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Jushi Holdings Inc.

Fourth Quarter and Full-Year 2019 Earnings Conference Call

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PRESENTATION

Operator

Good morning. My name is Brendan and I will be your conference operator today. At this time, I would like to welcome everyone to Jushi Holdings' Fourth Quarter and Full-Year 2019 Earnings Conference Call. Today's call is being recorded.

I will now turn the call over to introduce your host, Michael Perlman, Executive Vice President of Investor Relations and Treasury.

Michael Perlman

Good morning. Thank you for joining us today for Jushi Holdings Inc. Fourth Quarter and Full-Year 2019 Earnings Conference Call.

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

This morning, we issued a press release announcing our financial results for the fourth quarter and full year ended December 31, 2019. The press release, along with the unaudited financial statements, is available on our website under the Investor Relations section and filed on SEDAR.

Before we begin, I would like to remind you that the comments on today's call will include forward-looking statements, which by their nature involve estimates, projections, goals, forecasts, and assumptions that may be based on anticipated operations, acquisitions and/or market conditions, and are subject to risks and uncertainties that could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements on certain material factors or assumptions that were applied in drawing a conclusion or making a forecast in such statements. These forward-looking statements speak only as of the date of this conference call and should be not relied upon as predictions of future events. Additional information about the material factors and assumptions forming the basis of the forward-looking statements and risk factors can be found in the Company's Management Discussion and Analysis filed on SEDAR.

With that, I'd like to turn the call over to Jim Cacioppo, Founder, Chairman and CEO.

Jim Cacioppo:

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

Before we begin our prepared remarks, I would like to extend my well wishes to everyone who is listening to our call today, our entire team and all of your families and hope everyone is doing well and staying healthy during this time.

The COVID-19 crisis is impacting every business in some way or another. We at Jushi moved very quickly to augment our standard operating procedures to safeguard the health and safety of our patients, customers and employees. Some of the measures we have taken include: temperature screenings of employees before they begin work; limiting the number of patients and customers in-store; maintaining social distancing; frequent cleaning of high-tech surfaces and after every transaction (audio interference) and providing personal protective equipment to our employees.

We have also introduced retail hours focused on our medical (audio interference) and encourage the use of our call ahead ordering and curbside pickup. Additionally, we have relaunched our retail branded website BEYOND/HELLO.com, which features online preordering, real-time access to pricing and product availability and an extensive collection of educational and patient resources. Since our soft relaunch two weeks ago, we have seen tremendous response from our customers as they look for a more convenient and transparent shopping experience, as well as an alternative way of engaging with our BEYOND/HELLO retail brand. These enhancements have already resulted in improved user experience for our customers and will help drive sustained growth into the future.

Let's review our fiscal year 2019, which was an extraordinarily product year for Jushi, as we built the foundation of our present and future growth.

During the year, we completed a reverse takeover transaction to become a publicly traded company, successfully closed on and are under definitive agreements to acquire, or are in the process of building out several high-quality assets in Pennsylvania, Illinois, Virginia, California, Nevada, and Ohio. Before the impact of COVID-19 in the first quarter, we were pleased with the speed in which we have been able to open locations in this highly regulated industry, which has resulted in significant quarter-over-quarter revenue growth that has continued into 2020 thus far.

In addition to the significant progress we made in our operations, we successfully raised $165 million through December 31, 2019, and an additional $20 million in January of 2020. We ended the year with a strong balance sheet and sufficient liquidity to fund our growth.

We will provide more details on our financial performance of 2019, the trends we have seen in 2020, the impact of COVID-19 on our business and our vision for the rest of the year a bit later on today's call. But before we do, I'd like to take a moment to provide an update on our operations in each of the six states in which we currently operate.

Let's begin with Pennsylvania. Today we are operating six medical dispensaries under the BEYOND/HELLO brand and expect to open our seventh location in Ardmore within the next month. This location is in addition to our stores in Bristol, Johnstown, Philadelphia, which includes our Center City and Northern Liberties locations, Scranton and West Chester. We expect to operate a total of 15 retail locations in Pennsylvania, which is the current maximum allowed in this important East Coast limited license medical market. We are also pursuing acquisition opportunities to become vertically integrated by targeting grow processors in the state.

Illinois is also a very important growth state for us. In February 2020, we became the 100% owner of two Illinois medical cannabis dispensaries located in Sauget, which is next to East St. Louis, and the Bloomington-Normal, a major college town and home to a few large corporations. Since acquiring the two dispensaries, the Sauget dispensary began adult-use sales in March 2020 and the Normal dispensary is expected to transition to a adult-use sales on May 11. Also, each dispensary is eligible to seek approval from the IDFPR to open a second retail location, and we plan to exercise both those options and have four adult-use stores operating by the end of 2020.

In addition, we recently submitted an application for a grower processor license. Our current expectation is that the state will announce the license scoring before the end of 2020. Through a license win or other measures, we believe there may be opportunity to vertically integrate in Illinois by the end of 2021.

In Virginia, we acquired majority membership interest in one of only five applicants to have received conditional approval to operate a vertically integrated pharmaceutical processor permit in the state. We expect to receive the permit when we commence operations this summer.

There has been significant positive regulatory change within the state, including the enactment of Senate Bill 976, which will allow us to open up five additional BEYOND/HELLO branded medical dispensaries in Virginia, bringing our total number of dispensaries to six. The six BEYOND/HELLO dispensaries will be in addition to the approximately 93,000 square foot pharmaceutical processor facility near the City of Manassas, which will allow us to cultivate, process and deliver medical cannabis to patients in Virginia.

In addition, Senate Bill 976, will also remove the statutory 5% cap on the concentration of THC within a cannabis oil formulation and expands the definition of products a patient can possess.

In California, Jushi, through a subsidiary, anticipates owning and operating a store in Santa Barbara in the second half of 2020, subject to the closing of a related acquisition agreement. Moreover, a subsidiary of the Company also received approval to move forward in a merit-based application process as one of three selected applicants for a storefront retail and ancillary delivery permit into Culver City, California.

With respect to the definitive agreements to acquire Malibu and San Diego dispensaries, we have terminated the transaction to acquire the Malibu dispensary pursuant to the terms of the definitive agreement. We have also notified the sellers of the San Diego dispensary, that they are in breach of the pending definitive agreement and have until May 8, 2020 to cure the breaches or the Company may terminate the agreement. We will continue to pursue retail opportunities in specific limited license markets, particularly in jurisdictions with high barriers of entry, limited market participants, and a firm handle on the local black market.

We also continue to operate cultivation in Nevada, which has been adversely impacted by the effects of COVID-19, and are in the process of building out our operations in Ohio.

Lastly, in New York, we closed the sale of our 16.5% ownership interest in one of 10 New York medical cannabis licenses. The total initial investment was $5 million, and the potential proceeds from the sale were approximately $15 million to $20 million, resulting in a three to four times gain on the sale of the asset.

Earlier this year, we looked beyond the United States as we expand internationally with formation of Jushi Europe. Jushi Europe plans to build out its European business through a combination of strategic acquisitions, partnerships, and license applications, focused on supplying the highest quality medical cannabis products to patients throughout Europe. (Inaudible) that we had established over the past year will give us a competitive advantage as the cannabis industry and regulation continues to progress.

Before we further discuss our outlook, I will now ask Kim to review our fourth quarter and full year financial performance. Kim?

Kimberly Bambach

Thanks, Jim.

Revenue for the fourth quarter of 2019 was $6 million compared to $3.6 million in the third quarter of 2019. The increase in revenue was driven from the addition of three new stores in Pennsylvania that began to ramp-up in the fourth quarter.

Gross profit for the quarter was $2.7 million, resulting in a gross margin of 44% compared to $1.5 million for the third quarter of 2019. The increase over the prior year was primarily due to an increase in retail sales.

Net loss for the quarter was $17.1 million, or $0.18 per diluted share, compared to a net income of $4.2 million, or $0.04 per diluted share, in the third quarter of 2019. The sequential decline in net income is primarily due to a write-off of a preacquisition advance of $4 million in the fourth quarter and a gain in a financial asset of approximately $9.2 million, and one-time Other income of approximately $5 million in the third quarter of 2019.

Adjusted EBITDA loss for the fourth quarter of 2019 was $5.2 million compared to $3.2 million in the fourth quarter of 2018. We define Adjusted EBITDA a non-IFRS measure as EBITDA before fair value adjustments on biological assets and fair value adjustments on sale of inventory; share-based compensation expense; RTO listing expense; write-off of preacquisition advanced; and goodwill impairment losses.

Revenue for the full year of 2019 was $10.2 million, compared to $0.5 million in 2018. The increase in revenue was due primarily to the commencement of retail operations in Pennsylvania, cultivation and manufacturing in Nevada, and retail and e-commerce operations in New York.

Gross profit for the full year 2019 was $4.8 million, resulting in a gross margin of 47%, compared to a $0.5 million in 2018. The increase over the prior year was due to, again, an increase in retail sales.

Net loss for the full year 2019 was $30.8 million, or $0.37 per diluted share, compared to a net loss of $18.1 million, or $0.42 per share, in 2018.

Adjusted EBITDA loss for the full year 2019 was $11.2 million, compared to $7.0 million for full year 2018.

Turning to the balance sheet, the Company had cash and cash equivalent of $38.9 million, and investments and securities of $12.3 million; total current assets of $64.5 million and current liabilities of $33.9 million as of December 31, 2019. The Company therefore had a net working capital of $36.6 million. The Company, therefore, had net working capital of $30.6 million at the end of 2019.

The Company will continue to opportunistically deploy capital to further enhance and complement our organic growth. Jushi anticipates incurring certain costs in connection with pursuing its objectives and will consider future sources of capital, as needed, to capitalize on promising opportunities in this fast-evolving, although distressed, market.

I would like to turn the call back over to Jim to discuss our outlook on 2020 and beyond.

Jim Cacioppo

Thank you, Kim.

In 2020, we remain focused on building out our high-quality footprint and pursuing attractive acquisition opportunities on existing markets. We're extremely pleased with our revenue growth in 2019, but we're even more excited about our first quarter results and our growth expectations for 2020 and 2021.

We expect to have industry-leading revenue growth profile. For example, in February of this year, revenues increased 26% over the prior month, driven by the addition of our two new stores in Illinois. In March, we experienced a 64% increase in revenues from February, driven by the introduction of our adult-use sales at our Sauget dispensary, and improved performance across all of our medical locations in Pennsylvania and Illinois.

For the first quarter, revenues increased 43% to $8.6 million, and as of March 2020, we had an annualized revenue run rate of approximately $50 million.

Amid the COVID-19 crisis, our dispensaries received the life-sustaining business designation in Pennsylvania and the essential services designation in Illinois. As a result, our six dispensaries in Pennsylvania and two dispensaries in Illinois have remained open. As I mentioned before, we have prioritized the health and safety of our patients, customers and employees, including operational adjustments, like limiting store hours to medical patients and those who are susceptible to the virus.

The following initiatives have been implemented in Pennsylvania and Illinois.

In Pennsylvania, we are serving only patients 50 years or older in the first hour of operations. And curbside pickup is being offered at three Pennsylvania dispensaries, to Bristol, West Chester and Scranton, PA locations.

In Sauget, Illinois, we have been serving only medical patients on Mondays. In addition, we have been serving only medical patients and customers 50 years or older during the first hour of operations. Curbside pickup is also exclusively offered to medical patients.

In Normal, Illinois, we are serving only patients 50 years or older in the first hour of operations, and curbside pickup is also being offered.

Unfortunately, the uncertainty in today's environment amidst the crisis has caused delays in our plans to expand Jushi's footprint in key operating markets. Specifically, regulatory and construction delays on current underway projects in Pennsylvania, California, Virginia, Ohio, may impact the timing as to when these operations come online. We will continue to carefully monitor the impact of these developments in the coming weeks and months and will reevaluate our plans as the situation evolves. We have also delayed the previously scheduled roll-out of our adult-use sales at our Illinois location, Bloomington-Normal area, by several weeks and now expect the dispensary to transition to adult-use sales on May 11.

However, through continued investment in and deployment of the markets in which we operate, including the closing of acquisitions, Jushi remains positioned to achieve $200 million to $250 million in pro forma revenue in 2021. While there's great uncertainty in the overall market, our strong balance sheet and supportive investor base provides us the financial flexibility to navigate these extraordinary times.

Our team remains intensely focused on expanding our retail presence in current markets, while pursuing acquisition opportunities across the supply chain and limited license markets that complement our existing portfolio, including cultivation and processing centers in Pennsylvania and Illinois and retail in California.

We believe our ample financial capacity allows us to operate from a position of strength and will help Jushi emerge as an even stronger player in this distressed industry.

Thank you again for your time. Operator, please open the call for questions.

Operator

Thank you. As a reminder, to ask a question, you will need to press star, one on your telephone. To withdraw your question, press the pound key. Please stand by while we compile the Q&A roster.

Our first question comes from Graeme Kreindler. Your line is now open.

Kimberly Bambach

Yes. Hi, good morning. Thank you for taking my questions here. I just wanted to start off with a housekeeping matter. With respect to the annualized run rate of $50 million right now, I'm just wondering, is that on a pro forma basis or is that based on what's in the portfolio as of the end of Q1 or is it the end of Q4? Just wanted to clarify what that basis is. Thanks.

Jim Cacioppo

Hi, Graeme, it's Jim. Good morning. The $50 million run rate at the end of March is on assets that are currently owned and operated, so it does not do any pro forma for things that haven't closed yet, that are open.

Kimberly Bambach

Okay, thanks for the clarification there. And then the other question I had was, with respect to California, I wanted to just get a bit more color in terms of how Jushi currently is thinking about that market, are you looking for—given the environment right now and what you're seeing from the M&A side, would you look to potentially continue to add in that market or are you looking at potentially some other states in terms of priority list when examining the field for M&A opportunities? Thanks.

Jim Cacioppo

So on California, Graeme, we believe that market has undergone a similar amount of stress related to tightening financial conditions in the economy and the cannabis industry in particular, but on top of that the regulatory structure in that state has been very, very difficult. There's been some tax increases at the state level and the state has not done a good job of policing the black market there and some cultivators, from what we understand from talking to people in the business, some cultivators have switched back into the black market, which makes their product supply more robust. They don't have to pay taxes, which are quite high in California, and were raised. So that market has a special situation going on that's different from the rest of the country.

We, however, have a very strong strategy there in these very limited license (inaudible) and municipalities. We anticipate rolling back to California as something that we'll do. We're in a very good position because not only do we have dispensaries but we have approximately two years of business acumen developing that market, which we can utilize to—we really do understand this I think as well as anybody. So we will roll back and do more acquisitions at a later time. Right now, our priority is focusing in on integrating, as I pointed out in my prepared remarks, integrating a grower processor into Pennsylvania, Virginia.

So with limited amount of financial resources, we have to limit our focus and our focus is that first, and then California is something we feel like that the value opportunity there will be there when we roll back to possibly as early as the fourth quarter.

Kimberly Bambach

Okay, appreciate the color there. And just to go back for a minute here on the $50 million annualized run rate. I was wondering, looking at that number and headlines we've seen with respect to pantry loading, when you think about that annualized run rate, and I guess as we're into the—where we are in the year right now, do you think that number—has the effects of pantry loading or based on what you've seen from consumer behavior in the markets that you're operating in that reflect that figure? Have the purchasing behavior patterns stabilized? How do you think that that number could evolve over time, or considering where we are in the quarter right now?

Jim Cacioppo

Yes, so—that's a good question. So I think the COVID scare really got underway sort of in March for most people. For many it might have been towards the later part of March. I think what we've noticed in our weekly numbers was really one week that was a standout week of, what you refer to as pantry loading or hoarding, and I think that was followed by a weaker week possibly or maybe even two. Not extraordinarily week, but trading off in the first two weeks of April. And especially because people started to really take the lockdown very, very seriously, so they didn't want to (inaudible). So what I think we—I think we've seen return to more normal operations sort of in the last two weeks of April, and I'd kind of—really digging down here to the numbers and I might be off by a little bit, but that's kind of what we see.

And so as we're running now, we're seeing a very, very good week. So it's not—it wasn't that dramatic. It was more like they bought a week or two ahead of time.

Kimberly Bambach

Okay, understood. Appreciate the color there. And then finally, with respect to your comments about pro forma 2021 revenue of between $200 million and $250 million, just wanted to get some more detail in terms of the assumptions that are behind that number. That assumes, I guess, all the acquisitions that are outstanding, closed. Does that assume any entry into additional markets, and how many dispensaries, based on the number of licenses that you have? And for a state like Virginia, how many licenses on the retail side does that assume or up and running?

Jim Cacioppo

So, in the 2021 number, I don't want to go into too much detail. It's a very wide range. If you think about $200 million to $250 million is wide, there is a pro forma. So what we're looking at in that number we do believe there's risk to timing of openings and I do think that the risk there is more on getting to maybe the 12, 13, 14, 15 dispensaries opened up in Pennsylvania. So we're seeing everything gets opened in Pennsylvania, but the wide range sort of takes into account potential delays on a couple because construction and permits and we might go for a retail location, get very far down the line and for whatever reason we move on from that location or they don't want us there, whatever it might be, and you move on from that.

So things like that happen in this business. And in Virginia, given how—it's a very good question that you pointed to Virginia. That's probably the newest large market out there in the industry. And just to back track, we're super excited about Virginia. The law change was very dramatic and the THC cap's going away. I think it's going to be one of the states, the top medical states in the country and much like Pennsylvania and Florida, and we're positioned there—our position there is unmatched because we're in the northern part of Virginia where the top four MSAs are in the whole state. So we have exclusive right to serve the community in the top four MSAs in Virginia and those are the ones sort of bordering Washington DC. And that's where Amazon put their second HQ too.

So we have an extraordinarily strong footprint there. Now, we just found out officially that we had—well, I mean, we expected that it was going to go this direction, but the government didn't sign the bill until late in April. So we have a lot of work to do to go out and get five additional locations. So yes, there's risk to that, but I believe we should be able to open up a majority of those by the end of the year and that's included. But there might—you know, it's a wide range so some risk there.

And then I would say the third thing to point you to is, we have shifted our focus from closing and—we have a big pipeline of California deals that we thought would be in our numbers and that obviously we shifted away from that. So we've shifted towards the grower processor deal in Pennsylvania or Virginia—or excuse me, Pennsylvania or Illinois, and so we're assuming one of those would close.

Kimberly Bambach

Okay, understood. And then last question, just a follow-up on those comments. With respect to grow processor, Pennsylvania or Illinois, how would you characterize the number of candidates available in the state? What are the potential sellers like in terms of putting out—or, you know, discussing some reasonable terms? And what do you think the timeline is on potentially seeing the announcement of an LOI or a definitive agreement if you're able to share that? Thanks.

Jim Cacioppo

Yes. I don't want to get too much into fine-tuning the timing because there's some competitive aspects to that. But in terms of the market M&A generally, as you know, there's very tightened financial conditions in the industry, which had gotten tighter through this COVID crisis. There's very few of us that are well funded. In fact, some of the buyers, the big consolidators who may have gobbled up more than they could digest, are (inaudible) sellers. So, we think there's very ample sellers and some of them are MSAs, whether or private or public. There's very ample sellers that are private companies looking for capital because they have not been able to get their businesses going and were receiving pressure from the regulatory agencies to do that because there's shortages in both of those states. And then there's the application process in Illinois, which we participated in. Even if we don't win, there should be abilities to pick up or invest in somebody else's and getting majority control.

So, we have lots of opportunities, whether it's through investment where we get majority control and existing license in Pennsylvania or Illinois, whether we win an application, whether we don't win an application and we don't fund somebody else's to get control or consolidate and where we purchase. So there's—we have a very well developed business development team. If we were an investment bank doing cannabis, I think we'd be one of the top investment bank or private equity firms in existence, but we don't do it with any other outside clients, it's just Jushi. So we have a very, very talented team, very experienced now doing this for three years with a lot of capital behind it.

So we feel like we're in a fantastic position to execute transactions. And, of course, we're looking for partners who we think are—to do deals with who we like. We're impressed with them and we're very respectful towards them. I think they, in most cases, had done a good job. So we have a high-quality content of people we're dealing with on the counterparty side.

Graeme Kreindler

Okay, thanks for that. That's it for me.

Operator

Thank you. Our next question comes from Brian Kadey of CGF. Your line is open.

Brian Kadey

Hi guys. Just one quick question. I'm assuming all the numbers are in U.S. dollars?

Jim Cacioppo

That's correct, Brian.

Brian Kadey

That's correct?

Jim Cacioppo

Everything is in U.S. dollars.

Brian Kadey

Okay, good. And you've always mentioned that you guys have been laser focused on deploying investors' cash to assets that yield the highest return on cash. How much did that play into your decision of moving away from Malibu and San Diego? And then if you can just kind of characterize the assets and the value that you see today versus a year ago, the opportunities?

Jim Cacioppo

Okay, great question. In terms of—I don't want to get too much into the details of each one of these transactions, but there's been in—it's very hard—I'm going to speak to California generally—in general. It's very hard to do deals in California. Now we think we'll be able to roll back and do deals in California at a certain point, but it's an extremely hard jurisdiction. And these limited license municipalities, in some cases, do not want MSOs, they do not want—they don't even want the existing licenses that people have it, so they make your life very difficult. That's one issue.

Another issue in California is there's a lot of private entities that don't have numbers that can be consolidated into GAAP or international accounting standards, and then you also have people who have businesses that have declined and you have people who have had different histories, long histories in the market that's been gray and black in certain cases.

So there's a whole host of issues in California in closing deals. But our decision to focus away from California, it goes into the second part of the question, in terms of return on cash invested, I think we could do—I think it's much more the prices are much more reasonable. During the heyday of cannabis markets the prices were high and I think we've picked up some really good deals. In fact, we sold an asset at the high prices, our minority interest in New York.

So I think we did a pretty good job of getting some good deals and then trading around the market as technically a corporate long term, and that we're not traders, but we couldn't resist ourselves (phon). And then in terms of the prices now, yes, we think that the price is very, very competitive and the cash-on-cash returns are better in these limited license medical states than they are in California, even with the price adjustments.

And probably the biggest reason of our shifted focus is that we feel like when the world comes back that the limited license medical markets, the prices, will go up quicker than California. We think California will be a laggard.

Brian Kadey

Excellent. And my last question here has to do with the supply in Pennsylvania and Illinois. Are you guys able to secure supplies, enough inventory to stock your dispensaries?

Jim Cacioppo

That's a very good question. So, we have this team that I referred to in the past that we call business development team, and that does M&A and structuring, sale leasebacks, all kinds of different financial transactions. That team helps us model the—our Company, it helps us to—so we have a monthly model that's updated so we actually know where our cash is going. So unlicensed folks you've seen they seem to lose control of their business. We have a very firm handle on what our revenues and cash flows look like. And then what we've done with that team is, in those states like Illinois and Pennsylvania, we've turned them into our procurement team, and that (inaudible) procurement teams in those states because they come in and we developed relationships with like-minded, well-run companies and because of our strong balance sheet we're able to offer them more favorable terms, which everybody's interested in. So we're able to give them better terms than anybody else. And we also are a very appealing long-term partner, because we're stable and we're professional and easier to deal with and consistent, they feel like they want to be associated, they want their product in our stores.

So I think it's been a challenge. It's been loosening up in Pennsylvania as people expand and some more open up. And in Illinois, I think we've turned it around. When we took over the asset the inventories were very, very low, and that affected our sales and so there was a question about March sales. One of the reasons why—I don't think March was that exemplary (phon) is because we were low on inventory and we'd just taken it over. So now we stocked up the stock room or the vault and we feel we're in a very, very good position. But it's something we take very, very seriously and it's a big focus of the Company.

Brian Kadey

Excellent. Thank you. And just the one comment, your online presence and ordering system that I kind of test drove is amazing. You really...

Jim Cacioppo

Yes, thank you, Brian. You have no idea how strong that is in terms of—I mean, it's only been open now for about 12 days and, I mean, it looks great, but in terms of—what the data gives us is tremendous (inaudible) to managing our business and understanding our business to get more and more data. It also is driving sales growth. People want to go online. And as the customers and patients once at home and watches Netflix and not go to movie theaters and they're spending much more time on Facebook and Instagram, I really think is switching more to a rapid pace online.

It's a very advantageous time for us to launch this. We're capturing a ton of eyeballs, usage is growing extremely dramatically. We haven't even paid any money to get any online presence. People just want to (inaudible) BEYOND/HELLO in Pennsylvania and Illinois, in our areas, and they love and then you love they love the ordering. We're getting a ton of preorders where people come by and they drive by for a pickup or they enter into a fast pickup lane. They feel like they have less exposure due to COVID. And the fantastic part about that is we think it's driving sales up and that we also feel like it's a higher margin sale because the pickup is quicker and it's less burden on our staff, which allows us to run our stores more efficiently.

So we have plenty of runway to grow that because it's brand new and our teams did a great job on that. I really have to pat them on the back.

Brian Kadey

Excellent. Thank you. Well done guys.

Operator

Thank you. As a reminder, in order to ask a question, please press star, one on your telephone. One moment.

At this time, I'm not showing any further questions. I'd like to turn the call back over to your host.

Jim Cacioppo

Great. Thank you for participating on today's conference call. We look forward to keeping you updated on the advancement of our business. In addition, we will be participating in Canaccord Genuity's 2020 Cannabis Virtual Conference on Tuesday, May 12. Please reach out to Canaccord or our Investor Relations team for more information. Please stay safe and well. Goodbye.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.