



3/14/2025

Advanced Flower Capital (AFCG)

Company Update: Overweight



Key Highlights:

- Stock down 20% on dividend cut and earnings guidance set below estimates.
- 25% discount to BVPS; >13% div yield.
- New loan deployment and management of underperforming loans has improved the AFCG book's blended quality.
- We see further improvement as the loan book expands (\$380Mn pipeline).

ADE/share \$	FY24a	FY25e	Prev	FY26e	Prev	FY27e
1Q	0.49	0.23	0.39	0.28	0.40	0.31
2Q	0.56	0.23	0.42	0.29	0.42	0.32
3Q	0.35	0.24	0.42	0.30	0.44	0.33
4Q	<u>0.29</u>	<u>0.26</u>	<u>0.42</u>	0.30	<u>0.45</u>	0.33
FY	1.69	0.96	1.65	1.17	1.71	1.29
Div/share \$	FY24a	FY25e	Prev	FY26e	Prev	FY27e
1Q	0.56	0.23	0.33	0.36	0.36	0.36
2Q	0.48	0.23	0.36	0.38	0.38	0.38
3Q	0.48	0.23	0.36	0.38	0.38	0.38
4Q	<u>0.33</u>	<u>0.23</u>	<u>0.36</u>	<u>0.40</u>	<u>0.40</u>	<u>0.40</u>
FY	1.85	0.92	1.41	1.52	1.52	1.52
Share price (US\$)	\$6.76		Rating	Overweight		
Share count (mn)	22.3		Price target	No PT		
Market Cap (US\$Mn)	151		Fiscal Year	Dec		
Ticker	AFCG-US		Div Yield	13.3%		

BVPS \$	FY24a	FY25e	FY26e	FY27e
1Q	15.03	8.99	8.87	8.46
2Q	15.21	8.98	8.76	8.37
3Q	9.42	8.97	8.65	8.29
4Q	9.02	8.97	8.53	8.20
Net Debt/Equity	FY24	FY25e	FY26e	FY27e
1Q	21%	26%	48%	82%
2Q	-15%	32%	56%	91%
3Q	13%	37%	64%	100%
4Q	22%	42%	73%	110%
Performance	AFCG-US	MSOS	S&P500	
30d	-21%	-26%	-9%	
90d	-28%	-27%	-9%	
1 yr	-45%	-64%	7%	

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Company Update

We attach our thoughts post the release of 4Q results, revised guidance, and dividend cut.

Dividend cut. Distributable earnings per share guidance for 1Q25 and 2Q25 was set “at or about” 23c, after 29c in 4Q24 (which was a drop from 35c in 3Q24). AFCG pays 85-100% of distributable earnings in dividends. After the spin-off of the commercial assets (effective July 8th) and following a strong 3Q24, it had declared (on 12/13/24) a 4Q24 dividend of 33c (payable in January). But the “distributable earnings” figure (lumpy by nature quarter to quarter) is not entirely reflective of what we would call a recurring number, as it also includes at times early payments fees as well as interest cash payments from loans in non-accrual status (\$1.7Mn cash interest was collected in 3Q24 from the loan to the subsidiary of private company G). Also, the 3Q numbers had been flattered by temporary lower-than-normal management and incentive fees post the spin-off of the CRE assets. So, despite the loan book expansion, lingering and worsening issues with loan G (see 4Q call transcript for details), and somewhat lower rates on recent additions to the book, have led management to set guidance for distributable earnings lower.

While unfortunate and unexpected, the dividend cut should not mask significant progress made by AFCG in the last year. The company deployed \$135Mn in nine new (good quality) loans during CY24 (this was ahead of the target of \$100Mn), as it collected \$119Mn in paydowns from five underperforming loans (including \$84Mn from the loan to Acreage picked up by Canopy Growth). Loans to Sunburn (FL) and Story (MD) accounted for ~\$90Mn of the capital deployed in CY24. Re book expansion in 2025, so far AFCG has committed \$15Mn to Story of Ohio, has term sheets for other loans, and points to a \$380Mn pipeline (future loans will typically be in \$10-40Mn range). It has \$89Mn available from its credit lines; it may also recover proceeds from underperforming loans (private company A divested its GA assets for \$15Mn; proceeds have not been released yet by the receiver). Of the \$357Mn in principal outstanding at YE24, \$146Mn is in non-accrual status (\$79Mn from loan G; \$55Mn loan(s) A; \$12Mn loan K), with part booked for sale (loans held for investment at fair value were booked at \$30.5Mn). We realize loans under non-accrual may still pay cash interest and that this will be reflected in interest income, but the guidance partly reflects less confidence on these inflows. Unrealized losses on the B/S were \$19.7Mn at YE24 (or 88c/share); if recovered, and counting \$30Mn in CECL reserves, they could both together represent \$2.24 to BVPS (we note the stock closed at \$6.76 on 3/13/25, about \$2.26 off BVPS).

Valuation. The stock fell 20% on Thursday 3/13, following the 4Q print announcement and DPS cut. At \$6.76, the stock trades at a 25% discount to BVPS (vs. REFI 3% premium) and the new dividend (23c) represents a yield of 13.6% (REFI 12.3%). Given the new dividend represents 100% of the distributable earnings guidance for 1Q25 and 2Q25, it carries higher risk than that of MJ finco peers, in our view. We will keep the Overweight stance, in part due to loan book’s growth

potential and improving quality. Further transformation of the book towards top quality operators (and as underperforming loans are clear/solved) should be a key catalyst for the stock. But, in our view, for the stock discount to BVPS to narrow, we think management will need to provide greater disclosure regarding what we would call “recurring” interest income (splitting out any one-time benefits as well as any income from loans in non-accrual status; this is only partly reflected in the 10-Qs and 10-Ks commentary) to better gauge the sustainable distributable earnings run rate.

Table 1: MJ Lenders Valuation Comps

	13-Mar-25 US\$ price	BVPS	Disc Prm	Regular DPS	Dividend Yield	Z&A Spot EV	mn shares	mn deriv	Total Mkt Cap	Gross Debt	Cash	Net Debt to Equity	Equity	Pref Stock & Min Int
AFCG	\$6.76	\$9.02	-25%	\$0.23	13.6%	179	22.3	0.3	153	148.5	122.2	-13%	201	
IIPR	\$68.20	\$68.34	0%	\$1.80	10.6%	2,123	28.3	0.3	1,953	297.9	151.2	-8%	1,936	23.6
LIEN	\$11.40	\$13.49	-16%	\$0.34	11.9%	229	22.8		260	0.0	30.7	10%	308	
NLCP	\$15.20	\$19.34	-21%	\$0.43	11.3%	310	20.5	0.2	315	7.6	20.2	3%	397	7.2
REFI	\$15.31	\$14.83	3%	\$0.47	12.3%	355	20.9	0.4	326	55.0	26.4	-9%	310	

Source: FactSet, company reports, Z&A estimates

Table 2: MJ Lenders Valuation Comps

US\$Mn			3/13/25					Mkt						
Company name	Ticker	Listing	Price US\$	Price to BVPS	Div Yield	(mn) Shares		Cap US\$Mn	Debt to Equity	Net (Debt)	Ent Value	1yF Consensus EV/Rev	EV/EBITDA	
mREITS				0.72x	14.0%									
Arbor Realty Trust Inc	ABR	NYSE	12.06	0.95x	14.3%	189.3		2,282	417%	-9,315	11,598	26.8x		WN/A
Ares Commercial Real Estate Corporati	ACRE	NYSE	4.70	0.47x	21.3%	54.5		256	217%	-1,106	1,362	22.0x		15.8x
Advanced Flower Capital Inc.	AFCG	NASDAQ	6.76	0.72x	24.0%	20.5		138	67%	-8	147	2.7x		WN/A
Apollo Commercial Real Estate Finance,	ARI	NYSE	9.75	0.72x	12.3%	138.2		1,347	341%	-6,073	7,420	28.8x		WN/A
Blackstone Mortgage Trust, Inc. Class A	BXMT	NYSE	20.09	0.92x	10.9%	172.8		3,471	415%	-15,401	18,873	42.3x		15.4x
Claros Mortgage Trust, Inc.	CMTG	NYSE	3.61	0.25x	23.5%	139.4		503	243%	-4,756	5,259	26.1x		27.6x
Granite Point Mortgage Trust Inc.	GPMT	NYSE	2.76	0.22x	10.9%	48.8		135	238%	-1,358	1,493	39.5x		WN/A
KKR Real Estate Finance Trust, Inc.	KREF	NYSE	10.80	0.73x	9.3%	68.7		742	483%	-4,794	5,536	36.3x		13.7x
Ladder Capital Corp. Class A	LADR	NYSE	11.40	0.94x	8.1%	127.1		1,449	205%	-1,830	3,279	11.3x		WN/A
Chicago Atlantic Real Estate Finance, In	REFI	NASDAQ	15.31	1.02x	12.3%	18.2		279	24%	-58	337	5.5x		WN/A
Starwood Property Trust, Inc.	STWD	NYSE	19.55	1.02x	9.8%	337.4		6,596	307%	-19,177	25,774	13.3x		15.5x
TPG RE Finance Trust, Inc.	TRTX	NYSE	8.45	0.61x	11.4%	81.0		684	231%	-2,378	3,063	20.7x		20.4x
Cannabis "Fincos"														
Advanced Flower Capital Inc.	AFCG	NASDAQ	6.76	0.72x	24.0%	20.5		138	67%	-8	147	2.7x		
Innovative Industrial Properties Inc	IIPR	NYSE	68.20	1.01x	11.0%	28.3		1,932	16%	-148	2,080	6.9x		
NewLake Capital Partners, Inc.	NLCP	US OTC	15.20	0.79x	10.3%	20.5		312	2%	12	299	6.2x		
Chicago Atlantic BDC, Inc.	LIEN	NASDAQ	11.40	0.86x	8.8%	6.2		71	0%	33	38	0.9x		
SHF Holdings Inc Class A	SHFS	NASDAQ	0.27	0.38x	NA	54.6		15	43%	-12	26	na		
Chicago Atlantic Real Estate Finance, In	REFI	NASDAQ	15.31	1.02x	12.3%	18.2		279	24%	-58	337	5.5x		

Source: FactSet (may not reflect the latest company disclosure and or news flow)



Appendix I: Company Financials

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Advanced Flower Capital: Company Update

Exhibit 1: Financial Highlights

US\$ 000s	Dec CY22	Dec CY23	Mar 1Q24	Jun 2Q24	Sep 3Q24	Dec 4Q24	Dec CY24	Mar 1Q25e	Jun 2Q25e	Sep 3Q25e	Dec 4Q25e	Dec CY25e	Dec CY26e	Dec CY27e
Net investment income	74,685	64,178	14,758	14,378	8,882	7,637	45,655	8,489	8,742	9,079	9,417	35,726	40,169	44,827
Interest income	81,499	70,535	16,361	15,952	10,455	9,224	51,992	10,049	10,302	10,640	10,977	41,968	46,031	52,822
Interest expense	-6,814	-6,357	-1,603	-1,573	-1,573	-1,587	-6,336	-1,560	-1,560	-1,560	-1,560	-6,242	-5,862	-7,995
guidance								na	na	na	na	na	na	na
consensus								12,709	13,095	13,357	13,999	53,160	62,476	0
Opex														
Expenses	-23,405	-21,566	-6,015	-5,244	-2,475	-3,549	-17,284	-3,576	-3,659	-3,747	-3,836	-14,817	-14,587	-16,574
as % of net inv inc		-34%	-41%	-36%	-28%	-46%	-38%	-42%	-42%	-41%	-41%	-41%	-36%	-37%
Income from ops	51,279	42,612	8,743	9,134	6,407	4,087	28,371	4,913	5,083	5,332	5,581	20,909	25,582	28,253
as % of inv inc		66%	59%	64%	72%	54%	62%	58%	58%	59%	59%	59%	64%	63%
consensus								8,449	8,907	9,163	9,608	36,127	43,749	0
Per share														
EPS	1.80	1.03	0.00	0.80	0.07	-0.05	0.80	0.21	0.21	0.22	0.23	0.88	1.08	1.19
consensus					0.35	0.37	1.72	0.39	0.39	0.40	0.42	1.60	1.73	0.00
Adj Distributable earnings/share	2.51	2.04	0.49	0.56	0.35	0.29	1.68	0.23	0.23	0.24	0.26	0.96	1.17	1.29
DPS	2.23	2.00	0.56	0.48	0.48	0.33	1.85	0.23	0.23	0.23	0.23	0.92	1.52	1.52
as % of ADEPS	89%	98%	115%	86%	137%	114%	110%	102%	99%	94%	90%	96%	130%	118%
DPS consensus								0.36	0.37	0.38	0.38	1.49	1.81	0.00
BS & CF highlights														
Net cash (debt)	-16,759	-8,388	-65,865	46,986	-26,298	-45,002	-45,002	-52,993	-63,354	-73,497	-83,444	-83,444	-138,614	-201,719
cash	140,373	121,626	82,298	170,298	122,164	103,610	103,610	95,619	85,259	75,116	65,168	65,168	30,000	30,000
gross debt	157,132	130,015	148,163	123,312	148,462	148,612	148,612	148,612	148,612	148,612	148,612	148,612	168,614	231,719
Equity	339,059	320,052	310,622	314,284	206,061	201,376	201,376	200,844	200,473	200,337	200,436	200,436	190,547	183,161
NAV per share	16.99	15.73	15.03	15.21	9.42	9.02	9.02	8.99	8.98	8.97	8.97	8.97	8.53	8.20
consensus						9.69	9.72	na	na	na	na	na	na	na

Source: Z&A estimates, company reports

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Advanced Flower Capital: Company Update

Exhibit 2: Adj Earnings and FactSet Consensus

US\$ 000s	Dec CY22	Dec CY23	Mar 1Q24	Jun 2Q24	Sep 3Q24	Dec 4Q24	Dec CY24	Mar 1Q25e	Jun 2Q25e	Sep 3Q25e	Dec 4Q25e	Dec CY25e	Dec CY26e	Dec CY27e
DISTRIBUTABLE EARNINGS														
net income	35,932	20,952	-54	16,446	1,384	-992	16,784	4,605	4,765	5,000	5,236	19,606	24,057	26,560
adjustments to net income:	0	0	0	0	0	0	0	0	0	0	0	0	0	0
stock-based compensation expense	1,338	1,008	543	369	219	260	1,391	255	262	272	283	1,072	1,205	1,345
depreciation and amortization	0	0	0	0	0	0	0	0	0	0	0	0	0	0
unrealized losses, (gains) or other non-cash items	3,593	8,513	3,614	1,420	4,622	152	9,807	0	0	0	0	0	0	0
increase in provision for CECL	11,177	12,133	4,932	-6,190	181	5,311	4,233	170	175	182	188	715	803	897
TRS loss, net of dividends	-2,170	-1,159	931	-624	841	1,563	2,711	0	0	0	0	0	0	0
one-time events pursuant to changes in GAAP and	0	0	0	0	0	0	0	0	0	0	0	0	0	0
distributable earnings	49,871	41,447	9,966	11,421	7,246	6,294	34,926	5,029	5,202	5,454	5,706	21,393	26,066	28,801
per basic share	2.51	2.04	0.49	0.56	0.35	0.29	1.68	0.23	0.23	0.24	0.26	0.96	1.17	1.29

Source: Z&A estimates, company reports

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Advanced Flower Capital: Company Update

Exhibit 3: Income Statement

US\$ 000s														
INCOME STATEMENT	CY22	CY23	1Q24	2Q24	3Q24	4Q24	CY24	1Q25e	2Q25e	3Q25e	4Q25e	CY25e	CY26e	CY27e
Net interest income	74,685	64,178	14,758	14,378	8,882	7,637	45,655	8,489	8,742	9,079	9,417	35,726	40,169	44,827
(+) Interest income	81,499	70,535	16,361	15,952	10,455	9,224	51,992	10,049	10,302	10,640	10,977	41,968	46,031	52,822
(-) Interest expense	-6,814	-6,357	-1,603	-1,573	-1,573	-1,587	-6,336	-1,560	-1,560	-1,560	-1,560	-6,242	-5,862	-7,995
Expenses	-23,405	-21,566	-6,015	-5,244	-2,475	-3,549	-17,284	-3,576	-3,659	-3,747	-3,836	-14,817	-14,587	-16,574
(-) Management and incentive fees	-15,765	-14,064	-3,463	-3,985	-982	-1,932	-10,362	-1,952	-2,017	-2,082	-2,147	-8,196	-9,365	-10,746
(-) General and administrative expenses	-4,700	-5,005	-1,052	-1,032	-857	-1,026	-3,968	-1,030	-1,030	-1,030	-1,030	-4,120	-2,410	-2,690
(-) Stock-based compensation	-1,338	-1,008	-543	-369	-219	-260	-1,391	-255	-262	-272	-283	-1,072	-1,205	-1,345
(-) Organizational expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(-) Professional fees	-1,602	-1,488	-957	142	-417	-332	-1,563	-340	-350	-363	-377	-1,429	-1,607	-1,793
(-) Loss on sale of real estate	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Income from operations	51,279	42,612	8,743	9,134	6,407	4,087	28,371	4,913	5,083	5,332	5,581	20,909	25,582	28,253
(-) provision for current expected credit losses	-11,177	-12,133	-4,932	6,262	-181	-5,311	-4,161	-170	-175	-182	-188	-715	-803	-897
(-) realized (losses) gains on sales of investments, net	450	-1,340	-93	0	0	0	-93	0	0	0	0	0	0	0
(-) gain (loss) on extinguishment of debt	0	1,986	0	0	0	0	0	0	0	0	0	0	0	0
(-) change in unrealized (losses) gains on loans at fair	-3,593	-8,513	-3,614	-1,420	-4,622	-152	-9,807	0	0	0	0	0	0	0
Net income	36,959	22,611	104	13,976	1,604	-1,375	14,310	4,743	4,908	5,150	5,393	20,194	24,779	27,357
(-) income tax expense	-1,026	-1,659	-158	-286	-386	383	-448	-138	-143	-150	-157	-588	-722	-797
(-) non-controlled/non-affiliate investments	0	0	0	2,756	166	0	2,922	0	0	0	0	0	0	0
Net income attributable to common stockholders	35,932	20,952	-54	16,446	1,384	-992	16,784	4,605	4,765	5,000	5,236	19,606	24,057	26,560
Basic EPS	1.81	1.03	0.00	0.81	0.07	-0.05	0.81	0.21	0.21	0.22	0.23	0.88	1.08	1.19
FD EPS	1.80	1.03	0.00	0.80	0.07	-0.05	0.80	0.21	0.21	0.22	0.23	0.88	1.08	1.19
basic share count (Mn)	19.8	20.3	20.4	20.4	20.7	21.8	20.8	22.3	22.3	22.3	22.3	22.3	22.3	22.3
diluted share count (Mn)	20.0	20.3	20.4	20.4	20.8	21.9	20.9	22.3	22.3	22.3	22.3	22.3	22.3	22.3

Source: Z&A estimates, company reports

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Advanced Flower Capital: Company Update

Exhibit 4: Balance Sheet

US\$ 000s														
BALANCE SHEET	CY22	CY23	1Q24	2Q24	3Q24	4Q24	CY24	1Q25e	2Q25e	3Q25e	4Q25e	CY25e	CY26e	CY27e
Loans, net	373,086	338,717	383,522	285,273	242,558	295,249	295,249	300,249	310,249	320,249	330,249	330,249	378,968	434,875
Loans held for investment at fair value, net	99,226	61,721	54,977	34,661	31,372	30,511	30,511	30,511	30,511	30,511	0	0	0	0
gross	100,636	0	0	0	0	0	0	0	0	0	0	0	0	0
disc	-1,410	0	0	0	0	0	0	0	0	0	0	0	0	0
Debt securities available for sale held at fair value	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loans held for investment at carrying value, net	285,177	301,265	357,852	273,580	234,257	293,262	293,262	298,432	308,607	318,789	359,488	359,488	409,010	465,814
Loan receivable held at carrying value, net	2,221	2,040	2,040	2,040	2,040	1,896	1,896	1,896	1,896	1,896	1,896	1,896	1,896	1,896
(-) Current expected credit loss reserve	-13,538	-26,309	-31,347	-25,009	-25,111	-30,420	-30,420	-30,589	-30,764	-30,946	-31,134	-31,134	-31,938	-32,834
Cash and cash equivalents	140,373	121,626	82,298	170,298	122,164	103,610	103,610	95,619	85,259	75,116	65,168	65,168	30,000	30,000
Accounts receivable	0	1,837	5,690	0	0	0	0	0	0	0	0	0	0	0
Interest receivable	5,257	3,716	4,362	1,729	1,474	1,983	1,983	2,204	2,270	2,357	2,445	2,445	2,726	3,027
Prepaid expenses and other assets	461	688	533	692	423	1,215	1,215	1,350	1,391	1,444	1,498	1,498	1,670	1,855
Receivable for loans and securities sold	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Due from affiliate	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL ASSETS	519,177	466,585	476,406	457,992	366,618	402,057	402,057	399,422	399,168	399,166	399,360	399,360	413,364	469,757
Interest reserve	3,201	0	0	0	0	0	0	0	0	0	0	0	0	0
Accrued interest	1,037	894	2,202	889	2,170	895	895	994	1,024	1,064	1,064	1,064	1,186	1,317
Due to affiliate	18	16	20	24	21	7	7	8	8	8	8	8	9	10
Dividends payable	11,404	9,820	9,920	13,020	7,221	7,370	7,370	5,137	5,137	5,137	5,137	5,137	8,933	8,933
Current expected credit loss reserve	754	115	9	157	165	167	167	185	191	198	206	206	229	254
Accrued management and incentive fees	3,892	3,472	3,463	3,985	982	1,932	1,932	1,952	2,017	2,082	2,147	2,147	2,463	2,827
Accrued direct administrative expenses	1,844	1,486	963	884	878	1,198	1,198	1,133	1,133	1,133	1,133	1,133	693	769
Accounts payable and other liabilities	837	715	1,045	1,436	658	501	501	557	574	596	618	618	689	765
Payables for securities purchase	0	0	0	0	0	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Senior notes payable, net	97,132	88,015	88,163	88,312	88,462	88,612	88,612	88,612	88,612	88,612	88,612	88,612	88,612	88,612
Line of credit payable, net	60,000	42,000	60,000	35,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	80,002	143,107
Total liabilities	180,118	146,533	165,785	143,708	160,557	200,681	200,681	198,578	198,695	198,829	198,924	198,924	222,816	286,596
Preferred stock	0	0	1	0	0	0	0	0	0	0	0	0	0	0
Common stock	204	205	207	207	219	223	223	223	223	223	223	223	223	223
Additional paid in capital	348,818	349,806	350,347	350,591	248,194	251,866	251,866	251,866	251,866	251,866	251,866	251,866	251,866	251,866
Accumulated other comprehensive income	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Accumulated deficit	-9,962	-29,958	-39,933	-36,514	-42,352	-50,713	-50,713	-51,245	-51,616	-51,752	-51,653	-51,653	-61,542	-68,928
Total stockholders equity	339,059	320,052	310,622	314,284	206,061	201,376	201,376	200,844	200,473	200,337	200,436	200,436	190,547	183,161
Non controlling interest	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL LIABILITIES AND EQUITY	519,177	466,585	476,407	457,992	366,618	402,057	402,057	399,422	399,168	399,166	399,360	399,360	413,364	469,757
Total net assets	339,059	320,052	310,622	314,284	206,061	201,376	201,376	200,844	200,473	200,337	200,436	200,436	190,547	183,161
NET ASSET VALUE PER SHARE	\$16.99	\$15.73	\$15.22	\$15.38	\$9.91	\$9.18	\$9.64	\$8.99	\$8.98	\$8.97	\$8.97	\$8.97	\$8.53	\$8.20

Source: Z&A estimates, company reports

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Advanced Flower Capital: Company Update

Exhibit 5: Cash Flow

US\$ 000s														
SUMMARY CASH FLOW	CY22	CY23	1Q24	2Q24	3Q24	4Q24	CY24	1Q25e	2Q25e	3Q25e	4Q25e	CY25e	CY26e	CY27e
Net income	35,932	20,952	-54	16,446	1,384	-3,914	13,862	4,605	4,765	5,000	5,236	19,606	24,057	26,560
(+) adjustments	-3,552	4,864	5,906	-8,285	55	7,690	5,366	424	437	454	471	1,786	2,008	2,241
(-) purchase of investments	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(+) decrease in operating A&L	-2,116	-4,587	520	2,158	1,205	-1,554	2,329	-2,460	11	-7	-46	-2,502	3,438	188
Net cash provided in operating activities	30,264	21,229	6,372	10,320	2,644	2,222	21,558	2,569	5,214	5,447	5,660	18,890	29,504	28,989
(-) issuance of and funding on loans	-162,886	-51,757	-84,191	-5,896	40,065	-62,465	-112,487	-5,000	-10,000	-10,000	-10,000	-35,000	-48,719	-55,907
(+) client repayment of loans	120,042	58,964	28,514	24,589	156	5,529	58,788	0	0	0	0	0	0	0
(+) proceeds from sales of loans	10,600	21,313	1,796	94,265	0	0	96,061	0	0	0	0	0	0	0
(+) other	15,900	0	0	0	-47,211	0	-47,211	0	0	0	0	0	0	0
Net cash used in investing activities	-16,344	28,519	-53,881	112,958	-6,990	-56,936	-4,849	-5,000	-10,000	-10,000	-10,000	-35,000	-48,719	-55,907
(-) debt	-15,000	-25,738	18,000	-25,000	25,000	40,000	58,000	0	0	0	0	0	20,002	63,105
(-) dividends	-41,619	-42,532	-9,820	-9,927	-13,021	-7,221	-39,989	-7,370	-5,137	-5,137	-5,137	-22,780	-30,149	-33,946
(+) share issuance	75,058	0	0	0	12,336	3,512	15,848	0	0	0	0	0	0	0
(+) other	-2,290	-225	0	-350	-68,103	-131	-68,584	1,809	-437	-454	-471	447	-5,805	-2,241
(-) stock options/warrants	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net cash provided from financing activities	16,149	-68,495	8,180	-35,277	-43,788	36,160	-34,725	-5,561	-5,574	-5,591	-5,607	-22,333	-15,953	26,918
Increase in cash and cash equivalents	30,069	-18,746	-39,328	88,000	-48,134	-18,553	-18,016	-7,992	-10,360	-10,143	-9,948	-38,442	-35,168	0
Cash at start of year	109,246	140,373	121,626	82,298	170,298	122,164	121,626	103,610	95,619	85,259	75,116	103,610	65,168	30,000
Cash at end of year	140,373	121,626	82,298	170,298	122,164	103,610	103,610	95,619	85,259	75,116	65,168	65,168	30,000	30,000
Net (debt) cash	-16,759	-8,388	-65,865	46,986	-26,298	-45,002	-45,002	-52,993	-63,354	-73,497	-83,444	-83,444	-138,614	-201,719
Cash	140,373	121,626	82,298	170,298	122,164	103,610	103,610	95,619	85,259	75,116	65,168	65,168	30,000	30,000
Debt	157,132	130,015	148,163	123,312	148,462	148,612	148,612	148,612	148,612	148,612	148,612	148,612	168,614	231,719
debt to equity	46%	41%	48%	39%	72%	74%	74%	74%	74%	74%	74%	74%	88%	127%
net debt to equity	5%	3%	21%	-15%	13%	22%	22%	26%	32%	37%	42%	42%	73%	110%

Source: Z&A estimates, company reports.



Appendix II: Valuation Comps

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Advanced Flower Capital: Company Update

Exhibit 6: Valuation Comps for Lenders to the Cannabis Industry (per latest disclosure – may differ from FactSet headline numbers)

		14-Mar-25				
		US\$ price	BVPS	Disc Prm	Regular DPS	Dividend Yield
MJ Finco Stocks						
Advanced Flower Capital	AFCG	\$6.76	\$9.02	-25%	\$0.23	13.6%
Innovative Industrial Properties	IIPR	\$68.20	\$68.34	0%	\$1.80	10.6%
Chicago Atlantic BDC	LIEN	\$11.40	\$13.49	-16%	\$0.34	11.9%
NewLake Capital Partners	NLCP	\$15.20	\$19.34	-21%	\$0.43	11.3%
Chicago Atlantic Real Estate Finance	REFI	\$15.31	\$14.83	3%	\$0.47	12.3%

Z&A Spot EV	mn shares	mn deriv	Total Mkt Cap	Gross Debt	Cash	Net Debt to Equity	Equity	Pref Stock & Min Int
179	22.3	0.3	153	148.5	122.2	-13%	201	
2,123	28.3	0.3	1,953	297.9	151.2	-8%	1,936	23.6
229	22.8		260	0.0	30.7	10%	308	
310	20.5	0.2	315	7.6	20.2	3%	397	7.2
355	20.9	0.4	326	55.0	26.4	-9%	310	

Source: Z&A estimates

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Advanced Flower Capital: Company Update

Exhibit 7: mREITs

US\$m			3/13/25				Mkt				1yF Consensus		Stock Performance		
Company name	Ticker	Listing	Price US\$	Price to BVPS	Div Yield	(mn) Shares	US\$m	Debt to Equity	Net (Debt)	Ent Value	EV/Rev	EV/EBITDA	Last 30d	Last 90d	Last 12mo
mREITS				0.72x	14.0%								-4%	-13%	-17%
Arbor Realty Trust Inc	ABR	NYSE	12.06	0.95x	14.3%	189.3	2,282	417%	-9,315	11,598	26.8x	N/A	-12%	-15%	-7%
Ares Commercial Real Estate Corporatic	ACRE	NYSE	4.70	0.47x	21.3%	54.5	256	217%	-1,106	1,362	22.0x	15.8x	-21%	-34%	-39%
Advanced Flower Capital Inc.	AFCG	NASDAQ	6.76	0.72x	24.0%	20.5	138	67%	-8	147	2.7x	N/A	-21%	-28%	-45%
Apollo Commercial Real Estate Finance	ARI	NYSE	9.75	0.72x	12.3%	138.2	1,347	341%	-6,073	7,420	28.8x	N/A	7%	5%	-11%
Blackstone Mortgage Trust, Inc. Class A	BXMT	NYSE	20.09	0.92x	10.9%	172.8	3,471	415%	-15,401	18,873	42.3x	15.4x	8%	4%	0%
Claros Mortgage Trust, Inc.	CMTG	NYSE	3.61	0.25x	23.5%	139.4	503	243%	-4,756	5,259	26.1x	27.6x	12%	-44%	-63%
Granite Point Mortgage Trust Inc.	GPMT	NYSE	2.76	0.22x	10.9%	48.8	135	238%	-1,358	1,493	39.5x	N/A	-9%	-19%	-42%
KKR Real Estate Finance Trust, Inc.	KREF	NYSE	10.80	0.73x	9.3%	68.7	742	483%	-4,794	5,536	36.3x	13.7x	-1%	-6%	6%
Ladder Capital Corp. Class A	LADR	NYSE	11.40	0.94x	8.1%	127.1	1,449	205%	-1,830	3,279	11.3x	N/A	-3%	-5%	3%
Chicago Atlantic Real Estate Finance, Inc.	REFI	NASDAQ	15.31	1.02x	12.3%	18.2	279	24%	-58	337	5.5x	N/A	-3%	-5%	-5%
Starwood Property Trust, Inc.	STWD	NYSE	19.55	1.02x	9.8%	337.4	6,596	307%	-19,177	25,774	13.3x	15.5x	0%	-3%	-4%
TPG RE Finance Trust, Inc.	TRTX	NYSE	8.45	0.61x	11.4%	81.0	684	231%	-2,378	3,063	20.7x	20.4x	-2%	-6%	11%

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

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Advanced Flower Capital: Company Update

Exhibit 8: Industrial REITs

US\$Mn			3/13/25				Mkt				1yF Consensus		Stock Performance		
Company name	Ticker	Listing	Price US\$	Price to BVPS	Div Yield	(mn) Shares	US\$Mn Cap	Debt to Equity	Net (Debt)	Ent Value	EV/Rev	EV/EBITDA	Last 30d	Last 90d	Last 12mo
Industrial REITS				1.55x	5.0%								-3%	-7%	-12%
Americold Realty Trust, Inc.	COLD	NYSE	20.75	1.80x	4.2%	284.3	5,898	112%	-3,633	9,531	3.4x	14.4x	-4%	-8%	-20%
EastGroup Properties, Inc.	EGP	NYSE	176.58	2.78x	3.0%	51.8	9,151	48%	-1,550	10,702	14.7x	20.8x	0%	4%	-2%
First Industrial Realty Trust, Inc.	FR	NYSE	54.30	2.70x	2.7%	132.3	7,187	84%	-2,184	9,371	12.9x	19.1x	-1%	4%	2%
Innovative Industrial Properties Inc	IIPR	NYSE	68.20	1.01x	11.0%	28.3	1,932	16%	-148	2,080	6.9x	9.0x	-8%	-34%	-31%
Industrial Logistics Properties Trust	ILPT	NASDAQ	3.39	0.40x	1.2%	66.1	224	769%	-4,077	4,302	9.4x	N/A	-13%	-7%	-14%
LXP Industrial Trust	LXP	NYSE	8.91	1.25x	5.9%	294.5	2,624	76%	-1,485	4,109	12.2x	15.1x	8%	-2%	-2%
NewLake Capital Partners, Inc.	NLCP	US OTC	15.20	0.79x	11.2%	20.5	312	2%	12	299	6.2x	N/A	-7%	-23%	-8%
Prologis, Inc.	PLD	NYSE	110.36	1.90x	3.5%	926.3	102,225	62%	-31,955	134,179	16.2x	20.7x	-8%	-1%	-18%
Plymouth Industrial REIT, Inc.	PLYM	NYSE	16.78	1.31x	5.7%	45.4	762	113%	-612	1,374	6.6x	10.0x	2%	-10%	-23%
Rexford Industrial Realty, Inc.	REXR	NYSE	38.79	1.07x	4.3%	225.3	8,739	43%	-3,449	12,188	11.8x	16.6x	-4%	-4%	-27%
STAG Industrial, Inc.	STAG	NYSE	34.97	1.89x	4.2%	186.5	6,523	90%	-3,060	9,583	11.4x	15.5x	1%	-2%	-8%
Terreno Realty Corporation	TRNO	NYSE	65.12	1.76x	2.9%	99.2	6,462	26%	-922	7,384	16.0x	24.1x	-3%	4%	1%

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

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Advanced Flower Capital: Company Update

Exhibit 9: BDCs

US\$Mn			3/13/25				Mkt				1yF Consensus		Stock Performance		
Company name	Ticker	Listing	Price US\$	Price to BVPS	Div Yield	(mn) Shares	US\$Mn Cap	Debt to Equity	Net (Debt)	Ent Value	EV/Rev	EV/EBITDA	Last 30d	Last 90d	Last 12mo
BDCs				0.90x	12.6%			124%					-3%	-3%	-3%
Gladstone Investment Corporation	GAIN	NASDAQ	13.08	0.98x	7.3%	36.7	480	82%	-395	875	8.8x		-3%	-4%	-7%
Great Elm Capital Corp	GECC	NASDAQ	10.83	0.60x	12.9%	7.6	82	139%	-181	264	5.6x		2%	4%	2%
Gladstone Capital Corporation	GLAD	NASDAQ	26.43	1.23x	7.5%	22.2	588	68%	-322	910	9.5x		-8%	-4%	26%
Horizon Technology Finance Corporati	HRZN	NASDAQ	9.08	1.08x	14.5%	39.9	362	139%	-367	729	7.2x		-4%	-3%	-22%
Chicago Atlantic BDC, Inc.	LIEN	NASDAQ	11.40	0.86x	9.6%	6.2	71	0%	33	38	0.9x		-3%	-11%	16%
Logan Ridge Finance Corporation	LRFC	NASDAQ	24.67	0.76x	5.4%	2.7	66	117%	-79	145	7.2x		-1%	-2%	10%
Monroe Capital Corp.	MRCC	NASDAQ	8.06	0.91x	12.4%	21.7	175	152%	-283	458	8.4x		-6%	-6%	8%
OFS Capital Corp.	OFS	NASDAQ	9.01	0.70x	15.1%	13.4	121	143%	-241	361	8.8x		11%	5%	-13%
Oxford Square Capital Corp.	OXSQ	NASDAQ	2.67	1.16x	15.7%	69.8	186	77%	-89	275	N/A		-4%	1%	-16%
PennantPark Investment Corporation	PNNT	NYSE	6.92	0.91x	13.2%	65.3	452	156%	-722	1,174	8.8x		-4%	0%	1%
Portman Ridge Finance Corporation	PTMN	NASDAQ	16.44	0.81x	16.8%	9.4	154	169%	-251	405	6.3x		-5%	-2%	-13%
Saratoga Investment Corp.	SAR	NYSE	23.35	0.87x	12.6%	13.7	319	218%	-763	1,082	8.2x		-7%	-3%	1%
Stellus Capital Investment Corp.	SCM	NYSE	13.76	1.02x	11.6%	27.5	378	160%	-573	951	8.7x		-6%	-1%	6%
TriplePoint Venture Growth BDC Corp.	TPVG	NYSE	7.38	0.86x	19.0%	40.1	296	115%	-320	616	5.9x		-5%	-8%	-25%
WhiteHorse Finance, Inc.	WHF	NASDAQ	9.73	0.79x	15.8%	23.2	226	124%	-326	552	6.9x		-7%	-8%	-23%

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

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Advanced Flower Capital: Company Update

Exhibit 10: US MSO Valuation Multiples

US\$Mn 14-Mar-25	Z&A Spot EV / Sales			Z&A Spot EV / EBITDA			NET DEBT RATIOS				BROADER DEFINITION OF NET DEBT			
							Net Debt/Sales		Net Debt/EBITDA		BDND/Sales		BDND/EBITDA	
	Current	CY25e	CY26e	Current	CY25e	CY26e	Current	CY25	Current	CY25	Current	CY25	Current	CY25
US MSOs	1.3x	1.0x	0.9x	6.1x	5.1x	3.9x								
Ascend Wellness	1.0x	1.0x	1.0x	5.8x	4.9x	4.5x	-0.4x	-0.4x	-2.4x	-2.0x	-0.9x	-0.9x	-5.1x	-4.3x
Ayr Wellness	1.2x	1.2x	1.2x	7.1x	5.7x	5.5x	-0.9x	-0.9x	-5.2x	-4.1x	-1.1x	-1.2x	-6.8x	-5.5x
Cannabist Co	0.9x	0.9x	0.8x	6.8x	5.7x	4.7x	-0.6x	-0.6x	-4.5x	-3.8x	-0.8x	-0.8x	-6.4x	-5.4x
Consortium	1.1x	na	na	3.8x	na	na	-0.5x	na	-1.9x	na	-0.9x	na	-3.1x	na
Cresco Labs	1.2x	1.3x	1.2x	4.3x	5.3x	4.8x	-0.5x	-0.5x	-1.8x	-2.2x	-0.8x	-0.8x	-2.7x	-3.4x
Curaleaf	1.5x	1.5x	1.4x	6.6x	6.6x	5.9x	-0.5x	-0.5x	-2.2x	-2.2x	-0.9x	-0.9x	-3.9x	-3.8x
4Front Ventures	1.9x	na	na	7.3x	na	na	-1.0x	na	-3.9x	na	-1.8x	na	-6.7x	na
Glass House	2.1x	2.6x	2.0x	6.6x	13.7x	8.4x	-0.1x	-0.1x	-0.3x	-0.6x	-0.2x	-0.3x	-0.8x	-1.6x
Gold Flora	1.0x	0.8x	0.7x	11.9x	7.7x	4.4x	-0.3x	-0.2x	-3.6x	-2.4x	-0.9x	-0.7x	-11.0x	-7.2x
Goodness Growth	1.6x	1.6x	na	6.7x	6.6x	na	-0.5x	-0.5x	-2.1x	-2.1x	-0.9x	-0.9x	-3.7x	-3.6x
Green Thumb	1.4x	1.4x	1.3x	4.1x	4.6x	4.3x	-0.1x	-0.1x	-0.2x	-0.2x	-0.1x	-0.1x	-0.3x	-0.3x
Grown Rogue	2.7x	na	na	3.6x	na	na	0.2x	na	0.3x	na	0.0x	na	0.1x	na
iAnthus	1.3x	na	na	9.6x	na	na	-1.0x	na	-7.3x	na	-1.0x	na	-7.5x	na
Jushi	1.4x	1.4x	1.3x	11.5x	7.2x	6.2x	-0.6x	-0.6x	-5.2x	-3.3x	-1.2x	-1.2x	-9.8x	-6.1x
MariMed	1.0x	0.9x	0.8x	6.3x	5.8x	4.6x	-0.4x	-0.4x	-2.8x	-2.6x	-0.6x	-0.5x	-3.8x	-3.5x
Planet 13	0.8x	0.7x	0.6x	19.7x	8.3x	4.7x	0.1x	0.1x	3.7x	1.5x	-0.1x	-0.1x	-1.5x	-0.6x
Schwazze	1.1x	1.0x	na	4.7x	3.2x	na	-0.9x	-0.8x	-3.8x	-2.6x	-1.1x	-1.0x	-4.6x	-3.2x
TerrAscend	1.6x	1.5x	1.5x	8.5x	7.4x	6.7x	-0.6x	-0.6x	-3.1x	-2.7x	-1.0x	-1.0x	-5.7x	-4.9x
TILT	1.0x	1.0x	1.0x	-17.9x	88.3x	5.6x	-0.6x	-0.6x	9.9x	-49.0x	-1.0x	-1.0x	17.3x	-85.6x
Trulieve	1.3x	1.3x	1.3x	3.5x	3.9x	3.9x	-0.3x	-0.3x	-0.7x	-0.8x	-0.7x	-0.7x	-1.8x	-2.0x
Verano	1.0x	1.0x	1.0x	3.6x	3.5x	3.3x	-0.4x	-0.4x	-1.3x	-1.3x	-0.8x	-0.8x	-2.6x	-2.6x
Vext	1.7x	1.2x	1.0x	5.3x	3.9x	3.2x	-0.9x	-0.7x	-2.9x	-2.2x	-0.9x	-0.7x	-2.9x	-2.2x

1) Current is based on the latest reported qtr annualized (Sales and EBITDA); 2) We take FactSet consensus estimates for CY25e and CY26e multiples

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

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Advanced Flower Capital: Company Update

Exhibit 11: Stock Performance

14-Mar-25	Stock Performance		
	Last	Last	Last
Ticker	30d	90d	12mo
US MSOs			
Ascend	-18%	-22%	-70%
Ayr	-67%	-61%	-91%
Cannabist	-39%	-26%	-82%
Consortium	-12%	-13%	-65%
Cresco	-26%	-28%	-55%
Curaleaf	-41%	-42%	-76%
4Front	-3%	-19%	-82%
GlassHouse	-12%	-21%	-26%
Gold Flora	-40%	32%	-86%
Vireo Growth	-43%	18%	-3%
Grown Rogue	-12%	-22%	5%
Green Thumb	-14%	-21%	-44%
iAnthus	1%	17%	-64%
Jushi	-27%	1%	-54%
MarlMed	-21%	-22%	-50%
Planet13	-20%	-17%	-42%
Schwazze	809%	-80%	-99%
StateHouse	na	na	-53%
Trulieve	-15%	-10%	-56%
TerrAscend	-35%	-31%	-72%
Vext	5%	0%	-32%
Verano	-49%	-46%	-85%
International			
InterCure	-7%	-2%	4%
PharmaCielo	-11%	-9%	107%

	Stock Performance		
	Last	Last	Last
Ticker	30d	90d	12mo
Canadian LPs			
Aurora	-1%	53%	124%
Avant	-18%	86%	-70%
Auxly	26%	100%	285%
Ayurcann	-28%	-4%	7%
Cannara	5%	77%	19%
Canopy	-47%	-67%	-64%
Cronos	-5%	-5%	-6%
Decibel	-9%	10%	-37%
Entourage	-3%	-56%	-63%
High Tide	-22%	-30%	27%
OGI	-43%	-35%	-49%
Rubicon	24%	41%	28%
SNOL	-20%	-19%	10%
Tilray	-40%	-51%	-65%
VFF	-15%	-16%	-9%
Tech			
LFLY	-20%	-84%	-90%
SBIG	0%	30%	-51%
MAPS	-9%	-13%	39%
Vape parts			
GNLN	-61%	-67%	-91%
ISPR	-13%	-38%	-60%
SMORF	27%	16%	104%
TLTTF	13%	46%	-76%

	Stock Performance		
	Last	Last	Last
Ticker	30d	90d	12mo
MJ Fincos			
AFCG	-21%	-28%	-45%
IIPR	-8%	-34%	-31%
NLCP	-7%	-23%	-8%
SHFS	-38%	-22%	-69%
LIEN	-3%	-11%	16%
REFI	-3%	-5%	-5%
Pix & Shovel			
AGFY	-22%	-54%	178%
GRWG	-36%	-46%	-53%
HYFM	-42%	-49%	-58%
SMG	-10%	-19%	-8%
UGRO	1%	-36%	-61%
CBD			
CVSI	-29%	-2%	4%
CWEB	-17%	-19%	-43%
LFID	2%	-24%	-84%
Index			
S&P 500	-9%	-9%	7%
S&P 477	-3%	-3%	7%
Nasdaq	-11%	-11%	21%
MSOS ETF	-26%	-27%	-64%
YOLO ETF	-19%	-23%	-42%
Simple Group Averages			
Large Canada LP:	-28%	-23%	-10%
Tier 1 MSOs	-29%	-29%	-63%

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

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