



Jushi Holdings Inc.

Fourth Quarter and Full Year 2023 Earnings Conference Call

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CORPORATE PARTICIPANTS

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CONFERENCE CALL PARTICIPANTS

Frederico Gomes, *ATB Capital Markets*

Russell Stanley, *Beacon Securities*

Pablo Zuanic, *Zuanic Associates*

Jesse Redmond, *Water Tower Research*

PRESENTATION

Operator

Good afternoon. My name is Camilla, and I will be your conference Operator today. At this time, I would like to welcome everyone to the Jushi Holdings Inc. Fourth Quarter and Full Year 2023 Earnings Conference Call. Today's call is being recorded.

I will now turn the call over to Lisa Forman, Director of Investor Relations. Thank you. Please go ahead.

Lisa Forman

Good afternoon and thank you for joining us today on Jushi's Fourth Quarter and Full Year 2023 Earnings Conference Call.

My name is Lisa Forman, and I am the Director of Investor Relations at Jushi Holdings Inc. With me on today's call are Jim Cacioppo, our Chairman and Chief Executive Officer; Jon Barack, our President; and Michelle Mosier, our Chief Financial Officer. This call is also being broadcast live over the Internet and can be accessed from the Investor Relations section of the Company's website at ir.jushico.com.

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

Additionally, we would like to remind you that during this conference call we will make forward-looking statements. Forward-looking statements give our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance, and business. Although

Jushi believes our estimates and assumptions to be reasonable, they are subject to a number of risks and uncertainties beyond our control and may prove to be inaccurate. We caution you that actual results may differ materially from any future performance suggested in the Company's forward-looking statements. The risk factors that may affect actual results will be detailed in Jushi's 10-K and other periodic filings and registration statements. These documents may be accessed via EDGAR and SEDAR as well as the Investor Relations section of our website.

These forward-looking statements speak only as of the date of this call and should not be relied upon as predictions of future events. Jushi expressly disclaims any obligation to update this forward-looking information.

I will now turn the call over to Jim.

Jim Cacioppo

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

This afternoon I'll provide a high-level overview of our financial performance as well as discuss our operational achievements and developments over the year. I will then turn the call over to Michelle to review our financial results in further detail before opening the question-and-answer period.

Two thousand twenty-three was an incredibly important year for Jushi, as we achieved many crucial steps to drive growth over the next year. I will outline three of these important achievements. First, we optimized and stabilized our revenue base as well as consistently generated significant margin growth and began deleveraging through increasing EBITDA and paying down debt.

Next, by implementing far-reaching cost cuts, scaling our grower processors in Pennsylvania and Virginia, implementing strong commercial practices, as well as implementing an ongoing program of growth and optimization across our grower processor footprint, we have been able to increase our output and produce higher margin products to support our strong retail network and grow our Jushi branded product sales across our vertical markets. This strategy enabled us to increase our gross profit and reduce our operating expenses, which resulted in Adjusted EBITDA growth of \$33.7 million in 2023, reaching a total Adjusted EBITDA of \$40.8 million for the 12 months of 2023, with an Adjusted EBITDA margin of 15%.

Lastly, we put into place a physical plant, store infrastructure, and a management team that will allow us to return to industry-leading revenue growth when three of our key states convert from medical to adult-use programs. The incremental margin of the adult-use sales growth should be much higher than our existing margin given the operating leverage in the business. Given Jushi's concentration in two of these states, Pennsylvania and Virginia, the Company's revenue and EBITDA will dramatically change for the better.

We are not standing still and waiting for the adult-use flip in Pennsylvania, Virginia, and Ohio. We are working very hard to expand our margins in our existing business through a continued focus on efficiencies and utilizing better operating techniques.

I would like to take a moment to highlight some examples in our grower processor business demonstrating the progress we have made in 2023 and then discuss areas that have the most opportunity for the Company in 2024.

In 2023 we made the grower processor business much more data driven by increasing the amount of data we track and analyze as well as upgrading almost all senior and plant level staff management. As I

discussed earlier, we scaled up our growth to meet market needs and focused on the robust new products effort to add a variety of excitement and margin to the business.

Several current initiatives that are aimed at yielding efficiencies and profitability benefits for 2024 include reducing green waste by optimizing our cloning procedures and reducing our flood loss during harvest; increasing our use of state-of-the-art plant sanitation techniques and equipment; expanding a fourth quarter post-harvest processing task (phon) procedure that may have (phon) significantly improve our post-harvest processing technique; and four, reducing the time to market for new higher margin products.

The main goal of these efforts is to improve our product quality and value to the consumer as well as increase the potency and yield of our grower processor under the existing canopy without deploying significant new capital, but rather better utilizing capital previously spent.

Our 2023 benefits from our grower processor optimization were significant as we increased total pounds of biomass harvested by approximately 26% from January 2023 to January 2024. In addition, in the fourth quarter of 2023, Jushi brought to market 175 new, unique SKUs across our five vertical states, which helped us fuel the growth of Jushi branded products to 53% of total retail revenue across our vertical footprint compared to 36% in 2022. In line with our success with product quality and product costs, I'm incredibly proud to share that we grew our wholesale revenue in 2023 with a 30% improvement over the previous year.

We also celebrated our highest revenue week of 2023 during the second to last week of December. The effective coordination and communication between our retail and commercial teams enabled us to gain market share from our competitors owing to a highly targeted, strong promotional campaign that led to our highest volume of total Jushi sales recorded for the year. This success even surpassed traditionally high performing sales periods such as Green Wednesday and 4/20.

I'll now briefly highlight several state-specific standout performances over the fourth quarter. In Virginia, retail sales grew 42% year-over-year across our full complement of stores, despite bordering state Maryland's transition to adult-use in July. In the fourth quarter, we've launched additional products under the Bank brand as well as Tasteology chocolates, which is an in-demand product. We believe customers appreciate the care we put into selecting and responsibly sourcing our ingredients.

Also, our patient growth remains robust with over 53,200 total number of unique patient visits at Beyond-Hello dispensaries within Jushi's exclusive retail service area as of the close of business on March 1, 2024.

Next, Pennsylvania, where we recently debuted Tasteology troches, which are now available to consumers and are already generating strong consumer buzz and positive feedback. Tasteology troches are differentiated by being one of the only vegan troches utilizing natural ingredients such as fresh fruit purées responsibly sourced from France.

Sales in Illinois have begun to stabilize following the large first and second quarter 2023 declines due to Missouri's launch of adult-use sales. We have received anecdotal feedback from Missouri customers who say that they are returning to our stores due to the price, value, and high-quality products offered across our Beyond-Hello retail locations.

In Massachusetts, our Kingsborough Beyond-Hello dispensary processed a single day record-breaking 1,904 orders on December 22. We also rolled out a statewide revamped structure of our everyday value one-eighth (phon) product offering with a more focused, user-friendly menu for customers which has proven to be well received, with a phenomenal 12,000 units sold in just three weeks in November, making a sevenfold increase over the previous promotions.

Over in Ohio, we have seen great sales momentum following the successful execution of promotions offered around our first holiday season, which helped contribute to our second highest week during the second to last week in December. Also, we look forward to the developments taking place in this state with the approved-for-implementation adult-use program. Jushi is excited and prepared to serve a new demographic of consumers.

Over the past year, it has been encouraging to see meaningful reform advocacy efforts from both lawmakers and industry leaders at both the state and federal levels. With several initiatives underway in several markets, we believe Jushi is strategically positioned to capitalize on the new era we expect the industry is about to (audio interference).

With adult-use sales coming to Ohio in the near term, Pennsylvania will now border five states with legal adult-use markets, once again fueling discussions among lawmakers. We are incredibly supportive of Governor Shapiro's recent comments during and following his yearly budget speech expressing the urgency to establish Pennsylvania's adult-use market to help curb the rampant unregulated, illicit market, while also ensuring the state and its citizens do not lose out on the benefits the establishment of an adult-use market can bring, such as tax revenue and job creation.

In Virginia we remain hopeful that Governor Youngkin will not veto the long-awaited recreational sales bill which would allow adult-use sales to begin on May 1, 2025.

Our efficiencies, cost reductions, product diversity, and quality in a legal, tested setting brings patients into the legal market. However, we believe the illicit market continues to operate freely and thrive with the Commonwealth policy for legal possession without legal procurement, which is a very significant public health and safety concern. Pennsylvania, Virginia, and Ohio combine to represent 24 out of 35 of our operating retail store licenses, which places approximately 69% (phon) of our current retail store footprint in states that we believe are likely to soon transition to adult-use. In anticipation of these potential future markets, we continue to prime our platform to be ready to scale as needed.

Looking ahead to 2024, we believe our established, nimble footprint puts us in an enviable position in key markets that have yet to be fully unlocked, enabling us to capitalize on our fast follower approach to expand as demand evolves. Throughout 2024 we will continue to focus on launching innovative products, increasing our operational efficiencies, and de-levering our balance sheet through a variety of mechanisms.

The reduction of debt will include non-dilutive methods such as cash from the balance sheet, free cash flow, the sale of underperforming or noncash-generating assets, state tax refunds, and the potential ERTC program refund claim for approximately \$10.1 million.

Starting in the summer of 2023 and through today, we have paid down \$7.3 million of first lien debt and reduced other debt by \$5.1 million for a combined funded debt reduction of over \$12 million. This brings our debt subject to scheduled repayments to \$193 million.

With that, I'll now ask Michelle to review our financial results before we open the call to questions.

Michelle Mosier

Thanks, Jim, and good afternoon, everyone.

Revenue in the fourth quarter was \$67.8 million as compared to \$76.8 million in the prior year quarter. Full year revenue was \$269.4 million compared to \$284.3 million in the prior year. The year-over-year decrease in revenue can be attributed to a reduction in sales in Nevada and Pennsylvania due to

increased competition and pricing pressures, a reduction in Illinois sales due to the impact of the State of Missouri beginning adult-use cannabis sales, and the closure of four underperforming stores in California and Pennsylvania. The decrease was partially offset by increased retail sales in Ohio, Massachusetts, and Virginia, as well as increased wholesale revenue. Notably, as mentioned earlier, wholesale revenue achieved significant growth, increasing by approximately 30% on an annual basis and 10% quarterly.

The ongoing enhancements in our cultivation and processing facilities have enabled us to diversify our product offering to become more competitive in terms of quality, cost, and distribution, which ultimately allowed us to grow our wholesale channel over the year. Additionally, in our five vertical markets, Jushi branded product sales grew as a percentage of total retail sales from 47% in Q4 2022 to approximately 53% in Q4 2023.

Gross profit was \$27.2 million in the fourth quarter, or 40% of revenue, compared to \$22 million, or 29% of revenue, in the prior year quarter. On an annual basis, gross profit grew by 22% to \$116.2 million, or 43% of revenue, compared to \$95.5 million, or 34% of revenue, for the full year 2022.

The continued improvements in our gross profit and margin profile were a result of increased operating efficiencies across our grower processor facilities and increased sell-through of our higher margin Jushi branded products, as well as ongoing cost savings initiatives such as reduced packaging costs. Market price compression and increased competition across various markets partially offset the annual and quarterly gross margin improvement.

Selling, general, and administrative expenses for the fourth quarter were \$25.2 million compared to \$39.1 million in the fourth quarter of the prior year. Annually SG&A expenses were \$110.5 million in 2023 compared to \$156.2 million in the prior year. For both the quarter and full year, the key driver of this savings was the reduction in salaries, wages, and employee-related expenses as we rightsized the organization and made changes to our staffing model across our retail network.

Additionally, lower share-based compensation expense reflects lower value of share-based compensation granted as well as forfeitures for unvested equity awards. The prior year included expenses related to our transition to GAAP reporting and costs associated with our registration with the SEC.

Asset impairments for the fourth quarter and full year of 2023 were \$8.6 million. For the prior year, asset impairment charges for the fourth quarter were \$122 million and for the full year were \$159.6 million. The current year impairment charge was primarily related to a \$7.3 million charge in Nevada due to the Company's lower than expected operating results driven in part by the overall decline in the retail market within the state.

The net loss for the fourth quarter was \$18 million compared to \$139.9 million in the prior year's quarter. For the full year, the net loss was \$65.1 million compared to \$202.3 million in 2022.

For the fourth quarter, Adjusted EBITDA was \$11.3 million compared to \$6 million in the prior year's quarter. On a sequential basis, Adjusted EBITDA as a percentage of revenue was 16.7% compared to 14.8% in the third quarter. Full year Adjusted EBITDA was \$40.8 million compared to \$7.1 million in 2022, representing an improvement of \$33.7 million. Adjusted EBITDA improved as a result of increased gross profit due to realizing the benefits of operational efficiencies and the reduction in SG&A, as previously discussed.

Moving ahead to the balance sheet. As of December 31, 2023, the Company had approximately \$31.3 million of cash, cash equivalents, and restricted cash. During 2023 we paid \$10.7 million in capital expenditures. In 2024 the Company expects maintenance capital expenditures to be approximately \$3

million to \$5 million. Capital expenditures for new projects will be dependent on expansion in certain markets that may transition to recreational use.

As previously reported in the second quarter of 2023, we've submitted a refund claim for approximately \$10.1 million for the employee retention tax credit, which is currently still under review.

As of December 31, 2023, we had \$225.6 million of principal amount of total debt, excluding leases and property, plant, and equipment financing obligations. As of December 31, 2023, we had \$200.8 million of total future aggregate debt maturities, excluding the contractual maturities of the Company's promissory notes payable to Sammartino and Jushi Europe debt, as the repayment of these two debts are contingent on the resolution of the Sammartino matter and completion of the liquidation of Jushi Europe, respectively.

Subsequent to the fourth quarter, we further reduced our debt by \$7.5 million with a scheduled payment of approximately \$2.4 million on our first lien financing with SunStream Bancorp. Additionally, we refinanced approximately \$9.9 million of unsecured debt with \$4.8 million principal amount of second lien notes, fully detached warrants to purchase an aggregate of \$1.8 million of Jushi subordinated voting shares, and payment of \$2.8 million of cash.

In the fourth quarter, we had net cash flows provided by operating activities of \$4.5 million, and for the full year, cash used in operating activities was \$3.3 million, a significant improvement over the prior year where cash used in operating activities was \$21.4 million.

With that, I will now turn the call back to Jim for concluding remarks.

Jim Cacioppo

Thank you, Michelle. To conclude, we believe the future is bright for Jushi. We believe that three of our core states are on the cusp of flipping to adult-use. These three states make up 69% of our operating retail footprint. We would expect this to have a sizable impact on both our top line revenue as well as our profitability.

As always, I want to thank our amazing team for all of their hard work and dedication as well as the support of those who have joined us on our call today. I look forward to providing our next progress update on our next call for the first quarter of 2024.

Operator, please open the call to questions.

Operator

Thank you. (Operator Instructions) Our first question comes from the line of Frederico Gomes with ATB Capital Markets. Please proceed with your question.

Frederico Gomes

Hi, good evening. Thank you for taking my questions. First question is just on the margin, on the gross margin line. You reported a sequential decline from Q3, so could you just provide a little bit more color on what drove that? Was it related to one-time factors or seasonality, or something more structural, and how do you view your gross margins evolving through this year? Thank you.

Jim Cacioppo

So yes, two things. It primarily had to do with we were selling through some inventory at discounted prices to move it through. That happened in the fourth quarter, as generate cash, and we were a little excess in a certain area in a certain state. We cleared that up for the most part in Q4. It was cash flow generative. Then the other was the higher discounting at retail related to the Christmas season, which is highly promotional.

Frederico Gomes

Thank you for that. Then just on the wholesale side, you mentioned a 30% increase for the quarter. I guess maybe a portion of that was related to what you just mentioned. But what are you seeing in the wholesale environment and opportunities for growth this year? Do you expect that sort of growth that you're seeing to continue in 2024, as well as any comments on the pricing environment out there? Thank you.

Jim Cacioppo

Our wholesale business has been growing pretty steady. We haven't seen any reason to think that won't happen. There's been some quarterly things where it looks sort of higher. Maybe that was last quarter, but it's been a pretty steady growth. Our pricing in our states for the most part has pretty much stabilized. We can grow, particularly in Virginia, and we see some growth in Massachusetts. Then Pennsylvania, we haven't had products available for sale. We used (phon) Nevada internally. As our yields have gone up, we may have an opportunity there. We have to see. That's a primary part of the business.

Then, in addition to that, we have an increase of new products which tend to be higher margin and sort of the things we think that the market wants, and our time to market is decreasing. We've been doing new products for about a year now at a pretty nice pace, but the time to market is decreasing. As you see more new products and newer genetics with higher and higher potencies, hopefully we'll have more in-demand products in markets where we think we have ability to grow anyway. So that's how we see the opportunity.

Frederico Gomes

Thank you very much. I'll hop back in the queue.

Operator

Our next question comes from the line of Russell Stanley with Beacon Securities. Please proceed with your question.

Russell Stanley

Good afternoon, thanks for taking my question. It sounds like you saw some level of optimism with respect to Virginia and adult use. Just wondering, given the media reports around the difficulty getting the deal done, what your latest read is there and the odds of success?

Jim Cacioppo

Yes, thanks Russell. I mean, I don't know that we expressed—I think we've had a similar point of view in Virginia. I don't think we're more optimistic or less than we were just a few weeks ago or a few months ago. I think we're entering the late stages of the process where negotiations happen. There's a bipartisan state. It's a little different in the United States, the way we do things. It's very similar at the state level to the federal level in the sense you have a House and a Senate and an Executive branch, or in this case, a

governor. It's all negotiation in the House and the Senate are Democrats, they passed the bill, put it on the governor's desk, and now we're at the stage where the governor has some priorities. This has all been in the newspapers. He's been very clear what he wants. The Democrats are clear with what they want, and we'll see how this plays out.

Whether I'm optimistic or not, I don't think it really matters. It's about a month away. I'm kind of looking at it like it's going to happen. A hundred percent I think it happens, but the question is when. We're going to find that in the month if it's this session or if it flips into the next session. I don't think any of these states we're in, Virginia or Pennsylvania, aren't going to happen eventually. The question is just timing.

Russell Stanley

Thanks for that, and maybe if I could—if I missed this, I apologize. But you started delivery, I think, at the HSA 1 a little while back. I'm just wondering what impact that's had and how much traction you've seen.

Jim Cacioppo

You're talking about delivery in Virginia? HSA 1, oh yes. So yes, it's a focus. We have definitely seen growth. I'm just looking at some numbers, but I would say it's still small, like what you saw in the fourth quarter is very small. It's just getting going. So, I would say that's mostly upside.

What you need to do is we use a third-party delivery service. You need to sort of cut the deal for out of HSA, which is a little bit different deal. You need to sort of be able to let people know that that option exists, so let potential patients know that option exists. Then, because of the rules around advertising in the medical cannabis business in Virginia, that takes time to find the right channels and to get there. There's a certain amount of momentum to it that needs to develop. We're seeing growth, but it's small numbers right now.

But it could be a very interesting avenue of growth over the next 12 months, I would say. It would be interesting, I think to look back and see where we are in this quarter, Q4 of this year—of last year, being '23, to Q4 of '24. I think you'll see some very interesting growth, but we have to make it happen.

Russell Stanley

Okay, thanks for the color. I'll get back in the queue.

Jim Cacioppo

Thank you, Russell.

Operator

Our next question comes from the line of Pablo Zuanic with Zuanic Associates. Please proceed with your question.

Pablo Zuanic

Good afternoon, everyone. Thank you. Look, you gave us the bridge to be able to pay the \$60 million loan due December this year. Obviously, you have the cash, asset sales, ERTC, free cash flow. But what about tax refunds? I mean, do you have also taken a more proactive stance on 280E, you have this recognized tax benefits on the balance sheet, but you have not talked about asking for tax refunds for

prior years. I don't know if you can discuss that and if you can quantify that, because obviously, that would be extra cash flow for the year ahead.

Related to that, in terms of when it comes down to cash flow, I guess we all appreciate the guidance pretty much you inclined (phon) you can pay your debt without having to issue equity. Under what circumstances would you be issuing equity in the future? Thank you.

Jim Cacioppo

Yes, so I'd point out, Pablo, that the debt currently is \$57.5 million because we made a payment on January 1, and we'll make a payment on April 1 that will make it \$55 million. So, think of it as \$55 million at the sort of end of this quarter. Essentially, it won't appear at the end of Q1, but it happens the next day, to put that in perspective, so we're looking at \$55 million-ish by April 1, not \$60 million.

Then, in terms of the bridge, we set aside a certain amount of cash, about \$12 million on the balance sheet, to pay, so take \$55 million minus \$12 million gets you to \$43 million. If we get the \$10.1 million of ERTC, which we have no reason to think we won't, that's been government hold-up based upon a very high number of small dollar frauds that have happened over the years and they just—it got out of control. I mean, I have a small business unrelated to Jushi where I must have gotten pitched multiple times a week for some firm to file these claims for me. So, if you do that, that's down to \$33 million.

On top of that, we do have some tax refunds. For us, it's primarily state tax refunds because we've been pretty consistent in our approach in some ways to the Federal 280E. We've already gotten a couple of million in Q1. We expect some more of that kind of magnitude; not tremendous, but let's call it \$5 million of tax refunds, maybe \$2 million or \$3 million of asset sales.

All that stuff will come in over the year. The timing is not—so you get down to—and then, by the way, there's cash flow from operations. We generated \$4.5 million in Q4, and that was obviously a nice quarter. But if you put in the next two quarters—I mean, I'm not making a prediction, we're not predicting numbers, but just pick a number. Before the cash flow from operations, I get down to sort of around almost \$26 million, so you can get to a pretty low number.

I think that we've been in the market talking to different lenders. We've had interest. We're not in the market right now, but in the fourth quarter, the late third quarter, fourth quarter, we had some discussions, sort of a non-deal road show, but just with people kind of thing on the debt side. Similarly, we've had a couple of discussions here and there. We believe that there's interest for Jushi first lien debt to roll, and I believe personally that we should de-lever, and so I would look to see some version of \$30 million to \$40 million of first lien replacing what is soon to be \$55 million.

I hope that answers your question and noting that none of that included equity.

Pablo Zuanic

That's (inaudible), and then just following up on that, so to be clear, I think you said that in terms of any tax refunds at the federal level in terms of income taxes, did you already apply for those, or you have not, if you can clarify that. But also related to that—and I know every company will take a different stance on this. Ascend and Trulieve have talked about going forward there with provision for taxes on a normal basis, assuming that there's no 280E. Are you also looking at doing that? Thank you.

Jim Cacioppo

I don't want to get too detailed to our strategy, but what I will say about refunds and federal is because we had a strategy in place regarding not paying 280E that's consistent with the strategy, I would say, that the industry has taken—well, the two players, but I think there's going to be a lot more do it, and we don't have a lot of federal refunds. The more material ones are the states. I would not look to that as a source of cash for us, and if it is, it's really not material, okay? We've had a pretty consistent policy. We were pretty early on to attack strategy related to 280E.

Then, in terms of going forward on the tax side, we don't comment on going forward numbers, but we do have our strategy in place.

Pablo Zuanic

Understood, thank you, Then, if I may ask a follow-up, obviously, very strong growth in Virginia. I think you said 42% for the year retail. Can you talk more in general, if we don't get rec approved in the next month, right, how is the competitive environment evolving? Is there more capacity in the market, is there price pressure, or is it still that you have a lot of demand growth? You talked about the 53,000 number in patients end of March '24. I don't know what the number was last year. Just give us a sense of momentum on the demand side and what's happening on the supply side in the market. Thank you. That's it.

Jim Cacioppo

Yes, I mean, I think we have disclosed this number in the past, the patients in the past, so you might be able to go back and look at the transcripts. I don't know what it is off the top of my head, but there definitely has been patient growth, but these are unique visits. There is no patient roles. Remember, you don't need a medical card. You just need a prescription, so there's no way to track it. We're just taking the cleanest number that we can get off of our point-of-sale systems that we can be truthful about and know that it's correct. That's the way we've done it, right, is how many unique visits we've had. There's clearly patient growth.

We have six stores, the only six stores in our region, so we don't have retail competition. We have the delivery that should grow. Four of our stores are pretty consistently growing, and the other two are more subject to competition out of the illegal DC market and our smaller stores, anyway. I think they're going to be great rec stores. But I'd say we have four very consistent growers.

We are adding more SKUs. For example, we were unable to satisfy demand for gummy products. Gummy products tend to be—edibles tend to be very popular, both chocolates and gummies is what we have. They're very popular in Northern Virginia, and we were unable to satisfy that demand in the fourth quarter. We've changed our—we were ramping up on some newer products. We definitely have growth in products. We haven't been satisfying demand out of our grower processor.

In terms of retail competition, the only one that we've had that will be new would be an increase in delivery out of the Columbia Cares because they're the ones who border us, but they've already been delivering (phon), and it's not significant as far as we could tell. It's only their own products. So effectively, we have a sort of exclusive right, as you know, and so the pricing pressure would really occur on the wholesale market.

But I think that the market has been fairly—Columbia Care hasn't added capacity, gLeaf is their other license that has not added capacity. We have added capacity. We can bring on more grow rooms for adult-use. We don't plan to bring on more grow rooms. And then you have GTI, as you know, who added capacity last year in construction. At some point, that will come on this year, but I would imagine based upon what they do in other markets, they're very disciplined about bringing on grow rooms to satisfy

demand. My guess, having not seen it, and they don't talk about it much, is probably sized for adult use, and you would think they'll bring on the grow rooms that they need to satisfy demand as opposed to anything else.

Pablo Zuanic

Thank you. Look, if I may, I want to add just one follow-up. Obviously, among MSOs, you are probably one of the best positioned in Pennsylvania relative to the size of your business, significant torque there. But can you talk about the performance of your 17 (phon) stores, and is there still more room to relocate stores to improve the per-store performance?

Jim Cacioppo

We're in process. We're being very disciplined about relocating because we've learned a lot over the years. When you're closing down a store and then reopening, that bar needs to be somewhat high. We're in negotiations on a property and I'm hopeful that that will work. Last year we had one that we didn't work that we weren't close on, but we were working on. This one is closer, and we think it's a good property and we hopefully get it open by the end of the year.

Then the other store, we have one other store that we're targeting potentially to close and sort of reopen after we do that one. It's in the same region, so we're not going to do the close until we get this one going, and then we'll look at the other one, because we'd be looking at the same leases. I mean, the same market, similar market, so the same area. We're working for very favorable, long-term leases that will really be profitable in the long term. It's a slow process. After that, I think we're pretty good in Pennsylvania.

Then, we are opening a store, we think, in Illinois. It's a license we already have. We won it, and we're working on that. Then we have a third dispensary that we're in negotiations pretty deeply in a new state, so we have three that are teed up that would be late this year or next year kind of thing.

Once we start flipping to rec in one of our two large states—there's Ohio definitely coming—either Illinois or Pennsylvania, we will look when our stock price adjusts, which we believe it will. We'll also get the refinancing done at some point. It will help our stock price. We'll be much more aggressive.

We have a pipeline in the obvious states like Ohio, Maryland, and getting to the 10 in Illinois. In Maryland and Illinois, we will be pursuing a retail-only strategy until further notice. We have no plans to—we think we'll be able to fill our shelves very, very well, as we have with our first four stores in Illinois. That's our strategy. It's more capital light, driving revenue, also giving us great purchasing power with MSOs. If they want our shelf space, if we have excess in Pennsylvania or Virginia, that will be part of the discussion, or Ohio for that matter, where we're vertical. That's our strategy.

When I look at Jushi, we're very concentrated. Twenty-four to 35 dispensaries focused on these three states that will flip. It's a hundred percent, almost, that they flip. The question is when. On top of that, we have this platform that, at that point, with one of them just flipping, because we're de-levering anyway, that's going to be pretty damn good in terms of its leverage stats with the platform to grow, and there's not a lot of competition in those states I just mentioned. Or, for that matter, if we went down to Florida, which would be a lower priority for us given the capital intensity, we would need a higher stock price to want to think about that one, a much higher stock price.

With Jushi, you have the three states going, you have the refi, and then you have us having this platform. It's a multifaceted event story over, I would say, a 3-month to a 24-month timeframe, which I think is super interesting.

Pablo Zuanic

Understood, very helpful. Thank you.

Operator

Thank you. (Operator Instructions) Our next question comes from the line of Jesse Redmond with Water Tower Research. Please proceed with your question.

Jesse Redmond

Hi, a couple of questions on the cost management and efficiency optimization side. First, on cost management, it looks like SG&A declined 35% year-over-year and 2% quarter-over-quarter, so big changes on the year-over-year, quite a bit smaller quarter-to-quarter. Curious how much more room do you think you have on the expense control side and what you think SG&A might look like over the next year.

Jim Cacioppo

Yes, I think the 2% is a lot more like what it's going to be quarter-over-quarter, the zero to 2% or zero to 3%, or something like that then—assuming our states don't flip to adult-use, which may cause us to hire ahead effectively of—when you open a store, you effectively have employees sit around and get trained for 20 days before it even opens, right? But assuming we're not on that growth trajectory related to some external event like that, I would say you should see a fairly flat to down cost base.

There's inflation, right, so you're offsetting inflation. We've done the heavy lifting on the labor side, both hourly and salaried, and we don't expect to see a lot of it going forward. We do get a lot of productivity gains out of hiring new people who replace older people who leave for one reason or another, and so I think there's a lot of great productivity that comes in and we have been able to, I think, cut costs or cut corporate every quarter of the year last year. It's not like we're not looking for it or there's not opportunities there, but we've just done a very good job over a two-year period starting in '22 and really kicking up in '23.

Basically, there's a cycle of people leaving. Those I referred to as older, they're really just people have been existing in our business for a long time with newer people, and we think that's generally a productivity winner for us. We have not lost many people that we weren't one way or another happy to lose, and so it's been a winner for us.

Our big gain is on efficiencies and ramping up to grow our processors, particularly in Pennsylvania and Virginia. These are very, very large facilities designed for adult use. They've been ramping up since the middle of last year, which is not very long. If you talk to some of the larger MSOs who've been doing this on that side of business at scale, you'll understand that it takes really 12 months to get at the beginning of where you need to be, and it could be almost 24 months. So, we have a long way to go, and we think that's where we drive margin in this scenario where we're not growing revenue significantly because the states don't flip to adult-use.

Jesse Redmond

Yes, that was going to be my second question was on the cultivation side. We talked about that a bit over the summer. Curious what progress you've made there in terms of increasing yields and potency and cutting production costs, and how much more room you think you have to improve there next year, or this year

Jim Cacioppo

We've made tremendous progress. Our yields have been up quite dramatically at two of our three large locations. The third location they are up, but they started quite low. I would say one of our large markets we could see circa 40% to 50% growth in yields, and our other markets we're looking at around 10% to 20% growth in yields, depending upon which market there.

In terms of potency, I think we have a long way to go, and that's really moving your product to a higher mix, a higher margin mix. In other words, going from sort of a lower to midline to the higher end market and sort of the good, better, and best model. We have a very, very strong offering on the good side, Sèche. It's a good brand, and we've been able to deliver a really good, consistent product to customers.

Our midline has been on, I would say, the lower side of yields on the comparison basis. As that gets up, that will be more competitive. The higher end, we're not really selling that much into, and I think by the middle of this year, we should have a good, solid offering there. Remember, being vertical with our 17, 18 stores in Pennsylvania and six stores in Virginia, etc., we'll be able to find shelf space for that and it will sell and will be more competitive and hopefully, higher margin. So that's a nice move. We're going to obtain those yields without new grow rooms just by growing more grams per square foot, so it's really with similar labor, similar electricity, and certainly similar lease costs or interest costs on a plant, depending if we lease it or own it. There's a lot of leverage and margin in that for us.

Jesse Redmond

Good, I appreciate the color. Thank you.

Jim Cacioppo

Thank you.

Operator

Thank you. There are no further questions at this time. I would like to turn the floor back over to Management for closing remarks.

Jim Cacioppo

Great. Well, thanks, everybody. I know we did a late one today, at 5 o'clock, so I appreciate everybody making it. We look forward to giving you an update again in the first quarter. Have a good evening, bye-bye.

Operator

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