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[Bill Kirk](#)

Analyst, ROTH Capital Partners LLC

Management Discussion Section

Operator

Good morning. My name is Amber and I will be the conference operator today. I would like to welcome everyone to the Cronos Group's 2025 Third Quarter Earnings Conference Call. Today's call is being recorded.

At this time, I would like to turn the call over to Harrison Aaron, Senior Director, Investor Relations and Corporate Development. Please go ahead.

Harrison James Aaron

Senior Director-Investor Relations, M&A, Cronos Group, Inc.

Thank you, Amber, and thank you for joining us today to review Cronos' third quarter financial and business performance in 2025. Today, I am joined by our Chairman, President and CEO, Mike Gorenstein; and our CFO, Anna Shlimak. Cronos issued a news release announcing our financial results this morning, which is filed on our EDGAR and SEDAR profiles. This information and the prepared remarks will also be posted on our website under Investor Relations.

Before I turn the call over to Mike, let me remind you that we may make forward-looking statements and refer to non-GAAP financial measures during this call. These forward-looking statements are based on management's current expectations and assumptions that are subject to risks and uncertainties that could cause actual results to differ materially from those projected in the forward-looking statements. Factors that could cause actual results to differ materially from expectations are detailed in our earnings materials and our SEC filings that are available on our website, by which any forward-looking statements made during this call are qualified in their entirety.

Information about non-GAAP financial measures, including reconciliations to U.S. GAAP, can also be found in the earnings materials that are available on our website. Lastly, we will be making statements regarding market share information throughout this conference call, and unless otherwise stated, all market share data is provided by Hifyre. We will now make prepared remarks and then we'll move to a question-and-answer session.

With that, I'll pass it over to Cronos' Chairman, President and CEO, Mike Gorenstein.

Michael Ryan Gorenstein

Chairman, President & Chief Executive Officer, Cronos Group, Inc.

Thanks, Harrison, and good morning, everyone. Cronos delivered another record quarter in Q3 2025, underscoring the continued strength of our core business and the success of our global strategy. Our results were driven by robust demand across key markets and product categories highlighted by outstanding performance in Israel. We remain focused on delivering top line growth, margin expansion and disciplined cost management as we continue to strengthen our operations and position the company for sustainable profitability.

In Canada, flower supply constraints led to softer flower revenue year-over-year, yet these declines were largely offset by continued outperformance from our market-leading edibles and significant growth in the vape category. The Phase 2 expansion at

GrowCo is now complete and flower sales commenced in Fall 2025. As with any cultivation expansion, it typically takes time to dial in the new facility, and while we are on schedule and making great progress, we expect improvement over time. Overall, we believe flower sales will improve in 2026 with resolution of our supply constraints driven by the GrowCo expansion and the increased supply of the high-quality flower which our brands are known for. Our spinach brand continues to be a standout performer, ending the quarter as the number two cannabis brand in Canada with 4.5% overall market share.

In flower, Spinach ranked number four in Canada with 4.9% share. In vapes, Spinach achieved 7% share across Canada, moving up in the ranks to the number three overall vape brand. In the vape cartridge sub-category we achieved the number two market position with 9.5% market share. A number of our vape SKUs are among Canada's top sellers, including Pink Lemonade, which was the best-selling 1.2 gram vape cartridge in Canada.

In edibles, Spinach strengthened its category leadership, holding the number one position with 19.7% market share. Within gummies, Spinach led the market with 22.8% share with four products ranking in the top 10 nationally. In Q3, SOURZ continued to build on its category leadership in edibles with the launch of Fully Blasted Multipacks featuring liquid-diamond infused gummies. These multipacks are available in five of our most popular flavors, giving consumers more choice, convenience and value when purchasing Canada's number one cannabis edible.

We also launched two limited edition seasonal offerings in the quarter, continuing to keep our assortment fresh and exciting for consumers. The popular SOURZ Caramel Green Apple gummy returned with the limited time flavor and we introduced the Sweet Green Apple 1 gram vape featuring crisp, refreshing apple flavor notes that complement our edibles lineup and strengthen the brand's presence in the vape category. Together, these new launches reinforce the brand's reputation for flavor innovation and product quality, while driving continued consumer engagement and retail momentum heading into the holiday season.

Turning to Lord Jones, the brand continues to elevate its premium positioning in Canada. In chocolates, Lord Jones hold a 10.7% market share, number three in the category, with Salted Caramel Crunch Chocolate Fusions ranked among the top 10 chocolate edibles nationally. The brand maintains its leadership position in hash and live resin-infused pre-rolls with 17.5% share, and we're excited to have launched Live Resin Caviar-infused pre-rolls in August further strengthening our footprint in premium formats.

In Israel, Cronos achieved another quarter of record net revenue, delivering exceptional growth across both the flagship PEACE NATURALS brand and the value-focused LIT brand. The high-quality of our product offering and the sales team's focus on pharmacy partnerships have combined to strengthen our leadership position and engagement with patients driving the strongest months in company history in July and August.

PEACE NATURALS remains the number one medical cannabis brand in Israel, according to pharmacy data collected by Cronos, underpinned by strong demand for flagship strains like Wedding CK, the best-selling product in the market, and GMO, the second best-selling product in the market. In Q3, Cronos Israel continued to innovate, introducing new strains ANML and OGC grown indoors in Israel under a new limited edition product series.

We're also encouraged that Israel's medical patient count has returned to growth in 2025, with patient count up nearly 5% year-to-date, following a 6% decline in patient count in 2024 resulting from reforms to the country's medical cannabis program according to data from Israel's Medical Cannabis Agency.

Across our other international markets, results were lighter this quarter due to shipment timing, which pushed some revenue recognition into the fourth quarter.

Given this dynamic, we expect second half of 2025 net revenue for other international markets to be similar to our first half results. Germany continues to be the standout contributor, even as we monitor potential regulatory changes that could shape future market dynamics. We're encouraged by traction in Switzerland, where PEACE NATURALS is now available through the country's medical network. With our distribution also ramping up in Australia, PEACE NATURALS products are now available in seven markets: Canada, Israel, Germany, the UK, Australia, Switzerland and Malta.

Finally, Cronos maintains one of the strongest balance sheets in the industry, with no debt and \$824 million in cash, cash equivalents, and short-term investments, providing the flexibility to continue investing in growth, innovation, and global expansion.

Now I'll turn it over to Anna to walk you through the third quarter financials.

Anna Shlimak

Chief Financial Officer, Cronos Group, Inc.

Thanks, Mike, and good morning, everyone. I will now review our third quarter 2025 results. The company reported consolidated net revenue of \$36.3 million, a 6% increase year-over-year. The net revenue increase was driven by higher cannabis flower sales in Israel and higher cannabis extract sales in the Canadian market, partially offset by a decrease in cannabis flower sales in the Canadian market.

Gross profit and adjusted gross profit in the third quarter were \$18.3 million, equating to a 50% gross margin, a 19-percentage point improvement from 31% adjusted gross margins in Q3 2024. The year-over-year, gross margin improvement was driven by higher average sales prices, due primarily to a mix shift to Israel, higher sales volumes and production efficiencies, as well as by favorable inventory dynamics, which benefited Q3 2025's gross margin. Given this favorability, we would view the blended adjusted gross margins over Q2 and Q3 as more indicative of the current underlying margins of the business.

Operating expenses, excluding restructuring costs and impairments, were \$18.6 million in the quarter, a year-over-year decline of \$4.3 million, driven by a \$3.5 million year-over-year decline in G&A. Adjusted EBITDA in the third quarter was \$5.7 million, an improvement of \$11.7 million year-over-year, driven by a higher gross profit and lower operating expenses. We view the average adjusted EBITDA over Q2 and Q3 as more indicative of the current underlying profitability of the business.

Turning to the balance sheet and cash flow statement, the company ended the quarter with \$824 million in cash, cash equivalents and short-term investments, down \$10.2 million from Q2, 2025, driven primarily by our \$18.4 million convertible loan and warrant investment in High Tide, as well as by a \$5.8 million working capital outflow, \$4.6 million of CapEx spend and \$1.9 million of share repurchases, partially offset by positive cash flow from operations before changes in working capital of \$19.1 million and a \$1.3 million FX benefit.

In summary, our third quarter results set records across net revenue, gross profit and adjusted EBITDA, demonstrating continued improvement in our operating fundamentals as we execute against our business objectives.

With that, I would like to hand it back to Mike for brief comment before we go into Q&A.

Michael Ryan Gorenstein

Chairman, President & Chief Executive Officer, Cronos Group, Inc.

Thanks, Anna. To wrap up our performance this quarter demonstrates that Cronos' core business is strong and is a testament to our borderless product strategy. With leading adult-use brands, Spinach and Lord Jones and momentum in Israel and internationally with PEACE NATURALS and LIT, alongside the recently completed expansion at GrowCo, we're well-positioned for continued growth as we look forward to 2026. We are confident in our strategy and excited to end 2025 strong.

Thank you. And we'll now open the line for questions.

Question And Answer Section

Operator

Thank you. At this time, we will conduct the question-and-answer session. [Operator Instructions] Please stand by while we compile the Q&A roster. Our first question comes from Bill Kirk of ROTH Capital Partners. Your line is open.

Bill Kirk

Analyst, ROTH Capital Partners LLC

Q

Hey. Good morning, everybody. Mike, you mentioned sales at the GrowCo expansion beginning in the fall, would any of that have occurred in 3Q? And then when you talk about growth in 2026, can you help us think about the magnitude, right, the capacity expansion for you is about 50%, but there were some comments about optimizing that facility over time. So, when you talk about growth in 2026, how much do you have in mind?

Michael Ryan Gorenstein

Chairman, President & Chief Executive Officer, Cronos Group, Inc.

A

Sure. Thanks, Bill. Yeah. I think as we see when GrowCo comes online, part of that is when the sales come to us versus third-party and it was only towards the end. So, I don't think you've really seen a lot of that hit yet. That's something that will gradually show up and you'll – I think you'll see also as we dial it in that magnitude will really increase into 2026. So going through the first cycle, the 70% capacity increase on flower is a good way to kind of think about how that can start to impact revenue going forward with the variable being sort of which market it gets allocated to and given the different pricing. But we think it's a great growth driver along with other increases in brand launches that we have – sorry – product launches we have in our existing markets.

Bill Kirk

Analyst, ROTH Capital Partners LLC

Q

Awesome. And then, Anna, you talked about 2Q and 3Q gross margins blended as indicative of underlying gross margins. Would you expect underlying to improve with the new GrowCo capacity? So go forward, it's different than 2Q and 3Q blended. It's something else because now GrowCo is online?

Anna Shlimak

Yes, I think that's right. So, we could in the future see benefits from increased fixed cost absorption as that facility dials in. But I would say in the short-term, closing out the year, a blend of Q2 and Q3 is indicative of the business and margins.

Bill Kirk

Analyst, ROTH Capital Partners LLC

Q

Awesome. And I'm going to selfishly sneak one more in, there were two things, I guess, that weighed slightly on 3Q. In Canada, you called out flower supply constraints. How much did that impact 3Q? And then international, outside of Israel, there is a shipment timing shift into 4Q, how big was that?

Michael Ryan Gorenstein

Chairman, President & Chief Executive Officer, Cronos Group, Inc.

A

Thanks. So, yeah, I think, we've definitely been weighed down by not having enough flower in the region and so important to get GrowCo online. And I think that when you look at overall top line that's been something that certainly ease up. And I just want to point out I think there is still a margin difference in Canada versus international.

So going forward, you'll see costs, I think a little better with the expansion in fixed cost absorption from GrowCo. But the more allocated to Canada versus the international markets would pull down sort of the margin without accounting for the cost decreases. So, I still think it's all net positive. And I think, you should think about the shipment timing being something that will normalize, this half will look, kind of, like the first half.

Bill Kirk

Analyst, ROTH Capital Partners LLC

Q

Awesome. Thank you, guys.

Operator

Thank you. I am showing no further questions at this time. I want to thank you for your participation in today's conference. This does conclude the program and you may now disconnect.