

**MariMed Inc.**

**Second Quarter 2024 Financial Results Conference Call**

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## **CORPORATE PARTICIPANTS**

### **Steve West**

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*MariMed Inc. — Chief Executive Officer*

### **Ryan Crandall**

*MariMed Inc. — Chief Revenue Officer*

## **CONFERENCE CALL PARTICIPANTS**

### **Andrew Semple**

*Ventum Financial — Analyst*

### **Pablo Zuanic**

*Zuanic & Associates — Analyst*

### **William McNarland**

*TDR Research — Analyst*

## PRESENTATION

### Operator

Good morning. My name is Jen (phon), and I will be your conference Operator today. At this time, I would like to welcome everyone to the MariMed Second 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 your question, 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 second quarter 2024 earnings call. Joining me today are Jon Levine, our Chief Executive 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 in the Risk Factors section of our 10-K, available on our website. Any forward-looking statements reflect management's expectations as of today, and 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 third quarter 2024 earnings release is tentatively scheduled to be issued after the markets close on November 6th, and our analyst call is tentatively scheduled to be held the morning of November 7 at 8 a.m.

I will now turn the call over to Jon.

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

Thank you, Steve, and good morning, everyone. We have a lot to discuss, so let's dive in. Most importantly, I'm pleased to report we remain on track to deliver our 2024 financial targets. Revenue growth was very strong, both year over year and sequentially. Our wholesale business had another tremendous quarter in all of our core markets. Retail sales showed strong sequential growth, and we had our seventh consecutive quarter of double-digit transaction growth on a year-over-year basis.

Now let's talk about margins. MariMed remains in the growth phase of our life cycle. Our long-term investments will pay off as we continue to scale in Maryland and Illinois. And we're already seeing margin improvement in Illinois, where our retail gross margins improved about 145 basis points versus last year and 250 basis points versus last quarter.

In the short term, though, these investments are a drag on margin and cash flow. This was compounded in the second quarter when consumer weaknesses persisted in all retail sectors, including cannabis. Despite these headwinds, we were able to grow revenue by investing in creative marketing programs and extending store hours among other things.

I have said it before, but it bears repeating. We're right where other MSOs were a few years ago during their growth cycles. It wasn't until they completed their investment and their assets began to mature that they began reporting margin expansion and increased cash flow. I am certain that day is coming for MariMed, and it will come without the significant debt our peers carry on their balance sheets.

Now let me review some of the key achievements since the end of the first quarter.

In Illinois, we announced the transfer of the dispensary licence in Casey, which allowed us to roll up their financials.

We are finally on the verge of receiving state approval to start cultivation at our facility in Mt. Vernon. This will allow us to launch our Nature's Heritage and InHouse flower brand into the state. We expect to begin selling our flower in the first quarter of 2025.

In Maryland, we closed on the acquisition of our second adult dispensary, which we expect to open soon.

Also in Maryland, we began cultivation operations in our newly expanded facility in Hagerstown. As of today, we have five of the nine grow rooms already online. The plan is to bring another room online each week until they're all filled with beautiful new plants. This will effectively double our flower yield, making us one of the largest flower producers in the state. We expect our first harvest to be on shelves in Q4.

In Massachusetts, we announced the commencement of adult-use sales at our Quincy dispensary in July.

In Ohio, we'll commence adult sales as soon as we receive final regulatory approval.

And finally, in Missouri, we are close to receiving final approval to begin operations for our processing kitchen.

So to summarize, our revenue continues to grow, we're tracking with guidance, and we've got some additional new assets coming online soon.

With that, let me turn over to Ryan for his sales and marketing discussions.

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

Thanks, Jon, and good morning, everyone. Our big story for the quarter was our sequential revenue growth in both wholesale and retail, and I could not be prouder of the teams that made it happen.

Our wholesale did extremely well, growing 9 percent sequentially to \$15.9 million. Additionally, this marked the eighth consecutive quarter of at least 30 percent year-over-year growth in wholesale.

And I'm pleased to say we reported sequential growth in all three of our markets. The standout was Illinois, where we more than doubled our sales versus the first quarter. Increased dispensary distribution and velocity were the main drivers, with our products now available in over 140 dispensaries. We have been in the market long enough to see that consumers are trying our products and coming back for more. We knew the return of Betty's Eddies to Illinois would be a win, but Bubbie's, Vibrations, and InHouse are selling really well too.

Massachusetts and Maryland also continue to grow. In Massachusetts, our wholesale business continues to take market share, reporting its seventh consecutive quarter of year-over-year growth. The power of our branded edible products continues to lead to increased unit and dollar sales. In fact, according to BDSA, Betty's Eddies just became the number one edible in the state of Massachusetts.

Maryland reported double-digit, year-over-year growth for the sixth consecutive quarter. And with the recent and commencement of operations in our newly expanded cultivation facility, we expect the business will continue to grow.

Moving to retail sales, our revenue grew 6 percent sequentially to \$23.6 million. The investments in training, expanding store hours, leveraging our strong loyalty program, and improving accessibility all helped drive sequential transaction growth of 8 percent through our own network of stores.

The key to driving sales growth in both wholesale and retail channels is having excellent brands with consistent innovation around existing and potentially new products. The power of our brands speaks for itself.

I mentioned earlier that Betty's is now number one in Massachusetts. Well, Betty's is number two in Maryland. And while I'm on the subject of market share ranking, let's talk about our other edibles. Bubbie's is the dominant number one baked good brand in both Massachusetts and Maryland, and Vibrations is the number two beverage brand in Maryland.

Our award-winning branded edibles, together with Nature's Heritage flower, has MariMed on the podium as market leader in two of the larger cannabis markets in the country. And we have Illinois in our crosshairs with the intent to replicate our successes on the East Coast.

Before closing, I want to say how excited I am that we are tracking ahead of the revenue guidance, and we still have upside opportunities for the second half of the year that could accelerate revenue growth even further, so stay tuned.

With that, I turn the call over to Steve for his financial review.

### **Steve West**

Thank you, Ryan. Our second quarter revenue was \$40.4 million, which increased 11 percent, year over year, driven by robust growth in our wholesale business, partially offset by lower retail and other revenue.

Our second quarter non-GAAP adjusted gross margin was 42.9 percent, which declined versus our Q1 '24 adjusted gross margin of 43.8 percent. This was primarily due to higher input costs, labour, and the ramp-up costs associated with our new assets that Jon spoke about earlier.

Our reported adjusted EBITDA of \$4.4 million during the quarter was down compared to our Q2 '23 adjusted EBITDA of \$6.3 million. The year-over-year change in adjusted EBITDA was due to lower gross margin and higher operating expenses associated with our growth initiatives.

Turning to the balance sheet and cash flow, we ended the second quarter with \$10.2 million of cash and cash equivalents, a decline versus our 2023 year-end cash balance of \$14.6 million. This was due to increased cash expenditures on acquisitions and inventory. As discussed last quarter, our inventory increased due to ramping up our new assets. As a percentage of sales, our inventory was 0.77x, the same as we reported for the first quarter.

Our working capital, which continues to be a strength for the Company, was \$12.4 million. For the year to date, we reported cash flow from operations of \$6.4 million, as compared to operating cash burn of \$3.2 million in the same period last year. Additionally, we spent \$8.3 million on CapEx, year to date, compared to \$8.8 million for the same period last year.

Now moving to our 2024 outlook. As 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**

Thank you, Steve. We've remained hyper-focused on implementing our strategic growth plan, and I'm confident about the path we're taking towards our future.

Looking at the remainder of 2024, as Ryan said earlier, we still have initiatives we are executing to further accelerate our revenue growth and future margin expansion. These include adult-use sales in



Quincy, Mass, and Tiffin, Ohio dispensaries, opening our second adult-use dispensary in Maryland, and commencing wholesale operations in Missouri. And remember, we have a second dispensary licence in Ohio that we'll build out in the future.

Looking further out, we're excited about Delaware. With recent passage of adult-use legislation, our Delaware partner, First State Compassion, should commence adult sales this fall. We believe we will be able to complete the key pillar of our strategic growth plan and integrate FSC and its financial results into MariMed sometime in 2025. That would be huge, as First State has a number one market share in Delaware.

I now want to talk about the elephant in the room, our stock price. There are many adjectives to describe how I feel, but most of them are inappropriate for this call. You could say I'm frustrated or disappointed, but the best and cleanest word I can describe how I feel is angry. I can't believe how inefficient the market is with respect to valuing cannabis stocks, including ours.

The Verano-Cannabist deal announced last week is a great example. Verano is acquiring Virginia and Arizona assets from The Cannabist for \$105 million in total consideration. Do you realize that on the morning of that announcement, The Cannabist market cap was only \$90 million? In other words, they'll receive more than their market cap in total consideration for just their Arizona and half of their Virginia businesses.

That is a great example how cannabis stocks don't properly reflect the underlying value of the Company's assets. It's an issue affecting nearly every cannabis company, including ours.

So since we can't control the stock market, we will continue to keep our nose to the grindstone and focus on building a strong, profitable cannabis company. We still have one of the most conservative

balance sheets in the industry, and we have access to cheap capital through our Needham Bank relationship. This will allow us to make future acquisitions that make strategic and economic sense.

To that point, we have robust pipeline of targets that we're analyzing. All the ingredients are in place to fuel our long-term growth. And assuming the market starts acting with some sense of normalcy, our performance should finally be rewarded with higher stock price. In short, I'm bullish as ever about the future of our company and the cannabis industry.

Hearing that, I know some will still ask, why don't you institute a stock repurchase program? The simple reason is the executive team and the Board of Directors believe investing in long-term revenue and profitable growth initiatives is the best use of our capital at this point of time.

Before closing, I'd like to say I'm so excited about our new Chief Financial Officer, Mario Pinho, joining the Company. Mario has been working with us behind the scenes for the past month and will officially take the reins of CFO tomorrow. He's a great leader with extensive and valuable experience to help accelerate our growth. More importantly, Mario is a great guy who fits perfectly into our culture. I'm excited for you to get to know him.

I'd like to personally thank all our long-term investors for their vigilance and challenging us to do better, and for your patience as we prove out our growth plan.

And finally, to our great MariMed team, thank you. You're the best in the business.

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. Should you have a question, please press the \*, followed by the 1 on your touch-tone phone. You will hear a three-tone prompt acknowledging your request. Questions will be taken in the order received. Should you wish to cancel your request, please press the \*, followed by the 2. If you are using a speakerphone, please lift the handset before pressing any keys.

Once again, that is \*, 1, should you wish to ask a question.

Your first question is from Andrew Semple from Ventum Financial. Please ask your question.

**Andrew Semple** — Ventum Financial

Hi, there. Good morning. First of all, congrats on the number of operational achievements across many of your key markets in recent weeks.

My first question here would just be on the newly opened assets in Quincy and the Maryland cultivation. How has that Quincy store performed during your first few weeks of operations there? Is that living up to your expectations?

And a second part of that would just be on the new grow rooms at the Maryland facility. Are those also performing up to the typical MariMed standard?

**Jon Levine**

Morning, Andrew. Thank you so much for coming on. Great questions. I'm happy that you're asking about our newly opened assets. The grow rooms, I'll start with, in Hagerstown, they look so good. The flower is really taking on strong there. The rooms came on great. The environments are some of the best that we've built out. And we're very excited that we're on schedule, opening up each of those grow rooms each week, that we'll have a full cycle at the end of the filling of the rest of the rooms.

And in Quincy, the store opened up. It was a little slow at the beginning, but we've seen increase every day and every week, and we're going to hopefully continue to see that. We're very bullish on it, and we're excited that we finally [audio gap] to open that Quincy asset with adult use. I think as people get to know that we're there that we'll see even more improvement as we go forward.

**Andrew Semple**

Great. That's helpful. The second question would just be the commentary on the margins. Understand that we should be expecting just temporary drag here as MariMed continues to invest in growth, though it would be helpful to have some sort of sense on where we are in that growth phase today, maybe what the timing of when you would expect margins beginning to recover. So my question there would be, will we see some margin expansion in the second half? Or is that more of the 2025 story?

**Jon Levine**

Andrew, it's Jon. Again, great question, and I thank you for it. The margins will start to improve as our assets come online. Hagerstown was one of those assets that we've been front-loading and carrying. It'll be about another three months before we start seeing the revenue ramp up to offset those and create additional margin.

But we're also seeing improved margins in Illinois with the opening of our production facility. Our production facility is still ramping up. We're not even at 100 percent of our full production there. And our retail sales, as I said earlier, are already showing the improvements of margin as we're able to sell our product there and improve our margins.

And as everybody's been reporting, this has been a very tough time with the economic factors, and we're all seeing decreases. But we're seeing increases in footprint of who's coming in, and we're

hopeful to continue to see those margins in three and four. So we're very bullish on trying to increase our margins in the later half of the year.

**Andrew Semple**

Great. And maybe one more quick one, if I may, just to go back to Massachusetts, which is an important market for MariMed. Maybe just a quick update on how wholesale dynamics have been faring in that state, both from a pricing and demand standpoint?

**Ryan Crandall**

Sure. Andrew, this is Ryan. We're faring very, very well in Massachusetts, which is a very difficult market. I would say our brands and our products are leading the way. We're continuing to innovate the market-leading brands in the market. So we're not resting on our laurels. We're continuing to throw the ball down the field. And customers and the folks buying our products, it's resonating with them, and that's showing, quarter after quarter. So we're very proud of that.

Our salespeople, our ops teams, we're continuing to create great product and sell great product every day, and we're continuing to refine that process. So I'm very bullish on the team and what we're doing in the Mass market, and I think Maryland, as well as Illinois wholesale, will follow that same trend.

**Andrew Semple**

That's great. That's helpful. Thanks for taking my questions. I'll get back into queue.

**Operator**

Thank you. Your next question is from Pablo Zuanic from Zuanic [& Associates]. Please ask your question.

**Pablo Zuanic — Zuanic & Associates**

Good morning, everyone, and yes, congratulations on the quarter. Look, maybe this one is for Steve or Ryan. Just let's try to unpack the guidance a little bit. It seems to me that some things are coming in earlier than expected, that were not factored in guidance. Right? I think Quincy rec, the second Maryland store. I believe the production expansion in Maryland and the Ohio store rec were factored, but just a reminder what was not included in guidance.

And along the same lines, is there anything that's behind schedule? I think you talked about Illinois production of flower by early 2025. I believe that was supposed to be second half '24. Just if you can just remind us and unpack a little bit the pieces of the guidance? Thank you.

**Jon Levine**

Good morning, Pablo. Thank you for joining us, and great questions. And I'm happy that you asked that, so we can be a little bit more specific. Our Hagerstown facility was in our original guidance, and we're actually on time with that, so that will be part of the ramp-up that was in the guidance.

Quincy, you're correct. We came on with Quincy after the quarter-end, and with the tough markets, we were just being cautious not to increase any of our guidance at this time until Q3 when we have a better handle of how Quincy is going to do, in effect, so that we're not going to have to make any adjustments.

We are late with our Illinois, Hagerstown—sorry, Mt. Vernon grow of flower and that will not be coming in until Q1, probably, of 2025. That delay was due to many reasons. But we are still very bullish on our guidance because of the fact that we're seeing increases of other items like the Hagerstown and Quincy that will be coming in. But we will also look at the overall that the retail in Illinois is also increasing. Like I said earlier, those margins we'll be able to hit. So we're still very bullish on our guidance at this time.

**Pablo Zuanic**

No. That's right, and you're also tracking ahead of it. And again, staying on the same question, the second store in Maryland, I don't think it was part of guidance. When do you expect to open the—to start generating revenue from that second store? Or that's not confirmed yet, the exact date?

**Jon Levine**

Well, we don't have the exact date, but we're hoping for a final inspection some time next week and being able to open in the next few weeks. Again, that's all just guesswork right now, but we are very excited about the fact that we're really close to be able to open that second store. That was not part of our guidance. Again, that will be a Q3 adjustment when we get those stores open.

**Pablo Zuanic**

Right. Okay. Thank you. Look, and just moving on to edibles. I mean, obviously, great performance there in, as you mentioned, Massachusetts, Maryland. How far can that go?

And what I mean by that, in the case of flower, we think of flower as a more fragmented market. If you look at other markets, California, edibles tend to be a quite concentrated category. So yes, you're number one, number two. But compared to other states and the strength of your brand, that would have a lot of room to grow in terms of your market share.

So I don't know if you can give any thoughts along those lines, specifically on edibles. What is reasonable expand? I'm not asking you to guide on market share. But again, some of these edibles brands have 20 percent-plus share in some states. Here, you're number one, I think, with 8 percent, 9 percent. So you would have a lot of room to grow there in terms of share. Or that's just wishful thinking? Thanks.

**Ryan Crandall**

Pablo, thanks for the question. Yeah. And I think you're saying exactly what we're thinking. We think the ceiling for our brands is high. And although we are at the top of several of these categories, we

believe the ceiling on the categories is much higher than where we currently sit. So that's why we continue to innovate. That's why we continue to drive our brands across all the dispensaries. We're not looking to get a single product or a single SKU in a store. We're looking for full coverage. We want full shelf space for the category, and we're looking, you know, we look to build that out everywhere.

So we're not sitting on our hands. We're doing that in all the categories we play today, and you're going to see us add additional categories that are going to make sense, that are going to have high growth potential. So I think all these things (phon) are very exciting in the future for us.

### **Pablo Zuanic**

And then just one last. In the case of Massachusetts—and I know the question came up before—but that's a state a lot of your peers are complaining about price pressures, more stores diluting revenue per store, generally seen as a tough market from an economics perspective. But here you are, gaining market share and doing quite well. I don't know if you want to give more colour in terms of what's behind that.

### **Ryan Crandall**

Sure, Pablo. I mean, I think it's a testament to the people and the team, along with the brands and the products. So I think it's a recipe for success.

But the folks that are doing the work are doing great work, whether that's in the production facility creating the products, the folks out there selling every day that are dealing with the pricing pressure, the marketing folks that are developing these brands and products and paying attention to consumer need. So it's a company-wide effort, and we're all very proud of it. But certainly, the sales folks are the tip of the spear.

### **Pablo Zuanic**



And one last one regarding Missouri. Obviously, because of your performance in edibles in other states, I think it's reasonable to have high hopes of how well you could do in Missouri. But, I mean, is that done? The one thing is a transaction; another thing is approval. What's a line of sight in terms of ways you can start actually selling there? Or not clear also?

**Jon Levine**

Mario, right now we're just—not Mario, sorry. Pablo, we're just waiting for the approval to open up the managed service agreement in Missouri, which we should have in the next week or two, and then we'll be able to get our brands into Missouri sometime in the next quarter.

So we're very excited about Missouri. We're not too far off, but we will not be able to, at first, get the 100 percent revenue, but we'll get the management revenue until the state approves the final transfer.

**Pablo Zuanic**

Right. Okay. Thank you very much.

**Operator**

Thank you. Once again, please press \*, 1 should you wish to ask a question.

Your next question is from William McNarland from TDR Research. Please ask your question.

**William McNarland — TDR Research**

Hi, gentlemen. I know you touched on it a bit but do you have any additional colour as why you feel there's such an extreme disconnect between the stock price and the financial progress?

**Jon Levine**

So the stock price, as I said, I'm pretty angry at the—is the nicest word I can use, I guess, today. I mean, when you look at the example I gave of the Verano-Cannabist deal, you're just looking that they

just sold off just two assets of all their assets, and it was for a greater value than their market cap. That just shows you how undervalued all these cannabis companies are, including ours.

If you look at our balance sheet and our revenue and our cash flow, we don't deserve to be where we are with our market cap or our share value today. This market is just so undervalued for most cannabis companies that people need to start paying attention how bad this is.

**William McNarland**

Thank you.

**Operator**

Thank you. There are no further questions at this time. You may proceed.

**Jon Levine**

Thank you, everybody. I appreciate you joining our Q2 call. I hope you're here again for Q3. And I hope you understand the message that we're sending out about not just our share price but how good we're doing, and thank you for your support.

Have a good day.

**Operator**

Thank you. Ladies and gentlemen, the conference has now ended. Thank you all for joining. You may all disconnect your lines.