

Jushi Holdings Inc. OTCPK:JUSH.F

Analyst/Investor Day

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Call Participants

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Presentation

Operator

Good morning. My name is Joanna, and I will be your conference operator today. At this time, I would like to welcome everyone to Jushi's 2020 Virtual Investor Day. At this time, I would like to welcome -- as a reminder, today's event is being recorded, and the webcast will be available for replay after the event has concluded. I will now turn the call over to Michael Perlman, Executive Vice President of Investor Relations and Treasury. Please go ahead.

Michael Perlman

Executive VP of Investor Relations & Treasurer

Good morning, and welcome to Jushi's first ever Investor Day. We appreciate everyone's attendance in today's event. We are very excited to showcase Jushi's assets, our incredible team and our company's vision. Before we begin, I'd like to remind listeners that certain matters discussed in today's presentation or answers that may be given to questions asked could constitute forward-looking statements within the meaning of Canadian and United States Securities laws. Such statements, by their nature, involve estimates, projections, plans, goals, forecasts and assumptions that may prove to be inaccurate.

As a result, actual results could differ materially from those expressed by such forward-looking statements, and such statements should not be relied upon. Key expectations and assumptions made by Jushi include, but are not limited to, the continued performance of existing operations in Pennsylvania, Illinois and Nevada; the anticipated opening of additional dispensaries in 2020 and 2021; the expansion and optimization of the grower processor in Pennsylvania and the facility in Nevada, the opening of new facilities in Ohio, and Virginia and 2 dispensaries in California, one of which is subject to licensing approval. Risk factors that may affect actual results are detailed in Jushi's annual information form and other periodic filings. These documents may be accessed via SEDAR database.

The forward-looking statements discussed in today's presentation represents Jushi's expectations as of the date of this presentation and are subject to change after this date. Jushi assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. I'll now turn the call over to Erich.

Erich Mauff

Founder, Co-President & Director

Welcome to Jushi's first ever Investor Day. We really appreciate everyone's attendance. We are excited to showcase Jushi's assets, our incredible team, our company's vision. The agenda today will start with me, Erich Mauff, Co-President and Co-founder, giving an overview of our company and our assets. Then both John Barack, Co-President and Co-Founder; and Kim Bambach, Chief Financial Officer, will review our current financials and our 2021 guidance. Closing the first session, James Cacioppo, CEO, Chairman and Co-Founder, will review our company's ethos and his vision for Jushi. After Jim, we will preview our operating businesses. We will start with manufacturing, processing and cultivation. Then we will review our retail franchise and customer experience.

Next will be an update on procurement and products, followed by business development. Weaving this together, we will hear about our digital strategy and branding, and then have an update on Jushi. We will conclude the Investor Day with a Q&A.

Our current asset portfolio is split into 3 core and 3 development markets. Our core markets, Virginia, Pennsylvania and Illinois, [indiscernible] scale and dominance. In our development markets, Ohio, Nevada and California, we are actively looking into scaling our current footprint over the next 12 months.

Let me start with the with Virginia, the sleeping giant. Virginia's population is 8.7 million. This is a newly established medical program, commencing operations later this year. Structure of the program. The regulators have broken the state into 5 separate geographic regions called Health Service Areas or HSAs

with one vertically integrated license per HSA. Each permit holder is required to be vertically integrated, meaning cultivation, extraction and processing and retail, all within the same facility. Recently, each permit holder was awarded the option of adding 5 additional stand-alone dispensaries for a total of 6 locations. These 5 additional dispensaries need to be within the permit holders designated HSA.

Jushi's majority-owned Dalitso LLC is one of 5 applicants to have received conditional approval by the Virginia Board of Pharmacy and is now one of 4, to have received final approval.

We anticipate opening the facility late in the fourth quarter of 2020. The designated service area for Jushi to operate is Health Service Area II in Northern Virginia.

HSA 2 is the smallest, most densely populated Health Service Area of the state, with 2.5 million people, nearly 30% of the state's population according to the U.S. Census Bureau. HSA 2 borders the Potomac River right across from Washington, D.C. our region includes iconic suburbs such as Arlington, Tysons Corner, Alexandria, Manassas and includes 2 of the Virginia's highest income counties, Fairfax and Prince William County. In fact, Health Service Area II is home to 5 of Virginia's 10 wealthiest neighborhoods.

Geographic size and population density are important because; one, population density is a critical retail driver. We are blessed in Health Service Area II with 2.5 million residents, but we will benefit from a large commuter population. Northern Virginia's techup dominated by millennials is in Health Service Area II. This population are early cannabis adopters, and they will drive the medical program today and adult-use in the future. Two, Virginia allows home delivery, operating in highly urbanized technology-enabled environment is optimal for delivery. HSA 2 is a concentrated small geographic area that will allow Jushi to dominate home delivery. Interestingly, Amazon selected Crystal City, Arlington, for their HQ2 after an exhaustive 5-year search.

Crystal City is in our Health Service Area, which we believe supports our optimism, aggressive projections and demographic assumptions. During 2021, we expect to open 5 additional stores in Health Service Area II. Preferred locations currently are, Fairfax, Leesburg, Falls Church, Woodbridge, Arlington and Tysons Corner, our vertically integrated facility.

We went big with a customer [indiscernible] Our primary facility in Manassas includes cultivation, manufacturing and processing, plus a retail dispensary. We have a 93,000 square foot custom-built state of the art facility, Phase I, partial build out. We are building out approximately 30,000 square feet; cultivation, 6,000 square feet; 2 flower rooms, double stack. We expect to be able to produce 6,000 pounds of dried flower annually; processing and manufacturing, 3,000 square feet.

This state of the art CO2 extraction facility has the capacity to process up to 32,000 pounds of biomass annually. Our lab and kitchen will manufacture high quality medically infused products as flower is not currently permitted in Virginia, Phase II, full build out. At full capacity, the facility will have the following annual output cultivation, 27,000 pounds of dried flower in 9 double-stack for flower rooms, processing and manufacturing. We have the capacity to process up to 64,000 pounds of biomass.

Brands. The robust medical program in the state currently allows for vaporization, tinctures, capsules and soft gels. We anticipate flower being allowed sometime in 2021. Our award-winning private brands cover all these categories. The Lab for concentrates and vaporization, tastetology for infused edibles, Nira Plus for tinctures, capsules and soft gels, and when allowed, the bank for flower products.

Our largest national footprint is in Pennsylvania, which we view as the next Illinois. Pennsylvania's population is 12.8 million. This is an established medical market.

Structure of the program. Licenses are split into 2, either retail or grower processor, vertical integration align both is allowed. Currently, there are 150 retail licenses and 25 grower processor licenses. There is a separate medical registrar program that will allow up to an additional 48 retail locations and 8 grower processes. Since inception, Pennsylvania's medical cannabis program has had total sales of \$1.3 billion.

Currently, there are roughly 90 operational dispensaries, almost 400,000 registered medical cannabis patients and caregivers.

Retail. Jushi has the right to operate 15 retail dispensaries in Pennsylvania, 8 are currently operational. And we anticipate having all 15 retail dispensaries opened by mid-2021. We have an option to acquire an additional 3 retail locations. This option expires in February 2022 and is subject to approvals from all appropriate regulatory authorities. Our stores are generally concentrated in 3 large urban populations and the adjacent suburbs, which are Philadelphia, Pittsburgh and Scranton.

In the Greater Philadelphia suburbs, we have 4 operational stores. Bristol, our oldest and highest revenue-generating store. West Chester is a stand-alone former bank building on Route 3 Westchester Pike. 40,000 cars per day pass this address. Ardmore, adjacent to Suburban Square, the premier shopping destination in suburban Philadelphia. Reading, located downtown in the fifth largest city in Pennsylvania.

In Downtown Philadelphia, we have 2 operational stores. Center City is at 12th & Sansom in the heart of Philli's Midtown Village. Northern Liberties is at 5th and Spring Garden and one of Philadelphia's fastest-growing neighborhoods. In Downtown Philadelphia, we have 2 stores under development, University City at the intersection of the University of Pennsylvania and Drexel University's campuses.

[indiscernible] , this will be the second dispensary in Delaware County, large population based adjacent to West Philadelphia. In the Pittsburgh area, we have 1 operational store and 2 under construction. Historic Johnstown, we have an operational store 1 of only 2 dispensaries in Cambria county. The other 2 locations under construction are Downtown Pittsburgh, 5,000 square foot store in the center of the main entertainment district on the South side of the city; Irwin, a stand-alone 3,600 square-foot building on the main commercial thoroughway of a vibrant Pittsburgh suburb.

In Scranton, we have one operational store. Downtown Scranton, located just off I-81 in a strip center anchored by a CBS and Dunkin' Donuts. We have additional locations under development in Eastern Pottsville, a former bank building at the intersection of main and center in downtown Pottsville. There are no other dispensaries for 30 minutes in any direction.

Hazleton, beyond our low will be the only dispensary for 40 minutes in any direction. Now let's take a look at our newly acquired 90,000 square foot grower processor in Scranton. Phase I, dial-in and upgrade the existing facility.

The expanded facility from 20,000 to 45,000 square feet of indoor cultivation is now operational. Our team is taking the existing miss managed facility and optimizing cultivation efficiencies, implementing best practices, upgrading outdated technologies and bringing in automation. Once our cultivation team finalizes these upgrades, we expect this facility to yield between 8,000 and 10,000 pounds of dried flower annual.

Our current supercritical CO2 extraction technology produces an assortment of products, including vaporization, tinctures, soft gels and topicals. Our development plans include the construction of a Class I, division 1 room to add hydrocarbon extraction. This will allow for the introduction of additional concentrates like live resin and other innovative products.

Phase II, build out additional indoor cultivation. We have the ability to easily increase the indoor cultivation area by an additional 25,000 square feet bringing total canopy to 70,000 square feet. At full capacity, the facility will yield over 17,000 pounds of dry flower annually, processing and manufacturing and the capacity to process up to 100,000 pounds of biomass annually.

Phase III, maximize grower process equipment. We also have an LOI to purchase 2 additional pieces of land adjacent to our facilities that will add another 50,000 to 75,000 square feet of facility footprint. Jushi Scranton's grower processor will provide private label products for our BEYOND/HELLO retail franchise and allow wholesale across the state.

We plan on utilizing our award-winning brands, The Lab, The Bank and Nira Plus. Illinois is the best cannabis market in the U.S. Illinois' population 12.7 million. The program transitioned January 1, 2020, or medical-only to both adult-use and medical. Structure of the program. Licenses are split into 2, either retail or grower processor, vertical integration, owning both is allowed. The program is 110 current license dispensary.

There is an application process that will add an additional 75 for a total of 185 dispensaries in the state. There are 21 grower processor licenses. We are in 2 prime areas in Illinois. One, Bloomington-Normal, in the middle of the state, where we have 2 licenses. Sauget, just south of East St. Louis, where we have an additional 2 licenses. In Bloomington-Normal, we have one operational dispensary with our second dispensary opening by year-end. First move advantage [indiscernible] are opened in prime on prime locations, build customer loyalty and ingrain ourselves into the community.

The next closest competitor is 36 miles away, about a 40-minute drive. Our second zone, in Illinois, East St. Louis Sauget is our crown jewel. The greater St. Louis area, that's Missouri and Illinois has, a population of 2.2 million people, operating Sauget location is currently the highest performing store in our national retail network. We are building our second dispensary very close to downtown St. Louis. Sauget is home to the iconic night clubs, Pop's and Oz, adult entertainments, Diamonds and Country Rock and the renowned Sauget outdoor concert venues.

Our store will have ample parking, a vibrant 24-hour night life, and is a 5- to 7-minute drive from St. Louis Cardinals Busch stadium. Now that we've covered our primary markets, I'd like to run you through our 3 development markets starting with Ohio.

Population of Ohio is 11.7 million. Structure of the program. Recent medical markets, you can vertically integrate [indiscernible] an extraction and processing in Columbus. We are constructing a new 8,000 square foot state of the art CO2 extraction facility that will utilize ethanol in post process. Once complete, this facility will have the capacity to process up to 32,000 pounds biomass. We're building out a kitchen and lab that will produce all allowable products in Ohio, anticipate opening in early 2021.

Nevada. Nevada's population is 3.1 million. This is an adult-use and medical market. Jushi owns 2, 7,500 square foot buildings that can be easily connected. Attached to these buildings are 2 permits, 1 for cultivation and another for processing and manufacturing. We currently operate out of one building.

In this facility, Jushi has a state of the art indoor double-stack cultivation that yields 2,500 pounds of high quality dry flower per year. In processing and manufacturing, we produce a suite of infused product. We've partnered with third-party extraction to produce high quality concentrates and infused [indiscernible], all for the wholesale marketing in Nevada. We are reviewing options to connect our 2 buildings allowing Jushi to expand cultivation, scale processing and manufacturing.

Nevada, and specifically, Las Vegas had suffered from COVID. State restrictions on cannabis stores, coupled of limited tourism have impacted many Nevada cannabis operators. Distressed assets, coupled with new retail licenses opening, should present some attractive M&A opportunities.

California. Last but not least, our final development market, California. California's population is just under 40 million people. California has a population larger than Canada and Australia with a median household income of \$71,000. It's a mature, adult-use and medical market. Cali is the heart and soul of cannabis in America. We have spent 3 years of research in California and are committed to scaling our footprint over the next 12 to 18 months.

We have 2 M&A professionals living in Los Angeles loss entities, doing nothing but analyzing the market, meeting with local operators and identifying attractive opportunities. California is an unlimited license state. However, each locality can ban cannabis or limit the number of licenses. In fact, about 70% of counties, so 7 out of 10 localities, don't allow cannabis.

Hence, there are a small number of highly sought after limited license markets and cities. An example of one of these cities is Santa Barbara. Beyond [indiscernible] Santa Barbara, we'll be only 3 licensed operators in this wonderful town. We have an amazing location and beautiful design. We are very excited to be in Santa Barbara. As with Santa Barbara, we are moving forward with a merit-based application in Culver City.

We have found an absolutely prime location for our flagship dispensary on the corner of Sepulveda and Venice Boulevard. Our store will be approximately 500 feet away from an exit of Interstate 405. 53,000 cars pass this location daily. This store will be new construction, a ground-up build, focused on modern

architecture and environmental sustainability. BEYOND/HELLO [indiscernible] will be a 5,000 square foot stand-alone store designed to mimic a greenhouse from next area and will be LEED Silver certified.

California is a core development market for Jushi. Our focus will be on distressed assets in retail, but we will consult vertical integration at the right price. Now let me introduce you to John Barack, Co-President and Co-Founder; and Kim Bambach, Chief Financial Officer, who will review our current financials and our 2021 guidance.

Kimberly Bambach

Executive VP & CFO

Thank you, Erich. This is Kimberly Bambach. I am the CFO of Jushi Holdings, Inc. Since our founding in 2018, Jushi has been devoted to raising capital to prudently invest in undervalued assets in the emerging legal and highly regulated cannabis and hemp markets in the U.S. Jushi had some early wins, including acquiring a 16.5% stake in GSC, the parent company of Valley Agriceuticals and owner of one of the 10 New York licensed medical cannabis operators in 2018 for \$5 million, which we would later go on to sell in 2019 for 3 to 4x gain on investment. We chose to go public early and before we had operating assets, as we determined it would be easier and faster to close many of the acquisitions that our business development team had lined out for 2019, Pennsylvania, Virginia, Nevada, Ohio, New York, Colorado, it was an extremely busy year.

We started 2019 with 20 corporate employees, primarily focused on market research and acquisitions to ending the year as a public company with 209 employees handling cultivation, manufacturing and retail operations in 3 states with developing assets in Virginia, Ohio and California.

For the year ended December 31, 2019, revenue was \$10.2 million, gross profit was \$4.8 million, and adjusted EBITDA was negative \$11.2 million. From a financial operations perspective, it was immeasurably harder to close acquisitions and stand up operating assets as a public cannabis company than a typical U.S. SEC registrant. It is a balancing act to build just-in-time systems and infrastructure as we scale that meet our high standards of control, process and quality requirements. We stood up a centralized financial service center early, and all acquisitions are integrated within 60 days, the same financial systems, banking, payroll and KPI reporting.

This keeps us efficient and accurate with administrative costs low and lean. It is very true to a certain extent that while we at Jushi have companies operating both inside and outside cannabis or plant touching that the same regulatory ambiguities and hurdles still exist for all of our companies, banking in the U.S., not to mention the tax treatments for plant touching operations from a federal state and local level that impacts our short-term business economics.

We have to work harder at these basic services than other typical start-ups outside of cannabis. As we add additional acquisitions and open acquired licenses, we do not expect to add significant corporate overhead expenses as a result of new store and new facility openings.

Some corporate expenses are expected to fluctuate based on onetime acquisition or deal-related expenses. In regards to our 2020 year-to-date performance, as many of you are aware, Jushi reported very strong sequential revenue of approximately \$15 million in the second quarter of 2020, a 73% sequential quarterly increase, driven by strong revenue at our BEYOND/HELLO stores in Pennsylvania and Illinois. As a result of successful procurement of greater quantities of both medical and recreational products, as demanded by our customers in these 2 supply-constrained markets. Moreover, by leveraging recently implemented technology, we are more in tune with our customers' purchasing behaviors than ever before. Our gross profit in the second quarter was \$7.5 million, resulting in a gross margin of 50%, compared to \$4.2 million with a gross margin of 48% in the first quarter of 2020. We expect margins to continue to improve with the acquisition of PAMS in the third quarter.

Adjusted EBITDA for the second quarter of 2020 was a negative \$1.2 million compared to a negative \$6 million in the first quarter. As of August 31, the company had \$44.4 million in cash and \$7.5 million in marketable securities, and is fully funded for the build-out of the current portfolio. We anticipate investing

\$15 million to \$20 million in building out current construction and progress during the second half of this year.

Total debt, excluding leases on the balance sheet as of August 31, was approximately \$103 million, less cash, resulting in a net debt of approximately \$61 million. The company also, as of August 31, had approximately 108 million shares on an as converted basis. On a fully diluted basis, including approximately \$102 million of warrants and \$9 million of options, the company would have 219 million shares outstanding. As discussed in our second quarter earnings call, we began implementing several cost reduction initiatives across our network of retail stores with a focus on strengthening our financial rigor and driving long-term profitability. These initiatives include the implementation of strategic purchasing practices, optimizing our labor model and further leveraging our BEYOND-HELLO.com online platform. We are pleased to see significant improvement on our labor costs as a percentage of revenue within our retail stores over the first half of 2020 and expect to see further improvements due to ease of online pre ordering, curbside pickup and improved customer flow within each location.

In addition to staffing optimization, there are some higher expense areas unique to cannabis, such as banking, security, insurance and, of course, 280E tax limitations. Clearly, in some of these areas, only regulatory changes at the federal level will resolve. However, there are more and more mainstream companies providing services to the industry, which will provide us with choices and competition to reduce costs in these areas. When we look at our projections for the second half of 2020, in August, combined revenue for Jushi was over \$8.5 million for the month or \$102 million annual run rate. We continue to see strong revenue growth as we exit the third quarter.

Our store revenue is approaching \$2 million a week going into the end of August. We're thrilled with the performance of our operations in Pennsylvania and Illinois. And as reported earlier this morning, we are pleased to provide preliminary third quarter revenue guidance of approximately \$24 million, which is at the high-end of our previously provided range.

We also expect to generate fourth quarter 2020 revenue at the high-end of our previously provided guidance of approximately \$25 million to \$30 million and continue to expect our fourth quarter adjusted EBITDA to be positive.

I will now hand it over to John who will walk you through the build out of our 2021 revenue and adjusted EBITDA.

Louis Jonathan Barack

Founder, Co-President & Corporate Secretary

Thank you, Kim. I'm John Barack, Co-Founder, Co-President and Corporate Secretary of Jushi, and I'll be providing a buildup of Jushi's full year 2021 guidance. Jushi previously provided revenue guidance for Q4 of \$25 million to \$30 million. As Kim mentioned just a moment ago, we expect to generate revenue at the high-end of this range. Jushi's second half projected revenue for this year is expected to total approximately \$50 million to \$55 million. Full year 2020 revenue would be approximately \$75 million under that scenario.

So how do we get from \$75 million to our 2021 guidance of \$200 million to \$250 million? Focusing on Q4 of 2020, 2 biggest state contributors to revenue are Jushi's Pennsylvania and Illinois businesses. In Q4, we're not opening any new stores in Pennsylvania. So we're still operating with a store base of 8 out of 15 possible BEYOND/HELLO branded dispensaries.

These medical dispensaries have performed very well in one of the fastest-growing medical markets in the country. Furthermore, we also have an option to acquire an additional 3 retail locations pending regulatory approval. We expect to achieve over \$4 million of combined revenue per month from these 8 stores, which we already achieved in August, or greater than \$12 million from this retail base in Q4. The run rate at the end of 2020 is expected to be nearly \$50 million. Rolling this business forward in 2021, we plan to open 7 additional stores over the course of the year. We expect to open our ninth store in Pennsylvania in late Q1 and early Q2 with a steady pace of openings of about 1 per month until all 15 locations are open, subject to regulatory approvals and the vagaries of construction.

Based on our open store Q4 performance, we expect a revenue run rate of approximately \$50 million for our 8 operating stores. We believe a fully built out store base of 15 locations can generate upwards of \$100 million of annual retail revenue. However, given the intra-year opening schedule, we're likely to end somewhere in the middle of that range for 2021 or at least \$75 million in revenue, about 1/3 of our 2021 projection.

Remember, it's important to keep in mind these projections are based on the current market and current regs. i.e., medical-use only. In addition to Jushi's retail presence in PA, we recently closed on an acquisition of the equity of a large grower processor facility, which we call PAMS. This facility is operating with a recently expanded presence that is approximately 45,000 square feet of high quality indoor cultivation. When we took over PAMS in mid Q3, it was producing only a couple of hundred pounds of biomass, i.e., flower and trim, on a monthly basis. We expect PAMS' monthly biomass production to steadily increase through 2020 and more so in 2021 as the first new flowering rooms come online in Q4 2020, and then as Jushi's experienced operations team improves the performance across the facility and other optimizing changes will result in a facility producing between 1,500 to 2,000 pounds of flower and Trim per month by the end of 2021.

At this rate, PAMS will go from a facility generating about \$1 million per month of revenue to about \$5 million per month. We think PAMS can contribute anywhere from \$35 million to \$45 million of revenue to Jushi on a gross basis in 2021.

By way of example of Jushi's BEYOND/HELLO dispensaries by 40% to 50% of PAM's products or about \$15 million to \$20 million in wholesale, then PAMS will contribute \$20 million plus in net sales to Jushi's PA business. Total Pennsylvania retail and grower processor net sales would be about \$95 million to \$110 million under this scenario or between 40% to 50% of 2021 revenue. The next largest expected contributors in Q4 2020 are Jushi's 2 dispensaries in Illinois, operating as both medical and adult-use dispensaries in Sauget and Normal Illinois. The 2 open stores have been performing extremely well in the very fast-growing Illinois adult-use market.

In August, combined revenue for the 2 stores was over \$3.7 million for the month or \$45 million annual run rate. We also have the right to open 2 additional adult-use stores in the same area, one in Sauget, Illinois and one in Bloomington, Illinois, bringing our total store count to 4. We expect to open the Sauget location in the middle of Q4 and the Bloomington location in early Q1. In 2021 with a full year of operating 4 stores, a pro rata increase of our 2-store run rate could be as much as \$90 million, but Illinois is adding new licenses at a faster rate than the market is expanding.

So we expect competition to mean that new stores won't be quite as productive as existing ones. Therefore, we're projecting a range between \$70 million to \$80 million of revenue from the 4 open stores during the year. The actual results will depend on a lot of factors, including how quickly new stores open, ours and our competitor's, where they open, whether Jushi sees any acquisition opportunities within the state.

With this projected range, Illinois is expected to contribute approximately 1/3 of 2021 revenue. After Illinois, the next largest contributor in Jushi's 2021 revenue buildup is our newest operation, a majority stake in Dalitso, the holder of 1 of only 5 provisional medical cannabis licenses in Virginia, and 1 of only 4 to have received final approval and permit issuance.

As we've recently completed construction of our vertical facility in Manassas, Virginia, this brand-new medical market is expected to begin generating material revenue starting in Q1 2021, and the rate of growth will depend on the rate of patient uptake.

As Erich previously mentioned, with the population of about 2.5 million people in our Health Service Area II of Northeast Virginia, the potential patient base for medical cannabis products is significant. Additionally, we plan to provide a comprehensive suite of Jushi's brands, including our award-winning brands, The Lab concentrates as well as our precision formulated line of medical cannabis products, Nira Plus at multiple BEYOND/HELLO-branded dispensaries, given the newly approved regulations allow us to open up to 5 additional dispensaries.

We think the Virginia market could contribute anywhere from \$17 million to \$25 million of revenue next year. If we take the middle of the range, we're at about \$20 million or 8% to 10% of 2021 revenue for Jushi, with a lot of future growth in Virginia in 2022 and beyond as the market further develops and matures with more patients, potentially more products such as flower and/or favorable regulatory developments and so forth.

So from Pennsylvania, Illinois and Virginia, we have a build of between \$180 million to \$215 million of revenue generated. The remaining approximately \$20 million to \$40 million plus of revenue is a combination of our developing markets. In California, we're excited to announce in our Santa Barbara stores and expect to open our Culver City, California store sometime in the middle of 2021 for a combined revenue of proximately \$12 million to \$20 million in 2021.

In Nevada, we operate a cultivation and processing business that we put off expanding due to the COVID crisis and the state moratorium surrounding with cannabis regs. However, following expansion, we expect the business to generate approximately \$6 million to \$10 million revenue. In Ohio, we advised a local processing operator that we expect to take control of in early 2021.

We anticipate the business will generate approximately \$6 million to \$10 million of revenue after it opens later this year. Based on just these 6 states, we built up to a revenue range of about \$205 million to \$255 million. In addition, Jushi is constantly and continually reviewing acquisition opportunities, talking to local partners and applying for licenses in new limited markets for further potential upside, but we don't quantify the likelihood or include this in our revenue guidance. In addition to our 2021 revenue guidance, we provided EBITDA guidance of \$40 million to \$50 million or blended EBITDA margin of about 20% across the year.

At the end of this year, Q4, we'll probably be in the range of the mid- to high single digits EBITDA margin as we open up new business lines, that in Q1 will increase to the low double digits, and it'll be a step function throughout the year increase into the mid- to high 20s and certain business lines could have EBITDA margins above 30% by the end of the year.

Thank you for your time, and thanks for listening. I'd now like to introduce Jushi's Chairman and CEO, Jim Cacioppo.

James Anthony Cacioppo
Founder, Chairman & CEO

Thank you, Kim and John. My name is Jim Cacioppo. Chairman, CEO and Co-Founder of Jushi. The strategy around which states we get into and what part of the vertical integration process we do first is the key to our building a great licensed portfolio. This allows us to be present in the best areas, and create the most value with the capital we have at hand, which is always what we think about first is shareholders.

We went to Pennsylvania with our biggest capital investment to date and have made great moves in both Illinois and Virginia. Our capital allocation decisions are strong. It's really that simple, buying in good states, retail first and some [indiscernible] execution.

This is how we've trained with our big finance skills that we obtained in hedge funds, distressed investing and private equity. Our leadership team, Erich Mauff, John and myself developed financial and operating models to generate good data-driven decisions that we can manage the business to. These models help us so we don't run out of cash, like a lot of companies have.

We anticipate our cash needs ahead of time, and we manage to those needs. We've successfully integrated and operated what we've acquired. We are one of the only companies, maybe the only company that I'm aware of that bought a great operating day. The team out of Colorado, called the clinic had already opened 13 best-in-class grower process facilities and many retail locations since they started in this business in about 2009.

Most importantly, they have experience. They understand all the standard operating procedures needed. They understand the genetics. They understand how to grow. They have recipes and formulas in place

for all of that. They've seen things work and they've seen things fail. That was just a pure IP and talent acquisition, period.

I don't know if anyone else who actually did that. It was key to recognize our soft spots in management. We anticipated the need for a strong corporate structure early on. We brought on a great CFO, a great legal team, and a fabulous Human Resource department, so we have all the functions and processes in place that make a great company.

With that in mind, we were able to focus fully on our capital allocation decisions. To supplement this great team, we brought on a COO of Jushi Europe, who's an extremely experienced operator in cultivation out of Organigram, where he had done indoor cultivation at huge scale, probably the biggest and most successful grower in the world. It's about 450,000 to 500,000 square feet that he engineered and managed. So we complemented the Denver team with somebody who had done it on massive scale. We really had to go to Canada to find that person since that scale had not really been achieved in a successful way in the U.S. Then we integrated our digital team, and we relaunched BEYOND-HELLO.com with online preordering, express and curbside pickup.

This was extremely fortunate timing. This really empowered us during COVID to help drive our numbers beginning in late April and throughout summer of 2020. I think about 70% of our transactions right now are occurring online, or more. I for one have been super surprised how much an effect it really has. We're not resting on any successes or laurels that we have had.

Senior management like myself, Erich and John, were hands on, we're focused, we're improving our retail operations every day right now. We've already reduced costs in our Pennsylvania retail system by 40% and we are driving revenue growth to an industry-leading 70% to 80%. That's right now.

This is just by identifying the long hanging fruit and executing on that. Now we're at the point where we need to establish more sophisticated retail management to work on more subtle things. We recently hired a great team with cannabis and other retail experiences to take advantage of the current fragile job market and to support our growth.

We are also currently building out a strategic commercial operation, to sell our cultivated product in the wholesale market in Pennsylvania, Nevada and Virginia. This team also procures our products for our retail network in all states. Our goal is to provide a full menu, not just of our own brands but other leading brands. Well stocked shelves drive customer loyalty and increases the purchase size. Customers always go where they have the most choice of available products and where things are price dependent.

Inventory procurement is very important. So it's also a constant focus of our senior management team of Erich, John and myself. Our strong balance sheet allows us to pay wholesalers early or on time. We're best-in-class customers. We are building super strong relationships with these wholesalers to drive a competitive menu, at competitive prices for our patients and customers. Being a multi-state buyer helps us with large multistate sellers.

This is part of our rationale for being retail-only in California. The big wholesalers appreciate our loyalty in a more competitive state like California, and they reward us in a more supply-constrained state like Illinois. We've built the business in this progression. And as a result, we have an industry-leading platform of management in place. We don't have to add significant corporate staff to manage additional bolt-on acquisitions in our existing states or in a new state, if we decide to enter one. We haven't put this overhead in too soon. We haven't had to have large cost cutbacks related to that. It was well-timed in a progressive, thoughtful way. We're very proud of that.

The large corporate, general and administrative overhead may appear first as a liability. But in reality, it's an asset because you can't really manage a business without a strong platform. The industry has seen many management failures. By building a strong management platform, we have created a cohesive and motivated team. Voluntary turnover has been extremely low. Everybody owns a significant amount of stock, so we have one big focus, and that's shareholder returns.

I really think you're seeing it all come together, and we're clearly at an inflection point. We expect the business to be EBITDA positive in the fourth quarter and are on our way to being operating cash flow positive in the not-too-distant future.

And this has been the most important first milestone. For me, that goal is paramount, and we're getting there really according to very early plans. We've managed all this through pretty volatile cannabis capital markets and the capital market panic related to the COVID-19 pandemic. We raised money in December of last year and in June and July of this year, when only a select group of companies were able to raise capital. That's an obvious strength we've had. We have also raised substantial capital on our own without the assistance of bankers, and that's a huge competitive advantage that we bring to the table. We're not dependent upon the usual suspects in the market.

To summarize our advantage, we have a distressed environment in the cannabis industry, where we can do highly strategic in-state bolt-on acquisitions that leverage the existing corporate platform without any material management additions.

There's good value in this environment where financing is very tight. Our public company platform stands out to sellers as the one with the best core group of states and the best management team. Our management team, as a group, are the largest holders of common stock in the company. The management team and founders have invested about \$45 million of a total of \$225 million of capital raised in just over 2.5 years. We have been eating our own cooking as they say, from day 1, and we continue to invest in the company.

In terms of supply and demand for cannabis assets, I believe there are many great assets for sale. And we are just finding sellers getting more realistic and some have pressure to sell. You saw that in our last acquisition of Pennsylvania. We bought a great grower processor, and we closed that in August.

Certain large public MSOs, best alternative to raise capital is to sell assets. We're taking advantage of that. In addition, private sellers, in some cases, have been waiting several years to sell. They realize how difficult it is to sell after over a year of the market being virtually closed for them. Very few people can raise money and execute on a successful purchase and have the credibility to do so. We have proved that we are in that category. Some of the best position acquirers are full capacity in the states we are targeting, further limiting competitive dynamics for the sellers. Those are the ones we can create a win-win scenario with. Deals throughout the country compete with one another, since capital is limited. So for example, we can play off as a seller in a vertically integrated operation in Massachusetts against a vertical in Maryland or other vertically integrated operations in Massachusetts or a grower processor in Illinois or several retail stores in California.

All these deals can be good for Jushi at the right price and the right mix of cash and security. And we can't do all of it. So this puts us in an extremely strong position. Investors are doing a better job of separating the good and the bad management team and valuing the companies on a cash flow basis. Every deal we have done has been a good deal.

And the 2 big deals we closed this year in Pennsylvania, Illinois were extraordinary deals based on the price of future cash flows. We are the only company to announce finance and close a deal during the COVID-19 pandemic. The process took about 8 weeks after we announced the deal, which I think is extraordinary and a real marketing point for investors and potential sellers. These sellers often highly value both certainty and timing.

This is not talk, but this is action. This is something we've done. The Gen 1 cannabis promoters who defined the industry at 18 to 24 months ago, are mostly long gone. The future will be charted by data-driven technocrats like us.

At this point, we have this platform that has implied growth going from about \$100 million run rate or more now to, hopefully, \$250 million of revenue for the full year next year. It's all really just a question of us executing by opening stores, getting cultivation up to speed and achieving better yields with higher potency while doing some expansions. This is not easy and requires intense focus, but this is what I call basic blocking and tackling. We can get there.

Our business development team will take this platform on the other hand, and they will leverage it with more assets. This is harder. This requires discipline and creativity to get the right deal done.

So switching gears. We have also carefully avoided bad strategic decisions since we think like investors and do not act like asset gatherers or corporate managers. We haven't succumbed to pressure to enter markets that our data doesn't back up. Being a Florida-based company, we know a lot about the state. And there was a pressure for us to be in that market. That market has proven to be great for a few companies.

In New York, we had a minority interest in a license and decided to sell it at the right price at the right time, at a great profit. Selling our New York license was a tremendous moment in our company's development. We sold an asset when everybody else was buying. We chose to sell against the trend because we recognized that finance years of the market were pushing everybody to the same states and driving up prices.

Other states looked much more attractive with better competitive structures, and we're just a year or 2 behind Florida and the prices were better. New York was a dream based on very limited number of licenses, 10, combined with high population, about 21 million people and a very high income levels with no consideration being paid for the difficult operating environment created by the state government and the very strong holistic markets in New York City or the extremely high cost of operating stores in New York City. We were the leaders in New York, not the followers.

A lot of companies that are in trouble now were followers in that regard. In addition, we've been able to use those proceeds and profit to drive value for our shareholders in more economic states. So in summary, the Vireo deal, our Pennsylvania grower processor. We were the only people who were able to announce finance and close a deal during COVID-19 pandemic. Was it great price? Illinois, a deck deal in Colorado, resulting in an acquisition in Illinois, and we have 2 stores that I believe are will be our 2 best stores opening up soon. I just can't imagine doing another deal that good, but I'm very proud of that. As a result, it turned into the fabulous acquisition of our now super successful Illinois stores. In New York, we sold in opportune time. The only public company that I know that sold a significant asset. The result is that we now have 2 of the 3 best markets with Pennsylvania and Illinois.

And Virginia -- as I always say, I'll compare Virginia to any other company's best third state. In many states like New York, Florida, Ohio, Massachusetts and Maryland, the biggest companies just don't have the regulatory ability to buy assets, and they're the ones with the best balance sheets and the most capabilities.

And there are 3 or 4 smaller companies, including ourselves, that can buy. Of this small group, we probably have the most experienced and most successful acquisition team based on our track record. We haven't had any large-scale deals that we've had to pull out of. We haven't paid any break fees or we haven't had any big strategic failures like in New York. We also have, in my opinion, the best corporate management structure.

And we also have a very, very strong, very integrated operating team that can run grower processors and stores throughout the country. I think we're the one company that's on plan. And we just keep chugging ahead slowly but surely, like the slow but wise tortoise. A lot of rabbits have not survived. They've been run over by the freight train called a volatile cannabis market.

Jushi has the highest growth rate in the sector and arguably one of the best management teams in this sized market cap. There was this misconception in the industry when we went public that the winners were already established. There were 6 national flyers already there, which were MedMen, Harvest, Acreage, Curaleaf, Cresco and GTI. And there was no room for anyone else, this theory went.

I heard this time and time again. The theory was that there's going to be only 5 or 6 winners at the end of the day, and they all were there and no one could catch up. Well, as it turns out, 3 of those already disappeared as dominant, big companies. Those 3 have all been sellers and are on a constant state of restructuring.

So you only have 3 larger public MSOs that are healthy players right now. And I always said, I think the 5 could be 10. And I also said that I didn't think that the companies that everyone thought were so big and strong were going to remain that way. This promoter attitude hurt the industry. However, investors have been reassessing and watching patiently for well over a year now.

It could be the right time for a more material resurgence for the survivors. As an industry, it's very, very difficult to recover from that. So I think there's very open playing field to execute on right now with a lot of distressed values and a lot of opportunities for people like ourselves. Additionally, if you look at the regulatory scene, it's kind of like the prohibition in the 1930s on alcohol.

The end of cannabis prohibition will likely continue to be a slow process as the federal ban is lifted on the cannabis in phases. First, we know that states do medical as they have, then they do adult use. Some federal laws will loosen like banking and maybe tax regime. Then maybe the state rights and before we get to de-scheduling. What's great about the legal market, it's that you're taking away the illicit market and turning it into a taxable legal one, and there are great medical uses and societal wrongs being righted.

On top of that, the market is growing. There are so many people out there like the baby boom generation who are using products for all kinds of things. They're using them for medical uses like PTSD, pain, anxiety, migraine headaches and sleep. And the products are getting better and better. Patients are getting more educated. It's the ultimate customized medicine where you can find the right solution for yourself, go slow with small doses and reduce the risk of a bad experience.

The new trend is micro dosing, fast-acting edibles and delivery systems that don't involve smoking or vaping, but still provide the quick effect. There are products like tinctures or fast dissolves and better patches and improved absorption creams. In both medical and adult-use markets, these products are safer alternatives to the opioids and other pills that are widely recognized as addictive for most people. What really attracted me to cannabis is that it's a natural product. If you speak to a pain management doctor, and you should, the first thing they'll say they like about it is that they know when they prescribe it, it doesn't kill people.

When they prescribe opioids, they don't feel that way. They feel like they're taking a risk, a moral risk, a financial risk, all kinds of risks, and they don't like doing that anymore. Cannabis, well, it just fits seamlessly into the greening of society, which is obviously a huge trend that we're involved in.

And so the trends for this product couldn't be better. In terms of the popularity of it, we're in election year, it's a good time to talk about elections. So take a look at the swing states and their relationship to cannabis. The American people clearly want legal cannabis. That is the best indicator. We are democracy and the people will always win eventually. There's just really no turning back. Federal illegality will go away. It's hard to predict exactly when, of course, but it's just a question of time.

The industry is great. And Jushi is a small-cap stock that is perfectly positioned with a focused, hard-working management team with very significant invested capital on the line. Thanks very much for joining us.

Ryan Cook

Executive Vice President of Operations

I'm Ryan Cook. I'm Executive Vice President of Operations for Jushi. My cannabis career started quite some time ago. I've had an opportunity be a part of the movement really since back in 2001. I started my career in Colorado. Colorado was an exciting opportunity for the cannabis industry as a whole. I spent a lot of the beginning parts of my career in the state capital and really working to develop testing, employee safety, complete regulations surrounding extraction and cultivation. And a lot of those theories and concepts that we created in Colorado ended up being adopted across the country.

Kim Eastman

My name is Kim Eastman. I am the Vice President of Manufacturing for Jushi. I think as more states are coming online from the medical cannabis perspective, we're starting to see a lot more innovation in terms

of products. It's almost like going through the industrial revolution in 3 years. There's no other time that we're going to be afforded this kind of opportunity. Cannabis is unique. A lot of companies -- they're agricultural or their retail. We are all of those things. Cultivation and manufacturing speak regularly. Josh Malman and I have such a good relationship over the past almost decade of working together. We understand that everything that he puts on that plant ultimately affects the products I make.

Josh Malman

My name is Josh Malman. I'm the Vice President of Cultivation for Jushi. I think vertical integration in the cannabis industry just means that you have to own all parts of the supply chain. In Colorado, in the early years, there was no wholesale market. So you were responsible for producing, processing and selling all of your product. You had to have all 3 parts. We're actually seeing that vertical integration continue in a way that makes sense for the facilities that we work in, for the automation equipment that we work with.

We're in an indoor situation. We have full control of our environment and our lighting and the processes. But at the end of the day, it's still this agriculture. It's still a plant. There is a challenge there. I think our goal is to produce healthy plants, to our best of ability, grow them the same way every time and to handle them the same way every time to get to that most consistent product at the end of the day.

Flower is a challenge, and consumers do want to come to the store and get that same public crush or sour diesel every single time. And when you don't produce that same product, you definitely hear about it.

Ryan Cook

Executive Vice President of Operations

And in 2009, I moved forward quickly and opened my first dispensary in Colorado. So I was one of the founders of The Clinic. The Clinic eventually converted into The Clinic, The Lab and The Bank, 3 independent brands that were doing 3 completely different things in the cannabis industry. The Bank being a genetics company. The genetics have been an important piece to us. We've had the ability to develop larger breeding programs, very exciting when popping seeds that whether you're going to pop 5 or 10 seeds, you'll get a much better genetic variety when doing 100 or say 1,000.

Kim Eastman

We would sell cloves. That was a big, big thing for The Bank side and the genetic side as people could come in, in the spring, pick up their cloves.

Josh Malman

When you go into these facilities, that's a huge area of focus is how do the plants get harvested and how do they get processed towards the packaging? And how can we improve that area to ensure that we're packaging a product that's as close to what that living plant was prior to it being harvested?

Ryan Cook

Executive Vice President of Operations

And I think that, that has allowed us to really find incredible strains that are hardy, that have incredible disease resistance and larger yields. The way that I look at it is that champions brew champions. And so we've spent a lot of time in finding the perfect genetics.

Actually, we were the first organization awarded for a CBD strain through High Times and the cannabis Cup. Then I moved into The Lab, which is our extraction and processing division. And so The Lab is a great organization that ultimately popped up through really innovation and technology.

Kim Eastman

The Lab itself has always been a focused brand for concentrated products, specifically targeted for consumers that actually value the strain specificity that's going to come with the concentrate. And so we're going to be able to put out highly medicated products that are highly potent. That's been the focus for The Lab, and we launched live resin vape cartridges and then from there high terpene extract cartridges and just have seen a lot of developments in the technology behind the vape.

Josh Malman

We've continued to look at our extraction methods as well as refinement methods and see if there were ways, technologies, concepts, methodologies that we could utilize to be able to push that product forward. And I think live resin was really a huge advancement in extracted products. Live resin is an incredible product that ultimately retains all of the great qualities of the cannabis strain.

Ryan Cook

Executive Vice President of Operations

Cannabis is a short day plant, meaning it needs less than 12 hours a daylight or artificial light in order to force it to flower. So anything over 12 hours would generally keep the plant growing vegetatively, which is growing roots, growing the top of the plant, but not ever putting out the flowers or where the medicine is contained.

Josh Malman

From the point that you harvest that plant, as soon as you cut the stock, you've got about 4 hours until degradation starts. And you can have an incredible cultivator, but if you don't understand the concepts post harvest, you can really cause some problems there for the quality of the product. The process of creating live resin extracted products is ultimately immediately post harvest. We take a fresh plant and extract that through a hydrocarbon process without destroying any of the terpenes or cannabinoids that are most characteristic of the plant.

The incredible flavor, aroma and ultimately effect through different cannabinoids and terpenes is the reason why we use live resin process. So we were the first company ever awarded by High Times for live resin product. So I had 8 cultivations under my belt, 5 manufacturing facilities and 10 dispensaries by the time that I had come on to Jushi. So it was pretty exciting to be able to utilize the knowledge that I had created there and jump right into a couple of acquisitions that the Jushi organization had made.

Ryan Cook

Executive Vice President of Operations

It's fun to bill in these facilities and walked out after an hour and have a list of opportunities that you can come in there and make very simple, easy changes and increase their productivity or increase their efficiency in those -- in their buildings.

Josh Malman

So we've spent a lot of time with the team there, really, again, learning from them and then implementing our policies and concepts and processes. And I think a lot of that really helps from an efficiency standpoint. We've put in quite a bit of automation. We've increased yields by almost 15%, which is an incredible -- I think anyone in agriculture would tell you that you can increase yields that significantly, you're doing something right.

Kim Eastman

It's really looking long term, what the master plan is. It's like a puzzle. Like all right, well, we're going to use these 2 rooms, make sure the space is big enough with ultimately the goal of popping the top or moving.

Ryan Cook

Executive Vice President of Operations

It's exciting for me and my team to be able to go in there, evaluate, audit and then start to implement new technologies and concepts that we've been very successful at across the country. We look at technology across the board when we walk into these facilities from vertical cultivation systems, to the lighting technologies, to watering and fertigation systems. And I think each of those areas have -- are very crucial in being able to develop a great product.

So what our team understands through years of experience in cultivating products is that we understand those pain points. We can immediately go in, identify it, and ultimately tell you the technologies that will help to benefit that product.

Josh Malman

The takeover of the clinic by Jushi was -- I think those of us that came over to the Jushi team, we're excited about the opportunity to work with a larger company to be able to take all the knowledge that we've built over the last 10 years and then start to use that to really grow into the industry throughout the nation.

Ryan Cook

Executive Vice President of Operations

It's all about developing additional concepts and technologies to be able to take us into the future.

Blythe Huestis

My name is Blythe Huestis. I'm the Vice President of Customer Experience for Jushi. So when we're designing stores, we are preplanning for an adult-use market. We make sure that if a state, for instance, requires that we have a consult room that it's along where our other points of sale are, so we can quickly remove that wall and bring additional points of sale onto the sales floor.

We're thinking about these different sales opportunities that we could have. Do they want an express pickup? Are we going to have a kiosk? Are we going to be delivering product? So whenever we're building out a space, we're trying to really think forward of what that particular market will need in the future.

We've utilized the data that we're collecting from our online ordering, for instance, or from our points sale, pulling the data and understanding what purchasing decisions people are making and why. And with that information, we're able to make sure we've got the right products on our shelves. And it varies depending on which store we're at.

So now we are really curtailing every single product that we bring in based on the data we've collected and what our customers and patients specifically want. Through the data, we've actually identified that about 70% of the people who come into our locations have already decided which products they're going to pick up.

When we're opening a new store, it's important that BEYOND/HELLO never just, like, slides in under the radar. We're trying to have very open, honest dialogue with our customers, with our patients, with the medical professionals and the communities with which we serve. Part of our job has always been to create this healthy, happy environment that people want to be in.

You first have to start with the right people and it's setting the expectation that we have of all of our staff members from the very first interaction. And through the hiring process, the orientation and the onboarding process, it's making sure that they have a very clear vision of what our mission is, and they have to buy into it and they have to believe in it. And as long as we've got those right people, the spirit of BEYOND/HELLO is going to continue regardless of what market you're in.

When you're walking in to speak with the customer consultant, they're totally geeking out on cannabis because they're cannabis enthusiasts. And it's really important when somebody comes into BEYOND/HELLO that we're listening. We want to continue to educate people. For us, it's using different words to describe the effects to really cater to what an individual is looking for. It is a great place for somebody who's an adult-use recreational user and also for people who are going in for very serious medical conditions.

We really try and have a curated selection of products. We want the best, and we want to make sure that we're providing products for our new-to-cannabis consumers and also our experienced cannabis consumers.

BEYOND/HELLO is incredibly scalable, very versatile and it has an opportunity really to go into so many different arms of this industry. Jushi is incredibly well funded, and we also have the power to execute. So each state that we're in, we're positioned to expand. We're basing our decisions right now on what the future holds for the company. The opportunities with delivery are endless, and I think we've got some really great ideas already that I'm looking forward to bringing out to our customers.

We can take everything that we have medically and our pharmacists and our knowledge and enthusiasm of our customer consultants and bring beyond hello on the road for delivery. That is going to be very exciting. So really looking forward to that. I think we're getting ready to do delivery in Pennsylvania. We'll have delivery in Virginia, and we'll have delivery in California. So really, any place where a BEYOND/HELLO retail location goes, we're going to find a way to also bring the product directly to our customers.

We really created what we're going to continue to replicate across the country, which has this really easy workflow, super secure, very customer friendly, very worker friendly, incredibly just efficient. It works. BEYOND/HELLO is really going to elevate people's understanding of cannabis. We're going to step up their cannabis consumption.

Trenton Woloveck

Chief Commercial Director

My name is Trent Woloveck. I'm the Chief Commercial Officer of Jushi. In my role as Chief Commercial Officer at Jushi, I will be responsible for both the wholesale and retail channels of the business.

For the wholesale channel, I'll be responsible for the sales aspects to retail customers within that market, working on them from a pricing perspective, but also a products perspective, making sure that we deliver a standardized product and being able to provide the right type of volume for them to service their patients and/or their customers.

And then on the vertical integration side through our retail channel, making sure that we're producing the right products and pushing through at the lowest cost to pass that along to our patients and/or customers in each one of our markets.

The big nomenclature within the industry is once you have a license, you're going to print money. That's just not the case. There's a lot of work that goes into standing up these vertically integrated businesses or even just a retail license. Very capital intensive, and there's no traditional lending within the space. And so being able to raise capital is imperative for a business to succeed within the cannabis industry.

With the clinic folks and the lab and everything that we've been able to bring together on the cannabis operational side, it's allowed us to now have that capital to be able to make the investment in the right markets, but then also be able to build-out the right facility for each one of those markets and then transition into operations. Without the proper products and being able to provide them the right types of service, it doesn't really matter how much money you have or how much expertise you have. It's being able to bring those 2 together to really be able to drive the business forward.

Jushi as a whole, including myself and bringing in the right people and able to bridge those 2 gaps, I feel like that's really what I've been able to do at Jushi and being able to speak the language and understand what you need to do to operate a successful business is something that I think is unique within the industry. And having my medical background and being able to understand and look at large-scale distribution, supply chain management and quite frankly, just seeing medical markets mature, seeing adult-use markets mature, being able to see into the future of what I think new medical markets and/or new adult-use markets may look like really allow us to make strong bets on specific markets, which will allow us to drive, I guess, accretion for our shareholders. And having Jim and Erich and Jon's background around the distressed markets and structuring deals and looking at and trying to understand where that value lies, which markets. Bringing that all together with our ops team is something that I think is, again, a very big differentiator for the Jushi team as a whole.

Having a strong balance sheet and being able to drive those relationships is extremely important to put the right product at the right price on our shelves. And not only that, but have a standardized product and work with the right vendors that will be able to replicate that experience time and time again, be able to

continuously meet our demands from a product perspective and then price it correctly, so that we're not only competing against other licensed folks, but also the black market across the country. So really being able to drive home that standardization and drive home that pricing is imperative as we continue to push forward.

i think a unique opportunity within the cannabis space that a lot of people are missing the boat on is the collection of data. And so with us being able to capture that data through all of our technology, both from a POS perspective, but other platforms as well and capturing that and being able to analyze that data, both quantitatively and qualitatively, puts us in a unique perspective. A lot of these out-of-the-box systems don't quite understand cannabis, whereas we have a team in-house that's developing these programs. What we're going to be able to do is look at our competitors, see what their pricing, see what they have in stock and then price to be competitive.

Jushi is in a very unique position with all the data, the resources and the technology in-house to really drive and understand what's needed from a business perspective to gain market share and win the battle.

Olivier Blechner

Executive Vice President of Business Development

My name is Olivier Blechner. I'm EVP and Head of Business Development at Jushi. The job is very exciting because I get to work with really subject matter experts in all fields, and then it's our job to tie it all together and make a recommendation, does this make sense. Our team is a team of 6 people currently. There are a few people on the team that concentrate in what we call originations. They just go around looking at assets, meeting people and being in the flow constantly, whether that's in California or Nevada or in other places. So we've now spent 2 years pretty much meeting everybody that is looking to sell anything. So you get a lot of information coming in.

We then look at our pipeline and decide, together with senior management, these are the sort of things that are interesting for us. So once we decide, we take something from just origination to execution. Execution then is, okay, it starts with due diligence. You actually have to kick the tires pretty hard. The typical things that you look at are, do the contracts make sense that they entered into? You have to look at are they in regulatory compliance? Once it passes that and it still looks financially interesting, we then continue doing all the work.

Business development really leads and shepherds that process, but it doesn't do it alone. It needs all the subject matter experts. We had some experience in structuring things in environments that are high stakes. I'm seeing that here. You have to structure carefully. You have to make sure things are legal. It's a start-up industry, but there's perfect product acceptance. We know people like the product.

I think making good risk decisions is extremely important, like it is in every business and having people that actually know how to run business. Risks exist, and then you have to mitigate them, okay? How do you mitigate? You put the right people in place. You hire with right experience. You put the right processes in place. You have compliance functions. You do all that correctly.

And then the business case to me is one of the easiest and most straightforward investment thesis that I have ever heard. So the transaction we did in Pennsylvania, that's great. Santa Barbara, that's great. Culver City, that's great. But you don't want to do something where it's like, "That could be a compliance issue later on." So having that discipline to just keep saying no, no, no until a real yes comes across.

When you're acquiring a license, you're making sure that the transfer is going to be allowed. You're making sure that you can actually operationally build it out the way you think you're going to allow. And the bet you're making is that the program is going to be as good as you think it is and that you're getting the market share that you think you deserve.

When we're talking to people, we have a number of things we can talk about in the meeting. We can be your supplier. We can be your customer. We can buy you out. We can work together. I mean, there's so many ways to get a good conversation going. You have enough of these, Interesting things will percolate. How can we work together? How can we do something together that is better for you and better for us.

It's great to have more than 1 arrow in the quiver. So every conversation that we're having is worth 2 or 3 conversations that you would otherwise have.

We're applying a lot of lessons that our team has learned here and that members of our team have learned in their previous jobs because everyone wants to put points up on the board, but you want to put great points up on the board. We feel pretty good that our approach is going to end up being a good one, so we want to do things that are organic, sustainable and really kind of tailored to what consumers in the market will be demanding.

Daniel James Swasbrook

Executive VP & President of Jushi Europe

My name is Daniel Swasbrook, and I'm President of Jushi Europe. It's a Swiss-based company, and we are looking to enter the medical cannabis market in Europe. Jushi Europe started in 2018. We have spent the last 18 months or so really understanding the market.

Jushi Europe's strategy is to deliver high-quality, cost-efficient, regulatory-compliant medical cannabis in a sustainable, environmentally friendly manner.

Olivier Blechner

Executive Vice President of Business Development

We have contracts with distributors in Germany. We'll be looking at France. We'll be looking at Switzerland. There's just a lot of optionality. And I wouldn't sit here and say that we know perfectly well where the future is going to go, except I can tell you that some certainty, cannabis is going to be much bigger in 5 years in Europe than it is today. It's clearly going in this direction. Growing in places like Portugal, which is a low-cost and great weather environment is going to turn out to be a good thing. Then as things develop, we'll continue doing what we've done here, which is pivot to doing the right thing.

Daniel James Swasbrook

Executive VP & President of Jushi Europe

Jushi Europe's strategy has been to build from ground up. By building in a closed system, we are really able to control that environment 100%. The one significant difference that we're doing is we call it a greenhouse, but it's really a glass house. It's enclosed. It's fully contained. So it's not your traditional greenhouse. We're growing a pharmaceutical medicinal product. So we really need to be able to control the environment. And that's why we chose the area we did within Portugal.

Phase I, we'll see the construction of 50,000 square feet of closed greenhouses. And then Phase II and Phase III will allow us to do an additional 150,000 square feet of closed greenhouses and potentially up to 5 hectares of outdoor cultivation.

In Phase I, the total production size would be approximately 7,000 kilos of dried flower. We're not popular with some of the other big companies out there because we are going to change the way pharmaceutical medicines are actually seen. And we are part of that. I think that's a pretty big deal. You actually see an end result here. You're making lives better for people. We're making a significant change to the world. I see it.

Andreas Neumann

Chief Creative Director

My name is Andreas Neumann, the Chief Creative Director at Jushi. I spent the last 3 decades on the forefront of advertising, branding, entertainment and digital applications. Through proven methods, research, data and digital technologies, we have transformed how companies like Apple, IBM, McDonald's, international hotel chains and banks think about brands and their experience.

In my role at Jushi, I'm charged with leading the company's creative vision and its entrance into the digital age. We're leveraging the power of research, data technologies and processes that drive value, while reshaping how we think about today's current cannabis consumers.

Brands are defined by their experiences. It's what helps them to stand out, and it's on top of the list when consumers decide to be loyal to a brand. We're working to make the lives of customers better, easier, simpler.

Our relationship with a brand is like any other. To make it work, you need an ongoing understanding of what the customers need and what makes them happy.

Julian Scaff

My name is Julian Scaff, and I'm the Director for Experience Design at Jushi. Yes. So over the last 10 years, I think a lot of companies have come to realize that user experience is the brand. And in fact, we've discovered that it's even broader than that. The customer experience is the brand. And that means that as designers, we need to make sure that everything a company does is very intentional. It doesn't just include like the product design or the service, but it's every touch point with the customer. It's how we interact with them. And it's even maybe things that are beyond our control, but we can at least be aware of and have empathy for.

When I first started working with Jushi, we were kind of starting at ground zero. And so we really had to begin with understanding the customers. And so started with a very heavy research phase, and we went out and interviewed lots of people and we collected survey data and looked at other data sources and just tried to collect as much information as possible about who the customers were, what their wants and needs were, their pain points, et cetera, et cetera.

Andreas Neumann

Chief Creative Director

Our process starts with research. Our team examines how consumers behave, and we observe them how they interact in their environment. We call this the customer journey. This phase is designed to give detailed information as what consumers do, insights into consumers' digital and analog touch points and how they interact on their journey to purchase cannabis products. Based on these observations, our team creates the architectural blueprint of the ideal flow of events. In the tech world, we call this the interaction design. And that's our Phase II. At this point, we're no longer blind or shooting in the dark. We have the insights. We need to develop a cohesive plan. Our goal is to have a frictionless experience for both our customers and our employees.

Julian Scaff

Whenever you're designing a product or service or any kind of experience, you're always looking for, what we call in the design world, friction points. And that means a point at which there's a friction between the human and the system, whatever that system is. It's a physical product or a service or maybe a digital app or something like that. And a friction point is basically where it doesn't work way the user wants it to or it doesn't do what they want it to do or maybe there's a malfunction and things like that. And so those are the kinds of things that we focus in on because those are the things that draw down the user experience, that degrade it. And each time that happens, it's basically chipping into your brands and it's less and less likely the customer will come back.

You can't really compete on products anymore. You have to compete on experience. And that includes like the visual design of the branding. It includes like how packaging is designed and how it works. How you open containers and things like that. The taste and smell of things if they're sort of extra sort of delightful little discoveries that the user can have. It's also like online shopping. It's the in-store experience. It's when they see a sign driving down the street.

And so it's a million different touch points. And so as designers, we're no longer really designing individual products, we're really designing whole ecosystems.

Andreas Neumann

Chief Creative Director

Great brands are a combination of promise and proof, mostly proof. You can claim a lot of things, paint a positive picture, suggest outcomes of how the public might feel when they experience your brand. But if what you asked to buy isn't delivering value, then it's pretty quick goodbye. I'll see you later.

Today, the brand equals the experience. And companies that don't understand that or take their time to understand their customers' needs will be left behind.

Julian Scaff

What customers are looking for is a better experience because they know they can buy the same product at another place down the street. And so the question is, do they get a good feeling when they walk in your front door? Do they trust your bud tenders? Do they trust the store in general? Do they feel good about a purchase when they make a purchase? Do they like the way that we talk to them? There's all sorts of things that affect that. And that is really what's driving the decision for a customer to choose your store and not some competitor down the road.

Andreas Neumann

Chief Creative Director

Today's digital consumers are now calling the shots. We're in a digital transformation that is forcing us to adapt to new marketplace realities. We must be forward-thinking to stay a few steps ahead at all times.

Cannabis is now one of the most tech-driven industries. We believe this trend will only accelerate over the next few years. We see synergies between physical and digital retail that continues to strengthen. Cannabis consumers expect frictionless integration of physical and digital retail experiences. With data-driven design to help us develop and refine our brands and retail experiences, we're also creating more meaningful actionable data and total visibility, which helps us from procurement to product design. As we implement more omni-channel strategies, we will not only strengthen our relationship with Jushi's consumers, but also open up new revenue streams.

Today, 3 out of 4 of our customers shop or decide our products online, and 83% are on mobile devices. The relaunch of our online platform during the pandemic beyond-hello.com features a vastly improved customer experience, real-time access to store inventory and easy-to-use online reservations. In fact, according to recent Google listings, BEYOND/HELLO's retail chain is the #1 ranking dispensary in the state of Pennsylvania. Since relaunching our digital platform, the volume of our online ordering and express curbside pickup has been explosive during COVID.

Julian Scaff

We have designed our menus to primarily work on mobile devices because that's where it's being used most of the time, and that's where it's useful for customers. When you go to our menu, it detects where you are. And so it will take you to the menu of the closest store to you.

Andreas Neumann

Chief Creative Director

In markets where it's allowed, we're getting ready-to-launch delivery, one of the most demanded services by cannabis consumers. This has incredible potential for growth and will create a safer, more convenient journey for our patients and customers.

Since April, we've already generated more than 150,000 online pre-orders, serviced more than 50,000 new digital customers online throughout our stores, each with an average card size of \$135. We've generated 6% e-commerce conversion rate, which is 2x the retail sector average. We've had more than 1.3 million visitors online and an average of 900 customers per day. Those numbers are only going up, and this is only our first step in the frictionless connection of our digital and physical retail experiences. Last but not least, let's talk about our brands, or as we call them, our private labels. With our new vertically integrated cultivation and processing facility in Pennsylvania, our facility in Nevada and our operations in Virginia, we're looking forward to introducing Jushi's award-winning brands which we plan to launch in all of our markets. This will not only give our brands a competitive advantage, but also help us to drive down costs for our customers and allow us to introduce new products and innovate with ease

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across our product lines. As we move forward, we will continue to leverage on these data-driven processes and proven methods, so we are able to easily scale on a brand and retail level while delivering premium products across all levels of the cannabis and hemp ecosystem. The digital journey of cannabis has just begun.

Question and Answer

Operator

[Operator Instructions] Our first question comes from Graeme Kreindler at Eight Capital.

Graeme Kreindler

Eight Capital, Research Division

Appreciate a very informative and thorough presentation there. I wanted to start off with a question on the Virginia market. And one of the things mentioned in the presentation there is about patient uptake being one of the biggest factors for that market unfolding in.

With respect to where you have Virginia outlined within your 2021 guidance, I was curious if you could give us some of the puts and takes with respect to patient uptake? What sort of things are within Jushi's control? And then what sort of things are more reliant on regulations or other market factors that could affect that range there?

James Anthony Cacioppo

Founder, Chairman & CEO

Graeme. So yes, I mean, Virginia, I've said this before on these conference calls is definitely the most difficult market to predict, for sure. It's a new cannabis market, not unlike any brand-new cannabis market. But you're -- it's -- you don't have a lot of data to go on. What we do know in Virginia is there's been incredible sort of patient sign-ups going on. And our website is being sort of overwhelmed with e-mails that we can't return and get back to these patients to get them into a program.

Now we don't do that. We just direct them to where they could go, the doctors or the clinics or wherever it might be for them to get a card. So that's one thing that we do. The second is we're doing patient outreach ourselves. Now we can't do that directly, but we try to help by being informative through our website and other ways. So that's how we can control and impact that.

Right now, there's 5,000 current patients signed up in the state, and that's increasing every day and every week, obviously. No cannabis being sold in the state. We anticipate that will happen in October, and we'll take deliveries and open up our retail store there in Manassas.

So I think it will be a full process and sort of figuring out where Virginia is going and if we don't hit that low end of the range, we have -- I think we have ways to beat that. For example, I think we're conservative in Illinois. So there's ways that -- the numbers we're giving in the states, I imagine that we will not hit the center of those ranges in any of those states, but we will -- when you add it all up, I'm very confident in the overall range.

I'm going to turn it over to Jon for more specifics.

Jon Barack

Yes. I think we're pretty conservative in our assumptions in Virginia. It's hard to say exactly the growth curve you'll see in a state that's starting at 0, but the regs are pretty favorable. The state is -- our region within the state, in particular, has a pretty sophisticated populous with a high per capita income, who we think are very interested in participating in this market.

And so if you think about a typical medical patient spend is about \$3,000 a year, at the low end of our range, \$17 million of revenue, I think that's about 6,000 patients. If you look at a well-developed medical market where you have 2% to 3% patient penetration, we have 2.5 million people in our health service area. 2% of that would be 50,000 patients.

And I'm saying that at 6,000 patients, we hit the low end of our range. So I think there's a very good chance we'll beat that. I just can't say, as Jim said, for certain, where in the range we'll be. Maybe we'll

beat the high end of the range, who knows. But we're pretty confident that these numbers are more than achievable.

James Anthony Cacioppo

Founder, Chairman & CEO

Yes. So it appears like we're assuming we get 6,000 of the 50,000 in a low case scenario of 2%. So we're -- it's pretty conservative for the first year, we think, and we'll see how it goes.

Graeme Kreindler

Eight Capital, Research Division

Okay. Understood. Then moving on to a question about the Illinois market. I believe earlier in the presentation, you mentioned that the Sauget location is the highest grossing location within Jushi's network right now. And it's located strategically in an area with a lot of entertainment and a lot of nightlife. I'm wondering the impacts of COVID-19 -- we're kind of in-between restricted environment there, some opening up. And I know there's a lot of uncertainty around that.

But I was wondering, are you expecting that trend to continue of Sauget outperforming into 2021? Or could we see a rebalancing of where some of your highest grossing locations are just given some of the changes in people's everyday lives and where they might congregate and things like that?

James Anthony Cacioppo

Founder, Chairman & CEO

So I think when you talk about COVID-19 in Sauget, it's very interesting to try and figure out what it is that is happening. What we have is not enough POS' operating, but we had to make sure the employees first felt very comfortable. So we've been conservative in sort of opening 6 feet apart or more in the store. Now everybody is sort of getting used to the virus and other things. So we're putting Flexiglass and the standard procedures being used in other retail outlets. And that's causing us to increase the number of POS' if. That's going on now.

The direct effect of that is we have customers who are waiting online for a very long time to get into our store who -- that's not ideal at all. 20 minutes, half an hour wait is not a good thing in retail. But it shows you how much in demand the product is.

So we're going to get the customers through the store more, and I think that's going to coincide with the increase in capacity in the wholesale market. If you look at companies out there, the 2 or 3 or 4 largest companies, most of which are public, what you'll notice is that they have huge scale expansions coming online in 3Q and 4Q. So what that means for us is we should have more product. Truthfully now, if we can serve more customers, the most popular products to flower and we have trouble keeping up with that in our inventory, we do a great job. I think we do as good a job as anybody in the state procuring product. We have great relationships with the grower-processors in the state, and I really applaud the team for doing what we've done.

But even with our skills and our building our balance sheet to pay early or pay right on time in every case, we're up against supply constraint. That's being alleviated in Q4 at the same time that we're adding these POS' and hopefully increasing throughput in the store. So throughput in the store is way, way down. We limit the number, I think, 35 per hour, and we know it a number of reservations.

And so now we're increasing store hours to the max ability. We're increasing POS' and have more access to flower, I believe. So I believe there's more growth in these stores. We haven't necessarily projected that because we are conservative, and we'll probably lose in some other areas that we have in our projections in any event. So that's how I think about Sauget. I think there's a tremendous capability.

In terms of the new Sauget store, that's the one in the entertainment district, a smack dab in the middle of it, very close to, St. Louis. And there's very late hours as the most entertainment district. You could stay out as long as most people can bear it. And there's initial -- there's openings occurring in that entertainment district. Now I think it's at 25% of capacity for those restaurants and clubs, and so that is big numbers for us in that store. And that store should open at the end of 4Q or definitely by the

beginning of first Q. So there's really nice timing between the flower supply and the opening up in the COVID. So we're -- we continue to be very bullish about our footprint in Sauget.

Graeme Kreindler

Eight Capital, Research Division

Okay. Got it. Appreciate that. And then I think that's a good segue into my next question about the increase in capacity there. Just with respect to the Pennsylvania market, which Jushi is now vertically integrated in. But we've seen, over the past couple of weeks, some increasing competition in that state. Some of your competitors have made acquisitions to enter into Pennsylvania. I know it's a very, very tightly supplied and dynamic medical market right now. I was wondering if you could provide any commentary in terms of, I guess, the trade-offs there between more capacity coming online, but also at the same time, more competition coming into that state? And how you see what that does for the competitive dynamic?

James Anthony Cacioppo

Founder, Chairman & CEO

Well, so I'll note 2 things about that. One is the fact that these competitors that are coming on now validates our footprint. I mean, the first deal that they're going after these big sophisticated companies, and they are big and sophisticated. The first state they'd come after, since the capital markets have opened up and you could do deals, is in Pennsylvania. So thank you for validating our story. And we're definitely the most concentrated place by far for Pennsylvania.

And number two to that is if you look at the prices paid for grower-processors and you could back into it, I think we're talking about 2 transactions, I think you could back into that, what you'll see is a transaction that we got completed months before they'll get completed, occurred at a fraction of the price of what they pay. So you can back into those numbers, and you should.

Then you could also back into what they paid on retail. And what you'll see there is the value of our retail chain and what we pay way back is a fraction, again -- a nice low fraction of what they're paying and much better locations, by the way, given our Philadelphia and Pittsburgh dominance in our license structure.

So we feel really, really good about the fact they're validating our story. And so getting to the capacity issue, which I think is the main thrust to your question is that I think there's going to be a flower shortage in -- or we think, the management team thinks there's going to be a flower shortage in PA, particularly in 4Q of this year. And if you look at our projections for 4Q, they don't ramp up as much as we'd like because, well, there's a lot of store openings got pushed into 2021 because of COVID. I spoke about that on the last call. That's just a fact of COVID. So we should have opened up 3, 4 stores this quarter, but that just can't happen when government officials are worried about keeping people healthy and doing what they're doing, which I think they've done a great job in Pennsylvania.

But the flower shortage is because it's such a popular product, and our stores are ramping up week over week, month over month, like we've never seen. I mean, it's just been tremendous. And it, quite frankly, exceeded our expectations when we bought these licenses how they're performing at medical stores. So with the flower shortage, I think the capacity -- as a major retailer, I believe the capacity is welcome. I'm looking forward to it. The patients like full shelves. Our stores -- I believe this is a quantitative thing, not qualitative. We are the highest-rated stores in Pennsylvania. So people prefer to come to our stores. When we come -- open into a market that already has an existing store, we typically take market share. You saw in this presentation just the beauty of our stores and the customer service that we provide and the online system and we talked to some of our providers of services on the online that we've been -- it's been told to me personally that we have the best online system out there. There's other good ones, by the way. They're not that many. Many of the retailers out there, especially the mom-and-pops and some of the smaller companies, they still don't even believe in the pre-ordering online. It's just crazy in this day and age how you cannot believe in that.

So I believe that the capacity is a good thing for Jushi certainly in the short term. So you go a little longer and say, okay, what about 2022 because I'm talking about 2021 primarily right now. 2022, well, we anticipate that we're going to go legal from an adult-use perspective, and then it's complete shortage of flower and other products. So we believe the run -- it will be perennially in short supply in Pennsylvania for several years as it has been in Illinois right now. So just look at what's going on in Illinois for the grower-processors. Take that model, let's say, Pennsylvania will have a very, very similar sort of process. So I don't actually worry at all about the increased competition. As a retailer with 15 stores and potentially going to 18 stores if we can get regulatory approval, we would absolutely welcome more full shelves.

Operator

Your next question comes from Russell Stanley at Beacon Securities.

Russell Stanley

Beacon Securities Limited, Research Division

Congrats on the event. Maybe if I could just follow-up on your last point around legalization in Pennsylvania and, I guess, ask for a similar prediction on Virginia there. I believe, during the presentation, Erich predicted flower for 2021. I guess, what are your latest thoughts on adult-use legalization in Virginia?

James Anthony Cacioppo

Founder, Chairman & CEO

Well, there's been some movement going on in the government in terms of discussions. I believe that's very early on, and I would also believe that it's -- if you look at other medical programs, it's way early for Virginia to be talking about adult use.

And so I'm going to turn it over to Jon, who's really been a key in that state for us from a senior management perspective.

Jon Barack

Russell, part of the statutes that were passed in the session in Virginia in the past year required that the legislature create commissions to study the prospect for adult use as well as the expansion of the medical program. And so those studies are ongoing right now. I think we're providing input as a processor in the market.

And so they haven't yet been presented to the legislature or the executive. And so we'll be following closely when those presentations and the studies are made. We are cautiously optimistic that the studies will support the development of an adult-use program.

Over time, I'm not sure and not going to place a bet as to how quickly it will happen. There's been a lot of noise at the high levels in the executive branch in favor of an adult-use program. And obviously, given economic factors in Virginia as well as other states, taxing makes a lot of sense.

But we're happy to building out our medical capacity and want to support that market. But obviously, if and when adult use develops, that will be a great improvement in market opportunity for us.

James Anthony Cacioppo

Founder, Chairman & CEO

And on the flower side, to answer that question, I mean, that's obviously the -- since you follow these very closely, sales tend to increase when you -- dramatically because it's the most in-demand product. If you look at Pennsylvania, I think about 50% of our sales are in flower products and similar in Illinois, similar in California.

So that's going to really drive sales, if that happens. And I don't -- I believe that there's obviously hurdles to that in medical markets because of the way you consume flower in terms of smoking it and hailing it. But it certainly is an inexpensive and a very accessible way, and it's easy to dose yourself through that

and get a quick action. And there's a lot of data on that. So I think that's a logical next progression, and that would be a very positive change to our franchise there.

Russell Stanley

Beacon Securities Limited, Research Division

[indiscernible] on Pennsylvania. You've obviously had a number of openings and still a number of planned for 2021. I'm wondering, can you provide any color, I guess, as to what lessons you've learned on your last several openings that will inform how you handle openings in 2021 given the growth ahead of you?

James Anthony Cacioppo

Founder, Chairman & CEO

Well, what I've learned is they take longer unfortunately. That's -- they're more expensive. So we've definitely drilled down on our models to make sure we understand the cost. Not that we -- I mean, it just is what it is. There's a lot of cameras. There's a lot of things needed. But I think possibly, the biggest thing that's driving is not necessarily what we've done because we have a great formula with the highest-rated dispensary and part of that is the physical layout and the appeal of the store. But I think what it is for us is a change in regulation combined with the change in the industry and very much so Jushi and sort of the number of online pre-orders.

So the way we look at the business in the future is very different, and there's a dividing line, pre-COVID and post-COVID. And our digital presence really only started in April -- the end of April, where you could pre-order. And now I believe the number is at 65%, 70% of our orders are coming from a pre-order. And more than that actually visit the site, and we believe, already choose what they're going to purchase before they come in the store.

So what does that mean for your store design? What that means is you need to have quick pickup and so that's express pickup. And so we've designed for that in the past, but we're fine-tuning that and doing a better job at that now in the new retail outlets. The second is the curbside related to COVID. It's very, very popular. In some of our stores, 30% or more is curbside. And so that is something we think is going to make a lot of sense long term, and we hope the regulators are comfortable with that. And whether -- it's not going to end up being the toys running out. It's going to end up being like you have in a bank, where you go to the ATM and your car, and it's going to be -- so we're designing stores and thinking about where you put a drive-through. That's one big change. And also for the curbside, just how you service that. Maybe you have a separate vault and a separate exit that -- so it doesn't interfere with your floor. We already do that, but we can do a better job in setting up the stores, knowing that that's a trend that will probably stay in place.

So I think those are the biggest things we're looking at as we open up the next 7 to 10 stores in PA.

Operator

Your next question comes from [indiscernible] at ATB.

Unknown Analyst

Allow me to add my congrats to what I thought was a great presentation. If we could just drill down a little further on Pennsylvania, please. So as we all know, highly attractive but relatively opaque market. Between yourselves, TerrAscend, Cresco, GTI and Terra, to name a few, they have some very capable competitors with strategies that are either skewing wholesale or retail, who are all buying for or claiming leadership of the market. How do you, as a team, both think about and define share and leadership would be, part 1 of the question? And part 2, just on the increase in competitive intensity, how do you see the margin profile of that market evolving? And how pronounced do you think the margin compression risk is in Pennsylvania given that competitive intensity?

James Anthony Cacioppo

Founder, Chairman & CEO

Great question. So the way we look at the competition, there's lots of ways to look at it. In terms of market share on retail, the easiest thing to look at is the number of stores you have versus other people and where those stores are located. And I do believe that we have one of the best and probably the best footprint of stores. It's -- we have 15 under license now. We have marked on 3 more. GTI operates 18. We're not sure why they can operate 18 and we can't. So we believe -- we hope we can get to 18 with our current regulatory approval. And so we've brought that to attention to people already and we plan to keep vocalizing that. And then if you look at the next largest, it's much, much smaller.

So we really have a great footprint. If you look at the prices paid for retail and you look at that, one of our competitors who just paid for retail, there's earn-outs which -- I think, the bar's set very low on those, by the way. And if you look at the total proceeds, you could see how expensive it is to buy retail. And these -- I believe those retails are undeveloped retails in some cases. So you have to factor in what's developed and what's undeveloped in that acquisition. But I think the point is it's not easy to come up with those footprints. And this takes time and effort, and the sellers are well aware of the value.

So not so easy for some of these vertical competitors to get more retail without paying up, in my view. So that's number one. In retail, I think we're in a fabulous position. We have -- on a competitive footprint, we -- again, I'm going to say this for the third time, but I'm proud of it. We are the #1 rated retailer by the customer, and you can't just buy that. That's -- you're in the market. You're working hard on that. You've been early. You've set that up. So that puts us in a great position. And I do believe we have one of the best online ordering systems and that's -- yes, people are playing catch-up on that, too. So we're in a great position.

So let's flip over to the grower-processor side and -- it's a separate business really. And you look at the footprint, this one, the data is harder to see. Right now, our footprint is a big one. It's -- for sure, it's a big one. If it's the biggest, I don't know. But it is a big one. And it's surprisingly small right now in Pennsylvania. And I think that has to do with the fact that the industry was so capital constrained over the last 12 to 15 months and some of the biggest competitors in Pennsylvania had huge expansions going on in Illinois. And so -- and they had other capital commitments as well on top of that.

So I think Pennsylvania is behind the curve. I believe we're going to see a flower shortage. We happen to be in a great position. I hope we can execute like I hope we can execute because -- that's 2 hopes. It's a double hope. Because we bought this great facility that was underutilized and now we're driving production into this flower shortage. That could really help. When we get there in October, November, I hope, but we'll certainly get there by December, January, February, March. So we have an in-house solution to solve that flower shortage for ourselves, and we plan to do that.

And so that's a short-term competition, not worried about it. I actually welcome the grower-processors filling up our shelves, so we can sell more product to customers in our top of the line -- in retail stores and our top of the line online system.

So short term, not a problem. As we further out, the market is growing. And I think in the medium term, there is just going to be a supply imbalance. It's just there. I mean, I just would be shocked. If you measure medium term, in the next 3 to 4 years, that's going to change. Why is that? Well, the medical market in Pennsylvania is growing quite dramatically. It's supply constrained already. And more stores are opening up and that you have underserved populations. We have a store that we're going to open up in Pottsville, where there's no store within 30 minutes. And then, I think, Easton is in a similar situation. There's no stores around there. And then we have one in Hazleton. There's no stores around there. And so there's not enough stores in Philadelphia and not enough -- and Pittsburgh is a very short market in terms of number of stores. So this is going to add to the accessibility, which is very, very important. People don't want to drive an hour, 1.5 hours to pick up their prescription.

So that -- I think that's going to grow the market in Pennsylvania. This is a guesstimate, obviously, but I think it will be one of the highest penetration rates of any medical market. Arizona currently has that honor. And I think they made adult-use in Arizona pretty quick. But I think if you look at the numbers in Pennsylvania, certainly, in the large states, I think we'll have the highest penetration. Why that is? I don't know. But that's the trend.

And so medically, I think in the medium term, you're going to be good. And then the adult-use prospect, given the economics of both states in the union and given what's going on politically in Pennsylvania, I think it's a pretty good bet that adult-use happens into 2021 through the legislature and the governor [indiscernible] has already been behind this. And then you would hope that opens up in early '22 if it follows the Illinois example, maybe 4Q '21, but we would project in '22 at some point. And so that just creates a triple demand overnight.

So I don't see how we're going to end up in a situation where competition is an issue in any time. But just to take it one step further, we are -- our facility, we believe, we can easily do 125,000 square feet, and I hope we can get over 200,000 square feet. So we can grow with the market and maintain market share, and when we're going to get market share and then maintain the market share. And then on top of -- and that's just going to generate a ton of growth for us on the grower-processor side of the business and increase our margins as we sell-through our stores, it doesn't count the sales just increases your margins. So that's going to be tremendous for our business. And then you look at the sophistication of the big players, which we are one versus some of the smaller players, we'll be a lower cost provider. We're going to have higher quality products. The Lab concentrate products are award winning. They've been the most popular concentrates to my knowledge in Colorado, one of the most competitive markets and so we're going to offer super high quality live resin, all kinds of different concentrates, super high-quality flower, price right. And so we believe we'll be cost competitive and quality competitive.

Unknown Analyst

That's great color. Margin profile wise. Could you just drill down or share a little more on that? Then I have one quick further question, please.

James Anthony Cacioppo

Founder, Chairman & CEO

I'll let John speak to that.

Louis Jonathan Barack

Founder, Co-President & Corporate Secretary

Yes. So I don't know if you're speaking specifically about the retail margin or the grower-processor margin. I'd say the grower-processor margins, I think, can be pretty significant given they have in a supply constrained, especially flower supply-constrained market. I think even some of our competitors have mentioned EBITDA margins above 40% for grower-processors. We're in the middle of ramping up on an expansion, whether we're in the 40s or in the 30s. I think those margins will be pretty significant. The retail margins are more in the 20s. The blended profile for the business will, I think, be in the 30s, maybe the low 30s.

And as Jim said, we don't expect given the growth of the market, the expected growth of the market, we don't expect significant margin compression anytime soon. We expect market growth and possibly market share growth for us as well.

James Anthony Cacioppo

Founder, Chairman & CEO

John, can you speak to what the margins are in a recreational market like Illinois at the retail level?

Louis Jonathan Barack

Founder, Co-President & Corporate Secretary

Sure, sure. Yes. So in a limited license recreational market, we've seen very significant EBITDA margins, depending on the store. And this is at the retail level, not the grower. We've seen in Illinois, 30% to 40% plus EBITDA margins, which is -- I mean, I don't think that's sustainable over time. You see Illinois adding stores. So that isn't long-term sustainable, but medium-term is likely in the 30s. That compares to a California or Colorado, where you might see 20% or below, where you have unlimited license markets and competition squeezes margins away.

And it's just the fundamental difference between those types of markets.

James Anthony Cacioppo

Founder, Chairman & CEO

Yes. So that's another way of saying that if Pennsylvania does go towards adult use, you would expect retail margins to increase. And I would note, in California, the locations that we've looked at, we think are firmly in the 20% to 25% or higher range. So there is a way to even do better if you can operate better.

Louis Jonathan Barack

Founder, Co-President & Corporate Secretary

Local limited license.

James Anthony Cacioppo

Founder, Chairman & CEO

The local limited license markets in California.

Unknown Analyst

Yes. That's great, Jim. Just one quick further one for me. The regulatory landscape. New Jersey, looking to vote to legalize coming up on November 3. And that's expected to have some sort of domino effect up in the Northeast, so triggering PA, New York, Rhode Island, Connecticut, I think we've dealt with PA at some length. You're opportunistic in your exit in New York. But how do you think a favorable vote in New Jersey can or will impact sort of both competitive intensity in these markets or more specifically your go-to-market strategy in that -- in the Northeast to the extent there's opportunity outside of what we've already touched on in NPA. Just curious to hear your thoughts on a favorable New Jersey vote as it could impact sort of the broader market and your positioning over the next couple of years given that domino effect?

James Anthony Cacioppo

Founder, Chairman & CEO

Yes. I think, listen, I think New Jersey is projected to go adult use based upon the polling. If that happens, it clearly puts pressure on the neighboring states for us, Pennsylvania because people will go across border to buy their products, and that's lost tax dollars, all these states have significant -- very significant budget deficits now. And they're all effectively run by similar minded governments where they believe in the product for very different reasons often, but they get there. And so I believe you're going to see Pennsylvania follow. And then New York, the state government has had a tortuous process with it. But we believe it goes there and then Connecticut, and they're actually looking like a regional compact, so they all do it together. We already have Massachusetts. So we believe it all goes.

It's just a question of timing and how that affects our business development in the -- in those areas. Well, New Jersey, we believe we're only allowed to own one, and we have a license application that's been outstanding for a while. It's gotten delayed by COVID-19. Again, the states are very busy with dramatic health concerns. So processing applications isn't on the top of their list in these health departments. So we have that application, that could be a positive. But also as people get more and more licenses, we find that our competitors are already in New Jersey. So if you look at the number of competitors with good balance sheets in New Jersey and then you look at what's left over, it's pretty good dynamics for people like us who have a good balance sheet, a good history of operating and an attractive stock, quite frankly, for these sellers. So we could do well in New Jersey with an acquisition. We sort of have a little bit of a list of companies that we're focused on, but we want to see our application turns out. And then when other people win applications, that's even more because they're going to have no capital, they have no reputation. They have no -- very often, they don't have very much human resource capacity to really do these things. So we are very excited about getting involved in New Jersey at some point if it does go adult use.

In terms of New York, you would expect the program to expand the number of licenses, it's well discussed. You could do that research. There'll be opportunities to get into that state. I'm very glad we haven't held

on to that license and had to suffer all the operating losses that people have been suffering, because it certainly is not the environment to lose money in cannabis in a state when it's a bit tough financial market to raise capital. So we feel good about our strategy there. We feel like we have a nice footprint there with the DENT Neurological Institute and other things we've done there within Hemp business. So we feel like we're somewhat connected in that state. And then the rest of those states, it's a question of supply and demand and what price we can get. We're looking at very -- there's a lot of attractive markets to acquire in.

Operator

[Operator Instructions]

Next question comes from Glenn Mattson at Ladenburg Thalmann.

Glenn George Mattson

Ladenburg Thalmann & Co. Inc., Research Division

Congrats on the results for third quarter and the continued solid guidance. So curious, perhaps you talked about this, but I may have missed it because I had to jump in late to the presentation, but can you just talk about what the capital needs are as far as to build out your own footprint. And then you have a solid balance sheet, as you just mentioned, but curious how are you building that out versus new acquisitions and just how you balance the two. So just a lot on that.

James Anthony Cacioppo

Founder, Chairman & CEO

So I'm going to let Kim continue, but I'll just start. We put out in this press release this morning that we believe we're funded toward operating cash flow positive, and that includes CapEx required to build out the footprint. So we don't have right now, according to our models, a need to go out to the capital markets.

And I think that's more driven by opportunity for us. Kim, why don't you speak to our cash and whatnot.

Kimberly Bambach

Executive VP & CFO

Sure. Glenn, as of the end of August, we had over \$50 million in cash and marketable securities on our balance sheet. We only expect to invest about \$15 million to \$20 million in the second half of this year on our capital investment in the Virginia improvements to PAMS, Ohio, Santa Barbara's opening, I think, next week. So we do have a lot of construction projects ongoing, and we fully expect that our existing balance sheet will cover those investments in this half and take us into profitability next year.

Glenn George Mattson

Ladenburg Thalmann & Co. Inc., Research Division

Great. And then maybe you just -- you did mention the -- so maybe there's some opportunistic areas for M&A. As far as Nevada goes, I would imagine that given the trouble that, that state has had, is that one of the key spots you're looking at? And what other areas -- maybe just thinking about the West Coast. And in the East Coast, you have this really great footprint that you're exploiting now, but you have these kind of a couple of assets on the West Coast to maybe just think about. So talk about how you're thinking about that area?

James Anthony Cacioppo

Founder, Chairman & CEO

Yes. So in terms of the West Coast, I think Nevada is a a market we're looking very closely at. And we have dialogues going on. There's many more applications that are -- been processed for retail. There's a certain number coming online owned by independents. There are certain stores owned by some financially distressed players. And then cultivation, there's a wide variety of opportunities in cultivation and processing. So yes, Nevada is a state with value. And we definitely have our team there quite often to

figure out if there's an opportunity that meets our standards. In California, I think if you look at the well-capitalized players, in the industry that are public, we -- I think we have a competitive advantage based upon years of work in California.

I would note that we haven't pulled the trigger on a lot of deals because in California, the price was too high. And so the price has come down, and our ability to finance ourselves has improved so we anticipate more deals in California throughout the next couple of years. And the numbers seem to meet our metrics at the moment. And then flipping back to the East, a couple of states we haven't talked about. Massachusetts, if you look at our large wealth finance competitors, both public and private, virtually every one of them, I think, is in Massachusetts. There's about 45 or 50 licenses in Massachusetts. So there's clearly a large number of sellers relative to buyers in a space that people struggle for expertise and capital to compete. So that's a market that we've stayed out of and the prices have come down, and we anticipate being able to do something in that market at some point. And then the other market that we have looked at or relooked at, I would say, is Florida. And that's something that we're just analyzing and trying to figure it out.

Operator

The next question comes from Chris Temple at Echelon Wealth Partners.

Unknown Analyst

Congrats on the presentation and the solid overview of operations. Just want to ask on the margins you mentioned earlier. If I look at your guidance for next year, it implies an EBITDA margin of about 20%. And I think you were commenting that you're currently experiencing higher margins than that on some of your stand-alone assets. So when looking ahead to that 20%, is there perhaps upside to that figure? And where do you expect your overall consolidated EBITDA margins to shake out?

James Anthony Cacioppo

Founder, Chairman & CEO

I'll let John -- yes. Thank you, Chris. I'll let John handle the details, but just to give you conceptually how to think about the margins is -- and John will take you through the details. The margin -- I mean we're going to EBITDA breakeven in Q4, we think, right? So that's 0-ish or single digits.

In Q3 -- Q3 breakeven, 0-ish and then Q4 positive, so call single digits to be conservative. And then you're going to have a steady progression up. And the reason for that is asset level EBITDA margins are within what you would imagine all the -- everybody else has, we think we're operating a very good footprint, so probably higher on average because we have one of the better footprints. We don't have a lot of -- we don't have a bad state to be quite frank. And then on the asset level, we have margin improvement because as you open operations and they mature your margins increase. And then over time, your margins increase when you go to adult use. So that's the general trend. And then on top of that, we have this large G&A. We fully built out our corporate G&A. You can't run a company without management that is very, very strong. I think a bunch of our competitors have proven that in their struggle to exist. And so what we see is us covering that EBITDA and our margins increasing very dramatically quarter-over-quarter, year-over-year for a period of time. John, can you get more specific, please?

Louis Jonathan Barack

Founder, Co-President & Corporate Secretary

Yes, yes, sure. So what this really is that the business is scaling up. And so we're going from revenue in 2 states, most of our revenue in 2 states, Illinois and Pennsylvania to 6 states over time. And we have negative operating leverage at the margin level. And these are subscale operations. Virginia, until we open the doors of the dispensary is just cost. There's no revenue. So it hurts margin. So what's really happening is there's a step function in our margin throughout the course of the year. I mean, really, from now through the end of 2021, each quarter, our EBITDA margin will improve. And by the end of 2021, it will be in the high 20s, if not low 30s if we meet our projections. And so there is upside I think, certainly, to the normalized margin level, if not in 2021, then certainly in 2022, it's not going to be 20%.

Unknown Analyst

That's good color. My second question would just be on the potential for home delivery in markets such as Pennsylvania. How do you think that reshapes that market? Would you expect to see a demand bump on the back of that? And -- or do you perhaps think that it could bring in more competition to some of the urban markets you've kind of cornered off? How are you thinking about home delivery?

Louis Jonathan Barack

Founder, Co-President & Corporate Secretary

Yes. So it's John. Home delivery right now in Pennsylvania is really -- it's idiosyncratic. It's a caregiver delivery model. So it's not akin to a California or some other markets that have home delivery. So it I think also hasn't been permanentized. It was, I think, partly a COVID response. And so we're not sure yet. Following closely, I think we're going to be testing out that model soon to see how it works. And then with the thought being that if it becomes permanent and/or expands to a true delivery model, not just a caregiver delivery model. Then we would think that would be a good complement to having a store base in attractive locations. But ultimately, I don't think that supplants the need for stores but is complementary.

James Anthony Cacioppo

Founder, Chairman & CEO

Yes. I'll put a comment on delivery generally. It's a very -- it's proven to be a very, very difficult business. If you look at California, there's quite a few companies that are bankrupt because they went into a delivery-only business centered around one large company with the technology platform. We've diligent a ton of retailers. We've only seen a couple that actually do delivery well and have a nice margin on it and have it at 20% to 30% of their sales coming out of delivery. So it can work in the right instance and I think you need to understand the technology, it's a highly complex business. So I think if delivery took place, we believe you would build it off of your store base, not a different model. I think that has been debunked at least for the next few years. Maybe there's some world in 5 years where that delivery hub works but right now, as far as I can tell, they're all virtually bankrupt. And so if you look at being a out of store delivery, what's an advantage for us. And then what's even more of an advantage for us I believe as a multistate operator leverage to these markets that don't currently have delivery, and I'm speaking about California right now and Virginia, we are learning it. We are putting -- we have a task force right now that is figuring out delivery, even though we really aren't allowed to do it yet anywhere.

We will open our Santa Barbara location in October in just a few days. And we will implement a delivery model at some point there as a beta project. And the whole idea is to actually drive significant revenue, and significant margin for the store. So that's the kind of way to think about delivery as a well run operator. You don't just go out there and think you can make money. Because if you just do that, you're just going to lose money. You have to figure out the model. Where you can do it and where you can't do it and try to do it profitably each and every time you do it. The other state where we're allowed to do delivery is in Virginia. That's fairly unique. There's not a lot of delivery models out there. And so we anticipate our Virginia footprint, which will be centered around one store for the time being in Manassas, will be -- have a significant leverage to delivery, and we're motivated and incentivized as to put capital behind that because we actually have a live market that we can do it profitably.

So we think we'll be on the forefront of delivery, not in the rear or in the middle of the bell curve.

Operator

The next question comes from Matt McGinley at Needham.

Matthew Robert McGinley

Needham & Company, LLC, Research Division

Great. First, collected the prior comments on the Investor Day video, that was very comprehensive and well done, and thanks for pulling this together. My first question is on the gross margin. You already have a -- with mostly a retail business with 50% gross margins, which is great. But presumably, the cultivation growth that you have in vertical integration is going to push that higher but you didn't explicitly outline

that as a driver of EBITDA rate, although you did I think mentioned that it would be higher into 2021. On the plan that you outlined to build out the full asset base, kind of what are the I guess, either the higher, low end ranges that we would expect to see in 2021? Or if that's not realistic, what's a steady state gross margin that we should expect to see out of the company with your current plan?

James Anthony Cacioppo

Founder, Chairman & CEO

I'm going to pass it over to John and Kim.

Louis Jonathan Barack

Founder, Co-President & Corporate Secretary

Yes. So we didn't provide explicit gross margin guidance, so I'll just give you kind of a high level as you say, our retail gross margin as a keystone in this business is basically 50%, and then you get margin deterioration from discounting and whatnot. At the wholesale level, it's higher. And so the blend over time will go into the 50s, the mid -- hopefully, the high 50s and theoretically, could go into the 60s, but we're not going to guide to that at this point.

James Anthony Cacioppo

Founder, Chairman & CEO

Kim?

Kimberly Bambach

Executive VP & CFO

Yes. I agree with John. I think the reality is that we have too many stores and improvements or construction and progress that's going to be opening over the course of the next 8 to 12 months. Therefore, our margins are not going to be steady state as each of those different states and facilities come online.

Matthew Robert McGinley

Needham & Company, LLC, Research Division

Great. And then my second question is on the funding and the cash flow. You mentioned that you expect to have about \$15 million to \$20 million in total CapEx in the back half. And I don't think you gave an explicit number for 2021, but you mentioned that you'd be operating cash flow positive. So I guess there's 2 questions on that. On the -- just to be clear on the operating -- your operating cash flow positive. That includes cash from ops and CapEx in that free cash flow definition. And then if you can't say, explicit what the CapEx would be just because you don't have the projects or plans exactly in place yet. What should we expect for -- on a dispensary basis? Or what would be the big buckets of CapEx that you would need to spend on the cultivation additional phases that you could do in Pennsylvania or Virginia over time? What should we expect those projects would cost?

James Anthony Cacioppo

Founder, Chairman & CEO

Okay. So Kim will start, and then maybe John will chime in.

Kimberly Bambach

Executive VP & CFO

Yes. So in regards to CapEx for our stores, depending on the location and the size of the store, they range anywhere from \$700,000 to \$1.5 million per store. And that's really predicated on kind of tweaking the plans this year to improve our customer throughput, adding POS systems, maybe adding larger vaults to get better curated inventory that customers want. So those are going to fluctuate a little bit. There's a lot of construction going on in the second half of this year, including a lot of those stores in Pennsylvania. Our current capital expectations and cash use from investment is really covered by our existing cash.

The only thing that we actually haven't estimated for next year is really if we are going to go out and look at other assets and then we relook at our plan. But our existing operating assets and our current acquisitions that we've acquired this year, we expect to fully build those out with our existing capital and turn those profitable.

Louis Jonathan Barack

Founder, Co-President & Corporate Secretary

And let me just jump in. So as far as the expansions outside of the store base, so think further building out in Virginia or PAMs in Pennsylvania. We, in Pennsylvania, have a sale-leaseback provider, who, we think, will be very interested in funding further expansion there. So we consider that a non-dilutive off-balance sheet capital and which is very accretive for the equity. And in Virginia, the pace of our planned expansion will be driven by the pace of market growth there. And so we don't need to expand in order to hit the guidance we've given. The expansion that we do or really the further build-out of cultivation rooms, for instance, would take place if the market growth is increasing beyond what we have in the projections or into 2022. And so we'll pace that based on -- we'll pace that expansion plan based on the market growth. And if the growth is there, it will be -- it will certainly be profitable, too, and we'll have the cash flow to fund that expansion.

James Anthony Cacioppo

Founder, Chairman & CEO

Yes. I mean, in Virginia, I just want to point out a facility like that, where we could increase capital if the market increased. So we don't project, because we don't need to. But the facility has been built out, so the empty space already has electricity and HVAC, some of the key elements that caused you to spend money set up so that you add incremental to that, putting in walls and then equipment and other things, I don't want to make it sound too simple and cheap. But it is a much easier process than what we did the first time. So we overspent on Virginia to make the expansion much easier while we keep our GMP or good manufacturing practice process in the existing facility. So we thought that through, so we could add space without effecting our current grower operations, and then we could -- the incremental spend on each square foot is a lot lower than the initial CapEx. So we do that kind of thing, time to time again in each facility.

We have a Las Vegas expansion funded by sale-leaseback as well that we're contemplating and in the process of executing actually. So there's all kinds of things like that, that are in our budget that are already funded. So just to sum it up, this is a very important point to me because I said this in the presentation. But getting operating cash flow positive as an investor is -- and a risk manager and CEO is key because now everything you do is discretionary. So your real bet on Jushi, if you invest in us, is that we've done a great job, I think, of making sure that we haven't run short of capital as we've also been aggressive in doing deals like this last deal with Vireo, where we did a deal when the financial markets were essentially closed to 98% of the companies. And so we were able to do a deal, take a little bit of risk by doing that, but we've quickly got it fully financed. And so we anticipate being able to allocate capital and take that operating cash flow strength and turn it into something where we can grow by acquisition because of the confidence we have in that.

Operator

Your next question comes from Jason Zandberg at PI Financial.

Jason Zandberg

PI Financial Corp., Research Division

And just wanted to pass along, this has been a great venue to -- you've covered a lot of ground and have been very helpful. So my question is how important is it for you to have cultivation facilities in the Illinois market? Is that something that is important, can you have success without cultivation? What are your thoughts on that?

James Anthony Cacioppo

Founder, Chairman & CEO

So I couldn't be more thrilled about our footprint in Illinois and the price we paid for it, quite frankly. So our margins there, John, are what right now on an EBITDA basis?

Louis Jonathan Barack

Founder, Co-President & Corporate Secretary

They're high 30s across the 2 stores, blended.

James Anthony Cacioppo

Founder, Chairman & CEO

Blended high 30s, and we can open 2 more. So it's a fabulous footprint. So that's all -- I mean, that's a good as margin as we get on an integrated basis, really. I mean that -- so it's been a tremendous way to get into the market. Would we like to own a grower-processor in Illinois? Absolutely. Do we have to? No. And what prevented us from going out and buying one is it's really a matter of finding the right deal at the right price. But in the meantime, we have an application in to get one. And we expect to hear back, John, when on that?

Louis Jonathan Barack

Founder, Co-President & Corporate Secretary

That's delays, but hopefully, in the next I'd say, 2 or 3 months.

James Anthony Cacioppo

Founder, Chairman & CEO

And how many are they going to issue of...?

Louis Jonathan Barack

Founder, Co-President & Corporate Secretary

I think it's another 40 somewhat?

James Anthony Cacioppo

Founder, Chairman & CEO

Right. And these are smaller escrows. These are smaller licenses in terms of the footprint, but at a force store base, we don't need a huge one because we want to offer our products, but we also want to have a full menu that includes all the great products in the state of Illinois by some great companies. So it fits in beautifully if we get a craft grower. So if there's 40 new people getting applications, again, they don't have capital. The vast majority don't have expertise. I don't see how we cannot get one at an attractive price. And it's all a question of what you pay, there's no sense in buying one for the sake of buying one at a high price, where you don't generate the ROIs you could generate by buying things that distress prices in another state. So we're looking at the return on invested capital. We believe that Illinois is not the prime time to be buying.

We think prices of grower-processors are headed down because of the application process. And we're in the application process, so we can actually get one for free. So I mean it cost us a lot to do the application. This isn't cheap, but that's how we think about that.

Kimberly Bambach

Executive VP & CFO

But the reality is, in the meantime, Trent and his team on the procurement side have really great relationships with our suppliers in Illinois, and they've been able to actually get really good products for our stores and our customers there. And so generally, even if we can't actually find a good target that we want there, we have really good supplier relationships and the regulatory market favors multiple suppliers.

James Anthony Cacioppo

Founder, Chairman & CEO

Yes. So we're in great shape either way.

Jason Zandberg

PI Financial Corp., Research Division

Yes. No, that's great insight. Just turning over to -- you mentioned that you are a fan of buying distressed assets in new markets. What's your thoughts on the Canadian space given that there are a lot of distressed assets in that space? And we are seeing sales start to ramp up. Is that a market that you have any interest in moving forward?

James Anthony Cacioppo

Founder, Chairman & CEO

Less than 0.

Operator

The next question comes from Aaron Grey at Alliance Global Partners.

Aaron Thomas Grey

Alliance Global Partners, Research Division

So I wanted to kind of dove back to California, where you guys have 2 of the retail assets. You guys briefly mentioned some of the opportunities for increased M&A. I think you guys said you have 2 representatives in L.A. area who are specifically focused on that. So just number one, could you provide some of the details where you said there were some things in the pipeline that were meeting the metrics that you guys have. So since you had kind of described those metrics, whether or not there as profitable, if they're in more limited license localities or how you're kind of looking at the state overall because it obviously varies by regions within the state? And then secondly, just how you think that competitive landscape is going to evolve in the state as you've seen some competitors make some recent acquisitions within California as well where some MSOs seem to have been kind of taking a step back from California and digging deeper, it seems like some might be trying to consolidate more in the state. So just on those 2 within California would be helpful.

James Anthony Cacioppo

Founder, Chairman & CEO

Yes. Okay. So yes, so California, as you said is a big state. It's the biggest cannabis market. It's the biggest cannabis market in the world. Everybody knows that California if it was a separate country, would be like the eighth largest GDP in the world. So it's a place, I think, in the cannabis business, that you have to be. And I believe a lot of our competitors have failed to understand the importance of it in terms of driving the cultural, the brands and all those types of things. So we're excited about California. In terms of laying out our strategy, we actually believe our strategy is a competitive advantage that a lot of our competitors don't understand. And so we don't like to talk about it publicly. Now we have talked about limited license jurisdictions. And we've drilled down from there. That's actually not an original thought. But again, we pointed out how 70% of the market doesn't allow cannabis, and then you have limited license jurisdictions. We like that setup, and then we go much deeper from there. And I would point out a couple of things we did well. We avoided Los Angeles and San Francisco. Not that you can't have a great business in Los Angeles and San Francisco, don't get me wrong. But there are many, many, many more licenses coming in those markets through social equity, and there's a bunch of unopened licenses now.

And so within those city jurisdictions, of L.A. City, the city of L.A. or in San Francisco, not that we won't do anything there, but it's not kind of our cup of tea. There's other people who might find the right thing, maybe earlier and have built some good businesses there. But coming in when we're coming in, that's not where our focus is. But surrounding there those cities, you can get some great stuff. So we're -- Culver City is an example of that. So we're very focused on the location of dispensaries. We're very focused on retail first. So if we do, do a cultivation and processing deal, so we can bring out our brands, The Lab, the bank and [indiscernible] and maybe some others by then. We have a base of business to flow that retail through that. That is our own and so it wouldn't surprise me if we have, at the end of 2-year period, 10 to 20 different retail dispensaries, and we are one of the largest in the state. It also wouldn't surprise me if we can't achieve that because the prices aren't where we would like them to be. But our goal is to be a big

player there over time. But doing investments that are high-return on investments, ROI, and you can just run those numbers and come up with what you think it is.

So it's -- I think it's a great competitive advantage for us. It's somewhat unique to the Jushi story. I think California continues to be too maligned by some of the East Coast companies and the Midwestern companies. And I think there could be some real money made there if you build the right footprint.

Aaron Thomas Grey

Alliance Global Partners, Research Division

That's super helpful. And then just my second question, it's kind of been asked in a couple of different ways for some earlier questions. But as we think about -- when that's about cultivation and then kind of the gross margin profile between wholesale and retail. Just if you take a step back about your footprint as you think about revenue mix between retail and wholesale and building a brand for the business on both through your own products on wholesale and retail. How do you think about how that evolves over time and kind of the revenue mix between the 2, particularly as you look to get into cultivation within specific states as Illinois was just asked or maybe like in California and Nevada?

James Anthony Cacioppo

Founder, Chairman & CEO

Yes. I mean that's a very strategic question as well. And I think it's an important question. But right now, the industry is so young, and there's so much opportunity. We actually don't have to understand that to make a lot of money for ourselves and shareholders. But we do have things that we think it's in our models, but we don't think it's appropriate for us to talk about it because it's like Amazon talking about where things are going to be in 3 years, you don't hear them doing that. They just quietly do it. And in some ways of creating the market. So they're not really sure where all that is. We think we understand where that is and where we want to be. But I'll just give you a little bit of information to take away about how we think about that. So we have been retail first. And I believe if you look at that strategy, it's played itself out. We've been doing this for 2.5 years at Jushi or more, almost 3 years.

And I think where a lot of people went in and did everything or did cultivation first. The reason why we did that was we had a limited amount of capital like everybody else did, and we thought retail was your point, if you did it in lended license jurisdiction like Santa Barbara, California or Pennsylvania or Sauget in Illinois, that you had a competitive advantage in retail because people have maybe, not in my backyard thought process going on, and they don't want to add too many dispensaries in a lot of these more conservative jurisdictions. So we believe that, that -- those light assets have the most value and therefore, will be priced higher in the future. If you look at some of these transactions in Pennsylvania that we recently announced, there was one in particular where they did a retail deal and a grower-processor deal, you could see the value that they're paying for retail now and look at that and back into what you think that is. I will suppose to you that they are paying a lot more for retail than they are for cultivation. And I think that was a smart strategy, that transaction by a very sophisticated operator, I believe we'll show you what you need to know about how somebody who has money and has a good track record, thinks about it.

In addition, on the -- our transaction in Pennsylvania, where we bought the transaction, we bought the asset from Vireo. We believe when it's all said and done, not factoring in a ton of expansion, but just something -- a very, very conservative expansion, we get to about 1x EBITDA. We've said that, so I can say that again, and that's a very, very cheap multiple. I never thought I could achieve something like that or we could achieve something like that, excuse me. And so I think that proves it up, too. I mean, the reason why that is, that grower-processor is that you can get to a lower multiple in a market like Pennsylvania, people recognize the value of the retail. Retail is easier not to screw up, because you're opening up a store. And then you can buy a non wholesale market, and there's more room to make mistakes. Less capital upfront. Grower-processors are highly sophisticated. You can look at a lot of what's gone on in Canada and a lot of what's gone on throughout the U.S., a lot of people have had problems growing. Looking -- and so for us, that we thought there will be more mistakes in grower-processor or more capital constraints and you'd be able to pick it up cheaper.

So I think that's going to go on. And then the last thing I would say is in the way we think about it, if you have a retail network in a state, in that scenario in the future where the world goes long cultivation. So now there's more cultivation than there is demand, which Colorado suffered from that, Oregon suffered from that. I think we're a long way away from that in our state. California had some issues with that. Prices have all gone up now because that's worked its way through. But in that scenario, you have to endure that for a year or 2. When you have your own network of retail, you have your customer base built in for the -- and then you have the ability to trade with other people who are integrated saying, you take my product, I'll take your product. So it's called downside protection. So the first thing we think about when we do an acquisition is not how much money we can make, but how -- what the probability of losing is and how little money can we lose. So that's how we think about vertically integrating and how we pace that.

Operator

Your last question comes from Tom Carroll at Stansberry Research.

Thomas Allen Carroll
Stansberry Research LLC

Great presentation. I will echo that with everybody else. And thank you very much for your state-by-state revenue guidance. That is quite helpful and insightful into the business. But if we look at those ranges, so it looks like you are quite confident in your Pennsylvania and your Illinois outlooks. And conversely, it looks like you are somewhat less confident in Nevada and Ohio, just based on the ranges. We've heard a lot of great stuff here today. I wonder if you could tell us, what worries you most in your Pennsylvania and Illinois markets that could cause the company to be maybe at the lower end of those ranges? And then conversely, where could Nevada and Ohio outperform and surprise us to the upside?

James Anthony Cacioppo
Founder, Chairman & CEO

I'm going to turn it over to John. Let me give you a small macro perspective and then turn it over to John. In Pennsylvania and Illinois, I think it's pretty simple. I think there's only 2 factors that will cause a significant deviation from our plans. One is the timetable in opening stores. I think there's a virtual certainty that we'll get them open sooner or later, but the timetable of that is likely one of the biggest risks. The other risk is if there's a shortage of products, and we can't put them on our shelves. Through a variety of factors, I believe the more risk to that is in Pennsylvania, not Illinois. Just look at some of the large companies that are public, how much supply is coming on and then these other dispensaries opening up and you just kind of do the math, you can see that I think there's a pretty good chance that won't get that much worse. So -- and it could get better, which will help us. So I believe those are the 2 big risk factors in those 2 states. And then the other states, the way I look at it is Ohio is a new state still. I mean, there's not a whole lot of cannabis being sold there.

And so a new state always has more variability to -- on the upside and downside because it's a new state. And there's just the patient uptake, the regulation, what's really going on in that state. And then Nevada, I believe, is predicated on an expansion of our facility. There's always risks in construction and licensing. I think we'll get it done. But that's just a question of timing. But I think -- I think that's the biggest variability there. John?

Louis Jonathan Barack
Founder, Co-President & Corporate Secretary

Yes. I actually have very little to add to that. I'd say the one other kind of delta in Pennsylvania is the grower-processor expansion. And that's not incremental expansion. That's just the existing expansion that Vireo had -- was on the verge of completing when we took it over. And really just executing on filling out those rooms and then just what we think has increased yield and production since we've taken it over. And so I think that we're going to have to go through a couple of harvest cycles to really see that in the numbers.

And we have expectations based on our performance. We've seen an improvements in yield in other markets in Nevada, in our cultivation there, which we think we can import over to Pennsylvania. And so that's in our numbers. And there's execution risk to the downside there. We don't think it's high, but it's a possibility. And I think Jim answered the other stuff in Nevada. It's really just a question of the timing of the expansion as far as beating or coming in at the high end of the range. And in Ohio, it's a new entrant to the market. And so it's really how much share or how quickly do we gain share in that market.

Thomas Allen Carroll
Stansberry Research LLC

Okay. Very, very good. And then just for your last question here today, I want to ask an operational question that I've thought about for a while. How many niche banks do you guys work with in your core markets? And if you were allowed to bank at the federal level via the Safe Banking Act or something else, how accretive would that be to kind of consolidate all of that? How accretive would that be to your EBITDA margins? Is that something you guys have have looked at from a technocratic, as you guys say you are, perspective?

Kimberly Bambach
Executive VP & CFO

I've actually looked at that quite closely. We work with over 12 banks right now across the U.S. and internationally. We have -- many of them are very cannabis friendly banks, and they have really great services, others are not as good. Coming from outside of cannabis from the technology startup world, I do find it frustrating at times. The reality is that our banking and security service costs are quite high because of the complexity of the regulatory issues as well as the federal versus state legality issue. I do believe that the banking reform for cannabis and allowing us to have best-in-class working within a large national banks from a service perspective could incredibly streamline our cash flow and our operations and where we deploy our capital much easier rather than the network that we've had to put together.

James Anthony Cacioppo
Founder, Chairman & CEO

Yes. And I'll add to that. I think what Kim talked about is completely valid and very detailed and as you can tell, we manage all aspects of the operation to a high degree of precision. But I also believe that on an operating basis, the biggest upticks will take place by allowing credit cards to being used in dispensaries, if it was federal and ATM cards and that would -- that there's -- we have quantitative data that tells us that there's a meaningful impact, double-digit percent impact and I don't want to get any more specific than that, off the top of my head, but we have meaningful data on that, that, that will drive sales, not just for us, but obviously, the industry. The other big factor that would cause your overall net income margin to go up is your cost of debt, I think, would go down quite dramatically. You are -- if you look in Massachusetts, there are banks loaning to the industry. And I'm not sure what's behind that because we're not in Massachusetts. I'm not sure if some of these private companies have personal guarantees or whatever it is. But they're doing it around the 6% level. And if you look at the cost of debt now, you could look at Curaleaf's deal, I think that trades at like a yield to first call at like 11%, yield to first call, yield to worst.

And if you look at that, and if you look at getting bank debt at 6%, would bring down your cost of debt quite dramatically. And Cura, it has the cheapest cost of debt, I would imagine. And so some people are paying dramatically more than that, mid- to high teens. So I think the cost of debt will go way down. And I think it will be huge -- and for the industry. And we hope it happens in one way. But in the other way, if it doesn't happen, we have an advantage in being able to buy assets from a more capital constrained industry.

So thank you very much for listening in, and I hope you learned a lot about Jushi and the industry. And Michael Perlman will be happy to answer questions and get you to anybody in the organization, that he believes will help you get the answers to your questions. Thanks again.

Operator

Ladies and gentlemen, this concludes today's conference call. We thank you for participating, and we ask that you please disconnect your lines at this time.

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