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

FORM 10-Q

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

For the quarterly period ended March 31, 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 000-56132

GREEN THUMB INDUSTRIES INC.

(Exact name of registrant as specified in its charter)

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

98-1437430
(I.R.S. employer
identification no.)

**325 West Huron Street,
Suite 700 Chicago, Illinois**
(Address of principal executive offices)

60654
(zip code)

Registrant's telephone number, including area code - (312) 471-6720

Securities registered pursuant to Section 12(g) of the Act:

Subordinate Voting Shares

Multiple Voting Shares

Super Voting Shares

(Title of each Class)

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, a 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.

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 Act). Yes No

As of May 1, 2024 there were 212,596,691 shares of the registrant's Subordinate Voting Shares, 37,683 shares of the registrant's Multiple Voting Shares and 206,690 shares of the registrant's Super Voting Shares outstanding.

GREEN THUMB INDUSTRIES INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2024

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INFORMATION**

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Use of Names

In this Quarterly Report on Form 10-Q, unless the context otherwise requires, the terms “we,” “us,” “our,” “Company,” “Corporation” or “Green Thumb” refer to Green Thumb Industries Inc. together with its wholly-owned subsidiaries.

Currency

Unless otherwise indicated, all references to “\$” or “US\$” in this document refer to United States dollars, and all references to “C\$” refer to Canadian dollars.

Disclosure Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains statements that we believe are, or may be considered to be, “forward-looking statements.” All statements other than statements of historical fact included in this document regarding the prospects of our industry or our prospects, plans, financial position or business strategy may constitute forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking words such as “may,” “will,” “expect,” “intend,” “estimate,” “foresee,” “project,” “anticipate,” “believe,” “plan,” “forecast,” “continue” or “could” or the negative of these terms or variations of them or similar terms or expressions of similar meaning. Furthermore, forward-looking statements may be included in various filings that we make with the Securities and Exchange Commission (the “SEC”), and in press releases or oral statements made by or with the approval of one of our authorized executive officers. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that these expectations will prove to be correct. These forward-looking statements are subject to certain known and unknown risks and uncertainties, as well as assumptions that could cause actual results to differ materially from those reflected in these forward-looking statements. These known and unknown risks include, without limitation: cannabis remains illegal under U.S. federal law, and enforcement of cannabis laws could change; the Company may be subject to action by the U.S. federal government; state regulation of cannabis is uncertain; the Company may not be able to obtain or maintain necessary permits and authorizations; the Company may be subject to heightened scrutiny by Canadian regulatory authorities; the Company may face limitations on ownership of cannabis licenses; the Company may become subject to U.S. Food and Drug Administration or the U.S. Bureau of Alcohol, Tobacco Firearms and Explosives regulation; cannabis businesses are subject to applicable anti-money laundering laws and regulations and have restricted access to banking and other financial services; the Company may face difficulties acquiring additional financing; the Company lacks access to U.S. bankruptcy protections; the Company operates in a highly regulated sector and may not always succeed in complying fully with application regulatory requirements in all jurisdictions where the Company carries business; the Company faces intense competition; the Company faces competition from the illicit market as well as actual or purported Farm Bill compliant hemp products; ; the Company is dependent upon the popularity and consumer acceptance of its brand portfolio; the Company has limited trademark protection; cannabis businesses are subject to unfavorable tax treatment and may incur significant tax liability; the Company is subject to proceeds of crime statutes; the Company faces exposure to fraudulent or illegal activity; the Company faces risks due to industry immaturity or limited comparable, competitive or established industry best practices; the Company faces risks related to its products; the Company’s business is subject to the risks inherent in agricultural operations; the Company may adversely be impacted by rising or volatile energy costs and availability; the Company faces risks related to its information technology systems and potential cyber-attacks and security breaches; the Company relies on third-party software providers for numerous capabilities that it depends upon to operate, and a disruption of one or more systems could adversely affect the business; the Company relies on the expertise of the Company management team and other employees experienced in the cannabis industry, and the loss of key personnel could negatively affect the Company’s business, financial condition and results of operations; the Company faces an inherent risk of product liability or similar claims; the Company’s products may be subject to product recalls; the Company may face unfavorable publicity or consumer perception; the Company’s voting control is concentrated; the Company’s capital structure and voting control may cause unpredictability; sales of substantial amounts of Subordinate Voting Shares by our shareholders in the public market may have an adverse effect on the market price of our Subordinate Voting Shares and could affect the Company’s business and financial condition and the results of operations are included in the “Risk Factors” section of the Company’s Annual Report on Form 10-K for the year ended December 31, 2023, and elsewhere in the Company’s filings with the SEC, which are available on the SEC’s website or at <https://investors.gtigrows.com>. Readers are cautioned not to place undue reliance on any forward-looking statements contained in this document, which reflect management’s opinions only as of the date hereof. Except as required by law, we undertake no obligation to revise or publicly release the results of any revision to any forward-looking statements. You are advised, however, to consult any additional disclosures we make in our reports to the SEC. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained in this document.

Green Thumb Industries Inc.
Unaudited Interim Condensed Consolidated Balance Sheets
As of March 31, 2024 and December 31, 2023
(Amounts Expressed in United States Dollars)

	March 31, 2024	December 31, 2023
	<i>(Audited)</i>	
	(in thousands)	
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 223,937	\$ 161,634
Accounts Receivable, Net	52,182	42,975
Inventories, Net	119,289	112,970
Prepaid Expenses	19,740	19,801
Other Current Assets	4,546	5,382
Total Current Assets	419,694	342,762
Property and Equipment, Net	689,006	687,106
Right of Use Assets, Net	241,006	238,369
Investments	60,847	64,361
Investments in Associates	24,406	24,942
Note Receivable	550	550
Intangible Assets, Net	526,007	538,678
Goodwill	589,691	589,691
Deferred Tax Assets	1,041	1,041
Deposits and Other Assets	2,571	2,557
TOTAL ASSETS	\$ 2,554,819	\$ 2,490,057
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 27,842	\$ 24,495
Accrued Liabilities	68,235	59,552
Compensation Payable	20,361	16,005
Current Portion of Notes Payable	3,036	2,996
Current Portion of Lease Liabilities	12,801	12,297
Income Tax Payable	42,779	10,705
Total Current Liabilities	175,054	126,050
Long-Term Liabilities:		
Lease Liabilities, Net of Current Portion	253,224	249,464
Notes Payable, Net of Current Portion and Debt Discount	306,901	305,527
Contingent Consideration Payable	—	33,250
Deferred Income Taxes	72,510	72,510
TOTAL LIABILITIES	807,689	786,801
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Subordinate Voting Shares (Shares Authorized, Issued and Outstanding at March 31, 2024:		
Unlimited, 211,671,221, and 211,671,221, respectively, at December 31, 2023:		
Unlimited, 209,871,792, and 209,871,792, respectively)	—	—
Multiple Voting Shares (Shares Authorized, Issued and Outstanding at March 31, 2024:		
Unlimited, 37,683 and 37,683, respectively, at December 31, 2023:		
Unlimited, 38,531 and 38,531, respectively)	—	—
Super Voting Shares (Shares Authorized, Issued and Outstanding at March 31, 2024:		
Unlimited, 206,690 and 206,690, respectively, at December 31, 2023:		
Unlimited, 216,690 and 216,690, respectively)	—	—
Share Capital	1,727,584	1,703,852
Contributed (Deficit) Surplus	(2,816)	7,871
Deferred Share Issuances	12,973	12,973
Accumulated Earnings (Deficit)	9,258	(21,818)
Equity of Green Thumb Industries Inc.	1,746,999	1,702,878
Noncontrolling interests	131	378
TOTAL SHAREHOLDERS' EQUITY	1,747,130	1,703,256
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 2,554,819	\$ 2,490,057

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

Green Thumb Industries Inc.
Unaudited Interim Condensed Consolidated Statements of Operations
Three Months Ended March 31, 2024 and 2023
(Amounts Expressed in United States Dollars, Except Share Amounts)

	Three Months Ended March 31,	
	2024	2023
	(in thousands)	
Revenues, Net of Discounts	\$ 275,806	\$ 248,536
Cost of Goods Sold, Net	(130,877)	(123,815)
Gross Profit	144,929	124,721
Expenses:		
Selling, General, and Administrative	74,258	80,519
Total Expenses	74,258	80,519
Income From Operations	70,671	44,202
Other Income (Expense):		
Other Income (Expense), Net	(1,763)	924
Interest Income, Net	2,103	1,731
Interest Expense, Net	(7,514)	(3,816)
Total Other Expense	(7,174)	(1,161)
Income Before Provision for Income Taxes And Non-Controlling Interest	63,497	43,041
Provision For Income Taxes	32,149	33,636
Net Income Before Non-Controlling Interest	31,348	9,405
Net Income Attributable to Non-Controlling Interest	272	266
Net Income Attributable To Green Thumb Industries Inc.	\$ 31,076	\$ 9,139
Net Income Per Share - Basic	\$ 0.13	\$ 0.04
Net Income Per Share - Diluted	\$ 0.13	\$ 0.04
Weighted Average Number of Shares Outstanding - Basic	236,759,731	237,398,253
Weighted average Number of Shares Outstanding - Diluted	240,561,864	237,686,092

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

Green Thumb Industries Inc.
Unaudited Interim Condensed Consolidated Statements of Changes in Shareholders' Equity
Three Months Ended March 31, 2024 and 2023
(Amounts Expressed in United States Dollars)

	Share Capital	Contributed Surplus (Deficit)	Deferred Share Issuance	Accumulated Earnings (Deficit)	Non-Controlling Interest	Total
	(in thousands)					
Balance, January 1, 2023	\$ 1,663,557	\$ 23,233	\$ 36,211	\$ (58,085)	\$ 516	\$ 1,665,432
Distribution of deferred shares	19,106	—	(19,106)	—	—	—
Exercise of options, RSUs and warrants	1,008	(513)	—	—	—	495
Stock-based compensation	—	6,239	—	—	—	6,239
Distributions to limited liability company unit holders	—	—	—	—	(425)	(425)
Net income	—	—	—	9,139	266	9,405
Balance, March 31, 2023	<u>\$ 1,683,671</u>	<u>\$ 28,959</u>	<u>\$ 17,105</u>	<u>\$ (48,946)</u>	<u>\$ 357</u>	<u>\$ 1,681,146</u>
Balance, January 1, 2024	\$ 1,703,852	\$ 7,871	\$ 12,973	\$ (21,818)	\$ 378	\$ 1,703,256
Distribution of contingent consideration	17,259	—	—	—	—	17,259
Exercise of options and RSUs	5,632	(2,324)	—	—	—	3,308
Options exercised through net share settlement	841	(1,295)	—	—	—	(454)
Stock-based compensation	—	6,490	—	—	—	6,490
Distributions to limited liability company unit holders	—	—	—	—	(519)	(519)
Repurchase of Subordinate Voting Shares	—	(13,558)	—	—	—	(13,558)
Net income	—	—	—	31,076	272	31,348
Balance, March 31, 2024	<u>\$ 1,727,584</u>	<u>\$ (2,816)</u>	<u>\$ 12,973</u>	<u>\$ 9,258</u>	<u>\$ 131</u>	<u>\$ 1,747,130</u>

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

Green Thumb Industries Inc.
Unaudited Interim Condensed Consolidated Statements of Cash Flows
Three Months Ended March 31, 2024 and 2023
(Amounts Expressed in United States Dollars)

	Three Months Ended March 31,	
	2024	2023
	(in thousands)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income attributable to Green Thumb Industries Inc.	\$ 31,076	\$ 9,139
Net income attributable to non-controlling interest	272	266
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	27,775	23,501
Amortization of operating lease assets	12,251	12,222
Loss on disposal of property and equipment	472	154
Loss on equity method investments	328	318
Stock-based compensation	6,490	6,239
(Increase) decrease in fair value of investments	(722)	351
Gain on settlement of contingent consideration	(15,991)	—
Increase in fair value of contingent consideration	—	731
Increase (decrease) in fair value of warrants	2,107	(1,642)
Amortization of debt discount	2,097	2,365
Changes in operating assets and liabilities:		
Accounts receivable, net	(9,206)	(12)
Inventories, net	(6,320)	(5,394)
Prepaid expenses and other current assets	897	(592)
Deposits and other assets	(14)	(155)
Accounts payable	3,347	(1,517)
Accrued liabilities	7,713	5,645
Operating lease liabilities	(10,623)	(10,618)
Income tax receivable and payable, net	32,074	33,710
NET CASH PROVIDED BY OPERATING ACTIVITIES	84,023	74,711
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(14,711)	(65,009)
Proceeds from disposal of property and equipment	—	319
Investments in securities and associates	(293)	(2,500)
Proceeds from equity investments and notes receivable	4,736	300
NET CASH USED IN INVESTING ACTIVITIES	(10,268)	(66,890)
CASH FLOW FROM FINANCING ACTIVITIES		
Distributions to limited liability company unit holders	(519)	(425)
Repurchase of Subordinate Voting Shares	(13,558)	—
Proceeds from exercise of options and warrants	3,308	495
Principal repayment of notes payable	(683)	(206)
NET CASH USED IN FINANCING ACTIVITIES	(11,452)	(136)
CASH AND CASH EQUIVALENTS:		
NET INCREASE IN CASH AND CASH EQUIVALENTS	62,303	7,685
CASH AND CASH EQUIVALENTS BEGINNING OF PERIOD	161,634	177,682
CASH AND CASH EQUIVALENTS END OF PERIOD	\$ 223,937	\$ 185,367

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

Green Thumb Industries Inc.
Unaudited Interim Condensed Consolidated Statements of Cash Flows
Three Months Ended March 31, 2024 and 2023
(Amounts Expressed in United States Dollars)

	Three Months Ended March 31,	
	2024	2023
	(in thousands)	
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 5,405	\$ 4,964
NONCASH INVESTING AND FINANCING ACTIVITIES		
Accrued capital expenditures	\$ 2,764	\$ 9,138
Noncash increase in right of use asset	\$ (4,397)	\$ (5,558)
Noncash increase in lease liability	\$ 4,397	\$ 5,558
Issuance of shares associated with contingent consideration	\$ 17,259	\$ —
Deferred share distributions	\$ —	\$ (19,106)

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

Green Thumb Industries Inc.
Notes to Unaudited Interim Condensed Consolidated Financial Statements
(Amounts Expressed in United States Dollars, Except Where Stated Otherwise)

1. Overview and Basis of Presentation

(a) Description of Business

Green Thumb Industries Inc. (“Green Thumb,” the “Company,” “we” or “us”), a national cannabis consumer packaged goods company and retailer, promotes well-being through the power of cannabis while being committed to community and sustainable, profitable growth. Green Thumb owns, manufactures, and distributes a portfolio of cannabis consumer packaged goods brands including &Shine, Beboe, Dogwalkers, Doctor Solomon’s, Good Green, incredibles, and RYTHM, to third-party retail stores across the United States as well as to Green Thumb owned retail locations. The Company also owns and operates retail cannabis stores that include a national chain named RISE, which sell our products and third-party products. As of March 31, 2024, Green Thumb has revenue in fourteen markets (California, Connecticut, Florida, Illinois, Maryland, Massachusetts, Minnesota, Nevada, New Jersey, New York, Ohio, Pennsylvania, Rhode Island and Virginia), employs approximately 4,500 people and serves millions of patients and customers annually.

The Company’s registered office is located at 250 Howe Street, 20th Floor, Vancouver, British Columbia, V6C 3R8. The Company’s U.S. headquarters are at 325 W. Huron St., Suite 700, Chicago, IL 60654.

(b) Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements include the accounts of Green Thumb and have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information and in accordance with the rules and regulations of the U.S. Securities & Exchange Commission (“SEC”). Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements and, accordingly, certain information, footnotes and disclosures normally included in the annual financial statements, prepared in accordance with GAAP, have been condensed or omitted in accordance with SEC rules and regulations. The financial data presented herein should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2023 (the “2023 Form 10-K”). In the opinion of management, the financial data presented includes all adjustments necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented. Certain previously reported amounts have been reclassified between line items to conform to the current period presentation. Results of interim periods should not be considered indicative of the results for the full year. These unaudited interim condensed consolidated financial statements include estimates and assumptions of management that affect the amounts reported in the unaudited condensed consolidated financial statements. Actual results could differ from these estimates.

(c) Significant Accounting Policies

There have been no changes to the Company’s significant accounting policies as described in Note 2 to the Company’s Consolidated Financial Statements included in the 2023 Form 10-K.

(d) Earnings per Share

Basic earnings per share is calculated using the treasury stock method, by dividing the net earnings attributable to shareholders by the weighted average number of common shares outstanding during each of the periods presented. Contingently issuable shares (including shares held in escrow) are not considered outstanding common shares and consequently are not included in the earnings per share calculation. Diluted earnings per share is calculated using the treasury stock method by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. The Company has three categories of potentially dilutive common share equivalents: restricted stock units, stock options and warrants. As of March 31, 2024, the Company had 9,416,251 options, 3,564,633 restricted stock units and 3,734,555 warrants outstanding. As of March 31, 2023, the Company had 9,600,384 options, 1,094,979 restricted stock units and 3,734,555 warrants outstanding.

Green Thumb Industries Inc.
Notes to Unaudited Interim Condensed Consolidated Financial Statements
(Amounts Expressed in United States Dollars, Except Where Stated Otherwise)

1. Overview and Basis of Presentation *(Continued)*

(d) Earnings per Share *(Continued)*

In order to determine diluted earnings per share, it is assumed that any proceeds from the vesting of dilutive unvested restricted stock units, or exercise of unvested stock options and warrants would be used to repurchase common shares at the average market price during the period. Under the treasury stock method, the diluted earnings per share calculation excludes any potential conversion of stock options and convertible debt that would increase earnings per share or decrease loss per share. For the three months ended March 31, 2024, the computation of diluted earnings per share included 1,940,169 options, 1,740,592 restricted stock units, and 121,372 warrants. For the three months ended March 31, 2023, the computation of diluted earnings per share included 207,430 options, 80,409 restricted stock units. There were no dilutive warrants during the three months ended March 31, 2023. For the three months ended March 31, 2024 and 2023, the weighted average number of anti-dilutive stock options excluded from the computation of diluted earnings per share were 577,304 and 2,909,924, respectively.

(e) Recently Issued Accounting Standards

- (i) In November 2023, the FASB issued Accounting Standards Update (“ASU”) No. 2023-07, *Segment Reporting (Topic 280) - Improvements to Reportable Segment Disclosures*, to provide enhanced segment disclosures. The standard will require disclosures about significant segment expense categories and amounts for each reportable segment, for all periods presented. Additionally, the standard requires public entities to disclose the title and position of the Chief Operating Decision Maker (“CODM”) in the consolidated financial statements. These enhanced disclosures are required for all entities on an interim and annual basis, effective for fiscal years beginning after December 15, 2023, and interim periods within annual periods beginning after December 15, 2024. The adoption of this standard is not expected to have a material impact on the Company’s consolidated financial statements
- (ii) In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which is intended to provide enhancements to annual income tax disclosures. The standard will require more detailed information in the rate reconciliation table and for income taxes paid, among other enhancements. The standard is effective for years beginning after December 15, 2024 and early adoption is permitted. The adoption of this standard is not expected to have a material impact on the Company’s consolidated financial statements.

The Company reviews recently issued accounting standards on a quarterly basis and has determined there are no standards yet to be adopted which are relevant to the business for disclosure.

Green Thumb Industries Inc.
Notes to Unaudited Interim Condensed Consolidated Financial Statements
(Amounts Expressed in United States Dollars, Except Where Stated Otherwise)

2. INVENTORIES

The Company's inventories include the following at March 31, 2024 and December 31, 2023:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>
	<u>(in thousands)</u>	
Raw Material	\$ 1,885	\$ 1,547
Packaging and Miscellaneous	10,775	10,661
Work in Process	49,864	47,029
Finished Goods	62,667	57,631
Reserve for Obsolete Inventory	(5,902)	(3,898)
Total Inventories, Net	\$ 119,289	\$ 112,970

3. PROPERTY AND EQUIPMENT

At March 31, 2024 and December 31, 2023, property and equipment consisted of the following:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>
	<u>(in thousands)</u>	
Buildings and Improvements	\$ 354,097	\$ 353,912
Equipment, Computers and Furniture	174,081	171,522
Leasehold Improvements	205,076	200,232
Land Improvements	1,046	1,046
Capitalized Interest	31,262	30,817
Total Property and Equipment	765,562	757,529
Less: Accumulated Depreciation	(142,187)	(127,290)
Property and Equipment, net	623,375	630,239
Land	33,725	33,725
Assets Under Construction	31,906	23,142
Property and Equipment, net	\$ 689,006	\$ 687,106

Assets under construction represent construction in progress related to both cultivation and retail stores not yet completed or otherwise not ready for use.

Depreciation expense for the three months ended March 31, 2024 totaled \$15,104 thousand, of which \$9,793 thousand, is included in cost of goods sold. Depreciation expense for the three months ended March 31, 2023 totaled \$10,891 thousand, of which \$7,356 thousand, is included in cost of goods sold.

Green Thumb Industries Inc.
Notes to Unaudited Interim Condensed Consolidated Financial Statements
(Amounts Expressed in United States Dollars, Except Where Stated Otherwise)

4. INTANGIBLE ASSETS AND GOODWILL

(a) Intangible Assets

Intangible assets are recorded at cost less accumulated amortization and impairment losses. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization of definite life intangibles is provided on a straight-line basis over their estimated useful lives. The estimated useful lives, residual values, and amortization methods are reviewed at each year end, and any changes in estimates are accounted for prospectively.

At March 31, 2024 and December 31, 2023, intangible assets consisted of the following:

	March 31, 2024			December 31, 2023		
	Gross Carrying Amount	Accumulated Amortization (in thousands)	Net Book Value	Gross Carrying Amount	Accumulated Amortization (in thousands)	Net Book Value
Licenses and Permits	\$ 660,716	\$ 168,789	\$ 491,927	\$ 660,716	\$ 157,764	\$ 502,952
Trademarks	41,511	14,070	27,441	41,511	13,378	28,133
Customer Relationships	24,438	17,799	6,639	24,438	16,927	7,511
Non-Competition Agreements	2,565	2,565	—	2,565	2,483	82
Total Intangible Assets	\$ 729,230	\$ 203,223	\$ 526,007	\$ 729,230	\$ 190,552	\$ 538,678

The Company recorded amortization expense for the three months ended March 31, 2024 and 2023 of \$12,671 thousand and \$12,610 thousand, respectively. As of March 31, 2024 and December 31, 2023, intangible assets are carried net of accumulated impairment losses of \$31,131 thousand as of each period then ended.

The following table outlines the estimated annual amortization expense related to intangible assets as of March 31, 2024:

Year Ending December 31,	Estimated Amortization (in thousands)
2024	\$ 37,721
2025	50,294
2026	47,332
2027	46,803
2028	46,803
2029 and Thereafter	297,054
	\$ 526,007

As of March 31, 2024, the weighted average amortization period remaining for intangible assets was 11.14 years.

(b) Goodwill

At March 31, 2024 and December 31, 2023 the balances of goodwill, by segment, consisted of the following:

	March 31, 2024		December 31, 2023	
	(in thousands)			
Retail	\$	273,802	\$	273,802
Consumer Packaged Goods		315,889		315,889
Total	\$	589,691	\$	589,691

Goodwill is recognized net of accumulated impairment losses of \$57,372 thousand as of March 31, 2024 and December 31, 2023, respectively. During the three months ended March 31, 2024 and 2023, there were no goodwill impairment charges recognized by the Company in the unaudited interim condensed consolidated statements of operations.

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5. INVESTMENTS

As of March 31, 2024 and December 31, 2023, the Company held various equity interests in cannabis-related companies as well as investments in note(s) receivable instruments that had a combined fair value of \$60,847 thousand and \$64,361 thousand, respectively. The Company measures its investments that do not have readily determinable fair value at cost minus impairment, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. The Company performs an assessment on a quarterly basis to determine whether triggering events for impairment exist and to identify any observable price changes.

The following table summarizes the changes in the Company's investments during the three months ended March 31, 2024 and year ending December 31, 2023:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>
	<u>(in thousands)</u>	
Beginning	\$ 64,361	\$ 74,169
Additions	500	8,200
Disposals	(4,736)	(498)
Fair value adjustment	722	(17,460)
Transfers and other	—	(50)
Ending	<u>\$ 60,847</u>	<u>\$ 64,361</u>

The following table summarizes the change in fair value associated with the Company's equity investments and notes receivable instruments recorded during the three months ended March 31, 2024 and 2023.

	<u>Three Months Ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
	<u>(in thousands)</u>	
Equity Investments	\$ 638	\$ (479)
Notes Receivable Instruments	—	—
Accrued Interest on Notes Receivable Instruments	84	128
Net fair value (losses) gains	<u>\$ 722</u>	<u>\$ (351)</u>

(a) Equity Investments

As of March 31, 2024 and December 31, 2023, the Company held equity investments in publicly traded entities which have readily determinable fair values, which are classified as Level 1 investments, of \$2,499 thousand and \$2,001 thousand, respectively. During the three months ended March 31, 2024 and 2023, the Company recorded gains (losses) on the change in fair value of such investments of \$638 thousand and \$(479) thousand, respectively, within other income (expense) on the unaudited interim condensed consolidated statement of operations. During the three months ended March 31, 2024, the Company received proceeds from the sale of such investments of \$140 thousand. There were no such sales of these investments during the three months ended March 31, 2023. These investments are classified as trading securities on the Company's unaudited interim condensed consolidated balance sheets.

As of March 31, 2024 and December 31, 2023, the Company held equity investments in privately held entities that did not have readily determinable fair values, which are classified as Level 3 investments, of \$25,953 thousand as of each period end, respectively. For the three months ended March 31, 2024 and 2023, there were no gains or losses on the change in fair value of such investments. There were no sales of these investments during these periods. These investments are classified as trading securities on the Company's unaudited interim condensed consolidated balance sheets.

See Note 13 - Fair Value Measurements for additional details.

Unrealized gains (losses) recognized on equity investments held during the three months ended March 31, 2024 and 2023 were \$572 thousand and \$(477) thousand, respectively.

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5. INVESTMENTS *(Continued)*

(b) Notes Receivable Instruments

During the three months ended March 31, 2024 and year ended December 31, 2023, the Company made multiple investments in various note receivable instruments, including note receivable instruments with conversion features.

As of March 31, 2024 and December 31, 2023, the Company held note receivable instruments, which were classified as a Level 1 investment as they represent public debt of a publicly traded entity, and had a fair value of \$22,214 thousand as of each period end, respectively. There were no gains or losses recognized on these investments during the three months ended March 31, 2024 and 2023, respectively. The notes receivable had a stated interest rate of 13% and a maturity date of April 29, 2025. The notes did not contain any conversion features and are currently classified as trading securities on the Company's unaudited interim condensed consolidated balance sheets.

As of March 31, 2024 and December 31, 2023, the Company held note receivable instruments, which were classified as Level 3 investments as they represent loans provided to privately held entities that do not have readily determinable fair values. The note receivable instruments had a combined fair value of \$10,181 thousand and \$14,193 thousand, respectively, with stated interest ranging between 2.7% - 10% and terms between twelve months to five years. There were no gains or losses recognized on these investments during the three months ended March 31, 2024 and 2023, respectively. The combined fair value amounts include the initial investment cost and combined contractual accrued interest of \$84 thousand and \$128 thousand for the three months ended March 31, 2024 and 2023, respectively. These notes are classified as trading securities on the Company's unaudited interim condensed consolidated balance sheets.

On January 9, 2024, one of the Company's privately held note receivable instruments matured. As a result, the Company received the principal amount of \$4,000 thousand along with the accrued interest of \$605 thousand on such date.

See Note 13 - Fair Value Measurements for additional details.

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6. LEASES

(a) Operating Leases

The Company has operating leases for its retail stores, processing and cultivation facilities and corporate office spaces. Operating lease right-of-use assets and operating lease liabilities are recognized based on the present value of future minimum lease payments over the lease term at commencement date.

All real estate leases are recorded on the balance sheet. Equipment and other non-real estate leases with an initial term of twelve months or less are not recorded on the balance sheet. Lease agreements for some locations provide for rent escalations and renewal options. Certain real estate leases require payment for fixed and variable non-lease components, such as taxes, insurance and maintenance. The Company accounts for each real estate lease and the related non-lease components together as a single component.

The Company determines if an arrangement is a lease at inception. The Company must consider whether the contract conveys the right to control the use of an identified asset. Certain arrangements require significant judgment to determine if an asset is specified in the contract and if the Company directs how and for what purpose the asset is used during the term of the contract. For the three months ended March 31, 2024 and 2023, the Company recorded operating lease expense of \$12,251 thousand and \$12,222 thousand, respectively.

Other information related to operating leases as of March 31, 2024 and December 31, 2023 were as follows:

	March 31, 2024	December 31, 2023
Weighted average remaining lease term (years)	11.49	11.75
Weighted average discount rate	12.36%	12.40%

Maturities of lease liabilities for operating leases as of March 31, 2024 were as follows:

Year Ending December 31,	Maturities of Lease Liability		
	Third-Party	Related Party (in thousands)	Total
Remainder of 2024	\$ 33,526	\$ 293	\$ 33,819
2025	43,270	343	43,613
2026	42,537	350	42,887
2027	42,981	357	43,338
2028	42,461	364	42,825
2029 and Thereafter	323,328	1,364	324,692
Total Lease Payments	528,103	3,071	531,174
Less: Interest	(264,003)	(1,146)	(265,149)
Present Value of Lease Liability	\$ 264,100	\$ 1,925	\$ 266,025

(b) Related Party Operating Leases

The Company has leasing arrangements that are related party transactions, including for certain facilities in Maryland, Massachusetts and Nevada. Wendy Berger, a director of the Company, is a principal of WBS Equities, LLC, which is the Manager of Mosaic Real Estate, LLC, which owned the facilities leased by the Company. Additionally, Mosaic Real Estate, LLC is owned in part by Ms. Berger (through the Wendy Berger 1998 Revocable Trust), Benjamin Kovler, the Chairman and a Chief Executive Officer of the Company (through KP Capital, LLC), and Anthony Georgiadis, the President and a director of the Company (through Three One Four Holdings, LLC). The terms of these leases range from 7 years to 15 years. The Company recorded lease expense of \$139 thousand for each of the three months ended March 31, 2024 and 2023, associated with these leasing arrangements.

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7. NOTES PAYABLE

At March 31, 2024 and December 31, 2023, notes payable consisted of the following:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>
	<u>(in thousands)</u>	
Charitable Contributions ¹	\$ 302	\$ 351
Private placement debt dated April 30, 2021 ²	223,746	221,680
Mortgage notes ³	85,889	86,492
Total notes payable	309,937	308,523
Less: current portion of notes payable	(3,036)	(2,996)
Notes payable, net of current portion	\$ 306,901	\$ 305,527

¹ In connection with acquisitions completed in 2017 and 2019, the Company committed to provide charitable contributions of \$50 thousand per quarter through October 2024 and \$250 thousand per year through May 2024, respectively. The net present value of these contributions has been recorded as a liability with interest rates ranging between 2.17% - 7.00%.

² The April 30, 2021 private placement debt, as amended on October 21, 2021 (the "April 30, 2021 Notes"), were issued in an aggregate amount of \$249,934 thousand with an interest rate of 7%, maturing on April 30, 2025. The outstanding principal balance of the April 30, 2021 Notes was \$224,435 thousand as of March 31, 2024 and December 31, 2023, respectively, and was recorded net of debt discount, the carrying value of which was \$689 thousand and \$2,755 thousand as of March 31, 2024 and December 31, 2023, respectively.

³ The Company has issued various mortgage notes at an aggregate value of \$88,785 thousand in connection with various operating properties as of March 31, 2024 and December 31, 2023. The mortgage notes were issued at a discount, the carrying value of which was \$693 thousand and \$725 thousand, and are presented net of principal payments of \$2,203 thousand and \$1,568 thousand as of March 31, 2024 and December 31, 2023, respectively. These mortgage notes mature between August 20, 2025 and June 5, 2035 with interest rates ranging between 5.00% and 7.77%.

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8. WARRANTS

As part of the terms of the Company's issuance of the April 30, 2021 Notes, as well as other financing arrangements, the Company issued warrants, which allow the holders to purchase Subordinate Voting Shares at an exercise price determined at the time of issuance.

The following table summarizes the number of warrants outstanding as of March 31, 2024 and December 31, 2023:

	Liability Classified			Equity Classified		
	Number of Shares	Weighted Average Exercise Price (C\$)	Weighted Average Remaining Contractual Life	Number of Shares	Weighted Average Exercise Price (USD)	Weighted Average Remaining Contractual Life
Balance as of December 31, 2023	1,997,208	C\$ 18.03	0.50	1,737,347	\$ 31.83	2.38
Balance as of March 31, 2024	1,997,208	C\$ 18.03	0.25	1,737,347	\$ 31.83	2.13

(a) Liability Classified Warrants Outstanding

The following table summarizes the fair value of the liability classified warrants at March 31, 2024 and December 31, 2023:

Warrant Liability	Strike Price	Warrants Outstanding	Fair Value		Change
			March 31, 2024	December 31, 2023	
(in thousands)					
Private Placement Financing Warrants Issued May 2019	C\$19.39	1,606,533	\$2,630	\$1,673	\$957
Modification Warrants Issued November 2019	C\$12.04	316,947	2,131	1,151	980
Additional Modification Warrants Issued May 2020	C\$14.03	73,728	463	293	170
Totals		1,997,208	\$5,224	\$3,117	\$2,107

During the three months ended March 31, 2024 and 2023, the Company recorded losses of \$2,107 thousand and gains of \$1,642 thousand, respectively, on the change in the fair value of the warrant liability within other income (expense) on the unaudited interim condensed consolidated statements of operations.

The following table summarizes the significant assumptions used in determining the fair value of the warrant liability as of each reporting date (see Note 13 - Fair Value Measurements for additional details):

Significant Assumptions	March 31, 2024	December 31, 2023
Volatility	62.41% - 72.34%	61.76% - 74.31%
Remaining Term	0.14-1.14 years	0.39-1.39 years
Risk Free Rate	4.20%	3.91%

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8. WARRANTS *(Continued)*

(b) Equity Classified Warrants Outstanding

The Company's equity classified warrants were recorded at fair value at each respective date of issuance. Equity classified warrants are not remeasured at fair value on a recurring basis and are carried at their issuance date fair value. The following table summarizes the carrying amounts of the Company's equity classified warrants at March 31, 2024 and December 31, 2023:

<i>Warrants Included in Contributed Surplus</i>	<u>Strike Price</u>	<u>Warrants Outstanding</u>	<u>Issuance Date Fair Value</u>	
			<u>March 31, 2024</u>	<u>December 31, 2023</u>
			<u>(in thousands)</u>	
Mortgage Warrants Issued June 2020	\$ 9.10	35,000	\$ 181	\$ 181
Private Placement Refinance Warrants Issued April 2021	\$ 32.68	1,459,044	22,259	22,259
Private Placement Refinance Warrants Issued October 2021	\$ 30.02	243,303	2,616	2,616
Totals		<u>1,737,347</u>	<u>\$ 25,056</u>	<u>\$ 25,056</u>

The equity warrants were valued as of the date of issuance using a Black Scholes Option Pricing model. The following table summarizes the significant assumptions used in determining the fair value of the warrants as of each respective issuance date:

<i>Significant Assumptions</i>	<u>Private Placement Refinancing Warrants</u>	<u>Private Placement Refinancing Warrants</u>	<u>Mortgage Warrants</u>
Date of Issuance	October 15, 2021	April 30, 2021	June 5, 2020
Volatility	73%	73%	80%
Estimated Term	4 years	4 years	5 years
Risk Free Rate	1.12%	0.74%	0.37%

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9. SHARE CAPITAL

Common shares, which include the Company's Subordinate Voting Shares, Multiple Voting Shares and Super Voting Shares, are classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity. The proceeds from the exercise of stock options or warrants together with amounts previously recorded in reserves over the applicable vesting periods are recorded as share capital. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with Accounting Standards Codification ("ASC") 740, *Income Taxes*.

(a) Authorized

The Company has the following classes of share capital, with each class having no par value:

(i) Subordinate Voting Shares

The holders of the Subordinate Voting Shares are entitled to receive dividends which may be declared from time to time and are entitled to one vote per share at meetings of the Company's shareholders. All Subordinate Voting Shares are ranked equally with regard to the Company's residual assets. The Company is authorized to issue an unlimited number of no par value Subordinate Voting Shares. During the three months ended March 31, 2024, the shareholders of the Company converted 10,848 Multiple Voting Shares into 1,084,800 Subordinate Voting Shares.

(ii) Multiple Voting Shares

Each Multiple Voting Share is entitled to 100 votes per share at shareholder meetings of the Company and is exchangeable for 100 Subordinate Voting Shares. The Company is authorized to issue an unlimited number of Multiple Voting Shares. During the three months ended March 31, 2024, the shareholders of the Company converted 10,000 Super Voting Shares into 10,000 Multiple Voting Shares and 10,848 Multiple Voting Shares into 1,084,800 Subordinate Voting Shares.

(iii) Super Voting Shares

Each Super Voting Share is entitled to 1,000 votes per share at shareholder meetings of the Company and is exchangeable for 100 Subordinate Voting Shares or one Multiple Voting Share. The Company is authorized to issue an unlimited number of Super Voting Shares. During the three months ended March 31, 2024, the shareholders of the Company converted 10,000 Super Voting Shares into 10,000 Multiple Voting Shares.

(b) Issued and Outstanding

A reconciliation of the beginning and ending amounts of the issued and outstanding shares by class is as follows:

	Issued and Outstanding		
	Subordinate Voting Shares	Multiple Voting Shares	Super Voting Shares
As at January 1, 2024	209,871,792	38,531	216,690
Distribution of contingent consideration	1,250,000	—	—
Issuance of shares upon exercise of options	424,225	—	—
Issuances of shares upon vesting of RSUs	107,404	—	—
Repurchase of Subordinate Voting Shares	(1,067,000)	—	—
Exchange of shares	1,084,800	(848)	(10,000)
As at March 31, 2024	211,671,221	37,683	206,690

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9. SHARE CAPITAL *(Continued)*

(i) Distribution of Contingent Consideration

Dharma Pharmaceuticals, LLC

In connection with the Company's 2021 acquisition of Dharma Pharmaceuticals, LLC ("Dharma"), the purchase agreement included contingent consideration of up to \$65,000 thousand in Subordinate Voting Shares of Green Thumb, dependent upon 1) the successful opening of five retail stores in the Virginia area within the first three years following the signing of the agreement ("Retail Stores Milestone") and 2) the legal sale of adult-use cannabis in a retail store on or before January 1, 2025 (the "Recreational Sales Milestone"). The Retail Stores Milestone was fully achieved prior to expiration and settled in previous periods.

On February 9, 2024, the Company and the former owners of Dharma agreed to amend the conditions of the Recreational Sales Milestone (the "Amended Agreement"). Under the Amended Agreement, the former owners waived their right to the Recreational Sales Milestone in exchange for the delivery of 1,250,000 Subordinate Voting Shares. On February 15, 2024, the Company recorded a gain of \$15,991 thousand, representing the settlement of the Recreational Sales Milestone and distributed the shares to the former owners of Dharma, which had a fair market value of \$17,259 thousand, which was based on the value of the shares as traded on the Canadian Securities Exchange on the date of distribution. The gain was recorded within sales general and administrative expenses on the unaudited interim condensed consolidated statement of operations.

(ii) Repurchase of Subordinate Voting Shares

On September 5, 2023, the Company's Board of Directors authorized the repurchase of up to 5%, or 10,486,951 of its Subordinate Voting Shares over a 12-month period at an aggregate cost of up to \$50,000 thousand. On February 28, 2024, the Company's Board of Directors authorized an increase in its share repurchase program of \$50,000 thousand. During the three months ended March 31, 2024, the Company repurchased 1,067,000 Subordinate Voting Shares at an average price of \$12.71 per share, bringing the total remaining repurchase ability to approximately \$46,600 thousand.

(c) Stock-Based Compensation

The Company operates equity settled stock-based remuneration plans for its eligible directors, officers, employees and consultants. All goods and services received in exchange for the grant of any stock-based payments are measured at their fair value unless the fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods and services received, the Company measures their value indirectly by reference to the fair value of the equity instruments granted. For transactions with employees and others providing similar services, the Company measures the fair value of the services by reference to the fair value of the equity instruments granted. Equity settled stock-based payments under stock-based payment plans are ultimately recognized as an expense in profit or loss with a corresponding credit to equity.

In June 2018, the Company established the Green Thumb Industries Inc. 2018 Stock and Incentive Plan, which was amended by Amendment No. 1 and Amendment No. 2 thereto (as amended, the "Plan"). The maximum number of Restricted Stock Units ("RSUs") and options outstanding under the Plan at any time shall not exceed 10% of the then issued and outstanding shares on an as-converted basis.

The Company recognizes compensation expense for RSUs and options on a straight-line basis over the requisite service period of the award. Non-market vesting conditions are included in the assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of options expected to vest differs from the previous estimate. Any cumulative adjustment prior to vesting is recognized in the current period with no adjustment to prior periods for expense previously recognized.

Option and RSU awards generally vest over three years, and options typically have a life of five to ten years. Option grants under the Plan are determined by the Compensation Committee of the Company's Board of Directors with the option price set at no less than 100% of the fair market value of a share on the date of grant.

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9. SHARE CAPITAL *(Continued)*

(c) Stock-Based Compensation *(Continued)*

Stock option activity is summarized as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Balance as of December 31, 2023	10,071,467	\$11.75	4.31
Granted	—	—	
Exercised	(424,225)	8.97	
Forfeited	(230,991)	16.63	
Balance as of March 31, 2024	9,416,251	\$11.91	3.96
Exercisable as of March 31, 2024	4,879,377	\$8.62	3.18

The Company used the Black-Scholes option pricing model to estimate the fair value of the options granted during the three months ended March 31, 2024 and the year ended December 31, 2023, using the following ranges of assumptions:

	March 31, 2024	December 31, 2023
Risk-free interest rate	3.25% - 3.59%	3.06% - 4.32%
Expected dividend yield	0%	0%
Expected volatility	62%	64%
Expected option life	4.5 years	3.5 – 4.5 years

As permitted under ASC 718, the Company has made an accounting policy choice to account for forfeitures when they occur.

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9. SHARE CAPITAL *(Continued)*

(c) Stock-Based Compensation *(Continued)*

The following table summarizes the number of unvested RSU awards as of March 31, 2024 and December 31, 2023 and the changes during the three months ended March 31, 2024:

	Number of Shares	Weighted Average Grant Date Fair Value
Unvested Shares at December 31, 2023	3,620,638	\$ 9.25
Granted	97,782	12.61
Forfeited	(46,383)	8.92
Vested	(107,404)	10.07
Unvested Shares at March 31, 2024	3,564,633	\$ 9.32

The stock-based compensation expense for the three months ended March 31, 2024 and 2023 was as follows:

	Three Months Ended March 31,	
	2024	2023
	(in thousands)	
Stock options expense	\$ 3,057	\$ 4,483
Restricted Stock Units	3,433	1,756
Total Stock Based Compensation Expense	\$ 6,490	\$ 6,239

As of March 31, 2024, \$34,543 thousand of total unrecognized expense related to stock-based compensation awards is expected to be recognized over a weighted-average period of 1.80 years.

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10. INCOME TAX EXPENSE

The following table summarizes the Company's income tax expense and effective tax rates for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,	
	2024	2023
Income before Income Taxes	\$ 63,497	\$ 43,041
Income Tax Expense	32,149	33,636
Effective Tax Rate	50.6%	78.1%

The effective tax rates for the three months ended March 31, 2024 and 2023 were based on the Company's forecasted annualized effective tax rates and were adjusted for discrete items that occurred within the periods presented.

Due to its cannabis operations, the Company is subject to the limitations of the U.S. Internal Revenue Code of 1986, as amended ("IRC") Section 280E under which the Company is 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. Therefore, the effective tax rate can be highly variable and may not necessarily correlate with pre-tax income and provides for effective tax rates that are well in excess of statutory tax rates.

Taxes paid during the three months ended March 31, 2024 and 2023 were \$75 thousand and \$159 thousand, respectively.

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11. OTHER INCOME (EXPENSE)

For the three months ended March 31, 2024 and 2023 other income (expense) was comprised of the following:

	Three Months Ended March 31,	
	2024	2023
	(in thousands)	
Fair value adjustments on equity investments	\$ 638	\$ (479)
Fair value adjustments on warrants issued	(2,107)	1,642
Loss from equity method investments	(328)	(318)
Other	34	79
Total Other Income (Expense)	\$ (1,763)	\$ 924

12. COMMITMENTS AND CONTINGENCIES

The Company is subject to lawsuits, investigations and other claims related to employment, commercial and other matters that arise out of operations in the normal course of business. Periodically, the Company reviews the status of each significant matter and assesses the potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable, and the amount can be reliably estimated, such amount is recognized in other liabilities.

Contingent liabilities are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material. The Company performs evaluations to identify contingent liabilities for contracts. Contingent consideration is measured upon acquisition and is estimated using probability weighting of potential payouts. Subsequent changes in the estimated contingent consideration from the final purchase price allocation are recognized in the Company's unaudited interim condensed consolidated statements of operations.

(a) Contingencies

The Company's operations are subject to a variety of local and state regulations. Failure to comply with one or more of those regulations could result in fines, sanctions, restrictions on its operations, or losses of permits that could result in the Company ceasing operations in that specific state or local jurisdiction. The Company may be subject to regulatory fines, penalties, or restrictions in the future as cannabis and other regulations continue to evolve and are subject to differing interpretations.

(b) 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. At March 31, 2024 and December 31, 2023, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's consolidated 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.

(c) Construction Commitments

As of March 31, 2024, the Company held approximately \$4,000 thousand of open construction commitments to contractors on work being performed.

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13. FAIR VALUE MEASUREMENTS

The Company applies fair value accounting for all financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities that are required to be recorded at fair value, the Company considers all related factors of the asset by market participants in which the Company would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as inherent risk, transfer restrictions, and credit risk.

The Company applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels, and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

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.

(a) Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, investments, accounts payable and accrued liabilities, notes payable, warrant liability, and contingent consideration payable.

It was not practicable to estimate the fair value of the Company's long-term notes payable, which consist of charitable contributions, private placement debt and mortgage notes, since there were no quoted market prices or active trading markets. The carrying amount of notes payable at March 31, 2024 and December 31, 2023 was \$309,937 thousand and \$308,523 thousand, respectively, which includes \$3,036 thousand and \$2,996 thousand, respectively, of short-term debt due within one year.

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 fair values of the Company's financial instruments associated with each of the three levels of the hierarchy are:

As of March 31, 2024				
(in thousands)				
	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	\$ 223,937	\$ —	\$ —	223,937
Investments	24,713	—	36,134	60,847
Contingent Consideration Payable	—	—	—	—
Warrant Liability	—	—	(5,224)	(5,224)
	\$ 248,650	\$ —	\$ 30,910	279,560

As of December 31, 2023				
(in thousands)				
	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	\$ 161,634	\$ —	\$ —	161,634
Investments	24,215	—	40,146	64,361
Contingent Consideration Payable	—	—	(33,250)	(33,250)
Warrant Liability	—	—	(3,117)	(3,117)
	\$ 185,849	\$ —	\$ 3,779	189,628

Green Thumb Industries Inc.
Notes to Unaudited Interim Condensed Consolidated Financial Statements
(Amounts Expressed in United States Dollars, Except Where Stated Otherwise)

14. SEGMENT REPORTING

The Company operates in two segments: the cultivation, production and sale of cannabis products to retail stores (“Consumer Packaged Goods”) and retailing of cannabis to patients and consumers (“Retail”). The Company does not allocate operating expenses to these business units, nor does it allocate specific assets. Additionally, the Chief Operating Decision Maker does not review total assets or net income (loss) by segments; therefore, such information is not presented below.

The below table presents revenues by type for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,	
	2024	2023
	(in thousands)	
<i>Revenues, Net of Discounts</i>		
Retail	\$ 203,778	\$ 188,878
Consumer Packaged Goods	149,912	125,617
Intersegment Eliminations	(77,884)	(65,959)
Total Revenues, Net of Discounts	\$ 275,806	\$ 248,536
<i>Depreciation and Amortization</i>		
Retail	\$ 10,246	\$ 8,832
Consumer Packaged Goods	17,529	14,669
Intersegment Eliminations	—	—
Total Depreciation and Amortization	\$ 27,775	\$ 23,501
<i>Income Taxes</i>		
Retail	\$ 17,564	\$ 19,011
Consumer Packaged Goods	14,585	14,625
Intersegment Eliminations	—	—
Total Income Taxes	\$ 32,149	\$ 33,636

Goodwill assigned to the Retail segment as of March 31, 2024 and December 31, 2023 was \$273,802 thousand, respectively. Intangible assets, net assigned to the Retail segment as of March 31, 2024 and December 31, 2023 was \$272,455 thousand and \$278,492 thousand, respectively.

Goodwill assigned to the Consumer Packaged Goods segment as of March 31, 2024 and December 31, 2023 was \$315,889 thousand, respectively. Intangible assets, net assigned to the Consumer Packaged Goods segment as of March 31, 2024 and December 31, 2023 was \$253,552 thousand and \$260,186 thousand, respectively.

The Company’s assets are aggregated into two reportable segments (Retail and Consumer Packaged Goods). For the purposes of testing goodwill, Green Thumb has identified two reporting units which align with our reportable segments (Retail and Consumer Packaged Goods). All revenues are derived from customers domiciled in the United States and all assets are located in the United States.