
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2024

OR

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to
Commission File Number: 000-56248



TRULIEVE CANNABIS CORP.

(Exact Name of Registrant as Specified in its Charter)

British Columbia
(State or other jurisdiction of
incorporation or organization)

84-2231905
(I.R.S. Employer
Identification No.)

6749 Ben Bostic Road
Quincy, FL 32351
(Address of principal executive offices and zip code)

(850) 298-8866
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---------------------|----------------------|---|
| N/A | N/A | N/A |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

[Table of Contents](#)

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of October 31, 2024, the registrant had 165,964,290 Subordinate Voting Shares and 23,226,386 Multiple Voting Shares (on an as converted basis) outstanding.

TRULIEVE CANNABIS CORP.

Table of Contents

| | <u>Page</u> |
|---|-------------|
| PART I. FINANCIAL INFORMATION | |
| Item 1. Financial Statements (Unaudited) | 1 |
| Condensed Consolidated Balance Sheets | 1 |
| Condensed Consolidated Statements of Operations | 3 |
| Condensed Consolidated Statements of Changes in Shareholders' Equity | 5 |
| Condensed Consolidated Statements of Cash Flows | 8 |
| Notes to Condensed Consolidated Financial Statements | 11 |
| Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations | 27 |
| Item 3. Quantitative and Qualitative Disclosures About Market Risk | 41 |
| Item 4. Controls and Procedures | 42 |
| PART II. OTHER INFORMATION | |
| Item 1. Legal Proceedings | 46 |
| Item 1A. Risk Factors | 46 |
| Item 2. Unregistered Sales of Equity Securities and Use of Proceeds | 46 |
| Item 3. Defaults Upon Senior Securities | 46 |
| Item 4. Mine Safety Disclosures | 46 |
| Item 5. Other Information | 46 |
| Item 6. Exhibits | 47 |
| Signatures | 48 |

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of safe harbor provisions of the Private Securities Litigation Reform Act of 1995. In some cases, you can identify these statements by forward-looking words such as “may”, “will”, “would”, “could”, “should”, “believes”, “estimates”, “projects”, “potential”, “expects”, “plans”, “intends”, “anticipates”, “targeted”, “continues”, “forecasts”, “designed”, “goal”, or the negative of those words or other similar or comparable words. Any statements contained in this Quarterly Report on Form 10-Q that are not statements of historical facts may be deemed to be forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition, results of operations and future growth prospects. The forward-looking statements contained herein are based on certain key expectations and assumptions, including, but not limited to, with respect to expectations and assumptions concerning receipt and/or maintenance of required licenses and third party consents and the success of our operations, are based on estimates prepared by us using data from publicly available governmental sources, as well as from market research and industry analysis, and on assumptions based on data and knowledge of this industry that we believe to be reasonable. These forward-looking statements are not guarantees of future performance or developments and involve known and unknown risks, uncertainties and other factors that are in some cases beyond our control. As a result, any or all of our forward-looking statements in this Quarterly Report on Form 10-Q may turn out to be inaccurate. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed under “Risk Factors” and discussed elsewhere in this Quarterly Report on Form 10-Q and in “Part I, Item 1A – Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2023. These forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. Except as required by law, we assume no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future. You should, however, review the factors and risks we describe in the reports we will file from time to time with the SEC after the date of this Quarterly Report on Form 10-Q.

PART I—FINANCIAL INFORMATION**Item 1. Financial Statements.**

TRULIEVE CANNABIS CORP.
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(in thousands)

| | <u>September 30,</u> <u>2024</u> | <u>December 31,</u> <u>2023</u> |
|--|-------------------------------------|------------------------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 237,666 | \$ 201,372 |
| Short-term investments | 80,179 | — |
| Restricted cash | 907 | 6,607 |
| Accounts receivable, net | 9,031 | 6,703 |
| Inventories | 220,916 | 213,120 |
| Income tax receivable | 5,844 | — |
| Prepaid expenses | 19,154 | 17,620 |
| Other current assets | 26,620 | 23,735 |
| Notes receivable - current portion, net | 1,770 | 6,233 |
| Assets associated with discontinued operations | 924 | 1,958 |
| Total current assets | 603,011 | 477,348 |
| Property and equipment, net | 701,613 | 676,352 |
| Right of use assets - operating, net | 116,083 | 95,910 |
| Right of use assets - finance, net | 65,550 | 58,537 |
| Intangible assets, net | 873,317 | 917,191 |
| Goodwill | 483,905 | 483,905 |
| Notes receivable, net | 5,773 | 7,423 |
| Other assets | 23,011 | 10,379 |
| Long-term assets associated with discontinued operations | 1,980 | 2,010 |
| TOTAL ASSETS | \$ 2,874,243 | \$ 2,729,055 |
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts payable and accrued liabilities | \$ 96,051 | \$ 83,162 |
| Deferred revenue | 6,663 | 1,335 |
| Notes payable - current portion | 3,342 | 3,759 |
| Operating lease liabilities - current portion | 11,614 | 10,068 |
| Finance lease liabilities - current portion | 9,132 | 7,637 |
| Construction finance liabilities - current portion | 1,801 | 1,466 |
| Contingencies | 4,635 | 4,433 |
| Liabilities associated with discontinued operations | 3,455 | 2,989 |
| Total current liabilities | 136,693 | 114,849 |
| Long-Term Liabilities: | | |
| Private placement notes, net | 364,419 | 363,215 |
| Notes payable, net | 112,757 | 115,855 |
| Operating lease liabilities | 113,402 | 92,235 |
| Finance lease liabilities | 68,384 | 61,676 |
| Construction finance liabilities | 135,856 | 136,659 |
| Deferred tax liabilities | 204,242 | 206,964 |

| | September 30, 2024 | December 31, 2023 |
|--|-------------------------------|------------------------------|
| Uncertain tax position liabilities | 384,130 | 180,350 |
| Other long-term liabilities | 6,511 | 7,086 |
| Long-term liabilities associated with discontinued operations | 39,386 | 41,553 |
| TOTAL LIABILITIES | \$ 1,565,780 | \$ 1,320,442 |
| Commitments and contingencies (see Note 3) | | |
| MEZZANINE EQUITY | | |
| Redeemable non-controlling interest | \$ 7,119 | \$ — |
| SHAREHOLDERS' EQUITY | | |
| Common stock, no par value; unlimited shares authorized. 189,154,228 and 186,235,818 shares issued and outstanding as of September 30, 2024 and December 31, 2023, respectively. | \$ — | \$ — |
| Additional paid-in-capital | 2,047,963 | 2,055,112 |
| Accumulated deficit | (735,959) | (640,639) |
| Non-controlling interest | (10,660) | (5,860) |
| TOTAL SHAREHOLDERS' EQUITY | 1,301,344 | 1,408,613 |
| TOTAL LIABILITIES, MEZZANINE EQUITY, AND SHAREHOLDERS' EQUITY | \$ 2,874,243 | \$ 2,729,055 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

TRULIEVE CANNABIS CORP.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(in thousands, except for share data)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|-------------|------------------------------------|--------------|
| | 2024 | 2023 | 2024 | 2023 |
| Revenue | \$ 284,284 | \$ 275,210 | \$ 885,345 | \$ 842,219 |
| Cost of goods sold | 111,006 | 132,264 | 356,617 | 407,444 |
| Gross profit | 173,278 | 142,946 | 528,728 | 434,775 |
| Expenses: | | | | |
| Sales and marketing | 66,727 | 59,398 | 191,016 | 181,206 |
| General and administrative | 81,897 | 34,455 | 161,500 | 108,668 |
| Depreciation and amortization | 28,332 | 26,958 | 84,163 | 82,624 |
| Impairment and disposal of long-lived assets, net of (recoveries) | (4,296) | (1,209) | (4,423) | 5,480 |
| Impairment of goodwill | — | — | — | 307,590 |
| Total expenses | 172,660 | 119,602 | 432,256 | 685,568 |
| Income (loss) from operations | 618 | 23,344 | 96,472 | (250,793) |
| Other income (expense): | | | | |
| Interest expense, net | (17,459) | (20,834) | (47,577) | (60,925) |
| Interest income | 4,202 | 1,927 | 11,499 | 4,323 |
| Gain on debt extinguishment | — | 8,161 | — | 8,161 |
| Other (expense) income, net | (198) | 1,126 | (4,778) | 5,875 |
| Total other expense, net | (13,455) | (9,620) | (40,856) | (42,566) |
| (Loss) income before provision for income taxes | (12,837) | 13,724 | 55,616 | (293,359) |
| Provision for income taxes | 47,383 | 36,640 | 150,018 | 105,933 |
| Net loss from continuing operations | (60,220) | (22,916) | (94,402) | (399,292) |
| Net loss from discontinued operations, net of tax benefit (provision) of zero, \$5, zero, and \$(625), respectively | (1,636) | (2,927) | (4,613) | (99,054) |
| Net loss | (61,856) | (25,843) | (99,015) | (498,346) |
| Less: net loss attributable to non-controlling interest from continuing operations | (1,384) | (451) | (2,779) | (3,788) |
| Less: net loss attributable to redeemable non-controlling interest from continuing operations | (259) | — | (916) | — |
| Less: net loss attributable to non-controlling interest from discontinued operations | — | — | — | (1,193) |
| Net loss attributable to common shareholders | \$ (60,213) | \$ (25,392) | \$ (95,320) | \$ (493,365) |
| Earnings Per Share (see numerator reconciliation below) | | | | |
| Net loss per share - Continuing operations: | | | | |
| Basic and diluted | \$ (0.32) | \$ (0.12) | \$ (0.52) | \$ (2.09) |
| Net loss per share - Discontinued operations: | | | | |
| Basic and diluted | \$ (0.01) | \$ (0.02) | \$ (0.02) | \$ (0.52) |
| Weighted average number of common shares used in computing net loss per share: | | | | |
| Basic and diluted | 190,190,923 | 188,924,694 | 190,004,261 | 188,959,454 |

TRULIEVE CANNABIS CORP.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(in thousands, except for share data)

| | Three Months Ended | | Nine Months Ended | |
|---|---------------------------|--------------------|--------------------------|---------------------|
| | September 30, | | September 30, | |
| | 2024 | 2023 | 2024 | 2023 |
| EPS Numerator Reconciliation (see Note 5) | | | | |
| Net loss attributable to common shareholders (from above) | \$ (60,213) | \$ (25,392) | \$ (95,320) | \$ (493,365) |
| Net loss from discontinued operations, net of tax, attributable to common shareholders | 1,636 | 2,927 | 4,613 | 97,861 |
| Adjustment of redeemable non-controlling interest to maximum redemption value | (2,065) | — | (9,010) | — |
| Net loss from continuing operations available to common shareholders | <u>\$ (60,642)</u> | <u>\$ (22,465)</u> | <u>\$ (99,717)</u> | <u>\$ (395,504)</u> |

The accompanying notes are an integral part of these condensed consolidated financial statements.

TRULIEVE CANNABIS CORP.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
(in thousands, except for share data)

| | Three Months Ended | | | | | | |
|--|---------------------------|------------------------------|---------------------------|-----------------------------------|------------------------|---------------------------------|----------------------------------|
| | Multiple Voting Shares | Subordinate Voting Shares | Total Common Shares | Additional Paid-in- Capital | Accumulated Deficit | Non- Controlling Interest | Total Shareholders' Equity |
| Balance, June 30, 2024 | 23,226,386 | 164,098,272 | 187,324,658 | \$ 2,056,072 | \$ (675,746) | \$ (9,276) | \$ 1,371,050 |
| Share-based compensation | — | — | — | 5,469 | — | — | 5,469 |
| Subordinate Voting Shares issued under share compensation plans (see Note 3) | — | 2,904,079 | 2,904,079 | — | — | — | — |
| Tax withholding related to net share settlements of equity awards (see Note 3) | — | (1,074,509) | (1,074,509) | (12,164) | — | — | (12,164) |
| Adjustment of redeemable non-controlling interest to maximum redemption value (see Note 3) | — | — | — | (2,065) | — | — | (2,065) |
| Consolidated VIE settlement transaction | — | — | — | 651 | — | — | 651 |
| Net loss | — | — | — | — | (60,213) | (1,384) | (61,597) |
| Balance, September 30, 2024 | <u>23,226,386</u> | <u>165,927,842</u> | <u>189,154,228</u> | <u>\$ 2,047,963</u> | <u>\$ (735,959)</u> | <u>\$ (10,660)</u> | <u>\$ 1,301,344</u> |
| Balance, June 30, 2023 | 26,226,386 | 159,761,126 | 185,987,512 | \$ 2,047,879 | \$ (581,816) | \$ (4,050) | \$ 1,462,013 |
| Share-based compensation | — | — | — | 4,539 | — | — | 4,539 |
| Net loss | — | — | — | — | (25,392) | (451) | (25,843) |
| Balance, September 30, 2023 | <u>26,226,386</u> | <u>159,761,126</u> | <u>185,987,512</u> | <u>\$ 2,052,418</u> | <u>\$ (607,208)</u> | <u>\$ (4,501)</u> | <u>\$ 1,440,709</u> |

TRULIEVE CANNABIS CORP.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
(in thousands, except for share data)

| | Nine Months Ended | | | | | | |
|--|---------------------------|------------------------------|---------------------------|-----------------------------------|------------------------|---------------------------------|----------------------------------|
| | Multiple Voting Shares | Subordinate Voting Shares | Total Common Shares | Additional Paid-in- Capital | Accumulated Deficit | Non- Controlling Interest | Total Shareholders' Equity |
| Balance, December 31, 2023 | 26,226,386 | 160,009,432 | 186,235,818 | \$ 2,055,112 | \$ (640,639) | \$ (5,860) | \$ 1,408,613 |
| Share-based compensation | — | — | — | 15,579 | — | — | 15,579 |
| Subordinate Voting Shares issued under share compensation plans (see Note 3) | — | 3,030,218 | 3,030,218 | 210 | — | — | 210 |
| Tax withholding related to net share settlements of equity awards (see Note 3) | — | (1,086,738) | (1,086,738) | (12,258) | — | — | (12,258) |
| Distributions to subsidiary non-controlling interest | — | — | — | — | — | (1,081) | (1,081) |
| Conversion of Multiple Voting to Subordinate Voting Shares | (3,000,000) | 3,000,000 | — | — | — | — | — |
| Redeemable non-controlling interest mezzanine equity (see Note 3) | — | — | — | — | — | 1,504 | 1,504 |
| Adjustment of redeemable non-controlling interest to maximum redemption value (see Note 3) | — | — | — | (9,010) | — | — | (9,010) |
| Subordinate Voting Shares issued pursuant to redemption of non-controlling interest (see Note 3) | — | 974,930 | 974,930 | 2,471 | — | — | 2,471 |
| Consolidated VIE settlement transaction | — | — | — | (4,141) | — | (2,444) | (6,585) |
| Net loss | — | — | — | — | (95,320) | (2,779) | (98,099) |
| Balance, September 30, 2024 | <u>23,226,386</u> | <u>165,927,842</u> | <u>189,154,228</u> | <u>\$ 2,047,963</u> | <u>\$ (735,959)</u> | <u>\$ (10,660)</u> | <u>\$ 1,301,344</u> |
| Balance, December 31, 2022 | 26,226,386 | 159,761,126 | 185,987,512 | \$ 2,045,003 | \$ (113,843) | \$ (3,456) | \$ 1,927,704 |
| Share-based compensation | — | — | — | 7,415 | — | — | 7,415 |
| Termination of purchase of variable interest entity | — | — | — | (1,643) | — | — | (1,643) |
| Deconsolidation and divestment of variable interest entities | — | — | — | — | — | 3,986 | 3,986 |
| Distributions to subsidiary non-controlling interest | — | — | — | — | — | (50) | (50) |
| Value of shares earned for purchase of variable interest entity | — | — | — | 1,643 | — | — | 1,643 |
| Net loss | — | — | — | — | (493,365) | (4,981) | (498,346) |
| Balance, September 30, 2023 | <u>26,226,386</u> | <u>159,761,126</u> | <u>185,987,512</u> | <u>\$ 2,052,418</u> | <u>\$ (607,208)</u> | <u>\$ (4,501)</u> | <u>\$ 1,440,709</u> |

TRULIEVE CANNABIS CORP.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
(in thousands, except for share data)

The accompanying notes are an integral part of these condensed consolidated financial statements.

TRULIEVE CANNABIS CORP.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in thousands)

| | Nine Months Ended September 30, | |
|---|------------------------------------|-----------------|
| | 2024 | 2023 |
| Cash flows from operating activities | | |
| Net loss | \$ (99,015) | \$ (498,346) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Depreciation and amortization | 84,163 | 83,618 |
| Depreciation included in cost of goods sold | 40,098 | 45,397 |
| Gain on debt extinguishment | — | (8,161) |
| Impairment and disposal of long-lived assets, net of (recoveries) | (4,423) | 5,480 |
| Impairment of goodwill | — | 307,590 |
| Amortization of operating lease right of use assets | 8,339 | 7,794 |
| Share-based compensation | 15,579 | 7,415 |
| Allowance for credit losses | 4,910 | 866 |
| Deferred income taxes | (2,676) | (18,696) |
| Loss from disposal of discontinued operations | — | 69,840 |
| Other non-cash changes | 898 | 5,031 |
| Changes in operating assets and liabilities: | | |
| Inventories | (8,281) | 66,527 |
| Accounts receivable | (712) | (1,856) |
| Prepaid expenses and other current assets | (856) | 9,286 |
| Other assets | (6,101) | 2,047 |
| Accounts payable and accrued liabilities | 4,632 | 4,519 |
| Income tax receivable / payable | (4,337) | (49,869) |
| Other liabilities | 202 | (14,392) |
| Operating lease liabilities | (5,959) | (6,933) |
| Deferred revenue | 5,327 | (6,005) |
| Uncertain tax position liabilities | 203,780 | 61,837 |
| Other long-term liabilities | (662) | (2,612) |
| Proceeds received from insurance for operating expenses | 5,903 | — |
| Net cash provided by operating activities | 240,809 | 70,377 |
| Cash flows from investing activities | | |
| Purchases of property and equipment | (79,036) | (30,998) |
| Capitalized interest | (866) | 114 |
| Purchases of internal use software | (18,287) | (7,741) |
| Purchases of short-term investments | (80,000) | — |
| Cash paid for licenses | (7,000) | (3,971) |
| Payment for initial direct costs on finance leases | (647) | — |
| Proceeds from disposal activities | 1,003 | 11,723 |
| Proceeds from notes receivable repayments | 872 | 565 |
| Proceeds received from insurance recoveries on property and equipment | 527 | — |
| Net cash used in investing activities | (183,434) | (30,308) |
| Cash flows from financing activities | | |
| Payments for taxes related to net share settlement of equity awards | (12,258) | — |
| Payments on finance lease obligations | (5,513) | (5,720) |

TRULIEVE CANNABIS CORP.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (Continued)
(in thousands)

| | Nine Months Ended September 30, | |
|---|------------------------------------|-------------------|
| | 2024 | 2023 |
| Payments on notes payable | (3,839) | (5,521) |
| Payments on construction finance liabilities | (2,524) | (1,285) |
| Payments and costs related to consolidated VIE settlement transaction | (5,077) | — |
| Distributions to subsidiary non-controlling interest | (1,081) | (50) |
| Payments on private placement notes | — | (47,595) |
| Payments for debt issuance costs | — | (428) |
| Proceeds from non-controlling interest holders' subscription | 3,000 | — |
| Proceeds from equity exercises | 210 | — |
| Net cash used in financing activities | (27,082) | (60,599) |
| Net increase (decrease) in cash and cash equivalents | 30,293 | (20,530) |
| Cash, cash equivalents, and restricted cash, beginning of period | 207,979 | 213,792 |
| Cash and cash equivalents of discontinued operations, beginning of period | 301 | 5,702 |
| Less: cash and cash equivalents of discontinued operations, end of period | — | (94) |
| Cash, cash equivalents, and restricted cash, end of period | \$ 238,573 | \$ 198,870 |

Supplemental disclosure of cash flow information

Cash paid during the period for

| | | |
|-------------------------------------|-----------|-----------|
| Interest | \$ 41,608 | \$ 52,036 |
| Income taxes paid, net of (refunds) | (46,748) | 113,187 |

Noncash investing and financing activities

| | | |
|---|-----------|-----------|
| ASC 842 lease additions - operating and finance leases | \$ 42,881 | \$ 12,019 |
| Purchases of property and equipment in accounts payable and accrued liabilities | 10,462 | 4,284 |
| Reclassification of assets to held for sale | 7,044 | 18,396 |
| Adjustment of redeemable non-controlling interest to maximum redemption value | 9,010 | — |
| Noncash partial extinguishment of construction finance liability | — | 18,486 |

The condensed consolidated statements of cash flows include continuing operations and discontinued operations for the periods presented.

| | September 30, | |
|--|-------------------|-------------------|
| | 2024 | 2023 |
| Beginning of period: | | |
| Cash and cash equivalents ⁽¹⁾ | \$ 201,372 | \$ 207,185 |
| Restricted cash | 6,607 | 6,607 |
| Cash, cash equivalents and restricted cash | \$ 207,979 | \$ 213,792 |
| End of period: | | |
| Cash and cash equivalents ⁽²⁾ | \$ 237,666 | \$ 192,159 |
| Restricted cash | 907 | 6,711 |
| Cash, cash equivalents and restricted cash | \$ 238,573 | \$ 198,870 |

⁽¹⁾ Excludes cash associated with discontinued operations totaling \$0.3 million and \$5.7 million as of December 31, 2023 and 2022, respectively.

⁽²⁾ Excludes cash associated with discontinued operations totaling zero and \$0.1 million as of September 30, 2024 and 2023, respectively.

TRULIEVE CANNABIS CORP.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) *(Continued)*
(in thousands)

The accompanying notes are an integral part of these condensed consolidated financial statements.

TRULIEVE CANNABIS CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of Trulieve Cannabis Corp., ("Trulieve," the "Company," "we," "our," or "us") has been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and, therefore, do not include all financial information and footnotes required by GAAP for complete financial statements. In management's opinion, the condensed consolidated financial statements include all adjustments of a normal recurring nature necessary for a fair statement of the Company's financial position as of September 30, 2024, and the results of its operations and cash flows for the periods ended September 30, 2024 and 2023. The results of the Company's operations for the three and nine months ended September 30, 2024 are not necessarily indicative of the results to be expected for the full 2024 fiscal year.

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for Trulieve Cannabis Corp. and the notes thereto, included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, filed with the Securities and Exchange Commission ("SEC") on February 29, 2024 (the "2023 Form 10-K").

Discontinued Operations

In June 2023, the Company exited operations in Massachusetts and in July 2022, the Company exited operations in Nevada. Both actions represented a strategic shift in business; therefore, the related assets and liabilities associated with the discontinued operations are classified as discontinued operations on the condensed consolidated balance sheets and the results of the discontinued operations have been presented as discontinued operations within the condensed consolidated statements of operations for all periods presented. Unless specifically noted otherwise, footnote disclosures only reflect the results of continuing operations.

Basis of Measurement

These condensed consolidated financial statements have been prepared on the going concern basis, under the historical cost convention, except for certain financial instruments that are measured at fair value as described herein.

Functional Currency

The functional currency of the Company and its subsidiaries, as determined by management, is the United States ("U.S.") dollar. These condensed consolidated financial statements are presented in U.S. dollars.

Reclassifications

Certain reclassifications have been made to the condensed consolidated financial statements of prior periods to conform to the current period presentation.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are described in the Company's 2023 Annual Report on Form 10-K, filed with the SEC on February 29, 2024. Our management has reviewed these significant accounting policies and related disclosures and determined that there were no significant changes to our significant accounting policies during the nine month period ended September 30, 2024, except for the following:

Cash, Cash Equivalents, and Short-Term Investments

The Company considers cash deposits and all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents include cash deposits in financial institutions plus cash held at retail locations. Cash held in money market investments are recorded at fair value. Cash held in financial institutions and cash held at retail locations have carrying values that approximate fair value.

Investments not considered cash equivalents and with maturities of one year or less are classified as short-term investments. Short-term investments consist of certificates of deposit with original maturity dates greater than three months and less than twelve months. The classification is determined at the time of purchase. The short-term investments are classified as held-to-maturity and recorded at amortized cost. If the cost of an individual investment exceeds its fair value, the Company evaluates, among other factors, general market conditions, the duration and extent to which the fair value is less than cost, and the Company's intent and ability to hold the investment. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded and a new cost basis in the investment is established.

NOTE 3. SUPPLEMENTARY FINANCIAL INFORMATION

Inventories

Inventories are comprised of the following as of:

| | September 30, 2024 | December 31, 2023 |
|------------------------------|-------------------------------|------------------------------|
| | <i>(in thousands)</i> | |
| Raw materials | | |
| Cannabis plants | \$ 21,182 | \$ 21,429 |
| Packaging and supplies | 31,461 | 36,472 |
| Total raw materials | 52,643 | 57,901 |
| Work in process | 119,542 | 104,428 |
| Finished goods - unmedicated | 5,947 | 6,516 |
| Finished goods - medicated | 42,784 | 44,275 |
| Total inventories | <u>\$ 220,916</u> | <u>\$ 213,120</u> |

Notes Receivable

As of September 30, 2024 and December 31, 2023, the allowance for credit losses on notes receivable was \$5.7 million and zero, respectively. The provision for credit losses is recorded to other (expense) income, net on the condensed consolidated statements of operations and was \$0.5 million and \$5.7 million for the three and nine months ended September 30, 2024, respectively.

Held for Sale Assets

Held for sale assets primarily consist of property and equipment and are recorded in other current assets on the condensed consolidated balance sheets. The following table shows the activity of the Company's assets held for sale during the nine months ended September 30, 2024:

| | Held for sale assets |
|-------------------------------|---------------------------------|
| | <i>(in thousands)</i> |
| Balance, beginning of period | \$ 15,580 |
| Assets moved to held for sale | 7,044 |
| Impairments | (1,207) |
| Assets sold | (775) |
| Balance, end of period | <u>\$ 20,642</u> |

The Company recorded a \$1.2 million loss on the impairment and disposal of held for sale assets during the nine months ended September 30, 2024, which was recorded to impairment and disposal of long-lived assets, net of recoveries, on the condensed consolidated statements of operations.

Deferred Revenue

Deferred revenue primarily consists of the liability related to the Company's customer rewards program, which was \$6.2 million and \$0.8 million as of September 30, 2024 and December 31, 2023, respectively.

Leases

Future minimum lease payments under the Company's non-cancellable operating and finance leases as of September 30, 2024 are as follows:

| | Operating Leases | Finance Leases | Total Leases |
|-------------------|-----------------------------|---------------------------|-------------------------|
| Year | <i>(in thousands)</i> | | |
| Remainder of 2024 | \$ 5,320 | \$ 3,769 | \$ 9,089 |
| 2025 | 24,209 | 15,945 | 40,154 |
| 2026 | 23,809 | 15,595 | 39,404 |
| 2027 | 23,370 | 14,950 | 38,320 |
| 2028 | 22,720 | 13,675 | 36,395 |
| Thereafter | 92,173 | 44,805 | 136,978 |
| Total | <u>\$ 191,601</u> | <u>\$ 108,739</u> | <u>\$ 300,340</u> |

Fair Value Measurements

The fair values of financial instruments measured on a recurring basis by class are as follows:

| | September 30, 2024 | | | | December 31, 2023 | | | |
|--|-----------------------|------------------|-------------|------------------|-------------------|-------------|-------------|------------------|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| | <i>(in thousands)</i> | | | | | | | |
| Financial Assets ⁽¹⁾ : | | | | | | | | |
| Money market funds ⁽²⁾ | \$210,303 | \$ — | \$ — | \$210,303 | \$145,995 | \$ — | \$ — | \$145,995 |
| Certificates of deposit ⁽³⁾ | — | 80,179 | — | 80,179 | — | — | — | — |
| Total financial assets | \$210,303 | \$ 80,179 | \$ — | \$290,482 | \$145,995 | \$ — | \$ — | \$145,995 |
| Financial Liabilities: | | | | | | | | |
| Interest rate swap ⁽⁴⁾ | \$ — | \$ 2,533 | \$ — | \$ 2,533 | \$ — | \$ 2,341 | \$ — | \$ 2,341 |

- (1) There were no transfers between hierarchy levels during the periods ending September 30, 2024 or December 31, 2023.
- (2) Money market funds are included within cash and cash equivalents on the Company's condensed consolidated balance sheets. Interest income from money market funds was \$3.0 million and \$1.6 million for the three months ended September 30, 2024 and 2023, respectively, and was \$9.6 million and \$3.4 million for the nine months ended September 30, 2024 and 2023, respectively.
- (3) The Company's certificates of deposit are included within short-term investments on the Company's condensed consolidated balance sheets and are classified as held-to-maturity securities as the Company intends to hold until their maturity dates. The certificates of deposit carry interest rates of 5.3% with original maturity dates ranging from five to six months and are scheduled to mature in December 2024 and January 2025. They are valued using Level 2 inputs based on industry standard data and due to their short maturities, their amortized cost approximates fair value. Interest income from certificates of deposit was \$0.9 million for the three and nine months ended September 30, 2024.
- (4) The fair value of the interest rate swap liability is recorded in other long-term liabilities on the condensed consolidated balance sheets.

Nonrecurring Fair Value Measurements

In addition to assets and liabilities that are recorded at fair value on a recurring basis, the Company's assets and liabilities are subject to nonrecurring fair value measurements. If events or indicators occur that require an impairment assessment, impairment charges may be recorded to reduce the assets to fair value. The Company recorded impairment charges totaling \$1.2 million related to assets moved to held for sale during the nine months ended September 30, 2024. The impairment charges were recorded to impairment and disposal of long-lived assets, net of recoveries on the condensed consolidated statements of operations and were derived from the difference between the carrying value and the estimated fair value of the relevant asset, minus estimated selling costs. The fair value was estimated using an income capitalization approach with estimates and assumptions regarding the asset's future cash flows and return on investment (Level 3).

Redeemable Non-Controlling Interest

One of the Company's consolidated variable interest entities ("VIE") is party to a shareholder agreement which provides certain of the non-controlling interest holders with optional redemption rights where they may put their shares in the consolidated subsidiary to the Company in exchange for a fixed number of Company shares. The non-controlling interest is redeemable at the option of the shareholder and is therefore recorded in temporary or "mezzanine" equity on the condensed consolidated balance sheets in accordance with ASC Topic 480-10-S99. Certain put holders are required to pay a subscription fee prior to their put right becoming exercisable.

During the first quarter of 2024, certain redeemable non-controlling interest holders executed their put rights following the payment of their subscription amount to the consolidated subsidiary, resulting in the issuance of 974,930 of Company Shares. This redemption resulted in an increase in the Company's ownership interest to 65% from 46%.

At September 30, 2024, the currently redeemable non-controlling interest could be settled with the issuance of 649,954 shares with a redemption value totaling \$7.9 million.

The following table presents the components of the change in redeemable non-controlling interest for the periods presented:

| | September 30, 2024 | |
|--|-------------------------------|------------------------------|
| | Three Months Ended | Nine Months Ended |
| | <i>(in thousands)</i> | |
| Balance, beginning of period | \$ 5,313 | \$ — |
| Reclassification to mezzanine equity | — | (1,504) |
| Redemption | — | 529 |
| Adjustment to maximum redemption value | 2,065 | 9,010 |
| Allocation of net loss | (259) | (916) |
| Balance, end of period | <u>\$ 7,119</u> | <u>\$ 7,119</u> |

Shared Based Compensation

Stock Options

The following table summarizes the Company's stock option activity for the nine months ended September 30, 2024:

| | Number of options |
|---|------------------------------|
| Outstanding options, beginning of period | 4,197,058 |
| Granted ⁽¹⁾ | 992,166 |
| Exercised | (81,839) |
| Forfeited | (335,620) |
| Outstanding options, end of period | <u>4,771,765</u> |
| Vested and exercisable options, end of period | <u>3,284,248</u> |

⁽¹⁾ The weighted average exercise price for stock options granted was \$10.00.

Restricted Stock Units

The following table summarizes the Company's restricted stock unit ("RSU") activity for the nine months ended September 30, 2024:

| | Number of restricted stock units |
|---------------------------------------|---|
| Unvested balance, beginning of period | 2,686,216 |
| Granted ⁽¹⁾ | 2,194,918 |
| Vested | (93,665) |
| Forfeited | (144,823) |
| Unvested balance, end of period | <u>4,642,646</u> |

⁽¹⁾ The weighted average grant date fair value of RSUs granted was \$10.00.

In September 2021, the Board of Directors approved a grant of 2,904,079 RSUs for two executive officers as a replacement for canceled warrants. The RSUs immediately vested at grant, but were not contractually issuable until three years after the vesting date. In September 2024, the three-year contractual obligation was met and the holders elected to net settle their tax obligations, resulting in the issuance of 1,829,570 shares of common stock and a \$12.2 million payment for taxes.

Revenue Disaggregation

Revenue is comprised of the following for the periods presented:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---------------------|-------------------------------------|------------|------------------------------------|------------|
| | 2024 | 2023 | 2024 | 2023 |
| | <i>(in thousands)</i> | | | |
| Retail | \$ 269,237 | \$ 263,165 | \$ 843,544 | \$ 809,899 |
| Wholesale | 14,585 | 11,553 | 40,434 | 30,460 |
| Licensing and Other | 462 | 492 | 1,367 | 1,860 |
| Total Revenue | \$ 284,284 | \$ 275,210 | \$ 885,345 | \$ 842,219 |

Commitments and Contingencies

Claims and Litigation

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. As of September 30, 2024, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's condensed consolidated statements of operations. There are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party or has a material interest adverse to the Company's interest.

Contingencies

The Company records contingent liabilities which primarily consists of litigation on various claims in which it believes a loss is probable and can be estimated. As of September 30, 2024 and December 31, 2023, \$4.6 million and \$4.2 million, respectively, was included in contingent liabilities on the condensed consolidated balance sheets related to pending litigation.

NOTE 4. FINANCING ARRANGEMENTS

Private Placement Notes

Private placement notes payable consisted of the following:

| | September 30, 2024 | December 31, 2023 | Stated Interest Rate | Effective Interest Rate | Maturity Date |
|--|-----------------------|----------------------|----------------------------|-------------------------------|------------------|
| | <i>(in thousands)</i> | | | | |
| 2026 Notes - Tranche One | \$ 293,000 | \$ 293,000 | 8.00% | 8.52% | 10/6/2026 |
| 2026 Notes - Tranche Two | 75,000 | 75,000 | 8.00% | 8.43% | 10/6/2026 |
| Total private placement notes | 368,000 | 368,000 | | | |
| Less: unamortized debt discount and issuance costs | (3,581) | (4,785) | | | |
| Less: current portion of private placement notes | — | — | | | |
| Private placement notes, net | \$ 364,419 | \$ 363,215 | | | |

Notes Payable

Notes payable consisted of the following:

| | September 30, 2024 | December 31, 2023 | Stated Interest Rate | Effective Interest Rate | Maturity Date |
|---|-----------------------|----------------------|----------------------------|-------------------------------|------------------|
| <i>(in thousands)</i> | | | | | |
| Mortgage Notes Payable ⁽¹⁾ | | | | | |
| Notes dated December 21, 2022 | \$ 68,833 | \$ 70,046 | 7.53% | 7.87% | 1/1/2028 |
| Notes dated December 22, 2023 | 24,605 | 25,000 | 8.31% | 8.48% | 12/23/2028 |
| Notes dated December 22, 2022 | 18,131 | 18,470 | 7.30% | 7.38% | 12/22/2032 |
| Notes dated October 1, 2021 | 5,308 | 5,645 | 8.14% | 8.29% | 10/1/2027 |
| Total mortgage notes payable | <u>116,877</u> | <u>119,161</u> | | | |
| Promissory Notes Payable | | | | | |
| Notes acquired in Harvest Acquisition in October 2021 ⁽²⁾ | 1,037 | 1,707 | (2) | (2) | (2) |
| Notes of consolidated variable-interest entity dated February 1, 2022 | — | 885 | | | |
| Total promissory notes payable | <u>1,037</u> | <u>2,592</u> | | | |
| Total notes payable ⁽³⁾ | <u>117,914</u> | <u>121,753</u> | | | |
| Less: unamortized debt discount and issuance costs | (1,815) | (2,139) | | | |
| Less: current portion of notes payable | (3,342) | (3,759) | | | |
| Notes payable, net | <u>\$ 112,757</u> | <u>\$ 115,855</u> | | | |

(1) Mortgage notes payable are secured by assets underlying the mortgages.

(2) Interest rates range from 0.00% to 7.50%, with a weighted average interest rate of 7.34% as of September 30, 2024. Maturity dates range from April 27, 2026 to October 24, 2026.

(3) Notes payable are subordinated to the private placement notes.

Construction Finance Liabilities

Total construction finance liabilities were \$137.7 million and \$138.1 million as of September 30, 2024 and December 31, 2023, respectively. The contractual terms range from 10.0 years to 25.0 years with a weighted average remaining lease term of 16.1 years.

Maturities

Stated maturities of the principal portion of private placement and notes payable outstanding and future minimum lease payments for the construction finance liabilities, including interest, as of September 30, 2024 are as follows:

| Year | Private Placement Notes | Notes Payable | Construction Finance Liabilities | Total Maturities |
|-------------------|-------------------------------|---------------|--|---------------------|
| | <i>(in thousands)</i> | | | |
| Remainder of 2024 | \$ — | \$ 797 | \$ 4,303 | \$ 5,100 |
| 2025 | — | 3,446 | 17,521 | 20,967 |
| 2026 | 368,000 | 4,655 | 18,013 | 390,668 |
| 2027 | — | 70,034 | 18,519 | 88,553 |
| 2028 | — | 23,199 | 19,039 | 42,238 |
| Thereafter | — | 15,783 | 283,384 | 299,167 |
| Total | \$ 368,000 | \$ 117,914 | \$ 360,779 | \$ 846,693 |

NOTE 5. EARNINGS PER SHARE

The following is a reconciliation for the calculation of basic and diluted earnings per share for the periods presented:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|--|--------------------|------------------------------------|---------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Numerator | <i>(in thousands, except for share data)</i> | | | |
| Continuing operations | | | | |
| Net loss from continuing operations | \$ (60,220) | \$ (22,916) | \$ (94,402) | \$ (399,292) |
| Less: net loss attributable to non-controlling interest | (1,384) | (451) | (2,779) | (3,788) |
| Less: net loss attributable to redeemable non-controlling interest from continuing operations | (259) | — | (916) | — |
| Less: adjustment of redeemable non-controlling interest to maximum redemption value | 2,065 | — | 9,010 | — |
| Net loss from continuing operations available to common shareholders. | <u>\$ (60,642)</u> | <u>\$ (22,465)</u> | <u>\$ (99,717)</u> | <u>\$ (395,504)</u> |
| Discontinued operations | | | | |
| Net loss from discontinued operations, net of tax | \$ (1,636) | \$ (2,927) | \$ (4,613) | \$ (99,054) |
| Less: net loss attributable to non-controlling interest | — | — | — | (1,193) |
| Net loss from discontinued operations, net of tax, attributable to common shareholders | <u>\$ (1,636)</u> | <u>\$ (2,927)</u> | <u>\$ (4,613)</u> | <u>\$ (97,861)</u> |
| Denominator | | | | |
| Weighted average number of common shares outstanding - Basic and diluted ⁽¹⁾ | 190,190,923 | 188,924,694 | 190,004,261 | 188,959,454 |
| Loss per Share - Continuing operations | | | | |
| Basic and diluted loss per share | \$ (0.32) | \$ (0.12) | \$ (0.52) | \$ (2.09) |
| Loss per Share - Discontinued operations | | | | |
| Basic and diluted loss per share | \$ (0.01) | \$ (0.02) | \$ (0.02) | \$ (0.52) |

⁽¹⁾ Potentially dilutive securities representing 10.6 million shares of common stock were excluded from the computation of diluted earnings per share for the three and nine months ended September 30, 2024 and 7.8 million shares of common stock were excluded from the computation of diluted earnings per share for the three and nine months ended September 30, 2023.

As of September 30, 2024, 189.2 million shares were issued and outstanding, which excluded 0.1 million fully vested RSUs that are not contractually issuable until the earlier of a defined triggering event or the award anniversary date, either December 1, 2030 or December 1, 2031.

NOTE 6. INCOME TAXES

The following table summarizes the Company's income tax expense and effective tax rate for the periods presented:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|----------|------------------------------------|-------------|
| | 2024 | 2023 | 2024 | 2023 |
| | <i>(in thousands)</i> | | | |
| (Loss) income before provision for income taxes | \$(12,837) | \$13,724 | \$55,616 | \$(293,359) |
| Provision for income taxes | \$47,383 | \$36,640 | \$150,018 | \$105,933 |
| Effective tax rate | (369%) | 267% | 270% | (36%) |

The Company has computed its provision for income taxes based on the actual effective tax rate for the quarter as the Company believes this is the best estimate for the annual effective tax rate. The Company is subject to income taxes in the United States and Canada.

Significant judgment is required in evaluating the Company's uncertain tax positions and determining the provision for income taxes. The Company recognizes benefits from uncertain tax positions based on the cumulative probability method whereby the largest benefit with a cumulative probability of greater than 50% is recorded. An uncertain tax position is not recognized if it has less than a 50% likelihood of being sustained.

A reconciliation of the beginning and ending amount of unrecognized tax benefits:

| | September 30, 2024 | |
|--|-----------------------|-------------------|
| | Three Months Ended | Nine Months Ended |
| | <i>(in thousands)</i> | |
| Balance, beginning of period | \$ 610,623 | \$ 542,762 |
| Reductions based on tax positions related to the prior year | 30 | (1,613) |
| Reductions based on refunds requested but not received related to the prior year | 4 | (46,549) |
| Additions based on tax positions related to the current year | 29,458 | 93,130 |
| Additions based on refunds received related to prior years | — | 52,385 |
| Balance, end of period | \$ 640,115 | \$ 640,115 |

A reconciliation of the beginning and ending amount of uncertain tax position liabilities, net:

| | September 30, 2024 | |
|--|-------------------------------|------------------------------|
| | Three Months Ended | Nine Months Ended |
| | <i>(in thousands)</i> | |
| Balance, beginning of period | \$ 333,102 | \$ 180,350 |
| Reductions based on tax positions related to the prior year | — | (731) |
| Additions based on tax positions related to the current year | 32,344 | 106,368 |
| Additions based on refunds received related to prior years | — | 52,385 |
| Reclass tax payment on deposit | 11,017 | 28,566 |
| Interest recorded in income tax expense, net of reversals ⁽¹⁾ | 7,667 | 17,192 |
| Balance, end of period ⁽²⁾ | <u>\$ 384,130</u> | <u>\$ 384,130</u> |

⁽¹⁾ Amounts represent the interest and penalties recorded on uncertain tax positions during the respective years which are recorded in the provision for income taxes on the condensed consolidated statements of operations.

⁽²⁾ Of the \$384.1 million in uncertain tax position liabilities, net, \$352.0 million is related to the Company's tax positions based on legal interpretations that challenge the Company's tax liability under IRC Section 280E.

The Company's uncertain tax position liabilities, net, which includes interest and tax payments on deposit, were approximately \$384.1 million and \$180.4 million as of September 30, 2024 and December 31, 2023, respectively. The \$203.8 million increase in uncertain tax positions is primarily due to receipt of \$52.4 million in refunds in the current year, as well as \$106.4 million current year accruals, each related to tax positions based on legal interpretations that challenge the Company's tax liability under IRC Section 280E.

The Company recorded interest on uncertain tax positions totaling \$7.7 million and \$0.7 million for the three months ended September 30, 2024 and 2023, respectively, and \$17.2 million and \$2.2 million for the nine months ended September 30, 2024 and 2023, respectively, to the provision for income taxes on the condensed consolidated statements of operations, which was primarily related to the tax positions based on legal interpretations that challenge the Company's tax liability under IRC Section 280E and related to a tax position taken related to inventory costs for tax purposes in the Company's Florida dispensaries.

NOTE 7. VARIABLE INTEREST ENTITIES

The Company has entered into certain agreements in several states with various entities related to the purchase and operation of cannabis dispensary, cultivation, and production licenses, and has determined these to be variable interest entities for which it is the primary beneficiary and/or holds a controlling voting equity position. The Company holds a 0% ownership interest in these entities as of September 30, 2024.

The summarized assets and liabilities of the Company's consolidated VIEs in which the Company does not hold a majority interest are presented in the table below as of the periods presented and include third-party assets and liabilities of the Company's VIEs only and exclude intercompany balances that were eliminated in consolidation.

| | September 30, 2024 | December 31, 2023 |
|---|-------------------------------|------------------------------|
| | <i>(in thousands)</i> | |
| Current assets: | | |
| Cash | \$ 195 | \$ 9,491 |
| Accounts receivable, net | 71 | 1,308 |
| Inventories | 538 | 8,341 |
| Prepaid expenses | 187 | 423 |
| Other current assets | — | 7 |
| Total current assets | 991 | 19,570 |
| Property and equipment, net | 300 | 28,068 |
| Right of use asset - operating, net | — | 2,744 |
| Right of use asset - finance, net | — | 259 |
| Intangible assets, net | 2,071 | 17,162 |
| Other assets | 167 | 140 |
| Total assets | <u>\$ 3,529</u> | <u>\$ 67,943</u> |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 194 | \$ 1,939 |
| Income tax payable | — | 2,017 |
| Deferred revenue | — | 2 |
| Operating lease liability - current portion | — | 63 |
| Finance lease liability - current portion | — | 60 |
| Total current liabilities | 194 | 4,081 |
| Notes payable | — | 885 |
| Operating lease liability | — | 2,926 |
| Finance lease liability | — | 210 |
| Deferred tax liabilities | — | 3,638 |
| Other long-term liabilities | — | 671 |
| Total liabilities | <u>\$ 194</u> | <u>\$ 12,411</u> |

Consolidated VIE Settlement Transaction

During the three months ended June 30, 2024, the Company entered into a settlement agreement with the non-controlling interest holders of consolidated VIEs in Ohio in which the Company acquired the remaining ownership interest in dispensary businesses and agreed to provide funding and operational support for a cultivation and production business with new unrelated third parties.

The Company re-evaluated the VIEs after settlement and concluded that the Company continues to be the primary beneficiary of the cultivation and production business and there are no longer variable interests in the dispensary businesses as the Company increased its ownership to 100%. As a result, the Company accounted for this settlement as an equity transaction in accordance with ASC Topic 810-10.

NOTE 8. RELATED PARTIES

In the third quarter of 2023, the Company entered into an agreement to rent an asset from an entity that is directly owned in part by the Company's Chief Executive Officer and Chair of the board of directors. The expense related to the use of this asset was \$0.1 million and \$0.1 million for the three months ended September 30, 2024 and 2023, respectively, and \$0.2 million and \$0.1 million for the nine months ended September 30, 2024 and 2023, respectively.

The Company leases a cultivation facility and corporate office facility from an entity that is directly or indirectly owned by the Company's Chief Executive Officer and Chair of the board of directors, a former member of the Company's board of directors, and another member of the Company's board of directors.

The Company had the following related party operating leases on the condensed consolidated balance sheets, under ASC 842, as of:

| | September 30, 2024 | December 31, 2023 |
|---|-------------------------------|------------------------------|
| | <i>(in thousands)</i> | |
| Right-of-use assets, net | <u>\$ 614</u> | <u>\$ 706</u> |
| Lease liabilities: | | |
| Lease liabilities - current portion | \$ 138 | \$ 127 |
| Lease liabilities | 520 | 624 |
| Total related parties lease liabilities | <u>\$ 658</u> | <u>\$ 751</u> |

Lease expense recognized on related party leases was \$0.1 million and \$0.1 million for the three months ended September 30, 2024 and 2023, respectively, and \$0.2 million and \$0.2 million for the nine months ended September 30, 2024 and 2023, respectively.

NOTE 9. DISCONTINUED OPERATIONS

The following table summarizes the Company's loss from discontinued operations for the periods presented.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|---|-------------------|--|--------------------|
| | 2024 | 2023 | 2024 | 2023 |
| | <i>(in thousands)</i> | | | |
| Revenue | \$ — | \$ 2,332 | \$ — | \$ 10,679 |
| Cost of goods sold | — | 2,812 | — | 29,843 |
| Gross margin | — | (480) | — | (19,164) |
| Expenses: | | | | |
| Operating expenses | 731 | 916 | 1,866 | 5,298 |
| Impairment and disposal of long-lived assets, net | — | 565 | — | 69,840 |
| Total expenses | 731 | 1,481 | 1,866 | 75,138 |
| Loss from operations | (731) | (1,961) | (1,866) | (94,302) |
| Other expense: | | | | |
| Other expense, net | (905) | (971) | (2,747) | (4,127) |
| Total other expense, net | (905) | (971) | (2,747) | (4,127) |
| Loss before income taxes | (1,636) | (2,932) | (4,613) | (98,429) |
| Income tax benefit | — | 5 | — | (625) |
| Net loss from discontinued operations, net of tax benefit | (1,636) | (2,927) | (4,613) | (99,054) |
| Less: net loss attributable to non-controlling interest from discontinued operations | — | — | — | (1,193) |
| Net loss from discontinued operations excluding non-controlling interest | <u>\$ (1,636)</u> | <u>\$ (2,927)</u> | <u>\$ (4,613)</u> | <u>\$ (97,861)</u> |

The condensed consolidated statements of cash flows include continuing operations and discontinued operations. The following table summarizes the depreciation of long-lived assets, amortization of long-lived assets, and capital expenditures of discontinued operations for the prior year as the activity during the nine months ended September 30, 2024 was nominal.

| | Nine Months Ended September 30, 2023 |
|--|---|
| | <i>(in thousands)</i> |
| Depreciation and amortization | \$ 3,798 |
| Purchases of property and equipment | 67 |
| Loss on impairment of long-lived assets | 69,840 |
| Other noncash investing and financing activities | |
| Noncash partial extinguishment of construction finance liability | \$ 18,486 |

As a result of the Company's exit from the Massachusetts market during the second quarter of 2023, the Company performed a lease term reassessment for the Holyoke failed sale-leaseback financing arrangement due to lease renewals previously included in the lease term being excluded as of the Massachusetts exit. The Company concluded the failed sale-leaseback accounting conclusion is maintained. The Company recognized a gain on partial extinguishment of \$18.5 million as a result of the lease term reassessment, which was recorded to net loss from discontinued operations, net of taxes.

Future minimum lease payments, including interest, for the construction finance liability associated with discontinued operations as of September 30, 2024, are as follows:

| Year | <i>(in thousands)</i> |
|-----------------------|-----------------------|
| Remainder of 2024 | \$ 1,387 |
| 2025 | 5,619 |
| 2026 | 5,788 |
| 2027 | 5,961 |
| 2028 | 6,140 |
| Thereafter | 12,287 |
| Total future payments | <u>\$ 37,182</u> |

NOTE 10. SUBSEQUENT EVENTS

The Company's management evaluates subsequent events through the date of issuance of the condensed consolidated financial statements. There have been no subsequent events that occurred during such period that would require adjustment to or disclosure in the condensed consolidated financial statements.

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").

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 launched 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 September 30, 2024, we operated the following:

| State | Number of Dispensaries | Number of Cultivation and Processing Facilities |
|---------------|------------------------|---|
| Florida | 151 | 6 |
| Arizona | 21 | 3 |
| Pennsylvania | 21 | 3 |
| West Virginia | 10 | 1 |
| Georgia | 5 | 1 |
| Maryland | 3 | 1 |
| Ohio | 3 | — |
| Connecticut | 1 | — |
| Colorado | — | 1 |
| Total | 215 | 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 independent 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 produce a wide variety of oil derivative products featuring cannabinoids. We own manufacturing technology that utilizes 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.

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, 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 Buddha, 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 rewards 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 do follow seasonal trends at various times of the year providing seasonal impacts on sales in summer and winter months and increases from promotional activity 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. The preliminary hearing for rescheduling is currently scheduled for December 2, 2024.

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 6, 2024, in accordance with approval received from the Ohio Division of Cannabis Control, our dispensaries in Columbus, Westerville, and Beavercreek began adult-use sales.

Critical Accounting Policies and Estimates

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.

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." During the nine months ended September 30, 2024, there were no significant changes to our critical accounting policies and estimates.

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, 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 September 30, | | | | |
|---|---|----------------------------------|--------------------|----------------------------------|--------------------------|
| | 2024 | | 2023 | | 2024 vs. 2023 |
| | <i>(in thousands)</i> | | | | |
| | Amount | Percentage of Revenue | Amount | Percentage of Revenue | Amount Change |
| Revenue | \$ 284,284 | 100.0% | \$ 275,210 | 100.0% | \$ 9,074 |
| Cost of goods sold | 111,006 | 39.0% | 132,264 | 48.1% | (21,258) |
| Gross profit | 173,278 | 61.0% | 142,946 | 51.9% | 30,332 |
| Expenses: | | | | | |
| Sales and marketing | 66,727 | 23.5% | 59,398 | 21.6% | 7,329 |
| General and administrative | 81,897 | 28.8% | 34,455 | 12.5% | 47,442 |
| Depreciation and amortization | 28,332 | 10.0% | 26,958 | 9.8% | 1,374 |
| Impairment and disposal of long-lived assets, net of recoveries | (4,296) | (1.5%) | (1,209) | (0.4%) | (3,087) |
| Total expenses | 172,660 | 60.7% | 119,602 | 43.5% | 53,058 |
| Income from operations | 618 | 0.2% | 23,344 | 8.5% | (22,726) |
| Other income (expense): | | | | | |
| Interest expense, net | (17,459) | (6.1%) | (20,834) | (7.6%) | 3,375 |
| Interest income | 4,202 | 1.5% | 1,927 | 0.7% | 2,275 |
| Gain on debt extinguishment | — | 0.0% | 8,161 | 3.0% | (8,161) |
| Other (expense) income, net | (198) | (0.1%) | 1,126 | 0.4% | (1,324) |
| Total other expense, net | (13,455) | (4.7%) | (9,620) | (3.5%) | (3,835) |
| (Loss) income before provision for income taxes | (12,837) | (4.5%) | 13,724 | 5.0% | (26,561) |
| Provision for income taxes | 47,383 | 16.7% | 36,640 | 13.3% | 10,743 |
| Net loss from continuing operations | (60,220) | (21.2%) | (22,916) | (8.3%) | (37,304) |
| Net loss from discontinued operations, net of tax provision of zero and \$5, respectively | (1,636) | (0.6%) | (2,927) | (1.1%) | 1,291 |
| Net loss | <u>\$ (61,856)</u> | <u>(21.8%)</u> | <u>\$ (25,843)</u> | <u>(9.4%)</u> | <u>\$ (36,013)</u> |

Revenue

Revenue for the three months ended September 30, 2024 was \$284.3 million, an increase of \$9.1 million, or 3.3%, from \$275.2 million for the three months ended September 30, 2023. The increase was primarily the result of a \$6.1 million increase in retail revenue and a \$3.0 million increase in wholesale revenue.

The increase in retail revenue was partially driven by the opening of additional dispensaries; the Company operated 215 dispensaries as of September 30, 2024 as compared to 188 as of September 30, 2023. This was partially offset by macroeconomic pressures driving a portion of our customers spending habits towards lower priced products.

The increase in wholesale revenue was primarily driven by sales in Maryland and Pennsylvania.

Cost of Goods Sold

Cost of goods sold for the three months ended September 30, 2024 was \$111.0 million, a decrease of \$21.3 million, or 16.1%, from \$132.3 million for the three months ended September 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 September 30, 2024 was \$173.3 million, an increase of \$30.3 million, or 21.2%, from \$142.9 million for the three months ended September 30, 2023. Gross profit as a percentage of revenue was 61.0% for the three months ended September 30, 2024 as compared to 51.9% for the three months ended September 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.

Sales and Marketing Expense

Sales and marketing expense for the three months ended September 30, 2024 was \$66.7 million, an increase of \$7.3 million, or 12.3%, from \$59.4 million for the three months ended September 30, 2023. The increase was primarily due to the increase in overall store count. Sales and marketing expense as a percentage of revenues was 23.5% for the three months ended September 30, 2024, compared to 21.6% for the three months ended September 30, 2023. The increase in the percentage of revenue was driven by 27 new stores opened since the end of the third quarter in 2023. Additionally, there was an increase in software expense associated with retail operations as the Company continues to enhance the customer retail experience.

General and Administrative Expense

General and administrative expense for the three months ended September 30, 2024 was \$81.9 million, an increase of \$47.4 million, or 137.7%, from \$34.5 million for the three months ended September 30, 2023. The increase was primarily from legislative campaign contributions totaling \$48.4 million for the three months ended September 30, 2024 as compared to \$0.5 million for the same period in 2023.

Depreciation and Amortization Expense

Depreciation and amortization expense for the three months ended September 30, 2024 was \$28.3 million, an increase of \$1.4 million, or 5.1%, from \$27.0 million for the three months ended September 30, 2023.

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

Impairment and disposal of long-lived assets, net of recoveries was a gain of \$4.3 million for the three months ended September 30, 2024 compared to a gain of \$1.2 million for the three months ended September 30, 2023. The change was primarily due to insurance recoveries received, partially offset by asset disposal activities.

Interest Expense, Net

Interest expense, net for the three months ended September 30, 2024 was \$17.5 million, a decrease of \$3.4 million, or 16.2%, from \$20.8 million for three months ended September 30, 2023. The decrease was 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 third quarter of 2024. This favorability was partially offset by the change in the fair value of our interest rate swap liability in the current period and interest expense associated with a \$25.0 million mortgage note executed in December 2023.

Interest Income

Interest income for the three months ended September 30, 2024 was \$4.2 million, an increase of \$2.3 million, or 118.1%, from \$1.9 million for the three months ended September 30, 2023. The increase was due to an increase in funds available to be invested in high-yield money market fund accounts and short-term certificates of deposit compared to the same prior year period.

Gain on Debt Extinguishment

Gain on debt extinguishment for the three months ended September 30, 2024 was zero compared to \$8.2 million for the three months ended September 30, 2023. During the three months ended September 30, 2023, the Company repurchased senior secured notes at a 16.5% discount to par which resulted in a \$8.2 million gain on extinguishment.

Other (Expense) Income, Net

Other expense, net for the three months ended September 30, 2024 was \$0.2 million, a change of \$1.3 million, from other income, net of \$1.1 million for three months ended September 30, 2023.

Provision for Income Taxes

The provision for income taxes for the three months ended September 30, 2024 was \$47.4 million, an increase of \$10.7 million, or 29.3%, from \$36.6 million for the three months ended September 30, 2023. The provision for income taxes as a percentage of gross profit was 27.3% for the three months ended September 30, 2024, compared to 25.6% for the three months ended September 30, 2023. The increase in tax expense in the third 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:

| | Nine Months Ended September 30, | | | | |
|---|--|----------------------------------|---------------------|----------------------------------|--------------------------|
| | 2024 | | 2023 | | 2024 vs. 2023 |
| | <i>(in thousands)</i> | | | | |
| | Amount | Percentage of Revenue | Amount | Percentage of Revenue | Amount Change |
| Revenue | \$885,345 | 100.0% | \$842,219 | 100.0% | \$ 43,126 |
| Cost of goods sold | 356,617 | 40.3% | 407,444 | 48.4% | (50,827) |
| Gross profit | 528,728 | 59.7% | 434,775 | 51.6% | 93,953 |
| Expenses: | | | | | |
| Sales and marketing | 191,016 | 21.6% | 181,206 | 21.5% | 9,810 |
| General and administrative | 161,500 | 18.2% | 108,668 | 12.9% | 52,832 |
| Depreciation and amortization | 84,163 | 9.5% | 82,624 | 9.8% | 1,539 |
| Impairment and disposal of long-lived assets, net of (recoveries) | (4,423) | (0.5%) | 5,480 | 0.7% | (9,903) |
| Impairment of goodwill | — | —% | 307,590 | 36.5% | (307,590) |
| Total expenses | 432,256 | 48.8% | 685,568 | 81.4% | (253,312) |
| Income (loss) from operations | 96,472 | 10.9% | (250,793) | (29.8%) | 347,265 |
| Other income (expense): | | | | | |
| Interest expense, net | (47,577) | (5.4%) | (60,925) | (7.2%) | 13,348 |
| Interest income | 11,499 | 1.3% | 4,323 | 0.5% | 7,176 |
| Gain on debt extinguishment | — | —% | 8,161 | 1.0% | (8,161) |
| Other (expense) income, net | (4,778) | (0.5%) | 5,875 | 0.7% | (10,653) |
| Total other expense, net | (40,856) | (4.6%) | (42,566) | (5.1%) | 1,710 |
| Income (loss) before provision for income taxes | 55,616 | 6.3% | (293,359) | (34.8%) | 348,975 |
| Provision for income taxes | 150,018 | 16.9% | 105,933 | 12.6% | 44,085 |
| Net loss from continuing operations | (94,402) | (10.7%) | (399,292) | (47.4%) | 304,890 |
| Net loss from discontinued operations, net of tax benefit of zero and \$(625), respectively | (4,613) | (0.5%) | (99,054) | (11.8%) | 94,441 |
| Net loss | <u>\$ (99,015)</u> | (11.2%) | <u>\$ (498,346)</u> | (59.2%) | <u>\$ 399,331</u> |

Revenue

Revenue for the nine months ended September 30, 2024 was \$885.3 million, an increase of \$43.1 million, or 5.1%, from \$842.2 million for the nine months ended September 30, 2023. The increase was primarily driven by a \$33.6 million increase in retail revenue and a \$10.0 million increase in wholesale revenue.

The increase in retail revenue was partially driven by the opening of additional dispensaries; the Company operated 215 dispensaries as of September 30, 2024, compared to 188 as of September 30, 2023. Additionally, Maryland became an adult-use market in July 2023 providing a full nine months of adult-use revenue for 2024 in comparison to 2023.

The increase in wholesale revenue was primarily driven by Maryland adult-use sales starting in July 2023 which drove an increase in the year-to-date 2024 period compared to the same period in 2023.

Cost of Goods Sold

Cost of goods sold for the nine months ended September 30, 2024 was \$356.6 million, a decrease of \$50.8 million, or 12.5%, from \$407.4 million for the nine months ended September 30, 2023. Cost of goods as a percentage of revenues was 40.3% for the nine months ended September 30, 2024 compared to 48.4% for the nine months ended September 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 nine months ended September 30, 2024 was \$528.7 million, an increase of \$94.0 million, or 21.6%, from \$434.8 million for the nine months ended September 30, 2023. Gross profit as a percentage of revenue was 59.7% for the nine months ended September 30, 2024 as compared to 51.6% for the nine months ended September 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.

Sales and Marketing Expense

Sales and marketing expense for the nine months ended September 30, 2024 was \$191.0 million, an increase of \$9.8 million, or 5.4%, from \$181.2 million for the nine months ended September 30, 2023. The increase was primarily driven by 27 new stores, which was partially offset by retail payroll efficiencies. Sales and marketing expense as a percentage of revenue was 21.6% for the nine months ended September 30, 2024, compared to 21.5% for the nine months ended September 30, 2023. Even though there was an increase in the number of operating stores, sales and marketing expense as a percentage of revenue remained consistent as a result of retail payroll efficiencies.

General and Administrative Expense

General and administrative expense for the nine months ended September 30, 2024 was \$161.5 million, an increase of \$52.8 million, or 48.6%, from \$108.7 million for the nine months ended September 30, 2023. The increase was primarily from legislative campaign contributions totaling \$62.7 million for the nine months ended September 30, 2024 as compared to \$19.6 million for the same period in 2023, as well as increased expenses for information technology upgrades.

Depreciation and Amortization Expense

Depreciation and amortization expense for the nine months ended September 30, 2024 was \$84.2 million, an increase of \$1.5 million, or 1.9%, from \$82.6 million for the nine months ended September 30, 2023.

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

Impairment and disposal of long-lived assets, net of recoveries for the nine months ended September 30, 2024 was a gain of \$4.4 million compared to a loss of \$5.5 million for the nine months ended September 30, 2023. The change was primarily due to 2023 asset disposal activities associated with underperforming assets where 2024 included insurance recoveries received associated with property damage in 2023, which was partially offset by impairment charges related to assets moved to held for sale.

Impairment of Goodwill

Impairment of goodwill was zero for the nine months ended September 30, 2024 compared to \$307.6 million for the nine months ended September 30, 2023. During the nine months ended September 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 nine months ended September 30, 2024 was \$47.6 million, a decrease of \$13.3 million, or 21.9%, from \$60.9 million for nine months ended September 30, 2023. The decrease was primarily the result of debt retirements with \$57.0 million of debt retired in September 2023 and \$130.0 million of debt retired in December 2023 driving lower interest expense in the first nine 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 nine months ended September 30, 2024 was \$11.5 million, an increase of \$7.2 million, or 166.0%, from \$4.3 million for the nine months ended September 30, 2023. The increase was due to an increase in funds invested in high-yield money market fund accounts and short-term certificates of deposit compared to the same prior year period.

Gain on Debt Extinguishment

Gain on debt extinguishment for the nine months ended September 30, 2024 was zero compared to \$8.2 million for the nine months ended September 30, 2023. In 2023, the Company repurchased senior secured notes at a 16.5% discount to par which resulted in a \$8.2 million gain on extinguishment.

Other (Expense) Income, Net

Other expense, net for the nine months ended September 30, 2024 was \$4.8 million, a change of \$10.7 million, from other income, net of \$5.9 million for the nine months ended September 30, 2023. The change was 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 nine months ended September 30, 2024 was \$150.0 million, an increase of \$44.1 million, or 41.6%, from \$105.9 million for the nine months ended September 30, 2023. The provision for income taxes as a percentage of gross profit was 28.4% for the nine months ended September 30, 2024, compared to 24.4% for the nine months ended September 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 & Safe Florida), impairments and disposals of long-lived assets including goodwill, discontinued operations, share-based compensation, gain on debt extinguishment, 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 September 30, 2024 was \$96.1 million, an increase of \$18.3 million, or 23.6%, from \$77.7 million for the three months ended September 30, 2023. The increase primarily resulted from increased revenue and improved gross profit.

Adjusted EBITDA for the nine months ended September 30, 2024 was \$308.8 million, an increase of \$74.3 million, or 31.7%, from \$234.5 million for the nine months ended September 30, 2023. The increase primarily resulted from 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 September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|------------------|------------------------------------|-------------------|
| | 2024 | 2023 | 2024 | 2023 |
| | <i>(in thousands)</i> | | | |
| Net loss attributable to common shareholders | \$ (60,213) | \$ (25,392) | \$ (95,320) | \$ (493,365) |
| Add (deduct) impact of: | | | | |
| Interest expense, net | 17,459 | 20,834 | 47,577 | 60,925 |
| Interest income | (4,202) | (1,927) | (11,499) | (4,323) |
| Provision for income taxes | 47,383 | 36,640 | 150,018 | 105,933 |
| Depreciation and amortization | 28,332 | 26,958 | 84,163 | 82,624 |
| Depreciation included in cost of goods sold | 13,305 | 14,644 | 40,098 | 42,693 |
| EBITDA (Non-GAAP) | <u>42,064</u> | <u>71,757</u> | <u>215,037</u> | <u>(205,513)</u> |
| Impairment of goodwill | — | — | — | 307,590 |
| Impairment and disposal of long-lived assets, net of (recoveries) | (4,296) | (1,209) | (4,423) | 5,480 |
| Legislative campaign contributions | 48,429 | 500 | 62,654 | 19,562 |
| Acquisition, transaction, and other non-recurring costs | 2,586 | 8,511 | 10,600 | 16,146 |
| Share-based compensation | 5,469 | 4,539 | 15,579 | 7,415 |
| Gain on debt extinguishment | — | (8,161) | — | (8,161) |
| Other income (expense), net | 198 | (1,126) | 4,778 | (5,875) |
| Discontinued operations, net of tax, attributable to common shareholders | 1,636 | 2,927 | 4,613 | 97,861 |
| Total adjustments | <u>54,022</u> | <u>5,981</u> | <u>93,801</u> | <u>440,018</u> |
| Adjusted EBITDA (Non-GAAP) | <u>\$ 96,086</u> | <u>\$ 77,738</u> | <u>\$ 308,838</u> | <u>\$ 234,505</u> |

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 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 generate 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, we may use cash to support cannabis market expansion related initiatives, such as Smart & Safe Florida. Working capital is used principally for 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 long-term growth in markets with adult-use catalysts. In the current period, our debt service payments consist primarily of interest payments.

We may also use capital for other investing and financing activities. In the third quarter of 2024, the Company invested \$80.0 million into certificates of deposit that classify as short-term investments due to their original maturity dates.

As of September 30, 2024, cash and cash equivalents were \$237.7 million and short-term investments were \$80.2 million. We believe our existing cash balances and short-term investments 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:

| | Nine Months Ended September 30, | |
|--|--|--------------------|
| | 2024 | 2023 |
| | <i>(in thousands)</i> | |
| Net cash provided by operating activities | \$ 240,809 | \$ 70,377 |
| Net cash used in investing activities | (183,434) | (30,308) |
| Net cash used in financing activities | (27,082) | (60,599) |
| Net increase (decrease) in cash and cash equivalents | <u>\$ 30,293</u> | <u>\$ (20,530)</u> |

Cash Flows - Operating Activities

Net cash provided by operating activities was \$240.8 million for the nine months ended September 30, 2024, an increase of \$170.4 million as compared to \$70.4 million net cash provided by operating activities for the nine months ended September 30, 2023. This improvement was primarily due to the reduction in net tax payments of \$159.9 million, primarily related to the 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) and a \$94.0 million improvement in gross profit driven by higher revenues and improved gross margin, which was only partially offset by the comparative change in inventories of \$74.8 million and a \$43.1 million increase in payments for legislative campaign contributions. Operating cash flows in the comparative period benefited from the \$66.5 million decrease in inventories versus the \$8.3 million increase for the current period.

Cash Flows - Investing Activities

Net cash used in investing activities was \$183.4 million for the nine months ended September 30, 2024, an increase of \$153.1 million, compared to the \$30.3 million net cash used in investing activities for the nine months ended September 30, 2023. The increase primarily reflects the Company's \$80.0 million investment into certificates of deposit, higher current year purchases of property, plant and equipment and internal use software to support the long-term growth of the business.

Cash Flows - Financing Activities

Net cash used in financing activities was \$27.1 million for the nine months ended September 30, 2024, a decrease of \$33.5 million, compared to \$60.6 million net cash used in financing activities for the nine months ended September 30, 2023. The decrease was primarily driven from the payment made in the comparative period on the open market repurchase of 57,000 of the Company's USD \$1,000 senior secured notes, due October 6, 2026, for a purchase price of \$47.6 million, excluding fees and accrued interest. This was partially offset by payments made in the current period for taxes related to net share settlement of equity awards and the consolidated VIE settlement transaction and the related costs incurred.

Balance Sheet Exposure

As of September 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 \$203.8 million increase in our uncertain tax position liabilities and the \$39.4 million and \$11.8 million increase in our future minimum lease payments under non-cancellable operating and finance 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.

Item 4. Controls and Procedures.

Material Weakness in Internal Control Over Financial Reporting

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), as appropriate to allow timely decisions regarding required 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.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

Management of the Company, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of its disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, as of September 30, 2024. Our Chief Executive Officer and Chief Financial Officer have concluded that, due to the material weaknesses as described in the 2023 Annual Report on Form 10-K, which are currently in the process of being remediated, as of September 30, 2024, we did not maintain effective disclosure controls and procedures because of the material weaknesses in internal control as described in Item 9A. Controls and Procedures in the 2023 Annual Report on Form 10-K, filed with the SEC on February 29, 2024.

Notwithstanding the material weaknesses described in the 2023 Annual Report on Form 10-K, we have concluded that the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q fairly state, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with U.S. GAAP.

Management’s Remediation Measures

We previously identified and disclosed material weaknesses in internal control as described in Item 9A. Controls and Procedures in the 2023 Annual Report on Form 10-K, filed with the SEC on February 29, 2024. The material weaknesses were due to a lack of sufficient controls around information technology and inventory valuation. Management is committed to maintaining a strong internal control environment. In response to the identified material weaknesses, management, with the oversight of the Audit Committee of the Board of Directors, has taken a number of remediation actions during the year ending December 31, 2023, and continues to address these deficiencies in 2024. The Company will not be able to conclude that the material weaknesses are remediated until the applicable controls operate for a sufficient period of time and management has concluded, through formal testing, that the controls are operating effectively. Remediation actions taken include the following:

Information Technology:

- The Company continued to strengthen the design and implementation of logical access, change management, and IT operation controls. Initiatives include segregation of duties evaluation, monitoring control implementation, and user access review optimization.
- The Company procured IT subject matter experts to enhance role permissions and segregation of duties within financially relevant systems, as well as, reduced the number of privileged access users who can make program and job changes. The Company also created an Identity and Access Management team within Information Security to strengthen the management of user provisioning to financial data.
- The Company implemented a formal management training program designed to educate and enforce appropriate documentation for system access, change management, and user access reviews.

Inventory Valuation:

The Company hired additional resources with the knowledge and experience to design and execute review control procedures to identify potential errors or misstatements in a manual and complex inventory valuation process including:

- Additions to our cost accounting team with appropriate technical knowledge to support inventory accounting requirements;
- A leadership resource to lead internal controls efforts; and
- External resources to assist management with remediation efforts such as formalizing accounting procedures, identifying key review steps and analysis, validating key reports and spreadsheets, documenting management review, and additional training to inventory and accounting personnel.

The Company created a robust management review control process to assess the accuracy and reasonableness of inventory valuation by:

- Documenting steps taken by management to perform the review, assess reasonableness, and investigate matters;
- Applying the appropriate level of precision and defined criteria to drive review and investigative procedures;
- Evidencing the performance of each management review activity prescribed in the control; and
- Validating the completeness and accuracy of key reports and spreadsheets used in inventory valuation controls.

Changes in Internal Controls Over Financial Reporting

Other than the ongoing remediation measures discussed above, there have been no other changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) which occurred during the quarter ended September 30, 2024, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements. In some cases, you can identify these statements by forward-looking words such as “may”, “will”, “would”, “could”, “should”, “believes”, “estimates”, “projects”, “potential”, “expects”, “plans”, “intends”, “anticipates”, “targeted”, “continues”, “forecasts”, “designed”, “goal”, or the negative of those words or other similar or comparable words. These forward-looking statements include the Company’s statements regarding the Company’s expectations with respect to the sales of certain assets, statements regarding expected cost savings and long-term benefits from the Company’s cost streamlining efforts, the Company’s beliefs regarding taxes it does not owe. Any statements contained in this Quarterly Report on Form 10-Q that are not statements of historical facts may be deemed to be forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition, results of operations and future growth prospects. The forward-looking statements contained herein are based on certain key expectations and assumptions, including, but not limited to, with respect to expectations and assumptions concerning receipt and/or maintenance of required licenses and third party consents and the success of our operations, are based on estimates prepared by us using data from publicly available governmental sources, as well as from market research and industry analysis, and on assumptions based on data and knowledge of this industry that we believe to be reasonable. These forward-looking statements are not guarantees of future performance or development and involve known and unknown risks, uncertainties and other factors that are in some cases beyond our control. As a result, any or all of our forward-looking statements in this Quarterly Report on Form 10-Q may turn out to be inaccurate. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed under “Risk Factors” and discussed elsewhere in this Quarterly Report on Form 10-Q in “Part I, Item 1A – Risk Factors” in our 2023 Form 10-K. These forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. Except as required by law, we assume no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future. You should, however, review the factors and risks we describe in the reports we will file from time to time with the SEC after the date of this Quarterly Report on Form 10-Q. These factors and risks include, among other things, the following:

Risks Related to Our Business and Industry

- the illegality of cannabis under federal law;
- the uncertainty regarding the regulation of cannabis in the U.S.;
- the effect of constraints on marketing our products;
- the risks related to the newness of the cannabis industry;
- the effect of risks due to industry immaturity;
- the risk we may not be able to grow our product offerings and dispensary services;
- the effect of risks related to material acquisitions, investments, dispositions and other strategic transactions;
- the effect of risks related to growth management;
- the effect of restricted access to banking and other financial services by cannabis businesses and their clients;
- the risks related to maintaining cash deposits in excess of federally insured limits;
- our ability to comply with potential future FDA regulations;
- the risks related to control over variable interest entities;
- the effect of restrictions under U.S. border entry laws;
- the effect of heightened scrutiny that we may face in the U.S. and Canada and the effect it could have to further limit the market of our securities for holders in the U.S.;
- our expectation that we will incur significant ongoing costs and obligations related to our infrastructure, growth, regulatory compliance and operations;
- the effect of a limited market for our securities for holders in the U.S.;
- our ability to locate and obtain the rights to operate at preferred locations;

- the effect of unfavorable tax treatment for cannabis businesses;
- the effect of taxation on our business in the U.S. and Canada;
- the higher risk of IRS audit;
- the effect of the lack of bankruptcy protections for cannabis businesses;
- the effect of risks related to being a holding company;
- our ability to enforce our contracts;
- the effect of intense competition in the cannabis industry;
- our ability to obtain cannabis licenses or to maintain such licenses;
- the risks our subsidiaries may not be able to obtain their required licenses;
- our ability to accurately forecast operating results and plan our operations;
- the effect of agricultural and environmental risks;
- our ability to adequately protect our intellectual property;
- the effect of risks of civil asset forfeiture of our property;
- the effect of risks related to ineffective internal controls over financial reporting;
- the effect of risks related to a known material weakness in our internal control over financial reporting;
- our dependency on key personnel;
- the effect of product liability claims;
- the effect of risks related to our products;
- the effect of unfavorable publicity or consumer perception;
- the effect of product recalls;
- the effect of security risks related to our products and our information technology systems;
- the effect of risks related to misconduct by our service providers and business partners;
- the effect of risks related to labor union activity;
- potential criminal prosecution or civil liabilities under RICO;
- the effect of risks related to our significant indebtedness;
- our ability to obtain adequate insurance coverage;
- the effect of risks related to key utility services on which we rely;

Risks Related to Owning Subordinate Voting Shares

- the possibility of no positive return on our securities;
- the effect of additional issuances of our securities in the future;
- the effect of sales of substantial amounts of our shares in the public market;
- volatility of the market price and liquidity risks on our shares;
- the lack of sufficient liquidity in the markets for our shares;

Risks Related to Being a Public Company

- the increased costs as a result of being a U.S. reporting company;

Item 1. Legal Proceedings.

There are no actual or to our knowledge contemplated legal proceedings material to us or to which any of our or any of our subsidiaries' property is the subject matter.

There have been no material penalties or sanctions imposed against the Company by a court or regulatory authority, and the Company has not entered into any material settlement agreements before any court relating to provincial or territorial securities legislation or with any securities regulatory authority, in the three years prior to the date of this prospectus.

Item 1A. Risk Factors.

Investing in our Subordinate Voting Shares involves a high degree of risk. Our 2023 Form 10-K filed with the SEC on February 29, 2024 includes detailed discussions of our risk factors under the heading "Part I, Item 1A—Risk Factors". You should consider carefully the risk factors discussed in our 2023 Form 10-K and all other information contained in or incorporated by reference in this Quarterly Report on Form 10-Q before making an investment decision. If any of the risks discussed in the 2023 Form 10-K actually occur, they may materially harm our business, financial condition, operating results, cash flows or growth prospects. As a result, the market price of our Subordinate Voting Shares could decline, and you could lose all or part of your investment. Additional risks and uncertainties that are not yet identified or that we think are immaterial may also materially harm our business, financial condition, operating results, cash flows or growth prospects and could result in a complete loss of your investment. There have been no material changes from such risk factors during the nine months ended September 30, 2024.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

During the three months ended September 30, 2024, no director or officer of the Company adopted, modified, or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement" as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits.

| Exhibit Number | Description |
|-------------------|---|
| 10.1 ‡ | Executive Employment Agreement, dated August 1, 2024, by and between Trulieve Cannabis Corp. and Kimberly Rivers (incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2024 (File No. 000-56248)). |
| 10.2 ‡ | Executive Employment Agreement, dated August 1, 2024, by and between Trulieve Cannabis Corp. and Eric Powers (incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2024 (File No. 000-56248)). |
| 10.3 ‡ | Executive Employment Agreement, dated August 1, 2024, by and between Trulieve Cannabis Corp. and Kyle Landrum (incorporated by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2024 (File No. 000-56248)). |
| 10.4 ‡ | Executive Employment Agreement, dated August 1, 2024, by and between Trulieve Cannabis Corp. and Tim Morey (incorporated by reference to Exhibit 10.5 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2024 (File No. 000-56248)). |
| 31.1 * | Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 * | Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1 ** | Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101.INS* | Inline XBRL Instance Document |
| 101.SCH* | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL* | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF* | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB* | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE* | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 104* | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

* Filed herewith.

** Furnished herewith.

‡ Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TRULIEVE CANNABIS CORP.

| | |
|------------------------|---|
| Date: November 5, 2024 | By: _____ Kim Rivers Chief Executive Officer (Principal Executive Officer) |
| Date: November 5, 2024 | By: _____ Wes Getman Chief Financial Officer (Principal Financial Officer) |
| Date: November 5, 2024 | By: _____ Joy Malivuk Chief Accounting Officer (Principal Accounting Officer) |

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) OR 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Kim Rivers, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Trulieve Cannabis Corp.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2024

By: _____ /s/ Kim Rivers

Kim Rivers
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Each of the undersigned officers of Trulieve Cannabis Corp. (the “Company”) certifies, to her or his knowledge and solely for the purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2024 complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 5, 2024

By: _____ /s/ Kim Rivers

Kim Rivers
Chief Executive Officer
(Principal Executive Officer)

Date: November 5, 2024

By: _____ /s/ Wes Getman

Wes Getman
Chief Financial Officer
(Principal Financial Officer)