4Front Ventures

Second Quarter 2019 Earnings Conference Call

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CONFERENCE CALL PARTICIPANTS

Justin Sussman, *Proficio Capital Partners*

Jack Renna, *VR Capital*

Graeme Kreindler, *Eight Capital*

Douglas Cooper, *Beacon Securities*

PRESENTATION

Operator:

Greetings. Welcome to the 4Front Ventures Second Quarter 2019 Earnings Conference Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. If anyone should require Operator assistance during the conference, please press star, zero on your telephone keypad. Please note, this conference is being recorded.

I will now turn the conference over to your host, Whit Richardson, VP, Public and Investor Relations. Mr. Richardson, you may begin.

Whit Richardson:

Thank you, Omar. Welcome to 4Front Ventures' Earnings Call for the second quarter of 2019 ending June 30. The Company released its financial results for the quarter on August 29.

On today's call, I'm joined by CEO, Josh Rosen, and Leo Gontmakher, a member of 4Front's Board and President of its Development division, Brightleaf.

Before we begin, I'm obligated to remind everyone that during the course of this conference call, Management may be making some forward-looking statements which are based on current expectations and are subject to a number of risks and uncertainties that may cause actual results to differ materially from expectations. These risks are outlined in the Risk Factors section of our filings and our disclosure materials. Any forward-looking statements should be considered in light of these factors.

Please also note, as Safe Harbor, any outlook we present is as of today, and Management does not undertake any obligation to revise any forward-looking statements in the future.

With that, I'd like to now hand the call over to CEO, Josh Rosen.

Joshua Rosen:

All right. Thank you, Whit. I want to start by highlighting the four pillars to our platform. We believe these pillars will be enduring, and they are a big part of our internal strategic conversations, as well as in decisions that we make.

They are: one, committed and experienced leadership; two, battle-tested operating capabilities at scale; three, strategic capital allocators and asset base; and four, the commitment to being a magnet for talent.

To start by just spending a moment on strategy, we closed our merger with Cannex at the end of July, and we have really hit the ground running. Our industry is moving quickly and we continue to think that time in (phon) business is one of the qualities that you can't easily replicate, and it was one of the key criteria for us in our merger with Cannex. Leo Gontmakher and his team that founded and built Northwest Cannabis Solutions, are as good at product manufacturing and packaging as I've seen, and we're rapidly building around that capability set. This is something I feel 4Front was uniquely qualified to do, based on our history and our commitment to training and developing people.

Our strategy is relatively straightforward: taking these battle-tested operating capabilities that include demonstrated cultivation yields of greater than 300 grams a square foot in multiple facilities, our scaled extraction production and packaging capabilities that drive over 20 real brands with real market share and competitive markets, and last, our legacy retail and staff training capabilities. It's taking these capabilities to nascent or early stage markets and bringing greater competence in execution and efficiency. It's this competence in building things the right way and then quickly driving efficiency that has us feeling so good about our position.

In addition, we are always looking to acquire talent and assets at the right price that augment our platform and fit our strategy. With Leo being such an important part of our plan, I asked him to join me on this call. Please don't get used to hearing from Leo as we believe our Company is best served with Leo working with our Operations team, driving execution: what he's built to do.

Leo, the floor is yours.

Leo Gontmakher:

Thanks, Josh. We're incredibly flattered that our operations be built in Washington State. In the five years since we founded our operations in Olympia, we worked tirelessly to support the Washington market and supply them with superior products at great prices.

In a hyper-competitive market, we've iterated our processes through the increased use of automation and operational efficiencies, which in turn helped us drive volume and gain market share while still producing healthy margins. With the merger now behind us, our team is chomping at the bit to take our brands and expertise on the road, across a broader licensed portfolio.

4Front's asset portfolio, combined with its strong retail operations, training and curriculum and M&A experience has our combined Company incredibly excited about the future. We have a big opportunity in front of us, and with the deal now closed, we're ready to execute and take our product across the borders to new states and new markets.

With the deal also closed, we've already begun seeing improvements in our operations in Massachusetts, as well as Illinois, and are excited to keep expanding and getting better at what we do.

Joshua Rosen:

Awesome. Thanks, Leo.

Leo Gontmakher:

Absolutely.

Joshua Rosen:

Yes, thanks. Given the timing of our closing with Cannex, the quarterly numbers we reported last week were not reflective of our combined Company. They were for the legacy 4Front business, without Cannex. In addition, we elected to change Cannex's Fiscal Year to match 4Front's December year end, so you can expect a much more fulsome earnings report when we report our third quarter results in about 90 days.

As for the reported financial statements, we don't want to spend time repeating what can easily be read in our filings and press release. I'd highlight, the number that we current focus on internally is driving what we refer to as system-wide, pro forma revenue, which does include Cannex. Looking at this metric, we reported system-wide revenue of approximately $14 million in the second quarter. The combination of our industry's regulatory complexity and IFRS accounting for biological assets can easily create confusion with reported numbers. We will do our best to unpack any confusion going forward.

As noted in a separate press release today, we're building our Finance team real-time to stay in front of our rapid growth curve; more on this later.

For review, 4Front operates three divisions: Brightleaf, our cultivation, production, packaging and distribution arm—we tend to think of this as the manufacturing business that Leo runs; Mission, our branded retail stores; and Pure Ratios, our separate wellness brand that also participates in the hemp-derived CBD business. 4Front owns and produces over 25 different branded cannabis-related products and over 300 SKUs. Excluding Pure Ratios' sales of hemp-derived CBD products nationally, we currently operated in nine states. With the exception of Washington, most of our operations are in their earlier stages of growth. We provided a full review of this platform in our press release on July 31. I want to take a few moments to highlight our near-term milestones, followed by reviewing our key milestones through 2020.

With where our Company is in its growth curve, we like to communicate milestones as we pursue our longer-term targets. For instance, looking at recently achieved milestones, the obvious one, closed the merger with Cannex, and immediately integrated. We have hit the ground running. This includes a heavy emphasis on optimizing Massachusetts production and pushing forward on expansion projects.

We opened a third Mission retail location in Maryland, which takes our total to 10 retail stores, and we took control of the full 94,000 square foot facility for our Illinois cultivation operation, something that took on greater urgency with the passing of adult use in June in Illinois.

Turning to the key milestones coming up for the next 90 days, we categorize our milestones by Operations, Projects, which are largely construction oriented, and People. First, the operating milestones. In the next 90 days, we plan to introduce the first Cannex, now Brightleaf, brand, into the Massachusetts market. The most substantial impacts on our near-term revenue growth is getting final sign-offs for adult use in our Georgetown, Massachusetts facility, which is both production and retail. We expect this imminently, and I'm hopeful this is a September event, and feel very good if not September, it'll be very soon.

For project milestones, the first priority of the integration with Cannex was an optimization project in our Georgetown, Massachusetts cultivation operation. We think this should yield an approximate doubling of efficiency out of the existing about 10,000 square feet of flower canopy. It also should make production and packaging more efficient, effectively bringing it more in line with Cannex metrics from Washington. We expect to be on the Cannex-led perpetual harvest schedule this fall.

Another meaningful Massachusetts milestone is getting our first harvest in our smaller Worcester production facility, which should also be in perpetual harvest in the fall. Both of these facilities have been greatly enhanced by our merger.

Switching to Illinois project milestones, we're hard at work searching for the additional retail location that comes with the Illinois adult use legislation, and hope to have that locked down shortly, and we're doing the design work to support the utilization of the 94,000 square feet in the Illinois production facility, with the near-term milestone related to building permits, and the 2020 milestone related to the construction projects.

On the people side, we announced some key hires to bolster our Finance team this morning, with some additional key hires to support our commitment to being a magnet for talent on the horizon. Largely, HR and training related coming up next, as we're hard at work making our training platform more robust, which internally is referred to as 4Front University.

Last, for the big near-term milestones, we are weighing additional project-related debt and real estate finance solutions that support our aggressive 2020 project pipeline to allow us to keep our foot on the gas, with Leo's version of scaled, efficient production in place. Part of our ability to be efficient producers relates to dialing in infrastructure the right way the first time.

In addition to projects in Massachusetts and Illinois, we anticipate announcing or providing subsequent updates to additional project opportunities as we move into the fall and they grow more certain. Stay tuned.

Fortunately, despite rougher equity markets, the appetite from debt and real estate investors has gained considerable momentum over the past year. We are seeing more attractive terms, and more sources wanting to be involved in this industry. Our attractiveness to these investment pools is buttressed by the fact that we can point to proven performance in Washington State that demonstrates Leo's team's having achieved meaningful normalized profitability in very low pricing environments, and anticipate having much more to say on expanding our funding in the coming months.

Now turning to the big picture, key milestones through 2020; these are critical to laying the foundation for us to achieve what we're playing for, with a heavy emphasis on project milestones. First, the expansion project in Georgetown, which we anticipate will triple production capacity. That's on top of the current optimization project that should double its output that I just referenced—so double, then triple. We have substantial expansion space available in Georgetown.

Second, the Illinois production build-out of 94,000 square feet with our location being the closest licensed production facility to the city of Chicago.

Then third, California generating revenue out of our metro L.A. production facility; it's currently a project under construction.
While not as meaningful in numbers, in Michigan, we anticipate getting social use approvals in Ann Arbor in 2020, and we think this is laying a solid foundation for future strategic opportunities in brand building. We also have additional retail locations planned to open in 2020.

On the people side, we expect to complete the core curriculum and process for 4Front University so that we can support the hiring needs as we continue to add significant scale in 2020, as new projects get completed. I also anticipate we'll continue to bolster our Leadership team internally and externally with our prioritization of agile and hungry talent.

While more challenging to predict, should the capital markets remain volatile and challenging, I also anticipate we may grow more aggressive with M&A. We spent years building a platform that is set to scale. We've not been the group that wants to pay $50 million plus for an un-built sort of (phon) license, but should we find complementary talent or strategic pieces that map well to our plan, mixed with identified value for our shareholders, we're prepared to be aggressive. We like to marry our internal and external communications as much as possible, and when we talk about what we're building, we think of it as what we're playing for.

When we closed the merger, I highlighted this as building a platform that we think can support $200 million of EBITDA. That's the combination of people, capabilities and assets. I also noted, I will be disappointed if it takes us more than three years to get there with the platform and team we're building from.

To provide a bit more context, we believe our existing assets, as they are today, in terms of licenses in hand, get us over 75% of the way there, and our simple assumption is that we need approximately $800 million in system-wide pro forma revenue to achieve that EBITDA target. With our upcoming milestones, we anticipate meaningful acceleration in revenue driven by Massachusetts through the first half of 2020, and then a meaningful pick-up from California and Illinois later in 2020, into 2021, augmented by other markets and regulatory expansions as they come into play. Most importantly, we believe our assets will collectively be built for long-term success, not simply taking advantage of near-term supply/demand imbalances with our prioritization on low cost, consistent quality production at scale and customer-centric retail that prioritizes knowledge, access and value.

We have great respect for a number of our peers and believe there should be a lot of winners in this sector, so we don't view our approach as the only successful path. This is a zero sum game in very many places. We're simply confident that if we develop our assets to our specs and capabilities, then we should do very well.

Let's end by reviewing the most common questions we've been getting from investors since we closed our merger. First, we've had lots of questions on lockup and shareholder liquidity. We're focused on building value, and frankly, I'd be surprised if we don't see the opposite of insider sales if the stock price stays at levels that many of us feel are depressed. I can speak to the fact that I've had questions from our team about when and how they can buy stock. As a reminder, any sales or purchases from key insiders should be captured by (inaudible), so you can watch for yourself.

We put in place a voluntary lockup that included our largest passive shareholder, and the plan is to allow the lockup to come off gradually, without creating a perceived cliff. As a steward of our shareholders, I'm not crazy about taking away access to liquidity for technical reasons or to support a stock price by limiting this liquidity. We're doing our best to build a Company that investors want to own, not sell, and that's our primary mandate.

Since early days, we have been preaching to our capital partners that at a minimum, they should be viewing this as an investment to alter U.S. legalization. We're obviously now in the public markets, which can bring a different element, but as far as our Leadership team and core shareholders, I'm confident that lens remains the same. Our primary focus is on execution and building shareholder value.

We've also received lots of questions about our balance sheet and cash needs. As noted in our release, we have access to an additional $38 million in capital, either callable or already on our balance sheet. A disproportionate amount of our future spending, as we pursue our $200 million target, passes to real estate driven projects. We are pleased with the development of the opportunities for project debt or sale leaseback transactions.

Recently, we've seen sale leaseback terms come into the range where we find them much more attractive than just three to six months ago. Prior to this, we preferred project debt that offered more refinancing flexibility, as reflected in our terms with LI Lending. It's our intention to keep our foot on the gas pedal, but I'd also note that because of the cap ex nature of our spending, should something change, we can also modulate our investing activity if that's prudent. I expect that as we get adult use turned on in Massachusetts, our operating activities should fairly efficiently get to cash flow positive in 2020. We simply believe our shareholders want us capitalizing on this opportunity to the best of our capabilities. As a meaningful shareholder myself, that's my intent and plan as long as the capital markets are supportive.

The last question that doesn't always have an answer, is we frequently get, why is the stock down? Generally, I don't think it's a great practice for us to comment specifically on the stock, but it's a natural question. The pressure on the broader sector has been significant, and like other industries, one's investment neighborhood tends to be very important. I think many of our peers have been showing good progress, so I'm hopeful our neighborhood starts to reflect that broadly.

Ultimately, it's hard to really know what's causing stock moves with any precision, so we try not to comment on our stock price specifically. What I do firmly believe is the opportunity in front of us remains immense, and should the equity markets stay depressed, I'm excited by what our team can accomplish to capitalize on any dislocations.

Before handing back to the Operator, I'd like to remind folks, if we can't answer something on the call, we will do our best to track down information, at least that which we're comfortable disclosing, and making sure we do our best to address investor questions and publicly disclose anything that needs to be.

With that, Omar, back to you.

Operator:

At this time, we'll be conducting a question-and-answer session. If you would like to ask a question, please press star, one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing star keys. One moment, please, while we poll for questions.

Our first question is from Justin Sussman, Proficio Capital. Please continue with your question.

Justin Sussman:

Hey guys, congratulations on everything. At some point, are you planning on providing something more tangible as far as guidance is concerned, either quarterly or yearly, just kind of looking out?

Joshua Rosen:

Yes, thanks, Justin, definitely a fair question. As you know, there are a lot of variables that go into specific guidance, some of which are absolutely in control and some of which are dependent on timelines at regulatory bodies. As we look to establish trust and credibility more broadly, we think it's important to spell out to investors our strategy and what we are playing for over the next several years. We don't believe $800 million in system-wide revenue and $200 million in EBITDA in the next several years is pie in the sky at all.

Having said that, part of the excitement you were hearing from us is that we are managing several different projects right now. Some we have talked about, some of which are in earlier stages and we will talk about as they become more certain. I think as we move into next year and our visibility and timing on all these projects crystallizes, you can expect us to talk more about our specific guidance, including construction milestones for all of our projects on hand, and near-term—potentially near-term EBITDA and revenue guidance, both on a reported and a system-wide basis.

I'm confident that giving investors a window into how our rollout is taking shape, for now, will give folks a good view of how we're executing and the timing of our aggressive revenue ramp, and ultimately, our ability to capture this great opportunity. Hopefully, as you think through that—I don't think we're going to be prepared to give significantly more tangible guidance next quarter, but I think it's coming.

Justin Sussman:

Great, thanks, guys. I appreciate it.

Operator:

Our next question is from Jack Renna, VR Capital. Please proceed with your question.

Jack Renna:

Hi, good afternoon, guys. Congrats on the merger. I just wanted to be sure that I have the right share count for you guys. By my math, it looks like you've got about 530 million shares out, so I guess the market cap is 285 million or so, give or take. If I heard you correctly, you were talking about a revenue and EBITDA opportunity, basically with what you have, of $800 million and $200 million respectively.

I'm just curious, kind of your view on why there's such a disconnect with your current stock price. First, is that math right, and then just your opinion on why it's such a substantial discount on your stock? Thank you.

Joshua Rosen:

Certainly, thanks for the question. I'll go backwards. On the stock side, I think it's difficult to know with any precision. I mean, we're now, at least on the 4Front side, only been public for a month, and trying to establish the credibility that I referenced, and really, give people some insight into what we're playing for and what we're building and how we do things. I think as we spend more time doing that, I'm hopeful that the stock price responds in kind. But the flipside of that is, this is a sector that's been under quite a bit of pressure, so I think, in some ways, it's difficult to get outside of those trends. But we feel really good about what we're working on.

The $800 million and $200 million, just to clarify, I think if you just look at the licenses we had in hand, what I had stated is we're really comfortable that that gets us 75% of the way to those targets and that the addition of new projects, new opportunities, would be what makes the difference. When we look at the platform on the people side of what we're building, it's with that larger target in mind, and I would be very surprised if we don't have some success pulling new licenses into the fold and/or some small tuck-in acquisitions over time that would help move us in that direction. But from an internal focus standpoint and how we think about what's likely to be executed against going forward, that larger target is how we internally communicate.

If you just looked at licenses in hand, you'd probably—the math is pretty simple; $600 million and $150 million would be the 75%, but that's kind of—it's—as we're talking through, that these are rough numbers.

Then last, your share count, from a (inaudible) method standpoint, was really close. I'd probably put us somewhere between 535 million to 540 million right now.

Jack Renna:

Great, thanks very much. Appreciate it.

Operator:

Our next question is from Graeme Kreindler, Eight Capital. Please proceed with your question.

Graeme Kreindler:

Hi guys, good afternoon, thanks for taking my questions. I just wanted to go back in terms of—looking at metrics to assess the business, and in the press release on the Q2 financials, you have the system-wide pro forma revenue of around $14 million. I just wanted to just get through details in terms of what exactly is included in there, in terms of timing and what gets captured across the various organizations? Thanks.

Joshua Rosen:

Yes, so it's a pro forma number, so from a timing standpoint, we're trying to capture everything that's within our span of either control and/or option to control, for clarity. In this case, it includes Northwest Cannabis Solutions but backs out Cannex on that side of the equation. Then on the 4Front side of the equation, it looks through—backs out what would be Management revenue, and looks through to the ultimate license co. at times just to get, effectively, how we manage the operations from our lens. It's really trying to capture the full revenue set of the operations that we have either control of, and/or at least significant impact on.

Graeme Kreindler:

Got it, understood. At that time, are you guys sharing what the pro forma system-wide EBITDA number was for the Q2 period?

Joshua Rosen:

We are not. We will have a number that resembles that for the third quarter. The mix of the timing and the Fiscal Year change, we're trying to get back to a clean number on that, so we should have that very shortly.

Graeme Kreindler:

Okay, understood. Then just lastly, on the balance sheet here, is there a pro forma number for the cash position at quarter end that would include the Cannex side as well, just to get a better understanding of what that looks like?

Joshua Rosen:

I can get back to you on the specifics. I mean, the way we internally think about it when we look at what we've got on our plate, that the $38 million is what we tend to use. Ultimately, it's not going to show up as pure balance sheet cash until we can kind of walk through the specifics of that separately.

Graeme Kreindler:

Okay, all right, no problem. That's it for me. Thank you very much.

Joshua Rosen:

Thanks, Graeme.

Omar?

Operator:

Our next question is from Doug Cooper, Beacon Securities. Please proceed with your question.

Douglas Cooper:

Hi, good morning, everyone. Just getting back on the system sales, is it possible—I think you had 4Front in there at $4.3 million. Does that mean that $9.8 million is Northwest Cannabis and Pure Ratios?

Joshua Rosen:

Order of magnitude, you're pretty close. I'd have to go back and pull the specifics on that, but by order of magnitude, pretty close. Northwest Cannabis would have been a little bit less than that, and…

Douglas Cooper:

Yes.

Joshua Rosen:

…there's a little bit residual from 4Front relative to Management contracts and how we rolled that up, but order of magnitude, you're very close.

Douglas Cooper:

All right, because I think Pure Ratios is relatively small, right? I guess maybe, just focusing on Northwest Cannabis Company, obviously is a big part of the story in terms of bringing their efficiencies to the rest of the operations from their experience. Maybe Leo can speak—Leo, was this a record quarter for Northwest Solutions, and can you talk what your current market share is in Washington State?

Leo Gontmakher:

Sure. This was a record quarter for Northwest Cannabis Solutions, though the revenue side of the Washington market has seen a lot of compression and finally started to see a little bit of a die off and a little bit of movement on the pricing side.

Douglas Cooper:

Okay. Can you talk about market share in Washington?

Leo Gontmakher:

Sure, absolutely. Northwest Cannabis Solutions currently has around a 9% market share on the wholesale side. As you know, Washington does not allow (inaudible) so Northwest Cannabis Solutions is a wholesaler only.

Douglas Cooper:

Okay. Is there a breakdown between flower and derived products for you guys, ballpark?

Leo Gontmakher:

Sure. The total market in Washington is still very flower-heavy, about 70% flower, versus 30% derivatives. For Northwest Cannabis, any given month, we're in between 45% flower, 55% derivatives, and 55% flower, 45% derivatives. We're heavier on the derivatives side, which is where we ultimately see the most value in branded consumer initiatives.

Douglas Cooper:

Okay, and just one last thing for Northwest. The company was EBITDA-positive in the quarter, just on a standalone basis?

Leo Gontmakher:

It was.

Douglas Cooper:

Josh, just in terms of, I guess, the business that wasn't Northwest Cannabis. Is it mostly from Massachusetts, or where was the rest of the revenue from, at this point?

Joshua Rosen:

It's actually probably a blend, heavily skewed Massachusetts and Pennsylvania, with Massachusetts being the largest piece of it. Those would be the two states that are the most meaningful, currently. I think the last thing, just to echo Leo's commentary on Washington real quick, because I think this is—when we talk about record quarter and we talk about the skill sets that we're building around, I think Leo can attest to the fact that, from a volume standpoint, it's almost record month after record month. They continue to get more efficient, they continue to push volume, albeit they're at a pretty attractive run rate currently.

The firming of pricing could lead to a little bit of growth out of that Washington market, but as you think about the marketplace in Washington, Leo's team's capabilities to push volume to offset what was pretty rapid price declines up until several months ago, it's pretty remarkable. On the volume side, I would almost be—and just want to articulate just how consistently record-setting they are.

Douglas Cooper:

Okay. Just Massachusetts, want to confirm, currently, you're at—the current canopy footprint is 10,000 feet in Georgetown, is that what you said?

Joshua Rosen:

Yes. Rough numbers, I mean, we're optimizing the space, so we think we'll probably be right around 11,000 as this project completes and we get things dialed in. The prior—there's a tiny bit of expansion that comes with what we're doing, at least adding lights, mixed with a lot more efficiency through the mechanical systems. It's really those combinations and Leo's team's oversight that we see leading to that doubling of efficiency with only a small optimization plan, (inaudible) budget.

Douglas Cooper:

Okay. Yes, I guess I was just trying to get to that, so you're talking doubling and then tripling. At the end of the day, once Georgetown is fully built out and Worcester's fully built out, can you just give us what it'll have in terms of square footage of canopy and extraction?

Joshua Rosen:

Yes. The Georgetown facility gets to about 11,000 square feet, 10,000 to 11,000 square feet with this, and triples to close to 35,000 square feet, call it 33,000 square feet.

Douglas Cooper:

Yes.

Joshua Rosen:

Then, Worcester's another 5,000 square feet.

Douglas Cooper:

Worcester, 5,000.

Joshua Rosen:

In round numbers.

Douglas Cooper:

Yes. But that's the canopy, or that's the total?

Joshua Rosen:

Yes. That's all just canopy. Georgetown, 65,000 square feet, and Worcester is, I believe—let me come back and verify, but I think it's well north of 10,000 square feet that we have.

Douglas Cooper:

Okay.

Joshua Rosen:
(Inaudible) total space.

Douglas Cooper:

California, can you just sort of talk about—you talked about, I think, rolling out—my notes are all over the place here, California. Maybe just talk about the rollout in California and timelines on that?

Joshua Rosen:

I think what we've articulated, and this is one of those where we're still getting dialed in relative to the combination of local regulatory building permits, etc. What we've communicated is revenue early next year, probably late first quarter, early second quarter, starting with infused products, our own infused products. Some other possibilities; it's a very dynamic marketplace. Leo is spending a significant portion of time, he and his team are spending a disproportionate amount of time in southern California right now, getting that dialed in.

Yes. Outside of the revenue guidance, I hope we're ready to give a more substantive update on California very shortly in terms of the scale of what we're trying to do and the production methodology that we're going to bring there. I mean, it's a—I'd say it's another scaled up version of what's being accomplished in Washington, given the depth of the California marketplace.

Douglas Cooper:

Okay. I think as my final question, just—California's obviously going through some growing pains in terms of the regulatory environment and provisional licenses expiring. Most of the California operators, just the public ones anyway, haven't done particularly well in the stock market. Massachusetts and Illinois are relatively early in their lifecycle in terms of legalization. Do you see a smoother rollout in those states than California has been?

Joshua Rosen:

I mean, I think there's something to coming from a little bit more of a de novo start. Illinois has probably, in some ways, been, at least the cleanest from both a relatively strict regulatory environment, but sticking to those regulatory environments and moving forward, I don't think anybody would point at Massachusetts as an efficient rollout of adult use given the timelines there and what has been a slowdown for many. But the market is there. It's one I think, just about ourselves and our peers all remain very excited about, when you can see the market opportunities that exist.

I think this is kind of the nature of the beast. Every market ends up with its own little micro market, for lack of a better description, and it has very unique characteristics. I think California's struggles resemble more mature markets with a decent amount of small incumbents that were already in the market, as opposed to what you see in Illinois and Massachusetts, for instance. I think it's hard to make the analogy between them and have them line out, other than it takes a different set of inputs to drive the market presence in each one of the states. It's one of the reasons that you hear, when we talk about people, we talk about agility so much, because it does require that ability to take a common set of knowledge, but apply it through, often, a very different supply chain.

Douglas Cooper:

Okay, that's great. Thanks, Josh, for that. That's it for me.

Joshua Rosen:
Yes, thanks, Doug.

Operator:

We have reached the end of the question-and-answer session. I will now turn the call back over to Josh Rosen for closing remarks.

Joshua Rosen:

Yes, thanks, Omar. Thanks everyone for listening in. As I noted, we've hit the ground running with our integration, and believe our platform is built to capitalize on the great opportunities in front of us. I look forward to providing milestone updates as well as any other material developments as we move forward.

With that, I will conclude the conference call. Thanks all.

Operator:

This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation.