

Glass House Brands Inc.(3Q25 Earnings)

November 12, 2025

Corporate Speakers:

- Kyle Kazan; Glass House Brands; Co-Founder, Chairman, Chief Executive Officer
- Mark Vendetti; Glass House Brands; Chief Financial Officer
- Graham Farrar; Glass House Brands; Co-Founder, President

Participants:

- Frederico Gomes; ATB Financial; Analyst
- Luke Hannan; Canaccord; Analyst
- Andrew Semple; Ventum Financial; Analyst
- Marc Cohodes; Alder Lane; Analyst

PRESENTATION

Operator^ Good afternoon, ladies and gentlemen. Welcome to the Glass House Brands Third Quarter 2025 Earnings Call.

Matters discussed during today's conference call may constitute forward-looking statements that are subject to the risks and uncertainties relating to Glass House Brands' future financial or business performance.

Actual results could differ materially from those anticipated in those forward-looking statements.

The risk factors that may affect results are detailed in Glass House Brands' periodic filings and registration statements.

These documents may be accessed via the SEDAR+ database.

I'd also like to remind everyone that this call is being recorded today, Wednesday, November 12, 2025.

On today's call we have Kyle Kazan, Co-Founder, Chairman and Chief Executive Officer of Glass House Brands; and Chief Financial Officer, Mark Vendetti.

Following prepared remarks, management will open up the call to analyst questions.

Also joining for a question is Graham Farrar, co-Founder and President.

And with that, I turn the call over to Kyle Kazan.

You may begin.

Kyle Kazan^ Good afternoon. Thank you Operator, and to all of you for joining today's call.

For greater detail on results, please refer to our third quarter 2025 press release and financial filings.

For obvious reasons related to recent events, the third quarter was the company's most difficult to date. That statement speaks volumes, given the many challenges faced over the past 10 years by operations and within the industry in general.

I'd like to thank our entire team, customers, business partners and investors for their support and commitment through the period of time and since.

As with every difficulty, we have adjusted, and through dedication and grit, are emerging as a better and even more durable company for having faced it.

As most on this call are aware, two of our farms were raided by federal agents on July 10 as part of a broader immigration crackdown in California and specifically the state's agriculture industry.

For anyone interested in further detail on those events and our subsequent response, I refer you to the company's August four press release.

With that said, in light of the events, this past summer, we made the very hard decision to completely revamp hiring and staffing practices for both employees and third-party labor contractors.

We did this voluntarily, and the resulting practices go way above and beyond what is required by both federal and state law.

While we believed we took proper measures in the past to comply with state and federal immigration laws, we are confident that we now have procedures in place that, to our knowledge, nobody else has implemented to ensure that all of our employees and employees of farm labor contractors at our facility meet legal requirements for age and immigration status.

As outlined in the August earnings call changes made and the resulting temporary staffing shortages prompted our scaling back of new planting and production in the third quarter.

In short, we accepted a roughly 6-month step back in operations to protect the company's short and long-term interest and ensure the greatest possible success moving forward.

In addition, we delayed construction on ongoing expansion projects into next year to better utilize the available workforce as we scale back up. These projects remain priorities and will drive meaningful growth in the future.

Third quarter results reflect the impact of the difficult decisions. Total revenue was roughly \$38 million, slightly ahead of guidance, but down from \$64 million in the equivalent period last year and below the mid-to-high \$60 million level that we were tracking on prior to July 10. The retail and CPG segments remain strong and with revenues up again year-over-year. The gains were not a one-off performance. And year-to-date retail sales have increased 13% year-over-year, outperforming broader California retail sales by more than 23%.

Yes, California sales in general are down by more than 10% year-to-date. Allswell was the top-selling flower brand in California by units sold per Headset.

Our everyday \$9.99 per 1/8 out-the-door price at our retail stores continues to differentiate us.

Consumer wallet pressure is a trend that we unfortunately expect to continue for the near future. And we are confident that further share gains will come based on our unique capability to withstand and succeed in this type of environment. Retail results were based primarily on same-store sales at our 10 owned dispensaries, while in CPG, we saw some modest contribution in the third quarter from the Leaf MSA agreement, which commenced in July. MSAs present a platform to expand without capital investment, and we are pursuing additional opportunities for both retail and cultivation and production.

Our team's same-store sales strength and production capabilities offer a compelling narrative to any potential partner looking for the best way to leverage assets within the challenging market.

As planned, we experienced meaningful declines in revenues and production within our wholesale segment. Wholesale revenues declined substantially year-over-year. And we produced 124,000 pounds of biomass, less than half of what would typically be expected.

We count only fully processed cannabis in production.

And as discussed on our second quarter earnings call we plan to push some biomass processing from the third to fourth quarter to utilize a temporarily reduced labor force more efficiently.

We aim to start the fourth quarter with a much higher-than-normal amount of harvested but not yet processed product.

However we saw greater deterioration in the plants from the delays than we originally anticipated.

We have an incredibly talented team, but this is agriculture, and plants unfortunately do not have a pause button.

We are confident that the impacts are transitory.

But simply stated, we saw lower volumes and quality of biomass product available for sale than we originally anticipated. The average third quarter selling price was \$155, well below the \$181 level we projected.

For reference, price was \$229 in the third quarter of last year.

Cost of production beat guidance at \$128, partially offsetting the pricing dip, but was still way above the \$91 level that we achieved in the second quarter and what we would have otherwise expected. Lower selling prices and higher cost of production in wholesale dragged on our overall margins, resulting in a total reported gross margin for the third quarter of roughly 31% and adjusted EBITDA loss of \$2.3 million, both well below seasonal and recent levels.

Looking ahead, Mark will provide explicit guidance.

However we expect to have a larger impact on 2025 production than we initially thought. The events of July 10 were unprecedented and has taken longer than anticipated to assess the situation and reset fully.

For the fourth quarter, we had less starting inventory available for sale from the third quarter than we expected.

We will continue to work through the sale of deteriorated product with the inventory we have.

This will result in lower revenues and a margin drag from what we previously anticipated. The processing and sell-through of legacy product will be completed prior to year-end. Fourth quarter headwinds will drive a cash burn during the remainder of the year, and we now anticipate ending 2025 with roughly \$20 million in cash and equivalents.

Now looking ahead beyond the fourth quarter, we are ramping back to full production capacity within existing greenhouses and remain on track for that in the first quarter of 2026.

We have completed the build-out and planting of the first third of Greenhouse 2. And by the end of this year, our cultivation team will have the most acreage planted in Glass House's history. The remainder of Greenhouse two will be fully built out and operational within 2026. And we maintain the option to turn on Greenhouse four this year, depending on the status of hemp-derived cannabis and our ability to ship outside of California.

I remind that when Greenhouse two and four are completed, we maintain a sixth greenhouse still undeveloped, giving us the ability to expand capacity by more than 50% from our current footprint. To be clear, Glass House Brands will soon plant a new record amount of plants and expect 2026 to be our best year ever.

Meanwhile, despite the changes made, our long-term cost structure is intact.

We are back to roughly full seasonal staffing capacity at the farms including both employees and third-party labor contractors. New workers gain invaluable experience every day. And we do not foresee a change in the cost of labor from the more stringent hiring practices moving forward.

I remind that with our second quarter update, we lowered our full year cost of production target from \$100 per pound to \$95 and are confident that we will achieve roughly that level for each of the final three quarters of 2026.

Our low-cost production capabilities stem from our consolidated scale of capacity, the skill of our seasoned leadership team and advantageous weather conditions here in California.

We will never have to pay the high and growing energy bills of indoor peers.

It is these benefits that have sustained us despite challenging California cannabis market conditions and will further differentiate the company once prohibitions are removed and we can sell into new markets.

While most cannabis farms shutter amid skyrocketing COGS, driven by rapidly rising electricity costs from AI server farms and electric cars, we enjoy the beautiful and free sunshine.

Like all stakeholders in the industry, we are hopeful for looming change to come out of Washington and anxiously await further progress on long speculated legislative action.

We believe change would bring opportunities to greatly expand upon our current addressable market and profitability in the near term without our deviating from the legacy core competency of the company, growing low-cost cannabis or sacrificing anything from the existing business. That capability separates Glass House from the peer group in and outside our current market.

We understand that declassification or reclassification of cannabis to Schedule III under the current administration may provide export opportunities into international markets. Anyone following the earnings results of our Canadian peers has heard of the multibillion-dollar wholesale opportunity presented by European export and how European wholesale contribution has benefited those companies' results in terms of growth outlook and margin expansion on account of premium wholesale prices.

Our cost of production looks to be multiples lower than these companies, and our capacity to produce is significantly larger.

In some European markets, we understand premium top-tier cannabis is already referred to as Cali product.

So we strongly believe there is an immediate available marketing pitch.

It is still early, but we are evaluating what procedures would be required to bring Glass House product into Europe.

We will be prepared to quickly pivot to participate when possible.

We also understand that legislative change could bring opportunities for interstate regulations to change, particularly as it relates to the medical market.

We are confident that we would similarly be ready to capitalize on any opportunities presented based on our low-cost production model and in leveraging the experience gained through our UC, Berkeley relationship in hemp, which has prioritized novel medicinal development.

As with European wholesale, any medical cannabis opportunities outside California would similarly offer dramatic price premium multiples to what is currently available in the Golden State.

Finally, as it relates to intoxicating hemp, we do not know what will ultimately occur with the ban in Washington.

However this is a complicated issue, and a 1-year implementation period is significant, so further debate seems likely. Ultimately, we expect a broader resolution permitting natural hemp to be like state-regulated cannabis based on a combination of age gating and testing. To that end, we continue to proceed with a commercial hemp strategy. To date, we have not sold hemp.

And if a ban does occur, while disappointing, we will shift our plans for Greenhouse four back to cannabis.

Suffice to say, our excitement for potential legislation goes well beyond the positive outcomes that have been widely discussed in the industry including the permanent elimination of 280E taxes, the opening of capital markets and greater investment access.

We certainly welcome any of these changes.

However in our case, we believe there are even greater opportunities ahead to transform results.

Regarding capital market openings and normalization, we are pleased and honored last month to become the first U.S. plant-touching cannabis company to have our stock listed on the Robinhood trading platform. Unencumbered investor access is a long time coming for this industry, and this represents an important next step.

Specifically, Robinhood has an investor universe of nearly 27 million accounts and 11 million unique users, and we welcome the ability to reach this large platform of potential investors.

With that said, I'll turn the call over to Mark Vendetti, our Chief Financial Officer, to discuss our financial results for the quarter in detail.

Mark Vendetti^ Thank you, Kyle. Good afternoon, everyone.

As Kyle highlighted, third quarter revenue was \$38.4 million, down from \$63.8 million in the same period last year and \$59.9 million in the second quarter 2025. The decline stemmed from the difficult decisions that Kyle previously explained and the resulting impact within our wholesale segment.

We produced 124,000 pounds of biomass in the third quarter, nearly half of what we would produce in the prior quarter and in the third quarter 2024.

Because of inefficiencies from reduced production volume, production cost per pound was \$128 in the third quarter. This compares to \$103 last year and the \$91 we reported in the second quarter. Even with the recent updates to staffing procedures at full production capacity, the third quarter cost of production would have been in line or better than the second quarter levels.

We sold 137,000 pounds of wholesale biomass in the quarter, down from 209,000 in the same period last year and 204,000 in the second quarter. The average selling price for biomass sold was \$155 per pound versus \$229 last year and \$206 in the second quarter. Year-over-year price declines reflect continued California pricing challenges.

However more significantly, the sequential decline can be attributed to an unfavorable mix shift from flower to trim within the product mix.

For the third quarter, flower would normally approach 40% of production.

However, in the third quarter, we were in the mid-20% range.

As a reminder, we have been selling higher levels of trim this year on account of improved cultivation practices, which allow us to harvest and sell trim material that would have previously been disposed of. This has the effect of lowering our ASPs as the additional material is predominantly trim, which garners lower average selling prices. The greater trim volumes, though, were exacerbated in the third quarter due to

deterioration in the product that was available for sale because of delays in processing as we face temporary staffing shortages.

Third quarter consolidated gross profit was \$11.8 million and gross margin was 31%. The gross margin compared to 52% in third quarter 2024 and 53% for the second quarter this year, with declines stemming from the lower average selling prices and higher production costs in the wholesale business. Gross margin within our retail segment improved both quarter-over-quarter and year-over-year.

Adjusted EBITDA was negative \$2.3 million for the period compared to \$20.4 million in the third quarter 2024 and \$18.1 million in the second quarter of this year. Adjusted EBITDA reflects the factors that impacted our gross margin performance, as well as a modest increase in operating expenses. Third quarter operating cash flow was negative \$5.1 million compared to \$13.2 million last year and \$17.7 million in the second quarter.

Turning to the balance sheet.

We ended the quarter with approximately \$30 million in cash and restricted cash compared to \$44 million last quarter.

Inclusive in cash spending was roughly \$9 million in CapEx, of which \$3.5 million was related to the purchase of the Lompoc manufacturing facility with the principal remaining balance going to fund the build-out of Greenhouse 2, for which the first third is already planted.

In addition, we paid \$1.9 million in preferred equity dividends.

Investment for the first third of Greenhouse two build-out is largely complete.

As discussed on the second quarter earnings call we completed the refinancing of our Series B and C preferred stock for \$77.5 million. The preferred equity refinancing eliminated burdensome payment-in-kind terms related to the former Series B and Series C preferred stock, in turn, reducing cumulative interest and saving the company approximately \$5 million in dividends in the second half of the year and \$18 million through 2026.

We also received \$2.3 million in ERC tax credits in the third quarter, and we continue to await the remaining \$5.1 million in tax credits from the federal government, as well as the \$2 million refund from the State of California for 2021 and 2022 taxes.

Turning to guidance.

As Kyle discussed, we pushed some wholesale sales into the third quarter and experienced greater deterioration in product from production delays than we anticipated at the time of our previous investor call. These factors will exclusively impact fourth quarter results as we expect all older inventory to be sold within the period.

We expect fourth quarter total revenue to be between \$37 million and \$39 million, which is \$18 million to \$20 million below where we were tracking, based on production levels prior to July 10 and typical seasonality.

The revenue drag will occur within the wholesale biomass segment as we will produce between 140,000 and 145,000 pounds of biomass for the quarter, roughly two-thirds of what we would typically expect. The fourth quarter selling price for wholesale biomass is assumed to be between \$145 and \$150 per pound, down from the \$220 last year, while cost of production will be approximately \$130 per pound versus \$110 last year.

As a result of the higher cost of production, we anticipate Q4 gross margin to be in the high 20% range, which compares to 43% last year.

With the update, full year revenue is now anticipated to be in the range of \$180 million and \$182 million, down from prior guidance of \$190 million to \$195 million; full year gross margin at 41% versus 48% last year; and full year adjusted EBITDA to be between \$14 million and \$16 million. The adjusted EBITDA guidance compares to prior guidance of \$23 million and \$26 million.

Within our assumptions, wholesale biomass production is forecasted to be between 647,000 pounds and 652,000 pounds with a cost of production of approximately \$110. Full year average selling price is expected to be \$179 per pound.

We plan to spend between \$3 million and \$4 million on CapEx in order to complete the first phase of Greenhouse 2. And as Kyle mentioned, we will see further cash burn in the fourth quarter and expect to end the year at approximately \$20 million. Consistent with our normal seasonal patterns, we will again generate significant cash in the second quarter of next year and anticipate ending the year at record highs for the company. Given the evolving factors within the market and the organizational changes we have implemented, we will provide further updates on guidance, pricing trends and the timing of expansion projects as appropriate.

And with that, I turn the call back to Kyle for his closing remarks before opening up this call to Q&A.

Kyle Kazan^ Thank you, Mark.

I would like to conclude today's call by acknowledging the recent passing of Coach George Raveling, a valued member of Glass House's Board of Directors, the Glass House family and someone who had an immeasurable impact on my life. Coach joined the Board when we went public in 2021 and brought with him extensive experience in marketing and corporate governance learned during his Hall of Fame basketball coaching career and time as a senior executive at Nike. Coach was a trailblazer throughout his life, and all who knew him are better for it.

I am personally thankful for the 38 years in which I knew and learned from him, and I'm grateful for the significant contributions that he made to our company.

We extend our deepest condolences to Mrs. Delores Raveling, Coach's son, Mark, and his daughter, Litisha, as well as the countless others he impacted.

We have commenced a search to fill the vacant Board seat and we'll provide further updates as appropriate.

Thank you again, and I will now ask the operator to open the line for questions.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) Our first question comes from the line of Frederico Gomes with ATB Financial.

Frederico Gomes^ First question about the average selling price, understanding the comments made on the issues that you face there.

But just could you talk about the broader environment in California in terms of the supply-demand there and your expectations maybe for next year, an improvement in supply-demand or a deterioration or stabilization? Just broader comments on the market there.

Kyle Kazan^ Thank you. Always good to hear your voice.

Let me ask Mark to respond.

Mark Vendetti^ Frederico, so first thing on the third quarter, if I tried to adjust for like the mix issues we've alluded to, I believe we would have been in the \$180 to \$185 range, which would have been right on our guidance, which I think was \$181.

If I look at the broader market, we've actually seen it firm up a little bit as the year has gone on.

So kind of I'm going to just call it year-over-year apples-to-apples, mix is similar mix this year to last year. The front half of the year, pricing would have been down in the mid-teens range.

In Q3, it was down in the, we'll call it, high-single digit.

So it's actually improving.

It's still not where it was a year ago, but it's getting closer to where it was a year ago. And just kind of from a market dynamic perspective, I continue to look at the number of active licenses, and it's actually been pretty stable the last couple of months.

So I think kind of looking forward, we're anticipating the market is in a relatively stable range and kind of thinking next year is similar to this year, maybe gets a little bit worse but not significantly worse.

Frederico Gomes^ I appreciate that. And then, just second question, I'm curious about the comments on international and how you're looking at it.

Could you maybe just talk about how could that happen? I mean what needs to happen, I guess, in terms of regulations? Would that be related to rescheduling in any way?

And maybe is there any structure you could look at today with current regulations that -- which would allow you to access international markets in some way?

Kyle Kazan^ So Frederico, that's a great question.

Obviously what's grabbing our attention is the pricing, and we're very happy for our Canadian peers.

But we know once we get the opportunity, we will be able to jump in.

I would say that Schedule III drugs can, by definition, be exported with DEA approval.

So we believe it's an opportunity that the current administration would appreciate as that would be a good export product.

And I'm sure you saw the New York Times article about England and the U.K. and how they have a big market of Cali weed that comes in illegally.

Obviously we see that as a sign that they like Cali weed.

We just want to bring it in legally.

So we need some movement from the federal government.

We think Schedule III may be enough.

Mark Vendetti^ One thing to note on there as well Frederico, is not only is it Europe, but it's really any market outside of California. And that's one of, I think, the advantages that we have is, we are -- we've learned and trained at altitude in the very thin and competitive atmosphere of California.

So whether it's another state or another country, every market that we tend to look at is very appealing to us from a margin point of view because our costs are so much lower.

So if you start to look at some of those markets like in Germany, current pricing is \$4,500 a pound.

If you look to the article that Kyle mentioned where they were talking about illicit market weed in the U.K., you get pricing at like \$7,500 a pound retail, right?

So even if you cut those numbers in half as we would accept to see for wholesale, all of a sudden, with our cost structure, which is multiples lower than what is coming out of Canada and with the product that consumers are willing to pay a premium for and have a preference for, you start to get yourself into a place where we could see 90%-plus margins and almost insatiable demand for that quality California cannabis that we're so good at producing.

So it really is, whether it's rescheduling and export, the hemp is a potential path into some of the markets depending on what happens there. Any of these paths in any of the markets from the states to countries are extremely appealing and really exciting for our future.

So it's not only Europe, but also places like Japan, places like Brazil, the U.K. that are -- that get really exciting and create some really, really exciting margins for us, given our cost structure and what people are willing to pay for California cannabis over there.

Operator^ Our next question comes from the line of Luke Hannan with Canaccord.

Luke Hannan^ Kyle, you touched on in your prepared remarks that Glass House has revamped the entire hiring and staffing practices and processes you now go above and beyond what is required by law.

Can you just give us an idea of what it looks like today, your hiring and staffing practices on the farm, and how that compares to a few months ago? And then, I know in the past, you've talked about automation as sort of an offset to any potential incremental compliance or labor costs, we'll call it.

Is that sort of where you found offsets? Or where else have you been able to find offsets?

Kyle Kazan^ So thanks for the question.

Let me -- I'll answer the first, and I'll ask Graham to answer the automation since he is (inaudible), and he is at the farm trying to find different ways to automate more and more.

So California and U.S. labor law, a lot of times, like U.S. -- the United States does not require E-Verify.

They have it available. And so, like Arizona requires you to use E-Verify as part of their state system. California does not. You have to fill out an I-9, which is a federal form, but you don't have to keep any of the documentation.

So we were following the law when it comes to all of the U.S. and California labor law. That said, when -- after the raid on July 10, we looked into what can we do.

So when we hired Julie Myers Wood and her -- she is a former ICE Director under George W. Bush.

So very knowledgeable, as you can imagine, leading Guidepost, which is her firm.

And I spent a lot of time talking to Julie, and I said, so I guess we just go E-Verify. And she said, that's not very reliable. And she pointed to a New York Times story about a meat packing plant in the Midwest that had used E-Verify and lost most of its workforce.

So there is no real reliable way. There's not like a TSA scan or something like that, that makes it clear who somebody is.

So what we've done is, we've used both Guidepost and some lawyers to check every single person including me, where we -- I get on a Zoom.

I hold up my passport or other documentation.

In this case, I used my passport.

I spoke to a lawyer, and she looked at me, looked at my documents, made sure we matched up and then gave -- and then, also make sure that all my documents match.

So we've done that with -- and then, we keep that I-9 even though we don't have to.

So we do that.

We will be training in-house staff over time to do it.

We're still using the lawyers just to make sure that we really have this down.

And so, that's -- we don't know -- and yes, as a large agriculture company, we do talk to our other agriculture peers. And to our knowledge, we have not heard of any company that's come even close to what we're doing.

We just want to make sure that on a call like this, people that invest with us know that we are looking to solve a problem. Like most things, we have to do things that have never really been done before. And so, that's what we did as far as all the people go.

And then, age gating, we don't care now whether you're -- whether you work for an FLC and have been approved, you can't just flash a badge. Last time I think we had a little bit too much trust. And so, as far as the age gating, which is not a U.S. employment per se, it's much more of a California cannabis, we now make sure that everybody has to have their ID including me when I come up there just to make sure.

We will be streamlining that with technology, much like the TSA does at airports and things like that.

And that's something that I know Graham and his team are working on.

But as far as right now fully initiated, and we go to a level that's not only not required, but is largely not done or -- I don't know if we're the only company doing it.

Graham, do you want to handle the tech stuff?

Graham Farrar^ Yes.

As far as I know we are the only company doing -- I think we're probably building one of the most vetted agricultural workforces in history with the assumption that we will always prioritize the long-term health of the company over the short term.

So it has made it challenging, some of which we see in the Q3 and Q4 numbers, to accomplish what we have set out to do.

But there's nothing like necessity to breathe innovation.

So we've revamped a lot of the processes.

We've looked at every step in every SOP. The #1 step is to delete something that you don't need.

Only after you decided that you truly need something, do you work on optimizing it.

So we've looked at a lot of things, eliminated them entirely.

We've found paths to create -- that have cut labor, in some cases, in half in certain operations.

And then, on the pieces that we do need to retain, we've implemented a deeper and broader automation at a faster pace than we had originally planned. A lot of that automation is focused on the post-harvest side of things, which is where a decent amount of our COGS lives, particularly on the trimming side.

And as we've gotten back to normal operations, we've been able to leverage that. And I think that at this moment, you don't actually see the improvements in the process shining

through quite yet because we have a workforce that is still very new, right? We have people 6, seven years, in some cases, working in agriculture.

Now those [tenures] are 30, 60, 90 days.

So it's really when those people develop the skill and experience that it's actually going to allow the improvements in the processes to shine through, and you'll really start to see the forward progress from where we were even before July 10.

As Mark mentioned, we did come in below our cost expectations for this quarter.

If you did it on an equivalent basis, we would have been even lower.

So that automation, you're seeing that in a muted increase, while we ramp up this workforce.

So we're very excited about what we're doing. And as a reminder to people to make sure it didn't get lost, by the end of this year, we will have more acreage under cultivation than ever in the history of Glass House.

So if you've been following us and you've seen what we've done in the past, there's no reason to believe that we can't do it again even better now and at the largest scale we've ever been.

So looking at just really eight weeks down the road here to see those greenhouses, more acreage than ever and those processes improved and the automation right behind it makes me really optimistic for what 2026 to look like.

Luke Hannan^ That's good color. My follow-up here, I wanted to ask about Greenhouse 2.

So the first third is very much on track.

I believe the commentary before was that Greenhouse two would be fully online by the end of Q2 of '26.

Is that still the timeline?

Graham Farrar^ Yes.

So just as a refresher (inaudible) there, Greenhouse two is actually a really exciting greenhouse for us because it has a bunch of new tools that we've never had before, the most significant of which is that it's got 11,000 1,000-watt HPS lights in it, meaning that on a foggy day or cloudy day, winter day, we can actually make our own sun.

So not only do we get the free California sunshine that's better here than anywhere else at no economic cost as well as no environmental cost, when Mother Nature isn't the perfect dance partner that we want, we can flip these lights on to stimulate the middle of a July day even in January. And we're able to do that with power that we generate on site at the farm through our cogeneration plants.

So when we turn those lights on, where somebody else in California might be paying \$0.28 a kilowatt, we can actually make power in the \$0.07 to \$0.09 a kilowatt range.

And in the process, we get free heat, which is useful because we would otherwise -- we need that to climate control of the greenhouses, and we get free CO₂, which is beneficial to the plant's growth.

So we have those supplemental lights in Greenhouse 2.

We also have misters, which allow us to better control temperature and humidity. And we have what they call a grow pipe, which allows us to better control the climate within the canopy of the crop.

So all of those new things are first in Greenhouse two for Glass House. The first third of the greenhouse has completed construction and already filled with plants with the first harvest before the end of this year. And then, the expectation is that by the end of next year, we'll be getting revenue out of the remaining two-thirds of it.

Operator^ Our next question comes from the line of Andrew Semple with Ventum Financial.

Andrew Semple^ First one would just be maybe on the market conditions. You saw additional retail excise taxes go into effect briefly in California before I think that was removed.

I'm wondering if you saw any impact in the market during the period when those were in force and you've seen any improvement in the market since those have come off? Any color on that would be helpful.

Graham Farrar^ Yes. Mark, do you want to take that one? (Inaudible) I mean I can briefly -- just to recap for people, there is -- the Governor -- so there was a legislative change in the tax, for the excise tax to take it from 15% to 19%. That was in place for approximately two months before the Governor signed a bill that rolled the 19% back to 15%.

So for a period of, again, approximately two months, it was about 4% higher than normal.

It is now back to where it has been for the last couple of years.

And I don't know Mark, if you have any numbers that show an impact from that 4% increase or not.

Mark Vendetti^ So it certainly didn't help any time a consumer has to pay more.

But we were still able to grow, I think, close to double digits on a year-over-year basis. And when you combine that with the declining market, I think if you think about the separation, we were probably over -- grew over 20% more than the State of California did in retail.

But it didn't help. And the reason -- it's hard to bifurcate that from all the other noise with consumers are a bit uncertain, consumer confidence has dropped during the quarter.

So there are a bunch of other things going on as it relates to the quarter.

But given our store execution and our focus on value, we held up a lot better than the rest of the state. And we also did see a slight increase in our traffic during the quarter.

So I think we were able to pull in people from other stores.

Graham Farrar^ Yes. Just probably worth a brief reminder there on both our Allswell brand, which is by far the highest quality for the lowest price, and I think anywhere in the country, but certainly in California at \$7.50 an eighth for fresh quality flower still out the door with all the crazy taxes under \$10.

I'd say the higher the taxes go, the better our spread against the rest of the market because it just continues to drive consumers.

If you're not going to leave the market, if you're not going to go without, then you're going to be looking for that best value product, which is in particular, what our Allswell brand represents.

So the more expensive and crazy things get, the more taxes are, the more inflation there is, the more that Allswell stands out as a unique product.

That, coupled with our retail stores where we do our strategic pricing at up to 40% off, again, drives the same behavior, same mechanics that the higher the prices get elsewhere, the more our offering stands out as value to the consumer.

Andrew Semple^ That's helpful. My follow-up would just be, in the prepared remarks, you mentioned consumers facing wallet pressure going into the holiday season and maybe we'll get some more visibility on that.

But Glass House is also adding more capacity into the year.

We're potentially seeing a softening demand environment out there.

I know in the past, you seemed really confident that the third-party growers exiting the market, Glass House has plenty of room to fill that void.

Given we've seen market pricing stabilizing a little bit, are you worried that -- has there been any new concerns that adding capacity could maybe cause pricing to continue to slip into next year? Or are you still confident that, that can be absorbed by the market moving into next year?

Kyle Kazan^ So Andrew, good question.

I think the best way to look at this is, it has never caused us an issue in the past.

We don't expect, just because of our ability to grow very, very low cost at the highest quality, that there will be absolute room in the market for our product. And so, we don't have a crystal ball on whether the market expands enough to take all of our expansion plus last year's or not, but we're confident that there will be room in the market for ours.

Graham Farrar^ One other note to add on there is, back to my comments on Greenhouse 2, which is the additional acreage that we have versus previous, is that greenhouse because of all the tools that I elucidated there does represent what should be our ability to grow the highest quality cannabis that we've ever grown. And that mixed light, which is what the market calls it when you have the natural sun plus supplemental lights, actually kind of moves itself into a somewhat distinct category.

So that additional acreage should be a premium and live in its own lane a bit versus the historical acreage that we have, which should facilitate the market's ability to absorb what we're taking. And again, our goal -- our expectation has never been that prices were not going to compress.

Our expectation and so far historically has been true is that our ability to reduce cost at a pace that's faster than the pricing compress is what we're really aimed at.

So we continue to expect price compression and continue to expect to be able to reduce our cost to stay at pace with it.

Operator^ Next question comes from the line of Marc Cohodes with Alder Lane.

Marc Cohodes^ I also enjoyed the YouTube video.

I thought that was very well done.

So since you guys talk about European expansion and you mentioned hemp, can you run some rough numbers versus your publicly traded peers, especially in Canada, what those numbers look like for you in terms of what do you think your price selling into Europe

would be? We know your cost will be about \$90, \$95 a pound. And what hemp -- intoxicating hemp looks like to the East Coast if you decide to go there tomorrow?

Kyle Kazan^ Sure, Marc.

I'm going to let Graham give you the kind of the data on that.

But I will tell you, the numbers are going to be so ridiculous. People probably won't even believe it. They're going to think we're NVIDIA with plants.

But Graham, do you want to go ahead and share some data with Mr. Cohodes?

Graham Farrar^ Yes. Sure.

So I mean what we can see predominantly, in particular, if you're like looking at those markets, the Germanys and the Europes of the world, you see pricing out there at about \$4,500 a pound retail, cut that in half and call that \$1,800 a pound versus the \$300 to \$400 a pound that we see in California, and you could do similar math, probably even higher than that on the U.K. where you might see \$7,500 a pound being at \$3,000 a pound.

Obviously our cost of production on that would be essentially the same as what it is as you're only really looking at transport cost and maybe a bit of a premium for going through the GMP side of things.

So you'd see still \$90-ish kind of COGS against those pricings of -- again, as Kyle mentioned, you're going to start seeing like software-sized margins into those markets as they currently exist.

So what the path there is? Is it rescheduling? Is it hemp either the status quo, which it appears they're extending the current status quo for at least another year on the hemp side of things? So I can't speak to what everybody else is going for.

We've got some [anecdotal] data points, but would confidently say that we're probably at least 1/4 to 1/6 of what some of the rest of the market is doing, and that's before we get ourselves fully automated and tuned back up.

As recently as the previous quarter, we dropped our long-term cost target from \$100 a pound to \$95 a pound.

So you can see the trend that we're expecting in terms of our ability to keep producing high -- the most best weed for the least amount of money is I think what Glass House does best.

It doesn't matter what state you're in, what country you're in or if you call it hemp or you call it cannabis.

At the end of the day, we are really good at growing this plant at scale consistently for a very good value.

Kyle Kazan^ And follow-up to that, Marc, if I'm at the store and I feel like eating some pancakes and I see Canadian maple syrup or maple syrup from Vermont or somewhere else, I'm always willing to pay a little extra because of the Canadian, I figure they really have that down, and it's always been great.

Same thing always paying a little bit more for either California or French wines.

So we believe that the same thing with California for generations leading cannabis and really getting it down.

We think that there will actually be a premium paid from over our Canadian friends that grow -- that do such great work with syrup.

I think we're going to -- we'll [best] them when it comes to this plant.

Marc Cohodes^ So if Trump were to reschedule or deschedule, what would be your lead time to be able to sell into Europe?

Graham Farrar^ The product that we grow is the product that those consumers want. The illicit market is a challenging competitor, but it also makes a really good and large focus group, and it tells you what people around the planet want, which is the quality California cannabis.

So it'd probably be working with the product that we currently have and a partner in those countries to move through the EU GMP or GACP requirements and make sure that we met the specs of those countries, which have varying requirements. You see different things in Switzerland versus Germany versus Portugal.

So you need to run down the roadmap for those.

But there are good manufacturing partners over there that I think could take the products that we grow and pretty quickly direct them to consumers into those markets.

Marc Cohodes^ So if he reschedules or deschedules January 1, you could be in there in February? You could be in there in March? You could be in there in January? Which -- I can [likely] pin you down a little bit because the Canadian numbers are...

Graham Farrar^ You're not going to pin me down on a month, but we can see that the Canadian peers are seeing significant growth shipping into those markets and seeing a commensurate margin expansion with it.

So the mechanics are there for there to be demand and for there to be a premium price paid. And as Kyle mentioned, which I 100% agree with, there's not very many people on the planet, which if you said, "Hi, can you -- do you want some California cannabis or do you want some Canadian cannabis" are going to choose or prefer or pay a premium for the Canadian side any more than if somebody said, " Do you want New Jersey wine or Napa wine?" By the way, the Napa wine is less expensive. Not many people are going to pick New Jersey. And I think that is the place that California and Glass House get to live and growing the best weed in the planet and having that be recognized by consumers with both preference and willingness to pay a premium.

Kyle Kazan^ And Marc, I think what you're looking to hear is what we would say, we sell -- come next year as we are fully ramped again.

We sell hundreds of thousands of pounds of biomass into the California market wholesale.

If legally allowed to just transition some or all of that somewhere else, you absolutely -- we'll move as quickly as humanly possible, as quick as the law will allow.

So if we could do it in a month, we would do it in a month.

Marc Cohodes^ That's a good answer. And the final question is, come Q1 or come, let's say, Christmas of this year, you will have blown through all the decomposed or raid-related product, and you'll be fully planted with new for Q1? Is that the way to look at it?

Graham Farrar^ We will have all the greenhouses replanted by the end of this year.

So what are we now I think six weeks or so out from that, rapidly refilling the greenhouses.

I want to give a kudos to our team, through all the challenges, through everything that happened, the fact that they've been able to get back off the mat as quick as they had and whether it's -- you might have had the timing off by six weeks in terms of working through that black swan event.

What's a whole lot more meaningful, tangible and representative of the future of Glass House is to be able to make the statement that with everything that happened, by the end of the year, we will have more acres in cultivation than ever in the company's history with better SOPs and one of the best greenhouses that we've ever had. That's six weeks away, right?

And so, that product is going to be coming out right from the start -- in the beginning of - - early in Q1, and we're going to be back off to the races in a way that we never had before. And I think that's, again, a testament to our team and their hard work and their grit and their customer-first attitude in living the Glass House values to make that happen

because I don't know that there's another team on the planet that could have pulled that off.

Marc Cohodes^ So your acres planted Q1 '26 versus Q1 '25 will be higher in '26 than '25?

Graham Farrar^ Yes. We believe so.

Marc Cohodes^ Okay. That's good.

Well anyway, guys, I'm not going to say great quarter, but I think you guys -- for what you dealt with, it would kill 90% of the people. You guys -- just way to go and well done just shooting it through. And good luck going forward.

I can't wait for the press release that you've begun shipments to Europe.

Kyle Kazan^ Perhaps you'll be there at the ribbon cutting in London or Berlin.

Marc Cohodes^ I will have disappeared from the planet when that happens.

So...

Graham Farrar^ Incidentally, they also love California cannabis in Berlin.

I just had someone send a picture today from one of the bodegas, and you can see on the packaging that they're broadly advertising the California cannabis testing label.

So one more market where we know that even with other options, they prefer California cannabis where they can get it.

Operator^ (Operator Instructions) There are no further questions at this time.

I would like to turn the call back over to Kyle Kazan for closing remarks.

Kyle Kazan^ Thank you, Operator. Really appreciate everybody listening in.

I appreciate the great questions and also refer you to the press release as there is a link to a video that we made so that you can see some visuals for everything that we just talked about.

With that, thank you again.

Operator^ Ladies and gentlemen, that concludes today's call. Thank you all for joining.

And you may now disconnect.