VERANO HOLDINGS CORP.

MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021

(Amounts Expressed in United States Dollar Unless Otherwise Stated)

NOTE TO READER

This management discussion and analysis of the financial condition and results of operations of Verano Holdings Corp. (the "Company") is for the three months ended March 31, 2022 and 2021. It is supplemental to, and should be read in conjunction with, the Company's unaudited interim condensed consolidated financial statements and the accompanying notes for the three months ended March 31, 2022 and 2021.

Management's Discussion and Analysis of Verano Holdings Corp.

($ in Thousands, except share and per share data)

This management discussion and analysis (this "**MD&A**") of the financial condition and results of operations of Verano Holdings Corp. ("**Verano**" or, the "**Company**") is for the three months ended March 31, 2022 and 2021. It is supplemental to, and should be read in conjunction with, the Company's unaudited interim condensed consolidated financial statements and the accompanying notes for the three months ended March 31, 2022 and 2021. The financial statements referenced in this MD&A are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Financial information presented in this MD&A is presented in United States dollars ("**$**" or "**US$**") and expressed in thousands, unless otherwise indicated. This MD&A contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those projected, forecasted, or expected in these forward-looking statements as a result of various factors, including, but not limited to, those discussed in the Company's registration statement in Form 10 filed on April 26, 2022 (the "**Registration Statement**"). See "Cautionary Statement Regarding Forward-Looking Statements" and "Risk Factors" in the Registration Statement. Our management believes the assumptions underlying the Company's financial statements and accompanying notes are reasonable. However, the Company's financial statements and accompanying notes may not be an indication of our financial condition and results of operations in the future.

OVERVIEW OF THE COMPANY

Verano is a leading vertically-integrated multi-state cannabis operator in the United States. An operator of licensed cannabis cultivation, processing, wholesale distribution and retail facilities, our goal is the ongoing development of communal wellness by providing responsible access to regulated medical and adult-use cannabis products to discerning high-end customers. As of March 31, 2022 we operate businesses in 13 US states, including 94 retail dispensaries, 13 cultivation facilities and 13 processing and manufacturing facilities with over 1,000,000 square feet of cultivation. We produce a suite of premium, artisanal cannabis products sold under our portfolio of consumer brands, including Encore™, Avexia™, MÜV™ and Verano™. We also design, build and operate branded dispensary environments including Zen Leaf™ and MÜV™ that deliver a cannabis shopping experience in both medical and adult-use markets.

Notwithstanding the permissive regulatory environment of medical, and in some cases, recreational marijuana, at the state level, it remains illegal under US federal law to cultivate, manufacture, distribute, sell or possess marijuana in the US. Because federal law prohibits transporting any federally restricted substance across state lines, cannabis cannot be transported across state lines. As a result of current federal law prohibitions, the US cannabis industry is conducted on a state-by-state basis. To date, in the United States 39 states plus the District of Columbia and the US territories of Puerto Rico, the US Virgin Islands, Guam and Commonwealth of Northern Marina Islands have authorized medical marijuana and 20 states plus the District of Columbia and the US territories of Guam, and the Commonwealth of Northern Marina Islands have authorized adult-use (i.e. recreational) marijuana. Verano operates within states where cannabis use, medical or adult-use or both, has been approved by state and local regulatory bodies. Strict compliance with state and local laws with respect to cannabis may neither absolve the Company of liability under US federal law, nor may it provide a defense to any federal proceeding which may be brought against the Company or any of its subsidiaries.

Our strategy is to vertically integrate as a single cohesive company in multiple states through the consolidation of seed-to-sale cultivating, manufacturing, distributing, and dispensing premium brands and products at scale. Our cultivation, processing and wholesale distribution of cannabis consumer packaged goods are designed to guarantee shelf-space in our national retail dispensary chain, as well as to develop and foster long term wholesale supply relationships with third-party retail operators though sales arrangements. Our model includes geographic diversity by establishing a footprint that enables us to adapt to changes in both industry and market conditions seamlessly and profitably. All of the Company's business, operating results and financial condition relate to US cannabis-related activities.

As part of the "Go Public Transactions" described in "*Item 1. Business – History of the Company*," of the Registration Statement, in February 2021, the Company resulted from a reverse takeover transaction, and at such time Verano Holdings, LLC and Alternative Medical Enterprises LLC ("**AltMed**") became subsidiaries of the Company and Plants of Ruskin GPS, LLC and RVC 360, LLC ("**Plants of Ruskin**") subsidiaries of AltMed. Prior to the Go Public Transactions, Verano Holdings, LLC, AltMed and its subsidiaries ("**AME**") and Plants of Ruskin were not consolidated and were not combined.

SELECTED RESULTS OF OPERATIONS

The following presents selected financial data derived from the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2022 and from the audited consolidated financial statements for the year ended December 31, 2021. The selected consolidated financial information below may not be indicative of the Company's future performance.

Three Months Ended March 31, 2022, As Compared to Three Months Ended March 31, 2021

	For the three months ended March 31,		
($ in thousands)	**2022**	**2021**	**2022 – 2021 $ Change**
Revenue, net of discounts	$ 202,235	$ 120,895	$ 81,340
Gross Profit	99,669	54,290	45,379
Net Loss attributable to Verano Holdings Corp.	(10,131)	(2,194)	(7,937)
Net Loss per share – basic	(0.03)	(0.02)	(0.01)

($ in thousands)	**March 31, 2022**	**December 31, 2021**
Total Assets	$ 2,640,041	$ 2,545,723
Long-Term Liabilities	692,696	597,133

Revenue, net of discounts

Revenue for the three months ended March 31, 2022 was $202,235 an increase of $81,340 or 67.3%, compared to revenue of $120,895 for the three months ended March 31, 2021. Key performance drivers for Retail revenue for the quarter are driven by new store openings in Florida, Pennsylvania, Arizona and Connecticut along with significant retail expansion into the Arizona, Connecticut, Florida, and Pennsylvania markets. During the three months ended March 31, 2022, the Company opened 5 new stores in Florida, Illinois and West Virginia. Retail revenue for the three months ended March 31, 2022 was approximately 75.6% compared to 61.7% from the three months ended March 31, 2021. Key performance drivers for Cultivation (Wholesale) revenues were primarily driven by M&A activities, in particular acquisitions of AltMed and Connecticut Pharmaceutical Solutions, Inc. and significant cultivation expansion into the Arizona, Connecticut, Florida, and Pennsylvania markets. In addition, production output and sales of flower expanded in the Illinois, Maryland, New Jersey, and Ohio markets, which further increased revenue. Cultivation (Wholesale) revenue for the three months ended March 31, 2022 was 24.4% compared to 38.3% for the three months ended March 31, 2021.

Gross Profit

Gross profit for the three months ended March 31, 2022 was $99,669 representing a gross margin on the sale of cannabis, cannabis extractions and edibles and from related accessories of 49.3%. This is compared to gross profit for the three months ended March 31, 2021 of $54,290, which represented a 44.9% gross margin. The increase in gross profit is primarily due to top-line growth catalyzed by strong market growth in Illinois and expansion into the Arizona, Connecticut, Florida, and Pennsylvania markets.

Net Loss

Net loss attributable to Verano Holdings Corp. for the three months ended March 31, 2022 was ($10,131) a decrease of ($7,937), compared to a net loss of $(2,194) for the three months ended March 31, 2021. The variance in net loss was driven by an increase in income tax expense.

	For the three months ended March 31,				2022 – 2021	
($ in thousands)	2022		2021		$ Change	
Cost of goods sold, net	$	102,566	$	66,605	$	35,961
Total Operating Expense		79,988		36,973		43,015
Other Income (Expense)		12,945		(2,634)		15,579
Provision for Income Taxes		(42,833)		(16,414)		(26,419)

Cost of Goods Sold, net

Cost of goods sold includes the costs directly attributable to cultivating and processing cannabis and for retail purchases of finished goods, such as flower, edibles, and concentrates. Cost of goods sold for the three months ended March 31, 2022, was $102,566, an increase of $35,961 or 54.0%, from the three months ended March 31, 2021. The increase was primarily driven by the acquisitions of the AltMed cultivation facilities in Arizona and Florida, the Territory cultivation facility in Arizona, the Agri-Kind cultivation facility in Pennsylvania and continued expansion at existing facilities. On the retail side, the increase is due to expansion of sales and continued store openings.

Total Operating Expenses

Total operating expenses for the three months ended March 31, 2022, were $79,988, an increase of $43,015 or 116.3%, compared to total operating expenses of $36,973 for the three months ended March 31, 2021. Total operating expenses as a percentage of revenue was 39.6% and 30.6% for the three months ended March 31, 2022, and 2021, respectively. The increase was primarily due to a $19,299 increase in salaries and benefits and a $10,389 increase in general and administrative expenses driven by the expansion into four new markets. Higher spend related to marketing initiatives and continued growth in existing markets which lead to an increase in employee headcount and fixed assets.

The Company expects to continue to invest organically and in new markets to support expansion plans and adapt to the increasing complexity of the cannabis business. Furthermore, the Company expects to continue to incur acquisition and transaction costs related to expansion.

Total Other Income (Expense)

Total other income (expense) the three months ended March 31, 2022, was $12,945, an increase of $15,579 as compared to the three months ended March 31, 2021. The increase in other income was primarily due to a gain on the disposal of three dispensaries of $17,275.

Provision for Income Taxes

Income tax expense for the three months ended March 31, 2022, was $42,833, an increase of $26,419 or 161.0% as compared to the three months ended March 31, 2021. The increase in income taxes was due the increase in top line revenues year over year.

Results of Operations – Segments

The Company has two reportable segments: (i) Cultivation (Wholesale) and (ii) Retail. The following tables summarize revenues net of sales discounts by segment for the three months ended March 31, 2022 and 2021:

	Three Months Ended March 31,		
($ in thousands)	**2022**	**2021**	**% Change**
Revenues, net of discounts			
Cultivation (Wholesale)	$ 53,008	$ 49,161	7.8%
Retail	164,334	79,195	107.5%
Intersegment Eliminations	(15,107)	(7,461)	(102.5%)
Total Revenues, net of discounts	202,235	120,895	67.3%

Revenues, net of discounts for the Cultivation (Wholesale) segment were $53,008 for the three months ended March 31, 2022, an increase of $3,846 or 7.8% excluding intersegment eliminations, compared to the three months ended March 31, 2021. The increase in Cultivation (Wholesale) revenues, net of discounts, was primarily driven by acquisitions in new markets and increases in revenues in established markets.

Revenues, net of discounts for the Retail segment were $164,334 for the three months ended March 31, 2022, an increase of $85,139 or 107.5%, excluding intersegment eliminations, compared to the three months ended March 31, 2021. The increase in Retail revenues, net of discounts, was primarily driven by the Company's Florida operations, which are treated exclusively as retail income due to the vertical nature of the Florida business. The increase was also driven by additional retail store openings in Florida, Pennsylvania, Arizona and Connecticut, in addition to the retail locations acquired through acquisitions entered into throughout 2021.

Due to the vertically integrated nature of its business, the Company reviews its revenue at the wholesale and retail level while reviewing its operating results on a consolidated basis.

Drivers of Operational Performance

Revenue

The Company derives its revenue from both its Cultivation (Wholesale) business in which it cultivates, produces and sells cannabis products to third-party retail customers, and its Retail business, in which it directly sells cannabis products to patients and consumers. For the three months ended March 31, 2022, approximately 24.4% of the Company's revenue was generated from the Cultivation (wholesale) business and approximately 75.6% from the retail business. For the year ended December 31, 2021, approximately 26.9% of revenue was generated from the Cultivation (Wholesale) business and approximately 73.1% from the retail business. This change in mix was largely driven by the opening and acquisition of additional retail stores throughout the year ended December 31, 2021.

Gross Profit

Gross profit is revenue less cost of goods sold. Cost of goods sold includes the costs directly attributable to product sales and includes amounts paid for finished goods, such as flower, edibles, and concentrates, as well as packaging and other supplies, fees for services and processing, rent, utilities, and related costs. Cannabis costs are affected by various state regulations that limits the sourcing and procurement of cannabis product, which may create fluctuations in gross profit over comparative periods as the regulatory environment changes. Gross margin measures the Company's gross profit as a percentage of revenue. Furthermore, during the three months ended March 31, 2022, the Company recorded an increase to cost of goods sold, net, of $4,612 that is attributable to acquired inventory that was stepped-up to fair value, and subsequently recognized through cost of goods sold.

The Company's expansion strategy and revenue growth have taken priority and will continue to do so for the foreseeable future as it expands its footprint in new markets through acquisition and scales production within current markets. In the core markets in which the Company is already operational, it does not expect price compression in the near-term. However, as the state markets mature, the Company anticipates that there will be pressure on margins in the Cultivation (Wholesale) and Retail channels. The Company's current production capacity has not been fully realized and it is expected that price compression at the Cultivation (wholesale) level will be more than offset by increased production volume. As a result, the Company expects overall consolidated gross margins to increase in the near-term future.

Total Expenses

Total expenses other than the cost of goods sold consist of selling costs to support customer relationships and to deliver product to the Company's retail stores. It also includes a significant investment in the corporate infrastructure required to support ongoing business.

Selling costs generally correlate to revenue. As a percentage of sales, selling costs are expected to increase slightly in currently operational markets (Arizona, Arkansas, California, Connecticut, Florida, Illinois, Maryland, Massachusetts, Michigan, Missouri, Nevada, New Jersey, Ohio, Pennsylvania, and West Virginia) as facility and market expansion occurs. The increase is expected to be driven primarily by the growth of the Company's Retail and Cultivation (Wholesale) channels and the ramp up from pre-revenue to sustainable market share.

General and administrative ("**G&A**") expenses represent costs incurred at the Company's corporate offices, primarily related to personnel costs, including salaries, benefits, and other professional service costs, including legal and accounting. Going forward, G&A expenses are expected to continue in line with the Company's expansion plans. Furthermore, the Company expects to continue to incur acquisition and transaction costs related to these expansion plans and anticipates an increase in stock compensation expenses related to recruiting and hiring talent, along with legal and professional fees associated with being a publicly traded company.

Provision for Income Taxes

The Company is subject to income taxes in the jurisdictions in which it operates and, consequently, income tax expense is a function of the allocation of taxable income by jurisdiction and the various activities that impact the timing of taxable events. As the Company operates in the cannabis industry, it is subject to the limits of IRC Section 280E under which the Company is only allowed to deduct expenses directly related to the sale of products. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E and a higher effective tax rate than most industries.

LIQUIDITY, FINANCING ACTIVITIES AND CAPITAL RESOURCES

As of March 31, 2022 and December 31, 2021, the Company had total current liabilities of $450,677 and $469,855, respectively, and cash and cash equivalents of $139,637 and $99,118, respectively, to meet its current obligations. The Company had a working capital deficit of ($110,898) as of March 31, 2022, an increase of working capital of $84,982 as compared to December 31, 2021. This increase in working capital was primarily driven by a $26,129 net increase in inventories and proceeds from issuance of notes payable of $102,660 partially offset by $62,498 of cash payments related to acquisition consideration payable and an increase in accounts payable of $15,878.

The Company is an early-stage growth company, generating cash from revenues, deploying its capital reserves to acquire and develop assets capable of producing additional revenues and earnings over both the immediate and long term. Capital reserves are primarily being utilized for capital expenditures, facility improvements, strategic investment opportunities, product development and marketing, as well as customer, supplier, and investor and industry relations.

While our revenue, gross profit and operating income were not materially impacted by COVID-19 and we maintained the consistency of our operations during the first three months of 2022, the effects of COVID-19 may impact our business operations for reasons including the potential quarantine of our employees or those of our supply chain partners. The Company takes a cautious approach in allocating its capital to maximize its returns while ensuring appropriate liquidity. Given the current uncertainty of the future economic environment, the Company has taken additional measures in monitoring and deploying its capital to minimize the negative impact on its current operations and expansion plans.

Credit Facility

On March 1, 2022, the Company entered into a Fourth Amendment to the Amended and Restated Credit Agreement for a senior secured term loan with Chicago Atlantic Advisers, LLC ("Green Ivy"). The fourth amendment includes and amends the Company's existing $250,000 credit facility with Green Ivy by providing an additional $100,000 of credit with a maturity date of August 28, 2023 and an annual interest rate of 8.50% to increase the Company's credit with Green Ivy to $350,000 in the aggregate. As of March 31, 2022, the existing credit facilities with Chicago Atlantic contain financial covenants requiring the Company to maintain on a consolidated basis specified levels of liquidity, a minimum quarterly amount of earnings before interest, taxes, depreciation and amortization ("EBITDA") and a minimum fixed charge coverage ratio as defined as; (i) maintain a minimum average liquidity to average less than $20,000 during the quarter and at least $25,000 as of the last day of the quarter; (2) minimum consolidated EBITDA for any fiscal quarter of $20,000; and; (3) fixed charge coverage ratio of 1.5 to 1.0 measured at the end of each fiscal quarter. As of March 31, 2022, the Company is in compliance with covenants.

Sources and Uses of Cash

Cash Used in Operating Activities, Investing and Financing Activities

Net cash provided by (used in) operating, investing, and financing activities for the three months ended March 31 2022 and 2021 were as follows:

	Three Months ended March 31,	
	2022	2021
Net Cash Provided by Operating Activities	$ 34,457	$ 24,831
Net Cash Used in Investing Activities	(86,743)	(71,969)
Net Cash Provided by Financing Activities	92,805	143,004

Off-Balance Sheet Arrangements

As of March 31, 2022, the Company does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

Changes in or Adoption of Accounting Practices

Refer to the discussion of recently adopted/issued accounting pronouncements within the Notes to Unaudited Interim Condensed Consolidated Financial Statements, Note 1—Overview and Basis of Presentation.

Critical Accounting Policies and Significant Judgements and Estimates

There were no material changes to our critical accounting policies and estimates from the information provided in "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in the Registration Statement.