

Ascend Wellness Holdings, Inc.

Second Quarter 2025 Earnings Conference Call

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CONFERENCE CALL PARTICIPANTS

Brenna Cunningham

ATB Capital Markets — Analyst

PRESENTATION

Operator

Good afternoon, ladies and gentlemen, and welcome to the Ascend Wellness Holdings, Inc. Second Quarter 2025 Earnings Conference Call. At this time, all lines are in listen-only mode.

Following the presentation, we will conduct a question-and-answer session.

If at any time during this call you require immediate assistance, please press *, 0 for the Operator.

This call is being recorded on Thursday, August 7, 2025.

I would now like to turn the conference over to Sam Brill, Director and Chief Executive Officer. Please go ahead.

Sam Brill — Director and Chief Executive Officer, Ascend Wellness Holdings, Inc.

Thank you, Operator. Good afternoon, everyone, and thank you for joining our second quarter 2025 earnings call.

I'll start off today with a high-level update on the industry, our strategic priorities, and key developments during the quarter.

Over the past few months, cannabis has reemerged in public discourse with renewed industry activity, primarily driven by high-profile lobbying efforts. However, ongoing regulatory uncertainty, political gridlock, and a lack of progressive reform continues to stall the industry's momentum.

Recent data from Alliance Global Partners shows that in 2024, the US legal cannabis industry outpaced traditional CPG categories, such as tobacco and alcohol, in sales volume growth, even while facing significant pricing pressures. This reflects a broader consumer shift as more individuals across age groups and lifestyles embrace alcohol-free and cannabis-based alternatives.

While strong demand and evolving market dynamics are positioning the cannabis industry competitively versus other established CPG categories, the absence of a federal regulatory framework remains a key barrier to meaningful expansion and long-term stability.

We remain cautiously optimistic about positive policy changes under the current administration, but we run our business as if nothing will shift in our favour. We're navigating current market challenges by leveraging our expanding regional footprint and focusing on how to best serve the customer, which will strategically position our platform for success long term.

Over the first half of the year, we made meaningful progress advancing our key priorities. These are centred on driving profitability through margin expansion and expanding our retail footprint through market densification which, along with our recent refinancing, helps us secure long-term financial sustainability.

These priorities continue to guide the evolution of our retail and CPG strategies as we work to build a market-leading position and strengthen our customer engagement.

In the second quarter, we continued executing on our cost savings and operational efficiency initiatives across the business. As noted on our last call, these efforts have enabled us to not only meet but exceed our initial target of \$30 million in annualized cost savings. We are focused on identifying further efficiencies, particularly through automation, while upholding strong cost controls. As an organization, we have successfully developed the muscle around the financial discipline and a culture of accountability.

Net revenue for the second quarter was flat, but only \$127.3 million.

While transaction volume grew across our footprint, and we sold approximately 15 percent more brands of cannabis in the first half of the year, top-line growth was constrained by continued price compression. In short, we are selling more products, but at lower prices.

At the same time, delayed store openings impacted revenue. In New Jersey, for example, regulatory bottlenecks prevented a new partner store from opening as planned in Q2. We are actively engaging with our regulators and exploring all potential solutions, as we remain optimistic that we will find a path forward to open our planned locations in New Jersey, which will provide a key tailwind for top-line growth.

These headwinds were partially offset by a ramp-up of new partner stores and continued sales momentum in Ohio. Now our second-largest retail market, Ohio continues to deliver steady growth in both transaction volumes and overall sales.

Despite pricing pressures remaining an industry-wide challenge and a primary headwind, the benefits of our strategic initiatives continued to materialize through the second quarter, delivering a \$3.1 million sequential increase in adjusted gross profit.

Adjusted gross margin increased by 260 basis points to 43.4 percent. This improvement was driven by the strong execution of our CPG strategy focused on expanding high-margin product sales, which will help partially offset the low-margin 4/20 holiday and ongoing regional price compression.

Adjusted EBITDA was \$28.6 million, and adjusted EBITDA margin increased by 130 basis points sequentially to 22.4 percent.

These improvements are encouraging and demonstrate that our ongoing initiatives are starting to gain traction and contribute incrementally to margin expansion.

Next, we reached a critical milestone over the second quarter supporting our long-term financial sustainability.

In May, we fully retired the remaining \$60 million outstanding on our term loan via \$10 million in cash from our balance sheet and a \$50 million private placement.

Our indenture matures in July 2029, one of the latest maturities in the industry, with a flexibility to redeem them at par without penalty before July 2026. This provides an extended financial runway and allows us to manage our debt proactively as market conditions evolve.

We ended the second quarter with a robust cash position of \$95.3 million and achieved our tenth consecutive quarter of positive cash flow from operations, generating \$17.8 million. This performance, alongside our refinancing efforts, reflects our strong operational and financial discipline across the business.

We'll now turn to Slide 5, where I'll walk through our retail densification strategy.

Retail densification remains a fundamental priority in our growth strategy, allowing us to drive stronger margins, deepen vertical integration, and unlock greater operating leverage. This approach gives us greater control across the value chain and is supported by a customer-centric approach embedded throughout both our CPG and retail initiatives.

In the first half of the year, we successfully added 5 stores to our footprint, including partner locations, bringing our current total to 44. We remain focused on identifying and securing high-traffic, prime locations with ample parking that maximize brand visibility and enhance customer accessibility in the most attractive markets.

Although regulatory delays have impacted the pace of our densification strategy, our retail development pipeline remains in place with 15 new store opportunities. This keeps us on track to meet our medium-term goal of 60 stores, including partner locations, representing a 50 percent expansion of our footprint from when we first announced this goal.

We believe that continued expansion of our retail footprint will drive sequential top-line growth and provide greater operating leverage over time. The ongoing liquidation of assets from some of our peers is creating more opportunities for us to drive these expansion efforts in key markets.

Let's now turn to Slide 6, where I will highlight our customer-centric initiatives.

Over the past quarter, we began to see clear signs that the initiatives deployed on the product and brand side are delivering results, particularly in driving customer satisfaction and improved margins. These gains reflect our proactive response to ongoing price compression as we continue to confront market challenges head-on.

With a disciplined, customer-first CPG approach, we are deepening market penetration through our expanded retail footprint and a more diversified product mix, introducing high-demand offerings to meet customer needs and sharpen our competitive edge.

Since the beginning of the year, we have launched 225 SKUs across all product formats, demonstrating strong execution and innovation. This momentum underscores the exceptional work of our commercialization team, whose efforts are directly fueling customer engagement, elevating brand awareness, and positioning us to win in increasingly competitive markets.

Amongst these launches is High Wired, our new line of infused flower and pre-rolls curated for seasoned enthusiasts. Upon its debut in Illinois, the brand quickly gained traction, with one strain securing the number one selling infused flower SKU in the state in the second quarter.

Additionally, in Q2, our Illinois cultivation team achieved exceptional THC levels of 40 percent in limited batches of our Banana Daddy and Butterstuff strains, which sold out quickly under our Ozone Reserve brand.

Last month, our next-generation cannabis eCommerce platform was officially rolled out across our footprint. The new ecosystem leverages AI and machine learning to deliver a personalized customer journey, including a revamped loyalty program and pay-by-bank functionality.

As retail dynamics and customer preferences evolve, we remain focused on innovation in key segments. Our goal is to drive vertical sales, strengthen our top line, and expand margins, all while maintaining a relentless focus on the customer.

Before I turn the call over, I would like to note that we repurchased and cancelled another 1.9 million shares in Q2, for a total of 2.7 million shares since we started our NCIB share buyback program in January.

We continue to believe that there is a disconnect between the intrinsic value of our business and our current stock price, and we remain committed to using the buyback program to return value to shareholders.

With that, I'll hand the call over to Frank to provide more detail on our operational initiatives during the quarter.

Frank Perullo — Co-Founder, President, and Director, Ascend Wellness Holdings, Inc.

Thank you, Sam. Good afternoon, everyone.

Today, I will share an update on our operations and highlight the key actions we have implemented to drive growth across the business.

Our focus in Q2 was to generate free cash flow through strategic portfolio expansion, improved retail margins, increased vertical sales, and wholesale pull-through, as well as reductions in the cost of goods sold.

We remain customer-focused, with consumers guiding our decisions and strategies. While the markets we operate in continue to present challenges, we remain focused on what we can control to drive the business forward.

Our disciplined execution this quarter drove a sequential 260-basis-point improvement in adjusted gross profit margin. Historically, this period has seen significant margin pressure due to heavy discounting and promotions around 4/20, making this year's margin expansion especially meaningful as we continue to manage pricing discipline effectively.

Looking ahead, we will continue to mature pricing and assortment strategies to further mitigate this pressure in future periods and stay aligned with our customers' shopping habits.

In the quarter, we achieved approximately 14 percent market share growth in Maryland, Michigan, Ohio, and Pennsylvania combined. Together, these states account for more than 50 percent of our retail footprint. Ohio continues to be a standout market delivering growth.

With new entrants continuing to enter key markets, such as Illinois and New Jersey, we continue to face overall market pressure despite delivering above-market revenue growth. To address this, we continue to actively expand our product mix and diversify our offerings, based on consumer preferences and market data.

In Illinois, we experienced a one-time slowdown in order distributions during the last weeks of May. Many retailers paused new purchases to sell off existing inventory before a statewide transition to a new seed-to-sale system. We are proud to say that our team's hard work ensured the transition went smoothly. Illinois remains our largest retail market by both units and revenue, and to have all of the units ready for sale across our cultivation operations and retail footprint was a major effort.

Ascend-branded unit sales and market share grew sequentially, outpacing overall dollar growth. This highlights the growing reach and strength of our brands amid ongoing pricing pressure. Managing this ongoing pressure is a key focus as we work to maintain margins and sustain profitability.

We are also pleased to report that we maintained our position as the number two brand house, by both sales and units, across Illinois, Massachusetts, and New Jersey combined, according to BDSA.

We will now move to Slide 9 for an update on our retail operations.

On our last call, we outlined several technology-driven initiatives aimed at enhancing the customer experience. We are now pleased to share that these efforts have culminated in the official launch of our fully integrated digital eCommerce platform, making a significant milestone in our broader transformation initiatives. This platform is designed to increase customer engagement, retention, and spend.

Following a successful pilot in Michigan, where we saw a 6 percent increase in revenue per customer and a 50 percent reduction in order abandonment, we have completed the full implementation across all of our markets. The new ecosystem offers a faster, frictionless shopping experience, featuring an AI-powered recommendation engine that personalizes product discovery and helps drive higher basket size.

Launching alongside the new platform is our completely redesigned mobile app, a true one-stop shop where customers can browse, shop, and earn and redeem loyalty points. This is all done through a single intuitive interface designed to strengthen brand connection and enhance the overall customer journey.

A standout feature of the new app is the debut of Ascend Pay, our payment solution that enables customers to shop and pay online seamlessly with secure direct-to-bank cashless transactions. With this innovation, AWH is positioned at the forefront of digital payment solutions in Canada's retail.

Another core feature of this new rollout is our completely reimagined loyalty program, the Ascenders Club. We are confident the program sets a new standard and offers a unique customer experience.

Ascenders Club now features four tiers. At every level, members receive industry-leading value and exclusive perks, including gifts, launch discounts, and priority access to new product drops. It incentivizes spend, boosts retention, and raises the bar for customer loyalty.

The Legends Club is an invite-only, top-tier segment created to recognize and reward our high-value customers with unmatched benefits and highly personalized experiences.

We also launched a new customer satisfaction program, which texts customers post-purchase to rate their experience. This system incentivizes positive reviews but, more importantly, flags issues in real time, enabling quick resolution in building brand trust. Following a successful 10-store pilot, where we saw a material increase in customer satisfaction, the program is rolling out across our entire footprint this quarter.

Our eComm initiative enhances our ability to reach new consumers and bring the Ascend experience to more communities across our expanding footprint. We now have a customer-focused platform for scalable growth across our markets.

Let's move to Slide 10 to discuss our operations and wholesale business.

We continue to raise the bar on innovation with commercialization efforts accelerating across all categories. At the same time, we have successfully lowered our cost of goods sold, while strategically ramping up production of higher-margin SKUs.

This approach not only enhances our margin profile, but also strengthens shelf presence, allowing us to capture greater market share and solidify our competitive position. In the second quarter, we saw product revenue growth across all formats, fueled by the launch of 134 new SKUs that contributed approximately \$16 million in retail revenue.

Our new brand, High Wired, has been a standout success in one of the fastest-going categories in the industry, infused flower and pre-rolls. Since launch, High Wired has driven a 26 percent increase in AWH pre-roll market share in Illinois, the first market where it debuted. Impressively, High Wired now ranks third in infused flower sales in Illinois, highlighting how quickly it has been embraced by the market.

We look forward to introducing High Wired to new markets. We launched in Massachusetts and are preparing to launch in New Jersey this month.

Looking ahead, we are on track to commercialize nearly 300 new SKUs across all formats in the second half of the year, with more than 175 products slated to launch in the third quarter, totalling over 500 SKUs in 2025. This includes a range of offerings from Ozone and Simply Herb, two core brands that support our leading position in Illinois, Massachusetts, and New Jersey.

Finally, we are advancing the next evolution of our Ozone brand with a refreshed identity, while maintaining a leading market share across several key states. This includes holding the number-one position in flower sales in New Jersey. Our Ozone live resin disposable vapes continue to outperform, with sales in Illinois growing sequentially by approximately 83 percent.

In Ohio, regulators have released long-awaited guidance for pre-rolls to come to market. This format has consistently performed well across our portfolio, where we have established a strong reputation for quality. Now approved, this represents a meaningful growth opportunity, enabling us to introduce one of our most successful product categories in a key tailwind market and engage a broader customer segment.

Alongside expanding our portfolio, we continue to enhance operational excellence and efficiency through targeted investments in production, automation, and canopy to fuel the product pipeline and finished goods inventory positions.

Following the success of our pilot program at the Athol, Massachusetts facility, we are now implementing automation for flower packaging, vape filling, edibles, and pre-roll production network-wide. These capabilities will position us to stay ahead of demand in these high-growth categories and significantly increase production volume.

The upgrades have already demonstrated strong impact by reducing labour hours and boosting output. They are expected to be fully operational across our footprint by year's end.

In parallel, ongoing enhancements to our cultivation operations are anticipated to improve yields and product quality. The focus has been to continue to broaden the cultivars and quality in each market to meet the commercial needs and product pipeline.

Across the network, the cultivation team continues to provide a steady supply of high-quality candidates to drive commercial goals. When we look at key performance indicators, such as yield, THC, and AB flower percent, we see a meaningful improvement year over year.

We continue to make targeted technology and equipment purchases to drive further improvements of these KPIs. Overall, these improvements have contributed meaningfully to our broader cost-saving and efficiency initiatives.

Looking ahead, our focus for the remainder of the year will continue to be process improvements, operational execution, and advancing our customer-first strategy. The investments we have made in digital infrastructure and advanced automation are not only driving internal efficiencies and cost savings; they are also enabling stronger product offering across all markets.

These improvements ensure we can meet growing demand and, ultimately, enhance the customer experience. As we continue to execute this transformation, we believe these efforts will support long-term brand loyalty and drive sustained top-line growth.

I will now turn it over to Roman, our Chief Financial Officer, to discuss our financial performance for the second quarter.

Roman Nemchenko — Chief Financial Officer, Ascend Wellness Holdings, Inc.

Thank you, Frank, and good afternoon, everyone.

We're pleased to report that the Company generated \$127.3 million in sales and \$28.6 million in adjusted EBITDA during the second quarter of 2025.

Compared to Q1, net revenue decreased by \$0.7 million, with improvements in retail offset by a decrease in wholesale sales.

Despite the flat top line, adjusted EBITDA and adjusted EBITDA margin improved by \$1.5 million and 130 basis points respectively.

Retail sales totalled \$86.5 million, representing a \$2.1 million sequential increase. This increase was largely driven by the addition of five new locations since beginning of the year, along with strong sales

in Ohio, as our stores continued to outperform the new adult-use market with increased transactions and unit velocity.

Our wholesale business generated \$40.8 million in sales, which is a \$2.8 million decrease quarter over quarter. Approximately half of this decrease impacted finished goods sales, particularly in Illinois, due to the state-mandated seed-to-sale platform transition impacting the entire supply chain in the state. The decrease in bulk sales accounted for the other half, as we improved our biomass utilization towards finished goods, with less excess bulk flower and oil available for sale.

As we noted earlier, adjusted EBITDA margin increased quarter over quarter, largely due to the 260-basis-points improvement in adjusted gross profit margin. Although net sales slightly declined sequentially, we sold more finished goods, and a larger portion of total sales was through our retail channel, where our market is the strongest.

The results were also notable given the diluted nature of April discounting and promotions in both sales channels, with the second half of the quarter significantly outperforming the first half in terms of the gross profit margin.

Overall, this favourable sales mix, along with pricing and cost-saving initiatives discussed earlier on the call, had a significant impact on the margin profile of the business in the quarter, which we hope to sustain in the second half of the year.

Let's now move on to the balance sheet.

We finished the quarter with \$95.3 million of cash and cash equivalents, representing a sequential decrease of \$4.8 million. The net decrease in cash resulted from \$17.8 million generated from operating cash flows, offset by \$13.9 million used in financing and \$8.6 million used in investing cash outflows.

Excluding CapEx related to new store openings, free cash flow for the quarter totalled \$12.1 million. The operating cash flows generated for the quarter was driven by a new interest repayment schedule, working capital management initiatives, and an overall improvement in profitability, discussed earlier.

The change from quarterly to biannual interest payments under the 2024 indenture helped accumulate cash, relative to the first quarter of the year, and will create fluctuations in our quarterly operating cash flows going forward.

Additionally, cost controls and approved working capital management have continued to provide a source of operating cash flows as we tighten spend on inventory, payroll, and other discretionary items.

Financing outflows of \$13.9 million include \$12 million related to debt repayment, \$0.6 million in share repurchases, and \$0.8 million acquisition earnout payments.

Total investing outflows of \$8.6 million include \$6.2 million of CapEx, of which \$0.5 million was related to new store openings.

We also made approximately \$2.5 million of M&A-related payments during the quarter.

Overall, we are still on track to spend \$30 million to \$35 million in CapEx for the full year, half of which represents our investment in new store openings, and the other half allocated towards upgrading our cultivation and production facilities.

Looking ahead to Q3, we anticipate flat to low single-digit top-line growth with an adjusted EBITDA margin holding between 22 percent and 23 percent. This guidance reflects anticipated industry headwinds that we believe will be offset by management actions, as demonstrated already in our Q2 results.

The framework that we have built over the last three quarters should enable the Company to enter the second half of the year well positioned to sustain momentum and continue delivering impactful results.

I will now turn the call back to Sam for closing remarks.

Sam Brill

Thank you, Roman.

As noted on our last earnings call, the past few quarters have been dedicated to identifying and advancing our key strategic priorities. This work has been critical to building a strong foundation for long-term growth, improved profitability, and sustained value creation.

With that foundation in place, we are entering the second half of the year with positive momentum and a clear path forward. We are transforming our business with a company-wide mindset to lead the market, driven by a relentless customer-first philosophy that we believe will deliver growth, enhance differentiation, and create lasting shareholder value.

Before opening up the call for questions, I'd like to thank the entire AWH team for their relentless hard work as we continue to build and strengthen our platform. I'm truly grateful for their efforts and credit our success to their steadfast commitment to implementing our vision.

With that, I'll turn the call over to the Operator for questions.

Q&A

Operator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Should you have a question, please press the *, followed by the 1 on your touch-tone phone. You will hear a

prompt that your hand has been raised. Should you wish to withdraw your question, please press the *, followed by the 2. For today's call, you may ask only one question and a follow-up.

So we'll start with our first question today from Brenna Cunningham from ATB Capital Markets.

Please go ahead.

Brenna Cunningham — ATB Capital Markets

Hey, y'all. It's Brenna on for Frederico. Thanks for taking our questions and congrats on the results. Good to see the margin improvement.

I'm just looking at some of the markets that you're in. So the third-party retail sales in, specifically, New Jersey and Illinois, would you be able to provide an update on how you're doing with shelf penetration in these markets?

Sam Brill

Sure. So just—so in New Jersey and Illinois, and you just wanted to know about partner stores?

Brenna Cunningham

Yeah. The shelf penetration.

Sam Brill

And shelf penetration?

Brenna Cunningham

Please and thanks.

Sam Brill

We don't break out data for specific markets in terms of AWH penetration, but for the quarter, I believe we're at 53 percent?

Roman Nemchenko

Yeah. We're—

Sam Brill

Network-wide?

Roman Nemchenko

Yeah. Network-wide, very well above 50 percent. And I think those core markets—and again, quarter to quarter, sequentially, we'll continue to increase the vertical sales which, again, has translated partially into the margin improvement.

Brenna Cunningham

Okay. Perfect. And then, just looking across the key states that you have in your footprint, from a supply-demand perspective and how much—like how much of the pricing pressures do you think are coming from competitive pressures versus pressures on consumer wallets? And just any other general commentary on that would be perfect.

Sam Brill

Say that it's mostly driven by competitive pressures, whether it's new store openings. But also, I think, just from a supply-demand perspective, in certain markets, there's more than enough canopy to serve the customer base in those markets.

And there are a number of players that are running these grows because they have that fixed cost that they have to be able to cover. And they're just very aggressive in just putting product into the market in order to convert it into cash, to be able to pay bills. And we're seeing a lot of irrational actions related to that in a number of markets, where you can just look at the canopy in those markets and see that there's overbuild—that they're overbuilt.

Brenna Cunningham

Okay. Understood. Thank you so much. I'll jump back in the queue.

Operator

Thank you. Ladies and gentlemen, it appears that there are no further questions at this time. So this concludes our conference call today. Thank you for your participation. You may now disconnect. Thank you.