chief Financial Officer Brett Summerer, former Vice President, Head of Supply Chain Finance and CFO of The Kraft Heinz Company's U.S. Operations, with more than 21 years of diverse financial leadership experience.
- $100 million funded under the Company's senior secured credit agreement resulting in aggregate outstanding borrowings under the credit facility of $350 million, with an added option to request funding of up to $175 million on terms to be determined if the Company exercises the option.
- Entered into an arrangement agreement on January 31, 2022, to acquire Goodness Growth Holdings, Inc. ("Goodness Growth") to establish a strong foundation in the attractive markets of New York, Minnesota, and New Mexico upon closing

the proposed transaction.
- Active operations spanning 13 states, consisting of 96 dispensaries and 13 cultivation and processing facilities, with more than one million square feet of cultivation capacity.

Management Commentary

"2021 was a transformational year for Verano, our first as a public company. I am very proud of what we accomplished and remain confident in our ability to build upon this strong foundation to achieve long-term, sustainable growth," said George Archos, Verano Founder and Chief Executive Officer. "Growth across all our key financial metrics was driven organically, from our core operations and by accretive acquisitions we made throughout the year. We have always focused on driving profitability, which we believe sets us apart in the industry. I was pleased to report results in line with guidance by maintaining our signature, industry-leading margin profile for 2021."

Mr. Archos added, "We significantly increased our national retail and cultivation footprint in 2021 and to date in 2022, with current operations in 13 states, including 96 retail stores and a cultivation footprint exceeding one million square feet. In addition to our expanded operations in Pennsylvania, Nevada and Florida – all of which rank within the top 10 largest cannabis markets in the nation – our Connecticut acquisitions exemplify one of Verano's core strategies of entering markets that are primed for adult-use transition, allowing us to capture imminent growth. This strategy came to life most recently in New Jersey, where we welcomed Governor Phil Murphy at our Zen Leaf Elizabeth dispensary last week to mark the historic launch of adult-use sales in the Garden State, a day for which we were preparing for nearly a year. We built our operations in New Jersey with legalization of adult-use sales in mind, and we have more than adequate supply to support ongoing strong demand that continues to surpass expectations. Finally, upon closing, our transformational acquisition of Goodness Growth will strengthen Verano's position as one of the country's top multi-state operators by footprint in key markets, including New York and Minnesota, while positioning the Company to continue delivering industry leading profitability."

Mr. Archos concluded, "I want to sincerely thank our talented team for their dedication and support in achieving our strong results. We faced significant challenges this quarter managing an extensive audit process between two firms that spanned three years and eighteen acquisitions, along with a conversion to U.S. GAAP financials. We are confident that our efficient capital management, financial stability, signature margin profile, robust retail platform, vertical operations in core markets, and significant cultivation capacity favorably position Verano to take advantage of long-term growth and U.S. capital market opportunities."

Balance Sheet and Liquidity

As of December 31, 2021, the Company's current assets were $274 million, including cash and cash equivalents of $99 million. The Company had working capital of ($196) million and total debt, not including lease liabilities and net of issuance costs, of $290 million. These figures do not include the $100 million impact of the upsize to the Company's credit facility in the first quarter of 2022.

The Company's total Class A subordinate voting shares outstanding, including Class B proportionate voting shares on an as-converted basis, was 327,868,399 as of April 22, 2022.

Additional Information

Exemptive Relief Request

Under applicable Canadian securities laws, the Company is obligated to file with the Canadian Securities Administrators annual and interim financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") and, with respect to the annual financial statements, audited in accordance with Canadian auditing standards. Neither the issuance of this news release nor the filing of the U.S. Registration Statement satisfies such Canadian reporting obligations of the Company. In connection with the Company's filing of the U.S. Registration Statement and its anticipation of becoming subject to the SEC's reporting and disclosure obligations, the Company has applied to the Canadian Securities Administrators for exemptive relief to permit it to (i) file in Canada its annual financial statements for the year ended December 31, 2021 and interim financial statements for the period ended March 31, 2022 in accordance with U.S. GAAP; (ii) have its annual financial statements audited in accordance with U.S. PCAOB; and (iii) prepare its related management discussion and analysis in accordance with the requirements for SEC issuers**.** This exemptive relief has not yet been granted, and there can be no assurance that this exemptive relief will be granted.

Consolidated Audited Financial Statements

The financial information reported in this news release is based on the consolidated audited financial statements of the Company included in the U.S. Registration Statement filed with the SEC and are available on the SEC's website at www.sec.gov. The financial results are for the years ended December 31, 2021 and 2020, in each case prepared in accordance with U.S. GAAP and audited in accordance with U.S. PCAOB. The 2021 fourth quarter financial results are for the three months ended December 31, 2021 and were prepared in accordance with U.S. GAAP. All annual and fourth quarter financial information contained in this news release is qualified in its entirety with reference to such consolidated financial statements included in the U.S. Registration Statement.

IFRS and U.S GAAP

Verano implemented U.S. GAAP reporting in the fourth quarter of 2021 in anticipation of filing the U.S. Registration Statement. IFRS and U.S. GAAP are well known financial reporting standards used by the majority of the world's largest corporations. IFRS is a principles-based set of standards while U.S. GAAP is rules-based. Over time, the standards have become more similar, but significant differences remain. As applied to Verano specifically:

- There are two changes of significance, the treatment of biological asset inventory, and the treatment of leases.
- U.S. GAAP does not cause the Company to report revenue differently than IFRS, and prior periods are comparable.

Adjusted EBITDA is a non-U.S. GAAP and non-IFRS financial measure, and therefore is not explicitly impacted by the application of U.S. GAAP. Also, per common industry practice, the Company excludes biological assets from Adjusted EBITDA and therefore Adjusted EBITDA from U.S. GAAP financials is largely comparable to prior Adjusted EBITDA from the Company's IFRS financials.

Verano has also chosen, in parallel with the transition to U.S. GAAP, to amortize certain license costs which it did not do previously under IFRS. This is not a requirement of U.S. GAAP but is allowed, and Verano made this choice to align with common industry practice. There is no impact to Adjusted EBITDA as a result of this change.

Non-GAAP Financial Measures

Verano uses non-GAAP financial information to evaluate the performance of the Company. The terms "proforma", "EBITDA", "Adjusted EBITDA" and "Free Cash Flow" do not have any standardized meaning prescribed within GAAP and therefore may not be comparable to similar measures presented by other companies. Accordingly, this non-GAAP financial information is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with U.S. GAAP.

The Company presents proforma revenue that accounts for the business combination of the Combined Entities on a proforma consolidated basis as of January 1, 2021, instead of the completion date of February 11, 2021, as required by U.S. GAAP. The Company calculates EBITDA as net earnings from operations before interest expense, tax expense, depreciation, and amortization and Adjusted EBITDA as EBITDA as adjusted for one-time expenses related to other expenses, gain from investment in associates and acquisition related costs. Free Cash Flow is calculated by the Company as cash flow from operations minus capital expenditures. The calculations of the non-GAAP financial information used in this news release and the reconciliations to the most comparable U.S. GAAP financial numbers are included in the tables below.

Management believes that this non-GAAP financial information is useful as a supplement to comparable U.S. GAAP financial information. Management reviews these non-GAAP financial measures on a regular basis and uses them, together with financial measures included in the Company's financial statements to evaluate and manage the performance of the Company's operations. These measures should be evaluated only in conjunction with the comparable U.S. GAAP financial measures reported by the Company.

Conference Call and Webcast

A conference call and audio webcast with analysts and investors will be held on April 27, 2022, at 8:30 a.m. ET / 7:30 a.m. CT to discuss the results and answer investor and participant questions.

- Investors and participants can register in advance for the call by visiting: http://www.directeventreg.com/registration/event/8880949
- After registering, instructions will be shared on how to join the call for those who wish to dial in.
- On April 27, 2022, the live webcast can be accessed via the following link: https://event.on24.com/wcc/r/3761012/1BCCCCB97645E2AA93B10FB364E208AD
- The live and archived webcast will be available on the Events and Presentations page of the Company's investor relations website at investors.verano.com.

About Verano

Verano is a leading, vertically integrated, multi-state cannabis operator in the U.S., devoted to the ongoing improvement of communal wellness by providing responsible access to regulated cannabis products. With a mission to address vital health and wellness needs, Verano produces a comprehensive suite of premium, innovative cannabis products sold under its trusted portfolio of consumer brands, including Verano ™, Avexia ™, Encore ™, and MÜV ™. Verano's portfolio encompasses 15 U.S. states, with active operations in 13, including 13 cultivation and processing facilities comprising over 1,000,000 square feet of cultivation capacity. Verano designs, builds, and operates dispensaries under retail brands including Zen Leaf ™ and MÜV ™, delivering a superior cannabis shopping experience in both medical and adult-use markets. Learn more at www.verano.com.

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Forward Looking Statements

This press release contains certain "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 "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or may contain statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "will continue", "will occur" or "will be achieved". The forward-looking information and forward-looking statements contained herein include, but are not limited to, statements or information with respect to the Company's position in the marketplace, and the Company's operations, the U.S. Registration Statement becoming effective, the Company becoming subject to the SEC's reporting requirements, and the possibility that the request for exemptive relief from Canadian financial reporting requirements will be granted. Forward-looking information and statements involve and are subject to assumptions and known and unknown risks, uncertainties, and other factors which may cause actual events, results, performance, or achievements of the Company to be materially different from future events, results, performance, and achievements expressed or implied by forward-looking information and statements herein, including, without limitation, the risk factors discussed in the Company's filings on SEDAR at www.sedar.com and with the SEC on EDGAR at www.sec.gov. The forward-looking information and forward-looking statements contained in this news release are made as of the date of this news release, and the Company does not undertake to update any forward-looking information or forward-looking statements that are contained or referenced herein, except as may be required in accordance with applicable securities laws. All subsequent written and oral forward-looking information and statements attributable to the Company or persons acting on its behalf is expressly qualified in its entirety by this notice regarding forward-looking information and statements.

Financial Information Tables

The following tables set forth financial information derived from the 2021 and 2020 consolidated financial statements of the Company prepared in accordance with U.S. GAAP and audited in accordance with U.S. PCAOB, which consolidated financial statements are included in the U.S. Registration Statement filed with the SEC and available at www.sec.gov. (Collectively, the "U.S. Financial Statements").

Verano Holdings Corp.
Highlights from USGAAP Consolidated Statements of Operations

($ in thousands)	For the Three Months Ending December 31, 2021 [1]	For the Year Ending December 31, 2021	
	(Unaudited)	(Audited)	(Audited)
Revenue	$ 211,420	$ 737,850	$ 228,530
Cost of Sales	(96,949)	(403,287)	(92,961)
Gross Profit	114,471	334,563	135,569
Gross Profit %	54.1%	45.3%	59.3%
Expenses:			
Selling, General and Administrative	55,979	188,181	40,985
Depreciation and Amortization	14,529	41,784	2,278
Total Expenses	70,508	229,965	43,263
Income (Loss) from Investments in Associates	793	3,085	2,692
Income (Loss) from Operations	44,756	107,683	94,998
Total Other Income (Expense), Net	998	(15,723)	(12,546)
Gain (Loss) Before Income Taxes	45,754	91,960	82,452
Income Tax Expense	(17,932)	(104,127)	(42,296)

Net Income Attributable To Non-Controlling Interest	593	2,509	1,755
Net Income	$ 27,229	$ (14,676)	$ 38,401

[1] *Not reporting quarterly data for the three months ended 12/31/2020 due to full year financials being restated from IFRS to U.S. GAAP.*

Verano Holdings Corp.
Highlights from Audited USGAAP Consolidated Balance Sheet

	As of December 31, 2021	
($ in thousands)		
Cash and Cash Equivalents	$ 99,118	$ 16,402
Other Current Assets	174,857	54,846
Property and Equipment, Net	452,232	144,182
Intangible Assets, Net	1,379,913	72,419
Goodwill	368,130	16,029
Other Long-Term Assets	71,473	25,773
Total Assets	**$ 2,545,723**	**$ 329,651**
Total Current Liabilities	$ 469,855	$ 116,289
Total Long-Term Liabilities	597,133	59,964
Total Shareholders' Equity	1,478,735	153,398
Total Liabilities and Shareholders' Equity	**$ 2,545,723**	**$ 329,651**

Verano Holdings Corp.

Unaudited Reconciliation of Net Income to Adjusted EBITDA (Non-GAAP)

($ in thousands)	For the Three Months Ending December 31, 2021 [2]	For the Year Ending December 31, 2021	
Net Income [3]	$ 27,229	$ (14,676)	$ 38,401
Depreciation and Amortization	30,624	96,244	10,719
Interest Expense, Net	8,955	24,270	4,528
Income Tax Expense	17,932	104,127	42,296
Earnings (Loss) Before Interest, Taxes, Depreciation and Amortization (EBITDA)	**$ 84,740**	**$ 209,965**	**$ 95,944**
Other expense (income), net	(8,012)	(5,340)	8,019
Acquisition, transaction, and other non-recurring costs	6,918	117,911	4,604
Adjusted EBITDA	**$ 83,646**	**$ 322,535**	**$ 108,567**

[2] *Not reporting quarterly data for the three months ended 12/31/2020 due to full year financials being restated from IFRS to U.S. GAAP.*

[3] *Net Income excludes amounts attributable to non-controlling interest.*

Verano Holdings Corp.
Unaudited Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow (Non-GAAP)

($ in thousands)	For the Year Ending December 31, 2021	For the Year Ending December 31, 2020
Net Cash Provided by Operating Activities	$ 181,197	$ 71,627
Purchase of property, plant, and equipment	141,265	60,153
Free Cash Flow	**$ 39,932**	**$ 11,474**

The foregoing reconciliations of the non-GAAP financial measures are being made to the most comparable U.S. GAAP financial numbers (i) for the three months ended December 31, 2021, as presented in the Company's unaudited consolidated financial

statements of the Company contained in the above tables in this news release, and (ii) as presented in the U.S. Financial Statements.

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[1] Proforma revenue is not in accordance with U.S. GAAP and it deems the business combination of Verano Holdings, LLC, Majesta Minerals Inc., Alternative Medical Enterprises, LLC, Plants of Ruskin, LLC, RVC 360, LLC and each of their respective consolidated entities (collectively, the "Combined Entities"), as being consummated on January 1, 2021 rather than as of the actual completion date of February 11, 2021, and therefore includes revenue from the Combined Entities for the full 12 months of 2021. Proforma revenue for 2021 is $760 million, a $22 million increase to U.S. GAAP revenue of $738 million.

[2] Adjusted EBITDA is a non-GAAP financial measure. It is derived from EBITDA, another non-GAAP financial measure, both of which are defined in this news release in the section below titled "Non-GAAP Financial Measures." The most comparable U.S. GAAP financial measure to Adjusted EBITDA and EBITDA is net income. The reconciliations of Adjusted EBITDA and EBITDA to U.S. GAAP net income is set forth below in the tables included in this news release.

[3] Adjusted EBITDA is a non-GAAP financial measure. Please see footnote 2 above.

[4] Revenue on a proforma basis is not in accordance with U.S. GAAP. Please see footnote 1 above.

[5] Adjusted EBITDA is a non-GAAP financial measure. Please see footnote 2 above.

[6] Free Cashflow is a non-GAAP financial measure and is defined in this news release in the section below titled "Non-GAAP Financial Measures." The most comparable U.S. GAAP financial measure is cash flow from operations. The reconciliations of Free Cash Flow to U.S. GAAP cash flow from operations is set forth below in the tables included in this news release.

VERANO™ Source: Verano Holdings Corp.