



8/21/2024

TILT Holdings (TLLTF)

Rating Change: Moving to Neutral from Overweight

Sales	FY22a	FY23e	FY24e	Prev	FY25e	Prev	FY26e	Prev
1Q	42.4	42.3	37.5 A	38.2	28.3	41.7	32.7	49.8
2Q	47.1	41.6	26.6 A	34.2	29.6	44.4	34.6	52.9
3Q	40.5	44.6	27.2 E	38.1	31.6	47.6	36.6	55.8
4Q	<u>44.3</u>	<u>37.5</u>	<u>27.6</u> E	<u>39.4</u>	<u>31.7</u>	<u>48.4</u>	<u>36.5</u>	<u>56.4</u>
FY	174.2	166.0	118.8	149.9	121.2	182.1	140.4	214.9
EBITDA	FY22a	FY23e	FY24e	Prev	FY25e	Prev	FY25e	Prev
1Q	1.5	-0.1	0.0 A	0.0	0.9	1.2	4.8	2.5
2Q	1.1	1.7	-1.2 A	0.0	1.9	1.8	5.4	2.9
3Q	0.6	2.1	-1.5 E	0.6	2.8	2.2	6.1	3.7
4Q	<u>-0.4</u>	<u>-1.6</u>	<u>-1.0</u> E	<u>1.0</u>	<u>3.3</u>	<u>2.8</u>	<u>6.6</u>	<u>4.4</u>
FY	2.8	2.1	-3.7	1.6	8.8	8.1	22.8	13.5

Share price (\$)	0.02	Perf.	<u>TLLTF</u>	<u>MSOS</u>	<u>S&P500</u>	Stance:	Overweight
Share count (mn)	395.6	30d	-8%	-3%	-3%		no Price Target
Market Cap (\$Mn)	7	90d	-41%	-23%	3%		FY=Dec
Liquidity (ADTV \$Mn)	0.003	1yr	-35%	50%	22%	Ticker:	TLLTF



\$Mn	FY24	FY25	FY26
Projected EV	116.0	122.8	116.1
EV/Sales	1.0x	1.0x	0.8x
EV/EBITDA	-31.6x	13.9x	5.1x

	FY24	FY25	FY26
Net debt/Sales	-0.5x	-0.6x	-0.4x
Net debt/EBITDA	-0.8x	0.3x	0.1x
Free Cash Flow	-4.8	-6.1	7.5
Net debt	-62.0	-68.2	-60.7

Consensus	FY24	FY25	FY26
Sales	135.7	164.0	na
EBITDA	-0.2	5.8	na

Guidance CY24: n/a

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Downgrading to Neutral

Summary: Lack of progress (EBITDA wise) in the company's two divisions (vape hardware; plant-touching), higher debt levels at this stage than we had expected, and uncertainty about Jupiter's (vape hardware) evolving business model, make us more cautious in the medium term. So, we are downgrading to Neutral from Overweight. The valuation thesis (attractive) remains valid, with TILT at 0.8x CY24 EV/sales compared with 1.9x for the MSO group, but lack of near-term catalysts, combined with below average margins, debt load, and lingering challenges in the vape hardware unit, now justify the valuation discount, in our view. Upside could come from Smoore Holdings outright buying the Jupiter business, but lack of visibility on this happening and on hypothetical deal terms, are not enough to justify a more active investment stance at present, in our judgement.

Brief 2Q24 recap. Jupiter sales fell 42% seq due to a partial shift to a distribution-based model, with Jupiter "proforma" sales stable as per our estimates. Sales in the plant touching business were up 5% seq. However, total reported gross profits fell 39% to \$4.3Mn, and adj EBITDA went from break-even to -\$1.2Mn (-4.5% of revenues). Net debt increased to \$59Mn vs. \$49Mn at the end of CY23. Management is focused on cutting costs and improving cash flow and shifting the vape hardware unit (Jupiter) to a more asset-light model. Although cash opex has been declining and has stabilized at ~\$8Mn per quarter, that is still 2x gross profits. Bigger picture, we do not believe the current state of affairs is sustainable and welcome the move to a more asset-light model, even though the ultimate EBITDA impact is unclear to us.

Jupiter's challenges. We would not fault TILT for Jupiter's challenges and would put the blame on Smoore Holdings (via its CCELL division) for being slow to adapt to the evolving vape market in US cannabis, where other companies have been gaining share, by astutely exploiting new market opportunities and offering better prices (see report xcxxx for a longer explanation). Two of CCELL's four US distributors are public (TILT and Greenlane), and their reported financials reflect market share erosion and lower profit margins. More recently, Smoore's strict payables policies, have further hampered TILT (to the point it is now in the process of negotiating forbearance agreements with its creditors). While Jupiter says recent innovation (both from Smoore's CCELL unit as well as proprietary from Jupiter) and a sales division reorganization ("to adapt to new market realities") have helped with customer retention, the current situation is not entirely sustainable, in our view. Indeed, starting in 2Q24, Jupiter's five larger customers (which accounted for >40% of sales last year), have shifted to a direct purchasing model, with Smoore handling the working capital part, and Jupiter managing the relationships and gaining a commission (i.e., a fee-based distribution model). In part, this explains the 42% qoq drop in Jupiter's reported sales in 2Q24. Management says the new arrangement may be temporary (a "reprieve", to be reassessed in one year) and that it should be EBITDA neutral (although gross profits were down close to 40% for Jupiter, as per our estimates, in 2Q24). The nature of the new arrangement may also help with a more "just-in-time" (JIT) ordering model. Let's see how the new model evolves... In our view, Smoore should buy the US distributors (we do not think the value of Jupiter is reflected in the TILT valuation), and retain the key people/divisions that manage the key customer relationships and set up a US structure that can deal with small and large accounts (buying on a customized and or off the shelf basis). The



current model of four distributors (not so well-funded) competing against each other (and against non-CCELL vendors) never made sense to us.

Plant-touching cannabis (PTB) unit. The business is comprised by three stores in MA (2 with rec services) plus wholesale in MA, PA, and OH (cultivation in PA/MA; only processing in OH). Retail accounts for >20% of total PTB revenues; about 80% of MA production goes to 3rd party stores (Old Pal is a leading brand). Prices pressures in MA/PA and more stores in MA (leading to revenue/store dilution) explain the 16% yoy drop in total PTB sales. That said, management says underlying gross margins have been improving on brand portfolio adjustments (pruning), new brands (Level; Eddie Parker in PA), and cost cuts. In fact, with sales up 5% qoq, it would seem sales trends are stabilizing. TILT has rec optionality in PA (it also has an arrangement to add med stores in the meantime with a larger operator) and depending on new rules it may also be able to add stores in OH's new rec market (due to funding, we assume it would pursue a similar deal as in PA). In OH, TILT has 50% store penetration, selling under its Standard Farms brand and under Timeless (license). Compared with other PTB operators, the company's gross margins in PTB are low (~10%), and make us wonder if TILT would be better off divesting PTB entirely to a larger operator (not facing caps). It may come down how the various parties, including TILT, value the rec optionality upside.

TILT's financial picture.

- 2Q24 net debt of \$59Mn is equivalent to 0.6x sales (high for the group), and it is up from \$48Mn at YE23. EBITDA was negative in 2Q24, but averaged \$2-3Mn in CY22 and CY23, so on an average of \$2.5Mn, leverage would be about 24x. While leverage risk with TILT is not new, it has increased, and we have less visibility now when and how it can improve.
- The almost \$10Mn YTD increase in gross debt to \$62Mn is partly explained by a \$4Mn reduction in accounts payable (Smoore related, we believe) as well as cash burn, although we note inventories declined by \$10Mn between March and June (this is seasonal but also a result of the new partial "distribution model" with Smoore).
- If we factor net leases (gross leases minus right of use assets) and ST income tax debt, total "broadly defined net debt" was \$106Mn at the end of June 2024 (or 1x sales).
- Account payable of \$45Mn in June are equivalent to 42% of annualized sales vs. 33% at YE22.

Stock performance and valuation. We share management's vision about the synergies between a branded plant touching business and a thriving vape hardware business, especially in the context of a growing US cannabis market and the vape segment gaining share. A company with this set up and trading below 1x sales (0.8x in the case of TILT) should make for an attractive investment opportunity. However, high debt risk and uncertainty about the future business model of the vape hardware business, warrants a more cautious approach, so we have decided to switch to a Neutral stance from Overweight.

- Performance and liquidity: TILT shares are rather illiquid, even for the context of US OTC cannabis stocks, with less than \$10K traded per day compared with \$8Mn for the likes of

Green Thumb (NASDAQ listed CGC trades \$165Mn per day and TLRY \$70Mn). So, it is difficult to read too much into the stock performance, down 41% the last 90 days vs. -23% for the MSOS ETF and -3% for the S&P 500.

- EV math and comps: We take the latest share count of 390.5mn plus 4.4mn in RSUs/PSUs; at 2c per share that implies a market cap of \$7.3Mn. If we add broadly defined net debt of \$106Mn (net debt \$59Mn; gross leases \$44Mn; income tax debt \$3Mn), total EV is \$113.3Mn. Taking spot EV, TILT trades at 0.8x CY24 sales compared with the MSO average of 1.9x. While the valuation is attractive, it reflects the B/S risk and, what we see as the relative uncertainty of the Jupiter business model (given the changing terms/relationship with Smoore).

Table 1: Companies 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
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
Goodness Growth		GDNSF	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	will cover
Verano Holdings		VRNOF	Overweight
Vext Science, Inc.		VEXTF	will cover
Tech			
Leafly		LFLY	Not rated
Springbig		SBIG	Not rated
WM Technology		MAPS	Neutral

Company name	Ticker	Rating
Canada LPs		
Aurora Cannabis	ACB	Neutral
Auxly Cannabis Group	CBWTF	not rated
Avant Brands	AVTBF	not rated
Avicanna	AVCN	will cover
BZAM	BZAMF	not rated
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
Finance Companies		
AFC Gamma	AFCG	will cover
Chicago Atlantic REFC	REFI	Overweight
Innovative Industrial Properties	IIPR	will cover
New Lake Capital Partners	NLCP	Overweight
RIV Capital	CNPOF	not rated
SHF Holdings	SHFS	not rated
Silver Spike Inv Corp	SSIC	will cover
Other		
Intercure	INCR	Overweight
Irwin Naturals	IWINF	Not rated
Ispire Technology	ISPR	will cover
Smoore International	SMORF	will cover

Source: Z&A



Appendix I: Company Financials

21 August 2024

TILT Holdings: Downgrading to Neutral

Exhibit 1: Financial highlights

US\$ Mn	Dec CY22	Dec CY23	Mar 1Q24	Jun 2Q24	Sep 3Q24e	Dec 4Q24e	Dec CY24e	Mar 1Q25e	Jun 2Q25e	Sep 3Q25e	Dec 4Q25e	Dec CY25e	Dec CY26e
P&L metrics													
Sales	174.2	166.0	37.5	26.6	27.2	27.6	118.8	28.3	29.6	31.6	31.7	121.2	140.4
qoq ch %	na	na	0%	-29%	2%	2%	na	3%	5%	7%	0%	na	na
yoy ch %	-14%	-5%	-11%	-36%	-39%	-27%	-28%	-24%	11%	16%	15%	2%	16%
Gross profit	38.2	24.4	6.7	4.3	5.3	5.8	22.1	6.7	7.4	8.5	8.8	31.3	44.1
Total SGA	-129.0	-67.5	-12.1	-27.8	-11.7	-11.7	-63.2	-10.7	-10.4	-10.5	-10.4	-42.0	-40.8
Operating income	-90.9	-43.2	-5.4	-23.5	-6.4	-5.9	-41.2	-4.0	-3.0	-2.1	-1.6	-10.7	3.3
Net interest expense	-14.0	-21.0	-6.0	-6.8	-6.0	-5.6	-24.4	-5.5	-5.5	-5.2	-5.3	-21.5	-20.4
Profit before tax	-104.5	-67.2	-11.2	-29.8	-12.4	-11.5	-64.9	-9.5	-8.5	-7.3	-6.9	-32.2	-17.1
Adj EBITDA	2.8	2.1	0.0	-1.2	-1.5	-1.0	-3.7	0.9	1.9	2.8	3.3	8.8	22.8
Net profit	-107.5	-62.4	-9.7	-35.9	-10.6	-10.1	-66.3	-8.4	-7.5	-6.4	-6.1	-28.4	-15.1
EPS	-0.29	-0.16	-0.03	-0.09	-0.03	-0.03	-0.17	-0.02	-0.02	-0.02	-0.02	-0.07	-0.04
FD share count (mn)	375.5	379.6	385.7	390.5	390.5	390.5	389.3	384.8	384.8	384.8	384.8	384.8	384.8
Gross margins	21.9%	14.7%	17.9%	16.0%	19.5%	21.0%	18.6%	23.5%	25.0%	26.8%	27.7%	25.8%	31.4%
SGA/sales	-74.1%	-40.7%	-32.3%	-104.4%	-43.0%	-42.4%	-53.2%	-37.7%	-35.1%	-33.4%	-32.8%	-34.7%	-29.0%
Operating margin	-52.2%	-26.0%	-14.4%	-88.4%	-23.6%	-21.3%	-34.7%	-14.2%	-10.2%	-6.6%	-5.1%	-8.8%	2.4%
Net int exp/sales	-8.1%	-12.7%	-16.1%	-25.5%	-21.9%	-20.3%	-20.5%	-19.3%	-18.6%	-16.6%	-16.7%	-17.7%	-14.6%
EBITDA margin	1.6%	1.2%	0.1%	-4.5%	-5.6%	-3.6%	-3.1%	3.1%	6.3%	8.9%	10.3%	7.3%	16.2%
FactSet consensus													
Sales				26.6	32.8	35.0	135.7	na	na	na	na	164.0	na
EBITDA				-1.2	-0.1	0.4	-0.2	na	na	na	na	5.8	na
as % of sales				-4.5%	-0.2%	1.2%	-0.1%	na	na	na	na	3.5%	na
BS & CF highlights													
Operating cash flow	8.6	5.4	-2.4	0.7	-0.9	-1.4	-4.0	-2.9	-1.6	0.0	-1.1	-5.5	8.2
(-) Capex	-15.1	-0.7	-0.2	-0.3	-0.1	-0.1	-0.8	-0.1	-0.1	-0.2	-0.2	-0.6	-0.7
Free cash flow	-6.5	4.7	-2.7	0.5	-1.0	-1.6	-4.8	-3.0	-1.7	-0.2	-1.2	-6.1	7.5
Financial net (debt)	-56.2	-48.8	-56.2	-59.4	-60.5	-62.0	-62.0	-65.0	-66.8	-66.9	-68.2	-68.2	-60.7
cash	3.5	3.3	3.5	2.7	2.8	2.8	2.8	2.9	2.9	3.0	3.1	3.1	3.3
debt	59.7	52.2	59.7	62.1	63.3	64.9	64.9	67.9	69.7	70.0	71.2	71.2	64.0
Net debt to Sales	-0.3x	-0.3x	-0.4x	-0.6x	-0.6x	-0.6x	-0.5x	-0.6x	-0.6x	-0.5x	-0.5x	-0.6x	-0.4x
Net debt to EBITDA	-20.0x	1.6x	-369.4x	12.4x	10.0x	15.5x	-0.8x	-18.8x	-8.9x	-5.9x	-5.2x	0.3x	0.1x
Income tax paid	0.4	0.4	0.1	0.0	na	na	na	na	na	na	na	na	na

Source: Z&A estimates, company reports

21 August 2024

TILT Holdings: Downgrading to Neutral

Exhibit 2: Cash Flow

US\$ 000s	Dec	Dec	Mar	Jun	Sep	Dec	Dec	Mar	Jun	Sep	Dec	Dec	Dec
SUMMARY CASH FLOW	CY22	CY23	1Q24	2Q24	3Q24e	4Q24e	CY24e	1Q25e	2Q25e	3Q25e	4Q25e	CY25e	CY26e
Net earnings	-107,464	-63,817	-9,651	-35,947	-10,622	-10,110	-66,330	-8,356	-7,494	-6,434	-6,085	-28,369	-15,060
(+) D&A	23,931	21,552	4,980	4,979	4,879	4,882	19,719	4,885	4,887	4,890	4,894	19,556	19,450
Cash earnings	-83,533	-42,265	-4,671	-30,968	-5,743	-5,228	-46,610	-3,471	-2,607	-1,544	-1,192	-8,813	4,390
(-) Working capital changes	18,648	19,979	-36	4,111	4,843	3,808	12,725	600	1,033	1,535	113	3,282	3,782
(-) Other operating flows	73,497	27,653	2,268	27,599	0	0	29,867	0	0	0	0	0	0
Operating cash flow	8,612	5,367	-2,439	742	-900	-1,420	-4,018	-2,871	-1,574	-8	-1,079	-5,532	8,172
(-) net capex	-15,142	-713	-221	-258	-136	-138	-753	-142	-148	-158	-159	-606	-702
Free cash flow	-6,530	4,654	-2,660	484	-1,036	-1,558	-4,771	-3,012	-1,722	-166	-1,237	-6,138	7,470
(-) acquisitions	0	1,400	0	0	0	0	0	0	0	0	0	0	0
(-) divestitures	9	15,000	0	0	0	0	0	0	0	0	0	0	0
(+) other	29,954	-13,654	-4,666	-3,759	0	0	-8,425	0	0	0	0	0	0
(+) share issuance	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
Change in net	23,433	7,400	-7,326	-3,275	-1,036	-1,558	-13,196	-3,012	-1,722	-166	-1,237	-6,138	7,470
Ending net (debt)	-56,228	-48,828	-56,154	-59,429	-60,465	-62,024	-62,024	-65,036	-66,758	-66,924	-68,161	-68,161	-60,691
Cash/inv/sec	3,500	3,332	3,519	2,677	2,828	2,848	2,848	2,885	2,949	3,044	3,051	3,051	3,284
Gross debts/loans/bonds	59,728	52,160	59,673	62,106	63,293	64,872	64,872	67,921	69,707	69,968	71,212	71,212	63,975

Source: Z&A estimates, company reports

21 August 2024

TILT Holdings: Downgrading to Neutral

Exhibit 3: Divisional split

US\$ Mn	Dec CY22	Dec CY23	Mar 1Q24	Jun 2Q24	Sep 3Q24e	Dec 4Q24e	Dec CY24e	Mar 1Q25e	Jun 2Q25e	Sep 3Q25e	Dec 4Q25e	Dec CY25e	Dec CY26e
By products													
Sales	174.2	166.0	37.5	26.6	27.2	27.6	118.8	28.3	29.6	31.6	31.7	121.2	140.4
Cannabis	48.0	47.9	10.4	10.9	11.6	12.4	45.3	12.6	13.5	15.1	15.4	56.6	67.8
Accessories	126.2	118.1	27.1	15.8	15.6	15.1	73.6	15.7	16.1	16.5	16.3	64.6	72.5
Sales yoy ch %	-14%	-5%	-11%	-36%	-39%	-27%	-28%	-24%	11%	16%	15%	2%	16%
Cannabis	15%	0%	-20%	-16%	-1%	21%	-5%	22%	24%	30%	24%	25%	20%
Accessories	-22%	-6%	-7%	-45%	-53%	-44%	-38%	-42%	2%	6%	8%	-12%	12%
Gross profits	38.2	24.4	6.7	4.3	5.3	5.8	22.1	6.7	7.4	8.5	8.8	31.3	44.1
Cannabis	12.9	0.8	1.3	1.1	1.4	1.9	5.6	2.3	2.6	3.0	3.1	10.9	18.7
Accessories	25.2	23.6	5.4	3.2	3.9	3.9	16.4	4.4	4.8	5.4	5.7	20.4	25.4
As % of sales	22%	15%	18%	16%	19%	21%	19%	24%	25%	27%	28%	26%	31%
Cannabis	27%	2%	12%	10%	12%	15%	12%	18%	19%	20%	20%	19%	28%
Accessories	20%	20%	20%	20%	25%	26%	22%	28%	30%	33%	35%	32%	35%
By region													
Sales	174.2	166.0	37.5	26.6	27.2	27.6	118.8	28.3	29.6	31.6	31.7	121.2	140.4
US	161.0	na	na	na	na	na	na	na	na	na	na	na	na
Canada	12.8	na	na	na	na	na	na	na	na	na	na	na	na
Other	0.4	na	na	na	na	na	na	na	na	na	na	na	na
Sales yoy ch %	-14%	-5%	-11%	-36%	-39%	-27%	-28%	-24%	11%	16%	15%	2%	16%
US	-15%	na	na	na	na	na	na	na	na	na	na	na	na
Canada	-3%	na	na	na	na	na	na	na	na	na	na	na	na
Gross profits	38.2	24.4	6.7	4.3	5.3	5.8	22.1	6.7	7.4	8.5	8.8	31.3	44.1
US	34.3	na	na	na	na	na	na	na	na	na	na	na	na
Canada	3.7	na	na	na	na	na	na	na	na	na	na	na	na
Other	na	na	na	na	na	na	na	na	na	na	na	na	na
As % of sales	22%	15%	18%	16%	19%	21%	19%	24%	25%	27%	28%	26%	31%
US	21%	na	na	na	na	na	na	na	na	na	na	na	na
Canada	29%	na	na	na	na	na	na	na	na	na	na	na	na

Source: Z&A estimates, company reports

21 August 2024

TILT Holdings: Downgrading to Neutral

Exhibit 4: Cannabis sales projections

US\$ Mn	Dec CY22	Dec CY23	Mar 1Q24	Jun 2Q24	Sep 3Q24e	Dec 4Q24e	Dec CY24e	Mar 1Q25e	Jun 2Q25e	Sep 3Q25e	Dec 4Q25e	Dec CY25e	Dec CY26e
Cannabis Sales	47.9	47.5	10.4	10.9	11.6	12.4	45.3	12.6	13.5	15.1	15.4	56.6	67.8
wholesale	36.3	36.8	7.7	8.4	8.6	9.6	34.3	9.8	10.6	12.0	12.5	45.0	56.0
retail	11.6	10.7	2.7	2.5	2.9	2.9	11.0	2.8	2.9	3.0	2.9	11.6	11.9
By states (our estimates)	47.9	47.5	10.4	10.9	11.6	12.4	45.3	12.6	13.5	15.1	15.4	56.6	67.8
MA	27.4	30.3	6.9	7.5	7.8	7.6	29.8	7.4	7.6	8.0	7.8	30.7	31.3
OH	4.7	5.4	1.2	1.3	1.8	2.8	7.0	3.3	3.9	4.4	4.7	16.3	22.8
PA	15.8	11.8	2.3	2.1	2.1	2.0	8.5	2.0	1.9	2.7	3.0	9.6	13.8
Sales mix % (our est)													
MA	57%	64%	66%	69%	67%	61%	66%	58%	57%	53%	50%	54%	46%
OH	10%	11%	12%	12%	15%	23%	16%	26%	29%	29%	30%	29%	34%
PA	33%	25%	22%	20%	18%	16%	19%	16%	14%	18%	19%	17%	20%
Market size estimates (\$Mn) rec/med													
MA	1,755	1,806	441	457	483	471	1,852	457	475	494	483	1,909	1,943
OH	467	482	122	120	175	282	699	328	395	441	469	1,632	2,280
PA	1,457	1,530	411	426	411	405	1,653	399	387	539	591	1,916	2,753

Source: Z&A estimates, company reports

21 August 2024

TILT Holdings: Downgrading to Neutral

Exhibit 5: Forward EV calculations (and forward multiples as per our methodology), and forward share price scenarios

US\$ Mn	Dec CY23	Mar 1Q24	Jun 2Q24	Sep 3Q24e	Dec 4Q24e	Dec CY24e	Dec CY25e	Dec CY26e
EV calculation for val purposes	109.3	109.7	113.3	114.4	116.0	116.0	122.8	116.1
Market cap (\$Mn)	7.3	7.3	7.3	7.2	7.2	7.2	7.2	7.2
Share price (US\$)	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Share count used for val purposes	395.8	395.6	394.9	391.9	391.9	391.9	391.9	391.9
common shares	384.8	387.4	390.5	387.4	387.4	387.4	387.4	387.4
RSUs and derivatives in the money	10.9	8.1	4.4	4.4	4.4	4.4	4.4	4.4
Broadly defined net debt (\$Mn)	-102.0	-102.4	-106.0	-107.2	-108.8	-108.8	-115.6	-108.9
financial net cash (debt)	-56.2	-56.2	-59.4	-60.5	-62.0	-62.0	-68.2	-60.7
net leases	-43.3	-43.5	-43.7	-43.7	-43.7	-43.7	-43.9	-44.2
short-term income taxes	-2.6	-2.8	-2.9	-3.0	-3.0	-3.0	-3.5	-4.0
contingent warrant inflow								
Valuation Multiples	CY23					CY24	CY25	CY26
EV/Sales	0.7x					1.0	1.0	0.8
EV/EBITDA	53.0x					-31.6x	13.9x	5.1x
Scenarios								
						<i>by Dec '23</i>	<i>by Dec '24</i>	<i>by Dec '25</i>
EV/Sales of	2.5x					0.47	0.47	0.61
EV/Sales of	0.8x					-0.03	-0.04	0.01
EV/Sales of	1.0x					0.03	0.01	0.08
EV/Sales of	3.0x					0.63	0.63	0.80
EV/Sales of	4.4x					1.06	1.07	1.31
EV/Sales of	7.0x					1.84	1.87	2.23
EV/EBITDA of	5.0x					-0.32	-0.18	0.01
EV/EBITDA of	9.2x					-0.36	-0.09	0.26
EV/EBITDA of	10.0x					-0.37	-0.07	0.30
EV/EBITDA of	-31.6x					0.02	-1.01	-2.11
EV/EBITDA of	20.0x					-0.47	0.16	0.88

Source: Z&A estimates, company reports



Appendix II: MSO Valuation Comps

21 August 2024

TILT Holdings: Downgrading to Neutral

Exhibit 6: Valuation Comps – MSOs

US\$Mn 19-Aug-24	Z&A Spot EV / Sales			Z&A Spot EV / EBITDA			Financial Net Debt				Broadly Defined Net Debt			
							Sales		EBITDA		Sales		EBITDA	
	2023	2024	2025	2023	2024	2025	CY24	Current	CY24	Current	CY24	Current	CY24	Current
US MSOs	2.0x	1.9x	1.7x	12.2x	9.9x	8.4x								
Acreage Holdings	0.3x	1.1x	na	2.8x	5.8x	na	-0.8x	-0.9x	-4.2x	-8.1x	-1.0x	-1.1x	-4.9x	-9.5x
Ascend Wellness	1.4x	1.2x	1.2x	6.7x	6.2x	5.5x	-0.4x	-0.4x	-2.1x	-2.0x	-0.8x	-0.8x	-4.1x	-4.0x
Ayr Wellness	1.3x	1.2x	1.1x	5.3x	5.3x	4.4x	-0.8x	-0.8x	-3.4x	-3.4x	-0.7x	-0.7x	-3.0x	-3.0x
Cannabist Co	0.9x	0.9x	0.8x	6.6x	6.6x	4.8x	-0.5x	-0.5x	-3.9x	-3.3x	-0.7x	-0.7x	-4.9x	-4.2x
Consortium	1.2x	na	na	3.4x	na	na	na	na	na	na	na	na	na	na
Cresco Labs	1.8x	1.9x	1.8x	8.2x	6.7x	6.3x	-0.5x	-0.5x	-1.9x	-2.0x	-0.7x	-0.7x	-2.6x	-2.8x
Curaleaf	3.2x	3.1x	2.8x	14.0x	13.2x	10.9x	0.0x	0.0x	0.0x	0.0x	-1.3x	-1.3x	-5.6x	-8.6x
4Front Ventures	2.0x	2.2x	na	19.1x	11.7x	na	-0.9x	-0.9x	-4.8x	-5.7x	-1.5x	-1.5x	-8.2x	-9.7x
Glass House	5.7x	4.4x	na	37.6x	21.9x	na	-0.1x	na	-0.6x	na	-0.4x	-0.4x	-1.8x	-1.8x
Gold Flora	0.7x	0.6x	0.5x	na	14.6x	3.9x	na	-0.2x	na	na	na	-0.5x	na	na
Goodness Growth	1.0x	0.9x	na	4.9x	3.7x	na	-0.5x	-0.5x	-2.2x	-1.8x	-0.6x	-0.6x	-2.5x	-2.1x
Green Thumb	2.6x	2.5x	2.3x	8.5x	7.6x	7.3x	-0.1x	-0.1x	-0.3x	-0.3x	-0.1x	-0.1x	-0.4x	-0.4x
Grown Rogue	4.4x	na	na	18.9x	na	na	na	na	na	na	na	na	na	na
iAnthus	1.5x	na	na	na	na	na	na	-0.8x	na	-7.5x	na	-0.9x	na	-8.0x
Jushi	1.6x	1.6x	1.4x	10.4x	7.5x	6.5x	-0.7x	-0.7x	-3.1x	-8.4x	-1.1x	-1.1x	-5.2x	-13.9x
MariMed	1.4x	1.3x	1.0x	8.4x	9.2x	5.2x	-0.4x	-0.4x	-2.8x	-2.6x	-0.5x	-0.5x	-3.6x	-3.3x
Planet 13	2.1x	1.6x	1.1x	-8.5x	16.1x	6.9x	0.1x	0.2x	1.5x	20.0x	0.0x	0.0x	0.2x	2.6x
Schwazze	1.1x	1.1x	na	3.6x	4.9x	na	-0.8x	-0.7x	-3.5x	-2.4x	-0.9x	-0.8x	-4.0x	-2.8x
StateHouse	1.9x	na	na	na	na	na	na	-1.1x	na	-57.5x	na	-1.8x	na	-92.6x
TerrAscend	5.3x	5.3x	5.1x	24.4x	26.4x	22.9x	-0.8x	-0.7x	-4.1x	-2.7x	-1.6x	-1.4x	-8.0x	-5.3x
TILT	0.7x	0.8x	0.7x	55.0x	na	19.7x	-0.4x	-0.3x	381.6x	-7.0x	-0.8x	-0.6x	680.8x	-12.6x
Trulieve	2.2x	2.1x	2.0x	7.8x	6.4x	6.4x	-0.5x	-0.5x	-1.4x	-1.7x	-0.5x	-0.6x	-1.6x	-2.1x
Verano	2.1x	2.2x	2.0x	6.6x	7.1x	6.4x	-0.3x	-0.3x	-0.9x	-0.7x	-0.6x	-0.5x	-1.9x	-1.5x
Vext	2.1x	1.9x	na	13.4x	7.4x	na	-0.9x	-1.1x	-3.5x	-8.1x	-0.9x	-1.1x	-3.5x	-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 Consortium, Grown Rogue, iAnthus, and StateHouse, we take "current" sales for each of them

Source: FactSet and company reports

21 August 2024

TILT Holdings: Downgrading to Neutral

Exhibit 7: EV calculation - MSOs

US\$Mn 19-Aug-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	249	297	0.28	139.9	29.7	47	-214	-2	-34			-250	
Ascend Wellness	722	711	1.07	211.5	13.3	241	-238	-134	-99			-470	
Ayr Wellness	703	603	1.84	114.0	31.1	267	-382	5	-13	0	55	-336	
Cannabist Co	629	462	0.28	429.3		121	-272	-23	-45	0		-340	
Cansortium	140	119	0.13	298.3	6.3	38	-49	-7	-26			-81	
Cresco Labs	1,190	1,416	1.92	438.2	9.8	860	-395	-56	-98	-7		-556	
Curaleaf	3,022	4,265	3.15	738.1	7.9	2,350	8	-1,115	-672	-18		-1,796	119
4Front Ventures	264	192	0.06	916.2	20.2	58	-79	-8	-40	-6	0	-134	
Glass House	650	921	9.80	75.7	3.2	773	-26	0	-21	-29		-76	72
Gold Flora	130	86	0.10	287.6	0.2	28	-32	-9	-13	-4		-58	
Goodness Growth	129	84	0.58	45.3		26	-50	-8				-58	
Green Thumb	2,669	2,781	10.77	237.0	9.3	2,653	-114	-26	-25	0	37	-128	
Grown Rogue	75	111	0.65	170.8		111	4	-3	0	0		0	
iAnthus	96	251	0.01	6,510.5		96	-146	-9				-155	
Jushi	399	426	0.66	196.6	1.1	131	-179	1	-117			-295	
MarlMed	189	207	0.28	380.6	5.0	108	-63	-1	-16			-80	19
Planet 13	150	202	0.63	325.2	0.3	205	18	-6	-5	-5		2	
Schwazze	187	193	0.20	171.3		34	-138	-3	-18	0		-159	
StateHouse	148	198	0.03	255.9	138.6	12	-114	-13	-39	-24	7	-184	2
TerrAscend	698	1,680	1.63	366.5	351.2	1,170	-258	-186	-7	-59		-510	
TILT	113	113	0.02	390.5	4.4	7	-59	-44	-3			-106	
Trulieve	1,810	2,523	9.93	186.0	3.3	1,879	-537	-16	-86	-4		-644	
Verano	1,799	2,004	4.16	346.4	8.7	1,477	-266	-6	-251	-4		-527	
Vext	55	74	0.18	217.5	0.4	39	-35	0				-35	

Source: FactSet and company reports

21 August 2024

TILT Holdings: Downgrading to Neutral

Exhibit 8: Stock Performance

19-Aug-24			
Stock Performance			
	Last	Last	Last
Ticker	30d	90d	12mo
US MSOs			
AAWH	30%	-17%	75%
ACRDF	-27%	-44%	23%
AYRWF	-11%	-30%	103%
CBSTF	37%	4%	-34%
CNTMF	21%	-26%	62%
CRLBF	13%	-8%	78%
CURLF	-25%	-44%	14%
CXXIF	9%	-33%	-1%
FFNTF	-31%	-46%	-34%
GLASF	40%	1%	166%
GRAMF	-31%	-57%	-22%
GDNSF	41%	-1%	341%
GRUSF	8%	-13%	248%
GTBIF	-8%	-17%	61%
ITHUF	-17%	-17%	-1%
JUSHF	8%	-7%	59%
LOWLF	-64%	-85%	-96%
MRMD	64%	10%	2%
PLNH	26%	3%	13%
SHWZ	-20%	-61%	-71%
STHZF	200%	24%	12%
TCNNF	-1%	-17%	152%
TLTFF	-8%	-41%	-35%
TSNDF	22%	-7%	-3%
VEXTF	-2%	-25%	1%
VRNOF	11%	-23%	50%

Stock Performance			
	Last	Last	Last
Ticker	30d	90d	12mo
Canadian LPs			
ACB	14%	-4%	28%
AVTBF	-25%	-40%	-77%
BZAMF	23%	108%	-80%
CBWTF	42%	-19%	147%
CGC	5%	-31%	72%
CRON	-2%	-19%	36%
DBCCF	-29%	-63%	-67%
ETRGF	-11%	-32%	-49%
HITI	-5%	-19%	54%
LOVFF	17%	-18%	-42%
NVACF	40%	37%	239%
OGI	12%	-2%	40%
ROMJF	6%	-17%	-11%
SNDL	0%	-16%	31%
TLRY	2%	-7%	-27%
VFF	-6%	-25%	5%
Cannabis - International			
CLVR	-100%	-17%	-47%
IMCC	21%	-100%	-100%
INCR	-23%	6%	24%
LGPPF	na	na	na
PCLOF	-21%	11%	51%
Tech			
LFLY	-9%	9%	-68%
SBIG	-26%	-33%	-60%
MAPS	0%	-3%	-5%

Stock Performance			
	Last	Last	Last
Ticker	30d	90d	12mo
MJ Fincos			
AFCG	13%	-19%	-24%
CNPOF	3%	11%	13%
IIPR	0%	3%	43%
NLCP	10%	1%	59%
PW	83%	156%	24%
SHFS	-9%	-17%	28%
SSIC	-1%	2%	24%
REFI	-3%	-4%	2%
Pix & Shovel			
AGFY	-24%	-15%	-91%
GRWG	-18%	-30%	-34%
HYFM	-21%	-38%	-42%
SMG	11%	1%	37%
UGRO	-17%	-17%	3%
Vape parts			
GNLN	454%	195%	72%
ISPR	-5%	16%	-22%
SMORF	-18%	11%	-1%
TLLTF	-8%	-41%	-35%
Index			
S&P 500	-3%	3%	22%
S&P 477	3%	3%	9%
Nasdaq	11%	13%	36%
MSOS ETF	-3%	-23%	50%
YOLO ETF	-3%	-20%	29%

Source: FactSet



Appendix III: Bio and Disclaimers



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.*



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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