Multiple Voting Shares

On June 12, 2018, we issued 830,975 Multiple Voting Shares to prior holders of VCP23, LLC membership interests pursuant to the Transaction.

Beginning on July 3, 2018 and through December 31, 2018, our shareholders converted 195,606 Multiple Voting Shares into 19,560,600 Subordinate Voting Shares, continuing through December 31, 2019, our shareholders converted an additional 357,104 Multiple Voting Shares into 35,710,400 Subordinate Voting Shares and, continuing through December 31, 2020, our shareholders converted an additional 423,319 Multiple Voting Shares into 42,331,900 Subordinate Voting Shares. On November 7, 2018, we issued 32,965 Multiple Voting Shares in exchange for 3,296,500 subscription receipts held by the owners of a privately held company. On January 8, 2019, we issued 31,000 Multiple Voting Shares to buyout the membership interest of joint venture partners pursuant to an agreement between the parties.

Beginning on July 3, 2018 and through December 31, 2018, our shareholders converted 8,896 Super Voting Shares into 8,896 Multiple Voting Shares, continuing through December 31, 2019, our shareholders converted an additional 22,224 Super Voting Shares into 22,224 Multiple Voting Shares and, continuing through December 31, 2020 our shareholders converted an additional 90,258 Super Voting Shares into 90,258 Multiple Voting Shares.

Super Voting Shares

On June 12, 2018, we issued 433,409 Super Voting Shares to prior holders of VCP23, LLC membership interests pursuant to the Transaction and prior holders of Bayswater Uranium Corporation.

Beginning on December 3, 2018 and through December 31, 2018, our shareholders converted 8,896 Super Voting Shares into 8,896 Multiple Voting Shares, continuing through December 31, 2019, our shareholders converted an additional 22,224 Super Voting Shares into 22,224 Multiple Voting Shares and, continuing through December 31, 2020 our shareholders converted an additional 90,258 Super Voting Shares into 90,258 Multiple Voting Shares.

ITEM 6. SELECTED FINANCIAL DATA

Reserved.

ITEM 7. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following information should be read in conjunction with the consolidated financial statements and related notes thereto included in this Annual Report on Form 10-K.

In addition to historical information, this report contains forward-looking statements that involve risks and uncertainties which may cause our actual results to differ materially from plans and results discussed in forward-looking statements. We encourage you to review the risks and uncertainties discussed in the sections entitled Item 1A. "Risk Factors" and "Disclosure Regarding Forward-Looking Statements" included at the beginning of this Annual Report on Form 10-K. The risks and uncertainties can cause actual results to differ significantly from those forecast in forward-looking statements or implied in historical results and trends.

We caution readers not to place undue reliance on any forward-looking statements made by us, which speak only as of the date they are made. We disclaim any obligation, except as specifically required by law and the rules of the SEC, to publicly update or revise any such statements to reflect any change in our expectations or in events, conditions or circumstances on which any such statements may be based, or that may affect the likelihood that actual results will differ from those set forth in the forward-looking statements.

This management discussion and analysis ("**MD&A**") of the financial condition and results of operations of Green Thumb Industries Inc. (the "**Company**" or "**Green Thumb**") is for the years ended December 31, 2020, 2019 and 2018. It is supplemental to, and should be read in conjunction with, the Company's consolidated financial statements for the year ended December 31, 2019 and the combined financial statements for the years ended December 31, 2018 and 2017 and the accompanying notes for each respective periods. The Company's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("**GAAP**"). Financial information presented in this MD&A is presented in United States dollars ("**$**" or "**US$**"), unless otherwise indicated.

This MD&A contains certain "forward-looking statements" and certain "forward-looking information" as defined under applicable United States securities laws. Please refer to the discussion of forward-looking statements and information set out under the heading "Cautionary Note Regarding Forward-Looking Information," identified in the ''Risks and Uncertainties'' section of this MD&A. As a result of many factors, the Company's actual results may differ materially from those anticipated in these forward-looking statements and information.

COVID-19 Considerations

In March 2020, the World Health Organization categorized coronavirus disease 2019 ("COVID-19") as a pandemic. COVID-19 continues to spread throughout the U.S. and other countries across the world, and the duration and severity of its effects and those of its variants, are currently unknown. The Company continues to implement and evaluate actions to strengthen its financial position and support the continuity of its business and operations in the face of this pandemic and other events.

The Company's priorities during the COVID-19 pandemic are protecting the health and safety of its employees and its customers, following the recommended actions of government and health authorities. In the future, the pandemic may cause reduced demand for the Company's products and services if, for example, the pandemic results in a recessionary economic environment or potential new restrictions on business operations or the movement of individuals. However, given the Company's operations have to date been deemed "essential" services in the states in which it does business, the Company believes that there will continue to be strong demand for Green Thumb products.

Operations of the Company are currently ongoing as the cultivation, processing and sale of cannabis products is currently considered an "essential" business by all states in which the Company operates with respect to all customers. The Company's ability to continue to operate without any significant negative operational impact from the COVID-19 pandemic and any of its variants will in part depend on the Company's ability to protect its employees, customers and supply chain and its continued designation as "essential" in states where it does business that currently or in the future impose restrictions on business operations.

The pandemic has not materially impacted the Company's business operations or liquidity position to date. The Company continues to generate operating cash flows to meet its short-term liquidity needs. In all locations where applicable regulations limiting in-store retail activity have been enacted by governmental authorities, the Company has expanded consumer delivery options and curbside pickup to help further protect the health and safety of Green Thumb employees and customers.

During 2020, the Company's revenue, gross profit and operating income were not negatively impacted by COVID-19 and the Company generally maintained the consistency of its operations. However, the uncertain nature of the spread of COVID-19 and its variants may impact the Company's business operations for reasons including the potential quarantine of Green Thumb employees or those of its supply chain partners and our designation as "essential" in states where we do business that currently or in the future impose restrictions on business operations.

OVERVIEW OF THE COMPANY

Established in 2014 and headquartered in Chicago, Illinois, Green Thumb is promoting well-being through the power of cannabis through branded consumer packaged goods and people-first retail experiences, while being committed to community and sustainable profitable growth. As of December 31, 2020, Green Thumb has operations across 12 U.S. markets, employs over 2,200 people and serves hundreds of thousands of patients and customers annually.

Green Thumb's core business is manufacturing, distributing and marketing a portfolio of owned cannabis consumer packaged goods brands (which we refer to as our Consumer Packaged Goods business), including Beboe, Dogwalkers, Dr. Solomon's, incredibles, Rhythm, and The Feel Collection. The Company distributes and markets these products primarily to third-party licensed retail cannabis stores across the United States as well as to Green Thumb-owned retail stores (which we refer to as our Retail business).

The Company's Consumer Packaged Goods portfolio is primarily generated from plant material that Green Thumb grows and processes itself which we use to produce our consumer packaged goods produced in 13 owned and operated manufacturing facilities. This portfolio consists of SKUs across a range of cannabis product categories, including flower, pre-rolls, concentrates, vape, capsules, tinctures, edibles, topicals and other cannabis-related products (none of which product category are individually material to the Company). These Consumer Package Goods products are sold in retail locations throughout the 12 U.S. markets Green Thumb operates including Green Thumb's own Rise and Essence dispensaries.

Green Thumb owns and operates a national cannabis retail chain called Rise, and in the Las Vegas, Nevada and Pasadena California areas, a chain of stores called Essence, which are relationship-centric retail experiences aimed to deliver a superior level of customer service through high-engagement consumer interaction, a consultative, transparent and education-forward selling approach and a consistently available assortment of cannabis products. In addition, we own stores under other names, primarily where we co-own the stores or naming is subject to licensing or similar restrictions. The income from Green Thumb's retail stores is primarily from the sale of cannabis-related products, which includes the sale of Green Thumb produced products as well as those produced by third parties, with an immaterial (under 10%) portion of this income resulting from the sale of other merchandise (such as t-shirts and accessories for cannabis use). The Rise stores currently are located in eight of the states in which we operate (including Nevada). The Essence stores were acquired in connection with the 2019 acquisition of Integral Associates and are located in Nevada and beginning in March 2021, California. The Essence stores differ from the Rise stores mainly in geographic location. As of December 31, 2020, the Company had 51 open and operating retail locations. The Company's new store opening plans will remain fluid depending on market conditions, obtaining local licensing, construction and other permissions and subject to the Company's capital allocation plans and the evolving situation with respect to the Coronavirus.

Results of Operations—Consolidated

The following table summarizes the Company's consolidated financial results for the periods, and as of the dates, indicated. The (i) consolidated statements of operations for the years ended December 31, 2020 2019 and 2018 and (ii) consolidated balance sheet data as of December 31, 2020 and 2019 have been derived from, and should be read in conjunction with the consolidated financial statements and accompanying notes presented in Item 8 of this Report.

The Company's consolidated financial statements have been prepared in accordance with U.S. GAAP and on a going-concern basis that contemplates continuity of operations and realization of assets and liquidation of liabilities in the ordinary course of business.

	For the Year Ended December 31,			2020 vs. 2019		2019 vs. 2018	
	2020	2019	2018	$ Change	% Change	$ Change	% Change
Total Revenues, net of discounts	$ 556,572,889	$ 216,432,605	$ 62,493,680	$ 340,140,284	157%	$153,938,925	246%
Cost of Goods Sold, net	(252,404,301)	(109,401,914)	(34,177,259)	(143,002,387)	131%	(75,224,655)	220%
Gross Profit	304,168,588	107,030,691	28,316,421	197,137,897	184%	78,714,270	278%
Total Expenses	198,061,759	134,721,393	54,656,579	63,340,366	47%	80,064,814	146%
Income (Loss) From Operations	106,106,829	(27,690,702)	(26,340,158)	133,797,531	(483%)	(1,350,544)	5%
Total Other Income (Expense)	(3,176,107)	(22,512,135)	56,091,532	19,336,028	(86%)	(78,603,667)	(140%)
Income (Loss) Before Provision for Income Taxes and Non-Controlling Interest	102,930,722	(50,202,837)	29,751,374	153,133,559	(305%)	(79,954,211)	(269%)
Provision for Income Taxes	83,852,802	9,344,033	7,183,595	74,508,769	797%	2,160,438	30%
Net Income (Loss) Before Non-Controlling Interest	19, 077,920	(59,546,870)	22,567,779	78,624,790	(132%)	(82,114,649)	(364%)
Net Income (Loss) Attributable to Non-Controlling Interest	4,084,953	(430,463)	27,811,696	4,515,416	(1,049%)	(28,242,159)	(102%)
Net Income (Loss) Attributable to Green Thumb Industries Inc.	$ 14,992,967	$ (59,116,407)	$ (5,243,917)	$ 74,109,374	(125%)	$ (53,872,490)	1,027%
Net Income (Loss) per share—basic	$ 0.07	$ (0.31)	$ (0.04)	$ 0.38	(123%)	$ (0.27)	675%
Net Income (Loss) per share—diluted	$ 0.07	$ (0.31)	$ (0.04)	$ 0.38	(123%)	$ (0.27)	675%
Weighted average number of shares outstanding—basic	210,988,259	190,602,400	130,102,523				
Weighted average number of shares outstanding—diluted	212,531,188	190,602,400	130,102,523				

	As of December 31,	
	2020	2019
Total Assets	$1,358,549,162	$1,167,536,624
Long-Term Liabilities	$ 325,101,386	$ 212,960,693

Revenue Streams

The Company has consolidated financial statements across its operating businesses with revenue from the manufacture, sale and distribution of branded cannabis products to third-party retail customers as well as the sale of finished products to consumers in its retail stores.

Year Ended December 31, 2020 Compared with Year Ended December 31, 2019

Revenue

Revenue for the year ended December 31, 2020 was $556,572,889, up 157% from $216,432,605 for the year ended December 31, 2019. The increase in revenue was driven by contributions from both Retail and Consumer Packaged Goods, largely due to growth in Illinois and Pennsylvania. The key performance driver of Retail revenues in 2020 was legalization of adult use in Illinois on January 1, 2020 as well as new store openings particularly in Illinois and Pennsylvania, and the 2020 full period effect of the June 2019 acquisition of the

Essence stores in Nevada. During the year ended December 31, 2020, Retail revenue made up 71% of total revenue as compared to 64% in 2019. During the year ended December 31, 2020, the Company increased its Retail footprint by opening 11 new stores and acquiring one store as compared to opening 17 new stores and acquiring eight during the same period in 2019. In total, the Company had 51 Retail locations open and operating during year ended December 31, 2020 as compared to 39 Retail locations in the prior year.

The key drivers for Consumer Packaged Goods revenue was legalization of adult use in Illinois on January 1, 2020 as well as the expansion of Green Thumb's branded product portfolio to third-party retailers through the Company's existing Consumer Packaged Goods cultivation and processing facilities in Illinois, Pennsylvania, Massachusetts, Maryland, Connecticut and Nevada due to increased scale and efficiency. Consumer Packaged Goods revenue made up 29% of total revenues in 2020 as compared to 36% in 2019.

Cost of Goods Sold

Cost of goods sold are derived from costs related to the internal cultivation and production of cannabis and from Retail purchases made from other licensed producers operating within our state markets.

Cost of goods sold for the year ended December 31, 2020 was $252,404,301, up 131% from $109,401,914 for the year ended December 31, 2019, driven by increased volume in open and operating Retail stores; new Retail store openings in Illinois, Pennsylvania and Nevada; and expansion of the Consumer Packaged Goods sales in Illinois, Pennsylvania, Massachusetts, Maryland, Connecticut and Nevada.

Gross Profit

Gross profit for the year ended December 31, 2020 was $304,168,588, representing a gross margin on the sale of finished cannabis consumer packaged goods of 55%. This is compared to gross profit for the year ended December 31, 2019 of $107,030,691 or a 49% gross margin. The Company's increase in gross margin percentage was mainly attributed to an overall increase in Retail sales as a proportion of total sales. In addition, Consumer Packaged Goods also contributed to the increase in gross profit through expanded capacity. The increase in gross profit was directly attributable to the revenue increase as further described above.

Total Expenses

Total expenses for the year ended December 31, 2020 were $198,061,759 or 36% of total revenues, net of discounts. Total expenses for the year ended December 31, 2019 were $134,721,393 or 62% of total revenues, net of discounts.

The increase in total expenses was attributable to Retail salaries, benefits, depreciation expense and other operational and facility expenses mainly as a result of the Company's new and acquired Retail facilities. In addition, an increase in intangible asset amortization expense, back office personnel costs and non-cash equity incentive compensation expense also contributed to the overall increase in total expenses. The reduction in expenses as a percent of revenue was attributable to measures deployed to control variable expenses as well as inherent operating leverage caused by the significant increase in revenue.

Total Other Income (Expense)

Total other income (expense) decreased to ($3,176,107) for the year ended December 31, 2020 as compared to ($22,512,135) for the year ended December 31, 2019. The reduction in other income (expense) was primarily due to favorable fair value adjustments on the Company's investments and contingent consideration recorded in 2020 offset by unfavorable adjustments to the fair value of the warrant liability and increased interest expense.

Income (Loss) Before Provision for Income Taxes and Non-Controlling Interest

Net operating income before provision for income taxes and non-controlling interest for the year ended December 31, 2020 was $102,930,722 as compared to loss of ($50,202,837) for the year ended December 31, 2019.

As presented under the heading "Non-GAAP Measures" below, after adjusting for non-cash equity incentive compensation of $19,336,718 for 2020 and $18,285,377 for 2019, as well as other non-operating items, Adjusted Operating EBITDA (as defined below under the heading "Non GAAP Measures") was $179,584,426 and $27,762,114 for the year ended December 31, 2020 and 2019, respectively.

Provision for Income Taxes

Income tax expense is recognized based on the expected tax payable on the taxable income for the year, using tax rates enacted at year-end. For the year ended December 31, 2020, federal and state income tax expense totaled $83,852,802 as compared to $9,344,033 for the year ended December 31, 2019.

The net expense of $83,852,802 for the year ended December 31, 2020 includes current tax expense of $81,758,298 and deferred tax expense of $2,094,504 in the current period.

Year Ended December 31, 2019 Compared with Year Ended December 31, 2018

Revenue

Revenue for the year ended December 31, 2019 was $216,432,605, up 246% from $62,493,680 for the year ended December 31, 2018 driven by contribution from both Consumer Packaged Goods and Retail sales across all 12 markets (California, Colorado, Connecticut, Florida, Illinois, Maryland, Massachusetts, Nevada, New Jersey, New York, Ohio and Pennsylvania). Key performance drivers were: distribution expansion of Green Thumb's branded product portfolio primarily in Illinois, Massachusetts and Pennsylvania; new store openings and increased store traffic to Green Thumb's 39 open and operating retail stores, particularly in Florida, Illinois, Massachusetts and Pennsylvania; and the addition of revenue from the acquisition of Connecticut-based AGL and Nevada-based Integral Associates.

Cost of Goods Sold

Cost of goods sold are derived from cost related to the internal cultivation and production of cannabis and from retail purchases made from other licensed producers operating within our state markets.

Cost of goods sold for the year ended December 31, 2019 was $109,401,914, up 220% from $34,177,259 for the year ended December 31, 2018, driven by growth from both Consumer Packaged Goods and Retail sales across all 12 markets (California, Colorado, Connecticut, Florida, Illinois, Maryland, Massachusetts, Nevada, New Jersey, New York, Ohio and Pennsylvania).

Gross Profit

Gross profit for the year ended December 31, 2019 was $107,030,691, representing a gross margin on the sale of finished cannabis Consumer Packaged goods of 49%. This is compared to gross profit for the year ended December 31, 2018 of $28,316,421 representing a 45% gross margin driven by increased harvested cannabis and consumer packaged goods shipments, along with incremental contribution from increased volume from Retail sales.

Total Expenses

Total expenses for the year ended December 31, 2019 were $134,721,393 or 62% of total revenues, net of discounts, an increase of $80,064,814. Total expenses for the year ended December 31, 2018 were $54,656,579 or 87% of total revenues, net of discounts.

The increase in total expenses was attributable to an increase in general and administrative expenses, mainly due to non-cash charges related to equity incentive compensation of $18,285,377, an increase of $6,137,126 compared to the year ended December 31, 2018. Salaries and benefits also contributed as a result of increased headcount from the Company's Retail facilities in Florida, Illinois, Nevada, Maryland, Massachusetts and Pennsylvania, along with corporate staff development.

Additionally, the Company had professional fees of $17,714,193 which represented an increase of $7,025,063 over the 2018 amount of $10,689,130, primarily driven by acquisition related support, and other regulatory and growth-related activities.

Total Other Income (Expense)

Total other income (expense) for the year ended December 31, 2019 was ($22,512,135), compared to income of $56,091,532 for the year ended December 31, 2018, mainly due to a favorable adjustment to the fair values of the Company's investments recorded in 2018.

Income (Loss) Before Provision for Income Taxes and Non-Controlling Interest

Net operating loss before provision for income taxes and non-controlling interest for the year ended December 31, 2019 was ($50,202,837) compared to income of $29,751,374 for the year ended December 31, 2018.

As presented under the heading "Non-GAAP Measures" below, after adjusting for non-cash equity incentive compensation of $18,285,377 in 2019 and $12,148,251 in 2018, as well as other non-operating items, Adjusted Operating EBITDA was $27,762,114 and ($9,007,926) for the years ended December 31, 2019 and 2018, respectively.

Provision for Income Taxes

Income tax expense is recognized based on the expected tax payable on the taxable income for the year, using tax rates enacted at year-end. For the year ended December 31, 2019, federal and state income tax expense totaled $9,344,033 compared to $7,183,595 for the year ended December 31, 2018. The net expense of $9,344,033 for the year ended December 31, 2019 includes current tax expense of $22,760,946 and deferred tax benefit of $13,416,913 in the current period. The deferred tax benefit is mainly driven by changes in the fair value of investments and amortization of intangibles.

Year Ended December 31, 2018 Compared with Year Ended December 31, 2017

Revenue

Revenue for the year ended December 31, 2018 was $62,493,680, up 278% from $16,528,779 for the year ended December 31, 2017 due to revenue contribution from Consumer Packaged Goods and Retail sales across Illinois, Maryland, Massachusetts, Nevada and Pennsylvania. Year over year consumer packaged goods growth is driven by expanded distribution to third-party retail customers of Green Thumb's branded product portfolio, including Rythm, The Feel Collection and Dogwalkers, primarily across Illinois, Maryland and Pennsylvania. Retail sales growth is driven by increased foot traffic in Illinois retail stores, incremental revenue from two Illinois stores which were acquired in October 2017, new store openings of Rise (three in Maryland and four in Pennsylvania) and the commencement of adult use sales for both Nevada Rise stores as of January 1, 2018, all incremental compared to the year ending December 31, 2017.

Cost of Goods Sold

Cost of goods sold are derived from cost related to the internal cultivation and production of cannabis and from retail purchases made from other licensed producers operating within our state markets.

Year ended December 31, 2018 cost of goods sold of $34,177,259 was up $24,369,484 or 248% compared to year ended December 31, 2017, driven by expanded production of consumer packaged goods in new markets Maryland and Pennsylvania, as well as material increases from retail sales driven by new store openings and increases in daily transactions across Illinois, Maryland, Massachusetts, Nevada and Pennsylvania.

Gross Profit

Gross profit for the year ended December 31, 2018 was $28,316,421, representing a gross margin on the sale of branded cannabis flower and processed and packaged products including concentrates, edibles, topicals and other cannabis products, of 45%. This is compared to gross profit for the year ended December 31, 2017 of $6,721,004 or a 41% gross margin.

Total Expenses

Total expenses for year ended December 31, 2018 were $54,656,579, an increase of $43,165,807, compared to year ended December 31, 2017.

The increase in total expenses was attributable to an increase in general and administrative expenses, mainly due to non-cash charges related to equity incentive compensation of $12,148,251, which is all incremental compared to the prior year. Salaries and benefits also contributed to the increase as a result of new headcount from the Company’s Retail facilities in Illinois, Nevada, Maryland and Pennsylvania along with corporate staff development.

Additionally, the Company had professional fees of $10,689,130 which represented an increase of $7,171,238 over the 2017 amount of $3,517,892 due to the reverse takeover transaction, acquisition related support, and other regulatory and growth related activities.

Total Other Income

Total other income for year ended December 31, 2018 was $56,091,532, an increase of $55,979,581 compared to 2017, due to the iAnthus Warrants and other investments recorded at fair value, as further described in the Liquidity, Financing Activities During the Period, and Capital Resources section of this MD&A below.

Income (Loss) Before Provision for Income Taxes and Non-Controlling Interest

Net operating income before provision for income taxes and non-controlling interest for year ended December 31, 2018 was $29,751,374, compared to a loss of ($4,657,817) for the year ended December 31, 2017. The increase in net operating income was driven by the fair value of the iAnthus Warrants and other investments recorded at fair value, partially offset by equity incentive compensation as described above, in addition to start-up costs for new markets this year.

As presented under the heading “Non-GAAP Measures” below, after adjusting for non-cash equity incentive compensation of $12,148,251 as described above Adjusted Operating EBITDA was ($9,007,926) and ($4,079,780) for the year ended December 31, 2018 and 2017, respectively.

Provision for Income

Income tax expense is recognized based on the expected tax payable on the taxable income for the year, using tax rates enacted at year-end. For year ended December 31, 2018, Federal and State income tax expense totaled $7,183,595 compared to $214,000 provision for income taxes for the year ended December 31, 2017. Deferred tax expense of $4,061,000 is included in the $7,183,595 for the current period. This expense is driven by the fair value of warrants and investments, partially offset by deferred tax benefit related to net operating losses and stock-based compensation.

Results of Operations—Segments

The following tables summarize revenues net of sales discounts by segment for the years ended December 31, 2020, 2019 and 2018:

	For the Year Ended December 31,			2020 vs. 2019		2019 vs. 2018	
	2020	**2019**	**2018**	**$ Change**	**% Change**	**$ Change**	**% Change**
Consumer Packaged Goods	$ 273,977,174	$109,930,160	$25,706,134	$164,047,014	149%	$ 84,224,026	328%
Retail	396,371,725	137,809,904	41,994,791	258,561,821	188%	95,815,113	228%
Intersegment Eliminations	(113,776,010)	(31,307,459)	(5,207,245)	(82,468,551)	263%	(26,100,214)	501%
Total Revenues, Net of Discounts	**$ 556,572,889**	**$216,432,605**	**$62,493,680**	**$340,140,284**	**157%**	**$153,938,925**	**246%**

Year Ended December 31, 2020 Compared with the Year Ended December 31, 2019

Revenues, net of discounts for the Consumer Packaged Goods Segment were $273,977,174 for the year ended December 31, 2020, an increase of $164,047,014 or 149%, compared to the year ended December 31, 2019. The increase in Consumer Packaged Goods revenues, net of discounts, was primarily driven by the legalization of adult- use cannabis in Illinois on January 1, 2020, increased sales volume in established markets such as Pennsylvania, Massachusetts and Maryland and the 2020 full period effect of the June 2019 acquisition of Desert Grown Farms and Cannabiotix in Nevada.

Revenues, net of discounts for the Retail Segment were $396,371,725 for the year ended December 31, 2020, an increase of $258,561,821 or 188%, compared to the year ended December 31, 2019. The increase in Retail revenues, net of discounts, was primarily driven by legalization of adult use in Illinois on January 1, 2020 as well as new store openings particularly in Illinois and Pennsylvania, and the 2020 full period effect of the June 2019 acquisition of the Essence stores in Nevada.

Due to the vertically integrated nature of the business, the Company reviews its revenue at the Retail and Consumer Packaged Goods level while reviewing its operating results on a consolidated basis.

Year Ended December 31, 2019 Compared with the Year Ended December 31, 2018

Revenues, net of discounts for the Consumer Packaged Goods Segment were $109,930,160 for the year ended December 31, 2019, an increase of $84,224,026 or 328%, compared to the year ended December 31, 2018. The increase in Consumer Packaged Goods revenues, net of discounts, was primarily driven by increased sales volume in established markets such as Illinois, Massachusetts, Maryland and Pennsylvania as well as the acquisition of Advanced Grow Labs, LLC's cultivation and processing facility and Integral Associates, LLC's Desert Grown Farms cultivation and processing facility.

Revenues, net of discounts for the Retail Segment were $137,809,904 for the year ended December 31, 2019, an increase of $95,815,113 or 228%, compared to the year ended December 31, 2018. The increase in Retail revenues, net of discounts, was primarily driven by new store openings, the acquisition of Integral Associates, LLC's Essence branded dispensaries and increased sales volume at existing stores.

Due to the vertically integrated nature of the business, the Company reviews its revenue at the Retail and Consumer Packaged Goods level while reviewing its operating results on a consolidated basis.

Year Ended December 31, 2018 Compared with the Year Ended December 31, 2017

Revenues, net of discounts for the Consumer Packaged Goods Segment were $25,706,134 for the year ended December 31, 2018, an increase of $17,330,181 or 207%, compared to the year ended December 31, 2017. The increase in Consumer Packaged Goods revenues, net of discounts, was primarily driven by new markets in Pennsylvania and Massachusetts along with increased sales volume in the established markets of Illinois and Maryland.

Revenues, net of discounts for the Retail Segment were $41,994,791 for the year ended December 31, 2018, an increase of $32,069,821 or 323%, compared to the year ended December 31, 2017. The increase in Retail revenues, net of discounts, was primarily driven by new store openings in Pennsylvania and Maryland, increased sales volume at existing stores in the established markets of Illinois and Nevada as well as the revenue from the acquisition of two Illinois stores in October 2017.

Due to the vertically integrated nature of the business, the Company reviews its revenue at the Retail and CPG level while reviewing its operating results on a consolidated basis.

Drivers of Results of Operations

Revenue

The Company derives its revenue from two revenue streams: a Consumer Packaged Good business in which it manufactures, sells and distributes its portfolio of finished consumer packaged goods, including brands Rythm, Dogwalkers, The Feel Collection and Beboe, among others, primarily to third-party retail customers; and a Retail business in which it sells finished goods sourced primarily from third-party cannabis manufacturers direct to the end consumer in its retail stores, as well as direct-to-consumer delivery where applicable by state law.

For the year ended December 31, 2020, revenue was contributed from Consumer Packaged Goods and Retail sales across California, Colorado, Connecticut, Florida, Illinois, Maryland, Massachusetts, Nevada, New Jersey, New York, Ohio and Pennsylvania.

Gross Profit

Gross profit is revenue less cost of goods sold. Cost of goods sold includes the costs directly attributable to product sales and includes amounts paid for finished goods, such as flower, edibles, and concentrates, as well as packaging and other supplies, fees for services and processing, and allocated overhead which includes allocations of rent, utilities and related costs. Cannabis costs are affected by various state regulations that limit the sourcing and procurement of cannabis product, which may create fluctuations in gross profit over comparative periods as the regulatory environment changes. Gross margin measures our gross profit as a percentage of revenue.

During the year ended December 31, 2020, the Company continued to be focused on creating sustainable, profitable growth of the Company’s base business while pursuing national expansion. Green Thumb expects to continue its growth strategy for the foreseeable future as the Company expands its consumer packaged goods and retail footprint within its current markets with acquisitions and partnerships, and scales resources into new markets.

Total Expenses

Total expenses other than the cost of goods sold consist of selling costs to support customer relationships and marketing and branding activities. It also includes a significant investment in the corporate infrastructure required to support ongoing business.

Retail selling costs generally correlate to revenue. As new locations begin operations, these locations generally experience higher selling costs as a percentage of revenue compared to more established locations, which experience a more constant rate of selling costs. As a percentage of sales, the Company expects selling costs to remain relatively constant in the more established locations and increase in the newer locations as business continues to grow.

General and administrative expenses also include costs incurred at the Company's corporate offices, primarily related to back office personnel costs, including salaries, incentive compensation, benefits, stock-based compensation and other professional service costs. The Company expects to continue to invest considerably in this area to support aggressive expansion plans and to support the business by attracting and retaining top-tier talent. Furthermore, the Company expects an increase in stock compensation expenses related to recruiting and hiring talent, along with legal and professional fees associated with being a publicly traded company in Canada and registered with the U.S. Securities Exchange Commission.

Provision for Income Taxes

The Company is subject to income taxes in the jurisdictions in which it operates and, consequently, income tax expense is a function of the allocation of taxable income by jurisdiction and the various activities that impact the timing of taxable events. As the Company operates in the legal cannabis industry, it is subject to the limitations of IRC Section 280E under which taxpayers are only allowed to deduct expenses directly related to sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E and a higher effective tax rate than most industries. Therefore, the effective tax rate can be highly variable and may not necessarily correlate to pre-tax income or loss.

Non-GAAP Measures

EBITDA, Adjusted Operating EBITDA, and Adjusted EBITDA are non-GAAP measures and do not have standardized definitions under GAAP. The following information provides reconciliations of the supplemental non-GAAP financial measures, presented herein to the most directly comparable financial measures calculated and presented in accordance with GAAP. The Company has provided the non-GAAP financial measures, which are not calculated or presented in accordance with GAAP, as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. These supplemental non-GAAP financial measures are presented because management has evaluated the financial results both including and excluding the adjusted items and believe that the supplemental non-GAAP financial measures presented provide additional perspective and insights when analyzing the core operating performance of the business. These supplemental non-GAAP financial measures should not be considered superior to, as a substitute for or as an alternative to, and should be considered in conjunction with, the GAAP financial measures presented.

	For the Years Ended December 31,		
	2020	2019	2018
Net Income (Loss) Before Non-Controlling Interest	$ 19,077,920	$(59,546,870)	$ 22,567,779
Interest Income	(113,667)	(1,465,705)	(1,952,945)
Interest Expense	18,666,520	13,658,904	2,278,834
Provision For Income Taxes	83,852,802	9,344,033	7,183,595
Other Income	(15,376,746)	10,318,936	(56,417,421)
Depreciation and amortization	52,505,575	31,152,182	5,183,980
Earnings before interest, taxes, depreciation, and amortization (EBITDA) (non-GAAP measure)	**$158,612,404**	**$ 3,461,480**	**$(21,156,178)**
Stock-based compensation, non-cash	19,336,718	18,285,377	12,148,251
Acquisition, transaction, and other non-operating costs	1,635,304	6,015,257	—
Adjusted Operating EBITDA (non-GAAP measure)	**$179,584,426**	**$ 27,762,114**	**$ (9,007,927)**

Liquidity, Financing Activities During the Period, and Capital Resources

As of December 31, 2020 and 2019, the Company had total current liabilities of $119,288,435 and $111,367,255, respectively, and cash and cash equivalents of $83,757,785 and 46,667,334, respectively to meet its current obligations. As of December 31, 2020, the Company had working capital of $64,655,570, an increase of $66,960,214 as compared to December 31, 2019, driven primarily by a reduction in liabilities arising from the completion of business acquisitions during the year ended December 31, 2020.

The Company is an early-stage growth company. It is generating cash from sales and is deploying its capital reserves to acquire and develop assets capable of producing additional revenues and earnings over both the immediate and near term. Capital reserves are being utilized for acquisitions in the medical and adult use cannabis markets, for capital expenditures and improvements in existing facilities, product development and marketing, as well as customer, supplier and investor and industry relations.

Cash Flows

Cash Used in Operating, Investing and Financing Activities

Net cash used in operating, investing and financing activities for the years ended December 31, 2020, 2019 and 2018, were as follows:

	Years Ended December 31,		
	2020	2019	2018
Net cash provided by (used in) operating activities	$ 95,916,965	($ 18,013,610)	($ 17,683,003)
Net cash used in investing activities	($57,274,311)	($174,671,380)	($111,421,268)
Net cash provided by (used in) financing activities	(1,522,203)	93,366,252	245,525,846

Contractual Cash Obligations and Other Commitments and Contingencies

The following table quantifies the Company's future contractual obligations as of December 31, 2020:

	Total	2021	2022	2023	2024	2025	Thereafter
Notes Payable(a)	$105,466,429	$ —	$ —	$105,466,429	$ —	$ —	$ —
Charitable Contributions	717,429	185,886	189,953	194,109	147,481	—	—
Mortgage Payable(b)	3,556,678	156,097	164,763	174,964	185,281	1,573,810	1,301,763
Interest Due on Notes Payable	30,304,983	12,655,971	12,655,971	4,993,041	—	—	—
Interest Due on Mortgage Payable	1,287,315	212,016	203,349	193,149	182,831	154,564	341,406
Operating Leases—Third Party	365,277,752	24,009,579	25,487,123	25,360,510	24,856,882	22,834,433	242,729,225
Operating Leases—Related Parties	15,613,128	1,307,183	1,337,130	1,367,771	1,255,714	1,182,489	9,162,841
Contingent Consideration	27,100,000	22,150,000	4,950,000	—	—	—	—
Construction Commitments	520,252	520,252	—	—	—	—	—
Total as of December 31, 2020	**$549,843,966**	**$61,196,984**	**$44,988,289**	**$137,749,973**	**$26,628,189**	**$25,745,296**	**$253,535,235**

(a) On May 21, 2020, the Company exercised its option to extend the maturity date of its senior secured notes for an additional year. The new maturity date is May 22, 2023. Additionally, this amount excludes $10,511,335 of unamortized debt discount as of December 31, 2020. See Note 11—Notes Payable for details.

(b) The amount excludes $174,222 of unamortized debt discount as of December 31, 2020. See Note 11—Notes Payable for details.

Off-Balance Sheet Arrangements

As of December 31, 2020 and 2019, the Company does 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 the Company, including, and without limitation, such considerations as liquidity and capital resources.

Pending and Subsequent Transactions

On February 8, 2021, the SEC declared effective the Company's Registration Statement No. 333-248213 on Form S-1 filed on February 2, 2021 the "**Form S-1**". Shortly thereafter, the Company received an offer from a single institutional investor to purchase 3,122,073 of the Subordinate Voting Shares registered on the Form S-1 at a price of $32.03 per share for a total of $100,000,030. The transaction closed on February 9, 2021. On February 23, 2021, the Company accepted additional offers to purchase a total of 1,571,917 Subordinate Voting Shares at a price of $35.50 per share, for a total of $55,803,054.

Changes in or Adoption of Accounting Practices

See discussion under Part II, Item 8, Notes to Consolidated Financial Statements, Note 2 – Significant Accounting Policies.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are described below.

Estimated Useful Lives and Amortization of Intangible Assets

Amortization of intangible assets is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they may be impaired.

Business Combinations

Classification of an acquisition as a business combination or an asset acquisition depends on whether the assets acquired constitute a business, which can be a complex judgment. Whether an acquisition is classified as a business combination or asset acquisition can have a significant impact on the entries made on and after acquisition.

In determining the fair value of all identifiable assets, liabilities and contingent liabilities acquired, the most significant estimates relate to contingent consideration and intangible assets. Management exercises judgement in estimating the probability and timing of when earn-outs are expected to be achieved, which is used as the basis for estimating fair value. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows.

Cannabis licenses are the primary intangible asset acquired in business combinations as they provide the Company the ability to operate in each market. However, some cannabis licenses are subject to renewal and therefore there is some risk of non-renewal for several reasons, including operational, regulatory, legal or economic. To appropriately consider the risk of non-renewal, the Company applies probability weighting to the expected future net cash flows in calculating the fair value of these intangible assets. The key assumptions used in these cash flow projections include discount rates and terminal growth rates. Of the key assumptions used, the impact of the estimated fair value of the intangible assets have the greatest sensitivity to the estimated discount rate used in the valuation. Management selected discount rates ranging from 12% to 18% primarily dependent upon the markets in which each of the acquisitions operates. The terminal growth rate represents the rate at which these businesses will continue to grow into perpetuity. Management selected terminal growth rates between 2% and 3%. Other significant assumptions include revenue, gross profit, operating expenses and anticipated capital expenditures which are based upon the Corporation's historical operations along with management projections.

The evaluations are linked closely to the assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied.

Inventories

The net realizable value of inventories represents the estimated selling price for inventories in the ordinary course of business, less all estimated costs of completion and costs necessary to make the sale. The determination of net realizable value requires significant judgment, including consideration of factors such as shrinkage, the aging of and future demand for inventory, expected future selling price the Company expects to realize by selling the inventory and the contractual arrangements with customers. Reserves for excess and obsolete inventory are based upon quantities on hand, projected volumes from demand forecasts and net realizable value. The estimates are judgmental in nature and are made at a point in time, using available information, expected business plans and expected market conditions. As a result, the actual amount received on sale could differ from the estimated value of inventory. Periodic reviews are performed on the inventory balance. The impact of changes in inventory reserves is reflected in cost of goods sold.

Investments in Private Holdings

Investments include private company investments which are carried at fair value based on the value of the Company's interests in the private companies determined from financial information provided by management of the companies, which may include operating results, subsequent rounds of financing and other appropriate information. Any change in fair value is recognized on the consolidated statement of operations.

Goodwill Impairment

Goodwill is tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of goodwill has been impaired. In order to determine if the value of goodwill has been impaired, the reporting unit to which goodwill has been assigned or allocated must be valued using present value techniques. When applying this valuation technique, the Company relies on a number of factors, including historical results, business plans, forecasts and market data. Changes in the conditions for these judgments and estimates can significantly affect the assessed value of goodwill.

Determination of Reporting Units

The Company's assets are aggregated into two reportable segments (Retail and Consumer Packaged Goods). For the purposes of testing goodwill, the Company has identified 22 reporting units. The Company analyzed its reporting units by first reviewing the operating segments based on the geographic areas in which the Company conducts business (or each market). The markets were then further divided into reporting units based on the market operations (retail and consumer packaged goods) which were primarily determined based on the licenses each market holds. The following represent the markets in which the Company operates as of December 31, 2020: California, Colorado, Connecticut, Florida, Illinois, Maryland, Massachusetts, Nevada, New Jersey, New York, Ohio and Pennsylvania.

Consolidation

Judgment is applied in assessing whether the Company exercises control and has significant influence over entities in which the Company directly or indirectly owns an interest. The Company has control when it has the power over the subsidiary, has exposure or rights to variable returns and has the ability to use its power to affect the returns. Significant influence is defined as the power to participate in the financial and operating decisions of the subsidiaries. Where the Company is determined to have control, these entities are consolidated. Additionally, judgment is applied in determining the effective date on which control was obtained.

Allowance for Uncollectible Accounts

Management determines the allowance for uncollectible accounts by evaluating individual receivable balances and considering accounts and other receivable financial condition and current economic conditions. Accounts receivable and financial assets recorded in other receivables are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as income when received. All receivables are expected to be collected within one year of the balance sheet date.

Stock-Based Payments

Valuation of stock-based compensation and warrants requires management to make estimates regarding the inputs for option pricing models, such as the expected life of the option, the volatility of the Company's stock price, the vesting period of the option and the risk-free interest rate are used. Actual results could differ from those estimates. The estimates are considered for each new grant of stock options or warrants.

Fair Value of Financial Instruments

The individual fair values attributed to the different components of a financing transaction, derivative financial instruments, are determined using valuation techniques. The Company uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine (a) the values attributed to each component of a transaction at the time of their issuance; (b) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis; and (c) for disclosing the fair value of financial instruments. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

Financial Instruments and Financial Risk Management

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, member contribution receivable, notes receivable, due from related parties, investments, accounts payable and accrued liabilities, notes payable, derivative liability, liability for acquisition of noncontrolling interest and contingent consideration payable.

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs to fair value measurements. The three levels of hierarchy are:

Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2—Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and

Level 3—Inputs for the asset or liability that are not based on observable market data.

ITEM 7A. QUANTITAVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Financial Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Company's Board of Directors (the "**Board**") mitigates these risks by assessing, monitoring and approving the Company's risk management processes.

Credit Risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company does not have significant credit risk with respect to its customers.

The Company provides credit to its customers in the normal course of business. The Company has established credit evaluation and monitoring processes to mitigate credit risk but has limited risk as the majority of its sales are transacted with cash.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the effective management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity at all times to settle obligations and liabilities when due.

Market Risk

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign exchange, raw material and other commodity prices.

Currency Risk. The operating results and financial position of the Company are reported in U.S. dollars. Some of the Company's financial transactions are denominated in currencies other than the U.S. dollar. The results of the Company's operations are subject to currency transaction risks. The Company has no hedging agreements in place with respect to foreign exchange rates. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

Interest Rate Risk. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Cash and cash equivalents bear interest at market rates. The Company's financial debts have fixed rates of interest and therefore expose the Company to a limited interest rate fair value risk.

Commodities Price Risk. Price risk is the risk of variability in fair value due to movements in equity or market prices. The primary raw materials used by the Company aside from those cultivated internally are labels and packaging. Management believes a hypothetical 10% change in the price of these materials would not have a significant effect on the Company's consolidated annual results of operations or cash flows, as these costs are generally passed through to its customers. However, such an increase could have an impact on our customers' demand for our products, and we are not able to quantify the impact of such potential change in demand on our combined annual results of operations or cash flows.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial information required by Item 8 is located beginning on page F-1 of this report.