Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion of our financial condition and results of operations should be read together with our consolidated financial statements and the related notes included elsewhere in this Quarterly Report on Form 10-Q and the consolidated financial statements and accompanying notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our 2020 Form 10-K. This discussion contains forward-looking statements and involves numerous risks and uncertainties, including but not limited to those described in the "Risk Factors" section of this Quarterly Report on Form 10-Q and in "Part I, Item 1A—Risk Factors" in our 2020 Form 10-K. Actual results may differ materially from those contained in any forward-looking statements. You should read "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors" contained herein and in our 2020 Form 10-K.

Overview

We are a multi-state cannabis operator with licenses to operate in six states and we have received notice of intent to award a license in a seventh state. Headquartered in Quincy, Florida, we are the market leader for quality medical cannabis products and services in Florida and aim to be the brand of choice for medical and adult-use customers in all of the markets that we serve. All of the states in which we operate have adopted legislation to permit the use of cannabis products for medicinal purposes to treat specific conditions and diseases, which we refer to as medical cannabis. Recreational marijuana, or adult-use cannabis, is legal marijuana sold in licensed dispensaries to adults ages 21 and older. Thus far, of the states in which we operate, only California, Connecticut and Massachusetts have adopted legislation permitting commercialization of adult-use cannabis products. As previously disclosed, on October 1, 2021, we completed our previously announced acquisition of Harvest Health & Recreation Inc. ("Harvest") and, as a result of the acquisition, our operations have expanded significantly effective as of such date.

As of September 30, 2021, we employed over 6,900 people, and we are committed to providing patients, which we refer to herein as "patients" or "customers," a consistent and welcoming retail experience across Trulieve branded stores. We have nine material subsidiaries: Trulieve, Inc., or Trulieve US; Leef Industries, LLC, or Leef Industries; Life Essence, Inc., or Life Essence; Trulieve Holdings, Inc., or Trulieve Holdings; Trulieve Bristol, Inc. (formerly The Healing Corner, Inc.) or Healing Corner; PurePenn LLC, or PurePenn; Keystone Relief Centers, LLC or Solevo Wellness; Trulieve WV, Inc., or Trulieve WV; and Trulieve GA, Inc., or Trulieve GA. Each of Trulieve US, Leef Industries, Life Essence, Trulieve Holdings, Healing Corner, PurePenn LLC, Solevo Wellness and Trulieve WV is wholly owned (directly or indirectly) by Trulieve Cannabis Corp. Trulieve GA is 40% owned (indirectly) by Trulieve Cannabis Corp. As of September 30, 2021, the majority of our revenue was generated from the sale of medical cannabis products in the State of Florida and in the Commonwealth of Pennsylvania. To date, neither the sale of adult-use cannabis products, nor our operations in Massachusetts, California, Connecticut, or West Virginia, have been material to our business.

Florida

Trulieve US is a vertically integrated "seed to sale" cannabis company and is the largest licensed medical marijuana company in the State of Florida. As of September 30, 2021, publicly available reports filed with the Florida Office of Medical Marijuana Use show Trulieve US to have the most dispensing locations and the greatest dispensing volume across product categories out of all licensed medical marijuana businesses in the state. Trulieve US cultivates and produces all of its products in-house and distributes those products to patients in Trulieve branded stores (dispensaries) throughout the State of Florida, as well as directly to patients via home delivery. Our experience in the vertically integrated Florida market has given us the ability to scale and penetrate in all necessary business segments (cultivation, production, sales, and distribution). Trulieve US has the experience necessary to increase market leadership in Florida and employ that expertise effectively in other regulated markets.

As of September 30, 2021, Trulieve US operated approximately 2.2 million square feet of cultivation facilities across six sites. In accordance with Florida law, Trulieve US grows in secure enclosed indoor facilities and greenhouse structures.

Massachusetts

Life Essence operates a co-located medical and adult-use dispensaries in Northampton and Worcester and Medical Marijuana cultivation and product manufacturing facility in Holyoke. Life Essence also has been awarded Final Licenses for Adult-Use cultivation and processing at the same facility in Holyoke, and provisional certificates of registration for medical marijuana dispensaries in Holyoke and Cambridge. Upon entry of its existing plant stock into the state's seed to sale tracking system and clearance from the Massachusetts Cannabis Control Commission, Life Essence became fully operational in the third quarter of 2021, under its adult-use cultivation and processing licenses, including in the wholesale market. The completion of these licensing processes will further enable Life Essence to capitalize on its investment in infrastructure and engage in vertically integrated operations in both adult-use and medical markets in Massachusetts.

On July 2, 2021, Life Essence closed a transaction with Patient Centric of Martha's Vineyard Ltd., or PCMV, in which Life Essence purchased certain assets of PCMV, including the rights to a Provisional Marijuana Retailer License from the Massachusetts Cannabis Control Commission in Framingham, Massachusetts, and necessary municipal entitlements and a leasehold interest to operate as a marijuana retailer at the property. On June 29, 2021, Life Essence closed a transaction with Nature's Remedy of Massachusetts, Inc., or Nature's Remedy, and Sammartino Investments, LLC, pursuant to which Life Essence agreed to purchase certain assets of Nature's Remedy including a Final Marijuana Retailer License from the Cannabis Control Commission, assignment of a long-term lease for real property in Worcester, Massachusetts for use as a marijuana retailer, and necessary municipal entitlements to operate as a marijuana retailer at the property. Following a satisfactory post final license inspection from the Massachusetts Cannabis Control Commission, this marijuana retailer location in Worcester, Massachusetts commenced operations in August 2021.

California

Leef Industries operates a licensed medical and adult-use cannabis dispensary located in Palm Springs, California. Trulieve believes Leef Industries has demonstrated encouraging growth in the market, offering in-store and online shopping, along with product home delivery. Leef Industries is in the process of Trulieve rebranding and alignment with corporate operational standards, which we believe will increase consumer appeal and operational efficiency. The dispensary helps us stay abreast of trends on the west coast and in a robust and innovative cannabis market distinguished by local competition between diverse and numerous operators.

Connecticut

Healing Corner is a licensed pharmacist-managed medical cannabis dispensary located in Bristol, Connecticut. Healing Corner was founded in 2014 and provides a range of medical marijuana products produced by high quality licensed suppliers. At the dispensary, a licensed pharmacist and trained staff provide on-site counseling and education to patients. Patients may reserve their medical marijuana order through Healing Corner's innovative Canna-Fill online system. Under Connecticut's adult-use cannabis legislation, which was enacted July 1, 2021, Healing Corner will have an opportunity to convert to hybrid adult-use and medical sales.

Pennsylvania

On November 12, 2020, we completed the acquisition of 100% of the membership interests of: (i) PurePenn LLC and Pioneer Leasing & Consulting LLC, which we refer to collectively as PurePenn, and (ii) Keystone Relief Centers, LLC, which does business as and we refer to herein as Solevo Wellness. PurePenn operates cannabis cultivation and manufacturing facilities in the Pittsburgh, Pennsylvania area and currently wholesales to 100% of the operating dispensaries in Pennsylvania. Solevo Wellness operates three medical marijuana dispensaries in the Pittsburgh, Pennsylvania area. On July 8, 2021, we completed the acquisition of 100% of the membership interest of Anna Holdings LLC, which does business as Keystone Shops and operates three dispensaries in the Philadelphia area.

West Virginia

On November 13, 2020, Trulieve WV was awarded a processor permit by the West Virginia Office of Medical Cannabis. On January 29, 2021, Trulieve WV was notified that it has been awarded four dispensary permits by the West Virginia Office of Medical Cannabis. On March 22, 2021, we entered into a membership interest purchase agreement with Mountaineer Holding, LLC ("Mountaineer"). Mountaineer holds a West Virginia cultivation license and two dispensary licenses. The acquisition of Mountaineer was completed on May 5, 2021. On June 8, 2021, we completed the acquisition of Solevo Wellness West Virginia LLC and its three West Virginia dispensary permits. On June 29, 2021, we received approval from the West Virginia Office of Medical Cannabis to begin cultivation operations, making Trulieve the first in the state of West Virginia to begin cultivating medical cannabis. We are actively working to obtain approval for processing and dispensing operations as soon as reasonably practicable, which will vary by location depending on permitting and construction timelines.

Georgia

On July 24, 2021, Trulieve GA received a Notice of Intent to award a Class 1 Production License from the Georgia Access to Medical Cannabis Commission. The Notice of Intent to award is a notice of the Georgia Access to Medical Cannabis Commission's expected contract award to Trulieve GA pending resolution of a protest process. If the contract is awarded, Trulieve GA will hold one of two Class 1 Production Licenses in the state and will be permitted to cultivate cannabis for the manufacture of low THC oil.

Recent Developments

Harvest Acquisition

On May 10, 2021, the Company entered into an Arrangement Agreement (the "Arrangement Agreement") with Harvest Health & Recreation Inc., a British Columbia corporation (“Harvest”), pursuant to which the Company agreed to acquire all of the issued and outstanding equity securities of Harvest. Under the terms of the Arrangement Agreement, shareholders of Harvest will receive 0.1170 of a Subordinate Voting Share of Trulieve for each Harvest subordinate voting share (or equivalent) held.

On October 1, 2021 (the "Closing Date"), the Company completed its previously announced acquisition of Harvest pursuant to an Arrangement Agreement. On the Closing Date, the Company acquired all of the issued and outstanding subordinate voting shares, multiple voting shares and super voting shares (collectively the "Harvest Shares") of Harvest. Pursuant to the terms of the Arrangement Agreement, holders of Harvest Shares received 0.1170 of a Subordinate Voting Share of the Company for each subordinate voting share of Harvest held. In total, the Company issued an aggregate of 50,874,175 Trulieve Shares, representing total consideration of approximately $1.4 billion based on the closing price of Trulieve's Subordinate Voting Shares on September 30, 2021.

Prior to the acquisition, Harvest was one of the largest multi-state vertically integrated operators in the cannabis industry in the United States operating from “seed to sale.” Harvest is one of the largest operators in the state of Arizona, which is one of the largest medical and recreational cannabis markets in the country and one of the oldest regulated cannabis markets in the world. Harvest operates facilities or provides services to cannabis dispensaries in Arizona, California, Colorado, Florida, Maryland, Nevada, North Dakota (on February 19, 2021, Harvest completed the divestiture of its North Dakota retail assets), Pennsylvania and Utah, with two provisional licenses in Massachusetts. In addition, Harvest owns CO_2 extraction, distillation, purification and manufacturing technology used to produce a line of cannabis topicals, vapes and gems featuring cannabinoids and a hemp-derived product line sold in Colorado. We expect the Harvest acquisition will have a significant impact on our results of operations and financial condition as of and for the fourth quarter ending December 31, 2021 and in future periods as we integrate Harvest’s business with our existing operations.

Senior Secured Notes Due 2026

On October 6, 2021, the Company closed its previously announced private placement of 8% Senior Secured Notes (the "Notes") for aggregate gross proceeds of $350.0 million and net proceeds of $342.6 million. The Notes were issued at 100% face value, bear an interest rate of 8% per annum payable semi-annually in equal installments until the maturity date, unless earlier redeemed or repurchased. The Notes will mature on October 6, 2026 and may be redeemed in whole or in part, at any time from time to time, on or after October 6, 2023 at the application redemption price set forth in the Indenture. The Company used a portion of the net proceeds to redeem certain outstanding indebtedness of Harvest, and intends to use the remaining portion of the net proceeds for capital expenditures and other general corporate purposes.

Other Developments

On September 29, 2021, the Board of Directors of the Company appointed Rebecca Young as Vice President and Chief Accounting Officer (and principal accounting officer) of the Company and its subsidiaries. Alex D'Amico, the Company's Chief Financial Officer and principal financial officer, will no longer serve as principal accounting officer of the Company.

Management’s Use of Non-GAAP Measures

Our management uses financial measures that are not in accordance with U.S. GAAP, in addition to financial measures in accordance with GAAP to evaluate our operating results. These non-GAAP financial measures should be considered supplemental to, and not a substitute for, our reported financial results prepared in accordance with GAAP. Adjusted EBITDA is a financial measure that is not defined under GAAP. Our management uses this non-GAAP financial measure and believes it enhances an investor’s understanding of our financial and operating performance from period to period because it excludes certain material non-cash items and certain other adjustments management believes are not reflective of our ongoing operations and performance. Adjusted EBITDA excludes from net income as reported interest, share-based compensation, tax, depreciation, acquisition and transaction costs, integration and transition costs, fair value step-up of inventory from acquisitions, COVID related expenses, non-cash expenses, other non-recurring costs and other income. Trulieve reports adjusted EBITDA to help investors assess the operating performance of the Corporation’s business. The financial measures noted above are metrics that have been adjusted from the GAAP net income measure in an effort to provide readers with a normalized metric in making comparisons more meaningful across the cannabis industry, as well as to remove non-recurring, irregular and one-time items that may otherwise distort the GAAP net income measure.

As noted above, our Adjusted EBITDA is not prepared in accordance with GAAP, and should not be considered in isolation of, or as an alternative to, measures prepared in accordance with GAAP. There are a number of limitations related to the use of Adjusted EBITDA rather than net income, which is the most directly comparable financial measure calculated and presented in accordance with GAAP. Because of these limitations, we consider, and you should consider, Adjusted EBITDA together with other operating and financial performance measures presented in accordance with GAAP. A reconciliation of Adjusted EBITDA from net income, the most directly comparable financial measure calculated in accordance with GAAP, has been included herein.

Components of Results of Operations

Revenue

We derive our revenue from cannabis products which we manufacture, sell, and distribute to our customers by home delivery and in our dispensaries, as well as sales of cannabis products to wholesale customers in select markets.

Gross Profit

Gross profit includes the costs directly attributable to product sales and includes amounts paid to produce finished goods, such as flower, and concentrates, as well as packaging and other supplies, fees for services and processing, allocated overhead which includes allocations of rent, administrative salaries, utilities, and related costs. Cannabis costs are affected by various state regulations that limit the sourcing and procurement of cannabis product, which may create fluctuations in margins over comparative periods as the regulatory environment changes.

Sales and Marketing

Sales and marketing expenses consist primarily of personnel costs related to the dispensaries as well as marketing programs for our products. As we continue to expand and open additional dispensaries, we expect our sales and marketing expenses to continue to increase.

General and Administrative

General and administrative expenses represent costs incurred at our corporate offices, primarily related to personnel costs, including salaries, incentive compensation, benefits, and other professional service costs, including legal and accounting. We expect to continue to invest considerably in this area to support our expansion plans and to support the increasing complexity of the cannabis business. Furthermore, we expect to continue to incur acquisition, transaction, and integration costs related to our expansion plans, and we anticipate a significant increase in compensation expenses related to recruiting and hiring talent, accounting, and legal and professional fees associated with becoming compliant with the Sarbanes-Oxley Act and other public company corporate expenses.

Depreciation and Amortization

Depreciation expense is calculated on a straight-line basis using the estimated useful life of each asset. Estimated useful life is determined by asset class and is reviewed on an annual basis and revised if necessary. Amortization expense is recognized using the straight-line method over the estimated useful life of the intangible assets. Useful lives for intangible assets are determined by type of asset with the initial determination of useful life derived during the valuation of the business combination. On an annual basis, the useful lives of each intangible class of assets are evaluated for appropriateness and adjusted if appropriate.

Other Income (Expense), Net

Interest and other income (expense), net consist primarily of interest income and interest expense. Prior to December 10, 2020, the impact of the revaluation of the debt warrants was a significant component.

Provision for Income Taxes

Provision for income taxes is calculated using the asset and liability method. Deferred income tax assets and liabilities are determined based on enacted tax rates and laws for the years in which the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

As we operate in the cannabis industry, we are subject to the limits of IRC Section 280E under which we are only allowed to deduct expenses directly related to the cost of producing the products or cost of production.

Results of Operations

Revenue

	Three Months Ended September 30,		Change	Nine Months Ended September 30,		Change
	2021	2020	%	2021	2020	%
	(dollars in thousands)			*(dollars in thousands)*		
Revenues, net of discounts	$ 224,092	$ 136,274	64%	$ 633,037	$ 353,096	79%

Revenue for the three months ended September 30, 2021 was $224.1 million, an increase of $87.8 million, from $136.3 million for the three months ended September 30, 2020. Revenue for the nine months ended September 30, 2021 was $633.0 million, an increase of $279.9 million, from $353.1 million for the nine months ended September 30, 2020. The increase in revenue is the result of an increase in organic growth in retail sales due to an increase in products available for purchase and overall patient count, as well as expansion of the wholesale business. Between September 30, 2020 and September 30, 2021, we opened or acquired forty-two dispensaries, which also contributed to the increased retail sales year over year. Revenue from businesses acquired also contributed to the increase for the three and nine months ended September 30, 2021.

Cost of Goods Sold

	Three Months Ended September 30,		Change	Nine Months Ended September 30,		Change
	2021	2020	%	2021	2020	%
	(dollars in thousands)			*(dollars in thousands)*		
Cost of goods sold	$ 70,147	$ 34,097	106%	$ 199,345	$ 86,557	130%
% of total revenues	31%	25%		31%	25%	

Cost of goods sold for the three months ended September 30, 2021 was $70.1 million, an increase of $36.1 million, from $34.1 million for the three months ended September 30, 2020. Cost of goods sold for the nine months ended September 30, 2021 was $199.3 million, an increase of $112.8 million, from $86.6 million for the nine months ended September 30, 2020, due to an increase in retail sales as a result of an increase in dispensaries and patient count. Cost of goods sold as a percentage of revenue increased from 25% for the nine months ended September 30, 2020 to 31% for the nine months ended September 30, 2021 due to our expansion into new markets, ramping of infrastructure in core markets, and product mix.

Gross Profit

	Three Months Ended September 30,		Change	Nine Months Ended September 30,		Change
	2021	2020	%	2021	2020	%
	(dollars in thousands)			*(dollars in thousands)*		
Gross profit	$ 153,945	$ 102,177	51%	$ 433,692	$ 266,539	63%
% of total revenues	69%	75%		69%	75%	

Gross profit for the three months ended September 30, 2021 was $153.9 million, up $51.8 million or 51% from $102.2 million for the three months ended September 30, 2020. Gross profit for the nine months ended September 30, 2021 was $433.7 million, up $167.2 million or 63% from $266.5 million for the nine months ended September 30, 2020, as a result of an increase in retail sales due to the additional number of dispensaries, products available for sale and patient count. Gross profit as a percentage of revenue decreased from 75% for the nine months ended September 30, 2020 to 69%, for the nine months ended September 30, 2021. The decrease is caused by expansion into new markets, ramping of infrastructure in core markets, product mix and macro-economic factors centered around prices and labor.

Sales and Marketing Expenses

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Change %	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020	Change %
	(dollars in thousands)			*(dollars in thousands)*		
Sales and marketing expenses	$ 51,724	$ 30,890	67%	$ 142,858	$ 80,764	77%
% of total revenues	23%	23%		23%	23%	

Sales and marketing expense increased by 67% from $30.9 million for the three months ended September 30, 2020 to $51.7 million for the three months ended September 30, 2021. Sales and marketing expense increased from $80.8 million for the nine months ended September 30, 2020 to $142.9 million for the nine months ended September 30, 2021, an increase of $62.1 million, or 77%. The increase in sales and marketing expense is the result of a higher headcount for the year, as we continue to add additional dispensaries in efforts to maintain and further drive higher growth in sales and market share as well as expanding into new markets. This increased headcount resulted in higher personnel costs, which is the primary driver for the increase year over year.

General and Administrative Expenses

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Change %	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020	Change %
	(dollars in thousands)			*(dollars in thousands)*		
General and administrative expenses	$ 28,218	$ 8,502	232%	$ 55,869	$ 22,696	146%
% of total revenues	13%	6%		9%	6%	

General and administrative expense for the three months ended September 30, 2021 increased by 232% to $28.2 million from $8.5 million for the three months ended September 30, 2020. General and administrative expense for the nine months ended September 30, 2021 increased to $55.9 million from $22.7 million for the nine months ended September 30, 2020, an increase of $33.2 million, or 146%. The increase in general and administrative expense is the result of entering new markets, ramping our infrastructure to support growth initiatives, continued acquisitions resulting in additional transaction and integration costs and increased go-forward compliance costs. General and administrative expenses included acquisition and transaction costs of $11.1 million and $14.3 million for the three and nine months ended September 30, 2021, respectively. Also included in the three and nine months ended September 30, 2021 is $4.2 million related to premiums on equity transactions.

Depreciation and Amortization Expenses

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Change %	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020	Change %
	(dollars in thousands)			*(dollars in thousands)*		
Depreciation and amortization expenses	$ 7,728	$ 3,314	133%	$ 19,829	$ 8,612	130%
% of total revenues	3%	2%		3%	2%	

Depreciation and amortization expense for the three months ended September 30, 2021 was $7.7 million, up $4.4 million from $3.3 million for the three months ended September 30, 2020. Depreciation and amortization expenses for the nine months ended September 30, 2021 was $19.8 million, up $11.2 million, from $8.6 million for the nine months ended September 30, 2020. The overall increase in depreciation and amortization expenses was due to investment in infrastructure that resulted in a higher number of capitalized assets from the additional dispensaries and cultivation facilities. Furthermore, amortization expense increased due to acquisitions and acquired intangibles.

Total Other Expense, Net

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Change %	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020	Change %
	(dollars in thousands)			*(dollars in thousands)*		
Total other expense, net	$ 6,056	$ 16,108	(62%)	$ 20,308	$ 27,393	(26%)
% of total revenues	3%	12%		3%	8%	

Total other expense, net for the three months ended September 30, 2021 was expense of $6.1 million, a decrease of $10.1 million from expense of $16.1 million for the three months ended September 30, 2020. Total other expense, net for the nine months ended September 30, 2021 was expense of $20.3 million, a decrease of $7.1 million from expense of $27.4 million for the nine months ended

September 30, 2020. The overall decrease is the result of the revaluation of debt warrants for the nine months ended September 30, 2020, partially offset by an increase in interest expense related to additional finance leases to support business growth.

On December 10, 2020, the Company entered into a Supplemental Warrant Indenture with Odyssey Trust Company pursuant to which it amended the terms of the issued and outstanding subordinate voting share purchase warrants of the Company (the "Public Warrants") to convert the exercise price of the Public Warrants to $13.47 per share, the U.S. dollar equivalent of the Canadian dollar exercise price of the Public Warrants of C$17.25. As a result of this, the Public Warrants converted to equity in December 2020, eliminating revaluation expense in future periods.

Provision for Income Taxes

	Three Months Ended September 30,		Change	Nine Months Ended September 30,		Change
	2021	2020	%	2021	2020	%
	(dollars in thousands)			*(dollars in thousands)*		
Provision for income taxes	$ 41,603	$ 25,948	60%	$ 105,254	$ 67,116	57%

Income tax expense for the three months ended September 30, 2021 increased to $41.6 million from $25.9 million for the three months ended September 30, 2020. Income tax expense for the nine months ended September 30, 2021 increased to $105.3 million from $67.1 million for the nine months ended September 30, 2020, an increase of $38.1 million, or 57% as a result of a $167.2 million increase in gross profit for the same periods. Under IRC Section 280E, cannabis companies are only allowed to deduct expenses that are directly related to production of the products. The Company's quarterly tax provision, and our quarterly estimate of our annual effective tax rate, is subject to change resulting from several factors, including variability in forecasting our pre-tax and taxable income due to external changes in market condition changes in statutes, regulations and administrative practices, principles, and interpretations related to tax. The effective tax rate can be more or less volatile based on the amount of pre-tax income or loss. The impact of discrete items and non-deductible expenses on our effective tax rate is greater when our pre-tax income is lower. The increase in income tax expense is due to the increase in gross profit as a result of the increase in revenue as well as variability in the effective tax rate calculation which produced a large amount of tax expense in the quarter. The three months ended September 30, 2021, saw an increased tax expense as compared to prior periods due to variability in the effective tax rate.

Net Income

	Three Months Ended September 30,		Change	Nine Months Ended September 30,		Change
	2021	2020		2021	2020	
	(dollars in thousands)			*(dollars in thousands)*		
Net income and comprehensive income	$ 18,616	$ 17,415	7%	$ 89,574	$ 59,958	49%

Net income for the three months ended September 30, 2021 was $18.6 million, an increase of $1.2 million, from $17.4 million for the three months ended September 30, 2020. Net income for the nine months ended September 30, 2021 was $89.6 million, an increase of $29.6 million or 49%, from $60.0 million for the nine months ended September 30, 2020. The increase was driven primarily by the opening of additional dispensaries, an increase in products available for purchase, and overall patient count. These increases were offset by cost of goods sold which was driven by product mix. In addition, increases in sales and marketing and general and administrative expenses such as personnel costs, dispensary expenses, depreciation, interest expense, costs of entering new markets, ramping infrastructure, acquisition and transaction costs, integration costs, and go-forward compliance, all contributed to the offset. Income taxes also increased period over period, due to both gross profit increases and effective tax rate variances.

Adjusted EBITDA

	Three Months Ended September 30,		Change	Nine Months Ended September 30,		Change
	2021	2020		2021	2020	
	(dollars in thousands)			*(dollars in thousands)*		
Adjusted EBITDA	$ 98,034	$ 68,724	43%	$ 283,702	$ 178,668	59%

Adjusted EBITDA for the three months ended September 30, 2021 was $98.0 million, an increase of $29.3 million from $68.7 million for the three months ended September 30, 2020. Adjusted EBITDA for the nine months ended September 30, 2021, was $283.7 million, an increase of $105.0 million or 59%, from $178.7 million for the nine months ended September 30, 2020. The following table presents a reconciliation of GAAP net income to non-GAAP Adjusted EBITDA, for each of the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(dollars in thousands)		(dollars in thousands)	
Net income and comprehensive income	$ 18,616	$ 17,415	$ 89,574	$ 59,958
Add impact of:				
Interest expense, net	6,145	5,352	20,693	16,566
Provision for income taxes	41,603	25,948	105,254	67,116
Depreciation and amortization	7,728	3,314	19,829	8,612
Depreciation included in cost of goods sold	5,709	2,533	14,396	7,424
EBITDA	79,801	54,562	249,746	159,676
Acquisition and transaction costs	11,114	—	14,335	—
COVID related expenses	503	2,883	6,014	5,957
Share-based compensation and related premiums	4,922	523	6,407	2,208
Inventory step up, fair value	710	—	3,238	—
Integration and transition costs	838	—	2,725	—
Other non-recurring costs	235	—	1,622	—
Other expense (income), net	(89)	10,756	(385)	10,827
Total adjustment	18,233	14,162	33,956	18,992
Adjusted EBITDA	**$ 98,034**	**$ 68,724**	**$ 283,702**	**$ 178,668**

Liquidity and Capital Resources

Sources of Liquidity

Since our inception, we have funded our operations and capital spending through cash flows from product sales, loans from affiliates and entities controlled by our affiliates, third-party debt, and proceeds from the sale of our capital stock. We are generating cash from sales and are deploying our capital reserves to acquire and develop assets capable of producing additional revenues and earnings over both the immediate and long term to support our business growth and expansion. Our current principal sources of liquidity are our cash and cash equivalents provided by our operations and debt and equity offerings. Cash and cash equivalents consist primarily of cash on deposit with banks and money market funds. Cash and cash equivalents were $213.6 million as of September 30, 2021.

We believe our existing cash balances will be sufficient to meet our anticipated cash requirements from the report issuance date through at least the next twelve months.

Our primary uses of cash are for working capital requirements, capital expenditures and debt service payments. Additionally, from time to time, we may use capital for acquisitions and other investing and financing activities. Working capital is used principally for our personnel as well as costs related to the growth, manufacture, and production of our products. Our capital expenditures consist primarily of additional facilities and dispensaries, improvements in existing facilities and product development.

To the extent additional funds are necessary to meet our long-term liquidity needs as we continue to execute our business strategy, we anticipate that they will be obtained through incurrence of additional indebtedness, additional equity financings or a combination of these potential sources of funds. There can be no assurance that we will be able to obtain additional funds on terms acceptable to us, on a timely basis, or at all. The failure to obtain sufficient funds on acceptable terms when needed could have a material adverse effect on the results of operations and financial condition.

The following table presents our cash and outstanding debt as of the dates indicated:

	Nine Months Ended September 30, 2021	Year Ended December 31, 2020
	(dollars in thousands)	
Cash and cash equivalents	$ 213,574	$ 146,713
Outstanding debt:		
Notes payable	6,000	6,000
Notes payable - related party	12,000	12,011
Private placement notes	130,000	130,000
Operating lease liability	47,921	31,397
Finance lease liability	62,588	38,935
Construction finance liability	$ 92,021	$ 82,047

Cash Flows

The table below highlights our cash flows for the periods indicated.

	Nine Months Ended September 30,	
	2021	2020
	(dollars in thousands)	
Net cash provided by operating activities	$ 75,080	$ 72,840
Net cash used in investing activities	(237,642)	(90,814)
Net cash provided by financing activities	229,423	119,538
Net increase in cash and cash equivalents	66,861	101,564
Cash and cash equivalents, beginning of period	146,713	91,813
Cash and cash equivalents, end of period	$ 213,574	$ 193,377

Cash Flow from Operating Activities

Net cash provided by operating activities was $75.1 million for the nine months ended September 30, 2021, an increase of $2.2 million, compared to $72.8 million net cash provided by operating activities during the nine months ended September 30, 2020. This is primarily due to increased net income offset by increases in net working capital requirements, including inventory, as we ramp the business to support our growth.

Cash Flow from Investing Activities

Net cash used in investing activities was $237.6 million for the nine months ended September 30, 2021, an increase of $146.8 million, compared to the $90.8 million net cash used in investing activities for the nine months ended September 30, 2020. The increase is due to the increase of property and equipment purchases for the construction of additional dispensaries and continued expansion of our cultivation and processing facilities, as well as acquisitions completed during the period.

Cash Flow from Financing Activities

Net cash provided by financing activities was $229.4 million for the nine months ended September 30, 2021, an increase of $109.9 million, compared to the $119.5 million net cash provided by financing activities for the nine months ended September 30, 2020. The increase was primarily due to proceeds from the closing of an underwritten, marketed public offering of 5,750,000 Subordinate Voting Shares resulting in gross proceeds, before deducting underwriting discounts and commissions and offering expenses payable by us, of $227.9 million (after giving effect to the conversion rate on April 7, 2021) as well as proceeds from share warrant exercises and proceeds from construction finance liabilities.

Funding Sources

Promissory Notes

In 2017, we entered into three unsecured promissory notes with a 12% annual interest rate, which was amended in January 2019 to extend the maturity by three years to 2022. The balance of these notes is $4.0 million. On December 17, 2017, we entered into a promissory note with a 12% annual interest rate and a balance of $2.0 million, which will mature December 2021. These notes were paid in the fourth quarter of 2021.

Related Party Promissory Notes

In February 2019, we entered into a 24-month unsecured loan with an 8% annual interest rate with Benjamin Atkins, a former director and shareholder of Trulieve for $257,337. In March 2018, the Company entered into a 24-month unsecured loan with an 8% annual interest rate with Benjamin Atkins for $158,900. In June 2018, the Company entered into a 24-month unsecured loan with an 8% annual interest rate with Benjamin Atkins for $262,010. In November 2018, the Company entered into two separate 24-month unsecured loans each with an 8% annual interest rate with a former director and shareholder for a total of $474,864. As of the first quarter-ended March 31, 2021, all loans with Benjamin Atkins have matured and been paid in full.

In May 2018, the Company entered into two separate unsecured promissory notes (the "Traunch Four Note" and the "Rivers Note") for a total of $12.0 million. The Traunch Four Note is held by Traunch Four, LLC, an entity whose direct and indirect owners include Kim Rivers, the Chief Executive Officer and Chair of the Board, as well as Thad Beshears, Richard May, who are each directors of Trulieve, George Hackney, a former director of Trulieve, and certain of Richard May's family members. The Rivers Note is held by Kim Rivers. Each promissory note has a 24-month maturity and 12% annual interest rate. The two unsecured promissory notes were amended in March 2021 to extend the maturity one year to May 2022, all other terms remain unchanged. These notes were paid in the fourth quarter of 2021.

Balance Sheet Exposure

At September 30, 2021 and 2020, the entirety of our balance sheet is exposed to U.S. cannabis-related activities. We believe our operations are in material compliance with all applicable state and local laws, regulations, and licensing requirements in the states in which we operate. However, cannabis remains illegal under U.S. federal law. Substantially all our revenue is derived from U.S. cannabis operations. For information about risks related to U.S. cannabis operations, please refer to the "Risk Factors" section of this Quarterly Report on Form 10-Q and "Part I, Item 1A - Risk Factors" in our 2020 Form 10-K.

Contractual Obligations

At September 30, 2021, we had the following contractual obligations to make future payments, representing contracts and other commitments that are known and committed:

	<1 Year	1 to 3 Years	3 to 5 Years	>5 Years	Total
			(dollars in thousands)		
Accounts payable and accrued liabilities	$ 62,769	$ —	$ —	$ —	$ 62,769
Notes payable	6,000	—	—	—	6,000
Notes payable - related party	12,000	—	—	—	12,000
Private placement notes	—	—	130,000	—	130,000
Operating lease liability	1,991	16,059	15,559	35,893	69,502
Finance lease liability	2,494	23,755	18,464	43,875	88,588
Construction finance liability	12,300	38,963	27,792	164,432	243,487

Off-Balance Sheet Arrangements

As of the date of this filing, we do not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of, including, and without limitation, such considerations as liquidity and capital resources.