MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis ("MD&A") covers the consolidated financial statements of Jushi Holdings Inc. and its controlled subsidiaries as of and for the three and nine months ended September 30, 2022 (the "Financial Statements"). Unless the context indicates or requires otherwise, the terms "Jushi", "the Company", "we", "us" and "our" refers to Jushi Holdings Inc. and its controlled entities. This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements and notes thereto for the three and nine months ended September 30, 2022 (the "Quarterly Financial Statements"). The Quarterly Financial Statements have been prepared by management and are in accordance with generally accepted accounting principles in the United States ("GAAP") and should be read in conjunction with the audited consolidated financial statements and the accompanying notes thereto for the years ended December 31, 2021 and 2020 (the "Annual Financial Statements"), which are included in Jushi Holdings Inc.'s Registration Statement on Form S-1, as amended and declared effective by the SEC on August 12, 2022 ("S-1"), and was also filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") on November 21, 2022. All amounts are expressed in U.S. dollars unless otherwise noted.

Company Overview

We are a vertically integrated, multi-state cannabis operator engaged in retail, distribution, cultivation, and processing operations in both medical and adult-use markets. We are focused on building a diverse portfolio of cannabis assets through opportunistic investments and pursuing application opportunities in attractive limited license jurisdictions. We have targeted assets in highly populated, limited license medical markets on a trajectory toward adult-use legalization, including Pennsylvania and Ohio, markets that are in the process of transitioning to adult-use, namely Virginia, and limited license, fast-growing, large adult-use markets, such as Illinois, Nevada and Massachusetts, and certain municipalities of California.

Factors Affecting our Performance and Related Trends

COVID-19

At the onset of the COVID-19 pandemic, we implemented new procedures at all operating locations to better protect the health and safety of our employees, medical patients, and customers across our network of dispensaries. Depending on the location, some of the initiatives include, but are not limited to: reducing the number of point-of-sale registers, restricting the number of people permitted in-store, restricting general store hours to permit access to those most susceptible to infection, and offering curbside pick-up. We have also directed a significant amount of traffic to our recently launched online informational tool and reservation platform, www.beyond-hello.com, which enables a medical patient or customer to view real-time pricing and product availability, and reserve products for convenient in-store pick-up at Beyond Hello™ locations across Pennsylvania, Illinois, California, and Virginia.

To date, our financial condition and results of operations have not been materially impacted by COVID-19. The extent to which the COVID-19 pandemic impacts our future results will depend on future developments, which are highly uncertain and cannot be predicted with certainty, including possible future outbreaks of new strains of the virus and governmental and consumer responses to such future developments.

Competition and Pricing Pressure

The cannabis industry is subject to significant competition and pricing pressures, which is often market specific and can be caused by an oversupply of cannabis in the market, and may be transitory from period to period. We may experience significant competitive pricing pressures as well as competitive products and services providers in the markets in which we operate. Several significant competitors may offer products and/or services with prices that may match or are lower than ours. We believe that the products and services we offer are generally competitive with those offered by other cannabis companies. It is possible that one or more of our competitors could develop a significant research advantage over us that allows them to provide superior products or pricing, which could put us at a competitive disadvantage. Continued pricing pressure due to competition, increased cannabis supply or shifts in customer preferences could adversely impact our customer base or pricing structure, resulting in a material impact on our results of operations, or asset impairments in future periods. For further discussion on the impact of an asset impairment during the three and nine months ended September 30, 2022, refer to Note 8 - Goodwill and Other Intangible Assets of our Quarterly Financial Statements.

Recent Developments

(Amounts expressed in thousands of U.S. dollars)

Proposed Debt Financing

As of November 17, 2022, we entered into subscription agreements totaling approximately $68,000 (including $17,753 with related parties) with new investors and existing Senior Notes holders (approximately 40%) for the issuance of 12% second lien notes ("Second Lien Notes") and four-year warrants ("Four-Year Warrants") to purchase the Company's subordinate voting shares in a private offering (the "Offering"). Pursuant to the terms of the Offering, we may issue additional Second Lien Notes on the same terms, subject to market conditions and investor interest. The Second Lien Notes will mature four years from the date of issuance, will bear interest of 12% per annum, payable in cash quarterly, and will be guaranteed by certain of our direct and indirect domestic subsidiaries and secured by second priority liens on certain of our assets and certain assets of our direct and indirect domestic subsidiaries. In connection with the Offering, the purchasers of the Second Lien Notes will also receive Four-Year Warrants at 50% coverage with an exercise price to be determined at closing. We expect the closing of the Offering to occur in late November 2022 or early December 2022. We intend to use the net cash proceeds from the Offering to redeem the outstanding Senior Notes and, to the extent there are remaining proceeds, for general corporate purposes, including but not limited to working capital, capital expenditures and potential acquisitions. The subscription agreements and the closing of the transactions are subject to certain conditions, including the approval of Roxbury, LP, as agent for the lenders under the Company's existing Acquisition Facility, and there can be no assurance that the proposed Offering of the Second Lien Notes and Four-Year Warrants will be completed or that the terms of the Offering will not be modified.

Opened Relocated Scranton Dispensary in Pennsylvania

On November 8, 2022, we relocated our Scranton Westside medical marijuana dispensary in Pennsylvania to Dickson City through our subsidiary, Pennsylvania Dispensary Solutions. The newly opened dispensary offers a prime location featuring a new lighter, brighter color palette and mill work with a focus on display cases that highlight our curated selection of medical marijuana products and accessories. The dispensary is located at 832 Scranton Carbondale Highway and operates under the retail brand Beyond Hello™.

Debuted Reformulated Line of Cannabis Infused Fruit Chews

On October 27, 2022, we announced the debut of our newly formulated vegan and gluten-free Tasteology Fruit Chews in Massachusetts. Tasteology Fruit Chews are made from real fruit purées, and use pectin rather than gelatin to deliver a consumption experience with more experience-focused terpenes. In addition, we updated the brand's packaging with sustainable pouches rather than the more commonly used tins, which use less waste and preserve freshness better. Initially, we will exclusively carry Tasteology Fruit Chews at Nature's Remedy dispensaries in Tyngsborough and Millbury, Massachusetts as well as to our partner dispensaries across the Commonwealth in the coming months. The new product line is also expected to launch in Virginia, Ohio and Nevada in Q1 2023.

Strengthened Board and Senior Leadership

On October 4, 2022, we appointed Bill Wafford to our Board of Directors. In addition to his appointment as an Independent Director, Mr. Wafford will serve as Chair of the Audit Committee. Additionally, we announced on that same date that Tobi Lebowitz, formerly Executive Vice President and Co-Head of Legal Affairs, was promoted to Chief Legal Officer and Corporate Secretary.

Debuted Line of Artisan Cannabis Infused Chocolates

On September 7, 2022, we announced the debut in Massachusetts of our first product line into the cannabis infused chocolates market, Tasteology Chocolates. Tasteology Chocolates are currently available in three flavors: Milk Chocolate, Dark Chocolate and Strawberry Blonde Chocolate. These 18-piece bars, which are easily separable for accurate dosing, contain 5mg of THC per piece for a total of 90mg of THC per bar. Tasteology Chocolates are available at Nature's Remedy dispensaries in Tyngsborough and Millbury, Massachusetts, as well as our partner dispensaries across Massachusetts. The new line is also expected to launch in Virginia in Q1 2023.

Results of Operations

(Amounts expressed in thousands of U.S. dollars, except share and per share amounts)

	Three Months Ended September 30,		% Change	Nine Months Ended September 30,		% Change
	2022	2021		2022	2021	
REVENUE, NET	$ 72,817	$ 53,981	35 %	$ 207,462	$ 143,400	45 %
COST OF GOODS SOLD	(45,075)	(30,657)	47 %	(133,940)	(79,717)	68 %
GROSS PROFIT	$ 27,742	$ 23,324	19 %	$ 73,522	$ 63,683	15 %
OPERATING EXPENSES						
Selling, general and administrative	$ 40,590	$ 25,147	61 %	$ 117,048	$ 73,415	59 %
Indefinite-lived asset impairment	37,600	—	N/A	37,600	—	N/A
Total operating expenses	$ 78,190	$ 25,147	211 %	$ 154,648	$ 73,415	111 %
LOSS FROM OPERATIONS	$ (50,448)	$ (1,823)	2667 %	$ (81,126)	$ (9,732)	734 %
OTHER (EXPENSE) INCOME :						
Interest expense, net	$ (13,111)	$ (7,442)	76 %	$ (34,174)	$ (21,145)	62 %
Fair value gains (losses) on derivative warrants	6,352	55,059	(88)%	63,233	66,800	(5)%
Other, net	(291)	221	(232)%	(361)	(3,643)	(90)%
Total other (expense) income, net	$ (7,050)	$ 47,838	(115)%	$ 28,698	$ 42,012	(32)%
(LOSS) INCOME BEFORE INCOME TAX	$ (57,498)	$ 46,015	(225)%	$ (52,428)	$ 32,280	(262)%
Income tax benefit (expense)	2,802	(6,333)	(144)%	(9,959)	(21,012)	(53)%
NET (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME	$ (54,696)	$ 39,682	(238)%	$ (62,387)	$ 11,268	(654)%
Less: net loss attributable to non-controlling interests	—	(62)	(100)%	—	(427)	(100)%
NET (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO JUSHI SHAREHOLDERS	$ (54,696)	$ 39,744	(238)%	$ (62,387)	$ 11,695	(633)%
(LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO JUSHI SHAREHOLDERS - BASIC	$ (0.28)	$ 0.23	(222)%	$ (0.33)	$ 0.07	(571)%
Weighted average shares outstanding - basic	192,880,468	168,801,193	14 %	189,119,282	163,345,527	16 %
(LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO JUSHI SHAREHOLDERS - DILUTED	(0.30)	(0.08)	275 %	(0.61)	(0.28)	118 %
Weighted average shares outstanding - diluted	203,169,931	199,281,152	2 %	205,695,590	195,942,078	5 %

Three Months Ended September 30, 2022 and 2021

(Amounts expressed in thousands of U.S. dollars, unless otherwise stated)

Revenue, Net

The following table presents revenue by type for the periods indicated:

	Three Months Ended September 30,	
	2022	2021
Retail cannabis	$ 67,038	$ 50,681
Wholesale cannabis	5,769	3,185
Other	10	115
Total revenue, net	$ 72,817	$ 53,981

Revenue, net for the three months ended September 30, 2022 totaled $72,817, as compared to $53,981 for the three months ended September 30, 2021, an increase of $18,836 or 35%. The increase in retail revenue is due primarily to our expansion of cannabis operations from build outs and acquisitions of Nature's Remedy in Massachusetts, which occurred in September 2021, and Apothecarium and NuLeaf in Nevada, which occurred in March and April 2022, respectively, and new Beyond Hello™ store openings in Pennsylvania and Virginia. Retail revenue for the three months ended September 30, 2022 was derived from thirty-five cannabis dispensaries located in Pennsylvania (eighteen), Illinois (four), Massachusetts (two), Virginia (four), Nevada (four) and California (three), whereas, for the three months ended September 30, 2021, Retail revenue was derived from twenty-four cannabis dispensaries located in Pennsylvania (fifteen), Illinois (four), California (two), Massachusetts (two) and Virginia (one).

The increase in wholesale revenue is primarily attributable to increases in cultivation and manufacturing activity at our grower processor facilities: (i) in Massachusetts and Nevada due to the acquisitions of Nature's Remedy and NuLeaf; and (ii) in Virginia due to the commencement of operations at the Dalitso facility in the third quarter of 2021.

Cost of Goods Sold and Gross Profit

Cost of goods sold totaled $45,075 for the three months ended September 30, 2022, as compared to $30,657 for the three months ended September 30, 2021, an increase of $14,418 or 47%. The increase in costs of goods sold is primarily attributable to the increase in the quantity of products sold.

Gross profit totaled $27,742 for the three months ended September 30, 2022, as compared to $23,324 for three months ended September 30, 2021, an increase of $4,418 or 19%. As a percentage of revenue, gross profit for the three months ended September 30, 2022 and 2021, was 38% and 43%, respectively. Gross margin decreased primarily due to infrastructure and headcount investments in our wholesale business that continue to have a transitional impact as we scale up, slower than expected growth in our wholesale operations as other operators dedicate more shelf space to their own brands resulting in pricing compression, and increased promotional activity of Jushi branded products in Pennsylvania.

Operating Expenses

Operating expenses for the three months ended September 30, 2022 were $78,190, as compared to $25,147 for three months ended September 30, 2021, an increase of $53,043 or 211%.

The following table presents information of our operating expenses for the periods indicated:

	Three Months Ended September 30, 2022	2021	$ Change	% Change
Salaries, wages and employee related expenses	18,985	13,241	5,744	43%
Share-based compensation expense	5,466	2,234	3,232	145%
Depreciation and amortization expense	3,658	1,654	2,004	121%
Other expenses [(1)]	12,481	8,018	4,463	56%
Indefinite-lived asset impairment	37,600	$ —	$ 37,600	N/A
Total operating expenses	$ 78,190	$ 25,147	$ 53,043	211%

(1) Other expenses are primarily comprised of rent and related expenses, professional fees and legal expenses, marketing and selling expenses, insurance costs, administrative and application fee, software and technology costs, travel, entertainment and conferences and other.

The increase in operating expenses is due to impairment of indefinite-lived assets, and increase in the size and scope of our general and administrative functions to support our expanded operations resulting from organic growth and acquisitions. The impairment of indefinite-lived assets was related to business licenses associated with our Massachusetts operations. Refer to Note 8 - Goodwill and Other Intangible Assets of our Quarterly Financial Statements for more information on the impairment. The increases in general and administrative expenses related to: salaries, wages and employee related expenses as a result of the increase in the number of employees to support our ongoing growth and resulting from recent acquisitions; share-based compensation expense primarily due to recent stock options granted to new employees and management; professional fees and legal expenses, primarily due to our transition to GAAP reporting and costs associated with our registration with the SEC; and depreciation and amortization expense and rent and related expenses due to the additions of property, plant and equipment and finance lease right-of-use assets from acquisitions and investment in infrastructure as we continue to scale.

Other (Expense) Income

Interest Expense, Net

Interest expense, net was $13,111 for the three months ended September 30, 2022 as compared to $7,442 for the three months ended September 30, 2021, an increase of $5,669, or 76%.The increase in interest expense, net is due primarily to an increase in interest-bearing borrowings including finance leases and acquisition-related financing.

Fair Value Gains on Derivatives

Fair value gains on derivatives was $6,352 for the three months ended September 30, 2022, as compared to $55,059 for the three months ended September 30, 2021. The fair value gains on derivatives for the three months ended September 30, 2022 and 2021 were primarily attributable to the movement in our stock price during the corresponding period.

Other, Net

Other, net was an expense of $291 for the three months ended September 30, 2022, as compared to an income of $221 for the three months ended September 30, 2021, an increase in expense of $512 or 232%.

Income Tax Benefit (Expense)

Total income tax benefit was $2,802 for the three months ended September 30, 2022, as compared to an expense of $6,333 for the three months ended September 30, 2021, a decrease in expense of $9,135, or 144%. The change in income tax expense is primarily due a reduction in taxable gross profit, and a business license impairment charge associated with our Massachusetts operations.

Net (Loss) Income

Net loss for the three months ended September 30, 2022 was $54,696, compared to a net income of $39,682 for the three months ended September 30, 2021. The change from net income to net loss was driven primarily by an indefinite-lived asset impairment associated with our Massachusetts operations, higher operating expenses due to the increase in the size and scope of our general and administrative functions to support our expanded operations resulting from organic growth and acquisitions, lower fair value gain on derivatives, and higher interest expense due to increased borrowings, partially offset by an increase in gross profit and decrease in income tax expenses.

Nine Months Ended September 30, 2022 and 2021

(Amounts expressed in thousands of U.S. dollars, unless otherwise stated)

Revenue, Net

The following table presents revenue by type for the periods indicated:

	Nine Months Ended September 30,	
	2022	2021
Retail cannabis	$ 192,268	$ 135,155
Wholesale cannabis	15,085	7,934
Other	109	311
Total revenue, net	$ 207,462	$ 143,400

Revenue, net, for the nine months ended September 30, 2022 totaled $207,462, as compared to $143,400 for the nine months ended September 30, 2022, an increase of $64,062, or 45%. The increase in retail revenue is due primarily to our expansion of cannabis operations from build outs and acquisitions of Nature's Remedy in Massachusetts, which occurred in September 2021, and of Apothecarium and NuLeaf in Nevada, which occurred in March and April 2022, respectively, and new Beyond Hello™ store openings in Pennsylvania and Virginia. Retail revenue for the nine months ended September 30, 2022 was derived from thirty-five cannabis dispensaries located in Pennsylvania (eighteen), Illinois (four), Massachusetts (two), Virginia (four) Nevada (four), and California (three), whereas, for the nine months ended September 30, 2021, Retail revenue was derived from twenty-four cannabis dispensaries located in Pennsylvania (fifteen), Illinois (four), California (two), Virginia (one) and Massachusetts (two).

The increase in wholesale revenue is primarily attributable to increases in cultivation and manufacturing activity at our grower processor facilities: (i) in Massachusetts due to the acquisition of Nature's Remedy and (ii) in Virginia due to the commencement of operations at the Dalitso facility in the third quarter of 2021.

Cost of Goods Sold and Gross Profit

Cost of goods sold totaled $133,940 for the nine months ended September 30, 2022, as compared to $79,717 for the nine months ended September 30, 2021, an increase of $54,223, or 68%. The increase in costs of goods sold is primarily attributable to the increase in the quantity of products sold.

Gross profit totaled $73,522 for the nine months ended September 30, 2022, as compared to $63,683 for nine months ended September 30, 2021, an increase of $9,839, or 15%. As a percentage of revenue, gross profit for the nine months ended September 30, 2022 and 2021, was 35% and 44%, respectively. Gross margin decreased primarily due to: (1) infrastructure and headcount investments in our wholesale business that continue to have a transitional impact as we scale; (2) slower than expected growth in our wholesale operations as other operators dedicate more shelf space to their own brands resulting in pricing compression; and (3) the sell through of inventory acquired in the Nature's Remedy, Apothecarium and NuLeaf acquisitions, which had a fair value step-up. Gross margins were also impacted by the increased promotional activity at retail operations in Illinois, Massachusetts and Pennsylvania.

Operating Expenses

Operating expenses for the nine months ended September 30, 2022 were $154,648, as compared to $73,415 for the nine months ended September 30, 2021, an increase of $81,233, or 111%. The following table presents information of our operating expenses for the periods indicated:

	Nine Months Ended September 30,			
	2022	2021	$ Change	% Change
Salaries, wages and employee related expenses	54,915	37,642	17,273	46 %
Stock-based compensation expense	17,114	8,981	8,133	91 %
Depreciation and amortization expense	8,779	3,903	4,876	125 %
Other expenses [1]	36,240	22,889	13,351	58 %
Indefinite-lived asset impairment	37,600	—	37,600	N/A
Total operating expenses	$ 154,648	$ 73,415	$ 81,233	111 %

(1) Other expenses are primarily comprised of rent and related expenses, professional fees and legal expenses, marketing and selling expenses, insurance costs, administrative and application fee, software and technology costs, travel, entertainment and conferences and other.

The increase in total operating expenses is due to impairment of indefinite-lived assets, and increase in the size and scope of our general and administrative functions to support our expanded operations resulting from organic growth and acquisitions. The impairment of indefinite-lived assets was related to business licenses of our Massachusetts operations. Refer to Note 8 - Goodwill and Other Intangible Assets of our Quarterly Financial Statements for more information on the impairment. The general and administrative increases related to: salaries, wages, and employee related expenses as a result of the increase in the number of employees to support our ongoing growth and resulting from recent acquisitions; share-based compensation expense primarily due to recent stock options granted to new employees and management; professional fees and legal expenses, primarily due to our transition to GAAP reporting and costs associated with our registration with the SEC, which was completed in August 2022; and depreciation and amortization expense and rent and related expenses due to the additions of property, plant and equipment and finance lease right-of-use assets from acquisitions and investment in infrastructure as we continue to scale.

Other Income (Expense)

Interest Expense, Net

Interest expense, net was $34,174 for the nine months ended September 30, 2022, as compared to $21,145 for the nine months ended September 30, 2021, an increase of $13,029, or 62%. The increase in interest expense, net is due primarily to an increase in interest-bearing borrowings including finance leases and acquisition-related financing.

Fair Value Gains on Derivatives

Fair value gains on derivatives was $63,233 for the nine months ended September 30, 2022, as compared to $66,800 for the nine months ended September 30, 2021. Fair value gains on derivatives include the fair value changes relating to the derivative warrants liability. The derivative warrants are required to be remeasured at fair value at each reporting period. The fair value changes in derivatives for the nine months ended September 30, 2022 and 2021 were primarily attributable to the movement in our stock price during the corresponding period.

Other, Net

Other, net was an expense of $361 for the nine months ended September 30, 2022, as compared to $3,643 for the nine months ended September 30, 2021, a decrease of approximately $3,282, or 90%. Other, net for the nine months ended September 30, 2021 primarily related to losses on redemptions of 10% senior notes (the "Senior Notes") of $3,815, losses on legal settlements of $1,386, partially offset by gains on investments and investment income from mutual funds of $1,222, and other miscellaneous income of $336 .

Income Tax Benefit (Expense)

Total income tax expense was $9,959 for the nine months ended September 30, 2022, as compared to $21,012 for the nine months ended September 30, 2021, a decrease of $11,053, or 53%. The decrease in income tax expense is primarily due to a reduction in taxable gross profit, and a business license impairment charge associated with our Massachusetts operations.

Net (Loss) Income

Net loss for the nine months ended September 30, 2022 was $62,387 compared to a net income of $11,268 for the nine months ended September 30, 2021. The change from net income to net loss was driven primarily by an indefinite-lived asset impairment associated with our Massachusetts operations, higher operating expenses due to the increase in the size and scope of our general and administrative functions to support our expanded operations resulting from organic growth and acquisitions, lower fair value gain on derivatives, and higher interest expense due to increased borrowings, partially offset by an increase in gross profit and a decrease in income tax expense.

Non-GAAP Measures and Reconciliation

In addition to providing financial measurements based on GAAP, we provide additional financial metrics that are not prepared in accordance with GAAP. We use non-GAAP financial measures, in addition to GAAP financial measures, to understand and compare operating results across accounting periods, for financial and operational decision making, for planning and forecasting purposes and to evaluate our financial performance. These non-GAAP financial measures are EBITDA, Adjusted EBITDA and Adjusted Gross Profit (each as defined below). We believe that these non-GAAP financial measures reflect our ongoing business by excluding the effects of expenses that are not reflective of our operating business performance and allows for meaningful comparisons and analysis of trends in our business. These non-GAAP financial measures also facilitate comparing financial results across accounting periods and to those of peer companies. As there are no standardized methods of calculating these non-GAAP measures, our methods may differ from those used by others, and accordingly, the use of these measures may not be directly comparable to similar measures used by others, thus limiting their usefulness. Accordingly, these non-GAAP measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

EBITDA, Adjusted EBITDA and Adjusted Gross Profit

EBITDA, Adjusted EBITDA and Adjusted Gross Profit are financial measures that are not defined under GAAP. We define EBITDA as net income (loss), or "earnings", before interest, income taxes, depreciation and amortization. We define Adjusted EBITDA as EBITDA before: (i) non-cash share-based compensation expense and other one-time charges; (ii) inventory-related adjustments; (iii) fair value changes in derivatives; (iv) other (income)/expense items; (v) transaction costs; and (vi) start-up costs. These financial measures are metrics that have been adjusted from the GAAP net income (loss) measure in an effort to provide readers with a normalized metric in making comparisons more meaningful across the cannabis industry, as well as to remove non-recurring, irregular and one-time items that may otherwise distort the GAAP net income measure. Other companies in our industry may calculate this measure differently, limiting their usefulness as comparative measures. We define Adjusted Gross Profit as gross profit, as reported, adjusted to exclude certain inventory-related adjustments and start-up costs (within cost of goods sold).

Reconciliation of EBITDA and Adjusted EBITDA (Non- GAAP Measures)

The table below reconciles net income (loss) to EBITDA and Adjusted EBITDA for the periods indicated.

(Amounts expressed in thousands of U.S. dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
NET (LOSS) INCOME [1]	$ (54,696)	$ 39,682	$ (62,387)	$ 11,268
Income tax (benefit) expense	(2,802)	6,333	9,959	21,012
Interest expense, net	13,111	7,442	34,174	21,145
Depreciation and amortization [2]	6,618	2,228	15,663	5,285
EBITDA (Non-GAAP)	$ (37,769)	$ 55,685	$ (2,591)	$ 58,710
Non-cash share-based compensation	5,466	2,234	17,114	8,981
Inventory-related adjustments [3]	(1,197)	865	2,282	865
Fair value changes in derivatives	(6,352)	(55,059)	(63,233)	(66,800)
Indefinite-lived asset impairment	37,600	—	37,600	—
Other (income) expense, net [4]	1,575	(121)	1,170	5,788
Start-up costs [5][7]	118	2,238	3,824	4,729
Transaction costs [6][7]	1,212	325	4,877	1,434
Adjusted EBITDA (Non-GAAP)	$ 653	$ 6,167	$ 1,043	$ 13,707

(1) Net (loss) income includes amounts attributable to non-controlling interests.

(2) Includes amounts that are included in cost of goods sold and in operating expenses.

(3) Includes: (i) inventory step-up on business combinations; (ii) inventory recall reserves; and (iii) reserves for discontinued products. The inventory step-up on business combinations relate to the fair value write-up on inventory acquired on the business acquisition date and then sold subsequent to the acquisition date. The inventory recall reserves relate to the estimated impact of the Pennsylvania Department of Health recall and ban of vape products containing certain cannabis concentrates. The ban was lifted in June 2022.

(4) Includes: (i) remeasurement of contingent consideration related to acquisitions; (ii) losses (gains) on investments and financial assets; (iii) losses (gains) on legal settlements; and (iv) severance costs.

(5) Expansion and start-up costs incurred in order to prepare a location for its intended use. Start-up costs are expensed as incurred and are not indicative of ongoing operations of each new location.

(6) Transaction costs include: (i) registration statement costs such as professional fees and other costs relating to our SEC registration; and (ii) acquisition and deal costs.

(7) During the second quarter of 2021, we revised our methodology for calculating Adjusted EBITDA to also adjust for the effects of acquisition and deal costs, severance costs and start-up costs. We revised our methodology for calculating Adjusted EBITDA because we believe that the fluctuations caused in our operating results from these items are not reflective of our core performance, and that the revised methodology provides management and investors more useful information to evaluate the operations of our business. The prior period data for these items has been added to conform to current period presentation.

Reconciliation Adjusted Gross Profit (Non- GAAP Measures)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Gross profit	$ 27,742	$ 23,324	$ 73,522	$ 63,683
Inventory-related adjustments(1)	(1,197)	865	2,282	865
Start-up costs (within COGS)(2)	—	439	2,664	1,511
Adjusted gross profit	$ 26,545	$ 24,628	$ 78,468	$ 66,059

(1) Includes: (i) inventory step-up on business combinations; (ii) inventory recall reserves; and (iii) reserves for discontinued products. The inventory step-up on business combinations relate to the fair value write-up on inventory acquired on the business acquisition date and then sold subsequent to the acquisition date. The inventory recall reserves relate to the potential impact of the Pennsylvania Department of Health recall and ban of vape products containing certain cannabis concentrates. The ban was lifted in June 2022.

(2) Expansion and start-up costs incurred in order to prepare a location for its intended use. Start-up costs are expensed as incurred and are not indicative of ongoing operations of each new location.

Liquidity and Capital Resources

(Amounts expressed in thousands of U.S. dollars, unless otherwise stated)

Sources and Uses of Cash

We had cash and cash equivalents of $31,063 as of September 30, 2022. The Company paid $8,313 and $49,230 in capital expenditures during the three and nine months ended September 30, 2022, respectively. For the balance of the year, we expect capital expenditures to be in the range of $5,000 to $15,000, prior to any potential tenant improvement reimbursements, for a total of $55,000 to $65,000 for the full year 2022, subject to market conditions and regulatory changes. As of September 30, 2022, we had total current assets of $80,868, and total current liabilities of $228,674 . We therefore had net working capital deficit of $147,806.

The major components of our statements of cash flows for the nine months ended September 30, 2022 and 2021, are as follows:

	Nine Months Ended September 30,	
	2022	**2021**
Net cash flows used in operating activities	$ (26,199)	$ (23,780)
Net cash flows used in investing activities	(73,122)	(99,341)
Net cash flows provided by financing activities	36,080	91,794
Effect of currency translation on cash	(233)	42
Net change in cash and cash equivalents	$ (63,474)	$ (31,285)

Operating activities. Cash used in operations during the nine months ended September 30, 2022 was $26,199, as compared to $23,780 for the nine months ended September 30, 2021. The increase in cash used in operations for the nine months ended September 30, 2022 is due primarily to an increase in the size and scope of our general and administrative functions to support our expected continued growth, partially offset by improved management of working capital.

Investing activities. Net cash used in investing activities totaled $73,122 for the nine months ended September 30, 2022, as compared to $99,341 for the nine months ended September 30, 2021. The net cash used in investing activities for the nine months ended September 30, 2022 was comprised of: $49,230 for the purchases of property, plant and equipment for use in our operations; $20,892 in payments for the acquisitions of Apothecarium and NuLeaf, net of cash acquired; and $3,000 payment of contingent consideration liability for NuLeaf. The net cash used in investing activities for the nine months ended September 30, 2021 was comprised of: $55,285 for the purchases of property, plant and equipment for use in our operations; $47,308 in payments for the acquisitions of Nature’s Remedy, OhiGrow, Grover Beach and OSD, net of cash acquired; partially offset by $3,252 in proceeds from sales of investments.

Financing activities. Financing activities have historically represented the principal source of our cash flow. Net cash provided by financing activities totaled $36,080 for the nine months ended September 30, 2022, as compared to $91,794 for the nine months ended September 30, 2021. The net cash provided by financing activities for the nine months ended September 30, 2022 was comprised of: $24,207 in net proceeds from the Acquisition Facility to fund the acquisition of NuLeaf and Apothecarium; $13,680 in proceeds from private placement equity offerings in January and February 2022; $1,248 in proceeds from the exercise of warrants and stock options; $4,701 in proceeds from other debt, net of payments; and $450 in proceeds from the collection of a note receivable from an employee shareholder; partially offset by: $258 in principal redemption repayments on the Senior Notes; and $7,948 in net finance lease obligation payments. The net cash provided by financing activities for the nine months ended September 30, 2021 was comprised of: $85,660 in proceeds from public equity offerings, net of issuance costs, in January and February 2021; $16,438 in proceeds from the exercise of warrants and stock options; $2,862 in proceeds from other debt; partially offset by: $8,134 in principal redemption repayments on the Senior Notes; $3,343 in net payments of finance lease obligations; and $1,689 in payments on acquisition-related promissory notes payable.

Liquidity

The Quarterly Financial Statements have been prepared assuming we will continue as a going concern. GAAP requires an entity to look forward 12 months from the date the financial statements are issued, (the "look-forward" period) when assessing whether the going concern assumption can be used. The going concern assumption contemplates the realization of assets and satisfaction of liabilities in the normal course of business.

As reflected in our Quarterly Financial Statements, we have incurred losses from operations for the nine months ended September 30, 2022, have an accumulated deficit of $304,805 as of September 30, 2022, and have cash and cash equivalents of $31,063 as of September 30, 2022. As discussed in Note 10 - Debt of our Quarterly Financial Statements, the Senior Notes, which as of September 30, 2022 had an aggregate principal amount outstanding of $74,935, mature on January 15, 2023, and the Acquisition Facility, which as of September 30, 2022 had an outstanding balance of $65,000 (refer to Note 10 - Debt of our Quarterly Financial Statements) required us to maintain certain covenants which we may not have been in compliance with if the Swiss courts accepted Jushi Europe's petition for bankruptcy. Prior to the amendment with the lender of the Acquisition Facility, we were also projected to violate certain financial covenants. In April 2022, we entered into an amendment with the lender of the Acquisition Facility, which included a waiver related to Jushi Europe's bankruptcy and a change to the terms of the Total Leverage Ratio, as defined in the Acquisition Facility agreement, and deferred the commencement date of leverage testing under the Acquisition Facility to the quarter ending March 31, 2023. Additionally, the overall slowdown in the cannabis industry during 2022 has resulted in lower forecasted earnings for us during the look-forward period. The look-forward period also contemplates favorable regulatory changes in certain states in which we operate. We are at risk of not meeting our forecasted earnings and as a result may not be in compliance with certain financial covenants under the Acquisition Facility, as amended, during the look-forward period. As a result, we have classified the outstanding balance of $65,000 under the Acquisition Facility as of September 30, 2022 as a current liability. These conditions raise substantial doubt regarding our ability to continue as a going concern during the look-forward period.

We are pursuing strategies to obtain the required additional funding primarily to fund the Senior Notes and future operations. These strategies may include, but are not limited to: (i) ongoing efforts with various lenders to refinance the Senior Notes (refer to Note 23 - Subsequent Events of our Quarterly Financial Statements for updates on the refinancing); (ii) renegotiating the financial covenants contained in the Acquisition Facility, including the removal of the Total Leverage Ratio requirement; (iii) deferral of certain expenditures, including capital projects, and reallocation of funds for debt repayment, if the need arises; and (iv) obtaining alternative sources of financing, including debt financing through secured borrowings and equity financing through a base shelf prospectus, which allows us to offer up to C$500,000 in securities in Canada through the end of 2023. However, there can be no assurance that we will be able to refinance the Senior Notes, renegotiate the financial covenants under the Acquisition Facility, as amended, generate positive results from operations, or obtain additional liquidity when needed or under acceptable terms, if at all.

Off-Balance Sheet Arrangements and Contractual Obligations

As of September 30, 2022, we do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a material current or future effect on the financial performance or financial condition of the Company. For our contractual obligations, refer to Note 10 - Debt, Note 11 - Lease Obligations, and Note 21 - Commitments and Contingencies of our Quarterly Financial Statements.

Cybersecurity Attack - Phishing Incident

(Amounts expressed in thousands of U.S. dollars, unless otherwise stated)

Our data and information technology systems are subject to threats from malicious software codes and viruses, phishing, ransomware, business email compromise attacks, or other cyber-attacks. Cybersecurity vulnerability was previously identified as a material weakness, see Item 4. Controls and Procedures for additional information. In late September 2022, we were subject to a cybersecurity attack, which we believe was a phishing attack, that resulted in the transfer of approximately $500. In October 2022, we were able to recall the transfer and recover substantially all of the amount. Although we were able to recover the amount, the number and complexity of these threats continue to increase over time and they may occur in the future. See – Part II, Item 1A. Risk Factors, "*We have in the past and may in the future experience threats and breaches to our data and information technology systems, including malicious software codes, viruses, phishing, ransomware and other cyber-attacks, that disrupt our information systems or operations, or result in the dissemination of sensitive personal or confidential information or unauthorized financial access, theft or crimes, which could result in increased costs, economic losses, exposure to significant liability, reputational harm, loss of business, and other serious negative consequences*."