

Acreage Holdings, Inc.

Q3 2019 Earnings Conference Call

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Eastern

CORPORATE PARTICIPANTS

Steve West - *Vice President of Investor Relations*

Kevin Murphy - *Chairman & Chief Executive Officer*

Glen Leibowitz - *Chief Financial Officer*

PRESENTATION

Operator

Good morning and welcome to the Acreage Holdings Third Quarter 2019 Earnings Conference Call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star (*) key followed by zero (0). After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star (*) then one (1) on your telephone keypad. To withdraw from the question queue, please press star (*) then two (2). Please note this event is being recorded.

I would now like to turn the conference over to Steve West, Vice President of Investor Relations. Please go ahead.

Steve West

Good morning, everyone, and welcome to the Acreage Holdings third quarter 2019 conference call. Joining me today are Kevin Murphy, our Chairman and Chief Executive Officer; and Glen Leibowitz, our Chief Financial Officer. Today's call is being recorded and will be archived on our Investor Relations website located at investors.acreageholdings.com.

As a reminder, today's call may contain forward-looking information for purposes of applicable securities laws. These are subject to various risks, uncertainties and other factors that could cause our actual results to differ materially from those forward-looking statements, which include certain material factors and assumptions. Any such statements should be taken in conjunction with cautionary statements in our press release and risk factor discussions in our public filings that can be found on SEDAR and EDGAR as well as our investor website. Any forward-looking statements made on this call speak only as of today and we assume no obligation to update any of these forward-looking statements or information.

For your future scheduling purposes, our full year 2019 earnings release is tentatively scheduled to be issued after the market close on February 25th and our earnings call is tentatively scheduled for the morning of February 26, 2020.

I will now turn the call over to Kevin.

Kevin Murphy

Thank you, Steve, and good morning, everyone. It's been a dynamic three months since our last earnings call. The cannabis industry has endured a series of negative events with headlines ranging from alleged illegal operations by some public cannabis companies issues with certain vape-related products and perhaps most challenging a negative issue around accessing capital that is impacting some of the largest companies in cannabis. All that said, my optimism about the future of cannabis has not diminished, not one bit.

Before moving on to our state-by-state updates, I would like to remind you of our brand strategy. In an increasingly competitive market, we must create brands with distinct value propositions and consumer targets. We have taken the lead by conducting proprietary consumer insights research that unlocked key opportunities for new products and brands. Our brand portfolio is gaining momentum with new product launches and expansion into new markets across our expansive footprint. We are now selling our brands in five states and more will be added before year-end.

We also plan to launch Canopy Growth's Tweed brand in the next month or so in Oregon, Maine and Massachusetts, further expanding that brand's global reach. Our strategy of creating

premium, truly differentiated brands is cutting through the clutter of the most competitive market in the world. The Botanist, our flagship wellness brand, will feature a full range of form factors in the premium tier. Tweed will be our flagship recreational brand meeting the needs of everyday consumers. We are also developing a value brand to leverage our unique capabilities in cultivation, and our innovative unique propositions like Live Resin Project concentrates and Natural Wonder sublingual sprays are receiving rave reviews from budtenders and connoisseurs alike.

To bring them all to market, we have a focused key account sales strategy to drive velocity and repeat purchases, ensuring these brands are built for the long-term growth. Moving on to our state level updates.

In California, our new brands presented at Hall of Flowers were very favorably received and reviewed. In fact, according to Cannabis Now, our Natural Wonder and Botanist-branded products were highlighted as among the top brands out of nearly 350 brands showcased at this premier marketing event.

Form Factory made great progress as the open facility is now operational. Form Factory is already leveraging its industry-leading innovation in California with trusted brand partners, which will lead to long-term profitable relationships. In fact, Form Factory has formulated and is producing a new line of cannabis-infused wellness beverage shots for K-Zen Beverages and a line of quick-dissolve tablets for Dosist, which all debuted this past month.

In Florida, we broke ground on our 100,000-plus square foot Sanderson cultivation facility and expect it to be fully operational in the spring of 2020. We are currently growing cannabis in our smaller Miami facility, which will be used to supply our first dispensary opening in Spring Hill, this December. In order to support our additional dispensary openings, we are leveraging supplemental cultivation facilities on our Sanderson property until it is fully complete.

In Illinois, the initial phase of our 80,000-square foot facility in Freeport is nearly complete. We expect to have significant finished product in time for the adult-use transition at the beginning of 2020. Additionally, we will begin a second phased expansion in the same facility, which will be completed in the first quarter of 2020. We expect these expansion projects will allow us to grow enough product for our dispensaries as well as supply a robust wholesale business. Currently our wholesale business is selling into nearly half the retail dispensaries in the state. We have established relationships with all operators in the state and fully anticipate our retail distribution will grow significantly as we bring more production capabilities online in the coming months.

In New Jersey, our partner has nearly completed construction of their Atlantic City dispensary and expect it to open in December pending regulatory approvals. They are beginning expansion efforts in their Egg Harbor cultivation facility to meet increased demand from their retail dispensaries as well as increased wholesale products – request for products. With this large-scale cultivation project underway, we are laying the groundwork for a significant wholesale business once adult-use is approved.

New York has also made significant progress. Our Botanist branded products were approved for sale and we are now selling them in our retail dispensaries along with ramping into the state's wholesale channel. Initial sales in our dispensaries have been brisk and feedback from our patients has been very positive and rewarding to-date. Finally, we are in the early stages of analyzing expansion of our Syracuse cultivation facility, as well as increasing our processing capabilities in anticipation of adult-use legalization.

In Ohio, I am pleased to report our partner received approval to open their three remaining dispensaries in Akron, Columbus and Cleveland as The Botanist. All three were subsequently opened and our partner was the first in Ohio to open the maximum five dispensaries allowed by law. If the results in their first two dispensaries are any indication, they are well positioned for a very long medical cannabis retail operation. Production continues at the cultivation and processing facility, with the processing facility construction to be complete in December, we are looking for regulatory approval to commence operations immediately. Once online, we expect our Ohio partners will rapidly build out a wholesale business and immediately introduce our products to market.

Finally, I would like to touch on Pennsylvania. While we have not spent a lot of time discussing this state, I would like to note, we have established a leading wholesale business in the state. In fact, we have achieved 100% distribution into all 70 operational dispensaries with our Prime-branded medical products. Pennsylvania recently added anxiety to its list of ailments for cannabis and the increased demand is leading to significant growth and product shortages.

Our Prime-branded medical products are also in very high demand given their reputation for the highest quality and overwhelming positive consumer feedback. We are currently in the initial planning stages of an expansion to our cultivation and processing facility in the state to meet the growing medical demand and possibly adult-use legalization.

I believe, this state-by-state update gives everyone a flavor of the hard work and tangible progress Acreage is making toward building a great cannabis company throughout the United States.

I would now like to give a policy update on some key federal and state initiatives as they relate to the cannabis industry. The momentum discussed on previous calls continues and will likely accelerate through 2020. At the federal level, as we expected, the House of Representatives made history, asking the first stand-alone cannabis bill at the federal level. SAFE Banking Act Pass the House in overwhelming Bipartisan fashion, ordering 321 votes, continue to believe the Senate will take up the vote, likely as a bolt-on to another larger spending bill in the next few months.

The positive momentum on the SAFE Banking Act continues, and we still believe the house passage of the STATES Act will likely occur mid to late year 2020 with the Senate following late 2020 or early 2021. Make no mistake as the presidential election draws closer, the issue of cannabis legalization will take a more prominent role in debates, creating more momentum over the next 12 months to 18 months.

Moving on to the state level, there have been some very exciting developments in the Mid-Atlantic and New England regions recently. New York Governor Cuomo along with New Jersey Governor Murphy and Connecticut Governor Lamont are leading an unprecedented multistate cannabis summit focused on our regional strategy for adult-use legalization, taxation, consumer safety, and of course the recent vaping issue. This is in keeping with our comments last quarter, when we said New Jersey and New York would likely legalize marijuana for adult use.

I have long said that once either New York or New Jersey, legalized adult-use, then the entire Mid-Atlantic and New England regions, including Pennsylvania would quickly follow. It was not lost on us that Rhode Island and Pennsylvania also participated. It is not a matter of if, but when it will happen for the entire region, and we believe it is coming soon.

As a reminder to our investors, Acreage has a dominant position in the New England and Mid-Atlantic regions versus our peers. While there is much excitement around Illinois going adult-use and rightfully so, keep in mind, the Mid-Atlantic and New England regions are larger in population and GDP than California by nearly 1.5 times and 4 to 5 times larger than Illinois.

California is the largest single cannabis market in the world. The state has more than 600 legally licensed cannabis dispensary and growing. Conversely, the Mid-Atlantic and New England regions are very limited in numbers of dispensary licenses issued, which should lead to significantly better unit economics. Acreage has more to gain from the region legalizing adult-use than any other cannabis company.

That concludes our policy update. I will now turn the call over to Glen.

Glen Leibowitz

Thank you, Kevin and good morning everyone. Last night, we reported our third quarter results. Our reported revenue was \$22.4 million, which was an increase of 307% versus the comparable period in 2018 and driven primarily by acquisitions, opportunistic wholesale sales, and new dispensary openings.

Gross profit was \$11.7 million and gross profit excluding fair value items was \$9.2 million, up 389% versus the prior year period, driven primarily by acquisitions and new dispensary openings.

Our gross profit margin excluding fair value items was 40.9%, which was 690 basis points higher than the prior year period. The margin improvement was driven primarily by the increased mix of higher margin wholesale sales.

Longer term we expect gross margins to improve as our wholesale business continues to scale and grow and we become more vertically integrated across our footprint, but there will continue to be a quarterly volatility during the short-term. Our third quarter net loss attributable to Acreage was \$39.9 million or \$0.45 per share.

Moving to adjusted and pro forma results for the third quarter, managed revenue was \$32 million, and our pro forma revenue was \$42.2 million, which was up 15% quarter-over-quarter, an acceleration from our second quarter growth rate.

Our adjusted net loss attributable to Acreage was \$15 million or \$0.17 a share. Our adjusted EBITDA was a loss of \$12.4 million and our pro forma adjusted EBITDA was a loss of \$9.1 million, which was essentially flat versus our second quarter pro forma adjusted EBITDA loss of \$9.1 million.

Balance sheet highlights include ending the quarter with \$37.6 million in cash and cash equivalents. In the year-to-date period, we have deployed \$204 million in capital for mergers and acquisitions, including \$110 million in equity and \$94 million in cash.

Additionally, in the year-to-date, we have invested nearly \$29 million in CapEx for footprint build-out and advanced -- and an additional \$25 million to entities, which we have managed services, consulting or other arrangements to assist in their footprint build-outs.

Moving to our full year 2019 outlook, we ended the quarter with 26 operational dispensaries. Subsequent to our quarter end, our partners opened the additional three Botanist dispensaries.

Currently, we have four completed dispensaries awaiting regulatory approval to open for operations including three in Massachusetts and one in Michigan. We are maintaining our 2019 operational dispensary target of 35 to 45. We will provide financial insights on 2020 during our fourth quarter earnings call in February.

With that said, I would like to close with two thoughts to help you understand our future financial reporting requirements. First, as you know we have completed our going public transaction in Canada as a qualified foreign private issuer for U.S. reporting purposes. This means that 50% of our voting securities are held by non-U.S. shareholders. SEC rules require that if greater than 50% of our voting shares are held by U.S. residents, we become subject to U.S. reporting rules.

We conducted the shareholder test this summer as required by the SEC rules and concluded that the greater than 50% of our voting securities are now held by U.S. residents. So, beginning with our fourth quarter and fiscal 2019 financial results, we will report our financial statements in accordance with U.S. Generally Accepted Accounting Principles or U.S. GAAP. There will be changes in some of the line items between GAAP and IFRS, including re-measurement of biological assets stock compensation expense and fair value of investments.

We will provide more details as our final assessment is concluded but wanted to give everyone a heads-up to avoid any future confusion as it relates to the change in our financial statements to the SEC on Form 10-K for our year end reporting.

Second, we have managed services consulting or other agreements, in which some of the states in which our partners operate. With the understanding that once statutes change, Acreage Holdings will be able to consolidate them into our reported financials. With that in mind, the statutes have changed in California, Maine, and New Jersey recently and we expect to consolidate those entity's results into our GAAP financials likely in the fourth quarter of 2019 or the first quarter of 2020 depending on when we have final regulatory approval. We will provide updates as appropriate to ensure the greatest transparency as possible.

That concludes my financial commentary and now we will turn it back over to Kevin for his concluding comments.

Kevin Murphy

Thank you, Glen. Before turning the call over to the operator, I want to comment on the vaping issue hanging over the industry. We have, obviously, been monitoring the situation very closely and our prayers are with the victims and families impacted by the epidemic.

We are pleased to see the recent CDC announcement that vitamin E acetate an additive found in cannabis products on the illicit market was found in all the lung tissue samples they tested. This is exactly why the regulated markets are so important because they are held to a very stringent testing standards to ensure the safety of patients and consumers.

We encourage more regulations and more crackdowns on illicit markets as we have seen in California most recently. We are watching the situation carefully and supporting the efforts of the industry to educate the public about the safety of the products they buy from legal operators.

In closing, I would like to thank our Acreage associates for all their tireless work in helping to position us as a leading operator in the U.S. cannabis industry. We could not be more pleased and optimistic about the future you are building for Acreage longer term.

With that, I will have the operator open the line for questions.

QUESTIONS AND ANSWERS

Operator

We will now begin the question-and-answer session. To ask a question, you may press star (*) then one (1) on your telephone keypad. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw from the question queue, please press star (*) then two (2). We ask that you limit yourself to one question, if you have additional questions, you may reenter the question queue.

The first question is from Aaron Grey of Alliance Global Partners. Please go ahead.

Aaron Grey

Good morning and thanks for the question. I guess, first off, I just want to ask about the sequential change in revenues. Can you just talk about what drove that between retail, wholesale and then Form factory? I know you mentioned the gross margin was up due to wholesale. So, are we right to assume that most of that sequential increase was due to wholesale? So, any color on that would be greatly appreciated. Thank you.

Glen Leibowitz

Thanks for the question. This is Glen. I will take that. So just keep in mind from 2018, we had -- during the summer last year, we had performed the acquisitions of various entities. So, the sequential increase is due to not only those acquisitions rolling into the financial statements year-over-year, but then from a quarter-over-quarter perspective we have more maturing of our business not only from a retail perspective, but also from our wholesale operations.

In certain locations, we have had some opportunistic wholesale sales, and as you can appreciate from a margin perspective where we have integration -- vertical integration as well as wholesale, they have higher margin than just a stand-alone retail. So, there is a lot of product mix as well as different revenue streams, which are aggregating into that increase in revenue quarter-over-quarter and then as I explained the year-over-year.

Operator

The next question is from Graeme Kreindler of Eight Capital. Please go ahead.

Graeme Kreindler

Yeah, hi good morning. Thanks for taking my questions. I wanted to go back; you gave some color on the expected retail rollout, and the last target that was put out there was somewhere between 35 to 45 stores opened by the end of the year. So, considering where you are at right now, where are you expecting the dispensary count to be at by the end of the year with respect to open and operating dispensaries? Thanks.

Glen Leibowitz

Thanks for the question Graeme. It is Glen. I will take that one. So yes guidance we still reaffirmed 35 to 45 retail locations for the full year, and then just some highlights, as you know we have 26 opened currently and you have seen the news as it relates to Ohio, we now have those three open. We are still planning on having one more in Nevada, one more in New Jersey. There is one in Florida that is planned to be opened as well as a couple in Massachusetts, if things change from a regulatory perspective and then one in California. So feeling confident about the guidance that we put out between 35 to 45 we are reaffirming that expectation.

Operator

The next question is from Brett Hundley of Seaport Global. Please go ahead.

Brett Hundley

Hey, good morning guys. Kevin, I just have a strategy question for you. So, since you guys signed your agreement with Canopy over the summer and have had the chance to interact with one another. I wanted to get a sense for -- you mentioned your brand strategy in your prepared remarks, but I want to go back to your geographical footprint. One of your big red competitors from out west has talked recently about how it is focusing differently going forward. It is going to focus on depth going forward as opposed to breadth, and I am just curious if you guys have reevaluated that as well, and whether or not that could lead to potential asset sales going forward just another way to raise capital right now. Thank you.

Kevin Murphy

Well, thanks for the question, and we have no intention of selling any assets. As a matter of fact, we will be a net aggregator of assets going forward. We will continue with our plan as it was established back in 2011, we had established a first mover advantage in many states going back originally to our roots.

Step two is to go broader and deeper in every state that we are in. So, the road to prosperity and the road to success is going to be different whether it is ourselves, GGI, Cresco, MedMen or anyone else for that matter. Our strategy was to go as broad as we possibly can, and really encompassing as many states as we can, and now the job is to go deeper and broader in those states and adding new states as we move forward.

As it relates to accessing capital, we believe the transaction and the affiliation that we have with Canopy will help us access capital in the future, and we believe it will equate to very reasonable capital in the future. So, our goal is to continue to press forward, but consider this; we have a tremendous amount of work to do in front of us given the broadness of our portfolio. So others that have focused on several states to go deeper and broader in those states maybe have less of a lift than we do with the 20 states that we are currently in, so that is our strategy, and as I say, we have never been more optimistic about the prospects of this business going forward and it is our goal along with ultimately the goal of Canopy, when we can come together as one company, to be a global dominant player, period, end of story.

Operator

The next question is from Matt Bottomley of Canaccord Genuity. Please go ahead.

Matt Bottomley

Yes. Hi, all. Thanks for taking the question. You noted in the press release last night that you have a path to secure the capital resources needed for future expansion. Can you just comment on any additional color with respect to what those options are? And where your balance sheet is today versus what your plans are over the next 6 to 12 months? Thanks.

Glen Leibowitz

Sure. It is Glen. Thanks, Matt for the question. So, as we noted, our balance sheet had \$38 million of cash, and subsequent to September 30, we closed on \$18 million of REIT financing. We have continued to be in discussion about other potential assets that we would sell to the REIT. So, I

feel confident in our cash balance and what we need to execute, because the REIT will obviously support any additional build-outs needed. So that -- I feel confident in that perspective on a go-forward basis, and then to follow up on Kevin's comment about capital, we are in active negotiations and discussions with various parties as it relates to cheap cost of capital and we feel like we have got a real excellent pathway to getting that access to capital as a result of our relationships with Canopy, so do not have anything to announce right now, but we feel really excited about what is coming down the pipeline, and then, as far as various forms, we are looking at balance sheet, whether its debt financing or, obviously, equities, is probably not the right option right now, but we do look at all different aspects of our balance sheet and we will deploy as needed when the timing is right.

Operator

The next question is from Shayne Laidlaw of Hedgeye Risk Management. Please go ahead.

Shayne Laidlaw

Hey, Thank you so much for the question. I appreciate it. Just turning to Florida. So, as talk to your competitors continue to show a significant strength in the state, even despite the growth of other national players down there, has it changed at all from a strategic perspective for you?

Kevin Murphy

Not at all. Florida is a very important state to us, and we ultimately believe in the long-term that we will be a significant force in Florida. Again, things take time. We have ourselves set up with prime A-plus locations in the state. We have delayed opening those locations due to the fact that we need to bring significant product online to service those locations. The worst thing that we can do is open a number of locations and not have enough supply for those locations, but again, back to our strategy, we are currently in 20 states looking for more states, we are going to go deeper and broader in the states that we are in, Florida is a major focus of ours. We could not be more excited about the prospects of that state, as well as California, Michigan, Illinois and some of the New England states that we believe will transition to adult use.

So, nothing has changed, but for a slight delay in improving the growth that we are currently looking to build. We have broken ground on our Sanderson facility, which is 100,000 square foot capacity, and we will look to increase that capacity as we go forward into 2020.

Operator

The next question is from Glenn Mattson of Ladenburg Thalmann. Please go ahead.

Glenn Mattson

Hi. Thanks for taking the questions. Two, quickly, I will mention them both. First, in Massachusetts, can you give a little more color, there is no change in the -- from the commentary in last quarter, that we are kind of waiting for changes in the regulatory structure.

Could you give us a little update on that? And if there has been any holdup in the state based on the -- some of the unscrupulous activities that were going on in the local municipality level and just kind of what the outlook is there?

And then, Glen, after that, if you could, just -- you hinted towards gross margin volatility that might have been boilerplate, but maybe you could go in a little more detail about how we should be thinking about gross margins in Q4 and for next year?

Kevin Murphy

Sure. Great. Well, I will speak to Massachusetts first. We have met with the regulators in Massachusetts. We feel very comfortable and confident that we will receive approval to open those dispensaries in the very near term. So that is very encouraging for us.

The one thing that is very challenging to understand and frankly commit to, is other people's regulatory, frankly, behavior. We were very fortunate to move past that in Ohio, but we do not believe that we are being held up by any of the, as you described unscrupulous behavior of some of the stuff that is going on in Massachusetts. I think, Massachusetts is victim of being understaffed and overwhelmed by people that are looking to get through the queue, but we anticipate we are very close to getting through that, and it is frankly just a matter of a short period of time, where we will be able to announce the openings of not only the dispensaries that we own, but the ones that we have managed services for. I will turn the second part of your question over to Glen.

Glen Leibowitz

Just as in response to the follow-up there on the gross margin and the volatility, just to give you some insight on how we look at our business and what we are seeing, so where we have retail only such as Connecticut for example for us, we are seeing about mid-30s as gross margin, and then in wholesale markets, where we are only wholesaling for Pennsylvania for example, we are seeing around plus to mid-50s on gross margin, and then opportunity is really to be vertically integrated, which is where we are seeing the 70-plus percent margins. So hopefully, that is enough color to help you understand how we look at our business and how those margins are moving.

So, as a result of maturing in each of these different markets, you are seeing that volatility, but generally the trend of what we are seeing is to higher gross margins as these businesses in each of these states mature.

Operator

The next question is from Jesse Pytlak of Cormark. Hello, Jesse, is your line on mute?

Jesse Pytlak

Hey, Good morning. Good morning. Just a quick question on Form factory. I know in your prepared remarks you mentioned kind of two of the brand partners that you are working with in California there. Just wondering if you can maybe give us a broader sense of how many brand partners you might have in total, working with Form Factory at this time? And then just kind of the reach you have into that dispensary network in the state.

Kevin Murphy

We have a number of brand partners that have come to us requesting our service with Form Factory. We are in the midst of building out our capability for Form Factory and in the midst of negotiating with a number of partners. I do not think it is fair to disclose those partners. I do not think that they would appreciate it, clearly it is not something that we would share, but I will say that the Form Factory combined with other things that we are going to be doing in the very near term, we will equate to innovative products, products that we would specialize in and products that we would have -- I would not say the only capability in performing, but the ability to perform those capabilities in scale. So, we do have world-class names coming to us. We welcome those relationships and we will be announcing them as they come online here in the very, very near term.

Operator

Again, if you have a question, please press star (*) then one (1). The next question is a follow-up from Graeme Kreindler of Eight Capital.

Graeme Kreindler

Hi, thanks for taking the follow-up. I just wanted to touch back on GreenAcreage here, and if I understand correctly, there is about \$44 million that is earmarked for construction. I just wanted to confirm is that going to go specifically into the states of Florida and Illinois? And is that \$44 million amount expected to fully cover the build-out plans there? Thanks.

Glen Leibowitz

Thanks for the follow-up question. So, we have not disclosed specifically where those dollars are going to be utilized, but it is implied that we have got construction under the way in Florida, as well as Illinois. So, you can bank on that, and then as far as the downstream, the REIT, I think has publicly announced that they have raised \$140 million. So, we are going to be utilizing as much as that capital that they have raised to deploy in our framework, so as much as available to us, we will utilize it.

Operator

The next question is a follow-up from Matt Bottomley of Canaccord Genuity. Please go ahead.

Matt Bottomley

Yes, thanks, again, guys. Just wanted to get a bit more color on two states in particular just looking at where your current dispensary count is versus -- where you have licenses to open. So, the two are just Nevada and Michigan. Forgetting any sort of cutoff at year-end, just generally going forward, how do you see the Nevada market rolling out with respect to some of the litigious nature of it? And any sort of updates on your view of how that market is trending, and then maybe just some color on your optionality in Michigan given the back and forth with respect to the rec rollout there? Thanks.

Kevin Murphy

Thanks, Matt. This is Murph. As it relates to Nevada, we are extremely excited about that marketplace, and again, one of the greatest frustrations in this business is the hang-up on a regulatory front, we are well through the HSR, but now we may be further delayed with the state regulatory body and all the noise around the new licenses, the group that we are aligned with Deep Roots was fortunate on top of the two that they currently have one in additional five licenses.

We are excited to bring them online, but unfortunately, we have to hurry up and wait for the regulatory bodies in that state to give us the green light, number one. Two, we have today three dispensaries in the Michigan area, one is built and just waiting for regulatory approval. We have two more that should be completed by the end of this year, and again, we are doing our part to get these up and standing and ready for commerce, but the fact of the matter is we then have to rely on the regulators to give us the green light.

So, we are doing all that we can on our side to make it work and we are leaving the rest to the regulators to give us the green light. So that is where we are in those two particular states.

CONCLUSION

Operator

This concludes our question-and-answer session and today's conference. Thank you for attending today's presentation. You may now disconnect.