THIS MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR JUSHI HOLDINGS INC. ARE ALSO INCLUDED IN THE FORM 10-Q FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2024, FILED ON SEDAR IN ITS ENTIRETY

Item 2. 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 months ended March 31, 2024 (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 condensed consolidated financial statements and notes thereto for the three months ended March 31, 2024 (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 notes thereto for the year ended December 31, 2023, which are included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, filed with the U.S. Securities and Exchange Commission ("SEC") on April 1, 2024 (the "2023 Form 10-K") and was also filed on the System for Electronic Document Analysis and Retrieval ("SEDAR"). 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 and capitalizing on such assets through strategic deployment in our day-to-day operations. We have targeted assets in highly populated, limited license medical markets on a trajectory toward adult-use legalization, including Pennsylvania, markets that are in the process of transitioning to adult-use, namely Ohio and 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

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 service 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.

Recent Developments

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

On April 16, 2024, we filed a registration statement on Form S-3 that was declared effective by the SEC on April 30, 2024 (the "S-3"). The S-3 permits us to offer and sell up to an aggregate amount of $250,000 of any combination of subordinate voting shares, preferred shares, warrants, units, and/or rights. We may also offer securities as may be issuable upon conversion, redemption, repurchase, exchange or exercise of any securities registered under the S-3, including any applicable antidilution provisions. In addition, the S-3 registered an aggregate of 44,660,966 subordinate voting shares for resale by James Cacioppo, our CEO.

On April 15, 2024, we announced the appointment of Todd West as the Company's Chief Operating Officer effective April 12, 2024. Mr. West will oversee the Company's grower-processor and retail operations as well as security.

Results of Operations

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

	Three Months Ended March 31, 2024	2023	$ Change	% Change
REVENUE, NET	$ 65,459	$ 69,873	$ (4,414)	(6)%
COST OF GOODS SOLD	(33,129)	(39,932)	6,803	(17)%
GROSS PROFIT	32,330	29,941	2,389	8 %
OPERATING EXPENSES	28,211	32,452	(4,241)	(13)%
INCOME (LOSS) FROM OPERATIONS	4,119	(2,511)	6,630	264 %
OTHER INCOME (EXPENSE):				
Interest expense, net	(9,544)	(8,520)	(1,024)	12 %
Fair value (loss) gain on derivatives	(5,100)	8,030	(13,130)	(164)%
Other, net	1,917	709	1,208	170 %
Total other income (expense), net	(12,727)	219	(12,946)	(5911)%
LOSS BEFORE INCOME TAX	(8,608)	(2,292)	(6,316)	276 %
Income tax expense	(9,747)	(10,148)	401	(4)%
NET LOSS AND COMPREHENSIVE LOSS	(18,355)	(12,440)	(5,915)	48 %
LOSS PER SHARE - BASIC	$ (0.09)	$ (0.06)	$ (0.03)	50 %
Weighted average shares outstanding - basic	195,131,642	194,050,835	1,080,807	1 %
LOSS PER SHARE - DILUTED	$ (0.09)	$ (0.06)	$ (0.03)	50 %
Weighted average shares outstanding - diluted	195,131,642	194,050,835	1,080,807	1 %

Three Months Ended March 31, 2024 Compared with the Three Months Ended March 31, 2023

(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 March 31,			
	2024	2023	$ Change	% Change
Retail	$ 57,369	$ 62,311	$ (4,942)	(8)%
Wholesale	8,090	7,562	528	7 %
Total revenue, net	$ 65,459	$ 69,873	$ (4,414)	(6)%

Revenue, net, was $65,459 compared to $69,873, a decrease of $4,414 or 6%. Retail revenue decreased $4,942 primarily due to declines in revenue in: (i) Illinois, due to the impact of the state of Missouri moving to recreational use, and (ii) Nevada and Pennsylvania, due to market price compression and increased competition. The decrease was partially offset by increased sales in Virginia due in part to the opening of one new store in August 2023. The Company ended the quarter with thirty-five operating dispensaries in seven states, as compared to thirty-seven in seven states at the end of March 31, 2023.

Wholesale revenue increased $528 primarily due to continued advancements at our cultivation and processing facilities that has enabled us to diversify our product offerings, as well as increasing our competitiveness on quality, cost and distribution.

Gross Profit

Gross profit was $32,330 compared to $29,941, an increase of $2,389 or 8%. Gross profit margin increased to 49% compared to 43%. The improvement in gross profit and gross profit margin was driven by operating efficiencies at our grower processor facilities and cost optimization initiatives, such as changes to our packaging. The benefit of these improvements was partially offset by declines in retail revenue in Illinois and Pennsylvania driven by competition both inside of such states and, with respect to Illinois, in neighboring Missouri.

Operating Expenses

Operating expenses were $28,211 compared to $32,452, a decrease of $4,241 or 13%. The following table presents information of our operating expenses for the periods indicated:

	Three Months Ended March 31,			
	2024	2023	$ Change	% Change
Salaries, wages and employee related expenses	$ 14,147	$ 16,804	$ (2,657)	(16)%
Depreciation and amortization expense	3,278	2,663	615	23 %
Rent and related expenses	2,914	2,893	21	1 %
Professional fees and legal expenses	2,575	2,325	250	11 %
Share-based compensation expense	1,524	2,311	(787)	(34)%
Other expenses [1]	3,773	5,456	(1,683)	(31)%
Total operating expenses	$ 28,211	$ 32,452	$ (4,241)	(13)%

[1] Other expenses are primarily comprised of marketing and selling expenses, insurance costs, administrative and application fees, software and technology costs, travel, entertainment and conferences and other.

Salaries, wages, and employee-related expenses decreased due to the benefits from both the staffing model changes in our retail stores and right-sizing the organization that occurred in 2023. Lower share-based compensation expense reflects lower value of share-based compensation granted.

Other Income (Expense)

Interest Expense, Net

Interest expense, net was $9,544 compared to $8,520, an increase of $1,024, or 12%. The increase in interest expense, net is due to our higher overall debt balance, primarily due to the addition of the Manassas Mortgage in April 2023, the final draw on the Arlington Mortgage in January 2023, as well as the increase in the Second Lien Notes compared to March 31, 2023 due to issuance of Second Lien Notes during 2023 to settle accrued bonus, as well as issuance of Second Lien Notes in the Debt Exchange which occurred in February 2024. Interest related to the Acquisition Facility and promissory notes has declined as we continue to make principal payments.

Fair Value gain (loss) on Derivatives

Fair value loss on derivatives was $5,100, compared to a gain of $8,030. Fair value gain (loss) on derivatives include the fair value changes relating to the derivative warrants. The derivative warrants are required to be remeasured at fair value at each reporting period. The fair value changes in derivatives were primarily attributable to the movement in our stock price during the corresponding period.

Other, Net

Other, net was an income of $1,917, compared to $709, a change of $1,208. The increase in income was due primarily to $575 higher foreign exchange translation adjustment mainly relating to certain Second Lien Notes denominated in Canadian dollars, $399 gain on debt extinguishment and $400 reversal of legal claim accruals no longer required, partially offset by $440 lower indemnification asset relating to acquisitions made in prior years.

Income Tax Expense

Total income tax expense was $9,747 compared to $10,148 in the prior year, a decrease of $401 or 4%. The decrease in income tax expense is primarily due to a reduction in taxable gross profit.

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 and Adjusted EBITDA (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 allow 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 and Adjusted EBITDA

EBITDA and Adjusted EBITDA 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; (ii) inventory-related adjustments; (iii) fair value changes in derivatives; (iv) other (income)/expense items; (v) transaction costs; (vi) asset impairment; (vii) gain/loss on debt extinguishment; and (viii) 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.

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

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

Adjusted EBITDA was $13,349 compared to $7,603, an increase of 5,746 or 76%. The increase in EBITDA was primarily due to operating efficiencies at our grower processor facilities, lower payroll cost due to a decrease in the number of employees as a result of right sizing the organization, as well as changes to our staffing model at retail stores.

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

	Three Months Ended March 31,	
	2024	**2023**
NET LOSS	$ (18,355)	$ (12,440)
Income tax expense	9,747	10,148
Interest expense, net	9,544	8,520
Depreciation and amortization [(1)]	6,836	7,335
EBITDA (Non-GAAP)	7,772	13,563
Non-cash share-based compensation	1,524	2,311
Inventory charge adjustments [(2)]	—	251
Fair value changes in derivatives	5,100	(8,030)
Other (income) expense, net [(3)]	(648)	(511)
Gain on debt extinguishment	(399)	—
Transaction costs	—	19
Adjusted EBITDA (Non-GAAP)	$ 13,349	$ 7,603

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

(2) 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 relates to the fair value write-up on inventory acquired on the business acquisition date and then sold subsequent to the acquisition date.

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

Liquidity and Capital Resources

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

Sources and Uses of Cash

We had cash, cash equivalents and restricted cash of $30,564 as of March 31, 2024.

The major components of our statements of cash flows for the three months ended March 31, 2024 and 2023, are as follows:

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	$ Change	% Change
Net cash flows provided by (used in) operating activities	$ 6,493	$ (3,572)	$ 10,065	282 %
Net cash flows used in investing activities	(743)	(4,542)	3,799	84 %
Net cash flows (used in) provided by financing activities	(6,491)	331	(6,822)	(2061)%
Effect of currency translation on cash	—	61	(61)	100 %
Net change in cash, cash equivalents and restricted cash	$ (741)	$ (7,722)	$ 6,981	90 %

Operating activities. Cash provided by operations was $6,493, as compared to cash used in operations of $3,572. The change to cash provided by operating activities in the current year compared to cash used in operating activities in the prior year was primarily due to income from operations in the current year as compared to an operating loss in the prior year, higher non-cash adjustments, which was partially offset by a decrease in cash provided by operating assets and liabilities in the current year.

Investing activities. Net cash used in investing activities was $743 compared to $4,542. The current year includes $1,077 for the payments of property, plant and equipment for use in our operations partially offset by $334 in proceeds from sale of property, plant and equipment. The prior year includes $4,542 for the payments of property, plant and equipment for use in our operations.

Financing activities. Net cash used in financing activities was $6,491 compared to net cash provided by financing activities of $331. The current year includes (i) $2,750 in payments on promissory notes in the Note Exchange, (ii) $2,438 payments related to the Acquisition Facility debt, (iii) $728 in net finance lease obligation payments, (iv) $586 in payments of other financing activities, and (v) $37 in payments of mortgage-related debt, partially offset by (i) $46 of proceeds from other financing activities and (ii) $2 of proceeds from exercise of options. The prior year includes (i) $1,900 in proceeds from mortgage loans, partially offset by (i) $844 in net finance lease obligation payments, (ii) $668 in payments of other financing activities and (iii) $57 in payments of mortgage-related debt.

Liquidity

As reflected in our 2023 Form 10-K, we used net cash of $3,318 for operating activities for the year ended December 31, 2023, and as of that date, our current liabilities exceeded our current assets by $80,825. Furthermore, as of March 31, 2024, our current liabilities exceeded our current assets by $81,294. Such current liabilities as of March 31, 2024 include aggregate contractual maturities of (i) $57,687 of the Acquisition Facility debt that is to be paid in cash within the next twelve months, absent a refinancing, (ii) $23,747 of debt (including $2,247 of interest and $5,000 of milestone accruals) that are subject to indemnity claims in favor of the Company and not currently expected to be paid in cash within the next twelve months and (iii) $3,225 debt related to Jushi Europe, where the payments are subject to completion of the liquidation of Jushi Europe. Refer to Note 9 - Debt and Note 18 - Commitments and Contingencies of our Quarterly Financial Statements contained in Part I. Item 1 of this report for more information. Absent a refinancing of the Acquisition Facility debt, we will not meet our obligations within the next year. We believe that with a refinancing of the Acquisition Facility debt, we will be able to meet our obligations.

As concluded in the 2023 Form 10-K, substantial doubt existed about our ability to continue as a going concern, and, as a result of the above, substantial doubt continues to exist within the next twelve months from the date these financial statements are issued. We have a history of refinancing our debt and management intends to refinance the Acquisition Facility debt before the maturity date. The ability to continue as a going concern is dependent upon future financing. There is no assurance that we will be successful in this or any of our endeavors and continue as a going concern.

The Quarterly Financial Statements contained herein have been prepared on a going concern basis which assumes we will be able to realize our assets and discharge our liabilities in the normal course of business for the foreseeable future, and do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or amounts and classification of liabilities that may result from the outcome of this uncertainty.

Off-Balance Sheet Arrangements and Contractual Obligations

As of March 31, 2024, we do not have any off-balance sheet arrangements. For our contractual obligations, refer to Note 9 - Debt, Note 10 - Leases and Note 18 - Commitments and Contingencies of our Quarterly Financial Statements contained in Part I. Item 1 of this report.