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Cronos Group, Inc. (CRON.CA)

Q1 2026 Earnings Call

CORPORATE PARTICIPANTS

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Bill Kirk

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning. My name is Michelle and I will be your conference operator today. I would like to welcome everyone to the Cronos 2026 First Quarter 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, sir.

Harrison James Aaron

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

Thank you, Michelle, and thank you for joining us today to review Cronos' 2026 Q1 Financial and Business Performance. 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 US 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. Cronos delivered record net revenue and gross profit in Q1 2026, as we continue to execute on our strategic vision. International markets delivered record net revenue and our Canadian brands posted share gains across key categories, led by Spinach, achieving the number one market share position in vapes.

Starting with Cronos Israel. In Q1, we delivered our ninth consecutive quarter of record net revenue, growing 53% year-over-year. We extended our market share lead powered by PEACE NATURALS as the number one brand in Israel, according to pharmacy data collected by Cronos. This performance was driven by the quality of our genetics and the execution of our team on the ground.

We are also very pleased with the initial performance of the Lord Jones brand in Israel. We launched the brand with a lineup of curated premium flower offerings, featuring cold-cured large flower buds in a series of limited time drops. The initial reception has been strong, demonstrating that the Lord Jones brand's premium positioning translates across markets. We're looking forward to building upon this early momentum.

Between PEACE NATURALS, LIT and Lord Jones, we now offer Israeli pharmacies a comprehensive tiered product portfolio, that addresses the spectrum of patient price points and broadens our market reach.

Turning to Canada, our brands generated 18% year-over-year retail sales growth, relative to industry-wide sales growth of 2%, according to HiFyre. The Spinach brand had an excellent quarter, with our product portfolio demonstrating the success of our innovation efforts through substantial share gains. Spinach ranked number one across all vape formats in Q1, capturing 9.8% total market share. In vape cartridges, specifically, Spinach held an 11.1% share, also the number one position.

Adding to that achievement, the three best-selling vape SKUs in the country this quarter were all Spinach cartridges. This is a meaningful milestone that reflects our ongoing investment in product quality and innovation, while leaning on consumer insights to guide our product development pipeline.

On that note, Spinach PUFFERZ continued to build distribution and disrupt the market in Q1, broadening its presence across Canadian provinces after its initial launch in select markets late last year. PUFFERZ reached the number two market share position in the all-in-one vape category in March 2026, just four months after launch. PUFFERZ exemplifies what we mean when we talk about raising the bar on product excellence, design and flavor and the early consumer response has validated our conviction in the PUFFERZ platform.

In edibles, we maintained our number one position, with 20.8% market share, with gummies at 22.7%. SOURZ by Spinach remains the clear category leader in edibles, with the Fully Blasted Multipack leading the charge. Launched in mid-2025, the Fully Blasted offerings now occupy 4 of the top 10 edible SKUs in Canada, including the number one SKU nationwide in Q1.

In flower, quarter-over-quarter, we rose in the ranks from number four to number three, which is a direct reflection of the easing of our supply constraints, following the completion of the GrowCo expansion. We said last quarter that we expected the supply constraints to ease in 2026 and we're starting to see that play out.

In the pre-roll category, we introduced Spinach STIX, the brand's first cylindrical-style pre-roll, responding to strong consumer demand for this fast-growing format. We launched three STIX SKUs in GMO Cookies, Sour Chem and Space Cake, alongside new 2 x 1 gram pre-rolls in Sour Chem and GMO Cookies. Together, these launches helped Spinach climb to the number eight market share position in non-infused pre-rolls in Q1.

Turning to our other international markets, we delivered 97% year-over-year growth, posting record net revenue in the quarter, driven by sustained momentum in Germany. Our PEACE NATURALS and LIT brands remain the engine of our international performance and the breadth of our footprint across markets provides significant further growth potential and optionality as regulatory environments evolve.

Building on our international momentum, we remain very excited about our pending acquisition of CanAdelaar. We announced the definitive agreement in December and are prepared to close, subject to certain closing conditions, with completion of this transaction expected in summer of 2026.

As a reminder, CanAdelaar is the largest company operating within the Netherlands' Legal Adult Use Cannabis Program and the only industrial-scale greenhouse cultivator. The Netherlands has a deep cannabis heritage and we believe this market has the potential to serve as a model for other European markets. Acquiring a market leader in Europe's largest adult-use cannabis market is an important step in our international strategy and opportunity to deploy our borderless product strategy at scale. We're excited to bring CanAdelaar into the Cronos family and build on the foundation it has established.

Cronos maintains the strongest balance sheet in the industry, with no debt and \$822 million in cash and cash equivalents, allowing us to continue investing in growth, innovation and global expansion.

And today we announced our Board's authorization of a renewed \$50 million share repurchase program. This decision reflects our belief in the long-term value of our business and our commitment to delivering returns to shareholders as we execute on our strategy. Given our balance sheet and profitability, we have the opportunity to invest across organic growth, share repurchases and M&A.

Now, I'll turn it over to Anna to walk you through our first quarter financials.

Anna Shlimak

Chief Financial Officer, Cronos Group, Inc.

Thanks, Mike, and good morning, everyone. I'll now review our first quarter 2026 results. The company reported consolidated net revenue of \$45.2 million, a 40% increase year-over-year. The net revenue increase was driven by higher cannabis flower sales in Israel, Canada and other countries and higher cannabis extract sales in the Canadian market.

Gross profit and adjusted gross profit in the first quarter were \$19.2 million, representing a 39% year-over-year growth from Q1 2025's adjusted gross profit. The year-over-year increase was primarily due to higher sales volumes and higher average sales prices, largely driven by a mix shift to Israel and other countries, which carry no excise tax.

Operating expenses, excluding restructuring costs and impairments, were \$20.5 million in the quarter, a year-over-year increase of \$3.3 million, driven by increases in G&A, sales and marketing, and R&D expenses. Note that \$1.3 million of the increase in G&A within OpEx is due to discrete costs, primarily related to transaction costs incurred in connection with the CanAdelaar acquisition.

Adjusted EBITDA in the first quarter was \$5.1 million, an improvement of \$2.8 million year-over-year, driven by higher gross profit, partially offset by higher operating expenses.

Turning to the balance sheet and cash flow statement. The company ended the quarter with \$822 million in cash, cash equivalents and short-term investments, down \$10 million from Q4 2025, driven by \$17 million of share repurchases, \$2 million of CapEx spend, and \$2 million of withholding taxes paid on share-based compensation, partially offset by positive cash flow from operations, before changes in working capital of \$11 million. In addition to this cash balance, we hold \$21 million of loans receivable and \$5 million of other investments.

In summary, we delivered record net revenue and record gross profit in Q1, with strong gross margins and adjusted EBITDA that was the second highest in company history. This is a reflection of the underlying strength of our business and the team's continued focus on execution.

With that, I'd like to hand it back to Mike for a brief comment before Q&A.

Michael Ryan Gorenstein

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

Thanks, Anna. Q1 was a strong start to 2026, with record net revenue and record gross profit. In Canada, Spinach reaching number one in vapes for the first time, while maintaining or advancing its market-leading position in all the categories we participate in.

Cronos Israel delivered another record quarter and our international markets outside Israel nearly doubled year-over-year. We are building something differentiated, a branded portfolio of innovative products, that resonate with consumers in any market, underpinned by an expanding and efficient production platform and the strongest balance sheet in the industry.

The GrowCo expansion is now online. We expect to close the CanAdelaar acquisition to add Europe's largest adult use cannabis business to our footprint this summer and we enter the balance of 2026 with momentum, financial flexibility and a team that knows how to execute.

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

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] We ask that you please limit yourselves to one question and one follow-up before reentering the queue. One moment for our first question. Our first question will come from the line of Kenric Tyghe, with Canaccord Genuity Capital Markets. Your line is open. Please go ahead.

Kenric Tyghe

Analyst, Canaccord Genuity Corp.

Q

Thank you. Good morning and congrats on the quarter. My quick question for you on the GrowCo expansion and that ramp. Just in terms of your targeted efficiency and throughput, where do you think you are in that journey today and how is that tracking against your expectation?

Michael Ryan Gorenstein

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

A

Thanks. That's a great question. I think that we've seen a certainly a jump in efficiency and progress from last quarter to this quarter. So, I think you've seen kind of like the bulk of us getting things online and working through the ramp-up, but there's still some efficiencies that will dial in over the coming quarters, but as far as being planted and having the throughput, we're there now.

Kenric Tyghe

Analyst, Canaccord Genuity Corp.

Q

Great. Thank you. And then just quick pivot with respect to the extension on the Long Stop Date on CanAdelaar, yeah, just an abundance of caution on the extension through September. So, if this doesn't become sort of an iterative process or do you think the balance of probabilities there is a chance that this does only close in the third quarter versus late in the second?

Michael Ryan Gorenstein

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

A

Yeah, I think that's an abundance of caution. We haven't seen anything that would cause any issues. I think it's certainly taking time, but we've already seen multiple licensed producers in the experiment get approval and it's really just, I think, a question of waiting for Bibob to process. So, we're confident in the process and there's no issues that we've seen.

Kenric Tyghe

Analyst, Canaccord Genuity Corp.

Q

Great. Thank you. I'll get back in queue.

Operator: Thank you. And one moment for our next question. Our next question will come from the line of Bill Kirk with ROTH Capital Partners. Your line is open. Please go ahead.

Bill Kirk

Analyst, ROTH Capital Partners LLC

Q

Hey, good morning, everybody. Mike, I'd love your perspective on the rescheduling news in the US and maybe how it impacts how you think about that market and Cronos plans to participate or not participate or be involved. So, maybe we can start there and your perspective of the rescheduling announcement so far?

Michael Ryan Gorenstein

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

A

Sure. Yeah. I'd say it's very exciting announcement and development. I think one of the most significant milestones in the US regulatory environment that we've seen last 10 years. As always, I think that that will be in details and there are still some things that need to be worked out, but we're very optimistic and I think that when you compare how this was announced and what early indications look like compared to maybe the last few iterations of rescheduling, this seems very positive.

So, we're continuing to monitor and figure out what the best spot for us is. I would say that really what I'm focused on is what opportunities end up being created from interstate perspective and then also an international perspective. And I think that how state laws end up changing and how some of those details work out, will really dictate, where we move in.

Bill Kirk

Analyst, ROTH Capital Partners LLC

Q

Okay. And if I can another on the capacity expansion in GrowCo and maybe how that product ultimately gets allocated. But where is GrowCo in it – or the expansion of GrowCo? Where is it in its kind of maturity? Like what is it able to do today versus what you think it can do, I don't know, a year from now?

Michael Ryan Gorenstein

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

A

Yeah. I think, we talked about this in the initial – when we projected before that we would have the first – you get through the first harvest or two harvest and that ramp-up is a big step and since we've been past that, we're now in the phase where it's how each harvest after that efficiency dials in in the first year. So, you're looking at like smaller percentage gains, there wouldn't be massive changes, but of course, depending on what the season is light can affect yields, but I think that we can now move back to how do we dial in efficiencies and increase yields versus how do we get everything planted, get everything harvested. So, you can expect some efficiency gains and some extra yields, but it's not going to be, I think, a dramatic step-change.

Bill Kirk

Analyst, ROTH Capital Partners LLC

Q

Thank you. I'll pass it along.

Operator: Thank you. And one moment for our next question. Our next question comes from the line of Derek Lessard with TD Cowen. Your line is open. Please go ahead.

Derek J. Lessard

Analyst, TD Cowen

Q

Yeah, good morning, Mike and Anna. Congrats on a really strong quarter. I guess, I just wanted to touch on your number one market share. Just maybe talk about Mike the specific levers behind the share gains and what is – what do you think your playbook looks like from here?

Michael Ryan Gorenstein

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

A

Thanks. Yes. I assume you're referring to Canada. I'm not sure which market? but...

Derek J. Lessard

Analyst, TD Cowen

Q

Yeah, Canada, Mike. Yeah, sorry.

Michael Ryan Gorenstein

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

A

Oh, yeah. So I think a big thing that affects share for us is obviously in flower and what availability we have. And so we're always in this sort of back and forth of do we have enough capacity to allocate to all the markets and how do we allocate among the markets? So, I think this quarter you saw us have because of the increase in capacity, more flower available to Canada and that allowed us to fill a lot of unconstrained demand.

I still think that you'll see more unconstrained demand and then with things growing also though in Israel and in Europe and that will just be something that quarter-to-quarter, we'll have to look at how we allocate and really optimize overall for margin. I think that a big change was also what we were able to do with vapes. The biggest innovation, biggest change came down to PUFFERZ. It's been something we've been working on for a long time and we haven't really been a meaningful participant in all-in-one vapes, because it's a really big category. So that's just – you're seeing that momentum. And I think you're going to see that momentum continue throughout the year and then now we think the big lever for us to pull is going to be in pre-rolls, where we still have some work to do.

Derek J. Lessard

Analyst, TD Cowen

Q

Awesome. And I guess given the success, I was curious if you can maybe just comment on some of the competitive intensity again within Canada and within those categories that you're seeing and how you're working to, given your strength, but maybe just protecting your margins?

Michael Ryan Gorenstein

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

A

Yeah, I think we've seen tougher competitive dynamics, and we're seeing now just because of a lot of the pull that goes to Europe and certainly depends on the categories, but I think that as we continue to scale that we get better fixed cost absorption. We're able to get cost down and that allows us to have the flexibility to compete as needed but we don't feel like it's sort of in the same deflationary environment that it was in the past.

Derek J. Lessard

Analyst, TD Cowen

Q

Thanks, Mike.

Operator: Thank you. And one moment for our next question. Our next question will come from the line of Pablo Zuanic with Zuanic & Associates. Your line is open. Please go ahead.

Pablo Zuanic

Analyst, Zuanic & Associates LLC

Q

Thank you and good morning, everyone. Mike, can you comment regarding the Netherlands on market conditions there in the pilot towns regarding either market size, growth trends, competitive dynamics, pricing? And also on the same topic, the summer review is supposed to be completed soon and would you expect any changes from that, like either more licenses issued to more licensed producers or more towns added to the pilot? Thanks.

Michael Ryan Gorenstein

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

A

Sure. Nice. Yeah. I think that you've seen a little bit of competition heating up, because you had one of the licensed producers that wasn't online – come online. You've seen some of the companies dial in efficiencies, but you're also seeing the market growing a bit. So, from a competitive dynamic, it's not really as intense as what you've seen in Canada or Israel. And I think there's still a way to go as far as kind of innovation in the market and that's something that'll come with the maturity.

You may see some changes in stores and one of the municipalities where you'll have a few that – a few that come off line, but a few more stores will be opening. So in Groningen, there will be a few that shut down and then open up, but net we should be gaining stores and that'll play out over the next year or so. I don't know if it's something that you'll see that'll be a big enough impact to the market one way or the other, but there will be some movement on stores there

And then I don't expect changes from the summer review. I think that's really more about showing the data of how the program is going. I think the program's been going very well and that's really just something that's going to help propel things forward for the future.

Pablo Zuanic

Analyst, Zuanic & Associates LLC

Q

All right. Thank you. And just a quick follow-up. I know this is probably a question more for Altria, but now with the CEO change, Sal taking over from Billy, potential implications sort of Cronos or maybe even talk about – if you can talk about your interaction with the prior CEO and the new CEO, whatever color you can give, it would be helpful, especially in the context of being [indiscernible] (00:21:11) so active in this space through its affiliates in terms of M&A. Thanks.

Michael Ryan Gorenstein

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

A

Yeah, I think we have a great relationship with Sal. I think we've known – there's a lot of continuity at Altria, so we've known the management teams and we don't see any change. I think that when you look at the activity we – part of why it looks like Altria is less active as we just haven't had a need for additional capital. So that means sort of less actions on their part but they're still involved through the board, we're still in constant dialogue. And I think everyone is very pleased with the progress and what's going on.

Pablo Zuanic

Analyst, Zuanic & Associates LLC

Q

Thank you. And if I may, I know it's only two questions, [ph] but I'm going to ask (00:21:58) just one more, in terms of how you co-ordinate your international strategy within GrowCo and Cronos, is that like one company together operating overseas or is there some competition between the two? Can you just give color on that? Thank you.

Michael Ryan Gorenstein

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

A

Yeah. We're pretty closely aligned. I mean, it's – because of the board dynamics, because of just operationally how we work together, there is pretty close co-ordination. We share the same Cronos name, same genetics, same products, same governance. So, I'd say it's a very close relationship and closer to one company than two separate.

Pablo Zuanic

Analyst, Zuanic & Associates LLC

Q

Okay. Thank you.

Operator: Thank you. And one moment for our next question. We have a follow-up question from the line of Derek Lessard with TD Cowen. Your line is open. Please go ahead.

Derek J. Lessard

Analyst, TD Cowen

Q

Yeah, Mike, just one follow-up for me. PEACE NATURALS brand still clearly resonating with consumers. Why don't you just talk about the market dynamics in Israel and some of the opportunities you guys are seeing in that market?

Michael Ryan Gorenstein

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

A

Yeah. I think Israel's been a kind of unique situation for a year now, for more than a year. But I think that staying consistent is really, really important. Patients there really want to see that you have the same product quality available. And for us, being able to keep that has been really strong. I think that there's – there are new strains that we're able to introduce, but we do so carefully and making sure that we can be consistent with them. That's really a key difference in a medical market, making sure that availability is there.

There are other formats that we were looked at, but really it's genetics I think drive the most differentiation. I think that beyond PEACE NATURALS also Lord Jones is a really incremental opportunity for us. So now being able to have not just kind of value in mainstream offering, but having premium, just allows us to have more offerings when we go to the different pharmacies and just strengthens our distribution footprint.

Derek J. Lessard

Analyst, TD Cowen

Q

Awesome. Thanks, Mike, and congrats again.

Operator: Thank you. Ladies and gentlemen, this does conclude today's question-and-answer session. This will also conclude today's conference call. Thank you for participating and you may now disconnect. Everyone, have a great day.

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