

Verano Holdings (Q4 2025 Earnings)

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Corporate Speakers:

- Steve Mazeika; Verano Holdings; Vice President of Corporate Communications
- George Archos; Verano Holdings; Founder, Chief Executive Officer
- Richard Tarapchak; Verano Holdings; Chief Financial Officer
- Aaron Miles; Verano Holdings; Chief Investment Officer

Participants:

- Aaron Grey; Alliance Global Partners; Analyst
- William Kirk; ROTH Capital Partners; Analyst
- Brenna Cunningham; ATB Cormark Capital Markets; Analyst
- Neal Gilmer; Haywood Securities; Analyst

PRESENTATION

Operator^ Good day. And thank you for standing by. Welcome to Verano's Fourth Quarter and Full Year 2025 Earnings Conference Call. (Operator Instructions)

Please be advised today's conference is being recorded.

I would now like to turn the conference over to your speaker today Steve Mazeika.

Please go ahead.

Steve Mazeika^ Thank you. And good morning, everyone. Welcome to Verano's Fourth Quarter and Full Year 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 year and quarter ended December 31, 2025.

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 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 which also includes a reconciliation of these measures to their respective most directly comparable GAAP financial measures.

Comparative market share, brand performance industry data that is mentioned during this call is derived from BDSA data, unless otherwise noted.

Lastly, all currency is in U.S. dollars.

I'll now pass it over to George.

George Archos^ Thank you. And good morning, everyone.

I am proud of the progress we've made advancing key priorities for the business throughout 2025 including a strong finish to the year with sequential revenue and margin improvement in the fourth quarter within guidance.

Before I cover our results and recap a pivotal year for Verano and the industry, I wanted to highlight the \$195 million senior secured term loan we announced this morning, led by Needham Bank with participation by Chicago Atlantic and myself. The funds from the term loan, combined with cash on our balance sheet and the remaining \$50 million we drew under our existing revolving credit facility were used to repay amounts owed under our previous 2022 credit agreement.

We believe our new credit facility provides Verano some of the best beneficial terms in the industry relative to peers that have announced similar agreements including a favorable current interest rate of 9.5%, along with maturity date and prepayment flexibility.

When compared to our 2022 facility, we anticipate our 2026 credit agreement will provide us with significant savings in the 8-digit range.

We're thrilled to complete this agreement on terms that we believe are beneficial for Verano, our employees and our shareholders, enabling us to focus on strategic growth initiatives moving forward.

Reflecting on 2025, there are plenty of significant accomplishments across the business I would like to highlight.

We improved our operational procedures and R&D capabilities which unlocked efficiencies and SG&A savings and increased output across our CPG operations after implementing automation and technology upgrades.

We inked new partnerships with top quality operators and brands and launched new product innovation that solidified our number three national market share position for our total Verano portfolio at the end of 2025.

We strategically expanded our footprint by opening seven new dispensaries in four states and enhanced our retail presence through targeted store relocations and refreshes.

Additionally, we positioned the company ahead of future growth by redomiciling in Nevada, reached a very favorable settlement to the litigation with Vireo and won a conditional vertical license in Texas as the state prepares to significantly expand its medical cannabis program.

Looking ahead at potential catalysts as we await federal action on rescheduling and closing the hemp loop hole, we're also uniquely positioned as the only operator with current and planned operations across four key markets primed for expansion, Texas, Virginia, Pennsylvania and Florida.

We hit \$822 million in full year 2025 revenue and had a strong finish to the year in the fourth quarter.

We generated \$207 million in revenue in the fourth quarter, an increase of \$4 million versus the prior quarter, driven primarily by retail gains during the holiday season.

Retail revenue was \$170 million, an increase of \$6 million sequentially following successful new product launches, seasonality in Arizona and Florida and strong holiday retail performance during the quarter.

In Florida per OMMU data, we maintained a solid moat around our number two position based on retail footprint and volume throughout 2025.

We also launched a variety of new products and formats in the Florida market that contributed to a more than 15% sales gain in the fourth quarter compared to both the third quarter and prior year period.

Also, after converting a majority of our Arizona dispensaries to bodega-style grab-and-go formats, the stores outperformed the rest of the market in sales on a sequential and annual basis, and we delivered solid fourth quarter results in Maryland and Pennsylvania, offsetting competition and price compression in other states.

On the wholesale side, excluding intersegment eliminations, revenue was \$84 million in the fourth quarter.

We increased vertical wholesale sales following successful new product launches which was offset by lower third-party sales versus the prior quarter.

Despite lingering industry-wide payment and credit issues, we've improved our accounts receivable position by reinstating accounts and lowered our receivables balance by \$9 million at year-end 2025 versus year-end 2024.

We generated gross profit of \$106 million or 51% of revenue and adjusted EBITDA of \$56 million or 27% of revenue within our Q4 guidance.

SG&A increased 7% sequentially, primarily due to strategic marketing investments we executed during the busy fourth quarter holiday season and other expenses.

However on an annual basis, we reduced SG&A spending by \$16 million in 2025 versus 2024, reflecting the success of our overall cost-saving initiatives.

Throughout 2025, we were laser-focused on strengthening our stable of powerhouse brands through new product formats and genetics and launching breakthrough innovation, particularly in the industry's fastest-growing categories.

We introduced a variety of pre-rolls, all-in-one and large-format vapes across our Savvy, Verano and Essence lines, rolled out a number of line extensions and launched our pioneering HYPHEN Vape Pod system late last year.

Our performance was also boosted by new partnerships we secured with award-winning brands including Grow Sciences, Raw Garden and Edie Parker to launch products across our largest markets including Illinois, New Jersey and Florida. After executing our strategy for the year, we ended 2025 as a top three player in every category we compete in.

We increased vape market share year-over-year, grew market share in Florida by more than 4% from November to December and recently regained the number one position in New Jersey.

I'm proud of our teams for executing an exceptional game plan in 2025 and look forward to driving continued brand momentum this year.

We've already hit the ground running in 2026 with the launch of Swift Lifts as a stand-alone national pre-roll brand and plan to introduce more exciting new product innovation throughout the year.

We're driving ongoing CPG improvements to increase yields, scale automation and technology and activate additional capacity in our Illinois, Florida, Maryland, Virginia and Ohio facilities to meet increased demand.

And on the retail side, we anticipate opening approximately five to ten new dispensaries in 2026, primarily in Florida and introducing additional dispensary enhancements across our footprint.

We're also elevating our digital presence including launching a brand-new Zen Leaf website and expanding our ecommerce platform that is now deployed across a majority of our markets.

Additionally, following its members only debut several years ago, we are excited to expand the scope of Cabbage Club which we reintroduced as our national customer loyalty program in 2026. Following the completion of these enhancements, we've increased our loyalty membership to nearly 1.1 million customers and counting nationwide.

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

Richard Tarapchak^ Thanks, George. And good morning, everyone.

Starting with the fourth quarter results, revenue was \$207 million, an increase of 2% sequentially and a decrease of 5% versus the prior year period.

As George mentioned, the increase in total revenue versus the prior quarter was driven by retail gains and the decrease versus the prior year period was primarily due to ongoing price compression and a slight decrease in third-party wholesale sales.

On an annual basis, fiscal year 2025 revenue was \$822 million, a decrease of 6% versus the prior year, primarily driven by ongoing pricing pressure, increased competition and the effects of our wholesale accounts receivable strategy. Retail revenue was \$170 million in the fourth quarter, an increase of 4% sequentially and a decrease of 3% versus the prior year period.

On an annual basis, retail revenue hit \$673 million in 2025, up slightly versus 2024, driven by effective promotions, pricing strategies and new store openings, partially offset by increased competition and price compression.

On the wholesale side, revenue was \$84 million in the fourth quarter, excluding intersegment eliminations, following successful new product launches, offset by lower third-party sales versus the prior quarter. Excluding intersegment eliminations, 2025 full year wholesale revenue was \$318 million, a decrease of approximately 10% versus 2024, driven by our accounts receivable strategy and pausing wholesale operations in Massachusetts in early 2025.

However from an accounts receivable perspective, we made continued progress by the end of 2025.

We've reinstated 60% of the previously on hold accounts and decreased our receivable balance by over \$9 million versus the year-end 2024.

Gross profit was \$106 million or 51% of revenue, an increase of 11% versus the prior quarter and a 2% decrease versus the prior year period. Adjusted EBITDA for the quarter was \$56 million or 27% of revenue, an increase of 5% versus the prior quarter and a 12% decrease versus the prior year period. The fourth quarter 27% adjusted EBITDA margin results reflect consistent pricing and promotional levels versus the prior quarter.

Given unclear timing of federal or state-level catalysts and historical first quarter performance, we anticipate slightly softer margins in the first quarter, ranging from between 24% to 26% which we believe will stabilize and improve throughout 2026. Vertical mix increased 7% across all wholesale markets, driven primarily by our focus on baseline promotions of house brands and new product development.

SG&A costs were \$86 million for the quarter, an increase of 7% sequentially and 3% versus the prior year period. The slight increase in SG&A in the fourth quarter was driven by strategic marketing investments during the holiday season and timing of other costs.

However due to our successful efficiency and cost management efforts on an annual basis, we decreased full year 2025 SG&A expenses by \$16 million or 5% versus 2024.

Approaching one year as CFO, I'm proud of the progress we've made streamlining operations, and I am confident in our ability to gain additional efficiencies while leveraging strategic investments aimed at driving growth.

We had a net loss of \$183 million in the fourth quarter compared to a net loss of \$44 million in the third quarter, driven by impairment charges of over \$175 million related to goodwill, intangible and fixed costs, primarily in CPG operations in Pennsylvania and Connecticut and other licenses in Arizona and Illinois.

CapEx spending for the fourth quarter was \$9 million, up slightly from the prior quarter. Full year CapEx spending was \$41 million within the 2025 full year guidance range we previously outlined.

In 2026, we estimated CapEx will range from between \$30 million to \$50 million, pending legislative updates that would influence the timing of potential projects.

Turning to the balance sheet and cash flows.

We ended the fourth quarter with \$83 million in cash and cash equivalents in line with the prior quarter. Cash flow from operations was \$14 million in the fourth quarter and \$53 million for the full year, and we paid \$78 million in full year income taxes net of refunds.

From a capital and finance perspective, we've continued to strengthen our foundation and prepare for future U.S. capital market opportunities. Following the completion of redomiciling the company from Canada to Nevada in the fourth quarter and after initially retiring higher interest rate debt, we upsized our revolving credit facility to \$100 million and extended the maturity date.

As George mentioned earlier, today we announced that Verano has secured a \$195 million senior term loan. Along with cash on our balance sheet and the remaining \$50 million from our existing revolving credit facility, the proceeds were used to repay and terminate our 2022 credit agreement.

We are pleased with our \$195 million senior secured loan agreement led by Needham Bank with participation by Chicago Atlantic and George.

We believe our new credit facility provides Verano some of the most favorable terms in the industry including maturity date and prepayment flexibility and an interest rate of 5.5% plus SOFR subject to a 4% SOFR floor. Going forward, we expect our new credit agreement will significantly lower our cost of capital and position the company to take advantage of future opportunities.

Looking ahead, potential 2026 catalysts include a confirmed Schedule III designation, the hemp loophole closure and the launch of adult-use in Virginia, pending legislative activity and timing. And from a reporting standpoint, after completing our new credit agreement this cycle, we intend to return to an industry-leading quarterly filing schedule moving forward.

George, back to you.

George Archos^ Thanks, Rich.

Looking ahead, we are very excited for the prospect of multiple federal and state reforms that have game-changing potential for Verano and the future of cannabis in America.

On the federal side, as the industry eagerly awaits further updates, we remain optimistic on a final Schedule III ruling given the President's executive order directed cannabis to be rescheduled as expeditiously as possible.

We've previously quantified rescheduling would save Verano an estimated \$80 million in annual 280E expenses that we could invest back into our operations, putting us in a level playing field with any other legal business.

We view rescheduling as the first critical catalyst needed to finally unlock the full economic job creation and medical research potential of this miracle plant and the legal cannabis industry nationwide.

At the state level, I am incredibly excited for a number of potential catalysts across our footprint.

As I mentioned earlier, Verano is the only cannabis company with current or planned operations in four highly populated U.S. markets that are primed for major medical and adult-use expansions in the coming years, Florida, Pennsylvania, Virginia and Texas.

In Florida, with 83 dispensaries and counting and a strong number two share position, we see plenty of additional growth potential in the current medical market. And in Pennsylvania, adult-use cannabis continues to feature prominently in legislative conversations as the state grapples with ongoing budget challenges. Given the majority of Pennsylvania's neighbors have legalized adult-use, Governor Shapiro has previously acknowledged residents continue crossing state lines to purchase recreational cannabis.

Pennsylvania's independent fiscal office recently estimated adult-use tax contributions could approach half a billion dollars by 2030. And in the near future, we hope to see state leaders finally leverage the opportunity to retain critical revenue and economic activity within their own borders by passing adult-use legislation.

In the near term, we are preparing for the historic launch of retail adult-use sales in Virginia which may begin as soon as the second half of this year.

Our deep experience successfully transitioning markets from medical to adult-use has given us a strong playbook to leverage as we prepare for an anticipated exponential increase in demand.

We've already taken steps to prepare for the expected large influx of future adult-use customers across our six dispensaries in the Virginia Beach area, a popular vacation destination with more than 14 million annual visitors according to the local Tourism Bureau.

And finally, after winning one of nine coveted conditional dispensing organization licenses in December, we are thrilled to have the opportunity to plant roots in Texas as the state prepares to substantially expand its medical program.

With its robust population of 30 million, we see tremendous opportunity to tap into existing built-in demand on day one.

We envision Texas will resemble Florida's program. And based on our success there and our extensive experience establishing markets in numerous states, we are very bullish on Texas being a huge catalyst for Verano in the future, and anticipate commencing operations in 2027 after completing all due diligence requirements.

As we turn the page on another year, I am grateful for the continued support of our patients and customers and proud of our incredible team for what we accomplished last year.

We strengthened our operations and financial standing, redomiciled to Nevada and secured our new credit facility, notched key legal and regulatory wins and positioned ahead of near-term growth opportunities in markets including Virginia and Texas.

In 2026, we will also continue our focus on increasing CPG yields and efficiencies, reducing SG&A and delivering new product innovation and form factors.

We stand poised and ready to capitalize on multiple catalysts as we enter a period that may usher in one of the most monumental drug policy shifts in our nation's history and a new era of normalization and prosperity for cannabis in America.

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

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) Our first question comes from Aaron Grey with Alliance Global Partners.

Aaron Grey^ Congratulations on finishing the refinancing and some of the commentary you have in terms of the growth initiatives ahead. That's kind of where I wanted to first touch on some of those opportunities, one of those being Texas in terms of the conditional license.

It'd be great to get some incremental color in terms of your outlook for the market under the more comprehensive program that allows for pain as a condition as well as proper regs to allow for retail growth. How are you looking to position yourselves to become one of the early leaders in what could be a very meaningful medical market in the next few years in terms of commentary, in terms of CapEx plans and otherwise, just given it could be an initial heavy CapEx that proves a higher ROI in the years to come?

George Archos^ Thank you for the question. Texas, -- it's a state that we've been eagerly anticipating a win, very excited, obviously a massive population there. The benefit we have of entering the program there currently is that there's already an established medical market.

So in terms of CapEx spend, deployment of retail, et cetera, we do view it as a Florida-type model.

We plan on expanding throughout the state.

We'd like to -- we're looking for facilities currently.

We do need to get past the diligence phase of the application process.

Once we do that, we plan on doing something similar to what we did to Florida, finding facilities that we can expand slowly as the program continues to expand, and we'd like to put retail outlets throughout the entire state and bring in our full suite of products and teams to make it a successful state for the long term.

Aaron Grey^ Okay. Great. That extra commentary...

George Archos^ No. No, go ahead, got any other questions?

Aaron Grey^ Yes. Yes. Just secondly on that, Virginia that you talked about, I know there's still some uncertainty in terms of the final adult-use regs including when it might start there. You gave some commentary of how you're already preparing there.

So just any additional color in terms of any potential need for a cultivation expansion, maybe in terms of change of need for retail location? Are you happy with that now for the six that you have?

So any updates in terms of what you might need to do in terms of that preparedness you talked about before for adult-use retail in Virginia starting?

George Archos^ Absolutely. Great question.

We've already been expanding in Virginia.

So we started a few months ago, and we should be wrapping up here in the short term, adding additional canopy.

We're also making some improvements at the retail stores to be able to handle the additional output.

And we are looking at possibly moving a store. That being said, the team is ready.

We are excited for the opportunity to come. The timing is still up in the air, but we believe it will be in the second half of this year, and we will absolutely be ready to capitalize on the momentous occasion of adult-use sales in Virginia.

Operator^ Our next question comes from Bill Kirk with ROTH Capital Partners.

William Kirk^ So it's been about four months since the intoxicating hemp ban was announced.

I guess what are you seeing in the market as we get closer to that November ban? What is the likelihood, I guess in your mind that the intoxicating hemp industry can delay the ban or change the legislation? And then finally, from your perspective, how large of a competitor has that industry been to you and the other THC MSOs?

George Archos^ Bill, getting a little feedback from your line.

But as far as the hemp ban, obviously it's not that we're trying to ban the miracle plant that we believe we're involved in here as well. The only issue with the hemp loophole was it wasn't a regulated industry, right? So there's unsafe products out there being sold in gas stations and corner stores. And it's gained a tremendous amount of momentum over the last few years which is an issue because those products were available to kids and they weren't safe.

That being said, we don't believe that there will be legislation that will delay or will rescind what's currently been put in place by the President and by the legislative bodies.

We believe that, that was a loophole, that was a mistake. And the government is looking for regulated industries that provide safe product consistently which is something that we do. And we're looking forward for the new era coming into what we believe is going to be an increase in the legal cannabis business and the removal of harmful products from stores that our kids are able to access.

Aaron Miles^ It's Aaron.

I just wanted to chime in real quick, too.

Obviously you have the focus on the federal level with the hemp loophole closure, but you also have states also taking individual actions.

So we're going to keep a close eye on states like Ohio and Texas, and you try to quantify the actual impact of the hemp industry.

It's hard to get exact, but it's big.

And so as George mentioned, it's not an anti-hemp sentiment, it's more everybody is being regulated and creating a safe and fair industry.

William Kirk^ Got it. Hopefully, the feedback on my side is better for the sound. Rich, you talked about cost savings and efficiency gains in 2025. How much more can that program contribute in 2026? And what would be the largest buckets in 2026 where you can continue making progress there?

Richard Tarapchak^ Yes. Thanks, Bill, for the question.

So I think what we'll see in 2026, so a good portion of the savings that we got were actually back half of the year.

So you get a bunch of that, that will carry over into 2026. And then we haven't stopped looking at opportunities to reduce costs from an SG&A perspective.

There are a lot of efficiencies -- there's even things -- and again I know everybody talks about AI, but we're looking at AI applications that we can implement throughout the organization that we believe actually are going to make us more efficient. And you'll start seeing those type of savings through 2026.

So we don't believe what we did in '25 is enough at this point.

We believe, again you'll see through 2026, a nice size reduction in SG&A as we go forward.

Operator^ Our next question comes from Brenna Cunningham with ATB Cormark Capital Markets.

Brenna Cunningham^ Just starting off by looking at Florida.

We've seen Verano has been steadily gaining volume market share over the past five quarters. And you mentioned that there's plans to open new stores next year, primarily in Florida.

But given that it doesn't seem to be on the horizon anytime soon, can you just tell us more about what you're seeing in the current medical market, both broadly and from a consumer dynamics perspective? And then the trends that you're seeing from the illicit market and what we should expect in terms of market share in the coming year?

George Archos^ Brenna, thank you for the question. Florida, yes, I mean it's our top market for us.

We have been gaining share there. A lot of -- much of that is coming from the increased output from our facilities.

We were under construction for a period of time where we had decreased output.

That output has come back online.

We've added additional stores. Although AU might not be in the short-term horizon, it is still a very strong medical market where we have a strong position, and we intend to keep that position and keep moving forward with the positive momentum that we have.

In terms of the hem and the illicit market, we believe a crackdown in Florida, where there's a massive market for illicit products could have real benefit in 2027 and beyond.

So we're excited for that to come, and we're preparing.

We have the facilities in place.

We have the store count and additional stores coming online that we believe will make us very successful in Florida for years to come.

Brenna Cunnington^ Perfect. And actually, just following up on the proposed hemp ban.

So Florida, it seems like that market could really benefit from the ban. Which of the other markets do you think could also really benefit from the ban?

George Archos^ Every market that we're in will benefit from the ban.

Operator^ Our next question comes from Neal Gilmer with Haywood Securities.

Neal Gilmer^ Maybe just talking about some of the gross margin line.

Obviously we had a nice rebound in Q4 here. And you take a look at it on an annual basis because we know you have the quarterly volatility, but it's in and around that 50% level is consistent with 2024 despite the pricing pressures in the market.

What is your sort of outlook for 2026 with the continued pricing pressures? Do you have some further automation that you can put in that still help sort of offset what you're seeing in the pricing landscape out there?

Richard Tarapchak^ Thanks, for the question. Yes. We think there's still opportunity here. Again from a CPG perspective, there's been a lot of work done in the facilities and some of that benefit we've seen already, some of it is coming. Plus there's still a lot of opportunities that we think and you kind of touched on it from an automation perspective that will help us improve margins out there. And also, we're spending a lot of time really focused on trying to understand what the right pricing strategy and discount strategy is in the marketplace.

And I think you'll start seeing some of those benefits again carry over into '26, as we move things forward.

Neal Gilmer^ Great. Maybe my other question would be just on Pennsylvania. You touched on it in your prepared remarks, George.

It's a market that has been talked about going adult use for a little bit of time now.

It's always tough with the politicians out there.

We've seen it on the federal level, obviously.

So what sort of brings your optimism that we're going to see something happen in that market over the course of the near term?

George Archos^ They've been talking about it for years.

At this point, the state is surrounded by adult-use markets.

So I have to imagine that with that loss of revenue and what they're seeing happening in neighboring states that they'll pass a bill here, hopefully in the short term.

But we're always talking to legislators, and we're pushing the adult-use theme. And it's always taken on in a positive way.

We just need it to be enacted.

But I do believe now that they're with Ohio and New Jersey, et cetera, with the surrounding states that I think there's some momentum to get something done.

Operator^ Ladies and gentlemen, I'm not showing any further questions at this time.

I'd like to turn the call back over to George for any further remarks.

George Archos^ Thank you everyone, for your time.

Have an amazing day.

Operator^ Ladies and gentlemen, this does conclude today's presentation.

You may now disconnect.

And have a wonderful day.