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Jushi Holdings Inc.

Q2 2026 Earnings Conference Call

July 28, 2026

CORPORATE PARTICIPANTS

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Michelle Mosier, *Chief Financial Officer and Chief Accounting Officer*

Jon Barack, *CRO, President & Founder*

CONFERENCE CALL PARTICIPANTS

Kenric Tyghe, *Canaccord Genuity*

Frederico Gomes, *ATB Capital Markets*

PRESENTATION

Operator

Good afternoon. My name is Alicia and I'll be your conference Operator today. At this time, I would like to welcome everyone to Jushi Holdings Second Quarter 2026 Earnings Conference Call.

Today's call is being recorded.

I'll now turn the call over to Trent Woloveck, Co-Chief Strategy Director. Thank you. Please go ahead.

Trent Woloveck

Good afternoon, and thank you for joining us today on Jushi's second quarter 2026 earnings conference call.

My name is Trent Woloveck, and I am the Co-Chief Strategy Director at Jushi Holdings, Inc. With me on today's call are Jim Cacioppo, our Chairman and Chief Executive Officer, Michelle Mosier, our Chief Financial Officer and Jon Barack, our President and Chief Revenue Officer.

This call is also being broadcast live over the internet and can be accessed from the Investor Relations section of the Company's website at ir.jushico.com.

In addition to the Company's GAAP results, Management will provide supplementary results on a non-GAAP basis. Please refer to the press release issued today for a detailed reconciliation of GAAP and non-GAAP results, which can be accessed from the Investor Relations section of the Company's website.

Additionally, we would like to remind you that during this conference call, we will make forward-looking statements. Forward-looking statements give our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business. Although Jushi believes our estimates and assumptions to be reasonable, they are subject to a number of risks and uncertainties beyond our control and may prove to be inaccurate.

We caution you that actual results may differ materially from any future performance suggested in the Company's forward-looking statements. The risk factors that may affect actual results are detailed in Jushi's Form 10-K and other periodic filings and registration statements, which may be accessed via EDGAR and SEDAR, as well as the Investor Relations section of our website. These forward-looking statements speak only as of the date of this call, and Jushi expressly disclaims any obligation to update this forward-looking information.

I will now turn the call over to Jim.

Jim Cacioppo

Thank you, Trent, and thank you, everyone, for joining our call today.

This afternoon, I will begin with a high-level review of our second quarter financial performance and the key drivers of our results. I will then discuss the impacts of our medical cannabis rescheduling and the investments we are making to prepare for adult-use sales in Virginia. I will also provide updates on our corporate initiatives and key regulatory developments before turning the call to Michelle for a detailed review of our financial results.

Beginning with our financial results, second quarter revenue increased $6.3 million, or 9.6%, to $71.3 million, compared with $65 million in the prior year quarter. The quarter included two notable performance milestones, record third-party Wholesale revenue and record total revenue in Virginia. Wholesale revenue increased 68% year-over-year to an all-time quarterly record of $9.4 million, the first time we have exceeded $9 million in third-party Wholesale sales in a quarter.

Our Wholesale performance was driven by improved product availability and quality, together with expanded distribution across our Wholesale footprint. We experienced revenue growth across all of our Wholesale markets except Nevada, which remained relatively flat. Massachusetts led the growth, with third-party sales reaching approximately 2.5 times their prior year level. Ohio, Pennsylvania, and Virginia also performed strongly, with third-party sales in each market exceeding 1.5 times their prior year level.

A key driver of this performance was the continued expansion of our Wholesale distribution network. During the quarter, we expanded into 20 new dispensaries, including eight in Pennsylvania and seven in Massachusetts, further increasing the availability of Jushi products across our Wholesale footprint. At the same time, ongoing improvements in product quality continued to shift our sales mix toward higher-value products, with Flower Foundry and Hijinks gaining share in both revenue and unit sales.

Flower Foundry delivered mid to high-single-digit year-over-year growth in both revenue and units, reflecting continued consumer demand for our premium flower offerings. We also continued to broaden our product assortment, adding 501 new unique SKUs during the quarter and increasing our total assortment across the market by 19% year-over-year. During the quarter, we also broadened our product portfolio with the launch of Van Golden for live resin in Pennsylvania. These product expansions support our effort to provide patients and consumers with a relevant mix of value, core and premium products.

Operational execution remains central to our strategy. Across our grower-processor footprint, we continue to improve product quality, consistency and production performance. These improvements supported the significant increase in Wholesale volume, helped offset a substantial portion of the pricing pressure in our Retail channel. Those same operational improvements also supported continued growth in our Retail business. Retail revenue increased approximately 4% year-over-year to $61.9 million from $59.4 million in the prior year quarter. Retail units sold increased 11.4% year-over-year, demonstrating continued consumer demand across our markets, while average selling prices declined due to ongoing pricing pressure and promotional activity.

Ohio was the largest contributor to Retail growth, supported by the addition of our Mansfield, Parma, and Springdale dispensaries since the end of the first quarter of 2025, as well as the continued maturation of our broader Ohio Retail footprint. We also believe the implementation of Ohio hemp restrictions, which became effective in March of 2026, has benefited the state-licensed regulated market, with enforcement now occurring at both the state and federal levels. Publicly available market data indicates weekly Retail sales have increased an estimated 10% since the law took effect, reflecting consumers returning from the unregulated channels to the state-licensed dispensaries.

As I mentioned earlier, Virginia achieved record quarterly revenue, driven by strong same-store performance across our six-store network. These increases were partially offset by lower Retail revenue in Massachusetts, Illinois, Pennsylvania, and Nevada. We were also encouraged by our performance around the 4/20 holiday, where same-store units sold increased 11% and same-store Retail revenue increased modestly versus the prior year period. Including contributions from new stores, Retail revenue increased 7% and units sold increased 16%.

Gross profit increased to $31.5 million, or 44.2% of revenue, compared to $28.9 million, or 44.5% of revenue. Gross margin was broadly consistent with prior year period. Margin performance reflected continued progress in lowering production costs on Jushi branded products, together with the realization of operational efficiencies across the business, supporting profitability across both our Retail and Wholesale channels. These benefits helped offset ongoing pricing pressure and increased promotional activity across our Retail footprint. Gross profit also benefited from the contribution of new dispensary openings in Ohio since the end of Q1, 2025.

Adjusted EBITDA was $13.3 million, representing an Adjusted EBITDA margin of 18.7%, compared to $13.7 million, or 21.1%, in the prior year quarter. The prior year period included $4.0 million of employee retention credit income that did not recur in the second quarter of 2026. One of the most significant developments during the quarter was the federal rescheduling of state-licensed medical cannabis from Schedule I to Schedule III, which became effective on April 28, 2026. As part of that action, qualifying state-licensed medical cannabis operators are no longer subject to the deduction disallowance, under Section 280E for their state-licensed medical cannabis activities.

In addition to reducing our ongoing income tax expense, we recognized a one-time discrete income tax benefit of approximately $6.4 million during the quarter related to the reassessment of certain deferred tax balances following the change in federal tax treatment. Total income tax was a benefit of $976,000 for the second quarter, compared to an expense of $9.9 million in the prior quarter, primarily reflecting the elimination of Section 280E for our qualifying state-licensed medical cannabis operations.

Based on the period following the April 28 effective date, medical cannabis rescheduling reduced income tax expense and related uncertain tax positions by approximately $3 million during the second quarter. Assuming a similar quarterly run rate for the remainder of 2026, we estimate that the change could reduce additional income tax expense and related uncertain tax positions by approximately $9 million during the second half of the year.

Looking ahead, we continue to monitor potential guidance from the U.S. Treasury regarding retrospective tax relief. While the current rules became effective on April 28, 2026, the final order encourages Treasury to consider providing relief from Section 280E for prior taxable years in which a state licensee operated under a state medical cannabis license. The final order does not specify how far back any potential relief could extend. However, one potential outcome discussed within the industry is that relief could apply beginning in 2023 when the U.S. Department of Health and Human Services formally determined that cannabis has a currently accepted medical use and recommended that it be moved to Schedule III.

If Treasury were to provide relief for the full 2026 tax year, we estimate that it would result in relief of approximately $3 million on certain tax positions relating to our qualifying state-licensed medical cannabis operations. If relief for state-licensed medical cannabis operations were instead applied beginning in 2023, we estimate that approximately $50 million of uncertain tax positions and related interest, including amounts recorded during the first quarter of 2026 could ultimately be released. No guidance has been issued, and the timing, scope, and effective date of any potential relief from this remains uncertain. However, these estimates illustrate the potentially significant financial impact that retrospective relief could have on our business.

We have also submitted applications to the DEA seeking federal registration for our state-licensed medical cannabis and dual use operations. Related facility inspections are underway and have been constructive, with a focus on security, dispensing procedures, inventory controls and product accountability. These interactions are helping both Jushi and the DEA prepare for implementation of the new federal framework, and, in our view, represent another step toward the normalization of state-regulated cannabis. Beyond the positive federal developments, we are equally excited by the progress in Virginia, which we believe represents one of the most significant long-term growth opportunities for Jushi.

During the quarter, legislation establishing a regulated adult use cannabis market in the Commonwealth of Virginia was enacted through the State's biennial budget. We are excited for the commencement of adult use sales on July 1, 2027. This legislation makes Virginia the first Southern State to establish a regulated adult use cannabis marketplace, representing a landmark moment for both the Commonwealth and the broader region. We would like to congratulate and thank Governor Abigail Spanberger, Senator Lashrecse Aird, Delegate Paul Krizek and the leadership of the Virginia General Assembly for their vision and commitment to creating a safe, well-regulated cannabis market that expands consumer access, creates jobs, generates meaningful tax revenue and continues to displace the illicit market.

We believe the Virginia opportunity is substantial. Today, Virginia's regulated medical cannabis market generates approximately $180 million of annual sales, while estimates developed during the legislative process suggest there is an additional $2 billion to $3 billion illicit and unregulated market that exists outside the regulated system today. As a legacy medical operator, we expect to be eligible under legacy provisions to enter the adult use program through a payment of a $10 million conversion fee, which we expect to pay over a three-year period. We anticipate the regulatory framework will be finalized early next year and look forward to applying for adult use license, so we are prepared to begin serving consumers on July 1, 2027.

Given the expected demand and limited cultivation capacity across the market at launch, we believe Virginia could experience supply constraints during the first 24 to 36 months following adult use implementation, further reinforcing the importance of the investments we are making today. As a result, our primary capital investment priority is preparing our Virginia grower-processor operations to support the transition to adult use. Later this year, we expect to complete the next phase of our cultivation expansion with the addition of two new indoor flowering rooms, increasing our existing indoor canopy by approximately 33%, while also adding hydrocarbon extraction capabilities to broaden our portfolio of higher-value concentrate products.

Looking further ahead, we are advancing plans for the next phase of our Virginia expansion, which we expect would increase our current indoor flowering capacity by approximately 110% by the end of 2027. To support this investment, we are evaluating more traditional financing alternatives with commercial banks that offer a lower cost of capital than private credit providers. We also expect to refinance our Arlington mortgage, which matures early next year as part of our broader financing strategy.

In addition, we are in the process of finalizing a lease for a 10-acre agricultural greenhouse property that includes approximately 20,000 square feet of greenhouse space. We believe this represents a highly attractive return on investment opportunity by providing a reliable source of biomass for extracted products, including vapes, concentrates, edibles and other infused products, while requiring significantly less capital than comparable indoor cultivation expansion.

Importantly, our Retail infrastructure is already well-positioned for the transition to adult use. Our six Virginia dispensaries were intentionally designed as superstore locations years ago in anticipation of eventual adult use legalization, with large footprints, more than 50 parking spaces at most locations, and sufficient sales floor capacity to support additional terminals. As a result, we expect only very modest incremental Retail capital investment will be required to support adult use sales while continuing to provide the high level of service our medical patients expect.

Based on public available market data from New Jersey's transition to adult use, and subject to product availability, we believe our six Virginia dispensaries are well-positioned to generate annualized Retail sales comparable to those achieved by New Jersey dispensaries during the initial transition from medical to adult use.

While Virginia represents our largest current growth initiative, we continue to advance disciplined expansion opportunities across our other core cultivation markets. In Pennsylvania, phase one of our grower processor expansion is nearing completion, which involves converting a legacy flower room into three modernized flowering rooms, effectively creating new productive capacity. Phases two and three could increase total canopy by approximately 40%, but we are staging capital deployment pending greater visibility into adult use legislation and market timing. In Ohio, the potential warehouse expansion remains in the design phase, and any decision to proceed will depend on market conditions and the cost of capital.

Turning to Retail and brand execution, we ended the quarter with 42 stores across our footprint, compared to 40 stores at the end of the second quarter of 2025. The change reflects the addition of Parma and Springdale in Ohio and Little Ferry in New Jersey, and the closure of our Las Vegas store in May of 2025, and our Peoria, Illinois location no longer be included in our operating results beginning in January of 2026.

Subsequent to quarter end, we continued advancing the relocation of our Johnstown, Pennsylvania dispensary to Belle Vernon, Pennsylvania. The new location is expected to open in the near term. We believe this location provides improved visibility, accessibility, and long-term growth potential within the market. We continue to evaluate an additional three to four relocations intended to improve profitability in Pennsylvania and Ohio.

Turning to our corporate initiatives, we've made significant progress on our previously announced re-domiciling. On June 24, 2026, our Shareholders approved the re-domiciling of our parent Company from British Columbia, Canada to the State of Nevada as part of our ongoing efforts to optimize our corporate structure. The transaction is expected to become effective on July 30, 2026. We believe re-domiciling will better align our legal structure with the location of our primary operations, streamline our organizational and regulatory framework, enhance our long-term strategic flexibility, and better position the Company for future capital markets opportunities.

With our corporate initiatives continue to advance, we also remain encouraged by the broader regulatory momentum across several of our key markets. Beyond Virginia, we continue to see encouraging regulatory progress across our footprint. In April 2026, Massachusetts enacted landmark cannabis reform legislation, increasing the retail license ownership cap from three to six licenses per operator. We believe this change creates a significant opportunity for established operators such as Jushi to expand their retail footprint, achieve greater scale and capitalize on future consolidation opportunities within the Commonwealth.

In Pennsylvania, cannabis reform remains under active consideration. SB 49 would establish an independent cannabis control board to oversee the existing medical cannabis program, transfer regulatory authority from the Department of Health and strengthen enforcement against unrelated intoxicating cannabinoid products. The Bill initially fell short on final passage in the Senate in June, but the vote was subsequently reconsidered, leaving the legislation eligible for further action.

Separately, SB 120 would establish a comprehensive framework for regulated adult-use cannabis market in Pennsylvania. The Bill remains in the Senate Law and Justice Committee, although a resolution was recently introduced seeking to advance it from the Committee. While neither proposal has been enacted, we continue to monitor both measures closely as discussions around cannabis regulation and adult-use legalization progress.

In Illinois, the state took a significant step toward regulating intoxicating hemp products and directing consumers back toward the licensed cannabis market. On July 12 of 2026, Governor J.B. Pritzker signed SB 3222 into law, immediately prohibiting the sale of intoxicating hemp products to individuals under the age of 21. Beginning in November 2026, these products will also become subject to additional requirements under the Cannabis Regulation and Tax Act, including stronger packaging, labeling, marketing, and consumer protection standards.

The legislation also reduces regulatory requirements for licensed operators by eliminating the requirement that dispensaries contract with third-party security providers and allowing use of qualified in-house security personnel. We expect this change to provide greater operating flexibility and the potential for modest cost savings across our Illinois Retail operations.

In Ohio, the recent performance of the regulated cannabis market following the state's restrictions on intoxicating hemp reinforces our view that consumers migrate back to the licensed operators when unregulated channels are curtailed. Encouraged by our experience in the Ohio market, we continue to monitor developments related to the intoxicating hemp loophole created under the Farm Bill. We believe the federal closure of this loophole would support a more balanced competitive environment across regulated markets. We remain actively engaged in opposing efforts to weaken or delay the existing statutory language and continue to believe the current framework will remain in place, with enforcement expected to begin in November 2026. The anticipated implementation timeline, which precedes the important holiday selling period, could provide a meaningful tailwind for regulated operators.

Finally, at the federal level, we continue to await the outcome of the administrative proceeding regarding the proposed rescheduling of cannabis in full from Schedule I to Schedule III. The evidentiary hearing concluded earlier this month, and we were encouraged by the evidence and testimony presented by the federal government in support of broader rescheduling. With qualifying state-licensed medical cannabis already placed in Schedule III, we believe the government's position during the hearing represents continued progress toward a more rational federal cannabis framework. We now await the Administrative Law Judge's recommendation and the ultimate final determination by the DEA.

Overall, the second quarter reflected solid execution across our key priorities. We delivered strong year-over-year revenue growth, achieved record Wholesale revenue, expanded distribution, and continued to improve product quality and availability across our grower-processor footprint. In Retail, higher unit volumes and growth in Ohio and Virginia helped offset continued pricing pressure across several markets. We believe this progress provides a strong foundation as we continue to improve our core operations, prepare for adult use sales in Virginia, and pursue disciplined growth opportunities across our footprint.

With that, I will turn the call over to Michelle for a detailed review of our financial results.

Michelle Mosier

Thank you, Jim, and good afternoon, everyone.

I will now provide more detail on our second quarter results. As Jim stated, revenue for the second quarter increased $6.3 million to $71.3 million compared to $65 million in the prior year quarter. The increase reflected a $2.4 million increase in Retail revenue and a $3.8 million increase in Wholesale revenue. Revenue in our Retail channel was $61.9 million compared to $59.4 million in the prior year quarter. Retail units sold increased 11.4% year-over-year, primarily due to growth in Ohio and Virginia.

In Ohio, Retail revenue increased $4.6 million due to the addition of three new dispensaries since the end of the first quarter of 2025. Retail revenue in Virginia grew by $563,000, driven by strong same-store sales performance across our six-store network. These increases were partially offset by lower average selling prices, resulting from competitive pricing pressure and promotional activity across our market.

Jushi-branded products represented approximately 56.6% of Retail revenue across the Company's five vertical markets, compared to 56.1% in the prior year quarter. Virginia delivery also contributed to Retail performance. Delivery sales increased approximately 15% year-over-year within our health service area, and approximately 24% outside our health service area, driven by growth in orders, units sold, and average basket size.

Wholesale revenue increased 68% year-over-year to an all-time quarterly record of $9.4 million, compared to $5.6 million in the prior year quarter. The increase reflected growth across all our Wholesale markets except Nevada, which remained relatively flat. The increase was primarily driven by improved product quality, higher production volumes and expanded distribution.

In Massachusetts and Pennsylvania, Wholesale revenue increased by $1.6 million and $782,000 respectively, primarily due to expanded Wholesale distribution, including placement in new dispensaries and higher production volumes that supported greater product availability. Additionally, Wholesale revenue increased $1.1 million in Virginia due to higher demand from our Wholesale partners, while increased production capacity in Ohio contributed a higher Wholesale revenue of $306,000.

Gross profit was $31.5 million, or 44.2% of revenue, compared to $28.9 million, or 44.5% of revenue in the prior year quarter. Higher production volumes and realization of operational efficiencies have driven costs down on our Jushi-branded products, improving margins at both our Retail dispensaries and Wholesale business. The benefit of lower costs was partially offset by continued pricing pressure and increased promotional activity across our Retail footprint. Higher gross profit also reflected the benefit of new dispensary openings since the end of the first quarter of 2025 in Ohio.

Selling general and administrative expenses were $29.3 million, as compared to $28.7 million in the prior year quarter. The slight year-over-year increase is primarily due to higher employee-related costs resulting from expanded operations, including new store openings. Impairment and other asset-related gains and losses includes a charge of $1.5 million in the current quarter, primarily related to impairment charges recognized for certain dispensaries pending relocation. The prior year includes a benefit of $3.4 million related to a gain-on-asset sale and lease termination.

Other income expense for the second quarter of 2026 included interest expense of $9.9 million, partially offset by a $333,000 fair value gain on derivatives. The prior year quarter included $4 million related to employee retention credit refund claims received during the quarter, and a $914,000 gain on the sale of a non-core asset. There was no employee retention credit income in the second quarter of 2026.

Total income tax was a benefit for the second quarter of 2026 of $976,000, compared to an expense of $9.9 million in the prior year quarter, reflecting the federal rescheduling of state-licensed medical cannabis from Schedule I to Schedule III, which became effective on April 28, 2026, and the resulting elimination of Section 280E for qualifying state-licensed medical cannabis activities.

As a result of the federal rescheduling, the Company recognized a discrete income tax benefit of approximately $6.4 million related to the reassessment of certain deferred tax balances. The benefit primarily resulted from the reduction of previously recorded tax reserves associated with temporary differences for which the related tax deductions are expected to be recognized after April 28, 2026, when Section 280E no longer limits the related deductions for qualifying state-licensed medical cannabis activities.

The net loss for the second quarter was $7.3 million, compared to $12.3 million in the prior year. Adjusted EBITDA was $13.3 million, compared to $13.7 million in the prior year period, and Adjusted EBITDA margin was 18.7%, compared to 21.1%. The prior year period included $4 million of employee retention credit income. Cash flows provided by operations for the first six months of 2026 were $9.4 million, compared to $5.6 million in the first six months of 2025. The year-over-year increase was primarily attributable to improved operating results.

Turning to the balance sheet, we ended the quarter with $35.5 million of cash, cash equivalents and restricted cash, reflecting the impact of our refinancing on the first quarter and our improved liquidity position. As of June 30, 2026, we had $219.8 million of debt subject to repayment, excluding the $21.5 million of promissory notes issued to Sammartino that remain in dispute, and excluding leases and property plant and equipment financing obligations.

During the second quarter of 2026, we had $3.9 million of capital expenditures, bringing total capital expenditures through the first six months of the year to $6.9 million. We currently expect full-year maintenance and gross capital expenditures to be approximately $10 million to $13 million, excluding the planned Virginia expansion. We are currently in the permitting process for the Virginia expansion, with a goal of beginning construction in the fourth quarter. We expect to provide a further update on the project timeline and budget later this year.

With that, I'll turn the call back to Jim for closing remarks.

Jim Cacioppo

Thank you, Michelle.

Our second quarter results demonstrate the progress we are making across the business. We delivered strong year-over-year revenue growth, achieved record third-party Wholesale revenue and expanded distribution across our Wholesale footprint. Just as importantly, the investment we have made in cultivation, product quality, and operating execution are translating into higher production volumes, broader product availability, and stronger performance across both our Wholesale and Retail channels.

The quarter also marked an important change in the financial profile of our business. The federal rescheduling of state-licensed medical cannabis and the resulting elimination of Section 280E for qualifying activities reduced our income tax burden. While the full long-term impact will depend on future federal guidance, we believe this represents a meaningful step toward a more rational and sustainable operating environment for regulated cannabis businesses. At the same time, the enactment of adult use legislation in Virginia has created a significant new growth opportunity for Jushi.

Our record quarterly revenue in Virginia reinforces the strength of our existing position in the market. We are moving forward deliberately advancing permitting, expanding cultivation, and processing capabilities, evaluating lower-cost financing alternatives, and leveraging a retail infrastructure that was built with adult use demand in mind. We believe our existing position in Virginia provides a strong foundation, but we will remain disciplined in how and when we deploy capital.

Across the rest of our footprint, our focus remains on improving product quality and consistency, expanding third-party distribution optimizing our Retail portfolio and allocating capital toward opportunities that generate attractive returns. We will continue to balance growth with liquidity, financing availability and long-term profitability. Looking ahead in 2027 and 2028, we believe Jushi has the potential to deliver industry-leading growth rates in revenue and cash flow. Given our significant concentration in Virginia and Pennsylvania and the potential upside for adult-use-led legalization in those markets, we believe we are well-positioned to generate substantial growth as those opportunities develop.

I would like to thank our employees for their continued dedication and hard work, and our patients, customers, business partners, and Shareholders for their ongoing support. Thank you for joining us today. Operator, please open the call for questions.

Operator

Thank you. We will now be conducting a question-and-answer session. If you would like to ask a question, please press star, one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment, please, while we poll for questions.

Thank you. Our first question comes from the line of Kenric Tyghe from Canaccord Genuity. Please proceed.

Kenric Tyghe

Thank you. Good evening, and congrats on the quarter, Jim. With respect to Ohio and the call it, the hemp unlock, you called out the sales performance and sales lift. Obviously it's very early days. What could be useful to understand is just the change in broader market dynamics in the State, and particularly with a view on, as those changes continue to bite, how you think that Ohio market is going to evolve in terms of competitive intensity, market dynamics and the like, because that's probably one of the better proxies we have for the hemp unlock on a broader moratorium come November.

Jim Cacioppo

Exactly. That's how we're looking at it, is your second point. I would say that in Ohio, we did a budget for Ohio and the first quarter tracked to the budget till the hemp unlock, so to speak, and then it started blowing away the budget, and it's been consistent and persistent with sales growing, and it's a nice impact. It's a very, very nice impact. I'll note that on the grower-processor side, I think whatever number we put in the press release, we will stick with that number. I don't recall off the top of my head, but on the grower-processor side, we've also noticed that prices have gone up in the bulk market, and generally that's always a great sign, and it's in short supply as well.

Those are two great indicators. What we're looking at in states that have big unlocks, you have Illinois, which we commented, you've had a little bit of change, but not as much. Nevada, we understand from talking to people in the industry that Clark County, which is something else we looked into doing our research about the hemp unlock that, they actually are enforcing in Clark County the police and that jurisdiction, and it seems to us there's been a really nice uptick in Clark County when they did the hemp restriction as well, but just in that county. I think it's a pair of not only the November date happening, but the state enforcing it. For us, it's Illinois. We would imagine Virginia's going to enforce because it's Virginia, it's a Southern State law and order type thing, and Pennsylvania could be great. A lot of the State is law and order, except maybe for the Philly area. But that's the prism that we're looking at it, and we think it's a very nice positive for the industry.

Kenric Tyghe

Very nice indeed. Jim, if I could, just one more quickly. You called out Virginia and Virginia sales, the run rate there, but I think the number that caught my attention was the $2 billion to $3 billion in illicit and unregulated, which was certainly a lot larger than I or a lot of other observers believed it to be. Are you referencing there both the illicit cannabis market and the intoxicating hemp, sort of a combined illicit and unregulated in that $2 billion to $3 billion, just so we can correctly understand or handicap the size of that opportunity and the illicit marketing context?

Jim Cacioppo

Yes, I mean, to be able to make that comment, we had to verify it to, what we quoted in the script was that we got it from the legislative process. Those were numbers that would be banteed about on a regular basis by the politicians and the lobbyists and such. We believe it is the hemp and we call it the hemp loophole, the unintended loophole, and the outright illegal business, delivery and whatever else they're doing from D.C. We think it's a big number, but those are the numbers that we got from the government process that they used as part of the process for making it legal in the state on an adult use basis.

Again, it's a big thing. The hemp market, there's no question in our minds, we've been a leader on the hemp process in terms of turning the tide on that. But there's no question in our market that there's been—the hemp that's gone through in intoxicating forms, but also it's been an outlet for product coming out of California, Oregon, those types of states. No question. Yes, it's both and they're one and the same.

Kenric Tyghe

Thanks, Jim. Great color. I'll get back in queue.

Jim Cacioppo

Sure.

Operator

Thank you. Our next question comes from the line of Frederico Gomes with ATB Cormark Capital Markets. Please proceed.

Frederico Gomes

Hi, thanks for the questions here and congrats on the great quarter. Just want to talk more about Virginia and the capital investments that you're planning for that market. I guess you outlined some of them and that you're looking at alternatives in terms of financing. Can you maybe provide an estimate of the size of the investment needed for you to fully capture the opportunity in that market and when would you look to secure that financing? Thanks.

Jim Cacioppo

Yes, we are in the process of talking to banks. We're in the process of getting bids. We don't think it's appropriate for us and obviously we didn't put it in the script or anything to talk about either one of those. But that's our priority number one in terms of our capital. If you look at our cash balance, it's substantial. If you look at the financing we can get on real estate we own in the data center land where there's a ton of value to real estate and it's substantial.

We've had an appraisal done of our property and it was a very big, big number. We did about $9.5 million, $9.3 million of operating cash on the first half and that's pre-CapEx. We're generating cash in the second half. If you think about—if you do the flows of the cash flow, so we get adult-use approval. When would that be, John, I mean the approval for the second facility?

Jon Barack

Yes, Q4.

Jim Cacioppo

Q4 at some point. Then it takes about a year to build it. It's Q4 to Q4. Substantial portion of that capital will flow after Virginia is adult use. Once Virginia's adult-use we'll have plenty of cash flow to invest in capital expenditures. In other words, we really just have to put the cash forward until July 1 of 2027 and then we will be able to fund it out of our operations. We think it's very, very doable, which is why we're talking about it. As the largest Shareholder, the capital will be there. It just will be there, and we'll get it done and we're going to get it done with banks. But of course, there'll be some what we call equity capital.

If you looked at a project and said, we have $20 million of cash above our minimum cash requirement of $15 million on our balance sheet plus we generated $9 million so just take that. That gives us $33 million plus substantial bank financing. It's clear that it fits in that program. We're not concerned. I mean it's our job to be concerned but we're not particularly worried about getting that project done but we also are trying to verticalize Ohio and we're seeing some other opportunities for capital. We're trying to do it all. We're trying to do it without Shareholder dilution and especially given where the stock is.

Frederico Gomes

Perfect, thank you. Then just a second question here on your, I guess, strong Wholesale performance across markets here. You mentioned higher production volumes and better distribution I guess. How much more upside is there in terms of Wholesale and higher production in your current capacity right now or do you need to see—to execute more investments there to increase capacity?

Jim Cacioppo

No, we have capacity coming on. We have capacity to grow our business. In Virginia we're bringing on a grow room that takes us to seven from six and we brought on a room late last year. We haven't had the full cycle of that room that's already on. We have that there coming in and it's already planted; it's already had a harvest. But that room will improve. We also have improvements in the Virginia increased yield plus we have another grow room we're bringing on in Virginia as well. Excuse me, we have brought on another room in May. We have capacity coming on in Virginia from five, five and a half cycles for that room we brought on last year, a new room that we brought on in May and then we have additional capacity through yield improvement which we think is low hanging fruit. That's Virginia.

Pennsylvania, we have had tremendous yields. We've had the yield improvement to very, very high levels. In Pennsylvania we have new capacity coming on in these three rooms and we're just finishing off that capacity with HVAC. It's not a big number and so it's running at sort of 40% of its potential or something like that, some small potential of its potential because we don't have the proper HVAC in there right now.

That's just us committing to do it because we needed it and spending that extra money and also knowing we had a place to go with it. Those are those two states. Then Massachusetts is another big one. We call them the big three and on that one we've improved yields dramatically through a number of things, better genetics and some capital we put into the facility to increase the quality of the grow and the yields of the grow.

All that is causing us to have it in all of our three big growing processor states. Ohio is the one that I talked about where we need to do some investment in the grower-processor to verticalize to a bigger percent. We're only like 25% vertical right now there. Ohio is a big opportunity to grow for us. That's a known opportunity, no approvals required in change of laws or anything, we just need to do the project.

Frederico Gomes

Thank you very much.

Operator

Thank you. There are no further questions at this time. I'd like to pass the call back over to Management for any closing remarks.

Jim Cacioppo

Great. We appreciate everybody's attention and thanks to the employees again and we'll see you next quarter. Bye-bye.

Operator

This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.