

Glass House Brands (4Q25 Earnings)

March 24, 2026

Corporate Speakers:

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

Participants:

- Frederico Gomes; ATB Cormark; Analyst
- Luke Hannan; Canaccord Genuity; Analyst
- Unidentified Participant; Unknown; Analyst

PRESENTATION

Operator^ Good afternoon, ladies and gentlemen. Welcome to the Glass House Brands Fourth Quarter and Full Year 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, March 24, 2026.

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 questions is Graham Farrar, Co-Founder and President. And with that, I'll turn the call over to Kyle Kazan.

Kyle Kazan^ Thank you, Operator, and a hearty hello to all of you for joining today's call. For greater detailed results, please refer to our fourth quarter and full year earnings press release, and full year financial filings.

I am pleased to be speaking with you today. 2025 was a year of great progress and achievement for the U.S. cannabis industry and our company. It was also a year of challenges due to the events of this summer.

Our entire team continues to rise to meet those challenges and because of that, I am confident that we have built a stronger foundation for future growth. I am excited for the days to come.

Our first half 2025 results, and particularly those of the second quarter, represented a new high watermark of execution across numerous key metrics including biomass production scale, cost of production and operating cash flow yield.

This strike provides a blueprint of achievable results for this company, and those results are just the beginning.

2025 was also the first full year of our strategic pricing model. This model is highlighted by our everyday out-the-door \$9.99 price including tax for a Farm Fresh (inaudible) of our Allswell branded flower.

The pricing model, combined with our team's strong execution, allowed our retail stores to consistently outperform the California market with same-store 10% year-over-year sales growth, versus a 5% state decline in sales according to headset.

Meanwhile, Allswell became the top-selling flower brand in California by volume. California remains the world's most fiercely competitive cannabis market.

So our strength in flower and particularly our Allswell brand is something that we take great pride in. No one anywhere matches Glass House's flower on price and low-cost quality.

In 2025, we took steps to solidify our balance sheet and improve our financial flexibility and future cash generation.

In March, we secured a new \$50 million 5-year senior secured credit facility to replace our existing higher interest debt, while in July, we refinanced our high interest rate Series B and C preferred equity with the creation of a fully subscribed Series E offering.

The Series E preferred equity carries a 12% interest rate paid annually which replaced a 22.5 cumulative rate for the B and the Cs, inclusive of the payment in kind function.

In total, these financings meaningfully derisked our balance sheet without diluting investors, and ensured that future capital raises would only be for strategic additions to the business.

We also commenced a collaboration with University of California at Berkeley to explore hemp-related research with aims that include the development of novel medicinal products.

To our knowledge, this is the first and only collaboration of its kind in industry, and we will leverage the experience gained as we proceed with our commercial hemp strategy and participate in any future CBD reimbursement programs. Unfortunately, our second half and full year results were reacted by unexpected events and the ongoing response to those events.

As most on this call are aware, two of our farms are rated by federal agents on July 10th as part of a broader immigration crack down for the California agriculture industry.

In response to those events, we made the hard decision to completely revamp hiring and staffing practices for both employees and third-party labor contractors moving forward.

We did this voluntarily and the resulting practices go well above and beyond what is required by both federal and state law. As outlined in prior calls, changes made and the resulting temporary staffing shortages prompted our scaling back of new planting and production in the second half of the year.

Inclusive within the production, we had to delay some processing which resulted in deteriorated product being available for sale. In the fourth quarter, we sold off the last of this older inventory.

Fourth quarter and full year results reflect the impact of this temporary scale back. Fourth quarter revenue was \$39 million, while in line with guidance in our expectation, this was down meaningfully from \$53 million last year during the same period. Full year 2025 revenue was \$182 million, down from \$201 million in 2024.

For both the fourth quarter and full year, the wholesale segment was where we suffered a significant drag to results as we produced -- reduced volumes and quality of biomass per sale.

For the fourth quarter, we produced 159,000 pounds of biomass, ahead of expectations, yet down from the 165,000 last year.

For the full year, we produced 666,000 pounds, roughly 20% below where we were tracking at the start of July. Average fourth quarter selling price was \$146 per pound, down from \$220 in the fourth quarter last year, while full year average selling price of \$177 per pound compared with \$245 in 2024.

I refer to a Glass House selling price in these comments. It's important to note that while California price remains challenged, year-over-year declines in state pricing moderated in the second half of the year.

So the weaker sales price, as I referenced, reflect our deteriorated product being available for sale and an unfavorable shift in our genetic strain mix. When we turned the farms back on for planning, our strain selection criteria was focused on those that we could quickly scale and not our usual eye on yield.

For 2026, our post-harvest processing process has returned to normal levels. Meanwhile, these temporary conditions also caused an elevated cost of production. Fourth quarter cost reduction was \$109 per pound, up from \$110 last year, while full year 2025 cost reduction was \$111 above our annual production cost target of \$95 per pound.

Lower selling prices and higher cost of production and wholesale dragged on our overall margins, resulting in a total reported gross margin for the fourth quarter of roughly 35%, and an adjusted EBITDA loss of \$3.3 million.

Both were well below seasonal and recent levels. For the full year, gross margin was 42%, while adjusted EBITDA was approximately \$17 million.

For comparative purposes at the end of the second quarter on a full year basis, our full year results were tracking well above our 2025 guidance at the time of \$225 million in revenue with an adjusted EBITDA in the mid-\$40 million range level.

Looking ahead, Mark will provide explicit guidance, but I am pleased to say that these short-term hurdles are today largely behind us. We anticipate very strong growth in 2026, with progressive revenue scaling during the course of the year.

Growth comes before factoring in the potential benefit of any sales outside of California for our cannabis plants, something that we continue to believe is achievable in the near term, or any contributions from hemp sales. We have hemp plants growing and anticipate an initial harvest in the second quarter.

We ended 2025 fully planted in each of our legacy greenhouses and with the first a third of Greenhouse 2 planted, giving our cultivation team the most acreage planted in Glass House's history.

That acreage is now yielding at nearly full capacity, and you will see the full benefit of that scale reflected initially in products sold within the second quarter of 2026. The cultivation team led by Graham Farrar has done a remarkable job of getting the greenhouses back on track to full capacity in a short period of time.

In the three months following the raid, the number of cannabis plants in the greenhouses dropped [60%].

Since bottoming out in early October, we have now roughly 20% more plants compared to early July, thanks to Greenhouse 2, and expect to add another 40% when Greenhouse 2 is fully planted by the end of the second quarter.

In addition, we accelerated expansion plans with the build-out of the remaining two-thirds of Greenhouse 2 and the CapEx (inaudible) retrofit and build-out of Greenhouse 4, our first commercial hemp endeavor.

With current planting, we will harvest at roughly a third capacity for Greenhouse 4 and will expand in the second half of this year. The second two-thirds of Greenhouse 2 will contribute to second half results while Greenhouse 4 is now planted.

We expect the first crops to be available for sale this summer with plans to supply international hemp and smokable CBD markets in the second half of this year.

We are in active discussions with customers. And while we are not ready to provide explicit guidance on hemp contributions this year, we are confident that product will be sold at favorable prices relative to those currently achievable with California cannabis.

Long term, we plan for Greenhouse 4 production to be an eventual supplier to the reimbursable CBD market, while also planning for the development of our final greenhouse which is Greenhouse 3. Meanwhile, even with the staffing changes and more strange controls we've implemented, our long-term cost structure remains intact.

There has been a learning curve for both new employees and third-party labor contractors. The staff gained valuable experience every day. And based on the progress seen, we do not foresee a meaningful change in the cost of labor moving forward.

I remind you of our \$95 long-term annual target level for cost production. We expect to be below that level in total for 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 favorable weather conditions in California.

We'll never have to pay the high and growing energy bills of indoor peers, nor do we rely on third-party water supply.

It is these methods that have sustained us despite challenging California cannabis market conditions, and will further separate the company whenever prohibitions are removed to open new markets.

In addition to our operating results, there were many positive developments in our industry during 2025.

On December 18th, President Trump signed an executive order to reschedule cannabis to a Schedule III classification and authorize the development of a pilot program for reimbursable TVD products for Medicare participants.

This order represents the most significant progress on drug policy reform in the past 50 years, and reflects a longer due common sense acknowledgment of the beneficial medical and therapeutic properties of the cannabis plant.

We are extremely pleased with these advancements as rescheduling and the reimbursable CBD program will permit greater normalization for the industry.

Importantly, it should allow us to sell California grown production outside the state for the first time greatly expanding our addressable market and allowing us to achieve more favorable pricing dynamics.

As we continue to await Attorney General Pam Bondy's final execution of this change, we are actively preparing for the opportunities ahead. We have meaningfully expanded our total cultivation capacity.

We understand the reclassification of cannabis to Schedule III under the current administration can provide opportunities to export medical cannabis into international markets.

As such, we have signed an agreement within Good Agriculture and Collection Process, or otherwise known as GACP, consultant and are progressing towards compliance audit. We anticipate that GACP will be a requirement for producers supplying the growing EU medical market and see it as a place where we can be strategically well positioned.

We are also in active discussion with distribution partners in a number of countries for cannabis and hemp. Also in anticipation of the final ruling on rescheduling, we have established a special committee within our Board of Directors.

The committee consists of Graham, Directors, Jay Nichols and (inaudible) Rosenwald, along with the newest addition to our Board, [Alison Paint], the CMO of [Heineken] USA, along with me. The committee is tasked with oversight of new product and business opportunities beyond our legacy California cannabis business and immediate expansion areas including the development of ongoing and future partnerships with companies in more traditional industries including tobacco, alcohol, and cosmetics.

We believe widespread adoption of cannabinoid products within traditional consumer product industries is coming, and we are in active discussion to ensure that whatever form that takes, its Glass House produced cannabinoids inside ensuring greater distribution and speed to market.

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

Mark Vendetti^ Thank you, Kyle. And welcome, everyone. As Kyle highlighted, fourth quarter revenue was \$38.9 million, compared to \$53 million in the same period last year. The decline stems from wholesale segment challenges that came as a result of step back decisions made in the third quarter.

We finished near the top of our revenue guidance for the quarter of between \$37 million and \$39 million, and would have exceeded it, but unexpectedly had to switch our CPG distributor in December which decreased sales for several weeks and hurt revenue by between \$0.5 million and \$1 million.

In addition, we had a loyalty program points adjustment in the quarter which decreased retail sales by approximately \$0.5 million.

These decreased gross margin by a similar amount. For full year 2025, revenue was \$182 million, compared to \$200.9 million reported in 2024 as we produced at a lower overall scale.

We produced 159,000 pounds of biomass in the fourth quarter, ahead of our 145,000 pounds of guidance, but down from 165,000 in the prior year period.

For the full year, production was 666,000 pounds, up roughly 10% from full year 2024 levels, but down meaningfully from the 800,000 ton level we were tracking to going into the summer.

Because of the reduced production volume and related inefficiencies production cost per pound was \$129 in the fourth quarter, roughly flat sequentially, but up from \$110 last year.

For the full year, cost of production was \$111 per pound. We sold 155,000 pounds of wholesale biomass in the quarter, down from 165,000 pounds in the same period last year.

For the full year, we sold roughly 643,000 pounds, up from 568,000 pounds in 2024. The average 4th quarter selling price for biomass sold was \$146 per pound, versus \$220 last

year, while the full year selling price was \$177 per pound. 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 production mix and the product quality issues Kyle mentioned.

For the full year, flower mix was in the high 20% range, while under normal conditions, it would have been expected to be in the high 30%.

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 regards lower average selling prices. The greater trim volumes though were exacerbated in the second half of last year, due to deterioration in product that was available for sale because of delays in processing as we faced temporary staffing verges.

As we move forward and bring on Greenhouse 2, we expect a new normal flower percent of sales in the mid-30% range. Fourth quarter consolidated gross profit was \$13.2 million and gross margin was 34%.

The gross margin compared to 43% in the fourth quarter two024, with declines stemming from the lower average selling prices and higher production costs in the wholesale business. Gross margin within our Retail segment improved year-over-year as a reflection of continued strong execution with our retail stores and despite a loyalty from (inaudible).

For the full year, 2025 gross margin was 42%, down from 48% in 2024 which equals the level we were tracking to heading into the summer.

Fourth quarter adjusted EBITDA was negative \$3.3 million, in line with the prior quarter but down from \$9 million in the fourth quarter last year. Adjusted EBITDA reflects the factors that impacted our gross margin performance, as well as a modest increase in operating expenses.

For the full year, adjusted EBITDA was \$17 million, less than half of 2024 reported adjusted EBITDA, and the mid-40% level we were guiding in reporting first quarter results. Fourth quarter operating cash flow was negative \$3.7 million, while for the year, operating cash flow was \$11.4 million. Turning to the balance sheet.

We ended 2025 with \$23.4 million in cash and restricted cash, compared to \$29.8 million last quarter and \$36.9 million at the end of 2024. Inclusive in cash spending was roughly \$2 million in CapEx which funded the continued build-out of Greenhouse 2.

Additionally, the final cash number included approximately \$2 million raised from the use of our outstanding ATM, and \$2 million received from [ERTC] tax rates. In addition, we paid roughly [\$2 billion] in federal income tax.

For the full year, we received roughly \$10 million in ERTC tax credits and have roughly \$3 million in anticipated receipts outstanding. We do not have clarity on the timing of any subsequent ERTC tax credit receipts.

In December and early January 2026, we completed our outstanding ATM receiving net proceeds of approximately \$22 million. The shares were primarily issued to existing long-term investors with proceeds from the [raid] primarily going to fund the build-out of the remaining two-thirds of Greenhouse 2 and our Greenhouse 4 expansion. Turning to guidance.

As Kyle discussed, we ended the year back to being fully planted with legacy greenhouses and planted the first a third of Greenhouse 2, giving the cultivation team the most acreage planted in Glass House's history.

The expanded cultivation and production will begin to be reflected in the results during the first quarter, and thereafter, we are posed for meaningful growth based off our increased scale.

Additionally, results will reflect incremental contributions from the final two-thirds of Greenhouse 2 within the second half of the year, while we'll also see initial contributions from our hemp commercial initiative, with initial hemp plants expected to be harvested in late second quarter and contributing to results beginning in the third quarter.

I remind that in total, Greenhouse 2 is capable of producing at roughly 300,000 pounds annually of biomass once fully operational.

Our Hemp Greenhouse 3, Greenhouse 4 will produce at a lesser scale given our prioritization of speed to market over greater efficiency. In time we will further enhance the greenhouse to enable greater production capacity.

We anticipate first quarter revenue to be approximately \$39 million as we produce approximately 138,000 pounds of biomass, reflecting typical winter seasonality and the partial first quarter contribution of (inaudible).

First quarter average selling price for wholesale biomass is assumed to be approximately \$167 per pound, down from \$192 last year, while cost of production will be approximately \$161 per pound versus \$108 last year.

As Kyle referenced, starting in Q2, we anticipate our cost of production will be below our long-term annual target level of \$95 per pound over the remainder of the year.

As a result of the higher cost of production and lower sales price, we anticipate Q1 gross margin to be approximately 29% which compares to 45% last year. Full year 2026 revenue was forecasted to be between \$235 million and \$245 million.

While importantly, we note that for the second half of the year, we anticipate the company will be operating at almost a \$300 million annual revenue run rate. Full year gross margin is projected to be roughly 48% this year, and full year adjusted EBITDA is projected to be in the high \$40 million range.

Within our assumptions, full year wholesale biomass production is forecast to be approximately 1 million pounds of biomass which is a 48% increase to 2025. We expect Q2 production to increase high single-digit percent versus Q2, '25, and production in the second half of 2026 to be more than double the second half of 2025.

With the increased production, we expect the cost of production of approximately \$100 per ton which is the 10% decrease to 2025.

Full year average selling price is expected to improve to the mid-\$180s per pound, from \$177 in 2025 as we expect quality and mix to improve versus 2025, particularly the second half of the year when compared to 2025.

I remind you that anticipated hemp contributions are incremental to our forecast. At this time we are still deciding on the appropriate end market for supply. We anticipate no matter the end market pricing dynamics for hemp to be favorable to the cannabis prices achieved in California.

We expect first quarter ending cash to be approximately \$27 million, while we forecast 2026 full year in cash to exceed \$50 million as we generate meaningful operating cash flow in the final three quarters this year.

The forecast includes approximately \$20 million CapEx to complete the full retrofit of Greenhouse 2 including adding new high efficiency, low energy lighting and a CapEx-light retrofit of Greenhouse 4 for the hemp production.

It also assumes we continue to pay the dividends associated with the preferred equity Series D and E, totaling \$11.6 million in 2026. And with that, I turn the call back to Kyle for his closing remarks before opening up the call to Q&A.

Kyle Kazan^ Thank you, Mark. As many of you know last year, we lost [George Robling], a valued member of Glass House's Board of Directors, the Glass House family, and someone who had a measurable impact on my life.

While I could not be happier with the initial contributions from our newest Board member, [Allison Paint], I miss Coach dearly. 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.

Additionally, Coach had a long and sought after career as a motivational speaker. And one of his favorite topics was resiliency and the importance and power of having a team or workforce that can be steadfast and productive in the face of challenge.

I think of this topic as I reflect on the incredible efforts put forth by the entire Glass House family to come back from the events of last summer, and to expand in scale and business capacity.

We could not have done it without each and every one of you from our team members and workers to customers, business partners and investors. I thank you for your support and look forward to the days ahead.

While we applaud President Trump's signing of the executive order to reschedule cannabis, we appeal to him to pardon those many people sitting in Federal Prison right now for nonviolent cannabis offenses.

As President Trump pardon, our current pardons are [Alice Marie Johnson] and signed the first step back into law, we believe that he will give these people their lives back.

I am proud to work with my friend, Weldon Angelos and his project Mission Green, to release [Parker Coleman] and [Ali], or otherwise known as [Jose Bolero Jr.], among many others.

Finally, I'll remind everyone that we once again are planning to hold our annual Investor Sess at the Cambria Farm. This year, we have scheduled the event for Thursday, June 18th, and I genuinely hope you can make it, and we can meet you in person at the farm. Thank you again, and I will now ask the operator to open the line for questions.
Operator?

QUESTIONS AND ANSWERS

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

Frederico Gomes^ I want to ask about the opportunities you have outside of California. You mentioned hemp, you mentioned smokable CBD. You're trying to get JCP compliance. So there's a lot going on. Can you help us frame those opportunities, starting with, I guess, what is it that you can do today?

And what is it that depends on regulatory changes with scheduling, or even the intoxicating hemp ban and the framework there? Just so we understand what is it that the immediate opportunity that doesn't rely on regulatory catalysts? And what is it that relies on those catalysts happening?

Kyle Kazan^ So Frederico, thanks for always asking those good questions. We've got a lot of optionality. Graham, do you want to jump in on this one? Sure.

Graham Farrar^ Frederico, thanks a lot for the good question. And you're right, there is a lot going on right now. It's part of the challenge and also part of the excitement. So right now we're growing just for clarity in Greenhouse 4 is smokable CBD flowers.

So that is flower that is compliant with California, existing federal farm bill, as well as would continue to be compliant if the new, I'll call it the [McConnel] language in November comes into play.

So it will be at 30 days preharvest less than 0.3% of total THC. So compliant across the board both today as well as if the more restrictive regulations are put in place. Target for that is predominantly -- it's exclusively outside of the U.S.

I don't think there's a domestic market for smokable CBD, but there does appear to be a good market, predominantly in Europe for CBD flower. I think they do a number of things over there.

Some people use it as a tobacco alternative, so people fortify it by adding hash and other components to it. Pricing, we're investigating. We've got our first crop in the greenhouse right now.

I expect a harvest towards the end of April, early May with product finished -- finished farm product by the end of May, early June is probably the timeframe we're looking at. Predominant target for that is really just to figure out and explore the markets there.

Obviously you're talking about Switzerland at 1%, Spain, U.K., Germany, all our markets over there.

That is green light regulatory point of view from today forward. And again, even if the farmer language gets more restricted, would still be compliant. The other things we're looking at is potentially what happens with the farm bill that those regulations get put out -- pushed out as there's some rumoring there are.

We're not expecting that counting on that or planning on that. But if it does happen, we have continue to express our interest in THC flower markets, both domestic and rest of world.

Then you have the Schedule III stuff which we're also all waiting and watching for. In that world, I believe that there would be a path from California to other medical markets. Obviously some steps in the middle there, and that's something outside of our control.

So if you come back to it, you look at smokable CBD flowers we're doing now, eyes on the [THCA] or farm bill market, looking at Schedule III, and then the final one is the Medicare [CMS] projects.

Some information is just starting to come out on that. the way that, that would work is that we could be a supplier to accountable care organizations of products that meet the farm bill requirements. So another place where what changes in the farm bill has an impact.

We've got bong that we are really getting fantastic feedback on. Think it could be helpful for those seniors. So getting that into that framework and/or are there [tinctures] that are compliant with the farm bill either today and tomorrow are the target [staff].

Kyle Kazan^ And Federico, following up on that. You can imagine you heard from Graham, we see a lot of different options depending on how things go. If things don't go away, we still see options just fewer, but it should not impact our ability to continue to grow Greenhouse 4.

Graham Farrar^ And reminder, as Mark mentioned, not doing in any of our numbers include any contribution from Greenhouse 4, or hemp. So whatever happens there would be accretive above the forecast we provided.

Frederico Gomes^ Got it. I appreciate that color. And then just a second question for me. Just your perspective on California pricing potentially improving. It doesn't seem like it's meaningfully priced into your guidance.

So I guess it would be upside to that. But do you see that pricing -- a potential improvement in pricing this year, or maybe next year? I mean how are you looking at the outlook for pricing in California?

Kyle Kazan^ I think a lot of this is -- it's our best estimation, and I would always route underpromise and overperform. Because, as you know some of this is a little bit of, kind of, sticking your finger in the air.

You don't know what you don't know. And in the past, we've been surprised where it shoots up. We're rarely surprised when it doesn't move up. So I think we're just being cautious but we're hopeful that we will start seeing some improvements. A little bit is TBD.

What happens with the Strait of Hormuz and inflation and things like that? So there's a lot going on in the economy in California and everything. So I think it's better for us to just be cautious and hopefully under promise.

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

Luke Hannan^ I wanted to follow up on that topic of pricing, Kyle. I know you mentioned a lot of it is just you sort of stick your finger in the air and see where the wind is going.

But can you frame up for us, I mean what I know in the past, you've talked about how long these sort of down cycles last, and then also have talked about Canopy that's exiting the market. Has there been any abatement in the pace of either the price declines, or Canopy exiting the market?

Kyle Kazan^ I would say that was quarter four pricing. Mark, question about licensing. Do you want to take that? Because I know that's something you track just for fun.

Mark Vendetti^ Yes. Sure.

Kyle Kazan^ Real quick. By the way, Luke, I always love talking to you. I noticed you didn't say anything about congrats on our big hockey win.

Luke Hannan^ Nor will I.

Kyle Kazan^ Too soon. I apologize, Luke. Go ahead, Mark.

Mark Vendetti^ So we've -- I say the second half of 2025 and just looking at the first two months of 2026, the number of active licenses and cultivation has actually remained

pretty stable. And so I think we're at a point where the big the big shakeout has happened and the people who are competing in California are the better operators. And at this point, it feels like we're in a bit of an equilibrium at this point.

So I don't think we'll see significant decreases in the number of active licenses going forward. And we're not thinking that happens. So we're planning on, again, a tight market in a market that -- I'm going to say our numbers don't anticipate to rebound. And if they do, as Kyle said, it should be upside.

Kyle Kazan^ And one more thing, Luke, I would add. Part of the reason why we are so focused on Greenhouse 4 and watching different legislation breaks. If we get a few of those breaks I would imagine we're going to step on the gas in exporting outside the state of California.

We certainly appreciate the results we've been able to accomplish in a pretty -- I mean in an extremely difficult market, but that's one of the main excitement. One of the things that makes us most excited are the opportunities that we're seeing outside of California. So -- but I think you got your answer from Mr. Vendetti.

Luke Hannan^ I did. And then so if we frame up just 2026 super high level then as it is if we think of the delta between '26 and '25.

It's basically all driven by more biomass production. You talked about the lower cost of production also for the final three quarters of the year being basically in our model, I think we basically have to get down to \$90 a pound.

I mean is it fair to say that, that's kind of your new long-term sort of target now after you've done all the work to change your (inaudible)?

Kyle Kazan^ Well I would say real quick, I would say if you think of one of our big investors [Mr. Codes] named our grower, Michael Jordan, Michael Jordan was never satisfied with four titles, or one title, or even five titles.

And I would tell you that MJ and his team, I don't know if I would say, hey, this is where we hope to go at the end of the day. Remember, right now we grow -- I'll let MJ tell you how many strains we grow, but in a much more national marketplace, it's highly unlikely that we're not growing just one or two strains to really launch efficiencies.

So we're not at that point with interstate commerce in a big way at this point. But you'd have to think that there -- wherever MJ is now there's more titles ahead in a much more focused agriculture market. MJ, do you want to throw in?

Graham Farrar^ Sure. Thanks Coach. Yes. So I think we really had kind of three targets. One is you can't get good until you get going.

So we wanted to get back on our feet, get all the greenhouses replanted after 2025. We finished 2025 all that square footage we planted and actually we have the most acreage under cultivation that we've ever had in Glass House history.

We started harvesting through that in kind of week six, week seven of this year, so partway into Q1. And then at the same time we launched into finishing the expansion of Greenhouse 2 which adds roughly another 700,000 square feet. That's the second two-thirds of that.

And then we also planted Greenhouse 4, our first hemp Greenhouse, about 300,000 square feet, and we're working on retrofitting the remaining in that greenhouse as well. So then the next step is to bring back the efficiencies. So first, we rebuilt the labor team.

We've got the greenhouses replanted and now we're bringing the efficiencies back to get us back to where we were. And then we'll look at using and leveraging that scale to get even better than that in the future.

Operator^ Our next question comes from the line of [Marc Cohodes] with (inaudible).

Unidentified Participant^ So I could take this in a number of ways, but let's start with the changes in anticipation of Schedule III you guys have made, whether it's negotiations, work on uplifting, partnerships, international changes, and things you've implemented and worked on since the December 18th executive order, then we'll move on from there.

Kyle Kazan^ So thanks for your question, Mark. Number one, when we announced it, but we put together that Board committee with Jay, [Allison] and [Joslin]. I would tell you that it's bearing results better than we'd hoped.

So we're super excited about that. We have signed up some folks with deep Rolodexes in Europe, in hemp testing so that we have aligned interest in folks based on our success.

So we're really excited about that. I'll Graham talk about some of the great things that he's doing at the farm since the executive order announcement. Graham, you want to -- or should I say, Michael?

Graham Farrar^ Mark, thanks for the question. Yes. So obviously the announcement on the 18th is really excited on a number of fronts. The fact that we had a President in the Oval Office talking about the medical value of cannabis is something that all of us have been waiting for, for a long time.

We're a decade in the Glasshouse now and that was always the thesis that the truth was going to happen. So even just to see those words uttered was a big deal.

Of course, having the President Direct Pam Bondy and company that rescheduled things from Schedule I means no known medical value to Schedule III which means it does have medical value and a low potential for abuse is huge. Looking forward to her actually putting that into effect.

We're doing all the work that we and now to be ready for that to happen. Those are the things like Kyle mentioned, the GACP which stands for good agricultural and collection practices, certification that's a feed into what they call GMP, or good manufacturing processes, and that allows you to feed in the medical markets, potentially in the U.S.

We're probably first in the rest of world where they already have approved medical cannabis. I think we fit in real well as a producer under the Schedule III rules or existing framework.

I don't see any reason that we can't be registered as a bulk manufacturer under the DEA rules, probably would be a Form [55] registration that would allow us to work within that model and then export outside the U.S. into other medical models.

Also of course, a reminder that our partnership with Berkeley, where they have quite a few strains that are specifically targeted around minor cannabinoids.

CBD, CBDV, THCV, BBG, lots of things that are not on the tip of people's tongues, but when you start talking about Medicare and therapeutic uses and improved outcomes for patients. A lot of things there that have a lot of value, both on a kilogram basis as well as to improving people's lives.

So we're working on getting those set up. And then, of course, we've got the things coming outside with hemp and the other potentials in those markets, where some of those products are already allowed so we might be able to develop things that could be both used for Medicare here in the States as well as ore in other countries that already permit their use.

So a lot of exciting stuff, and we're trying to lay the groundwork for everything. So in any of those lights turn green, we're ready to jam on the gas.

Kyle Kazan^ And Mark one more thing. In those -- for those non-cannabis companies that are in other industries that are looking over their shoulders knowing cannabis is coming. The nice thing is what we built over the last 10 years is actually the world's biggest supply chain. And as cannabis becomes a normalized industry, we are in the unique position to be able to expand that supply chain, both outdoor and in greenhouse.

And those companies recognize that, and we can do it at prices where you'd expect that those industries are used to commodity kind of pricing, and that's what we can absolutely deliver. So those conversations are really exciting, and it's nice to be in the position that we've been waiting so long for.

Graham Farrar^ Yes. Just one build on that, one more second, Mark. One of the things as we've been talking all mention of these other companies is historically, I think we've looked at California a little bit as a box, right? We're limited to California.

But if you look around and think about where things are potentially going with cannabis, all of a sudden, that turns into a strategic advantage, right? A number of these companies, the Sanofis and whatnot of the world, they cannot currently play with THC.

We live in the world's largest THC market anywhere on the planet in the form of California. A \$4-plus billion market where we can deliver high concentration, THC to consumers with customer demographic data that would make a typical CPG company jump up and down, right? Where we're actually looking at license, registration level data, right? Being able to say, here's the best thing for people who are six feet tall and 42 years old.

Here's their favorite product, right? We have that ability and the ability to lead that market by being able to develop products that can handle THC before the broader market can, I think, is a real advantage that we can work with.

We've got a product development platform that is better than anywhere else in the world here in California with our chain of 10, 11 possibly growing retail stores, that's something that any CPG company will value who's looking towards the future and wanting to have products that exist when these lights turn green rather than just start working on the lights turn green.

Unidentified Participant^ Okay. The final two questions are, where are you guys in working on uplifting when the green light on Schedule III happens? I.e., how fast can that happen for you? And two, could you talk about the range of pricing you're seeing and expect to get in hemp both out of space and overseas?

Kyle Kazan^ So I'll take the first one, and I'll let Graham talk about the second because it's the second one is pretty exciting. The first one, what I would tell you, Mark, is that there are a few companies, if everybody on this call does a ChatGPT to see, what a company needs to do to qualify to be able to uplift to the NYSE or NASDAQ in regards to pricing, market cap, all that kind of good stuff. You'll see there are a handful including Glass House that do qualify.

And while it's not explicit as to whether the New York Stock Exchange and NASDAQ will take us, I would tell you that the good thing that we all know is that NASDAQ and NYSE are a good competition with each other to list companies and neither of them want to miss out on this industry if the other one goes ahead and take them. So we are excited at the possibility and at that point, I'll leave it at that.

Unidentified Participant^ And the pricing?

Graham Farrar^ Pricing, I mean really, what we're doing here is market research. So we've got pricing all the way from -- better than California to really exciting. The real piece that we're working on now is actually having some product in hand to explore those markets.

We've talked to a number of folks who are interested and willing to basically contract all the supply we expect. That's not our plan on this is because we want to see and do some price discovery out there.

So once we have this first harvest sometime kind of mid late June, I think we'll have a better resolution on that, but there definitely does seem to be a market we're exploring how big it is, and then we'll be able to scale to fit that.

We'll also redirect future planning based on the genetics and form factors that people are most interested in. But where I was somewhat skeptical on the CBD -- smokable CBD market, become more convinced based on the conversations that we've been having and excited to learn more about it.

Kyle Kazan^ And [Marc] for what it's worth, sometimes, it's just to see words and actions. Graham and I are booked to -- in April to be at ICBC in Berlin and (inaudible) in Spain. And so we are taking our time to -- and making the effort to go to Europe because we absolutely see an opportunity there.

Operator^ There are no further questions at this time. That concludes our Q&A session and today's call. Thank you all for joining. You may now disconnect.