



Verano Announces First Quarter 2022 Financial Results

CHICAGO, May 25, 2022 (GLOBE NEWSWIRE) – Verano Holdings Corp. (CSE: VRNO) (OTCQX: VRNOF) (“Verano” or the “Company”), a leading multi-state cannabis company, today announced its financial results for the first quarter ended March 31, 2022 (“Q1 2022”), which were prepared in accordance with U.S. Generally Accepted Accounting Principles (“U.S. GAAP”).

Q1 2022 U.S. GAAP Financial Highlights

- Q1 2022 revenue increased 67% to \$202 million compared to the first quarter 2021.
- Q1 2022 gross profit was \$100 million or 49% of revenue, compared to \$54 million in the first quarter 2021; excluding an M&A inventory step up and depreciation and amortization, gross margin was 61%, up 1% from Q4 2021 on a comparable basis.
- Q1 2022 SG&A was \$80 million or 40% of revenue, compared to \$37 million or 30% of revenue in the first quarter 2021; excluding depreciation, amortization and M&A earnouts, SG&A was 27% of revenue, up 2% from Q4 2021 on a comparable basis.
- Net loss in the first quarter 2022 was \$7 million, compared to a loss of \$2 million in the first quarter 2021.
- Q1 2022 EBITDA on an unadjusted basis was \$81 million or 40% of revenue, and Adjusted EBITDA¹ was \$81 million or 40% of revenue.
- Cash flow from operations for the first quarter 2022 was \$53 million, and free cash flow² was \$6 million.

2022 First Quarter Operational Highlights

- On January 31, 2022, entered into an arrangement agreement to acquire Goodness Growth Holdings, Inc. (“Goodness Growth”) to establish a strong foundation in the attractive markets of New York, Minnesota and New Mexico.
- Drew an additional \$100 million under the Company’s senior secured credit agreement, with an added option to request funding of up to \$175 million.
- Bolstered the Company’s retail footprint, including the opening of two new Florida MÜV dispensaries in the Tampa area; and the Company’s first West Virginia Zen Leaf cannabis dispensary in Morgantown.

¹ 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.

² 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.

Subsequent Operational Highlights

- Welcomed New Jersey Governor Phil Murphy at Zen Leaf Elizabeth to celebrate the commencement of adult-use sales in the state on April 21, 2022.
- Commenced adult-use sales at the Company's Zen Leaf Lawrence Township location, also on April 21, 2022, with adult-use sales at Verano's Zen Leaf Neptune Township location expected to begin in summer 2022.
- Completed the conversion from International Financial Reporting Standards ("IFRS") to U.S. GAAP.
- Filed Registration Statement on Form 10 on April 26, 2022, with the U.S. Securities and Exchange Commission ("SEC").
- Further expanded the Company's retail footprint with the opening of four new Florida MÜV dispensaries in Marco Island, Hobe Sound, Fort Myers Beach, and Ocala.
- Relocated a Zen Leaf dispensary to an enhanced retail corridor location in Canton, Ohio.
- Launched mobile applications and exclusive rewards programs for Verano's flagship Zen Leaf and MÜV dispensaries.
- Achieved active operations spanning 13 states, consisting of 98 dispensaries and 13 cultivation and processing facilities, with more than one million square feet of cultivation capacity.

Management Commentary

"I am proud of the financial and operational performance we achieved this quarter, including sustaining our signature industry-leading margins, despite facing substantial headwinds that have affected our industry and the broader economy," said George Archos, Verano Founder and Chief Executive Officer. "We remain focused on execution, evidenced by our continued retail footprint expansion, where we added seven locations in the first quarter, including our first Zen Leaf dispensary in West Virginia. Further, the April launch of adult-use sales in New Jersey generated significant and immediate growth in the state, which is representative of similar opportunities we are poised to capitalize on in future transitioning markets in our portfolio. This summer, we are excited to add Zen Leaf Neptune as an additional adult-use dispensary in a prime Jersey Shore location, and throughout the course of 2022, we will continue to invest back in our business through a number of cultivation construction and expansion projects. Overall, we are pleased by our progress in strategically positioning Verano to capitalize on anticipated growth in the second half of the year and beyond."

Balance Sheet and Liquidity

As of March 31, 2022, the Company's current assets were \$340 million, including cash and cash equivalents of \$140 million. The Company had working capital of (\$111) million and total debt, not including lease liabilities and net of issuance costs, of \$384 million.

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 March 31, 2022.

Non-GAAP Financial Measures

Verano uses non-GAAP financial information to evaluate the performance of the Company. The terms “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 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 May 25, 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/5854369>
- After registering, instructions will be shared on how to join the call for those who wish to dial in.
- On May 25, 2022, the live webcast can be accessed via the following link:
<https://event.on24.com/wcc/r/3744182/675D47A579B778C46C86B83F8EC1A3ED>
- 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, and the Company becoming subject to the SEC's reporting requirements. 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 first quarter 2022 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 Corporation
Highlights from Unaudited Consolidated Statements of Operations

<i>(\$ in thousands)</i>	For the Three Months Ended	
	3/31/22 (Unaudited)	3/31/21 (Unaudited)
Revenue	\$ 202,235	\$ 120,895
Cost of Sales	102,566	66,605
Gross Profit	99,669	54,290
Gross Profit %	49.3%	44.9%
Expenses:		
Selling, General and Administrative ¹	65,279	33,510
Depreciation and Amortization	14,709	3,463
Total Expenses	79,988	36,973
Income (Loss) from Investments in Associates	367	803
Income from Operations	20,047	18,120
Total Other Income (Expense), Net	16,075	(2,635)
Gain (Loss) Before Income Taxes	36,123	15,485
Income Tax Expense	(42,833)	(16,414)
Net Income Attributable To Non-Controlling Interest	291	1,266
Net Income	\$ (7,001)	\$ (2,194)

Verano Holdings Corporation
Highlights from Unaudited Consolidated Balance Sheet

<i>(\$ in thousands)</i>	For the Twelve Months Ended	
	12/31/21 (Unaudited)	12/31/21 (Audited)
Cash and Cash Equivalents	\$ 139,637	\$ 99,118
Other Current Assets	200,142	174,857
Property and Equipment, Net	479,747	452,232
Intangible Assets, Net	1,368,358	1,379,913
Goodwill	375,725	368,130
Other Long-Term Assets	76,432	71,473
Total Assets	\$ 2,640,041	\$ 2,545,723
Total Current Liabilities	\$ 450,677	\$ 469,855
Total Long-Term Liabilities	692,696	597,133
Total Shareholders' Equity	1,496,668	1,478,735
Total Liabilities and Shareholders' Equity	\$ 2,640,041	\$ 2,545,723

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

<i>(\$ in thousands)</i>	For the Three Months Ended	
	3/31/22 (Unaudited)	3/31/21 (Unaudited)
Net Income¹	\$ (7,001)	\$ (2,194)
Depreciation and Amortization	34,434	11,783
Interest Expense, Net	10,672	1,767
Income Tax Expense	42,833	16,414
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)	\$ 80,938	\$ 27,769
Other expense (income), net	(17,275)	800
Acquisition, transaction, and other non-operating costs	17,153	32,231
Adjusted EBITDA	\$ 80,816	\$ 60,800

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

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

<i>(\$ in thousands)</i>	For the Three Months Ended	
	3/31/22	3/31/21
	(Unaudited)	(Unaudited)
Net Cash Provided by Operating Activities	53,305	24,831
Purchase of property, plant, and equipment	\$ (47,327)	\$ (36,365)
Free Cash Flow	5,978	(11,534)
	\$	\$

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 March 31, 2022, 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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