Verano Holdings (Q1 2026)

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Corporate Speakers

- Steve Mazeika; Verano Holdings Corp.; Vice President, Investor Relations
- George Archos; Verano Holdings Corp.; Founder and Chief Executive Officer
- Rich Tarapchak; Verano Holdings Corp.; Chief Financial Officer
- Aaron Miles; Verano Holdings Corp.; Chief Investment Officer

Participants

- Bill Kirk; ROTH Capital Partners; Analyst
- Aaron Grey; Alliance Global Partners; Analyst
- Neal Gilmer; Haywood Securities; Analyst

PRESENTATION

Operator^ Good day. And thank you for standing by. Welcome to Verano Holdings First Quarter 2026 Earnings Conference Call. (Operator Instructions)

Please be advised today's conference is being recorded.

I would now like to hand the conference over to your first speaker today Steve Mazeika, Vice President, Investor Relations.

Please go ahead.

Steve Mazeika^ Thank you. And good morning, everyone. Welcome to Verano's first quarter 2026 earnings conference call.

I am joined today by George Archos, Founder and Chief Executive Officer; Rich Tarapchak, Chief Financial Officer; and Aaron Miles, Chief Investment Officer.

During this call we will discuss our business outlook and make forward-looking statements within the meaning of applicable U.S. and Canadian securities laws which are based on management's current assumptions and expectations.

Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance and achievements of the business or developments in the company's industry to differ materially from those implied by such forward-looking statements.

Actual events or results could differ considerably due to risks and uncertainties mentioned in our filings on EDGAR and SEDAR including our financial statements for the quarter ended March 31, 2026.

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 and industry data that is mentioned during this call is derived from Hoodie Analytics 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.

Before outlining our first quarter results, I would like to acknowledge last week's transformative announcement that state licensed medical cannabis has been rescheduled to Schedule III with immediate effect.

We are beyond grateful for President Trump and acting attorney of General Blanche's leadership and commitment to reschedule medical cannabis to Schedule III which promises to unlock the full medical, research and commercial potential of America's next great industry.

In many ways, this announcement is personal for me and represents a full circle moment after founding Verano as a medical cannabis company in our home state of Illinois more than a decade ago.

I was inspired to enter the cannabis space after seeing its potential as an effective alternative plant medicine and that medical and patient-first ethos has always been ingrained in Verano's DNA.

With the U.S. government now officially acknowledging the medicinal value of the plant, we hope that powerful endorsement sends a clear signal that legitimizes cannabis as a federally recognized alternative medicine and creates new pathways for patient access nationwide.

After starting 2026 on a high note by announcing our $195 million credit facility and posting solid year-end results, I am proud of our team for keeping the momentum going with a strong first quarter, highlighted by revenue growth for the second straight quarter.

Given our business performance and catalysts including the recent Schedule III designation, this morning, we were pleased to announce a share repurchase authorization of up to $20 million of company stock.

We believe the repurchase authorization provides Verano another strategic outlet to unlock value for the company and our stockholders including strengthening the balance sheet and accretive M&A opportunities.

We generated $208 million in first quarter revenue, an increase of $2 million sequentially and a decrease of $2 million versus the prior year period. The increase in total revenue versus the fourth quarter was primarily driven by strong retail performance and the slight decrease versus the prior year was due to increased competition and promotional activity in wholesale markets.

Retail revenue was $172 million, an increase of $2 million sequentially and $3 million versus the prior year period. The positive retail results were driven by revenue increases in key markets including Pennsylvania, Maryland, Arizona, Nevada, Florida and West Virginia.

I'm proud of our team for generating retail growth in the first quarter, particularly following the busy fourth quarter holiday shopping season.

On the wholesale side, excluding intersegment eliminations, first quarter revenue was $79 million, a decrease of $5 million sequentially and slightly lower than the prior year period. However third-party wholesale sales held steady, remaining in line with the fourth quarter.

Gross profit was $99 million or 48% of revenue, and adjusted EBITDA was $49 million or 24% of revenue.

Looking ahead, we plan to maintain our laser focus on generating cost savings and operational efficiencies across the business throughout 2026.

On the operations front, we aim to sustain the market share momentum we built over the course of 2025 by launching new products across high-growth categories. After finishing 2025 with top three share positions in every category we compete in, we kicked off 2026 with the launch of Swift Lifts as a stand-alone national pre-roll brand in January, and by the end of the first quarter, they were already the number 5 selling pre-roll brand across launch markets.

We've also supercharged our HYPHEN Vape Pod system with large formats and live resin options and expanded HYPHEN across additional markets including Florida earlier this month, which has contributed to sustained quarterly market share gains in the Vape category over the last year.

And from an overall Verano house brand standpoint, we ended the first quarter with share gains across the majority of our markets compared to the fourth quarter and aim to continue strengthening our business and product portfolio with new innovation throughout this year.

We've continued elevating our CPG operations by scaling automation and technology and activating additional capacity improvements to increase yields and meet higher demand. Thus far in 2026, we've also opened three new MUV dispensaries, elevating our retail footprint to 85 Florida locations and 162 nationwide.

As we strategically evaluate retail expansion opportunities, we anticipate opening approximately five to 10 new dispensaries in 2026, primarily in Florida.

We also plan to implement additional retail enhancements across our footprint to ensure Zen Leaf and MUV continue to serve as best-in-class dispensary destinations for medical patients and adult-use customers.

Before passing over to Rich, I am proud of our team for executing another great 4/20 holiday this year by welcoming tens of thousands of visitors across our dispensaries and extending the holiday by rewarding loyalty members with great deals and in-store activations throughout the entire month of April.

Rich, over to you.

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

First quarter revenue was $208 million, an increase of $2 million sequentially and a decrease of $2 million versus the prior year period.

As George touched on, strong retail performance was the primary driver of our first quarter results and sequential revenue growth and the slight decrease in revenue versus the prior year period was due to increased competition and promotional activity in the wholesale segment.

Retail revenue was $172 million in the first quarter, an increase of $2 million sequentially and $3 million versus the prior period.

On the wholesale side, excluding intersegment eliminations, revenue was $79 million in the first quarter, a decrease of $5 million sequentially and a slight decrease versus the prior year period.

Focusing on third-party wholesale sales, revenue was in line with the fourth quarter, which is notable given the holiday shopping rush during that period and typical seasonality in the first quarter.

Gross profit was $99 million or 48% of revenue, a decrease of $7 million versus the prior quarter and down slightly versus the prior year period, driven primarily by an increase in promotional activity in the first quarter and impacts from lower CPG inventory.

Adjusted EBITDA for the quarter was $49 million or 24% of revenue, a decrease of $7 million versus the prior period and $5 million versus the prior year period. We expect a similar margin profile in Q2 and anticipate margins will improve throughout the back half of 2026.

SG&A expenses were $86 million, in line with the prior quarter and up slightly versus the prior year period, driven by new store openings and timing of expenses. This year, we plan to continue the successful efficiency and cost management efforts we executed in 2025 that led to a $16 million decrease in SG&A expenses on an annual basis versus 2024. We remain confident in our ability to gain further efficiencies and lower SG&A expenses in 2026 versus the prior year.

We had a net loss of $18 million in the first quarter which included debt extinguishment costs of $6 million compared to a net loss of $183 million in the fourth quarter. In the prior year period, we had a net loss of $12 million which included a $5 million gain on deconsolidation in the quarter.

CapEx spending for the first quarter was $15 million, an increase of $6 million versus the prior quarter. We're maintaining our previous full year CapEx guidance in the range of $30 million to $50 million for 2026, pending legislative updates that would influence the timing of potential projects.

Turning to the balance sheet. Cash flow from operations was $19 million in the first quarter, and we ended the quarter with $74 million in cash and cash equivalents. Overall, we anticipate generating stronger cash flow from operations in 2026, particularly in the back half of the year due to income tax payable reductions and inventory growth in 2025 which will not reoccur in 2026.

From a capital and finance perspective, after securing our $195 million senior term loan with what we believe are some of the industry's most favorable terms, we expect our new credit agreement will significantly lower our cost of capital and position Verano ahead of future opportunities including accretive M&A and debt reductions.

Given the anticipated cash flow increases we expect this year, consecutive revenue growth and positive benefits from medical cannabis rescheduling, we authorized a share repurchase program of up to $20 million. We believe the repurchase authorization provides Verano another strategic outlet to deploy capital in the pursuit of growth initiatives and leverage industry catalysts over the next 12 months.

Lastly, echoing George's comments, we are thrilled that the administration has completed the rescheduling of medical cannabis to Schedule III. With medical sales accounting for nearly 60% of our retail revenue in the first quarter, given its immediate effect on April 22, the initial medical rescheduling designation will provide Verano with near-term benefits from a tax perspective.

Pending next steps and the outcome of hearings set to commence on June 29, we will monitor any guidance provided by the Treasury Department and IRS on prospective full year 280E tax removal including the potential for any retroactive relief as recommended by the Attorney General.

We also remain engaged with the major U.S. exchanges to ensure we are aligned on the latest news out of Washington and that we continue preparing Verano for potential U.S. capital markets opportunities in the future.

George, back to you.

George Archos^ Thanks, Rich.

Before closing with further comments on rescheduling, at the state level, despite shifting timelines, we remain incredibly excited for a number of potential catalysts across our footprint in the coming years, particularly in four highly populated U.S. markets that are primed for major medical and adult-use expansions: Florida, Pennsylvania, Virginia and Texas.

The ongoing strength of our Florida business demonstrates our ability to continue growing in the current medical program, especially following last week's medical cannabis rescheduling announcement and prospective 280E tax relief for our largest state market by revenue. With a robust new product pipeline and additional dispensary openings planned throughout the year, our future remains bright in the sunshine state.

In Virginia, as the governor and lawmakers continue dialogue over the proposed passage of adult-use legislation, we will be more than prepared to welcome an influx of new visitors to our six Virginia Beach area dispensaries whenever the historic launch of retail adult-use sales commence.

In Texas, we were pleased to see state officials award three more applicants, signaling their intention to proceed with establishing a significantly expanded medical program. We look forward to collaborating with state officials on next steps in the process that we hope will lead to the commencement of operations in 2027.

And in Pennsylvania, the governor and legislators continue holding robust adult-use conversations that aim to deliver much needed revenue and bring the state in line with most of its neighbors. With vertical operations that include 18 affiliated dispensaries spread across Pennsylvania, we will be ready to welcome adult-use guests when state leaders finally agree to a path forward and pass adult-use legislation, retaining critical revenue and economic activity within their own borders.

On the federal level, we are beyond excited for the monumental step that rescheduling medical cannabis signifies for Verano, the industry and society at large. The Attorney General's announcement made clear that state licensed medical cannabis sales are no longer subject to 280E taxes.

As Rich mentioned, with almost 60% of our retail revenue derived from medical cannabis sales in the first quarter, we are in a position to immediately benefit from the medical rescheduling ruling from a tax perspective which we are actively evaluating as more information and guidance from the Treasury Department and IRS becomes available. We will closely monitor next steps, including clarification from the Secretary of the Treasury, following the

Attorney General's recommendation to grant retrospective 280E tax relief for years a state licenses operated under a state medical marijuana license, or potentially based on the 2023 timing of the HHS department's original rescheduling announcement.

We are ready to complete all required due diligence associated with the DEA registration process to ensure Verano is issued a DEA license and becomes a federally legal business upon the conclusion of the six-month review period.

As rescheduling next steps proceed, including the initiation of an expedited administrative hearing process to consider the broader rescheduling of marijuana to Schedule III on June 29, we will remain highly engaged with all stakeholders to ensure we are aligning our business with the latest federal guidance.

In closing, I am incredibly proud of our team for delivering a solid start to 2026 and continuing our focus on serving top-quality products, strengthening our financial foundation for the future, and providing best-in-class service and dispensary experiences for our guests.

Thanks again to President Trump's cannabis rescheduling commitment, expanding access, increasing medical research and confirming its proven medicinal value are no longer promises. They are reality.

With the foundation now in place for a new era of cannabis medicine, we've never been more confident in the bright future ahead for Verano, the industry and the health and wellness of millions of Americans nationwide.

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

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) Our first question comes from Bill Kirk from ROTH Capital Partners.

Bill Kirk^ And what a time. Exciting times.

So I guess on the 280E side, George, you outlined kind of two scenarios around the retrospective relief or the potential for retrospective relief.

One scenario was basically since you had medical licenses and the other scenario was since the 2023 recommendation. And so I guess how do you handicap those two possible scenarios?

And can you quantify roughly the difference between those two scenarios and what it would mean for cash retrospective relief or refunds?

George Archos^ Good morning, Bill. Thank you for the question. How do we handicap those? Great question.

The HHS recommendation was made in 2023 and the ALJ hearing with the Biden administration was paused. So what happened with the ruling last week, there's really no difference between 2023 and 2026, the same medicinal plant. So we feel pretty confident that there will be some action there.

Prior to that, we'll see. We'll wait for IRS guidance, and we're going to work with Treasury and IRS and see what we can do there. And as far as quantifying that, it's a little -- I can have Rich get into it, but the numbers, they skew year-to-year from medical to adult use.

So we're going to put some work into that, kind of we'll leave it there for you, Bill.

Bill Kirk^ Okay. It's our job, right? So I like that.

So on the conversations with the exchanges, how important is the DEA approval process, right? We saw the portal open yesterday. Is that something the exchanges have committed that they'd like to see, need to see? Like how big is that DEA stamp of approval or permit in terms of the conversations with the exchanges?

George Archos^ I'll give you my opinion, then I'll pass it off to Aaron since that's his area of expertise.

I believe that with the federal DEA license, we become a federally legal business which should give another nod to the exchanges to be able to include us.

That being said, I'll let Aaron comment further.

Aaron Miles^ Hi, Bill. As you can imagine, I mean everybody is in the situation right now where they're processing all the information and understanding what these moves mean.

But as George mentioned, being a legal business is a big hurdle for us to get over right now. I mean there's nothing in the by laws that precluding -- preclude us from being listed. It's just the exchanges are choosing not to based on the federal illegality of the product. And so when you actually start to get more approval and more acceptance at the federal level, you can imagine that will just further strengthen our case.

So more to come on that, you can imagine we're keeping our head down and making sure that we're staying very close to these institutions and not missing any opportunities. And this is a big reason why we've made some of the other moves that we've made to re-domesticate into the U.S. and we're on a senior exchange in Canada, and we're really trying to support the stock and strengthen the stock as much as we can with the share repurchase authorization.

So we're making the moves we can. And then once we get the okay. We'll be ready to react.

Operator^ Our next question comes from Aaron Grey with AGP.

Aaron Grey^ And again big news last week for you guys and the whole industry on rescheduling.

I want to kind of piggyback off some of the questions that Bill asked, more specifically in terms of how we think about the near term between steps of state medical cannabis and step two potential full plant rescheduling.

Talking about some of the scenarios you guys laid out in terms of capital markets and otherwise. Are there any meaningful changes to be made potentially in the near term in terms of structure of the business as you're having these conversations in the current state medical-only market?

Or would it be more likely maybe that you wait until step two where there's whole plant rescheduling and having a more broader conversation around the whole business before you made any types of decisions and being more aggressive to get on the exchanges earlier?

George Archos^ Thank you for the questions. We've been preparing for this for quite some time.

So the re-domestication into the U.S. was a big component of that. Very proud of the team for making that happen and being one of the early movers there.

As you saw, we announced today our finance team is ready to really make it happen in that perspective. So we've made a lot of moves here and build the team up to be able to make the transition into the U.S.

As far as other changes, we've done quite a few things here with step one and step two in this rescheduling process. We're looking at the business in different ways we can take advantage of movement of different people, processes, et cetera, within our CPG facilities and the dispensaries.

So we're going to take some time and evaluate all those things, and we'll get back to you on that. But a lot of positive momentum here. And I know everyone wants us to comment on 280E, but we had an outstanding quarter.

Very proud of the team here and what we've done and what we've continued to do here over the past 18 months and really gain some traction in every market that we're operating in.

Aaron Grey^ Great. Really appreciate that color, George. Federal scheduling, a big step.

Second, just an improvement in terms of top line growth. 2026, you talked about some of the cash flow improvement.

It seems like for the years ahead, you have a lot of positive top line growth potentially for Virginia, Texas coming online. So how important do you think that it is for that top line to return to the company?

And maybe talk about some of the CapEx initiatives that you have in place of $30 million to $50 million to help ensure that you capitalize on those growth opportunities that will be coming up for you guys in the near term?

George Archos^ Yes. Thanks, Aaron.

I mean listen, for us, we've really turned the tide. So our products are in high demand everywhere. We're adding canopy everywhere we can because we've really -- retail business is doing very well.

Wholesale is picking up, with the AR strategy we put in place over a year ago has really helped, and we dialed in kind of our customers and helping them become good paying customers and giving them the products they need. So really great momentum there.

But we've made a lot of shifts in our retail environment and in our CPG, and we're in the middle of expansions in multiple places. So it's great to see the tide turn.

And the $30 million to $50 million will be deployed in multiple markets. We'll have retail expansion, again continued CPG expansion in certain markets.

So -- and that could change based on timing in Texas and when that becomes -- when that license becomes flips over and they go through the diligence process.

Same with Virginia. It's -- even though we're currently under expansion there, depending on what happens with the bill, we might supercharge some more growth there as well.

So it's -- right now we're keeping the 30% to 50% range, but that could change towards the end of the year.

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

Neal Gilmer^ Obviously, positive development from last week which is great. Maybe just pivoting from that just a little bit more on the quarter, the comment with respect to the margins being impacted by some promotional activity in the quarter. Maybe a quarter maybe you could just dive a little bit deeper in that, whether there's particular markets where you're seeing some of that promotional activity pinching the margins slightly.

George Archos^ Yes. I'm going to pass it over to Rich, and he can explain that a little further for you.

Rich Tarapchak^ So Neal, two things that occurred in the quarter. One is actually inventories came down. And I know it doesn't show that on the balance sheet, but actually our CPG inventory did come down. The piece that went up was actually hardware.

We had to buy hardware early because of Chinese New Year. So that actually impacted our margins as we took that down. There's higher margin -- excuse me, higher cost products that we're having to work through and that's impacting our margins.

So that happened in Q1. We expect we'll see some of that in Q2.

And then on the promotional side, we're doing a lot of things out there to kind of build growth in our retail operation. You could see the sales increase benefiting from that. So it's kind of a trade-off of getting people into the store, a little bit of promotion activity.

But overall, we feel really comfortable because of all the work that's been done on the retail side, you're starting to see some incremental growth versus what we had in last year.

So we're on a good path. We're on a good path.

Neal Gilmer^ Great. And maybe, Rich, I'll stick with you for my follow-up question. Just you commented in your prepared remarks about the $16 million in SG&A that you're able to take out of the business in '25 versus '24. and that you still see opportunity for that?

Do you see sort of a similar sort of magnitude in '26? Or how should we be thinking about what sort of further cost savings you're able to achieve this year?

Rich Tarapchak^ So it may not be exactly the same as '25, but what you'll see is in the next subsequent quarters, we're going to have a couple -- certainly have a couple of million dollar reduction in SG&A each of those quarters out there. There's a lot of stuff that we did in '25 that is coming through.

We are getting more efficiencies. We've really focused on the cost of the business. And again it didn't reflect as much in Q1 because of some of the timing of some of the expenditures.

But I think what you'll see is in the subsequent quarters, you'll continue to see SG&A costs drop as we continue to become more efficient out there.

Operator^ This concludes the question-and-answer session.

I will now turn it back over to George Archos, CEO, for closing remarks.

George Archos^ Thank you, everyone.

Have a great day and a great weekend.

Operator^ Thank you for your participation in today's conference. This does conclude the program. You may now disconnect.