



Ayr Strategies Agrees to Expand Operations to Fifth State with Strategic Acquisition in Arizona

Acquisition Further Positions Ayr as a Top-Tier MSO

Toronto, Ontario, November 4, 2020 – Ayr Strategies (CSE: AYR.A, OTCQX: AYRSF, “Ayr” or “the Company”), a leading vertically integrated cannabis multi-state operator, today announced an agreement to acquire a vertically integrated operation in Arizona, including cultivation and processing facilities and three licensed dispensaries, expanding the Company’s activities to five key states. Including the pending transactions, Ayr will have operations in Massachusetts, Nevada, Pennsylvania, Ohio and Arizona.

“Arizona has been a terrific medical market, third in the U.S. in terms of patient penetration at 3.4% and currently generating approximately \$800 million in annual revenue. Yesterday, voters decided to make it a recreational use market as well. We are thrilled to be able to leverage our experience, talent, brands and success in Nevada and Massachusetts to bring quality and choice to the Arizona market,” said Jonathan Sandelman, Chairman and Chief Executive Officer of Ayr. “In addition to great operating assets, we are bringing on great talent, adding 110 people to the Ayr team. Now in five states and highly cash-flow generative, we are positioning ourselves as one of the top multi-state operators in the U.S.”

Following the closing of the announced acquisitions in Arizona, Pennsylvania and Ohio, Ayr will address a population of approximately 43 million people across five states. In total, the Company will operate or provide services to 11 dispensaries, with eight further dispensary licenses expected to become operational in 2021, and over 140,000 ft² of active cultivation and processing space, with the ability to expand to approximately 600,000 ft².

Mr. Sandelman continued, “Today’s announcements represent the next step in the disciplined and targeted expansion of our footprint. We’ve always looked to go deep in the best markets, targeting attractive assets in limited-license states with large populations, and where we can build a vertically integrated presence and continue adding to our deep talent pool. Importantly, it needs to be at the right price. This transaction allows us to enter a thriving and robust market at 3.7x 2021 estimated Adjusted EBITDA, generating significant value for our shareholders.”

Transaction Highlights

Ayr has signed a binding term sheet for three licensed dispensaries in greater Phoenix, two in Chandler and one in Glendale, a 10,000 ft² licensed cultivation and processing facility in Chandler and an 80,000 ft² licensed cultivation facility under development in Phoenix.

The terms of the transaction include upfront consideration of \$81 million, made up of \$10 million in cash, \$41 million in stock (approximately 2.75 million shares priced at 10-day VWAP prior to announcement) and \$30 million in seller notes. An additional 2 million shares may be payable upon the achievement of established cultivation targets through 2021 and 2022.

Additional earn-out consideration in 2021 and 2022 may be paid in shares exchangeable into subordinate voting shares of Ayr, priced at the then 10-day VWAP, with the earnout value calculated based on a set discount to Ayr's then trading enterprise value to Adjusted EBITDA multiple and based on exceeding Adjusted EBITDA hurdles in each year.

The acquisition is subject to final due diligence, definitive documentation, customary closing conditions and regulatory approvals.

Adjusted EBITDA

"Adjusted EBITDA" represents income (loss) from operations, as reported, before interest and tax, adjusted to exclude extraordinary items, non-recurring items, other non-cash items, including stock-based compensation expense, depreciation and amortization, the adjustments for the accounting of the fair value of biological assets and the incremental costs to acquire cannabis inventory in a business combination, and further adjusted to remove acquisition related costs.

A reconciliation of how Ayr calculates adjusted EBITDA is provided in Ayr's Q2 MD&A. Additional reconciliations of adjusted EBITDA and other disclosures concerning non-IFRS measures will be provided in our MD&A for the 3 months ended September 30, 2020. As well, the Company reminds you that adjusted EBITDA is a non-IFRS measure without a standardized meaning and therefore may not be comparable to similar figures used by other companies. It is being used in this case for purposes of purchase price determination, and there is accordingly no directly comparable IFRS measure applicable..

Forward-Looking Statements

Certain information contained in this news release may be forward-looking statements within the meaning of applicable securities laws. Forward-looking statements are often, but not always, identified by the use of words such as "target", "expect", "anticipate", "believe", "foresee", "could", "would", "estimate", "goal", "outlook", "intend", "plan", "seek", "will", "may", "tracking", "pacing" and "should" and similar expressions or words suggesting future outcomes. This news release includes forward-looking information and statements pertaining to, among other things, Ayr's future growth plans. Numerous risks and uncertainties could cause the actual events and results to differ materially from the estimates, beliefs and assumptions expressed or implied in the forward-looking statements, including, but not limited to: anticipated strategic, operational and competitive benefits may not be realized; events or series of events, including in connection with COVID-19, may cause business interruptions; required regulatory approvals may not be obtained; acquisitions may not be able to be completed on satisfactory terms or at all; and Ayr may not be able to raise additional debt or equity capital. Among other things, Ayr has assumed that its businesses will operate as anticipated, that it will be able to complete acquisitions on reasonable terms, and that all required regulatory approvals will be obtained on satisfactory terms and within expected time frames. In particular, there can be no assurance that we will complete the acquisitions in Arizona, Pennsylvania and Ohio.



About Ayr Strategies Inc.

Ayr Strategies (“Ayr”) is an expanding vertically integrated, U.S. multi-state cannabis operator, focusing on high-growth markets. The Company cultivates and manufactures branded cannabis products for distribution through its network of retail outlets and through third-party stores. Ayr strives to enrich consumers’ experience every day – helping them to live their best lives, elevated.

Ayr’s leadership team brings proven expertise in growing successful businesses through disciplined operational and financial management, and is committed to driving positive impact for customers, employees and the communities they touch. For more information, please visit www.ayrstrategies.com.

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