

# To you, Green Thumb Shareholders,

## FROM OUR FOUNDER



### Ben Kovler

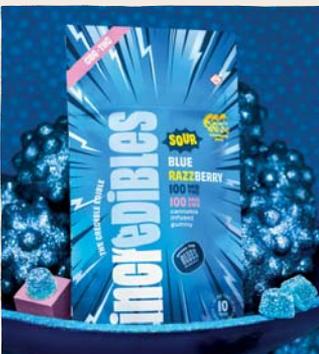
CHAIRMAN  
CHIEF EXECUTIVE OFFICER  
FOUNDER

“The impediment to action advances action.  
What stands in the way becomes the way.”

MARCUS AURELIUS



Introducing Beboe's 100mg gummies: *Sparkling & Sophisticated* real-fruit flavors, beautifully delivered for a balanced, blissful buzz.



incredibles launched a new, electrifying line of sour gummies (*warning: not for the faint of tart*).



Show Dog Infused Pre-Rolls join the pack to *Elevate the Journey*. Plus, Mini Dogs now available in 12-packs, perfect for on-the-go adventures.

It has been almost five years since Green Thumb went public in June of 2018. Reflecting on our progress since then, it is remarkable how much has changed. Our team has grown from 600 people to approximately 3,800. Our national presence has expanded from 5 states to 15. Our retail footprint has increased from 14 stores to over 75, and we have added 12 production facilities for a total of 18. In 2018, we proudly reported \$62.5 million in revenue. Fast forward to 2022, we surpassed the \$1 billion revenue milestone—an achievement that seemed a long way off when I wrote my first annual letter to you four years ago.

While Green Thumb may look different today, our mission has stayed the same—to **promote well-being through the power of cannabis**. Our strong focus remains on cash—which guides our day-to-day decision-making and every dollar we spend. We continue to believe deeply in our brands—RYTHM, Dogwalkers, incredibles and Beboe—and the role they have in America's cannabis experience. And finally, **our team—the single biggest factor to our success**—operates with the same principles and heart—we are focused, disciplined, hardworking and true believers in the right to well-being through cannabis and the long-term viability and vibrancy of our industry. But the times we live in today are not the same as 2018, just as they will differ again come 2028.

## Obstacles Along the Journey

I believe what we achieved in 2022 was especially meaningful given the challenges that all cannabis operators faced during the year. Price compression in our industry was a real concern. That said, the industry had year-over-year unit growth of 28%, which helped mitigate some of the impact on pricing. This massive unit growth points to a key reality: **cannabis remains an essential purchase for American consumers**.

On the political front, we saw no federal movement on the SAFE Banking Act, which would allow cannabis businesses to use traditional banking services. This inaction continues to put the industry in a very capital-constrained position, which we believe will have a severe impact on cannabis operators without strong balance sheets. When you combine the high cost of capital, inflationary pressure on expenses, and punitive effective tax rates north of 50%, margins will slip and dollars will run out for some, ultimately resulting in fewer operators.

There is no question it has been a tough year for investors in our space, but when you zoom out, legal cannabis is on track to triple in size over the next decade. In 2022, the U.S. cannabis industry reached \$26 billion—and we are only in the middle innings of its incredible potential. But this is a marathon, not a sprint. The challenges the industry faced in 2022 have not gone away. Inflation remains the highest it has been in 40 years; interest rates are volatile; and a recession still looms over the economy. All of these macroeconomic factors are beyond our control, so we will continue to focus on what's in our control—building the strongest company possible through discipline, hard work and grit.

## Tune Out the Noise; Stay Focused

**If distracted by all the surrounding noise, you can get caught and eaten by the bear.** We believe the way to weather macroeconomic turbulence is to pay attention to the fundamentals, focus on meeting the demands of the consumer, and practice the common sense needed to run a sustainable business. To us, this boils down to generating cash flow, prudently managing capital, and producing amazing products. We have learned the importance of saying “no” and we are not afraid to invert a problem to find a solution. **Thinking strategically, even counterintuitively, and through a long-term lens is part of our DNA. You can count on that.**

We are confident in the playbook that we have been executing since our founding. It has allowed us to build the right team and own the right assets in the right states. We will continue to make strategic investments to strengthen our competitive position and create positive experiences for our patients and customers. In 2022, we invested \$237 million in gross capital expenditures

into the business. We completed manufacturing facility expansion projects in Ohio, Maryland, Pennsylvania, Florida and New Jersey to fulfill current and future demand in those states. In addition, we expanded the offerings of our top consumer brands to additional markets including the launch of new RYTHM flower strains, Dogwalkers pre-rolls and a variety of gummies for Beboe and incredibles.

We have several positive catalysts that should fuel steady revenue growth and healthy cash flow, even if microeconomic fundamentals in some markets don't improve in 2023. Among them are plans to open additional retail stores in Pennsylvania, Nevada, Minnesota, Virginia and Florida this year; continued strong momentum in New Jersey, Virginia, Minnesota, Connecticut and Rhode Island; and the potential start of adult-use sales in Maryland. In addition, RYTHM flower continues to gain market share, supported by our best-in-class indoor infrastructure that gives us a competitive edge in the premium end of the value chain.

Our company is financially strong, well positioned for growth and forward-looking. We are pleased with our year-ending cash position of \$178 million and full-year cash flow from operations of nearly \$160 million, both of which are net of paying the government almost \$120 million in cash taxes. To further strengthen our balance sheet, we extended the maturity date of our senior debt of \$250 million at 7% to April 2025 at no cost to the company. In these times of rising interest rates, this extension added an extra layer of protection and financial flexibility. Come what may in 2023, we feel good about our balance sheet.



RYTHM's premium collection of flower, full spectrum vape, and concentrates delivers an always strain-specific, true to plant experience designed to help you Find Your RYTHM.

## Fighting the Good Fight

If there is anything that worries me, it is the dimming promise for fresh participation in this industry—especially for Black and Brown entrepreneurs. With the best intentions, many states instituted social equity license programs. This generated considerable hope and excitement, but unfortunately often resulted in widespread disappointment. In an industry with severely restricted access to capital and the impact of 280E, it becomes very difficult for a single operator to create real value once awarded a license to operate a retail location or cultivation facility. The very people that social equity licenses were designed to help—are left without the help they need to succeed. This situation is by no means hopeless, but it is taking too long for state social equity programs to achieve meaningful results. **Until then, Green Thumb will continue to fight the good fight—by advocating loudly and supporting organizations and programs geared toward preparing these entrepreneurs for the hurdles ahead.**

On the federal level, we believe everyone would benefit from a solution to the inequitable tax burden levied against cannabis companies, as well as increased access to capital—consumers would have more buying options for safe products; a new cohort of entrepreneurs would emerge; communities would thrive from new business formations, jobs and investment; and existing operators could expand product distribution. According to Pew Research Center, almost nine out of ten American adults favor some form of cannabis legalization, so logic would suggest that our federal representatives are ignoring their constituents by failing to take action. Right now, the best way to create change is to drive more people to vote. That is why RISE Dispensaries is a premier sponsor of HeadCount's Cannabis Voter Project, which aims to register new voters and increase voter participation across the country.

Operating in the legal cannabis industry comes with great responsibility—our patients and customers depend on us every day to deliver a safe and satisfying experience and our communities entrust us with running a federally illegal business in their backyard. Preserving their trust is our highest priority. To galvanize that mission, we have a set of values that helps us to grow as individuals and as a team committed to delivering positive experiences to our customers.

## The Star of the Team is the Team

As Warren Buffet wrote in his most recent shareholder letter “nothing beats having a great partner.” I’ve been very fortunate to have Anthony Georgiadis alongside me for the last seven years. He was one of the best and most strategic CFOs anyone could wish for, yet he has always been so much more—a talented operator and great team builder. I am delighted that Anthony agreed to step into the position of President, a natural next step for both him and the company. In a seamless move, Matt Faulkner, who has been the backbone of our finance department for many years, was appointed to CFO. We have a deep bench of talent at Green Thumb that reflects a culture of mentorship and career advancement. Anthony likes to quote the great John Wooden who said, **‘the star of the team is the team’**—I couldn’t agree more and that extends to our approximately 3,800 people across 15 states who make a difference every day to our customers, our communities, and our fellow colleagues.

## Optimism Amid Uncertainty

I am optimistic about the future of the U.S. cannabis market and Green Thumb’s leadership role in it. While cannabis is a complicated, highly regulated business, the demand from Americans remains strong. We are living with a great deal of uncertainty now—economic pressure on consumers, a highly divisive federal Congress, and global anxiety-producing concerns. **All of this makes our mission even more critical, as cannabis has the power to improve people’s lives and create more positivity in the world.** With so many factors beyond our control, we will focus on what we can control—how and where we invest shareholder dollars, the quality of our products, and the engagement and excitement of our customers. We will concentrate there, because we believe the rest will follow.

**ON BEHALF OF THE ENTIRE  
GREEN THUMB TEAM—**

**Thank you  
& be well,**



**Ben Kovler**

Chairman | Chief Executive Officer | Founder

April 20, 2023