



5/23/2024

InterCure (INCR)

Initiation of coverage: Overweight

Key Highlights:

- InterCure is the #1 seller of pharmaceutical cannabis (PHC) outside North America.
- While we do not set price targets, a 5x return is possible on the back of continued demand growth in Israel and Europe in the short and medium term.
- Down the road, INCR could also enter the US market if FDA-approved and controlled pharmaceutical cannabis is federally legalized someday.
- Importantly, in a global industry context, InterCure has strategic value.

NIS Mn				
Sales	FY22	FY23	FY24	FY25
1Q	87 A	106 A	55 E	100 E
2Q	95 A	102 A	66 E	107 E
3Q	101 A	103 A	80 E	120 E
4Q	106 A	43 A	96 E	126 E
FY	389 A	356 A	296 E	452 E
EBITDA	FY22	FY23	FY24	FY25
1Q	20 A	13 A	1 E	11 E
2Q	21 A	12 A	4 E	13 E
3Q	20 A	12 A	7 E	19 E
4Q	17 A	17 A	12 E	22 E
FY	77 A	53 A	25 E	64 E

EPS	FY22	FY23	FY24	FY25
1Q	0.00 A	0.00 A	-0.13 E	0.11 E
2Q	0.00 A	0.11 A	-0.04 E	0.15 E
3Q	0.00 A	0.12 A	0.03 E	0.27 E
4Q	0.00 A	-1.58 A	0.13 E	0.33 E
FY	0.99 A	-1.36 A	-0.01 E	0.86 E
FCF	FY22	FY23	FY24	FY25
1Q	-5 A	-53 A	15 E	16 E
2Q	-3 A	0 A	0 E	0 E
3Q	1 A	-2 A	18 E	-4 E
4Q	38 A	-2 A	-4 E	9 E
FY	32 A	-56 A	30 E	21 E

Share price (US\$)	3.10	Rating	Overweight
Share count (mn)	48.6	Price target	No PT
Market Cap (\$Mn)	151	Fiscal Year	Dec
Ticker	INCR		

Performance	INCR	MSOS	S&P500
30d	23%	3%	6%
90d	53%	-3%	4%
1yr	34%	58%	28%

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Investment Summary: Overweight

We initiate coverage of InterCure (NASDAQ: INCR) with an Overweight rating. InterCure is the #1 seller of pharmaceutical cannabis (PHC) outside North America. While we do not set price targets, a 5x return is possible on the back of continued demand growth in Israel and Europe in the short and medium term, and, down the road, entry to the US market could be a possibility if FDA-approved and controlled pharmaceutical cannabis is federally legalized someday. InterCure should benefit from recent regulatory changes in Israel that could result in 2-3x demand growth, and it is well-positioned to enter key European markets like Germany (where the market could grow as much as 10x in the next three years, under some scenarios). In addition, in a global industry context, InterCure has strategic value (Israel PHC know-how; ability to produce quality flower at scale under strict GMP standards; valuable bank of strains and genetics; international brand rights, including Cookies), besides being the #1 player in Israel (a market currently larger than Germany). Even though the stock has tripled since the post Oct 7 bottom (the attacks disrupted production at its key southern facility, resulting in a seq sales drop of more than 50% in 4Q23, despite strong demand), we see significant upside ahead for INCR shares.

InterCure in a global context: #1 player in pharmaceutical cannabis outside North America. Before 10/7, InterCure was at an annual sales run rate of 414 NIS or about \$110Mn (*note: the company released full CY23 results, besides 1Q23 and 2Q23, but it did not split out 3Q and 4Q*), which in a global context would put it #17 among US MSOs (larger than the likes of 4Front and Gold Flora, for example) and #9 among the Canadian LPs. However, in terms of pharmaceutical cannabis sales generated outside North America, InterCure is the largest company in the world. In CY23, Tilray generated \$65Mn in international cannabis sales and Aurora \$50Mn (Canopy Growth was #3 with \$28Mn), and Curaleaf, based on 1Q24 data (annualized), is at a run rate of \$80Mn in international sales. But it is early days, and InterCure still generates the bulk of sales from Israel (98%, as per our estimates) with the rest from Europe. Given its range of brands, strains, cultivation expertise, we expect InterCure to become a leading player in the international markets. In fact, according to management, for the past five years, InterCure has successfully competed in Israel with leading domestic and overseas brands (from Canada and elsewhere), and this gives them confidence about replicating that success in the international markets. Also, with only 1.5% of the population in Israel using legal PHC (compared with ~4% in FL/PA registered to buy medical cannabis), InterCure has hefty growth upside potential in Israel.

On the company's business model and platform in Israel. About half of company revenues come from its wholesale arm and the balance from retail. The latter is comprised by a network of 19 pharmacies (12 fully owned and the rest 51% owned), which the company plans to expand to 30 by end of 2024 (it has a deal in place to buy five more pharmacies). About 40% of its pharmacy sales come from own brands (locally produced or imported by InterCure) and the balance from 3rd party brands (it aims for a 50/50 split). The bulk of pharmacy sales are done on premise, with delivery accounting for only 10% of sales (cumbersome process due to regulations). The company sells a wide range of SKUs and brands, with Cannodoc its leading brand, complemented by various brand partnerships including Cookies, Humboldt, Tyson, and Binske. InterCure also has a wholesale arm, supplying all the 350 pharmacies selling PHC in Israel (its wholesale revenues come 90% from



owned brands, and 10% from 3rd party brands). We calculate the company has nearly 30% share at wholesale, and 15% in terms of retail sales. There are 1,200 pharmacies in Israel of which 350 are licensed to sell pharmaceutical cannabis (these require Rx prescriptions from doctors, and must be dispensed by certified pharmacists, only at licensed pharmacies). But few of those 350 specialize in PHC, which has allowed InterCure to train staff at 3rd pharmacies, and garner loyalty for its lines. At retail, InterCure has an edge over other licensed pharmacies, as its chain in Israel derives the bulk of sales from PHC (90%), so it can better tailor services to PHC patients.

A scalable production platform. In addition to two production facilities in Israel, InterCure has supply agreements with companies in Canada and Portugal and has a co-packer in Germany that helps complete the EU-GMP process, at present. Foreign suppliers in the past have included Tilray, Organigram, and Clever Leaves. In terms of what InterCure sells in Israel, one third is imported and the balance is produced in Israel. The company's southern site, at kibbutz Nir Oz (4km from the Gaza border) produces about 7 tons in a 300K sq ft temperature-controlled greenhouse area. Over time, this facility could be scaled to 1.7mn sq ft and produce 88 tons. While the site is not currently operational due to the Oct 7 attacks (it was partly destroyed, and IDF corps and medics are still there), management expects it should be back to production by 3Q24. Discussions are also ongoing to double production at the facility in year ahead. InterCure also has a smaller facility in the north, with 55K sq ft producing 3 tons (this facility can be expanded to 160K sq ft and produce up to 10 tons). As discussed later, government war compensation and government stimulus to repopulate the south, should help fund not just the retrofitting of the southern facility (post damage from the Oct 7 attacks), but also to double production there. We calculate that by 2H25, the company should be producing >15 tons. We also understand a new facility in Israel (Bazelet) will allow InterCure to complete EU GMP production certification within Israel, starting in late 2024.

Israel domestic market set to grow. We calculate the domestic PHC market is at a run rate of \$350Mn (60ton), with about 1.4% of the population prescribed. Until end of 2018, cannabis was prescribed as a last resort medication, and there were only about 30,000 active patients. But changes to the narcotics law (80% of conditions allowed since then) resulted in exponential growth (80,000 patients by Dec'20; 125,000 by Dec'22). Post 10/7/23, the number grew to >140,000 (it was back at 135,000 by Mar'24). Now, further changes, as per an MOH reform announced on 8/7/23 and being implemented since 3/28/24 (in a phased-in manner) should result in exponential demand growth: 1) more doctors will be able to prescribe cannabis (within their field of expertise) and they will not require a special license to prescribe PHC; if now, about only 100 private physicians prescribe, it is estimated "thousands" will prescribe now (in total there >23,000 doctors in Israel); for example, all doctors in the HMO system (Israel's public health care) will be able to prescribe; 2) more conditions will be allowed, but this will be phased and dependent on age groups (from Oncology to Parkinson's; but pain/ PTSD will not be allowed yet); importantly, medical prescriptions for patients will be similar to those for other narcotics and will not require a special "permit" (i.e., patients will not to enter a registry and pay for a special medical card); 3) prescriptions costs for patients will come down significantly (in part due to HMO involvement), roughly from 200-300 NIS for a new prescription plus 100-200 NIS for refills, to new combined costs of 40-50 NIS; 4) telehealth may also be allowed for follow-ups; 5) while only 10% of sales are covered by insurance now (for MOD personnel and accidents at work), the increased role of HMOs



may lead to increased coverage over time too. The IMCA (unit within the MOH overseeing PHC) changes began this April and will be fully implemented (in phases) by end of 2025. As a result, InterCure management expects the market to at least double by end of 2026. But that may be conservative. If we use FL/PA penetration metrics, this could be a \$1.2Bn market (3.5x). In fact, if reimbursement is eventually allowed, penetration could be even higher. We will not make predictions about a rec market in Israel give the changing political dynamics, but that should not be ruled out that either. Given the prevalent use of cannabis (illicit trade, mostly from local production), we believe \$400-500 annual per cap spend is a realistic number, which could put Israel at a \$5Bn market size someday.

Local market dynamics: domestic producers, imports, distribution. As per the official data, sales volumes in Israel reached 60 tons in CY23 (Nov-Dec sales were up 15% yoy), and active patients reached 140,458 in Dec'23 (1.4% population penetration). For markets outside NA, these are good numbers; we estimate German demand pre 4/1/24 was at 20 tons pa (despite 9x the population) with 0.3% penetration at best. Although imports into Israel have been disrupted by temporary suspensions and in some instances allegations of dumping, we estimate close to half of the 60 tons sold in 2023 were imported (mostly from Canada, and some from Portugal). On a normalized basis, InterCure and competitor Greenfield each produce 10 tons (accounting for 2/3 of domestic production), with the other 10 tons spread among smaller producers such as Breath of Life, Cronos, and IM Cannabis (with sales about a third of InterCure). But while InterCure is vertically integrated (which allows for 60% gross margins on own branded sales at owned pharmacies vs. 30-40% wholesale), we understand Greenfield sells mostly on a B2B basis and for white label purposes. Regarding wholesalers in Israel, two of the largest are Novolog and Teva's SLE, but unlike InterCure's wholesale arm (PharmaZone and GreenLog Global), they do not specialize in PHC. Since late 2022 (and up to 10/7/23), the market had been impacted by oversupply (imports and domestic surplus), and by several companies facing financial difficulties (having to discount and running their businesses for cash), all of which had resulted in increased price competition and lower profit margins (InterCure's EBITDA margins fell from 21% in Jan-Sep 2022 to 12% for Jan-Sep 2023).

The overseas opportunity. Management makes a distinction between pharmaceutical cannabis and what it calls "wellness" medical cannabis sold in the US (federally illegal but allowed in 38 states). As per InterCure, PHC requires much stricter production and packaging standards, it is approved by the Ministry of Health (like an FDA-approved drug), and, as a narcotic, requires regulated Rx prescriptions. In management's views, this expertise garnered in Israel (plus years of research and know-how accumulated by various entities there – some of which was used by the FDA/HHS in their recent scheduling review), gives InterCure a global competitive advantage. In CY23, we calculate InterCure only generated about \$2Mn in sales outside Israel, but the company is building a platform overseas. Before the Oct 7 attacks, it said it was ready to enter the German market by 2Q24 (permits were ready), with a local partner helping with EU GMP and direct sales to pharmacies. Although this will be delayed by about six months, InterCure believes it will be able to gain market share there from the Canadian LPs and companies like Bedrocan (Holland); this confidence is based on the company's experience in Israel - a market that it says it is five years ahead of Germany in its development. InterCure is also negotiating an acquisition in Australia. In addition, it has a CBD store in Switzerland (under the Cookies banner) and is in the process of



opening an MMJ pharmacy in the UK. At present, Australia, Germany, and Israel are the largest MMJ markets outside of North America (US med is a ~US\$7Bn; Canada US\$300Mn). For CY23, we calculate Germany was at \$160Mn and Australia at \$460Mn. In terms of potential TAM, if we took 3% population penetration (PA and FL are closer to 4%) and the standard US\$250/month spend, those two markets could be close to \$10Bn, at retail (16x CY23 levels). True, in our opinion, InterCure's "right to win" outside Israel is unproven, but management is confident given its track record in the Israel market. Like Tilray, InterCure management believes the US at some point will federally legalize PHC (to complete a "true rescheduling"), and this will allow leading international PHC players (following strict EU GMP standards) to successfully enter the US market.

Financial metrics and projections. Before Oct 7, InterCure was at a sales run rate of 414 NIS or about \$110Mn. Company sales for the Jan-Sep 2023 period were up 10% yoy (to 312Mn NIS), but EBITDA margins dropped from 21% to 12% in that period, due to domestic competitive pressures. While demand went up post Oct 7 (patient count was up 12% from Sep to Dec), the company was short of supplies (lost inventory and production in the southern facility), so we estimate 4Q sales fell by more than 50% QoQ. That said, given growing domestic demand (due to recent regulatory changes), entry into Germany by mid-year, and the resumption of production at the company's southern facility (should be up and running by late 3Q24 or early 4Q24), management is guiding for double-digit seq growth for the four quarters of 2024, with a year-end 2024 run rate at least similar to 3Q23 levels. The scale gains should also result in higher profit margins. Capex needs are low, and debt is low at 0.17x sales and 1x EBITDA. The company is also entitled to compensation (for asset loss and business disruption) by the Israeli government. Some of this has already been received, and more is under discussion; as per our math, this could be in the \$30-50Mn range in total. Under normal times, the company should be cash flow positive (FCF in CY22 was 10% of sales). Most of the international expansion will be in the form of partnerships; the asset light approach will result in minimal extra capex needs (also helped by war compensation). We show our projections inside.

In a global industry, what is the strategic value of InterCure? With 9.7mn living in Israel (75% Jews, 21% Arabs), Israel is only slightly larger than New Jersey. With about \$350Mn in sales at present (PHC), the market is smaller than Ohio (\$500Mn MMJ run rate) and Pennsylvania (\$1.6Bn). Yes, the market has potential to grow, and InterCure is the largest player in Israel, but is this market strategic? And is InterCure itself strategic? Add to this the geopolitical risk, and one must wonder whether the global players would rush to make use of the attractive valuation of InterCure at present. So, yes, in that context, superficially, the strategic value could be questioned. However, we would highlight the following factors in the context of the global industry (the company's strategic position in Israel is not in question) that make InterCure strategic, a) the historical know-how and IP that Israel has developed (and pioneered) in pharmaceutical cannabis globally (we understand that the FDA used data from Israel as part of its rescheduling analysis), b) we would not make a "terroir" claim for cultivation in the Israeli desert (as in the wine industry for grapes grown in specific regions), but we understand InterCure has developed valuable strains that are harder to replicate (or ship in terms of seeds), c) the company also claims it can produce quality cannabis at lower costs than European countries and Canada, under standards that are even stricter than EU GMP; and, d) InterCure's brand partnerships for essentially all markets outside NA



are valuable (Cookies, Tyson, Humboldt, to name a few). Still, given limited sales outside Israel (2% of revenues) so far, we realize the company's strategic value in an international context has not been proven yet.

Stock valuation and performance. Following the Oct 7 attacks, INCR shares fell about 38% over the next few weeks, bottoming at \$1.01 on 11/1; in that period the Tel Aviv 125 Stock Index (TA100) fell 15%. In line with the index, INCR shares began to recover (both up mid/high teens to late Feb). But starting in Feb, InterCure shares began to outperform as it released preliminary results, issued guidance, and gave context to the business impact from the war. Also, changes in the German market and M&A speculation, have fueled the stock recently, up 3x since the Nov bottom. At \$3.10 (May 22) and with a share count of 45.6mn (and 3mn options in-the-money), we calculate the market cap at US\$151Mn and spot EV of \$165Mn (net debt \$16Mn; net leases \$6Mn; \$1Mn in contingent consideration; and \$9Mn eventual inflow from the in-the-money options). On the CY23 reported numbers, this is equivalent to 1.7x sales and 11.4x EBITDA. What are the right comps? US MSOs on CY23 trade at 2.1x sales and 12.4x EBITDA; the larger Canadian LPs (negative EBITDA for most) trade at 2x sales (the smaller ones are 1x or less). We would not say that on comps the valuation is compelling, but if we consider the domestic market growth upside (set at least to double) and the international opportunity, as we show in this report the stock could be worth 5x under some scenarios (say, with international accounting for 30-40% of sales in three years). Under our more conservative base case assumptions, we see the stock at \$6-9 by Dec'25, taking EV/Sales of 2-3x on forward 2026 estimates. *Note: we do not set formal price targets.*

Table 1: Projected EV (different from spot EV) and Forward Share Price Scenarios

US\$ Mn	CY23	CY24e	CY25e	CY26e
Current valuation				
EV (US\$Mn)	164	166	162	145
Market cap	151	151	151	151
Share price (US\$)	3.10	3.10	3.10	3.10
FD share count (Mn)	48.6	48.6	48.6	48.6
common shares (proforma)	45.6	45.6	45.6	45.6
derivatives in the money	3.0	3.0	3.0	3.0
other(RSUs)				
Broadly defined net debt	-13	-16	-11	5
net financial debt (proforma)	-16	-8	-3	14
leases, net	-6	-6	-6	-6
contingent consideration	-1	-2	-3	-3
warrant inflow	9	0	0	0
Company EV Multiples				
EV/Sales	1.7x	2.1x	1.3x	1.0x
EV/EBITDA	11.4x	24.8x	9.3x	5.2x
PRICE TARGET VALUATION SCENARIOS				
		by Dec'23	by Dec'24	by Dec'25
Current multiple	1.7x		\$4.05	\$5.42
Canadian LP multip	2.0x		\$4.80	\$6.36
Rerating to	3.0x		\$7.31	\$9.49
Rerating to	4.0x		\$9.83	\$12.62
Rerating to	5.0x		\$12.34	\$15.74

Source: company reports, FactSet, Z&A estimates

Bear vs. bull case:

- **Bull case:** The Israel MMJ market grows to 3-4% population penetration and InterCure at least maintains current market share. In addition, the company enters the German and Australian markets and builds at least a low/mid-single digits market share. If we were to model a) 3.2% MMJ penetration in Israel by 4Q26 and assume INCR maintains its domestic retail share at 15% retail and 30% wholesale, and, b) model sales in Germany for INCR with 2% share by 4Q26 on a German PHC market reaching >\$1.5Bn in sales by then (i.e., annualized by 4Q26), on those metrics at 2-3x EV/Sales for INCR, the stock could be trading in the \$10-16 range by Dec'25 (1-year forward look), which would be 5x current levels, taking the high end.
- **Bear case:** INCR does not succeed in penetrating overseas markets and the Israel market does not add more patients. The latter combined with increased supplies would further hurt the company's profitability. There is also the risk is the company's plans to restore production at its southern facility are delayed. In this sense, the stock would fail to re-rate.

Table 2: Unique Bank of Strains and Genetics – One of the Factors Making InterCure Strategic

Source: Company reports



INCR Background, Footprint, and Key Assets

InterCure in a global context: #1 player in pharmaceutical cannabis outside North America,

- Before Oct 7, InterCure was at an annual sales run rate of 414 NIS or about \$110Mn (*note: the company released full CY23 results, besides 1Q23 and 2Q23, but it did not split out 3Q and 4Q*), which in a global context would put it #17 among US MSOs (larger than the likes of 4Front and Gold Flora, for example) and #9 among the Canadian LPs.
- However, in terms of pharmaceutical cannabis sales generated outside North America, InterCure is the largest company in the world. In CY23, Tilray generated \$65Mn in international cannabis sales and Aurora \$50Mn (Canopy Growth was #3 with \$28Mn), and Curaleaf, based on 1Q24 data (annualized), is at a run rate of \$80Mn in international sales.
- But it is early days, and InterCure still generates the bulk of sales in Israel (98%, as per our estimates, with the balance from Europe). Given its range of brands, strains, cultivation expertise, we expect InterCure to become a leading player in the international markets. Also, with only 1.5% of the population in Israel using legal MMJ (~4% in FL and PA), InterCure has hefty growth upside in Israel.

The Wholesale Arm

InterCure’s wholesale arm supplies all the 350 pharmacies selling PHC in Israel (wholesale revenues come 90% from owned brands, and 10% from 3rd party brands). We calculate the company has nearly 30% share at wholesale, and 15% in terms of retail sales. There are 1,200 pharmacies in Israel of which 350 are licensed to sell pharmaceutical cannabis (these require Rx prescriptions from doctors, and must be dispensed by certified pharmacists, only at licensed pharmacies). But few of those 350 specialize in PHC, which has allowed InterCure to train staff at 3rd pharmacies, and garner loyalty for its lines. At retail, INCR has an edge over other licensed pharmacies, as its chain in Israel derives the bulk of sales from PHC (90%) and it can better tailor services to patients.

Table 3: Brands

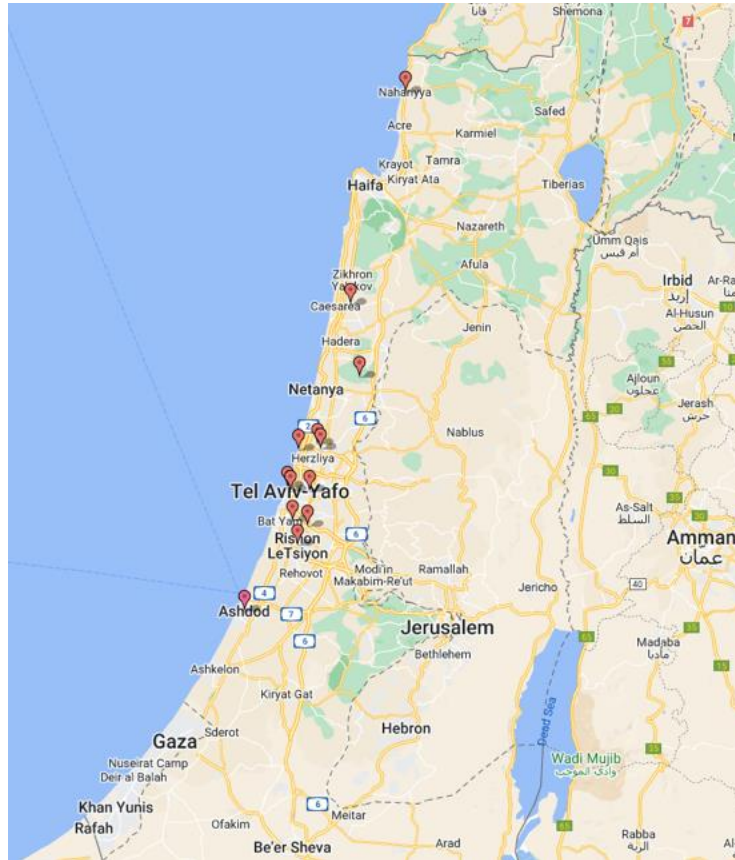
	Canndoc's ultra medical line	
	High-quality greenhouse products grown in Canada Co-branded products with Tilray	
	Premium indoor grown products Co-branded products with Organigram	
	High-quality greenhouse products grown in Canada Co-branded products with Aphria	
	Cookies branded medical products in future pipeline	
	Variety of unique elements from the world famous cannabis region - Humboldt, and the world of Cali and weed.	
	Groundbreaking collaboration, prioritizes the exceptional quality that characterizes the underground cannabis world.	

Source: Company reports

The Retail Arm

This comprised by a network of 19 pharmacies (12 fully owned and the rest 51% owned), which the company plans to expand to 30 by end of 2024 (it has a deal in place to buy five more pharmacies).

Table 4: Stores Locations



Source: Company reports; Google Maps

About 40% of its pharmacy sales come from own brands (locally produced or imported by InterCure) and the balance from 3rd party brands (it aims for a 50/50 split). The company sells a wide range of SKUs and brands, with Canndoc its leading brand, complemented by various brand partnerships including Cookies, Humboldt, Tyson, and Binske. The bulk of pharmacy sales are done on premise, with delivery accounting for only 10% of sales (cumbersome process due to regulations).



Production Assets

In addition to two production facilities in Israel, InterCure has supply agreements with companies in Canada and Portugal and has a co-packer in Germany that helps complete the EU-GMP process, at present. Foreign suppliers in the past have included Tilray, Organigram, and Clever Leaves. In terms of what InterCure sells in Israel, one third is imported and the balance is produced in Israel.

The company’s southern site, at kibbutz Nir Oz (4km from the Gaza border) produces about 7 tons in a 300K sq ft temperature-controlled greenhouse area. Over time, this facility could be scaled to 1.7mn sq ft and produce 88 tons. While the site is not currently operational due to the Oct 7 attacks (it was partly destroyed, and IDF corps and medics are still there), management expects it should be back to production by 3Q24. Discussions are also ongoing to double production at the facility in year ahead. InterCure also has a smaller facility in the north, with 55K sq ft producing 3 tons (this facility can be expanded to 160K sq ft and produce up to 10 tons).

As discussed later, government war compensation and government stimulus to repopulate the south, should help fund not just the retrofitting of the southern facility (post damage from the Oct 7 attacks), but also to double production there. We calculate that by 2H25, the company should be producing >15 tons. We also understand a new facility in Israel (Bazelet) will allow InterCure to complete EU GMP production certification within Israel, starting in late 2024.

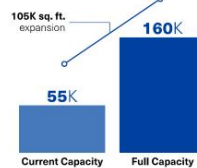
Table 5: Facilities

Cultivation: sites overview

355k sq ft of operational grow with expansion up to 2 MM square feet

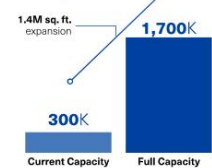
Northern Site (cultivation & R&D)

Fully operational
 Phase A: 55,000 sq. ft.
 Expandable to 160,000 sq. ft.
 Max capacity of 10 metric tons



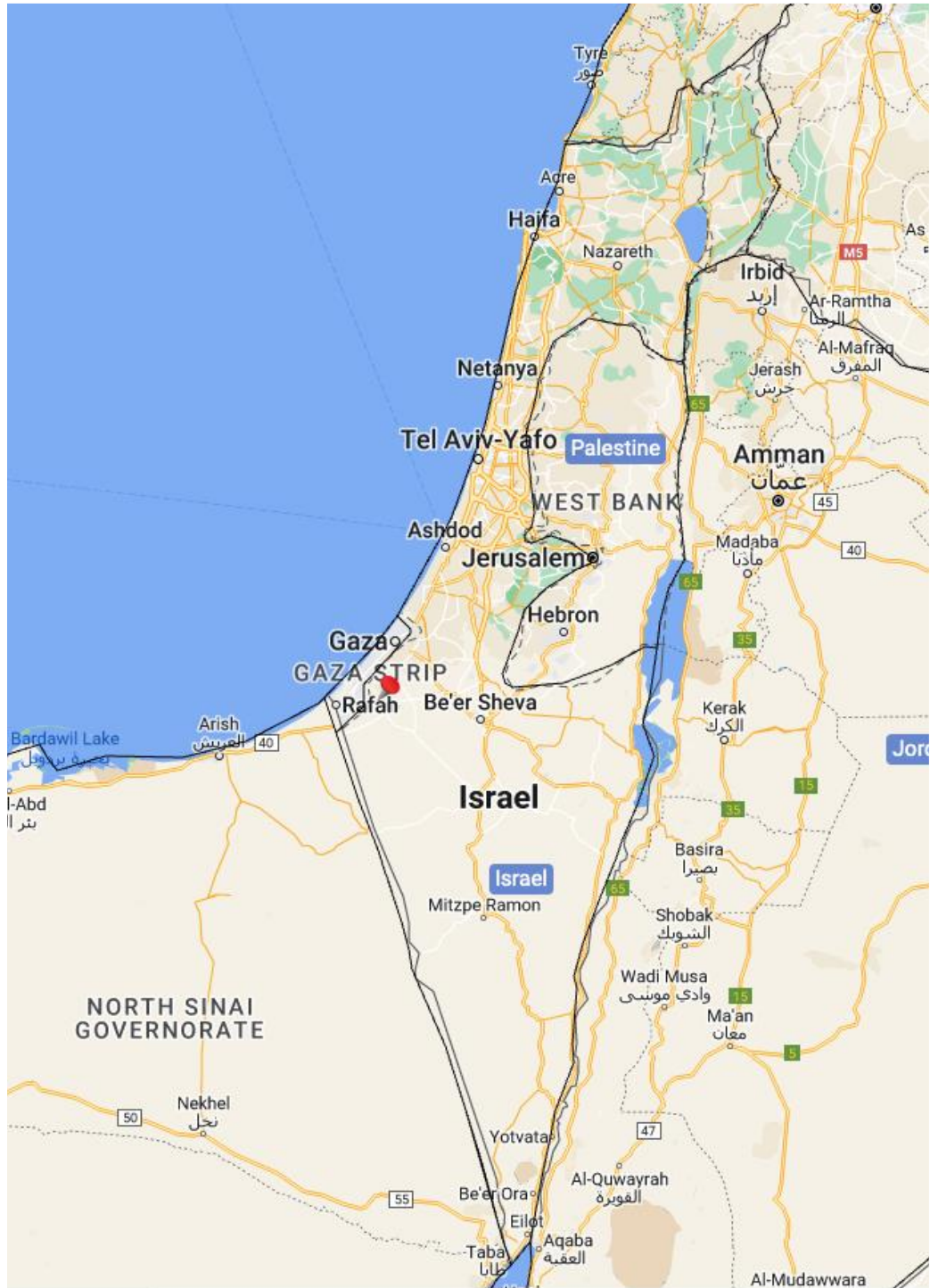
Southern Site (cultivation)

Fully operational
 Phase A: 300,000 sq. ft.
 Lot size: 1,700,000 sq. ft.
 Max capacity of 88 metric tons



Source: Company reports

Table 6: Southern Facility is in the Gaza Border



Source: Company reports, Google Maps



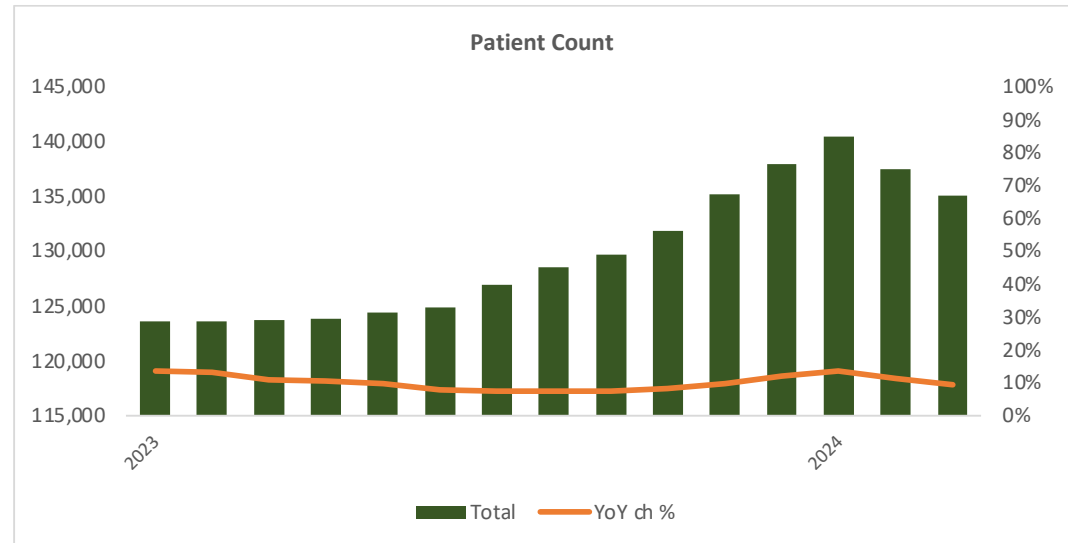
Strategy and Growth Opportunities

InterCure is the #1 seller of pharmaceutical cannabis (MMJ) outside North America. InterCure should benefit from recent regulatory changes in Israel that could result in 2-3x demand growth, and it is well-positioned to enter key European markets like Germany (where the market could grow as much as 10x in the next three years, under some scenarios). In addition, in a global industry context, InterCure has strategic value (Israel PHC know-how; ability to produce quality flower at scale under strict GMP standards; valuable bank of strains and genetics; international brand rights, including Cookies), besides being the #1 player in Israel (a market currently larger than Germany).

Domestic Market Growth Potential

Israel domestic market set to grow. We calculate the domestic PHC market is at a run rate of \$350Mn (60ton), with about 1.4% of the population prescribed. Until end of 2018, cannabis was prescribed as a last resort medication, and there were only about 30,000 active patients. But changes to the narcotics law (80% of conditions allowed since then) resulted in exponential growth (80,000 patients by Dec'20; 125,000 by Dec'22). Post 10/7/23, the number grew to >140,000 (it was back at 135,000 by Mar'24).

Table 7: MMJ Patient Count



Source: Israel MOH

IMCA Reforms. Now, further changes, as per an MOH reform announced on 8/7/23 and being implemented since 3/28/24 (in a phased-in manner) should result in exponential demand growth:

1. More doctors will be able to prescribe cannabis (within their field of expertise) and they will not require a special license to prescribe PHC; if now, about only 100 private



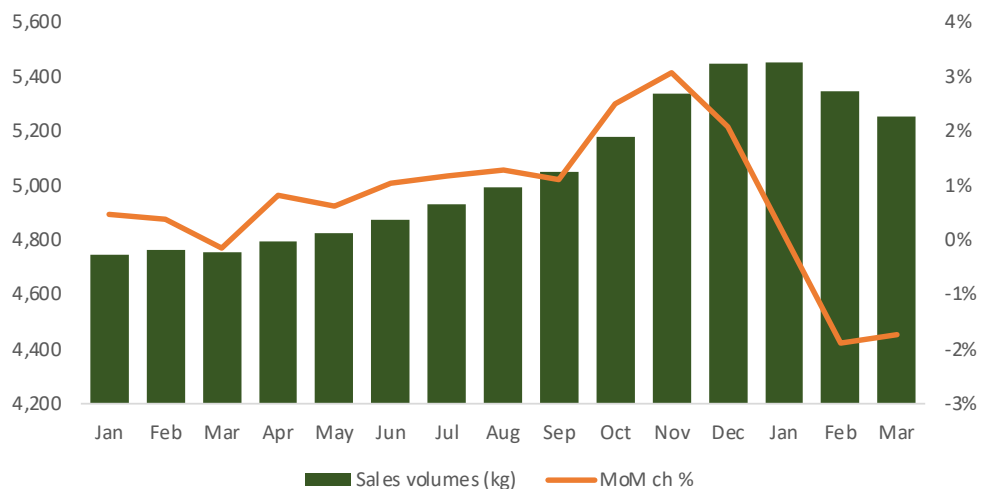
physicians prescribe, it is estimated “thousands” will prescribe now (in total there >23,000 doctors in Israel); for example, all doctors in the HMO system (Israel’s public health care) will be able to prescribe;

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5. While only 10% of sales are covered by insurance now (for MOD personnel and accidents at work), the increased role of HMOs may lead to increased coverage over time too.

The changes pushed forward by the IMCA (unit within the MOH overseeing PHC) began this April and will be fully implemented (in phases) by end of 2025. As a result, InterCure management expects the market to at least double by end of 2026. But that may be conservative. If we use FL/PA penetration metrics, this could be a \$1.2Bn market (3.5x). In fact, if reimbursement is eventually allowed, penetration could be even higher.

We will not make predictions about a rec market in Israel give the changing political dynamics, but that should not be ruled out that either. Given the prevalent use of cannabis (illicit trade, mostly from local production), we believe \$400-500 annual per cap spend is a realistic number, which could put Israel at a \$5Bn market size someday.

Table 8: Recent Sales Volume Trends (kg)



Source: Israel MOH



Local market dynamics: domestic producers, imports, distribution. As per the official data, sales volumes in Israel reached 60 tons in CY23 (Nov-Dec sales were up 15% yoy), and active patients reached 140,458 in Dec'23 (1.4% population penetration). For markets outside NA, these are good numbers; we estimate German demand pre 4/1/24 was at 20 tons pa (despite 9x the population) with 0.3% penetration at best.

- Although imports into Israel have been disrupted by temporary suspensions and in some instances allegations of dumping, we estimate close to half of the 60 tons sold in 2023 were imported (mostly from Canada, and some from Portugal).
- On a normalized basis, InterCure and competitor Greenfield each produce 10 tons (accounting for 2/3 of domestic production), with the other 10 tons spread among smaller producers (Cronos, IM Cannabis, Breath of Life).
- But while InterCure is vertically integrated (which allows for 60% gross margins on own branded sales at owned pharmacies vs. 30-40% wholesale), we understand Greenfield sells mostly on a B2B basis and for white label purposes.
- Regarding wholesalers in Israel, two of the largest are Novolog and Teva's SLE, but unlike InterCure's wholesale arm (PharmaZone and GreenLog Global), they do not specialize in MMJ.

Since late 2022 (and up to 10/7/23), the market had been impacted by oversupply (imports) and domestic surplus, and, also, by several companies facing financial difficulties (having to discount and running their business for cash), all of which had resulted in increased price competition and lower profit margins (InterCure's EBITDA margins fell from 21% in Jan-Sep 2022 to 12% in Jan-Sep 2023).

International Opportunities

Expertise. Management makes a distinction between pharmaceutical cannabis and what it calls "wellness" medical cannabis sold in the US (federally illegal but allowed in 38 states). As per InterCure, PHC requires much stricter production and packaging standards, it is approved by the Ministry of Health (like an FDA-approved drug), and, as a narcotic, requires regulated Rx prescriptions. In management's views, this expertise garnered in Israel (plus years of research and know-how accumulated by various entities there – some of which was used by the FDA/HHS in their recent scheduling review), gives InterCure a global competitive advantage.

The current set up. In CY23, we calculate InterCure only generated about \$2Mn in sales outside Israel, but the company is building a platform overseas. Before the Oct 7 attacks, it said it was ready to enter the German market by 2Q24 (permits were ready), with a local partner helping with EU GMP and direct sales to pharmacies. Although this will be delayed by about six months, InterCure believes it will be able to gain market share there from the Canadian LPs and companies



like Bedrocan (Holland); this confidence is based on the company's experience in Israel - a market that it says it is five years ahead of Germany in its development. InterCure is also negotiating an acquisition in Australia. In addition, it has a CBD store in Switzerland (under the Cookies banner) and is in the process of opening an MMJ pharmacy in the UK.

The international upside. At present, Australia, Germany, and Israel are the largest MMJ markets outside of North America (US med is a ~US\$7Bn; Canada US\$300Mn). For CY23, we calculate Germany was at \$160Mn and Australia at \$460Mn. In terms of potential TAM, if we took 3% population penetration (PA and FL are closer to 4%) and the standard US\$250/month spend, those two markets could be close to \$10Bn, at retail (16x CY23 levels). True, in our opinion, InterCure's "right to win" outside Israel is unproven, but management is confident given its track record in the Israel market. Like Tilray, InterCure management believes the US at some point will federally legalize PHC (to complete a "true rescheduling"), and this will allow leading international PHC players (following strict EU GMP standards) to successfully enter the US market.

Re the largest two MMJ markets outside Israel and North America,

Germany: Pharmaceutical cannabis imports reached 31 tons in CY23 (source: BfArM), up 26% yoy after 20% growth in CY22 and +70% in CY21. About 50% of MMJ imports came from Canada, 14% from Portugal, and 8% each from Denmark and the Netherlands (3% each from Colombia and Denmark).

- Of the total volume imported, part gets re-exported and part is destroyed as it does not meet German variance standards. As per the same source, purchases by pharmacies are at about 5 tons per quarter, so we estimate the market at present is at a 20-ton annual run rate. If we take a price of 7-8 euros (at retail) per gram, we would estimate Germany is about a US\$160Mn market.
- We calculate that the cash market (not reimbursed) accounted for more than half of sales in CY23, up from almost nothing back in 2018. Until 4/1/24, MMJ had been prescribed a narcotic as per German law, which meant it could be prescribed by doctors only as a last resort (whether in the reimbursed or cash market), doctors had to go through an onerous/complex prescription process, and pharmacies could only stock minimum quantities and lock the product in a safe vault.
- As a result, the German MMJ market was rather underdeveloped. If we assume average patient spend of \$200 per month, this would mean population penetration of less than 0.1%. But now MMJ has been removed from the narcotics list and we expect prescribing to ramp.
- Anecdotally, clinics and pharmacies note about a doubling of sales in the month of April. Conservatively, if we assume 1% population penetration by end of 2025 (and \$200/mo spend), by then the market could be at an annual run rate of almost \$2Bn (if we took 3-4%, the market could be \$6-8Bn). Our report from 2/26, discusses the market in greater detail. [Germany: Fact, Fiction, MMJ Upside.](#)



Table 9: Imports into Germany

	CY17	CY18	CY19	CY20	CY21	CY22	CY23	1Q24	CY23 mix	23 vs. '22
Imports (kg)										
Australia			1	118	1,568	1,250	1,050	17	3%	-16%
Denmark				265	3,726	4,398	2,353	500	7%	-46%
Ecuador							7		0%	na
Ireland						25			0%	na
Israel	2	1	2	21	92	218	131		0%	-40%
Italy			26						0%	na
Jamaica				5	79	51			0%	na
Canada	552	1,732	3,831	5,790	6,493	8,077	16,895	4,682	52%	109%
Colombia				7	149	230	936	53	3%	307%
Lesotho					126	278	702	172	2%	153%
Malta					3	101	39	11	0%	-61%
New Zealand					1	38	101	22	0%	166%
Netherlands	963	2,372	3,439	3,706	3,724	2,246	2,573	335	8%	15%
North Macedonia		5			10	1,346	921	209	3%	-32%
Austria	263	367	275	389	288	506	685	1	2%	35%
Poland			20	35	109	38	117		0%	208%
Portugal			460	1,077	2,413	3,759	4,118	1,706	13%	10%
Switzerland			3				4		0%	na
Spain				334	705	438	792	125	2%	81%
Uruguay			1		848	509	562		2%	10%
UK							66		0%	na
Uganda					439	1,149	149		0%	-87%
St Vincent and Grenadies						51	1		0%	-98%
South Africa						168	295	92	1%	76%
Czech								66	0%	na
Other										
Total	1,780	4,477	8,058	11,747	20,773	24,876	32,497	7,991	100%	31%
<i>yoy ch %</i>				46%	77%	20%	31%	2%		

Source: BfArM

Australia: We estimate the pharmaceutical cannabis market in Australia in CY23 reached US\$460Mn at retail, or about 3x the size of the German medical market, despite population of almost one third (26.6mn people vs. 83.2mn in Germany).

- As per Australia's Office of Drug Control, imports reached 25 tons in CY22 (vs. 7 tons in CY21), with growth driven by a change in prescribing rules in late 2021 (2H23 new category 5 patients up 77% vs. 2H22 and 13.5x vs 2H21, per authorized prescribers' approval reports). In CY22, Canada accounted for 85% of imports.
- Domestic production added another 25 tons in CY22 (as per the ODC), with only 1.5 tons exported, and total inventories down 2.3 tons. If correct, these numbers would imply domestic consumption in CY was almost 51 tons. At A\$10/gram, that would imply a market size of A\$510Mn or US\$337Mn.
- The ODC has not issued 2023 data, but Canada's flower exports to Australia increased by close to 70% in value. If we assume, Canada accounted for 80% of imports in CY23 in



Australia (for total imports of 45 tons) and domestic production held steady at 25 tons (a conservative assumption), then domestic consumption in CY23 amounted to 70 tons, or A\$700Mn, or >US\$460Mn.

- If we take our base case spend of \$200/mo per patient, this would mean there were about 193,000 active patients in Australia in 2023, or about 0.7% of the population. If correct, this would mean the MMJ market in Australia has room to grow. Taking 3-4% penetration, this would equate to a future TAM of US\$1.9-2.6Bnm (or 4x to 6x larger).

Table 10: International Sales for Canadian LPs

C\$ Mn	Dec CY20	Dec CY21	Dec CY22	Mar 1Q23	Jun 2Q23	Sep 3Q23	Dec 4Q23	Dec CY23	
Exporters									ch yoy
Tilray	45.3	55.4	59.5	15.8	20.5	18.1	34.0	88.4	48%
Aurora	26.9	53.7	48.1	13.8	16.2	18.4	19.3	67.7	41%
Canopy Growth	18.6	25.3	36.5	8.8	10.2	9.0	10.5	38.4	5%
Organigram	3.1	5.0	19.7	10.8	1.8	0.4	0.0	12.9	-34%
Aleafia	0.0	0.7	1.0	0.4	na	na		0.4	-60%
Avant	0.0	0.0	0.0	0.0	0.0	0.0		0.0	
BZAM	0.0	0.0	0.0	0.0	0.0	0.0		0.0	
Decibel	0.0	0.0	1.9	0.6	1.1	0.5	1.4	3.7	
Village Farms	0.0	0.2	5.2	2.3	1.8	0.9	1.1	6.2	20%
Cronos	1.7	8.4	19.9	3.4	3.6	3.8	3.4	14.3	-28%
SNDL	0.0	0.0	0.0	0.0	0.0	0.0		0.0	
Auxly	0.0	0.0	0.0	0.0	0.0	0.0		0.0	
Rubicon	0.0	0.0	0.0	0.0	0.0	0.0		0.0	
HEXO	3.1	16.9	12.7	0.0	0.7	na		0.7	

Source: Company reports

Table 11: Canada's Exports by Destination

	CY23			CY22			CY21		
	C\$ Mn	000 kgs	\$/gram	C\$ Mn	000 kgs	\$/gram	C\$ Mn	000 kgs	\$/gram
Total exports	171.9	168.9		147.4	136.6		100.4	45.4	
Flower 1211.90.10	154.7	158.6	0.98	128.3	121.3	1.06	92.9	40.8	2.28
Extracts 1302.19.10	17.2	10.3	1.67	19.1	15.3	1.25	7.5	4.6	1.62
By Destination									
Flower	154.7	mix	ch yoy	128.3	mix	ch yoy	92.9	100%	ch yoy
Australia	88.2	57%	66%	53.0	41%	165%	20.0	22%	545%
Germany	39.2	25%	47%	26.7	21%	7%	25.0	27%	41%
Israel	19.0	12%	-60%	47.4	37%	0%	47.2	51%	90%
Other	8.3	5%	nm	1.2	1%	nm	0.7	1%	nm
Extracts	17.2	mix	ch yoy	19.1	mix	ch yoy	7.5	100%	ch yoy
Australia	15.5	90%	-13%	17.9	94%	234%	5.4	72%	-13%
Germany	1.0	6%	324%	0.2	1%	-86%	1.7	22%	26%
Other	0.6	4%	nm	1.0	5%	nm	0.5	6%	nm

Source: StatCan



Strategic Value in InterCure?

In a global industry, what is the strategic value of InterCure? With 9.7mn living in Israel (75% Jews, 21% Arabs), Israel is only slightly larger than New Jersey. With about \$350Mn in sales at present (PHC), the market is smaller than Ohio (\$500Mn MMJ run rate) and Pennsylvania (\$1.6Bn). Yes, the market has potential to grow, and InterCure is the largest player in Israel, but is this market strategic? And is InterCure itself strategic? Add to this the geopolitical risk, and one must wonder whether the global players would rush to make use of the attractive valuation of InterCure at present. So, yes, in that context, superficially, the strategic value could be questioned.

However, we would highlight the following factors in the context of the global industry that make InterCure strategic (INCR's strategic position in Israel is not in question),

1. Historical know-how/IP that Israel has developed (and pioneered) in pharmaceutical cannabis globally (we understand that the FDA used data from Israel as part of its rescheduling analysis),
2. We would not make a "terroir" claim for cultivation in the Israeli desert (as in the wine industry for grapes grown in specific regions), but we understand InterCure has developed valuable strains that are harder to replicate (or ship in terms of seeds),
3. The company also claims it can produce quality cannabis at lower costs than European countries and Canada, under standards that are even stricter than EU GMP; and,
4. InterCure's brand partnerships for essentially all markets outside NA are valuable (Cookies, Tyson, Humboldt, to name a few).

All that said given limited sales outside Israel (2% of revenues) so far, we realize the company's strategic value in an international context has not been proven yet.



Financial Projections

Before Oct 7, InterCure was at a sales run rate of 414 NIS or about \$110Mn. Company sales for the Jan-Sep 2023 period were up 10% yoy (to 312Mn NIS), but EBITDA margins dropped from 21% to 12% in that period, due to domestic competitive pressures. While demand went up post Oct 7 (patient count was up 12% from Sep to Dec), the company was short of supplies (lost inventory and production in the southern facility), so we estimate 4Q sales fell by more than 50% QoQ.

That said, given growing domestic demand (due to recent regulatory changes), entry into Germany by mid-year, and the resumption of production at the company's southern facility (should be up and running by late 3Q24 or early 4Q24), management is guiding for double-digit seq growth for the four quarters of 2024, with a year-end 2024 run rate at least similar to 3Q23 levels. The scale gains should also result in higher profit margins.

These are our base case projections,

Table 12: Financial Assumptions

SUMMARY	CY21	CY22	CY23	1Q24e	2Q24e	3Q24e	4Q24e	CY24e	CY25e	CY26e
<i>000 NIS</i>										
Reported Sales	219.7	388.7	355.6	54.5	66.2	79.9	95.7	296.3	452.2	562.7
qoq ch %	na	na	na	26%	21%	21%	20%	na	na	na
yoy ch %	238%	77%	-9%	-49%	-35%	-23%	120%	-17%	53%	24%
<i>Guidance</i>				<i>na</i>	<i>na</i>	<i>na</i>	<i>na</i>	<i>na</i>	<i>na</i>	<i>na</i>
<i>Consensus</i>				69.6	75.2	84.5	98.6	327.8	na	na
Profit margins										
Reported gross profit	91.1	155.1	105.1	16.4	21.2	26.4	33.5	97.4	168.2	225.1
as % of sales	41.5%	39.9%	29.6%	30.0%	32.0%	33.0%	35.0%	32.9%	37.2%	40.0%
Op exp	62.9	104.5	146.7	18.2	20.0	22.1	24.4	84.7	116.6	133.4
as % of sales	28.7%	26.9%	41.2%	33.4%	30.2%	27.6%	25.6%	28.6%	25.8%	23.7%
EBIT	28.2	50.6	-41.6	-1.9	1.2	4.3	9.0	12.6	51.6	91.7
as % of sales	12.8%	13.0%	-11.7%	-3.4%	1.8%	5.4%	9.4%	4.3%	11.4%	16.3%
Adj EBITDA	51.7	77.4	53.4	1.2	4.2	7.4	12.1	24.8	64.1	104.4
as % of sales	23.5%	19.9%	15.0%	2.1%	6.4%	9.2%	12.7%	8.4%	14.2%	18.5%
<i>Consensus EBITDA</i>				-11.0	-9.0	-7.5	-2.6	-30.1	na	na
<i>as % of sales</i>				-16%	-12%	-9%	-3%	-9%	na	na
Res of P&L										
Pre tax income	18.7	43.8	-61.3	-6.7	-1.8	1.4	6.4	-0.7	42.8	83.0
Net income after min int	4.7	44.8	-62.0	-6.1	-1.6	1.3	5.8	-0.7	39.3	76.2
Share count (FD) Mn	45.1	45.6	45.6	45.6	45.6	45.6	45.6	45.6	45.6	45.6
EPS		0.99	-1.36	-0.13	-0.04	0.03	0.13	-0.01	0.86	1.67
<i>consensus</i>				-0.18	-0.11	-0.10	-0.07	-0.39	na	na
BS & CF highlights										
Operating cash flow	30.1	51.3	-53.6	15.9	1.1	19.0	-2.8	33.3	23.7	66.3
(-) Capex	-14.0	-19.7	-2.6	-0.8	-0.8	-0.8	-0.8	-3.0	-3.0	-3.0
Free cash flow	16.1	31.5	-56.3	15.1	0.4	18.3	-3.5	30.3	20.7	63.3
Net cash (debt)	133.1	18.8	-59.6	-44.5	-44.2	-26.0	-29.8	-29.8	-10.5	50.8
LTM EBITDA	51.7	77.4	53.4	1.2	4.2	7.4	12.1	24.8	64.1	104.4
Net debt/EBITDA	2.6x	0.2x	-1.1x	-38.6x	-10.5x	-3.5x	-2.5x	-1.2x	-0.2x	0.5x
Equity	448.0	501.3	455.1	449.0	447.4	448.6	454.4	454.4	493.7	569.9

Source: Company reports; Z&A estimates

Capex needs are low, and debt is low at 0.17x sales and 1x EBITDA. The company is also entitled to compensation (for asset loss and business disruption) by the Israeli government. Some of this has already been received, and more is under discussion; as per our math, this could be in the \$30-50Mn range in total. Under normal times, the company should be cash flow positive (FCF in CY22 was 10% of sales). Most of the international expansion will be in the form of partnerships; the asset light approach will result in minimal extra capex needs (also helped by war compensation).

The appendix shows our detailed financial projections. The ability of the company to recover local production, regain retail share, and enter the European markets will be the key drivers of growth. Below we show our sales assumptions,

Table 13: Sales Growth Assumptions

ASSUMPTIONS	CY23	1Q24e	2Q24e	3Q24e	4Q24e	CY24e	1Q25e	2Q25e	3Q25e	4Q25e	CY25e	CY26e
Israel Market												
Sales (000 NIS)	1,296,296	348,575	368,439	393,001	442,126	1,552,142	466,689	491,252	540,377	564,939	2,063,257	2,456,258
Kgs	59,680	16,048	16,962	18,093	20,355	71,459	21,486	22,617	24,878	26,009	94,990	113,083
Patients (avg)	127,836	137,656	145,500	155,200	174,600	153,239	184,300	194,000	213,400	223,100	203,700	242,500
as % of population	1.4%	1.4%	1.5%	1.6%	1.8%	1.6%	1.9%	2.0%	2.2%	2.3%	2.1%	2.5%
InterCure Sales		54,535	66,187	79,852	95,687	296,261	99,942	106,553	119,534	126,206	452,235	562,741
Domestic % as of total		98.0%	98.0%	98.0%	98.0%	98.0%	98.1%	96.8%	94.9%	94.0%	95.8%	91.7%
International % as of total		2.0%	2.0%	2.0%	2.0%	2.0%	1.9%	3.2%	5.1%	6.0%	4.2%	8.3%
InterCure Domestic Sales	348,442	53,444	64,863	78,255	93,773	290,336	98,005	103,163	113,479	118,637	433,284	515,814
Retail	177,777	27,268	33,094	39,926	47,844	148,131	51,336	54,038	59,441	62,143	226,958	270,188
share %	14%	7.8%	9.0%	10.2%	10.8%	9.5%	11%	11%	11%	11%	11.0%	11.0%
Wholesale	170,665	26,177	31,770	38,329	45,930	142,205	46,669	49,125	54,038	56,494	206,326	245,626
share %	26%	15%	17%	20%	21%	18%	20%	20%	20%	20%	20%	20%
InterCure International Sales	7,111	1,091	1,324	1,597	1,914	5,925	1,938	3,391	6,055	7,568	18,951	46,927
Australia share %		0%	0%	0%	0%							
Germany share %		0%	0%	0%	0%		0.5%	0.7%	1.0%	1.0%	0.8%	1.0%
Other		nm	nm	nm	nm							
German market size (000 NIS)	600,000	155,000	217,000	275,000	310,000	957,000	387,500	484,375	605,469	756,836	2,234,180	4,692,686
in US\$ Mn		41.9	58.6	74.3	83.7	258.4	104.6	130.8	163.5	204.3	603.2	1,267.0

Source: Company reports; Z&A estimates



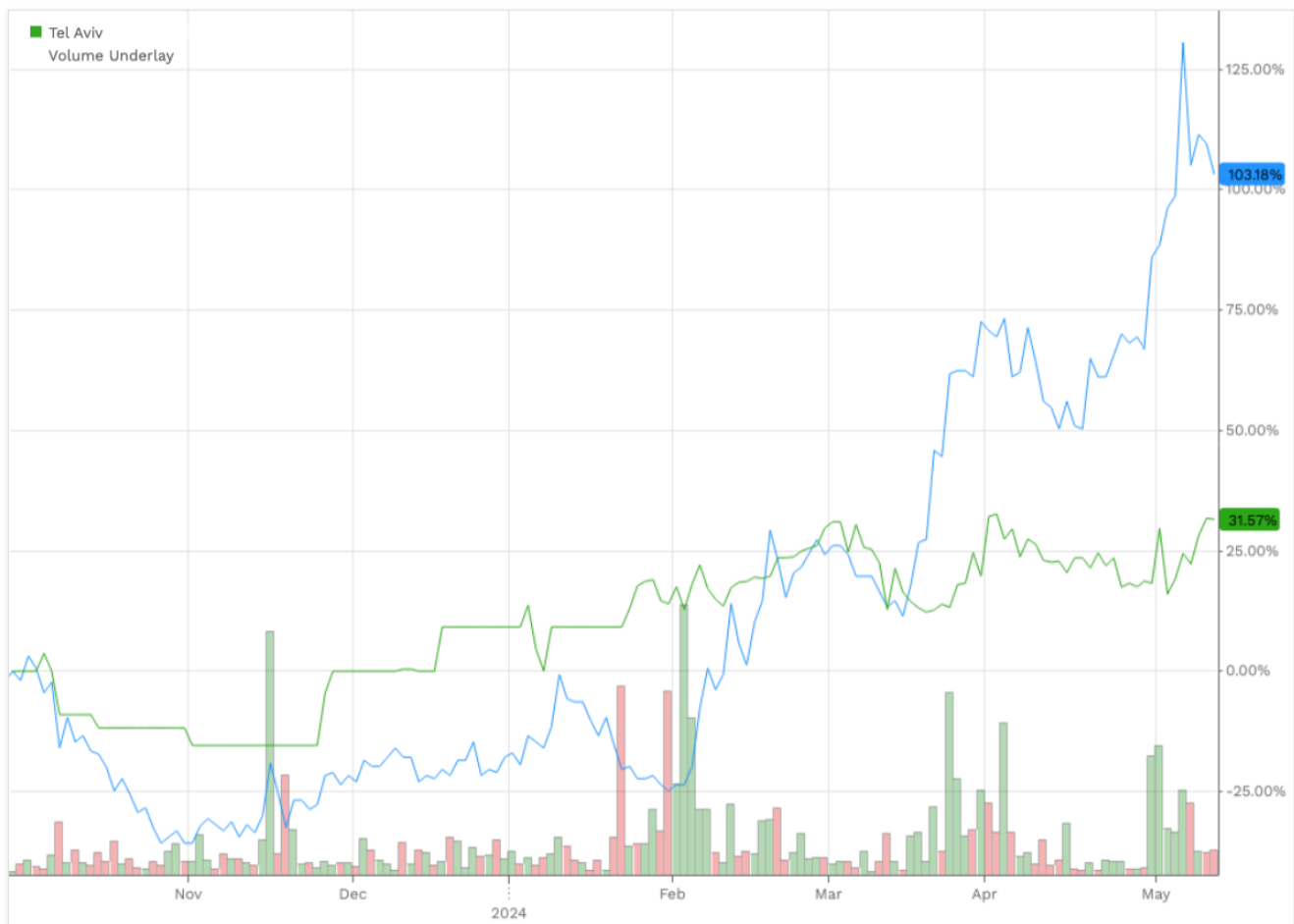
Stock Performance and Valuation

Following the Oct 7 attacks, INCR shares fell about 38% over the next few weeks, bottoming at \$1.01 on 11/1; in that period the Tel Aviv 125 Stock Index (TA100) fell 15%. In line with the index, INCR shares began to recover (both up mid/high teens to late Feb). But starting in Feb, InterCure shares began to outperform as it released preliminary results, issued guidance, and gave context to the business impact from the war. Also, changes in the German market and M&A speculation, have fueled the stock recently, up 3x since the Nov bottom.

Table 14: INCR vs. Tel Aviv Exchange

InterCure Ltd. (INCR-USA) \$3.19 C -0.1000 (-3.04%) 4:00:00 PM USD

Sep 29, 2023 - May 10, 2024 , Daily



Source: FactSet

At \$3.10 (May 22) and with a share count of 45.6mn (and 3mn options in-the-money), we calculate the market cap at US\$151Mn and spot EV of \$165Mn (net debt \$16Mn; net leases \$6Mn; \$1Mn in contingent consideration; and \$9Mn eventual inflow from the in-the-money options). On the CY23 reported numbers, this is equivalent to 1.7x sales and 11.4x EBITDA. What are the right comps? US MSOs on CY23 trade at 2.1x sales and 12.4x EBITDA; the larger Canadian LPs (negative EBITDA for



most) trade at 2x sales (the smaller ones are 1x or less). We would not say that on comps the valuation is compelling, but if we consider the domestic market growth upside (set at least to double) and the international opportunity, as we show in this report the stock could be worth 5x under some scenarios (say, with international accounting for 30-40% of sales in three years).

Table 15: InterCure vs. Canada LPs

C\$Mn	Aurora	Auxly	Avant	BZAM	Cannara	Canopy	Cronos	Decibel	OGI	Rubicon	SNDL	Tilray	VFF	INCR
Total EV	494	121	38	49	113	630	370	97	200	22	626	2,509	244	169
MJ EV	449	121	38	49	113	-20	370	97	200	22	326	2,112	108	169
MJ Sales (ann.)	227	108	19	88	78	203	127	111	158	40	77	359	174	97
MJ multiple	2.0x	1.1x	2.0x	0.6x	1.5x	-0.1x	2.9x	0.9x	1.3x	0.5x	4.3x	5.9x	0.6x	1.7x

Source: company reports, FactSet, Z&A estimates

Table 16: Canada LPs Valuation Multiples

Multiples 9-May-24	Z&A Spot EV / Sales			Z&A Spot EV / EBITDA			Financial Net Debt				Broadly Defined Net Debt			
							Sales		EBITDA		Sales		EBITDA	
	Current	2024	2025	Current	2024	2025	Current	CY24	Current	CY24	Current	CY24	Current	CY24
Aurora Cannabis Inc.	1.9x	1.5x	1.3x	28.4x	14.1x	9.3x	na	na	na	na	0.1x	0.1x	1.7x	0.9x
Auxly Cannabis Group Inc.	1.1x	na	na	13.2x	na	na	-0.1x	na	-1.6x	na	-0.3x	na	-3.5x	na
Avant Brands Inc	2.0x	na	na	-39.2x	na	na	-0.4x	na	7.6x	na	-0.9x	na	18.0x	na
BZAM Ltd	0.6x	na	na	5.0x	na	na	-0.3x	na	-3.1x	na	-0.5x	na	-4.6x	na
Cannara Biotech	1.5x	na	na	5.5x	na	na	-0.6x	na	-2.2x	na	-0.6x	na	-2.2x	na
Canopy Growth Corporation	2.0x	2.2x	2.1x	-17.5x	-367.9x	263.7x	-1.4x	-1.5x	11.8x	248.9x	-1.2x	-1.3x	10.5x	220.8x
Cronos Group Inc	2.9x	2.4x	1.9x	-1.2x	-6.9x	-8.2x	na	na	na	na	9.0x	7.4x	-3.7x	-21.2x
Decibel Cannabis Company Inc	0.9x	0.9x	0.8x	4.7x	4.4x	3.4x	-0.4x	-0.4x	-2.0x	-1.9x	-0.4x	-0.4x	-2.3x	-2.2x
High Tide, Inc.	0.5x	0.5x	0.4x	15.1x	6.8x	5.0x	0.0x	0.0x	-0.7x	-0.3x	0.0x	0.0x	-0.9x	-0.4x
Nova Cannabis Inc	0.3x	0.3x	0.3x	3.3x	3.1x	2.4x	0.0x	0.0x	-0.1x	-0.1x	0.0x	0.0x	-0.4x	-0.4x
OrganiGram Holdings Inc	1.4x	1.2x	1.1x	-11.8x	33.4x	14.1x	na	na	na	na	0.3x	0.2x	-2.4x	7.0x
Rubicon Organics, Inc.	0.5x	na	na	4.2x	na	na	0.0x	na	-0.1x	na	0.0x	na	-0.1x	na
SNDL Inc.	0.6x	0.6x	0.6x	45.0x	14.4x	na	na	na	na	na	0.2x	0.2x	14.0x	4.5x
Tilray Brands, Inc.	2.4x	2.1x	1.9x	45.5x	21.1x	13.6x	-0.2x	-0.2x	-3.8x	-1.7x	-0.3x	-0.3x	-5.6x	-2.6x
Village Farms International, Inc.	0.6x	0.6x	0.5x	-68.2x	14.4x	8.8x	-0.1x	-0.1x	6.4x	-1.4x	-0.1x	-0.1x	6.7x	-1.4x

Source: company reports, FactSet, Z&A estimates

Price Projections

On our base financial projections, taking EV/Sales of 2-3x, we see the share price in a range from \$6-9, but the upside could be greater if Israel and Germany can close the gap with the US (re PHC penetration) faster. In that case, we see \$10 to \$16, almost 5x current levels taking the high end. *Note: we do not set formal price targets (we only discuss forward price scenarios).*

Table 17: Canada LPs Valuation Multiples

US\$ Mn	CY21	CY22	CY23	CY24e	CY25e	CY26e
PRICE TARGET VALUATION SCENARIOS				by Dec'23	by Dec'24	by Dec'25
Current multiple	1.7x				\$4.05	\$5.42
Canadian LP multiple	2.0x				\$4.80	\$6.36
Rerating to	3.0x				\$7.31	\$9.49
Rerating to	4.0x				\$9.83	\$12.62
Rerating to	5.0x				\$12.34	\$15.74

Source: Z&A estimates



Table 18: Stocks Mentioned in this Report

Company name	Ticker	Ticker	Rating	Company name	Ticker	Rating
US MSOs				Canada LPs		
4Front Ventures		FFNTF	Not rated	Aurora Cannabis	ACB	not rated
Acreage Holdings		ACRDF	Not rated	Auxly Cannabis Group	CBWTF	not rated
Ascend Wellness		AAWH	Not rated	Avant Brands	AVTBF	not rated
AYR Wellness		AYRWF	Not rated	BZAM	BZAMF	not rated
Columbia Care		CCHWF	Not rated	Cannara Biotech	LOVFF	not rated
Cresco Labs		CRLBF	Not rated	Canopy Growth Corporation	CGC	not rated
Curaleaf Holdings		CURLF	Not rated	Cronos Group	CRON	not rated
GlassHouse Brands		GLASF	Not rated	Decibel Cannabis Co	DBCCF	Overweight
Gold Flora		GRAM	Overweight	Organigram Holdings	OGI	not rated
Greenlane Holdings		GNLN	Not rated	Rubicon Organics	ROMJF	not rated
Green Thumb Industries		GTBIF	Overweight	SNDL	SNDL	not rated
Grown Rogue		GRUSF	Not rated	Tilray Brands	TLRY	not rated
Jushi Holdings		JUSHF	Overweight	Village Farms Intl	VFF	Overweight
MariMed		MRMD	Overweight	Other		
Planet 13 Holdings		PLNHF	Overweight	Chicago Atlantic REFC	REFI	Overweight
Schwazze		SHWZ	Not rated	Intercure	INCR	Not rated
StateHouse Holdings Inc		STHZF	Neutral	Irwin Naturals	IWINF	Not rated
TerrAscend		TSNDF	Not rated	Leafly	LFLY	Not rated
Tilt Holdings		TLLTF	Overweight	New Lake Capital Partners	NLCP	Overweight
Trulieve Cannabis		TCNNF	Not rated	Smoore International	SMORF	Not rated
Verano Holdings		VRNOF	Overweight	Springbig	SBIG	Not rated
Vext Science, Inc.		VEXTF	Not rated	WM Technology	MAPS	Neutral

Source: Z&A ratings

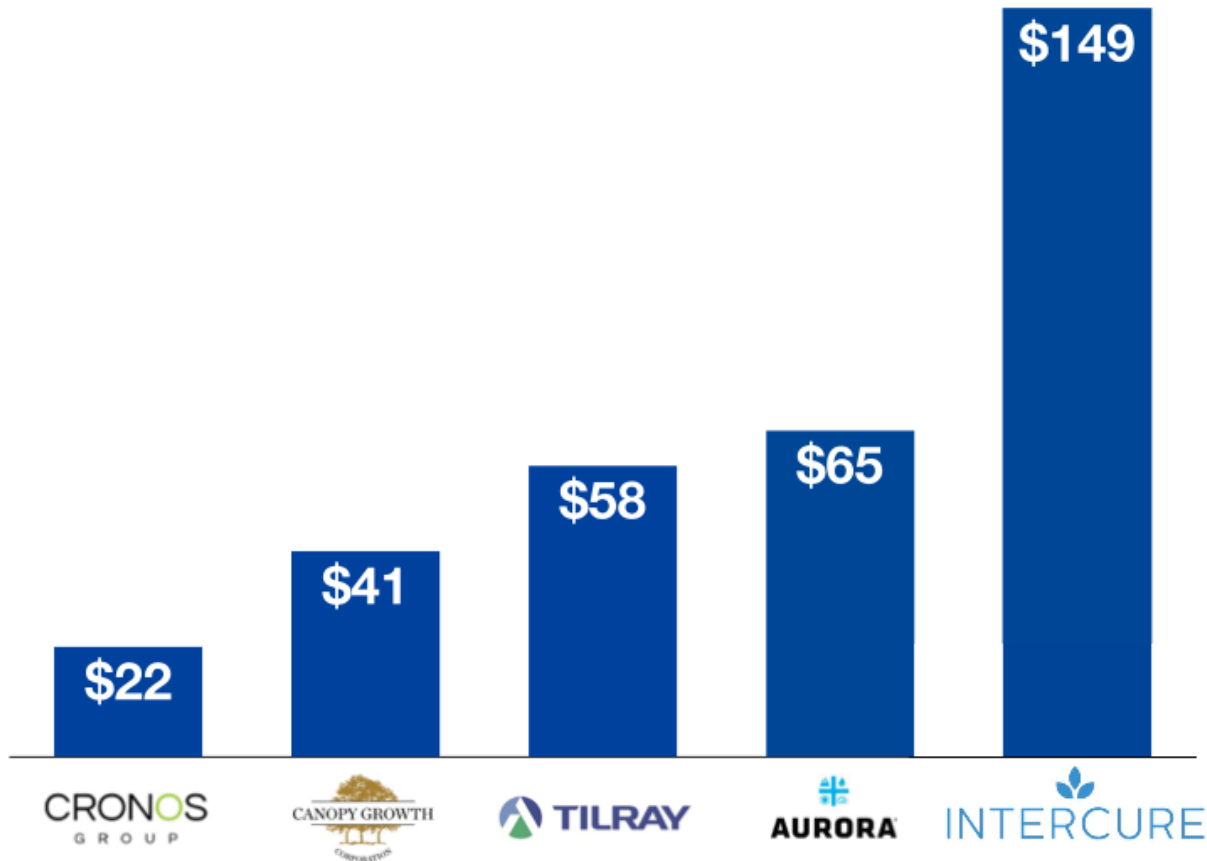


Appendix I: Company Slides

Exhibit 1: International Revenue Comps (based on 1Q23 data)

Pharmaceutical cannabis revenues

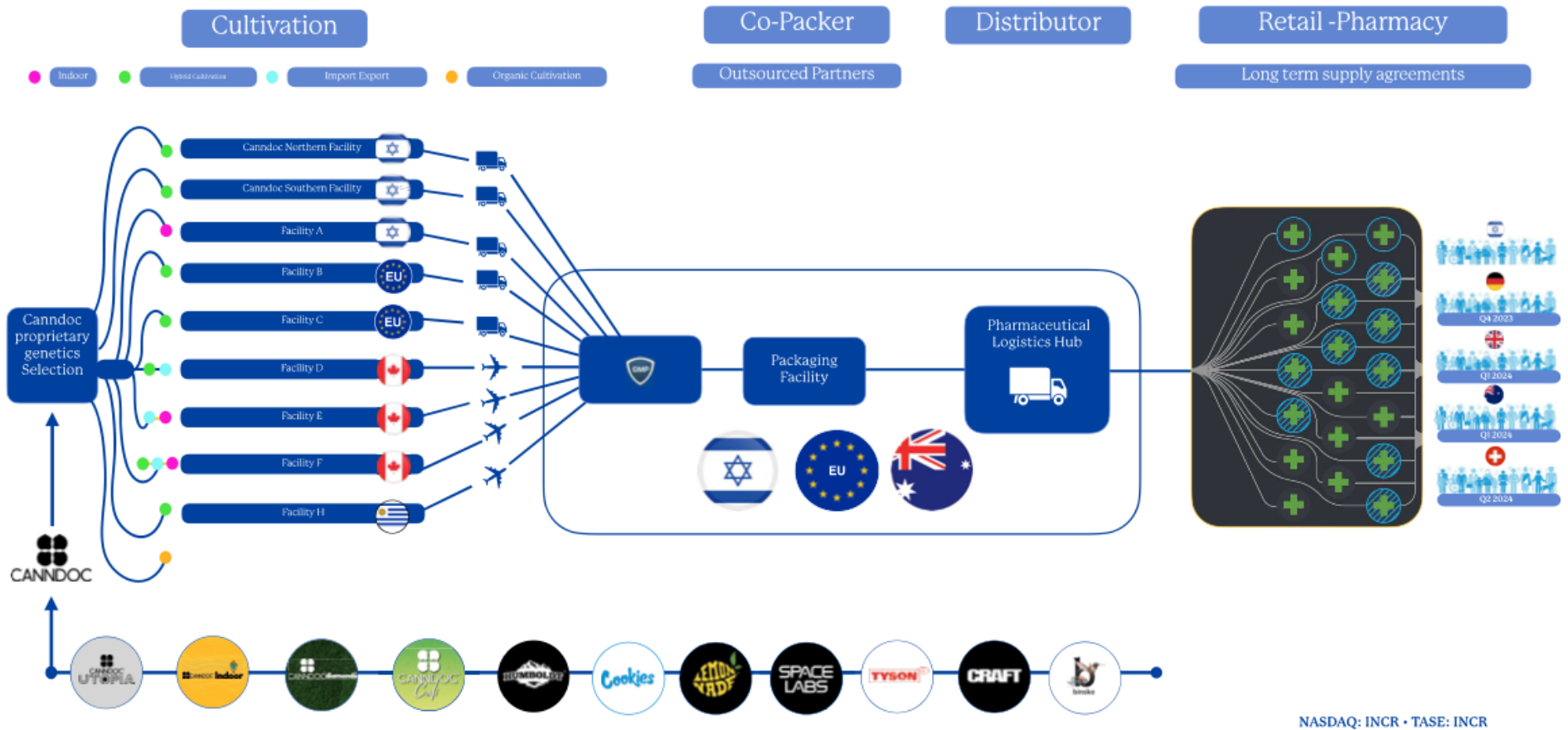
Annualized revenues run rate outside north America



Source: Company reports

Exhibit 2: Envisioned Long Term Supply Chain

Dynamic International Supply Chain



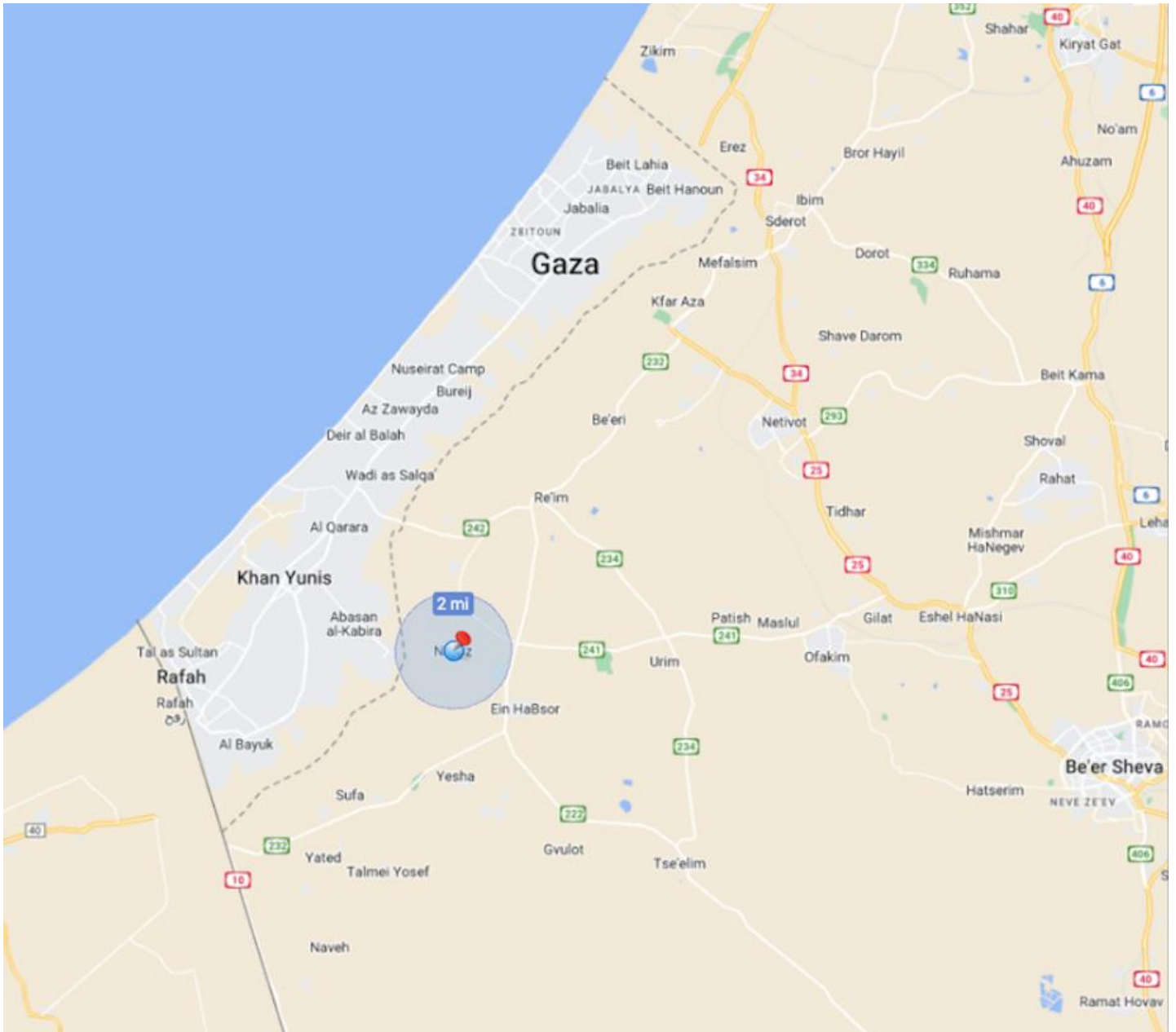
Source: Company reports

Exhibit 3: Nir Oz Facility Potential 3-Phase Expansion



Source: Company reports

Exhibit 4: Nir Oz Location



Source: Company reports

Exhibit 5: Temperature-Controlled Greenhouses in the Israeli Desert

Cultivation



Source: Company reports

Exhibit 6: Unique Bank of Strains and Genetics



Source: Company reports

Exhibit 7: Top Buds



Source: Company reports

Exhibit 8: Retail Experience

Expanding winning model across new locations



Source: Company reports

Exhibit 9: Clinical Trials (temporarily suspended since COVID)

Canndoc's clinical trials pipeline

Clinical - pipeline ▶ Double-blind, randomized, placebo-controlled (1:1) ; Full spectrum derived cannabis oil

Phase of Development	Indication	Number of Patients	Primary Endpoint(s)
2a	Adult Epilepsy	52	- Change in median monthly seizure frequency over study period compared to 2-month baseline period - Treatment-emergent adverse events and serious adverse events (SAEs) during treatment
2a	CINV related to Breast Cancer Treatment	72	- SAEs during treatment
2a	Parkinson's Disease	60	- SAEs during treatment - Change in The Parkinson's Disease Questionnaire
2a	Diabetic Neuropathy	44	- Neuropathic Pain Diagnostic Questionnaire score (scale 4-10)
2a	Fibromyalgia	62	- Safety and tolerability of the product based on AEs during treatment - To determine the effect of the product on Fibromyalgia Impact Questionnaire - To determine the effect of the product on Physician Global Impression of Change
2a	Rheumatoid Arthritis	64	- Safety and tolerability of the product based on Adverse Events during treatment - To determine the effect of the product on ACR20
2a	Radicular Pain	36	- Safety of the product
3	Pediatric/Young Adult Autism	75	- Characterize the effects of medicinal cannabis in different THC:CBD ratios on associated morbidity on the Autistic spectrum to examine the influence of cannabis treatment on cognitive and adjacent capabilities test the levels of THC and CBD in children treated with cannabis
2a	Lumbar Radiculopathy	50	- Safety and tolerability of the product based on AEs during treatment - To evaluate the pain-relieving effect of CD-008 sublingual drops, in addition to standard of care, on Lumbar Radiculopathy
2a*	Post-Traumatic Stress Disorder	50	- Safety rate of AEs - Improvement in Insomnia Severity Index Score - Improvement in Pittsburgh sleep quality index-addendum (PSQI-A) score

Source: Company reports



Appendix II: Company Financials

Exhibit 10: Financial Highlights

SUMMARY	CY21	CY22	1Q23	2Q23	3Q23	4Q23	CY23	1Q24e	2Q24e	3Q24e	4Q24e	CY24e	CY25e	CY26e
<i>000 NIS</i>														
Reported Sales	219.7	388.7	106.2	102.4	103.5	43.5	355.6	54.5	66.2	79.9	95.7	296.3	452.2	562.7
qoq ch %	na	na	1%	-4%	1%	-58%	na	26%	21%	21%	20%	na	na	na
yoy ch %	238%	77%	22%	8%	3%	-59%	-9%	-49%	-35%	-23%	120%	-17%	53%	24%
<i>Guidance</i>								<i>na</i>	<i>na</i>	<i>na</i>	<i>na</i>	<i>na</i>	<i>na</i>	<i>na</i>
<i>Consensus</i>								69.6	75.2	84.5	98.6	327.8	na	na
Profit margins														
Reported gross profit	91.1	155.1	34.3	32.6	33.0	5.1	105.1	16.4	21.2	26.4	33.5	97.4	168.2	225.1
as % of sales	41.5%	39.9%	32.3%	31.9%	31.9%	11.8%	29.6%	30.0%	32.0%	33.0%	35.0%	32.9%	37.2%	40.0%
Op exp	62.9	104.5	28.4	26.8	27.1	64.4	146.7	18.2	20.0	22.1	24.4	84.7	116.6	133.4
as % of sales	28.7%	26.9%	26.7%	26.2%	26.2%	148.1%	41.2%	33.4%	30.2%	27.6%	25.6%	28.6%	25.8%	23.7%
EBIT	28.2	50.6	5.9	5.8	5.9	-59.2	-41.6	-1.9	1.2	4.3	9.0	12.6	51.6	91.7
as % of sales	12.8%	13.0%	5.6%	5.7%	5.7%	-136.3%	-11.7%	-3.4%	1.8%	5.4%	9.4%	4.3%	11.4%	16.3%
Adj EBITDA	51.7	77.4	12.5	12.0	12.2	16.8	53.4	1.2	4.2	7.4	12.1	24.8	64.1	104.4
as % of sales	23.5%	19.9%	11.8%	11.7%	11.7%	38.6%	15.0%	2.1%	6.4%	9.2%	12.7%	8.4%	14.2%	18.5%
<i>Consensus EBITDA</i>								-11.0	-9.0	-7.5	-2.6	-30.1	na	na
<i>as % of sales</i>								-16%	-12%	-9%	-3%	-9%	na	na
Res of P&L														
Pre tax income	18.7	43.8	1.8	0.4	0.4	-63.9	-61.3	-6.7	-1.8	1.4	6.4	-0.7	42.8	83.0
Net income after min int	4.7	44.8	0.2	4.9	5.0	-72.0	-62.0	-6.1	-1.6	1.3	5.8	-0.7	39.3	76.2
Share count (FD) Mn	45.1	45.6	45.6	45.6	42.2	45.6	45.6	45.6	45.6	45.6	45.6	45.6	45.6	45.6
EPS		0.99	0.00	0.00	0.12	-1.58	-1.36	-0.13	-0.04	0.03	0.13	-0.01	0.86	1.67
<i>consensus</i>								-0.18	-0.11	-0.10	-0.07	-0.39	na	na
BS & CF highlights														
Operating cash flow	30.1	51.3	-52.5	1.4	-1.3	-1.3	-53.6	15.9	1.1	19.0	-2.8	33.3	23.7	66.3
(-) Capex	-14.0	-19.7	-0.7	-1.0	-0.5	-0.5	-2.6	-0.8	-0.8	-0.8	-0.8	-3.0	-3.0	-3.0
Free cash flow	16.1	31.5	-53.2	0.4	-1.7	-1.7	-56.3	15.1	0.4	18.3	-3.5	30.3	20.7	63.3
Net cash (debt)	133.1	18.8	-52.5	-25.1	-42.4	-59.6	-59.6	-44.5	-44.2	-26.0	-29.8	-29.8	-10.5	50.8
LTM EBITDA	51.7	77.4	12.5	12.0	12.2	16.8	53.4	1.2	4.2	7.4	12.1	24.8	64.1	104.4
Net debt/EBITDA	2.6x	0.2x	-4.2x	-2.1x	-3.5x	-3.6x	-1.1x	-38.6x	-10.5x	-3.5x	-2.5x	-1.2x	-0.2x	0.5x
Equity	448.0	501.3	502.9	508.8	481.9	455.1	455.1	449.0	447.4	448.6	454.4	454.4	493.7	569.9

Source: Z&A estimates, company reports

Exhibit 11: Sales Assumptions

ASSUMPTIONS	CY23	1Q24e	2Q24e	3Q24e	4Q24e	CY24e	1Q25e	2Q25e	3Q25e	4Q25e	CY25e	1Q26e	2Q26e	3Q26e	4Q26e	CY26e
Israel Market																
Sales (000 NIS)	1,296,296	348,575	368,439	393,001	442,126	1,552,142	466,689	491,252	540,377	564,939	2,063,257	614,065	614,065	614,065	614,065	2,456,258
Kgs	59,680	16,048	16,962	18,093	20,355	71,459	21,486	22,617	24,878	26,009	94,990	28,271	28,271	28,271	28,271	113,083
Patients (avg)	127,836	137,656	145,500	155,200	174,600	153,239	184,300	194,000	213,400	223,100	203,700	242,500	242,500	242,500	242,500	242,500
as % of population		1.4%	1.5%	1.6%	1.8%	1.6%	1.9%	2.0%	2.2%	2.3%	2.1%	2.5%	2.5%	2.5%	2.5%	2.5%
InterCure Sales		54,535	66,187	79,852	95,687	296,261	99,942	106,553	119,534	126,206	452,235	138,036	139,852	141,487	143,367	562,741
Domestic % as of total		98.0%	98.0%	98.0%	98.0%	98.0%	98.1%	96.8%	94.9%	94.0%	95.8%	93.4%	92.2%	91.1%	89.9%	91.7%
International % as of total		2.0%	2.0%	2.0%	2.0%	2.0%	1.9%	3.2%	5.1%	6.0%	4.2%	6.6%	7.8%	8.9%	10.1%	8.3%
InterCure Domestic Sales	348,442	53,444	64,863	78,255	93,773	290,336	98,005	103,163	113,479	118,637	433,284	128,954	128,954	128,954	128,954	515,814
Retail	177,777	27,268	33,094	39,926	47,844	148,131	51,336	54,038	59,441	62,143	226,958	67,547	67,547	67,547	67,547	270,188
share %	14%	7.8%	9.0%	10.2%	10.8%	9.5%	11%	11%	11%	11%	11.0%	11%	11%	11%	11%	11.0%
Wholesale	170,665	26,177	31,770	38,329	45,930	142,205	46,669	49,125	54,038	56,494	206,326	61,406	61,406	61,406	61,406	245,626
share %	26%	15%	17%	20%	21%	18%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
InterCure International Sales	7,111	1,091	1,324	1,597	1,914	5,925	1,938	3,391	6,055	7,568	18,951	9,082	10,898	12,533	14,413	46,927
Australia share %		0%	0%	0%	0%											
Germany share %		0%	0%	0%	0%		0.5%	0.7%	1.0%	1.0%	0.8%	1.0%	1.0%	1.0%	1.0%	1.0%
Other		nm	nm	nm	nm											
German market size (000 NIS)	600,000	155,000	217,000	275,000	310,000	957,000	387,500	484,375	605,469	756,836	2,234,180	908,203	1,089,844	1,253,320	1,441,318	4,692,686
in US\$ Mn		41.9	58.6	74.3	83.7	258.4	104.6	130.8	163.5	204.3	603.2	245.2	294.3	338.4	389.2	1,267.0

Source: Z&A estimates, company reports

Exhibit 12: Income Statement

INCOME STATEMENT	CY22	1Q23	2Q23	3Q23	4Q23	CY23	1Q24e	2Q24e	3Q24e	4Q24e	CY24e	CY25e	CY26e
<i>000 NIS</i>													
Revenues	388,684	106,175	102,439	103,485	43,454	355,553	54,535	66,187	79,852	95,687	296,261	452,235	562,741
(-) Cost of sales	-229,727	-71,052	-69,617	-70,313	-36,232	-247,214	-38,175	-45,007	-53,501	-62,197	-198,879	-284,057	-337,645
Gross profit before impact of biological assets	158,957	35,123	32,822	33,172	7,222	108,339	16,361	21,180	26,351	33,490	97,382	168,179	225,096
(+) unrealized changes to fair value adjustments c	13,054	4,203	136	137	-4,215	261	0	0	0	0	0	0	0
(+) loss from FV changes realized in the current year	-16,928	-4,999	-317	-320	2,131	-3,505	0	0	0	0	0	0	0
Gross profit	155,083	34,327	32,641	32,989	5,138	105,095	16,361	21,180	26,351	33,490	97,382	168,179	225,096
(-) R&D expenses	-632	-157	-99	-100	-32	-388	-55	-66	-80	-96	-296	-452	-563
(-) G&A expenses	-36,082	-11,210	-10,646	-10,752	-10,002	-42,610	-10,000	-10,000	-10,000	-10,000	-40,000	-48,288	-54,133
(-) Selling and marketing expenses	-56,533	-13,570	-14,230	-14,372	-11,097	-53,269	-8,180	-9,928	-11,978	-14,353	-44,439	-67,835	-78,730
(-) other expenses	-2,128	-2,038	-881	-890	-43,329	-47,138	0	0	0	0	0	0	0
(-) changes in the fv of financial assets	-174	4	-16	-16	-637	-665	0	0	0	0	0	0	0
(-) share-based payments	-8,907	-1,409	-949	-958	724	-2,592	0	0	0	0	0	0	0
Loss from operations	50,627	5,947	5,820	5,900	-59,234	-41,567	-1,874	1,186	4,294	9,042	12,647	51,603	91,670
(-) financing expenses	-14,955	-5,706	-6,136	-6,197	-7,562	-25,601	-4,924	-2,997	-2,997	-2,766	-13,683	-9,220	-9,220
(-) financing income	8,170	1,533	719	726	2,905	5,883	99	60	71	80	311	376	526
(-) other	0	0	0	0	0	0	0	0	0	0	0	0	0
Loss before provision for income taxes	43,842	1,774	403	429	-63,891	-61,285	-6,699	-1,751	1,368	6,356	-726	42,759	82,976
(-) income tax expense	-93	-1,682	3,322	3,355	-7,243	-2,248	670	175	-137	-636	73	-4,276	-8,298
(-) Equity Investment share of loss	0	0	0	0	0	0	0	0	0	0	0	0	0
Net loss and comprehensive loss	43,749	92	3,725	3,784	-71,134	-63,533	-6,029	-1,576	1,231	5,720	-653	38,483	74,678
(-) non controlling interest	1,070	122	1,158	1,170	-876	1,574	-121	-32	25	114	-13	770	1,494
Net loss attributable to co	44,819	214	4,883	4,953	-72,009	-61,959	-6,150	-1,608	1,256	5,835	-666	39,253	76,172
FD EPS	0.99	0.00	0.11	0.12	-1.58	-1.36	-0.13	-0.04	0.03	0.13	-0.01	0.86	1.67
diluted share count (Mn)	45.6	45.6	45.6	42.2	45.6	45.6	45.6	45.6	45.6	45.6	45.6	45.6	45.6

Source: Z&A estimates, company reports

Exhibit 13: Cash Flow Statement

SUMMARY CASH FLOW	CY22	1Q23	2Q23	3Q23	4Q23	CY23	1Q24e	2Q24e	3Q24e	4Q24e	CY24e	CY25e	CY26e
<i>000 NIS</i>													
Net earnings	43,749	92	-35,167	-14,229	-14,229	-63,533	-6,150	-1,608	1,256	5,835	-666	39,253	76,172
(+) D&A	11,699	3,177	2,823	3,583	3,583	13,166	3,026	3,042	3,058	3,073	12,199	12,451	12,703
Cash earnings	55,448	3,269	-32,344	-10,646	-10,646	-50,367	-3,124	1,434	4,314	8,908	11,532	51,704	88,874
(-) Working capital changes	-3,018	-59,495	29,748	-30,713	-30,713	-91,173	19,135	-256	14,700	-11,785	21,795	-28,804	-24,114
(-) Other operating flows	-1,163	3,687	4,011	40,106	40,106	87,909	-121	-32	25	114	-13	770	1,494
Net cash used in operating activities	51,267	-52,539	1,415	-1,253	-1,253	-53,631	15,891	1,147	19,038	-2,762	33,314	23,669	66,254
(-) net capex	-19,742	-688	-1,012	-460	-460	-2,619	-750	-750	-750	-750	-3,000	-3,000	-3,000
Free cash flow	31,525	-53,227	403	-1,713	-1,713	-56,250	15,141	397	18,288	-3,512	30,314	20,669	63,254
(-) acquisitions	1,560	0	0	0	0	0	0	0	0	0	0	0	0
(-) divestitures											0	0	0
(-) flows for contingent consideration	-16,044	-4,958	0	379	379	-4,200							
(+) other	-131,320	-13,134	27,026	-15,913	-15,913	-17,934	-15	-104	-160	-250	-529	-1,312	-2,036
(+) 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
Change in net	-114,279	-71,319	27,428	-17,247	-17,247	-78,384	15,126	293	18,128	-3,762	29,785	19,358	61,218
Ending net (debt)	18,787	-52,532	-25,104	-42,351	-59,597	-59,597	-44,471	-44,178	-26,050	-29,812	-29,812	-10,455	50,764
Cash/inv/sec	246,496	120,145	116,441	113,620	110,799	110,799	47,731	48,024	66,152	62,390	62,390	81,747	142,966
Gross debts/loans/bonds	227,709	172,677	141,545	155,971	170,396	170,396	92,202	92,202	92,202	92,202	92,202	92,202	92,202

Source: Z&A estimates, company reports

Exhibit 14: Balance Sheet

BALANCE SHEET	CY22	CY23	1Q24e	2Q24e	3Q24e	4Q24e	CY24e	CY25e	CY26e
<i>000 NIS</i>									
Cash and cash equivalents	232,589	101,139	38,071	38,364	56,492	52,730	52,730	72,087	133,306
Restricted cash	13,907	9,660	9,660	9,660	9,660	9,660	9,660	9,660	9,660
Trade receivables	36,919	60,411	55,000	55,000	55,000	52,373	52,373	69,078	78,471
Other receivables	97,375	141,116	120,000	120,000	100,000	100,146	100,146	132,087	150,048
Inventory, net	140,133	105,469	95,000	95,000	100,000	113,918	113,918	150,251	170,682
Biological assets	6,365	822	5,157	6,259	7,552	9,049	9,049	11,935	13,558
Prepays, advances and other	0	0	0	0	0	0	0	0	0
Financial assets measured at fair value through	205	187	106	129	156	187	187	246	280
Current assets	527,493	418,804	322,994	324,412	328,859	338,063	338,063	445,344	556,004
PPE and right of use asset	103,133	97,473	95,332	93,176	91,004	88,816	88,816	79,908	70,747
Goodwill	284,181	221,080	221,080	221,080	221,080	221,080	221,080	221,080	221,080
Loans, receivables, investments	0	22,654	22,654	22,654	22,654	22,654	22,654	22,654	22,654
Deferred tax assets	20,635	24,681	24,681	24,681	24,681	24,681	24,681	24,681	24,681
Financial assets measured at fair value through	2,565	1,922	1,922	1,922	1,922	1,922	1,922	1,922	1,922
TOTAL ASSETS	938,007	786,614	688,664	687,925	690,201	697,217	697,217	795,589	897,088
ST loan and current maturities	126,935	88,194	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Trade payables	126,067	78,440	75,000	75,000	75,000	75,000	75,000	117,634	133,630
Other payables	48,397	55,152	45,000	45,000	45,000	45,000	45,000	59,209	67,261
Contingent consideration	10,230	4,082	4,067	4,937	5,956	7,137	7,137	9,413	10,693
ST loan from non-controlling interest	1,090	0	0	0	0	0	0	0	0
Total current liabilities	312,719	225,868	134,067	134,937	135,956	137,137	137,137	196,257	221,583
Long term loans	99,684	82,202	82,202	82,202	82,202	82,202	82,202	82,202	82,202
Liabilities in respect of employee benefits	1,025	841	841	841	841	841	841	841	841
Loan from related party	0	0	0	0	0	0	0	0	0
Lease liability	23,102	20,641	20,641	20,641	20,641	20,641	20,641	20,641	20,641
Total liabilities	436,530	329,552	237,751	238,621	239,640	240,821	240,821	299,941	325,267
Share capital	632,025	643,158	643,158	643,158	643,158	643,158	643,158	643,158	643,158
Capital reserve for transactions with controlling	2,388	2,388	2,388	2,388	2,388	2,388	2,388	2,388	2,388
Receipts on account of shares	8,541	13,561	13,561	13,561	13,561	13,561	13,561	13,561	13,561
Accumulated loss	-141,649	-203,995	-210,145	-211,752	-210,496	-204,661	-204,661	-165,408	-89,236
Total stockholders equity	501,305	455,112	448,962	447,355	448,611	454,446	454,446	493,699	569,871
Non controlling interest	20,172	1,950	1,950	1,950	1,950	1,950	1,950	1,950	1,950
TOTAL LIABILITIES AND EQUITY	958,007	786,614	688,664	687,925	690,201	697,217	697,217	795,589	897,088

Source: Z&A estimates, company reports



Appendix III: Valuation Comps

Exhibit 15: Canada LPs Valuation Multiples

Multiples 23-May-24	Z&A Spot EV / Sales			Z&A Spot EV / EBITDA			Financial Net Debt				Broadly Defined Net Debt			
							Sales		EBITDA		Sales		EBITDA	
	Current	2024	2025	Current	2024	2025	Current	CY24	Current	CY24	Current	CY24	Current	CY24
Aurora Cannabis Inc.	1.9x	1.5x	1.3x	28.5x	14.2x	9.4x	na	na	na	na	0.1x	0.1x	1.7x	0.9x
Auxly Cannabis Group Inc.	1.0x	na	na	11.6x	na	na	-0.1x	na	-1.6x	na	-0.3x	na	-3.5x	na
Avant Brands Inc	1.9x	na	na	-38.0x	na	na	-0.4x	na	7.6x	na	-0.9x	na	18.0x	na
BZAM Ltd	0.6x	na	na	5.3x	na	na	-0.3x	na	-3.1x	na	-0.5x	na	-4.6x	na
Cannara Biotech	0.6x	na	na	2.2x	na	na	-0.6x	na	-2.2x	na	-0.6x	na	-2.2x	na
Canopy Growth Corporation	2.0x	2.2x	2.1x	-17.2x	-361.2x	258.9x	-1.4x	-1.5x	11.8x	248.9x	-1.2x	-1.3x	10.5x	220.8x
Cronos Group Inc	2.5x	2.3x	1.6x	-1.0x	-6.5x	-17.4x	na	na	na	na	9.2x	8.2x	-3.8x	-23.8x
Decibel Cannabis Company Inc	0.8x	0.8x	0.7x	4.3x	4.0x	3.1x	-0.3x	-0.3x	-1.8x	-1.7x	-0.4x	-0.4x	-2.2x	-2.0x
High Tide, Inc.	0.5x	0.5x	0.4x	15.5x	7.0x	5.2x	0.0x	0.0x	-0.7x	-0.3x	0.0x	0.0x	-0.9x	-0.4x
Nova Cannabis Inc	0.3x	0.3x	0.2x	3.1x	2.9x	2.2x	0.0x	0.0x	0.0x	0.0x	0.0x	0.0x	-0.4x	-0.3x
OrganiGram Holdings Inc	1.3x	1.2x	1.0x	-10.8x	92.4x	19.2x	na	na	na	na	0.5x	0.5x	-4.3x	36.5x
Rubicon Organics, Inc.	0.7x	na	na	5.2x	na	na	-0.1x	na	-0.6x	na	-0.1x	na	-0.6x	na
SNDL Inc.	0.7x	0.7x	0.7x	50.3x	27.8x	na	na	na	na	na	0.2x	0.2x	12.7x	7.0x
Tilray Brands, Inc.	2.2x	2.0x	1.8x	43.1x	19.9x	12.9x	-0.2x	-0.2x	-3.7x	-1.7x	-0.3x	-0.3x	-5.6x	-2.6x
Village Farms International, Inc.	0.6x	0.5x	0.5x	-64.6x	13.2x	8.4x	-0.1x	-0.1x	7.0x	-1.4x	-0.1x	-0.1x	7.4x	-1.5x

Source: FactSet, Z&A estimates, company reports

Exhibit 16: Canada LPs EV Calculations

C\$Mn 23-May-24	FactSet Spot EV	Z&A Spot EV	C\$ price	mn shares	mn deriv	Total Mkt Cap	Financial net debt	Net leases	ST income tax liab.	Conting Cons.	ITM deriv inflow	Total BDND	Pref Stock Min Int
Aurora Cannabis Inc.	437	497	9.37	54.5	1.6	526	89	-48		-11		30	
Auxly Cannabis Group Inc.	182	107	0.05	1,250.3	249.9	75	-15	-17		0		-32	
Avant Brands Inc	27	37	0.07	258.3	3.4	20	-7	-10				-18	
BZAM Ltd	119	52	0.04	180.8	0.2	7	-31	-14				-45	
Cannara Biotech	85	46	0.81	0.0	0.0	0	-45	0	-1			-46	
Canopy Growth Corporation	na	618	12.87	9.1	9.6	240	-426				48	-378	
Cronos Group Inc	312	320	3.82	382.0	7.8	1,487	1,169	-2				1,167	
Decibel Cannabis Company Inc	78	88	0.10	409.0	17.2	43	-37	-8				-45	
High Tide, Inc.	265	264	3.28	75.1	0.5	248	-12	-4				-16	
Nova Cannabis Inc	1	79	1.22	57.2		70	-1	-8				-9	
OrganiGram Holdings Inc	183	183	2.57	94.5	5.0	256	72		0			72	
Rubicon Organics, Inc.	27	27	0.40	56.2	4.1	24	-3	0				-3	
SNDL Inc.	582	700	3.20	263.2	10.9	877	217	-40				177	
Tilray Brands, Inc.	2,314	2,376	2.54	799.0		2,033	-206	-84		-19		-309	34
Village Farms International, Inc.	205	231	1.65	110.2		182	-25	-1				-26	22

Source: FactSet, Z&A estimates, company reports



Exhibit 17: US MSOs Valuation Multiples

US\$m	Z&A Spot EV / Sales			Z&A Spot EV / EBITDA			Financial Net Debt				Broadly Defined Net Debt			
	2023	2024	2025	2023	2024	2025	Sales		EBITDA		Sales		EBITDA	
23-May-24							CY24	Current	CY24	Current	CY24	Current	CY24	Current
US MSOs	2.1x	1.9x	1.6x	12.4x	9.9x	7.2x								
Acreage Holdings	0.4x	1.3x	na	3.1x	6.4x	na	-0.8x	-0.9x	-4.2x	-8.1x	-1.0x	-1.1x	-4.9x	-9.5x
Ascend Wellness	1.4x	1.3x	1.2x	6.9x	5.8x	5.1x	-0.4x	-0.4x	-1.9x	-2.0x	-0.8x	-0.8x	-3.7x	-4.0x
Ayr Wellness	1.5x	1.4x	1.3x	6.1x	5.7x	4.9x	-0.8x	-0.8x	-3.1x	-3.4x	-0.7x	-0.7x	-2.7x	-3.0x
Cannabist Co	0.9x	0.9x	0.8x	6.6x	6.3x	4.4x	-0.5x	-0.5x	-3.7x	-3.3x	-0.7x	-0.7x	-4.7x	-4.2x
Cansortium	1.3x	na	na	3.8x	na	na	na	na	na	na	na	na	na	na
Cresco Labs	1.9x	2.0x	1.9x	8.6x	7.3x	6.9x	-0.6x	-0.5x	-2.0x	-2.1x	-0.8x	-0.8x	-2.9x	-3.0x
Curaleaf	3.7x	3.6x	3.3x	16.6x	14.8x	12.8x	-0.5x	-0.5x	-2.0x	-3.2x	-0.8x	-0.8x	-3.3x	-5.3x
4Front Ventures	2.1x	2.3x	na	20.6x	12.6x	na	-1.1x	-1.0x	-5.8x	-6.9x	-1.6x	-1.5x	-8.7x	-10.3x
Glass House	5.5x	4.1x	na	36.0x	17.1x	na	-0.1x	na	-0.5x	na	-0.3x	-0.4x	-1.5x	-1.8x
Gold Flora	1.0x	1.0x	0.7x	na	12.0x	3.9x	na	-0.2x	na	na	na	-0.6x	na	na
Goodness Growth	1.0x	0.9x	na	5.1x	4.1x	na	-0.5x	-0.5x	-2.3x	-1.8x	-0.6x	-0.6x	-2.7x	-2.1x
Green Thumb	3.0x	2.8x	2.6x	9.8x	9.1x	8.6x	-0.1x	-0.1x	-0.4x	-0.4x	-0.2x	-0.2x	-0.6x	-0.6x
Grown Rogue	5.6x	na	na	24.1x	na	na	na	na	na	na	na	na	na	na
iAnthus	1.6x	na	na	na	na	na	na	-0.8x	na	-7.5x	na	-0.9x	na	-8.0x
Jushi	1.6x	1.6x	1.4x	10.5x	7.8x	6.7x	-0.6x	-0.7x	-3.3x	-8.4x	-1.1x	-1.1x	-5.4x	-13.9x
MariMed	1.2x	1.1x	0.9x	7.4x	7.4x	4.5x	-0.3x	-0.3x	-2.1x	-2.2x	-0.4x	-0.5x	-2.8x	-2.9x
Planet 13	2.0x	1.5x	1.1x	-3.9x	18.3x	7.0x	0.1x	0.1x	0.9x	10.4x	0.0x	-0.1x	-0.6x	-6.6x
Schwazze	1.4x	1.4x	na	4.6x	6.0x	na	-0.8x	-0.7x	-3.4x	-2.4x	-0.9x	-0.8x	-3.9x	-2.8x
StateHouse	1.9x	na	na	na	na	na	na	-1.1x	na	-57.5x	na	-1.8x	na	-92.6x
TerrAscend	2.7x	2.5x	2.3x	12.4x	12.0x	10.4x	-0.6x	-0.5x	-2.6x	-1.9x	-0.8x	-0.7x	-3.6x	-2.7x
TILT	0.6x	0.7x	0.6x	52.2x	19.8x	11.6x	-0.3x	-0.3x	-9.0x	-5.8x	-0.6x	-0.5x	-17.4x	-11.2x
Trulieve	2.5x	2.4x	2.3x	8.7x	7.7x	7.5x	-0.5x	-0.5x	-1.5x	-1.7x	-0.5x	-0.6x	-1.7x	-2.1x
Verano	2.3x	2.4x	2.2x	7.2x	7.6x	6.9x	-0.3x	-0.3x	-0.9x	-0.8x	-0.6x	-0.5x	-1.8x	-1.5x
Vext	2.3x	1.9x	na	14.7x	10.3x	na	-0.8x	-1.1x	-4.4x	-8.1x	-0.8x	-1.1x	-4.4x	-8.1x

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

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

Source: FactSet, Z&A estimates, company reports

Exhibit 18: US MSOs EV Calculations

US\$Mn	FactSet	Z&A	US\$	mn	mn	Total	Financial	Net	Income	Conting	ITM deriv	Total	Pref Stock
23-May-24	Spot EV	Spot EV	price	shares	deriv	Mkt Cap	net debt	leases	tax liab.	Cons.	inflow	BDND	Min Int
US MSOs													
Acreage Holdings	255	325	0.44	139.9	29.7	75	-214	-2	-34			-250	
Ascend Wellness	747	738	1.19	211.5	13.3	268	-238	-134	-99			-470	
Ayr Wellness	745	699	2.50	114.0	31.1	363	-382	5	-13	0	55	-336	
Cannabist Co	624	456	0.27	429.3		116	-272	-23	-45	0		-340	
Cansortium	140	135	0.18	298.3	6.3	53	-49	-7	-26			-81	
Cresco Labs	1,225	1,490	2.03	436.9	8.2	903	-415	-54	-111	-6		-586	
Curaleaf	4,282	5,054	5.12	738.1	7.9	3,820	-672	-18	-345	-81		-1,115	119
4Front Ventures	289	207	0.10	648.6		65	-95	-6	-41	0		-142	
Glass House	619	882	9.30	75.7	3.2	734	-26	0	-21	-29		-76	72
Gold Flora	130	133	0.22	287.5	0.2	62	-26	-32	-8	-4		-71	
Goodness Growth	136	87	0.65	45.3		29	-50	-8				-58	
Green Thumb	2,988	3,194	12.29	236.1	7.1	2,989	-147	-23	-11	-33	9	-206	
Grown Rogue	75	142	0.83	170.8		142	4	-3	0	0		0	
iAnthus	124	279	0.02	6,510.5		124	-146	-9				-155	
Jushi	402	428	0.67	196.6	1.1	133	-179	1	-117			-295	
MariMed	176	184	0.25	379.6	5.7	94	-53	-1	-16			-70	19
Planet 13	139	194	0.58	321.8	0.3	187	10	-6	-5	-5		-6	
Schwazze	210	247	0.51	171.3		88	-138	-3	-18	0		-159	
StateHouse	144	192	0.02	255.6	141.0	6	-114	-13	-39	-24	7	-184	2
TerrAscend	698	856	1.63	351.2	15.3	597	-186	-7	-59	-6		-258	
TILT	118	108	0.03	384.8	10.9	13	-49	-43	-3			-95	
Trulieve	2,061	2,815	11.50	186.0	3.3	2,177	-537	-16	-81	-4		-639	
Verano	1,995	2,198	4.73	343.5	9.8	1,671	-271	-4	-248	-4		-527	
Vext	60	81	0.21	217.5	0.4	46	-35	0				-35	

Source: FactSet, Z&A estimates, company reports

Exhibit 19: Other Companies Valuation Multiples

US\$m	Company name	Ticker	Listing	5/23/2024	Mkt			Last Qtr	Annualized	1yr Forward	Consensus		Cons	Net debt	
				Price	Cap	(mn)	Net				Ent	1yF Estimates (US\$m)	EBITDA	to Cons	
			US\$	US\$Mn	Shares	(Debt)	Value	EV/Sales	EV/EBITDA	EV/Sales	EV/EBITDA	Sales	EBITDA	mgn %	1yF EBITDA
Service Providers															
	AFC Gamma, Inc.	AFCG	NASDAQ	12.30	252	20.5	-8	260	<i>finco</i>	3.7x	#N/A	70	#N/A	#N/A	#N/A
	Agrify Corp.	AGFY	NASDAQ	0.31	1	1.7	-23	23	<i>finco</i>	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
	Chicago Atlantic Real Estate Fin	REFI	NASDAQ	15.50	282	18.2	-58	340	<i>finco</i>	5.7x	#N/A	60	#N/A	#N/A	#N/A
	Innovative Industrial Properties	IIPR	NYSE	111.00	3,124	28.1	-139	3,262	<i>finco</i>	10.3x	12.9x	317	253	80%	-0.5x
	NewLake Capital Partners, Inc.	NLCP	US OTC	20.44	419	20.5	24	395	<i>finco</i>	8.0x	#N/A	50	#N/A	#N/A	#N/A
	Power REIT	PW	SE America	0.70	2	3.4	-32	34	<i>finco</i>	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
	RIV Capital, Inc. Class A	CNPOF	US OTC	0.10	14	136.2	-42	56	<i>finco</i>	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
	SHF Holdings Inc Class A	SHFS	NASDAQ	0.77	42	54.6	-12	54	<i>finco</i>	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
	Silver Spike Investment Corp.	SSIC	NASDAQ	11.37	71	6.2	33	38	<i>finco</i>	3.6x	#N/A	11	#N/A	#N/A	#N/A
	Leafly Holdings, Inc.	LFLY	NASDAQ	1.76	4	2.2	-14	18	<i>tech</i>	0.5x	-5.1x	36	-3	-10%	4.0x
	SpringBig Holdings, Inc.	SBIG	US OTC	0.16	7	45.3	-6	14	<i>tech</i>	0.4x	2.7x	31	5	17%	-1.2x
	WM Technology, Inc. Class A	MAPS	NASDAQ	0.94	52	55.5	0	52	<i>tech</i>	0.3x	#N/A	199	#N/A	#N/A	#N/A
	Greenlane Holdings, Inc. Class A	GNLN	NASDAQ	0.55	1	1.6	-8	9	<i>vape parts</i>	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
	GrowGeneration Corp.	GRWG	NASDAQ	2.49	153	61.5	23	131	<i>pix & shovel</i>	0.6x	-181.4x	215	-1	0%	-31.2x
	Hydrofarm Holdings Group, Inc.	HYFM	NASDAQ	0.81	37	45.8	-154	190	<i>pix & shovel</i>	0.9x	26.8x	202	7	4%	-21.6x
	Scotts Miracle-Gro Company Class A	SMG	NYSE	65.78	3,717	56.5	-2,874	6,591	<i>pix & shovel</i>	1.8x	11.2x	3,631	589	16%	-4.9x
	urban-gro Inc	UGRO	NASDAQ	1.61	19	12.1	-4	24	<i>pix & shovel</i>	0.3x	42.8x	90	1	1%	-7.6x
CBD, CPG, Pharma, International															
	Charlotte's Web Holdings, Inc.	CWBHF	US OTC	0.18	28	154.3	-13	41	<i>CBD</i>	0.7x	-2.6x	58	-16	-27%	0.8x
	Clever Leaves Holdings, Inc.	CLVR	US OTC	3.00	5	1.7	4	1	<i>CBD</i>	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
	CV Sciences, Inc.	CVSI	US OTC	0.06	9	161.7	1	8	<i>CBD</i>	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
	Turning Point Brands Inc	TPB	NYSE	33.11	583	17.6	-260	843	<i>CPG</i>	2.1x	8.4x	395	101	25%	-2.6x
	IM Cannabis Corp	IMCC	NASDAQ	0.63	8	13.4	-9	17	<i>Intl</i>	0.4x	-8.9x	42	-2	-5%	4.6x
	InterCure Ltd.	INCR	NASDAQ	3.10	141	45.6	-24	165	<i>Intl</i>	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
	Ispire Technology, Inc.	ISPR	NASDAQ	7.62	413	54.2	45	368	<i>Intl</i>	1.7x	-214.5x	212	-2	-1%	-26.3x
	Little Green Pharma Ltd.	LGPPF	US OTC	#N/A	#N/A	297.9	0	#N/A	<i>Intl</i>	#N/A	#N/A	31	1	2%	0.0x
	PharmaCielo Ltd.	PCLOF	US OTC	0.11	17	155.0	-9	26	<i>Intl</i>	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
	Smooere International Holdings	SMORF	US OTC	0.95	5,786	6,101.8	2,171	3,615	<i>Intl</i>	0.3x	1.4x	14,079	2,651	19%	0.8x
	Jazz Pharmaceuticals Public Lim	JAZZ	NASDAQ	105.51	6,569	62.3	-4,170	10,739	<i>pharma</i>	2.6x	5.9x	4,167	1,825	44%	-2.3x

Source: FactSet, Z&A estimates, company reports

Exhibit 20: Stock Performance

Ticker	Last 30d	Last 90d	Last 12mo
US MSOs (mkt cap >\$200Mn)			
AAWH	-6%	-26%	38%
AYRWF	5%	20%	102%
CRLBF	3%	10%	22%
CURLF	6%	-1%	78%
GLASF	8%	37%	163%
GTBIF	2%	-11%	66%
PLNH	-7%	-20%	4%
TSNDF	0%	-5%	-1%
TCNNF	8%	24%	158%
VRNOF	-1%	-20%	63%
US MSOs (mkt cap <\$200Mn)			
ACRDF	11%	111%	6%
CBSTF	0%	-32%	-46%
CNTMF	-7%	-8%	127%
CXXIF	16%	-13%	38%
FFNTF	3%	7%	-40%
GRAMF	4%	-35%	34%
GDNSF	56%	49%	251%
GRUSF	24%	54%	564%
ITHUF	-1%	-5%	1%
JUSHF	4%	-8%	37%
LOWLF	-5%	-50%	-77%
MRMD	-4%	-13%	-43%
SHWZ	-25%	-63%	-50%
STHZF	-63%	-69%	-62%
VEXTF	19%	-10%	10%

Ticker	Last 30d	Last 90d	Last 12mo
Canadian LPs			
ACB	9%	111%	11%
AVTBF	-16%	-32%	-52%
BZAMF	52%	-61%	-83%
CBWTF	2%	203%	194%
CGC	20%	179%	-12%
CRON	18%	26%	48%
DBCCF	-28%	-16%	-25%
ETRGF	-17%	-11%	-54%
HITI	12%	40%	75%
LOVFF	-2%	-11%	-7%
NVACF	-13%	-11%	71%
OGI	-1%	-5%	-6%
ROMJF	11%	-3%	-23%
SNDL	24%	71%	31%
TLRY	8%	4%	-24%
VFF	0%	53%	66%
Cannabis - International			
CLVR	-22%	26%	-19%
IMCC	5%	-17%	-61%
INCR	23%	53%	34%
LGPPF	na	na	na
PCLOF	-10%	45%	47%
Tech			
FLFY	-20%	-50%	-75%
SBIG	32%	27%	-62%
MAPS	-13%	2%	-6%

Ticker	Last 30d	Last 90d	Last 12mo
MJ Fincos			
AFCG	4%	9%	5%
CNPOF	49%	13%	12%
IIPR	15%	22%	59%
NLCP	12%	26%	63%
PW	36%	14%	-69%
SHFS	6%	-23%	100%
SSIC	3%	19%	32%
REFI	-1%	-2%	7%
Pix & Shovel			
AGFY	16%	-48%	-93%
GRWG	10%	23%	-36%
HYFM	-11%	-10%	-27%
SMG	-3%	13%	-4%
UGRO	0%	-35%	5%
Vape parts			
GNLN	-8%	29%	-83%
ISPR	42%	-25%	2%
SMORF	9%	36%	-15%
TLLTF	13%	-20%	-26%
Index			
S&P 500	6%	4%	28%
S&P 477	4%	5%	8%
Nasdaq	2%	10%	15%
MSOS ETF	3%	-3%	58%
YOLO ETF	7%	8%	40%

Source: FactSet



Appendix IV: 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, research, and advisory services. Potential conflicts of interest are duly reflected in the respective specific company reports.

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