

7/25/2023

# Canada LPs Review

Cannabis Sector Equity Research



## Key Highlights:

- We review market and LP sales and share trends.
- Most companies are making progress on cash burn.
- But debt remains an issue for several of them.
- This review is factual in nature (no ratings).

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*Dear reader: On Tue 7/18, we launched our cannabis equity research service (see [Sector Launch report](#)). We will publish thematic/macro reports during the first few weeks, and then follow with equity stock coverage. With the 7/18 report, we provided a blueprint for the various themes we will discuss in the year ahead. On 7/21, we reviewed US MSO trends in 2Q ([report here](#)). Here we review market trends for Canadian LPs and cross that with their balance sheet and cash flow trends. The analysis is factual.*

## Growth Trends as per Hifyre and StatCan

**YTD market growth +12%; 2Q23 +10% yoy.** StatCan (official government source) rec retail sales data is out through May only (+12% YTD for the Jan-May period), but if we take Hifyre for June (down 0.4% MoM), we see 2Q23 sales are up 10% yoy (vs. +13% in 1Q23), with a seasonal seq rebound in 2Q23 (up 6% QoQ vs. -3% QoQ in 1Q23).

- StatCan reported May cannabis retail sales (rec) of \$415.6Mn, up 1.2% MoM, and -2.1% in day adjusted terms. In yoy terms, May sales were up 11%. YTD sales thru May are up 12% yoy, which is above the US yoy growth rate of 9%, but below Canada's growth pace of 17% in CY22.
- That said, US growth is driven mostly by new markets turning rec, while in the case of Canada, the base of legal provinces is the same, so 12% growth is pretty good in that context (rec was legalized in Canada on 17 Oct 2018).
- Still, Canada underperforms the US in per capita metrics. At about US\$100 per person, rec consumption is well below that of even less matured US states (that legalized rec after Canada): MI \$308 (Dec'19); MA \$224 (Nov'18 first stores); AZ \$181 (Jan'22); MO \$180 (Feb'23); IL (Jan'20) \$126.

**Category trends, as per Hifyre.** Trends vary widely across formats. While total rec sales were up 10% yoy in 2Q23, flower was down 1% (flower is now 39% of sales vs. 43% in 2Q22 and 60% in 2Q20). Among the three largest formats, pre-rolls (+23% yoy) and vape (+18%), outperformed. Pre-rolls are now 30% of sales (27% a year ago, and 17% 3yr ago); for context, in California pre-rolls are only 17% of sales (and flower 34%). Vape is at 15% of sales in Canada (26% in CA), somewhat stable mix wise vs. prior periods (14% 2Q22; 12% 2Q20). Other smaller categories in 2Q23: edibles +17% yoy (6% of sales), concentrates +26% (5%), oils -12% (2%), and beverages -4% (2%). Topicals are not gaining traction, down 9% yoy (and only 0.3% of sales).

### **LP performance (at a high level, without delving much into portfolio trends).**

- **Tilray** (now including HEXO) had 12.1% rec market share in calendar 2Q23, as per Hifyre. But total company sales somewhat lagged the overall market in calendar 2Q23, with +2% seq growth vs. +6% for the market (yoy figures are not comparable due to the HEXO deal). Mix wise, flower is 44% of sales, pre-rolls 34% (Redecan is 38% of TLRy pre-roll sales) and



vape 10%. TLRY has the most SKUs among LPs, with 606, but it outsells CGC in terms of sales/SKU (CGC has the second most SKUs).

- **Decibel** is now #2, as per Hifyre, with 7.5% share (vs. 4.4% in 2Q22 and 3.8% in 1Q23). In seq terms, 2Q sales were up 19% (vs. +7% in 1Q23); in yoy terms 2Q sales were up 87% (and +92% in 1Q23). Here we will not delve much into portfolio details, but we note pre-rolls and vapes account for ~95% of sales, and pre-rolls are driving the bulk of the absolute sales growth.
- **Village Farms International** was #3 in 2Q23 with 6.4% share. Sales increased 15% yoy (vs. +10% for the market), with the pace not far off from 1Q23 (+19%). Flower is driving growth for VFF, now accounting for more than 80% of sales vs. low 70% a year ago; VFF flower segment share is now to 15%. The Original Fraser Valley line (value) is now 20% of sales. Overall, the VFF average flower price is \$5.25/gram (Auxly \$4.17, Tilray \$4.22).
- **Organigram (#4 with 6.1% share)**. Calendar 2Q23 sales, as per Hifyre, were down 11% yoy (similar drops in 1Q23 and 4Q22). In seq terms, sales grew 4%, mostly in line with overall seq market growth of 6%. Mix wise, concentrates and edibles have gained. Flower is now 54% of sales (68% in 1Q22), with edibles at 18% (12%) and concentrates at 10% (2%). We note 60% of OGI's flower sales come from milled/pre-ground blends, but despite this, total average flower portfolio price is \$5.96.
- **Auxly** (#5 with 5.2% share). Calendar 2Q23 sales, as per Hifyre, were up 4% yoy (similar pace in 1Q23). In seq terms, sales were flat vs. +6% for the overall market. Vape share is now down to 11% (2Q23) from 20% in 1Q22, but the company is now less reliant on vape than before (33% of sales vs. 43% in 1Q22). Flower is 37% of sales (34%) and pre rolls are 21% (vs. 11%).
- **BZAM** (inc. TGOD) has 4.4% share. Calendar 2Q23 sales, as per Hifyre, were down 9% seq after -5% qoq in 1Q23 (yoy numbers are not comparable). Mix wise, flower is 51% of sales, vapes 20%, and pre-rolls 11%. The company's average flower price of \$5.38/gram.
- **Cronos** (4.4% share). Seq sales were up 4% in 2Q23, after -1% in 1Q23. Mix is 48% flower (average price \$4.62), 19% edibles, 18% pre-rolls, and 15% vapes.
- **Canopy Growth** 3.3% share. Seq sales are down 4% (-12% in 1Q23). The company seems to have an excessive number of SKUs vs. peers (227 in total, 93 flower SKUs), for the level of sales generated. Mix wise, flower is now 52% of sales (average flower price \$4.47), pre-rolls 25%, oils 12%, and beverages 7%.
- **SNDL** 2.9% share; 2Q23 sales are down 7% seq after -6% in 1Q23; yoy numbers are not comparable due to the Valens deal. Post Valens, the mix is now 48% flower (average price \$3.82/g), pre-rolls 26%, and vape 18%.



- **Aurora** 2.2% share. Seq sales are flat after 10% seq growth in 1Q23. Average flower price of \$6.26 (well above peers) is a sign of the company's pivot to more premium lines. Mix wise, edibles are 36% of sales, flower 33%, and pre-rolls 18%.
- **Rubicon** 1.7% share. 2Q23 sales, as per Hifyre, were down 4% yoy, after double digit gains in recent qtrs. That said, in seq terms, sales grew 5%, which is mostly in line with overall seq market growth of 6%. Mix wise, flower is 44% of sales, pre-rolls 34%, and concentrates 16%.

## Cash Flow and Balance Sheet Trends

**Operating cashflow:** During CY22, of 17 Canadian companies reviewed here, only three generated positive operating cash flow (as per the financial filings): Decibel, High Tide, and Rubicon. That said, most companies showed improving trends in CY22 (although still posting negative OCF), with ACB, CGC, and FAF, the exceptions. Of these three, during calendar 1Q23 trends improved for ACB and FAF but further worsened at CGC. As % of net sales revenues generated in CY22, the outliers were Canopy Growth (-131% OCF/sales), Cronos (-97%), and Aurora (-74%); this ratio only improved at Aurora during the March qtr to -38%, while for CGC this jumped to -160% and -237% at Cronos (we realize this is just one qtr).

**There is little correlation between operating cash flow and adj EBITDA.** 12 of the 17 companies reported positive EBITDA in calendar 1Q23, but only seven had positive OCF. In CY22 there were seven companies with positive EBITDA vs. three with positive OCF. Conversion from EBITDA to OCF was pretty good for three companies disclosing positive OCF in CY22, with the OCF/EBITDA ratio at 43% for High Tide, 49% for Decibel, and 102% for Rubicon. In fact, while several US MSOs report positive EBITDA, the conversion to OCF is much lower; Green Thumb was the only one at 51% in 1Q23, while the rest (of the ones that had positive OCF and EBITDA), the ratios were in the teens and 20s.

**Balance sheet vs. EBITDA (and OCF).** We realize most companies are focused on improving cash flow, so then the issue becomes one about balance sheet strength.

- At the end of the March qtr, companies with net cash position included ACB (\$57Mn), CRON (\$1.13Bn), OGI (\$79Mn), and SNDL (\$252Mn).
- Several had rather manageable net financial debt to sales (annualizing Mar qtr), such as BZAM 0.4x, Decibel 0.3x, Tilray 0.3x, Aleafia 0.3x, Avant 0.2x, and several others at or below 0.1x (High Tide, Nova, Rubicon, VFF). We realize these ratios do not factor the nature of maturities (some may face more pressure than others).
- Those with high net debt to sales (as of March) included Auxly (1.6x), Canopy Growth (1.5x), and HEXO (1.7x; now part of TLRY). Aleafia is an interesting case, as despite a low



net debt/sales ratio, net interest expense as % of sales is among the highest in the group at 22% in 1Q23 for Aleafia (only Auxly was higher, at 24%).

- In terms of companies where debt could become a problem given cash flow trends (i.e., annualizing Mar qtr OCF and comparing with financial net debt), we would highlight BZAM (net debt would double, or 2.1x) and Canopy Growth (net debt would more than double, or 2.3x).

**Gross cash balance.** Net debt analysis notwithstanding, in some cases that debt may be quite long term in maturity, or convertible, so companies with high gross cash balances may enjoy strategic flexibility (in terms of M&A and other initiatives). Those with the highest gross cash balances in the Canadian group: CRON \$1.13Bn; CGC \$783Mn; TLRY \$564Mn; SNDL \$252Mn, and ACB \$235Mn.

**Shareholder dilution.** Several of the companies in this group issued stock in the last two years. Nothing wrong with that if it gives them strategic flexibility and is not massively dilutive over the long term. When comparing sales per share between calendar 1Q23 and 1Q22 (and adjusting for stock splits), we see this metric increased for companies like Avant, Decibel, High Tide, Organigram, and Rubicon (we leave out SNDL from this analysis, as the Alcanna revenues do not allow for an apples-to-apples comparison), but declined for the rest.



# Appendix I: Company Data

## Exhibit 1: Sales

C\$ Mn	CY20	1Q21	2Q21	3Q21	4Q21	CY21	1Q22	2Q22	3Q22	4Q22	CY22	1Q23
<b>SALES</b>												
Aleafia	44.5	7.1	10.7	9.6	8.8	36.1	43.1	12.0	10.6	10.8	76.5	42.8
Aurora	285.0	55.2	55.7	60.1	60.6	231.6	50.4	50.2	49.3	61.7	211.6	64.0
Auxly	50.8	10.0	20.9	24.5	28.5	83.8	22.6	27.3	19.8	24.7	94.5	24.0
Avant	7.9	2.0	2.5	2.7	2.3	9.5	4.2	4.1	4.0	7.9	20.1	7.0
BZAM	12.7	5.4	8.1	7.3	9.5	30.2	10.6	11.6	9.9	17.2	49.4	24.1
Canopy Growth	506.1	148.4	136.2	131.4	141.0	557.0	101.8	105.9	105.4	104.0	417.1	87.5
Cronos	62.6	16.0	19.2	25.7	54.5	115.2	31.7	29.4	27.3	31.1	120.6	27.2
Decibel	29.9	12.6	12.4	13.4	14.0	52.5	16.7	18.6	18.3	25.8	79.3	27.1
Hexo	106.4	26.0	33.4	46.4	51.9	157.8	47.9	43.6	38.0	28.0	157.5	22.4
Fire & Flower	128.1	44.1	43.3	45.4	42.7	175.5	40.9	40.7	43.8	30.5	156.0	na
High Tide	98.7	39.5	45.7	52.0	66.2	203.3	78.1	90.6	104.0	114.8	387.6	118.1
Nova Cannabis	63.3	18.4	29.7	38.7	47.6	134.4	49.8	56.3	58.9	61.4	226.4	60.2
Organigram	82.9	16.2	18.4	23.4	28.6	86.6	31.4	36.0	43.0	44.0	154.5	40.8
Rubicon	9.4	4.1	4.6	7.1	6.8	22.6	5.1	8.8	10.5	11.0	35.5	8.8
SNDL	60.9	9.9	9.2	14.4	22.7	56.1	17.6	223.7	230.5	240.4	712.2	202.5
Tilray	440.7	159.2	167.3	200.9	200.9	728.1	193.7	195.1	199.9	199.8	795.3	196.3
Village Farms	228.0	66.4	86.4	91.3	91.7	336.0	88.9	105.8	92.7	94.3	385.2	87.5

Source: Company reports

## Exhibit 2: Adj EBITDA

C\$ Mn	CY20	1Q21	2Q21	3Q21	4Q21	CY21	1Q22	2Q22	3Q22	4Q22	CY22	1Q23
<b>ADJ EBITDA</b>												
Aleafia	9.0	-3.0	-3.4	-17.6	6.4	-17.6	-4.4	-0.9	0.1	0.4	-4.8	0.2
Aurora	-152.0	-24.0	-19.7	-11.0	-7.1	-61.9	-10.0	-11.6	-7.4	1.4	-27.5	0.3
Auxly	-28.5	-6.5	-3.0	-6.1	-6.0	-21.7	-6.3	-4.0	-5.8	-0.8	-16.9	0.1
Avant	-0.3	0.2	0.0	-0.3	-1.5	-1.6	0.1	-1.1	0.7	1.6	1.9	1.8
BZAM	-38.2	-4.7	-3.3	-4.7	7.1	-22.6	-2.2	-4.3	-5.5	-6.9	-18.0	-3.9
Canopy Growth	-348.3	-94.0	-63.6	-162.6	-67.4	-387.7	-236.3	-79.0	-89.9	-85.2	-490.3	-95.6
Cronos	-197.4	-47.0	-351.1	-58.9	295.5	-201.1	-23.9	-24.0	-28.3	-34.4	-105.8	-22.7
Decibel	1.5	2.0	2.1	1.8	1.5	7.4	2.5	5.3	4.3	7.1	17.0	6.8
Hexo	-10.4	-7.2	-10.8	-11.3	-7.6	-36.8	-14.1	-11.1	-2.9	-1.8	-29.9	-3.4
Fire & Flower	5.2	2.3	3.1	2.1	-2.4	5.1	-2.3	-6.0	-2.8	-3.8	-15.0	-1.4
High Tide	11.6	4.7	2.6	1.6	2.5	11.4	2.6	3.6	4.8	5.3	16.3	6.2
Nova Cannabis	-2.0	-2.0	-1.1	0.5	0.0	-2.6	1.4	1.5	3.1	3.2	9.2	3.2
Organigram	-7.3	-7.9	-9.7	-7.4	-3.9	-28.9	-0.7	-0.4	0.4	2.5	1.9	2.7
Rubicon	-11.1	-3.4	-3.4	-0.6	-0.6	-8.0	-1.5	0.3	1.9	1.3	1.9	0.2
SNDL	-25.6	3.3	-0.2	10.5	13.6	30.4	-0.7	-25.9	18.3	-7.3	-15.8	7.4
Tilray	-2.8	12.7	13.7	15.7	16.9	59.0	14.3	14.1	16.8	16.7	62.3	17.9
Village Farms	21.1	0.5	1.9	8.5	6.6	17.6	-7.7	-13.2	-2.9	-3.6	-28.0	0.7

Source: Company reports, and Z&A estimates



## Exhibit 3: OCF

C\$ Mn	CY20	1Q21	2Q21	3Q21	4Q21	CY21	1Q22	2Q22	3Q22	4Q22	CY22	1Q23
<b>OPERATING CASH FLOW</b>												
Aleafia	-7.6	-8.8	-10.9	-9.9	-16.3	-45.8	13.7	-1.6	-1.7	1.6	12.0	-1.8
Aurora	-280.9	-61.2	23.2	-22.7	-21.6	-82.2	-39.0	-26.6	-31.1	-60.6	-157.4	-24.0
Auxly	-33.1	-18.7	-9.9	-7.8	-13.2	-49.6	-7.0	1.7	-2.9	5.7	-2.5	3.2
Avant	-0.1	-0.1	-3.1	-0.9	-1.4	-5.5	-2.0	-1.7	0.2	0.0	-3.5	0.4
BZAM	-36.0	-5.5	-0.3	0.3	-12.5	-18.0	-3.7	-1.0	1.5	-5.8	-9.0	-7.4
Canopy Growth	-578.5	-97.8	-165.8	-86.0	-167.4	-517.0	-126.7	-140.5	-133.4	-143.9	-544.5	-139.7
Cronos	-194.2	-58.3	-49.4	-39.7	-45.3	-192.6	-43.0	-22.1	-17.5	-33.1	-116.7	-64.5
Decibel	-4.2	-3.1	-3.0	-5.9	-5.1	-17.1	3.0	1.8	3.6	-0.1	8.3	2.3
Hexo	-37.6	-4.4	-18.4	-46.5	-42.3	-111.6	-17.9	-13.5	-24.4	-5.9	-61.8	2.0
Fire & Flower	2.7	0.1	-7.3	-0.3	-5.1	-12.6	-6.0	-5.6	-2.5	-2.8	-16.8	24.1
High Tide	10.0	-2.2	-4.8	1.6	0.6	-4.9	-2.0	-0.7	5.6	4.1	7.0	1.6
Nova Cannabis	11.3	-2.5	-3.5	5.2	-9.1	-10.0	-5.9	5.9	3.3	-3.4	-0.1	-1.4
Organigram	-26.9	-6.9	-10.6	-8.7	-8.8	-35.0	-3.6	-4.5	-15.3	-4.2	-27.6	-12.1
Rubicon	-14.3	-6.1	-3.5	-1.3	0.5	-10.4	-1.6	-0.7	1.4	2.8	2.0	0.2
SNDL	-57.5	-34.4	-70.4	-56.2	5.5	-155.4	-26.0	-17.9	8.6	28.6	-6.7	-48.8
Tilray	-14.9	-209.8	-282.3	-169.7	-53.2	-717.6	-46.5	-37.1	-49.3	5.8	-130.2	-3.8
Village Farms	7.6	-18.3	-1.0	-7.4	-23.3	-49.6	-12.2	0.8	-5.5	-9.1	-26.1	-5.0

Source: Company reports, and Z&A estimates

## Exhibit 4: Net Debt

C\$ Mn	CY20	1Q21	2Q21	3Q21	4Q21	CY21	1Q22	2Q22	3Q22	4Q22	CY22	1Q23
<b>NET DEBT</b>												
Aleafia	-26.3	-15.5	-16.1	-33.3	-43.7	-43.7	-50.8	-36.8	-42.1	-39.5	-39.5	-43.8
Aurora	-109.0	63.1	82.7	33.2	-16.3	-16.3	95.9	211.3	85.4	83.2	83.2	56.6
Auxly	-93.3	-96.2	-71.5	-68.4	-148.0	-148.0	-162.3	-157.6	-163.2	-159.2	-159.2	-157.2
Avant	-6.0	-3.2	17.7	16.3	14.5	14.5	11.7	8.9	8.5	6.8	6.8	-6.4
BZAM	-28.9	-25.5	-6.7	-10.9	-15.9	-15.9	-21.0	-25.4	-27.3	-27.6	-27.6	-34.4
Canopy Growth	961.3	716.3	490.3	431.3	-87.3	-87.3	-129.3	-240.6	-210.7	-416.4	-416.4	-524.3
Cronos	1,728.7	1,569.6	1,347.2	1,309.8	1,266.1	1,259.3	1,243.2	1,206.2	1,159.4	1,191.7	1,151.6	1,131.4
Decibel	-33.3	-35.5	-32.8	-24.8	-33.8	-33.8	-34.6	-33.2	-31.3	-32.1	-32.1	-30.5
Hexo	113.0	90.5	47.8	-107.0	-179.2	-179.2	-171.0	-144.0	-165.7	-162.2	-162.2	-154.8
Fire & Flower	-2.4	28.9	25.5	14.8	-2.0	-2.0	26.5	16.6	-7.2	-1.1	-1.1	16.7
High Tide	-33.3	-11.8	1.7	-6.6	-13.3	-13.3	-13.5	-12.0	-11.1	-11.8	-11.8	-14.6
Nova Cannabis	1.2	34.2	24.9	15.5	10.5	10.5	0.4	-3.4	-3.4	-3.6	-3.6	-7.0
Organigram	-0.9	14.4	135.5	187.5	172.9	172.9	143.4	128.5	107.9	96.1	96.1	79.4
Rubicon	-1.5	11.4	-5.2	2.2	2.0	2.0	-1.0	-2.8	-3.7	-1.9	-1.9	-2.8
SNDL	68.3	915.1	1,043.3	789.8	671.0	671.0	520.3	425.3	348.6	329.4	329.4	252.2
Tilray	84.6	-126.3	-322.6	-534.6	-533.6	-530.8	-539.1	-343.8	-213.1	-212.4	-205.2	-238.2
Village Farms	-54.1	88.0	70.9	26.9	-13.8	-13.7	-36.5	-40.3	-50.6	-53.4	-51.6	-28.6

Source: Company reports



# Appendix II: Valuation Comps



25 July 2023

A Close Look at Canadian Market Dynamics

Exhibit 5: Valuation Comps – Part I

Company name	Ticker	7/25/2023		(mn) Shares	Net (Debt)	Ent Value	EV/Sales 1yF	EV/EBITDA 1yF	US\$ Mn				Stock Performance		
		Price US\$	Mkt Cap						1yF Estimates		EBITDA mgn %	Net debt EBITDA	Last 30d	Last 90d	Last 12mo
<b>Canada</b>															
Aleafia Health, Inc.	ALEAF	0.02	6	403	-34	40	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	1%	-54%	-74%
Aurora Cannabis Inc.	ACB	0.49	170	345	54	116	0.6x	9.7x	196	12	6%	4.5x	-11%	-13%	-65%
Auxly Cannabis Group Inc.	CBWTF	0.01	13	906	-132	145	1.3x	66.1x	114	2	2%	-60.1x	10%	20%	-77%
Avant Brands Inc	AVTBF	0.14	30	206	3	27	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	30%	16%	-19%
BZAM Ltd	BZAMF	0.14	21	157	0	21	0.2x	29.8x	111	1	1%	0.0x	-18%	-44%	-78%
Canopy Growth Corporation	CGC	0.39	200	517	-459	659	2.1x	-4.7x	309	-140	-45%	3.3x	-25%	-70%	-85%
Cronos Group Inc	CRON	1.81	687	381	874	-187	-1.8x	4.1x	106	-46	-43%	-19.1x	0%	3%	-41%
Decibel Cannabis Company Inc	DBCCF	0.10	40	405	-34	73	0.6x	2.2x	124	33	26%	-1.0x	-3%	2%	20%
Entourage Health Corp	ETRGF	0.02	5	307	-91	96	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	7%	-7%	-57%
High Tide, Inc.	HITI	1.24	88	71	-33	121	0.2x	3.7x	526	33	6%	-1.0x	4%	-2%	-20%
Nova Cannabis Inc	NVACF	0.40	23	57	-40	63	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	2%	-21%	-6%
OrganiGram Holdings Inc	OGI	1.35	106	78	73	33	0.3x	3.7x	123	9	7%	8.1x	-16%	-34%	-68%
Rubicon Organics, Inc.	ROMJF	0.37	21	56	-1	22	0.4x	2.3x	54	10	18%	-0.1x	2%	-12%	-43%
SNDL Inc.	SNDL	1.39	327	235	116	211	0.3x	8.9x	750	24	3%	4.9x	11%	0%	-55%
Tilray Brands, Inc.	TLRY	1.68	895	533	-208	1,103	1.6x	13.7x	679	80	12%	-2.6x	11%	-25%	-52%
Village Farms International, Inc.	VFF	0.59	65	110	-49	114	0.4x	29.5x	286	4	1%	-12.7x	0%	-16%	-80%

Source: FactSet and company reports

## Exhibit 6: Valuation Comps – Part II

Company name	Ticker	7/25/2023		(mn) Shares	Net (Debt)	Ent Value	EV/Sales 1yF	EV/EBITDA 1yF	US\$ Mn			Net debt EBITDA	Stock Performance		
		Price US\$	Mkt Cap						1yF Estimates		EBITDA mgn %		Last 30d	Last 90d	Last 12mo
<b>US MSOs</b>															
4Front Ventures Corp.	FFNTF	0.13	84	643	-226	309	2.0x	8.4x	153	37	24%	-6.1x	-12%	-19%	-81%
Acreage Holdings, Inc. Class D	ACRDF	0.21	7	34	-215	222	0.9x	4.8x	237	47	20%	-4.6x	-9%	-69%	-80%
Ascend Wellness Holdings LLC Class A	AAWH	0.60	113	188	-489	602	1.2x	5.1x	513	117	23%	-4.2x	-5%	-32%	-76%
Ayr Wellness, Inc.	AYRWF	0.91	55	60	-577	632	1.2x	4.7x	539	134	25%	-4.3x	7%	38%	-84%
Columbia Care, Inc.	CCHWF	0.44	171	391	-519	690	1.2x	6.4x	552	107	19%	-4.8x	-9%	-7%	-76%
Cresco Labs, Inc.	CRLBF	1.61	453	281	-549	1,001	1.2x	6.0x	829	167	20%	-3.3x	1%	9%	-55%
Curaleaf Holdings, Inc.	CURLF	3.20	1,995	624	-988	2,983	2.1x	8.3x	1,415	359	25%	-2.8x	3%	40%	-48%
Glass House Brands Inc	GLASF	3.01	168	56	-59	227	1.4x	12.4x	160	18	11%	-3.2x	-21%	4%	19%
GOLD FLORA CORPORATION	GRAMF	0.16	17	108	30	-13	-0.2x	0.3x	76	-43	-56%	-0.7x	-13%	-19%	-77%
Goodness Growth Holdings, Inc.	GDNSF	0.13	11	87	-124	136	1.4x	7.7x	96	18	18%	-7.1x	-19%	19%	-90%
Green Thumb Industries Inc.	GTBIF	6.60	1,365	207	-358	1,723	1.6x	5.0x	1,110	342	31%	-1.0x	-13%	-3%	-36%
Grown Rogue International Inc.	GRUSF	0.20	34	171	-3	37	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	29%	67%	400%
Jushi Holdings Inc Class B	JUSHF	0.43	85	197	-295	380	1.2x	7.0x	317	54	17%	-5.5x	-17%	2%	-80%
Lowell Farms Inc	LOWLF	0.04	4	122	-55	59	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	3%	-12%	-84%
MariMed Inc	MRMD	0.38	130	341	-26	156	0.9x	3.6x	164	43	26%	-0.6x	-4%	1%	-50%
Planet 13 Holdings, Inc.	PLNHF	0.54	119	220	25	94	0.8x	11.9x	112	8	7%	3.2x	-7%	-23%	-67%
Red White & Bloom Brands, Inc.	RWBIF	0.05	21	470	-142	163	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	14%	14%	-67%
Schwazze	SHWZ	0.85	47	55	-114	161	0.8x	2.2x	214	74	35%	-1.5x	-17%	-23%	-21%
StateHouse Holdings Inc	STHZF	0.04	9	252	-140	150	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	-3%	-9%	-89%
TerrAscend Corp.	TSNDF	1.42	368	260	-216	585	1.8x	8.3x	329	70	21%	-3.1x	-14%	-7%	-47%
TILT Holdings, Inc.	TLLTF	0.03	10	334	-102	112	0.6x	19.8x	192	6	3%	-18.0x	-14%	-49%	-85%
Trulieve Cannabis Corp.	TCNNF	4.00	639	160	-269	908	0.8x	2.8x	1,175	326	28%	-0.8x	1%	-20%	-70%
Verano Holdings Corp. Class A	VRNOF	2.67	872	327	-414	1,286	1.3x	3.9x	1,008	327	32%	-1.3x	-10%	-4%	-61%
Vext Science, Inc.	VEXTF	0.19	16	82	-30	46	0.8x	2.2x	56	20	36%	-1.5x	-4%	-8%	-45%

Source: FactSet and company reports

Exhibit 7: Valuation Comps – Part III

Company name	Ticker	7/25/2023		(mn) Shares	Net (Debt)	Ent Value	EV/Sales 1yF	EV/EBITDA 1yF	US\$ Mn			Net debt EBITDA	Stock Performance		
		Price US\$	Mkt Cap						1yF Estimates Sales	EBITDA	EBITDA mgn %		Last 30d	Last 90d	Last 12mo
<b>Service Providers</b>															
AFC Gamma, Inc.	AFCG	14.18	289	20	-17	306	4.2x	5.6x	72	54	75%	-0.3x	11%	21%	-12%
Agrify Corp.	AGFY	2.63	0	0	54	-53	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	-31%	-47%	-99%
C21 Investments Inc	CXXIF	0.28	34	120	0	34	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	-3%	5%	-2%
Chicago Atlantic Real Estate Finance, Ir	REFI	15.20	270	18	-52	322	5.1x	#N/A	63	#N/A	#N/A	#N/A	1%	9%	5%
GrowGeneration Corp.	GRWG	3.51	214	61	23	191	0.7x	82.4x	276	2	1%	9.9x	9%	22%	-29%
Hydrofarm Holdings Group, Inc.	HYFM	1.20	54	45	-165	219	0.7x	24.8x	302	9	3%	-18.7x	28%	-18%	-68%
Innovative Industrial Properties Inc	IIPR	77.73	2,174	28	-14	2,188	7.4x	9.0x	297	244	82%	-0.1x	10%	18%	-18%
Leafly Holdings, Inc.	LFly	0.32	14	43	-4	18	0.4x	-3.0x	48	-6	-12%	0.6x	18%	1%	-93%
NewLake Capital Partners, Inc.	NLCP	12.96	277	21	42	235	4.9x	#N/A	48	#N/A	#N/A	#N/A	1%	5%	-21%
Power REIT	PW	1.64	6	3	-34	40	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	8%	-39%	-91%
RiverNorth Opportunities Fund, Inc.	RIV	11.41	211	18	18	193	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	4%	5%	-19%
Scotts Miracle-Gro Company Class A	SMG	68.68	3,812	56	-3,183	6,995	1.9x	12.0x	3,719	582	16%	-5.5x	20%	0%	-18%
Silver Spike Investment Corp.	SSIC	7.67	48	6	85	-37	-2.5x	#N/A	15	#N/A	#N/A	#N/A	-6%	-4%	-20%
SpringBig Holdings, Inc.	SBIG	0.36	10	27	-6	15	0.4x	10.9x	36	1	4%	-4.0x	-25%	-45%	-80%
urban-gro Inc	UGRO	1.38	15	11	6	9	0.1x	-18.8x	118	0	0%	-11.1x	4%	-23%	-77%
WM Technology, Inc. Class A	MAPS	0.95	87	92	-11	98	0.5x	4.5x	201	22	11%	-0.5x	35%	38%	-72%
<b>CBD, Pharma, International</b>															
Cardiol Therapeutics Inc. Class A	CRDL	1.09	70	64	44	26	#DIV/0!	-1.4x	0	-19	#DIV/0!	-2.4x	31%	76%	-17%
cbdMD, Inc.	YCBD	1.38	2	1	3	-1	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	-18%	-75%	-93%
Charlotte's Web Holdings, Inc.	CWBHF	0.30	45	152	9	36	0.4x	-3.7x	83	-10	-12%	-0.9x	66%	-11%	-49%
Clever Leaves Holdings, Inc.	CLVR	0.21	9	44	9	0	0.0x	0.0x	20	-11	-55%	-0.8x	2%	-31%	-78%
CV Sciences, Inc.	CVSI	0.05	7	152	-1	8	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	12%	4%	53%
Hempfusion Wellness, Inc.	CBDHF	0.00	0	100	0	0	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	9900%	-98%	-100%
IM Cannabis Corp	IMCC	0.88	7	8	-7	13	0.3x	45.5x	45	0	1%	-22.9x	7%	35%	-86%
InterCure Ltd.	INCR	1.56	71	46	-2	73	0.5x	3.0x	147	25	17%	-0.1x	-19%	-32%	-75%
Jazz Pharmaceuticals Public Limited Cc	JAZZ	131.59	8,318	63	-4,936	13,254	3.4x	7.1x	3,926	1,857	47%	-2.7x	5%	-7%	-16%
Little Green Pharma Ltd.	LGPPF	#N/A	#N/A	298	0	#N/A	#N/A	#N/A	39	4	10%	0.0x	#N/A	#N/A	#N/A
PharmaCielo Ltd.	PCLOF	0.12	18	155	-9	27	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	-30%	-28%	-65%

Source: FactSet and company reports



# 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 four years he launched coverage of over 35 companies (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 ([www.zuanicassociates.com](http://www.zuanicassociates.com)). 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 can be contacted at [pablo.zuanic@zuanicgroup.com](mailto:pablo.zuanic@zuanicgroup.com).





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**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 and advisory services. Potential conflicts of interest are duly reflected in the respective specific company reports.

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