

Grown Rogue International Inc.

Third Quarter 2025 Earnings Conference Call

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PRESENTATION

Operator

Welcome to the Grown Rogue's third quarter 2025 earnings conference call.

Today's call is being recorded.

After the proprietary remarks, there will be a question-and-answer session.

As a reminder, during the course of this conference call, Grown Rogue's management may make forward-looking statements that are based on current expectations and are subject to a number of risks and uncertainties that may cause actual results to differ materially from expectations. The risks are outlined in the Risk Factors section of the Company's filings and disclosure materials. Any forward-looking statements should be considered in light of these factors.

Please note that the safe harbor, any outlook presented speaks as of today and Grown Rogue's management does not undertake any obligation to revise any forward-looking statements in the future.

This call will also reference non-IFRS financial measures, including adjusted EBITDA. These measures do not have any standardized definition under IFRS and may not be comparable to those used by other companies. They are provided as supplemental information to evaluate the Company's core operating performance and should be viewed alongside IFRS results.

I'll now turn the call over to Obie Strickler, Chief Executive Officer of Grown Rogue. Thank you.

Please go ahead.

Obie Strickler — Chief Executive Officer, Grown Rogue International Inc.

Yeah, thank you very much, and thanks, everyone, for joining today. I appreciate all of you taking time out of your busy day to learn more about our business as we talk about Q3.

It would be bereft of me not to start today, I think, with the recent regulatory change on hemp. I think there's a lot of polarization when it comes to that topic. I think regardless of your position, whether it was a loophole or not, whether you think it should have passed or not, this, what I consider unexpected change in the regulatory structure there, certainly reflects the volatility and uncertainty that we face every day in this industry.

But I think it's important to remember it's this volatility that creates so much turmoil and risk that, if navigated properly, is going to result in significant reward for the winners.

And I couldn't be more excited, more confident in the ability of Grown Rogue to win and to win big as we continue to navigate and kind of expand our platform inside of this industry.

So I think that's how I wanted to start today's call, with really talking about how we think about winning in this industry and what that looks like.

At the core, for us, it always starts with our people. We had recently, I think it's our fourth annual Leadership Summit in Oregon. It's where we bring the entire team together, kind of like the senior management from each of our states. We've got a diverse group that lives in different parts of the country. And it's the one time a year where we get everyone in the same room.

And what was so important and awesome for me to experience during this time was watching the integration of what I like to call the OGs, the original kind of group that's been with us for four, five, six years. One of the people on our team has been with us since we started, coupled with the new folks that we've been bringing in as we've embarked on this growth platform, bolster our abilities and help us execute on this next phase of growth.

I can't stress enough the importance of team and how critical that is to good operations, good culture, lack of drama, lack of bureaucracy. And the focus Grown Rogue, myself and the rest of the team,

put on that, from leadership all the way down to the people working inside the grows, we'll continue to invest and focus on our team as a critical path of what we think will be one of the core principles of companies that are going to win and win long term in the space.

The next thing we think about a lot is the controllables. There's a lot of things in life in this industry that we don't control and then there's the things that we have a significant amount of control over. In our business, that really comes down to the two most important things and it relates to production, which is yield and cost.

And I think you'll see from the press release we put out that had some of the KPIs. Both Michigan and Oregon had incredible production costs this quarter. And I think, what, 368 and 348 respectively.

And I want to remind everyone, this is an all-in, four-wall cost. Right? This is not just COGS like typical companies will report. Our business is really focused on cash generation and so we look at true cash costs. What does it take for us to grow it, sell it, get it out the door, get it into a customer's hand?

I mentioned this, I think, on the last conference call. And I think we've even beat what we were doing previously this quarter in terms of cost control. But if you look at a true definition of COGS, for indoor production, at the quality that we put out, we're probably sitting somewhere less than \$200, which is pretty fantastic for cost of production.

Yields are also up. We're pushing 75 grams a square foot of full flower, which is almost a 20 percent improvement year over year.

We believe effectively, we're one of the leading indoor producers in the US that combines this amazing quality coupled with yield and industry-leading cost of production.

It's this fact, coupled with others, but this is probably one of the most important components that positions us as well as any company we think in the space to continue to expand our portfolio into new states in a very cost-efficient and profitable manner.

The next big thing for us, and you've heard Grown Rogue talk about this consistently year after year after year, is focus. Staying core to our flower-forward approach, not losing our low-cost and quality focus.

It gets increasingly difficult, especially as the industry continues to evolve, because there's lots of things to chase. And our focus is going to be one of the big differentiators.

And while people may say, you're not going fast enough, you're not doing enough things, we're very committed to doing a smaller number of things very good. We want to be excellent at what we want to do and not get kind of overextended or too spread out in what we do. We take the mantra that simplicity is the true form of mastery, and we're going to continue to execute against that plan as we continue to go forward.

Next big thing on our list is balance sheet. Obviously, we've seen a lot of distress, and a healthy balance sheet and not getting overextended is critical. We have done and will continue to do a great job at managing the balance sheet.

Important to remind everyone that we upsized our credit facility in September, added another \$5 million. We're now sitting at a \$12 million credit facility at a sub-8 percent interest rate. I think our newest tranche was somewhere in the range of 7.5 percent. Again, positions us very well for our immediate development goals, and we have a very healthy cash balance coming out of Q3, with a little over \$13 million in the bank.

All of those pieces is what drives us into the exciting part of our industry, which is growth. And once you have those core components I just mentioned, it's all about how you maintain them and use them to continue to grow the platform.

Our expansion into New Jersey has gone extremely well. It's been a little bit slower than we all hoped, but it's definitely solidified in my mind our ability to transfer our expertise into new markets in a successful way, not only with our systems, but ability to produce quality products that customers love. And to keep coming back, the customer, that's where the focus is at, our ability to give them products that they're happy about at the right price.

And we're having to earn it in Jersey. We expected that market to be a little bit more seamless. But the benefit of that brand loyalty, earning customers and their loyalty in what has turned into a fairly competitive market is amazing.

And I don't know if people saw, I think it was in the press release, but big kudos to our team. We won two awards recently at the Best-in-Grass competition, one for flower and one for pre-roll.

So, again, solidifying ourselves as a big player in that market, continuing to expand and build out Phase 2, and very excited about the position and where we sit inside of New Jersey.

And this is ultimately why we're so excited about Minnesota right now. Josh will speak a little bit later more directly to some of these things, but we definitely believe Minnesota offers one of the most compelling opportunities in front of us. And it's honestly where we're going to put most of our immediate focus and the balance sheet kind of component that we have over the coming year.

We're not going to get crazy. We're going to continue to build projects the Grown Rogue way, starting with about 10,000 square feet of canopy in the Phase 1 kind of production.

However, I think it is important to remind people that in Minnesota, because of our licence type and then the building that we have under contract, it would allow us to double our canopy size from our typical kind of 15,000 square feet that we have in Oregon, Michigan, and where New Jersey will sit when it's fully built out, up to 30,000 square feet, which just gives us a lot more flexibility and opportunity to lean into that market if we feel that the demand and the opportunity sits there.

We definitely believe being an early mover in Minnesota is going to be critical. We talk a lot about surplus profits and those versus what we consider a more sustainable profit stream, and we think Minnesota has the potential to generate considerable surplus profits in the early years. And so we're excited about taking advantage of that.

The other thing, we're continuing to get closer and closer, and this gets away from less part of the controllable piece, as I talked about earlier, but the distress that we've been talking about for the last three, four months. We keep getting closer to some of these moving down the path. There's a lot of different parties involved, and so it makes it a little bit harder for us to wrap our arms around the specifics.

But definitely seeing some of these, I think, get much closer to the finish line, and I think taking advantage of some of these distress opportunities to augment our new project and new market builds is just only going to increase our scale and our reach and our financial returns as we look, again, to expand the portfolio from three current states into five and to seven.

And so, Josh will talk more about some of the distress. He's been leading a lot of that for us, as I think most of you are aware. But very excited about that portion of the business opportunity in front of us as well.

Switching gears a little bit, I think it's time to, and I want to touch a little bit on our renewed focus on the brand.

Our history in Oregon when Sarah and I first started the Company, God, going all the way back to, like, the medical days in 2005, 2006, but even when we first started Grown Rogue, in 2016, it was always about consistent quality of product, like first for ourselves, then our medical patients, and then consumers, but it was always just about good weed. That was what the core focus. It was be reliable. It was be consistent. That was really what got us into this industry in the first place. It was never about building this company. It was never about building a brand. We just wanted great, reliable flowers.

This ethos was how we started it. It was the initial building block of how we started Grown Rogue, where we really focused on product quality. We focused on cost control. And that resulted in a very kind of sales-first, sales-driven culture.

This was coupled with the fact, as many of you know, Oregon is essentially a 100 percent deli-style market. Not as great for brand development; fantastic for the consumer. They get to see it. They get to smell it if they want. There's a lot more interaction, and so you make sure what you're buying, you're very comfortable with.

And there's a similar market in Michigan. Michigan has a little bit more packaging component, but still, the bulk of flowers sold in Michigan is deli-style.

And so branding is important, but it's not been as critical in some of these markets. But obviously, with the focus and where the organization is heading, realizing with the foundation we have how important brand has become to the story and winning the hearts and minds of consumers long term.

And this is very interesting because in New Jersey it's essentially the opposite. I think right now, I mean, shoot, Michigan's probably 80 percent bulk, 20 percent package. Oregon's probably somewhere in that range. Jersey's the opposite. I mean, our goal in Jersey is to be 100 percent packaged. Right now, we're probably 80 percent packaged, 20 percent kind of bulk flower sales.

And what we've realized over the years, especially as we move into some of these markets, is our flower competes with anyone, even the more recognized groups that you'll hear in the markets or in the news. And as we think about how we compete and the long-term value of what we're trying to establish in the industry with our foundation set, low cost, great yield, great culture, our company's definitely going to be investing more heavily, focusing more on building the brand and our brand equity.

This doesn't mean we're turning into a marketing engine. Right? We're going to do this the Grown Rogue way. We're not going to be spending tons of money on marketing and fancy agencies and all these types of things. Yeah, we'll do it the Grown Rogue way, with an emphasis on the consumer, more exciting packaging offerings, better customer engagement with our retail partners.

We're building a brand-new and revised website that is much more consumer-focused. I invite people on this call. It should be launched, I think, in the next week or two. Much more focused on our packaging, some of the strain-specific stuff we're doing that is getting very, very good reviews in both Michigan and about to roll out some of that stuff in Jersey, the different products that we offer in our portfolio now. So pretty excited about that piece of it.

The other area we're spending some time on in our core markets is product extension. And this isn't to get away from our focus. This is just effectively, the ability to broaden our product offering inside of the markets that we operate. And some of this is being driven by the pressure we see in Oregon and Michigan. I mean, pricing is difficult but you see pressure across the space.

But we've also navigated several of these over the last 15 years. As you see, these pricing cycles kind of come and go. And they put a ton of pressure on every business, Grown Rogue included.

But I can't stress enough, it's during this distress, it's during these periods of pain where you really have to lean in. I mean, this is where we make our most significant strides in terms of improvements,

not only inside the business, but it also gives us opportunity outside of the business as we work with our partners and our customers to grab more share.

I coined the term a few years ago with our internal team, we're going to meet pressure with force. And when we see pricing pressure, we meet it with force. We meet it with better cost control, better yields, maybe more products, and it's something that we're doing across all aspects of the business. Again, you'll see that in lower costs, better yields, new products coming to the market.

Most of our R&D work happens in Oregon. It's one of the reasons we like this state. It's got a really kind of advanced, experienced consumer. It's also the state where we have probably the strongest talents in terms of just operational efficiencies and the resources and the infrastructure to support kind of new product ideation.

We launched pre-rolls in Oregon about 18 months ago. I think we're already a top-five brand in the state between the two brands that we have, which is pretty spectacular and a very strong and mature market to come in with a brand-new product. And I think it goes to the team, the efficiency, but also the loyalty that we have across this state in terms of the brand presence.

We launched our first infused pre-roll. I think I mentioned it on the conference call a few months ago. And that's gone really, really well. We're slowly starting to build kind of the scale and the size of that, thinking about some different offerings we can bring in in terms of how we build out our infused pre-roll business. And then the team has been working on our first vape cartridge that should come out later this year.

And so just looking at ways that we can expand the business through non-expensive capital allocation to take advantage of the platform we have.

These are not huge endeavours by our team, but really, just incremental improvements in our production capabilities, capitalizing on the brand reputation we have with our retailers and customers, and then really taking advantage of our already established sales and distribution channels.

And we have sales networks in all these states. We have teams that cover the entire market. We have customers that are looking for more reliable and better products. And so these are things that are kind of right in our nitty.

Once we kind of fine-tune these in Oregon, we then look to roll them out across our markets, probably starting with Michigan, soon to come to New Jersey, and then other states as we turn them on.

I then wanted to shift to a couple of the KPIs in our press release. I've kind of talked about and sprinkled those in throughout this kind of monologue here.

Production-wise, very strong yield improvements, most notably in Oregon, which we had a 23 percent yield improvement year over year. Most importantly, the 21 percent A-flower kind of improvement year over year.

We definitely have some room to improve in New Jersey. I think New Jersey is down high 50s, low 60s in terms of yields, which really shows you, like, A, what we do is hard. Even with our expertise, you don't just start a new state and instantly up to the level of quality that we have in markets we've been operating for years. I think that helps us with our moats and understanding that something we're really good at, it's still hard to just get right, right out of the gate.

But excited about the opportunity that sits there as we get the team trained up, get the systems fully entrenched, get our strain selection right. But it bodes well for continued improved financial performance; not only as we build out Phase 2 and we just bring more square footage online, but there's

considerable room for additional yield based upon maximizing the current square footage that we're operating in.

Pro forma revenue was up 26 percent year over year, mostly through to the contribution from New Jersey. We continue to see pricing pressure in Oregon and Michigan, which is no surprise. We're not predicting any kind of changes, but I want to remind people we've been through these cycles before. There is changes, and we expect it to recover and shift back upwards in a positive direction. But, again, that's why we're so focused on price control, cost control.

We're prepared to combat these markets for as long as it takes before you see some of that supply/demand imbalance kind of correct itself.

Particularly excited about Michigan. We had a couple rough quarters there. Some of that was price compression. Some of that was self-inflicted as we've talked about over the last few months around just, we're not perfect. We make mistakes. We get caught up in other things that take our attention. And when you see those things, it's always good. It just brings us back to the core. Like, where do we want to focus? How do we dig in? How do we correct things?

And seeing Michigan get back up above a \$1 million in EBITDA was really kind of encouraging. Seeing price still down a little bit, but starting to stabilize is exciting. We've been making some capital improvements in there that I think will continue to help with yield. So we're expecting to be producing more product coming out of that market as this year ends and gets into 2026.

On the flip side, Oregon was a tough quarter. We know Oregon's tough. It's easy for me to laugh at it, but it just never surprises me just how hard these markets are. I mean, it's a damn nice fight every day.

So a little disappointed at Oregon this quarter. Very happy with the controllables, but, again, disappointed with kind of the pricing environment. Some of this was exacerbated by getting rid of some old inventory, things like that. Typical companies would do, like, a deduction or an add back. That's not the game we play. We had old inventory. We sold it. That affected price a little bit.

But we've seen a nice recovery in October, and so we're optimistic for a strong Q4 as we look at Oregon kind of individually.

Long term, the goal, I think, for the organization, and I've been talking to our GMs about this, is we need these mature states to be in the \$12 million run rates, \$1 million a month, hopefully pushing up a little bit more when pricing is better and having kind of long-term sustainable EBITDA in that \$4 million range. I mean, that's kind of the objective. That's the goal.

Those are averages. Things are going to be up and down from that a little bit. But we think these are markets that should have long-term sustainability in those range. And we're going to keep pushing the team, finding areas to be more efficient, seeing opportunities to expand our kind of product offering.

And then, obviously, on the non-controlled side, there will be a recovery in price at some point as we go through these kind of pendulum swings in the cycle.

And so that's it for me. I'm going to hand it over to Josh, who is going to talk a bit about kind of capital allocation, what we're prioritizing right now. And then, obviously, he's been the primary lead in our distress and all the different opportunities that we're evaluating that would be additional opportunities for the Company as we continue our growth.

So, Josh, the floor is yours.

Josh Rosen — Chief Strategy Officer, Grown Rogue International Inc.

All right. Thanks, Obie.

As Obie referenced, I'm going to talk about capital allocation and then weave that into how we're thinking about distress as part of our overall growth plans.

We believe we have a multifaceted growth platform with our flower production capabilities. I often refer to this as the engine of the industry.

In addition to the product expansion opportunities that Obie referenced, which does represent our most capital-efficient growth driver, the more significant growth drivers continue to tie to new market expansion, which can take the form of the organic new builds like New Jersey or acquiring fixer-uppers. For us, the fixer-upper theme currently maps to our focus on distress.

So, building new cultivation facilities is one of the most capital-intensive parts of the industry. It's also where many of our peers have gotten sideways with a lack of discipline on cost containment and overbuilding, and most often, not being prepared for eventual price normalization.

We're going to keep looking for opportunities for us to build new facilities in markets we believe are undersupplied when it comes to affordable quality flower, New Jersey being the prime example of this, and we've previously highlighted that Illinois is going to be our next new build.

Based upon our internal analysis and experience, we've pivoted to prioritizing Minnesota over Illinois when it comes to deploying capital into a new build.

I wanted to provide the context on this decision.

To start, we have great familiarity with the Minnesota market, including our experience helping to turn around Vireo and Grown Rogue's advisory work, which was specifically focused on Minnesota and Maryland.

Our core criteria for supporting new builds relates to being confident the market is undersupplied affordable quality flower.

Although we don't underwrite our projects based upon a permanent undersupply, we do factor the anticipated supply/demand imbalances into our risk assessment and overall expected cash returns.

In Minnesota's case, we're excited enough about the opportunity, as Obie referenced, to focus our real estate strategy on having the flexibility to scale in some more capacity than the typical Grown Rogue build-out. In this case, to the degree of about 2 times.

As Obie referenced, the maximum allowable canopy for a cultivation licence in Minnesota is 30,000 square feet. To be clear, we're not planning to build this immediately, nor are we necessarily going to build it, but we searched for a property that would allow for it.

Our planned starting point for Phase 1 is approximately 10,000 square feet of bench canopy space, and we currently anticipate having product available early in 2027 and are doing everything in our power to try to accelerate that timeline.

Importantly, our preferred property received its conditional use permit yesterday, so we had some good news.

This prioritization in Minnesota doesn't imply that we're not going to build out Illinois. We have the flexibility with a favourable lease to pause our capital expenditures in Illinois. Sometimes we need to make tough decisions about optimizing our capital allocation based upon available capital, maintaining a prudent balance sheet, and managing our internal bandwidth.

It's also worth noting that we're currently evaluating a couple of compelling fixer-upper or distressed opportunities in Illinois that could support a slower approach to deploying more meaningful capital in this market. These fixer-uppers might provide us an opportunity to materially increase our speed to market while also materially decreasing our near-term capital needs. Should any of this materialize, at a minimum, we think it helps de-risk our planned CapEx in Illinois.

Turning to distress more formally, on our last earnings call, I highlighted a confluence of factors creating a window of opportunity to evaluate distressed assets, and we remain highly active.

Our work includes recently submitting multiple nonbinding LOIs and ongoing follow-ups with bankers, receivers, landlords, and restructuring officers as they work through their processes.

It has become abundantly clear that there are not many companies positioned like ours. Most other potential buyers in distressed assets are heavily focused on retail and are on a much narrower set of states.

I also want to repeat that while we are unable to commit to specific timelines or size, we would be disappointed if these opportunities are not a meaningful contributor to our growth within the next several quarters.

These processes take time, and the one anecdote that I'll share is that of the opportunities we're most excited about, none of them has traded away from us yet. They're a slog from a process and patience standpoint, and we'll stay disciplined.

One last mention from me, and it's likely less relevant after the recent news out of the federal government, and Obie referenced this at the outset, but it's still useful for folks to understand how we evaluate risks and opportunities.

We believe the ambiguity around hemp laws, maybe a little bit less ambiguity now, and particularly for us, the THCA flower world, it compelled us to better understand that emerging market, both as a competitive threat and as a potential opportunity.

We believe our core competency, the low-cost production of craft-quality flower, transcends regulatory regimes, and we want to ensure we are positioned long term to capitalize on our capabilities so we recently started a very deliberate, collaborative exploration to learn more about this market.

Importantly, anything we do in this arena would be very capital-light, with commensurate low expectations on being a material contributor anytime soon, and obviously, with the more recent news, we will pay very close attention.

Before turning it over to Andrew, I simply wanted to remind investors that we remain anchored on very high-return hurdles when it comes to deploying capital. We've articulated this as targeting \$0.75 of sustainable annualized EBITDA for every dollar deployed.

The distressed opportunities we're evaluating very much fit this profile. Based on conversation, we believe we have a supportive investor base that's excited about our focus on distress, and should something on the larger side materialize, I'm confident that the compelling return profile will speak for itself in terms of allowing us to access any needed incremental funds. Hopefully, we can start talking more tangibly about these things shortly.

Now, over to Andrew.

Andrew Marchington — Chief Financial Officer, Grown Rogue International Inc.

Thanks, Josh.

First off, I'd like to remind everybody, as we have before, that our investment in ABCO Garden State is currently accounted for under IFRS as an equity method investment, which is why we report ABCO's revenue and EBITDA in our pro forma metrics as though it were consolidated.

Under IFRS, the majority of cash flows from ABCO are reported in investing activities on the cash flow statement as the investments sit on notes receivable on the Grown Rogue balance sheet.

While we don't report a pro forma cash flow, we are pleased to report that ABCO generated \$1.2 million in cash flow from operations for the third quarter of 2025.

Moving to year-end 2025, we are in the midst of converting from IFRS to US GAAP. And this will result in consolidation of ABCO Garden State, which we believe results in a simpler and easier-to-understand barometer of the economic benefits ABCO provides to Grown Rogue, as its full revenue, EBITDA, and cash flow will be consolidated into our results.

To be clear, this means that when we report our fourth quarter and full year 2025 results, ABCO's results will be consolidated in those results for the full fourth quarter and full year of 2025.

With that, I'll send it back over to Obie to conclude.

Obie Strickler

Yeah. Thanks, guys. I can't think of anything else. Maybe some closing remarks after questions, but I think we're ready to open it up to questions. So, again, thanks for listening, and, yeah, any questions?

Q&A

Operator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Should you have a question, please press *, followed by the 1 on your telephone keypad. You will hear a prompt that your hand has been raised. And should you wish to cancel your request, please press *, followed by the 2. If you're using a speakerphone, please lift the handset before pressing any keys.

One moment, please, for your first question.

Thank you, and your first question comes from the line of Aaron Edelheit from Mindset Capital. Please go ahead.

Aaron Edelheit — Mindset Capital

Hey, guys. I have a couple of questions. The first was, do you plan to consolidate your results? Will it be for Q4? Or sometime in 2026? In other words, you won't see this funky kind of reporting tables. Can you tell us when we might be able to see just one reporting table in the press release?

Andrew Marchington

Yes, Aaron, technically, the consolidation is going to be effective back in 2024 when we first acquired the equity. So we'll actually be consolidating approximately seven months of 2024 and then the full year of 2025. But there will be no need for pro forma reporting.

Aaron Edelheit

Gotcha. So, when you report in March, it'll just be one. There won't be two different. Is that accurate?

Andrew Marchington

Well, there will just be—yeah, we won't need pro forma results. Everything will be consolidated under Grown Rogue's filing at that point in time.

Aaron Edelheit

Got it. Okay. Great.

Andrew Marchington

Yeah.

Aaron Edelheit

Great. And, Obie, I wanted to ask you about the \$348 cost number. It's a pretty remarkable figure and I'm just curious. Do you think that this is the kind of—are you scraping the bottom of where you can get costs to be? Or do you think there's more room for improvement? And how would you do that exactly?

Obie Strickler

What do you want, buddy? Like, 350 is pretty good for indoor.

Aaron Edelheit

Sub-300. Give me a target of what you're looking for.

Obie Strickler

Yeah, I mean, here's where the focus is. A, we're always going to drive for just better metrics.

I think where we're really seeing the opportunity is the efficiencies we're bringing forward with some of the new lighting technologies that are helping yield but also are a little bit less costly in terms of electrical and power.

The scale of our footprint is allowing us to maximize kind of consumable economies of scale. So we're driving down, like, fertilizer costs and things like that.

Our team is super dialled. Right? I mean, these costs even include, like, a bonus that we put in place for our team that's based upon yield that gives them a little bit of participation in hitting some of these numbers and targets.

So I think there's still room. I think sub-300 would be a great goal, probably something we should put up on the board as a target. A lot of it's going to come in to continue to drive yield.

Our costs are changing a little bit to go down. You have some inflationary pressure, things like that. But really, I think yield's the big driver. And some of the stuff we've been doing with genetic selection, again, referencing some of the technology that we've been deploying, we're seeing a pretty compelling increase in yield which is going to have a direct impact because it's fixed costs against bigger denominator that's just going to lower that cost.

And so challenge accepted; trying to go below 300, I think, is a really reasonable goal because we know. Cost control and those efficiencies you put in place, you keep forever. Pricing comes and goes

in terms of ups and downs, but it's these learnings that we get that we're so excited about as we continue to navigate some of the other pain that comes from these competitive markets. But things like that transfer to our new states as well, just those learnings and that efficiency.

And so, yeah, pretty excited. Really happy with the number this quarter. And as always, you're pushing us to be better, and I agree with that. So let's make 300—

Aaron Edelheit

No. Well—no. What—

Obie Strickler

—600, so.

Aaron Edelheit

When I first invested, you were at 600, and now it's 348. So kudos to your team.

I wanted to ask, when I think about New Jersey, Minnesota, Illinois, any distressed opportunities, and I look at that four-wall cost of 348 for Oregon, now I know New Jersey has some extra costs in there. But is there any reason, let's just take Minnesota, for example, that you couldn't get Minnesota to where Oregon and Michigan are now at?

Obie Strickler

I think there's going to be some site-specific kind of contributors to that. I think the impact of packaging is—like Oregon's a bulk market. Putting a pound into one bag is infinitely—not infinitely, it's less expensive than putting it into 8s where you have 128 bags or something like that. So I don't—Oregon's probably always going to be on the leading edge of cost control, any kind of cost efficiency, but so much of it's fixed. Right? It's really about, do we get the team trained up.

And New Jersey right now will have a lot more noise. Costs were up this quarter, mostly because it's just not harvest yield. We harvested one less room, and there's only four rooms, and so that has like a 15 percent, 16 percent kind of impact to what our cost structure would be because the costs are kind of fixed in how we calculate it.

But I don't know if we'll get to 350, but I don't think it's unreasonable to be looking at sub-600 pounds in these markets, sub-500 pounds. And so we'll be pushing every lever we can to get there.

I can tell you, and this is probably something for me to talk to the team about, I don't think there's anything in Jersey outside of packaging that is really like, oh, my gosh, this is just so much more expensive in that market. Lease is a little bit more expensive. We have great lease rates in Oregon. That helps with it. We have a great lease rate in Michigan.

And so probably never reaching kind of those numbers, but pushing towards them and still being, on a normal basis, a really, really efficient indoor producer in every market that we go into, obviously is the goal.

Aaron Edelheit

Gotcha. And a question about Minnesota, just so I understand correctly. When you say you have the potential for double the capacity, does that mean when I look at your current markets, you can produce between 1,000, 1,200 pounds a month, does that basically mean that you could do like 25,000? If you decided to build out all of Minnesota, that you could produce 25,000 pounds of flower, basically double what you do in your other states? Is that correct?

Obie Strickler

Yeah. I mean, it's double the potential canopy. We kind of set our core markets at around 15,000. Oregon's like 14,900. Michigan's like 14,800. Jersey, I think at full production, will be 16,000. That's kind

of been our sweet spot. And the licence in Jersey allows for 30,000 square feet. So if you do the math on the same yield ratios, that would double the production amount.

We've thought about this, do we want to get outside of the core kind of knitting of what Grown Rogue is. And luckily enough, we're able to find a building that was priced really well, and so we have that flexibility based upon the markets, based upon how we're seeing pricing, based upon balance sheet, all these things to give us that flexibility without being stuck in a crazy expensive building that you're not using half of it and it becomes a drag. The overall cost of that building is going to be really good for us. We're very happy with that. It's got a ton of power.

But, yeah, in a perfect world, based on the licence type and the size of our building, we could double production capacity in Minnesota versus other states.

Aaron Edelheit

Gotcha. Thank you. Last question, and then I'll let someone else ask a question. But I think I'm starting to understand exactly how to look at the KPIs. And I just want to ask if this is the right way, is that when I look at your yield, let's say in, like, an Oregon or a Michigan, I'm seeing in Q2, you had a yield of 63 grams a square foot, but in Q3, 76. Now, that didn't necessarily flow all the way through in Q3. You harvested, but there's a delay between the amount of flower you're harvesting versus actually selling.

So, is the right way to think about it that there might be a quarter or so delay when you see—because there was quite an improvement in yield, both in the A and B and the As, and it feels like—because last quarter, you had this issue where Michigan looked really rough, but it's because of a production issue from Q1. Is that the right way to look at this?

Obie Strickler

Yeah. So, let me just explain a little bit because it's a good question around how—and there's 1,000 KPIs, and every single one creates—you've got to have a view on all of them.

And so we measure our harvested flower pounds quarter to quarter, which is just raw A- and B-flower. That number can fluctuate a little bit based upon which rooms you harvested during that quarter. Michigan's a prime example. Every room's a little bit different. A lot of people, and we're trying to do this now, you build the grow rooms exactly the same. That way, every single room's got, say, 2,000 square feet. But Michigan's kind of a Frankenstein. We built it. We were very scrappy. We built it very cheap. Some rooms have 800 square feet. Some have 1,600 square feet.

And so total pounds per deuce could fluctuate, even though your get-to-grams per square foot is fantastic just because you harvested a bigger room in the quarter twice, and you harvested a smaller one once or vice versa. So total pounds is a good kind of just production, but it's not necessarily representative of the quality of our grow, which is why we use grams per square foot.

So grams per square foot eliminates the noise between which rooms got harvested or how many got harvested in the quarter and really looks at, for the area you were able to produce in, what was your efficiency. And so we look at grams per square foot as kind of a North Star for how we're evaluating our production business on a yield standpoint, which is why we report both of those.

And then, obviously, A-flower production is super critical. That's the best value. That's really what we're growing for. And so watching that improve is really important as well.

So that's kind of the way the metrics work. And so, you could see a great—my point being is, as people learn how these KPIs work, you could see a great grams per square foot. Like, even next quarter, you could see grams per square foot's up a little bit, but total yield's down. And that's just a factor of the

rooms that were harvested. But you could still see the efficiency of what we're able to do inside kind of the portion of the plant that we were able to harvest and operate in.

As it relates to timing, there's definitely overlap, and it happens in a number of ways. It takes us about 30 to 45 days from harvest to get product ready for sale. Jersey might even be a little bit longer. Maybe Oregon's a little bit shorter. But you harvest, you've got to dry it for 10 days. Sometimes you go a little bit more. You've then got to bucket, trim it, test it, package it, get it into inventory. There's kind of this lag.

And so it's not, like, perfect science. Sometimes, like, in Michigan, we'll harvest two rooms in a week sometimes because we have 14 rooms there. Sometimes based on demand, we're like, hey, we're not going to process this strain from this room. Right? Let's prioritize this one. So sometimes maybe a strain might take a little bit longer. Something you harvest might take two months before it gets to the market.

And so there's always going to be a little bit of that timing lag. But effectively, I think you could argue that let's call it 45 to 60 days. So while not quite what you harvest in Q2 is sold in Q3, a bunch of what you're harvesting in Q2 is sold in Q3 because there's about a 45- to 60-day lag there.

And so, I think in Q2, we had kind of a down quarter, but we had a big harvest. And we said, okay, great, we're going to be selling that into Q3, which manifested itself out. Sales in Q3 were better. We're working through a little kind of production inventory thing in Michigan around how product is moving through the systems and some of these KPIs identify things for us to kind of really evaluate, which is good.

But there's definitely a timing gap there. You don't harvest a room on September 30th and sell it all that month. Right? You're going to sell most of that in, like, October or November, end of October, middle of November, that kind of time frame.

Does that help?

Aaron Edelheit

Gotcha. Thank you so much. Yeah, very helpful. Thank you.

Obie Strickler

Yep. All right. Thanks, Aaron.

Operator

Thank you. Once again, should you have a question, please press *, then the number 1 on your telephone keypad.

And your next question comes from the line of Jerry Derevyanny from Bengal Capital. Please go ahead.

Jerry Derevyanny — Bengal Capital

Hey, guys.

Obie Strickler

Hi, Jerry.

Jerry Derevyanny

Hello. Hey, can you hear me?

Obie Strickler

Yes, gotcha. Loud and clear.

Jerry Derevyanny

Hey, sorry about that. I think you covered it, but just what is kind of the—if you balance out the production kind of timing stuff, what is the run rate production out of Phase 1 in New Jersey kind of averaged out for in terms of flower and A-flower going forward? Because I know there was a little bit of a timing bump. So you had, like, 1,450 pounds last quarter or 1,300 pounds this quarter. What should we expect going forward?

Obie Strickler

Yeah, I mean, right now yields are in the 60-gram-a-foot, call it. They should be in the 70, so we're going to see some bump there. But it should be a 500- to 600-pound-a-month Phase 1 production in terms of total harvested pounds.

So we harvested 1,300 pounds this quarter, which was one less room than last quarter. Yields were up just a tad, but we're getting about 250, 300 pounds of harvest is where we should be at. We've got four rooms. So 600 at the peak of kind of production efficiency; 500 is I think the bottom of that.

And my expectation is by early '26, we'll be a kind of the 600-pound, 65-gram-a-square-foot kind of category.

Jerry Derevyanny

And when you get there, are the costs going to be closer to—like, roughly, if you assume just flat costs, where does that get you at roughly per pound?

Obie Strickler

I probably want to come back to you on that and think about it. My suspicion is we should be in the \$700 range. I mean, that's where we were in Q2, I think. It jumped up a little bit because less pounds harvested this, more towards up to the upper 8s. But probably in the 7s, maybe pushing down into the 6s.

We've got a couple things working against us in terms of optimizing costs in Jersey right now. Number one is we have fully loaded personnel costs against half the production. We have a director of cultivation, full salary, half the production. When we turn on the rest of it, we're hiring a second director of cultivation. We have fertigation managers, ADOCs. We have a GM. We have a sales director being loaded against it.

So we're kind of fully loaded for the organizational structure. And then we'll allocate that labour against our management ledger (phon) against just more production.

We're also still—we've realized this. I mentioned this in my notes, was getting the team up to the speed we have established in Oregon and Michigan has proven it's not a trivial exercise. And so we're still getting the team to the speed, pushing on them. We've seen demonstrable improvements over the last six months, but there's still room for improvement there.

So we expect labour costs to be allocated against a broader footprint, lease costs, things like that. Consumables kind of scale with production. Right? We turn on another room. We've got to buy more pots. We've got to put more fertilizer in. We've got to have more dirt, that kind of thing.

But I think pushing into the 6, 7, kind of in Phase 1, I think is reasonable. And then as Phase 2 comes on, I think that's where we start getting sub-6, hopefully, down into the 5s. That's kind of like a steady state in Jersey.

Jerry Derevyanny

What's the timeline for Phase 2?

Obie Strickler

So we're going to do Phase 2 in room by room. Right? We think that's really important. Like we built Phase 1 with four rooms, turned on overnight. We've said this publicly, and it's continued to be the strategy, is to turn them on one room at a time.

Our next room should turn on in kind of early-ish '26, where we'll convert the flower room that we're currently using as a veg room. We originally planned to turn it on more towards the end of this year and then realized wholesale sales typically slow down during the winter months. I mean, we're pretty confident we'll maintain it, but we didn't necessarily want to bring a bunch more supply into the market; it's not a bunch more, but another 20 percent of our own supply into the market during the slower months.

So right now, targeting February, March to have that next room turned on. And then based on demand and how the sales process is going, we'll continue to turn on the next room and the room after that with anticipation middle of '26 hopefully having the full facility up and operational.

Jerry Derevyanny

Understood. Thanks. In terms of corporate costs, is it right to kind of look at it and go, it was about \$1.2 million, I think, this quarter, roughly, and do you have any, not to say guidance, but do you have any input on how we should think about those costs? Are you guys kind of ready? Are those costs going to stay more or less fixed as they have reasonably for a while? Should we anticipate some more costs there? How should we think about that?

Josh Rosen

I think, Obie, I'll jump in.

Obie Strickler

Yeah, go ahead, Josh. Yeah, that'd be good.

Josh Rosen

If I could, and then you can offer more colour.

But, I mean, I think the core on this, it somewhat will be dictated by call it the timing and pace and success of what we're looking at on the distress side.

I think if you look at the core business and the New Jersey side of the equation going a room at a time mixed with Minnesota, which it's heavy engagement but heavy on the construction side right now, we're in very good shape. So maybe a little bit of inflationary creep, but we're in a pretty good place from a corporate standpoint.

If we do some things that ramp our market presence up and bring just a healthy amount of near back-office work into the fold quickly, then you'll probably see a commensurate increase in corporate costs. But it will be with a catalyst attached to it or with something very tangible attached that we're not talking about tangibly today.

Obie Strickler

I agree with that. I don't have any other additions. It's feels good right now—

Josh Rosen

Without distress.

Obie Strickler

—for our playing field, yeah.

Josh Rosen

Without distress, even, I mean, going into Illinois is the next one. We're really well staffed right now.

Jerry Derevyanny

Okay. Understood. I think last question. Can you give some idea of what B pricing is versus A pricing and what trim pricing is? Because A pricing, I know, drives a lot of the business, but I've always kind of mentally thought that there's about a 20 percent discount for B pricing. But if that's changed, that kind of changes some of the math material. So any input on how we should think about that?

Obie Strickler

I don't have the exact numbers; 20 percent sounds right in Jersey and Michigan. In Oregon, it is a bigger delta. We've seen it creep up to the 20 percent-to-30 percent range, but in periods of distress, usually, it's 30 percent to 40 percent, sometimes 50 percent difference, which is unique to Oregon. It's the only market like that.

I think A pricing in Michigan was 850. B pricing was 675, in that range. Oregon, call it, \$600 A pricing; B pricing was in the high 200s, \$300 range, so more like that 50 percent.

And then Jersey, 20 percent sounds about right. Most of our quarters are in, with B-buds, are 8s. Our A-flower's in the 8s. B-flower (unintelligible) in the quarter, and there's about a 20 percent gap there.

So Oregon's kind of an outlier in that regard, but I think your math is pretty accurate in the other states that we operate in.

Jerry Derevyanny

And, Obie, for trim, Oregon's also probably an outlier in terms of what trim's worth.

Obie Strickler

Oh, trim, I mean, crap, like, I mean, I don't even—like, trim's all over the board. I mean, it's actually one of the things we're really focused on in Oregon is—and we've done this in several states.

So the Yeti brand is an indoor product that actually incorporates some trim. And so we've been putting trim into this pre-roll with a little bit of flower. It actually smokes really, really good. Originally, we

built Yeti because we were worried that it would degrade the reputation of Grown Rogue. We're more of a high-quality product. The reality is that Yeti's a fantastic product, but we're using really low-input trim costs that like a typical, call it, indoor trim pound, might be \$50. We can put it into Yeti, and all of a sudden, that same product's worth \$200. So it's just margin improvement.

In Michigan, same thing with Yeti. It's kind of all over the board for indoor.

And indoor in Jersey, we actually take a fair amount of our trim, and we turn it into a product called ready-to-roll, which it's a Yeti product, it's, like, ground up. We grind it again. But it's effectively trim with maybe a tiny bit of flower in there that's ground up that we actually sell for a pretty good price point. Like, tested trim in jersey might be \$300 a pound. And we sell the ready-to-roll in ounce form for, I think \$1,000 a pound. So, again, trying to utilize these products in the best way we can.

And then I talked about some of the other products in our outdoor category with the infused pre-roll, as well as our vape cart. We're starting to use all of our outdoor trim, which is really inexpensive, like \$10 or \$15 a pound, to turn into higher-value kind of retail-ready products. So the infused pre-roll, we use feeds (phon) for the flower material in the pre-roll. But we extract our own ice hash from the trim, thereby increasing the value of that.

And then with the vape cart, we're doing the same thing. We're sending our outdoor trim. It's being extracted into a cured resin vape which will come back to us. Again, taking a \$15 product that people are buying and doing the same thing with, paying for it ourselves, put it into own brand, and selling it into the marketplace.

But I hope that answered the question on trim, but we don't spend a lot of time thinking about trim as a contributor. Mostly it's, is there any additional value we can squeeze out of that? Because it

varies, man. The price is all over the place. In key markets, it might be over \$100. We've seen it over \$100 in Oregon. When things get tight, \$30, \$40, \$50. It varies quite a bit.

Jerry Derevyanny

Okay. How is AI changing your business? I'm just kidding. That's not a real question. I'm just kidding.

Obie Strickler

I was going to give you a real answer, too. We haven't even talked about—I mean, we've got a big AI play for you. We just, we can't talk about it quite yet. It's too secretive. I've got a whole server farm going.

Josh Rosen

I was going to say, this Minnesota property does have a lot of power.

Jerry Derevyanny

I'll jump back in the queue. I don't know if there's anybody else, but thank you, guys.

Obie Strickler

Thanks, Jerry.

Operator

Thank you. There are no further questions at this time. I will now hand the call back to Obie Strickler for any closing remarks.

Obie Strickler

Yeah. Again, thanks, everyone, for joining. For those that couldn't, hopefully, you get a chance to listen to or read the transcript.

Excited about the future, excited about how we're going to win. Things are choppy. Growth and success does not come in nice straight lines. We understand that. Focus on what we control: costs, yields, team, culture.

Super excited about what the growth sits in front of us. I mean, Minnesota, I think is going to be a monster, especially being early. And then waiting for one of these distressed things to kind of pop.

So, liking where we're heading coming out of '25, moving into '26. And, yeah, very excited about the future. And hope you guys continue to be a part of that going forward. It's going to be a fun ride.

So, thanks, everyone, for joining. And if you've got any questions, feel free to reach out. We're happy to have calls with investors, shareholders, or people just more interested in learning about our business.

Thank you.

Operator

And this concludes today's call. Thank you for participating. You may all disconnect.