

**Verano Holdings Corp. (Q2 2025 Earnings)**  
**August 7, 2025**

**Corporate Speakers:**

- Unidentified Speaker; Unknown; Unknown
- George Archos; Verano Holdings Corp.; Founder, Chairman and Chief Executive Officer
- Rich Tarapchak; Verano Holdings Corp.; Chief Financial Officer

**Participants:**

- John Chapman; Alliance Global Partners; Analyst
- Nicholas Anderson; ROTH Capital Partners; Analyst
- Frederico Yokota Gomes; ATB Capital Markets; Analyst
- Russell Stanley; Beacon Securities; Analyst
- Andrew Semple; Ventum Financial; Analyst
- Mohammed Hossain; Zuanic & Associates; Analyst

**PRESENTATION**

Operator^ Good day. And thank you for standing by. Welcome to the Verano Second Quarter 2025 Earnings Conference Call. (Operator Instructions) Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your first speaker today, George Archos. Please go ahead.

Unidentified Speaker^ Thank you. And good morning, everyone. Welcome to Verano's second quarter 2025 earnings conference call. I am joined today by George Archos, Founder and Chief Executive Officer; Rich Tarapchak, Chief Financial Officer; and Aaron Miles, Chief Investment Officer.

During this call we will discuss our business outlook and make forward-looking statements within the meaning of applicable U.S. and Canadian securities laws, which are based on management's current assumptions and expectations. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance and achievements of the business or developments in the company's industry to differ materially from those implied by such forward-looking statements. Actual events or results could differ considerably due to risks and uncertainties mentioned in our filings on EDGAR and SEDAR including our financial statements for the quarter ended June 30, 2025.

In addition, throughout today's discussion, we'll refer to non-GAAP financial measures that do not have any standardized meaning prescribed by GAAP. Management believes non-GAAP results are useful to enhance the understanding of the company's ongoing

performance, but these are supplemental to and should not be considered in isolation from or as a substitute for GAAP financial measures.

These non-GAAP measures are defined in our earnings press release and available on our website at [investors.verano.com](http://investors.verano.com), which also includes the reconciliation of these measures to their respective most directly comparable GAAP financial measures.

Lastly, all currency is in U.S. dollars, unless otherwise noted.

I'll now pass it over to George.

George Archos^ Thank you. And good morning, everyone. Before we begin this morning, we announced that Darren Weiss has resigned from his position as President of the company to pursue business opportunities outside of North America. We are very grateful for Darren's exceptional service to Verano over the course of his tenure with the company, and his many contributions helped grow our business into the multistate operational footprint we have today. In addition to his new ventures, he will remain engaged with our leadership team in a consulting role, where he will collaborate with Verano on business development and other strategic opportunities outside of the U.S. At this time the President role will remain vacant, and we wish Darren and his family all the best as they embark on their new chapter.

Jumping into the results, I am pleased with the additional progress we made in the second quarter to strengthen the foundation for what we anticipate will be a stronger back half of the year for Verano. We advanced key priorities focused on delivering efficiencies, product innovation, automation and differentiation, which will continue throughout the course of the year. We generated revenue of \$202 million, gross profit of \$113 million and adjusted EBITDA of \$66 million or 33% of revenue. The decline in top line revenue was in part due to the purposeful strategic actions we have made that we anticipate will benefit our business in the long term.

We also made progress during the quarter on our accounts receivable strategy, generating efficiencies and increasing adjusted EBITDA and adjusted EBITDA margin. We drove an increase in gross profit of \$13 million and kept SG&A relatively flat versus the prior quarter. The overall decrease in spending across the business demonstrates the success of our ongoing efforts to streamline operations. We will continue cost management and efficiency measures aimed at strengthening our core business and fortifying our balance sheet, and we expect to maintain our historical 30% adjusted EBITDA margin profile throughout the back half of the year.

On the retail front, we generated revenue of \$169 million in the second quarter, up 3% versus the prior year period and in line with the prior quarter. Positive retail revenue versus the prior year was driven by organic growth in Ohio, contributions from acquired Cannabist assets in Virginia and Arizona and the ongoing strong performance of our Florida business.

In Florida, an increase in available inventory and effective strategy have kept us firmly in the number two market share position in the state. Positive results in Florida, Ohio, Maryland and Virginia were offset by ongoing price compression and increased competition in key markets including Illinois and New Jersey, which have added dozens of new third-party dispensaries in just the last three months and a full quarter without Arkansas retail revenue.

From a wholesale standpoint, we generated \$73 million in the quarter, excluding intersegment eliminations. The decline in wholesale revenue on a sequential and annual basis is primarily attributed to increased competition in our ongoing accounts receivable strategy focused on doing business with creditworthy customers. From an accounts receivable perspective, as we've said previously we expect that our efforts would take time to gain traction, and now we are beginning to see our strategy take root.

As a first mover on this issue, we anticipated our accounts receivable strategy would impact revenue in the short term, but we believe these actions will benefit our wholesale business in the long term. We will continue calling attention to this industry-wide issue while working proactively with partners on payment solutions to responsibly turn additional accounts back on throughout the year.

Based on our ongoing efforts to resolve outstanding balances and our new product pipeline planned for the remainder of 2025, we expect a modest improvement in our wholesale business in the back half of the year. Similar to last quarter, I am proud of our team for executing a number of new product launches and dispensary openings with incredible speed and efficiency. Throughout the quarter, we opened two new Zen Leaf dispensaries in Connecticut and launched curbside pickup at our sixth Ohio Zen Leaf location in Antwerp, while interior construction continues.

We also added one new MUV location in Florida and plan to open additional MUV dispensaries throughout the year. We also rolled out line extensions across our portfolio in high-growth categories including pre-rolls and vapes, driving a 44% increase in vape market share versus the prior year period across our BDSA-tracked markets. Our full product portfolio also ranks in the top five market share position across seven states including number one in Connecticut and West Virginia and number two in Florida and New Jersey, according to BDSA and OMMU data.

Additionally, we inked an exclusive partnership with Grow Sciences to bring their award-winning products to the Illinois market. And after strong initial sales at our Zen Leaf stores, we've seen solid interest for the products from wholesale customers. We look forward to highlighting new products and partnerships throughout the back half of the year.

I'll now pass it over to Rich to go over our financial results in more detail.

Rich Tarapchak^ Thanks, George. And good morning, everyone. Second quarter revenue was \$202 million, a decrease of 4% sequentially and 9% versus the prior year period.

Although top line revenue decreased primarily due to a decline in wholesale revenue, ongoing price compression and increased competition in key markets, we're encouraged by the progress made generating efficiencies and advancing our accounts receivable strategy during the quarter.

As George mentioned, retail revenue was up 3% versus the prior year period and flat sequentially with favorable contributions from the Cannabist assets acquired last year, Ohio adult-use sales and strong Florida sales.

On the wholesale side of the business, we generated \$73 million in the quarter, down 8% sequentially and 21% versus prior year, excluding intersegment eliminations. The decrease in wholesale revenue was primarily driven by increased competition and our ongoing accounts receivable strategy. From an accounts receivable standpoint, we've reduced net outstanding balances by approximately \$9 million year-to-date by working collaboratively with partners on payment solutions. The wholesale results also reflect a focus by larger customers on their own vertical sales and a slower pace of ordering in Illinois following the state's metric conversion.

Additionally, from a footprint optimization standpoint, after pausing wholesale operations in Massachusetts earlier this year, given market conditions, we are exploring strategic alternatives in the market. Vertical mix increased to 53% across all markets, excluding Florida, reflecting our focus on baseline promotions of house brands and new product development. Gross profit for the quarter was \$113 million or 56% of revenue, up 13% sequentially and in line with the prior year. The increase in gross profit dollars was primarily due to cultivation and production efficiencies that drove greater volume and yields.

Demonstrating the success of our efficiency efforts in Florida, we've increased retail transactions per headcount by 49% and grams per headcount by 41% versus the prior year. And in the rest of our markets outside of Florida, we've increased retail transactions per headcount by 13% and grams per headcount by 16% versus the prior year period. SG&A expenses were \$86 million for the quarter versus \$87 million in the prior year period and in line with the first quarter.

The decrease in SG&A expense versus the prior year was largely driven by lower depreciation and amortization and successful cost management across our operations, offsetting increased costs from the Cannabist acquisition and new store openings. We had a net loss of \$19 million in the second quarter compared to a net loss of \$12 million in the first quarter, driven by an increase in income tax provision. Adjusted EBITDA for the second quarter was \$66 million or 33% of revenue, up 7% sequentially and down 6% from the prior year period.

As we discussed last quarter, a few onetime items affected our first quarter margin, but we expect to maintain a more historical 30% adjusted EBITDA margin profile throughout the remainder of 2025. CapEx spending for the second quarter was \$10 million, down from \$14 million sequentially. We continue to expect full year 2025 CapEx to range

between \$30 million and \$45 million, focused on driving efficiencies across our operations and the strategic expansion of our retail footprint.

Lastly, turning to the balance sheet and cash flows. We ended the second quarter with \$69 million in cash and cash equivalents, and we expect to build our cash balances throughout the remainder of the year. Cash flows from operations was \$11 million, and we paid \$26 million in income taxes during the quarter. We also made \$16 million in debt payments in the second quarter including a prepayment on a loan associated with our acquisition of the Cannabist assets last year at 75% of face value, saving the company approximately \$4 million.

We are also in proactive debt refinancing discussions in advance of the October 2026 due date for our current term loan. We continue to explore optimal uses of cash, along with opportunities to reduce our debt, cut costs and strengthen the balance sheet on an ongoing basis.

George, back to you.

George Archos^ Thank you, Rich. Before I provide further business updates, I'd like to address the active litigation we have pending against Vireo, formerly known as Goodness Growth. We're approaching three years since the litigation commenced in British Columbia, Canada, and we felt it was prudent to provide an update given new information and facts that have come to light throughout that time period. In October 2022, after several months of unsuccessfully asking Vireo to address the numerous concerns we had about their not abiding by the terms of our agreement, we rightfully terminated the acquisition agreement.

We then sued Vireo for a termination fee of approximately \$15 million and an additional \$3 million for deal costs and expenses. At the time Vireo accepted the termination but claimed monetary damages, alleging we've wrongfully terminated the agreement. During the litigation discovery process, documents and communications in Vireo's possession came to light, which not only bolstered and validated our right to terminate the agreement, but also supported our intent to bring additional claims against Vireo for willful breach of the agreement.

We amended our initial claims of \$18 million to add additional damages to claims against Vireo, which we will quantify after the discovery process concludes. Vireo filed an application seeking a summary trial on an expedited basis, citing urgency due to its distressed financial condition, which is still pending with the court. We believe there is no credible argument that this complex matter can be determined by a short-form summary trial.

Verano is entitled to do process with a full trial to present the witnesses and robust evidence we have obtained that validate our claims. Although we believe we have no liability to Vireo, we still must address the excessive claim for damages Vireo has touted in the media. Vireo's claim is based solely on the inept analysis they filed with the court

that has substantial and fundamental flaws and was prepared by an unchartered, unqualified individual, which our renowned valuation expert has explained and refuted in detail in our court filings.

We encourage everyone to review all our court filings, which outline our specific arguments and detail how Vireo's management team at that time violated the arrangement agreement on multiple levels. Our next steps are to secure a hearing date on Vireo's application for a summary trial and compel Vireo to complete our discovery request. We intend to see this matter through to its logical conclusion, securing a favorable judgment requiring Vireo to pay Verano the nearly \$15 million original amount plus additional damages we are rightly owed following their multiple intentional breaches of the arrangement agreement.

Shifting back to our business. Our strategic priorities centered on innovation, automation and differentiation will continue to be a core focus for Verano throughout the year. We aim to build on market share gains we've made in fast-growing categories with a robust pipeline of new products planned for the back half of the year in key markets.

For example, in Florida, we're scaling our award-winning line of Avexia topicals and wellness items and Savvy and On The Rocks large-format vapes and plan to launch new products throughout the year to offer greater variety for Florida patients. Conversations surrounding cannabis rescheduling also continue to build in D.C. supported by a growing diverse coalition of pro-cannabis voices.

We hope to see the administration take decisive action to recognize the overwhelming majority of constituents who support rescheduling cannabis from Schedule I to Schedule III. Rescheduling would finally allow America's next great homegrown industry to reach its full potential by serving patients, creating jobs, unlocking economic growth and reversing decades of harmful prohibitionist policies.

Additionally, we remain optimistic about adult-use prospects in Virginia, Pennsylvania and Florida, key vertical markets for Verano, where we currently operate a combined 105 active dispensaries. We are monitoring the governor's race in Virginia this November, along with ongoing legislative debate in Pennsylvania surrounding adult use. And in Florida, the ballot initiative process is gaining further momentum with more than 660,000 signatures collected, well exceeding the threshold needed for judicial and financial review. We look forward to seeing additional progress when updates are shared later this year.

In closing, we will continue to execute against our 2025 key priorities, focused on strengthening our foundation for an improved second half of the year. I am proud of our Verano team for their ongoing efforts and resilience in the face of any obstacle, and we look forward to making additional progress this year in positioning Verano for a bright future.

Operator, you may now open up the line for questions.

## QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) Your first question comes from the line of Aaron Grey of Alliance Global Partners.

John Chapman^ This is John on for Aaron. So in terms of wholesale pressure, I know you guys have the ongoing AR strategy, but more broadly, could you provide some data points on what gives you confidence in reaching a floor? And do you feel it will take some time for that to build back up? Or could we see a faster return to the levels seen last year? Any color on inventory management and the impact given the lower sell-through would be helpful.

George Archos^ John, I appreciate the question. So for wholesale, obviously it's been a very -- it's been a strategic move by us to reduce wholesale sales starting Q3 of last year to rationalize our business, collect payments and put customers in a position where we can turn them back on, but in a more safe approach for Verano, right? Our approach here has been a sale is not a sale until we actually collect the dollars. So you won't see a drastic ramp-up in wholesale. What we're doing is turning these accounts back on slowly, making sure that we're giving them enough product to sustain their business, but to make sure they can also pay their bills.

So for us, it's -- I think you'll see a nice slow ramp-up starting right about now. We're slowly turning back on accounts. It's been -- and to be honest, it's been appreciated by the customers. We're trying to make sure that everyone is successful here, both Verano and the people that we sell to. So we'll see a slow ramp up here in the back half of the year and continue into 2026.

As far as inventory, we obviously have gauged our inventory based on what we've been doing in wholesale, so bringing it down and slowly ramping it back up again in key markets where we turned the majority of the wholesale up. So we're -- we've anticipated what's happened here, and we look forward to the future.

John Chapman^ Great. And then on gross margin, it came in the highest we've seen in a few years, which coincided with the lower third-party wholesale mix. So curious in terms of how we should think about the long-term gross margin as the wholesale begins to slowly ramp generally tends to have a lower margin versus selling your own products.

Rich Tarapchak^ John, this is Rich. I would think from a wholesale -- excuse me, from a margin perspective, what we talked about is historical margins in the back half of the year. So we do expect back half of the year to be in that 30% range, which is really our historical margin profile. Again we had some onetime items in the first quarter that negatively affected us, and we did have some positives this quarter related to the buildup of inventory. But again historically, think about it from a perspective of in the future, we're in that 30% profile.

Operator^ The next question comes from the line of Bill Kirk of ROTH Capital Partners.

Nicholas Anderson^ This is Nick on for Bill. I wanted to build off that gross margin question. It's obviously impressive to see during a quarter where there's typically heavier promotional activity. Outside of the wholesale reductions, can you just kind of dimensionalize how much of this bump came from maybe product mix or COGS improvements? And were there any states that contributed more than you guys expected?

Rich Tarapchak^ So I think from a perspective of, again we do have favorable margins coming from our efficiencies in our operations. So we've talked about in the past in Florida and actually in Illinois, we've made a number of changes in those operations and the efficiency and volume that's coming out or yield, if you want to call it, is significantly better than it's been in the past. So those are really impacting kind of our margin profile at this point. And again we're working to continue to become more and more efficient, and we're starting to see some of the results of that.

Nicholas Anderson^ Great. I appreciate that. Second for me, just on Pennsylvania. We're hearing some positive commentary around the prospect for PA adult use. Just wondering if you're hearing kind of that same dialogue and what makes these discussions different than the ones we've had in the past?

George Archos^ I mean we're hearing what you're hearing.

Obviously, our team is actively working with the legislative body there. So we feel pretty confident that something happens, but we'll stay close to it. And hopefully, we have something here in the fall. We'll see.

Operator^ The next question comes from the line of Frederico Gomes of ATB Capital Markets.

Frederico Yokota Gomes^ Congrats on the great margins this quarter. First question, just regarding dimension, I guess to opportunities outside of North America with, I guess the resignation of Darren. So I'm just curious, how do you view international markets at this point? I know that's something that you actively -- you're looking at or you might consider investing anytime soon?

George Archos^ Good question. I mean I think you can put the pieces together by -- with Darren's press release. Darren has been here for a long time very valued employee, highly trusted individual that's done a tremendous amount of work here. And although we're looking outside of North America, it doesn't mean that Verano is necessarily ready to make inroads there. So Darren is going to go out as our emissary and take a look at the market and see what makes sense for us. So it's something that we're looking at and it's a great possibility for the future.

Frederico Yokota Gomes^ Great. And just a second question. I think you mentioned some ongoing pressures in New Jersey and Illinois, dozens of new stores being opened

there. Can you just talk about those two markets, your expectations for the remainder of the year? Are we close to see here some stabilization? Or do you think the market is going to continue to be very challenging?

George Archos^ I think we're getting really close to the markets rationalizing. Obviously with our wholesale strategy, we've cut back, and those have been two of the biggest markets where we have cut back. So I think there's some potential upside from the wholesale side of our business. In retail, obviously as the new stores that have opened there continue to ramp, we could see some additional pricing pressure and some retail pressure. But overall, I think as we get into 2026, it will start rationalizing. The store growth has started to slow down in both markets, and we're starting to feel better about them.

Operator^ The next question comes from the line of Russell Stanley of Beacon Securities.

Russell Stanley^ Congrats on the margins. Maybe if I could around Virginia. Just wondering how the medical market is performing for you. And what your growth plans are there given your optimism for adult use given the upcoming election odds?

George Archos^ Russ, thanks for the question. Virginia has passed adult use twice. We feel very confident in whichever governor is going to come in, knowing that the state wants adult use, we feel pretty confident in what's going to happen there. As far as our plans for that state, it's been performing very well for us. It's one of the best acquisitions we've done as a company. And we have plenty of room to grow within the current facility, which gives us ample opportunity for future organic growth. And we also have some space there to add some additional canopy if needed. We'll stay close to what happens from a legislative perspective. But right now we feel very confident without spending -- we're spending minimal CapEx, we have major upside in VA.

Russell Stanley^ And just for my follow-up around the debt refinancing efforts, can you talk about the appetite you're seeing and the kind of potential lenders you're talking to?

George Archos^ Thanks. Another good question. Yes, refinancing is coming up. We feel very confident in our refinancing efforts. Remember, Verano does own a large majority of its real estate. So that's something that we can also use for our refinancing. So we're proactively looking at different options, and we'll give updates as they come along.

Operator^ The next question comes from the line of Andrew Semple of Ventum Financial.

Andrew Semple^ Congrats on the margin performance. I'm going to ask another question on the margins here. Just wondering how you're thinking about balancing kind of driving higher margins and the strength in your margins that we saw this quarter versus the opportunity to grab market share with more compelling prices. How are you balancing that trade-off there?

Rich Tarapchak^ Yes. This is Rich. Thanks for the question, Andrew. I think as you kind of pointed out, it's kind of a balance. We want to certainly make sure our margin profile is strong. But at the same time in markets where we need to be a little bit more price conscious, we are taking that opportunity. But at the same time, and George kind of talked about it on the call, there's a lot of product innovation that we're trying to launch here. And we think actually that's going to drive higher sales and then actually those products from a margin perspective are certainly ones that are going to benefit us. So that's how we're kind of looking at it at this point.

Andrew Semple^ That's great. And then maybe because we don't have the full financial statements out yet, could you maybe help us with the cash balance this quarter? It looks like it was down a bit Q-on-Q. What were some of the major uses of cash in this quarter? That would be helpful.

Rich Tarapchak^ Sorry, we had some noise. Andrew, were you asking the difference in the cash balance quarter-over-quarter?

Andrew Semple^ Yes. Yes.

Rich Tarapchak^ Okay. So during the quarter, we did pay about \$29 million of income taxes in the quarter. And then there was also -- we talked about earlier, we paid down the Cannabist note that we had. We did an early payment to get a significant reduction in the balance. So that was approximately \$12 million. So those are the two bigger pieces that we had in the quarter. I think we had about \$10 million of CapEx. And so as we said on the call we do expect our cash balance to improve, so this will be the low point for the year. Our cash balances will be higher in Q3 and Q4.

Operator^ The last question comes from the line of Mohammed Hossain of Zuanic & Associates.

Mohammed Hossain^ This is Mohammed on for Pablo. Can you talk about any changes you have made in Virginia since you acquired the assets in terms of cultivation capacity, product assortment expansion and store relocations and refurbishments?

George Archos^ Sure. For the most part in Virginia, what we've been doing is introducing the Verano brand of products. We increased our vertical mix significantly there as we launched our lines of flower, vapes, edibles, et cetera. So that's really what we focused on. No store relocations. The facility, we've been prepping it for adult use, solely making changes in the cultivation department, production department, adding efficiencies, automation and things that we do at our other facilities. And as you see in our margins, it's one of the facilities that continues to help improve our margins, and that's where we're at, at the moment.

Mohammed Hossain^ And my second question is of all the states where you sell wholesale, which are the two states where you had to cut back on wholesaling due to worsening credit quality among third-party retailers?

George Archos^ I mean it's really been in the majority of our markets. So I don't want to single out any. It's an industry-wide issue. You can see the markets that were big wholesalers. They affect us more there, but it's everywhere.

Operator^ This concludes the question-and-answer session. I would now like to turn it back to George Archos for closing remarks.

George Archos^ Thank you, everyone, for your time today. Have a wonderful rest of your summer.