

**MariMed Inc.**

**First Quarter 2024 Financial Results Conference Call**

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## PRESENTATION

### Operator

Good morning. My name is Alan (phon), and I will be your conference Operator today. At this time, I would like to welcome everyone to the MariMed Inc. First Quarter 2024 Financial Results Conference Call. All lines have been placed on mute to prevent any background noise.

After the speakers' remarks, there will be a question-and-answer session. If you would like to ask a question during this time, simply press \*, then the number 1 on your telephone keypad. If you would like to withdraw from the question queue, please press \*, then the number 2. Thank you.

I will now turn the line over to Mr. Steve West, Vice President of Investor Relations, to begin the conference. Please go ahead.

**Steve West** — Vice President, Investor Relations, MariMed Inc.

Good morning, everyone, and welcome to MariMed's first quarter 2024 earnings call. Joining me today are Jon Levine, our Chief Executive Officer; Tim Shaw, our Chief Operating Officer; and Ryan Crandall, our Chief Revenue Officer.

This call will be archived on our Investor Relations website and contains forward-looking statements. Actual events or results may differ materially from these forward-looking statements and are subject to various risks and uncertainties. A discussion of some of these risks is contained in the Risk Factors section of our 10-K, which is available on our website. Any forward-looking statements reflect management's expectations as of today. We assume no obligation to update them unless required by law.

Additionally, we will refer to certain non-GAAP financial measures which are reconciled in our earnings release.

Finally, our second quarter 2024 earnings release is tentatively scheduled to be issued after the markets close on August 7, 2024, and our analyst call is tentatively scheduled to be held the morning of August 8, 2024, at 8 a.m.

I will now turn the call over to Jon.

**Jon Levine** — Chief Executive Officer, MariMed Inc.

Thank you, Steve. Good morning, everyone. With the first quarter now in the books, I am pleased to say we are on track with our strategic plan and annual financial targets we shared on our last call.

The highlight of the quarter was undoubtedly the tremendous growth in our wholesale business, where we continue to grow significantly faster than the industry in all of our wholesale markets.

At retail, I'm pleased, but I am not satisfied. According to Headset data, we outperformed our competition in every state in which we operate, including Illinois. At the same time, our retail sales were not immune to the macro factors that hurt the entire industry, such as increased competition, lower discretionary spending, and seasonality. In aggregate, MariMed again outpaced the overall industry in terms of revenue growth in both wholesale and retail channels.

Let me quickly highlight a few of the key achievements this past quarter.

We commenced wholesale operations at scale in Illinois. Our branded products are now widely accessible throughout the state, and sales are ramping well.

Additionally, we acquired our second adult-use dispensary in Maryland, which we expect to open later this year.

And after the end of the quarter, we announced the transfer of the dispensary licence in Casey, Illinois.

Moving forward, we will reflect 100 percent of the P&L on our financials versus management fees.

We are off to a fast start in 2024, due to the groundwork we laid over the past couple of years, and we should continue to reap the benefits for the foreseeable future.

That concludes our first quarter recap. With that, I turn the call over to Ryan, who is joining us for his very first earnings call, for our sales update.

**Ryan Crandall** — Chief Revenue Officer, MariMed Inc.

Thank you, Jon, and good morning, everyone. I'm excited to take part in today's earnings call. I'd like to start with a quick recap of first quarter results.

As Jon said, our big story of the quarter continued to be the fantastic growth of our wholesale business. I'm very proud of our sales, marketing, and operation teams across the country. I don't say this lightly, but I strongly believe we have the best people in the business.

In Q1, we reported wholesale revenue of \$14.5 million, which represents an increase of 40 percent year over year.

Maryland continues to expand as we (unintelligible) our fifth consecutive quarter of at least 25 percent year-over-year growth.

We have gotten off to a great start in Illinois, where our products are now available in 135 dispensaries. Initial feedback indicates that Betty's, Bubbie's, and InHouse brands are all winners with room to grow in the Illinois market.

Our Massachusetts wholesale business continues to take market share, reporting its sixth consecutive quarter of year-over-year growth. At a time when increased competition and pricing pressure persists, we are bucking the trend and executing with great teams and high-quality brands and products.

On the retail side of our business, in Q1, we reported sales of \$22.4 million, which declined 4 percent versus the first quarter of 2023. We noted significant growth in Maryland and Massachusetts, driven by adult use and new dispensaries, respectively. However, as we guided, this growth was offset by same-store sales in Illinois.

Before I close, I want to give a shout-out to Tim Shaw and his team for putting our company in a position to win every day. The level of professionalism, passion, and enthusiasm of his team is contagious and sets the tone for our overall company. Tim, thank you and your team for a great first quarter.

With that, I will turn the call over to Tim for his operations update.

**Tim Shaw** — Chief Operating Officer, MariMed Inc.

Good morning, everyone, and thanks, Ryan. Not bad for an earnings call rookie. And on behalf of everyone on the ops team, you're welcome. We are all excited to see our sales continue to grow as we go forward.

In operations, we've been hyper-focused on construction to get production operational as quickly as possible. For example, the new processing facility in Illinois is in full operation mode after a few short months since it opened in December. And our cultivation facility projects in Illinois and Maryland, as well as our processing kitchen in Missouri, are on track to be operational this year.

As you may have noticed on the balance sheet, the ramping of Illinois processing facility and the system-wide evolution of the Vibrations brand both contributed to higher inventory levels.

We view this as a short-term impact through 2024, and we will likely see further increases due to higher flower inventory as we complete our cultivation facility in Illinois and our cultivation expansion in Maryland. Just another example of what it means for us to be in our growth cycle, one that is very similar to what our MSO peers experienced during the past few years ahead of their maturity.

We also completed and moved into our new permanent dispensary in Casey, Illinois. Having a beautiful building for our customers has already led to increased sales.

In Quincy, Massachusetts, we completed the expansion of our dispensary. The added retail space will help us deliver an even better customer experience when recreational sales begin. We expect that to happen very soon.

On the production front, I can't tell you how proud I am of my travelling production team, a group of all-stars who spent weeks on the road last quarter to train our new Illinois employees to meet our exacting standards for the quality and consistency we expect in all markets.

That significant investment in people and attention to detail has always been the basis for the production of our quality, award-winning brands, which keeps consumers coming back to buy more. In fact, our brands recently won seven more awards at the Maryland Leaf cannabis award ceremony.

Creating and producing great products is only half the battle. Marketing them and generating awareness is the other. Last month, we kicked off a landmark music sponsorship in Boston. Nature's Heritage is officially the exclusive cannabis sponsor of the iconic MGM Music Hall and the House of Blues. It's the first time either venue has worked with a cannabis brand, and the initial feedback from concertgoers and the industry has been extremely positive.

We also just completed a strategic overhaul of our retail marketing efforts, utilizing sophisticated software to track the cannabis consumer's journey to and from our dispensaries. We can now tell if a customer who has seen our marketing actually makes a purchase in our stores, our tech staff making our marketing spend smarter and more efficient. Our marketing and tech teams deserve huge props for the effort that went into building it.

Virtually everyone has experienced (unintelligible) since the pandemic, and we haven't been immune to that challenge. But like usual, we found a way to offset it and, in doing so, we were able to increase the number of daily transactions across all of our markets. With less discretionary dollars to go around, it is imperative we continue our scrappiness and find unique and innovative ways to drive traffic to our dispensaries and continue to grow our market share.

And that concludes my operational review. I will now turn the call over to Steve for our financial review.

**Steve West**

Thank you, Tim.

Our first quarter revenue was approximately \$37.9 million, which was up 10 percent year over year and was driven by very strong growth in our wholesale business.

First quarter non-GAAP adjusted gross margin was 43.8 percent. Our gross margin declined versus our Q1 '23 gross margins due to higher input costs and pricing pressure.

We reported adjusted EBITDA of \$4.7 million, which was a decline versus our Q1 '23 adjusted EBITDA. The year-over-year decline was due primarily to our gross margin decline, increased labour associated with new asset openings, and carrying costs for new facilities that are still ramping.

Turning to the balance sheet and cash flow. We ended the first quarter with \$15.2 million of cash and equivalents, which increased 4 percent versus our 2023 year-end cash balance of \$14.6 million.

Our working capital, which continues to be a strength for the Company, was \$19.4 million, and cash flow from operations during the quarter was \$3.2 million. And we spent \$3.4 million in CapEx, essentially positioning MariMed as a self-funded growth company.



Before moving to our financial targets and passing the call on to Jon, I want to add some colour on Tim's inventory discussion. We ended the quarter with a higher ratio of inventory to sales than normal. MariMed has traditionally carried one of the lowest inventory levels in the industry because of our financial discipline and focus on inventory management.

We expect this inventory ratio to remain relatively high, shorter term, but should come down naturally as we sell through the Illinois wholesale build and flower sales from the new and expanded cultivation facilities.

Now moving to our 2024 outlook. As we reported last night, we are maintaining our full year 2024 financial targets of 5 percent to 7 percent revenue growth, 0 percent to 2 percent adjusted EBITDA growth, and approximately \$10 million in CapEx.

That concludes our financial review. I will now turn the call back over to Jon for his concluding remarks.

**Jon Levine**

Thanks, Steve. Let me begin my closing with a big shout-out to the DEA, which intends to reclassify cannabis to a Schedule III controlled substance. We have been advocating for this over the past couple of years, even reenacting the Boston Tea Party last summer to bring attention to the unfair 280E tax burden on all cannabis companies.

We are thrilled that the elimination of 280E appears to be on the horizon. For us, it would result in millions of dollars in tax savings annually, further strengthening our balance sheet and giving us capital to execute our growth strategy.

Moving on, I'm pleased with MariMed's performance this quarter, and we continue to outpace our peers with respect to revenue growth. We remain focused on executing our strategic plan.

MariMed still has one of the most conservative balance sheets in the industry. We have access to, arguably, the lowest cost of capital in the industry. Our new assets are ramping and growing revenue every quarter and will soon start growing profits associated with a maturing company. In fact, we are already seeing the positive impact in Illinois as our retail gross margins improved 130 basis points versus last year, having finally become fully vertical there.

We continue to report stronger growth in our core state, and the combination of revenue growth and declining investment will lead to margin expansion and increased cash flow generation.

Our brands continue to pile up awards at both a local and national level. At the end of the day, powerful brands that consumers trust are what the industry is all about.

MariMed is not the biggest but, pound for pound, in my humble opinion, there is no other cannabis company on the planet with the amazing brand portfolio MariMed has.

We have a motivated sales force with selling power in all our markets because our brands, like Betty's Eddies and Nature's Heritage, are in such high demand.

When the regulatory walls finally come down—and they will—institutional and corporate investors will come into the space looking for investment ideas. Some will surely look for the biggest companies, but I believe the long-term investor will look for the best brand with the best growth potential to partner with, and I'm 100 percent confident MariMed will be at the front of that line.

If you listened to our calls before, you know I like to use sports analogies to paint a picture of where MariMed is. Well, the NBA playoff is in full swing. I'm watching Oklahoma City, Minnesota and, yes, even the Knicks, very closely. Like MariMed, these teams are enjoying success, even while their best days are still ahead of them. They are all in their growth phase, laying a foundation for a very bright future.

So yes, I'm very bullish on the future of MariMed to maintain our growth profile for the foreseeable future.

With that, I'd like to thank our employees for their hard work and dedication to helping MariMed achieve our mission to improve the lives of people every day.

Operator, you may open the line for questions.

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## Q&A

### Operator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question, please press \*, 1 on your touch-tone phone. You will hear a three-tone prompt acknowledging your request, and your questions will be polled in the order they are received. If you would like to withdraw from the question queue, please press \*, 2. If you are using a speakerphone, please lift the handset before pressing any keys.

One moment, please, for your first question.

Your first question comes from Aaron Grey of Alliance Global Markets (sic) [Partners]. Your line is already open.

### Remi Smith — Alliance Global Partners

Hi. Good morning and thank you for the questions. This is Remi Smith on for Aaron Grey. My first question, in regards to M&A and the landscape there. We know some bolt-on acquisitions are a key part of your strategy. So curious to any updates and whether you see a closing of the valuation gap between target and acquirer?

### Jon Levine

I'm sorry. Can you just repeat that again? I apologize. Somebody interrupted when you were speaking.

**Remi Smith**

Yeah. Yeah. Can you hear me now?

**Jon Levine**

Yes.

**Remi Smith**

Okay. It's in regards to the M&A landscape. We know that bolt-on acquisitions are a key part of your strategy. So curious to any updates and whether you're seeing a closing of the valuation gap between target and acquirer.

**Jon Levine**

Yes. And thank you very much for joining us this morning, Remi, and tell Aaron we send our best, that we missed him.

The M&A market is really getting much more competitive. We have seen the pricings come down to what we feel is more the real valuations but, still, some markets are still very high. We're seeing that we're getting closer. There's a lot of ability to negotiate a lot better deals that make sense for us as a company and our shareholders.

**Remi Smith**

Great. That's helpful there. And then my second question regards to Illinois. Wholesale obviously was a highlight for the team, especially this quarter, the expansion there. Is there any hero SKUs specifically that you'd point out that have kind of helped you penetrate the retailers in that state?

Or have retailers more so been looking for diversification, given it's a very MSO-dominated market?

**Ryan Crandall**

Yeah. Remi, this is Ryan. Thank you for the question. I think we've seen success across a couple different categories. So the gummies category, obviously, with Betty's returning to the state, has been a large win for our company, and we see a lot of upside there.

InHouse vapes have taken the market by storm. Right? And really, the velocity of sell-through's been impressive out of the gate, and reorders are happening, and we're seeing reorders increase, the volume and the velocity.

And then finally, Bubbie's Baked. Bubbie's Baked has been really, really well received by that market. It's a unique product set for that market, and we feel as though there's some good headroom in the growth of that brand as well.

**Remi Smith**

Great. That's helpful. And then my last question, if I have time, just with Ohio and the potential adult-use sales start that could happen in June or in the fall. Can you provide any updates to increase your exposure in the state ahead of that?

**Jon Levine**

Yeah. I mean, as part of the M&A discussion, we're out there looking to become more vertical within the state of Ohio. But in addition, with the licence that we presently have, we're going to be benefitting of having a second retail store.

Unfortunately, without the full guidance of where we can put that store, we're kind of at a standstill of being able to get that second store open and complete as we wait to find out more about the

adult-use requirements. But we are very excited about that market and really working hard trying to find some more additional licences to purchase there and grow into that state to the max.

**Remi Smith**

Okay. Thank you. I'll hop back in the queue.

**Steve West**

Operator, can you put on the next question, please?

Operator, did we lose you?

**Operator**

Hello. Your next question comes from Andrew Semple of Echelon Capital Markets. Your line is already open.

**Andrew Semple** — Echelon Capital Markets

Thank you. Good morning, everyone. First question here. Can we just get an update on time lines for some of the new facilities that have been under development in Illinois and Massachusetts, Maryland? When first sales are going to be hitting those stores' shelves, particularly on the cultivation side of things? Any change there to previously communicated time lines?

**Jon Levine**

Andrew, first of all, thank you very much for joining us this morning. And I appreciate the question. This is Jon.

As we announced at the end of last year, with our earnings, that we were being more cautious about timing of putting time lines on when we will get regulatory approvals.

I will be happy later today to be able to hopefully announce that we're on the agenda for Massachusetts and that we should pass. But still, you have about another month we'll have full regulatory

approval to help in our adult use here in Massachusetts. So you can see the delays that we run into with the regulatory approvals.

Our construction time lines, as Tim said earlier on the call, we're right on target with our build-outs of the cultivation in both Maryland and Illinois, and we will be in the market sometime later this year. I can't put a time line because we have to wait for regulatory approvals, but we'll hopefully be able to make more of an announcement in our next earning call as we get moving forward later this year.

**Andrew Semple**

Great. That's helpful. And then maybe just on the margin profile. This quarter faced a bit of pressure. I heard in the prepared remarks that it was attributable to input costs and pricing pressures. With some of the new facilities that are coming online later this year, are you expecting some of this margin pressure to reverse? And if so, when would we be expecting some of that reversal? Is it when first sales from these facilities hit store shelves?

**Jon Levine**

Andrew, great question. I thank you very much. I mean, in Illinois, we're already seeing the business do better with margins in Illinois as we get our products into our own retail, becoming fully vertical there.

So the answer is yes. Later this year, you will see better margins as our operations get open in each of the states, and we start ramping up the businesses and getting the revenue back in line to where we should be. The upfront costs have been a drag on our margins, and we do see the light at the end of the tunnel as we get these other operations up and running.

**Andrew Semple**

That's great. And maybe a quick follow on that, if I could, is just on those Illinois margin improvements. In the prepared remarks, I think you mentioned 130 basis points year over year. I imagine that's a small step in where you think it could ultimately go. How much margin lift would you expect to see from your Illinois stores, once you get the full cultivation and processing integrated with your own retail network?

**Jon Levine**

Well, the 130 is the starting point. That is a good start for us. As both Ryan and Tim have said, we're not at full production yet in the state of Illinois. As we bring more of our products on, between Vibrations, Nature's Heritage, we will see margins continue to improve there. I can't put a margin number on it because the timing of getting those products into the market really depends on where our margins will end up.

**Andrew Semple**

Understood. Thanks for taking my questions. I appreciate the additional colour.

**Operator**

Your next question comes from William McNarland of TDR Research. Your line is already open.

**William McNarland — TDR Research**

Good morning, everyone. Given your commentary regarding the significant growth in Massachusetts and Maryland, and even outperforming in Illinois, it sounds like you guys are continuing to take market share in your core states. Can you speak to what you believe has been setting you apart to grow your market share in some of these very competitive markets?

**Ryan Crandall**



Thank you, William. Yeah. I would say I do attribute it first to the people. I think we've got excellent people on the sales side of things, on the operations side of things, on the marketing side of things. And we're a team of folks that it's a deep bench, and it's a very talented team overall.

I would say, secondly, it's about the brands and the products. Right? So in every one of these states, our operations team produce some of the best products in the state, and sales and our company get to reap the benefits of that. So I don't think there's a tremendous secret sauce outside of great brands and products and great people.

**William McNarland**

Thank you. That's it for today.

**Operator**

Ladies and gentlemen, as a reminder, if you have a question, please press \*, 1.

Your next question comes from Pablo Zuanic of Zuanic & Associates. Your line is already open.

**Pablo Zuanic — Zuanic & Associates**

Thank you. Good morning, everyone. Jon, just a quick question first regarding rescheduling. Can you talk about whether you're going to take a different stance in the way you think about 280E in terms—and the way you think about provisioning for taxes right now? Some people are talking about asking for refunds. They believe that the implementation may be retroactive to early 2023. Just quick thoughts in terms of the way you're thinking about that.

And related to that, there's people out there also saying that the US exchanges are getting in touch with them with the potential advent of rescheduling. Can you talk about any type of communication you may have with exchanges? Thank you.

**Jon Levine**

Good morning, Pablo. It's great to hear from you. Thank you for joining us. As far as the rescheduling and the 280E issue, our stance has always been that we've been very aggressive on how we dealt with 280E. We are meeting with many different tax groups and attorney groups to review all of the findings that they have to discuss with us. So we're always reviewing whether it's the right time to make a more aggressive approach than we already have.

We're very excited about the fact that once this happens, that the rescheduling won't even—sorry, with the rescheduling, 280E won't even be a factor on the go forward. It will be business as usual, and we'll be able to reap the benefits and save millions of dollars a year and be able to use that for expanded growth.

Your question about the US exchanges, that's a little bit more of a tricky conversation in that the rescheduling still does not make it a legal transaction on the federal level, but it is legal in terms that we don't have the 280E. The markets, I'm hearing both credit card and big markets still will be a tough task to have the up-list to the markets. But we are hopeful that it will change the investors' mentality, and you'll see more institutional investors coming into the market.

**Pablo Zuanic**

Understood. And then just moving on, congratulations, of course, on the wholesale performance. Going back to the question about the capacity increases you have left, maybe talk about cadence, especially for Illinois. Right? You had that 40 percent growth, year on year. But the way I understand it, gummies were launched later in the quarter, and you still have more capacity coming through.

So if you can try to quantify in Massachusetts, is it, what, 10 percent more capacity? Maryland, how much more? And particularly in Illinois, it seems to me that the kitchen wasn't fully up and running for the full quarter, so just some thoughts on that in terms of the brand launches? Yeah.

**Tim Shaw**

Yeah. Pablo, thank you for the question. I would say there's a good amount of growth that we still have in the can in our production capacity, both from a capacity of existing brands that are already launched to grow, as well as additional brands that have yet to launch within that state. So I would say there's a good amount of growth capacity out of our existing capacity today.

**Jon Levine**

And, Pablo, it's Jon. I'd like to just add that we have capacity still coming in both Maryland and in Massachusetts. They still haven't reached the maximum capacity. As Ryan said, we have new products coming on. We'll be able to expand the capacity at each of those. Plus, we do have Missouri coming sometime later this year.

**Pablo Zuanic**

Right. Thank you. And then just moving on to the retail side of things. What I'm hearing in the case of Massachusetts, of course, great that you will be able to add recreational services to one of your stores there.

But given the big tax difference for the consumer between being medical and adult purchases, some retailers are encouraging a lot of their clients to get their medical cards so they can save money, and that's a stickier customer to some extent. Are you doing that? Are you having success with that? Or is that being exaggerated, maybe, by other people?

**Tim Shaw**

Thank you, Pablo. I would say we're always encouraging folks that are capable to go and get their medical card in the state. That being said, specifically around that Quincy store, we think the opportunity on the rec side of the market is large for us. It's an underserved community with not a lot of stores in it, not a lot of adult-use stores. So we think we're going to be able to draw a large population both in-store as well as delivery services out of that store.

**Pablo Zuanic**

Thank you.

**Operator**

Your next question—wait. Sorry. Sorry. There are no further questions at this time.

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