VERANO

Verano Announces Third Quarter 2021 Financial Results

November 16, 2021

Company reports topline sequential growth and industry-leading EBITDA while expanding national footprint[1] to over 1,000,000 square feet of active cultivation and 89 operating dispensaries during another acquisitive quarter .

CHICAGO, Nov. 16, 2021 (GLOBE NEWSWIRE) -- Verano Holdings Corp. (CSE: VRNO) (OTCQX: VRNOF) ("Verano" or the "Company"), a leading multi-state cannabis company, today announced its results for the third quarter ended September 30, 2021. The financial information below is reported on a proforma, consolidated basis accounting for the AltMed acquisition as if completed on January 1, 2021, and all currency is in U.S. dollars.

Third Quarter 2021 Financial Summary

- Revenues were $207 million compared to $199 million reported in the second quarter, and $101 million reported in the same period one year ago, representing 4% sequential growth and 106% year over year.
- Gross profit increased 33% sequentially on an unadjusted basis and excluding the impact of biological assets, to $133 million, or 64% of revenue, compared to $100 million or 50% of revenue reported in the second quarter of 2021.
- Third quarter adjusted EBITDA was $111 million or 54% of revenue compared to $81 million or 41% of revenues in the prior quarter. Third quarter EBITDA on an unadjusted basis was $107 million or 52% of revenues.
- SG&A expense was $32 million or 15% of revenue.
- Net income, including the impact of biological assets, was $104 million. Excluding the impact of biological assets, net income was $15 million in the third quarter of 2021, compared to $32 million reported in the second quarter of 2021.
- Cash flow from operations was $68 million and Free Cash Flow was $35 million.

Third Quarter 2021 Operational Highlights

- In the third quarter, Verano further expanded its retail footprint with seven new dispensaries across its core markets in Florida, Ohio, and Pennsylvania, including the first Zen Leaf storefront in Philadelphia, and a flagship drive-through dispensary in Pittsburgh.
- As of the date of this earnings report, Verano has 89 operating dispensaries and 12 cultivation and production facilities[1].
- The Company closed its acquisitions of Agri-Kind and Agronomed, which added active cultivation and production while expanding its retail footprint in Pennsylvania. Subsequently, the Company has 12 active dispensaries in Pennsylvania with the ability to open six additional storefronts and a second large-scale cultivation facility which is currently under construction.
- The Company maximized its retail footprint in Ohio at five dispensaries with the acquisition of Mad River Remedies in Dayton.
- The Company announced the acquisition of Sierra Well, which will expand distribution in Nevada with two high-volume dispensaries in Reno and Carson City, and an additional 10,000 square feet of cultivation and production capacity in Reno, which is expected to strengthen the Company's supply chain in Northern Nevada.

Subsequent Operational Highlights

- Verano secured additional, non-dilutive liquidity to support further inorganic growth, upsizing its credit facility by $120 million while lowering its cost of capital. The restated credit agreement also provides the option for an additional $100 million term loan at the same non-dilutive rate.
- In November, the Company announced three accretive acquisitions in Connecticut, including two active dispensaries and one 217,000 square foot cultivation and production facility. The acquisitions will position the Company for sustainable growth by accelerating vertical integration ahead of the state's transition to adult-use sales.

Management Commentary

"Our third quarter results demonstrated the Company's fundamental strengths, highlighted by our industry-leading bottom-line performance that included $111 million in adjusted EBITDA, or 54% of revenue, and 33% sequential growth in gross profit," said George Archos, Verano CEO and Founder. "We've expanded the Verano platform considerably, adding vertically integrated operations in Connecticut ahead of the adult-use transition and adding depth in Pennsylvania, Nevada and Florida. We believe that we're positioning the Company well for long-term topline growth while targeting a low-40s EBITDA margin profile heading into 2022 and beyond."

Balance Sheet and Liquidity

As of September 30, 2021, the Company's current assets on a consolidated basis were $629 million, including cash and cash equivalents of $57 million. The Company had working capital of $162 million and total debt, not including lease liabilities and net of issuance costs, of $148 million. Please note, this does not include the impact of the Company's recently upsized credit agreement.

Total shares outstanding on an as-converted basis were 316,926,366 as of September 30, 2021.

Additional Information

The financial information reported in this news release is based on the unaudited consolidated financial statements of Verano Holdings Corp. and the related management discussion and analysis ("MD&A") for the three and nine months ended September 30, 2021, both of which are available under the Company's profile on SEDAR at www.SEDAR.com. All financial information contained in this news release is qualified in its entirety with reference to such financial statements and MD&A.

Non-IFRS Financial Measures

Verano refers to certain non-IFRS measures to evaluate the performance of the Company. The terms "EBITDA", "Adjusted EBITDA" and "Free Cash Flow" do not have any standardized meaning prescribed within International Financial Reporting Standards ("IFRS") and therefore may not be comparable to similar measures presented by other companies. Such measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. EBITDA is calculated as net earnings from operations before interest expense, tax expense, depreciation, and amortization. Adjusted EBITDA is calculated as EBITDA adjusted for one-time expenses related to other expenses, gain from investment in associates and acquisition related costs. Free Cash Flow is calculated as cash flow from operations minus capital expenditures. Reconciliations of the non-IFRS financial measures used in this news release to the most comparable IFRS financial numbers are included tables at the end of this news release.

Management believes that these non-IFRS financial measures provide useful information as a supplement to reported IFRS financial information. Management reviews these non-IFRS financial measures on a regular basis and uses them to evaluate and manage the performance of the Company's operations. These measures should be evaluated only in conjunction with the Company's comparable IFRS financial measures.

Conference Call and Webcast

A conference call and audio webcast with analysts and investors will be held today at 8:30 a.m. Eastern Time/7:30 a.m. Central Time to discuss Verano's third quarter 2021 financial results and answer questions.

- Investors and participants can register for the call by visiting http://www.directeventreg.com/registration/event/8426228
- After registering, instructions will be shared on how to join the call for those who wish to dial in.
- Live and archived webcast information is 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 12 states, including 12 production facilities comprising over 1,000,000 square feet of cultivation. 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.

Forward Looking Statements

This news 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". Forward-looking information and forward-looking statements may include, but are not limited to statements or information with respect to the Company's position in the marketplace, the proposed completion or buildout of Company facilities, the Company's cultivation capacity, the completion of pending acquisitions, the accretive nature of acquisitions, the fortification of the Company's presence in core markets, the possibility of material organic expansion, delivery of shareholder value and the ability to maintain industry-leading margins.

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 including our financial statements and MD&A for the fiscal year ending December 31, 2020 and our financial statements and MD&A for the three and nine months ended

September 30, 2021 on SEDAR at www.sedar.com.

The forward-looking information and forward-looking statements contained in this new 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.

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[FINANCIAL TABLES TO FOLLOW]

Verano Holdings Corporation Pro Forma
Unaudited Financial Information
(All amounts expressed in thousands of U.S. Dollars)

Unaudited Consolidated Statements of Operations
For the Three Months Ended September 30, 2021 and 2020

($ in thousands)	For the Three Months Ended		
	9/30/2021 (Unaudited)	**6/30/2021 (Unaudited)**	**9/30/2020 (Unaudited)**
Revenue	$ 206,828	$ 198,707	$ 100,549
Cost of Sales	(73,460)	(98,578)	(31,592)
Gross Profit Before Fair Value Adjustments of Biological Assets	133,369	100,130	68,956
Gross Profit % Before Changes In Fair Value of Biological Assets	64.5 %	50.4 %	68.6 %
Net Effect of Changes in Fair Value of Biological Assets	88,804	(24,921)	47,226
Gross Profit	**222,173**	**75,208**	**116,182**
Expenses:			
Selling, General and Administrative[1]	31,586	53,329	9,144
Depreciation and Amortization	4,920	4,253	3,498
Total Expenses	36,506	57,582	12,643
Income (Loss) from Investments in Associates	845	645	647
Income (Loss) from Operations	**186,511**	**18,271**	**104,186**
Total Other Income (Expense), Net	(8,513)	(5,619)	325
Gain (Loss) Before Income Taxes	**177,999**	**12,652**	**104,511**
Income Tax Expense	(73,733)	(5,088)	(17,879)
Net Income (Loss) From Discontinued Operations, Net of Tax	—	—	(4,884)
Net Income Attributable To Non-Controlling Interest	**551**	**734**	**135**
Net Income	**$ 103,715**	**$ 6,830**	**$ 81,612**

Verano Holdings Corporation Pro Forma
Unaudited Financial Information

(All amounts expressed in thousands of U.S. Dollars)

Verano Holdings Corporation Pro Forma
Unaudited Summarized Consolidated Statements of Financial Position
For the Three Months Ended September 30, 2021 and 2020

($ in thousands)	For the Three Months Ended		
IFRS	**9/30/2021 (Unaudited)**	**6/30/2021 (Unaudited)**	**9/30/2020 (Unaudited)**
Cash and Cash Equivalents	$ 56,937	$ 149,671	$ 135,504
Other Current Assets	572,166	422,359	221,200
Property and Equipment, Net	379,074	280,863	206,658
Intangible Assets, Net	1,288,675	1,019,874	580,549
Goodwill	329,131	264,769	2,205
Other Long-Term Assets	60,973	55,602	22,876
Total Assets	**$ 2,686,956**	**$ 2,193,138**	**$ 1,168,992**
Total Current Liabilities	$ 466,672	287,163	$ 112,254
Total Long-Term Liabilities	519,531	421,469	86,070
Total Shareholders' Equity	1,700,753	1,484,507	970,668
Total Liabilities and Shareholders' Equity	**$ 2,686,956**	**$ 2,193,138**	**$ 1,168,992**
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[1] 2021 consolidated statement reported on IFRS-basis

Verano Holdings Corporation Pro Forma
Unaudited Financial Information
(All amounts expressed in thousands of U.S. Dollars)

Verano Holdings Corporation Pro Forma
Unaudited Reconciliation of Net Income to Adjusted EBITDA and Non-IFRS
For the Three Months Ended September 30, 2021 and 2020

($ in thousands)	For the Three Months Ended		
	9/30/2021 (Unaudited)	**6/30/2021 (Unaudited)**	**9/30/2020 (Unaudited)**
Net Income [1]	$ 103,715	6,830	$ 81,612
Depreciation and Amortization	9,851	9,404	3,498
Interest Expense, Net	8,068	5,531	2,868
Income Tax Expense	73,733	5,088	17,879
Earnings (Loss) Before Interest, Taxes, Depreciation and Amortization (EBITDA) (Non-IFRS)	**$ 195,367**	**$ 26,853**	**$ 105,858**
Other expense (income), net	445	88	(3,161)
RTO, M&A, and Transaction Costs	1,062	6,923	48
Inventory Step Up	277	5,718.3	—
Employee Earnout Accrual	(2,642)	10,348	—
Other non-operating costs	4,992	6,623	128
Adjusted EBITDA (Non-IFRS)	**$ 199,501**	**$ 56,553**	**$ 102,873**
Net Impact of Fair Value of Biological Assets	(88,804)	24,921	(47,226)
Adjusted EBITDA (non-IFRS), Net of Impact of Biological Assets	**$ 110,697**	**$ 81,474**	**$ 55,648**

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

[1] Includes impact of pending acquisitions.



Source: Verano Holdings Corp.