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# Verano Holdings Corp. (VRNO.CA)

Q3 2024 Earnings Call

## CORPORATE PARTICIPANTS

**Julianna Florence Paterra**

*Vice President-Investor Relations, Verano Holdings Corp.*

**George Archos**

*Co-Founder, Chairman & Chief Executive Officer, Verano Holdings Corp.*

**Brett Summerer**

*Chief Financial Officer, Verano Holdings Corp.*

**Darren H. Weiss**

*President, Verano Holdings Corp.*

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## OTHER PARTICIPANTS

**Aaron Grey**

*Analyst, A.G.P. / Alliance Global Partners*

**Russell Stanley**

*Analyst, Beacon Securities Ltd.*

**Nick Anderson**

*Analyst, ROTH Capital Partners LLC*

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*Analyst, ATB Capital Markets, Inc.*

**Matt Bottomley**

*Analyst, Canaccord Genuity Corp.*

**Andrew Semple**

*Analyst, Ventum Financial*

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Hello everyone and welcome to Verano Holdings for Third Quarter 2024 Earnings Conference Call. Please note that this call is being recorded. After the speakers' prepared remarks, we will have a question-and-answer session. [Operator Instructions] Thank you.

I'd now like to hand over to our first speaker for today, Julianna Paterra, Vice President of Investor Relations. You may now begin.

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**Julianna Florence Paterra**

*Vice President-Investor Relations, Verano Holdings Corp.*

Thank you and good morning, everyone. Welcome to Verano's Third Quarter 2024 Earnings Conference Call. I am joined today by George Archos, Founder and Chief Executive Officer; Brett Summerer, Chief Financial Officer; Darren Weiss, President; 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 US 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 September 30, 2024.

In addition, throughout today's discussion, we will 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 be not 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](https://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 US dollars unless otherwise noted. I'll now pass it to George.

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## George Archos

*Co-Founder, Chairman & Chief Executive Officer, Verano Holdings Corp.*

Welcome and thank you all for joining this morning. It's been an exciting week for the cannabis industry and our nation. And although we'll talk about third quarter performance for some of our key markets, we will begin this morning by diving into the impacts of Tuesday's historic election. As you all know, a majority of Floridians came out to the polls on Tuesday and voted in favor of safe legal access to cannabis.

Almost 56% of voters said yes to adult use, a higher percentage of voters than approved adult use sales in California when they legalized and almost as many Floridians expressed their support for adult use cannabis as voted for President-elect Donald Trump. Unfortunately, the 60% approval threshold was just too high to overcome. We are, however, deeply encouraged that a strong majority still said yes and believe we will still see an adult use program for Florida sometime in the future as its residents come to fully understand the negative impacts of an unregulated and untaxed illicit market.

We remain committed to the Florida medical market and as we've discussed on previous calls this year, have been busy expanding capacity in the state irrespective of adult use. And while our Apollo Beach facility's enhancements were needed to help us better serve the medical demands of today in Florida, we didn't feel expansion of that facility alone was enough to meet the growing medical demands of tomorrow.

So back in the summer, we embarked onto our third Florida cultivation facility in Ocala, which will be a world class cultivation and production facility built leveraging our years of operational expertise to improve efficiencies, streamline distribution, reduce production costs and increase profitability in the Sunshine State. And while the vote didn't go in our favor Tuesday night, we are proud of the investments we've made in such a profitable medical market and are confident we will realize a strong return on these investments.

These efficiencies will allow us to more strongly compete on price point with our top tier products. Additionally, Ocala is a large facility that provides optionality to scale up, commensurate with market growth. And though had Florida passed Amendment 3, we would have had another growth catalyst behind us. We've always built our business to thrive in the current environment with a focus on margin preservation. While the last few months we've been focused on Florida, we are returning full focus to margins and cost management.

Moving forward, we will be fully engaged in evaluating efficiency improvements and cost cutting measures across the business. As you've seen from recent OMMU volume data, we have been steadily growing market share over the past few weeks, reflecting the increased output we began to see late September from our Apollo facility. Our share of both milligrams of THC and ounces of flower surged in October to the number two spot, our highest volume share year-to-date.

Returning to the election, I think it's important to recognize that this was the first presidential cycle in history where we saw both candidates not only make cannabis a topic of national interest, but express their unequivocal support for liberalization of cannabis laws. It was comforting knowing that either way, the top of ticket turned out we would have an administration supportive of the historic rescheduling process currently underway. A schedule 3

reclassification brings a world of opportunity for Verano, the largest of which is a tax code similar to that of other corporations in the US, saving us what we estimate would be over \$80 million annually based on our 2023 results.

We continue to prep internally for a final Schedule 3 ruling, so that we can readily capitalize on any and all opportunities at our disposal. We are excited to embark on a new partnership with the Trump administration to usher in a fresh era for legal cannabis, while simultaneously edging out the dangers of the illicit market. With the ALJ hearing likely scheduled for early next year, we are hopeful that the industry will have finality regarding the Schedule 3 decision sometime next year.

President-elect Trump's pro-cannabis statements were a continuation of a growing trend of bipartisan support. In addition to supporting legal adult use sales, he has said, and I quote, "we will continue to focus on research to unlock medical uses of marijuana to a Schedule 3 drug and work with Congress to pass common sense laws, including safe banking for state authorized companies." We have been begging for common sense laws for years. So, we welcome this approach with open arms.

Additionally, our read is that his administration will be friendly towards banking act, such as the SAFE or SAFER acts, which could not only expand our banking access, but also reduce our cost of debt. The term Republican is no longer associated with anti-cannabis sentiment. This is principally a generational issue, not left and right, and demographic trends are all moving in the direction of greater and greater support for common sense cannabis laws.

Additionally, this isn't the environment of eight years ago. Cannabis has come an incredibly long way with a majority of Americans in support of legal cannabis sales. We believe the progress in the last decade will continue and affect change and are pushing forward on a number of fronts, including our litigation against the government in our Commerce Clause case, to ensure that progress continues.

Moving on to other market updates. We continue to see increased competition from new retail openings in Illinois and New Jersey. This normalization in New Jersey has been stronger and more persistent than we had initially predicted a few quarters ago, with 25 new dispensaries opening in about the last three months alone. Plus, we've seen 18 cultivators, largely small-scale craft growers begin wholesaling year-to-date. The good news is that the velocity of our retail declines has significantly slowed, with the third quarter only down 4% sequentially.

As the pace of new openings slows, we anticipate hitting an equilibrium in the next few quarters, but are bracing for some additional short-term pressure. The expanding retail environment in Illinois, with 55 dispensaries opened year-to-date and 14 alone in the third quarter, has proven an opportunity for us on the wholesale side. Gross and net demand grew throughout the year, and net wholesale revenue increased by 10% year-over-year. Given this upward demand trend largely in flower, we reopened rooms in our cultivation facility and increased production.

We continue to view growing dispensary count as wholesale opportunity and we'll maintain our focus on growing Verano's total shelf space in Illinois. We were thrilled to close incredibly quickly and under a month on the Virginia and Arizona businesses from cannabis in August. The Virginia business is ripe with opportunity as we've begun launching our Verano products with further enhancements and additions forthcoming to the business, all of which require very little CapEx. We look forward to bringing to market products Virginia has not seen before.

Lastly, Ohio's adult use program had a modestly strong start with August and September net retail revenue each up about 2 times versus July. On the wholesale side, we ramped up operations selling into over 70% more doors and increasing net wholesale revenue by 2.5 times versus the prior year. Additionally, we increased our vertical mix by about 10%, up to 36% for the third quarter versus the prior year. We anticipate opening our Antwerp

location near the border of Indiana and the Fort Wayne metro area in the next few months, which we expect to benefit from some level of cannabis tourism, bringing our footprint to six dispensaries in the Buckeye State.

We had a busy quarter, and I am very proud of our team for nimbly navigating, changing retail landscapes, welcoming and integrating new lines of business, and responding in real time to hurricane risks and disruptions.

Thank you all for your continued persistence. And now to Brett with the financials.

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## Brett Summerer

*Chief Financial Officer, Verano Holdings Corp.*

Thanks, George. Revenue for the quarter decreased versus the prior quarter to \$217 million due to declines in Florida as demand exceed our supply given construction in our Apollo facility, in addition to increased competition across Illinois and New Jersey.

Specifically in Florida, we are very grateful that our employees and operations were unharmed by Hurricanes Helene and Milton. Helene ended up having a very minor impact on the topline due to limited retail closures that of course, created a period of depressed demand as communities rebuilt. Milton, however, had a much larger impact, with up to 56 dispensaries closed for a few days with a tail of continued closures as the storm passed over the state.

Additionally, Arizona's wholesale seasonality impact was much greater than we've typically seen as a heat wave hung over the state with 113 days in a row of 100 plus degree heat. On a gross revenue basis, excluding intersegment eliminations, 64.5% of sales were derived from the retail business, with the largest contributions from Florida, Illinois and New Jersey.

The remaining 35.5% of sales were derived from the wholesale side of the business, with the largest contributions from New Jersey, Illinois and Connecticut. Regarding net, or third party, wholesale revenue, as we saw, accounts receivable continue to increase. We took an intentional step to pause on certain delinquent accounts, which represented a high single-digit percent impact to wholesale revenue. We are going to continue to evaluate our third party wholesale customer relationships as a result.

Gross profit for the quarter was \$109 million or 50% of revenue versus \$114 million or 51% of revenue in the prior quarter. The sequential decrease in gross profit was driven by declines in revenue. Looking ahead, we will be making inventory reduction efforts as part of cost savings and rationalization across the business.

SG&A expenses for the quarter were \$92 million or 43% of revenue versus \$87 million in the second quarter or 39%. The increase in SG&A expense is primarily driven by the acquisition of additional dispensaries and related staff, as well as a change in our long-term incentive program. We had a net loss of \$43 million, driven by the items mentioned above.

I'd also like to call out that we are still calculating our taxes as 280E filers, which of course greatly impacts our profitability.

Lastly, adjusted EBITDA for the quarter was \$64 million or 30% of revenue.

Turning to the balance sheet and cash flows, we ended the quarter with \$65 million in cash and cash equivalents in line with expectations after incorporating our recent acquisition. Cash flow from operations year-to-date was \$69 million and operating cash flow was \$74 million for the same measure as we have generally held working

capital in check. Thus far we spent \$85 million in CapEx, largely on Florida cultivation expansion and various dispensary openings.

Looking ahead to the fourth quarter, we anticipate that the organic revenue trends of the third quarter will persist into the fourth quarter across most of our markets, offset somewhat by the year-end holiday lift.

And now I'll hand it back to George to wrap up.

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## George Archos

*Co-Founder, Chairman & Chief Executive Officer, Verano Holdings Corp.*

Thanks, Brett. We continue to look at the business through a growth lens. Ohio's launch marked our eighth adult use conversion, further strengthening our blueprint for success. One, we look forward to implementing again in the future. And on top of the incredible growth, some of our markets have yet to realize, we have a final rescheduling decision ahead of us. A reclassification to Schedule 3 should begin to bring some normalcy to the industry.

We expect to realize many benefits from that final decision on top of being taxed as a normal company. I want to close today by reiterating that we remain very optimistic on the space. There has never been a time in American history when liberalizing cannabis policy was more visible to the American people. Who would have thought a Republican presidential candidate was actually running on a pro cannabis platform?

December will see preliminary ALJ hearing and rescheduling, a hearing on a constitutional challenge to the Controlled Substances Act and the formation of an administration who we believe will be the best our industry has yet seen. We may get knocked down, but we always get back up again. No one is going to keep us down.

And now, operator, please open up for questions.

## QUESTION AND ANSWER SECTION

**Operator:** Thank you. We are now opening the floor for question-and-answer session. [Operator Instructions] Your first question comes from Aaron Grey from Alliance Global Partners. Your line is now open.

**Aaron Grey**

*Analyst, A.G.P. / Alliance Global Partners*

Q

Hi. Good morning, and thank you for the question. First question for me, just on Florida. Appreciate the color there in terms of starting to improve some of the trends from – some of this you had prior quarter that continue for 3Q. But a bigger picture moving forward with Apollo and then kind of coming online in two-tier facilities you've already implemented just how best to think about within the medical only market now you know the competitive dynamics, do you feel like this gives you opportunity to still open, more stores even within the medical-only market? Or do you feel like [indiscernible] (00:24:28) put that supply through the existing stores? Just how you believe, competitive dynamics are going to evolve within Florida [ph] remaining (00:24:35) the medical new market for yourselves and for the broader market as well as other people have been expanding canopy. Thank you.

**George Archos**

*Co-Founder, Chairman & Chief Executive Officer, Verano Holdings Corp.*

A

Hey, good morning, Aaron. Thank you for the question. As far as the supply, it was needed regardless, especially the Apollo Beach expansion, we're going to probably continue to add some stores, albeit probably more slowly than we would have a few days ago. But the medical market is still a very strong market in Florida. It's one of the best in the country. It's still one of our top markets here at Verano and for some other operators. I would assume that very few dollars will be spent in Florida going forward.

So, for us, that still makes it one of our top priorities.

We have a nice pipeline of stores that will continue to open throughout the rest of the year and next year. And the expansion again it was needed. The third Ocala facility, beautiful facility, world class. We obviously won't build out the entire facility now. We'll do what we always have done in the past. It will be a phased approach and we'll bring it on as needed. The supply will be able to allow us to have more strains, more products. If pricing pressure is a thing in Florida will be able to compete in a very big way, efficiencies and gain across the board and every SKU that we currently create in Florida. So, it's onward and upward we go.

Adult use will come one day, we'll be better prepared for it. And it was a great week regardless, seeing 56% of the vote despite all the negative ads that were coming in from the DeSantis campaign, you still had quite a few voters turn out and you saw that the cannabis is well-liked in Florida. And sooner or later, they are going to have to pay attention to that. And hopefully, we get a legislative fix here in the next couple of years.

**Aaron Grey**

*Analyst, A.G.P. / Alliance Global Partners*

Q

Indeed. And appreciate that commentary there. Second question for me just in terms of the wholesale and more specifically, on New Jersey. I know historically we've talked a lot about, saturation on the retail in New Jersey, but, wholesale down in the quarter. Brett, you made a comment in terms of, third party wholesale relationships being evaluated. So just want to clarify, was that more specific to New Jersey or more broadly speaking? And then if

you could give commentary in terms of the competitive environment, specifically in New Jersey and finding success, on the retail sales, it does look like it took a bit of a dip there in the quarter. Thank you.

**Brett Summerer**

*Chief Financial Officer, Verano Holdings Corp.*

A

Yeah, thanks for the question. So, I think it's not just unique to New Jersey as it relates to this. Right? The industry right now is going through a lot of challenges and a lot of the smaller guys in particular, even some of the larger ones are just not able to manage their cash the way that they need to. And as a result, some people are starting to do late payments. We're seeing a lot of bad behavior in that regard. And we started cutting our customers.

So, we've been looking at our past dues. We've been asking for payment plans, that sort of thing. And we're not sure we have all our ducks in a row on that. And as a result, we're cutting off customers and not shipping. So that's where you're seeing it's coming through our wholesale lines and third party wholesale lines, New Jersey, and other places as well.

**Aaron Grey**

*Analyst, A.G.P. / Alliance Global Partners*

Q

Okay, great. Thanks so much for the commentary and I'll jump back in the queue.

**George Archos**

*Co-Founder, Chairman & Chief Executive Officer, Verano Holdings Corp.*

A

Thanks, Aaron.

**Brett Summerer**

*Chief Financial Officer, Verano Holdings Corp.*

A

Thanks.

**Operator:** Your next question comes from Russell Stanley from Beacon Securities. Your line is now open.

**Russell Stanley**

*Analyst, Beacon Securities Ltd.*

Q

Good morning and thank you for taking my question. Maybe if I could ask around Virginia. Congrats on closing that. It looks like it will be a great market. Wondering, if you can elaborate on what your plans are? I think, George, you mentioned maybe a little CapEx plans. But would love to hear what you now have in store for that market? I think you talked about upgrading the grow and reallocating a dispensary. But any color beyond that would be really helpful? Thanks.

**George Archos**

*Co-Founder, Chairman & Chief Executive Officer, Verano Holdings Corp.*

A

Hey, good morning, Russ. Virginia was a great acquisition for us. We have a phenomenal team there. The current plan is to continue to introduce new products to the market. We're going to need to increase our vertical integration there. We've already launched a number of SKUs going extremely well. So, we're seeing tick ups in vertical integration week over week. We'll continue to introduce new products that aren't available in that market and all of the SKUs that made us successful throughout the country. So, that's the current plan.



The CapEx needed there is very minimal. There are small improvements that will be needed to increase efficiency on the growth side as well as on the processing side. But again, small improvements that will give us garner big gains in efficiencies, and that's what we're doing Russ.

**Russell Stanley***Analyst, Beacon Securities Ltd.*

Q

Thanks for that. And maybe moving to Arizona, following the closing of that transaction. Wondering what your plans now are in that market. How do you feel your balance between retail and cultivation? Are you happy with the footprint? Do you need more [indiscernible] (00:29:19) and what are your plans might be for the grow that you acquired? Thanks.

**George Archos***Co-Founder, Chairman & Chief Executive Officer, Verano Holdings Corp.*

A

Good question. We're still assessing those plans in Arizona. We have three growers, pretty spread out and additional processing. So, we're looking at possibly consolidating some of those assets. On the retail front, always interested in more retail. It's a matter of price point and where it fits on the map. So, Arizona might be a site for us for future growth. We do like the state. We like the vertical integration within those stores. We like the margins. It's a mature market, so there might be opportunities for us there in the future and we'll continue to look.

**Russell Stanley***Analyst, Beacon Securities Ltd.*

Q

Thanks. I'll get back in the queue.

**Operator:** Your next question comes from Nick Anderson from ROTH MKM. Your line is now open.

**Nick Anderson***Analyst, ROTH Capital Partners LLC*

Q

Yeah. Good morning. Thanks for taking the questions. First one for me just on the consumer and the potential wallet pressure. Are you seeing any trading down or is your premium category kind of holding up here and have you just – have you seen any discernible shifts in consumer behavior worth calling out over the past couple of months here? Any color there would be helpful. Thank you.

**George Archos***Co-Founder, Chairman & Chief Executive Officer, Verano Holdings Corp.*

A

Roughly the same. I mean, we've been seeing the trade down for some time now. So, there's definitely pressure on the consumer wallet. But it's something we've been seeing. It's not something that just happened. It's been happening for us. So we've been pivoting. We've been focusing on our value lines and making sure that we have enough product there in that category. Because that seems with – that's moving the most with the most velocity at the moment. So, that's definitely a factor.

**Nick Anderson***Analyst, ROTH Capital Partners LLC*

Q

Okay. I appreciate that color. Second one for me, just wanted to get a little more color on the election and your take on Trump winning and just the potential roadmap or policy outside of rescheduling being passed. It sounds like he'll be a little more incrementally focused along with prioritizing some states rights here, which may be better

than looking for a comprehensive package. Just kind of your sense outside of rescheduling the roadmap for maybe safer and some other policies being passed?

**George Archos**

*Co-Founder, Chairman & Chief Executive Officer, Verano Holdings Corp.*

A

So, from our perspective, and I'm going to let Darren opine as well, I think we're in a prime position to finally get some legislation done on the federal front. They have – it looks like they're going to have the House of the Senate. And Trump has been very positive on cannabis. So, I think with the ALJ hearing and moving it to 2025, I think we'll finally have some positive momentum and the ability for these guys to be able to act. I mean, we saw for the first time in our history both candidates talking about cannabis in a positive way, one talking about full legalization, one talking about states' rights. I think states' rights is obviously the way to go, full legalization is an uphill battle. But we feel very positive about that momentum. Darren?

**Darren H. Weiss**

*President, Verano Holdings Corp.*

A

Yeah, no. Thanks, George. So, Nick, I definitely would echo George's comments. Our feeling is that taking a states' rights approach and an incremental approach is much more reasonable path and one that's much more likely to lead to actual results. We've had enough as I'm sure you can appreciate of the platitudes on big, broad changes we're looking to get stuff done. And so, we've had the opportunity to make inroads to the campaign and now to the transition team and are hearing lots of support both behind closed doors and, of course, publicly. So, feeling really good. All efforts are going to be on legislative and executive action over the next, the near-term for sure. But we're feeling really good about what the election [indiscernible] (00:32:49) particularly has done for cannabis.

**Nick Anderson**

*Analyst, ROTH Capital Partners LLC*

Q

Great. That's good to hear. I appreciate the color. I'll jump back in the queue.

**Operator:** Your next question comes from Frederico Gomes from ATB Capital Markets. Your line is now open.

**Frederico Gomes**

*Analyst, ATB Capital Markets, Inc.*

Q

Hi. Good morning. Thanks for taking my questions. First question on Ohio, is there anything that surprised you or stood out in terms of differences in performance in each of your stores with, the start of rec sales and as well as what kind of further increase in sales you think could happen in the state as new regulations in that market are implemented?

**George Archos**

*Co-Founder, Chairman & Chief Executive Officer, Verano Holdings Corp.*

A

Good morning, Frederico. Ohio, as far as [indiscernible] (00:33:39) go, we don't have a real adult use program here yet. There's multiple SKUs that aren't available to the consumer [indiscernible] (00:33:46) market. So, it was a good jump. Obviously, we're very happy about it. That being said, we're still waiting for the adult use rules. We're still waiting for all these things that are lagging. So, I think they're holding the market behind quite a bit.

So, we anticipate, over the next few months for those rules to be, to come out and be able to do more things that we do in other adult use markets, which should give us some additional ramp. I don't want to guide on specific

bump ups, but when you don't have pre-rolls and you're not able to market to the consumer and do all of these things that we've done elsewhere, it does hold the market back a bit. So, we'll see what's to come in 2025.

**Frederico Gomes**

*Analyst, ATB Capital Markets, Inc.*

Q

Thank you. And then my second question is on capital allocation, specifically, I guess, your buyback program. How are you seeing your valuation right now. Obviously, it's trading at all-time lows here given the sell-off in the space. So, how should we think about or willingness to execute that buyback at current valuations and also considering all the other options that you have in terms of debt repayment, other growth initiatives, et cetera?

**George Archos**

*Co-Founder, Chairman & Chief Executive Officer, Verano Holdings Corp.*

A

We're always going to continue to look at our best options for our capital. That's obviously one of them that are available to us, and we'll continue to do that as we move forward.

**Operator:** Question comes from Matt Bottomley from Canaccord Genuity. Your line is now open.

**Matt Bottomley**

*Analyst, Canaccord Genuity Corp.*

Q

Thanks. Good morning, everyone. I'm just wondering, if you can unpack your forward-looking commentary in the press release a little bit more with respect to the organic trends in Q3 expected to be the same in Q4. So, you've given some good color on a state by state basis. So, maybe I can [ph] piece this (00:35:25) together with what's already been said. But if you kind of look at, flat retail sales, wholesales down about 10% sequentially. And then in some of your bigger markets, we saw a little more volatility with the declines.

Can you give any other color of what you expect to kind of reoccur? I know there was some additional weather you mentioned in Florida on the Milton hurricane or anything specific that is to reoccur versus things that might be more one time in the granular disclosures you guys gave.

**George Archos**

*Co-Founder, Chairman & Chief Executive Officer, Verano Holdings Corp.*

A

Listen, it's hard to tell. October, we saw some of the similar trends. But as we get into the holiday season, usually we see a tick up on the retail side. Wholesale, for us, it's going to be a little bit of a headwind. We have cut off a number of accounts across the country in multiple markets. So, we'll see how that pans out for us. I don't want to give you specifics because if the customers don't catch up on their payments and we're going to have to continue to cut them off, which is, for us, our motto is it's not a sale unless you collect the dollars on it. So, we're taking that moving forward. So, it's a short-term hit. But I believe in a long-term it's better for us as a company. So, we'll see how that looks going forward. But retail, I would anticipate to be flat possibly up a little bit with the holiday sales coming up here, but we'll see how it plays out.

**Matt Bottomley**

*Analyst, Canaccord Genuity Corp.*

Q

Okay. Got it. And then just on that last comment you mentioned about the retail side of things. Can you split that out a little bit more on the volume versus the price? We have had some of your peers talking during this earning seasons about pricing pressures nationally. I think Pennsylvania was pointed out specifically, at least for the

quarter, that could be one off to that entity. But anything on the pricing side versus where you expect volumes to go?

**George Archos**

*Co-Founder, Chairman & Chief Executive Officer, Verano Holdings Corp.*

A

As you've already heard from other operators, pricing pressure continues to be an issue in multiple markets in addition to more stores, et cetera. But, like in Jersey and Illinois, it will come to a point where the market matures. Everything's open and things stabilize. It's just we're not there yet, you know. So, you see continued pricing pressure, some of those – some of that scaling is occurring. So, we'll see how it flattens out.

In other markets where it's flattened out, it's great. We have a stable business. In others, we're still, competing against that pricing pressure in the current opening. So, I would anticipate somewhere in 2025 that that starts to flatten out even in Jersey and Illinois. But we'll see. We'll see. You know, I think with this week's results in Florida, it might wake some people up to not necessarily open up everything under the sun. Right. And seeing the reality that running the business is not difficult. Right. And you have to have scale and efficiency in order to be profitable and successful. So, we'll see how that plays out in the next year.

**Matt Bottomley**

*Analyst, Canaccord Genuity Corp.*

Q

Okay. Thanks George.

**George Archos**

*Co-Founder, Chairman & Chief Executive Officer, Verano Holdings Corp.*

A

Thanks, Matt.

**Operator:** [Operator Instructions] Your next question comes from Andrew Semple from Ventum Capital Markets. Your line is now open.

**Andrew Semple**

*Analyst, Ventum Financial*

Q

Hi there. Good morning. Thanks for taking my question here. The first one to just maybe be more holistically on your CapEx plans for next year, how, you know, maybe what are some of the major projects you're looking at for 2025 and or whether you're planning to, maybe scale back CapEx pretty substantially next year? That would be helpful.

**George Archos**

*Co-Founder, Chairman & Chief Executive Officer, Verano Holdings Corp.*

A

Hey, good morning, Andrew. Thanks for the question. As far as major CapEx, I mean, with Florida being basically shut down this week, no major CapEx needed for next year. There'll be some store refreshments, some minor adjustments and some cultivation in [indiscernible] (00:38:48) states. A handful of retail stores opening in certain markets, some automation and some efficiency projects that we have going on. But we're talking about small dollars here compared to what we were doing. So, we're back to cash flow and taking the cash flow and doing other things.

**Andrew Semple**

*Analyst, Ventum Financial*

Q

Got it. That's helpful. And then maybe just, in the prepared remarks, you mentioned a renewed focus on costs and margins across the organization. Just wondering, if you have maybe some early indications or if you could quantify kind of what you're seeing as the opportunity set out there for, a coverage of these cost efficiencies and optimizations across Verano?

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**George Archos**

*Co-Founder, Chairman & Chief Executive Officer, Verano Holdings Corp.*

A

I'm not going to guide the specific costs, but, when you go from pedal to the metal growth mode and then you go back to let's stabilize, become efficient, there will be changes, right? So, we were gearing up in a big way in Florida with manpower, CapEx, et cetera. And you know that that's obviously not in front of us anymore. So, we're going to have to scale back. We're going to cut some costs and you'll see that over the next couple of quarters.

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**Andrew Semple**

*Analyst, Ventum Financial*

Q

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

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**George Archos**

*Co-Founder, Chairman & Chief Executive Officer, Verano Holdings Corp.*

A

Thank you.

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**Operator:** That concludes our question-and-answer session. I'd now like to hand back over to George Archos for further remarks.

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**George Archos**

*Co-Founder, Chairman & Chief Executive Officer, Verano Holdings Corp.*

Thank you everyone for the continued support. I want to wish everyone a happy holidays and see you soon.

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**Operator:** Thank you for attending today's call. You may now disconnect. Have a wonderful day, everyone.

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