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

This "Management's Discussion and Analysis of Financial Condition and Results of Operations" of Trulieve Cannabis Corp., together with its subsidiaries ("Trulieve," "the Company," "we," or "our") should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and the related notes included elsewhere within this Quarterly Report on Form 10-Q and the Audited Consolidated Financial Statements and the related Notes thereto and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (the "2022 Form 10-K"). There have been no material changes as of September 30, 2023 to the application of our critical accounting policies as described in Item 7 of the 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 in "Part I, Item 1A. Risk Factors" in our 2022 Form 10-K and in "Part II, Item 1A – Risk Factors" in our Q1 2023 Form 10-Q (the "Q1 Form 10-Q") and in our Q2 2023 Form 10-Q (the "Q2 Form 10-Q"). 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 2022 Form 10-K, Q1 Form 10-Q, and Q2 Form 10-Q.* See "Special Note Regarding Forward-Looking Statements and Projections" in "Part II. Other Information" of this report. You should consider our forward-looking statements in light of the risks discussed in "Item 1A. Risk Factors" in "Part II. Other Information" of this report and our unaudited condensed consolidated financial statements, related notes and other financial information appearing elsewhere in this report, and the risks discussed in "Item 1A, Risk Factors" of the Form 10-K and our other filings with the Securities and Exchange Commission (the "SEC").

**Overview**

Trulieve Cannabis Corp. is a reporting issuer in the United States and Canada. The Company's Subordinate Voting Shares (as hereinafter defined) are listed for trading on the Canadian Securities Exchange ("CSE") under the symbol "TRUL" and are also traded in the United States on the OTCQX Best Market ("OTCQX") under the symbol "TCNNF".

Trulieve is a vertically integrated cannabis company and multi-state operator which currently operates in a number of states. Headquartered in Quincy, Florida, we are the market leader for quality medical cannabis products and services in Florida and we have market leading retail operations in Arizona, Georgia, Pennsylvania, and West Virginia. By providing innovative, high-quality products across our brand portfolio, we aim to be the brand of choice for medical and adult-use customers in all of the markets that we serve. We operate in highly regulated markets that require expertise in cultivation, manufacturing, retail, and logistics. We have developed proficiencies in each of these functions and are committed to expanding access to high quality cannabis products and delivering exceptional customer experiences. Trulieve leverages its developed processes to cultivate, process, and/or dispense a wide-range of permitted cannabis products across its operating markets with high standards for safety, effectiveness, quality, and customer care at the forefront.

As of September 30, 2023 we operated the following:

| State | Number of Dispensaries | Number of Cultivation and Processing Facilities |
|---|---|---|
| Florida | 127 | 6 |
| Arizona | 21 | 4 |
| Pennsylvania | 20 | 3 |
| West Virginia | 10 | 1 |
| Maryland | 3 | 1 |
| Georgia | 5 | 1 |
| Connecticut | 1 | — |
| Ohio | 1 | — |
| Colorado | — | 1 |
| Total | 188 | 17 |

As of September 30, 2023, we employed over 5,300 people, and we are committed to providing patients and adult use consumers, which we refer to herein as “customers,” a consistent and welcoming retail experience across Trulieve branded stores and affiliated retail locations.

Our business and operations center around the Trulieve brand philosophy of “Customers First” which permeates our culture beginning with high-quality and efficient cultivation and manufacturing practices. We focus on the consumer experience at Trulieve branded and affiliated retail locations, our in-house call center and in our Florida market at customer residences through a robust home delivery program. Our investments in vertically integrated operations in several of our markets afford us ownership of the entire supply chain, which mitigates third-party risks and allows us to completely control product quality and brand experience. We believe that this is contributive to high customer retention and brand loyalty. We successfully operate our core business functions of cultivation, production, and distribution at scale, and are skilled at rapidly increasing capacity without interruption to existing operations.

In furtherance of our customer-first focus, we have developed a suite of Trulieve branded products, including flower, edibles, vaporizer cartridges, concentrates, topicals, capsules, tinctures, dissolvable powders, and nasal sprays. This wide variety of products gives customers the ability to select product(s) that consistently deliver the desired effect and in their preferred method of delivery.

Trulieve has identified five regional geographic hubs in the United States ("U.S.") and has established cannabis operations in three of the five hubs: Southeast, Northeast, and Southwest. In each of our three regional hubs we have market leading positions in cornerstone states and additional operations and assets in other state markets. Our hubs are managed by national and regional management teams supported by our corporate headquarters in Florida.

Our Southeast hub operations are anchored by our cornerstone market of Florida where Trulieve holds a market-leading retail position with 127 dispensaries as of September 30, 2023. Trulieve cultivates and produces all of its products in-house and distributes those products to customers in Trulieve branded stores (dispensaries) throughout Florida, as well as via home delivery. In Georgia, Trulieve GA holds one of two Class 1 Production Licenses in the state and is permitted to cultivate cannabis for the manufacture and sale of low tetrahydrocannabinol, or THC oil. On April 28, 2023, the Company opened the first locations in Georgia, opening a store in Macon and Marietta and opened a third store in Newnan in June 2023. In the third quarter for 2023, the Company opened additional stores in Pooler and Evans, Georgia, arriving at a total of five stores in Georgia as of September 30, 2023. In October 2023, Trulieve commenced distribution of low-THC medical cannabis products through independent pharmacies in Georgia. This program represents a unique distribution channel and is the first of its kind in the U.S.

Our Southwest hub operations are anchored by Arizona, where Trulieve holds a market-leading retail position with 21 dispensaries, offering medical and adult use customers a wide range of branded and third-party products, including brand partner products, in addition to sales in the wholesale channel.

Our Northeast hub operations are anchored by our cornerstone market of Pennsylvania. We conduct cultivation, processing, and retail operations through direct and indirect subsidiaries with permits for retail operations and grower/processor operations in Pennsylvania. In February 2023, Trulieve launched adult use sales at its Bristol, Connecticut location, driving an increase in traffic and customers served. On July 1, 2023, adult use sales launched in Maryland, expanding our addressable market and increasing demand in our wholesale and retail operations. On July 12, 2023, the Company opened its first medical dispensary in Columbus, Ohio.

In June 2023 the Company approved a plan to exit the Massachusetts market to redirect resources to more attractive and profitable markets. The exit of Massachusetts represented a strategic shift and the operations of Massachusetts are reported as discontinued operations.

During the nine months ended September 30, 2023, the Company divested three additional dispensaries in California.

**Recent Developments**

In October 2023, the Company filed amended federal income tax returns with refund claims for several of the Company's business entities for the years 2019, 2020, and 2021, claiming a refund of $143 million from taxes paid which the Company believes it does not owe. This determination is supported by tax positions based on legal interpretations that challenge the Company's tax liability under IRC Section 280E.

In November 2023, the Company issued a notice of redemption of the $130 million senior secured notes due in 2024, with a scheduled redemption date of December 1, 2023.

**Critical Accounting Estimates and Judgments**

The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant estimates in our condensed consolidated financial statements, include, but are not limited to, accounting for acquisitions and business combinations; initial valuation and subsequent impairment testing of goodwill, other intangible assets and long-lived assets; leases; fair value of financial instruments, income taxes; inventory; share-based payment arrangements, and commitment and contingencies. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis.

**Financial Review**

**Results of Continuing Operations**

This section of this Form 10-Q generally describes and compares our results of continuing operations for the three and nine months ended September 30, 2023 and 2022, except as noted. Refer to *Note 16. Discontinued Operations* to the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for additional financial information related to our discontinued operations.

**Three Months Ended September 30, 2023 Compared to Three Months Ended September 30, 2022**

| | Three Months Ended September 30, | | | | |
|---|---|---|---|---|---|
| | 2023 | | 2022 | | |
| | (in thousands) | | | | |
| **Statement of operations data:** | **Amount** | **Percentage of Revenues, Net** | **Amount** | **Percentage of Revenues, Net** | **Amount Change** |
| Revenue | $ 275,210 | 100.0% | $ 295,353 | 100.0% | $ (20,143) |
| Cost of goods sold | 132,264 | 48.1% | 126,641 | 42.9% | 5,623 |
| Gross profit | 142,946 | 51.9% | 168,712 | 57.1% | (25,766) |
| Expenses: | | | | | |
| Sales and marketing | 59,398 | 21.6% | 74,327 | 25.2% | (14,929) |
| General and administrative | 34,455 | 12.5% | 37,613 | 12.7% | (3,158) |
| Depreciation and amortization | 26,958 | 9.8% | 29,471 | 10.0% | (2,513) |
| Impairments and disposals of long-lived assets, net | (1,209) | (0.4%) | 54,639 | 18.5% | (55,848) |
| Total expenses | 119,602 | 43.5% | 196,050 | 66.4% | (76,448) |
| Income (loss) from operations | 23,344 | 8.5% | (27,338) | (9.3%) | 50,682 |
| Other (expense) income: | | | | | |
| Interest expense, net | (20,834) | (7.6%) | (17,731) | (6.0%) | (3,103) |
| Change in fair value of derivative liabilities - warrants | — | 0.0% | 365 | 0.1% | (365) |
| Other income, net | 11,214 | 4.1% | 448 | 0.2% | 10,766 |
| Total other expense, net | (9,620) | (3.5%) | (16,918) | (5.7%) | 7,298 |
| Income (loss) before provision for income taxes | 13,724 | 5.0% | (44,256) | (15.0%) | 57,980 |
| Provision for income taxes | 36,640 | 13.3% | 28,370 | 9.6% | 8,270 |
| Net loss from continuing operations | (22,916) | (8.3%) | (72,626) | (24.6%) | 49,710 |
| Net loss from discontinued operations, net of tax benefit of $5, and $13,152, respectively | (2,927) | (1.1%) | (42,446) | (14.4%) | 39,519 |
| Net loss | (25,843) | (9.4%) | (115,072) | (39.0%) | 89,229 |
| Less: Net loss attributable to non-controlling interest from continuing operations | (451) | (0.2%) | (518) | (0.2%) | 67 |
| Net loss attributable to common shareholders | $ (25,392) | (9.2%) | $ (114,554) | (38.8%) | $ 89,162 |

*Revenue, Net*

Revenue, net for the three months ended September 30, 2023 was $275.2 million, a decrease of $20.1 million or 6.8% from $295.4 million for the three months ended September 30, 2022. The decrease in revenue is due to a $19.6 million decrease in retail revenues and a $0.5 million decrease in wholesale revenues. The Company experienced increased competition and promotional activity in certain markets. The Company operated 188 dispensaries and 173 dispensaries as of September 30, 2023 and September 30, 2022, respectively. During 2023 the Company also shed underperforming retail assets while forgoing lower margin wholesale revenue.

*Cost of Goods Sold*

Cost of goods sold for the three months ended September 30, 2023 was $132.3 million, an increase of $5.6 million or 4.4% from $126.6 million for the three months ended September 30, 2022. Cost of goods as a percentage of revenue, net was 48.1% in the current quarter compared to 42.9% in the prior year period. The increase was primarily due to inventory reduction efforts to right-size inventory levels, increased depreciation related to capital expenditures to support business growth, new production facilities in existing markets where economies of scale are anticipated in the future, and expansion into new markets which are not fully vertical, resulting in the sale of third-party products, and therefore yield lower margin than our vertical markets. The Company also incurred additional costs related to excess capacity in certain temporarily idled facilities.

The Company has continued to see increased cost of goods sold in relation to our revenues due to our expansion and streamlining efforts from which we expect to derive cost savings and long-term benefits in the future.

*Gross Profit*

Gross profit for the three months ended September 30, 2023 was $142.9 million, a decrease of $25.8 million or 15.3% from $168.7 million for the three months ended September 30, 2022. Gross profit as a percentage of revenue, net was 51.9% in the current quarter compared to 57.1% in the prior year period driven by increased promotional activity in certain retail markets, price compression in certain markets, a product mix shift to value brands, initiatives to reduce inventory levels and costs related to excess capacity in certain temporarily idled facilities.

*Sales and Marketing Expense*

Sales and marketing expense for the three months ended September 30, 2023 was $59.4 million, a decrease of $14.9 million or 20.1% from $74.3 million for the three months ended September 30, 2022. Sales and marketing expense as a percentage of revenues, net was 21.6% in the current quarter compared to 25.2% in the prior year period. The decrease in expense was largely attributable to lower headcount in the Company’s dispensaries as we refined staffing levels to align more closely with consumer traffic and consumption levels. The decrease in sales and marketing expenses was also due to the accrual of $5.3 million in the prior year period related to the Watkins earnout.

*General and Administrative Expense*

General and administrative expense for the three months ended September 30, 2023 was $34.5 million, a decrease of $3.2 million or 8.4% from $37.6 million for the three months ended September 30, 2022. The decrease in general and administrative expense during the current quarter is primarily due to a decrease in legislative campaign contributions of $9.5 million, partially offset by an increase in management consulting expenses of $2.2 million and an increase in legal contingencies of $2.0 million.

*Depreciation and Amortization Expense*

Depreciation and amortization expense for the three months ended September 30, 2023 was $27.0 million, a decrease of $2.5 million or 8.5% from $29.5 million for the three months ended September 30, 2022. Depreciation and amortization expense was relatively consistent quarter to quarter.

*Impairments and Disposals of Long-lived Assets, Net*

Impairment and disposal of long-lived assets, net for the three months ended September 30, 2023 was a gain of $1.2 million, a decrease of $55.8 million from a loss of $54.6 million for the three months ended September 30, 2022. The gain in the current quarter is primarily due to terminating a lease of a facility exited in the California market. The expense in the prior quarter was primarily related to exited facilities and the repositioning of assets, primarily in our southeast hub.

*Interest Expense, Net*

Interest expense, net for the three months ended September 30, 2023 was $20.8 million, an increase of $3.1 million or 17.5% from $17.7 million for three months ended September 30, 2022. The increase is primarily the result of a full quarter of interest expense associated with the promissory notes which closed in December 2022.

*Change in Fair Value of Derivative Liabilities - Warrants*

Change in fair value of derivative liabilities - warrants for the three months ended September 30, 2023 was zero, a decrease of $0.4 million or 100.0% from $0.4 million for three months ended September 30, 2022. The decrease is the result of a change in the valuation of the warrants. The warrants expired in April 2023.

*Other Income, Net*

Other income, net for the three months ended September 30, 2023 was $11.2 million, an increase of $10.8 million from $0.4 million for three months ended September 30, 2022. The increase is primarily the result of the repurchase of the senior secured notes, due October 6, 2026, at a 16.5% discount to par resulting in a $8.2 million gain on extinguishment.

*Provision for Income Taxes*

The provision for income taxes for the three months ended September 30, 2023 was $36.6 million, an increase of $8.3 million or 29.2% from $28.4 million for the three months ended September 30, 2022. Although our gross profit was higher by approximately $25.8 million in the three months ended September 30, 2022, in that same period, tax expense was reduced by the impact of a discrete item which created a benefit of approximately $9 million. This benefit more than offsets the gross profit difference, resulting in higher reported tax expense in the quarter despite lower gross profit. The Company's quarterly tax provision is subject to change resulting from several factors, including regulations and administrative practices, principles, and interpretations related to tax.

*Net Loss from Continuing Operations*

Net loss from continuing operations for the three months ended September 30, 2023 was $22.9 million, a decrease of $49.7 million from $72.6 million for the three months ended September 30, 2022. The improvement was driven primarily by the costs to exit facilities in the southeast hub incurred in the prior period, decreased dispensary staffing costs, the gain on the repurchase of the senior secured notes, and the efforts to streamline operations and reduce expenses across the organization. These impacts were partially offset by lower gross margin driven by increased promotional activity, price compression, and product mix shift to value brands.

*Net Loss from Discontinued Operations, Net of Tax Benefit*

Net loss from discontinued operations, net of tax benefit for the three months ended September 30, 2023 was $2.9 million, a decrease $39.5 million from $42.4 million for the three months ended September 30, 2022. The improvement in net loss from discontinued operations is attributable to losses from the exit of the Company’s operations in Nevada in the third quarter of 2022.

**Nine Months Ended September 30, 2023 Compared to Nine Months Ended September 30, 2022**

| | Nine Months Ended September 30, | | | | |
|---|---|---|---|---|---|
| | 2023 | | 2022 | | |
| | (in thousands) | | | | |
| **Statement of operations data:** | **Amount** | **Percentage of Revenues, Net** | **Amount** | **Percentage of Revenues, Net** | **Amount Change** |
| Revenue | $842,219 | 100.0% | $919,753 | 100.0% | $ (77,534) |
| Cost of goods sold | 407,444 | 48.4% | 387,736 | 42.2% | 19,708 |
| Gross profit | 434,775 | 51.6% | 532,017 | 57.8% | (97,242) |
| Expenses: | | | | | |
| Sales and marketing | 181,206 | 21.5% | 219,680 | 23.9% | (38,474) |
| General and administrative | 108,669 | 12.9% | 104,602 | 11.4% | 4,067 |
| Depreciation and amortization | 82,624 | 9.8% | 86,621 | 9.4% | (3,997) |
| Impairments and disposals of long-lived assets, net | 5,480 | 0.7% | 76,155 | 8.3% | (70,675) |
| Impairment of goodwill | 307,590 | 36.5% | — | 0.0% | 307,590 |
| Total expenses | 685,569 | 81.4% | 487,058 | 53.0% | 198,511 |
| (Loss) income from operations | (250,794) | (29.8%) | 44,959 | 4.9% | (295,753) |
| Other (expense) income: | | | | | |
| Interest expense, net | (60,925) | (7.2%) | (52,229) | (5.7%) | (8,696) |
| Change in fair value of derivative liabilities - warrants | 252 | 0.0% | 2,627 | 0.3% | (2,375) |
| Other income, net | 18,108 | 2.2% | 3,016 | 0.3% | 15,092 |
| Total other expense, net | (42,565) | (5.1%) | (46,586) | (5.1%) | 4,021 |
| Income (loss) before provision for income taxes | (293,359) | (34.8%) | (1,627) | (0.2%) | (291,732) |
| Provision for income taxes | 105,933 | 12.6% | 116,770 | 12.7% | (10,837) |
| Net loss from continuing operations | (399,292) | (47.4%) | (118,397) | (12.9%) | (280,895) |
| Net loss from discontinued operations, net of tax (provision) benefit of $(625) and $14,467, respectively | (99,054) | (11.8%) | (53,178) | (5.8%) | (45,876) |
| Net loss | (498,346) | (59.2%) | (171,575) | (18.7%) | (326,771) |
| Less: Net loss attributable to non-controlling interest from continuing operations | (3,788) | (0.4%) | (2,555) | (0.3%) | (1,233) |
| Less: Net loss attributable to non-controlling interest from discontinued operations | (1,193) | (0.1%) | — | 0.0% | (1,193) |
| Net loss attributable to common shareholders | $ (493,365) | (58.6%) | $ (169,020) | (18.4%) | $ (324,345) |

*Revenue, Net*

Revenue, net for the nine months ended September 30, 2023 was $842.2 million, a decrease of $77.5 million or 8.4% from $919.8 million for the nine months ended September 30, 2022. The decrease in revenue is due to a $60.5 million decrease in retail revenues and a $17.0 million decrease in wholesale revenues. The Company experienced increased competition and promotional activity in certain markets. The Company operated 188 dispensaries and 173 dispensaries as of September 30, 2023 and September 30, 2022, respectively. The Company also shed underperforming retail assets while forgoing lower margin wholesale revenue.

*Cost of Goods Sold*

Cost of goods sold for the nine months ended September 30, 2023 was $407.4 million, an increase of $19.7 million or 5.1% from $387.7 million for the nine months ended September 30, 2022. Cost of goods as a percentage of revenues, net was 48.4% in the current year period compared to 42.2% in the prior year period. The increase was primarily due to inventory reduction efforts to right-size inventory levels, increased depreciation related to capital expenditures to support business growth, new production facilities in existing markets where economies of scale are anticipated in the future, and expansion into new markets which are not fully vertical, resulting in the sale of third-party products, and therefore yield lower margin than our vertical markets. The Company also incurred additional costs related to excess capacity in certain temporarily idled facilities.

*Gross Profit*

Gross profit for the nine months ended September 30, 2023 was $434.8 million, a decrease of $97.2 million or 18.3% from $532.0 million for the nine months ended September 30, 2022. Gross profit as a percentage of revenue, net was 51.6% in the current year period compared to 57.8% in the prior year period driven by increased promotional activity in certain retail markets, price compression in certain markets, a product mix shift to value brands, initiatives to reduce inventory levels and costs related to excess capacity in certain temporarily idled facilities.

*Sales and Marketing Expense*

Sales and marketing expense for the nine months ended September 30, 2023 was $181.2 million, a decrease of $38.5 million or 17.5% from $219.7 million for the nine months ended September 30, 2022. Sales and marketing expense as a percentage of revenues, net was 21.5% in the current year period compared to 23.9% in the prior year period. The decrease in expense was largely attributable to lower headcount in the Company's dispensaries as we refined staffing levels to more closely align with consumer traffic and consumption levels. The decrease in sales and marketing expenses was also due to the accrual of $12.6 million in the prior year period related to the Watkins earnout.

*General and Administrative Expense*

General and administrative expense for the nine months ended September 30, 2023 was $108.7 million, an increase of $4.1 million or 3.9% from $104.6 million for the nine months ended September 30, 2022. The increase in general and administrative expense is primarily due to a $19.6 million of legislative campaign contributions to support the Florida adult-use ballot initiative during the current year period, partially offset by lower stock-based compensation expense and transaction and integration costs as compared to the prior period as well as efforts in the current year period to streamline operations and reduce expenses across the organization.

*Depreciation and Amortization Expense*

Depreciation and amortization expense for the nine months ended September 30, 2023 was $82.6 million, a decrease of $4.0 million or 4.6% from $86.6 million for the nine months ended September 30, 2022. Depreciation and amortization expense was relatively consistent year to year.

*Impairments and Disposals of Long-lived Assets, Net*

Impairment and disposal of long-lived assets, net for the nine months ended September 30, 2023 was $5.5 million, a decrease of $70.7 million or 92.8% from $76.2 million for the nine months ended September 30, 2022. The impairment expense incurred in the current year was primarily related to asset disposals in California and Connecticut which partially offset with a gain on lease termination in the California market while the prior year was due to exited facilities and the repositioning of assets, mainly in our southeast hub.

*Impairment of Goodwill*

Impairment of goodwill for the nine months ended September 30, 2023 was $307.6 million, an increase of $307.6 million from zero for the nine months ended September 30, 2022. Based on the results of the Company's goodwill impairment procedures, the Company recorded a $307.6 million goodwill impairment for the single reporting unit during the three months ended June 30, 2023.

*Interest Expense, Net*

Interest expense, net for the nine months ended September 30, 2023 was $60.9 million, an increase of $8.7 million or 16.6% from $52.2 million for nine months ended September 30, 2022. The increase is primarily the result of a full year of interest expense associated with the promissory notes which closed in December 2022.

*Change in Fair Value of Derivative Liabilities - Warrants*

Change in fair value of derivative liabilities - warrants for the nine months ended September 30, 2023 was $0.3 million, a decrease of $2.4 million or 90.4% from $2.6 million for nine months ended September 30, 2022. The decrease is the result of a change in the valuation of the warrants in the prior year. The warrants expired in April 2023.

*Other Income, Net*

Other income, net for the nine months ended September 30, 2023 was $18.1 million, an increase of $15.1 million or 500.4% from $3.0 million for nine months ended September 30, 2022. The increase is primarily the result of the repurchase of the senior secured notes, due October 6, 2026, at a 16.5% discount to par resulting in a $8.2 million gain on extinguishment and interest income on money market funds.

*Provision for Income Taxes*

The provision for income taxes for the nine months ended September 30, 2023 was $105.9 million, a decrease of $10.8 million or 9.3% from $116.8 million for the nine months ended September 30, 2022. For the nine months ended September 30, 2023, the decrease in income tax expense is primarily due to the decrease in gross profit partially offset by a decrease in state statutory rates in 2022. The Company's quarterly tax provision is subject to change resulting from several factors, including regulations and administrative practices, principles, and interpretations related to tax.

*Net Loss from Continuing Operations*

Net loss from continuing operations for the nine months ended September 30, 2023 was $399.3 million, an increase of $280.9 million from $118.4 million for the nine months ended September 30, 2022. The increase in net loss in the current year period was driven primarily by the goodwill impairment charge of $307.6 million, lower gross margin, and an increase of $19.6 million in legislative campaign contributions to support the Florida adult-use ballot initiative. These impacts were partially offset by lower operating expenses driven by the Company’s continued focus on cost savings initiatives, $76.2 million of costs incurred to exit facilities in the southeast hub in the prior period, and expenses of $12.6 million incurred in the prior year period related to the accrual of the Watkins earnout.

*Net Loss from Discontinued Operations, Net of Tax Benefit*

Net loss from discontinued operations, net of tax benefit for the nine months ended September 30, 2023 was $99.1 million, an increase of $45.9 million from $53.2 million for the nine months ended September 30, 2022. The increase in the current year is attributable to losses from the exit of the Company’s operations in Massachusetts in 2023, including the disposal of long-lived assets of $59.9 million and a loss on divestment of a variable interest entity of $10.0 million. Discontinued operations also include the results of the Nevada operations that were discontinued in 2022.

**Liquidity and Capital Resources**

***Sources of Liquidity***

Since our inception, we have funded our operations and capital spending through cash flows from product sales, third-party debt, proceeds from the sale of our capital stock and loans from affiliates and entities controlled by our affiliates. 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 near 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. The Company expects to retain additional cash from operations, starting in the third quarter of 2023, due in part to the Company's position that it does not owe taxes attributable to the application of Section 280E of the Internal Revenue Code. Cash and cash equivalents consist primarily of cash on deposit with banks and money market funds.

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 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, and improvements to existing facilities. Our debt service payments consist primarily of interest payments.

Cash and cash equivalents were $192.2 million as of September 30, 2023. We believe our existing cash balances will be sufficient to meet our anticipated cash requirements from the date of this Quarterly Report on Form 10-Q through at least the next 12 months. Any additional future requirements will be funded through the following sources of capital:

- Cash from ongoing operations,
- Market offerings - the Company has the ability to offer equity in the market for significant potential proceeds, as evidenced by previous recent private placements,
- Debt - the Company has the ability to obtain additional debt from additional creditors.

In September 2023, the Company closed on the open market repurchase of 57,000 of its USD $1,000 senior secured notes, due October 6, 2026, for a purchase price of $47.6 million, excluding fees and accrued interest. Over the remaining course of these senior secured notes, the Company estimates interest savings of approximately $14 million.

***Cash Flows***

The condensed consolidated statements of cash flows include continuing operations and discontinued operations for the nine months ended September 30, 2023 and 2022. The table below highlights our cash flows for the periods indicated.

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2023 | 2022 |
| | *(in thousands)* | |
| Net cash provided by (used in) operating activities | $ 70,377 | $ (31,913) |
| Net cash used in investing activities | (30,308) | (179,003) |
| Net cash (used in) provided by financing activities | (60,599) | 91,945 |
| Net decrease in cash and cash equivalents | $ (20,530) | $ (118,971) |

*Cash Flow from Operating Activities*

Net cash provided by operating activities was $70.4 million for the nine months ended September 30, 2023, an increase of $102.3 million as compared to $31.9 million net cash used in operating activities during the nine months ended September 30, 2022. This is primarily due to the favorable impact of the Company’s inventory wind-down initiative. Inventory balances increased through 2022 with a trending decrease experienced through September 30, 2023 driven by targeted efforts to reduce specific product categories and lower third-party product offerings. In addition, the increase is driven by reduced tax payments in the quarter.

*Cash Flow from Investing Activities*

Net cash used in investing activities was $30.3 million for the nine months ended September 30, 2023, a decrease of $148.7 million, compared to the $179.0 million net cash used in investing activities for the nine months ended September 30, 2022. The primary use of cash in both periods was the purchase of property and equipment, with the prior period having significantly more purchases of property and equipment due to the Company's build out of facilities and automation primarily at our Florida cultivation sites as well as Pennsylvania and West Virginia. Additionally, the prior period included the cash payment of $27.5 million related to the acquisition of the Watkins Cultivation Operation.

*Cash Flow from Financing Activities*

Net cash used in financing activities was $60.6 million for the nine months ended September 30, 2023, a change of $152.5 million, compared to the $91.9 million net cash provided by financing activities for the nine months ended September 30, 2022. The change was primarily due to proceeds from debt financing activities in the prior year that did not occur in the current period. The Company received proceeds of $76.4 million from private placement notes which closed in January 2022 and $19.2 million in proceeds from the exercise of warrants during the six months ended June 2022 prior to expiration. In addition, in the third quarter of 2023, the Company closed on the open market repurchase of 57,000 of its

USD $1,000 senior secured notes, due October 6, 2026, for a purchase price of $47.6 million, excluding fees and accrued interest.

**Balance Sheet Exposure**

As of September 30, 2023 and December 31, 2022, 100% of our condensed consolidated 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, "Part I, Item 1A - Risk Factors" in our 2022 Form 10-K and Part II, Item 1A – Risk Factors in our Q1 and Q2 Form 10-Q.

**Contractual Obligations**

As of September 30, 2023, 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 |
|---|---|---|---|---|---|
| | | | *(in thousands)* | | |
| Notes payable | $ 8,077 | $ 7,419 | $ 71,572 | $ 15,944 | $ 103,012 |
| Private placement notes | 130,000 | — | 368,000 | — | 498,000 |
| Operating lease liabilities | 20,786 | 41,564 | 39,162 | 84,299 | 185,811 |
| Finance lease liabilities | 14,378 | 27,918 | 24,470 | 37,326 | 104,092 |
| Construction finance liabilities | 22,341 | 46,612 | 49,311 | 302,039 | 420,303 |
| Lease settlements | 1,232 | 1,008 | 858 | 2,332 | 5,430 |
| **Total** (1) | $ 196,814 | $ 124,521 | $ 553,373 | $ 441,940 | $ 1,316,648 |

(1) Includes liabilities due in relation to our discontinued operations.

For additional information on our commitments for financing arrangements, future lease payments, lease guarantees, and other obligations, see Note 9. Notes Payable, Note 10. Private Placement Notes, Note 11. Leases, Note 12. Construction Finance Liabilities, and Note 20. Commitments and Contingencies.

**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.

**Management's Use of Non-GAAP Measures**

Our management uses a financial measure that is not in accordance with generally accepted accounting principles in the U.S., or GAAP, in addition to financial measures in accordance with GAAP to evaluate our operating results. This non-GAAP financial measure 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, provision for income taxes, and depreciation and amortization to arrive at EBITDA. This is then adjusted for items that do not represent the operations of the core business such as integration and transition costs, acquisition and transaction costs, inventory step-up for fair value adjustments in purchase accounting, other non-recurring costs such as contributions to specific initiative campaigns (such as Smart and Safe Florida), expenses related to the COVID-19 pandemic, impairments and disposals of long-lived assets, the results of entities consolidated as variable interest entities ("VIEs") but not legally controlled and operated by the Company, discontinued operations, and other income and expense items. Integration and transition costs include those costs related to integration of acquired entities and to transition major systems or processes. Acquisition and transaction costs relate to specific transactions such as acquisitions whether contemplated or completed and regulatory filings and costs related to equity and debt issuances. Other non-recurring costs includes miscellaneous items which are not expected to reoccur frequently such as inventory adjustments related to specific issues and unusual litigation. Adjusted EBITDA for the three and six months ended June 30, 2022, has been adjusted to reflect this current definition and to conform with the current period presentation.

Trulieve reports Adjusted EBITDA to help investors assess the operating performance of the Company'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 immediately following our discussion of "Adjusted EBITDA".

*Adjusted EBITDA*

| | **Three Months Ended September 30,** | | **Change Increase / (Decrease)** | | **Nine Months Ended September 30,** | | **Change Increase / (Decrease)** | |
|---|---|---|---|---|---|---|---|---|
| | **2023** | **2022** | **$** | **%** | **2023** | **2022** | **$** | **%** |
| | *(in thousands)* | | | | *(in thousands)* | | | |
| Adjusted EBITDA | $ 77,738 | $ 99,614 | $ (21,876) | (22)% | $ 234,565 | $ 315,482 | $ (80,917) | (26)% |

Adjusted EBITDA for the three months ended September 30, 2023 was $77.7 million, a decrease of $21.9 million or 22%, from $99.6 million for the three months ended September 30, 2022. Adjusted EBITDA for the nine months ended September 30, 2023 was $234.6 million, a decrease of $80.9 million or 26%, from $315.5 million for the nine months ended September 30, 2022. 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, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | *(in thousands)* | | | |
| Net loss attributable to common shareholders | $ (25,392) | $ (114,554) | $ (493,365) | $ (169,020) |
| Add (deduct) impact of: | | | | |
| Interest expense | 20,834 | 17,731 | 60,925 | 52,229 |
| Provision for income taxes | 36,640 | 28,370 | 105,933 | 116,770 |
| Depreciation and amortization | 26,958 | 29,471 | 82,624 | 86,621 |
| Depreciation included in cost of goods sold | 14,644 | 13,201 | 42,754 | 34,881 |
| EBITDA | 73,684 | (25,781) | (201,129) | 121,481 |
| Impairment of goodwill | — | — | 307,590 | — |
| Impairment and disposal of long-lived assets, net | (1,209) | 54,639 | 5,480 | 76,155 |
| Legislative campaign contributions | 500 | 10,000 | 19,562 | 10,000 |
| Integration and transition costs | 8,511 | 6,682 | 16,146 | 17,079 |
| Share-based compensation and related premiums | 4,539 | 4,292 | 7,415 | 14,559 |
| Other income, net | (11,214) | (448) | (18,108) | (3,016) |
| Change in fair value of derivative liabilities - warrants | — | (365) | (252) | (2,627) |
| Discontinued operations | 2,927 | 42,446 | 97,861 | 53,178 |
| Acquisition and transaction costs | — | 6,961 | — | 17,227 |
| Other non-recurring costs | — | 1,869 | — | 11,557 |
| Inventory step up, fair value | — | — | — | 1,048 |
| COVID related expenses | — | 195 | — | 783 |
| Results of entities not legally controlled | — | (876) | — | (1,942) |
| Total adjustments | 4,054 | 125,395 | 435,694 | 194,001 |
| Adjusted EBITDA | $ 77,738 | $ 99,614 | $ 234,565 | $ 315,482 |

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

There have been no material changes to our market risk disclosures as set forth in Part II Item 7A of our 2022 Annual Report on Form 10-K for the year ended December 31, 2022.

**Item 4. Controls and Procedures.**

**Material Weakness in Internal Control Over Financial Reporting**

We maintain disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the specified time periods and accumulated and communicated to our management, including our principal executive officer, principal financial officer, and principal accounting officer, as appropriate to allow timely decisions regarding disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, as ours are designed to do, and management necessarily was required to apply its judgment in evaluating the risk related to controls and procedures.