



Jushi Holdings Inc.

Second Quarter 2021 Earnings Conference Call

August 25, 2021

C O R P O R A T E P A R T I C I P A N T S

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Jim Cacioppo, *Chief Executive Officer, Chairman and Founder*

Kimberly Bambach, *Chief Financial Officer*

C O N F E R E N C E C A L L P A R T I C I P A N T S

Russell Stanley, *Beacon Securities*

Robert Burleson, *Canaccord Genuity*

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Brian Kadey, *Canaccord Genuity*

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Graeme Kreindler, *Eight Capital*

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P R E S E N T A T I O N

Operator

At this time, I would like to welcome everyone to Jushi Holdings' Second Quarter 2021 Earnings Conference Call.

Today's call is being recorded.

I will now turn the call over to Michael Perlman, Executive Vice President of Investor Relations and Treasury. Thank you, sir, please go ahead.

Michael Perlman

Good morning. Thank you for joining us today for Jushi Holdings Inc.'s Second Quarter 2021 Earnings Conference Call.

Joining me on today's call are Jim Cacioppo, Chief Executive Officer, Chairman and Founder, and Kimberly Bambach, Chief Financial Officer.

This morning we issued a press release announcing our second quarter 2021 financial results. The press release along with unaudited financial statements are available on our website under the Investor Relations section and are filed on SEDAR.

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, which by their nature involve estimates, projections, plans, goals, forecasts and assumptions. Actual results could differ materially from those anticipated in these forward-looking statements.

The risk factors that may affect actual results are detailed in Jushi's Annual Information Form and other periodic filings and registration statements. These documents may be accessed via the SEDAR database. These forward-looking statements speak only as the date of this call and should not be relied upon as predictions of future events.

With that, I'd now like to turn the call over to Jim Cacioppo, Chief Executive Officer, Chairman and Founder.

Jim.

Jim Cacioppo

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

I would like to take a few minutes to review the significant progress we've made so far this year, provide an update on our second quarter performance and review key developments within our operational footprint. I'll then turn it over to Kim to review our financials, and then we'll open it up to questions.

To start, let's review our second quarter 2021 results. As previously announced, I am pleased to report that our revenue increased 14.6% to \$47.7 million. As compared to the first quarter of 2021, it increased approximately 220% year-over-year. Our second quarter sequential revenue growth was driven by higher revenues of the Company's BEYOND / HELLO stores in Pennsylvania, Illinois, California and Virginia, and increased operating activity at our Pennsylvania and Nevada grower-processor facilities.

In addition, we have continued to report the same positive Adjusted EBITDA in the second quarter of 2021. This was achieved as a result of continued revenue growth across the portfolio, supported by higher gross profit. Adjusted EBITDA was partially offset by an increase in staffing and expansion-related expenses as we invested in our growth in advance of new store openings, the opening of Ohio cultivation and manufacturing facility, and the build-out of our Pennsylvania and Virginia grower-processor assets.

I'd also like to highlight some of the operational achievements and progress we've made across the Organization. We continued to execute on our strategy to strategically expand our footprint, including opening our nineteenth and twentieth BEYOND / HELLO retail stores, optimizing and expanding our cultivation assets at Pennsylvania and Virginia, and entering new markets with our planned acquisition of Nature's Remedy of Massachusetts. In just a minute, we'll address each strategy in more detail in our state-level operations update, but first, I would like to note that I'm very proud that we have been able to establish a deep and talented Management team which includes some key hires we have recently made.

During the quarter, we welcomed Leo Garcia-Berg as Chief Operations Officer. Leo will be responsible for driving growth strategies and efficiencies, as well as coaching and developing team members across our grower-processor facilities. Leo has already hit the ground running and has begun to introduce what we call Jushi Production Systems, or JPS, which is based on lean manufacturing principles and has the objective of producing our products in the most efficient way and with the highest standards of quality. Under the JPS routine, our teams will focus on eliminating waste, reducing variability of results and adding flexibility to our production systems to match our customers' needs.

We are also very pleased to welcome Marina Hahn to our Board of Directors. Marina joined Jushi's Board as an experienced consumer product and marketing industry leader. She has a strong track record of building culturally relevant consumer brands and disruptive new product categories, as well as driving value creation across start-ups, turnarounds and Fortune 500 corporations.

Subsequent to quarter-end, we appointed Brendon Lynch as our Executive Vice President of Retail Operations. Brendon brings decades of retail experience to Jushi that he refined and developed while working with companies such as Anthropologie, Rudy's Barbershop, TOMS, David Yurman and The Gap. He will be responsible for leading Jushi's retail strategies, including overseeing our retail footprint in core markets, as well as introducing and expanding in-house delivery services.

Now let's take a closer look at our U.S. operations state-by-state. Let's begin with Pennsylvania. During the second quarter, we opened our twelfth and thirteenth medical dispensaries in the Commonwealth of Pennsylvania. With the opening of these new locations, we have broadened access to more Pennsylvania patients, as well as expanded the reach of our newly introduced suite of highly innovative branded products: The Bank, The Lab, Nirax and Sèche. We expect to open our fourteenth BEYOND / HELLO dispensary in Pennsylvania in just a few days and anticipate opening an additional four locations for a total of 18 dispensaries by year-end.

At the retail level, we remain focused on strong in-store staffing and inventory management to improve the patient experience. We have also partnered with leading grower-processors to offer a more tailored product assortment, focused promotional activity to align our patient's purchasing patterns, improved in-store visual educational tools, and have integrated additional technology solutions to streamline the purchasing process. We have also implemented local grassroots programs, including sponsoring concerts, festivals and health-oriented types of activities where we look to deepen our relationships with local communities. The success of our in-store efforts can be measured by patient reviews. We are and have been, for some time, one of the top-rated cannabis dispensaries in Pennsylvania according to Google Reviews.

We have also made significant progress redesigning and implementing operational improvements at the approximately 89,000 square foot Scranton-based grower-processor facility. We plan to introduce new technologies including hydrocarbon extraction in December 2021, which is expected to increase extraction productivity by four times and produce a much higher quality product. The redesign and ongoing construction of the Pennsylvania grower-processor facility has resulted in the takedown of several productive grow rooms, which has had the short-term impact on revenue and profitability. However, we are making these changes with a long-term view and expect these enhancements to result in increased efficiencies and improved long-term productivity as we scale up the facility's operations to meet the inevitable demand associated with the adult use market.

When we announced the acquisition of the Pennsylvania grower-processor last summer, we discussed an expansion to approximately 130,000 square feet. Since then, we have added many parcels of land to our footprint, and now, we are close to being able to expand to over 300,000 square feet. With over 300,000 square feet of total plant capacity, the initial 89,000 square foot facility will become the center of

all operations, with a much larger manufacturing and post-harvest operation that will support the larger facility.

As reported earlier this year, we commenced Phase I of the expansion of the Pennsylvania grower-processor facility. Phase I of the expansion, which is expected to be completed by the first quarter of 2022, will add approximately 40,000 square feet, bringing the total square footage to approximately 130,000 square feet and total canopy to approximately 45,000 square feet. We expect Phase II of our planned expansion to begin in the first quarter of 2022, which would add an additional 60,000 square feet to the building for a total of approximately 190,000 square feet. Phase II of the expansion would increase total canopy from 45,000 square feet to approximately 110,000 square feet and increase biomass capacity from approximately 30,000 pounds to approximately 70,000 pounds. We expect Phase II of the expansion to be completed in the third quarter of 2022.

Moving on to Illinois. We are pleased to announce that Jushi's partner, Northern Cardinal Ventures, LLC, was awarded a conditional retail dispensary license in Illinois via the state's lottery process. The dispensary location is designated for the Peoria Bureau of Labor Statistics region in Illinois and will be BEYOND / HELLO's fifth location in the state. As of the second quarter, we operate four high-performing BEYOND / HELLO retail stores. Two of those stores are located in Sauget, adjacent to downtown St. Louis, and two are in Bloomington-Normal metro area.

Revenue in Illinois for the second quarter of 2021 remains robust, driven primarily by the successful procurement and promotion of in-demand adult use and medical products, which has led to improved product availability, more tailored product offerings and an improved in-store customer experience.

Also leading to an improved retail customer experience was the introduction of a new host role within each store that is focused on assisting customers who are looking for a more curated shopping experience. The host is available to walk the customer through the menu, show them product, offer suggestions and roll them into our loyalty program, The Hello Club, if they choose to join. This has resulted in improved customer engagement and an increase in loyalty club members, and provides a differential in-store customer experience. Since the rebranding at the beginning of the year, the overall THC membership has doubled, with the average THC member visiting our store 77% more than a non-member and spending 60% more per visit in the second quarter.

As we move into the second half of the year, our two Sauget locations should benefit from increased traffic as nearby clubs and entertainment venues get back to 100% capacity, while our two Bloomington-Normal locations should see increased activity as local universities transition back to in-person learning this fall.

Moving on to Virginia, let's begin by providing an update on our retail business. In December 2020, we officially began serving patients in-store at our BEYOND / HELLO Manassas dispensary. Since opening BEYOND / HELLO Manassas, we have focused on driving improved patient experiences by identifying patient needs, reducing wait times and conducting more efficient pharmacist consultations.

In the second quarter, we introduced a pilot delivery program that serves BEYOND / HELLO Manassas dispensary patients. Since rolling out the program, we have seen a meaningful increase in demand for our delivery services. As a result, we expanded the number of days we offer delivery from three to five days, and we will likely expand to seven days a week as demand for delivery continues to grow.

We expect to open one additional BEYOND / HELLO branded medical dispensary before year-end, with an additional four dispensaries opening in 2022. The five new Virginia locations are expected to be free-standing buildings that range from 7,500 to 10,000 square feet, which is about twice the size of our Pennsylvania location. These new stores will be in prime locations, be conveniently located near

highways, have drive-through access and upwards of near 50-plus parking spots. The stores will also feature 15 to 20 or more point-of-sale stations and a separate delivery vault supported by a dedicated delivery space to capitalize on Virginia's delivery potential. We are targeting opening the new dispensaries in high-density locations like Sterling, Fairfax, Alexandria, Arlington and the Woodbridge area.

I would now like to provide an update on our Virginia grower-processor facilities. In December 2020, we completed the initial 30,000 square foot build-out of the 93,000 square foot vertically integrated facility operated by Dalitso, LLC, our 100% owned pharmaceutical processor permit holder. In May 2021, we began Phase II of the expansion, which is expected to add approximately 63,000 square feet of cultivation, manufacturing and processing capacity, and should be completed by the second quarter of 2022. At full capacity, the facility will produce approximately 14,000 pounds of biomass annually.

We are also in the design phase of constructing a second connected on-site building that would also be built out in two phases. We expect Phase I of the second building to add approximately 100,000 square feet and 50,000 pounds of biomass for a total of approximately 190,000 square feet and 64,000 pounds of biomass annually. We expect to be able to complete Phase I of the second building by late 2022 or early 2023. Phase II would add another 65,000 square feet to the facility and 50,000 pounds of biomass production for a total of approximately 250,000 square feet and 115,000 pounds of biomass.

Subsequent to quarter-end, we announced a series of upcoming launches of cannabis brands and products in the Commonwealth of Virginia, beginning with the debut of our vaporization brand, The Lab, and our infused product brand, Tasteology. While it is still early, we have seen meaningful increase in revenue and gross profit after launching these two brands within our retail storefront. In September, pending Virginia Board of Pharmacy approval, we expect to launch our award-winning flower brand, The Bank, and our value flower brand, Sèche, in Virginia.

In order to understand the potential revenue impact of adding flower to our medical program, we can look to Florida, as it offers a glimpse into the potential increase in revenue that Virginia may experience in the months following the launch. With flower launching in Florida in Q1 2019, the patient count increased 21% in the first quarter and by 77% in the first year.

Let's take a look at our Ohio operations. We expect to close on our acquisition of Franklin Bioscience Ohio, LLC, a licensed medical cannabis processor in Ohio, in the coming days. We have also recently launched a series of brands and products in this space beginning with the debut of Sèche, our fine flower line, which is currently available for purchase at partner dispensaries across the state. We plan to follow the Sèche brand launch with the debut of Tasteology, our brand of premium real fruit cannabis-infused gummies and tarts.

At the 8,000 square foot processing facility that utilizes CO2 extraction, we plan to introduce our second type of extraction capability, hydrocarbon, by the end of the year, which will allow us to begin production of our first live resin products in the first quarter of 2022, assuming we receive all necessary approvals. At scale, we project that the facility is capable of processing over 10,000 pounds of biomass annually.

In July, we completed the acquisition of OhiGrow, LLC, and Ohio Green Grow, LLC, or collectively, OhiGrow. OhiGrow holds a Level II cultivation license that allows for an initial 3,000 square feet of cultivation area. OhiGrow starts production this month and expects its first harvest by December 2021. OhiGrow will operate approximately 2,200 square feet of canopy and expects to produce approximately 1,500 pounds of biomass annually to start. OhiGrow has the right to apply for regulatory approval necessary to expand the cultivation area, ultimately up to the maximum of 9,000 square feet, which is expected to produce approximately 10,000 pounds of biomass per year.

These two acquisitions solidify our presence in Ohio and move Jushi one step closer to full vertical integration within the state. In April 2021, the state's Board of Pharmacy approved the licensing of 73 new dispensaries, totaling 130 across the state. The increase in the number of dispensaries in Ohio is expected to result in more favorable pricing for potential acquisitions, as many of our peers are already at or near the max capacity of five dispensaries. We are currently evaluating several retail opportunities, including submitting applications, and look forward to providing you with an update on our progress in subsequent quarters.

Let's move to the West Coast and review our California retail operations. During the second quarter, we closed on our Palm Springs acquisition and now operate two stores in California: one in Santa Barbara and one in Palm Springs. We expect to open a third California store in Grover Beach during the fourth quarter of 2021 and have moved forward in the merit-based application process for a storefront retail and ancillary delivery permit in Culver City, California. As a reminder, the Culver City dispensary will be a bespoke ground-up build, with the expectations for it to open in mid-2022.

In Santa Barbara, from an operational perspective, we remain focused on product selection, product diversity and improving our inventory management. At our Palm Springs location, we are moving forward with a full-scale remodel of the store, which we anticipate completing before year-end.

Turning to Nevada. In April, our subsidiary completed the previously announced acquisition of 100% of the equity of FBS Nevada. FBS Nevada holds a license to operate cultivation, production and distribution facilities in North Las Vegas. FBS Nevada operates in one of two company-owned 7,500 square foot adjacent facilities and has upgraded the facilities with state-of-the-art indoor double-stack cultivation that yields approximately 2,800 pounds of biomass per year. To better serve the Nevada market, we plan to connect the two facilities to create a single production space for a total of approximately 16,600 square feet. The expansion is expected to more than double cultivation capacity to approximately 6,500 pounds per year. The expansion is expected to be completed by the fourth quarter of 2022.

FBS Nevada has partnered with third-party extractors to produce its suite of high-quality vape products and concentrates under our award-winning brand The Lab and offer prepackaged flower infused blunts under award-winning brand The Bank. We have also introduced new products, including edibles under the brand Tasteology and fine flower and prerolls under the brand Sèche.

Finally, let's review our planned Massachusetts acquisition. In April 2021, we entered into a definitive binding agreement to acquire Nature's Remedy of Massachusetts, a vertically integrated single-space operator for a total consideration of up to \$110 million. Nature's Remedy currently operates two retail dispensaries in Millbury and Tyngsborough and a 50,000 square foot cultivation and production facility in Lakeville, Massachusetts. The Lakeville facility's flower canopy encompasses approximately 19,000 square feet, which Nature's Remedy expects to expand to approximately 31,000 square feet during the second half of 2021.

In addition to the planned acquisition, Nature's Remedy is also evaluating further expansion opportunities in the existing Lakeville industrial complex as well as almost 10 acres of land owned by Nature's Remedy in Grafton, Massachusetts. The Lakeville facility could potentially accommodate an additional 18,000 to 20,000 square feet of flower canopy through the expansion into approximately 26,000 square feet of adjacent space in the existing building. The 10 acres of land in Grafton could accommodate a 35,000 to 40,000 square foot facility with approximately 18,000 square feet of flower canopy.

Our entrance into Massachusetts marks the seventh state where we will operate cannabis assets and the third state where we will have full vertical integration. I'm pleased to report the acquisition of Nature's Remedy is expected to close in September. Although our stock price has declined since the

announcement, we expect the acquisition to be as robust as when we announced the deal. We plan to provide more specifics when we close the transaction.

I would now like to ask Kim to review our financial results for the second quarter before we discuss our 2021 outlook.

Kim.

Kimberly Bambach

Thanks, Jim, and good morning, everyone.

Before starting, as a reminder, the results we'll be going over today can be found in our financial statements and MD&A and are in U.S. dollars.

Revenue in second quarter 2021 increased 14.6% to \$47.7 million compared to \$41.7 million in first quarter 2021. The increase in revenue was driven primarily by solid revenue growth at the Company's BEYOND / HELLO stores in Pennsylvania, Illinois, California and Virginia, and increased operating activity at our grower-processor facilities in Pennsylvania and Nevada.

Gross profit in second quarter increased 9.2% to \$21.9 million compared to \$20.1 million in first quarter 2021. The increase in gross profit was a result of higher revenues, partially offset by a decrease in net overall margins due to promotional activity within the quarter.

Second quarter net income was \$4.8 million or \$0.03 per basic share with net loss per diluted share of \$0.09 compared to a net loss of \$26.8 million or negative \$0.18 per basic and diluted share in first quarter 2021. The \$31.6 million improvement in net income in the second quarter was primarily driven by the gain on the fair value derivative liabilities of \$21.1 million. The net loss of \$0.09 per diluted share in second quarter was due to the dilutive effects of the derivative warrants as accounted for under IFRS. The fair value gain on the derivative warrants is removed from basic earnings to calculate dilutive loss, which is then divided by the diluted weighted average number of shares.

Adjusted EBITDA in the second quarter of 2021 was \$4.6 million compared to Adjusted EBITDA of \$4.5 million in first quarter 2021, as updated for current period presentation.

The increase in Adjusted EBITDA was driven by higher revenues and gross profit. As a reminder, we have defined Adjusted EBITDA, a non-IFRS measure, as EBITDA before fair value changes included in inventory sold and biological assets, share-based compensation expense, fair value changes in derivatives, gain/loss on debt and warrant modifications, gain/loss on investments and financial assets, acquisition and deal costs, severance costs, startup costs and gain/loss on legal settlements.

More information regarding the Company's use of non-IFRS financial measures can be found in the Company's Management Discussion & Analysis for the three and six months ended June 30, 2021.

Turning to the balance sheet, as of June 30, we had \$126.8 million of cash and short-term investments for total current assets of \$164.3 million and current liabilities of \$60.2 million. Net working capital at the end of the quarter was \$104.1 million. Our reported cash balance does not include the proceeds we expect to receive pursuant to the approximately \$14 million interim arbitration award.

The Company incurred approximately \$32.8 million in capital expenditures during the quarter and \$41.5 million year-to-date. We expect to incur an additional \$65 million to \$85 million in capital expenditures for

the remainder of the year, subject to market conditions and regulatory changes, of which a portion will be funded through our Pennsylvania grower-processor sale leaseback facility.

As of June 30, the Company had \$85.1 million principal amount of total debt, excluding leases and property, plant and equipment financing obligations. We are in discussions with several potential financing partners to secure funding for retail locations in Virginia as well as our Manassas facility, which we purchased for \$22 million in cash earlier in the second quarter. In addition, we are also considering further options on the debt facility to fund the cash portion of acquisitions.

Lastly, on August 9, the Company announced that all issued and outstanding super voting shares and multiple voting shares of Jushi were converted into subordinate voting shares of Jushi in accordance with the terms of the super voting shares and multiple voting shares. The outstanding warrants to acquire super voting shares and multiple voting shares were also converted into warrants to acquire subordinate voting shares without any amendment to the other terms. Following these conversions, there are no super voting shares or multiple voting shares, or warrants issued and outstanding. As of August 20, 2021, the Company had 172.4 million subordinate voting shares.

I would like to turn the call back over to Jim to discuss our outlook.

Jim Cacioppo

Thank you, Kim.

Looking ahead to the remainder of the year, we expect to open an additional seven BEYOND / HELLO dispensaries, add two additional dispensaries and the grower-processor facility in Massachusetts through the acquisition of Nature's Remedy of Massachusetts, and continue to build out our Pennsylvania and Virginia grower-processor facilities, which will fuel our business as we head into 2022.

Assuming our Massachusetts acquisition closes late in the third quarter, we are revising our full year 2021 revenue guidance range from \$205 million to \$255 million, to \$220 million to \$230 million, and our 2021 Adjusted EBITDA guidance range from approximately \$40 million to \$50 million, to \$32 million to \$37 million.

The reduction of Adjusted EBITDA guidance relates to, one, the Virginia market developing slower than we initially forecast, mostly due to flower launching in September versus our assumption in July; our pivoting to a larger store format in Virginia; and the timing and regulations associated with the adult use program in Virginia, which resulted in new store openings being delayed.

Two, reducing of flower room capacity at the existing 89,000 square foot Pennsylvania grower-processor facility to accommodate post-harvest expansion related to expanding to a much larger facility than initially anticipated at acquisition in the summer of 2020.

Three, growth in corporate overhead that reflects the opportunity and challenges of the very significant growth that is associated with the larger-than-planned grower-processor expansion and with the upcoming adult use market in Virginia and Pennsylvania, both of which may happen by 2023.

Originally, we believed our guidance would have more of a buffer due to potential acquisitions closed in 2021, but we were less aggressive in mergers and acquisitions this year due to several factors, including the need for capital for the larger-than-expected grower-processor expansion in Pennsylvania and Virginia as we anticipate an increase in demand resulting from future adult use markets in these two states.

We believe the most accretive investments we can make today are capital investments in our existing licenses. However, we see a very robust M&A pipeline and expect to continue to pursue accretive acquisitions, including acquiring assets that will allow us to strengthen our position in existing markets and help us to move closer to our goal of being vertically integrated in all states we operate in. We will also selectively enter new limited license states that offer the best risk/reward for our shareholders without meaningfully diluting our industry's year-over-year organic revenue growth rate, meaning the growth rate exclusive of acquisitions. These acquisitions also must be immediately value accretive, based on our own Adjusted EBITDA trading multiples.

I'm very pleased with how 2021 developed for Jushi and are set up for what should be industry-leading organic revenue and EBITDA growth rates for several years to come.

Lastly, I'm excited to provide full year 2022 guidance. For the full year of 2022, we expect revenues to be between \$375 million to \$425 million and Adjusted EBITDA to be between \$110 million to \$130 million on an IFRS basis. We have built out a robust, rapidly growing footprint in some of the most exciting markets in our industry and are well positioned to execute on our growth strategy to continue to drive long-term shareholder value.

Thank you again for your time.

Operator, please open the call for questions.

Operator

Thank you. Our first question is coming from Russell Stanley of Beacon Securities. Please go ahead.

Russell Stanley

Good morning and thanks for taking my question.

Maybe the first question, just around the introduction of '22 revenue and EBITDA guidance. I think when you originally introduced your '21 guidance, you provided a bit of a breakdown around how you expect the individual state contributions to contribute. I'm wondering, maybe not exact numbers, but if you can provide, I guess, a bit of similar help around '22 and how you expect that to look.

Jim Cacioppo

Hi, Russell, thanks for the question.

In terms of the detail that we provided last year in October, I know we did that guidance on October 1. Last year, the growth rates were just so tremendous and we just felt we needed to give people sort of a base of where the Company was going, market by market. This year, you sort of have our base—we do almost \$200 million of revenues annualized in the second quarter, so we feel like there's enough information out there now. Feel free to call Michael Perlman, but we don't want to issue guidance with that level of detail. Some of our competitors don't even issue any guidance, and we feel like we're one of the more disclosive (phon) of the large billion dollar plus companies. This is our policy, and I think last year was the exception because the ramp-up was so severe.

You could talk to Michael, he could try to provide you with more color on different things.

Russell Stanley

Got it, appreciate that. Just my second question around the Capex outlook for H2. I understand part of that's to be covered by the sale leaseback that you made \$30 million available back in April. I guess just wondering what you think your net out of pocket Capex would be in H2 and if you have preliminary thoughts on '22 at this point. Thanks.

Jim Cacioppo

Yes, in terms of Capex for the rest of the year, the Pennsylvania facility was not fully drawn before we increased it, so we think potentially \$35 million to \$40 million could get drawn against that. We have many, many offers on our Virginia real estate. I will point this out. We bought the underlying real estate for \$22 million, but we had about \$15 million of Capex already in that facility when we purchased it, and we're putting more in. If you look at the loan to value of that, it could be quite high. We haven't done the Virginia financing yet, not because it's not available, but because we've been—well, we have a robust balance sheet to start, and the rates were coming down, the credit markets were quite robust. We have multiple, almost a half dozen sale leaseback proposals with very high loan to value ratios with very competitive interest rates relative to what we've had in the past.

We have term loans from institutions and we have some banks interested, or have had some banks interested. It's a process of us really getting the best long-term financing in place, where you're keeping in mind the fact that with federal legalization maybe on the horizon in the next 12 months, that your cost of credit could come way down. We're really trying to do that, as we should, to get the best cost of capital for our shareholders in Virginia.

When you look at that, most of that capital is in the grower-processors, and almost all of that will be financed at this point, because we already have the equity capital in both Pennsylvania and Virginia. We've already put that capital out in both places. Most of that will be financed; the only part that will not be financed over time will be the stores.

Russell Stanley

Got it. Thanks for the color. I'll get back in the queue.

Operator

Thank you. Our next question is coming from Bobby Burleson of Canaccord Genuity. Please go ahead.

Robert Burleson

Hi, guys, thanks for taking my questions.

I guess the first one is just back to the revised 2021 guidance. It sounded like you had, like you said, some buffer originally in there that you thought would be made up for with acquisitions that you ended up not pursuing. Curious, in 2022, whether or not you've done something similar in terms of providing yourselves a buffer that might come from acquisitions and kind of how big that buffer is so we get some sense of what the organic is versus the inorganic.

Jim Cacioppo

Great, thanks, Bobby, good question.

Yes, we do have buffers in there. First of all, going back to '21, I'm actually quite proud of our performance relative to what we had guided. Remember, we guided October 1 of 2020, so it was almost

a year ago. We'd just come in a touch lower on EBITDA, mostly for things under our control that—we changed what we did and we're kind of toward the middle of the range in revenue, so I'm quite proud of what we did.

Jushi's policy is to be conservative and meet our projections. We never have withdrawn projections, we've never had these huge changes in projections which caused a lot of volatility to shareholders. Yes, so there's buffers for acquisitions. We were somewhat conservative on Virginia, because it's a new market, so we have conservativeness built in in several areas. We feel good about the numbers and we hope to do very well relative to our guidance.

Robert Burleson

Great. Then I know that it's hard to really predict this, but based on the cities that you guys are focused on in that part of Northern Virginia and what you've seen with stores in other high-performing markets, what's your sense of how those stores might perform in terms of... Do you expect higher-than-average store performance in terms of annual revenue in that market? Do you think you'll get there in '22, or is this something that, really, we won't get to that run rate until '23? Maybe comparing to what you're doing in Illinois and some other really strong markets that you're performing well in.

Jim Cacioppo

Yes, in Illinois, we have two stores in the Sauget area, and before the second store was open, we had a medical store which was underinvested in, not a lot of POS's. We'd frankly have lines between 30 minutes to 60 minutes. That store at its peak before we opened the second store did about low \$30 million annualized in sales. Then we opened the second store, and we purposefully cannibalized that store and got customers to go the second store so there was less wait. Those stores are doing mid-20s each, they're about the same. By the way, we think they can do more once the clubs open up close to the newer Sauget store, which we call Route 3.

I think that's a good example of adult use, high-performing store. I've seen stores that are very well positioned with limited competition in markets that were just opened up doing as much as \$50 million. I think these stores can do very, very well. I'm not projecting anything on a store-by-store basis, but I think that gives you—sort of that high-end, which we've experienced, in, I think, a store that was doing way more than it should've because of the 5,000 square feet or 4,000 square feet, and limited number of POS's, set up wrong, the whole thing. We inherited that in an acquisition.

When you look at that versus what we're doing in Virginia, I don't see why we wouldn't be at the high end of that range.

Robert Burleson

Okay, great. I guess, the '21 guidance is predicated on the Massachusetts transaction closing. How would you handicap that transaction? Is it pretty much just going through red tape; are there any kind of real obstacles there?

Jim Cacioppo

No. We're at the tail end of the approval processes, for when you get the last approval. We have HSR, a Hart-Scott-Rodino, expired. We've gotten the Cannabis Control Commission, which are the two biggies. Then it's just a matter of getting through the local stuff, and then there's some waiting period. Then once we say "Oh, let's go", there's about a 10-day period for you to actually close it, where the lawyers and our

internal people wire money and get all the paperwork finalized. I think we're going through that very tail end process at the moment with minimal risk on the regulatory side.

Robert Burleson

Great, thank you.

Operator

Thank you. Our next question is coming from Kenric Tyghe of ATB Capital Markets. Please go ahead.

Kenric Tyghe

Thank you and good morning.

Jim, I'd like to focus in a little more on Pennsylvania. We've seen both yourself and one of your major wholesale-focused competitors in the space either in the midst of an expansion taking down rooms or more rooms than were expected. Can you sort of speak to supply/demand balance and dynamics in the Pennsylvania market today? Perhaps how much more disruptive you're taking down of those rooms proved in-quarter and then I'll circle back with a follow-up, just understanding the Pennsylvania promotional market in the context of that supply/demand balance.

Jim Cacioppo

Yes. Thanks for the question, Kenric, good question.

Basically, we inherited this facility through an acquisition, and then we went in there. Originally, we had planned 130,000 square foot is what we announced, to go back to the announcement. We bought some parcels of land around it so we were able to do another expansion up to 190,000 square feet. When you do that, the whole flow of the facility changes; one expansion's on the East side of the building, the other expansion is the West side of the building.

The middle of the building becomes the hub where people enter, employees enter. That's where you have your lockers and all those types of things. Then that's where manufacturing is, and that's where the post-harvest trimming, bucking and all that other stuff that happens. It was just a matter of taking down rooms to expand manufacturing and post-harvest activities so we could scale those to what could be a 300,000 square foot facility and getting the flow to be the most efficient flow so we could be a low-cost provider for years to come.

That's what happened. I don't think it's major; I think it's minor change. Again, we just were under our EBITDA, low landed, and some of that was because we ramped up G&A because we see adult use coming in January. There's multiple reasons, I don't want to overplay that one, so that's why we did that. In the process, we've also refurbished the grow rooms, some of the grow rooms which are coming back online, a couple are coming back online in the third and fourth quarters. We're seeing benefits that we're through the nadir, the low point of that, for sure.

I think it's a great long-term decision, and naturally when we closed the acquisition, we didn't have architects in there, we didn't have this huge expansion sort of papered out. It's natural that something like that may happen, and it's relatively minor relative to what we're doing in terms of the expansion.

In terms of the demand and the market and supply/demand, yes, a lot of supply has come on in Pennsylvania, but demand keeps picking up. Stores are opening up. There's quite a few more stores

opening up, so for instance, Jushi's been, on average for the market, I think we caught up. We may be above average this year because we've gotten really good at it. We reduced the time in opening stores quite dramatically from what we used to do last year, and by the way, typically on budget or below budget this year.

You're seeing stores open up, and the GPs open up in very large amounts, and stores come online in smaller amounts because the stores are much smaller than the GPs. I think you're going to see some balancing of the market going into the first quarter of next year as more stores open, and people are rushing to open their stores to get set for adult use in Pennsylvania, and just because there's no value in a license since they're a great market. A solid license doesn't create any cash flow for a company.

We think all that's happening, and we think the best example for what probably happens in Pennsylvania is Illinois. What you saw in Illinois is, as you got closer to adult use, the big grower-processors, the well-financed folks built up grower-processors in anticipation of adult use and then you had... The worst point of pricing was in the year before adult use, it was in the first six months of that year, because that's when these things were coming on. In the last six months of the year, you tended to see people hold back inventory for adult use, because you have this 3x demand when it goes adult use.

I think the low point pricing will be the first six months of next year. It won't be that bad, but who knows, we'll see. I don't think it'll be—it's more like 10% kind of thing, but that's a rough guess. That's not something we're the world's expert on, supply/demand. The second half of the year, we anticipate adult use by January 1 of 2023, and the second half of the year, you will see people sort of holding back from inventory for the expected pop that you'll get in the first quarter of 2023.

Kenric Tyghe

That's what I thought, thanks, Jim.

Just one quick second question for me here on Virginia. Is the delay in flower through to September from July, is that medicine that needs to be taken and you think potentially is net positive for the evolution of the market and the market being able to actually support what is expected demand and it's a case of taking the medicine now yields dividends for the market and the existing players down the line while everybody gets their houses better in order than they were? How should we frame up and think about the flower delay in Virginia and the readiness of the market in Virginia in that context?

Jim Cacioppo

Yes, I would look at the flower delay, honestly, as a very small bump in the road. You don't have to go to the tire store to get a realignment of your tires if you hit the bump. This is a very small thing. To sort of nail when regulators are going to do something within a three-month timeframe, I'm actually pretty proud of getting it within three months. I know people, particularly in New Jersey, at the beginning of this year and the middle of this year, and six, nine months off, and some folks who don't have their facilities up and going in New Jersey are going to be 12, 15 months different from what they were saying.

I actually think we were pretty close, and I'm pretty proud of that. Flower coming into a market, in a medical market, I cannot stress how important that is for patient counts going up and for the growth in the market. You saw it in Florida. Patient counts went up, revenues went up quite dramatically in the first nine months. We saw it in Pennsylvania. We had better statistics than Florida, so we actually talked about that in the prepared remarks, but in Pennsylvania you saw the same thing. Typically flower is 50% of the market, and if you are not offering flower in a medical program, then a lot of people are going to stay in the illicit markets. That's the bottom line.

Kenric Tyghe

Great, thank you, I'll leave it at that.

Operator

Thank you. Our next question is coming from Brian Kadey of Canaccord Genuity. Please go ahead.

Brian Kadey

Hi, Jim.

I just wanted to sort of circle back to those numbers you mentioned, the output in Pennsylvania, 70,000 pounds, and Virginia, 115,000 pounds. If I remember, in Illinois, retail prices were something like \$10,000 a pound, so those are pretty big revenue numbers. Can you give us a little more detail on how that'll impact EBITDA going forward?

Jim Cacioppo

Yes, thanks, Brian.

Yes, good question. We try to be, going back to what Russell—we try to provide information so everybody could run their models for the out years, including 2023, and we're very positive on 2022 and very confident we're going to hit our projections that we put out, the guidance. I would note that our EBITDA is increasing in 2022 from 2021 at a multiple of 4.2 times, but midpoint to midpoint more or less, 4.2 times. That's a huge multiple increase in 2022, super proud of the inflection there.

Then in 2023, what we've shown the market is you can do the math there. You can take the 70,000 and 115,000. I would look at Illinois as a stock analyst; I used to do that in my early days. I would look at that, and if you do that math, you'll see that our EBIT—because profitability goes way up for a vertical business, because—I mean, I think most people on this call know this, but when you're selling to your own retail, so let's say we're targeting about 30%, 35% to our retail from our grower-processors, we think that's very achievable, there might be upside to that. That doesn't count as a sale, that just brings down your cost of goods sold, and all that margin is captured in retail.

Your margins go way up, and I think our multiple in 2023, the increase in EBITDA in 2023 will be lower than what happened between '21 and '22, but it won't be that much lower. It'll be a huge uptick, assuming Virginia and Pennsylvania both go adult use by January 1 of 2023, which is our base case assumption in our out years.

Brian Kadey

Great, that's very useful, thanks.

Operator

Thank you. Our next question is coming from Jason Zandberg of PI Financial. Please go ahead.

Jason Zandberg

Thanks for taking my questions.

Just wanted to quickly talk about California. I know you only have a limited presence there in Santa Barbara and Palm Springs, but just wanted to get your take in terms of how those stores are performing, either on an absolute basis or relative to your expectations.

Jim Cacioppo

Great, thanks for the question on California.

California, it's a market we've spent a lot of time in, and relative to the time spent, we've done very little. I would note, from a shareholder perspective, there's a tendency for investors or corporate leaders to spend all this time and say, "You spent so much time, let's just do the deals. Just sell it for some cost." We've spent years in California, and I think we've gotten real dividends out of it in terms of our branding. If you look at Tasteology, our edibles, they're California quality, and of course we look to what's happening in California, because they really have some of the best products in the country.

If you look at people across the country and the world who buy illicit products, they prefer California styles and they're very notable. I think we've gotten dividends on understanding that market. I think Tasteology is probably the biggest example of that.

But in terms of our view of the market, we've really gone slow and we've gone slow because the market is somewhat mature and we feel like people and the price expectations for sellers has been too high, because the growth is limited. Of course, I laid out the Jushi growth for the market in 2022, and I gave you some ways to analyze it in 2023. These are industry-leading growth rates on EBITDA and revenues. This is organic growth; this isn't acquisition-led growth. I have to give up that new super-high growth for a fairly mature acquisition, so I have to get something for that.

The answer for you on California is, we've gone slow. The stores were the most COVID-affected of all of our stores and continue to be. You see what's going on in the state, they're doing a recall. It's very early; we don't have a lot of data, because we just really have the Santa Barbara store. Palm Springs, it is a great location, but it's a horrible store; we only paid \$1.5 million upfront for it and we have some seller notes that go on forever. If you discount those back, we didn't pay much for it, and we're doing a complete redo of it.

We're still at a beta stage of understanding California. Early reviews is, it's a somewhat competitive market and prices are too high, so we're going to go slow with California; but we have a few deals in the pipeline with some great prospects, some great sellers. We think they're going to fit right in and we have two more stores opening up. If we have four by the second quarter of next year and we do a couple more acquisitions, and then we have a pipeline with three or four earlier stage, we could get to 10 stores, and at that point I'll have more data for you about what we think. It's pretty limited right now.

Jason Zandberg

Okay, fair enough. Then if I could switch over to Illinois, just in terms of your retail inventory levels. I know the supply has been tight in that state. Just wanted to get your thoughts or what that retail inventory looks like in Q2 and then coming out of Q2 into Q3, if that's possible.

Jim Cacioppo

Yes. Supply I don't think is tight anymore in Illinois. We're not finding it difficult to keep our vaults full. We have the highest amount of inventory; we measure that, we're aware of what we have. We actually haven't had a ton of issues for inventory as a Company, even going back to last year, because we have good relationships, we pay well, we have this great retail franchise in Pennsylvania. A lot of those grower-

processors want to get on our shelves in Pennsylvania, so we never really had a problem. Once we managed it correctly last year, the April-May timeframe, we really got more focused.

I would say that you're seeing prices come down a bit from the grower-processors. I would say that's—and the volumes, a lot more stores are coming on. I would say that's not the highest growth portfolio we have in our portfolio, but we're doing really, really well. It's kind of a cash cow for us and growing at a decent pace.

Jason Zandberg

That's good to hear. Thanks for your answers.

Operator

Thank you. Our next question is coming from Graeme Kreindler of Eight Capital. Please go ahead.

Graeme Kreindler

Hi, good morning, and thank you for taking my questions here.

I just wanted to follow-up with respect to the revised guidance in Fiscal 2022. When looking at the implied EBITDA margin into Fiscal '22 from '21, the margin is expected to double. I know, Jim, you outlined a number of the different expansion initiatives across the various states. With a lot of those projects looking to be completed or phases of those projects looking to be completed middle of the year, towards the end of the year, I'm just wondering what that scaling impact will have for the overall EBITDA margin, and particularly thinking about the gross margin here. Just wondering if you could provide some color on the moving parts and why you're confident in the fact that the margin is going to increase substantially in '22. Thank you very much.

Jim Cacioppo

Yes, thank you, Graeme.

I would say we announced a delay in those projects of three months. I think it's coming in at two months because we were conservative. We like to get the bad news out fully and all at once. But that was not in our control; that was supply chain stuff, mostly the AC, the humidifiers and all those types of equipment. We were able to mitigate that delay by switching vendors and stuff like that.

We think those plants are coming on earlier than we had suspected, and I think they'll be finished early in the year or late this year, in Virginia, I think. We'll be able to plant them and go through that cycle. They're coming on actually in the beginning of the year, in the first half of the year. I think you could start to see some of that in early Q2 as flower room sales, so we think it's well timed for adult use. If you remember what I said about the first six months of next year may be the lower point in prices and then the last six months being where medical prices go back up because people are holding onto some inventory, I think we're well timed for that.

We're very confident in our EBITDA margins, and I'd point out that, if you remember what I said earlier, we plan to sell, at the low end, between 30% to 35%, which may be our target, but we may work it up over time, through our own system. Those sales don't count as sales. You're actually putting that product into your stores at your cost, which is hundreds of dollars a pound, and you're selling it for thousands of dollars a pound. Your gross margins go way up and your EBITDA margins go way up when you do that.

That's why our margins are lower this year than if you look at the vertically integrated players, because we have retail margins. About 90% of our revenue this year is retail.

Next year, we're getting vertical margins in Pennsylvania and Virginia, and our third state is Illinois, which we don't have a grower-processor in, but that would be the only state. Having said that, those are the highest retail margins in the business is in Illinois, because prices are still very high. Having said that, we think our assumptions for next year are conservative, and we stand by that.

Graeme Kreindler

Okay, understood, thank you for that color.

Just as a quick follow-up there. With respect to the amount of own products and brands that are sold through—or I guess I should say vertically integrated products sold through, in Jushi's network as of today, can you give any indication of where that stands, just to get an idea of the bridge towards that 30% to 35% mark? Thank you.

Jim Cacioppo

Yes, and I'll talk about Pennsylvania, because Virginia, we're just getting approvals. You have to go through this regulatory approval process to get your products on the shelf. We've gotten some on the shelves, they've sold out. Virginia's too early to have a meaningful data.

I would say that, in the first half of the year, our sell-through compared to our competitors is quite low, because we have very high retail sales versus what we had in grower-processor, and the grower-processor side with demand, we're in about 100 stores or so in Pennsylvania, and the demand for our product was good. We wanted to get the product into other people's markets. We also used it as a bargaining chip; give them our product, we get more of their product to keep our shelves full, because there was some... In Pennsylvania, this year, in the first part of the year, probably had more problems getting the right product on the shelves for the customers, the patients, than Illinois did. We were wheeling and dealing and did a great job; the team did a fantastic job, our Commercial team.

Now, our focus is changing and we're at about 25% right now, but that's a third quarter thing as opposed to the first half.

Graeme Kreindler

Okay, thank you very much for that. That's it for me.

Jim Cacioppo

Yes.

Operator

Thank you. Our next question is coming from Pablo Zuanic of Cantor Fitzgerald. Please go ahead.

Pablo Zuanic

Good morning.

Just one question on my side. In the case of Virginia, I know we talk about medical flower, but can you talk about conditions that are being allowed, the complexity of getting a medical card, the process to get a prescription, how often you have to renew it? And just if you can contrast that with Pennsylvania right now, and remind also where you are with patient counts in Virginia. We're all, of course, looking forward to flower being introduced and totally agree that will push the market, but I'm just trying to understand, in terms of the whole chain, how complex is Virginia and how that may impact the ramp-up in sales. Thanks.

Jim Cacioppo

Yes, thank you, Pablo.

We're at about 30,000 patients, which is not too bad, and is actually quite good. Recently, we released, to give you a sense of how this works. Gummies are very popular there. We released our own gummies in our market, and the patients are happy with the inventory because, quite frankly, there's only three players producing. One of them got acquired by a large player who's completely redoing their plan, so their inventory disappeared because they basically shut it down, it seems to us, and they're completely redoing their grower-processor; of course, they're very focused on adult use.

There's two of us producing, so inventory's been quite short. Our gummies, when we put them on the shelf, sold out in two weeks; similarly with the vape. As we get product onto the market, it stimulates demand. The ticket goes up by the existing patients; more patients come in. There's a good base of patients who feel like there are not enough products for them.

I think the market's more inventory-constrained than anything else at the moment. Flower, yes, will be a very good product, and we have good inventories of everything, we just need to be able—in our factory, and we just need to be able to get the regulatory approval and get them on the shelves, which we think is coming very, very shortly, in a matter of days or weeks. But you never know with the regulators, you just don't know.

In terms of what you're talking about, in terms of patient access to the cards, in terms of qualifying conditions, Virginia, I would say, is a very good state. That's not an issue. The issue in Virginia has been it's been a manual process. They've recently opened up online registration.

Michael Perlman

They're looking at potential third parties to open up online and streamline the process for registration, because it's taking about four or five weeks currently for each individual patient to get their card.

Jim Cacioppo

Okay, so Michael corrected me. I thought we had got there already, so it's a slow process, but we are working through improvements. We've got a lot of improvements done and a medical cleanup bill in the second quarter, and some of the stuff just needs to get through a regulator who is a pharmaceutical regulator. Yes, I think that continues to be something we're working on and it will improve. They're aware of the issue, politicians are aware of the issue, there's a lot of pressure on the regulator to get patients their card.

Pablo Zuanic

One last one. I realize the Nature's Remedy deal has not closed yet, but what are you hearing in Massachusetts about delivery? Because it's not allowed at the moment for the retailers, right, and I assume there's going to be social equity licenses being issued. Some retailers would partner, I guess,

with these operators. But what are you hearing in that regard, and what are your plans for delivery in Massachusetts? Thanks.

Jim Cacioppo

Yes, like you said, there's some of the social equity. It's not something that we've spent a lot of time on, to be quite frank with you, because it's such a minimal part of the market. Once we're in the market, we'll begin our government education and get a part of the industry effort to help the laws improve. I know that it required two people in the car and that makes it a lot less economic; delivery already is more expensive. If you have two people in the car, that makes it a lot more expensive.

I think we're going to be, hopefully, a leader in the industry on delivery because of our Virginia experience. We're going to learn in Virginia, we're going to take it to California; we're going to learn in California and we're going to take it to other markets. We're going slow in delivery, because we don't want to... In these beta stages in markets, you don't make a lot of money and you're kind of learning more than anything else. When it gets bigger, we'll have the skills in markets where you actually can deliver in a cost-efficient way, and Virginia, obviously, we have an exclusive right to serve the patient population from six stores, so delivery's going to be key. In our projections, we assume we'll generate 30% of our revenues or so from delivery.

In Massachusetts, it's just not something that is going to be profitable for us, so we haven't spent a lot of time on that, to be quite frank.

Pablo Zuanic

Got it, thank you.

Operator

Thank you. Our next question...

Jim Cacioppo

Great.

Operator

...is coming from Glenn Mattson of Ladenburg Thalmann. Please go ahead.

Glenn Mattson, Jr.

Hi, yes, just one quick one for me too, it's been an extensive call, so thanks for all the information.

Just part of the guidance for the back half has always been kind of a return to more normal conditions in the Illinois facilities, in Sauget and Bloomington-Normal, and you guys did stick by that today. But a lot of it, like you said, is college campuses and a big nightlife scene. Can you just maybe give us some confidence in that none of that has gotten derailed by the Delta variant, and just from your guys' view on the ground in those very local markets?

Jim Cacioppo

Yes, I mean, I would say it's not like we really ramped up Virginia in our model. It's more of an upside for us, I think, to start with. But I'm less concerned about in-person learning, because you're not seeing that with vaccination rates. Illinois has pretty good vaccination compliance and rules relative to where we are in Florida. The fourth quarter for us, the third and fourth quarter for us are really based upon opening stores in PA and we have super confidence in our ability to get us onto the construction side. There could be some regulatory delays, but we haven't seen a lot of that; we've only had one instance of that this year. We've opened up a lot of stores in Pennsylvania.

Then, I guess, I think the area you're probably more—you asked about the Sauget nightclubs. I would think that's more at risk, those opening up further, due to the Delta variant. We'll have to see. The Delta variant is going to do what it's going to do, and we're not the world's expert. I would note that the Delta variant hit in the United Kingdom earlier than the U.S. and it hit in China earlier than the U.S. In both cases, the curves have come way, way down, so there's a lot of expectations for the Delta variant to recede in September. I'm not, obviously, an expert in that, I just look at what's out there. But we're not being aggressive in Illinois, so I'm not too worried about that.

Glenn Mattson, Jr.

Just quick, a little bit more on the partner lottery process, just give us a reminder of either how the economics work there, or just exactly the relationship between you and the partner in Illinois.

Jim Cacioppo

That's a pretty detailed question. I think you're best off—Michael will give you a call to talk about that. We've gone over here. But it's a great win for us, we have a great partner. We anticipate this being a store that is going to—the ownership, everything is going to progress over time, it's very favorable for Jushi and we're very happy about the win.

By the way, I would point out, I think the more significant part of that, give me one dispensary, fantastic, and we'll have some good economics there. We tend not to cut bad deals with Jushi. But that'll put us at five dispensaries. We're getting calls all the time from sellers, so for us to go from five to 10 isn't going to be so hard or so expensive anymore. I would point out that, if you look at the top companies, GTI, Verano, Cresco, CURA, they can't buy anymore. There's very few of us that can buy, and there's a lot more dispensary sellers than buyers, so we feel really good about growth there. I would point out that's not in our numbers for 2022. When we talk about M&A upside, there's a key area right there.

By the way, we expect craft grow, we have an application in for a craft grow, which we expect them to do at the end of the year to let us know who the winners are; there's been delays there, but we'll see.

You never depend on regulators for timing. But we expect similar, we'll be able to acquire—we can acquire three of those. They may change the capacity of the craft grows so you can grow more than it's initially done. I mean, I think there's expectation in the market for that.

We anticipate being vertically integrated whether we do a big deal or we do an accumulation of these smaller deals. The accumulation of smaller deals could be a much better value, but the grower-processor obviously wouldn't be nearly as large if we did it that way. I anticipate being vertically integrated in Illinois, having the license in place at some point next year and then building it out and all that kind of stuff; which, by the way, will be great. We have some of the highest-performing stores. Keep in mind that 30% to 35% coming from our own facilities. That's going to boost our margins.

Really exciting developments in Illinois for Jushi.

Glenn Mattson, Jr.

Great, thanks for the color.

Jim Cacioppo

Thanks, Glenn.

Operator

Thank you. At this time, I would like to turn the floor back over to Mr. Perlman for closing comments.

Michael Perlman

Thank you for participating on today's conference call.

We look forward to keeping you updated on the advancement of our business on our next call. Have a great day.

Operator

Ladies and gentlemen, thank you for your participation and interest in Jushi Holdings. You may disconnect your lines at this time or log off the webcast, and have a wonderful day.