

Ascend Wellness Holdings, Inc.

Fourth Quarter and Full Year 2025 Earnings Call

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PRESENTATION

Operator

Good afternoon and thank you for standing by. Welcome to Ascend Wellness Holdings' Fourth Quarter and Full Year 2025 Earnings Call.

Before proceeding, Ascend would like to remind you that the following discussion and presentation contains various forward-looking statements or information. These forward-looking statements or information are subject to risks and uncertainties that may cause actual results to differ from historical or anticipated results. For more information on the risks and uncertainties, please refer to today's earnings release in AWH's SEC and SEDAR filings, including their most recent report on Form 10-K.

During today's call, the Company will be referring to non-GAAP financial measures such as adjusted EBITDA. Reconciliations to the most directly comparable GAAP measures are in an appendix to the presentation and in the Company's earnings release.

I am pleased to introduce the Ascend Management team joining us on today's call. We will begin with Sam Brill, Chief Executive Officer and Director, who will provide an overview of the Company's strategic priorities and key operational developments over the fourth quarter and full year 2025. After that, Roman Nemchenko, Chief Financial Officer, will review the Company's financial results for those periods.

With that, I'd like to turn the call over to Sam Brill. Sam, please go ahead.

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

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

2025 was a pivotal year for Ascend. With refreshed leadership in place, we made significant organizational changes and executed on our initiatives to drive sustainable growth, strengthen operational efficiency, build customer loyalty, and position Ascend for long-term success in our highly competitive sector. We maintained our primary focus on three core pillars for 2025: densification, profitability, and sustainability.

Delivering on our densification strategy was a key focus. More retail locations allow us to drive stronger margins, deepen vertical integration, and unlock greater operating leverage.

During the year, we opened eight Ascend and partner-owned-and-operated dispensaries, bringing our total number of locations to 47 at year-end. These new stores continue our strategy of securing prime retail locations in high-traffic, well-accessible areas. While we expected more dispensary openings during the year, retail activations are often dependent on protracted regulatory approvals, which delayed several planned openings.

We successfully advanced our profitability efforts, exceeding our \$30 million annualized cost savings goal during the year, which drove improved margins and strengthened our cash flow profile.

Improvements were also achieved across our cultivation and manufacturing operations, resulting in stronger product quality and improved production efficiencies. This enabled a higher-quality experience for consumers while driving margin improvements across our CPG portfolio, which continues to demonstrate industry leadership.

We have strengthened our long-term sustainability of our business with improved margins, a solid cash position, and extended debt maturities, providing a solid foundation to build upon going forward.

With our 2025 strategy successfully executed, we enter 2026 from a position of strength with refreshed goals.

We continue to pursue retail densification to grow our top line with 12 more dispensaries targeted for 2026, subject to regulatory timelines and approvals.

We will continue enhancing our customer-first retail model with our refreshed loyalty program to differentiate our already strong retail portfolio, while strengthening our competitive edge.

And we will continue bolstering our CPG platform with more innovative and premium-branded product offerings, improving our revenue per gram and overall margin profile. We believe these renewed initiatives position the Company for long-term success.

Moving to our Q4 and full year financial performance.

Net revenue for Q4 was \$120.5 million compared to \$124.7 million last quarter, down 3.4 percent quarter over quarter, and in line with guidance for the industry-wide promotional heavy quarter.

While overall revenue was modestly lower sequentially, retail sales grew 1.4 percent, driven by new stores that opened earlier in the year. Retail accounted for approximately 70.5 percent of total revenue in Q4 as we continued channelling wholesale biomass into higher-margin vertical sales of our branded finished goods over lower-margin bulk sales.

Despite increasing retail saturation across several markets, our retail transactions increased 1.7 percent for the year, with Q4 improving 4.9 percent year over year, and up 10.4 percent compared to Q1 2025, driven by new store openings.

As anticipated, wholesale revenue declined 13.1 percent sequentially. The decline was driven by an increased focus on routing biomass towards higher-margin finished goods for retail sales, combined with ongoing market-wide pricing pressures in Illinois and New Jersey.

Despite challenging market conditions, we remain focused on factors within our control, such as maintaining price discipline and prioritizing our retail channel for our biomass.

Price compression remains a significant headwind, particularly in Illinois and New Jersey, where the price per gram continued to decline in Q4, according to BDSA. Our operating platform gives us the flexibility to respond effectively, providing strong controls over quality, cost structure, and product differentiation as we navigate this difficult market environment.

For the full year, net revenue totalled \$500.6 million compared to \$561.6 million in 2024.

Year over year, unit volumes grew across the portfolio. We sold 20 percent more pounds equivalent of cannabis in 2025, reflecting increased demand for cannabis providing an underlying industry tailwind.

Consumer adoption of cannabis is increasing, and there is growing evidence of substitution trends from alcohol towards cannabis in certain demographics. However, industry-wide retail competition and intense pricing pressures temper total sales both quarterly and annually, particularly during highly promotional periods around the holidays.

In Q4, adjusted EBITDA was \$30.2 million, representing a margin of approximately 25.1 percent, up 20 basis points sequentially. For the full year, adjusted EBITDA totalled \$116.9 million, with adjusted EBITDA margin of approximately 23.4 percent.

We made significant efforts optimizing our cost structures, implementing and increasing our operating efficiencies, and improving the price and utilization of our internal biomass. This margin performance is particularly notable, given the highly promotional and price-competitive environment throughout the year, especially during the Q4 holiday season.

Despite continued industry-wide pricing pressure, we have remained disciplined. The focus remains on protecting brand equity, maintaining price integrity, and driving a premium product mix, rather than pursuing short-term volume through aggressive discounting.

We continued to deliver strong operating cash flow with \$38.1 million generated for the full year.

Next, our liquidity profile remains solid. We ended 2025 with \$85.7 million of cash and no significant debt maturities until 2029.

During the year, our strategic refinancing initiative was completed, repaying our \$60 million term loan with \$10 million from cash on hand and \$50 million in private placement of 12.75 percent senior secured notes due in 2029. We also secured \$9.3 million in mortgage financing on three Ohio properties at a competitive 8.5 percent interest rate, maturing in September 2030.

These decisive actions collectively extended our debt maturities, fortified our balance sheet, and enhanced our liquidity, positioning the Company to navigate industry volatility from a position of strength while maintaining a disciplined focus on selective high-return growth opportunities.

Moving to our retail footprint, 2025 marked meaningful progress under our densification strategy. Guided by our hub-and-spoke model, we established a strategic presence in prime retail locations across key markets. This approach gives us greater control across the value chain and is supported by our customer-centric mindset embedded throughout both our CPG and retail strategies.

Over the course of the year, eight new retail locations were added to our footprint, including partner-owned-and-operated stores. In Q4, our first New Jersey social equity partner store opened in Little Falls. The store increases our footprint in the state to four locations. As a reminder, we are one of only six operators eligible to participate in the state's social equity program.

We have also received regulatory approval for a second social equity partner store in Eatontown, New Jersey, which is expected to open in April. We have three additional New Jersey social equity partnerships currently in development. This increased retail presence in New Jersey will allow us to improve utilization of our operating facilities and drive more vertical retail sales.

Two additional stores have been added to our retail footprint since the beginning of the year, including an additional partner-owned-and-operated location in Illinois and our sixth Ascend store in Ohio. In January, we closed an underperforming store in Ann Arbor, Michigan, to better concentrate resources on our stronger retail assets in the state. Today, Ascend's retail footprint includes 48 locations across seven states, including Ascend-branded dispensaries and partner-owned-and-operated retail locations.

Looking ahead, our retail development pipeline remains robust, with a target of 12 additional stores across our footprint expected to open by the end of 2026, pending regulatory approvals, which would bring our total Ascend and partner-owned-and-operated dispensaries to 60.

Moving to our retail operations, our customer-first strategy drives ongoing improvements to our service and offerings, ensuring they are tailored to local market dynamics and deliver consistent, engaging, and elevated experience across the Ascend network.

In 2025, our fully integrated eCommerce ecosystem was launched, transforming the way we connect with our customers. This platform combines a redesigned shopping experience and an Ascend app with AI-driven functionality and Ascend Pay, our pay-by-bank solution.

As part of this platform, we also relaunched our loyalty program, Ascender's Club, which offers our most valuable customers tiered statuses that unlock exclusive perks, including gifts, discounts, and early access to new products.

Sales through Ascend Pay increased 49.4 percent from Q3 to Q4, driven by a 51.5 percent increase in transactions and a 57.8 percent rise in units sold via the pay-by-bank function across both Ascend and partner-owned and operated retail locations.

In Q4, total Ascender's Club members grew by 56 percent, and active members increased by 23.7 percent sequentially. Ascender's Club members accounted for 88 percent of retail transactions, which were up 15 percent for Ascend retail locations.

In 2026, we continue to enhance these programs, leverage campaign transactional data and AI-driven analytics to refine pricing and offerings, resulting in a more relevant and differentiated customer experience.

2025 marked a year of strong execution, expansion, and innovation across our leading branded product portfolio, as we advanced our CPG-driven commercialization strategy and accelerated our product development pipeline. According to BDSA, throughout 2025, we proudly maintained a position as a top-three brand house, by both sales and units sold, across Illinois, Massachusetts, and New Jersey combined.

Over the course of the year, we launched a record 566 SKUs, exceeding our internal estimates. Automation and operational enhancements implemented across our cultivation and operations were critical to achieve the scale of our 2025 CPG innovation. This led to materially enhanced product quality and consistency while reducing costs.

Today, we are producing some of the highest-quality flower in our history, delivering company-wide record yields and THC percentage. This has positioned us to drive stronger, more consistent performance across our portfolio and improve revenue per gram and overall profitability.

Building on our branded portfolio leadership, we launched two new brands in 2025, High Wired and Honor Roll.

High Wired, our infused flower brand, has been breaking company records since its Q2 launch. In Q4, the brand continued to drive meaningful market share gains in both pre-roll and infused flower categories. From Q3 to Q4, Ascend pre-roll share increased approximately 22 percent across Illinois, Massachusetts, and New Jersey combined, while infused flower share grew approximately 25 percent, both largely driven by High Wired's momentum.

The brand continues to be a leading contributor to growth in the infused flower category, ranking second in total sales and units in New Jersey, and third overall in sales and units across Illinois, Massachusetts, and New Jersey combined, as of the end of Q4 2025, based on BDSA data.

Honor Roll, our newest brand, offering top-quality pre-rolls made with 100 percent flower, initially launched in Illinois at the end of Q4 and expanded into Massachusetts and New Jersey in Q1, where it's already seeing strong traction.

Alongside these two strong new brand launches, our commercialization team has expanded formats, flavours, and formulations across all key brands.

Effin' expanded its effects-based gummy lineup with new flavours and formulations and entered the vape category with several of its most popular effects.

High Wired continued to broaden its offering with sugar caps, featuring high-quality flower infused with live resin and coated in ultra-potent THCA sand to create crystallized buds.

Meanwhile, Ozone launched a Liquid Diamonds disposable vape, featuring refined THCA crystals, offering a potent flavour-rich concentrate. The brand also expanded its pre-roll lineup with new proprietary blends in a 10-pack format in response to strong consumer demand.

Simply Herb introduced new disposable vapes in a variety of unique flavours and strains, which has been an increasingly popular offering amongst customers.

Notably, many of these newly released products rank among our highest-grossing SKUs in Q4, demonstrating our ability to create products that resonate with consumers across different preferences and formats.

Finally, we launched our ultra-limited small-batch Ozone King of Queen Cola. Only a limited number of these exclusive 14-gram, top flower full cola stalks were produced across Illinois, New Jersey, and Massachusetts, reflecting our incredibly high standards. This was a passion project for our master growers, who curated a cola that met their highest standards and represented something they would want for themselves and proudly share with colleagues. It was as much art as it was a consumer product, with each unit personally signed by master growers, just as an artist signs their work.

As part of our enhanced loyalty program, only our Legends tier members, our most valuable customers, were offered an opportunity to enjoy these unique products as a holiday item. The response was overwhelmingly positive, with customers sharing their acclaim and photos of their colas over social media, reinforcing the strong connection between our most loyal customers and our highest quality offering.

Building on that success, we plan to introduce additional King of Queen Colas into the market on a limited basis and additional differentiated loyalty experiences in 2026, including exclusive menus featuring some of our rarest and most premium products.

Today, we officially unveiled the next evolution of our flagship lifestyle brand, Ozone, a defining milestone in its history. The new Ozone is a celebration of our people, the cultivators, and product experts whose passion for the plant drives everything we do. Their dedication has elevated the quality and

consistency of our products across markets, and this relaunch reflects that progress. It is about delivering an elevated and dependable experience for our customers in every category we serve.

The updated visual identity enhances shelf presence while reflecting the enhanced quality within each package. The new website and online apparel storefront expand the brand's presence, creating touchpoints across both physical and digital spaces. The relaunch has begun in Illinois, Massachusetts, and New Jersey, with other key markets to follow in the coming quarters.

As part of the brand's transformation, we will also be launching the brand's first full-spectrum gummies, new macro-dose gummy offerings, additional flower strains, and new Liquid Diamond and live resin vapes. This rebrand sharpens our focus on the customer and underscores our commitment to quality and a dependable experience across every category we serve.

There are several other exciting launches planned across product lines in 2026, with the Ozone refresh marking a key step in elevating the quality and distinctiveness of our in-house brands while continuing to target areas of untapped opportunity.

From a regulatory standpoint, we are hopeful that the rescheduling rulemaking process is completed in a timely manner. While this catalyst is significant, short of federal legalization, we believe our approach to remain disciplined, consistent, and focused on execution across our markets will position us for long-term success.

Additionally, we believe another potential catalyst is the hemp product ban, scheduled to be enacted in November of this year. The intoxicating hemp market has been estimated at upwards of \$20 billion to \$30 billion and has grown in parallel to the cannabis market, selling the exact same products without regulation, licensing, or 280E taxation.

This hemp market explosion further proved the incredible demand for THC and the potential revenue growth available for our industry. It is estimated that upwards of 40 percent to 50 percent of the intoxicating hemp market revenue could transition back to the regulated market. We look forward to this potentially large catalyst, if it's enacted as scheduled before the end of the year.

With that, I will now hand the call over to Roman to discuss our financial performance for the fourth quarter and full year.

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

Thank you, Sam, and good afternoon, everyone.

In the fourth quarter of 2025, the Company generated \$120.5 million of revenue and \$30.2 million of adjusted EBITDA. Compared to the prior quarter, total revenue decreased by \$4.2 million, or 3.4 percent.

Retail sales for the quarter were \$85 million, representing a quarter-over-quarter increase of 1.4 percent. The net increase was mostly driven by the ramp in sales from new stores opened and acquired in 2025, partially offset by declines in existing operations.

The declines in same-store sales were mostly driven by transaction softness, consistent with recent trends, due to competition and the effect of seasonality and consumption in Q4 versus Q3. However, average ticket size held steady as we maintained pricing discipline during one of the most promotional cycles of the year.

Wholesale sales for the quarter were \$35.5 million, a 13.1 percent decrease quarter over quarter. Average prices and volume were both down in Q4 as we continued to exit lower-margin product and prioritize fulfillment to our own retail.

Adjusted gross profit for Q4 was \$54.7 million, which is a \$3.1 million decrease sequentially. The decline was mostly driven by overall lower sales and the 100-basis-point decrease in adjusted gross margin in Q4 compared to Q3. The margin decline was driven by market-wide seasonal discounting, which countered the benefit of increased verticality and improved third-party product margins.

Adjusted EBITDA decreased by a modest \$0.9 million, or 2.7 percent, as the impact of lower sales was partially offset by lower SG&A for the quarter, with no additional incentive comp accrued in Q4.

Adjusted EBITDA margin, however, increased by 20 basis points to 25.1 percent, which is consistent with a target the Company set at the beginning of the year and reflects the collective efforts of our cost-management initiatives, coupled with deliberate actions to improve sales mix and discounting programs.

For the full year 2025, the Company generated \$500.6 million of revenue and \$116.9 million of adjusted EBITDA. Compared to the prior year, total revenue decreased by \$61 million, or 10.9 percent.

Full year retail sales were \$339.6 million, down \$32.6 million, or 8.8 percent, year over year. Price compression and reduced transaction volume in several markets were the larger drivers, partially offset by the ongoing ramp-up of eight new stores added in 2025.

Wholesale revenue was \$161 million for the full year, a decrease of \$28.4 million or 15 percent year over year. Similar to the quarter, pricing headwinds and a shift in product mix, particularly in the back half of the year, led to the reduction in annual wholesale business.

Adjusted EBITDA increased by \$0.7 million or 0.6 percent, and adjusted EBITDA margin was 23.4 percent for the year.

Moving on to the balance sheet, we finished the year with \$85.7 million of cash, down \$1.6 million from Q3. The sequential change reflects \$16.3 million generated by operating cash flows during the quarter, and also by \$16.8 million used in investing and \$1.1 million used in financing activities.

Excluding CapEx related to new store openings, the Company generated \$10.8 million of free cash flows. \$16.8 million of investing outflows includes \$6.8 million of total CapEx and approximately \$10 million of M&A-related payments. Total CapEx includes \$2.8 million related to new store build-outs, with the remainder \$4 million used for enhancements to our cultivation and manufacturing facilities. \$1.1 million of financing outflows primarily reflects share repurchases and payments associated with finance leases.

We successfully completed our share buyback program by the end of year. Since fourth quarter of 2024, we've deployed \$5 million of capital to repurchase and retire approximately 15.8 million shares at an average price of \$0.32 per share. This represents an 8 percent reduction in the average shares outstanding since the beginning of the program, and 10 percent when excluding approximately 45 million shares held by directors, officers, and related entities.

The \$18.3 million increase in operating cash flows quarter over quarter was primarily driven by the timing of our biannual interest payments in Q3. As mentioned previously, the transition from quarterly to biannual interest payments under our 2024 indenture will continue to present variability in our quarterly operating and free cash flows.

For the full year, operating and free cash flows totalled \$38.1 million and \$20.7 million respectively. Continued discipline around controllable spend and working capital management was a meaningful source of cash flows this year, and we're committed to continuous improvements when it comes to managing our inventory, accounts receivable, and payables.

Full year CapEx totalled \$26 million, which is approximately \$4 million below our initially estimated range of \$30 million to \$35 million. Of this total, \$8.6 million was spent on new store openings, and approximately \$17.4 million was invested in our cultivation and production facilities.

Based on our recent and expected CapEx, we revaluated some of the leases associated with our larger cultivation and production facilities, resulting in reclassification from operating to finance lease accounting as at year-end. While the balance sheet already reflects this change, the corresponding impacts from P&L reclassification will occur over the next couple of quarters as lease payments transition from rent expense to finance lease repayments and interests, and the Company begins recognizing depreciation on leased properties.

The previously capitalized inventory balances related to these operating leases are expected to flow through cost of goods sold in the normal course of business during first half of the year. Although this reclassification does not affect the underlying profitability of the business, it will make our balance sheet and P&L more comparable to those of our peers. Please refer to the full 10-K for additional details.

Looking ahead, we expect to spend approximately \$20 million on CapEx in 2026. Most of this capital will be deployed towards new store openings, as well as additional projects across the cultivation and manufacturing facilities.

Additionally, we'll remain focused on pursuing strategic tuck-in M&A opportunities to continue driving our densification strategy.

Looking ahead to Q1, we expect low to mid-single-digit top-line decline. This guidance reflects tightening in post-holiday consumer spending, continued pricing headwinds, and weather-related closures across multiple markets during the first two months of the year.

Despite the continued top line softness, we expect the adjusted EBITDA margin to be in the low 20s percent for Q1. As mentioned earlier, Q1 operating cash flows and free cash flows will be impacted by the semiannual interest payments, as well as the \$17 million arbitration settlement payment previously disclosed in an 8-K filed on February the 13th.

Further into the year, top-line improvements will largely depend on our ability to execute a densification strategy with new store openings and accretive M&A, while timing of regulatory approvals will present the highest risk to our timeline.

We are cautiously optimistic that the ongoing effects of price compression and competition will be offset by our commercialization of high-margin SKUs, new store openings, and continued increases in direct-to-consumer vertical sales.

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

Sam Brill

Thank you, Roman.

In summary, 2025 demonstrated the strength of our strategy, the discipline of our execution, and the quality of our operating platform. We delivered meaningful cost savings, densified our retail presence, and enhanced our already leading branded product portfolio, all while protecting margins, strengthening the balance sheet, and maintaining financial sustainability in a competitive market.

With 2026 underway, we are building on our 2025 achievements with clear priorities: advance retail densification across our key markets to reignite top line growth and unlock meaningful operating leverage within our existing footprint; enhance our customer-first retail model; differentiate our in-store experience and reinforce our competitive edge, driving loyalty and traffic through our exceptional service and consistent experiences; and continue to scale and elevate our CPG platform to increase quality and

revenue per gram on a relative basis and remain competitive through disciplined pricing, expanded distribution, brand strength, and a commitment to quality.

These priorities reinforce our foundation and resilience, positioning us to capture new high-growth opportunities, improve operational performance, and deliver sustained value for our shareholders.

As always, I'd like to thank the entire Ascend team for their relentless hard work and commitment to our vision. None of our success could be achieved without their dedication.

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'll hear our prompt that your hand has been raised. Should you wish to decline from the polling process, please press the *, followed by the 2. If you are using a speakerphone, please lift the handset before pressing any keys. Only one question and one follow-up question, please.

One moment for your first question.

Your first question comes from Neal with Haywood Securities. Please go ahead.

Neal Gilmer — Haywood Securities

Yeah. Thanks very much. Good afternoon. Maybe, I wanted to start on the retail locations, the 12 that you're talking about, potentially, or you're looking to open in this year. What sort of cadence—you mentioned you got one in April in New Jersey. But what sort of cadence should we be expecting

between now and the end of the year? Is it mostly sort of Q3 and Q4, pending both construction and regulatory approval? If you could just provide a little bit more colour on that, that'd be helpful. Thank you.

Sam Brill

Thanks, Neal. The cadence is, it will be split up. I guess it would be more second half-heavy, but it really is going to be driven by the regulatory authorities that we have to get approvals. Whether it's straight M&A or a store opening, there are many hoops that we have to jump through. And so we're really constrained by how quickly the regulators move.

Neal Gilmer

Fair enough. So I guess the—

Sam Brill

So it could be lumpy, is, I guess, the point.

Neal Gilmer

Yeah. Yeah. Fair enough. I guess my follow-up would be just on your move towards the more verticality and the decline in the third-party wholesale sales. How should we be thinking about that going forward? Do you still have more opportunity to drive more through your own stores? Or you're sort of at that right sort of mix now, where you've got a blend between the third party and the increased verticality?

Sam Brill

Well, I don't want to say we're ever at the—I would love to have the high-class problem of being super short on biomass and be able to crank up and increase volume through the facilities and invest more to be able to do that.

I would say, with what we have now, we're in a solid place. But as we open more stores, hopefully, we can create that additional demand. And I would like to have the high-class problem of making tough decisions between retail and wholesale.

Neal Gilmer

Fair. Okay. Thanks. I'll pass the line.

Sam Brill

Thank you.

Operator

Thank you. Now, ladies and gentlemen, as a reminder, if you have a question, please press the *, 1.

And your next question comes from Brenna with ATB Cormark Capital Markets. Please go ahead.

Brenna Cunningham — ATB Cormark Capital Markets

Hey, y'all. Thanks for taking our questions. Hope you're having a great night so far. Okay. So just looking at wholesale, could you give us a little bit more colour on what you're seeing in the wholesale markets in, specifically, Illinois and New Jersey?

Sam Brill

Sure. As more stores have opened over the last 12 months in both markets, it's become more disintermediated. So sales are spread across more—it's not just more stores, it's more owners, I guess. So it's not as highly concentrated with other MSOs. You're really looking at the single-state operators, and you have to knock on doors to get penetration.

So I would say that it's gotten extremely competitive, as it always does. And we're just trying to be very thoughtful and manage price in that market and deliver—we're delivering high-quality products.

And we want to make sure that we're pricing them accordingly and staying in line with whatever the market dynamics bring, but not purposefully discount in order to just move volume, because when you discount, it doesn't just affect your wholesale sales. It bleeds into retail because if you're giving it away to a competitor at a cheaper price, they're going to be able to undercut our own branded stores and lower the price across the board.

And so, you're not just lowering your profit margins on the wholesale side. You're going to hurt yourself on retail as well. And we're trying to find that right balance and stay competitive within those dynamics of each of the markets which, frankly, are quite similar right now in terms of trajectory and competitiveness.

Brenna Cunnington

Gotcha. So like in terms of the penetration of the third-party stores, would you say that it's like you're more looking for like the high-quality stores to sell into versus just selling into third-party stores?

Sam Brill

Yeah. I mean, look, from a credit metrics perspective, I think we were probably at the forefront when we took over being very critical of which stores we sell into. I believe the first quarter that the new management team took over, we took a very close look at credit quality for counterparties. And we throttled back exposure to stores that we felt were in tougher situations. So we've had less exposure, I think, than average to, I would say, defaults, delinquencies, and those kinds of things.

And that continues to be a focus. We make sure that we measure how much we'll sell to a specific door to be smart about how much exposure we're willing to take with, call it a new store or new opportunity.

But that certainly has, I would say, more of a factor than selling to, I would say, bigger peers and having more comfort. So as you spread this out, you have to be more thoughtful about who you're selling into. And we choose to be focused on better credit quality.

Roman Nemchenko

Yeah. No. That's right. I mean, look, we're very sensitive to collection probabilities up front and, certainly, holding the line, not getting overexposed in credit are one of the many considerations, putting accounts on hold, holding the line on pricing.

And just in general, wholesale, just given the volume and lower price for units is going to be always more sensitive to price movements on a percentage basis. Right? Dollar movement in retail price per unit just affects you differently than moving, for the same units, movement down by dollar in wholesale. So we manage it both ways.

And obviously, price compression is affecting both markets. And again, they just—just given the volume, wholesale tends to be more sensitive when there's a significant decrease of period over period.

Brenna Cunningham

Makes sense. Thank you so much. I'll hop back in the queue.

Sam Brill

Thank you.

Operator

Ladies and gentlemen, there are no further questions at this time. This concludes today's conference call. Thank you for participating. You may now disconnect.