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## PRESENTATION

### Operator

Good morning. My name is Polly, and I will be your conference operator today. I would like to welcome everyone to the Cronos Group 2021 First Quarter Earnings Conference Call. Today's call is being recorded.

At this time, I would like to turn the call over to Shayne Laidlaw, Investor Relations. Please go ahead, sir.

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**Shayne J. Laidlaw** - *Cronos Group Inc. - Director of IR & Strategy*

Thank you, Polly, and thank you for joining us today to review Cronos Group's 2021 first quarter financial and business performance. Today, I am joined by our President and CEO, Kurt Schmidt; our CFO, Jerry Barbato; our Executive Chairman, Mike Gorenstein; and our EVP of Legal and Regulatory Affairs, Xiuming Shum.

Cronos Group issued a news release announcing these financial results this morning, which are filed on our EDGAR and SEDAR profiles. This information as well as the prepared remarks will also be posted on our website under Investor Relations. Before I turn the call over to Kurt, I would like to remind you that our discussion during this conference call will include forward-looking statements that are based on assumptions that are subject to risks and uncertainties that could cause actual results to differ materially from those projected in the forward-looking statements, including as a result of the factors described in the cautionary statement and risk factors included in the company's earnings release and regulatory filings, including the company's most recent annual report on Form 10-K and quarterly reports on Form 10-Q that which any forward-looking statements made during this call are qualified in their entirety.

In addition, during this call, certain financial measures may be discussed that are not recognized under the U.S. generally accepted accounting principles referred to by the Securities and Exchange Commission as non-GAAP measures. We believe these non-GAAP measures assist management in planning, forecasting, and evaluating business and financial performance, including allocating resources. Reconciliations of these non-GAAP measures to their closest reported GAAP measures are included in our earnings press release furnished to the SEC, which is available in the Pressroom section of our website [thecronosgroup.com](http://thecronosgroup.com). These non-GAAP measures may not be comparable to measures used by other issuers. I'd also like to note that we are conducting our call today from our respective remote locations. As such, there may be brief delays, cross-talk, or minor technical issues during this call. We thank you in advance for your patience and understanding. We will now make prepared remarks and then we will move to a question-and-answer session.

With that, I'll pass it over to Cronos Group's President and CEO, Kurt Schmidt.

**Kurt Thomas Schmidt** - *Cronos Group Inc. - President & CEO*

Thank you, Shayne. I want to open the call up by saying thank you to our global team for their continued and relentless effort to help Cronos become a leader in the markets we operate in. Despite not being quite at the end of the fight against COVID-19 and varying degrees of vaccine availability across the markets we operate, I'm hopeful we can find a path towards a more normal life in the near future. We are grateful to our teams for their creativity and ingenuity and growing our business and pushing forward no matter the circumstances.

Turning to our first quarter results. I will start by reflecting on a few highlights in the quarter which underline Cronos' commitment to building disruptive technology and innovation and strengthening our ability to compete, two of my key areas of focus for this year. On the innovation front, Cronos and Ginkgo Bioworks were named as one of the winners of Fast Company's prestigious 2021 Most Innovative Companies award in the joint ventures category. This is a respected award that acknowledges the significant and innovative work we are accomplishing with our partners at Ginkgo. We are humbled by the acknowledgment of the incredible work we are doing together.

Our partnership with Ginkgo is a core component of our innovation story. Together we have successfully fermented one of our target cannabinoids, CBG, at research scale and we continue to look forward to leveraging our R&D innovation and consumer insight team to drive the creation of differentiated product offerings. Most recently in April, we received our processing license for fermented cannabinoids at our Winnipeg, Manitoba facility from Health Canada marking a significant achievement for Cronos which highlights the strength of our organization across all functions.

The receipt of this license at this time was built into our product calendar and we remain on track for previously disclosed timing for commercialization. We look forward to advancing the cannabis industry with this technology and our world-class R&D and innovation teams in an effort to elevate the consumer experience responsibly.

This week we released an important commitment, our Marketing Code of Conduct. As a company, we believe that those below the legal age of consumption should not be targeted in adult-use cannabis market. We recognize there is a clear need for standards which is why we proactively created our own marketing code as a resource for the industry and policy-makers.

The principles outlined in our marketing code apply to all marketing activity for all our brands globally. The code represents Cronos' commitment for responsible marketing standards. From our leadership team to our external agencies, Cronos expect such individuals to understand and follow these principles. Our marketing code is an important step toward elevating industry practices. We hope that others within the industry will embrace similar commitments. As policymakers consider how best to regulate federally the legal U.S. cannabis market, we believe these principles reflect the sort of policies necessary for our industry.

Last month we set a new milestone for the industry by launching our Cronos Group Employees PAC. Our PAC was established to support and educate legislators, who are open to responsibly advancing legislation and regulation for CBD products, as well as those taking steps towards a well-regulated, safe, and legal federal cannabis market in the U.S. We firmly believe that policymakers and regulators must invest in approaches that support responsible adult consumption, limit harm from consumers by curtailing the illicit market, and create a legal and well-regulated federal framework for the cannabis industry in the U.S. Establishing this PAC is one step towards achieving that vision.

As legalization efforts continue across the U.S., we remain committed to being an integral part of the conversation. Our government affairs work strengthens our ability to compete on a global scale and we believe cannabis should be legal at the federal level and that a comprehensive and reasonable federal regulatory framework should be put in place for the industry. With our PAC donations and the release of our marketing code, we're proud to be on the record supporting responsible legalization efforts in the United States.

While we are doing what we can from the corporate side to support federal legalization in the U.S. Mike Gorenstein in his role as Executive Chairman continues to work with the Cronos team internally to evaluate various opportunities in market, while our global organization parallel paths an organic entry strategy given the robust suite of innovations we are building at our Peace Naturals Center of Excellence in Stayner, Ontario and deep cannabinoid learnings gained by our research teams in Israel. We are confident that with our balance sheet, existing CBD infrastructure, and our strategic investor we will be a best-in-class cannabis company in the U.S.

Turning to the U.S. segment. Towards the end of the first quarter, we began selling our Happy Dance brand at over 550 Ulta Beauty locations throughout the U.S. as well as on ulta.com. We're pleased with the response as we gain traction and mindshare from Ulta consumers. Broadening our distribution capabilities is an essential next step in the evolution of this brand with additional product launches expected to follow in order to expand variety for consumers throughout the year.

In April, we announced an exciting update for our Lord Jones brand. For the first time in the brand's history, Lord Jones has launched a robust marketing campaign with a mix of market activations including out-of-home advertising and television spots in various test markets in the U.S. Lord Jones is a strong brand in its corner of the world. But this campaign and the muscle we are putting behind it is going to make the brand's voice even louder, greatly expanding awareness among adult consumers.

Early feedback and reactions from our consumers and retail partners have been positive and I'm excited to see how well the marketing campaign does for the brand throughout 2021 and beyond. I've built a few brands in my career, it starts with authenticity and a high-quality product and we certainly have those. Now we can make sure people know about it and that's where the marketing effort comes in.

Our investment reaffirms our commitment to support the marketing efforts of our core brands across all regions. As I mentioned on our previous call, one of my goals this year is to build great cannabis brands here Cronos. We're excited about this robust marketing plan for Lord Jones and look forward to bringing this beloved brand to more consumers across the U.S. We are fortunate to have the resources to build Lord Jones into a strong brand within the CBD market building brand awareness for future line extensions into other segments of the cannabis industry.

Our results in the rest of world's segment, specifically Canada, were impacted by market dynamics due to ongoing COVID-19 restrictions and logistics issues brought on by stay-at-home orders and resulting restrictions throughout the country. Some provincial stores saw extended lockdown measures and the return to curbside pickup and delivery, which has affected sales growth. As the weather in Canada becomes warmer, curbside pickup becomes less of an inhibitor of growth as it is in the colder months. As recent data shows, the cannabis industry in Canada is recovering from the lows of the first calendar quarter, which is an encouraging sign for the growth going forward. With that being said, as the Canadian market continues to be affected by the COVID-19 pandemic, we remain focused on execution and innovation in this important market despite challenges.

In the past quarter, our Canadian innovation and marketing teams have been busy bringing our pipeline to life by developing and commercializing new products planned for the release in the coming weeks and months. We've taken a methodical approach to product development, understanding consumer needs, and bring in products of the future to market. We are not necessarily concerned about being the first, we are focused on being the best.

I'm excited to share that we will release a new edible product under the Spinach brand in the coming weeks. During the development of this product, we let deep consumer insights drive our decision-making while leveraging our robust R&D and innovation teams to bring this product to life. Our innovation team, which consists of scientists, engineers, and experts from the CPG world has invested an incredible amount of time into this new product which we think could be a leader in the edible segment in the Canadian market. By taking a thoughtful insights-first approach to this new product, we believe we'll deliver a truly unique and quality product.

As I mentioned at the beginning of the year, building disruptive technology and innovation is vital for Cronos. We continue to believe that investing in innovation and research will unlock the full potential of cannabis helping us create standout products and provide us with a long-term competitive advantage.

Turning to Israel. The Israeli medical cannabis market continues to grow both with patient count numbers steadily increasing, which have now surpassed 88,000 registered medical patients and the expansion of distribution where more and more pharmacies are interested in selling medical cannabis to patients in Israel. Following the signing of the agreement with Super-Pharm in February, the largest pharmacy chain in Israel with over 250 branches, we are very excited about our growth in this rapidly evolving market.

Our PEACE NATURALS brand continues to gain traction in the flower and oil categories within Israel and we recently launched pre-rolls under the PEACE NATURALS brand into the market, from which we have experienced strong early results. I continue to be impressed with the strength of our Israeli-based team and look forward to seeing what they will accomplish in the balance of 2021.

Despite being faced with a challenging macro environment, I'm incredibly proud of how our team persevered in the first quarter. As I look at the balance of 2021, I'm excited about our plans and what we are setting out to accomplish together as a global team.

With that, I'll turn the call over to our CFO, Jerry Barbato.

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**Jerry Filomena Barbato - Cronos Group Inc. - CFO**

Thanks, Kurt, and good morning, everyone. Turning to our financial results. The company reported consolidated net revenue in the first quarter of 2021 of \$12.6 million, a 50% increase from the prior year period.

Revenue growth year-over-year was primarily driven by the growth in the adult-use Canadian cannabis market, sales in the Israeli medical market, and growth in our U.S. hemp-derived CBD business, partially offset by strategic price reductions on various adult-use cannabis products in Canada taken in the second half of 2020.

Consolidated gross loss for the first quarter of 2021 was \$3.0 million, a \$3.5 million decrease in losses from the first quarter of 2020. The improvement versus prior year was primarily driven by an increase in net revenue and a decline in inventory write-downs in the Rest of World segment. Adjusted EBITDA loss for the first quarter of 2021 was \$37.1 million, increasing marginally from the first quarter of 2020.

The marginal increase in losses year-over-year was primarily driven by an increase in sales and marketing spend due to brand development in the U.S. segment and an increase in R&D driven by spending on product development and developing cannabinoid IP, partially offset by decreases in sales and marketing spend in the Rest of World segment, gross loss, and general and administrative expenses

Turning to our reporting segments. In the Rest of World segment, we reported net revenue in the first quarter of 2021 of \$10.2 million, a 63% increase from the prior year period. Revenue growth year-over-year was primarily driven by the continued growth in the adult-use cannabis flower market in Canada and growth in the Israeli medical cannabis market partially offset by strategic price reductions on various adult-use products in Canada in the second half of 2020 and a decrease in sales of cannabis extracts in Canada, which was primarily due to fluctuating provincial demand.

Gross loss for the Rest of World segment, for the first quarter of 2021 was \$4.1 million, a \$3.4 million decrease in losses from the first quarter of 2020. The improvement year-over-year was primarily driven by increased revenue and a decrease in inventory write-downs. As we work to create an efficient global supply chain through 2021 and beyond for our Rest of World segment, we anticipate that gross margin will continue to fluctuate as price and mix change from quarter to quarter.

Adjusted EBITDA loss in the Rest of World segment for the first quarter of 2021 was \$22.2 million, representing a \$6.8 million decrease in losses from the first quarter of 2020. The improvement was primarily driven by a decrease in gross loss and a decrease in general and administrative expenses, partially offset by an increase in research and development cost.

Turning to the U.S. segment. We reported net revenue in the first quarter of 2021 of \$2.4 million, a 12% increase from the prior year period. Revenue growth year-over-year was primarily driven by the introduction of new hemp-derived CBD products. Gross profit for the U.S. segment for the first quarter of 2021 was \$1.2 million, a \$100,000 increase from the first quarter of 2020.

Adjusted EBITDA loss in the U.S. segment for the first quarter of 2021 was \$9.5 million, representing a \$3.7 million increase in losses from the first quarter of 2020. The increase in losses was primarily driven by an increase in sales and marketing costs related to brand development. Overall, Cronos Group reported a decrease in net income versus the prior-year period, primarily due to the change in fair value of the financial derivative liabilities associated with Altria's investment, which is described in more detail in the 10-Q.

In the first quarter of 2021, the company reported a non-cash loss of \$116.9 million related to the change in fair value of these financial derivative liabilities. Cronos continues to expect there may be significant reported earnings volatility, primarily driven by the fair value quarterly adjustments related to the movement of Cronos Group's stock price.

Turning to the balance sheet. The company ended the quarter with approximately \$1.2 billion in cash and short-term investments, which is down roughly \$50 million from the fourth quarter of 2020. Capital expenditures for the quarter were \$7.1 million with the spending focused across our global strategic priorities. We remain committed to deploying capital in a disciplined manner and only in ways that align with our strategic priorities. I continue to be encouraged by the work our teams are doing globally.

With that, I'll turn it over to Kurt for closing remarks before Q&A.

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**Kurt Thomas Schmidt - Cronos Group Inc. - President & CEO**

Thank you, Jerry. This quarter we continued to execute our strategy and grow despite the ongoing impacts of the pandemic and we're incredibly motivated to keep this momentum building throughout our organization. With a focus on supporting our regional strategies and supporting our R&D and innovation work on the brand level, we continue to push forward with innovative products and unique marketing campaigns.

With that let's now open the line for questions.

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## QUESTIONS AND ANSWERS

**Operator**

(Operator Instructions) And your first question comes from the line of Rahul Sarugaser with Raymond James.

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**Rahul Sarugaser - Raymond James Ltd., Research Division - MD and Equity Analyst of Healthcare, Biotechnology & Cannabis**

So I guess my first question really is primarily around biosynthesis. Kurt, you highlighted that as a key milestone specifically the Health Canada license which of course was important. So I guess my first question is what do you mean by research scale of CBG, what scale are you looking to get to? And what cannabinoids can we expect to see next and timelines to seeing these cannabinoids incorporated into your commercial products?

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**Kurt Thomas Schmidt - Cronos Group Inc. - President & CEO**

Yes. So thank you for the question. We're going to move from -- obviously, we're making a small R&D pilot scale. We're now moving into the Winnipeg facility to produce at scale, which will allow us to launch products into the Canadian market on our first molecule which is the CBG, correct as you said. So we are looking at the sequencing-- As we've stated before, we have about 7 separate molecules that we're developing with Ginkgo and they will roll-out sequentially over time as we move forward, CBG being the first. We also mentioned our focus will be on the rare cannabinoids to begin with because we feel that brings the most interesting part of the product line, the most differentiation and value-added products that we can bring to consumers. So we want to focus on those first versus the major cannabinoids of CBD and THC.

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**Rahul Sarugaser - Raymond James Ltd., Research Division - MD and Equity Analyst of Healthcare, Biotechnology & Cannabis**

So I guess maybe my follow-on question then is given that Cronos is sort of as far as we know, the only cannabis-specific -- cannabis company with its own fermentation capabilities that is driving these products. So how do you see this as a competitive advantage somewhat as being unique to the sector but also translating that capability as you build out your U.S. sales infrastructure?

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**Kurt Thomas Schmidt - Cronos Group Inc. - President & CEO**

Yes, couple things. One of them obviously by building up this capability at our Winnipeg facility, we're learning what it takes to produce these things at scale, to produce the cannabinoids at scale which is an important art. So that's the manufacturing expertise to go with the innovation

expertise. Obviously, we've always used Canada as a development platform for a potential entry into the U.S. on some of these products. So that gives us that leg up as we want to enter the U.S. eventually, and so both on the CBD side and the adult-use side. So it's vitally important from that aspect. And, Mike, I don't know if you want -- you've been early on, on this one, whether you want to add some comments to this.

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**Michael Ryan Gorenstein** - *Cronos Group Inc. - Executive Chairman*

Thank you. Yes, I'd just add, one of the things we're excited about now being able to start ramping up in Winnipeg is, our focus is on getting these products with the rare cannabinoids out early and quickly in Canada so that we can see how they perform, we can get learnings. So -- given the timeline we expect in the U.S., we'll be able to launch these products with a lot of information in the U.S. market as we're able to access it with expected federal permissibility coming in the near future.

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**Rahul Sarugaser** - *Raymond James Ltd., Research Division - MD and Equity Analyst of Healthcare, Biotechnology & Cannabis*

Well, congrats on that progress.

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**Operator**

And your next question comes from the line of John Zamparo with CIBC.

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**John Zamparo** - *CIBC Capital Markets, Research Division - Associate*

I wanted to ask about gross margins and in particular, the cadence of gross margins over the next year or so in the Rest of World segment and really what's required to get these to a level closer with most of your peers. Is it just that there is a certain minimum threshold of sales you need to cover fixed costs or is there some element of forward purchasing commitments that needs to roll-off? Any color there would be appreciated.

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**Jerry Filomena Barbato** - *Cronos Group Inc. - CFO*

Yes. Thanks, John. So we're still going to see fluctuations in gross margin as price and mix change from quarter to quarter. And the mix changes are reflective, not only of product mix but also of revenue mix between Canada and Israel. And as you stated in your question, our Q1 margins suffered a bit as revenue slowed sequentially, and we have a high fixed cost base in our Stayner facility, but we anticipate that these pressures will ease over time as our revenue base grows and our manufacturing and purchasing teams refine processes and prices stabilize both in the wholesale market and on the shelf.

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**John Zamparo** - *CIBC Capital Markets, Research Division - Associate*

And then my second question is on M&A and we've seen a pretty noticeable increase in M&A in the Canadian space. I'm curious if your view has changed at all here to the point where you would look at any Canadian assets and how should we think about the U.S. M&A strategy pre any steps towards legalization?

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**Kurt Thomas Schmidt** - *Cronos Group Inc. - President & CEO*

Yes. Thanks, John, for that question. I'll have Mike jump in as well on this one. When it comes to Canada, we're going to use the same discipline we've had all along, which is first of all, we think we have between what we're doing on the innovation side and the brands we already have. We think we have a pretty good sense of portfolio. That doesn't mean that we wouldn't look at things, but we're going to use the same kind of discipline that we've done with everything in this area in the past. So right now, I feel pretty comfortable with what we have. When it comes to the U.S., again

that's been Mike's focus. We've always looked at it is building out our own brands. We have our Canadian portfolio, we also have brands in the U.S. and will likely see a mixture of potential M&A but I'd like Mike to weigh in on this because this has been a lot of his focus for the past year.

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**Michael Ryan Gorenstein** - *Cronos Group Inc. - Executive Chairman*

Thanks, Kurt, and thanks, John. Yes, that's exactly right. We feel that the U.S., we're closer to being able to directly operate and we feel comfortable that there are paths for us to be able to get optionality in the near term. So while we'll continue to look at every opportunity, it just keeps pushing us further toward the U.S. as far as where our focus is in capital allocation. But we're really looking at ways not only to get exposure to other brands that are performing but ways to set ourselves up so that our brands have the right assets to make sure that they're able to perform as we move actively on our own.

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**Operator**

And your next question comes from the line of Andrew Carter with Stifel.

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**William Andrew Carter** - *Stifel, Nicolaus & Company, Incorporated, Research Division - Associate VP*

I wanted to ask about the edibles launch in Canadian market. Obviously, a market that provides federally legal template for testing and developing but how do balance in getting really an accurate consumer insight given the marketing restrictions as well as the package limitations? And also could you talk about what price point you're launching as well as forms and where you go beyond Spinach?

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**Kurt Thomas Schmidt** - *Cronos Group Inc. - President & CEO*

Yes. Thanks for that, Andrew. Yes. First of all, we're excited about this kind of a launch because it's just not the product itself could compete, well, I believe with any confectionery products in the non-THC area. I mean this is really an innovative product that is really unique to the marketplace. So we think that is great. On the question of whether it's applicable. Not everything, but because obviously if you look at the states, the regulatory environment, generally speaking, is more like alcohol versus more like the pharma-regulatory environment in Canada.

But there are things we learned, consumer acceptance, concept. We have incredible research capability and consumer insights and we apply those to the U.S. I mean we do the same things we do as looking at the Canadian consumers as we do in the U.S., so it's very, very applicable. And so that's part of the beauty of what we're doing. It allows us to test those ideas and concepts and be ready and to be quick. When -- as Mike talked about earlier, federal legalization comes about. So we think it's very applicable. Sure, you have to take in a little bit of dimensionality for the fact that the U.S. is going to be a bigger opportunity, it's not just the size of the market but stability of the market as well. But as far as the Canadian testing platform for the U.S., it's pretty important and we've already -- what we're already learning with our capabilities, how to apply those learnings into the U.S.

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**Michael Ryan Gorenstein** - *Cronos Group Inc. - Executive Chairman*

And second, just to add. Sorry, Andrew, just to add to that. I think one thing here that is really important to bring back up, it's really helpful for us from a learnings perspective to be able to have product format. So that when we introduced rare cannabinoids and differentiated products, those learnings we think are applicable from a formulation perspective, what type of feedback on, and so it might not be on all the brand elements and the marketing plan but on the actual product itself and having a breakthrough product. We think we'll still be able to get that information.

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**William Andrew Carter** - *Stifel, Nicolaus & Company, Incorporated, Research Division - Associate VP*

Second question, I wanted to build about kind of on gross margin but overall, can you kind of give -- provide a sense of your expectations for when the global supply chain, when all the tailwinds will kick in and be fully supporting the business needs i.e. when will GrowCo fully enabled -- fully on scale to enable the Canadian business, as well as domestic Israel fully supporting that business?

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**Kurt Thomas Schmidt** - *Cronos Group Inc. - President & CEO*

Yes, this is Kurt. I'll kick it off and Jerry may have some things to add. But as far as GrowCo, again we've had the philosophy that the biomass will become more commoditized and the large ag growers are going to be the key players in here. So we're really pleased to see this partnership with GrowCo and Mucci, how it's developing. The project is running -- up and running with the necessary licenses now and receiving -- we've just received the processing license means that we can now sell to the wholesale market and you're going to see it becoming operational in stages throughout the first half of this year and that includes harvesting. We're not going to discuss any of the KPIs associated with it but we're in the early innings but I will say we are pleased with the development and what Mucci brings to this endeavor. So it's -- we are on track and we're feeling good about it.

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**Jerry Filomena Barbato** - *Cronos Group Inc. - CFO*

Yes. Just to add a little bit to that. You're right, Israel, we're really happy with how it performed in Q1. The Cronos Israel team has achieved quite a bit in such a short amount of time. And I think as that medical market expands and then obviously we had headwinds that Kurt mentioned in the prepared remarks, the trends we're seeing during COVID in Canada with consumers, either in lockdown are generally less mobile is that their preferences have shifted and you've seen the provinces order less and de-load their inventory. And I think those all have impacts on margin because as you pointed out, you need to continue to grow that revenue base to absorb those fixed costs.

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**Operator**

(Operator Instructions) Your next question comes from the line of Heather Balsky with Bank of America.

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**Heather Nicole Balsky** - *BofA Securities, Research Division - VP*

I guess, for starters, focusing on the CBG products launching. How are you thinking about your current market strategy, especially the learning curve for the customers and the budtenders about the product? And also as you launch the product, how are you thinking about eventually educating U.S. consumers in a less restrictive environment?

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**Kurt Thomas Schmidt** - *Cronos Group Inc. - President & CEO*

Yes. Well, that's all part of the learning in Canada is going to be, is the launch of this product and how do we -- how we discuss it with the retail sector. So that all is in the planning of the works and lot of that will be transferable the U.S., some of it won't because the U.S. has a different marketing environment. And so, right now, we feel like we're getting all those plans set and as we said before, it's going to be the third quarter of this year. And we're working along with getting the product ready, we're working with the marketing program as well.

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**Heather Nicole Balsky** - *BofA Securities, Research Division - VP*

And as the second question, separately, you talked about the store pickup that you expect it to improve if the weather improves. I'm just curious, have seen that occur as it moves until late April and early May and the weather is warmed up a bit?

**Kurt Thomas Schmidt - Cronos Group Inc. - President & CEO**

Yes, I think we are seeing some signs of that. Of course, if you're speaking of Canada and that will continue. I also look at the U.S. and Israel are the markets which are farther down the line. So you see the impacts, a big impact of the vaccine, so I think that's a critical piece too. As you see the vaccines rollout in the U.S., the Northeast, for example, in California have been hit harder, had been more restrictive, more like Canada situation. But we're seeing the bricks and mortars open up, once the bricks and mortar's open up, people start coming back out. The weather is additive to that because obviously, the cold weather has an influence.

All those factors coming together, probably the most important one as we move forward is vaccination, that is a key. And when the vaccination starts penetrating the market like it is in the Northeast now, where everyone can be vaccinated regardless of age now, there is no restrictions. And you're seeing that, you start to see sporting events open up, bricks and mortars open up, and you're starting to see things getting relatively back to normal and progressing. So still going to take a while but I am confident. Again, we track the vaccine rate is an important statistic for us and I think that's an important one as we go forward, particularly with Canada.

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**Operator**

And at this time, there are no further audio questions. Are there any closing remarks?

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**Kurt Thomas Schmidt - Cronos Group Inc. - President & CEO**

No, there isn't.

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**Operator**

And thank you. Ladies and gentlemen, this concludes today's conference call. Thank you for your participation. You may now disconnect.

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