

**Verano Holdings, LLC(Q1 2025 Earnings)**

**May 8, 2025**

**Corporate Speakers:**

- Steve Mazeika; Verano Holdings; VP of Communications
- George Archos; Verano Holdings; Founder, Chief Executive Officer
- Richard Tarapchak; Verano Holdings; Chief Financial Officer

**Participants:**

- Aaron Grey; Alliance Global Partners; Analyst
- Russell Stanley; Beacon Securities; Analyst
- Nicholas Anderson; ROTH Capital Partners; Analyst
- Frederico Gomes; ATB Capital Markets; Analyst
- Matt Bottomley; Canaccord Genuity; Analyst

**PRESENTATION**

Operator^ Thank you for standing by. (Operator Instructions) At this time I would like to welcome everyone to the Verano's First Quarter 2025 Earnings Conference Call. (Operator Instructions)

I would now like to turn the call over to Steve Mazeika, VP of Communications.

Thank you.

Please go ahead.

Steve Mazeika^ Thank you. And good morning, everyone. Welcome to Verano's first quarter 2025 earnings conference call.

I'm 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 (inaudible) 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 March 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](http://investors.verano.com), which also includes a 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^ Good morning. And thank you for joining us today.

I am pleased with the progress we made on 2025 priorities we outlined last quarter, which include driving innovation, automation, differentiation and efficiencies across the business while keeping quality at the center of everything we do.

This quarter, we seized opportunities to strengthen our core business by identifying efficiencies and lowering SG&A expenses, optimizing our footprint and making strategic investments we believe will provide significant benefits in the long term. Although we continue to navigate industry dynamics, we advanced strategic objectives that we are confident will support long-term growth initiatives and strengthen Verano in the future.

We generated revenue of \$210 million, gross profit of \$100 million and adjusted EBITDA of \$54 million or 26% of revenue.

Our margin profile this quarter included absorbing an inventory adjustment driven by higher yields, employee compensation program changes, nearly a full quarter without Arkansas retail revenue, discounting activity and impacts from our wholesale accounts receivable strategy.

However, we anticipate the cost management and efficiency measures we are implementing will strengthen our core business and fortify our balance sheet moving forward, and we expect to see margin improvement heading into the back half of the year.

The \$5 million decrease in SG&A expenses we recorded versus the prior year period is notable given the number of multistate product launches and new store openings we executed during the first quarter. The SG&A savings we achieved while still expanding our product portfolio and retail footprint is a testament to our team's operational excellence and a clear alignment across the organization.

Throughout the quarter, we took additional steps to optimize and rebalance our footprint, which will allow us to sharpen our focus and resources on markets we feel are primed for growth. After terminating commercial agreements in January pertaining to a retail dispensary in Arkansas and selling real estate leased by the dispensary for a profit, we also made the decision to pause wholesale operations in Massachusetts, which has always been a secondary market for Verano.

Given sustained pricing compression and increased competition, we began winding down wholesale operations in Massachusetts at the beginning of the quarter, but maintain a retail presence with two existing Zen Leaf locations in the state.

We've also taken proactive steps to strategically expand our footprint this year. To date, we've opened two MÜV dispensaries in Florida and an additional Zen Leaf location in Connecticut, strengthening our presence in states we believe offer greater long-term growth prospects.

In the near future, additional expansions also include Zen Leaf Antwerp, our sixth Ohio dispensary, which we anticipate opening soon near the Indiana border by Fort Wayne.

And in Connecticut, we are on track to open Zen Leaf Enfield later this month, an equity joint venture location that raises our statewide total to seven dispensaries.

First quarter retail revenue was \$169 million, up slightly versus the prior year period. The results were driven by organic growth in Ohio as the state enters its full year of adult-use sales, contributions from acquired cannabis assets in Virginia and Arizona and strong results in Florida.

Along with typical first quarter seasonality, price compression, nearly a full quarter without Arkansas revenue and ongoing discount activity drove the flat year-over-year retail results.

We recently appointed a seasoned leader with decades of mainstream retail experience as Executive Vice President to spearhead our retail strategy. And we look forward to elevating the shopping experience at Zen Leaf and MÜV under his leadership.

Diving into Florida, our largest retail market with 81 operating MÜV dispensaries, we've continued driving positive momentum throughout the year after firmly recapturing and sustaining the #2 market share position in the state according to OMMU data.

We recently reached new heights around the 4/20 holiday after selling nearly 75 million milligrams of THC in multiple weeks.

Apollo Beach facility upgrades, we completed in the fourth quarter increased capacity, efficiency and yields while improving product quality, supply and variety. These

enhancements drove the best first quarter ever for our Florida business with top line results partially muted by ongoing discounting and promotional activity in the market.

With several new dispensaries planned this year, additional CPG capacity, a robust new product pipeline and the state's organic patient growth, we remain very bullish on our Florida business in 2025. From a wholesale perspective, we generated \$80 million in the quarter, an 8% decrease versus the prior year period, excluding intersegment eliminations.

The year-over-year decline resulted from pausing Massachusetts wholesale operations, a slight decline in Illinois and our ongoing focus on only selling to creditworthy customers.

We've successfully reduced our accounts receivable balance by \$7 million since the third quarter of 2024 by working with partners on payment solutions. And by addressing these issues early on, we have positioned the company for more success in the back half of the year.

Additionally, from a talent perspective, we also welcomed a seasoned executive with extensive cannabis experience as EVP of Wholesale and look forward to his contributions elevating our national wholesale strategy and execution.

During the quarter, we also continued launching new product innovation across our Savvy and Essence portfolios, targeting the high-growth vape and pre-roll categories in key markets.

Since December, Savvy vape market share has more than doubled and is now the #5 brand across relevant markets according to BDSA.

We also introduced new SKUs in Virginia as we continue diversifying our product portfolio for patients in the commonwealth and drove wholesale gains in Maryland, Pennsylvania and Nevada versus the prior quarter.

We will continue to build on the success of these new product launches, and I look forward to sharing additional updates as new items hit dispensary shelves throughout the year.

We also continued implementing cutting-edge automation technology across our operations to streamline the business and increase productivity.

We've scaled new manufacturing technology that exponentially increases efficiency and output unlocking the opportunity to launch new products that deliver consumer affordability and quality. New technology and best practices aimed at maximizing efficiency and output are generating results versus the prior year period.

Across our retail business, dollars per headcount increased over 7% and 32% across our U.S. and Florida operations, respectively. And on the CPG side, in Florida, we increased

grams per headcount by 33% and grams per plant by 22% and drove gains of 7% in grams per headcount and a modest increase in grams per plant across the rest of our U.S. facilities. These metrics demonstrate the effectiveness of our strategy to invest in the latest automation technology.

We're gaining efficiencies and managing costs without sacrificing the quality of operations and products.

I've also previously mentioned strategic investments in our talent and brands.

And to that end, it's my pleasure to formally introduce Rich Tarapchak, who is appointed and promoted as Chief Financial Officer last month. Rich brings more than three decades of diverse financial and accounting leadership experience across a variety of industries to Verano.

In addition to his role at the company, he also serves on the Board of the Illinois CPA Society and is a member of the Governing Council for the AICPA.

I have full confidence in Rich's ability to take our team to the next level and look forward to his contributions to the business.

With that, Rich, I'll now pass it over to you.

Richard Tarapchak^ Thanks for the introduction, George. And good morning to everybody.

I'm excited for the opportunity to lead our talented finance, accounting and IT teams at Verano and look forward to executing my top priorities, which include cash flow generation, managing our cost structure, strengthening our balance sheet and guiding our tax strategy to position the company for long-term success.

Jumping into the first quarter, revenue was \$210 million, a decrease of 5% versus the prior year comparison, primarily attributed to the anticipated factors including price compression and discount activity and increased competition in key markets.

Our retail revenue was essentially flat versus the prior year period with favorable impacts from the cannabis assets acquired last year, Ohio adult-use and Florida sales gains, which offset sales and price compression in other markets.

Wholesale affected the quarterly top-line results due to the pause of wholesale activity in Massachusetts, impacts of our accounts receivable strategy and increased competition in New Jersey. Although our accounts receivable strategy of placing holds on certain wholesale customers has impacted revenue in the short term, we believe these actions will improve profitability and sales in the long term.

Gross profit for the quarter was \$100 million or 47% of revenue versus \$113 million or 51% of revenue in the prior period. The decline in gross profit dollars was primarily attributable to the overall top-line revenue decline and increased promotional activity in key markets.

With respect to our margin profile, as George mentioned earlier, this quarter was primarily impacted by a few one-time items including the Arkansas termination and sale pausing Massachusetts wholesale operations, employee compensation strategy changes and absorbing an inventory adjustment driven by higher yields, which we don't anticipate will reoccur throughout the year.

SG&A expenses were \$85 million in the quarter versus \$90 million in the prior period. The decrease in SG&A expenses was largely driven by a decrease in amortization as well as ongoing efficiencies we've generated across the business, partially offset by SG&A costs associated with the cannabis acquisitions and new store openings.

We had a net loss in the quarter of \$12 million compared to a net loss of \$5 million in the first quarter of 2024, driven by overall decline in revenue and gross profit and an increase in the income tax provision compared to the prior period.

Adjusted EBITDA for the first quarter was \$54 million or 26% of revenue, a slight decline versus the prior period and prior quarter.

As George said earlier, we are confident that the company will deliver a more historical margin profile in subsequent quarters through 2025. Turning to the balance sheet and cash flows, we ended the first quarter with \$84 million in cash and cash equivalents. Cash flow from operations was \$2 million, resulting from increased income tax payments of \$32 million made during the quarter.

Looking ahead, we expect to substantially reduce or fully eliminate our income tax payable balance by the end of the third quarter.

As a result of these actions, we anticipate generating stronger cash flow and improved performance in the back half of the year. CapEx spending for the first quarter was \$14 million, up from \$10 million versus the prior year period.

As an update to guidance we outlined last quarter, we now anticipate full year 2025 CapEx to range between \$30 million to \$45 million with continued focus on efficiency enhancements at our cultivation facilities and strategic expansion of our retail footprint.

Lastly, in March, we secured an additional \$12 million in financing leveraging our CPG real estate in both Nevada and Arizona. Given our advantage of owning our CPG real estate and also a portion of our retail locations, we have optionality to secure additional financing by leveraging our real estate portfolio over time and to reduce our overall cost of capital. Back to you, George.

George Archos^ Thank you, Rich. Along with strategic leadership appointments, we've also invested in our brands to drive innovation and differentiation, and those efforts continue in earnest.

We've launched a series of new products across our Savvy, Essence and Encore portfolios, targeting the fastest-growing categories with tremendous white space potential.

Savvy Strut builds on our growing 2-gram vape portfolio as a new all-in-one offering and has performed extremely well since its debut in March, driving a 29% gain in vape category share in launch markets according to BDSA data.

In late April, we also rolled out new Verano and Savvy 1-gram live resin vapes that leverage the popularity of the all-in-one category, which has grown nearly 150% in the last two years according to BDSA.

And this month, we are introducing Encore Edibles [Chili Melon Gummies] as a limited time offering with a unique sweet and spicy flavor profile that will be available throughout the spring season.

With a robust new product pipeline planned throughout 2025, we will continue launching new items that aim to deliver quality and differentiation and also drive excitement with our consumer and patient base across the country.

On the legislative front, we continue to lean in at the federal and state levels with increased proactive engagement. From a federal standpoint, we are actively working with stakeholders on education and advocacy initiatives in Washington, and we are encouraged by the recent reintroduction of several pro-cannabis bills in Congress to restart legislative reform conversations.

At the state level, we are cautiously optimistic on adult-use prospects over the next two years in three key state markets: Pennsylvania, Virginia and Florida.

With a combined population of 45 million adult-use conversions in these three markets represent significant organic growth opportunities for Verano.

Given our existing vertical operations and combined 105 Zen Leaf and MÜV dispensaries in Pennsylvania, Virginia and Florida alone, we have one of the largest footprints in these key states and potential adult-use conversions in these markets would be tremendous catalysts for our business in the years ahead.

Our teams have also played a critical role on the front lines, advocating for common sense, safety and regulatory updates to address the proliferation of untested, unregulated and often dangerous synthetic hemp products regularly available at gas stations and convenience stores.

For example, in Arizona, the Attorney General issued an order restricting the sale of all hemp-derived THC-infused products to licensed cannabis dispensaries only.

In Maryland, the general assembly also passed legislation that requires any product containing hemp-derived THC to meet the same potency, labeling, packaging and advertising requirements as cannabis licensees.

The legislation permits the Alcohol, Tobacco and Cannabis Commission to cease products and issue fines to businesses that are selling these products illegally. And in Connecticut, the Attorney General recently secured the highest civil penalty ever imposed in the state for an illegal cannabis enterprise by shutting down a smoke shop business that repeatedly violated state law selling unlicensed and untested cannabis products, many of which contain packaging that appeal to minors.

These examples demonstrate responsible regulation by Arizona, Maryland and Connecticut, and we hope to see similar actions taken by other states and at the federal level moving forward. Lastly, the cannabis industry has also been drawn into the ongoing global conversations surrounding tariffs and trade.

Our supply chain and operations teams have been proactively working with suppliers to identify contingencies and explore alternative options to mitigate potential impacts.

Working collaboratively with our partners, we have identified contingencies for certain materials we import that allow for flexibility with respect to tariffs.

However given the majority of our suppliers are domestic and the interstate nature of our business, which includes foreign export restrictions, thankfully, our overall exposure to tariff impacts is limited.

We will continue proactively monitoring the tariff situation while meticulously managing our supply chain and procurement activities across the business.

In closing, on the heels of another busy 4/20 holiday this year, I'd like to take a moment to thank our Verano teams across the country for their hard work and dedication to our patients and customers as we continue to evolve and position the company for long-term growth. Thus far in 2025, we've made great progress on strategic priorities that aim to strengthen our roots and lay the foundation for a bright and successful future for Verano.

We look forward to outlining exciting initiatives we have in store throughout the course of this year as we look to thrive in '25 and beyond.

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

## **QUESTIONS AND ANSWERS**

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

Aaron Grey^ So first question just for me regarding the progress you've made refining third-party retailers that you're working with. How far along are you in that process now? Are you starting to feel comfortable with the base of third-party stores you're now selling to? Is there opportunity for you to turn sales back on for some of those stores that you've cut off? Just looking to get a better sense of potential top-line impacts for that going forward.

George Archos^ Yes, great question.

We do -- today, we're selling to creditworthy parties, which we feel very comfortable with. And there is absolutely an opportunity for us to start turning back on accounts.

We've been working with accounts over the past six months or so to create payment plans, opportunities for them to begin relationship again with us.

And I feel that here at some point at the end of Q2, we'll start turning back on some of those accounts as we continue to get more payments. And in the back half of the year, I think we'll have some continued success in wholesale and increased revenue in that operation.

So it's been going well.

It's a little rough on all operators out there at the moment.

So we're doing our best to tread lightly and give opportunities to create more business for both us and them.

But it's -- there's a fine line. A sale is not a sale until you collect the revenue.

So for us, it's very important that we're working with creditworthy partners and making sure that our product is going where it should be.

Aaron Grey^ Okay. Great.

I appreciate that color there.

On the margins, right, so you mentioned some improved margins expected in the back half of the year.

Could you talk how much of that do you expect driven by potential improvement in sales?

Or is that versus just more COGS and SG&A? And how much of an impact should we think about in terms of the improved margin? I know historically, you talked about EBITDA margin being in the 30% range.

So is that still a target you think you can get to in the back half of the year? Is that more turning into a longer-term target as we get more of the adult-use maybe catalysts that come to fruition for you?

Richard Tarapchak^ Aaron, it's Rich. Yes. I think to think about it in the manner of we're back to historical margins, we believe there was just a bunch of one-time items that actually impacted us this quarter that we're not anticipating. And we're a month in to the second quarter, we do have -- I certainly have confidence that those margins will be back to historical levels as we progress through the balance of the year.

Aaron Grey^ Okay. Great. That's great to hear. Last question for me, just on the retail stores, you've talked about some incremental opportunities to open them, JV structures that you've done, whether it be New Jersey or Connecticut.

So can you talk about how that model has worked out for you?

It seems like there's still more opportunities for that, particularly for New Jersey. And are you seeing other states maybe see that and look to adopt those models as you're seeing some of the smaller mom-and-pops either struggle to stay open or get operations going after receiving a license?

George Archos^ Thanks. So far for us, the JVs have been working out well.

We started here really in Connecticut, and those opportunities have done very well for us.

We have one more opening up soon in Enfield, which for us is a great location. Very excited about that store. The New Jersey store, too, that was our trial run, also been going very well.

So there is more opportunity. And I think based on what's happening here in Illinois and some of these other states, the legislature is going to have to, at some point, allow these social equity holders and other applicants to be able to sell to companies like ours, I believe, in order to provide them the ability to be more successful.

We do have the operational bandwidth.

We have the know-how to be able to partner up with these individuals and create more success.

So I think by us trialing some of these out in certain states, it provides us also a base case to be able to go to different legislators in various states and show them how the success has worked for both parties.

So I feel moving forward, these are -- there's going to be way more opportunities than what we currently have to be able to go deeper into the states that are important to us, like the Maryland, like the Ohio, et cetera.

So we'll see how it pans out.

But so far, overall success, we're happy with it, and we're going to continue to do what we can wherever we can.

Operator^ And your next question comes from the line of Russell Stanley with Beacon Securities.

Russell Stanley^ Maybe first on Virginia, you mentioned adding some new SKUs there. Just wondering how the pace of growth in [that] markets compared with your expectations when you acquired the operations. And if you can talk to -- I think in the last call you noted plans to expand both your vertical integration in the state and your wholesale markets.

So I'd love to hear how you're progressing on those fronts.

George Archos^ Thanks, Russ. Virginia was an amazing acquisition for us. The business continues to grow. Although modestly, it still has a nice growth curve in the medical market.

Our vertical mix, we haven't pushed it too hard because we want to make sure that the patients transition over slowly.

So the vertical mix has been increasing. And it's -- we're going to -- I think that trend will continue throughout the rest of the year. And also, I think that's one of the states that's going to go AU for us.

Obviously you saw that just passed with the governor exiting soon.

We believe that the next incoming governor will work with them to be able to pass adult use, and that will be a game changer, I believe, for Verano. Wholesale is also moving along nicely. All the operators that are vertically integrated, they have their own product, but we are increasing wholesale there as well.

So overall, very happy with Virginia, and I think it will be a massive catalyst for Verano in the future -- in the near future.

Russell Stanley^ Great. And maybe just around the CapEx guidance, it looks like a modest increase over the prior guide.

I'm just wondering what's behind that.

Is that -- does that represent opportunities that you've recently discovered that you want to take advantage of now? Or is this pulling forward maybe a little bit of work that otherwise would have spilled into '26?

George Archos^ For me, one of our biggest focuses for the year was really a focus on the quality of our product and really getting back to what I want to have in every [yard], in every bag of every item that we sell. And so we're putting some more dollars into our facilities.

We're in our 11th year of business here.

So there's some maintenance CapEx that we want to get done.

We want to make sure our facilities are top notch. And so we're spending a little bit more money in our CPG facilities, and we're moving around some stores that we believe will provide a better opportunity.

So that's why there's a little bump there, but we believe that, that little spend will provide great yields for us.

Operator^ And our next question comes from the line of Bill Kirk with ROTH Capital Partners.

Nicholas Anderson^ This is Nick for Bill.

First one for me, just on the competitive environment.

We're seeing sustained price compression. Just off that, I'm wondering if you've seen any notable consolidation among the smaller operators yet who maybe don't have the same scale as the larger guys.

So how are these smaller companies managing to stay around?

And are you expecting any changes to the number of competitors you're dealing with in the near future?

George Archos^ Appreciate it. Good question.

I mean you're seeing what we're seeing.

I don't have an exact list of who's consolidating.

I will tell you in markets that we're in, we are hearing of some of the smaller operators combining.

I think there's been some pretty good activity in Arizona, a couple of other markets, and we're also seeing people drop off.

I know there in Illinois, there's quite a few stores that are starting to feel the pain as well as in other markets, Massachusetts, et cetera.

So I think over time here, the business -- as any other business, something that scales up so quickly and not been that fast over the last 10 years, there's going to be a leveling out period.

So for us, it's important to be able to continue our success and make it on the other side, right? (Inaudible) talk about Thrive in '25.

What does that really mean? Yes. We might see some headwinds in our business and pricing compression, et cetera.

But overall, the roller coaster ride, we anticipate winning at the end, right?

So we're going to continue to be aggressive in the markets that we can be where the pricing pressure, you just -- it's an opportunity for us to become more efficient in our facilities, do better, and that's what we're going to do.

Nicholas Anderson^ I appreciate that color.

Second for me, just on 4/20 in the basket there.

It sounds like unit volumes were nicely up for the industry, but consumers were still kind of trading down for value. Just wondering if you could share any color around what your 4/20 looks like and if there are any kind of discernible changes in that basket year-over-year?

George Archos^ 4/20 is one of those unique holidays.

It's a fun week, but there's not a huge bump overall in the month, right? Because you're selling a lot more units in that one week and then you see a pretty significant drop off in the next two weeks.

So we've never -- over the years that we've been doing this, we've never seen 4/20 is a massive increase in sales in the quarter.

But it's an opportunity to bring in new people that are excited about cannabis, show them what we do, get some products in their hands.

So I think what it does is it elevates the business overall moving forward because you're bringing in new people.

But it's not a big bump in sales if you take the overall quarter and put 4/20 in there because although you see a massive spike that week, you definitely see the dropoff in the couple of weeks after.

Operator^ And our next question comes from the line of Frederico Gomes with ATB Capital Markets.

Frederico Gomes^ First question on your cash flow outlook for the year.

I know that free cash flow was negative this quarter.

It appears that you made some tax payments there.

So just considering the tax payable balance elimination that you're planning in Q3 and also, I guess, the maturity you have coming due in 2026, and I think you expressed the interest of repaying a portion of that previously how should we think about free cash flow for the year and your cash balance in 2025?

George Archos^ Thanks for the question, Frederico.

So from a cash perspective, as you saw in our release, we did pay about \$32 million on federal taxes in the quarter.

We're going to do something similar between Q2 and Q3. And then really after that, our current tax balance becomes fairly small.

We'll just make the regular estimated payments in that.

So we have a bigger cash outflow in the beginning of the first half of the year.

In the back half of the year, you're not going to see that.

So we are going to have certainly just even from that aspect, higher generation of cash available for use here.

And then we are evaluating potentially paying down another \$50 million.

We do have the ability in our credit facility to pay \$50 million more without any prepayment penalty. And with cash available, we would look to do that in the back half of the year.

Frederico Gomes^ Perfect. And second question, you mentioned the strong results in Florida.

We obviously see that you have been regaining share quite rapidly in Florida.

I'm curious about the discounting environment that you're seeing in that state and your outlook for continued growth, maybe continued market share gains through this year.

George Archos^ I think what we've done is kind of regain what we had. And we feel pretty confident of the stability of the business in Florida.

Seasonality, obviously will affect that business here in the coming months.

But we're very happy with the momentum that we gained back in Florida.

It's something we talked about last year.

We took a substantial part of the facility down to make upgrades, and that has been fantastic for us.

But Florida is doing well. You see increased patient count.

We're very happy with our store count.

We'll add a very small amount of stores this year.

So I think the trend will continue, but I think we're pretty comfortable with our market share gains.

And I don't know if we're going to see further gains.

I think it's probably flatlining a bit, but we're happy with that.

It's a great business, and we'll continue to work with the legislature there and hoping for an adult-use transition there in the next few years. There will be a new governor there soon as well and we'll work with everyone there and educate everyone we can, give tours.

And to the best of our ability, we will push adult use because that will be absolutely transformative, not only for Verano, but for the industry.

We still have that second -- that third facility that we were building there.

So we're poised for tremendous growth when that happens, and we're going to do everything we can to ensure it does.

Operator^ Our next question comes from the line of Matt Bottomley with Canaccord Genuity.

Matt Bottomley^ Just wondering if we can get a little more color on not the crystal ball element of Pennsylvania legislation here, but just where we are in that process? I know it's a June to June budget.

Obviously the governor said some positive things on it. And then what was filed and passed and one of the chambers, I think, had a consideration for state-run stores and what that might mean if that were to happen.

So just your view on where we are given that the Pennsylvania headlines seem to be accelerating a bit in the last couple of weeks.

George Archos^ Thanks, Matt.

We're working very closely with the legislator -- the legislature.

We're all over it.

We don't believe a state-run model is feasible for PA.

It's something that they're throwing out there, but it's not really feasible for any state to be selling cannabis, right?

It's a very difficult process.

So we're going to continue to watch.

We feel pretty positive about it. That's really all I can say at the moment.

But I think the opportunity is going to be, again, like VA in Florida, very strong for Verano, and we're hoping something happens towards the end of the year here.

So we're watching it.

Matt Bottomley^ Okay. Got it. And then just a follow-up to some of the comments on the tax payments here.

So \$32 million in the quarter, another similar type payment in the next six months from the calendar year.

Can you just remind me what is or not related to 280E?

Has your stance and strategy on that changed at all, something that was very topical around this time last year when everyone was reporting.

So just so we understand the nature of those payments or at least for me.

George Archos^ Sure.

So what we're doing and when we're talking about the payments, we are paying all of the non-280E taxes.

So we will basically be in effect, current by the end of Q2 or right at the beginning of Q3.

We haven't changed our stance on the 280E provision. You can see that in our [UTP] that is consistent with basically the rest of the industry out there.

But we -- with this strategy, we want to stay current on the non-280E taxes. And again, we're going to do that by the end of Q2, right at the beginning of Q3.

Operator^ There are no questions.

I will now turn the call back over to George Archos for closing remarks.

George Archos^ Thank you, everyone, for joining.

Have a great rest of your day. And we'll see you soon.

Operator^ Thank you, ladies and gentlemen, that concludes today's call. Thank you all for joining.

You may now disconnect.