Verano Holdings (Q3 2026 Earnings)
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Corporate Speakers:

- Steve Mazeika; Verano Holdings Corporation; Vice President, Corporate Communications and Investor Relations
- George Archos; Verano Holdings Corporation; Founder and Chief Executive Officer
- Richard Tarapchak; Verano Holdings Corporation; Chief Financial Officer

Participants:

- Aaron Grey; Alliance Global Partners; Analyst
- William Kirk; ROTH Capital Partners; Analyst
- Kenric Tyghe; Canaccord; Analyst
- Frederico Gomes; ATB Cormat Capital Markets; Analyst
- Neal Gilmer; Haywood Securities; Analyst

PRESENTATION

Operator^ Good day. Thank you for standing by. Welcome to the Verano Holdings Corporation Third Quarter 2026 Earnings Conference Call.

Please be advised that today's conference is being recorded.

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

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

I'm joined today by George Archos, Founder and Chief Executive Officer; Richard 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 considerably from those implied by such forward-looking statements.

Actual events or results could differ considerably due to risks and uncertainties mentioned in our filings on EDGAR and SEDAR+ including our financial statements for the quarter ended September 30, 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. 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.

On an annual basis, our third quarter and year-to-date results reflect strong organic growth and a significant increase in cash flow from operations. and I am proud of our teams for driving continued momentum throughout the year.

Revenue for the quarter was $212 million, up $10 million or 5% on an annual basis, demonstrating the year-over-year organic growth we're generating from the strength of our retail business, new product launches and opening five new dispensaries in two states since the third quarter of last year.

We generated strong organic growth for our retail business after driving year-over-year revenue gains from 11 of our 13 markets, resulting in $179 million in third quarter retail revenue and increase of $15 million or 9% compared to the prior-year period.

Our team has done a tremendous job methodically executing our retail strategy which has been a significant contributor to the 4% increase in overall year-to-date 2026 revenue we've generated through September 30 versus the same period in 2025.

Excluding intersegment eliminations, third quarter wholesale revenue was $74 million, a decrease of $8 million on an annual basis, reflecting a period of lower wholesale campaign and promotional activity. Third quarter adjusted EBITDA was $50 million or 24% of revenue, consistent with our year-to-date margin profile.

On the CPG and operations front, we continued implementing new cultivation enhancements during the quarter that increased yields and output which we are scaling across additional facilities this year.

We introduced our first beverage brand Easy Landings in Arizona, Illinois, Nevada and New Jersey, reaching the number five cumulative share position across launch markets and expanded partnerships with a number of major brands including launching Grow Sciences in New Jersey and adding Raw Garden and Edie Parker products in New Jersey and Florida, respectively.

We've also scaled new product innovation throughout the year including Swift Lips. They are now available in seven states, command the number five market share position in the pre-roll category and are scheduled to launch in Florida during the fourth quarter.

Our Hypen Vape Pod platform also continues to gain traction after launching in additional states, contributing to Verano brands capturing the number four vape category market share position across our national footprint.

From a retail marketing perspective, the investments we've made continue to pay off in the form of increased transactions which grew 9% in the third quarter versus the prior-year period. Throughout 2026, we strengthened our retail footprint with strategic expansions and optimizations across multiple markets.

In the third quarter, we expanded our Florida operations with the addition of Move Bradfordville, elevating our statewide footprint to 86 locations. We see tremendous opportunity for continued growth in Florida and plan to further expand our retail operations with several new dispensaries on track to open by the end of this year.

We also leveraged strategic opportunities to relocate existing dispensaries to sites that offer greater amenities and convenience including moving Zen Leaf Meriden in Connecticut to an optimized space adjacent to its former home. And Zen Leaf Ephrata in Pennsylvania, where we will host a grand opening ceremony tomorrow.

Recent regulatory updates have also unlocked opportunities in select markets including Illinois, where we've extended hours, added curbside pickup and converted nearly all our dispensaries to dual adult and medical use and Ohio, where we're currently adding drive-thru service at several dispensaries to increase accessibility and convenience for our guests.

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

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

The third quarter featured strong organic growth versus the prior-year period, highlighted by $212 million in revenue, an increase of $10 million or 5% and a significant improvement in cash flow from operations. The revenue growth we generated versus the prior-year period is driven by strong retail results, new store openings and new product performance with notable strength in key markets including Maryland, Florida, Pennsylvania and Virginia.

On the wholesale side, excluding intersegment eliminations, revenue was $74 million in the quarter, a decrease of $8 million versus the prior-year period, driven primarily by lower wholesale campaign and promotional activity during the quarter. Year-to-date 2026 wholesale revenue is just 1% lower than the same nine-month period in 2025. And as a result of our ongoing accounts receivable strategy, our outstanding accounts receivable balances are at their lowest levels since the first quarter of 2023.

Gross profit was $100 million or 47% of revenue, an increase of $5 million versus the prior-year period. Adjusted EBITDA for the quarter was $50 million or 24% of revenue.

SG&A expenses were $85 million, up $4 million versus the prior-year period. While retail openings and marketing expenses contributed to higher SG&A costs during the quarter on an annual basis, we remain confident in our ability to lower SG&A expenses for the remainder of 2026.

We had a net loss of $4 million in the third quarter compared to a net loss of $44 million in the prior-year period, primarily due to lower income tax expense. CapEx spending for the third quarter was $13 million, an increase of $5 million versus the prior-year period.

We strategically accelerated certain projects spanning retail expansion, CPG and cultivation enhancements that we believe will benefit the business in 2027. And as a result, we're updating our expected full year 2026 CapEx spending to range between $54 million and $60 million.

Turning to the balance sheet. We generated strong cash flow from operations of $49 million in the third quarter, the highest quarterly level we've achieved in nearly four years.

We ended the quarter with $102 million in cash and cash equivalents and remain confident in our ability to continue generating strong cash flow through the end of 2026.

From a capital and finance perspective, after completing a number of strategic initiatives throughout the past year aimed at broadening access to U.S. capital markets and U.S. stock exchange listing opportunities, we've continued actively repurchasing Verano stock with approximately $2 million in stock repurchases during the third quarter, building on the $2 million in stock repurchases we completed in the second quarter.

I'm proud of the team for what we've achieved through 2026. And as we approach the holiday season, we will continue to focus on cash flow generation and margin expansion in closing out the remainder of this year.

George, back to you.

George Archos^ Thanks, Rich.

From a legislative standpoint, at the state level, following the passage of major reforms in our home state of Illinois including a significant increase in purchase allotments, we quickly got to work implementing extended hours, curbside pickup and expanding medical licenses at our Illinois Zen Leaf locations.

Per state data, these changes already elevated the entire Illinois market versus the prior-year period and contributed to meaningful growth for our Illinois retail business during the quarter after our team incorporated various enhancements to all of our dispensaries.

We've also seen continued growth for the entire Ohio market following the state's hemp ban taking effect at the end of March.

According to state data, total receipts were up 25% at the end of the third quarter versus the end of the first quarter, a notable positive trend that correlates with the start of the hemp ban which indicates hemp consumers are shifting towards licensed dispensaries.

We hope that recent approvals by state regulators that permit a variety of new enhancements we plan to implement across our footprint including drive-thru and larger format products will be a catalyst for continued growth in Ohio moving forward.

In Florida, as the medical program approaches one million registered patients with a pipeline of new movie dispensaries scheduled to open in the months ahead, we remain very optimistic on our business trajectory heading into 2027. Following next week's elections, we look forward to working collaboratively with a new administration to discuss enhancements to Florida's medical program that may benefit patients, businesses and community statewide.

And in Pennsylvania, we hope that adult-use discussions will gain new traction post elections and finally push an adult-use program over the finish line which will generate much needed revenue and bring the state in line with the majority of its neighbors.

In Virginia, we've continued preparing our operations in advance of next year's exciting retail adult-use sales launch.

We've recently brought more cultivation capacity online with the opening of our second facility which will unlock additional supply ahead of the significant increase in demand we expect next summer.

Additionally, as we prepare for anticipated market growth and expansion following the launch of retail adult-use sales, we will continue to evaluate future opportunities to optimize our footprint and better serve our valued patients and customers in the Commonwealth. After completing five state conversions across the country since 2020 alone, we have a well-established playbook that we continue to sharpen and we will be more than ready to serve patients and adult-use customers during the height of summer vacation season in beautiful Virginia Beach, a region with more than 14 million annual tourists.

On the federal side, as we await further updates on the potential rescheduling of the whole cannabis plant and additional reforms that may follow, we have been working collaboratively with DEA officials on inspections and related activities of our state licensed medical cannabis businesses.

Despite shifting timelines and ongoing deliberations, it's worth reflecting on the significant cannabis reforms that have been enacted in just the last year alone. After a decade in this business weathering the ups and downs, I remain optimistic that between rescheduling, potential banking reforms and the intended closure of the hemp loophole, legal cannabis businesses like Verano are well positioned to benefit from multiple policy shifts that may even out the playing field by allowing us to operate like any other normal business from a tax and regulatory perspective.

In the interim, looking ahead to next week's elections, we will continue to engage with elected officials and prepare our business ahead of opportunities that may follow concrete reforms including expansions in new and existing markets and listing Verano stock on a U.S. exchange in the future.

As we close the books on another quarter highlighted by strong annual growth, cash generation and the continued expansion of our national operations, I remain grateful for the contributions of our Verano team members and for the guests who visit us across the country every single day.

With a variety of potential catalysts on the horizon for the company and the industry heading into the holiday season and beyond, I'm proud of what we accomplished this year and optimistic that we'll have plenty of milestones to celebrate as we make history in Virginia and drive forward progress for cannabis reform in 2027.

Operator, you may now open the line for questions.

QUESTIONS AND ANSWERS

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

Aaron Grey^ First question for me, just regarding the wholesale business and the lower promotional activity that you mentioned in the quarter.

Could you maybe give maybe broader commentary in terms of the overall pricing environment and the ability to drive growth through third-party wholesale channel at attractive margins?

I know it obviously varies state by state, but just given your overall picture of how you see opportunity to drive growth through that channel.

George Archos^ Aaron, wholesale has been a story for us the last couple of years. We're monitoring how we're selling, who we're selling to.

In the face of pricing pressure, we want to make sure that we don't sell our products at levels that hurt our business.

So -- and the other most important thing for us is we're selling to customers that actually pay.

So we've been seeing a nice uptick since we started the process last year, a little bit of a slowdown in Q3. Some of that is seasonality in some of the markets that we normally see year-over-year. But we're monitoring it, and we expect some growth in wholesale here moving forward.

But it's one of those things where you see our business on the retail side, how much we focus on it, we continue to grow it quarter-over-quarter here, and it's been great year-over-year. Wholesale is something we're monitoring.

With the pricing pressure in certain markets, sometimes it doesn't make sense for us to step into some competitiveness in certain SKUs that can hurt Verano in the future.

Aaron Grey^ Okay. Great. Appreciate that color, George.

Second question for me. Just with the intact canning hemp ban set and become effective December 11, -- can you talk about maybe some of the steps that you're taking to be able to catch some of the demand that could be captured from -- by the legal cannabis market and then maybe the different tools you have available to you in adult-use markets versus some medical-only markets such as Florida.

George Archos^ Yes, great question.

I mean for us, it's, for the most part, status quo. We're continuing to build our business. We've already seen in certain markets the hemp customer coming into our dispensaries, which is great to see. We're explaining the safety and reliability and consistency of our products.

So we're hoping that, that continues across multiple markets versus a handful that we're seeing today. With some of the tools that we have available to us in certain markets where we're able to advertise and promote, I think we're going to increase some of our advertising and marketing capabilities.

So as the markets transition out of hemp, we're going to get the word out that here we are with safe, reliable cannabis in all of these different states.

In the medical states like Florida, we'll see -- we -- obviously we have a new administration coming in, and we have high hopes that, that medical program will expand and offer, again some abilities to advertise and push our stores and let people know that we exist, right?

Because in a state of 20-plus million people, you'd be surprised how many don't even know that there's a medical program there. It's not that difficult to get a card.

So where hemp is these intoxicating hemp shops have proliferated in Florida, I think there's significant upside there as well because you do get medical customers where if they don't have to go to a dispensary

and get a card, they're going to your gas station and they're buying something that's not necessarily healthy for them or beneficial.

So I think we'll see a big uptick in Florida if the hemp ban goes into effect in December.

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

William Kirk^ You talked a bit about yield and output improvement initiatives.

Could you help us with where you are maybe today and where you think that cultivation efficiency can go?

I mean basically, I'm looking for how far along do you think Verano is on that path that you see?

George Archos^ Yes, great question.

Over the past few years, we've done quite a bit of R&D and strains and fertigation and all these different things. In a handful of our facilities, we've implemented what we feel are best practices. Those improvements are going to continue over the next six months.

So we have a pretty significant upside in certain markets.

Now we're not doing it everywhere. We're doing it in the markets where we need the increased crop yield.

So you'll see some benefits over the next six months. Percentage-wise, depends on the market, you'll see 25% to 30-plus percent gains, and we're pretty excited about it. Team has been doing a tremendous job across the country, implementing these. And we just want to make sure that we never outpace the demand in the market with the supply.

So that it's a careful balance for us, but the efficiencies are coming.

William Kirk^ I appreciate you putting some numbers to that. The other one I had was on the capital spending. And basically, how much incremental capital spending is needed for Texas and Virginia?

And I guess how much of it is already in the 2026 guided CapEx range?

George Archos^ So Texas, we haven't spent much at all in the 2026 range. That will be '27 and beyond. And again, we're eagerly anticipating our license there, and we'll hit the ground running. We're already making preparations, and we have site selections, et cetera.

In Virginia, most of the spend has already occurred. We're waiting -- we announced that we're going to move a couple of stores. We're waiting for special use to come in.

So maybe a little bit of that spend will leak into 2027. But most of the cultivation upgrades, production upgrades, et cetera, have already occurred, and there will be a little bit more to the end of the year here, but that will be it.

So not a big CapEx spend in Virginia and '27. Texas will depend on timing of the licensure process.

William Kirk^ Exactly what I'm looking for.

Operator^ Our next question comes from Kenric Tyghe of Canaccord.

Kenric Tyghe^ George, just with respect to the step-up in CapEx, can you handicap for us your readiness in Virginia?

And second to that, in Florida with what is, call it, increased competitive intensity and/or people slowly starting to prep for adult use, how you're thinking about the evolution of the Florida market over the next year to 18 months and your positioning in it?

George Archos^ Kenric, so Virginia, I'd call us 90% prepared, right?

I want to get these stores moved which is important to us. We have a few things on the production side, some equipment that we're moving in, but we're almost there.

So we'll be way ahead of the game plan for July one launch. We're good. We're training our team there to be ready for the increased production, increased retail sales, et cetera.

So preparedness is very high for Virginia. Florida, I don't personally believe that AU is on the short-term horizon.

But what I do believe is with the new administration that we will get and what's happening on the federal front, we'll get a better medical program in Virginia and Florida with increased medical patients, the ability to add more form factors, et cetera.

Now all this has to come to fruition. This is my belief, but we're going to do everything we can to be able to push the medical program and make it better than what it is today.

Kenric Tyghe^ Then just on the hemp piece, I think everybody understands long term just how material that unlock is for growth within the legal industry.

But this quarter and next, how disruptive is the exit of some of those hemp players and/or the increased enforcement at the state level by states that have already enacted state-level legislation on pricing and promotional intensity in the market?

George Archos^ I think the only state you can really look at as a really good example at this point is Ohio, right?

So look at what's happened there. Despite what happens on the federal front or the state front, without enforcement, not much change occurs, right?

So it's difficult to say across the entire footprint what's going to happen with the hemp exit. What I can say is when the state gets involved and they actually go out and enforce, you get what's happening in Ohio which is an increase in the cannabis -- the legal cannabis business which is the way it should be.

So we anticipate at least on our side, our government affairs team, everything, we're going to do everything to work with our state regulators to be able to go out and enforce because it's not just for the benefit of our business, right?

This is about the safety of the consumer.

So when you prove that over and over and over again you show them what's happening and the tax benefits for these different municipalities and states that they get by shifting over to the legal side, they're all big bonuses for everyone.

So we're going to continue to work in every state that we're in with our regulators and with the legislative bodies to get the intoxicating hemp enforcement in place.

I think we'll see upside across the entire portfolio. It just might not happen day one, right? It's something that's going to take time.

Operator^ Our next question comes from the line of Frederico Gomez with ATB Cormat Capital Markets.

Frederico Gomes^ On the great cash flow generation this quarter.

I guess I want to ask a follow-up on the hemp ban and I guess looking at your footprint.

If we were to see volumes and sales increasing in other markets like we've seen in Ohio because of the Hem ban, how ready are you in terms of production capacity to serve that additional demand?

That's number one.

Then secondly, how well prepared do you think the overall cannabis regulated market is to serve that demand?

I mean do you anticipate that we're going to see some substantial tightness in terms of supply?

Or are the cannabis regulated players ready to actually ramp up production fast and serve that additional Hemp consumer?

George Archos^ Fred, great questions.

So the volume and sales increases, what we talked about earlier about our crop yields and all the R&D we've done.

I mean that's part of the reason we're implementing the additional CapEx in our cultivation facilities to increase yields because we feel based on what we've seen in Ohio, that there will be some demand outpacing what the current growth is in our portfolio based on the hemp ban, right?

So that's step one. All of that has helped us. Do I feel that there's going to be not enough supply?

I don't think so. What you've seen in all this pricing pressure in all these different markets, it's happening because of oversupply in these markets.

So what I think we'll see is a balancing out, right?

Because these facilities were all built before this intoxicating hemp loophole happened. And when the customer started transitioning from the dispensary to a gas station, you saw this oversupply creating all this pricing pressure in these markets.

So I think what we're going to see is a balancing out versus a deficiency in the supply-demand imbalance.

Frederico Gomes^ Great. Appreciate that clarity.

I guess second question here in terms of capital allocation. Obviously you raised your CapEx guide here. You're also buying back stock, but in terms of M&A, how are you thinking about it?

Any opportunities?

How is the overall pipeline looking?

George Archos^ Yes. Another great question. The CapEx guidance is -- obviously, we're raising that.

I think going into 2027, we have some good places to spend some capital to make some additional efficiencies. We've spent the last 18-plus months putting the business in a better place which is where we are today right?

And you've seen the cash flow generation. You're seeing the year-over-year growth and all of those things have brought us to a point where now we feel comfortable going back on an M&A run, right?

So we're going to be looking at different deals across the country, not that we've ever stopped. But for us, sometimes you have to pivot and look at what's happening in your own portfolio.

We got our organic growth back. We feel phenomenal about where we are today with our people, our processes, our products. And now we're looking at various M&A opportunities throughout the country, and there's some pretty good prospects out there.

So we're in the position to be able to transact, and we're looking.

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

Neal Gilmer^ Maybe almost like a follow-on to that with respect to the efficiencies and the increased yields that you're expecting over the course of the next six months that you referenced.

Is that going to have a positive impact on the gross margins?

Or will that just mostly offset any price compression?

Sort of how are you thinking about those dynamics as you get those increased yields and how that may flow through into the income statement?

George Archos^ Neal, you're spot on.

We do expect some gross margin improvement with the yield improvement because they're happening within the current footprint. It's not like we're adding a large amount of payroll, et cetera.

So the basics stay and the yield increases.

So we do expect some gross margin improvement where we've made the changes thus far on a four-wall analysis, we do have some gross margin improvement in those facilities.

So as we transition that and implement across the country, we should see some positive change. It also helps us with the pricing pressure, right?

As we continue to add yield in these current facilities, there might be opportunities for us as our costs drop to be able to get a little bit more aggressive on the wholesale side and push the business there a bit.

Neal Gilmer^ Great. Then, Rich, you made a comment in your prepared remarks with respect to the SG&A, and you're very confident about being able to lower that, I believe, going at least as I think you mentioned in Q4.

So how should we think of that?

Is there a defined cost synergies program that you're looking at that flows into 2027?

Or any other details you can elaborate there?

Richard Tarapchak^ Yes. I think it's twofold.

One is from an SG&A perspective, some of the uptick this year is related to new store openings.

So on a comparable basis, there is a bunch of savings in there that doesn't always show up. But we've been running and really evaluating every part of the business and stepping back and looking and seeing where we can get savings.

There's a lot of stuff that's actually delivering and a lot of stuff in flight. That's why I have confidence that you'll see even in the fourth quarter in SG&A reduction. And again, as an organization, as George talked about efficiencies and yields and that, there's a really big focus on costs on trying to deliver better than we are today at a lower price point.

Operator^ I'm showing no further questions at this time.

So I would now like to turn it back to Founder and CEO, George Arkos, for closing remarks.

George Archos^ Thank you, everyone. Have a great day. We appreciate your time.

Operator^ Thank you for your participation in today's conference. This does conclude our program.

You may now disconnect.