



**Jushi Holdings Inc.**

**Third Quarter 2021 Earnings Conference Call**

**November 17, 2021**

## CORPORATE PARTICIPANTS

**Michael Perlman**, *Executive Vice President, Investor Relations and Treasury*

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

**Ed Kremer**, *Chief Financial Officer*

## CONFERENCE CALL PARTICIPANTS

**Russell Stanley**, *Beacon Securities*

**Robert Burleson**, *Canaccord Genuity*

**Kenric Tyghe**, *ATB Capital Markets*

**Jason Zandberg**, *PI Financial*

**Andrew Sample**, *Echelon Capital*

**Glenn Mattson, Jr.**, *Ladenburg Thalmann & Co. Inc.*

**Aaron Grey**, *Alliance Global Partners*

**Matthew Baker**, *Cantor Fitzgerald*

## PRESENTATION

### Operator

Good morning. My name is Latanya and I will be your conference operator today.

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

Today's call is being recorded.

I would now turn the call over to Michael Perlman, Executive Vice President of Investor Relations. Thank you, sir. Please proceed.

### Michael Perlman

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

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

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

Before we begin, I'd like to remind listeners that certain matters discussed in today's presentation, or answers that may be given to questions asked, could constitute forward-looking statements within the meaning of Canadian and United States Securities laws, which by their nature involve estimates, projections, plans, goals, forecasts and assumptions. Actual results could differ materially from those anticipated in these forward-looking statements.

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

With that, I would now like to turn the call over to Jim Cacioppo, Chief Executive Officer. Jim?

**Jim Cacioppo**

Thank you, Michael, and thank you everyone for joining our call today. Let's begin on Slide 2.

This morning, I would like to take a few minutes to provide an update on our third quarter performance and highlight the progress we have made across the organization, along with our operational achievements. I'll then turn it over to Ed, our newly appointed Chief Financial Officer, to review our financials. We'll then review what sets Jushi apart from our peers and our outlook, and lastly, open it up to questions.

I'll now begin by reviewing our third quarter results on Slide 3.

I am pleased to report that our revenue increased 13% to \$54 million in the third quarter of 2021 as compared to the second quarter of 2021, and 117% on a year-over-year basis.

On a sequential basis, our revenue growth was driven primarily by higher sales at our BEYOND / HELLO stores in Pennsylvania, Illinois, and Virginia, and increased operating activity at our grower-processor facilities in Pennsylvania and Virginia. Additionally, the Nature's Remedy of Massachusetts acquisition, which closed on September 10, contributed approximately three weeks of revenue during the third quarter.

For the third quarter of 2021, Adjusted EBITDA was \$6.4 million, an increase of 38.5% over the second quarter of 2021, and 124.9% year-over-year.

We opened four stores in Q3 2021, including the acquisition of two Nature's Remedy stores in Massachusetts, and have opened a total of 11 stores year to date as of today.

As compared to the prior year, Adjusted EBITDA increased by 124.9%, driven by significantly higher revenue and gross profit.

Our quarter was on target for revenues and I want to thank our team of hard working Jushi employees for what they do every day.

I would now like to highlight the progress we have made across the organization, along with our operational achievements beginning on Slide 4.

Over the course of the Company's history, we have proven that our disciplined M&A strategy is working, having strategically expanded our footprint nationwide in several high-growth limited license markets at what I believe to be industry leading acquisition multiples, and this continued into 2021. We have been slower to expand through M&A in the past 18 months compared to some of our peers. Our high growth asset profile combined with a low company valuation creates a high bar for acquisitions as we seek to avoid unnecessary shareholder dilution.

In the third quarter of 2021, we are extremely proud to have successfully completed three acquisitions, and announced the signing of another.

First, the completion of the Nature's Remedy acquisition marked our official entry into the Massachusetts market, the seventh state in Jushi's expanding national footprint and our third vertically integrated state at the time of the announcement.

With Nature's Remedy, Jushi adds two retail dispensaries in Tyngsborough and Millbury, and a 50,000 square foot cultivation and manufacturing facility in Lakeville, Massachusetts. The Lakeville facility's flower canopy encompasses approximately 26,000 square feet, which Nature's Remedy expects to expand to approximately 33,000 square feet by the end of November. Nature's Remedy is also evaluating further expansion opportunities in the existing Lakeville industrial complex as well as on the 10 acres of land owned by Nature's Remedy in Grafton, Massachusetts. We acquired this asset at a very attractive multiple of 2.7 to 3 times Nature's Remedy's 2022 EBITDA. We also plan to expand our retail presence in Massachusetts' rapidly maturing adult-use market by acquiring one additional adult-use store under the state's three store cap.

Second, we signed a definitive agreement to acquire an entity operating an adult-use and medical retail dispensary under the name Apothecarium in Las Vegas, Nevada. The Apothecarium acquisition, together with the April 2021 purchase of Franklin Bioscience NV, LLC, a holder of medical and adult-use cannabis cultivation, processing, and distribution licenses, will enable Jushi to become vertically integrated in Nevada which will provide margin uplift, as well as provide significant branding exposure for Jushi's high-quality product lines, including The Bank, The Lab, Tasteology and Sèche. This will be Jushi's fourth vertically integrated state, accompanying Pennsylvania by way of its affiliated subsidiaries, Virginia, and Massachusetts.

And third, we significantly increased our presence in the Ohio market with the acquisition of a licensed cultivator and by completing the previously announced acquisition of a licensed medical cannabis processor. The acquisition of a cultivator and processor is a significant step forward in our plan to scale our footprint and vertically integrate in Ohio. We also plan on acquiring up to five new retail dispensaries in Ohio under the state's five store cap, either through applications or through acquisitions.

This morning, we are also very excited to announce that we have entered a definitive agreement to acquire NuLeaf, a Nevada-based vertically integrated operator, for a total consideration of up to \$62.5 million. NuLeaf currently operates two high-performing adult-use and medical retail dispensaries in Las Vegas, NV, and Lake Tahoe, NV, in addition to a 27,000 square foot cultivation facility in Sparks, NV, as well as a 13,000 square foot processing facility in Reno, NV. Additionally, NuLeaf owns a third licensed retail dispensary located directly on Las Vegas Boulevard, expected to become operational in early 2022, subject to regulatory approval and other conditions.

Upon completion of the acquisition of NuLeaf and the previously announced Apothecarium Nevada acquisition, Jushi will grow its retail presence to four dispensaries with the potential to significantly increase our presence in the Nevada retail and wholesale markets.

This period of rapid growth is only just getting started here at Jushi.

With a robust M&A pipeline, we are confident it is the right time to further strengthen our liquidity to continue this momentum. Subsequent to the quarter end we entered into a \$100 million senior secured credit facility, or what we are referring to as an acquisition facility, from SunStream Bancorp, Inc., a joint venture sponsored by Sundial Growers Inc.

Now, I'd like to specifically highlight our operational achievements during the third quarter.

Let's begin with retail on Slide 5.

In Pennsylvania, we opened our 14th and 15th BEYOND / HELLO dispensaries in the third quarter. Coinciding with the store openings, we saw increased sales driven by improved inventory levels, a broader selection of products in-store, targeted promotional activity, and an increase in membership in our loyalty program. During the third quarter, we hosted and participated in several events, ranging from educational pop up events to community events focused on veterans and health related causes. We also increased our engagement with the local Chamber of Commerce's and are organizing on average five to seven events a month.

Subsequent to the third quarter, we opened our 16th BEYOND / HELLO dispensary and have plans to open our 17th and 18th BEYOND / HELLO locations in Pennsylvania before year-end.

In Illinois, our four existing BEYOND / HELLO stores continue to perform well. Additionally, our partner Northern Cardinal Ventures, was awarded a conditional retail dispensary license via the state's lottery process in the third quarter. Pending regulatory approvals, the new store, which is designated for the Peoria Bureau of Labor Statistics region, will become the fifth BEYOND / HELLO location in Illinois.

During the quarter, we also organized and supported several local community events including Suds of Love and Run for Epilepsy, and expanded our partnership with the Laundry Project which assists lower-income families with meeting basic needs, including washing clothes and linens. Also, Jushi continues to host and participate in local educational pop-up events and non profit outreach in the Sauget and Bloomington-Normal communities.

We are also pursuing five additional retail licenses in Illinois that will increase our retail footprint to the state cap of 10, and plan to apply for or acquire three craft grow licenses to support our growing retail footprint.

Moving on to Virginia, subsequent to the quarter end we opened our second store in Virginia just seven miles from Dulles International Airport and 30 miles from Washington D.C. The new store features 17 point-of-sale systems, 70 onsite parking spots, and a separate delivery service area.

We expect to open at least three and maybe a fourth additional dispensary in 2022 in high-density locations like Alexandria, Arlington, and Fairfax. The new locations are expected to be freestanding buildings that range from 7,500 to 10,000 square feet, feature 20 or more point-of-sale stations, offer drive-through access and 50-plus parking spots, and have a separate delivery vault supported by a separate delivery space to capitalize on Virginia's delivery potential.

We recently closed on a phenomenal piece of real estate in Arlington that we expect to be a great store and is a short, five-minute walk to two metro stations and within a 10-minute drive from about 280,000 people with an average income of \$155,000 per annum. The current plans for this Arlington location include 42 parking spaces and 25 POS systems, nine of which will be dedicated to express pickup.

Let's turn to Slide 6.

I am very encouraged by the steady growth in our storefronts over the past year. In the third quarter, our store count increased by four, including the two stores we acquired through the Nature's Remedy acquisition. At the end of the third quarter we operated 24 stores, up from 10 in the prior year. Subsequent to quarter end, we opened two new stores and now operate 26 retail stores across five markets. Before year end, we expect to add an additional two locations in Pennsylvania, and operate a total of 28 stores across five markets and a licensed footprint of 39 licenses, including the recently announced Nevada deals. By the end of 2022, we are targeting a total of approximately 50 store licenses, or more, across seven markets to be added through applications and acquisitions.

I would now like to provide an update on our expansion efforts at our grower-processor facilities in Pennsylvania and Virginia on Slide 7.

Let's start with Pennsylvania. At our grower-processor facility in Scranton, we continue to make good progress on the redesign and build-out of the facility and remain on track to complete Phase 1 of the expansion by the end of the first quarter of 2022 and begin to generate revenue in Q2. The initial improvements we have made to the facility have resulted in improved yields and quality.

As previously discussed, Phase 1 of the buildout, which has been recently refined, will increase total square feet of the facility from 81,000 square feet to approximately 123,000 square feet, increase canopy from approximately 18,000 square feet to approximately 44,000 square feet, and increase annual biomass capacity from approximately 10,000 pounds to 25,000 pounds.

Phase 2 of the expansion is expected to be completed by the end of the fourth quarter of 2022, and will increase the total square footage of the facility to an upward revised 210,000 square feet, increase canopy to approximately 100,000 square feet, and increase annual biomass capacity to approximately 67,000 lbs. Furthermore, we have added many parcels of land to the footprint and are close to being able to expand to over 350,000 square feet, pending regulatory developments.

In Virginia, we launched a series of cannabis brands and products in the Commonwealth, beginning with the debut of our brands, The Lab, in the form of 0.5 gram and 0.3 gram vaporizable cartridges, and Tasteology, in the form of edibles or infused products. In September, we were thrilled to have received Virginia Board of Pharmacy approval to sell smokable flower, which allows us to expand patient access to our full suite of products. We have already begun to see the positive impact that flower sales have on a medical program following the launch in September, and we have seen strong momentum into the fourth quarter. However, the flower roll-out in Q3 and Q4 is slower than expected due to regulatory bureaucracy.

At our vertically integrated facility in Manassas, we continue to move forward with Phase 1 of the build-out of the 93,000 square foot facility and remain on target to have 19,000 square feet of canopy and an annual production capacity of 12,000 lbs of biomass that will come to market by the end of the second quarter of 2022 or early Q3 as the construction ends at the end of Q1 and the grow cycles begin in Q2.

As previously reported, the Company is also in the design phase of constructing a second connected on-site building that would also be built-out in two phases. Phase 2 is expected to add another approximately 100,000 sq. ft., 35,000 sq. ft. of canopy, and 23,000 lbs. of annual biomass capacity of approximately 195,000 square feet, approximately 54,000 square feet of canopy, and approximately 35,000 lbs of

annual biomass capacity. We expect to be able to complete Phase 2 by the end of the first quarter of 2023 and begin the planting cycle in Q2 of 2023. Phase 3 would add another approximately 70,000 square feet to the facility, 69,000 square feet of canopy, and 45,000 lbs of annual biomass capacity for approximately 265,000 square feet, 123,000 square feet of canopy, and 80,000 lbs of annual biomass capacity.

Before we dive into our financial results, I'd first like to sincerely thank Kim Bambach for her countless contributions to Jushi. We are extremely grateful for her service and wish her the best luck in her future endeavors. Kim will remain with the Company through December to ensure a continued smooth transition.

I'd now like to introduce Ed Kremer, our newly appointed Chief Financial Officer, who assumed his role subsequent to the end of the third quarter. Ed's career includes nearly 25 years of financial, growth, restructuring, executive leadership experience, and sales and marketing at high-growth start-ups and publicly traded companies in the technology, fashion, manufacturing, wholesale distribution, licensing, and retail environments. Most recently, Ed served as Chief Operating and Restructuring Officer of Le Tote and Lord & Taylor where he oversaw the organization's M&A and restructuring efforts during the global COVID-19 pandemic. Prior to his time at Le Tote and Lord & Taylor, he held a number of executive leadership and finance roles with public and private equity-backed leading consumer products companies, most notably Oakley, Oliver Peoples, Beats Electronics, better known as Beats by Dr. Dre, Noon Home and 360fly. We are thrilled to have Ed join the team.

I will now pass the call over to him to discuss our financial results for the third quarter before we discuss our 2021 outlook. Ed?

#### **Ed Kremer**

Thank you, Jim, and good morning everyone.

Before we dive into the financials, I would like to take a minute to say that I am incredibly pleased to join Jushi at this pivotal stage in its growth trajectory. I truly believe the cannabis industry is in the first inning of tremendous growth that lies ahead, and upon meeting Jim and the rest of the executive team it was clearly apparent to me that Jushi is at the forefront to execute on that growth trajectory. I look forward to working with this highly experienced and disciplined team to execute on the Company's strategic and financial priorities.

Before getting started, I'd like to remind everyone that the results I will be going over today can be found in our soon to be filed financial statements and MD&A, and are all stated in US dollars.

Let's begin on Slide 8.

Revenue in the third quarter of 2021 increased 13% to \$54 million compared to \$48 million in the second quarter of 2021, and increased 117% from \$25 million in the third quarter of 2020. The increase in revenue on a sequential quarterly basis was driven primarily by solid growth at the Company's BEYOND/HELLO stores in Pennsylvania, Illinois, and Virginia, and modest contribution from the recent acquisition of the two Nature's Remedy stores in Massachusetts. As Jim mentioned earlier, while our wholesale business continues to ramp up, it represented less than 10% of our overall revenue for the quarter. The year over year increase in revenue was primarily driven by the build-out and expansion of the Company's retail store base, expanding from 10 to 24 and the modest expansion of our wholesale business driven by an increase in inventory availability through our expanded cultivation and manufacturing facilities in both Pennsylvania and Virginia and the addition of the Nature's Remedy Lakeville facility.



Our gross profit was \$24 million for the third quarter of 2021, an increase of 100% from \$12 million in the third quarter of 2020. Gross profit margin was 45.3% compared with 49.2% in the prior year third quarter. Excluding fair value adjustments in our biological assets, gross margin percentage declined a modest 110 basis points versus the third quarter in the prior year.

The increase in gross profit was primarily driven by the increase in revenue, partially offset by increased promotional activity focused on growing the percentage mix of private brand products and our growing loyalty program membership.

SG&A expenses in the third quarter of 2021 was \$24.3 million, or 45% of revenue, a \$600,000 decrease as compared to \$24.9 million, or 52% of revenue in the second quarter. Excluding a one-time severance payment in the second quarter of 2021, operating costs increased \$1 million sequentially, and \$13 million or 106% as compared to the prior year third quarter, demonstrating operating leverage as we scale the business

SG&A expense was driven primarily by an increase in headcount to support new store openings, an increase in activity at our cultivation and manufacturing facilities, and the size and scope of general and administrative functions.

Provision for income taxes in the third quarter of 2021 was \$8.9 million compared to \$6.1 million in the prior quarter and \$1.8 million in the year-ago period. The increase in income tax expense was mostly due to an increase in gross profit subject to 280E tax treatment, higher state income tax and a return to provision adjustment.

Third quarter net income was \$38 million or \$0.22 per basic share with net loss per diluted share of \$0.08, compared to net income of \$5 million or \$0.03 per basic share and net loss of \$0.08 per diluted share in the second quarter of 2021. The \$33 million improvement in net income in the third quarter as compared to the second quarter of 2021 was primarily driven by the gain on fair value derivative liabilities of \$55 million. The net loss of \$0.08 per diluted share in the third quarter was due to the dilutive effects of the derivative warrants as accounted for under IFRS.

As compared to the prior year, net income increased \$68 million from Q3 2020, driven by an increase in fair value gain on derivative warrants. revenue, and gross profit.

Adjusted EBITDA in the third quarter of 2021 increased 38.5% to \$6.4 million compared to Adjusted EBITDA of \$4.6 million in Q2 2021, and increased by \$3.5 million or 124.9% as compared to the prior year.

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

Turning to the balance sheet, we ended the quarter with \$59 million of cash and short-term investments and total current assets of \$139 million and current liabilities of \$79 million.

Inventory and biological assets increased to \$65.2 million from \$28.5 million in the prior quarter, primarily due to the acquisition of Nature's Remedy and the build up of inventory in our grower processor facilities in Pennsylvania and Virginia in anticipation of Q4 sales.

The Company incurred \$15 million in cash capital expenditures during the quarter and \$56 million year to date. We expect to incur an additional \$35 million to \$40 million in the fourth quarter of 2021, subject to



market conditions and regulatory changes, of which a portion will be funded by an existing financing arrangement.

As of September 30, 2021, the Company had \$102 million principal amount of total debt, excluding leases and property, plant and equipment financing obligations.

As of September 30, 2021, total shares outstanding were 182 million and including all dilutive share equivalents were 264 million, respectively.

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

As previously announced, on October 20th Jushi closed on a \$100 million senior secured credit facility from a portfolio company of SunStream Bancorp Inc., a joint venture sponsored by Sundial Growers Inc. After being drawn, loans issued under the facility will bear an interest rate of 9.5% per annum payable quarterly and will mature five years from the closing date.

Subsequent to quarter end, the Company had drawdown \$40 million from the acquisition facility to fund the cash portion of the recently completed acquisition of Nature's Remedy. Sixty million in capacity remains on the acquisition facility and Jushi has the ability to increase the total commitment by an incremental amount of up to \$25 million.

As of October 31, 2021, the Company had approximately \$94 million in cash and short-term investments on the balance sheet, not including a \$16.4 million final arbitration award in a previously announced dispute, and approximately \$142 million principal amount of total debt, excluding lease and property, plant and equipment financing obligations.

At this time I would like to turn the call back over to Jim. Thank you.

**Jim Cacioppo**

Thank you, Ed.

I would like to conclude the call today by highlighting a few points on Slide 10 that we believe set Jushi apart from our peers, and then review our outlook.

First, we expect to lead the industry in organic revenue and Adjusted EBITDA growth over the next several years as we continue to build out our licenses and expand our cultivation and manufacturing operations. This organic leading growth rate will be further enhanced by accretive M&A transactions.

If you look at Slide 11, you can see we should have a revenue CAGR of 242% from 2019 through 2022 which included very few revenue and cash flow acquisitions.

Second, we believe Jushi operates one of, if not the most concentrated portfolio of assets in limited license states with favorable regulatory developments, namely Pennsylvania, Virginia, Ohio and additional opportunities to expand in Illinois when more licenses are finally issued. Further, we expect approximately 55% to 60% of our 2022 projected revenue to come from states that are on the verge of a

flip to adult-use in the next year or two, and any related sales inflection is not included in our outlook as they would likely be in 2023.

Third, our M&A track record is second-to-none based on the quality of assets we have acquired and the multiples we have paid for these assets. We have included Slide 12 that takes you through our biggest and best M&A transactions since inception, but I would like to take a minute to highlight a few of the transactions.

In Pennsylvania, we acquired 18 stores for \$80 million. Most recently, we have seen other MSOs routinely paying up to \$120 million for three retail locations.

In Virginia, we paid \$33 million for what we believe is the best license in cannabis in the state and maybe the country.

And in Illinois, we paid \$12.5 million for four high-performing stores that generate approximately \$75 million to \$80 million in annual revenue.

As large MSOs complete their footprint, Jushi will experience less and less competition for deals as we experienced in Massachusetts. Shareholders of Jushi get an experienced, well-oiled M&A team led by me that serves only one client, Jushi shareholders.

If you look at Slide 13 you will see how we have much less willingness to offer shares than other Tier 2 MSOs. In the past two years we have issued approximately one-third of the shares of the average of what Company 1 and Company 2 have issued over the past three years. Their quicker roll-up of single state operators strategy may be a good one as they seek to capture the premium valuation that goes along with being among the largest cap and most liquid stocks and complete more acquisitions before federal legalization. Our strategy is a different and a slower strategy that has the advantage of pursuing only the most strategic and accretive transactions. Our low valuation in the out years of 2023 and 2024, as our major markets go to adult-use, causes us to have a very high bar for acquisitions to fit into the Jushi's valuation and growth metrics. Jushi's strategy has the added benefit for reducing operational risk of integrating many assets at the same time and eventually we will have less competition for deals as the largest MSOs have substantially built-out footprints.

Our M&A skills combined with our concentrated footprint gives us plenty of runway to enhance our leading organic growth with accretive acquisitions that should enhance shareholder returns. We believe this will allow Jushi to generate the best alpha in the cannabis industry and over time as our ability to do accretive deals on top of high internal growth rates may capture a premium valuation. We plan to do lower cost license bolt-on acquisitions in Illinois and Ohio in 2022 which should be very accretive to shareholder value.

Fourth, moving to Slide 14, our industry-leading online platform continues to drive a best-in-class customer experience, and represents approximately 80% of our total sales. We also reported two \$1 million online sales days in October and a million-dollar online sales day in November and have seen conversion rates of nearly 14%, which stands well above the 3% ecommerce industry benchmarks. We also expect to build up one of the industry's best delivery services in HS2 in Northern Virginia.

Fifth, as illustrated on Slide 15, we have a strong management team that was recently enhanced by several executives that adds value every day to Jushi shareholders and leads a very dedicated and diverse team of over 1,200 motivated, hard working employees that are focused on our mission to increase access to safe, effective and affordable cannabis products.

And sixth, on Slide 16, Jushi is committed to continuing to adopt industry leading ESG standards, beginning with our focus on applying environmentally sustainable practices throughout our organization. Specifically, we are focused on limiting the environmental impact of our retail stores, and the construction required to continue building out our cultivation and processing capabilities. A great example of this is our Culver City, California BEYOND / HELLO location, which is expected to achieve a full remediation of the former gas station's environmental damage which was previously located there. Additionally, our environmental sustainability efforts during the buildout of the dispensary includes zero waste construction as well as being California Title 24 energy compliant. The dispensary is also designed with low E glazing, energy-efficient glass clearstory walls and will have a locally-sourced sculptured garden and solar-powered vehicle charging stations. We are also strongly committed to increasing the use of organic packaging materials across our six best-in-class brands.

Next, we are actively working to both support and build a diverse workforce at Jushi, ensuring that our team is representative of the communities in which we serve. Our commitment to equal opportunity and employee engagement is demonstrated through our receipt of the Best Companies Group Award for 'Best Cannabis Companies to Work For' Dispensary Award for two consecutive years, among others.

Giving back to our communities is core to our company culture. Each month, Jushi hosts and participates in various community and charitable events in the regions in which we operate.

And lastly, we have compiled a strong group of diverse Directors with refreshed and unique perspectives to ensure Jushi maintains the highest level of governance standards. We believe our current Board diversity profile will comply with the diversity requirements that the major stock exchanges have or will adopt..

In line with our commitment to strong governance, we simplified our capitalization table by eliminating our multi-class voting structure. This is also a crucial step for a successful uplisting to a major U.S. exchange by attracting institutional ownership as some avoid super-voting structures in a younger and very dynamic industry like cannabis.

Looking ahead to the remainder of the year, we expect to open an additional two BEYOND/HELLO dispensaries for a total of four in Q4 and continue to build-out our Pennsylvania and Virginia grower-processor facilities, which will increase our margins and substantially grow our wholesale sales in 2022 and beyond. The four new Q4 stores will increase our store base by 17% in Q4.

We are revising our full year 2021 revenue guidance range to \$205 million to \$215 million, and our 2021 Adjusted EBITDA guidance range to \$21 million to \$25 million. The reduction in revenue and Adjusted EBITDA guidance was mostly due to our lower fourth quarter estimates driven by: delays in new store openings, due to unforeseen regulatory approval timing-related delays and some supply chain issues. For example, the Pittsburgh store has been unexpectedly delayed four months by the city's ever-changing zoning requirements affecting Q3 and Q4 sales; the slower than expected ramp-up of wholesale activity in Massachusetts due to the lack of wholesale operating infrastructure by the previous operator and our adopting a conservative operating stance as we integrate Nature's Remedy into the Jushi way, mostly affecting Q4; unexpected regulatory complexities that have impeded our ability to introduce our full suite of flower products in Virginia, both in Q3 and Q4; and delays in signing and closing our acquisitions in Nevada.

On the EBITDA side, we've had a larger than expected corporate overhead as we have ramped up hiring, including at the senior levels to fuel our sales and marketing efforts as well as preparation for our SEC registration.

While the pace at which we have been able to open new stores and launch new products in the wholesale market has been slower than we initially anticipated, I am pleased with the progress we have made to date, and I am encouraged by our industry-leading organic growth as we continue to expand our footprint.

We are maintaining our guidance for 2022 as most of the store opening issues, and our wholesale sale structure and operating changes at Nature's Remedy will be complete by year-end or early first quarter. Very importantly we continue to execute on our grower processor build-out in Pennsylvania and Virginia, which should drive both wholesale sales and improved margins in both markets. We continue to operate under the assumptions that there will be adult-use sales in both Pennsylvania and Virginia, which informs our capital allocation decisions which includes the pace at which we build-out our retail and grower processor assets.

In short, we have to take a point of view on when adult-use will come to make investment decisions and this is our best estimate for these large-impact regulatory changes.

Moving forward, we will continue to make the investments necessary to support new and exciting market-entry opportunities in existing and new states in line with evolving cannabis regulations.

I could not be more excited for what the future brings as we continue to forge our leadership position in the cannabis industry, all while driving long-term value for our shareholders.

I look forward to updating you all on our next call. Thank you again for your time.

Operator, please open the call for questions.

**Operator**

Thank you.

Our first question comes from Russell Stanley with Beacon Securities. Please proceed.

**Russell Stanley**

Good morning and thank you for taking my question.

Just on Virginia, following up on your concluding remarks Jim, understanding the election results from earlier this month, just wondering what your latest thoughts are. I think at first glance people viewed the results as being bear-ish for the opening of the adult-use market and more recently the media reports have indicated there may be Republican support for accelerating the opening. Can you give us your thoughts on the net impact and how you see that rolling out? Thank you.

**Jim Cacioppo**

Thank you, Russell.

Yes, in Virginia I think the focus of the new governor and the new politicians that were elected in the legislature and senate is really focused at this point more on law and order. We have, in Virginia, it being becoming legal to possess and that becomes legal in July. Possession becomes legal in July, decriminalization effectively. We believe they want to have a legal market to serve those and are working with the existing companies, because that's their only choice, to allow sales to everyone in Virginia before the 2024 appendance of adult-use, so effectively allowing us to sell.

We believe that's obviously a work-in-progress, but that's their focus. They're also focused on jobs and the economy and they're very interested in cannabis. We have people visiting our facilities all the time in the legislatures because we're very close to the seat of power there. Yes, we think that it moves along and adult-use gets brought forward in one way or another, whether it's into 2022, which is a possibility, or the beginning of '23 or other time in '23, we'll see. But I would note that we do have this exclusive right to serve the northern Virginia market. We're building out our facilities and growing the medical market quite fast. Virginia is probably the quickest conversion from a sleepy medical law back in 2019/20, they added additional stores, they took away THC caps, and now they allow smokable flower, so it's really moved at a rapid pace, more rapid than you saw Pennsylvania and Pennsylvania was more rapid than Florida. So, we have lots of wood to chop in the medical market as well.

We're looking forward to regulatory change and we're involved in the process, and we'll see what happens.

**Russell Stanley**

Excellent. Thank you.

**Operator**

Our next question comes from Bobby Burleson with Canaccord. Please proceed.

**Robert Burleson**

Great, thanks. Curious about timing of the additional stores in Virginia that you're planning on opening in 2022.

**Jim Cacioppo**

Thanks, Bobby.

We have right now—we opened our second store in November in Sterling. We expect in Q2-ish there's probably—there's always delays on this stuff but we're expecting Q2-ish opening up Fairfax and Alexandria. Then beyond that, because we just bought a site that's a tremendous site in Arlington and it's just very big. Arlington is more of a city, right, but we have 42 parking spots right now in the current design, which is tremendous and close to subway sites. We call them in New York subways; they call them the metro or something else in Virginia. So, five minute walks away from two different ones. A tremendous site but it requires a lot of work. That one, the Q3/Q4 timeframe; we're just getting plans approved.

**Robert Burleson**

Okay, great. Thank you.

**Jim Cacioppo**

Then we have another store. We have another store; we have not identified our site yet. Depending upon what the site looks like it could even be quicker than the Arlington store, but I would in my model put that out there after the Arlington store for conservativeness.

**Robert Burleson**

Understood. Thanks.

**Operator**

Our next question comes from Kenric Tyghe with ATB Capital Markets. Please proceed.

**Kenric Tyghe**

Thank you and good morning.

Jim, just on the topic of Pennsylvania and your planned capacity expansion, exiting 2022 you're planning to be sitting on more than 100,000 square feet of canopy, 210,000 square foot facility. You also sort of called out the potential or the opportunity to increase that to in excess of 300,000 square feet. Can you just speak to your supply balance relative to your own footprint and perhaps also market supply balance or risk of imbalance in the second half of 2022 heading into the expected adult-use flip, and how you would look to mitigate or manage against that dynamic as we sort of get into the back end of 2022?

**Jim Cacioppo**

Thanks for the question, Kenric. It's a good question.

Listen, there's this maxim in the industry, this saying that we have, go big early. We at Jushi like to execute big early too, but go big early in grower-processor land in Pennsylvania means having your growth there for when it flips to adult-use. We and others have added capacity. Now, we're in an enviable position of having 18 stores open by the end of the year.

Right now, our first expansion, as you said, is 1/23. Our second expansion we have not made final investment decision on. We're very involved in the process. In Pennsylvania, we believe the market and we will hear things come in the coming weeks and months that give us confidence that it is coming and not a timeframe. That final investment decision for Phase 2, which takes us to 195,000 square feet of total warehouse space, that final investment decision will be timed around that and maybe a little bit sooner if we get a little bit more bullish, or just because we're just going to get it going because we know what comes. Just because the way the process works from construction, we can get that started potentially sooner than, if we get the information out of Harrisburg.

But having said that, we're involved in the process of regulatory change there, of educating the politicians, and we're quite optimistic that something is going to happen. And Pennsylvania, unlike states like New Jersey, the infrastructure is ready for adult-use. The license structure is much different. You have major MSOs who have invested lots of capital in the grower-processor space and there's many, many stores open, unlike New Jersey, so they don't have to worry about this medical market getting pushed out by adult-use. That sets up a really nice dynamic. The market structure is ready for it, and of course the patients and customers, the citizens of Pennsylvania I believe are very, very ready for it and supportive of it.

So, we think there's a positive set-up there and we have to manage that risk of timing that you're talking about. We're good at managing risk. We could get it a little wrong on Phase 2, but to what you're saying about supply, if you look at Illinois, what's happened in Illinois when it flipped over, you saw wholesale prices and to some degree retail prices go down as the grower-processors were building out capacity in a small recreational market—small medical market, excuse me, in Illinois in the first half of that year, which was I think 2019. It flipped over in '20, yes. Then in the second half of that year you saw people starting to



horde product because they knew that prices were going to go up and (inaudible) going up, and you saw prices actually get back up a little bit.

So, we don't know what's going to happen in Pennsylvania, but it's natural for us to want to build, to be there for the first two years, which will be the best prices and volumes in the market, and serving the citizens and the customers of Pennsylvania, doing what we're supposed to be doing with assets, doing what the regulators and the politicians expect us to do. That's how we manage it.

The second piece of that, going to 350,000 square feet, that will be a further down the line. We have no commitment to that yet and we have the land to do it, or pretty close to having all the land to do it, but it's just noting to investors we can lean into Pennsylvania if it's there. We have that set-up already. We have that optionality set up already. We by no means have made that decision or in process of even making that decision. We need more data. We need to see what happens here.

**Kenric Tyghe**

Great color. Thanks, Jim.

**Operator**

Our next question comes from Jason Zandberg with PI Financial. Please proceed.

**Jason Zandberg**

Thanks very much.

Just wanted to ask you about Capex, specifically what the outlook looks like for Q4 and for FY22, if you could, in terms of total and also just a timeline.

**Jim Cacioppo**

The total—Ed, what's the total?

**Ed Kremer**

Thirty-five to \$40 million in the quarter.

**Jim Cacioppo**

Yes, \$35 million to \$40 million. I think we put in the transcripts or the press release \$35 million to \$40 million fourth quarter. I personally, after talking to my team, I think that all won't happen in the fourth quarter. I think that's a conservative sort of number we put out there because inevitably we pace up with that into the first quarter. That's more like what we think we're spending if we were doing cash on delivery, effectively. That's how that's calculated, more or less, right? But that's not how the real world works.

The good news from an investor's standpoint is that's the big chunk because we're completing our structures. Virginia, as we laid out, we're starting to plant in the grow room in December. December 29 is the date that my team thinks is what they will be planting in the first additional grow room, and then it just becomes a cycle where we keep planting in those grow rooms. So the capital is really being spent a lot in the first—the fourth quarter and the first quarter. And remembering that we do have the IIPR facility for Pennsylvania, so that's a sale-leaseback facility. We have open amounts that we draw down on that, so

that covers a nice big piece of that. And remembering, of course, we have \$100 million of cash or \$95 million in cash, whatever it is that we disclosed at the end of October. And remembering that we have the best collateral in Virginia. Virginia is an asset we own; it's unlevered. There's been a feeding frenzy of lenders trying to get to us to borrow money from them, but given how much adequate cash we have, almost \$100 million on the balance sheet, I'm in no rush to set up a negative carry in an asset I know I can finance at decent rates, single-digit rates. I'm in no rush to take down more cash and pay that interest rate until we decide that we need that capital.

**Jason Zandberg**

Okay, great. Thanks very much.

**Operator**

Thank you. Our next question comes from Andrew Sample with Echelon Capital. Please proceed.

**Andrew Sample**

Good morning and congrats on the NuLeaf transaction.

Just wanted to ask on the reaffirmed guidance for 2022, could you clarify whether NuLeaf is embedded within that guidance? If so, does that represent maybe perhaps some sort of tapering on an organic basis?

**Jim Cacioppo**

Yes. I have your question, Andrew. Thank you. That's a good question.

Thank you for your congratulations on the NuLeaf transaction. I'd like to point out that we think there's going to be a quick close there and the Apothecarium transaction. Both of those licenses, it happens, were in the process—a two-year process of getting people off of the licenses that need to be off of the licenses and so they have this process that's been longstanding at the State and we were told through regulators and lawyers that they're just going to slip Jushi in there and we'd have a quick close.

So, yes, that was included in the guidance that we gave fully. We thought this transaction might have been signed six weeks ago and we could get it into the fourth quarter, by the way, so in our range we thought we'd get part of it in the fourth quarter and the Apothecarium transaction as well. But it's got pushed out a little bit, for sure, just based upon us not signing the deal because in cannabis these deals are tough. You do a lot of due diligence. There's a lot of things you need to account for when you do a transaction document.

So, we have numbers in there for NuLeaf and in fact we have some other acquisitions that we think we're going to be doing as well. We have some LOIs out there on some smaller acquisitions.

So, yes, to go into your question about the organic growth rates, I still think we have the leading organic growth rates in the industry, but if you look at Jushi, right, we had bought mostly licenses. I pointed out in our M&A credentials how we've gotten these great deals. The way we've gotten the great deals primarily is buying underdeveloped assets in Pennsylvania, Virginia and Illinois, where we were opening dispensaries, flipping to adult-use in Illinois. When we bought Illinois it was doing \$7 million and now it's doing like \$75 million or \$80 million of sales, right? Then we were opening eight—we had two or three dispensaries open or about to open in Pennsylvania when we closed on our first transactions, and now we're up to 18. That was 15 different licenses that we had when we went public, under contract.

So yes, a lot of the organic growth has been building out that huge structure of the licenses. But if you look at organic versus inorganic for next year, again, this year we've opened 14. It will be like 18 dispensaries or something. I guess in the last year we had 14 so it's like we'll have opened 14 or 15 different dispensaries by the end of the year or the early first quarter. Those dispensaries are in the ramp-up stage so we get a full year of those next year, right? That's one thing on your—if you do a bridge or what organic looks like, that's a big piece of it.

The other big piece is we have these massive grow rooms coming online in Virginia and Pennsylvania with a vertical model, so yes, that flips into that, right? That really starts generating revenue late Q2, early Q3 in a big way.

Our margins, it turns into an EBITDA margins story next year, right? If you look at the revenue growth rates, the leading organic revenue growth rates, I still think those two things—and we're opening a bunch of more stores in Virginia. This acquisition of NuLeaf, they're going to open a store that's not open yet. So we have a lot of things that we're doing that's organic in those numbers.

But really, on the margin side that's where you see, like, tremendous organic growth, right? Because as you look at margin stories in cannabis, we definitely are a lower-margin company because we have this huge retail footprint, right? But now in Virginia and Pennsylvania we're getting fully vertical and the way the math works, our margins are going to go through the roof there and look more like the vertically integrated folks you see.

So when you look at the organic growth rates and EBITDA growth, that will be just tremendous. I'd imagine it's the leading numbers in the industry on an organic basis.

**Andrew Sample**

Great. Excellent color there, Jim. Thank you very much.

**Operator**

Our next question comes from Glenn Mattson with Ladenburg Thalmann. Please proceed.

**Glenn Mattson, Jr.**

Hi. Thanks for taking the question. Also, congrats on the Nevada.

Curious two deals there. Is that a state that you just are targeting for specific reasons, or is it that you're able to find the best value there, like when you think about how to best allocate capital on an M&A basis? But then second of all, in general it seems like you're kind of really loading up the ability to do a lot of acquisitions, between the \$100 million credit facility and the shelf prospectus that you filed and everything else. So, I'm just curious how—are you signaling that you're going to get a lot more aggressive on the M&A front and just perhaps some color as to what direction you intend to take that effort?

**Jim Cacioppo**

Thank you for your question.

In Nevada, yes, we targeted that state. We only do acquisitions where we target the state; we're very selective. As I pointed out in that slide about Company 1 and Company 2, there's people going out there much quicker. We're very targeted. Nevada is a very strategic state, we believe, for a number of reasons.

We have a grower-processor that we have there when we went public that's underperforming because it's not vertical and it's a very vertical market in Nevada. It's an unusual market. I think Vegas is always an unusual place, what goes on there. I think we can all say that. But in cannabis it's unusual because it's—in Pennsylvania we see the customers wanting a house of brands and they want to come into your dispensary and have lots of brands. In California, it's a huge house of brands market. But in Nevada it's a very vertical market, so our grower-processor was underperforming because of that. So, very strategic to have that asset now generate EBITDA, right, because we're selling it to our own stores, and very strategic market for us because we're in it, we know it, we know it well, and we're able to do this roll-up with Apothecarium and NuLeaf that gives us real—four stores really, and grower-processor space that's very expandable if we add more stores and do the vertical model, or if we decide to go wholesale.

I would point out in their facility in Reno that does the manufacturing, they have hydrocarbon and we happen to be very good at hydrocarbon which allows you to do live resin, so we're super excited. It's the first acquisition that we've had where there's been live resin existing because that's a very expensive build-out compared to the other processes you can use for vape cartridges and edibles, for extraction. We think it's a fantastic strategic deal.

I would point out—I think there's a lot of confusion about Nevada. There's a limit of licenses there in Nevada of 138 right now for retail, so that's a nice number. That's not a terrible number there. And there's 47 million visitors a year. As far as I can tell, people seem like they go there to have a good time, and so you would think they're buying more than they would if they're going to, like, San Diego or some other tourist market, to Orlando or something like that. So, it seems to me like a great place. It also seems to us, as you establish your brands it's a nice market to have your brands in because the whole country is going through there and really the whole world. It's really unique in it being a brand-centric place where you can show off you brand, so a very strategic market and one that we know well.

The M&A strategy going forward, we're not changing our tune at all. We're laying out—look, we're the one company that tells everybody what we're doing. I don't listen to everybody's calls or read their scripts, but I have a sense that nobody—I told everybody this time last year that we would get a great deal in Massachusetts. We got a 2.7 times to 3 times EBITDA deal in Massachusetts. I had a CEO of a competitor call me up to congratulate and also to thank me for resetting prices in that market. No lies. The day we announced it. That was a landmark deal. Okay? But I signaled it. We didn't even have the company identified in Massachusetts but we just knew this. They dynamics for the sellers and buyers, it didn't take a genius to see that just a hell of a lot more sellers and there was only a couple of them that you could buy. By the way, Illinois, if you look at Illinois, there's 175 retail licenses being issued when they figure out the regulatory issues that are slowing it down, and you could actually count the number of people who can buy because there's a 10 cap. We are in the state, which is a huge advantage, in a big way with \$80 million in sales, so we really understand the state. So us getting licenses, we're talking to like 15 different sellers, so we will get licenses there. We are telling people we will get to the cap. We'll likely have those licenses in hand, depending upon regulatory stuff, by the end of next year, and hopefully get some stores open next year, but probably into 2023 for most of them.

And then we're going to go vertical with these craft grower licenses. We have a point of view that the canopy on each license goes to 14,000 and you can locate those close to one another to get the efficiencies, so have 42,000 square feet of canopy to serve our stores, that's just tremendous. That will drive our margins forward. So, I am telling you what I am doing there.

Then in Ohio, we have a grower-processor. We think there's plenty of good regulatory news in Ohio. We're putting in over 10 applications. It's \$0.5 million of investment for us because you have to identify and pay for real estate, so it's not an easy process but then it turns into a lottery. Assuming we only get one or two we'll buy the others. We hope Ohio does a good job on their lottery. I think in some states people were putting more applications in than they should, but as I said, Ohio, we think they've learned

from those. That's a tremendous—look at how strategic that is. I know those states well. I'm getting vertical. I think our M&A strategy is very transparent and we're out there.

Now in terms of adding new states, we take a look around and we look and it's got to fit into Jushi growth metrics. We're very interested in building out our own base of assets, more or less, including these bolt-on acquisitions on existing states. But if somebody is reasonable and they want to join the Jushi family and get what I think is going to be a leading stock in the industry in terms of its growth, yes, we're willing to talk to them but they have to really want to be a part of the Jushi family.

**Glenn Mattson, Jr.**

(Inaudible), Jim. Thanks.

**Operator**

Our next question comes from Aaron Grey with Alliance Global. Please proceed.

**Aaron Grey**

Hi. Good morning and thank you for the question.

I just wanted to shift back to Pennsylvania, right? You guys have a good amount of stores there. You're going to be at the max, or going up to 18 soon opened up. You talked earlier about your plans for additional cultivation. But just in terms of products on your own shelves versus brands from peers, how do you think about product mix within your own retail stores because certainly having such a breadth of retail stores helps to insulate you guys from some pricing pressure. So just curious, as during times of maybe more pricing pressure, how do you think about putting more of your own brands on your own shelves versus having other companies' brands? Thank you.

**Jim Cacioppo**

Yes, so we haven't had the luxury of having a ton of product move through our retail system because our grower-processor, although it's 81,000 square feet at the present time, that's the middle of our expanded warehouse system. On side of it is the expansion we're doing first and the second side of it is the Phase 2, right? So we rejiggered those operations, we took a lot of grow rooms down, so we've been actually selling a very low percentage of our own product in our stores compared to the larger MSOs.

In the second quarter, we probably had around 10% of our own product in our shelves going through our own stores. I would also point out in that 10% we bought biomass from third parties to actually fuel some of that to keep our products on the shelf. The margins were better than buying packaged goods but not nearly as good as growing it yourself. So, we bought biomass from other companies to get those products on the shelves, right? Saving some money and getting some margin, but not nearly as much as growing it, I have to point out.

Then, Q3, we're now—our grow efficiency because we took down a lot of grow rooms to rejigger and all the things we had to do and fix what was not a well-built building by the predecessor, so we're now up to 25%, 20%, 25% of our own products in the store. I think most MSOs talk about 35% to 50%. We have a target of getting to 35% sooner rather than later, and we'll be examining going to 50%. Having the 18 store base in Pennsylvania earlier than a lot of people built out, and having four stores going to 10 in Illinois which is a huge buyer of open market wholesale product, right, puts us in a nice position to get our product on the shelves of these people who sell to us. We known to be a really good partner, but we treat people fairly and we want to be treated fairly, so we feel like we will have the ability to get product on the

shelf. In terms of pricing in Pennsylvania, I've talked about how when you head into the rec adult-use environment people are at capacity so there will be some pressure throughout the year; we'll just see how that plays out.

**Aaron Grey**

Thanks for that. Really helpful color. I'll jump back in the queue.

**Operator**

Our next question comes from Pablo Zuanic with Cantor. Please proceed.

**Matthew Baker**

Hi. This is Matthew Baker on for Pablo. Thank you for taking our question.

Yesterday another operator said the price competition in Pennsylvania was more at the retail level and not so much at wholesale. Do you agree with that assessment or can you share more color on that? Then also, is it reasonable to say that in fourth quarter your Virginia stores will generate more sales per store than your Pennsylvania stores? If so, what type of difference? Thanks.

**Jim Cacioppo**

Okay. In Pennsylvania—thanks, Matthew. Virginia is easier to answer. In Virginia, they're just opening up and they're huge stores and they're being set up to do a huge amount of volume. These stores could do \$50 million of volume, the newer stores, without having lines. You're talking about 25, 30, 35 POS and 50, 100, 75 parking spots. So no, they are just ramping up. Those statistics are not relevant at the time, so the comparison is not relevant.

In terms of the Pennsylvania market, the people who said that the wholesales aren't experiencing it, believe me, if we're marking our prices down for promotional activity they will not be on our shelves unless they share the pain. That's my comment there.

**Matthew Baker**

All right, got it. Thank you for the color.

**Operator**

Ladies and gentlemen, we have reached the end of the question and answer session. I would like to turn the call back to management for closing comments.

**Michael Perlman**

Thank you for participating on today's conference call. We look forward to keeping you updated on the advancement of our business on our next call. Have a great day.

**Operator**

This concludes today's teleconference. You may disconnect your lines at this time and thank you for your participation. Have a great day.