



2/6/2025

Aurora Cannabis (ACB)

Company Update

| C\$ Mn | | | | | | | | |
|--------|-------------|-------------|---|-------------|--------------|-------------|--------------|-------------|
| Sales | FY24a | FY25e | | Prev | FY26e | Prev | FY27 | Prev |
| 1Q | 75.1 | 83.4 | A | 83.4 | 113.1 | 96.0 | 123.6 | 101.7 |
| 2Q | 63.1 | 81.1 | A | 81.1 | 102.4 | 81.6 | 109.5 | 86.8 |
| 3Q | 63.1 | 88.2 | A | 79.2 | 106.3 | 81.6 | 112.1 | 86.6 |
| 4Q | <u>67.7</u> | <u>93.9</u> | E | <u>83.3</u> | <u>108.2</u> | <u>86.2</u> | <u>117.7</u> | <u>92.4</u> |
| FY | 269.0 | 346.7 | E | 327.1 | 430.0 | 345.4 | 462.9 | 367.5 |
| EBITDA | FY24a | FY25e | | Prev | FY24e | Prev | FY25e | Prev |
| 1Q | 2.6 | 4.9 | A | 4.9 | 27.1 | 12.1 | 22.1 | 14.9 |
| 2Q | 3.3 | 10.1 | A | 10.1 | 21.6 | 14.1 | 26.9 | 18.2 |
| 3Q | 3.3 | 23.1 | A | 10.3 | 23.0 | 15.4 | 28.3 | 19.5 |
| 4Q | <u>2.3</u> | <u>18.1</u> | E | <u>11.9</u> | <u>22.9</u> | <u>15.3</u> | <u>29.1</u> | <u>19.3</u> |
| FY | 11.5 | 56.2 | E | 37.2 | 94.7 | 56.9 | 106.5 | 71.9 |

| Share price (C\$) | 7.72 | Perf. | | ACB | | YOLO | | S&P500 | | Stance: | | Neutral |
|--------------------|------|-------|--|-----|--|------|--|--------|--|---------|--|-----------------|
| Share count (mn) | 54.5 | 30d | | 15% | | -7% | | 1% | | | | no price target |
| Market Cap (C\$Mn) | 421 | 90d | | 6% | | -17% | | 1% | | | | FY=Mar |
| Ticker | ACB | 1yr | | 34% | | -39% | | 22% | | | | |



| C\$Mn | FY25e | FY26e | FY27e |
|-----------------|-------|-------|-------|
| Projected EV | 467 | 373 | 267 |
| EV/Sales | 1.3x | 0.9x | 0.6x |
| EV/EBITDA | 8.3x | 3.9x | 2.5x |
| | FY25e | FY26e | FY27e |
| Net debt/Sales | na | na | na |
| Net debt/EBITDA | na | na | na |
| Free Cash Flow | 5 | 94 | 105 |
| Net (debt) cash | 51 | 131 | 236 |
| Consensus | FY25e | FY26e | FY27e |
| Sales | 329 | 356 | 368 |
| EBITDA | 33 | 50 | 54 |
| Guidance FY25e: | n/a | | |

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Company Update Post Dec Qtr Print

We attach our updated estimates post the release of ACB's Dec qtr results (strong beat and implied Mar qtr guidance ahead of consensus; we took our sales and EBITDA estimates up, especially the latter). While investor focus remains on US reform news flow (the group was up on Wed 2/5 on "debanking" hearings in Congress), favorable regulatory changes in overseas medical cannabis (MMJ) markets (Germany being the most notable case last year; others will likely follow) should lead to strong growth for Canadian LPs, especially those with route to market capabilities. In this sense, the ACB Dec print showed the benefits of the company's focused strategy on global MMJ, and the stock was rewarded (up ~50% on Wed). More importantly, the data shows LPs like ACB may be able to sustain overseas market share even as those markets expand (besides assets on the ground, they are well equipped to deal with the complexity: GMP certification, testing, registration, stability), despite the growth in importers/distributors and expanding supply base (LatAm, Africa, others). So, while we keep the Neutral stance for now, we are becoming more constructive on ACB and other LPs with strong overseas presence. Note: All numbers are in C\$ unless otherwise noted.

Dissecting the beat. Sales of \$88Mn vs FactSet consensus of \$80Mn; EBITDA of \$23Mn vs. \$9Mn. Record EBITDA margins. Positive operating cash flow and free cash flow (for the first time). While there is no guidance, management pointed to continued growth (consensus sales were at \$83Mn for the Mar'25 qtr, so will need to move up) and margin expansion potential, in addition to positive FCF. We would not ascribe all to Germany, but certainly the company's focus on medical (especially in international), the pivot away from domestic rec (began >4 years ago), and cost discipline, are all finally starting to pay dividends. More importantly, ACB is showing that it can maintain market share as overseas medical market start to develop, and maybe even gain (as it can tap different sources of supply, and benefit from its integrated local assets [feet on the ground] in key markets). Indeed, while not straight apples to apples, we note C\$ total flower exports grew 55% between calendar 4Q24 and 2Q24 (\$90Mn vs. \$58Mn), ACB's international business doubled.

About the Dec qtr (fiscal 3Q25).

- International sales were up 17% QoQ to \$40.9Mn, with Australia slightly down to \$14.6M (-4%) and Europe up 32% to \$26.3Mn (on top of 86% seq growth in the Sep qtr). Europe had been steady at \$10Mn thru the June quarter, but reg changes in Germany since 4/1 have led to substantial growth (Poland is ACB's 2nd market in Europe, followed by the UK). ACB's European growth is consistent with total Canadian total flower export trends – per StatCan, Canada's total flower \$ shipments to Germany were up 2.2x in 4Q24 vs. 2Q24.
- Revenues for the other businesses were mostly steady seq, with domestic med at \$27.3Mn (+4%), domestic rec \$9.9Mn (-5%), and non-MJ (plant propagation) at \$8.9Mn (+3%).



- The higher margins of the international med business drove overall margin expansion. Reported consolidated gross margins increased seq to 54% from 48%; consolidated cash margins (ex dep) ex items reached 61% (a record), up from 52% in the Sep qtr and from Dec'23. Total medical cash margins were 74% in the Dec qtr vs. 68% in Sep and 63% in Dec'23. The company does not split margins between international and domestic med, but we understand international carries high margin at present, and we estimate they have been increasing (in a [12/6 note](#) we argued C\$ export growth to Germany was price and margin accretive). So, yes, it is all about med (rec cash margins were 3%; plant propagation 29%).
- Recurring cash SGA has remained steady in the mid \$30Mn range for most of the last six quarters (\$36.5Mn in the Dec'24 qtr). ABC disclosed adj EBITDA margins of 26% in the Dec qtr (another record) vs. 12% in Sep and 9% in Dec'23.
- Operating cash flow of \$29Mn was a significant improvement vs. negative figures in the recent past (-\$25Mn in Sep), in part due to working capital improvements besides the EBITDA gains mentioned above. Capex has remained steady at \$5Mn per qtr. So, positive FCF pushed net cash to \$51Mn (\$109Mn in cash; \$58Mn financial debt) vs. \$27Mn in Sep.

Valuation. ACB shares jumped almost 50% on Wed 2/5 (to US\$5.37) following the earnings beat ("debanking hearings in the US also pushed the overall MJ sector up, with CGC up 20%, but certainly ACB outperformed). We calculate a spot EV of C\$475Mn, with 54.9mn shares outstanding (we add 1.2mn in RSU type grants), net cash of \$27Mn, \$43Mn in net leases, \$10Mn in contingent debt, and \$40Mn in minority interest. The stock trades at 1.3x EV to current sales (annualizing the Dec qtr sales figure) and 5x current EBITDA. That is slightly below tier 1 MSOs like Curaleaf and Green Thumb; comparisons with other large Canadian LPs are not straightforward given different business models. All that said, we realize comp analysis is an academic exercise given the sector's depressed valuations (vs. historicals and the industry's growth potential). Surely, as international med markets continue to grow (due to "reg unlocks"), the stock could have upside (management, conservatively, estimates the TAM opportunity outside NA at C\$5Bn), both from rerating of the multiple as well as increased sales and EBITDA base.

[Link to our prior note on ACB \(from 11/6/24\).](#)

Table 1: Stocks Mentioned in this Report

Stocks mentioned:

| Company name | Ticker | Ticker | Rating |
|----------------------------------|--------|--------|------------|
| US MSOs | | | |
| 4Front Ventures | | FFNTF | not rated |
| Ascend Wellness | | AAWH | will cover |
| AYR Wellness | | AYRWF | not rated |
| Cannabist | | CCHWF | not rated |
| Cansortium | | CNTMF | will cover |
| Cresco Labs | | CRLBF | Overweight |
| Curaleaf Holdings | | CURLF | will cover |
| GlassHouse Brands | | GLASF | not rated |
| Gold Flora | | GRAM | Overweight |
| Green Thumb Industries | | GTBIF | Overweight |
| Grown Rogue | | GRUSF | not rated |
| Jushi Holdings | | JUSHF | Overweight |
| MariMed | | MRMD | Overweight |
| Planet 13 Holdings | | PLNHF | Overweight |
| Schwazze | | SHWZ | will cover |
| TerrAscend | | TSNDF | not rated |
| TILT Holdings | | TLLTF | Neutral |
| Trulieve Cannabis | | TCNNF | not rated |
| Verano Holdings | | VRNOF | Overweight |
| Vext Science, Inc. | | VEXTF | Overweight |
| Vireo Growth | | VREOF | will cover |
| Finance (MJ) Companies | | | |
| AFC Gamma | | AFCG | Overweight |
| Chicago Atlantic BDC | | LIEN | will cover |
| Chicago Atlantic REAF | | REFI | Overweight |
| Innovative Industrial Properties | | IIPR | not rated |
| New Lake Capital Partners | | NLCP | Overweight |
| SHF Holdings | | SHFS | not rated |

| Company name | Ticker | Rating |
|---------------------------|---------|------------|
| Canada LPs | | |
| Aurora Cannabis | ACB | Neutral |
| Auxly Cannabis Group | CBWTF | will cover |
| Avant Brands | AVTBF | will cover |
| Avicanna | AVCN | not rated |
| Ayurcann Holdings | AYURF | will cover |
| Cannara Biotech | LOVFF | not rated |
| Canopy Growth Corporation | CGC | will cover |
| Cronos Group | CRON | not rated |
| Decibel Cannabis Co | DBCCF | Overweight |
| Organigram Holdings | OGI | will cover |
| Rubicon Organics | ROMJF | not rated |
| SNDL | SNDL | not rated |
| Tilray Brands | TLRY | Neutral |
| Village Farms Intl | VFF | Overweight |
| Other | | |
| Agrify | AGFY | not rated |
| Cannapresso | TBD | not rated |
| Cantourage AG | HIGH:FF | not rated |
| Flora Growth | FLGC | not rated |
| Grow Generation | GRWG | not rated |
| Intercure | INCR | not rated |
| Ispire Technology | ISPR | will cover |
| Leafly | LFLY | not rated |
| LFTD Partners Inc. | LIFD | Overweight |
| Smooore International | SMORF | will cover |
| Springbig | SBIG | not rated |
| Urban-gro | UGRO | not rated |
| WM Technology | MAPS | Neutral |

Source: Z&A ratings



Appendix I: Company Financials

Zuanic & Associates

Exhibit 1: Financial Highlights

| C\$ Mn | Mar FY23 | Mar FY24 | Jun 1Q25 | Sep 2Q25 | Dec 3Q25 | Mar 4Q25e | Mar FY25e | Jun 1Q26e | Sep 2Q26e | Dec 3Q26e | Mar 4Q26e | Mar FY26e | Mar FY27e |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Sales (\$ Mn) | 225.1 | 270.3 | 83.4 | 81.1 | 88.2 | 93.9 | 346.7 | 113.1 | 102.4 | 106.3 | 108.2 | 430.0 | 462.9 |
| qoq ch % | na | na | 23% | -3% | 9% | 6% | na | 20% | -10% | 4% | 2% | na | na |
| yoy ch % | -1% | 20% | 11% | 29% | 37% | 39% | 28% | 36% | 26% | 21% | 15% | 24% | 8% |
| <i>consensus</i> | | | | | | 83.5 | 328.8 | 95.9 | 82.6 | 82.2 | 87.7 | 356.4 | 368.0 |
| P&L | | | | | | | | | | | | | |
| Gross profit before FV adj | 29 | 78 | 30 | 39 | 47 | 52 | 169 | 61 | 60 | 63 | 63 | 247 | 270 |
| as % of sales | 13% | 29% | 36% | 48% | 54% | 55% | 49% | 54% | 58% | 59% | 59% | 57% | 58% |
| EBIT | -218 | -46 | 1 | -2 | 37 | 9 | 45 | 18 | 14 | 15 | 15 | 61 | 73 |
| as % of sales | -97% | -17% | 1% | -3% | 42% | 10% | 13% | 16% | 13% | 14% | 14% | 14% | 16% |
| adj EBITDA | -10 | 14 | 5 | 10 | 23 | 18 | 56 | 27 | 22 | 23 | 23 | 95 | 106 |
| as % of sales | -4% | 5% | 6% | 12% | 26% | 19% | 16% | 24% | 21% | 22% | 21% | 22% | 23% |
| <i>consensus EBITDA</i> | | | | | | 10.9 | 33.2 | 10.6 | 10.6 | 10.7 | 12.1 | 49.8 | 53.7 |
| <i>as % of sales</i> | | | | | | 13.0% | 10.1% | 11.0% | 12.8% | 13.0% | 13.8% | 14.0% | 14.6% |
| EPS | | | | | | | | | | | | | |
| Pre tax income | -840 | -60 | 8 | 1 | 32 | 8 | 48 | 17 | 13 | 14 | 14 | 58 | 71 |
| Tax rate assumption | 1% | -10% | 41% | 2097% | 1% | 3% | 34% | 3% | 3% | 3% | 3% | 3% | 3% |
| Net income after min int | -831 | -66 | 5 | -12 | 32 | 8 | 32 | 16 | 12 | 14 | 14 | 56 | 69 |
| Share count (FD) Mn | 277.0 | 255.9 | 54.6 | 54.6 | 56.3 | 55.8 | 55.3 | 54.9 | 55.5 | 54.9 | 54.9 | 55.0 | 54.9 |
| EPS | 3.75 | -1.25 | 0.08 | -0.21 | 0.57 | 0.14 | 0.58 | 0.30 | 0.23 | 0.25 | 0.25 | 1.02 | 1.25 |
| <i>consensus</i> | | | | | | 0.11 | -0.16 | 0.01 | 0.03 | 0.02 | 0.09 | 0.17 | 0.16 |
| BS and CF highlights | | | | | | | | | | | | | |
| Operating cash flow | -142 | -41 | 8 | -25 | 29 | 9 | 22 | 19 | 41 | 20 | 25 | 106 | 119 |
| (-) Capex | -18 | -13 | -5 | -5 | -5 | -2 | -17 | -2 | -3 | -3 | -3 | -12 | -14 |
| Free cash flow | -161 | -54 | 3 | -29 | 24 | 7 | 5 | 17 | 38 | 17 | 21 | 94 | 105 |
| Ending net cash (debt) | 83 | 89 | 63 | 63 | 27 | 51 | 51 | 75 | 75 | 114 | 131 | 131 | 236 |
| Net cash (debt)/Sales | 0.4x | 0.3x | 0.2x | 0.2x | 0.1x | 0.1x | 0.1x | 0.2x | 0.2x | 0.3x | 0.3x | 0.3x | 0.5x |
| Net cash (debt)/EBITDA | -8.3x | 6.5x | 3.2x | 1.6x | 0.3x | 0.7x | 0.9x | 0.7x | 0.9x | 1.2x | 1.4x | 1.4x | 2.2x |
| Equity | 559 | 516 | 562 | 562 | 543 | 573 | 573 | 597 | 597 | 609 | 623 | 623 | 686 |

Source: Z&A estimates, company reports

Exhibit 2: Cannabis Sales Trends

| C\$ Mn | Mar FY23 | Mar FY24 | Jun 1Q25 | Sep 2Q25 | Dec 3Q25 | Mar 4Q25e | Mar FY25e | Jun 1Q26e | Sep 2Q26e | Dec 3Q26e | Mar 4Q26e | Mar FY26e | Mar FY27e |
|--|--------------|--------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Net sales | 225.1 | 270.3 | 83.4 | 81.1 | 88.2 | 93.9 | 346.7 | 113.1 | 102.4 | 106.3 | 108.2 | 430.0 | 462.9 |
| Canada Rec | 55.5 | 48.6 | 11.5 | 10.4 | 9.9 | 9.1 | 41.0 | 9.6 | 10.5 | 10.1 | 9.6 | 39.8 | 41.9 |
| Canada bulk | 1.0 | 1.5 | 1.6 | 0.8 | 1.2 | 1.0 | 4.6 | 1.0 | 1.0 | 1.0 | 1.0 | 4.0 | 4.0 |
| Canada Med | 97.0 | 101.4 | 27.1 | 26.3 | 27.3 | 27.4 | 108.1 | 27.5 | 27.5 | 27.6 | 27.7 | 110.3 | 111.7 |
| International Med | 47.3 | 68.9 | 20.1 | 35.0 | 40.9 | 45.7 | 141.7 | 51.3 | 54.4 | 58.4 | 58.9 | 223.0 | 251.4 |
| Other/Propagation | 20.7 | 44.8 | 23.1 | 8.6 | 8.9 | 10.7 | 51.3 | 23.8 | 8.9 | 9.2 | 11.1 | 52.9 | 53.9 |
| Seq ch | na | 20% | 23% | -3% | 9% | 6% | 28% | 20% | -10% | 4% | 2% | 24% | 8% |
| Canada Rec | na | -12% | -3% | -10% | -5% | -8% | -16% | 5% | 10% | -4% | -6% | -3% | 5% |
| Canada Med | na | 5% | 9% | -3% | 4% | 0% | 7% | 0% | 0% | 0% | 0% | 2% | 1% |
| International Med | na | 45% | 28% | 75% | 17% | 12% | 106% | 12% | 6% | 7% | 1% | 57% | 13% |
| Canada rec assumptions (C\$ Mn) | | | | | | | | | | | | | |
| Market size C\$ rsp | 4,671 | 5,176 | 1,258 | 1,380 | 1,381 | 1,255 | 5,274 | 1,321 | 1,449 | 1,398 | 1,318 | 5,485 | 5,785 |
| QoQ ch % | na | na | 5% | 10% | 0% | -9% | na | 5% | 10% | -4% | -6% | na | na |
| YoY ch % | 15% | 11% | -1% | 0% | 4% | 5% | 2% | 5% | 5% | 1% | 5% | 4% | 5% |
| Market size C\$ ex factory | 2,335 | 2,588 | 629 | 690 | 690 | 628 | 2,637 | 660 | 724 | 699 | 659 | 2,743 | 2,892 |
| Co rec market share | 2% | 2% | 2% | 2% | 1% | 1% | 2% | 1% | 1% | 1% | 1% | 1% | 1% |
| Co sales C\$Mn | 55 | 49 | 12 | 10 | 10 | 9 | 41 | 10 | 11 | 10 | 10 | 40 | 42 |
| Med intl assumptions (C\$ Mn) | | | | | | | | | | | | | |
| Market size C\$ rsp (CF est) | 2,702 | 3,663 | 838 | 891 | 935 | 1,076 | 3,740 | 1,237 | 1,361 | 1,497 | 1,571 | 5,665 | 7,112 |
| QoQ ch % | na | na | -14% | 6% | 5% | 15% | na | 15% | 10% | 10% | 5% | na | na |
| YoY ch % | 63% | 36% | 0% | 0% | -3% | 10% | 2% | 48% | 53% | 60% | 46% | 51% | 26% |
| Market size C\$ ex factory | 1,351 | 1,832 | 419 | 445 | 468 | 538 | 1,870 | 618 | 680 | 748 | 786 | 2,833 | 3,556 |
| Co market share | 4% | 4% | 5% | 8% | 9% | 9% | 8% | 8% | 8% | 8% | 8% | 8% | 7% |
| Co sales C\$Mn | 47 | 69 | 20 | 35 | 41 | 46 | 142 | 51 | 54 | 58 | 59 | 223 | 251 |

Source: Z&A estimates, company reports

Exhibit 3: Gross Profits by Division

| C\$ Mn | Mar FY23 | Mar FY24 | Jun 1Q25 | Sep 2Q25 | Dec 3Q25 | Mar 4Q25e | Mar FY25e | Jun 1Q26e | Sep 2Q26e | Dec 3Q26e | Mar 4Q26e | Mar FY26e | Mar FY27e |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| REPORTED | | | | | | | | | | | | | |
| Gross profit bef fv adj | 40.4 | 74.4 | 37.0 | 39.2 | 47.4 | 52.0 | 175.6 | 61.2 | 59.7 | 62.7 | 63.4 | 246.9 | 270.1 |
| Canada Rec | -17.5 | -5.4 | 1.0 | 0.5 | -0.6 | 0.5 | 1.5 | 0.8 | 1.1 | 1.0 | 1.0 | 3.8 | 5.3 |
| Medical (Canada + exports) | 58.2 | 76.4 | 30.3 | 39.7 | 46.1 | 49.7 | 165.8 | 54.4 | 57.4 | 60.2 | 60.6 | 232.6 | 254.1 |
| Bulk/Bevo | -0.3 | 3.4 | 5.8 | -1.0 | 1.9 | 1.7 | 8.3 | 6.0 | 1.3 | 1.5 | 1.8 | 10.5 | 10.8 |
| As % of sales | 18% | 28% | 44% | 48% | 54% | 55% | 51% | 54% | 58% | 59% | 59% | 57% | 58% |
| Canada Rec | -32% | -11% | 8% | 5% | -6% | 6% | 4% | 8% | 10% | 10% | 10% | 10% | 13% |
| Medical (Canada + exports) | 40% | 45% | 64% | 65% | 68% | 68% | 66% | 69% | 70% | 70% | 70% | 70% | 70% |
| Bulk/Bevo | nm | nm | nm | nm | nm | nm | nm | nm | nm | nm | nm | nm | nm |
| As % of total | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| Canada Rec | -43% | -7% | 3% | 1% | -1% | 1% | 1% | 1% | 2% | 2% | 2% | 2% | 2% |
| Medical (Canada + exports) | 144% | 103% | 82% | 101% | 97% | 96% | 94% | 89% | 96% | 96% | 96% | 94% | 94% |
| Bulk/Bevo | -1% | 5% | 16% | -3% | 4% | 3% | 5% | 10% | 2% | 2% | 3% | 4% | 4% |
| ADJ CASH GP | | | | | | | | | | | | | |
| Gross profit ex dep and ex ir | 32.6 | 36.0 | 134.9 | 42.6 | 53.6 | 55.7 | 64.9 | 214.6 | 62.8 | 65.9 | 66.5 | 72.0 | 80.0 |
| Canada Rec | 3.3 | 2.8 | 0.0 | 1.4 | 0.3 | 1.3 | 1.5 | 4.5 | 1.7 | 1.7 | 1.6 | 1.7 | 2.3 |
| Medical (Canada + exports) | 25.1 | 32.8 | 0.0 | 41.7 | 50.5 | 51.5 | 56.2 | 199.8 | 58.9 | 61.7 | 62.2 | 63.2 | 70.4 |
| Bulk/Bevo | 4.2 | 0.4 | 134.9 | -0.5 | 2.9 | 2.9 | 7.2 | 10.3 | 2.2 | 2.4 | 2.7 | 7.2 | 7.3 |
| As % of sales | 14.5% | 13.3% | 161.7% | 52.5% | 60.8% | 59.3% | 18.7% | 189.7% | 61.4% | 62.0% | 61.5% | 16.8% | 17.3% |
| Canada Rec | 26.2% | 23.8% | 26.0% | 13.5% | 26.0% | 14.2% | 15.8% | 17.4% | 16.2% | 16.5% | 16.9% | 16.6% | 21.2% |
| Medical (Canada + exports) | 59.6% | 69.5% | 63.9% | 68.0% | 74.1% | 70.5% | 71.3% | 71.0% | 71.9% | 71.8% | 71.8% | 71.8% | 71.6% |
| Bulk/Bevo | na | na | na | na | na | na | na | na | na | na | na | na | na |
| As % of total | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| Canada Rec | 10% | 8% | 0% | 3% | 0% | 2% | 2% | 2% | 3% | 3% | 2% | 2% | 3% |
| Medical (Canada + exports) | 77% | 91% | 0% | 98% | 94% | 93% | 87% | 93% | 94% | 94% | 93% | 88% | 88% |
| Bulk/Bevo | 13% | 1% | 100% | -1% | 5% | 5% | 11% | 5% | 4% | 4% | 4% | 10% | 9% |

Source: Z&A estimates, company reports

Exhibit 4: Summary Cash Flow

| SUMMARY CASH FLOW | Mar FY24 | Jun 1Q25 | Sep 2Q25 | Dec 3Q25 | Mar 4Q25e | Mar FY25e | Jun 1Q26e | Sep 2Q26e | Dec 3Q26e | Mar 4Q26e | Mar FY26e | Mar FY27e |
|--|----------------|---------------|----------------|---------------|---------------|---------------|---------------|----------------|----------------|----------------|----------------|----------------|
| C\$ 000s | | | | | | | | | | | | |
| Net earnings | -59,045 | 4,844 | 1,675 | 31,228 | 7,669 | 45,416 | 16,441 | 12,415 | 13,745 | 13,623 | 56,224 | 68,598 |
| (+) D&A | 33,071 | 5,740 | 5,424 | 5,430 | 6,936 | 23,530 | 6,960 | 5,865 | 5,896 | 5,928 | 24,649 | 24,051 |
| Cash earnings | -25,974 | 10,584 | 7,099 | 36,658 | 14,605 | 68,946 | 23,401 | 18,280 | 19,641 | 19,550 | 80,873 | 92,650 |
| (-) Working capital changes | -15,627 | 10,682 | -29,588 | 15,805 | -5,196 | -8,297 | -3,991 | 23,098 | 962 | 5,252 | 25,321 | 27,079 |
| (-) Other operating flows | -26,907 | -12,891 | -2,402 | -23,624 | -77 | -38,994 | -166 | -125 | -139 | -138 | -568 | -693 |
| Net cash used in operating activities | -68,508 | 8,375 | -24,891 | 28,839 | 9,332 | 21,655 | 19,244 | 41,253 | 20,464 | 24,665 | 105,626 | 119,036 |
| (-) net capex | -16,956 | -5,153 | -4,543 | -4,858 | -2,000 | -16,554 | -2,000 | -3,071 | -3,189 | -3,247 | -11,507 | -13,886 |
| Free cash flow | -85,464 | 3,222 | -29,434 | 23,981 | 7,332 | 5,101 | 17,244 | 38,182 | 17,276 | 21,417 | 94,119 | 105,149 |
| (-) acquisitions/divestitures | -2,539 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (-) other (inc bond conversion) | 106,257 | 3,704 | 117 | 354 | 0 | 4,175 | 0 | 0 | 0 | 0 | 0 | 0 |
| (+) other proceeds | 0 | 0 | -6,504 | -940 | 0 | -7,444 | 0 | 0 | 0 | 0 | 0 | 0 |
| (+) share issuance | 37,926 | 0 | 126 | 0 | 0 | 126 | 0 | 0 | 0 | 0 | 0 | 0 |
| (-) stock options/warrants | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Change in net | 56,180 | 6,926 | -35,695 | 23,395 | 7,332 | 1,958 | 17,244 | 38,182 | 17,276 | 21,417 | 94,119 | 105,149 |
| Ending Net debt | 56,180 | 63,106 | 27,411 | 50,806 | 58,138 | 58,138 | 75,383 | 113,564 | 130,840 | 152,258 | 152,258 | 257,407 |
| Cash/inv/sec | 113,439 | 115,487 | 84,921 | 108,711 | 92,910 | 92,910 | 110,155 | 148,336 | 165,612 | 187,030 | 187,030 | 292,179 |
| Gross debts/loans/bonds | 57,259 | 52,381 | 57,510 | 57,905 | 34,772 | 34,772 | 34,772 | 34,772 | 34,772 | 34,772 | 34,772 | 34,772 |

Source: Z&A estimates, company reports

Exhibit 5: Projected EV Multiples and Share Price “Scenarios”

| C\$Mn | Mar FY23 | Mar FY24 | Jun 1Q25 | Sep 2Q25 | Dec 3Q25 | Mar 4Q25e | Mar FY25e | Jun 1Q26e | Sep 2Q26e | Dec 3Q26e | Mar 4Q26e | Mar FY26e | Mar FY27e | Upside |
|--|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------|
| Current valuation | | | | | | | | | | | | | | |
| EV (C\$Mn) | | 424 | 449 | 490 | 475 | 467 | 467 | 450 | 412 | 394 | 373 | 373 | 267 | |
| Market cap (\$Mn) | | 421 | 422 | 434 | 433 | 433 | 433 | 433 | 433 | 433 | 433 | 433 | 433 | |
| Share price (CAD\$) | | 7.72 | 7.72 | 7.72 | 7.72 | 7.72 | 7.72 | 7.72 | 7.72 | 7.72 | 7.72 | 7.72 | 7.72 | |
| Share price (US\$) | | 5.37 | 5.37 | 5.37 | 5.37 | 5.37 | 5.37 | 5.37 | 5.37 | 5.37 | 5.37 | 5.37 | 5.37 | |
| FD share count (Mn) | | 54.5 | 54.6 | 56.2 | 56.1 | 56.1 | 56.1 | 56.1 | 56.1 | 56.1 | 56.1 | 56.1 | 56.1 | |
| common shares (proforma) | | 54.5 | 54.6 | 54.9 | 54.9 | 54.9 | 54.9 | 54.9 | 54.9 | 54.9 | 54.9 | 54.9 | 54.9 | |
| derivatives in the money | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| RSUs/other | | 0.0 | 0.0 | 1.3 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | |
| Broadly defined net cash (debt) | | 39 | 13 | -16 | -2 | 5 | 5 | 23 | 61 | 78 | 99 | 99 | 205 | |
| net financial debt (proforma) | | 56 | 63 | 27 | 51 | 58 | 58 | 75 | 114 | 131 | 152 | 152 | 257 | |
| leases | | -17 | -50 | -43 | -43 | -43 | -43 | -43 | -43 | -43 | -43 | -43 | -43 | |
| other debt | | | | | | | | | | | | | | |
| warrant/derivatives inflow | | | | | | | | | | | | | | |
| Minority interest | | 42 | 41 | 40 | 39 | 39 | 39 | 39 | 39 | 39 | 39 | 39 | 38 | |
| Multiples (Z&A) | | | | | | | | | | | | | | |
| EV/Sales | | 1.6x | 1.3x | 1.5x | 1.3x | 1.2x | 1.3x | 1.0x | 1.0x | 0.9x | 0.9x | 0.9x | 0.6x | |
| EV/EBITDA | | 30.8x | 23.0x | 12.1x | 5.1x | 6.5x | 8.3x | 4.1x | 4.8x | 4.3x | 4.1x | 3.9x | 2.5x | |
| C\$ Mn | | | | | | | | | | | | | | |
| Projected share price under various MJ multiple scenarios | | | | | | | | | | | | | | |
| Total EV | | | | | | | | | | | | 422.2 | 454.0 | |
| Bevo EV | | | | | | | | | | | | 45 | 45 | |
| Cannabis EV | | | | | | | | | | | | 377 | 409 | |
| | 1.0x | | | | | | | | | | | 566 | 613 | |
| | 1.5x | | | | | | | | | | | 754 | 818 | |
| | 2.0x | | | | | | | | | | | 1,131 | 1,227 | |
| | 3.0x | | | | | | | | | | | 1,886 | 2,045 | |
| | 5.0x | | | | | | | | | | | 3,772 | 4,090 | |
| | 10.0x | | | | | | | | | | | | | |
| Implied PT (on 1yF estimates) | | | | | | | | | | | | by Mar'25 | by Mar'26 | |
| | 1.0x | | | | | | | | | | | \$8.61 | \$11.06 | 43% |
| | 1.5x | | | | | | | | | | | \$11.97 | \$14.70 | 90% |
| | 2.0x | | | | | | | | | | | \$15.33 | \$18.35 | 138% |
| | 3.0x | | | | | | | | | | | \$22.05 | \$25.64 | 232% |
| | 5.0x | | | | | | | | | | | \$35.50 | \$40.22 | 421% |
| | 10.0x | | | | | | | | | | | \$69.11 | \$76.67 | 893% |

Source: Z&A estimates, company reports



Appendix II: Valuation Comps

Zuanic & Associates

Exhibit 6: LPs Valuation Multiples

| Multiples 6-Feb-25 | Z&A Spot EV / Sales | | | Z&A Spot EV / EBITDA | | | Financial Net Debt | | | | Broadly Defined Net Debt | | | |
|-----------------------------|---------------------|-------|-------|----------------------|--------|---------|--------------------|-------|---------|-------|--------------------------|-------|---------|--------|
| | Current | 2024 | 2025 | Current | 2024 | 2025 | Sales | | EBITDA | | Sales | | EBITDA | |
| | | | | | | | Current | CY24 | Current | CY24 | Current | CY24 | Current | CY24 |
| Aurora Cannabis | 1.3x | 1.4x | 1.3x | 5.1x | 14.2x | 9.9x | na | na | na | na | na | na | na | na |
| Auxly Cannabis Group | 1.2x | na | na | 26.2x | na | na | -0.3x | na | -6.9x | na | -0.4x | na | -10.1x | na |
| Avant Brads | 2.9x | na | na | 34.8x | na | na | -0.1x | na | -1.8x | na | -0.4x | na | -4.7x | na |
| Cannara Biotech | 1.4x | na | na | 40.6x | na | na | 0.0x | na | 0.0x | na | 0.0x | na | 0.0x | na |
| Canopy Growth | 3.2x | 2.9x | 2.7x | -152.8x | -48.0x | 395.6x | -1.3x | -1.2x | 61.1x | 19.2x | -1.3x | -1.2x | 61.1x | 19.2x |
| Cronos Group | -3.0x | -2.6x | -2.2x | 30.0x | 9.5x | -360.3x | na | na | na | na | 8.1x | 7.1x | -81.9x | -26.0x |
| Decibel Cannabis | 0.9x | 0.9x | 0.7x | 20.8x | 4.7x | 3.4x | -0.4x | -0.4x | -8.6x | -1.9x | -0.4x | -0.4x | -8.4x | -1.9x |
| Organigram Holdings | 1.1x | na | na | -380.0x | na | na | na | na | na | na | 1.1x | na | -382.8x | na |
| Rubicon Organics | 0.6x | na | na | 31.8x | na | na | 0.0x | na | -1.6x | na | 0.0x | na | -1.5x | na |
| SNDL | 0.6x | 0.6x | 0.6x | 60.1x | 394.1x | na | na | na | na | na | 0.2x | 0.2x | 17.8x | 116.5x |
| Tilray Brands | 1.4x | 1.3x | 1.2x | 32.5x | 18.6x | 13.6x | -0.1x | -0.1x | -1.5x | -0.8x | -0.1x | -0.1x | -3.2x | -1.8x |
| Village Farms International | 0.3x | 0.3x | 0.3x | 4.3x | 10.8x | 4.6x | -0.1x | -0.1x | -0.9x | -2.2x | -0.1x | -0.1x | -0.9x | -2.3x |

1) We take FactSet consensus estimates for CY24e and CY25e multiples; 2) By "current", we mean the latest reported qtr annualized

Source: FactSet and company reports

Exhibit 7: LPs EV Calculations

| C\$Mn 6-Feb-25 | FactSet Spot EV | Z&A Spot EV | C\$ price | mn shares | mn deriv | Total Mkt Cap | Financial net debt | Net leases | ST income tax liab. | Conting Cons. | ITM deriv inflow | Total BDND | Pref Stock Min Int |
|-----------------------------|--------------------|----------------|--------------|--------------|-------------|------------------|-----------------------|---------------|------------------------|------------------|---------------------|---------------|-----------------------|
| Aurora Cannabis | 382 | 475 | 7.72 | 54.9 | 1.2 | 433 | 51 | -43 | | -10 | | -2 | 39 |
| Audy Cannabis Group | 194 | 136 | 0.06 | 1,285.7 | 133.4 | 84 | -36 | -14 | | -2 | | -52 | |
| Avant Brads | 2,028 | 97 | 7.72 | 10.5 | 0.3 | 83 | -5 | -8 | | | | -13 | |
| Cannara Biotech | 85 | 113 | 1.25 | 90.0 | 0.0 | 113 | 0 | 0 | 0 | | | 0 | |
| Canopy Growth | na | 807 | 3.64 | 131.6 | 1.5 | 484 | -323 | | | | | -323 | |
| Cronos Group | -25 | -454 | 2.95 | 265.8 | 0.0 | 784 | 1,240 | -2 | | | | 1,238 | |
| Decibel Cannabis | 71 | 82 | 0.08 | 576.7 | 16.3 | 49 | -34 | 0 | | | | -33 | |
| High Tide | na | 324 | 4.06 | 80.7 | 0.7 | 330 | 8 | -2 | | | | 6 | |
| Organigram Holdings | 176 | 176 | 2.33 | 133.6 | 17.7 | 352 | 177 | | 0 | | | 177 | |
| Rubicon Organics | 29 | 27 | 0.43 | 56.2 | 4.3 | 26 | -1 | 0 | | | | -1 | |
| SNDL | 451 | 579 | 2.68 | 264.3 | 16.2 | 750 | 209 | -38 | | | | 171 | |
| Tilray Brands | 1,552 | 1,686 | 1.54 | 937.7 | 26.1 | 1,483 | -76 | -69 | | -22 | | -167 | 36 |
| Village Farms International | 148 | 132 | 1.14 | 77.7 | | 88 | -27 | -1 | | | | -28 | 15 |

Source: FactSet and company reports

Exhibit 8: Stock Performance

| 6-Feb-25 | | | |
|----------------|-------------------|-------|-------|
| | Stock Performance | | |
| | Last | Last | Last |
| Ticker | 30d | 90d | 12mo |
| US MSOs | | | |
| Ascend | -12% | -38% | -74% |
| Ayr | -4% | -46% | -84% |
| Cannabist | -14% | -51% | -82% |
| Consortium | -10% | -24% | -69% |
| Cresco | 16% | -12% | -55% |
| Curaleaf | 1% | -27% | -71% |
| 4Front | 1% | -65% | -87% |
| GlassHouse | -5% | -29% | -18% |
| Gold Flora | 80% | -23% | -83% |
| Vireo Growth | -6% | 31% | 19% |
| Grown Rogue | -5% | -2% | 49% |
| Green Thumb | -12% | -22% | -48% |
| iAnthus | 21% | -6% | -72% |
| Jushi | 23% | -3% | -60% |
| MarlMed | 5% | -13% | -66% |
| Planet13 | -6% | -24% | -56% |
| Schwazze | -100% | -100% | -100% |
| StateHouse | na | na | -78% |
| Trulieve | -5% | -35% | -56% |
| TerrAscend | -3% | -26% | -70% |
| Vext | -7% | -18% | -65% |
| Verano | -13% | -41% | -82% |

| Stock Performance | | | |
|---------------------|------|------|------|
| | Last | Last | Last |
| Ticker | 30d | 90d | 12mo |
| Canadian LPs | | | |
| Aurora | 15% | 6% | 34% |
| Avant | 127% | 51% | -69% |
| Auxly | 22% | 20% | 204% |
| Ayurcann | 79% | -44% | 42% |
| Cannara | 61% | 81% | 33% |
| Canopy | -13% | -44% | -45% |
| Cronos | 1% | 0% | -5% |
| Decibel | 1% | 3% | -37% |
| Entourage | -45% | -50% | -65% |
| High Tide | -15% | 4% | 53% |
| OGI | -4% | -2% | -24% |
| Rubicon | -12% | 6% | -10% |
| SNDL | -2% | -10% | 33% |
| Tilray | -24% | -31% | -46% |
| VFF | -7% | -11% | -7% |
| CBD | | | |
| CVSI | 16% | -9% | 13% |
| CWEB | -6% | -21% | -38% |
| LFID | 14% | -33% | -81% |
| Tech | | | |
| LFLY | -77% | -75% | -91% |
| SBIG | 15% | -22% | -44% |
| MAPS | -3% | 87% | 44% |

| Stock Performance | | | |
|------------------------------|------|------|------|
| | Last | Last | Last |
| Ticker | 30d | 90d | 12mo |
| MJ Fincos | | | |
| AFCG | 2% | -13% | -26% |
| IIPR | 9% | -33% | -19% |
| NLCP | -3% | -7% | 2% |
| SHFS | 23% | 36% | -50% |
| LIEN | -7% | -9% | 45% |
| REFI | 0% | -2% | -2% |
| International | | | |
| InterCure | 4% | -9% | 13% |
| PharmaCielo | -12% | 25% | 163% |
| Vape parts | | | |
| GNLN | -11% | -37% | -71% |
| ISPR | -5% | -23% | -51% |
| SMORF | 0% | -6% | 99% |
| TLLTF | 46% | -18% | -70% |
| Index | | | |
| S&P 500 | 1% | 1% | 22% |
| S&P 477 | 4% | 2% | 12% |
| Nasdaq | 8% | 6% | 47% |
| MSOS ETF | -4% | -29% | -64% |
| YOLO ETF | -7% | -17% | -39% |
| Simple Group Averages | | | |
| Large Canada LP: | -5% | -15% | -10% |
| Tier 1 MSOs | -2% | -27% | -63% |

Source: FactSet and company reports



Appendix III: Bio and Disclaimers

Zuanic & Associates



Analyst Bio

Pablo Zuanic is a well-known and highly rated equity analyst following the broader cannabinoids (THC cannabis, hemp derivatives, CBD) and consumer sectors. Over the past six years he has launched coverage of over 40 companies in the US, Canada, and overseas; plant-touching as well as service providers (tech; finance); and has also worked with several private companies. He follows closely the reform process in the US, Canada, Germany, Australia, and elsewhere, and relies on a fundamental and data-driven approach to keep track of sectoral trends. His firm Zuanic & Associates publishes equity research, both from a macro/sectoral level in a thematic manner, as well as on listed stocks. The research service is aimed at institutional investors, corporations, and regulators. The firm is also available for short-term consulting and research advisory projects. Approaching the third year since its inception, the firm has collaborated with over 25 companies (in North America and overseas; plant touching and service providers; public and private), both on an on-going basis as well for specific projects. At various points in his career, Pablo Zuanic was ranked in the Institutional Investor magazine surveys and was called as expert witness in industry investigations. He has a deep global background having covered stocks over the past 20 years in the US, Europe, Latin America, and Asia, across consumer sub sectors. Prior employers include JP Morgan, Barings, and Cantor Fitzgerald. An MBA graduate of Harvard Business School, he started his career as a management consultant, which brings a strategic mindset to his approach to equity research. *He can be contacted via the company's portal www.zuanicassociates.com; via email at pablo.zuanic@zuanicgroup.com; or via X @420Odysseus.*



Disclosures and Disclaimers

About the firm: Zuanic & Associates is a domestic limited liability company (LLC) registered in the state of New Jersey. The company's registered address is Five Greentree Centre, 525 Route 73, N Suite 104, Marlton, New Jersey 08053, USA. Pablo Zuanic is the registered agent. The firm publishes equity research on selected stocks in the cannabis and psychedelics sector, as well as thematic macro industry notes. The firm also provides consulting, research, and advisory services. Potential conflicts of interest are duly reflected in the respective specific company reports.

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Disclosure: Zuanic & Associates offers advisory and research services, and it also organizes investor events and conferences. The firm is often engaged by various operators in the cannabis industry (both plant touching companies and those providing services, private and public, in North America and overseas) on an ongoing or ad hoc basis.

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