

# Cresco Labs Shifts to Owned-Brand Distribution in California to Increase Profitability, Reduces Third Party Distribution

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CHICAGO--(BUSINESS WIRE)-- **Cresco Labs Inc.** (CSE:CL) (OTCQX:CRLBF) ("Cresco Labs" or "the Company"), a vertically integrated multistate operator and the number one U.S. wholesaler of branded cannabis products, announced today the decision to exit agreements under which Cresco Labs served as the exclusive distributor of certain third-party branded products in California. The decision marks the latest step in Cresco Labs' multi-year strategy to increase profitability and shift toward owned-brand distribution in the world's largest and most competitive cannabis market.

"California became a foundational state for Cresco Labs early in 2020, as we began operating the Continuum distribution platform to bring a curated portfolio of leading brands to California retailers. Thanks to partnerships with top-performing brands like Kings Garden, we have achieved significant scale and penetration in the state. The progression of our distribution strategy has led to owned-brand FloraCal now consistently landing among the top-15 flower brands in California and Cresco Liquid Live Resin among the top-10 live resin brands," said Charlie Bachtell, CEO and Co-Founder of Cresco Labs. "As we continue to implement localization strategies tailored to each state's market dynamics, this decision will enable us to put our full weight behind our rapidly growing owned-brand portfolio in California, while also expanding profitability margins for our overall business. Operating in California has been a key component for Cresco Labs in becoming the number one wholesaler in the industry, and we look forward to building upon our momentum in the state."

The Company will continue to partner with a small group of leading brands in California. The removal of most third-party brands results in a decrease in projected sales for the fourth quarter of 2021 and therefore the Company adjusts its previous Q4 2021 revenue guidance to a range of \$235 million to \$245 million. The Company reiterates

its Q4 adjusted EBITDA guidance of at least 30% and gross margins in excess of 50%.

## About Cresco Labs Inc.

Cresco Labs is one of the largest vertically integrated multistate cannabis operators in the United States, with a mission to normalize and professionalize the cannabis industry. Employing a consumer-packaged goods (“CPG”) approach, Cresco Labs is the largest wholesaler of branded cannabis products in the U.S. Its brands are designed to meet the needs of all consumer segments and comprised of some of the most recognized and trusted national brands including Cresco, High Supply, Mindy's Edibles, Good News, Remedi, Wonder Wellness Co. and FloraCal Farms. Sunnyside, Cresco Labs’ national dispensary brand, is a wellness-focused retailer created to build trust, education and convenience for both existing and new cannabis consumers. Recognizing that the cannabis industry is poised to become one of the leading job creators in the country, Cresco Labs operates the industry’s largest Social Equity and Educational Development initiative, SEED, which was established to ensure that all members of society have the skills, knowledge and opportunity to work and own businesses in the cannabis industry. Learn more about Cresco Labs at [www.crescolabs.com](http://www.crescolabs.com).

## Forward-Looking Statements

This press release contains “forward-looking information” within the meaning of applicable Canadian securities legislation and may also contain statements that may constitute “forward-looking statements” within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. Such forward-looking information and forward-looking statements are not representative of historical facts or information or current condition, but instead represent only the Company’s beliefs regarding future events, plans or objectives, many of which, by their nature, are inherently uncertain and outside of the Company’s control. Generally, such forward-looking information or forward-looking statements can be identified by the use of forward-looking terminology such as, ‘may,’ ‘will,’ ‘should,’ ‘could,’ ‘would,’ ‘expects,’ ‘plans,’ ‘anticipates,’ ‘believes,’ ‘estimates,’ ‘projects,’ ‘predicts,’ ‘potential’ or ‘continue’ or the negative of those forms or other comparable terms. The Company’s forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the Company’s actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements, including but not limited to those risks discussed under “Risk Factors” in the Company’s Annual Information Form for the year ended December 31, 2020 filed on March 26, 2021, and other documents filed by the Company with Canadian securities regulatory authorities; and other factors, many of which are beyond the control of the Company. Readers are cautioned that the foregoing list of factors is not exhaustive. Because of these uncertainties, you should not place undue reliance on the Company’s forward-looking statements. No assurances are given as to the future trading price or trading volumes of Cresco Labs’ shares, nor as to the Company’s financial performance in future financial

periods. The Company does not intend to update any of these factors or to publicly announce the result of any revisions to any of the Company's forward-looking statements contained herein, whether as a result of new information, any future event or otherwise. Except as otherwise indicated, this press release speaks as of the date hereof. The distribution of this press release does not imply that there has been no change in the affairs of the Company after the date hereof or create any duty or commitment to update or supplement any information provided in this press release or otherwise.

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