



Jushi Holdings Inc.

Second Quarter 2020 Earnings Conference Call

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CORPORATE PARTICIPANTS

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CONFERENCE CALL PARTICIPANTS

Graeme Kreindler, *Eight Capital*

Shanmir, *Canaccord Genuity*

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PRESENTATION

Operator

Good morning. My name is Sherry, and I will be your conference Operator today. At this time, I would like to welcome everybody to Jushi Holdings' Second Quarter 2020 Earnings Conference Call. Today's call is being recorded.

I will now turn the call over to Michael Perlman, Executive Vice President of Investor Relations and Treasury.

Michael Perlman

Good morning. Thank you for joining us today for Jushi Holdings' Second Quarter 2020 Earnings Conference Call.

Joining me on today's call are Jim Cacioppo, Founder, Chairman, and Chief Executive Officer, and Kimberly Bambach, Executive Vice President and Chief Financial Officer.

This morning we issued a press release announcing our financial results for the second quarter ended June 30, 2020. The press release, along with unaudited financial statements, are available on our website under the Investor Relations Section and filed on SEDAR.

Before we begin, I'd like to remind you that the comments on today's call will include forward-looking statements, which by their nature, involve estimates, projections, goals, forecasts, and assumptions that may be based on anticipated operations, acquisitions, and/or market conditions, and are subject to risks and uncertainties that could cause actual results or outcomes to differ materially from those expressed in

the forward-looking statements on certain material factor or assumptions that were applied in drawing a conclusion or making a forecast in such statements.

These forward-looking statements speak only as of the date of this conference call, and should not be relied upon as predictions of future events. Additional information about the material factors and assumptions forming the basis of the forward-looking statements and risk factors can be found in the Company's management discussion analysis filed on SEDAR.

With that, I'd like to turn the call over to Jim Cacioppo, Founder, Chairman, and CEO.

Jim Cacioppo

Thank you, Michael, and thank you, everyone, for joining our call today. I hope everyone is doing well and staying healthy during this time.

This morning, I would like to take a few minutes to review the progress we have made since our last call, as well as provide a broader update on our operational footprint. I'll then turn it over to Kim to review our financials, then we'll open it up to questions.

I'm very pleased to report revenue of \$14.9 million in the second quarter of 2020, a 73% sequential quarterly increase driven by strong revenues at our BEYOND/HELLO stores in Pennsylvania and Illinois, and successful procurement of product in these two supply constrained markets. Moreover, we have seen strong revenue growth as we exited the second quarter. Specifically, our annualized revenue run rate for July adjusted for the impact of the two closed stores in Philadelphia was \$89 million, and the 80% increase over our March annualized revenue run rate, and our August month-to-date revenue remains robust.

As announced on our last earnings call, we began implementing several cost-reduction initiatives across our network of retail stores with a focus on strengthening our financial rigor, and driving long-term profitability. These initiatives included the implementation of strategic purchasing practices, optimizing our labor model, improving our in-store product mix, creating additional targeted promotion, and further leveraging our BEYOND/HELLO.com online platform. We are beginning to see the impact of these changes in our quarterly results, and expect the full impact to become more evident in the second half of the year.

In April, we very successfully relaunched our online platform BEYOND/HELLO.com, which now features a vastly improved customer experience, real time access to store inventory, and importantly, online reservation. We believe cannabis has the potential to be one of the most tech driven industries, and we expect that the rise of technology in the cannabis space, both online and in store, will accelerate over the next few years.

Since relaunching BEYOND/HELLO.com, we have seen a tremendous volume of online ordering and customers taking advantage of our express and curbside pickup. Since the relaunch, we have generated in excess of 100,000 online pre-orders, serviced over 40,000 customers, averaged nearly 900 customers per day, of which, approximately 450 per day, or 50% of the customers served are new, and have seen our customers average cart size increase by approximately 10%. We have also been able to generate a 6% e-commerce conversion rate, which is two times the retail sector average according to Smart Insights.

We have already begun to learn more about our customers' shopping behaviors. For example, nearly 75% of our customers shop or select their products online prior to walking into one of our dispensaries, and over 80% of our customers access Beyond-Hello.com through their mobile devices. These insights, and many others are starting to shape our product offerings and the way we service our customers.

Now, let's take a look closer at our operations. In Pennsylvania, we recently announced two acquisitions. In June, we acquired 80% of the economic and floating interest of Agape Total Healthcare Inc., a Pennsylvania dispensary permittee, which takes the Company's subsidiary held dispensary count from 12 to 15.

Earlier this month, we acquired 100% of the equity interest in a Pennsylvania Grower-Processor permit holder that operates a 90,000 square foot cannabis cultivation and processing facility strategically located within minutes of Interstate 81, Interstate 84, and the Pennsylvania Turnpike, enabling efficient wholesale distribution to the 89 dispensaries currently open across the commonwealth, including the Company's eight operational BEYOND/HELLO dispensaries in Pennsylvania.

Since closing on the Pennsylvania Grower-Processor Acquisition, our focus has shifted to optimize the facility to ensure long-term growth and market share expansion in the Pennsylvania market. Jushi will be targeting a series of operations of facility improvements, combined with the recently completed expansion facility, are expected to significantly increase production of both prepackaged flower and extracted product. It is expected that the operational improvements will be implemented over the next 12 to 15 months.

Since assuming control of the facility, we have already begun to execute on a number of these initiatives including, first, an expanded footprint. The expansion of cultivation area from 20,000 square feet to 45,000 square feet was recently completed. It is expected that the first harvest from the expansion area will occur in September and October. As previously disclosed, the property has the optionality to increase the indoor cultivation area by an additional 25,000 square feet, putting the total to 70,000 square feet.

Second, the introduction of new extraction technology. The facility currently employs super critical CO2 extraction technology to offer an assortment of extracted products, which include vape products, tinctures, soft gels, and balms. The construction and renovation of a Class 1, Division 1 extraction room will enable the Company to incorporate hydrocarbon extraction technology into the facility, allowing for an increased assortment of concentrate products, leveraging Jushi's in-house operational expertise and brand portfolio.

Third, increased facility automation. Investments in automation equipment including billing, labelling, sorting, batching, and trimming equipment. These investments will help drive efficiencies in the facility, leading to enhanced product margins and approved facility throughput.

Fourth, we plan on implementing a series of operational upgrades, centered on improving the yield of the cultivation area, thereby increasing biomass output. This will include improved propagation and plant care, additional lighting, and contributions from the benching systems and automation equipment.

Fifth, improving utilization of current space, including introducing rolling bench systems and streamlined room design.

Sixth, improving the product mix. To capitalize on the strong patient demand for our prepackaged flower in the Pennsylvania market, we will optimize the facility's mix of flower and extracted trim production. We will also introduce additional lighting and new automation equipment to help improve recoveries of flower, increase the quality of flower, and prevent loss of potency.

Finally, improving annual turns and minimizing downtime. We intend to increase productivity of the facility by improving the coordination between cultivation and sanitation teams by implementing a more balanced drain mix, and a staggered harvest cycle.

Jushi also opened two new dispensaries in Ardmore and Reading, Pennsylvania, bringing its total store count in the Commonwealth to eight medical dispensaries, operating under the BEYOND/HELLO brand. The Company has a right to operate up to 15 dispensaries, and expects to open the remaining 7 locations within the next 12 months. The Company also has an assignable purchase option to acquire 100% of the equity of Pennsylvania Dispensary Solutions, or PADS, Pennsylvania marijuana dispensary permittee, in the Commonwealth Northeast region. PADS currently operates two medical marijuana dispensaries with the right to operate one additional dispensary in that region. The option expires in February 2022, and is subject to certain closing conditions, including approvals from all appropriate regulatory authorities.

As of August 1, 2020, the Company's BEYOND/HELLO Center City and Northern Liberties stores were reopened after being compromised earlier this summer amid demonstrations in the city. To date the Company's recovered approximately \$400,000 in damages from insurance proceeds.

Second quarter of 2020 organic same store sale revenue in Pennsylvania increased approximately 50% as compared to the first quarter of 2020, excluding the two previously closed Philadelphia stores. This improved performance is due to the improved management and product procurement, and the introduction of BEYOND/HELLO.com. In the second quarter, the Company also hired a Head of Retail Operations in Pennsylvania with significant retail experience in the local market.

It is worth noting that earlier this week the Governor of Pennsylvania, Tom Wolf, called on the Pennsylvania legislature to legalize recreational marijuana in an effort to help businesses and individuals hit hard by the coronavirus pandemic. If this legislature were to pass, this would significantly benefit both of our recently acquired grower-processor, and our retail operations in the Commonwealth.

Turning to our operations in Illinois. In February 2020, Jushi became the 100% owner of two medical cannabis dispensaries located in Sauget, which is adjacent to East St. Louis, and Normal, which is in the Bloomington-Normal metro area. Since acquiring the two dispensaries, both locations have been rebranded to BEYOND/HELLO, and have begun adult-use sales. The Sauget dispensary began adult-use sales in March of 2020, and the Normal dispensary began adult-use sales in May 2020. Each dispensary is eligible to seek approval from the IDFP to open a second retail location. We are exercising both options, and have secured locations for both stores with design and construction in process. We expect to have all four adult-use stores operated by the end of 2020 or early first quarter 2021, and believe the new locations can rank among our best performing stores due to their superior locations.

Second quarter of 2020 organic same store revenue in Illinois increased approximately 330% from the first quarter of 2020. Driven by the introduction of adult-use sales, the relaunch of Beyond-Hello.com, improved procurement, additional store hours, and improved in-store customer experience. We also have several initiatives to vertically integrate our Illinois operations.

Moving on to Virginia. Earlier this month, Jushi's majority owned Dalitso LLC, a Virginia based pharmaceutical processor for medical cannabis extracts, received approval from the Virginia Board of Pharmacy to commence vertically integrated operations for the cultivation and manufacturing of the sale of medical cannabis. Dalitso is one of only five applicants that received conditional approval for a pharmaceutical processor permit issued by the Virginia Board of Pharmacy, and now one of only four to have received final approval and permit issuance.

The Company is in the final stages of completing the buildout of its cultivation and manufacturing retail facility in Prince William near the city of Manassas, and expects the facility to be operational in late summer/early fall of 2020. The Company anticipates adding five BEYOND/HELLO branded medical dispensaries in Virginia. These five BEYOND/HELLO branded medical dispensaries will be in addition to Dalitso's pharmaceutical processor facility near the city of Manassas, which will allow Dalitso to

cultivate, process, dispense, and deliver medical cannabis to registered patients in Virginia. Although it is very early, we are cautiously optimistic that adult-use legislation will be seriously considered next year in Virginia.

Switching to California, in July 2020, Jushi acquired a licensed Santa Barbara dispensary expected to open in late September/early October of 2020. The city of Santa Barbara is a limited license market, and currently only allows for three dispensaries to operate in the jurisdiction. The Company also signed a \$3.2 million sale-leaseback agreement related to the real estate previously purchased in connection with this license. The Company also intends to move forward in the merit-based application process as one of only three selected applicants for a storefront retail and ancillary delivery permit in Culver City, California.

We will continue to pursue additional retail opportunities in specific limited license markets in California, particularly in jurisdiction with high barriers to entry, limited market participants, and a firm handle on the local unregulated market.

Before we further discuss our outlook, I will now ask Kim to review our second quarter performance. Kim?

Kimberly Bambach

Thanks, Jim, and good morning, everyone. Before starting, as a reminder, the results I will be going over today can be found in our financial statements and MD&A, and all are in U.S. dollars.

Revenue for the second quarter of 2020 was \$14.9 million, a 73% increase compared to \$8.6 million in the first quarter of 2020. As mentioned earlier, the 73% increase in revenue is primarily driven by Jushi's acquisition of two dispensaries in Illinois, both of which began serving adult-use customers, the first in March and the second in May, as well as strong organic growth at the Company's BEYOND/HELLO stores in Pennsylvania.

Gross profit for the quarter was \$7.5 million, resulting in a gross margin of 50% (phon), a \$3.3 million or 80% increase in gross profit when compared to the first quarter of 2020. The increase in gross profit over the prior quarter was primarily due to the increase in revenue, as well as incremental margin improvement.

Adjusted EBITDA loss in the second quarter of 2020 was \$1.2 million compared to \$6 million in the first quarter of 2020. The \$4.8 million reduction in Adjusted EBITDA loss in the second quarter was driven by increases in both revenue and gross profit, resulting in a significant reduction in operating expenses as a percentage of total revenue, which is expected to continue as we gain scale.

At last quarter, we defined Adjusted EBITDA a non-IFRS measure, as EBITDA before fair value adjustments and biological assets and fair value adjustments and sale of inventory, share based compensation expense, fair value changes in derivative warrants, net gain on business combination, and gain losses on investments and financial assets.

Net loss for the quarter was \$9.3 million or \$0.10 per diluted share, compared to a net loss of \$15.9 million, or \$0.17 per diluted share in the first quarter. The \$6.6 million reduction net loss in the second quarter was driven primarily by both higher revenue and gross profit, as discussed. In addition, as expected, we recorded a gain in investment as a result of improved market conditions, as well as an offsetting \$3.7 million fair value loss on derivative warrants issued in connection with the debt offering that was announced in December 2019 and June of 2020.

Turning to the balance sheet, as of the end of the second quarter, the Company had cash of \$38.5 million and \$12.3 million in short-term investments. Total current assets of \$62.4 million and current liabilities of \$34.4 million which resulted in net working capital of \$28 million at the end of June.

As of July 31, the Company has \$46.7 million in cash, \$8.7 million in short-term investments, and is fully funded for the buildout of the current portfolio.

Additionally, in August we received the remaining \$4 million on our latest oversubscribed debt financing round for a total of \$33.31 million.

I would like to turn the call back over to Jim to discuss our outlook.

Jim Cacioppo

Thank you, Kim.

Moving on to our outlook, our strategy remains focused on building out our high-quality footprint, and pursuing attractive acquisition opportunities in our existing markets. Our corporate overhead is substantially built out, and any further acquisitions in organic growth will not add significant overhead, thereby creating a platform that we can bolt on new revenues and profit. This will make future deals very cash flow accretive to shareholders.

While there continues to be great uncertainty in the overall market, we believe our strong balance sheet and disciplined approach to capital deployment positions Jushi to continue to both organically grow in current markets and pursue acquisition opportunities across the supply chain in existing space we currently operate in. In fact, since our last earnings call, we have raised approximately \$38 million in cash. Approximately \$33 million of which was from the senior secured note debt financing, and approximately \$5 million was from two recent sale leasebacks which provided cash for further growth opportunities.

With respect to our outlook, on a pro-forma basis, including the impact of the recently closed acquisitions of a Pennsylvania Grower-Processor and our expectation for strong operating results in the second half of the year, we are providing third quarter revenue guidance of \$22 million to \$25 million and expect third quarter Adjusted EBITDA to be close to breakeven.

We are reaffirming our fourth quarter 2020 revenue guidance of approximately \$25 million to \$30 million, and we expect Adjusted EBITDA to be positive. We are also reaffirming our 2021 revenue guidance of \$200 million to \$250 million and providing 2021 Adjusted EBITDA guidance of approximately \$40 million to \$50 million.

Our 2021 revenue guidance contemplates the expansion of our operations in Pennsylvania, including the addition of seven new stores, and the recent Grower-Processor acquisition. The addition of two stores in Illinois, for a total of four in the state, our vertically integrated licensed in Virginia becoming operational, our new stores in Santa Barbara and Culver City, California, growth in Nevada, and our Ohio business coming online.

Thank you again for your time. Operator, please open the call for questions.

Operator

Thank you. If you would like to ask a question, please press star, one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two if you would like to remove your question from the queue, and for participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys.

Our first question is from Graeme Kreindler with Eight Capital. Please proceed.

Graeme Kreindler

Yes, hi. Good morning, and thank you for taking my questions here.

I wanted to ask a follow up question, with respect to the 2020 outlook, on the EBITDA side of things implying a 20% EBITDA margin when you look at the range there. I was just wondering, with respect to the assumptions that are built into that EBITA margin, as you're getting some more vertical integration in Pennsylvania, and could potentially add some more vertical integration in some other states. I'm wondering if you see any potential for upside on the EBITDA margin, or even just on the core operations as they stand right now as they get more efficient. Thanks.

Jim Cacioppo

Thank you, Graeme. Good morning.

This was the first time we put out EBITDA guidance, and I do believe vertical integration, as you suspect, will increase our margins, as will core operations. In particular, the Grower-Processor we just bought in Pennsylvania is doing it's first harvest, and we laid out a series of six or seven steps that we are pursuing to optimize and to grow that facility. Of course, that is not in the full year numbers because each quarter will be better than the previous quarter as we laid out approximately 12 months to 18 months. If you looked at the exit run rate of 2021 margin, I think that would be higher than the overall year just based upon that.

So, yes, I think your intuition is correct on that, and I think the margin in 2021 represents the fact that we still have this corporate G&A that's fully built out, and our operators are growing very fast, and a full year basis, that margin will be improving all four quarters, but that represents a full year margin, which is lower in the first quarter than it is in the fourth quarter. So, yes, vertical integrational will help the operations growing as we've laid out will also help, and the exits will be much better than the full year.

Graeme Kreindler

Okay, understood. Thank you. Looking at the Q3 guidance here, the revenue range of \$22 million to \$25 million, and then looking at the reaffirmed range for Q4, the \$25 million to \$30 million. Right now, that would imply the growth rates slowing down a bit into Q4 here. I was wondering, in terms of looking at those assumptions there, obviously, have a better handle on the outlook for Q3 given that it's closer in time, but I was just wondering, are there any particular trends you're anticipating in Q4, why we might see a bit of the slow down in growth as it has to do perhaps with something with stimulus? Is it more just you're going to wait and see how things develop into the back half of the year there? Just want to get some more color. Thank you.

Jim Cacioppo

Yes, so, we do our best job to project out the numbers, and I think what the fourth quarter represents more than anything else is probably the slowdown that COVID has had on opening stores, so the regulators and government officials that you're going to, that you went to, in sort of April and May or even in March, we had to work from home, they had to get a home office set up, they got behind on their work, some contractors couldn't show up because some people on their crews got COVID. All those things have caused the opening of stores to get delayed. Although, we've done a great job on operations in terms of revenue growth, the store buildouts definitely were slowed down by COVID.

I would also say that we've had the first quarter and second quarter of 2021 because so many stores will be opening up and the new Grower-Processor Acquisition will be improving, the growth curve that

that'll—it'll kick in in the first, second quarter of 2021. I think that's when the growth rate sort of picks back up. So, that's the best of my knowledge what's going on.

In addition, it doesn't take much to push a store into the next year. It's one month delay, or if it's coming out at the end of the year, two month delay. So, we do have some very, probably, what could be our three best stores opening up in the late fourth quarter. You're not going to see—or early January, if they get pushed, you're not going to see the effect of that in the fourth quarter. Those stores are the second store in Sauget, across the bridge from St. Louis, and the second store in Bloomington-Normal. Both that we think will be fabulous stores in a great market, and you won't see much impact (phon) to that of those stores in the fourth quarter. I hope that helps you out.

Graeme Kreindler

That's very helpful. Appreciate that, Jim. The last question I have before I jump back in the queue here. Just a follow up with respect to the comments on the call about bolt-on acquisitions, potential for getting further vertically integrated here. Just curious with respect to the first half of the year was really characterized on the M&A side about distressed opportunity. Now that we're in an environment where many of the cannabis equities, particularly on the U.S. side of things are coming off their woes, what's the environment look like right now? Is it still very attractive, is it still a buyer's market? If you could provide some more color on what sort of opportunities you're seeing, and perhaps where the prices are trending, that would be appreciated. Thank you very much.

Jim Cacioppo

Yes, listen, we were one of the only companies to get a deal done during COVID times, in fact, I think the only one. The deal volume was exceedingly low in the first and second quarter. We closed two deals, but one had been the deal we had announced almost 12 months prior. Any closures you saw of deals really related to stuff that was put in place prior to the COVID times. Our deal in Pennsylvania, on the other hand, was one that we announced and financed and closed during the COVID times, and I don't think there's been any others where you've seen a closure.

I think that deal volume is just really starting to tick up. I think people are coming, the inquirers are coming out of hibernation, but we would expect a little bit more activity and a little bit more potential competition on that side, although not a great deal. In terms of the sellers, I think there's a list of sellers that you would know, very large MSOs that need to raise cash, and their best opportunity to do so is to sell assets. I think there's also a large MSO or two that are restructuring their balance sheet, and we'll need cash after restructuring and you would think that the best opportunity for them to do it might be selling assets. So, I think there's plenty of assets for sale at a large public MSO.

In the private market, you have a lot of operators who've been there for a while seeking capital, seeking other (phon) licenses, or operations without any success. I would think that we would have some good opportunities for the foreseeable time, and I suspect that you'll see some more good deals out of Jushi, but you never know until you know.

Graeme Kreindler

Okay, got it. Thank you very much.

Operator

Our next question is from Shanmir (phon) with Canaccord Genuity. Please proceed.

Shanmir

Good morning, and congrats on the quarter here.

It's just one quick question for me. It's on that revenue guidance for Q3 and Q4. I was just trying to get an idea of what the acceleration would be like in the Pennsylvania market from the current quarter into the next. Maybe if you could provide some details or some color just around the sales mix that you guys saw from Pennsylvania in Q2, and kind of how you expect to see that trend into Q3 and Q4. So, what portion of that \$20 million to \$25 million or that \$25 million to \$30 million do you expect to see coming from Pennsylvania? Thank you.

Jim Cacioppo

Great. Thank you. I think a large amount of it comes from Pennsylvania. I don't have the numbers in front of me to be more specific than that, but I'll give you some examples. We had two stores open up in the second quarter that are just getting up and going. In addition, we have our two Philly stores that were compromised in the demonstrations back in late May. Just having those four stores mature and come back online, I think it's a real nice growth opportunity. We're also seeing some really nice, continued nice, in-store sales growth, so that supports it.

Then the acquisitions of PAMS, the cultivation processor license in Pennsylvania, we'll put that on the books. It had some existing revenue, but we're ramping that up. As mentioned, there was 45,000 square feet of cultivation space, almost half of which was just completed, and the grow rooms are virtually empty, so we can fill those up and start that ramp, and then we'll do the improvement of that operation going into the fourth quarter, which provides more growth, and then the continued same store sales growth, where we don't have, as Graeme pointed out, it appears our growth rate slows down a bit in the fourth quarter, and that's primarily due to Pennsylvania.

There's about five of the seven stores that we'll open up next year will all open up, I think, pretty similar time, and that time got pushed back because of the COVID-related delays. So, that really, is the first and second quarter of next year. So, yes, I think the growth is largely due to Pennsylvania, and the slowdown in the fourth quarter and fifth due to Pennsylvania because of the COVID for sure.

Then Illinois, we have two stores that we're opening up, and we're hoping one gets up and going in November, and the other looks like, if it gets open this year, will be at the end of December. The Illinois growth is really just the same store growth that we're projecting, and we, from the new stores, really got pushed into 2021, for the most part.

Shanmir

Thank you.

Operator

Our next question is from Brian Kesley (phon). Please proceed with your question.

Brian Kesley

Jim, congratulations on a great quarter. My question is on guidance as well. When you're rudely (phon) introduced to guidance, it seemed pretty aggressive, and now when you look at your fourth quarter at \$30 million annualizing at \$120 million, it seems quite conservative. Can you break down the guidance for

2021 in terms of what you're going to do in Pennsylvania and Virginia, and then also what affect full adult-use will have on those numbers in 2021, if we get full adult-use.

Jim Cacioppo

Yes. Brian I don't have the projections in front of me to do the breakouts, so in terms of more details, I would suggest you or anybody else to call our Michael Perlman, our Head of Investor Relations to get more specific if my team is willing to disclose details. I'm not sure how the legal team feels about that.

In 2021, Pennsylvania becomes—I mean it's clearly the biggest asset out of the comp (phon) but Illinois punches—given that we only have two stores, these are monster stores, to be honest with you. They're just doing fabulous. Illinois shouldn't be discounted and those two stores opening up could be our two best stores in the system. They are adult-use now which accounts for part of that. They're also very well located stores, not only to markets but also the locations itself are fantastic stores, both of them, the new ones.

Illinois will do very well in 2021, but Pennsylvania is clearly our keystone asset (inaudible) the call the Keystone State. With 15 stores in total and seven more opening up and then the maturation of those stores. In addition, I can't emphasize enough, the Grower-Processor we bought has so much potential that's unmined. The company we bought it from was short on capital and it just needs some tender loving care. It's a capital investment and our operations team, which is a great operations team out of Colorado used to go in there and get the yields up, the potency up and those types of things. We're very, very positive on that and that's going to improve every quarter for a good 12 to 15 months at least.

Yes. The improvements are not just improvements but it's growth because we also have a capital expansion project of about 25,000 square feet. We believe we can fund that off of the sale leaseback. We don't have to go to market to fund that. Or use our balance sheet really—we have the cash on our balance sheet. We don't have to use that. We're very excited about the growth of Pennsylvania.

In terms of the adult-use in Pennsylvania because we've said the Governor came out earlier this week for the first time and was quite specific about tying it to adult-use to some of the economic issues and joblessness that the State had due to the COVID pandemic. That was very welcome by us.

In terms of the impact that could have on your business, I would point you to Illinois (inaudible) Illinois and then probably others as well. That you look at—we acquired the business the first quarter and it was a medical business and a pretty well run medical business. Then we converted those in March and May to adult-use and as we reported in that quarter, the sales growth has been 330%.

Now (inaudible) you said did a very good job of the BEYOND/HELLO.com of running the store. We've changed the way you go in and out of the stores. We did a great job with inventory procurement in that market. But, 330% is what people talk about and tripling of the market. It would be a fabulous thing for Jushi if Pennsylvania went to adult-use and I believe the company that most concentrated to Pennsylvania given our small size to some of our larger market cap competitors in the State.

You get a big bang for your buck in Jushi for what could happen to the positive in Pennsylvania. Thank you Brian.

Brian Kelsey

Yes. So that puts you into 15 stores doing \$4million a month that's about \$65 million in Pennsylvania? If we see similar effects as we saw in Illinois where you get three times that. That alone is \$200 million and

the rest of Illinois, Virginia and all the other assets are three. That seems that your number is quite conservative should we get adult-use in Philadelphia.

Jim Cacioppo

Yes. I didn't answer that second part of your question, Brian. I'm sorry I went on with the first. Lost focus. Yes. But it is goes adult-use, we expect it to go adult-use in the first quarter. There is a legislative session the fourth quarter, we hope it happens. I think it's more likely in the first quarter of next year. Then there's an implementation process that takes place where in Illinois they went to adult-use and then it took a number of months before the program actually started. I forget, that was a six month period, what it was. I really think the adult-use, if it happens, kicks in at the earliest the late 2021 but that provides a tremendous uptick in 2022.

Then in Virginia, I think Virginia is a State where the growth in 2021 is maybe the harder to predict because it's a new market. Of all the markets we're in, it's the harder one to predict because it's brand new, there actually is no legal cannabis sales currently in the state of Virginia. Given that and given that we think it's a good program and a favorable clinical wins (phon) in that State for the program. We expect 2021 and 2022 to be tremendous growth here in Virginia.

We have two of our three top States where we have with the adult-use in Pennsylvania and in Virginia just a maturation of that program. We have tremendous growth potential in 2022. Now, we obviously don't have those numbers, if we did we wouldn't share them. We have numbers but we haven't drilled down them and we wouldn't share them this far out. There's tremendous growth potential in this asset base for two/three years and that doesn't include the fact that we have this platform and I think that we have done some of the best of value driven, opportunity driven deals of, I think, any company and the platform is fully built out.

I think the top side is the revenue guidance for us, putting more revenue and EBITDA onto the platform at good prices in 2021 and us just executing a little bit better than planned. But adult-use I think pushes us into 2022 really before you see the big impact in Pennsylvania.

Brian Kelsey

That's great. Thanks very much and congratulations on a great quarter again.

Jim Cacioppo

Thank you Brian.

Operator

We have reached the end of our Q&A session. I would like to turn the conference back over to Jim for closing remarks.

Jim Cacioppo

Great. Thank you for participating on today's conference call everybody. We look forward to keeping you updated on the advancement of our business. In fact, we plan on announcing the timing of Jushi's first Investor Day shortly. Please stay tuned, stay safe and be well.

Operator

Thank you. This does conclude today's conference. You may disconnect your lines at this time. Have a pleasant day.