

FROM OUR FOUNDER



Ben Kovler
CHAIRMAN
CHIEF EXECUTIVE OFFICER
FOUNDER

"The best way to predict the future is to create it."

ABRAHAM LINCOLN

To you, Green Thumb Shareholders,

As I write my fourth annual letter to you, I am struck by how **our mission to promote well-being through the power of cannabis is more important now than ever**. Global well-being has been under significant stress with the onset of Covid-19 in early 2020 and the ensuing worldwide pandemic. The brutal invasion of Ukraine by Russia is a harsh reminder that war is real, and no one should take life or our American freedom for granted. While these concerns and others such as inflation, climate change and social inequality contribute to rising levels of anxiety, we have great confidence in the power of the cannabis plant to ease pain and engender more happiness, better health, and greater comfort.

What Has Not Changed—Our Principles

At Green Thumb, we stick to our principles and try to keep it simple. Our business strategy is 'Enter, Open, Scale' and while it's a basic framework, executing against it remains complex, challenging and quite fun. Our success would not be possible without our team's dedication and drive for excellence. **We win because of the team**. In 2021, we grew our team to approximately 3,700 people, welcoming smart, driven, and passionate individuals who are eager to join a movement that is bigger than any one of us individually. No matter how much Green Thumb or the industry grows, we will stay grounded in our core values and remain humble, hardworking, and full of gratitude.

2021 Scorecard: Another Year of Strong Results

For the full year, revenue grew 61% to \$894 million, GAAP net income more than quadrupled to \$75 million, and our free cash flow from operations was \$132 million. Increased scale and operating leverage drove adjusted EBITDA growth of 71% to \$308 million. We invested over \$200 million in capital expenditure projects that we feel confident will generate significant returns. We accomplished a lot in 2021. As usual, all our efforts and capital investments are designed to build long-term value for all our stakeholders.



Opening of RISE Bloomfield in New Jersey on September 15, 2021.



RISE Mundelein in Illinois was expanded to include increased points of sale and additional education spaces in October 2021.



Beboe launched luxury Blood Orange and Blackberry gummies.



Guests can enjoy products such as Dogwalkers pre-rolls and RYTHM flower in our RISE Lounge and Smokeasy.

Entered three highly attractive states—Virginia, Rhode Island, and Minnesota. We are selective about the states we enter and these three met our criteria as underserved markets with sound regulatory frameworks and potential pathways to adult-use programs.

Virginia: We entered Virginia in July by acquiring Dharma Pharmaceuticals, which consisted of a production facility and one retail store. Since then, we have opened three additional RISE retail locations to support demand from Virginia patients. Virginia adult-use cannabis sales are anticipated to begin as early as 2024.

Rhode Island: In August, we expanded our presence in the Northeast with an acquisition to operate vertically integrated Summit Medical Compassion Center, which is one of only three vertical licenses in Rhode Island and included an operating production facility and a retail location. Earlier this year, the state legislature introduced an adult-use bill that is expected to pass by early June and calls for the launch of adult-use sales in October 2022, although that is subject to change.

Minnesota: At year end, we entered Minnesota with the acquisition of LeafLine Industries, one of two licensed cultivators in the state. We now have a cultivation and production facility that serves six open medical dispensaries across Minnesota. With a population of 5.7 million—the same size as Colorado, a top cannabis market in the U.S.—we are confident Minnesota is an underpenetrated market. In March, Minnesota expanded its medical program to include flower and we were proud to offer legal, high-quality flower to Minnesota patients for the first time. **The momentum is strong in Minnesota**, with edibles coming later this year.

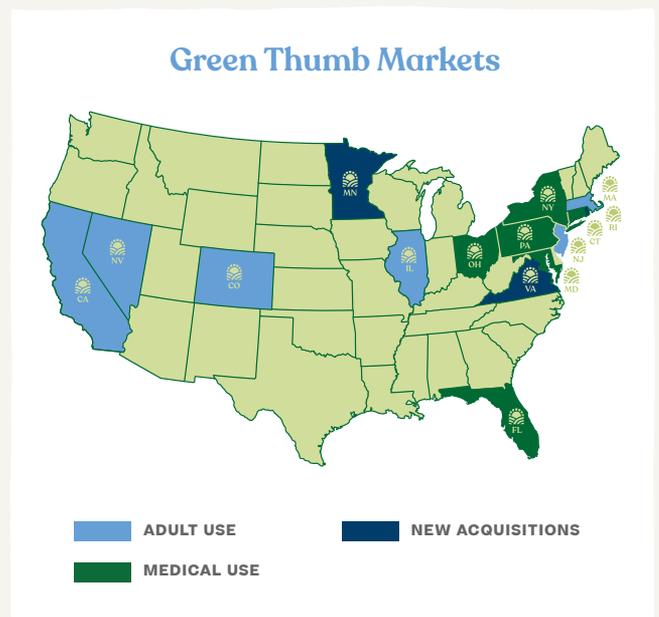
Zooming out, we are positioned to serve over 50% of the U.S. adult population with operations across 15 states. Six of these states have active adult-use programs, including New Jersey, which launched adult-use sales in April 2022, effectively ending prohibition in this densely populated area. At the time of writing this letter, three more states—Virginia, New York, and Connecticut—all have legalized adult-use programs and are still working out the details for Day 1 sales. With the magnitude of adult-use taxes on cannabis and the job creation it brings, we believe it is only a matter of time before other states will follow. Net-net, we like where we have placed our chips on the table.

Opened markets with careful due diligence. Opening a new cannabis store is an intense effort requiring site selection, regulatory permits, construction or renovation, and hiring and training staff. In 2021, we added 22 new stores to the fleet for a total of 73 open stores at year end. Beyond the 12 stores we added through acquisitions, we

opened 10 new stores across several markets. In Illinois, we expanded our oldest store, RISE Mundelein, to enhance our guests' experience with an on-site consumption lounge and private Smokeasy. Green Thumb is the first company to bring "on-premise" cannabis purchase and consumption to America east of the Mississippi River, and we think this is just the beginning.

Continued connecting the dots to scale our business. To position our company for sustainable, profitable growth, we are focused on maintaining financial flexibility, enhancing our infrastructure, and investing in brand-building. This process is what we mean by "scale." We continue to demonstrate financial prudence while finding ways to innovate processes and taking advantage of our size to drive down our external costs. At the same time, we are investing in our infrastructure by building, expanding, and improving our production facilities and processes in several markets to support growth and think ahead of the demand curve potential.

Finally, we believe in the importance of brand-building and are very proud of our iconic brands including Dogwalkers, RYTHM, incredibles, Beboe, Doctor Solomon's and now Good Green. Consumer demand for these brands is ultimately what drives customers into RISE stores or to the over 1,000 other cannabis stores that carry our brands. **We have positioned our brands to be part of the fabric of America's future experience.** When we connect all the dots, we have brands that resonate with consumers, a presence in the right states, stores in optimal locations, unmatched passion and engagement within our team, and we are providing the highest quality and most authentic cannabis experiences for consumers—all things that contribute to building strong and enduring consumer loyalty.



Heads Down—Execute— Ignore the Noise

Understanding the U.S. cannabis opportunity can be more challenging than necessary if you listen to mainstream media or ask Main Street investors. There is a tremendous amount of chatter and distraction about other countries, new products and opportunities, and federal legalization. I believe Green Thumb has done a good job filtering out the noise, focusing on where the puck is going and studying the tremendous potential of the Great American Growth story.

While the growth trajectory may not be perfectly linear, over the long term we are confident that the \$25 billion legal U.S. cannabis market will more than triple over the next decade. The most important milestone to reaching that market size is the launch of adult-use programs in key states. The exact timing of adult-use implementation in various states is very difficult to predict, but we believe that when it happens, there will be a tidal wave of consumer demand.

There is a lot of discussion about cannabis reform and new laws at the federal level. The federal government and its policies are almost the definition of a trailing indicator. Many Americans have been in support of adult-use cannabis for nearly a decade and recent numbers show more than two out of three Americans are in favor. **Federal cannabis reform has many facets, but the top priority must be getting the roughly 40,000 people locked up on cannabis-related charges out of prison.** It's beyond hypocrisy that people wake up in jail for doing something that was deemed by state governments to be an "essential" service during the pandemic and what our team does daily. At Green Thumb, we are relentless advocates for social justice, and we will not rest until meaningful progress is made.

Another ridiculous part of federal prohibition of cannabis is this classification subjects cannabis companies to the penalizing tax treatment of Internal Revenue Code Section 280E. The chart at the top of the next column demonstrates just how punitive 280E can be to a tax paying cannabis business in the United States.

Clearly this makes operating a U.S. cannabis business complex. The U.S. legal cannabis industry employs more than 400,000 people and provided over \$3 billion in state tax revenue in 2021. 280E of the tax code is an unnecessary weight on any cannabis operator entering these waters. But fear not for Green Thumb, we have adjusted our model for 280E and are confident our boat is buoyant. **Follow the cashish!**

We have set up Green Thumb to prosper regardless of federal change. Of course, federal legalization would create

The Impact of 280E

INDUSTRY	NON-CANNABIS	CANNABIS
REVENUES	\$ 1,000,000	\$ 1,000,000
COST OF GOODS SOLD	\$ (500,000)	\$ (500,000)
GROSS PROFIT	\$ 500,000	\$ 500,000
SG&A EXPENSES	\$ (200,000)	\$ (200,000)
PRE-TAX INCOME	\$ 300,000	\$ 300,000
TAXABLE INCOME	\$ 300,000	\$ 500,000
FEDERAL TAX (21%)	\$ (63,000)	\$ (105,000)
STATE TAX (9.5%)	\$ (28,500)	\$ (47,500)
NET INCOME	\$ 208,500	\$ 147,500
GROSS MARGIN	50.0%	50.0%
NET INCOME MARGIN	20.9%	14.8%
EFFECTIVE TAX RATE	30.5%	50.8%

upside for our stakeholders, but we are not holding our breath. We will keep our heads down and continue executing a plan that puts Green Thumb in position to win based on what we know now—not what may or may not happen. And the core truth we know now is that **the American consumer is choosing cannabis for well-being.**

Opportunity for All

We are still in the early innings of the Great American Growth story and **there is tremendous value and prosperity yet to be created.** Most industry analysts and experts estimate the total U.S. market size to be north of \$75 billion. Based on these estimates, we can assume at least another \$50 billion of legal cannabis sales in the next decade. If we assume a 2x multiple, **we believe there is a \$100 billion cumulative enterprise wealth creation opportunity.** We are grateful to have a seat at the table, and with that comes responsibility. We believe the cannabis industry especially owes a great deal to Black and Brown communities that were devastated by the failed War on Drugs. Data shows us unequivocally that it was de facto a war on people of color that stripped many of not only their rights but also their inherent opportunity for success.

As cannabis gains momentum, there is a narrow window to build this industry in a way everyone can be proud of. However, this opportunity is slipping away. The lack of Black and Brown entrepreneurs in the space is unacceptable. We continue to be frustrated by inaction on this issue at the state level, including in our home state of Illinois. At the time of this letter, more than 1,000 days have passed since Governor Pritzker signed what he called the "most equity-centric law in the nation" and yet we have zero new

dispensaries, no diversity in the ownership in Illinois and a major opportunity to improve. **We need to do better. Green Thumb will not be quiet.** We are committed to using our influence to advocate for a diverse and equitable cannabis industry and are taking a multi-pronged approach to amplify the impact. It is not easy, it is not simple, but we are committed.

Investing in nonprofits doing important work on the ground. In 2021, we launched Good Green, our line of cannabis products dedicated to creating opportunities for Black and Brown communities that have been disproportionately impacted by the War on Drugs. Good Green offers unrestricted funding to nonprofits that align to the brand's three core pillars: Education, Employment and Expungement. Visit www.good.green for more information on the grant program, past recipients, and the application process.

Supporting and ensuring the success of Black and Brown entrepreneurs. Our License Education Assistance Program (LEAP) in Illinois was very successful in helping Black and Brown entrepreneurs apply for social equity licenses. We recently launched LEAP Connecticut, in partnership with the *Greater New Haven NAACP* and *Vicente Sederberg*, to guide social equity applicants on the licensing process and operating a successful cannabis business. We are making contributions to organizations like *Our Academy*, a workshop and mentorship program for social equity applicants, brand founders and partners of color. We are also partnering with organizations formed by Black entrepreneurs like *Roll Up Life* in New Jersey and *Women of Color Worldwide* in New York to support social equity panels, expungement clinics, and job fairs to help diversify the cannabis industry. In addition, Green Thumb has helped fund cannabis education programs at institutions that primarily serve Black and Brown communities such as Olive-Harvey College, Medgar Evers College, and The Cleveland School of Cannabis. Finally, we are committed to identifying and contracting with diverse vendors—law firms, photographers, electricians, painters, etc.—to help bridge the enormous wealth gap.

We believe the cannabis industry can and should create more than 100 Black and Brown millionaires and we want to be a part of that systemic change.

Building a diverse and inclusive team. Internally, we have strengthened our focus on diversity, especially on the hiring front. In fact, approximately 40% of our new hires in 2021 were ethnically diverse. We have made progress, but we still have more work to do. As we make key decisions inside Green Thumb, it's critical our team seeks opinions that reflect diverse viewpoints.

I truly believe purpose and profit can work in support of one another. We will continue to call on local government officials and other industry players to speak up and act when barriers are raised against Black and Brown professionals. **Silence is deadly. The time for change is past due.**

The Green Wave Rolls On

2021 was indeed a productive year for the cannabis industry and for Green Thumb. Financially, we're in solid shape with positive cash flow and \$230 million in cash on the balance sheet at year end. I'm proud that we have earned a reputation for thoughtfully allocating capital; for focusing on strong execution; and for doing what we said we would do.

I am humbled by the opportunity to be part of a powerful movement that brings well-being to millions of consumers, creates jobs for thousands of Americans and can work to repair some of the harm created by the War on Drugs. I am personally committed to Green Thumb staying in the forefront of this movement. I am honored to lead this team of change-making winners and I can honestly say that I am having fun doing it. Thank you, Green Thumb team!

Good news, it's still Day 1 for cannabis and for Green Thumb. Let's wake up earlier and make it happen! The best is yet to come...

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

**Thank you
& be well,**

Ben Kovler

Chairman | Chief Executive Officer | Founder

April 20, 2022



2021 Good Green Grant recipient "Why Not Prosper" in Philadelphia, PA.

