

7/28/2023

On the Rescheduling Question

Cannabis Sector Equity Research



Key Highlights:

- Rescheduling of med MJ may not be so great for MSOs.
- Rec MJ can be de-scheduled, but not re-scheduled.
- Better to just lobby for the removal of 280E outright, without re-scheduling.

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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. A full list of our recent reports is shown at the end of this report.

High Level Summary

Key points,

- De-scheduling is unlikely, in our view, and re-scheduling of medical cannabis (MMJ) is not without risks, so perhaps better just lobby for the removal of 280E and leave cannabis in Schedule I. Really.
- Besides, rec cannabis cannot be rescheduled (or do we want Drs to also have to prescribe rec cannabis, as would be the case if in Schedule III)?
- But if the Biden White House is indeed on track to reschedule medical cannabis, then the industry should be lobbying for an MSO-friendly accompanying regulatory framework. Sure, lobbying DC for a SAFE Banking Act with safe harbor language for US exchanges matters too (or even just for the basic version of SAFE), but the industry should start thinking about the consequences of MMJ rescheduling (not just the 280E bit).
- In the meantime, MSOs will need to find creative ways to get around the steep taxes resulting from 280E (such as usage of deferred taxes and other tools). The numbers would imply some are already doing so, besides delaying tax payments.

On the 280E Question and Re vs. De-Scheduling

In our view, the narrative fed to investors in the cannabis space regarding the potential for re-scheduling and its resulting benefits, does not tell a full picture.

- We agree with the narrative that says the removal of 280E would be a significant catalyst for MSO stocks and for all US plant touching businesses. By paying income tax on gross profits (due to Tax Rule 280E), the effective tax rate is 70% for many of these companies vs. the regular statutory rate of 21%.
- But we are less comfortable with the part of the narrative that says “rescheduling” would be the best path to get rid of 280E. In fact, rescheduling med MJ (MMJ) would open a Pandora’s Box, with little discussed consequences. Furthermore, only medical MJ can be rescheduled, but rec cannabis cannot be re-scheduled (it can be de-scheduled, but not rescheduled).



- Moving med MJ to Schedule II or III would make MMJ federally legal, with all that implies: FDA regulation, likely tougher for Drs to prescribe, MMJ sold in pharmacies, interstate trade, increased QC rules, and perhaps the entrance of pharma companies into the industry (true, on the flipside, perhaps insurers could cover MMJ, including the VA). But all this could take time. Even if the Biden White House decides to reschedule MMJ, a separate regulatory framework would need to be enacted. Sure, the best of both worlds for MSOs would be federal legalization of MMJ (via rescheduling) while leaving each state alone to regulate MMJ (i.e., maintaining the current state silo system for MMJ). But we see the latter as highly unlikely – controlled substances that can be prescribed by Drs via Rx (all substances in the CSA outside Schedule I) are federally regulated.
- Rec MJ, by definition, cannot be “rescheduled”. Sure, people like to focus on the “taking rec out of Schedule I” part of the argument. But why not discuss the “putting rec in Schedule III” piece? The latter is not doable, as only products that can be medically prescribed can be in the various Schedules of the CSA (ex I). Rec is not a medical product and cannot be in the CSA. So, rec can be de-scheduled, but not rescheduled.
- We believe de-scheduling in this Congress is very unlikely (and it would also need an accompanying regulatory framework. Rescheduling of MMJ? It could be a double-edged sword for the MSOs. If indeed the Biden White House is in line to reschedule med MJ, then the industry should be lobbying for a friendly accompanying piece of regulatory legislature.
- Cash flow consequences if MMJ is re-scheduled? As we said above, there could be several negative consequences, but leaving these aside for a moment, at least the earnings from MMJ would not be subject to 280E. So, while rec would still be subject to 280E, we assume some creative accounting could help: allocate as much of the overheads to the medical business (and the interest expense)? use transfer pricing in a way MMJ gross margins are much higher than rec? Note: We estimate 70% of legal cannabis sales in the US are rec, and med are 30%.
- Another path may just be litigation or lobbying regulators (and Congress) to make all of cannabis exempt from 280E, even without rescheduling or de-scheduling. This is already happening in some states (i.e., SGA and interest expense can be deducted from the tax base for purposes of state income tax), and the cash flow benefits are not insignificant. Probably better avoid litigation, and lobby DC for the removal of 280E at the federal level.
- As we show in this report, 16 MSOs paid \$761Mn in corporate income tax last year, and we calculate the industry as a whole paid \$1.2-1.5Bn. That is about 0.35% of total US corporate income tax collected in 2022 (\$425Bn). For context, US cannabis sales last year were ~\$25Bn, while total US retail sales were \$7.1Tr (i.e., tax about 6% of sales for both).



MSO Tax Payments and ST Tax Liabilities

Company's financial statements (SEC, SEDAR) disclose tax payments on a quarterly and annual basis. In CY22, the 16 MSOs reviewed here paid \$761Mn in income taxes. In absolute terms, the two largest payers were Curaleaf (\$156Mn) and Trulieve (\$147Mn). The three largest MSOs (inc. Green Thumb) accounted for 55% of income taxes paid in CY22 by this group of 16 MSOs. As we show here, payments relative to profits vary, and so does the reliance on ST tax debt as a funding source.

- Due to 280E, income taxes are calculated on reported gross profits. Based on statutory rates (not factoring deferred tax matters), this ratio should be in the low to mid 20s for most companies (of gross profits). But, actually, the ratio for the MSO group was in a wide range in CY22 (see appendix): Acreage and Ascend in the low/mid 30s; in the low/mid 20s we see Columbia Care, Curaleaf, Green Thumb, MariMed, and Trulieve; In the mid/high-teens were Planet 13, Schwazze, and Verano; TerrAscend, Cresco, and Jushi are in the 10-12% range; 4Front is at 5% (Tilt is at 1% but this makes sense as their hardware accessories business is not subject to 280E).
- Perhaps, the above ratios (income tax paid to gross profits) vary across MSOs due to accounting issues or deferred tax issues. On the other hand, it may be because some of these companies are not paying their taxes (using it as a source of low-cost funding). The ST income tax liabilities as % of gross profits ratio for CY22 (Dec 31) was highest at 4Front (89%) and Verano (60%). Several MSOs were in the 20s (Acreage, Ascend, AYR, Cresco, Curaleaf, Jushi, and TerrAscend). The rest were in the single digits (1% for Green Thumb, 3% for Tilt).
- We think the income tax paid (or ST tax debt) to sales ratio may be less relevant given various levels of gross margins across MSOs: In CY22, only three MSOs had gross margins of 50% or higher (Green Thumb, Schwazze, Trulieve); several were in the 40s (from low to high: AYR, TerrAscend, Acreage, Curaleaf, Planet 13, Cresco, MariMed, Verano). Below 40% were Ascend (33%), Columbia Care (39%), 4Front (35%), Jushi (34%), and Tilt (22%).
- In terms of the reliance on "280E funding", we see ST tax liabilities can be as big as total financial net debt for some companies (0.8x at Verano; 0.6x at MariMed and Trulieve; and 0.5x at 4Front) taking CY22 financials. That said, financial net debt to sales is rather low at MariMed and Trulieve (0.1x), but higher at Verano (0.4x) and 4Front (0.6x).
- Although fodder for a separate report, while the entire industry would benefit from the removal of 280E, those companies with weaker economics would benefit even more (those with stretched balance sheets; lackluster operating cash flow generation before taxes, high SGA relative to gross margins).


Stocks mentioned in this report,

Name	Ticker	Rating
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
Green Thumb Industries	GTBIF	Not rated
Jushi Holdings	JUSHF	Not rated
MariMed Inc	MRMD	Not rated
Planet 13 Holdings	PLNHF	Not rated
Schwazze	SHWZ	Not rated
TerrAscend Corp.	TSNDF	Not rated
TILT Holdings, Inc.	TLLTF	Not rated
Trulieve Cannabis	TCNNF	Not rated
Verano Holdings	VRNOF	Not rated

Links to our recent publications

[Roadmap to Dec 2024](#) (7/18)

[MSOs State Level Trends in 2Q23](#) (7/21)

[A Close Look at Canadian LP Dynamics](#) (7/25)



Appendix I: Company Data

Exhibit 1: Corporate Income Tax Payments

	CY20	1Q21	2Q21	3Q21	4Q21	CY21	1Q22	2Q22	3Q22	4Q22	CY22	1Q23
INCOME TAXES PAID (\$Mn)												
Acreage	3.0	1.6	0.5	0.3	2.2	16.4	2.4	4.4	0.4	10.0	32.5	7.6
Ascend	2.4	5.6	3.7	2.1	16.7	28.1	0.7	12.2	2.7	33.4	48.9	0.0
AYR	5.6	21.9	7.9	8.2	3.3	41.3	23.5	7.2	-1.4	1.7	30.9	0.9
Columbia Care	7.7	0.1	4.2	6.1	12.2	22.6	0.1	43.7	7.7	0.0	51.4	0.7
Cresco	13.5	0.8	58.4	10.8	3.9	74.0	6.9	30.5	2.6	6.8	46.8	32.2
Curaleaf	21.5	-0.2	82.8	1.0	8.2	91.8	2.0	107.6	11.1	35.2	156.0	1.4
4Front	0.0	0.2	0.0	0.0	0.0	0.2	1.1	1.0	0.0	0.0	2.1	0.7
Green Thumb	72.6	15.1	60.3	34.2	38.4	148.1	0.1	64.7	30.5	22.9	118.2	0.2
Jushi	1.3	0.7	5.0	0.4	1.0	7.1	3.9	4.7	2.7	0.5	11.7	0.3
Marimed	1.2	0.0	0.4	0.0	0.2	0.6	0.1	11.8	0.7	2.0	14.6	5.3
Planet13	13.0	0.0	0.0	11.6	1.4	13.0	0.0	0.0	7.9	0.0	7.9	3.0
Schwazze	0.0	0.0	0.0	0.0	2.1	2.1	0.0	6.8	3.0	2.5	12.3	0.0
TerrAscend	11.2	4.5	11.9	20.7	0.0	37.1	0.0	9.2	0.0	0.7	9.9	-0.6
Tilt	0.0	0.0	0.8	0.4	0.0	1.2	0.0	0.1	0.2	0.2	0.4	0.0
Trulieve	105.2	0.0	80.0	40.4	58.3	178.7	0.0	104.2	57.5	-15.0	146.7	0.0
Verano	10.2	0.0	16.3	0.1	11.6	28.0	0.0	37.3	18.6	14.8	70.7	36.4

Source: Company reports



Exhibit 2: Income Tax Payments as % of Gross Profits

	CY20	1Q21	2Q21	3Q21	4Q21	CY21	1Q22	2Q22	3Q22	4Q22	CY22	1Q23
INCOME TAXES PAID / GROSS PROFITS												
Acreage	6%	8%	2%	1%	8%	17%	8%	14%	2%	49%	32%	29%
Ascend	4%	19%	11%	5%	54%	21%	3%	37%	7%	81%	36%	0%
AYR	6%	89%	35%	21%	6%	30%	58%	18%	-3%	3%	16%	2%
Columbia Care	12%	0%	8%	8%	36%	12%	0%	86%	15%	0%	26%	2%
Cresco	7%	1%	58%	10%	4%	18%	6%	27%	3%	8%	11%	38%
Curaleaf	7%	0%	53%	1%	6%	16%	1%	61%	7%	46%	27%	1%
4Front	0%	2%	0%	0%	19%	0%	8%	8%	0%	3%	5%	7%
Green Thumb	24%	14%	49%	26%	30%	30%	0%	51%	23%	18%	23%	0%
Jushi	3%	4%	22%	2%	5%	8%	20%	18%	10%	2%	12%	1%
Marimed	4%	0%	2%	0%	1%	1%	0%	79%	4%	13%	23%	34%
Planet13	38%	0%	0%	66%	8%	20%	0%	0%	75%	0%	17%	27%
Schwazze	0%	0%	0%	0%	17%	4%	0%	27%	12%	11%	15%	0%
TerrAscend	14%	13%	34%	96%	0%	33%	0%	40%	0%	2%	10%	-2%
Tilt	0%	0%	6%	3%	0%	2%	0%	1%	2%	3%	1%	0%
Trulieve	27%	0%	55%	26%	44%	32%	0%	58%	34%	-10%	22%	0%
Verano	8%	0%	16%	0%	27%	8%	0%	38%	15%	14%	17%	33%

Source: Company reports, and Z&A estimates



Exhibit 3: Sales (\$Mn)

	CY20	1Q21	2Q21	3Q21	4Q21	CY21	1Q22	2Q22	3Q22	4Q22	CY22	1Q23
SALES (\$Mn)												
Acreage	114.5	38.4	44.2	48.2	58.1	188.9	56.9	61.4	61.4	57.5	237.1	56.0
Ascend	143.7	66.1	83.4	94.4	88.5	332.4	85.1	97.5	111.2	112.1	405.9	114.2
AYR	155.1	58.4	91.3	96.2	111.8	357.6	99.5	110.1	119.6	136.3	465.6	117.7
Columbia Care	179.5	86.1	102.4	132.3	139.3	460.1	123.1	129.6	132.7	126.2	511.6	124.5
Cresco	476.3	178.4	210.0	215.5	217.8	821.7	214.4	218.2	210.5	199.6	842.7	194.2
Curaleaf	626.6	260.3	312.2	317.1	306.3	1,196.0	296.1	337.6	339.7	363.0	1,336.3	336.5
4Front	57.6	23.0	27.1	25.9	28.5	104.6	26.0	28.4	32.5	31.6	118.6	30.4
Green Thumb	556.6	194.4	221.9	233.7	243.6	893.6	242.6	254.3	261.2	259.3	1,017.4	248.5
Jushi	80.8	41.7	47.7	54.0	65.9	209.3	61.9	72.8	72.8	76.8	284.3	69.9
Marimed	50.9	24.6	32.6	33.2	31.0	121.5	31.3	33.0	33.9	35.8	134.0	34.4
Planet13	70.5	23.8	32.8	33.0	29.9	119.5	25.7	28.4	25.6	24.8	104.6	24.9
Schwazze	24.0	19.3	30.7	31.8	26.5	108.4	31.8	44.3	43.2	40.1	159.4	40.0
TerrAscend	148.0	53.4	58.7	49.1	33.0	194.2	48.6	64.8	67.0	67.4	247.8	69.4
Tilt	158.4	46.8	48.5	53.4	54.1	202.7	42.4	47.1	40.5	44.3	174.2	42.3
Trulieve	521.5	193.8	215.6	224.1	304.9	938.4	317.7	318.5	300.8	302.8	1,239.8	289.1
Verano	228.5	120.9	198.7	206.8	211.4	737.9	202.2	223.7	227.6	225.9	879.4	227.1

Source: Company reports, and Z&A estimates



Exhibit 4: Gross Margins

	CY20	1Q21	2Q21	3Q21	4Q21	CY21	1Q22	2Q22	3Q22	4Q22	CY22	1Q23
GROSS MARGIN %												
Acreage	43%	54%	54%	49%	47%	51%	52%	50%	35%	35%	43%	48%
Ascend	42%	45%	41%	43%	35%	41%	28%	34%	33%	37%	33%	31%
AYR	57%	42%	24%	42%	46%	39%	41%	37%	41%	44%	41%	41%
Columbia Care	35%	39%	53%	55%	25%	42%	46%	39%	39%	33%	39%	38%
Cresco	43%	49%	48%	50%	51%	49%	50%	52%	47%	44%	48%	44%
Curaleaf	50%	49%	50%	46%	46%	48%	54%	52%	49%	21%	43%	48%
4Front	63%	60%	60%	60%	-1%	47%	52%	43%	46%	1%	35%	36%
Green Thumb	55%	57%	55%	55%	53%	55%	51%	49%	50%	48%	50%	50%
Jushi	47%	45%	48%	43%	28%	40%	31%	37%	38%	29%	34%	43%
Marimed	62%	54%	60%	55%	50%	55%	54%	45%	48%	44%	48%	45%
Planet13	49%	54%	57%	53%	57%	55%	50%	49%	41%	43%	46%	44%
Schwazze	28%	38%	48%	47%	46%	46%	34%	57%	60%	57%	53%	58%
TerrAscend	55%	65%	59%	44%	64%	58%	32%	35%	36%	57%	41%	49%
Tilt	37%	32%	27%	24%	18%	25%	22%	23%	24%	19%	22%	21%
Trulieve	74%	70%	67%	69%	43%	60%	57%	57%	56%	51%	55%	52%
Verano	59%	45%	50%	64%	20%	45%	49%	44%	54%	45%	48%	48%

Source: Company reports, and Z&A estimates

Exhibit 5: ST Income Tax Debt

	CY20	1Q21	2Q21	3Q21	4Q21	CY21	1Q22	2Q22	3Q22	4Q22	CY22	1Q23
SHORT TERM INCOME TAX PAYABLE (\$Mn)												
Acreage	14.8	18.9	21.2	27.4	24.6	24.6	30.6	21.3	29.2	24.2	24.2	29.7
Ascend	18.3	22.5	22.5	42.1	36.2	36.2	43.8	44.1	54.1	34.7	34.7	46.8
AYR	21.4	10.2	14.0	21.4	28.9	28.9	17.2	20.8	32.8	46.0	46.0	56.9
Columbia Care	0.0	0.0	0.0	30.0	26.5	26.5	31.7	0.0	5.9	34.0	34.0	42.6
Cresco	36.1	55.2	18.9	32.4	46.9	46.9	64.2	59.0	82.3	94.8	94.8	64.2
Curaleaf	79.6	110.1	63.4	130.1	139.2	139.2	182.9	137.2	167.3	149.6	149.6	202.3
4Front	11.5	13.3	16.7	21.5	24.0	24.0	27.6	29.7	32.8	36.6	36.6	39.2
Green Thumb	16.1	30.2	0.5	16.5	1.5	1.5	32.8	6.5	9.0	4.4	4.4	30.6
Jushi	1.3	1.3	0.1	0.0	6.6	6.6	51.0	9.9	15.8	19.9	19.9	29.4
Marimed	0.0	0.0	0.0	0.0	16.5	16.5	20.1	10.0	11.7	11.5	11.5	8.7
Planet13	1.2	3.7	0.0	0.0	1.1	1.1	3.9	0.1	0.1	2.8	2.8	2.1
Schwazze	0.0	0.0	0.0	1.0	2.0	2.0	3.3	0.9	3.6	7.3	7.3	12.6
TerrAscend	27.7	32.5	25.7	10.9	9.6	9.6	28.8	13.2	23.1	23.1	23.1	34.7
Tilt	0.1	0.1	0.0	0.0	0.0	0.0	0.1	1.1	0.6	1.0	1.0	1.5
Trulieve	5.9	42.4	0.0	0.0	27.6	27.6	77.7	23.9	4.7	49.0	49.0	35.7
Verano	46.9	71.6	57.8	130.2	154.5	154.5	203.9	161.4	222.3	252.8	252.8	247.7

Source: Company reports, and Z&A estimates



Exhibit 6: ST Income Tax Debt as % of Gross Profits

	CY20	1Q21	2Q21	3Q21	4Q21	CY21	1Q22	2Q22	3Q22	4Q22	CY22	1Q23
ST TAX LIABILITIES / AS OF ANNUALIZED GROSS PROFITS												
Acreage	30%	23%	22%	29%	22%	26%	26%	17%	34%	30%	24%	28%
Ascend	30%	19%	16%	26%	29%	27%	47%	33%	37%	21%	26%	33%
AYR	24%	10%	16%	13%	14%	21%	11%	13%	17%	19%	24%	29%
Columbia Care	0%	0%	0%	10%	19%	14%	14%	0%	3%	20%	17%	23%
Cresco	17%	16%	5%	7%	11%	12%	15%	13%	21%	27%	23%	19%
Curaleaf	25%	21%	10%	22%	25%	24%	28%	19%	25%	49%	26%	31%
4Front	32%	24%	26%	34%	-2774%	49%	51%	60%	55%	2738%	89%	89%
Green Thumb	5%	7%	0%	3%	0%	0%	7%	1%	2%	1%	1%	6%
Jushi	3%	2%	0%	0%	9%	8%	67%	9%	14%	23%	21%	25%
Marimed	0%	0%	0%	0%	27%	25%	30%	17%	18%	18%	18%	14%
Planet13	4%	7%	0%	0%	2%	2%	8%	0%	0%	7%	6%	5%
Schwazze	0%	0%	0%	2%	4%	4%	8%	1%	3%	8%	9%	14%
TerrAscend	34%	23%	18%	13%	11%	9%	46%	14%	24%	15%	23%	26%
Tilt	0%	0%	0%	0%	0%	0%	0%	2%	2%	3%	3%	4%
Trulieve	2%	8%	0%	0%	5%	5%	11%	3%	1%	8%	7%	6%
Verano	35%	33%	14%	24%	89%	47%	51%	41%	45%	62%	60%	57%

Source: Company reports, and Z&A estimates

Exhibit 7: ST Income Tax Debt vs. Financial Net Debt

	CY20	1Q21	2Q21	3Q21	4Q21	CY21	1Q22	2Q22	3Q22	4Q22	CY22	1Q23
ST TAX LIABILITIES TO FINANCIAL NET DEBT RATIO												
Acreage	0.12x	0.14x	0.20x	0.24x	0.19x	0.19x	0.21x	0.12x	0.17x	0.13x	0.13x	0.15x
Ascend	0.12x	0.12x	0.47x	0.82x	0.35x	0.35x	0.49x	0.29x	0.25x	0.14x	0.14x	0.19x
AYR	0.55x	5.48x	0.22x	0.17x	0.13x	0.13x	0.05x	0.06x	0.08x	0.13x	0.13x	0.17x
Columbia Care	0.00x	na	na	1.30x	0.34x	0.34x	0.23x	0.00x	0.02x	0.12x	0.12x	0.15x
Cresco	0.26x	2.01x	0.12x	0.14x	0.18x	0.18x	0.20x	0.15x	0.23x	0.26x	0.26x	0.16x
Curaleaf	0.37x	4.42x	14.51x	5.25x	0.87x	0.87x	0.54x	0.34x	0.42x	0.33x	0.33x	0.42x
4Front	0.24x	0.28x	0.38x	0.45x	0.50x	0.50x	0.45x	0.39x	0.41x	0.53x	0.53x	0.50x
Green Thumb	1.06x	na	na	na	0.16x	0.16x	0.47x	0.06x	0.08x	0.04x	0.04x	0.33x
Jushi	na	na	na	0.00x	0.21x	0.21x	0.78x	0.07x	0.09x	0.12x	0.12x	0.17x
Marimed	0.00x	0.00x	0.00x	na	na	na	na	0.65x	0.79x	0.58x	0.58x	0.27x
Planet13	na	na	na	na	na	na	na	na	na	na	na	na
Schwazze	0.00x	0.00x	0.00x	0.03x	na	na	0.05x	0.01x	0.04x	0.08x	0.08x	0.13x
TerrAscend	0.21x	na	0.64x	0.12x	0.10x	0.10x	0.17x	0.07x	0.10x	0.13x	0.13x	0.20x
Tilt	0.00x	0.00x	0.00x	0.00x	0.00x	0.00x	0.00x	0.01x	0.01x	0.02x	0.02x	0.03x
Trulieve	na	na	na	0.00x	0.07x	0.07x	0.17x	0.04x	0.01x	0.63x	0.63x	0.36x
Verano	1.97x	na	na	1.23x	0.81x	0.81x	0.83x	0.52x	0.70x	0.77x	0.77x	0.77x

Note: n/a if in net cash position

Source: Company reports, and Z&A estimates



Appendix II: Valuation Comps

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Exhibit 8: Valuation Comps – Part I

7/27/2023										US\$ Mn			
Company name	Ticker	Listing	Price	Mkt	(mn)	Net	Ent	EV/Sales	EV/EBITDA	1yF Estimates		EBITDA	Net debt
			US\$	Cap	Shares	(Debt)	Value	1yF	1yF	Sales	EBITDA	mgn %	EBITDA
US MSOs													
4Front Ventures Corp.	FFNTF	US OTC	0.13	83	643	-226	309	2.0x	8.4x	153	37	24%	-6.1x
Acreage Holdings, Inc. Class D	ACRDF	US OTC	0.24	8	34	-215	223	0.9x	4.8x	237	47	20%	-4.6x
Ascend Wellness Holdings LLC Class A	AAWH	US OTC	0.60	113	188	-489	602	1.2x	5.1x	513	117	23%	-4.2x
Ayr Wellness, Inc.	AYRWF	US OTC	0.93	56	60	-577	633	1.2x	4.7x	539	134	25%	-4.3x
Columbia Care, Inc.	CCHWF	US OTC	0.42	164	391	-519	683	1.2x	6.3x	552	108	19%	-4.8x
Cresco Labs, Inc.	CRLBF	US OTC	1.57	441	281	-549	990	1.2x	5.9x	829	168	20%	-3.3x
Curaleaf Holdings, Inc.	CURLF	US OTC	3.24	2,020	624	-988	3,008	2.1x	8.4x	1,416	359	25%	-2.8x
Glass House Brands Inc	GLASF	US OTC	3.09	172	56	-59	231	1.4x	12.6x	160	18	11%	-3.2x
GOLD FLORA CORPORATION	GRAMF	US OTC	0.16	17	108	30	-13	-0.2x	0.3x	76	-43	-56%	-0.7x
Goodness Growth Holdings, Inc.	GDNSF	US OTC	0.13	12	87	-124	136	1.4x	7.7x	96	18	18%	-7.0x
Green Thumb Industries Inc.	GTBIF	US OTC	6.65	1,376	207	-358	1,734	1.6x	5.1x	1,111	342	31%	-1.0x
Grown Rogue International Inc.	GRUSF	US OTC	0.18	30	171	-3	33	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
Jushi Holdings Inc Class B	JUSHF	US OTC	0.42	83	197	-295	378	1.2x	7.0x	317	54	17%	-5.5x
Lowell Farms Inc	LOWLF	US OTC	0.04	4	122	-55	59	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
MariMed Inc	MRMD	US OTC	0.38	128	341	-26	154	0.9x	3.6x	164	43	26%	-0.6x
Planet 13 Holdings, Inc.	PLNHF	US OTC	0.55	121	220	25	96	0.9x	12.2x	112	8	7%	3.2x
Red White & Bloom Brands, Inc.	RWBYF	US OTC	0.04	21	470	-142	162	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
Schwazze	SHWZ	US OTC	0.92	51	55	-114	165	0.8x	2.2x	214	74	35%	-1.5x
StateHouse Holdings Inc	STHZF	US OTC	0.03	9	252	-140	149	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
TerrAscend Corp.	TSNDF	US OTC	1.36	353	260	-216	570	1.7x	8.0x	333	71	21%	-3.0x
TILT Holdings, Inc.	TLLTF	US OTC	0.03	13	390	-102	115	0.6x	20.2x	192	6	3%	-18.0x
Trulieve Cannabis Corp.	TCNNF	US OTC	3.95	631	160	-269	900	0.8x	2.8x	1,175	326	28%	-0.8x
Verano Holdings Corp. Class A	VRNOF	US OTC	2.60	849	327	-414	1,263	1.3x	3.9x	1,009	327	32%	-1.3x
Vext Science, Inc.	VEXTF	US OTC	0.21	17	82	-30	47	0.8x	2.3x	56	20	36%	-1.5x

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

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Exhibit 9: Valuation Comps – Part II

7/27/2023										US\$ Mn			
Company name	Ticker	Listing	Price US\$	Mkt Cap	(mn) Shares	Net (Debt)	Ent Value	EV/Sales 1yF	EV/EBITDA 1yF	<u>1yF Estimates</u> SalesEBITDA		EBITDA mgn %	Net debt EBITDA
Canada													
Aleafia Health, Inc.	ALEAF	US OTC	0.02	6	403	-34	40	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
Aurora Cannabis Inc.	ACB	NASDAQ	0.49	170	345	54	116	0.6x	9.6x	196	12	6%	4.5x
Auxly Cannabis Group Inc.	CBWTF	US OTC	0.01	13	906	-132	145	1.3x	65.0x	115	2	2%	-59.1x
Avant Brands Inc	AVTBF	US OTC	0.15	30	206	3	27	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
BZAM Ltd	BZAMF	US OTC	0.14	22	157	0	22	0.2x	27.2x	111	1	1%	0.0x
Canopy Growth Corporation	CGC	NASDAQ	0.41	212	517	-459	672	2.2x	-4.8x	309	-140	-45%	3.3x
Cronos Group Inc	CRON	NASDAQ	1.78	677	381	874	-196	-1.9x	4.5x	105	-44	-42%	-20.0x
Decibel Cannabis Company Inc	DBCCF	US OTC	0.10	40	405	-34	73	0.6x	2.2x	125	34	27%	-1.0x
Entourage Health Corp	ETRGF	US OTC	0.01	4	307	-91	95	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
High Tide, Inc.	HITI	NASDAQ	1.19	85	71	-33	117	0.2x	3.6x	526	33	6%	-1.0x
Nova Cannabis Inc	NVACF	US OTC	0.43	25	57	-40	65	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
OrganiGram Holdings Inc	OGI	NASDAQ	1.36	107	78	73	34	0.3x	3.8x	123	9	7%	8.1x
Rubicon Organics, Inc.	ROMJF	US OTC	0.36	20	56	-1	21	0.4x	2.3x	50	9	19%	-0.2x
SNDL Inc.	SNDL	NASDAQ	1.47	346	235	116	229	0.3x	9.7x	747	24	3%	4.9x
Tilray Brands, Inc.	TLRY	NASDAQ	2.14	1,405	657	-142	1,547	2.1x	20.4x	728	76	10%	-1.9x
Village Farms International, Inc.	VFF	NASDAQ	0.59	64	110	-49	113	0.4x	28.3x	283	4	1%	-12.2x

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

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Exhibit 10: Valuation Comps – Part III

7/27/2023										US\$ Mn			
Company name	Ticker	Listing	Price US\$	Mkt Cap	(mn) Shares	Net (Debt)	Ent Value	EV/Sales 1yF	EV/EBITDA 1yF	1yF Estimates		EBITDA mgn %	Net debt EBITDA
Service Providers													
AFC Gamma, Inc.	AFCG	NASDAQ	14.17	289	20	-17	305	4.2x	5.6x	73	54	75%	-0.3x
Agrify Corp.	AGFY	NASDAQ	2.98	0	0	54	-53	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
C21 Investments Inc	CXXIF	US OTC	0.28	34	120	0	34	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
Chicago Atlantic Real Estate Finance, Ir	REFI	NASDAQ	15.15	269	18	-52	321	5.1x	#N/A	63	#N/A	#N/A	#N/A
GrowGeneration Corp.	GRWG	NASDAQ	3.56	217	61	23	194	0.7x	88.0x	273	2	1%	10.5x
Hydrofarm Holdings Group, Inc.	HYFM	NASDAQ	1.07	48	45	-165	213	0.7x	25.3x	295	8	3%	-19.6x
Innovative Industrial Properties Inc	IIPR	NYSE	74.92	2,096	28	-14	2,110	7.1x	8.6x	297	244	82%	-0.1x
Leafly Holdings, Inc.	LFLY	NASDAQ	0.34	15	43	-4	18	0.4x	-3.2x	48	-6	-12%	0.6x
NewLake Capital Partners, Inc.	NLCP	US OTC	12.70	272	21	42	230	4.8x	#N/A	48	#N/A	#N/A	#N/A
Power REIT	PW	IYSE America	1.69	6	3	-34	40	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
RiverNorth Opportunities Fund, Inc.	RIV	NYSE	11.39	210	18	18	192	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
Scotts Miracle-Gro Company Class A	SMG	NYSE	69.11	3,836	56	-3,183	7,019	1.9x	12.0x	3,719	583	16%	-5.5x
Silver Spike Investment Corp.	SSIC	NASDAQ	8.00	50	6	85	-35	-2.4x	#N/A	15	#N/A	#N/A	#N/A
SpringBig Holdings, Inc.	SBIG	NASDAQ	0.29	8	27	-6	13	0.4x	9.2x	36	1	4%	-3.9x
urban-gro Inc	UGRO	NASDAQ	1.30	14	11	6	8	0.1x	-17.9x	118	0	0%	-11.7x
WM Technology, Inc. Class A	MAPS	NASDAQ	0.99	91	92	-11	101	0.5x	4.6x	201	22	11%	-0.5x
CBD, Pharma, International													
Cardiol Therapeutics Inc. Class A	CRDL	NASDAQ	1.05	67	64	44	23	#DIV/0!	-1.3x	0	-19	#DIV/0!	-2.4x
cbdMD, Inc.	YCBD	IYSE America	1.35	2	1	3	-1	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
Charlotte's Web Holdings, Inc.	CWBHF	US OTC	0.30	46	152	9	37	0.4x	-3.8x	83	-10	-12%	-0.9x
Clever Leaves Holdings, Inc.	CLVR	NASDAQ	0.21	9	44	9	0	0.0x	0.0x	20	-11	-55%	-0.8x
CV Sciences, Inc.	CVSI	US OTC	0.04	7	152	-1	8	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
Hempfusion Wellness, Inc.	CBDHF	US OTC	0.00	0	100	0	0	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
IM Cannabis Corp	IMCC	NASDAQ	0.80	6	8	-7	13	0.3x	41.8x	45	0	1%	-21.9x
InterCure Ltd.	INCR	NASDAQ	1.59	72	46	-2	75	0.5x	3.0x	147	25	17%	-0.1x
Jazz Pharmaceuticals Public Limited Cc	JAZZ	NASDAQ	130.17	8,229	63	-4,936	13,164	3.3x	7.1x	3,932	1,858	47%	-2.7x
Little Green Pharma Ltd.	LGPPF	US OTC	#N/A	#N/A	298	0	#N/A	#N/A	#N/A	39	4	10%	0.0x
PharmaCielo Ltd.	PCLOF	US OTC	0.11	17	155	-9	27	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A

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

Exhibit 11: Stock Performance

Stock Performance				Stock Performance				Stock Performance			
Ticker	Last 30d	Last 90d	Last 12mo	Ticker	Last 30d	Last 90d	Last 12mo	Ticker	Last 30d	Last 90d	Last 12mo
US MSOs				Canada				Service Providers			
FFNTF	-8%	-24%	-80%	ALEAF	-18%	-53%	-72%	AFCG	7%	18%	-11%
ACRDF	5%	-65%	-76%	ACB	-9%	-17%	-63%	AGFY	-23%	-38%	-99%
AAWH	-5%	-35%	-74%	CBWTF	7%	22%	-75%	CXXIF	-3%	7%	8%
AYRWF	8%	23%	-82%	AVTBF	33%	18%	-18%	REFI	-2%	8%	7%
CCHWF	14%	-15%	-77%	BZAMF	-20%	-40%	-76%	GRWG	11%	6%	-21%
CRLBF	-2%	0%	-57%	CGC	-21%	-69%	-83%	HYFM	19%	-28%	-68%
CURLF	6%	23%	-45%	CRON	-4%	-3%	-39%	IIPR	3%	10%	-17%
GLASF	-16%	-5%	36%	DBCCF	-5%	4%	36%	LFLY	41%	-2%	-93%
GRAMF	1%	-17%	-76%	ETRGF	-19%	-32%	-67%	NLCP	-2%	2%	-22%
GDNSF	-20%	20%	-90%	HITI	-2%	-9%	-15%	PW	10%	-35%	-89%
GTBIF	-12%	-9%	-31%	NVACF	-5%	-17%	-6%	RIV	3%	3%	-18%
GRUSF	13%	21%	338%	OGI	-12%	-35%	-66%	SMG	20%	4%	-16%
JUSHF	-19%	-7%	-78%	ROMJF	-1%	-20%	-40%	SSIC	0%	-1%	-18%
LOWLF	-10%	-30%	-85%	SNDL	14%	0%	-36%	SBIG	-37%	-51%	-84%
MRMD	-4%	-5%	-48%	TLRY	35%	-10%	-37%	UGRO	7%	-32%	-78%
PLNHF	-5%	-26%	-72%	VFF	-9%	-18%	-79%	MAPS	35%	41%	-69%
RWBYF	10%	10%	-67%	CBD, Pharma, International				CBD, Pharma, International			
SHWZ	-10%	-16%	-4%	INCR	-14%	-35%	-73%	CBDHF	na	-98%	-100%
STHZF	-32%	-19%	-91%	JAZZ	4%	-6%	-18%	CRDL	30%	78%	-25%
TSNDF	-18%	-15%	-48%	LGPPF	na	na	na	CLVR	8%	-26%	-77%
TLLTF	-8%	-42%	-83%	PCLOF	-34%	-29%	-67%	CVSI	7%	-7%	35%
TCNNF	0%	-25%	-71%	YCBD	-12%	-68%	-93%	CWBHF	66%	-6%	-53%
VRNOF	-10%	-14%	-61%					IMCC	-13%	20%	-86%
VEXTF	9%	-10%	-39%								

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 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). 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.



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

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