

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 26, 2022 (August 22, 2022)

THE GREENROSE HOLDING COMPANY INC.
(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	001-39217 (Commission File Number)	84-2845696 (I.R.S. Employer Identification Number)
111 Broadway Amityville, NY (Address of principal executive offices)		11701 (Zip Code)

Registrant's telephone number, including area code: (516) 346-5270

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation to the Registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the Registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Units, each consisting of one share of common stock and one redeemable warrant	OTC Pink
Common stock, par value \$0.0001 per share	OTCQX
Redeemable warrants, exercisable for shares of common stock at an exercise price of \$11.50 per share	OTCQB

Item 2.02. Results of Operations and Financial Condition

The information in Item 2.02 of this Current Report, including the accompanying Exhibits 99.1 and 99.2, is being furnished and shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of Section 18. The information in Item 2.02 of this Current Report shall not be incorporated by reference into any registration statement or other document filed pursuant to the Securities Act of 1933, as amended, or the Exchange Act, regardless of any general incorporation language contained in such filing.

On August 22, 2022, The Greenrose Holding Company Inc. ("Greenrose" or the "Company") issued a press release announcing its financial results for the quarter ended June 30, 2022 and announcing that the Company would host a conference call to discuss its financial results for the quarter ended June 30, 2022. A copy of the press release is furnished as Exhibit 99.1 hereto and is incorporated by reference herein.

On August 22, 2022, the Company hosted a conference call to discuss its financial results for the quarter ended June 30, 2022. A copy of the transcript of the conference call is furnished as Exhibit 99.2 hereto and is incorporated by reference herein.

Forward Looking Statements

Statements made in this Current Report on Form 8-K (including the Exhibit hereto) that are not historical facts are "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. Forward-looking statements may relate to the business combination and any other statements relating to future results, strategy and plans of Greenrose (including certain projections and business trends, and statements which may be identified by the use of the words "plans", "expects" or "does not expect", "estimated", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", "projects", "will" or "will be taken", "occur" or "be achieved"). Such statements are provided for illustrative purposes only and are not to be relied upon as predictions or any assurance or guarantee by any party of actual performance of Greenrose. Forward-looking statements are based on the opinions and estimates of management of Greenrose and/or the estimates of management of the companies Greenrose recently acquired, as the case may be, as of the date such statements are made, and they are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to, the ability to attract and retain key personnel; prevailing industry trends including consumer spending as well as in cannabis markets; legislation or regulatory requirements and developments in the global economy in general and the regulation of cannabis in particular; the public health crisis related to the coronavirus (COVID-19) pandemic and resulting significant negative effects to the global economy; disruption of global supply chains and distribution channels; as well as significant volatility in and possible disruption of financial markets; increased operating costs, decreased ability to profitably develop and operate cultivation and processing facilities as well as retail points of sale; competition in the US cannabis markets; and the impact of government shutdowns or other limitations impacting business activity generally.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
99.1	Press Release Dated August 22, 2022
99.2	Transcript of Conference Call Dated August 22, 2022
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: August 26, 2022

The Greenrose Holding Company Inc.

By: /s/ William F. Harley III

Name: William F. Harley III

Title: Chief Executive Officer



The Greenrose Holding Company Reports Second Quarter 2022 Results

- Continued Focus on Ramping Cultivation Capacity in Connecticut and Arizona
- Progressing Into Second Half of 2022 with Strengthened Leadership Team
- Provides Update on Full Year 2022 Guidance

Amityville, New York – August 22, 2022 – The Greenrose Holding Company Inc. (OTC: GNRS, GNRSW) (“Greenrose” or the “Company”), a multi-state grower and producer of cannabis brands and products, is reporting financial and operating results for the second quarter ended June 30, 2022.

Second Quarter 2022 Financial Summary (Non-GAAP)

(in thousands)	For the three months ended June 30,		For the six months ended June 30,	
	Successor	Predecessor	Successor	Predecessor
	2022	2021	2022	2021
Net Income (Loss)	\$ (10,336)	\$ 3,268	\$ (24,904)	\$ 6,060
Provision for income taxes	753	299	1,234	550
Interest expense, net	6,910	44	13,529	77
Depreciation & amortization	4,671	206	9,197	408
EBITDA	1,998	3,817	(944)	7,095
Transaction related fees ^(a)	588	294	588	294
Change in Fair Value of Financial Instruments ^(b)	(694)	—	(1,164)	—
Fair Value Step-up of Inventory ^(c)	2,211	—	4,345	—
Infrequent events ^(d)	(1,046)	87	(235)	87
Management fees ^(e)	—	400	—	400
Stock compensation expense ^(f)	—	—	662	—
Adjusted EBITDA	\$ 3,057	\$ 4,598	\$ 3,252	\$ 7,876

(a) For the three and six months ended June 30, 2022, transaction fees relate to the consulting legal and accounting fees related to the acquisitions of Theraplant and True Harvest and their corresponding contractual filing requirements of an S-1 to register shares. For the three and six months ended June 30, 2021, transaction fees relate to consulting, legal, and accounting fees in preparation for the Theraplant Business Combination.

(b) Change in Fair Value of Financial Instruments represent the (gain)/loss related to private warrants and other derivative instruments. For the three and six months ended June 30, 2022, the Company recognized a gain of \$694 thousand and \$1,164 on its financial instruments which resulted primarily from fluctuations in the Company’s stock price.

(c) Represents the impact to the cost of goods sold due to the fair value step up of inventory from purchase accounting.

(d) For the three months ended June 30, 2022, infrequent events relates to \$1,046 thousand gain on contingent consideration. For the six months ended June 30, 2022, infrequent events relates to the \$1,046 thousand gain on contingent consideration, offset by the \$811 thousand loss on note settlement. For the six months ended June 30, 2021, the \$87 thousand is consisted of \$29 thousand related to costs related to a fire in a grow room causing repair expenses that had not yet been recovered by insurance, as well as \$58 thousand related to lobbyist fees related to Connecticut cannabis regulation proposals.

(e) Represents management fees associated with management consulting services that were not required to be paid after the closing of the Theraplant Business Combination.

(f) Represents share based compensation incurred for the six months ended June 30, 2022 as part of the Company’s equity incentive plan.

<i>(in thousands)</i>	Successor June 30, 2022	Predecessor June 30, 2021
Revenues	\$ 9,191	\$ 6,570
Cost of Goods Sold*	6,297	2,127
Gross Profit*	2,894	4,443
Gross Margin*	31.5%	67.6%
Adjusted EBITDA	3,057	4,598
Net Income	\$ (10,336)	\$ 3,268
Basic Earnings per Share	(0.63)	**

* Cost of Goods Sold includes \$2,211 of additional expense due to the fair value step up of inventory from purchase accounting, which negatively impacts gross profit by \$2,211 and gross margin by 24%.

** Predecessor earnings per shares attributable to Angel Founder Units, Series A units, and Series R units were \$15.77 per share, respectively; however, presentation of predecessor results not deemed comparable to results of successor given changes in capitalization and holding company results of operation.

Management Commentary

“During the second quarter, we continued to strengthen our operational foundation in both Connecticut and Arizona,” said Mickey Harley, CEO of Greenrose. “Our revenues increased 40% year-over-year due to incremental contributions from True Harvest, where we substantially reduced our inventory backlog and generated sequential month-over-month sales improvements. At Theraplant, we continued to navigate demand headwinds within the state’s current medical market, but worked to further activate our increased cultivation capacity and build inventory ahead of Connecticut’s expected commencement of recreational cannabis sales. While we continued to incur higher costs associated with ramping our expanded cultivation capacity at both True Harvest and Theraplant, we believe this work improves our positioning for improving our operations in Arizona and preparing for Connecticut’s forthcoming recreational market, respectively. As we progress into the second half of 2022, we remain focused on leveraging our existing production efficiencies to deepen and expand our presence in our existing state markets.

“In Connecticut, we are focused on ramping our harvests to build additional inventory as we prepare to supply the expected recreational market, and we are closely monitoring regulatory progress on this front. After populating all grow rooms at our expanded Theraplant cultivation operations in the first quarter of this year, we successfully completed our first harvest out of our two newest Theraplant grow rooms in June. Subsequent to the second quarter, Greenrose, together with partners, applied for four retail licenses and two hybrid retail licenses as part of the state’s equity joint venture (EJV) program, but the four Greenrose-related retail licenses were among the 14 retail applications that were recently denied by Connecticut’s Social Equity Council. We are working to address deficiencies in the applications.

“In Arizona, we continue activating our expanded cultivation capacity. While True Harvest’s second quarter revenue continues to reflect the impacts of production interruptions stemming from construction on our additional grow rooms, these impacts have gradually eased relative to the first quarter of this year. We have opened our seventh and eighth grow rooms at True Harvest and have overcome some of the post-harvest bottlenecks we experienced in the first quarter. As we bring more of our capacity online, we look forward to further improving our operational efficiencies and implementing them on an even greater scale.”

Paul “Otto” Wimer, Chief Business Officer of Greenrose, added: “Subsequent to the second quarter, we announced two new key leadership additions. We appointed Benjamin Rose to our board of directors, effective August 1, 2022, and named Bernard Wang as our new chief financial officer, effective August 8, 2022. Mr. Rose and Mr. Wang bring over 25 years of experience in finance and investments, and public accounting and management, respectively, including strong public company and cannabis industry experience. We believe their deep expertise will help us advance our strategic progress as an early-stage multi-state operator. With our strengthened leadership team and our growing production operations, we aim to continue enhancing our positions in Connecticut and Arizona to capitalize on market expansion opportunities as they arise.”

Second Quarter 2022 Financial Results

For the second quarter ended June 30, 2022, the Company’s revenue, net of discounts increased 40% to \$9.2 million compared to \$6.6 million in the prior year quarter. The increase primarily reflects incremental revenue contributions from True Harvest compared to the prior year period, which only included contributions from Theraplant. Theraplant’s second quarter revenues decreased year-over year as a result of sustained demand headwinds in Connecticut’s medical market, as well as increased competition and impacts from the state’s illicit market. True Harvest’s second quarter revenue performance continues to reflect the impacts of production disruptions resulting from the facility’s recent expansion.

Cost of goods sold, net for the second quarter ended June 30, 2022 was \$6.3 million compared to \$2.1 million in the prior year quarter. The increase was due to purchase accounting considerations in the fair value step up of inventory, which amounted to a \$1.2 million cost increase for Theraplant. Cost of goods sold during the second quarter also reflects a \$2.9 million cost contribution from True Harvest, including True Harvest’s fair value step up of inventory. The Company also continued to incur start-up costs related to initial planting and production processes at Theraplant’s new production facility, as well as ramping its expanded capacity at both Theraplant and True Harvest.



Gross profit for the second quarter ended June 30, 2022, was \$2.9 million compared to \$4.4 million in the prior year quarter. The decrease was primarily due to the aforementioned purchase accounting considerations in the fair value step up of inventory, partially offset by \$1.3 million in incremental gross profit contribution from True Harvest.

General and administrative expenses for the second quarter ended June 30, 2022 were \$3.3 million compared to \$0.6 million in the prior year quarter. The increase was primarily driven by incremental cost contributions from True Harvest relative to the prior year period—which only included expenses from Theraplant—as well as additional public company expenses.

Net income (loss) for the second quarter ended June 30, 2022 was \$(10.3) million compared to \$3.3 million in the prior year quarter. This was primarily attributable to the aforementioned revenue impacts of the production interruptions at True Harvest and ongoing demand headwinds in the Connecticut market, as well as increased interest expense of \$6.9 million, purchase accounting fair value inventory step-up of \$2.2 million, and intangible amortization expense of \$4.0 million.

Adjusted EBITDA for the second quarter ended June 30, 2022 was \$3.1 million compared to \$4.6 million in the prior year quarter. The decrease was primarily driven by the aforementioned lower level of gross profit generated during the quarter, higher corporate general and administrative expenses, and costs related to ramping the Company's production capacity at Theraplant and True Harvest.

Cash and cash equivalents combined with restricted cash was \$2.7 million at June 30, 2022 compared to \$9.1 million at December 31, 2021. The decrease was driven by acquisition-related expenses and debt obligations.

2022 Financial Outlook Update

Due to regulatory delays surrounding the expected timing of Connecticut's recreational cannabis market, Greenrose is suspending its previously stated full year 2022 guidance. The Company expects to re-evaluate and provide further updates on its 2022 outlook as regulatory visibility improves.

Conference Call

Greenrose will conduct a conference call today at 5:00 p.m. Eastern time to discuss its results for the second quarter ended June 30, 2022.

Greenrose management will host the conference call, followed by a question-and-answer session.

Conference Call Date: August 22, 2022

Time: 5:00 p.m. Eastern time

Registration Link: <https://register.vevent.com/register/B19da0da5236ce42a5832d1a111ccf77c5>

Please call the conference telephone number 5-10 minutes prior to the start time. If you have any difficulty connecting with the conference call, please contact Gateway Group at (949) 574-3860.

The conference call will be broadcast live and available for replay here.



About The Greenrose Holding Company Inc.

The Greenrose Holding Company Inc. is a multi-state cultivator and producer of cannabis brands and products. Greenrose is driven by cultivation. It is understood that being a leader in the cannabis industry starts with outstanding flower derived from sophisticated genetics and scalable grow methods. Greenrose aims to be a vertically integrated company that looks for scale and horizontal consolidation. For more information, please visit greenroseholdings.com.

Non-GAAP Financial Measures

Adjusted EBITDA is a non-GAAP financial measures that represents earnings before interest expense, income taxes, depreciations, and amortization, or EBITDA, and further adjustments to EBITDA to exclude certain non-cash items and other non-recurring items that management believes are not indicative of ongoing operations. We disclose EBITDA and Adjusted EBITDA because these non-GAAP measures are key measures used by our management to evaluate our business, measure its operating performance, and make strategic decisions. We believe EBITDA and Adjusted EBITDA may be useful for investors and others in understanding and evaluating our operations results in the same manner as its management. However, EBITDA and Adjusted EBITDA are not financial measures calculated in accordance with GAAP and should not be considered as a substitute for net income, income before income taxes, or any other operating performance measure calculated in accordance with GAAP. Using these non-GAAP financial measures to analyze our business would have material limitations because the calculations are based on the subjective determination of management regarding the nature and classification of events and circumstances that investors may find significant. In addition, although other companies in our industry may report measures titled EBITDA and Adjusted EBITDA or similar measures, such non-GAAP financial measures may be calculated differently from how we calculate non-GAAP financial measures, which reduces their overall usefulness as comparative measures. Because of these limitations, you should consider EBITDA and Adjusted EBITDA alongside other financial performance measures, including net income and our other financial results presented in accordance with GAAP.

Forward-Looking Statements

Certain statements made in this release are "forward looking statements" within the meaning of the "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995. When used in this press release, the words "estimates," "projected," "expects," "anticipates," "forecasts," "plans," "intends," "believes," "seeks," "may," "will," "should," "future," "propose" and variations of these words or similar expressions (or the negative versions of such words or expressions) are intended to identify forward-looking statements. These forward-looking statements are not guarantees of future performance, conditions or results, and involve a number of known and unknown risks, uncertainties, assumptions and other important factors, many of which are outside Greenrose's control, that could cause actual results or outcomes to differ materially from those discussed in the forward-looking statements. Important factors, among others, that may affect actual results or outcomes include:

- liquidity of Greenrose's stock;
- Greenrose's ability to manage growth; Greenrose's ability to identify and integrate other future acquisitions;

- servicing Greenrose debt will require a significant amount of cash;
- lacking sufficient capital or the inability to raise additional capital, whether equity or debt;
- rising costs adversely affecting Greenrose's profitability;
- competition in the legal cannabis industry;
- adverse changes to the legal environment for the cannabis industry; and general economic and market conditions impacting demand for Greenrose's products and services;
- failure to realize the anticipated benefits of recently completed and future acquisitions, including delays in consummating any future acquisitions or difficulty in, or costs associated with, integrating the businesses of Greenrose, Theraplant and True Harvest;
- prevailing prices for cannabis products in the markets in which Greenrose operates;
- new regulations or pending changes (and the timing of any such changes) in the current regulations in the states of Connecticut and Arizona where the businesses of Theraplant and True Harvest operate, respectively;
- the effects of competition on Greenrose's business;
- costs related to potential acquisitions; and
- those factors discussed in Greenrose's Form 10-K filed April 15, 2022 under the heading "Risk Factors," and other documents of Greenrose filed, or to be filed, with the SEC.

If the risks materialize or assumptions prove incorrect, actual results could differ materially from the results implied by these forward-looking statements. There may be additional risks that Greenrose does not presently know or that Greenrose currently believes are immaterial that could also cause actual results to differ from those contained in the forward-looking statements.

In addition, forward-looking statements reflect Greenrose's expectations, plans or forecasts of future events and views as of the date hereof. Greenrose anticipates that subsequent events and developments will cause its assessments to change. However, while Greenrose may elect to update these forward-looking statements at some point in the future, Greenrose specifically disclaims any obligation to do so. These forward-looking statements should not be relied upon as representing Greenrose's assessments as of any date subsequent to the date hereof. Accordingly, readers should not unduly rely on any projections or other forward-looking statements or data contained herein.

Investor Relations Contact:

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The Greenrose Holding Company Inc.
Condensed Consolidated Balance Sheets
As of June 30, 2022 and December 31, 2021
(in thousands, except share amounts)

	June 30,	December 31,
	2022	2021
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 981	\$ 7,240
Restricted Cash	1,743	1,817
Marketable Security	633	1,694
Accounts Receivable, net	2,604	1,197
Inventories	11,121	12,513
Prepaid expenses and other current assets	1,289	3,031
Total current assets	18,371	27,492
Intangible assets, net	105,784	113,684
Property and equipment, net	25,215	25,209
Goodwill	65,791	71,658
Other assets	1,199	1,050
Total assets	\$ 216,360	\$ 239,093
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 11,633	\$ 18,916
Current Tax Payable	1,210	38
Current Portion of Note Payable	110,083	106,015
Convertible Promissory Note - Related Parties	-	2,000
Promissory Notes - Related Parties	-	641
Due to Related Parties	870	846
Due to Prior Members	599	1,130
Other Current Liabilities	168	1,340
Total current liabilities	124,563	130,926
Contingent Consideration	14,215	20,880
Note Payable, Net of Current Portion	9,723	-
Private Warrants Liabilities	556	436
Warrant Liabilities	16,958	16,601
Derivative Liability	-	1,167
Total liabilities	166,015	170,010
Commitments and contingencies		
Stockholders' Equity		
Common stock, \$0.0001 par value; 150,000,000 shares authorized; 17,649,561 and 16,061,190 shares issued and outstanding at June 30, 2022 December 31, 2021, respectively.	2	2
Preferred stock, \$0.0001 par value; 1,000,000 shares authorized; none issued and outstanding	-	-
Additional paid-in capital	77,025	70,859
Accumulated deficit	(26,682)	(1,778)
Total Stockholders' Equity	50,345	69,083
Total liabilities and Stockholders' Equity	\$ 216,360	\$ 239,093

The Greenrose Holding Company Inc.
Condensed Consolidated Statements of Operations (Unaudited)
For the three and six months ended June 30, 2022 and 2021
(in thousands, except share and per share amounts)

	For the Three Months Ended		For the Six Months Ended	
	Successor June 30, 2022	Predecessor June 30, 2021	Successor June 30, 2022	Predecessor June 30, 2021
Revenue	\$ 9,191	\$ 6,570	\$ 17,380	\$ 13,720
Cost of Goods Sold	6,297	2,127	12,650	4,825
Gross Profit	2,894	4,443	4,730	8,895
Expenses from Operations				
Selling and Marketing	27	183	53	187
General, and Administrative	3,296	634	8,272	1,995
Depreciation and Amortization	3,984	15	7,945	26
Total Expenses from Operations	7,307	832	16,270	2,208
Income From Operation	(4,413)	3,611	(11,540)	6,687
Other income (expense):				
Other income (expense), net	1,046	-	235	-
Interest Expense, net	(6,910)	(44)	(13,529)	(77)
Change in Fair Value in Financial Instruments	694	-	1,164	-
Total other income (expense), net	(5,170)	(44)	(12,130)	(77)
Income Before Provision for Income Taxes	(9,583)	3,567	(23,670)	6,610
Provision for Income Taxes	(753)	(299)	(1,234)	(550)
Net Income	\$ (10,336)	\$ 3,268	\$ (24,904)	\$ 6,060
Successor earnings per share				
Earnings per common share				
Basic and diluted	\$ (0.63)		\$ (1.54)	
Weighted average shares outstanding				
Basic and diluted	16,523,208		16,210,535	
Predecessor earnings per share				
Net Income per share – basic and diluted – attributable to:				
Angel Founder Units		\$ 15.77		\$ 29.31
Series A Units		\$ 15.77		\$ 29.31
Series R Units		\$ 15.77		\$ 29.31
Weighted average shares – basic and diluted – attributable to:				
Angel Founder Units		110,000		110,000
Series A Units		42,761		42,761
Series R Units		54,000		54,000

The Greenrose Holding Company Inc.
Condensed Consolidated Statements of Changes in Stockholders' Equity/Members' Equity (Unaudited)
For the three and six months ended June 30, 2022 and 2021

<i>(in thousands except share amounts)</i>	Successor				
	Common Stock	Amount	Additional Paid In Capital	Accumulated (Deficit)	Total Stockholder's Equity
Balance at December 31, 2021	16,061,190	\$ 2	\$ 70,859	\$ (1,778)	\$ 69,083
Issuance of stock options	-	-	225	-	225
Settlement of Investor Shares released from lockup	-	-	1,390	-	1,390
Issuance of shares in settlement of promissory note	685,289	-	2,864	-	2,864
Issuance of shares to board members	73,700	-	387	-	387
Issuance of shares to Investor	753,165	-	1,000	-	1,000
Issuance of shares to vender	11,905	-	50	-	50
Net Loss	-	-	-	(14,568)	(14,568)
Balance at March 31, 2022	17,585,249	\$ 2	\$ 76,775	\$ (16,346)	\$ 60,431
Share repayment of Imperial Note	64,312	-	250	-	250
Net Loss	-	-	-	(10,336)	(10,336)
Balance at June 30, 2022	17,649,561	\$ 2	\$ 77,025	\$ (26,682)	\$ 50,345

<i>(in thousands)</i>	Predecessor Total Members' Equity
Balance, December 31, 2020	\$ 12,245
Distributions to Members	-
Net Income	2,792
Balance at March 31, 2021	\$ 15,037
Distributions to Members	(4,000)
Net Income	3,268
Balance at June 30, 2021	\$ 14,305

The Greenrose Holding Company Inc.
Condensed Consolidated Statement of Cash Flows (Unaudited)
For the six months ended June 30, 2022 and 2021
(in thousands)

	<u>Successor</u> <u>June 30,</u> <u>2022</u>	<u>Predecessor</u> <u>June 30,</u> <u>2021</u>
Cash flows from operating activities:		
Net income (loss)	\$ (24,904)	\$ 6,060
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	9,197	408
Change in fair value in financial instruments	1,454	-
Gain on contingent consideration	(1,045)	-
Share based compensation	662	-
Amortization of debt discount & issuance fees	2,935	-
Interest Expense - PIK	4,541	-
Change in operating assets and liabilities:		
Accounts receivable	(1,407)	(40)
Prepaid expenses and other assets	1,593	(108)
Inventories	1,392	(46)
Accounts payable and accrued liabilities	3,222	607
Deferred tax liabilities	1,172	1
Net Cash Provided by (Used in) Operating Activities	(1,188)	6,882
Cash flows from investing activities:		
Purchases of property and equipment	(1,287)	(3,276)
Net cash used in investing activities	(1,287)	(3,276)
Cash flows from financing activities:		
Proceeds from notes payable	-	1,780
Principal repayments of notes payable	(3,858)	(34)
Distributions to members	-	(3,856)
Net Cash Used in Financing Activities	(3,858)	(2,110)
Net increase (decrease) in cash, cash equivalents and restricted cash	(6,333)	1,496
Cash, cash equivalents and restricted cash, beginning of period	9,057	2,263
Cash, cash equivalents and restricted cash, end of period	2,724	3,759
Reconciliation of cash, cash equivalents and restricted cash		
Cash and cash equivalents	981	3,759
Restricted cash	1,743	-
Total cash, cash equivalents and restricted cash, end of period	\$ 2,724	\$ 3,759
Supplemental disclosure of cash flow information		
Cash paid for interest (net of interest capitalized)	\$ 2,870	
Cash paid for income taxes	\$ 62	
Supplemental disclosure of non-cash investing and financing activities		
Investor shares released from lockup	\$ 1,390	
Investor share settled liabilities	\$ 1,250	
Settlement of Sponsor Notes	\$ 2,641	
Reclass of accrued liability to note payable	\$ 10,423	
Goodwill measurement period adjustment	\$ 5,867	
Capital expenditures payable	\$ 16	



Greenrose – Q2 2022 Earnings Call Script

Speaker Version

Speakers

Mickey Harley, Greenrose – CEO

Bernard Wang, Greenrose – CFO

Paul “Otto” Wimer, Greenrose – Chief Business Officer

SETUP

Speaker Dial-In Numbers (for Mickey, Bernard, and Paul):

Speaker Access (for Mickey Harley, Bernard Wang, and Paul Wimer): *You should have received login details from the email WebcastingSupport@notified.com on August 16th.*

- Mickey Harley, Bernard Wang, and Paul Wimer will dial into the speaker dial-in numbers relayed from Notified approximately 15 minutes prior to the conference start time. Once all speakers are connected, they will be placed into a sub-conference where the Operator will review any special instructions with them, as well as perform a sound check.
- All other parties will Register and dial at approximately 10 minutes prior to the conference start time and ask for the Greenrose Holding Company’s Q2 2022 Earnings Call. As they register, the Operator will retrieve their names, company names and phone numbers and they will then be placed on a brief music hold until the call ready to begin.
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PRESENTATION

OPERATOR

Good afternoon, everyone and thank you for participating in today’s conference call to discuss The Greenrose Holding Company’s financial results for the second quarter ended June 30, 2022.

Joining us today are Greenrose’s CEO, Mickey Harley, the company’s CFO, Bernard Wang, and the company’s Chief Business Officer, Paul Wimer.

Before I introduce Mickey, I remind you that during today’s call, including the question-and-answer session, statements that are not historical facts, including any projections or guidance, statements regarding future events or future financial performance or statements of intent or belief, are forward-looking statements and are covered by the safe harbor disclaimers contained in today’s press release and the company’s public filings with the SEC. Actual outcomes and results may differ materially from what is expressed in, or implied by, these forward-looking statements.

Specifically, please refer to the company’s Form 10-Q for the quarter ended June 30, 2022, which was filed prior to this call, as well as other filings made by Greenrose with the SEC from time to time. These filings identify factors that could cause results to differ materially from those forward-looking statements.

Please also note that during this call, management will be disclosing adjusted EBITDA. This is a non-GAAP financial measure as defined by SEC Regulation G. A reconciliation of this non-GAAP financial measure to the most directly comparable GAAP measure and a statement disclosing the reasons why company management believes that adjusted EBITDA provides useful information to investors regarding the company's financial condition and results of operations is included in today's press release that is posted on the company's website.

With that, I will turn the call over to Mickey.

Mickey Harley – Greenrose – CEO

Thank you, operator, and good afternoon, everyone.

We continued to make progress on strengthening our foundation as an early-stage multi-state operator during the second quarter. Across the two states in which we operate—Connecticut and Arizona—we have worked diligently to optimize and ramp our capacity in an effort to deepen our presence in these markets and prepare for forthcoming expansion opportunities, in particular the opening of the Connecticut adult-use market.

Our second quarter revenue increased 40% year-over-year due to incremental revenue contributions from True Harvest, where we have made strong progress with de-bottlenecking our operations and have generated sequential month-over-month sales improvements. The operational improvements allowed us to focus our efforts on sales and market share, noting that as per BDSA, sales in AZ were off year-over-year, while we increased our own sales during the same time period. At the same time, we are observing increased wholesale supply generally in the AZ market, which appears to be putting pressure on both wholesale and retail pricing. As a premium-tier producer in AZ, we have seen less of an impact, but we are closely monitoring the market dynamics.

From a production perspective, we have continued to finish the build-out of our expanded cultivation capacity at True Harvest. While our True Harvest production has generally been below capacity, we expect a stronger second half now that the facility is fully activated, with the seventh and eighth flower rooms now online. To handle our increased capacity, we are currently expanding our True Harvest sales team. As we bring more of this capacity online, we look forward to further improving our operational efficiencies, bringing costs down, and expanding margins.

In Connecticut, Theraplant has continued to operate well. We have continued working to ramp our expanded cultivation capacity at Theraplant, as well as build inventory ahead of the expected start of recreational cannabis sales in the state. After we completed the population of all our grow rooms at our cultivation facility last quarter, we successfully completed our first harvest from our two newest grow rooms in June. As we have scaled the operations, the Theraplant management team has executed in an extremely efficient manner, driving an already low-cost per pound down further. At the same time, we have continued to build inventory in preparation of the opening of the CT adult-use market. Overall, Theraplant continues to generate strong free cash flow, and we are excitedly awaiting the adult-use market.

Within Connecticut's current medical market, we continued to experience headwinds from lower patient demand during the second quarter, as well as increased competition from the state's illicit market. These headwinds impacted our revenue performance during the quarter, which came in softer than expected. While these dynamics have created a challenging operating environment in the first half of this year, we have focused on maintaining our strong wholesale relationships with our dispensary partners throughout Connecticut as we navigate limited visibility on how the state's medical market may evolve going forward.

As our Chief Business Officer, Paul Wimer, will discuss in greater detail later in the call, Greenrose, together with its partners, filed initial retail license applications in Connecticut as part of the state's equity joint venture, or EJV, program subsequent to the end of the second quarter. In the Connecticut Social Equity Council's review of the applications, we were among the 14 applicants were denied due to certain identified deficiencies. We are currently working with our partners to address these deficiencies in the applications and satisfy applicable regulatory requirements while also exploring other ways to participate in the forthcoming recreational retail landscape.

As the year has progressed, our view into when and how the CT adult-use market will open has evolved and accordingly, we are reforecasting our 2022 and 2023 projections. As we do this work, we are temporarily suspending our 2022 financial outlook, which had assumed an October 1, 2022 start date to Connecticut's recreational cannabis sales. We expect to update the market with our reforecasts for 2022 and 2023 soon.

As we progress into the second half of the year, we believe we are well-positioned to continue expanding our operations and enhancing our presence in Arizona and Connecticut. We are growing the foundation of our multi-state presence around two robust, efficient cultivation operations that are positioned to benefit from not only the early-stage recreational market opportunities in these states, but also the traction that our Theraplant and Shango-branded products have already gained in these markets. We continue to believe that leading with cultivation allows us to focus on enhancing our capacity and operational efficiencies to serve our rapidly expanding addressable markets in each state. I am proud of our team's work to do so through the first half of this year, and we look forward to making additional progress on these fronts over the coming quarters.

We will have more to say on our strategic objectives later in the call, but first, I'd like to introduce and turn the call over to our new chief financial officer, Bernard Wang. Bernard was appointed as our new CFO effective August 8th, and he brings over 25 years of finance and accounting experience assisting in both public and private companies to improve internal controls and accounting processes, and capital raising initiatives. We look forward to leveraging Bernard's strong public company reporting and cannabis industry expertise, and we would like to thank our former CFO, Scott Cohen, for his contributions to Greenrose during his time with the company.

Now, I'd like to turn the call over to Bernard for a quick introduction. Bernard, over to you.

Bernard Wang – Greenrose – CFO

Thank you, Mickey. It's great to be speaking with all of you today. As Mickey mentioned, I have worked with both public and private companies over the past 25 years in various finance and accounting capacities. Most recently, I served as the interim corporate controller and director of accounting at Fat Brands, and I previously served as the corporate controller and vice president of finance at CannDESCENT, a California-based luxury cannabis company.

I look forward to working with our Greenrose team to support our strategic objectives as an early-stage cannabis company. Now, to review the company's second quarter financial results and a few other operational highlights, I'll turn the call over to our Chief Business Officer, Paul Wimer. Paul?

Paul Wimer – Greenrose – Chief Business Officer

Thank you, Bernard.

Turning to our financial results...

Revenue in the second quarter of 2022 increased 40% to \$9.2 million compared to \$6.6 million in the year-ago quarter. The increase primarily reflects incremental revenue contributions from True Harvest compared to the prior year period, which only included contributions from Theraplant. Theraplant's second quarter revenues decreased year-over year as a result of sustained demand headwinds in Connecticut's medical market, as well as increased competition and impacts from the state's illicit market. True Harvest's second quarter revenue performance continues to reflect the impacts of production disruptions resulting from the facility's recent expansion.

Cost of goods sold, net, for the second quarter of 2022 was \$6.3 million compared to \$2.1 million in the year-ago quarter. The increase was due to purchase accounting considerations in the fair value step up of inventory, which amounted to a \$1.2 million cost increase for Theraplant. Cost of goods sold during the second quarter also reflects a \$2.9 million cost contribution from True Harvest, including True Harvest's fair value step up of inventory. We also continued to incur start-up costs related to initial planting and production processes at Theraplant's new production facility, as well as ramping our expanded capacity at both Theraplant and True Harvest.

Gross profit in the second quarter of 2022 was \$2.9 million compared to \$4.4 million in the year ago quarter, reflecting a gross margin of 31.5% compared to 67.6% in Q2 2021. The decrease was primarily due to the purchase accounting considerations in the fair value step up of inventory I just mentioned, partially offset by \$1.3 million in incremental gross profit contribution from True Harvest.

General and administrative expenses for the second quarter of 2022 were \$3.3 million compared to \$0.6 million in the year-ago quarter. This increase was primarily driven by incremental cost contributions from True Harvest relative to the prior year period—which only included expenses from Theraplant—as well as additional public company expenses.

Net loss in the second quarter of 2022 was \$10.3 million compared to a net income of \$3.3 million in the year ago quarter. This was primarily attributable to the revenue impacts of the production interruptions at True Harvest and ongoing demand headwinds in the Connecticut market, as well as increased interest expense of \$6.9 million, purchase accounting fair value inventory step-up of \$2.2 million, and intangible amortization expense of \$4.0 million.

Adjusted EBITDA for the second quarter of 2022 was \$3.1 million compared to \$4.6 million in the year ago quarter. The decrease was primarily driven by the lower level of gross profit generated during the quarter, higher corporate general and administrative expenses, and costs related to ramping our production capacity at Theraplant and True Harvest.

Capital expenditures for the second quarter of 2022 were \$0.9 million compared to \$1.9 million in the year ago quarter. The decrease primarily reflects our completed construction on Theraplant's cultivation expansion, which concluded at the end of 2021. While we continue to expect some incremental capex related to completing our next phase of build-out at True Harvest, we still expect to operate at more of a maintenance-level quarterly run rate as we continue ramping our capacity and begin restoring more normalized operations thereafter.

At June 30, 2022, cash and cash equivalents, combined with restricted cash totaled \$2.7 million compared to \$9.1 million at December 31, 2022. The decrease was driven by acquisition-related expenses and debt obligations.

Finally, as Mickey mentioned earlier, we are temporarily suspending our full year 2022 financial outlook, in which we had previously expected revenue to range between \$100 million to \$120 million; net income to range between a **net loss of** approximately \$5 million to **a net income** of approximately \$1 million, excluding any fair value adjustments to financial instruments and transaction related expenses; and adjusted EBITDA to range between \$65 million to \$75 million. We are suspending until we can gain greater visibility and clarity on the timing of Connecticut's recreational sales roll-out, as our projections had assumed an expected Q4 2022 start for these sales. As we gain additional visibility, we expect to re-evaluate and provide updates on our full year 2022 projections.

Through the remainder of 2022, we expect to remain focused on further enhancing our operational and capital efficiency, deepening and expanding our wholesale networks in both Connecticut and Arizona, and maintaining the high quality for which our products are known across the communities we serve.

Turning to some of our other operational highlights...in addition to Bernard's appointment as our new CFO, we made another key leadership appointment this month. Effective August 1st, we appointed Benjamin Rose to our board of directors. Ben is the founder and managing partner of Boundary Peak Advisors, and he brings over 25 years of experience in the investment industry, with experience supporting growth initiatives and capital-raising efforts for early-stage companies across several emerging industries, including cannabis. In his role at Boundary Peak, he helped facilitate our \$105 million senior secured credit facility from DXR Finance to assist with completing our acquisition of Theraplant. Ben has also served as chairman of the board for MedMen, where he spearheaded several restructuring and governance improvements, including facilitating a backstopped \$100 million equity private placement led by Serruya Private Equity.

Both Ben and Bernard bring deep cannabis industry and public company experience to Greenrose as we navigate our early days as a public multi-state cannabis operator. We believe their appointments strengthen our leadership team as we continue ramping our presence in our current markets and improving our capital and operational efficiency. We welcome their contributions as we drive forward on our strategic objectives this year.

To provide some additional color on a market-level strategic update Mickey mentioned earlier, we took an initial step to enter Connecticut's recreational cannabis market on a retail level. Subsequent to the second quarter, we, together with our partners, applied for four retail licenses and two hybrid retail licenses in Connecticut through the state's developing EJV program. Of these, the four Greenrose-related retail licenses were among the 14 retail applications that were recently denied by Connecticut's Social Equity Council based on the proposed structure of our partnerships. We are working with our partners to address these concerns and meet the applicable regulatory requirements.

As we've discussed today, this environment has challenged our visibility as to the timing and potential progress on our planned retail expansion and how soon we can begin participating in the upcoming recreational market. For the time being, we are working closely with our partners to stay apprised of further regulatory developments and ensure that we are in compliance with the state's recreational structure as it unfolds. As of now, we believe that Theraplant's robust production operations and strong wholesale relationships position us well to benefit from the recreational market once it activates.

From a production standpoint in both of our state markets, we remain comfortable with our current cultivation footprint, as we have an expanding grow capacity that provides robust supply to our wholesale markets and has plenty of room for continued expansion. As we ramp our cultivation operations at our expanded Theraplant facility and continue to progress our activation and construction efforts on our additional capacity at True Harvest, we are focused on improving our ability to serve our existing wholesale networks in each state market and improve our foundation for vertical integration as retail opportunities come to fruition.

Looking ahead, we are focused on building upon our two-state platform in Arizona and Connecticut through leveraging our existing production efficiencies at Theraplant and True Harvest, further supporting our high-quality flower brands, and improving our positioning for additional expansion opportunities as they arise. While our work to establish our platform is still in early days, we will continue our diligent efforts to strengthen and scale our foundation as an emerging premium operator.

[OPERATOR NAME], we'll now open up the call for Q&A.

QUESTION & ANSWER

Operator

Thank you, sir.

[Operator provides standard instructions]

And, our first question will come from [name and company name of caller] please proceed.

[Questions asked and answered until time is up or no more questions. Before the last question is asked, operator reminds everyone of the instructions for how to ask a question...which may prompt more questions.]

Operator

At this time, this concludes our question and answer session. I would now like to turn the call back over to Mr. Harley for closing remarks.

Mickey Harley – Greenrose – CEO

Thank you, [OPERATOR NAME]. I'd like to thank everyone that attended the call today, and we look forward to speaking with our investors when we report our third quarter results in November.

Operator

Ladies and gentlemen, this does conclude today's teleconference. You may disconnect your lines at this time. Thank you for your participation.

END
