

5/24/2024

Gold Flora (GRAM)

Company Update

Sales	FY22a	FY23e	FY24e		Prev	FY25e	Prev	FY26e	Prev
1Q	nm	nm	32.2	A	*29.4*	41.3	*35.3*	51.2	*na*
2Q	nm	nm	34.2	E	*30.1*	43.4	*37.4*	53.9	*na*
3Q	nm	32.0	37.4	E	*31.5*	45.5	*39.3*	56.2	*na*
4Q	nm	28.4	38.6	E	*32.0*	48.1	*43.0*	59.3	*na*
FY	nm	91.0	142.3		*123.0*	178.3	*155.0*	220.6	*na*
EBITDA	FY22a	FY23e	FY24e		Prev	FY25e	Prev	FY25e	Prev
1Q	nm	nm	-1.9	A	*1.4*	3.7	*-0.1*	7.5	*na*
2Q	nm	nm	1.1	E	*1.8*	4.3	*1.3*	8.3	*na*
3Q	nm	-0.5	2.3	E	*3.1*	5.8	*2.8*	9.0	*na*
4Q	nm	0.1	3.0	E	*4.3*	6.6	*5.1*	10.0	*na*
FY	nm	0.0	4.4		*10.6*	20.5	*9.1*	34.9	*na*

Share price ($)	0.20	**Perf.**	**GRAM**	**MSOS**	**S&P500**	Stance:	**Overweight**
Share count (mn)	288.6	30d	-3%	-5%	5%		no price target
Market Cap ($Mn)	58	90d	-39%	-11%	4%		FY=Dec
Liquidity (ADTV $Mn)	0.084	1yr	24%	45%	27%	Ticker:	GRAM



$Mn	FY24	FY25	FY26
Projected EV	153.5	162.7	160.4
EV/Sales	1.1x	0.9x	0.7x
EV/EBITDA	34.8x	7.9x	4.6x

	FY24	FY25	FY26
Net debt/Sales	-0.3x	-0.2x	-0.1x
Net debt/EBITDA	-8.2x	-1.6x	-0.4x
Free Cash Flow	-9.7	3.6	17.4
Net debt	-36.3	-32.7	-15.4

Consensus	**FY24**	**FY25**	**FY26**
Sales	131.7	151.2	na
EBITDA	11.1	29.1	na
Guidance CY24:		n/a	

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On the Outlook and Recent Print

Outlook. Management says it has built an "expansive and difficult to replicate vertical platform in CA", as one of the leading indoor growers (and expanding) and with 16 operational dispensaries in mainly "attractive limited license locations". With canopy up 3x, sales and margins should ramp in the back half (with the benefits showing also in 2Q), with roughly half of the new production going to the company's stores (boosting store retail margins; it estimates it can get to a ratio of >30% of own brands as % of total sales at its own stores) and the balance sold to 3rd party stores. We are told only a "fraction" of the new throughput made it through the P&L in 1Q24.

- Canopy footprint has been tripled to 107K sq ft, which should yield 40,000 lbs of flower production when operating at full capacity (slated by Sep/Oct); at present, it is processing about half of that (23,400 lbs pa). In addition, GRAM entered into two lease agreements that will increase canopy by another 53K sq ft next year (half coming online by 1Q25 and the rest in 2H25). Management estimates the combined 260K sq ft will yield 65,000 lbs of flower.

- In a market seemingly at overcapacity, the rationale of the company's strategy is based on, a) allocating more own production to company stores; b) having enough supply to also feed new owned stores (whether new openings or acquired), and c), the conviction that the company's brands can offer a compelling value/quality proposition to consumers (this is the case so far for the recently launched Gramlin brand). The company is also bringing gummies production inhouse and is now able to manufacture live rosin products using its own indoor grown cannabis. Gramlin brand was first launched in in the flower segment, with vape and pre-rolls following now.

- Profit margins should improve given the added scale, and as increased production makes it to the sales line of the P&L (it says production increased by a factor of 3x from Dec to Jan), offsetting the timing disparity that hurt margins in 1Q24. Of course, a key question in all of this is whether the company will be able to sell the added capacity (we have seen other companies struggle with the thesis of "funded capacity"), but with roughly half going to the company's stores the risk is lessened.

- In terms of the CF and BS, management says cash burn has been reduced significantly since the merger. It is evaluating financing options to "strategically add liquidity" to the BS. While the company says the bid/ask for stores (as well as for brands) is not attractive, we believe it will have added pressure to add more stores given the hefty capacity ramp. But the focus will be more on "chains" than just buying one store at time. Re 280e, the company will be filing amendments for past returns (if successful, it estimates refunds north of $10Mn), but it will continue to make provisions based on 280e.

- *Management's mantra: "grow high-quality, unique strains in-house at premier indoor cultivation facilities, and manage the entire supply chain. All this allows Gold Flora to offer products at an attractive price point for consumers while capturing significant margin".*

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Re 1Q24 (Gold Flora reported results after the close on 5/15). Sales were up 13% seq to $32.2Mn (vs. our $29.4Mn estimate), with retail revenue up 6% (84% of total sales) and wholesale up 72% seq to $5.2Mn (for context, total CA market sales fell 3% seq in 1Q24, as per Headset). Part of the recent production expansion was partly allocated to own company stores (verticality fuels gross margins) and to external stores too (thus the steep net wholesale jump). Gross margins fell seq (31% reported; 54% ex D&A, 280e, and one-off inventory adjustments) mainly due to the timing gap between increased capacity and actual sales (cultivation and post-harvest processes take in total about eight weeks, so the added costs do not translate to revenues immediately). Cash SGA increased by $1.1Mn seq. As a result, EBITDA fell seq from break even to -6% in 1Q24. Free cash flow was -$5Mn in 1Q24, despite working capital benefits. The company's cash balance fell by $8Mn seq, and net debt increased to $31.6Mn (0.3x sales). Besides net debt, the company had $33Mn in ST income tax payables at end of Mar'24 (it only paid $0.4Mn in CY23 and another $0.4Mn in 1Q24).

Stock performance and valuation. GRAM shares are rather illiquid, even for the context of US OTC cannabis stocks, with about $84K traded per day (30d avg) compared with $8Mn for the likes of Green Thumb, and NASDAQ listed CGC (trades $165Mn per day) and TLRY ($70Mn). So, it is difficult to read too much into the stock performance, down 39% the last 90 days vs. -11% for the MSOS ETF and +4% for the S&P 500 (last 30 days: -3%; -5%; +5%). Stock fluctuations and technical issues aside, we continue to believe GRAM's valuation is compelling, on its own merits, but even more so when compared with GlassHouse. On a spot EV basis, the stock trades at 1x FactSet consensus 2024 sales (which may be low, in the context of the capacity ramp) vs. 1.8x for the MSO average and 3.8x for GlassHouse. We will not delve into a detailed comparison here but note GRAM's retail revenue is 3x GLASF ($26.9Mn in 1Q24 vs. $9.9Mn), branded CPG is similar ($5.2Mn vs. $4.2Mn), and GLASF generated $16Mn from low-margin biomass sales in 1Q24 (zero for GRAM). The market cap of GLASF is $675Mn and Gold Flora $58Mn. Do investors really think the biomass sales are worth >$600Mn (or 10x sales, if we value the rest at GRAM's multiples; and this does not adjust for retail revenue being 3x bigger for GRAM)? We show our EV calculations in the appendix. We stay Overweight. *Note: the MSOS ETF owns 5.5% of GLASF stock (1.6% of GRAM).*

Table 1: EV to current to Sales as per FactSet

	12-Jul-2023	14-Sep-2023	12-Jan-2024	16-Jan-2024	18-Mar-2024	29-Apr-2024	21-May-2024	ch vs Jul/23
Jushi								
ETF holdings	14.7	15.9	19.6	19.7	20.3	20.7	21.0	43%
share count	196.6	196.6	196.6	196.6	196.6	196.6	196.6	
% of o/s	7.5%	8.1%	10.0%	10.0%	10.3%	10.5%	10.7%	
AYR								
ETF holdings	6.3	7.8	10.3	10.3	10.5	11.1	11.8	87%
share count	77.3	77.3	114.0	114.0	114.0	114.0	114.0	
% of o/s	8.1%	10.1%	9.0%	9.0%	9.2%	9.8%	10.3%	
TSNDF								
ETF holdings	18.6	20.9	25.6	25.8	31.6	34.3	35.7	92%
share count	287.0	287.0	291.2	291.2	291.2	291.5	291.5	
% of o/s	6.5%	7.3%	8.8%	8.8%	10.8%	11.8%	12.2%	
GLASF								
ETF holdings	2.8	3.2	3.7	3.7	4.0	4.1	4.2	49%
share count	74.9	74.9	76.0	76.0	76.0	76.0	76.0	
% of o/s	3.7%	4.3%	4.8%	4.9%	5.3%	5.4%	5.5%	

Source: Advisor Shares; company reports; Z&A estimates

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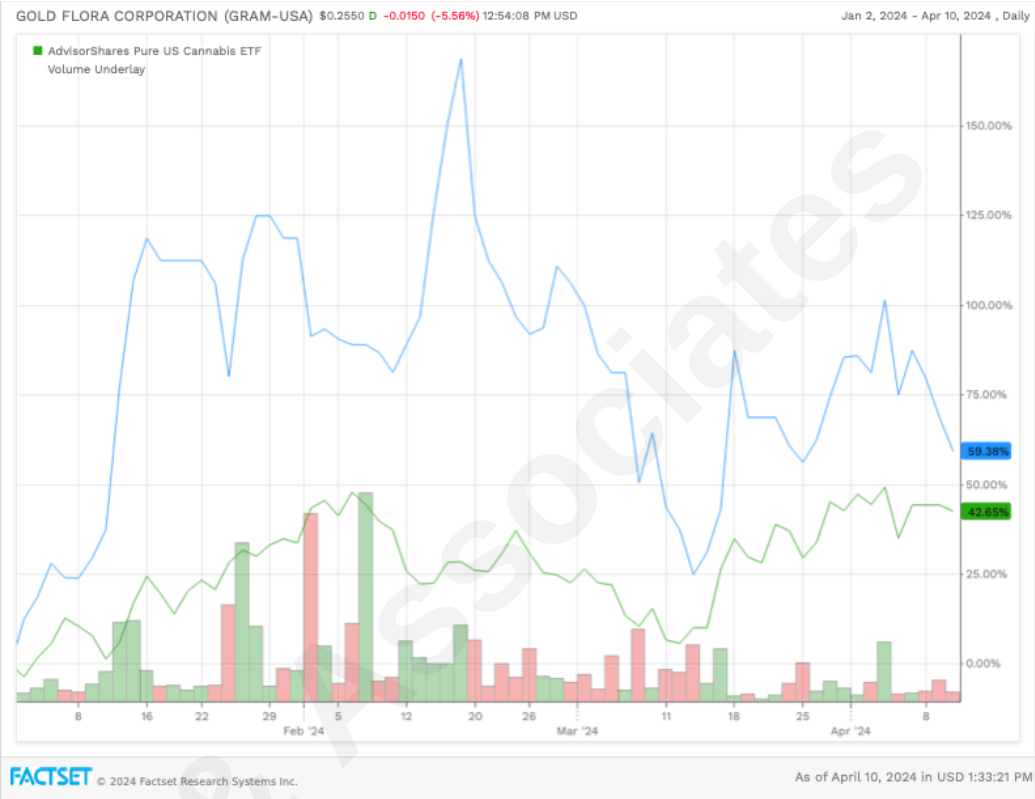
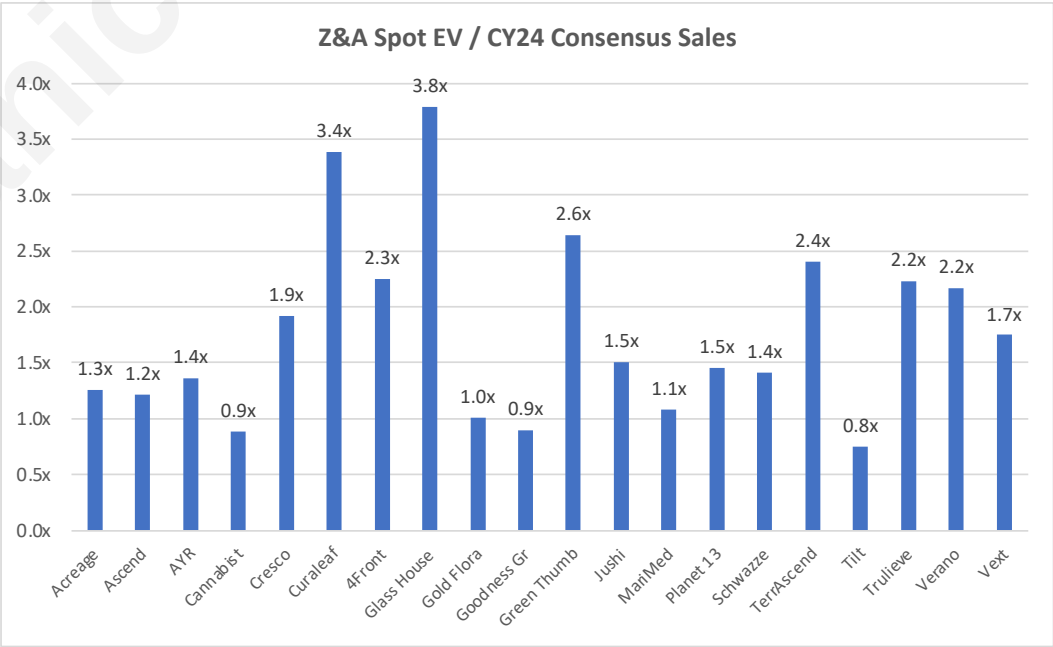
Table 2: GRAM vs. MSOS ETF YTD



Source: FactSet

Table 3: Spot EV to CY24 FactSet Consensus Sales



Source: FactSet

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Brief Macro Take

On Thursday 5/23, the MSOS ETF ("an actively managed ETF", as described by the Advisor Shares website) fell more than 8%. At 8.13, it is now off 28% from its 11.26 peak on 4/30 (when AP reported the DOJ leak regarding S-3). Is this a case of "sell in May and go away?".

As we have said in recent notes, we expect the sector to be volatile and devoid of "big positive catalysts" probably until Sep. But we continue to believe the process to reschedule is on track to be completed before the election, which would make it difficult for a new administration to entirely reverse the process (in the case of Biden losing the election).

In short, at a macro level, we like the risk/reward set up for the MSO group with the rescheduling process of cannabis from I to III on track to be completed and implemented before the presidential election (see our 5/17 report Rescheduling on Track), including a "Cole Memo II" that could provide safe harbor for banking services and, perhaps, even for US exchanges to uplist US plant touching stocks (although the lack of federal legalization may be an issue for the US exchanges…). All that said, questions about when/if the DEA will come on board, potential delays from a Congressional review (we think this risk is being exaggerated), and the potential for a Trump win in Nov, are all overhangs on the group and will likely limit the near-term upside, and trigger profit taking (given the nature of the investor base). Still, we would note,

a) *The OLC gave deference to the DOJ over DEA in the rescheduling process and that lowers the risk legal challenges succeed in delaying implementation, and,*

b) *A new president would need to start the entire scheduling review process all over again (assuming full implementation before the inauguration on 1/20/25, and no judge issuing a stay), and that itself could take time and risk burning political capital.*

Net, we think investors with a medium long-term view will be rewarded, but in the short term we expect volatility and stocks being mostly range-bound.

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Table 4: Stocks mentioned in this report

Company name	Ticker	Ticker	Rating
US MSOs			
4Front Ventures		FFNTF	Not rated
Acreage Holdings		ACRDF	Not rated
Ascend Wellness		AAWH	Not rated
AYR Wellness		AYRWF	Not rated
Columbia Care		CCHWF	Not rated
Cresco Labs		CRLBF	Not rated
Curaleaf Holdings		CURLF	Not rated
GlassHouse Brands		GLASF	Not rated
Gold Flora		GRAM	Overweight
Greenlane Holdings		GNLN	Not rated
Green Thumb Industries		GTBIF	Overweight
Grown Rogue		GRUSF	Not rated
Jushi Holdings		JUSHF	Overweight
MariMed		MRMD	Overweight
Planet 13 Holdings		PLNHF	Overweight
Schwazze		SHWZ	Not rated
StateHouse Holdings Inc		STHZF	Neutral
TerrAscend		TSNDF	Not rated
Tilt Holdings		TLLTF	Overweight
Trulieve Cannabis		TCNNF	Not rated
Verano Holdings		VRNOF	Overweight
Vext Science, Inc.		VEXTF	Not rated

Company name	Ticker	Rating
Canada LPs		
Aurora Cannabis	ACB	not rated
Auxly Cannabis Group	CBWTF	not rated
Avant Brands	AVTBF	not rated
BZAM	BZAMF	not rated
Cannara Biotech	LOVFF	not rated
Canopy Growth Corporation	CGC	not rated
Cronos Group	CRON	not rated
Decibel Cannabis Co	DBCCF	Overweight
Organigram Holdings	OGI	not rated
Rubicon Organics	ROMJF	not rated
SNDL	SNDL	not rated
Tilray Brands	TLRY	not rated
Village Farms Intl	VFF	Overweight
Other		
Chicago Atlantic REFC	REFI	Overweight
Intercure	INCR	Not rated
Irwin Naturals	IWINF	Not rated
Leafly	LFLY	Not rated
New Lake Capital Partners	NLCP	Overweight
Smoore International	SMORF	Not rated
Springbig	SBIG	Not rated
WM Technology	MAPS	Neutral

Source: Z&A ratings

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Appendix I: Company Financials

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Exhibit 1: Financial highlights

US$ Mn	Sep 3Q23	Dec 4Q23	Dec CY23	Mar 1Q24	Jun 2Q24e	Sep 3Q24e	Dec 4Q24e	Dec CY24e	Mar 1Q25e	Jun 2Q25e	Sep 3Q25e	Dec 4Q25e	Dec CY25e	Dec CY26e
Sales ($ Mn)	32.0	28.4	91.0	32.2	34.2	37.4	38.6	142.3	41.3	43.4	45.5	48.1	178.3	220.6
qoq ch %	*n/c*	-11%	*n/c*	13%	6%	9%	3%	na	7%	5%	5%	6%	na	na
yoy ch %	*n/c*	*n/c*	*n/c*	105%	76%	17%	36%	56%	29%	27%	22%	25%	25%	24%
guidance					*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*
consensus Sales					*31.1*	*34.8*	*35.5*	*131.7*	*na*	*na*	*na*	*na*	*151.2*	*na*
Profit margins														
Gross profits	11.3	13.2	32.5	10.0	17.1	18.7	19.3	65.1	20.7	21.7	23.7	25.0	91.0	114.7
as % of sales	35.4%	46.4%	35.7%	31.2%	50.0%	50.0%	50.0%	45.7%	50.0%	50.0%	52.0%	52.0%	51.0%	52.0%
Cash opex	-21.7	-14.5	-52.9	-15.6	-7.2	-7.3	-7.4	-37.5	-7.4	-7.5	-7.6	-7.6	-30.1	-31.4
as % of sales	-67.9%	-51.1%	-58.1%	-48.6%	-21.1%	-19.6%	-19.1%	-26.4%	-18.0%	-17.3%	-16.6%	-15.9%	-16.9%	-14.2%
Non-cash opex	-3.9	0.0	-26.4	-3.4	-11.9	-12.2	-12.0	-39.4	-14.1	-14.5	-15.0	-15.5	-59.0	-67.7
as % of sales	-12.3%	0.0%	-29.0%	-10.4%	-34.7%	-32.5%	-31.2%	-27.7%	-34.1%	-33.5%	-32.9%	-32.2%	-33.1%	-30.7%
EBIT	-14.3	-1.3	-46.7	-8.9	-2.0	-0.8	-0.1	-11.8	-0.9	-0.3	1.1	1.9	1.8	15.5
as % of sales	-44.8%	-4.7%	-51.4%	-27.8%	-5.8%	-2.1%	-0.2%	-8.3%	-2.1%	-0.8%	2.5%	3.9%	1.0%	7.0%
adj EBITDA	-0.5	0.1	-1.4	-1.9	1.1	2.3	3.0	4.4	3.7	4.3	5.8	6.6	20.5	34.9
as % of sales	-1.4%	0.4%	-1.5%	-5.9%	3.1%	6.1%	7.7%	3.1%	9.1%	10.0%	12.8%	13.7%	11.5%	15.8%
consensus EBITDA					*2.0*	*4.2*	*5.0*	*11.1*	*na*	*na*	*na*	*na*	*29.1*	*na*
as % of sales					5.8%	11.2%	13.0%	7.8%	*na*	*na*	*na*	*na*	16.3%	*na*
EPS														
Pre tax income	29.8	-39.5	-32.5	-12.7	-6.9	-5.3	-4.3	-29.2	-5.0	-4.5	-3.0	-2.2	-14.8	-0.7
Tax rate assumption	22.9%	-5.1%	-31.0%	-7.2%	-24.6%	-35.0%	-45.2%	-21.9%	-40.9%	-47.9%	-78.3%	-111.3%	-61.3%	-1584.6%
Net income	22.9	-41.6	-42.6	-13.6	-8.6	-7.2	-6.2	-35.6	-7.1	-6.7	-5.4	-4.7	-23.9	-12.2
Share count (FD) Mn	300.3	238.8	188.4	287.5	287.5	287.5	287.5	287.5	287.5	287.5	287.5	287.5	287.5	287.5
EPS	0.08	-0.17	-0.23	-0.05	-0.03	-0.02	-0.02	-0.12	-0.02	-0.02	-0.02	-0.02	-0.08	-0.04
consensus					*-0.04*	*-0.03*	*-0.02*	*-0.12*	*0.00*	*0.00*	*0.00*	*0.00*	*na*	*na*
BS & CF highlights														
Operating cash flow	-24.8	-6.4	-31.2	-4.4	-2.8	0.2	-1.5	-8.4	1.3	0.8	2.2	3.5	7.7	22.4
OCF/sales	*-78%*	*-22%*	*-34%*	*-14%*	*-8%*	*1%*	*-4%*	*-6%*	*3%*	*2%*	*5%*	*7%*	*4%*	*10%*
(-) Capex	-0.8	-1.0	-1.8	-0.7	-0.3	-0.2	-0.2	-1.3	-1.0	-1.0	-1.0	-1.1	-4.1	-5.1
capex/sales	*-2%*	*-3%*	*-2%*	*-2%*	*-1%*	*-1%*	*-1%*	*-1%*	*-2%*	*-2%*	*-2%*	*-2%*	*-2%*	*-2%*
Free cash flow	-25.6	-7.4	-32.9	-5.0	-3.0	0.0	-1.7	-9.7	0.3	-0.2	1.2	2.3	3.6	17.4
Income tax paid	6.8	-7.9	0.4	0.0	na	na	na	na	na	na	na	na	na	na
Ending net cash (debt)	-16.5	-26.1	-26.1	-31.6	-34.7	-34.6	-36.3	-36.3	-36.0	-36.3	-35.1	-32.7	-32.7	-15.4
cash	32.3	22.5	22.5	14.2	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	29.7
financial debt	48.8	48.7	48.7	45.8	49.7	49.6	51.3	51.3	51.0	51.3	50.1	47.7	47.7	45.1
Equity	34.0	-7.4	-7.4	-20.8	-29.4	-36.6	-42.8	-42.8	-49.9	-56.6	-61.9	-66.7	-66.7	-78.9
Net debt/Sales	-0.1x	-0.2x	-0.3x	-0.2x	-0.3x	-0.2x	-0.2x	-0.3x	-0.2x	-0.2x	-0.2x	-0.2x	-0.2x	-0.1x
Net debt/EBITDA	9.0x	-62.3x	18.9x	4.1x	-8.1x	-3.8x	-3.0x	-8.2x	-2.4x	-2.1x	-1.5x	-1.2x	-1.6x	-0.4x

Source: Z&A estimates, company reports

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Exhibit 2: Sales projections

$Mn	3Q23	4Q23	CY23	1Q24	2Q24e	3Q24e	4Q24e	CY24e	1Q25e	2Q25e	3Q25e	4Q25e	CY25e	CY26e
California market	1,274	1,251	5,142	1,225	1,294	1,264	1,245	5,028	1,254	1,324	1,294	1,274	5,146	5,265
qoq ch %	-5%	-2%	na	-2%	6%	-2%	-2%	na	1%	6%	-2%	-2%	na	na
yoy ch %	-2%	-8%	-5%	-4%	-3%	-1%	-1%	-2%	2%	2%	2%	2%	2%	2%
Gold Flora total sales	32.0	28.4		32.2	34.2	37.4	38.6	142.3	41.3	43.4	45.5	48.1	178.3	220.6
retail	28.2	25.4		26.9	27.6	30.6	31.5	116.6	33.3	35.0	36.8	38.5	143.5	179.6
wholesale	3.7	3.0		5.2	6.6	6.8	7.1	25.6	8.1	8.4	8.8	9.6	34.8	41.0
Gold Flora retail sales	28.2	25.4		26.9	27.6	30.6	31.5	116.6	33.3	35.0	36.8	38.5	143.5	179.6
own brands	5.9	5.6		6.7	6.9	8.6	9.5	31.7	10.0	10.5	11.0	11.6	43.1	53.9
3rd party brands	22.3	19.8		20.2	20.7	22.0	22.1	85.0	23.3	24.5	25.7	27.0	100.5	125.7
as % of market	*2.22%*	*2.03%*		*2.20%*	*2.13%*	*2.42%*	*2.53%*	*2.32%*	*2.65%*	*2.64%*	*2.84%*	*3.02%*	*2.79%*	*3.41%*
# of co stores	17	17	17	17	17	18	18	18	19	20	21	22	22	26
new store					0	1	0	1	1	1	1	1	4	4
avg rev/store pa	*6.6*	*6.0*		*6.3*	*6.5*	*6.8*	*7.0*	*6.5*	*7.0*	*7.0*	*7.0*	*7.0*	*6.5*	*6.9*
Gold Flora wholesale sales	3.7	3.0		5.2	6.6	6.8	7.1	25.6	8.1	8.4	8.8	9.6	34.8	41.0
own brands	1.9	1.5		3.7	5.0	5.2	5.5	19.4	6.5	6.8	7.2	8.0	28.5	34.7
3rd party brands	1.9	1.5		1.6	1.6	1.6	1.6	6.3	1.6	1.6	1.6	1.6	6.3	6.3
Implied co branded sales at retail	9.6	8.6		8.4	10.4	10.4	11.2	40.4	12.5	14.6	15.5	16.6	59.2	84.2
at 3rd party stores (2x)	3.7	3.0		1.7	3.4	1.8	1.8	8.7	2.6	4.1	4.5	5.0	16.1	30.4
own stores	5.9	5.6		6.7	6.9	8.6	9.5	31.7	10.0	10.5	11.0	11.6	43.1	53.9
own brandmarket share	0.76%	0.69%		0.69%	0.80%	0.82%	0.90%	0.80%	1.00%	1.10%	1.20%	1.30%	1.15%	1.60%

Source: Z&A estimates, company reports

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Exhibit 3: Cash Flow

US$ Mn	3Q23	4Q23	CY23	1Q24	2Q24e	3Q24e	4Q24e	CY24e	1Q25e	2Q25e	3Q25e	4Q25e	CY25e	CY26e
Net earnings	-488	-42,172	-42,660	-13,704	-8,614	-7,186	-6,178	-35,682	-7,092	-6,672	-5,377	-4,737	-23,877	-12,180
(+) D&A	10,197	2,967	13,164	4,050	3,021	3,030	3,037	13,139	4,580	4,613	4,648	4,685	18,527	19,150
Cash earnings	9,709	-39,205	-29,496	-9,654	-5,593	-4,156	-3,140	-22,543	-2,512	-2,058	-728	-52	-5,350	6,970
(-) Working capital changes	-46	815	769	5,151	2,807	4,362	1,649	13,969	3,778	2,817	2,954	3,504	13,053	15,457
(-) Other operating flows	-34,483	32,028	-2,455	144	0	0	0	144	0	0	0	0	0	0
Operating cash flow	-24,820	-6,362	-31,182	-4,359	-2,786	207	-1,492	-8,430	1,266	758	2,226	3,452	7,703	22,428
(-) net capex	-764	-989	-1,753	-651	-250	-200	-200	-1,301	-950	-998	-1,047	-1,106	-4,101	-5,073
Free cash flow	-25,584	-7,351	-32,935	-5,010	-3,036	7	-1,692	-9,731	316	-239	1,179	2,346	3,602	17,355
(-) acquisitions	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(-) divestitures	0	314	0	0	0	0	0	0	0	0	0	0	0	0
(+) other	0	-2,640	0	-459	0	0	0	-459	0	0	0	0	0	0
(+) share issuance	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(-) stock options/warrants	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Change in net	0	-9,678	0	-5,469	-3,036	7	-1,692	-10,190	316	-239	1,179	2,346	3,602	17,355
Ending net (debt)	**-16,471**	**-26,149**	**-26,149**	**-31,618**	**-34,654**	**-34,647**	**-36,339**	**-36,339**	**-36,023**	**-36,262**	**-35,083**	**-32,737**	**-32,737**	**-15,382**
Cash/inv/sec	32,297	22,538	22,538	14,221	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	29,672
Gross debts/loans/bonds	48,768	48,687	48,687	45,839	49,654	49,647	51,339	51,339	51,023	51,262	50,083	47,737	47,737	45,054

Source: Z&A estimates, company reports

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Exhibit 4: Balance Sheet

US$ Mn	3Q23	4Q23	CY23	1Q24	2Q24e	3Q24e	4Q24e	CY24e	CY25e	CY26e
Cash and cash equivalents	32,297	22,538	22,538	14,221	15,000	15,000	15,000	15,000	15,000	29,672
Accounts receivable	2,812	1,773	1,773	2,845	3,026	3,307	3,413	3,413	4,253	5,249
Inventory	15,236	18,372	18,372	20,050	21,324	23,304	24,052	24,052	29,976	36,991
Notes and other receivables, net	124	459	459	488	519	567	585	585	730	900
Prepaid expenses and other current assets	3,954	6,165	6,165	10,290	10,944	11,960	12,344	12,344	15,384	18,985
Accounts receivable from related parties	0	0	0	0	0	0	0	0	0	0
Deferred rents receivable	0	0	0	0	0	0	0	0	0	0
Assets held for sale	997	362	362	322	342	374	386	386	481	594
Indemnification assets	3,194	3,194	3,194	3,194	3,397	3,712	3,832	3,832	4,775	5,893
Current assets	**58,614**	**52,863**	**52,863**	**51,410**	**54,552**	**58,224**	**59,612**	**59,612**	**70,600**	**98,284**
PPE, net	39,270	39,166	39,166	37,882	36,225	34,508	32,785	32,785	28,959	25,482
Right of use assets under finance leases	61,387	60,400	60,400	59,399	59,399	59,399	59,399	59,399	59,399	59,399
Intangible assets, net	75,625	46,101	46,101	44,987	43,873	42,759	41,645	41,645	31,045	20,445
Goodwill	11,068	0	0	0	0	0	0	0	0	0
Right of use assets under operating leases	23,703	23,655	23,655	22,488	22,488	22,488	22,488	22,488	22,488	22,488
Security deposits	0	0	0	0	0	0	0	0	0	0
Deposits and other long term assets	5,910	3,973	3,973	4,236	4,236	4,236	4,236	4,236	4,236	4,236
Prepaid expenses and other assets	0	0	0	0	0	0	0	0	0	0
Notes and other receivables, net	245	208	208	208	208	208	208	208	208	208
Investments	1,313	0	0	0	0	0	0	0	0	0
TOTAL ASSETS	**277,134**	**226,366**	**226,366**	**220,610**	**220,980**	**221,823**	**220,373**	**220,373**	**216,935**	**230,542**
Accounts payable and accrued liabilities	25,661	27,342	27,342	34,368	36,552	39,945	41,228	41,228	51,382	63,407
Accrued interest	1,792	1,365	1,365	1,505	1,601	1,749	1,805	1,805	2,250	2,777
Taxes payable	24,925	27,886	27,886	33,255	35,368	38,652	39,893	39,893	49,718	61,354
Due to related party	2,005	2,005	2,005	2,005	2,132	2,330	2,405	2,405	2,998	3,699
Consideration payable, current portion	4,633	4,342	4,342	4,068	4,326	4,728	4,880	4,880	6,082	7,505
Notes payable	15,532	18,952	18,952	15,785	19,600	19,593	21,285	21,285	17,683	15,000
Convertible notes payable	0	0	0	0	0	0	0	0	0	0
Operating lease liabilities, current portion	2,277	2,562	2,562	2,776	2,952	3,226	3,330	3,330	4,150	5,122
Finance lease liabilities, current portion	2,848	2,990	2,990	3,149	3,349	3,660	3,778	3,778	4,708	5,810
Liabilities held for sale	389	282	282	241	256	280	289	289	360	445
Contingent consideration	0	0	0	0	0	0	0	0	0	0
Current portion of earnout liability	0	0	0	0	0	0	0	0	0	0
Total current liabilities	**80,062**	**87,726**	**87,726**	**97,152**	**106,137**	**114,165**	**118,893**	**118,893**	**139,332**	**165,118**
Notes payable	13,509	9,189	9,189	9,340	9,340	9,340	9,340	9,340	9,340	9,340
Convertible notes payable	19,727	20,546	20,546	20,714	20,714	20,714	20,714	20,714	20,714	20,714
Earnout liability	0	0	0	0	0	0	0	0	0	0
Operating lease liabilities, less current portion	26,182	25,817	25,817	24,294	24,294	24,294	24,294	24,294	24,294	24,294
Finance lease liabilities, less current portion	86,053	85,122	85,122	85,141	85,141	85,141	85,141	85,141	85,141	85,141
Consideration payable	0	0	0	0	0	0	0	0	0	0
Preferred distributions payable	0	0	0	0	0	0	0	0	0	0
Deferred tax liabilities	17,492	5,150	5,150	4,670	4,670	4,670	4,670	4,670	4,670	4,670
Security deposits and other long term liabilities	20	64	64	64	64	64	64	64	64	64
Total liabilities	**243,045**	**233,614**	**233,614**	**241,375**	**250,360**	**258,388**	**263,116**	**263,116**	**283,555**	**309,341**
Common shares	0	2,874	2,874	2,875	2,875	2,875	2,875	2,875	2,875	2,875
Additional paid in capital	102,617	100,577	100,577	100,769	100,769	100,769	100,769	100,769	100,769	100,769
Accumulated deficit	-68,657	-110,833	-110,833	-124,474	-133,088	-140,274	-146,452	-146,452	-170,329	-182,509
Total stockholders equity	**33,960**	**-7,382**	**-7,382**	**-20,830**	**-29,444**	**-36,630**	**-42,808**	**-42,808**	**-66,685**	**-78,865**
Non controlling interest	129	134	134	65	65	65	65	65	65	65
TOTAL LIABILITIES AND EQUITY	**277,134**	**226,366**	**226,366**	**220,610**	**220,980**	**221,823**	**220,373**	**220,373**	**216,935**	**230,542**

Source: Z&A estimates, company reports

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Appendix II: Valuation Comps

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Exhibit 5: Valuation Comps – Part I

US$Mn 23-May-24	FactSet Spot EV	Z&A Spot EV	US$ price	mn shares	mn deriv	Total Mkt Cap	Financial net debt	Net leases	Income tax liab.	Conting Cons.	ITM deriv inflow	Total BDND	Pref Stock Min Int
US MSOs													
Acreage Holdings	255	325	0.44	139.9	29.7	75	-214	-2	-34			-250	
Ascend Wellness	722	711	1.07	211.5	13.3	241	-238	-134	-99			-470	
Ayr Wellness	730	666	2.27	114.0	31.1	330	-382	5	-13	0	55	-336	
Cannabist Co	616	448	0.25	429.3		108	-272	-23	-45	0		-340	
Cansortium	140	132	0.17	298.3	6.3	50	-49	-7	-26			-81	
Cresco Labs	1,184	1,432	1.90	436.9	8.2	846	-415	-54	-111	-6		-586	
Curaleaf	4,026	4,755	4.72	738.1	7.9	3,521	-672	-18	-345	-81		-1,115	119
4Front Ventures	282	200	0.09	648.6		58	-95	-6	-41	0		-142	
Glass House	573	823	8.56	75.7	3.2	675	-26	0	-21	-29		-76	72
Gold Flora	130	140	0.20	287.6	0.2	58	-32	-33	-13	-4		-82	
Goodness Growth	134	86	0.63	45.3		28	-50	-8				-58	
Green Thumb	2,793	2,968	11.36	236.1	7.1	2,763	-147	-23	-11	-33	9	-206	
Grown Rogue	75	137	0.80	170.8		137	4	-3	0	0		0	
iAnthus	125	280	0.02	6,510.5		125	-146	-9				-155	
Jushi	389	415	0.60	196.6	1.1	120	-179	1	-117			-295	
MariMed	167	175	0.22	379.6	5.7	85	-53	-1	-16			-70	19
Planet 13	135	186	0.56	321.8	0.3	180	10	-6	-5	-5		-6	
Schwazze	209	244	0.50	171.3		86	-138	-3	-18	0		-159	
StateHouse	144	192	0.02	255.6	141.0	6	-114	-13	-39	-24	7	-184	2
TerrAscend	664	812	1.51	351.2	15.3	553	-186	-7	-59	-6		-258	
TILT	117	115	0.03	384.8	10.9	12	-56	-43	-3			-102	
Trulieve	1,900	2,624	10.49	186.0	3.3	1,986	-537	-16	-81	-4		-639	
Verano	1,813	2,011	4.20	343.5	9.8	1,484	-271	-4	-248	-4		-527	
Vext	55	75	0.18	217.5	0.4	40	-35	0				-35	

Source: FactSet, company reports, and Z&A estimates

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Exhibit 6: Valuation Comps – Part II

US$Mn	Z&A Spot EV / Sales			Z&A Spot EV / EBITDA			Financial Net Debt				Broadly Defined Net Debt			
							Sales		EBITDA		Sales		EBITDA	
23-May-24	2023	2024	2025	2023	2024	2025	CY24	Current	CY24	Current	CY24	Current	CY24	Current
US MSOs	**2.0x**	**1.8x**	**1.6x**	**12.1x**	**12.8x**	**7.6x**								
Acreage Holdings	0.4x	1.3x	na	3.1x	6.4x	na	-0.8x	-0.9x	-4.2x	-8.1x	-1.0x	-1.1x	-4.9x	-9.5x
Ascend Wellness	1.4x	1.2x	1.1x	6.7x	5.6x	4.9x	-0.4x	-0.4x	-1.9x	-2.0x	-0.8x	-0.8x	-3.7x	-4.0x
Ayr Wellness	1.4x	1.4x	1.2x	5.8x	5.4x	4.7x	-0.8x	-0.8x	-3.1x	-3.4x	-0.7x	-0.7x	-2.7x	-3.0x
Cannabist Co	0.9x	0.9x	0.8x	6.4x	6.2x	4.4x	-0.5x	-0.5x	-3.7x	-3.3x	-0.7x	-0.7x	-4.7x	-4.2x
Cansortium	1.3x	na	na	3.8x	na	na	na	na	na	na	na	na	na	na
Cresco Labs	1.9x	1.9x	1.8x	8.2x	7.0x	6.6x	-0.6x	-0.5x	-2.0x	-2.1x	-0.8x	-0.8x	-2.9x	-3.0x
Curaleaf	3.5x	3.4x	3.1x	15.6x	14.0x	12.1x	-0.5x	-0.5x	-2.0x	-3.2x	-0.8x	-0.8x	-3.3x	-5.3x
4Front Ventures	2.1x	2.3x	na	19.9x	12.2x	na	-1.1x	-1.0x	-5.8x	-6.9x	-1.6x	-1.5x	-8.7x	-10.3x
Glass House	5.1x	3.8x	na	33.6x	16.0x	na	-0.1x	na	-0.5x	na	-0.3x	-0.4x	-1.5x	-1.8x
Gold Flora	1.1x	1.0x	0.9x	na	12.6x	4.8x	na	-0.2x	na	na	na	-0.6x	na	na
Goodness Growth	1.0x	0.9x	na	5.1x	4.0x	na	-0.5x	-0.5x	-2.3x	-1.8x	-0.6x	-0.6x	-2.7x	-2.1x
Green Thumb	2.8x	2.6x	2.5x	9.1x	8.5x	8.0x	-0.1x	-0.1x	-0.4x	-0.4x	-0.2x	-0.2x	-0.6x	-0.6x
Grown Rogue	5.4x	na	na	23.2x	na	na	na	na	na	na	na	na	na	na
iAnthus	1.6x	na	na	na	na	na	na	-0.8x	na	-7.5x	na	-0.9x	na	-8.0x
Jushi	1.5x	1.5x	1.4x	10.2x	7.6x	6.5x	-0.6x	-0.7x	-3.3x	-8.4x	-1.1x	-1.1x	-5.4x	-13.9x
MariMed	1.2x	1.1x	0.9x	7.1x	7.0x	4.3x	-0.3x	-0.3x	-2.1x	-2.2x	-0.4x	-0.5x	-2.8x	-2.9x
Planet 13	1.9x	1.5x	1.1x	-3.8x	17.6x	6.8x	0.1x	0.1x	0.9x	10.4x	0.0x	-0.1x	-0.6x	-6.6x
Schwazze	1.4x	1.4x	na	4.6x	6.0x	na	-0.8x	-0.7x	-3.4x	-2.4x	-0.9x	-0.8x	-3.9x	-2.8x
StateHouse	1.9x	na	na	na	na	na	na	-1.1x	na	-57.5x	na	-1.8x	na	-92.6x
TerrAscend	2.6x	2.4x	2.2x	11.8x	11.4x	9.9x	-0.6x	-0.5x	-2.6x	-1.9x	-0.8x	-0.7x	-3.6x	-2.7x
TILT	0.7x	0.8x	0.6x	55.8x	85.7x	20.0x	-0.4x	-0.3x	-41.9x	-6.7x	-0.7x	-0.6x	-76.4x	-12.1x
Trulieve	2.3x	2.2x	2.1x	8.1x	7.1x	6.9x	-0.5x	-0.5x	-1.5x	-1.7x	-0.5x	-0.6x	-1.7x	-2.1x
Verano	2.1x	2.2x	2.0x	6.6x	7.0x	6.3x	-0.3x	-0.3x	-0.9x	-0.8x	-0.6x	-0.5x	-1.8x	-1.5x
Vext	2.1x	1.7x	na	13.5x	9.5x	na	-0.8x	-1.1x	-4.4x	-8.1x	-0.8x	-1.1x	-4.4x	-8.1x

1) By "current", we mean the latest reported qtr annualized; 2) Multiples calculated using FactSet consensus (when available) for 2023, 2024, and 2025

3) As there are no consensus estimates for Cansortium, Grown Rogue, iAnthus, and StateHouse, we take "current" sales for each of them

Source: FactSet, company reports, and Z&A estimates

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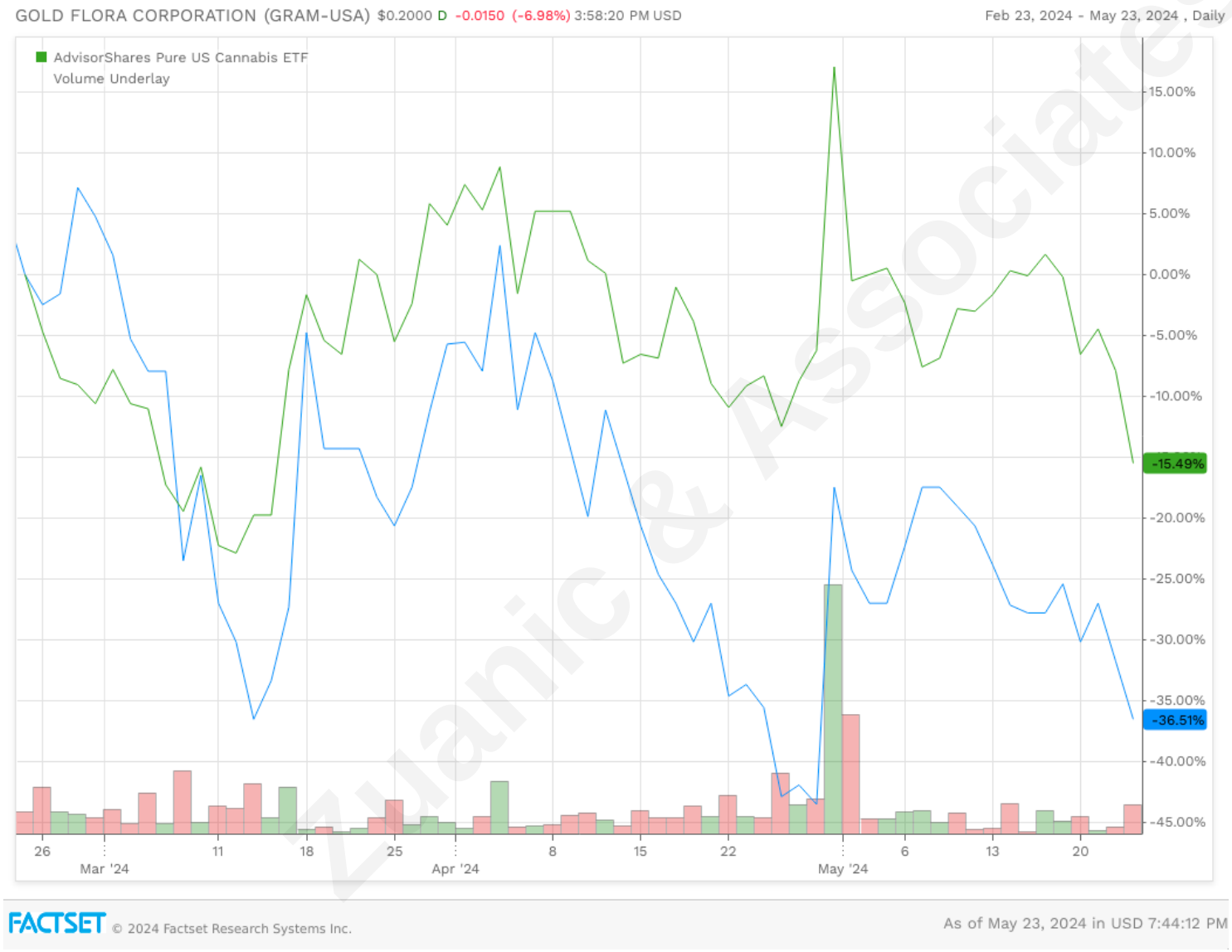
Exhibit 7: Stock Performance vs. MSOS ETF – Last 3 Months



Source: FactSet

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Exhibit 8: Stock Performance

23-May-24	Stock Performance		
	Last	Last	Last
Ticker	30d	90d	12mo
US MSOs			
AAWH	-15%	-33%	24%
ACRDF	10%	110%	5%
AYRWF	-4%	9%	83%
CBSTF	-7%	-37%	-49%
CNTMF	-12%	-13%	114%
CRLBF	-4%	3%	14%
CURLF	-2%	-9%	64%
CXXIF	13%	-15%	35%
FFNTF	-8%	-4%	-46%
GLASF	0%	26%	142%
GRAMF	-3%	-39%	24%
GDNSF	51%	44%	240%
GRUSF	20%	48%	540%
GTBIF	-5%	-18%	53%
ITHUF	0%	-4%	2%
JUSHF	-7%	-18%	23%
LOWLF	-13%	-54%	-79%
MRMD	-13%	-21%	-48%
PLNH	-10%	-23%	0%
SHWZ	-27%	-64%	-51%
STHZF	-63%	-69%	-62%
TCNNF	-1%	13%	135%
TLTFF	9%	-23%	-29%
TSNDF	-7%	-12%	-8%
VEXTF	3%	-23%	-5%
VRNOF	-13%	-29%	45%

	Stock Performance		
	Last	Last	Last
Ticker	30d	90d	12mo
Canadian LPs			
ACB	3%	99%	5%
AVTBF	-14%	-31%	-51%
BZAMF	6%	-73%	-88%
CBWTF	2%	203%	193%
CGC	16%	170%	-15%
CRON	12%	19%	40%
DBCCF	-28%	-16%	-25%
ETRGF	2%	10%	-44%
HITI	7%	35%	68%
LOVFF	-4%	-13%	-9%
NVACF	-12%	-9%	74%
OGI	-5%	-9%	-10%
ROMJF	13%	-1%	-22%
SNDL	16%	59%	22%
TLRY	6%	2%	-25%
VFF	-5%	46%	57%
Cannabis - International			
CLVR	-24%	18%	-24%
IMCC	-2%	-20%	-62%
INCR	24%	42%	24%
LGPPF	na	na	na
PCLOF	-2%	43%	45%
Tech			
LFLY	-24%	-52%	-76%
SBIG	28%	23%	-63%
MAPS	-19%	-4%	-12%

	Stock Performance		
	Last	Last	Last
Ticker	30d	90d	12mo
MJ Fincos			
AFCG	3%	8%	4%
CNPOF	45%	10%	8%
IIPR	12%	19%	54%
NLCP	10%	24%	60%
PW	35%	13%	-69%
SHFS	3%	-25%	94%
SSIC	2%	18%	31%
REFI	-1%	-3%	6%
Pix & Shovel			
AGFY	14%	-49%	-93%
GRWG	9%	22%	-37%
HYFM	-12%	-12%	-29%
SMG	-4%	11%	-5%
UGRO	-1%	-36%	4%
Vape parts			
GNLN	-9%	28%	-83%
ISPR	41%	-26%	2%
SMORF	23%	54%	-4%
TLLTF	9%	-23%	-29%
Index			
S&P 500	*5%*	*4%*	*27%*
S&P 477	*2%*	*4%*	*6%*
Nasdaq	*1%*	*9%*	*13%*
MSOS ETF	*-5%*	*-11%*	*45%*
YOLO ETF	*1%*	*2%*	*33%*

Source: FactSet

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Appendix III: Bio and Disclaimers

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Analyst Bio

Pablo Zuanic is a well-known and highly rated equity analyst following the cannabis and psychedelics sector. Over the past five years he launched coverage of over 40 companies in the US, Canada, and overseas (MSOs, LPs, CBD, ancillary, psychedelics), kept close track of sectoral trends, and followed the reform process in the US and elsewhere. His firm Zuanic & Associates publishes equity research on the cannabis and psychedelics sectors, both from a macro/sectoral level in a thematic manner, as well as specific reports on listed stocks. The research service is aimed at institutional investors and corporations. The firm is also available for short-term consulting and research advisory projects. At various points in his career, Pablo was II ranked and 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. *Pablo Zuanic can be contacted via the company's portal www.zuanicassociates.com; via email pablo.zuanic@zuanicgroup.com; or via X @420Odysseus.*

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Disclosures and Disclaimers

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