FINAL TRANSCRIPT

MariMed Inc.

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PRESENTATION

Operator

Good morning. My name is Lara and I will be your conference operator today. At this time, I would like to welcome everyone to the MariMed Inc. Fourth Quarter 2023 Financial Results Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. If you would like to ask a question during this time, simply press star then the number one on your telephone keypad. If you would like to withdraw your question, please press star followed by the number two. Thank you.

I will now turn the line over to Mr. Steve West, Vice President of Investor Relations, to begin the conference.

Steve West — Vice President, Investor Relations, MariMed Inc.

Good morning, everyone, and welcome to MariMed's fourth quarter and full-year 2023 earnings call. Joining me today are Jon Levine, our Chief Executive Officer, and Tim Shaw, our Chief Operating Officer.

This call will be archived on our investor relations website and contains forward-looking statements. Actual events or results may differ materially from these forward-looking statements and are subject to various risks and uncertainties. A discussion of some of these risks are contained in the Risk Factors section of our 10-K and our earnings release, which are available on our website. Any forward-looking statements reflect management's expectations as of today and we assume no obligation to update them, unless required by law.

Additionally, we will refer to certain non-GAAP financial measures, which are reconciled in our earnings release and our supplemental slides located in the investors section of our website.

Finally, our first quarter 2024 earnings release is tentatively scheduled to be issued after the markets closed on May 8, 2024 and our analyst call is tentatively scheduled to be held on the morning of May 9, 2024 at 8:00 a.m.

I will now turn the call over to Jon.

Jon Levine — Chief Executive Officer, MariMed Inc.

Thank you, Steve, and good morning, everyone.

I'm pleased to report that MariMed had another strong year, which was the result of revenue growth in our core wholesale business in Maryland and Massachusetts as well as our new dispensary ramping towards maturity. Even though we faced significant regulatory and construction delays beyond our control, MariMed continued to perform better than the overall industry in terms of top-line growth and financial strength. We reported double-digit revenue growth for the 6th consecutive year, we reported positive adjusted EBITDA for the 16th consecutive quarter and 4th consecutive full year, and we generated positive operating cash flow for the 4th consecutive year. I am not aware of any other cannabis company that has a proven track record of positive results equal to ours.

Let me quickly highlight a few of our key achievements during the year. In Massachusetts, we acquired Ermont, a vertical operator in Quincy, and opened a new dispensary in Beverly. We commenced operation in our 5th state with the opening of a dispensary in Tiffin, Ohio. In July, we began adult-use sales in Maryland, leading to our Annapolis dispensary more than doubling its revenue and significant increase in our wholesale operation. In Illinois, we opened our 5th dispensary in Casey. More importantly, we became vertical with the opening of our new processing facility in Mt. Vernon. And finally, we reintroduced Betty's Eddies and launched our other brands into the market. We are looking for full-year contribution from all of our new assets in 2024 and beyond.

Perhaps our most notable achievement in 2023 was securing what is arguably the most favorable financing package in the cannabis industry. We refinanced $59 million in debt at approximately 8% interest with a 10-year maturity. This deal saves us millions of dollars a year in interest expense, which will significantly increase our cash flow, and the transaction resulted in zero share dilution to shareholders. No new equity was issued. Other cannabis companies made headlines recently with financing deals that look as attractive as ours; however, when you consider the dilution baked into those transactions, the all-in cost of debt significantly exceeded what we achieved.

While our biggest year with respect to opening new assets, the momentum has continued into 2024. We commence wholesale operations at scale in Illinois this past January. Our Betty's Eddies, Bubby's Baked and InHouse vapes are now widely accessible throughout the state. Vibations just launched last week and the remainder of our brands, including InHouse Gummies, will be launched very soon. And today we announced the pending acquisition of our second dispensary in Maryland, located in Prince George's

County. We also announced receipt of the certificate of occupancy for our permanent dispensary location in Casey, Illinois and hope to have it open and run it in the next few weeks.

That concludes our 2023 recap. With that, I will turn the call over to Tim for our operational update and outlook for 2024.

Tim Shaw — Chief Operating Officer, MariMed Inc.

Thank you, Jon. Good morning, everyone. Let me start with a quick recap of our 2023 results and then jump into our 2024 operations plan.

First, we reported retail sales of $95.5 million, which grew 3% versus 2022. Massachusetts and Maryland both experienced strong growth, which was offset by a decline in Illinois sales due to increased competition and lower average check. Illinois dispensary costs increased more than 55% in the past year, which has led to an overall decline in average sales per store of about 30%.

Overall, we are pleased with our growth of our retail business despite challenges in Illinois. Our big story of the year was wholesale. We reported revenue of $49 million, which increased 48% versus 2022. This growth was driven primarily by adult-use in Maryland and organic growth in Massachusetts, which we expect to continue through 2024.

On the brand and marketing front, we had several big wins, including the amazing growth of our new InHouse suite of value products, which is now our second largest brand behind Nature's Heritage. This significant demand for quality products at affordable prices led to an almost cult-like following for our InHouse brand in Massachusetts and Maryland. Illinois is off to a strong start as well.

During the year, our brands won three National Awards in High Times Cannabis Cup competition. Vibations took first place in the Edibles: Beverages category while Bubby's Baked Brownie Bites took second place in the Edibles: Chocolate and Non-Gummies category. And the Nature's Heritage Sherb Cake Live Resin took second place in the Concentrates Solvent category. In Maryland, specifically, Betty's Eddies won Favorite Edible and the Nature's Heritage was named favorite RSO at the end of 2024. We cannot be more pleased with the continued success of our amazing brands at both the local and national level.

For 2024, our operations focus will be on ramping up our new assets in Ohio, Massachusetts, and Illinois. We will also focus on completing construction of our new cultivation facility in Illinois, our processing kitchen in Missouri, and the cultivation expansion in Maryland. Our 2024 sales, marketing, and product development plans focus on delivering a full slate of new products that consumers want. Brands are the future of cannabis and I am confident that we have the best brands with the best brand builders in the industry. We will continue driving visibility of our existing brands with increased media reach through targeted digital advertising, strong promotional partnerships, and other proven strategies.

In the first half of 2024, our brand and marketing campaigns include the following: For Betty's we recently launched our Betty's Bubbly fruit chews as part of the 10th anniversary celebration of Betty's Eddies. Just this week we followed that up with our biggest product launch of the year, Betty's Ache Away PM. This will combine the best of our two-top-selling SKUs, Bedtime Betty's and Ache Away Eddies, for pain and sleep management. And in May we will bring back our Beachtime Betty's limited time offering. For Bubby's Baked, we plan to launch a new banana bread, which is easily the best tasting banana bread I've ever had. For Vibations, we just launched several new flavors formulated with new technology to provide a quicker onset. If you haven't tried Vibations, wait until you try a new Piña Colada flavored drink mix. It’s amazing. And we have huge plans for [inaudible] Nature’s Heritage, which includes a robust lineup of new product launches and marketing campaigns. We just launched Double Fresh Duos that couples an eighth of two different flower strains into a single quarter ounce jar without sacrificing any of the aromas or quality. We will also enter the fast-growing mini pre-roll category with Tiny Timbers, a travel pack that contains six eight-gram pre-rolls, each of which are meant to be smoked in a single sitting.

Finally, I’m thrilled to announce our mega exclusive sponsorship with concert giant Live Nation. Starting this month, Nature’s Heritage will be the exclusive cannabis brand for the MGM Grand Music Club located next to Fenway Park in Boston. MGM Grand is Live Nation’s top music club in the world. We have a comprehensive marketing plan that will include on-site brand visibility, ads on Live Nation’s ticketing site, and tickets for promotional purposes. It’s a landmark sponsorship for Live Nation, MariMed, and the cannabis industry as a whole. I could not be more excited about the opportunity to partner with our leading flower brand to such a culture-forward platform.

We have many more products, brands, and marketing campaigns planned for the rest of the year, which I will update you on in the coming months. The buzz and excitement within our sales and marketing team is truly lighting up the office. We’re taking off this year on a big high.

That concludes my operational review. I will now turn the call over to Steve for our financial review.

Steve West — Vice President, Investor Relations, MariMed Inc.

Thank you, Tim.

I would like to start with a brief overview of our full-year 2023 financial results, then conclude with our 2024 financial targets.

Our full-year 2023 revenue was approximately $149 million, which was the midpoint of our full-year guidance range of $148 million to $150 million and was up 11% year over year. Our revenue growth was driven by strength in both our wholesale and retail channels. Our full-year 2023 non-GAAP adjusted gross margin was 45.4%, also above our full-year guidance of 45%. Our gross margin declined approximately 300 basis points versus 2022 due to losing 100% [inaudible] fees with the consolidation of Kind Therapeutics, higher input costs, and pricing pressure. Our full-year 2023 adjusted EBITDA was $25 million, which was slightly below our full-year guidance range of $27 million to $32 million and a decline versus our 2022 adjusted EBITDA of $32 million. This year-over-year decline in adjusted EBITDA was due primarily to our gross margin decline, investments in operating capabilities, increased labor associated with the new asset openings, and losses incurred ramping up the new facilities.

Turning to the balance sheet and cash flow, we ended 2023 with $14.6 million of cash and equivalents, which increased 50% versus our 2022 year-end cash balance of $9.7 million. Our working capital remains strong at $20.6 million and increased 17% versus our working capital at the end of 2022. Cash flow from operations in 2023 was $7.9 million and we spent $20.1 million in CapEx. That concludes our 2023 financial review.

Before discussing our 2024 financial targets, I want to note that they are based solely on organic growth within our existing core business. With this in mind, our 2024 financial targets are as follows: revenue growth of 5% to 7%, driven by our wholesale business, partially offset by a decline in retail. We expect retail growth in Massachusetts, Maryland, and Ohio to be offset by declines in Illinois, which are being impacted by increased competition and continued declines in average check. According to public data, Illinois's average sales per store in December declined by 32% as the number of dispensaries grew 57%. This increase in retail dispensaries will continue to negatively impact average unit economics as we have seen in other states that significantly increased store counts.

We are targeting non-GAAP adjusted EBITDA growth of 0% to 2%, as we continue to experience higher costs associated with building and ramping up new assets. For example, in 2023 we spent $1.1 million in start-up expenses bringing new assets on line. Additionally, our EBITDA loss to operate these new assets was $2.6 million. More recently, our three newest assets to come on line had an EBITDA loss of nearly $1 million in the fourth quarter of 2023. We view this as a short-term drag and we are confident both revenue and EBITDA will increase as these assets mature.

Finally, we are targeting CapEx of approximately $10 million for the current construction project, which is the remaining CapEx we originally projected for 2023 that was not spent due to the regulatory and construction delays.

That concludes our financial review and outlook. I will now turn the call back over to Jon for his concluding remarks.

Jon Levine — Chief Executive Officer, MariMed Inc.

Thank you, Steve.

I'm very pleased with MariMed's performance and we continue to significantly outpace our peers with respect to top-line revenue growth and I sit here today confident we will continue this trend in 2024 despite the continued industry challenges we all face. We remain focused on executing our strategic plan; that said, we never sit idle waiting for good things to happen. We continually review our plan and focus on initiatives that have potential to generate increased shareholder value.

We are extremely confident the course we have charted is on point. MariMed still has one of the most conservative balance sheets in the industry. We have access to arguably the lowest cost capital in the industry. Our new assets are ramping and generating more revenue every quarter. We continue to report significantly stronger growth in our core states of Maryland and Massachusetts, and that just speaks to our organic growth, which brings me to our financial outlook.

We have long prided ourselves on giving conservative financial targets and 2023 was no different. We built in conservatism with our asset opening time line; however, we could not anticipate the magnitude of delays we experienced in securing basic construction materials such as electrical boxes and stainless steel fasteners, nor delays of time for regulators in certain states to complete their approval processes. We have discussed providing financial targets with our largest institutional investors and industry analysts. We have received amazing support from both groups and I'd like to thank everyone who provided us valuable insight and advice.

After significant consideration, we decided to provide forward-looking targets based on organic growth within our existing businesses with essentially no incremental growth projects such as adult-use sales in our Tiffin, Ohio or Quincy, Massachusetts dispensaries. Make no mistake, these incremental growth opportunities are crucial to our strategic growth plan, but we are not presently including them in our 2024 targets. If these or any revenue-generating projects are completed, we will update our targets accordingly. We believe this will help us to better focus our discussions on important business developments.

We have significant levers that could generate an additional 5% to 7% growth on top of our revenue target and an additional 8% to 10% in EBITDA. These include the opening of a new processing kitchen in Missouri, the approval of adult-use license in the Quincy dispensary, the commencement of adult-use sales in Ohio, our second dispensary in Maryland, new brands or product lines, and other mergers and acquisitions or new licenses that we could win.

We have set the table for continued revenue growth and profitability, just as we said we would. I am extremely bullish on the future of MariMed to maintain our growth profile for the foreseeable future. We have the capability to grow and we have access to low-cost capital for the right merger or acquisition opportunities.

With that, I would like to thank our growing family of employees for their hard work and dedication to help MariMed achieve our mission to improve the lives of people every day.

Operator, you may open the line for questions.

Q & A

Operator

Thank you. If you would like to ask a question, please press star one on your telephone keypad now. You will be placed into the queue in the order received. Please be prepared to ask your question when prompted. Once again, if you have a question, please press star one on your phone now.

We have our first question coming from the line of Pablo Zuanic from Zuanic & Associates. Please go ahead.

Pablo Zuanic — Analyst, Zuanic & Associates

Thank you. Good morning, everyone. Congratulations on the growth in 2023. I mean 48% growth in wholesale, that's quite impressive in the space.

Look, if you can, the question would be if you can unpack the guidance for sales growth in wholesale, right? You said 5% to 7% in total retail down, so I calculated wholesale, that means roughly mid-teens, high teens, which again, it's a very robust number. But if you can unpack that in terms of what I would call the supply side of things, right, like remind us, percentage wise, what will be the capacity increase in Illinois, if we count processing and cultivation, when you had nothing there, right? So that's a big lift. The Maryland expansion, if you can remind us and quantify that in terms of how much more processing do we have on average, 2024 versus 2023, same thing with cultivation, and also if there's any expansion in Massachusetts. If you can just unpack a bit more the wholesale and confirm whether I'm right in my estimate that guidance will imply wholesale up mid-teens, high-teens. And then I have a follow up. Thank you.

Jon Levine — Chief Executive Officer, MariMed Inc.

Pablo, good morning. Great to hear from you again and thank you for joining the call this morning. Those were very good questions.

The increased projections of the additional 5% to 7% growth is really about bringing on our additional cultivation in Illinois and the retail store in Illinois plus the expansion of the Maryland facility, which will be coming open. So I mean in Illinois, we were hopeful last year to have that open in November and it was delayed to the last week of December, so we're looking at a whole year of the processing center running plus we'll be bringing on the full flower sometime in midyear of this year. So that growth from those two parts of operation in wholesale will be the biggest of the gains in that additional.

But then in addition, we have the Maryland cultivation. Again, that won't open until the midyear point and first harvest sometime late in 2024, sorry, yeah, 2024 and that will more than double our growing capacity there, which will help us be able to generate more flower in that state, which we'd be very excited if we could speed that up. Again, with construction delays of materials that delayed us already into 2024 when we were supposed to be done in 2023, and those construction delays and then on top of getting the final approvals from state and getting those licenses up and running. Those types of delays are very important to growing the business. So that 5% to 7% growth for this year just on existing transactions are going to be a lot of those pieces coming on board, but more the fact is is that we have the existing business in Maryland that's still growing before we have additional grow. And as you said, Massachusetts, we've expanded our grow so that we can meet the increased demand and we are still pushing out of our kitchen as much product as possible and we're continuing to see upward mobility. We'll also have increased growth still in our retail stores that came on in 2023. So those growth opportunities will be part of that 5% to 7%, but then we have, over the 5% to 7%, all the things that are still to come.

Pablo Zuanic — Analyst, Zuanic & Associates

Yes. And that's a follow on then. In terms of what's to come, I don't know if you can rank, in terms of probability, what happens first, and I don't know if that's possible, but I'm thinking the Missouri kitchen, the new Maryland store you already acquired, so that, I suppose, to close soon. Any line of sight on the Quincy store going rec? I know it's hard to predict with Massachusetts and then of course the Tiffin store benefiting from rec, but I'm just trying to… I know it's not on the guidance, but if you can try to quantify what do you think would happen first and then talk about probabilities, if it's possible. But again, thank you.

Jon Levine — Chief Executive Officer, MariMed Inc.

Yeah, Pablo, that's part of the reason that, in our guidance, we didn't put in these other projects is trying to figure out which is going to come first. As you said, Massachusetts regulatory is always the biggest question mark. But the good news is, is that I do feel that we have these great opportunities to see the new Maryland license, Quincy coming on hopefully in the first half of the year. I could see Missouri some time. I really can't give a date. That's the reason that we had put it out of the projections, because the Missouri license has taken years to just get a change of address. It took us over 12 months to get our request for a change of address for our Missouri location, which is why the delay caused us to have to pull that from these projections. And still watching what's going on in Ohio, when that's going to go to adult-use. Those are all great questions and, instead of putting them in until we have better ideas, we can increase our forecast as we go versus having to come back and decrease it as we had to do this past year because of construction delays in processing and grow. Retail is usually more of a delay of the local governments getting us the final [inaudible] or system. So we're hopeful to be able to announce something as we're going, just can't put a time line on it.

Pablo Zuanic — Analyst, Zuanic & Associates

Understood. That makes a lot of sense, of course. Again, congratulations. Look, the last one, if I can, in terms of acquisitions, of course there's room to add more stores in Ohio for you via M&A, and the same thing in Maryland. What's the priority? I mean one would say Maryland is already rec and probably going to become more competitive, Ohio is about to go rec, so from an A point of view, all else equal, Ohio should be a bigger priority than Maryland in terms of M&A, but maybe I'm missing something or not thinking about it in the right way.

Jon Levine — Chief Executive Officer, MariMed Inc.

No, Pablo, you're absolutely right. I mean Maryland is not as an important piece because of the time frame that you have to wait to get a license. Ohio and Missouri are two areas, but Ohio I definitely would say would be one of our first ones to become fully vertical within the state of Ohio as quick as possible or get more dispensaries besides the one we'll get with the adult license coming on. So yes, we'll be paying attention to Ohio and Missouri, then Maryland, and we're still looking to expand into other new states that are having applications. We did apply in the state of Texas and New York. We're going to probably put in some other applications as other states come on line. But Ohio right now is my focus, trying to get a grow and a processing and from additional retail so that we can be fully vertical in the state of Ohio when they go adult use.

Pablo Zuanic — Analyst, Zuanic & Associates

Got it. Thank you very much.

Operator

Our next question comes from the line of Jesse Redmond from Water Tower Research. Please go ahead.

Jesse Redmond — Analyst, Water Tower Research

Good morning, Jon. Good morning, Steve. How are you guys?

Jon Levine — Chief Executive Officer, MariMed Inc.

Very good. Nice to hear from you.

Jesse Redmond — Analyst, Water Tower Research

Jon, I was wondering if you could talk a little bit more about the decision on the guidance. I sense that last year was a bit frustrating because there were some elements outside of your control that ultimately, you know, that led being delayed and not being able to meet the initial expectations that you had set. So it seems like you found a good way to be able to still offer some guidance, maybe a more conservative approach, still offer some transparency, but maybe doesn't make you as much as dependent on the regulators to meet those deadlines. Is that kind of where your head was? I was just curious to get some more perspective on these guidance numbers.

Jon Levine — Chief Executive Officer, MariMed Inc.

Jesse, thank you very much again for joining the call and, yeah, I'd love to give you some more guidance explanation. Yes, the frustrations, I mean I've been in the real estate construction business for well over 25 years and I have never seen anything like this when you're trying to build out a cultivation and processing center. Trying to get items such as an electrical panel, I mean who would have ever thought an electrical panel would take you six months to get. But it's amazing that those type of construction delays have started to exist, not just in the cannabis world but I do know, from my real estate ventures, that I have seen that elsewhere.

So what we had looked at is what caused the adjustments in 2023 and it was a lot of the delays from not just regulatory but from the construction materials, building out these cultivation and processing centers. Being delayed in Illinois for well over six months from what we originally projected and in Maryland being delayed that we thought we would've already had that second piece open and running. But those delays definitely caused us to take a look and say, hey, you know what we need to do, even though we're conservative, we need to be even more conservative and pull out things that we know could be still delayed. So, looking at regulatory and construction delays both in the manufacturing and in the retail, we decided to only report what shows that the continued growth of our operation from the expansion that we've already completed in 2023 and what we're going to complete in early 2024 will project our growth increase every year that we've had. We may not be projecting double-digit so far for this year, but I feel that, with the other licenses that we will [inaudible] as we get regulatory approval, will help take us to that double-digit increase year over year for continued years. So I hope that help better explain what we were trying to do.

Jesse Redmond — Analyst, Water Tower Research

Yeah, that's great. Thank you. And just a follow-up question. I'm seeing in Massachusetts data it looked like flower prices again significantly. Last year I think what I saw was down about 40%, that being offset by a strong increase in unit volumes. Just curious to get more perspective on what you're seeing in terms of wholesale pricing in Massachusetts and also on the retail competition side.

Tim Shaw — Chief Operating Officer, MariMed Inc.

I can take this one, Jon.

Jon Levine — Chief Executive Officer, MariMed Inc.

Go ahead, Tim.

Tim Shaw — Chief Operating Officer, MariMed Inc.

How's it going, Jesse? Yeah, you've seen correct. It seems like we've hit a floor in Massachusetts. And that's where Nature's Heritage has continued to stay above the fray, keeping the high premium pricing, and we brought the InHouse flower and InHouse has become more of a popular brand that is catching up as our second most popular brand in the state and beyond. So, because of InHouse, we're able to get the volume out there and capture those revenues and continue to keep Nature's Heritage as our high premium brand and hold a higher value. And we hope to see that this is where the floor is. It looks to be stable, getting more and more stable as sales continue to plateau.

Jesse Redmond — Analyst, Water Tower Research

Any new perspective, Tim, on the retail side?

Tim Shaw — Chief Operating Officer, MariMed Inc.

On the retail side, it doesn't seem to be as much of a rush of as many stores opening, so it's hard to tell what's been happening. I think our stores are doing well. We're still seeing an increase, as we have two additional stores in a state. So I think we're in a good position. We continue to have great marketing programs, loyalty programs to continue to keep the traffic coming to our stores, so we're pretty bullish and excited that we'll be able to turn Quincy into adult-use hopefully by the end of this year and we'll see a retail increase in our Massachusetts [inaudible].

Jon Levine — Chief Executive Officer, MariMed Inc.

Jesse, I'd like to just add on that. In Massachusetts, a lot of the competition that's on the bordering states have been feeling the pressure more than locations that we have our three retail stores and I think that's part of the reason that we're seeing increases still. And there's still the bad news that's in Massachusetts about several dispensaries struggling is because of where they're located. I'd just like to add that in. Thank you.

Jesse Redmond — Analyst, Water Tower Research

That's helpful, guys. Thank you.

Operator

Our next question comes from the line of Andrew Semple from Echelon Capital Markets. Please go ahead.

Andrew Semple — Analyst, Echelon Capital Markets

Thank you. Good morning. First question, just on Q4 EBITDA that came in below the guidance issued in November despite margins and revenues printing in line. It doesn't appear that operating costs were the main culprit for that, run much faster than anticipated. I calculate the recurring cash-based operating expenses are up close to $6 million per quarter or about $23 million annualized year over year, Q4 to Q4. Clearly, that's pretty material given the market cap of $100 million. We've seen many of the other U.S. cannabis peers implement cost-cutting programs in 2023. Is MariMed considering something similar for 2024 and, if so, is that embedded in the 2024 outlook?

Jon Levine — Chief Executive Officer, MariMed Inc.

Good morning, Andrew. Thank you for joining the call and a very good question. The Q4 costs had increases that were really associated with a lot of the start-up delays in our facilities, you know, having to maintain building our brands and sending people in to make sure that we have that high quality and consistency and training staff to be able to produce. Those delays of getting regulatory approval to open, whether it's construction or regulatory, those delays did cost us almost $1.5 million, as Steve said in his section about the start-up costs and that that $1.5 million has to be expensed because there's no revenue there and they're not having any production of inventory. So those really get caught up. And we did bring on additional staffing and other expenses to prepare for that growth that was delayed, so those costs will be made up in 2024. Without having to make a lot of cutbacks, we're able to maintain the levels without having to add additional staffing that we had already added to get to the level. We will add some expenses into Illinois as it starts to ramp up, but we still have a good growth projection based upon revenue, not based upon just wanting to hire people or give higher increases.

Andrew Semple — Analyst, Echelon Capital Markets

Got it. That's helpful. I would like to relate those comments though to the guidance. If you think you could hold operating costs flat here, we would tend to expect a potential for some EBITDA margin increases. When I look to the 2024 guidance, you're pointing to revenues up 5% to 7%, adjusted EBITDA 0% to 2% higher. That would imply EBITDA margins contracting year over year. So I'm just wondering whether maybe some of that margin expansion is back half weighted in the year or how you think or whether you're just being, I get, as you said, potentially conservative with the outlook.

Jon Levine — Chief Executive Officer, MariMed Inc.

We're definitely being extra conservative with our outlook, but it's also the ramp-up costs and the start that it takes to get into new markets where we haven't been or that we're going back into. Those start-up costs and the ramp-up cost has a cost of loss that you have to carry for a portion of time that does hurt the EBITDA on the long term for one year but that we make up in that they grow. So in the later part of 2024 we'll see improvements in EBITDA versus how we probably start.

Andrew Semple — Analyst, Echelon Capital Markets

Got it. Okay. That's helpful. And then just finally, if you could clarify some of the items that are in the 2024 guidance, I just want to confirm that Illinois, Massachusetts, and Maryland new cultivation space is within the guidance, as would be the adult-use store in Quincy. Are all those items in the 2024 outlook?

Jon Levine — Chief Executive Officer, MariMed Inc.

No. As I said in my earlier comments, the Quincy adult-use is not in the guidance. What is in the guidance is the Illinois processing center, bringing on the flower in 2024, the expansion doubling the grow space in Maryland coming on in the second half of 2024. All the things that are not included are the Quincy adult-use, the additional license that we just announced in Maryland for the retail store, the Missouri Kitchen, Ohio adult-use, and getting another dispensary in Ohio with the adult-use. So, all those things are not in any of our forecast for this year but that they were in the upside of the additional monies that would take us over the double-digit revenue [inaudible] and EBITDA increases.

Andrew Semple — Analyst, Echelon Capital Markets

Got it. That's helpful. Thanks for taking my questions.

Jon Levine — Chief Executive Officer, MariMed Inc.

Thank you.

Operator

Thank you. There are no further questions at this time. Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.