

# To you, Green Thumb Shareholders,

## FROM OUR FOUNDER



### Ben Kovler

CHAIRMAN  
CHIEF EXECUTIVE OFFICER  
FOUNDER

“The journey of a thousand miles begins with one step.”

LAO TZU



incredibles debuted a limited-edition line of THC chocolate bars inspired by Magnolia Bakery's iconic flavors: Swirled Famous Banana Pudding and Red Velvet Piece Ahhh Cake.



RYTHM Artist Series is a collection of strains that are chosen (and smoked) by artists and inspired by their unique lifestyles and brands such as country music star Mitchell Tenpenny's Night Owl Haze.

In 2024, we are celebrating a milestone—10 years since Green Thumb's founding in 2014. It has been quite a journey, one that I am enjoying very much, and one that continues to evolve each year. There was no roadmap to success when we laid the foundation for our cannabis company. In fact, there were many obstacles that would test our endurance including massive regulatory and political hurdles, the thriving illicit market, lack of access to capital and, probably the most significant, the institutionalized stigma around cannabis that was created by the failed War on Drugs. But within these obstacles and others, Green Thumb finds the way.

Since the beginning, we have embraced the wisdom of inspirational leaders to guide us on our path. As Mark Twain told us, **“History doesn't repeat itself, but it often rhymes.”** So, we are students of history, both successes and failures as well. We have learned to follow our passion, focus on execution and keep it simple. We listened to Ray Dalio tell us to **“Make your passion and your work one in the same and do it with people you want to be with.”** We learned from Jeff Bezos to get 1% better every day while relentlessly focusing on the consumer. We have tried to emulate Erin Meyer and Reed Hastings' **“high-density talent”** organization where feedback is a must. And Arthur Blank taught us about building a **Good Company**. With a vision, mission and principles based on these timeless lessons, we built Green Thumb one bud at a time from nothing in 2014 to a profitable business with over one billion dollars in sales in 2023. Not a bad first decade. **But good news—it's still Day 1.**

Your company has a strong balance sheet and positive free cash flow based on two unshakable beliefs: **cannabis improves well-being** and **always follow the “cashish.”**

## 2023—Culmination of a Decade of Progress: Reduce the Denominator

I'm pleased to report that our team finished strong in 2023, with revenues increasing 4% year-over-year to \$1.1 billion. Even with continued price compression in some markets and inflation weighing on consumer spending throughout the year, our GAAP net income was \$36 million or \$0.15 per basic and diluted share and adjusted EBITDA grew 5% to \$326 million over the prior year. Cash flow from operations increased 42% to \$225 million, notwithstanding our capital expenditure investment of over \$200 million to fuel future growth. Importantly, Green Thumb remains in solid financial shape, ending the year with \$162 million in cash on our balance sheet.

The cannabis industry has been dynamic to say the least. We believe focus drives excellence and our team is focused on executing. We believe the progress we made in 2023 is just the start of what this team and this business can achieve. We have an unwavering passion for the plant that runs through every team member and is baked into our company's DNA.

We appreciate you, our shareholders, for having the vision and grit to support us along this journey. In my 2021 shareholder letter, I told you that we intended to invest in our operating states, and I am pleased to report that in 2023, we completed our major capex program to that end. With this heavy lift behind us, we used cash to reduce senior debt outstanding and initiate a stock buyback program. As we learned from Warren Buffett, **“The math isn't complicated: When the share count goes down, your interest in [the business] goes up. Every small bit helps if repurchases are made at value-accretive prices.”** Thus, “Reduce the Denominator” has become a fun mantra.

## Find the Discipline to Be Different: “Invert, Always Invert” —Charlie Munger

As Peter Thiel once wrote, **“All happy companies are different. All failed companies are the same. If you want to create and capture lasting value, don't build an undifferentiated business.”** For Green Thumb, that meant “Just Say No to California” in our first decade. In the early days of legal cannabis, the California market was the largest from a consumer, brand and product innovation standpoint. Nevertheless, we determined that California, given the state's heavy taxes, endless new legislative propositions and thriving illegal market, was not the best place for Green Thumb's capital. For us, the goal was to create long-term value for our investors, become true partners with the communities we serve and utilize a first-mover advantage. That road less traveled led us to the Midwest and our home state of Illinois. In November of 2015, we opened Green Thumb's first dispensary, The Clinic Mundelein, later rebranded to RISE Mundelein. At that time in the cannabis industry, no one had heard of Illinois.

In these early days, our simple strategy of Enter, Open and Scale was born and executed. It was a different model than our competitors had adopted that required both discipline and patience. It was never about building the biggest, fastest or flashiest cannabis business. Many of these ideas may seem obvious today or might be considered “consensus” opinions, but that was not the case when we started.

## Obsess Over Your Customers

The Green Wave continues to gain momentum, with U.S. legal cannabis sales estimated at approximately \$30 billion for 2023, and more growth projected ahead. We believe one of the keys to capturing this growth is building consumer loyalty by finding innovative ways to connect people to cannabis. We did this in several ways such as hosting the first-of-its-kind Miracle in Mundelein legal cannabis consumption music festival held last September at RISE Dispensary, launching our RYTHM Artist Series and creating new collaborations between the well-loved Magnolia Bakery and incredibles. Our strong brand recognition is opening doors to engage and excite our customers in new ways. As our brands grow, the stars could align to create greater opportunities to increase brand awareness and build market share. **We believe this is just the beginning for RISE, RYTHM, Dogwalkers, Beboe and incredibles.**

## Don't Expect the World to Adapt to You

The late, great Charlie Munger taught us to **“Recognize reality even when you don't like it—especially when you don't like it.”** Over the past couple of years, there has been enormous focus and anticipation over federal legislation that would benefit the cannabis industry. We have kept our head down and continue to focus on building a business to succeed regardless of federal change. We remain hopeful for the potential reclassification of cannabis to Schedule III—a move that would eliminate the punitive impact of the 280E tax code. The logic behind this move, the overwhelming support among Americans and the many supporting facts that cannabis improves well-being make this a “no-brainer.”



The Miracle in Mundelein, the first music and legal cannabis consumption concert in Illinois, took place outside of RISE Dispensary in September 2023.



Team members who reached five years at the company received Green Thumb starter jackets in celebration of this milestone.

That said, we are short on brains and logic in D.C., which makes it hard to predict how or when this will happen. Moving cannabis to Schedule III would be helpful for Green Thumb, especially since we have paid over \$100 million in cash taxes for 2023. Separately, but related, we look forward to the day that U.S. cannabis companies can list on a U.S. national securities exchange—when the Dogwalkers consumer can buy stock in the company that makes Dogwalkers. **“Know what you own”** from Peter Lynch should take on a whole new meaning across the country in the next decade.

Regardless of federal policy or the IRS’s tax regime, we thrive on the following statistic: **Over the next five years, there are expected to be 18 million new cannabis consumers in the U.S., while there will be 2 million less alcohol consumers.** This fact screams opportunity for us, and we are excited for those 18 million Americans to visit RISE Dispensaries and discover RYTHM and Dogwalkers. We are on a mission to continue building brands that will be part of the American experience for decades to come... and we are just getting started.

## Build a Culture That Aligns With Your Mission

John Wooden taught us that **“The star of the team is the team.”** No achievement, whether big or small, happens without an amazing and committed team across all aspects of the business. We can build cultivation facilities, open new stores and develop new products, but **it’s the people who care about promoting well-being through the power of cannabis and who are dedicated to treating people well that matter most.** I’m very proud of how our team has personally contributed to causes we support, including helping to create a more inclusive and equitable industry, advocating for social and restorative justice and seeking greater environmental awareness. I want to thank our 4,500+ team members whose commitment to our greater mission makes it happen every day in every way.



At RISE Dispensaries, our patients and customers can expect a curated selection of premium cannabis products and a knowledgeable team ready to serve you on your journey to well-being.

## Be Like Mike: Do What You Say You Will Do

One decade in and we are still having fun, “tapdancing to work” like our mentor Warren Buffett. But like Michael Jordan, even though we may have had past success or are accused of being at the top of our game, we are following His Airness’ playbook: first to practice, wake up early and stay late, and work harder and more aggressively than anyone else. Michael’s drive, his belief in the win and his work ethic are in the sneakers of The Thumb.

In the next decade, we know a lot is going to change, but our principles will remain rock solid. We will continue to obsess over: 1) returns on invested capital, 2) providing customers with the best, most authentic cannabis products and experiences, 3) the team: cultivating a strong culture of engagement and fun and 4) the plant: **Smoke More Weed.**

As we conclude this 10-year Anniversary Letter, I am not going to tell you “What a long, strange trip it’s been” because I’m not sure it’s been that long, and it would actually be more strange if it weren’t this strange. So instead, I will quote another of our favorite Grateful Dead lyrics as we look forward to the next decade at Green Thumb, **“Every time that wheel turn round, you bound to cover just a little more ground.”** And we will.

ON BEHALF OF THE ENTIRE  
GREEN THUMB TEAM—

Thank you & be well,

**Ben Kovler**

Chairman | Chief Executive Officer | Founder  
April 20, 2024