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," "our," or "us") 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, 2023 (the "2023 Form 10-K").

The Company's accounting policies that we believe are the most critical to aid in fully understanding and evaluating our reported financial results are described in the Company's fiscal 2023 Form 10-K, filed with the SEC on February 29, 2024, under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Estimates." Our senior management has reviewed these critical accounting policies and related disclosures and determined that there were no significant changes in our critical accounting policies during the six months ended June 30, 2024.

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 2023 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 2023 Form 10-K. 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 with operations in nine states. Headquartered in Quincy, Florida, we are the largest cannabis retailer in the United States with market leading retail operations in Arizona, Florida, Georgia, Pennsylvania, and West Virginia. We are committed to delivering exceptional customer experiences through elevated service and high-quality branded products. We aim to be the brand of choice for medical and adult-use customers in all of the markets that we serve. The Company operates in highly regulated markets that require expertise in cultivation, manufacturing, and retail. We have developed proficiencies in each of these functional areas and are passionate about expanding access to regulated cannabis products through advocacy, education and expansion of our distribution network.

All of the states in which we operate have developed programs to permit the use of cannabis products for medicinal purposes to treat specific conditions and diseases, which we refer to as medical cannabis. Recreational cannabis, or adult-use cannabis, is legal cannabis sold in licensed dispensaries to adults ages 21 and older. Thus far, of the states in which we operate, Arizona, Colorado, Connecticut, Maryland, and Ohio, have already or are in the process of developing and launching programs permitting the commercialization of adult-use cannabis products. Trulieve operates its business through its directly and indirectly owned subsidiaries which hold licenses and have entered into managed service agreements in the states in which they operate.

As of June 30, 2024, we operated the following:

State	Number of Dispensaries	Number of Cultivation and Processing Facilities
Florida	137	6
Arizona	21	3
Pennsylvania	20	3
West Virginia	10	1
Georgia	5	1
Maryland	3	1
Ohio	3	—
Connecticut	1	—
Colorado	—	1
Total	200	16

Regional Hub Structure

Trulieve's production, retail and distribution areas are organized into regional hubs whereby teams and assets are aggregated in order to effectively pair national structure and support with localized operations tailored to each market. Trulieve has established cannabis operations in three hubs: Southeast, Northeast, and Southwest. Each of our three regional hubs are anchored by market leading positions in cornerstone states of Florida, Pennsylvania, and Arizona.

In Florida and Georgia, Trulieve cultivates, processes, and manufactures all cannabis products sold in our dispensaries. In other markets including Arizona, Maryland, Pennsylvania, and West Virginia, we have achieved varying percentages of vertical integration with cultivation and processing operations to support our retail and wholesale businesses. 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. Trulieve employs an in-house quality team as well as testing laboratories in select markets, both of which allow us to more tightly control product quality.

Cultivation and Manufacturing of Cannabis Products

Trulieve produces high quality cannabis flower for direct consumption and uses a variety of processes to transform high-quality biomass into products sold through our retail and wholesale distribution network. With a focus on replicable, scalable operations, we have developed design standards, standard operating procedures, and training protocols that are employed across cultivation sites to achieve a high level of consistency and quality. The modular nature of our standard designs enables quick and incremental additions to capacity where appropriate. In Florida where demand is high enough to support larger scale production, our state-of-the-art 750,000 square foot indoor cultivation facility affords us greater flexibility for pricing, promotional cadence, and assortment in the Florida market by enabling production of high potency and high quality products at lower costs.

We utilize various extraction techniques including supercritical ethanol extraction, carbon dioxide extraction, hydrocarbon extraction, and mechanical separation. We have invested in light hydrocarbon extraction processes, allowing for concentrates that preserve the natural ratios of cannabinoids, terpenes, and other target compounds to better replicate the flower experience. Light hydrocarbon extraction also offers the benefit of greater extraction yields in many cases. In addition, we own CO_2 extraction, distillation, purification and manufacturing technology used to produce a line of cannabis topicals and vapes featuring cannabinoids.

Distribution of Branded Product through Branded Retail

Distribution of branded products through our branded retail locations is a core driver of our long-term strategy. We have developed and acquired a curated portfolio of our own branded retail products that we cultivate, manufacture and distribute throughout our branded retail locations. By providing customers with consistent high-quality products and outstanding experiences we aim to garner a large and loyal customer base across our distribution network.

Trulieve brands include premium tier brands Avenue, Cultivar Collection, and Muse; mid-tier brands Modern Flower, Alchemy, Momenta, and Sweet Talk, and value tier brands Co2lors, Loveli, Roll One, and Trekkers. Established relationships with brand partners allow for the sale of partner branded products in select markets and retail locations, providing our customers with access to greater variety and specialty brands. Brand partnerships include arrangements with Alien Labs, Bellamy Brothers, Binske, Black Tuna, Blue River, Connected, DeLisioso, Khalifa Kush, Love's Oven, Miami Mango, Moxie, Seed Junky, and Sunshine Cannabis.

Customer Experience

Since inception, Trulieve has prioritized creating exceptional customer experiences, developing the business to center around the Trulieve philosophy of "Customers First". This customer centric approach permeates our culture and informs strategic decision making.

Our goal is to foster brand loyalty by providing customers with industry-leading branded products and superior service in an appealing, approachable setting. We accomplish this by creating and reinforcing positive customer experiences across the entire customer journey. We employ and continuously refine numerous training programs to provide our associates with the resources they need to deliver outstanding customer experiences across the entire Trulieve platform. We offer specialized management training and incentives to reward positive outcomes so there is continuous reinforcement of customer experience best practices.

Marketing

Trulieve's marketing strategies are tailored to address the unique attributes of the markets in which we operate. Generally, in markets where we serve medical patients, our messaging centers around education and outreach for physicians and medical patients. Our educational materials are designed to help physicians understand cannabinoid science, the high standards pursuant to which our plants are cultivated, the processes required for regulatory compliance, and how our products provide relief for their patients. Patients primarily learn about us through their physicians, patient-centric community events, and digital marketing. We regularly participate in outreach and community events. An engaged audience is captured through our digital content marketing and via multiple popular social media platforms.

We regularly engage with various communities who may benefit from cannabis, such as veterans, seniors, organizations that serve qualifying populations as well as various health and wellness groups. Search engine optimization of our website also captures potential customers researching the benefits of cannabis, which offers another pathway to informative materials about cannabis, our products and how to legally access them.

In adult-use markets, marketing efforts aim to attract customers with varying levels of awareness of cannabis and Trulieve. We continue to delineate and refine our understanding of various customer personas, which factors such as location, products and pricing attract and retain customers, and which incentives are effective in driving specific outcomes. Connecting with a broader audience requires different strategies that inspire, tap into relevant cultural moments in their lives, build community as well as educate customers on our products' uniqueness versus our competitors.

We understand each consumer has unique communication preferences and capabilities. As such, we engage with customers and physicians through a variety of methods including email, text, social media and online chat. In select markets we offer various purchase options, including phone ordering, online ordering, home delivery, and in-store. As Trulieve continues to expand, we have developed a standardized loyalty program to serve all markets as appropriate within existing regulatory frameworks, and this new program was completed in all markets in the second quarter of 2024. The program features fully stackable points which can be redeemed across all of our brands and markets. The rewards program itself was built inside of our customer data platform, allowing interconnectivity between rewards, website, and the customer data platform.

Investments in Infrastructure and Technology Platforms

We have made significant investments in developing and deploying technology and data platforms designed to support scaled operations and growth in customers served and units sold. Through our customer data platform, we are able to collect and analyze data to discern customer preferences, patterns, and trends which inform our production mix, product allocation, promotional strategies and targeted outreach. Investments in our enterprise grade platforms enable greater sophistication across production, retail, and wholesale operations and numerous support functions including accounting and finance, human resources, legal and compliance. We believe infrastructure and data capabilities are prerequisites for long term success in an increasingly competitive and integrated commerce environment.

Competitive Conditions and Position

The markets in which we operate are highly competitive markets with relatively high barriers to entry given the licensed nature of the cannabis industry. See "—Regulatory Overview" in Item 1 - Business and Item 1A - Risk Factors in our Annual Report on Form 10-K for additional information regarding the impact of regulation on our business. We compete directly with cannabis producers and retailers within single-state operating markets, as well as those that operate across several U.S. state markets.

The vast majority of both manufacturing and retail competitors in our markets consist of localized or regional businesses with operations in a single state market. Other multi-state cannabis operators compete directly in several of our operating markets. Aside from this direct competition, out-of-state operators that are capitalized well enough to enter those markets through acquisitions are also part of the competitive landscape. Similarly, as we execute on our regional hub strategy and expand across the U.S., operators in our future state markets will inevitably become direct competitors. Increased competition by larger and better financed competitors could materially affect our business, financial condition and results of operations.

We face additional competition from new entrants. If the number of consumers of medical and adult-use cannabis in our markets increases, the demand for products will increase and we expect that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. We expect to continue to invest in several areas, including customer experience, product innovation, scaled production, marketing and branding, and distribution network expansion. Trulieve may not have sufficient resources to maintain investments on a competitive basis, which could have a material adverse effect on our business, financial condition and results of operations. The management team monitors developments in the fast-paced cannabis industry and adjacent industries to help us remain competitive.

We also compete indirectly with operators in the illicit market for cannabis and manufacturers and retailers of intoxicating hemp products.

Seasonality

Our business operates year-round. Operations and sales trends in select markets where we operate do follow seasonal trends with various times of the year providing seasonal impacts on sales in summer and winter months in markets in the Southwest and Northeast and promotional activity increases around specific industry and holiday events including 4/20, 7/10, and Green Wednesday (the Wednesday before Thanksgiving).

Recent Developments

On April 1, 2024, the Florida Supreme Court ruled affirmatively to place the Smart & Safe Florida initiative on the 2024 General Election Ballot which, if passed, will allow adults over the age of 21 to purchase cannabis products for personal consumption in the state of Florida. The initiative is on the ballot in Florida as a constitutional amendment with an election date set for November 5, 2024. In Florida, constitutional amendments require a 60% supermajority vote of approval to pass.

On April 30, 2024, the United States Department of Justice recommended marijuana be rescheduled from a Schedule I to Schedule III controlled substance, and published a notice of proposed rulemaking on May 21, 2024. There was a sixty-day comment period for the proposed rulemaking, which closed on July 22, 2024. Over 43,000 comments were received, with an overwhelming majority of comments advocating for Schedule III rescheduling or descheduling altogether. The notice of proposed rulemaking is but one step in a complex administrative and political process involving numerous stakeholders whose commitment to rescheduling marijuana is unclear.

On May 30, 2024, in connection with a litigation settlement, Trulieve acquired Harvest of Ohio, LLC, which holds licenses for medical cannabis dispensaries in Columbus and Beavercreek. Both dispensaries are eligible to convert the medical license to a dual-use license, which will allow for adult use sales. Also in connection with the litigation settlement, we entered into service agreements to provide operational support to a cultivation and processing facility. On August 2, 2024, the Company received notice from the Ohio Division of Cannabis Control that our dispensaries in Columbus, Westerville and Beavercreek were authorized to begin adult-use sales as of August 6, 2024.

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 six months ended June 30, 2024 and 2023.

The following table and discussion compares condensed consolidated statements of operations data for the quarter-to-date periods presented:

	Three Months Ended June 30,				
	2024		2023		2024 vs. 2023
	(in thousands)				
	Amount	Percentage of Revenue	Amount	Percentage of Revenue	Amount Change
Revenue	$ 303,442	100.0%	$ 281,795	100.0%	$ 21,647
Cost of goods sold	121,794	40.1%	140,158	49.7%	(18,364)
Gross profit	181,648	59.9%	141,637	50.3%	40,011
Expenses:					
Sales and marketing	63,182	20.8%	61,075	21.7%	2,107
General and administrative	39,403	13.0%	34,901	12.4%	4,502
Depreciation and amortization	28,076	9.3%	26,052	9.2%	2,024
Impairment and disposal of long-lived assets, net of recoveries	1,233	0.4%	3,310	1.2%	(2,077)
Impairment of goodwill	—	—%	307,590	109.2%	(307,590)
Total expenses	131,894	43.5%	432,928	153.6%	(301,034)
Income (loss) from operations	49,754	16.4%	(291,291)	(103.4%)	341,045
Other income (expense):					
Interest expense, net	(15,449)	(5.1%)	(18,931)	(6.7%)	3,482
Interest income	4,039	1.3%	1,334	0.5%	2,705
Other (expense) income, net	(1,837)	-0.6%	641	0.2%	(2,478)
Total other expense, net	(13,247)	(4.4%)	(16,956)	(6.0%)	3,709
Income (loss) before provision for income taxes	36,507	12.0%	(308,247)	(109.4%)	344,754
Provision for income taxes	47,200	15.6%	33,829	12.0%	13,371
Net loss from continuing operations	(10,693)	(3.5%)	(342,076)	(121.4%)	331,383
Net loss from discontinued operations, net of tax benefit of zero and $(1,144), respectively	(1,619)	(0.5%)	(64,796)	(23.0%)	63,177
Net loss	$ (12,312)	(4.1%)	$ (406,872)	(144.4%)	$ 394,560

Revenue

Revenue for the three months ended June 30, 2024 was $303.4 million, an increase of $21.6 million, or 7.7%, from $281.8 million for the three months ended June 30, 2023. The increase in revenue is primarily the result of $17.4 million increase in retail revenue and a $4.5 million increase in wholesale revenue.

The increase in retail revenue was partially driven by the opening of additional dispensaries; the Company operated 200 dispensaries as of June 30, 2024, compared to 183 as of June 30, 2023. Retail revenues also increased due to mix of products sold, and higher units sold driven by improved customer traffic, extended operating hours in certain locations, increased days open in certain locations, and increased marketing efforts. Additionally, Maryland was a medical-only market in the prior year comparative period, and an adult-use and medical market in the current period, which contributed to the increase.

The increase in wholesale revenue was primarily driven by Maryland adult-use sales starting in July 2023 driving an increase in the second quarter of 2024 as compared to the second quarter of 2023 as well as improved order fulfillment efficiency.

Cost of Goods Sold

Cost of goods sold for the three months ended June 30, 2024 was $121.8 million, a decrease of $18.4 million, or 13.1%, from $140.2 million for the three months ended June 30, 2023. The decrease was primarily due to year over year improvements in at-scale cost efficiencies from our production facilities.

Gross Profit

Gross profit for the three months ended June 30, 2024 was $181.6 million, an increase of $40.0 million, or 28.2%, from $141.6 million for the three months ended June 30, 2023. Gross profit as a percentage of revenue was 59.9% for the three months ended June 30, 2024 as compared to 50.3% for the three months ended June 30, 2023, which was driven by increased revenue and decreased cost of goods sold due to year over year improvements in at-scale cost efficiencies from our production facilities as well as reduced promotional activity in the current year.

Sales and Marketing Expense

Sales and marketing expense for the three months ended June 30, 2024 was $63.2 million, an increase of $2.1 million, or 3.4%, from $61.1 million for the three months ended June 30, 2023. The increase is primarily due to the increase in overall store count. Sales and marketing expense as a percentage of revenues was 20.8% for the three months ended June 30, 2024, compared to 21.7% for the three months ended June 30, 2023. The decrease in the percentage of revenue is driven by cost improvements from retail payroll efficiencies as well as overall increases in same store revenue.

General and Administrative Expense

General and administrative expense for the three months ended June 30, 2024 was $39.4 million, an increase of $4.5 million, or 12.9%, from $34.9 million for the three months ended June 30, 2023. The increase is primarily from share-based compensation due to the timing of award grants and forfeitures as well as increased expenses for information technology upgrades, which was partially offset by decreased legislative campaign contributions.

Depreciation and Amortization Expense

Depreciation and amortization expense for the three months ended June 30, 2024 was $28.1 million, an increase of $2.0 million, or 7.8%, from $26.1 million for the three months ended June 30, 2023.

Impairment and Disposal of Long-Lived Assets, Net of Recoveries

Impairment and disposal of long-lived assets, net of recoveries was $1.2 million for the three months ended June 30, 2024, a decrease of $2.1 million, or 62.7%, from $3.3 million for the three months ended June 30, 2023.

Impairment of Goodwill

Impairment of goodwill was zero for the three months ended June 30, 2024, a decrease of 307.6 million, or 100.0%, from 307.6 million for the three months ended June 30, 2023. During the three months ended June 30, 2023, 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.

Interest Expense, Net

Interest expense, net for the three months ended June 30, 2024 was $15.4 million, a decrease of $3.5 million, or 18.4%, from $18.9 million for three months ended June 30, 2023. The decrease is primarily the result of debt retirements of $57.0 million in September 2023 and $130.0 million in December 2023 which lowered interest expense in the second quarter of 2024.

Interest Income

Interest income for the three months ended June 30, 2024 was $4.0 million, an increase of $2.7 million, or 202.8%, from $1.3 million for the three months ended June 30, 2023. The increase is due to an increase in funds available to be invested into high-yield money market fund accounts compared to the same prior year period.

Other (Expense) Income, Net

Other expense, net for the three months ended June 30, 2024 was $1.8 million, a decrease of $2.5 million, from other income, net of $0.6 million for three months ended June 30, 2023.

Provision for Income Taxes

The provision for income taxes for the three months ended June 30, 2024 was $47.2 million, an increase of $13.4 million, or 39.5%, from $33.8 million for the three months ended June 30, 2023. The provision for income taxes as a percentage of gross profit was 26.0% for the three months ended June 30, 2024, compared to 23.9% for the three months ended June 30, 2023. The increase in tax expense in the second quarter of 2024 was driven by an increase in gross profit for the period, as well as an increase in interest expense on uncertain tax positions.

The following table and discussion compares condensed consolidated statements of operations data for the year-to-date periods presented:

	Six Months Ended June 30,				
	2024		2023		2024 vs. 2023
	(in thousands)				
	Amount	Percentage of Revenue	Amount	Percentage of Revenue	Amount Change
Revenue	$601,061	100.0%	$567,009	100.0%	$ 34,052
Cost of goods sold	245,611	40.9%	275,180	48.5%	(29,569)
Gross profit	355,450	59.1%	291,829	51.5%	63,621
Expenses:					
Sales and marketing	124,289	20.7%	121,808	21.5%	2,481
General and administrative	79,603	13.2%	74,213	13.1%	5,390
Depreciation and amortization	55,831	9.3%	55,666	9.8%	165
Impairment and disposal of long-lived assets, net of (recoveries)	(127)	—%	6,689	1.2%	(6,816)
Impairment of goodwill	—	—%	307,590	54.2%	(307,590)
Total expenses	259,596	43.2%	565,966	99.8%	(306,370)
Income (loss) from operations	95,854	15.9%	(274,137)	(48.3%)	369,991
Other income (expense):					
Interest expense, net	(30,118)	(5.0%)	(40,091)	(7.1%)	9,973
Interest income	7,297	1.2%	2,396	0.4%	4,901
Other (expense) income, net	(4,580)	(0.8%)	4,749	0.8%	(9,329)
Total other expense, net	(27,401)	(4.6%)	(32,946)	(5.8%)	5,545
Income (loss) before provision for income taxes	68,453	11.4%	(307,083)	(54.2%)	375,536
Provision for income taxes	102,635	17.1%	69,293	12.2%	33,342
Net loss from continuing operations	(34,182)	(5.7%)	(376,376)	(66.4%)	342,194
Net loss from discontinued operations, net of tax benefit of $— and $(630), respectively	(2,977)	(0.5%)	(96,127)	(17.0%)	93,150
Net loss	$ (37,159)	(6.2%)	$ (472,503)	(83.3%)	$ 435,344

Revenue

Revenue for the six months ended June 30, 2024 was $601.1 million, an increase of $34.1 million, or 6.0%, from $567.0 million for the six months ended June 30, 2023. The increase in revenue is primarily driven by a $27.6 million increase in retail revenue and a $6.9 million increase in wholesale revenue.

The increase in retail revenue was partially driven by the opening of additional dispensaries; the Company operated 200 dispensaries as of June 30, 2024, compared to 183 as of June 30, 2023. Retail revenues also increased due to product mix sold, improved customer traffic, extended operating hours in certain locations, increased days open in certain locations, and increased marketing efforts. Additionally, Maryland was a medical-only market in the prior year comparative period, and an adult-use and medical market in the current period, which also contributed to the increase.

The increase in wholesale revenue was primarily driven by Maryland adult-use sales starting in July 2023 which drove an increase in 2024 compared to 2023 as well as improved order fulfillment efficiency.

Cost of Goods Sold

Cost of goods sold for the six months ended June 30, 2024 was $245.6 million, a decrease of $29.6 million, or 10.7%, from $275.2 million for the six months ended June 30, 2023. Cost of goods as a percentage of revenues was 40.9% for the six months ended June 30, 2024 compared to 48.5% for the six months ended June 30, 2023. The decrease was primarily due to year over year improvements in at-scale cost efficiencies from our production facilities.

Gross Profit

Gross profit for the six months ended June 30, 2024 was $355.5 million, an increase of $63.6 million, or 21.8%, from $291.8 million for the six months ended June 30, 2023. Gross profit as a percentage of revenue was 59.1% for the six months ended June 30, 2024 as compared to 51.5% for the six months ended June 30, 2023, which was driven by increased revenue and decreased cost of goods sold due to year over year improvements in at-scale cost efficiencies from our production facilities as well as reduced promotional activity in the current year.

Sales and Marketing Expense

Sales and marketing expense for the six months ended June 30, 2024 was $124.3 million, an increase of $2.5 million, or 2.0%, from $121.8 million for the six months ended June 30, 2023. The increase is primarily due to the increase in overall store count, which was partially offset by retail payroll efficiencies. Sales and marketing expense as a percentage of revenue was 20.7% for the six months ended June 30, 2024 compared to 21.5% for the six months ended June 30, 2023. The decrease in the percentage of revenue is driven by cost improvements from retail payroll efficiencies as well as overall increases in same store revenue.

General and Administrative Expense

General and administrative expense for the six months ended June 30, 2024 was $79.6 million, an increase of $5.4 million, or 7.3%, from $74.2 million for the six months ended June 30, 2023. The increase is primarily related to share-based compensation due to the timing of award grants and forfeitures as well as increased expenses for information technology upgrades, which was partially offset by decreased legislative campaign contributions.

Depreciation and Amortization Expense

Depreciation and amortization expense for the six months ended June 30, 2024 was $55.8 million, an increase of $0.2 million, or 0.3%, from $55.7 million for the six months ended June 30, 2023.

Impairment and Disposal of Long-Lived Assets, Net of Recoveries

Impairment and disposal of long-lived assets, net of recoveries for the six months ended June 30, 2024 was a gain of $0.1 million, a decrease of $6.8 million, from a loss of $6.7 million for the six months ended June 30, 2023. The change was primarily due to 2023 asset disposal activities associated with underperforming assets where 2024 included impairment charges related to assets moved to held for sale which were offset by insurance recoveries received in the first quarter of 2024 associated with property damage in 2023.

Impairment of Goodwill

Impairment of goodwill was zero for the six months ended June 30, 2024, a decrease of $307.6 million, or 100.0%, from $307.6 million for the six months ended June 30, 2023. During the six months ended June 30, 2023, based on the results of the Company's goodwill impairment procedures, the Company recorded a $307.6 million goodwill impairment for its single reporting unit.

Interest Expense, Net

Interest expense, net for the six months ended June 30, 2024 was $30.1 million, a decrease of $10.0 million, or 24.9%, from $40.1 million for six months ended June 30, 2023. The decrease is primarily the result of debt retirements with $57 million of debt retired in September 2023 and $130.0 million of debt retired in December 2023 driving lower interest expense in the first six months of 2024. This favorability was partially offset by interest associated with the $25.0 million mortgage note executed in December 2023.

Interest Income

Interest income for the six months ended June 30, 2024 was $7.3 million, an increase of $4.9 million, or 204.5%, from $2.4 million for six months ended June 30, 2023. The increase is due to an increase in funds invested into high-yield money market fund accounts compared to the same prior year period.

Other (Expense) Income, Net

Other expense, net for the six months ended June 30, 2024 was $4.6 million, a decrease of $9.3 million, from other income, net of $4.7 million for six months ended June 30, 2023. The decrease is primarily a result of the provision for credit losses recorded on non-operating notes receivable in the current year, compared to gains recognized on sales of non-operating assets in the prior year.

Provision for Income Taxes

The provision for income taxes for the six months ended June 30, 2024 was $102.6 million, an increase of $33.3 million, or 48.1%, from $69.3 million for the six months ended June 30, 2023. The provision for income taxes as a percentage of gross profit was 28.9% for the six months ended June 30, 2024, compared to 23.7% for the six months ended June 30, 2023. The increase in tax expense for 2024 was driven by an increase in gross profit for the period, the one-time impact of changing certain state tax filing methods which requires us to revalue deferred taxes in those states, and an increase in interest expense on uncertain tax positions.

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 adjusts the following items from net income: interest expense, interest income, provision for income taxes, and depreciation and amortization to arrive at EBITDA. This is then adjusted for items that we do not believe represent the operations of the core business such as acquisition, transaction and other non-recurring costs including major system changes as well as contributions to specific initiatives (e.g., contributions to Smart and Safe Florida), impairments and disposals of long-lived assets including goodwill, discontinued operations, share-based compensation, and other income and expense items.

We report Adjusted EBITDA to help investors assess the operating performance of the Company’s business. The financial measure noted above is a metrics that has 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 net income, the most directly comparable financial measure calculated in accordance with GAAP, to Adjusted EBITDA, has been included herein immediately following our discussion of "Adjusted EBITDA".

Adjusted EBITDA

Adjusted EBITDA for the three months ended June 30, 2024 was $107.0 million, an increase of $28.3 million, or 35.9%, from $78.7 million for the three months ended June 30, 2023. The increase is primarily attributed to increased revenue and improved gross profit.

Adjusted EBITDA for the six months ended June 30, 2024 was $212.8 million, an increase of $56.0 million, or 35.7%, from $156.8 million for the six months ended June 30, 2023. The increase is primarily attributed to increased revenue and improved gross profit.

The following table presents a reconciliation of GAAP net loss to non-GAAP Adjusted EBITDA, for each of the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	**2023**	**2024**	**2023**
	(in thousands)			
Net loss attributable to common shareholders	$ (12,028)	$ (403,849)	$ (35,107)	$ (467,973)
Add (deduct) impact of:				
Interest expense, net	15,449	18,931	30,118	40,091
Interest income	(4,039)	(1,334)	(7,297)	(2,396)
Provision for income taxes	47,200	33,829	102,635	69,293
Depreciation and amortization	28,076	26,052	55,831	55,666
Depreciation included in cost of goods sold	13,316	15,959	26,793	28,049
EBITDA (Non-GAAP)	87,974	(310,412)	172,973	(277,270)
Impairment of goodwill	—	307,590	—	307,590
Impairment and disposal of long-lived assets, net of (recoveries)	1,233	3,310	(127)	6,689
Legislative campaign contributions	5,000	8,550	14,225	19,062
Acquisition, transaction, and other non-recurring costs	4,337	5,698	8,014	7,635
Share-based compensation	4,957	475	10,110	2,876
Other income (expense), net	1,837	(641)	4,580	(4,749)
Discontinued operations, net of tax, attributable to common shareholders	1,619	64,126	2,977	94,934
Total adjustments	18,983	389,108	39,779	434,037
Adjusted EBITDA (Non-GAAP)	$ 106,957	$ 78,696	$ 212,752	$ 156,767

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 operations and are deploying our capital reserves to acquire and develop assets capable of producing additional revenues to support our expected business growth. Our current principal sources of liquidity are our cash and cash equivalents provided by our operations as well as debt and equity offerings. The Company has and expects to retain additional cash from operations, 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, debt service payments, and income tax payments. Additionally, from time to time, we may use capital for other investing and financing activities. Working capital is used principally for our personnel expenses as well as costs related to the cultivation, processing and distribution of our products. Our capital expenditures consist primarily of additional cultivation and processing facilities and retail dispensaries, and improvements to existing facilities to support the expected long-term growth in markets with adult-use catalysts. In the current period, our debt service payments consist primarily of interest payments.

Cash and cash equivalents were $355.2 million as of June 30, 2024. 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 would likely be funded through the following sources of capital:

- Cash from ongoing operations,
- Equity or debt financings.

Cash Flows

The condensed consolidated statements of cash flows include continuing operations and discontinued operations. The table below highlights our cash flows for the periods presented:

	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
	(in thousands)	
Net cash provided by (used in) operating activities	$ 210,472	$ (23,062)
Net cash used in investing activities	(51,940)	(25,318)
Net cash used in financing activities	(10,721)	(9,335)
Net increase (decrease) in cash and cash equivalents	$ 147,811	$ (57,715)

Cash Flows - Operating Activities

Net cash provided by operating activities was $210.5 million for the six months ended June 30, 2024, an increase of $233.5 million as compared to $23.1 million net cash used in operating activities for the six months ended June 30, 2023. This improvement is primarily due to the $169.8 million impact from the Company's position that it does not owe taxes attributable to the application of Section 280E of the Internal Revenue Code (inclusive of $52.4 million in refunds received from amended returns based on this position in the first half of this fiscal year) and a $63.6 million improvement in gross profit driven by higher revenues and improved gross margin, which was only partially offset by the comparative change in inventories. Operating cash flows in the comparative period benefited from the $40.3 million decrease in inventories versus the $5.0 million decrease for the current period.

Cash Flows - Investing Activities

Net cash used in investing activities was $51.9 million for the six months ended June 30, 2024, an increase of $26.6 million, compared to the $25.3 million net cash used in investing activities for the six months ended June 30, 2023. The increase primarily reflects higher current year purchases of property, plant and equipment and internal use software to support the expected profitable long-term growth of the business. A reduction in proceeds received this year compared to the same prior year period from the sale of long-lived and held for sale assets, partially offset by non-recurring payments for a cannabis license made in the prior year also contributed to the increase in net cash used in investing activities for the current period.

Cash Flows - Financing Activities

Net cash used in financing activities was $10.7 million for the six months ended June 30, 2024, an increase of $1.4 million, compared to $9.3 million net cash used in financing activities for the six months ended June 30, 2023. The increase is driven primarily from the payment made for the consolidated VIE settlement transaction and the related costs incurred, which was partially offset by proceeds from the redemption of non-controlling interest and a decrease in payments made on notes payable as a note was paid off in the prior year.

Balance Sheet Exposure

As of June 30, 2024 and December 31, 2023, 100% of our condensed consolidated balance sheets is exposed to U.S. cannabis-related activities, and substantially all our revenue is from U.S. cannabis operations. 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. 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 2023 Form 10-K.

Contractual Obligations

For information on our commitments for financing arrangements, operating leases, claims and litigation, contingencies, and other obligations, see Note 3. Supplementary Financial Information, Note 4. Financing Arrangements, and Note 6. Income Taxes in Part I. Item 1 of this Quarterly Report on Form 10-Q. Other than the $152.8 million increase in our uncertain tax position liabilities and the $19.0 million increase in our future minimum lease payments under non-cancellable operating leases, there were no other material changes to our contractual obligations as set forth in Part II Item 7 of our 2023 Annual Report on Form 10-K for the year ended December 31, 2023.

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.

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 2023 Annual Report on Form 10-K for the year ended December 31, 2023.