



9/24/2024

LFTD Partners Inc. (LIFD)

Initiating coverage: Overweight

Key Highlights:

- We rate LIFD Overweight, although we see the stock more as a “speculative buy” type trade.
- LIFD is a leading player in psychoactive hemp-derived products (PHDs). Cash flow positive and in a net cash position, it is well-placed to expand via M&A both in PHDs and in adjacent categories.
- State and federal level regulatory challenges have hurt sentiment and sales (including outright bans in some states). LIFD now trades at 0.2x CY24 EV/Sales, and below our liquidation value estimates.
- On our expectation that the new Farm Bill may delegate the matter of regulating PHDs to the states, and that more states will strictly regulate PHDs rather than banning them (yes, state by state analysis is required), we believe LIFD’s compliant strategy will lead to market share gains and top line growth.
- While we do not set price targets, even at only 0.5x sales on our projected estimates, the stock could be up 5x by Dec’25.
- Yes, this is a binary story, but we only assign 10% probability to the scenario of a federal ban on PHDs.

US\$m				
Cons. Sales	CY22	CY23	CY24	CY25
1Q	18 A	12 A	11 A	11 E
2Q	17 A	13 A	9 A	10 E
3Q	11 A	13 A	9 E	9 E
4Q	11 A	14 A	9 E	9 E
FY	57 A	52 A	38 E	40 E
Cons. EBITDA	CY22	CY23	CY24	CY25
1Q	4.2 A	-0.1 A	-0.6 A	1.3 E
2Q	4.5 A	2.4 A	-0.3 A	1.8 E
3Q	0.5 A	0.7 A	0.8 E	1.8 E
4Q	0.9 A	0.0 A	1.0 E	1.9 E
FY	10.1 A	3.1 A	0.9 E	6.7 E
Share price (US\$)	\$0.65	Rating	Overweight	
Share count (mn)	14.8	Price target	No PT	
Market Cap (US\$m)	9.6	Fiscal Year	Dec	
Ticker	LIFD			

	CY22	CY23	CY24	CY25
EPS				
1Q	0.18 A	-0.01 A	0.08 A	0.09 E
2Q	0.20 A	0.10 A	-0.04 A	0.13 E
3Q	0.03 A	0.04 A	0.05 E	0.13 E
4Q	0.04 A	0.00 A	0.07 E	0.14 E
FY	0.45 A	0.13 A	0.16 E	0.50 E
FCF	CY22	CY23	CY24	CY25
1Q	0.3 A	0.0 A	0.1 A	-0.5 E
2Q	0.2 A	-1.0 A	-0.2 A	3.0 E
3Q	2.3 A	1.1 A	1.5 E	2.5 E
4Q	-0.8 A	-1.5 A	1.0 E	2.1 E
FY	2.1 A	-1.5 A	2.4 E	7.1 E
Performance	LFTD	MSOS ETF	S&P500	
30d	16%	1%	2%	
90d	-24%	-5%	5%	
1yr	-48%	-10%	32%	

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Investment Summary

We begin equity research coverage of LFTD Partners Inc. (LIFD US: OTC) at Overweight, although we see this more as a “speculative buy” type trade. LIFD is a leading player in psychoactive hemp-derived products (PHDs). The stock is down >90% from its April 2021 peak owing to regulatory challenges at the state level and uncertainty at the federal level. These, combined with commercial pressures, have led to a sales decline of almost 50% (between 1Q22 and 2Q24). As a result, LIFD now trades at 0.26x spot EV/Sales, and below our liquidation value estimates. We see a potential trading opportunity here. On our expectation that the new Farm Bill may delegate the matter of regulating PHDs to the states, and that more states will strictly regulate PHDs instead of outright banning them, we believe LIFD’s compliant strategy will lead to market share gains and top line growth. While we do not set price targets, even at only 0.5x sales on our projected estimates, the stock could be up 5x by Dec’25. Yes, this is a binary story, but we only assign 10% probability to the scenario of a federal ban on PHDs.

- LIFD is one of the largest players in psychoactive hemp-derived products (PHDs), setting industry-leading standards for packaging, labelling, marketing, and distribution. The 2018 Farm bill legalized hemp, indirectly (and perhaps unintentionally) giving rise to a new industry in the form of hemp derived cannabinoids, psychoactive and non-psychoactive, sold across state lines, in various types of brick & mortar shops, and online. While market size estimates vary widely, Brightfield Group says PHD sales (i.e., excluding CBD and other non-psychoactive cannabinoids) reached \$2.8Bn in 2023 (Whitney Economics says \$28Bn; while a moving target, we put the market at \$4-5Bn).
- By defining hemp to include all “derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, with a delta-9 tetrahydrocannabinol (THC) concentration of not more than 0.3% on a dry weight basis”, the 2018 Farm Bill excluded hemp from the Controlled Substances Act (CSA). Prior to this, hemp was defined as marijuana and was classified as a Schedule I drug under the CSA.
- However, six years after the last Farm Bill (the new “2023” Farm Bill is still being debated), PHDs are starting to face regulatory backlash both at the federal (FDA, DEA, pending new Farm Bill) and state level, with concerns raised about potency, packaging, appeal to children, labelling, stated claims, and wide-reaching distribution (including gas stations) with no age limits. To some extent, the backlash (19 states have banned PHDs) has been more severe (attempts for blanket bans; draconian new rules) in states with established recreational and or medical THC cannabis markets, where cannabis operators have paid high fees to operate (licenses), face high sales taxes, and must abide by tax rule 280e.
- On the flipside, states like TX and NC have vibrant PHD markets with various degrees of regulation. The court system has also sided with the industry in some cases (decisions by the 4th and 9th Circuit Courts of Appeal have said hemp is legal), and state courts in MD and MO have issued injunctions against bans attempted by those two states. Also, the industry is not lacking in political support. In FL, the Governor vetoed a ban against PHDs



(while enforcing regulations), and in several other states Governors/Legislature are still trying to define a new sensible regulatory framework (rather than outright bans).

- On the anticipation of stricter state-level rules and the changing distribution landscape (wholesalers and retailers making changes to assortment, and carrying less inventory), LIFD is implementing several changes and seeking to diversify. It is implementing a major rebrand across most of its PHD portfolio, rolling out a new brand identity (“Fly High”) under its flagship Urb brand umbrella - with revamped packaging, labelling, and a more “pharmaceutical” look. In addition, LIFD has made significant enhancements to its direct-to-consumer DTC online platform ([web link to www.urb.shop](http://www.urb.shop)) and introduced a loyalty program. Regarding the brick & mortar channel, LIFD is taking over greater control of its route-to-market, starting to sell directly to smoke/vape shops in states like Texas.
- LFTD Partners is also diversifying into new segments, with non-psychoactive nutraceutical products, including wellness (“Mielos”) and energy (“Rebel”). At present (in 2Q24), 95% of revenues come from PHDs, but further diversification is likely organically and via M&A, even beyond adjacent categories. LFTD Partners is structured as a holding company, and management’s vision calls for venturing into other segments in the future (we expect M&A deals to be partly funded with stock). According to management, this has been part of the company’s long-term vision all along. CEO Gerard Jacobs has a strong track record of successfully scaling businesses across industries, which helps add credence to LIFD’s plans.
- Given the increasing regulatory challenges faced by hemp-derived cannabinoids, plus the overall uncertainty, LIFD shares are down 48% in the last year (MSOS ETF -10%; S&P500 +32%), and at 65c are well off the \$8 peak of April 2021. The stock now trades at only 0.23x our CY24 EV/Sales estimate (0.26x on a spot basis) and well below our conservative appraisal of net book value of ~\$1 per share (let’s call this “liquidation value”). Yes, we realize LIFD is a binary story from an investment point of view, with the worst-case scenario being a total 100% blanket ban on PHDs at the federal and state level.
- Still, given the economic relevance of the hemp industry (jobs, tax revenue) and multiple tiers of participation (farmers, processors, extractors, manufacturers, wholesalers and distributors, retail shops including >70,000 smoke and vape shops), we only assign 10% probability to a scenario of total annihilation of PHDs (all this said, by some estimates, less than 5% of hemp harvested goes to PHDs...). Indeed, for our base case we assume the next Farm Bill (by 2025 or 2026?) will maintain the status quo regarding hemp at the federal level and will delegate regulation of PHDs to the states (we are skeptical Congress will pass standalone legislation on the matter, although Sen. Wyden’s [D-OR] Cannabinoid Safety and Regulation Act could be a start and something we will monitor). Long term, when THC cannabis is de-scheduled and a whole new framework is rolled out (interstate trade, wider POS distribution), we see room for joint Congressional legislation with PHDs.
- In the interim, rules will vary by state (think flavored vape: NH vs. MA; PA vs. NJ), with some states imposing blanket bans and others imposing more restrictions instead of bans.



We say this partly based on recent court rulings, active industry lobby, and increasing political support. Yes, we expect generally tougher standards to be introduced in most states (such as potency limits, testing, labeling, age verification, child-resistant packaging, marketing claims, restrictions on designated and licensed points of sale, online delivery requiring ID verification, greater enforcement). Some in the industry believe FL may offer a blueprint in terms of strict standards and enforcement. In this context, we believe LIFD's compliant strategy will lead to market share gains and top line growth.

- Interestingly, despite the rising regulatory challenges, more established THC cannabis companies are starting to enter the PHD space (see inside for examples). While they represent a source of new competition for LIFD, we see their entry as a sort of validation. We also think it may lead to consolidation as the two industries overlap – this could be a source of upside for LIFD shareholders. Given PHDs can be shipped across states, many of these cannabis companies see PHDs as a way to generate national brand awareness. They may also be able to allocate costs and overheads to a separate P&L (not ruled by 280e). Curaleaf Chairman, Boris Jordan, has even said that the hemp and the cannabis lobbies should join forces to pass common sense reform at the state and federal level that can weed out the bad actors and better regulate these industries.
- We do not set price targets, but even at 0.5x EV/Sales (vs. 0.2x now), the stock could be up 5x by Dec'25 on our 1yF estimates by then. Thus, on risk vs. reward (i.e., assigning 10% probability to the zero-valuation scenario), we believe LIFD merits an Overweight stance. True, until we get greater clarity on the new Farm Bill and on whether a common state "blueprint" begins to emerge (19 states have banned Delta 8, but enforcement varies; more states are attempting blanket bans), we realize our OW stance on LIFD should be seen more as a "speculative buy" trade.

Bull vs. Bear Case Analysis

- **Bull case:** if the regulatory outlook becomes clearer, with the new Farm Bill delegating the PHD matter to the states, and no state bans in current key markets, we believe the LFTD EV/Sales multiple could go back to a 0.5-1.0x range. Longer term, Congress may pass national (federal) level legislation both for CBD and PHDs, which would expand the market for PHDs. Re the latter, with cannabis de-scheduled and PHDs fully legalized (but properly regulated), we think sales multiple of 3x (and EBITDA of >25x) would be possible. We do not set price targets but if we conservatively took 0.5x sales by Dec'25 on our CY26 estimates, the stock would be 5x above current levels.
- **Bear case:** If PHDs are banned nationally (risk from Mary Miller amendment in the next Farm Bill) and the nutraceutical strategy does not work, the stock could be worth zero, with no revenues. But we only assign a 10% probability to the notion of a national ban, and we believe more states will follow the FL blueprint (on the other hand states like MA/NJ may remain off limits).



Company Background Strategy

Publicly traded LFTD Partners Inc., Jacksonville, FL ([OTCQB:LIFD](https://otcmarkets.com/quote/OTCQB:LIFD)) is the parent corporation of Lifted Made, Kenosha, WI (www.Urb.shop), which manufactures and sells hemp-derived and other psychoactive products under its award-winning Urb brand, hemp-free health and wellness gummies under its Mielos brand, and hemp-free energy gummies under its Rebel brand. Lifted Made is the worldwide, exclusive manufacturer and seller of Diamond Supply Company. (www.DiamondSupplyCo.com), and Cali Sweets hemp-derived products, and is the exclusive manufacturer and seller in the USA of hemp-derived products for a subsidiary of a large, publicly traded US marijuana company. LFTD Partners Inc. also owns 4.99% of hemp-derived beverage and products maker Ablis (www.Ablis.shop), and of craft distillers Bendistillery Inc. d/b/a Crater Lake Spirits (www.CraterLakeSpirits.com) and Bend Spirits, Inc., all located in Bend, OR.

LFTD Partners is a leading player and pioneer in the sale and production of psychoactive hemp derivative products (PHDs), reaching annualized sales of almost \$80Mn back in 1Q22. The bulk of revenues comes from vape and edible products mostly distributed through intermediaries to retailers (chiefly smoke and vape shops). Key markets for LIFD include Florida, Illinois, and Texas.

Table 1: LIFD Sales Split

US\$ 000s	Dec CY21	Dec CY22	Dec 1Q23	Dec 2Q23	Dec 3Q23	Dec 4Q23	Dec CY23	Dec 1Q24	Dec 2Q24
Sales by Format	31,657	57,417	12,462	12,523	13,106	13,520	51,611	10,667	9,487
Vapes	14,317	29,143	5,982	6,459	7,406	7,202	27,048	5,467	4,661
Edibles	7,422	15,810	3,863	3,693	3,293	4,276	15,126	3,619	3,730
Flower	1,824	4,866	1,620	1,418	1,166	990	5,194	669	332
Cartridges	6,047	7,472	997	945	1,223	970	4,136	856	722
Apparel and Accessories									
Mix	100%	100%	100%	100%	100%	100%	100%	100%	100%
Vapes	45%	51%	48%	52%	57%	53%	52%	51%	49%
Edibles	23%	28%	31%	29%	25%	32%	29%	34%	39%
Flower	6%	8%	13%	11%	9%	7%	10%	6%	4%
Cartridges	19%	13%	8%	8%	9%	7%	8%	8%	8%
Apparel and Accessories	0%	0%	0%	0%	0%	0%	0%	0%	0%
Sales by Channel	31,657	57,417	12,462	12,523	13,106	13,520	51,611	10,667	9,487
raw materials	476	41	2	1	1	177	181	176	584
private label clients	3,246	975	177	689	313	322	1,500	1,608	476
wholesalers	4,586	7,504	2,440	2,462	2,536	3,293	10,730	2,764	2,461
distributors	21,661	45,522	9,278	8,820	9,641	8,986	36,725	5,349	5,022
end customers									
Mix	100%	100%	100%	100%	100%	100%	100%	100%	100%
raw materials	2%	0%	0%	0%	0%	1%	0%	2%	6%
private label clients	10%	2%	1%	6%	2%	2%	3%	15%	5%
wholesalers	14%	13%	20%	20%	19%	24%	21%	26%	26%
distributors	68%	79%	74%	70%	74%	66%	71%	50%	53%
end customers	0%	0%	0%	0%	0%	0%	0%	0%	0%

Source: Company reports

While the PHD market is rather fragmented (with products sold in various brick & mortar channels, including c-store and gas stations in some cases, as well as online and shipped across states lines), LFTD's own "Urb" brand is among the best-known names in the industry, and accounts for over



90% of company sales. Collaborations with other industry players (3rd party brands) account for the rest of revenues.

Management's take on potential regulatory changes,

- Resulting from the synthesis of hemp extracts, LFTD management argues Delta 8 and other PHDs are compliant with the 2018 Farm Bill, and says the company controls its supply chain and makes sure all its products are safe, properly tested, and marketed to the trade under its own strict guidelines (this may not be the case for several bad actors in the space, which has triggered a regulatory backlash, in our view).
- Whether the sponsors of the 2018 Farm Bill envisaged sales of PHDs (some people call this segment a Farm Bill "loophole"), may be up to debate, but the rise of this industry has presumably helped hemp farmers, created jobs across the value chain, boosted sales for retailers impacted by the evolving FDA rules on "e-cigs", and become a relevant source of tax revenue at the state and federal level. *Note: We do not have precise data regarding what % of hemp harvested goes to PHDs, but the National Hemp Association puts this at less than 5%.*

The current landscape. The mix of regulatory challenges combined with worsening market trends (distributors selling their own white label brands; cheaper untested products being rolled out; vendors paying for shelf space; excessive potency SKUs; and more non-compliant products out there) have all impacted industry revenues, with LIFD now generating sales half the 1Q22 levels (2Q24 \$9.5Mn). In some states, regulators have enforced bans by taking product off the shelves, and in other states where rules are in a state of flux, the trade (wholesalers and retailers) have cut back on inventory levels and assortment.

How LFTD Partners is Adapting

LFTD has made several moves to adapt to the changing regulatory landscape. Management sees LFTD as a pioneer in the PHD segment, and as an example of a company following the rules (testing, packaging, potency, and controlled accessibility). On the assumption the PHD segment will survive but will also face stricter regulations, management is rolling out several changes:

- **Major rebranding:** Under the "Fly High" brand identity, LIFD will replace a large part of the product portfolio, with more "pharmaceutical looking" packaging (child resistant, like medications) featuring detailed ingredient information and addressing specific need states. See below for more color. According to management, "Urb's new Fly High brand identity has been in the works for eight months, and reflects the company's commitment to providing delicious, highest quality, fully lab tested, exciting products that let everyone Fly High and have the best tailored experiences". The rebrand and launch of new SKUs notwithstanding, LIFD will keep in the market its best-selling SKUs (in key markets).
- **Revamped ecom platform:** LIFD is revamping its own ecommerce platform (it had not emphasized this channel before) and aims to ship to all states that allow PHDs. It has hired



a specialized agency to bolster its online digital marketing capabilities. The website will more user friendly for shoppers buying from their mobile devices. The www.Urb.shop website will also benefit from a new loyalty program.

- **Loyalty program:** With the new Urb Miles loyalty program, Urb customers will earn rewards with each purchase as well as bonus opportunities that can be redeemed as coupons toward future purchases. There are four membership “Flight Tiers”: Economy, Main Cabin, Premium, and First Class. With each order, a customer moves closer to reaching the next tier, and milestone bonuses are provided to the member when the member reaches a new tier.
- **Greater control of route-to-market:** LFTD will take over direct distribution (by passing distributors that in some cases had begun to push their own white label brands) to B&M retailers in key markets like FL and TX, and in some cases, it may go as far as owning retail shops (flagship type stores to support the brand, say in FL). It will do so with a salesforce now of 35 staff frequently visiting these stores.
- **Nutraceuticals:** Separately, it will enter the nutraceutical segment with ‘Rebel’ non-hemp energy thermal-protected gummies (competing with caffeine infused drinks) and ‘Mielos’ non-hemp botanical terpenes wellness gummies (for various need states: focus, sleep, relaxation, fitness); these are non-psychoactive cannabinoid terpene-based products. It aims to sell these products in c-stores and gas stations, and later also at major retailers, including Amazon.

Re the new products. “Fly High” curates a portfolio of 14 premium cannabinoids and 10 terpenes homogenized into effect-based blends, and other products, including:

- Skybites: ‘True-Infused’ Terpene gummies, featuring linalool, pinene, and citronellol terpenes, in addition to cannabinoids such as Delta 9, CBD, CBG, CBC and Delta 8. Per LIFD, what sets Skybites apart is the infusion of unique ‘True-Infused’ Terpenes - a groundbreaking innovation in the world of edibles. Unlike traditional terpenes that are merely added for flavor or aroma, the True-Infused Terpenes are scientifically formulated and rigorously tested to enhance the potency, flavor, and overall effects of each bite, ensuring that consumers get the most out of every experience.
- Aerovape 710 vapes, fueled with Pegasus Award Winning Delta 8 and Flash Frozen Live Resin, and other premium cannabinoids, such as THCV, THCB, Delta 10, H4cbd, THCP, THCH, HHC and HHCP.
- The Mile High Aerovape 420 Max: the jumbo jet of disposable vapes, fueled with super cannabinoids THCP and THCB to boost the consumer experience, and blended with Pegasus Award Winning Delta 8 and Flash Frozen Live Resin.
- Flight Fuel cartridges, fueled with Pegasus Award Winning Delta 8 and Flash Frozen Live Resin, and other premium cannabinoids, such as HHC, HHCP, THCP, THCH, THCV, THCB, delta 10 and H4cbd.



- Frequent Flyer Flower, featuring AAA grade THCA Indoor Exotic Flower grown in the most advanced coco coir soil.
- The Jointcase, which contains five 0.7 gram prerolled indica and sativa joints that are Diamond-infused with THCA and CBG, delivering a sky-high experience even when the consumer is “on the ground”.
- The Puff Puff Passport: the most unique rolling papers, made with natural flax plant fibers for a smooth and consistent burn. Each passport comes with 52 papers and filters.

Validation of PHDs from MJ (THC) Companies

Interestingly, despite the rising regulatory challenges, more large and established THC cannabis companies are entering or seeking to enter the hemp derivative space. While they represent new competition, we see their entry as a sort of validation. We also think it may lead to consolidation as the two industries overlap – this could be a source of upside for LIFD shareholders. Given PHDs can be shipped across states, many of these cannabis companies see PHDs as a way to build brand awareness on a national scale. They may also be able to allocate costs and overheads to a separate P&L (as hemp, off the CSA, is not ruled by 280e).

Among these new entrants, we would mention:

- BAT via Organigram took an equity stake in Open Book Extracts in NC.
- Curaleaf has begun to sell PHD drinks and gummies under its Select brand, via distributors to retailers and via TheHempCompany.com (its own new online platform).
- Brands like STIIIZY, Cookies, Tyson 2.0, and Kiva’s Camino have entered licensing deals.
- Green Thumb entered into a collaboration with LIFD for PHDs edibles for the Incredibles brand.
- Wana Brands, owned by Canopy Growth via Canopy USA, has launched an online platform to sell PHDs (“Wanderous by Wana”), including drinks and edibles.
- Tilray recently entered the hemp-derived Delta 9 drinks space.

Curaleaf Chairman Boris Jordan, has even said that the hemp and the cannabis lobbies should join forces to pass common sense reform at the state and federal level, which can also help weed out bad actors and better regulate these industries.



Brief Overview of the Regulatory Challenges (and Changes)

Regulatory changes at the state level. Several states have outright banned the sale of PHDs (19 at last count, including VA, WY, MA, CT, NJ), with others imposing strict regulations (GA, IA, LA, MN), and some (like MD, MO) in the process of implementing bans. In some rare instances, the hemp industry has succeeded in delaying the implementations of these bans (most notably in the case of Maryland, via a court issued injunction, and more recently in MO), or found legislators opposing bans pushed by the governors (MO, for example), and or its industry lobby has helped protect the PHD markets (TX and IL). As we show in the appendix, at the state level, these are all moving targets.

At the federal level, the industry faces challenges both from the Executive branch (FDA, DEA) as well as Congress. The DEA has stated that psychoactive hemp derivatives such as THC-A, THC-O, and Delta 8, are not hemp, but Schedule I controlled substances (it argues “these chemicals do not naturally occur in hemp”), and it is in the process of drafting a rule to formalize its dictum. Also at the federal level, as the new Farm Bill is negotiated (likely for 2025), an amendment has been filed (by Congresswoman Mary Miller, R-IL) to ban PHDs at the federal level - but the new Farm Bill has yet to pass.

As per LFTD Partners own disclosure (“risk section from various company filings): *The legal and regulatory risks facing Lifted's business are particularly acute at this point in time, in at least three respects:*

- 1. An official of the federal Drug Enforcement Administration (the "DEA") made a presentation at a conference in Houston in April 2023, in which that official reportedly stated that the DEA plans to issue a new rule that would have the effect of classifying certain hemp-derived cannabinoids as controlled substances. If such a new rule were to be issued and become legally binding upon Lifted, it could have a material adverse effect upon over 90% of Lifted's business and upon the trading price of the Company's common stock. As of the date of this Quarterly Report on Form 10-Q (8/14/24), LIFD is not aware of any draft DEA rule that would materially affect Lifted's business;*
- 2. A new or amended federal "Farm Bill" is expected to be passed by Congress and signed by the President sometime during 2024 or 2025. If such a new or amended federal "Farm Bill" were to eliminate or limit the legality of hemp and hemp-derivatives, it could have a material adverse effect upon over 90% of Lifted's business and upon the trading price of the Company's common stock; and,*
- 3. Numerous states have enacted, or are considering enacting, laws that would prohibit or seriously regulate sales of the Company's products in those states. Such laws could have a material adverse effect upon Lifted's business and upon the trading price of the Company's common stock.*

See our [9/17 Zoom video call](#) with Michelle Bodian, partner at Vicente LLP, for a detailed discussion of regulations at the state level and outlook, and how things may play out at the federal level (re Farm Bill and other potential CA or SUCO decisions in the future).



The US Hemp Industry

Hemp became federally legal in the United States with the passage of the 2018 Farm Bill, which was signed into law on December 20, 2018. The bill removed hemp, defined as cannabis containing less than 0.3% THC, from the Controlled Substances Act, effectively legalizing its cultivation and production nationwide. The legalization was driven by the recognition of hemp's economic potential, its uses in a wide range of products (from textiles to wellness supplements), and its distinction from marijuana, which contains higher levels of THC and remains federally regulated.

In 2023, the value of hemp production in the United States totaled \$291Mn (89% in the open; 11% in controlled environments), up 18 percent from 2022, but still down sharply from \$824Mn in 2021. Regarding open production, the total planted area in 2023 was 27,680 acres (2022: 28.3K; 2021: 54.2K), while the area "under protection" (controlled environments) amounted to 3.24mn sq ft (2022: 4.58mn; 2021: 15.6mn).

The [2018 Farm Bill \(pdf\)](#) directed the USDA to establish a national regulatory framework for hemp production in the United States. The USDA published a [final rule](#) on January 19, 2021, that provides regulations for the production of hemp in the United States and is effective on March 22, 2021. The final rule builds on the [interim final rule](#) published October 31, 2019, that established the U.S. Domestic Hemp Production Program. The final rule incorporates modifications based on public comments and lessons learned during the 2020 growing season. Note: The USDA purview covers the cultivation side (farming), but not derivatives (i.e., what happens to hemp post-harvest).

Industrial hemp production is split into two types of production:

- **Open Area:** Hemp grown in cultivation fields or outdoor environments without any protective structures, where the plants are exposed to natural weather conditions, allowing for large-scale production but with potential risks from environmental factors. The value of hemp production in the open for the United States totaled \$258Mn in 2023, up 22 percent yoy (floral hemp: \$241Mn; grain hemp \$2.3Mn; fiber hemp \$11.6Mn; seed hemp \$2.9Mn). Planted area for the Nation in 2023 for all utilizations totaled 27,680 acres, down 2 percent from 2022. Area harvested for all purposes in the open totaled 21,079 acres, up 15 percent from 2022.
- **Under Protection:** Hemp grown in controlled environments, such as greenhouses, hoop houses, or other enclosed structures, where conditions like temperature, humidity, and light are carefully regulated to optimize plant growth and quality, reducing exposure to external risks. In 2023, hemp growers used 3.24 million square feet under protection for production, down 33% from 2022. The 2023 value of hemp production under protection in the United States totaled \$32.9 million, down 3 percent from last year.

Floral hemp volumes. In terms of volumes of industrial hemp produced in the open, floral hemp (which accounted for 93% of the value of all industrial hemp produced in the open) in 2023 was 8.03mn pounds (2022: 6.78mn lbs; 2021: 19.7mn). Average prices for floral hemp in 2023 of \$30 per pound were above 2022 levels of \$26.4/lb, and only slightly below 2021 (\$31.6/lb). Of the



8.03mn pounds of industrial flower hemp produced in 2023, KY accounted for 2.7mn, OR 1.8mn, and CA 1.7mn (to avoid disclosing data for individual operators, the USDA does not report production data for every state). Floral hemp production indoors (“under protection”) was only 310K lbs in 2023, but price per pounds was \$251 (vs. \$30 for “open area” hemp flower).

The 2018 Farm Bill and Hemp

The text below is from testimony by Amy Abernethy, Md, Phd., Principal Deputy Commissioner, Office of the Commissioner, Food and Drug Administration, Department of Health And Human Services before the Senate Committee on Agriculture, Nutrition, and Forestry (7/25/19).

In December of 2018, the 2018 Farm Bill was signed into law. It removed hemp, defined as cannabis (*Cannabis sativa L.*) and derivatives of cannabis with extremely low concentrations of the psychoactive compound delta-9-tetrahydrocannabinol (THC) (no more than 0.3 percent THC on a dry weight basis), from the definition of marijuana in the Controlled Substances Act (CSA).

- The 2018 Farm Bill explicitly preserved FDA’s authorities over hemp products. Therefore, hemp products must meet any applicable FDA requirements and standards, just like any other FDA-regulated product. For example, FDA’s existing authorities over foods, dietary supplements, human and veterinary drugs, and cosmetics apply to hemp products to the extent such hemp products fall within those categories. These safeguards help ensure that Americans have access to safe and accurately labeled hemp products, and, in the case of drugs, that patients can depend on the effectiveness of these products.
- In late 2018, FDA advanced three hemp seed derived food products through the Agency’s Generally Recognized as Safe (GRAS) process. Hemp seeds do not naturally contain cannabidiol (CBD) or THC, which are cannabinoid compounds that are found in other parts of the cannabis plant. The hemp seed products – hulled hemp seed, hemp seed protein powder, and hemp seed oil – can be legally used in the U.S. food supply. Any food products made with these hemp seed ingredients are subject to the same FDA requirements as any other food, such as those related to ingredient and nutrition labeling, as well as the risk-based, prevention focused Food Safety Modernization Act (PL 111-353) safeguards.



The Regulatory Outlook...?

Estimates about the size of the PHD market vary, but the hemp industry's increasing relevance and lobbying clout, may lead to a more regulated PHD industry (especially at the state level) rather than a national ban, in our view, with rules by state varying.

- **Pro-hemp political forces:** Conservatives, especially in states where hemp farming is an important industry, have become more vocal in their support of PHDs - most notably FL Governor Ron DeSantis. In the case of FL, the Governor vetoed a bill attempting to ban PHDs, and implemented stricter marketing, testing, and packaging regulations (with products not compliant taken off the shelves). See appendix for more state level examples of the extent of various bans and or increased restrictions.
- **The courts and the recent "Chevron reversal":** Also, the courts may help the industry, if we go by the stay issued in Maryland and Missouri, and decisions by the Fourth and the Ninth Circuit Court of Appeals (CA9). Also, the recent Supreme Court decision (*Loper Bright*) regarding the Chevron Deference may help weaken the DEA's case. As per Norris McLaughlin on the National Law Review, "in *Loper*, the Supreme Court ended the long-standing doctrine of *Chevron* deference. That doctrine required federal courts to defer to an agency's interpretation of an ambiguous statute, so long as it was 'reasonable', even if the court didn't agree with it. Now, courts don't have to give the DEA (or any agency) that kind of leeway. If the agency's interpretation isn't the best reading of the statute, it is merely persuasive material at best."

Courts vs. the DEA: Delta 8

The FDA's opinion on Delta 8. As per the DEA, Delta-8 tetrahydrocannabinol, also known as delta-8 THC, is a psychoactive substance found in the *Cannabis sativa* plant, of which marijuana and hemp are two varieties. Delta-8 THC is one of over 100 cannabinoids produced naturally by the cannabis plant but is not found in significant amounts in the cannabis plant. As a result, concentrated amounts of delta-8 THC are typically manufactured from hemp-derived cannabidiol (CBD). According to the FDA, "it is important for consumers to be aware that delta-8 THC products have not been evaluated or approved by the FDA for safe use in any context. They may be marketed in ways that put the public health at risk and should especially be kept out of reach of children and pets." In a May 2022 report, the FDA highlighted 5 things consumers should know about delta-8 THC "to keep you and those you care for safe from products that may pose serious health risks":

- Delta-8 THC products have not been evaluated or approved by the FDA for safe use and may be marketed in ways that put the public health at risk.
- The FDA has received adverse event reports involving delta-8 THC-containing products.
- Delta-8 THC has psychoactive and intoxicating effects.



- Delta-8 THC products often involve use of potentially harmful chemicals to create the concentrations of delta-8 THC claimed in the marketplace.
- Delta-8 THC products should be kept out of the reach of children and pets.

The Ninth Circuit Court of Appeals does not agree with the DEA re Delta 8. As per a May 2022 decision, CA9 ruled that hemp-derived delta-8 THC is not controlled under the CSA and “expressly disagreed with the defendant’s position (DEA) that the DEA’s interim rule means that delta-8 is a Schedule I synthetic tetrahydrocannabinol” (per attorneys at Eversheds Sutherland). As per attorneys at Eversheds Sutherland, “the DEA’s conclusions appear to be in tension with the statutory definition of hemp and, also with the Ninth Circuit’s opinion in *AK Futures Ltd. Liab. Co. v. Boyd St. Distro, Ltd. Liab. Co.*, 35 F.4th 682 (9th Cir. 2022), which do not tie a chemicals status under law to whether it is synthetic or naturally occurring but rather on its source”. Also, from Eversheds, “some have taken that to mean that delta-8 THC is a prohibited synthetic due to the manufacturing process. Yet the Ninth Circuit ruled that hemp-derived delta-8 THC is not controlled under the CSA and expressly disagreed with the defendant’s position that the DEA’s interim rule means that delta-8 is a Schedule I synthetic tetrahydrocannabinol.”

Courts vs. the DEA: Other Cannabinoids

DEA on THCO. DEA has stated that delta-8 THC acetate ester (delta-8 THCO) and delta-9 acetate ester (delta-9 THCO) are not hemp, but Schedule I controlled substances under the Controlled Substances Act (CSA). The DEA’s decision stems from its finding that these chemicals do not naturally occur in hemp. Importantly, delta-8 THCO and delta-9 THCO are not the same things as delta-8 THC and delta-9 THC, respectively. Some (albeit small) amounts of delta-8 THC and delta-9 THC naturally occur in hemp, whereas THCO does not. Although both acetate esters can be made from hemp, the DEA’s letter determined they do not meet the definition of hemp because the acetates “do not occur naturally in the cannabis plant and can only be obtained synthetically.” Moreover, the acetate esters have similar chemical structures and pharmacological activities to tetrahydrocannabinols contained in the cannabis plant, and thus are properly considered a synthetic THC subject to Schedule I.

Enter CA4 (ruling from 9/4/24). Per Norris McLaughlin on the National Law Review, “the United States Court of Appeals for the Fourth Circuit handed the Drug Enforcement Administration a big loss when it comes to hemp. In *Anderson v. Diamondback Investment Group, LLC*, the court ruled that the DEA’s interpretation, which classified a host of hemp-derived products as illegal, was incorrect. In *Anderson*, the Fourth Circuit agreed with the Ninth Circuit’s logic, holding that “we think the Ninth Circuit’s interpretation of the 2018 Farm Act is the better of the two.” The court went even further, rejecting the DEA’s argument outright, thanks to the post-*Loper* world we now live in, where the DEA’s interpretation no longer gets automatic deference. Here’s the key takeaway: according to the Fourth Circuit, if a product is derived from hemp and doesn’t contain more than 0.3% Delta-9 THC, it’s legal—even if it’s been processed into something like Delta-8 THC. But if a cannabinoid is made entirely from synthetic materials, it’s not hemp, and it’s not



protected by the 2018 Farm Bill. To sum it all up, the *Anderson* decision is important because it reinforces that courts are not bound by the DEA's interpretations, especially post-*Loper*."

Our Prediction

Given the economic relevance of the hemp industry (jobs, tax revenue) and multiple tiers of participation in PHDs (farmers, processors, extractors, manufacturers, wholesale and distributors, retail shops including >70,000 smoke and vape shops), we only assign 10% probability to a scenario of total annihilation of PHDs (i.e., blanket federal and state level bans). At this stage, our prediction would be as follows,

- The next Farm Bill (by 2025 or 2026?) will maintain the status quo regarding hemp at the federal level and will delegate regulation of PHDs to the states, with Florida potentially a blueprint (and or other states with sensible but strict PHD regulations). In that scenario, because of the lack of legislative clarity at the federal level, and likely slow judicial process (i.e., appeals of the 4th and 9th courts of appeal decisions), we expect the hands of the FDA and DEA to be somewhat tied. *Note: We are somewhat skeptical Congress will pass standalone legislation on the matter, although Sen. Wyden's (D-OR) Cannabinoid Safety and Regulation Act (expanded from the prior only "CBD Safety and Regulation Act" version) could be a start and something we will certainly monitor.*
- So, in the interim, rules will vary by state (think flavored vape: NH vs. MA; PA vs. NJ), but we believe 100% blanket bans in more states (CA and NJ being the latest attempts) are less likely. We say this partly on recent court rulings, active industry lobby, and increasing political support. Still, we would expect generally tougher standards to be introduced in most states (potency limits, child-resistant packaging, labeling, marketing/claims, no sales to minors, restrictions on designated and licensed points of sale). In this context, we believe LIFD's compliant strategy will lead to market share gains and top line growth. But it is unclear to us whether states will converge to a "common norm".

A level playing field? For whom? With no 280e income tax burden, able to advertise, able to ship interstate, and with broad retail outreach (online and via many types of brick & mortar outlets), some could say PHDs may have advantages over the cannabis industry. Especially, if we consider cannabis operators have paid high licensing fees, face high sales taxes, and must abide the 280e tax code (add to this that cannot ship across states). But, on the other hand, PHD operators do not enjoy the same economic benefits of the "strictly licensed-restricted" state marijuana markets, that allow for abnormally high profit margins (note: this does not apply to competitive markets like CA, CO, MI).

Future regulatory convergence? Longer term, with marijuana fully de-scheduled, we would see convergence between these two types of products (in fact, MI has a same regulatory agency for PHD and MJ), with consumers ultimately deciding what they prefer. All this on the assumption a whole new framework would be rolled out for THC cannabis (regarding interstate trade, wider POS distribution, bifurcation of recreational and pharmaceutical cannabis). At that point, in the distant future, we would see room for joint Congressional legislation of PHDs and THC cannabis.



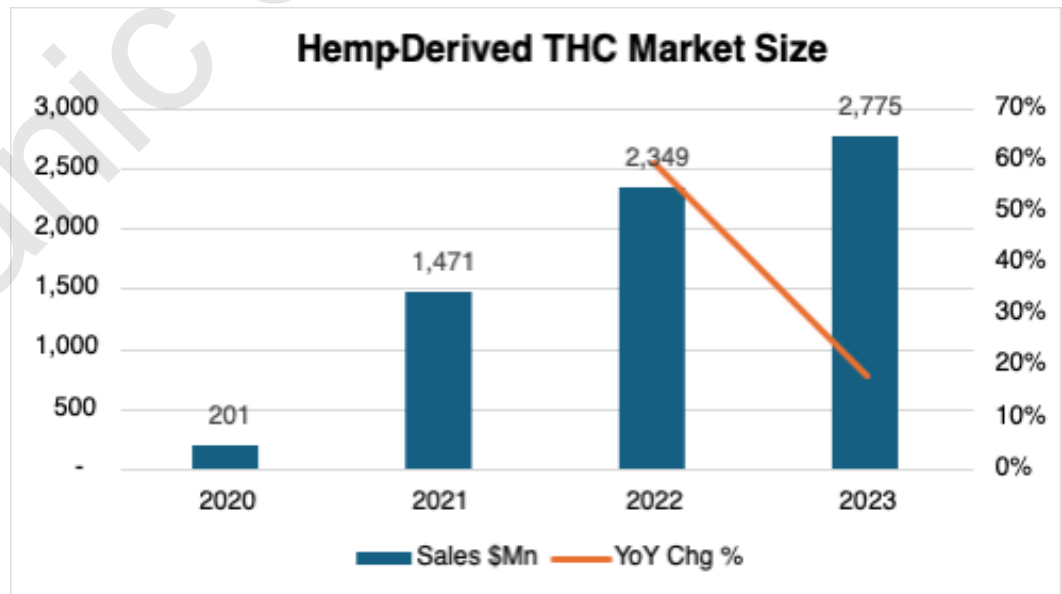
Sizing Up the Market

Wide range of estimates out there for the PHD market size. We are surprised to see a wide range of estimates out there for the PHD market, with Whitney Economics calculations about 10x that from the Brightfield Group (BG).

- Brightfield Group estimates sales of hemp-derived cannabinoids amounted to \$2.8Bn in 2023 (excluding CBD), almost 2x 2021 levels and up 18% yoy. The same source estimates Delta-8 products accounted for 44% of total PHD sales in 2023 with the balance comprised by various cannabinoids (in order of sales, the main other ones would have been THCA, HHC, and Delta-10 THC). Also, per BG, in 2023 vape accounted for ~38% of total PHD sales, gummies for 29%, flower and pre-rolls for 14%, and other formats for 19% (drinks, per BG, only generated \$100Mn in sales, or 3.5% of total PHD retail sales). Interestingly, while PHD vape sales were flat in 2023, gummies grew by >30%.
- Whitney Economics estimates total demand for hemp-derived cannabinoids is “valued in excess of \$28Bn, and supports the employment of 328,000 workers, who earn \$13Bn in wages”. Also, per Whitney, “overall, the total economic impact of the hemp-derived cannabinoid industry on the US economy is in excess of \$79Bn”.

Both reports are available online. But which of the two estimates is right? Not all hemp harvested from the farms goes to “hemp derived cannabinoids”, whether psychoactive or not. According to Geoff Whaling, Chair of the National Hemp Association, only about 2% of total hemp production goes to PHDs (we have not been able to verify this estimate).

Table 2: Market Size Estimates



Source: Brightfield Group



We would be closer to the Brightfield number, than to Whitney's. For the purposes of this report, we are not coming out with an official PHD market size estimate, but our very rough number for 2024 would be in the \$4-5Bn range –we would emphasize “very rough”. If we assume that LIFD has anywhere between 2-4% national PHD share (it is a fragmented market, but Urb is a top brand), and we gross up by 0.5x to convert wholesale to retail, then at the LIFD peak (it reported 1Q22 sales of \$18.1Mn vs. \$9.5Mn in 2Q24), the market would have been anywhere from \$3.6-7.3Bn. Based on more states restricting sales, we believe total PHD sales will be down in 2024. If the Whitney estimate is right, this would mean LIFD had 0.5% share – but we do not think LIFD would be so small share wise.

Also, with 19 states already banning PHD (and the count is rising), the “US PHD market” is likely concentrated on just a few states. States in the south, including FL and TX, likely represent the core (plus a few “red” states where THC cannabis is not legal – say, Nebraska). Interestingly, while PHDs and THC cannabis could converge in the long term (depending on regulations), the two industries are following quite a different trajectory at the moment. PHDs are supposedly federally legal (the FDA/DEA may disagree, but on paper at least the 2018 Farm Bill legalized PHD, as per advocates and per the 4th and 9th CAs), but more states have decided to ban sales. On the other hand, THC cannabis remains federally illegal, but more states are legalizing commercial sales of THC cannabis for medical (39 states) and for adult use (24 at last count). Still, for projections purposes we expect at least half of states to allow sales (i.e., no blanket bans), albeit with different levels of restrictions.

Table 3: Leading Brands and Entities In the PHD Space

1836 Kratom	Exhale	Integra	Not Ya Son's Weed	Swag
3Chi	Fifty Bar	Juice Head	Pacha	Swift
Adyah Wholesale	Flum	Just Delta	Packwoods	Tre House
B2B Magazine	Fume by QR Joy	Karats	Party Nuts	Ultiate Product Dist
Big Chief	Geek'd	Kats Kratom	Plant Puff	Urb
Cake	Goldwhip	Koi	Posh	Vibes
Calikulture	Habit	Kush Kube	Purlyf	Xite
Cannaaid	Happy Fruit	Kylinbar	Purlyf	Zaza
Cannabiz Now Magazine	Hi on Nature	MIT Therapy	SIG Distro	Zion Herbals
Coastal Clouds	Hidden Hills	Moonwlkr	Smoking Dog	Zombi
Craves Disposable	Hillside Glass	Munchies X Imperial	Snapdragon Hemp	Zombie
Dome Wrecker	Hotspot Distributors	Munchies X Imperial	Space Club	
Elfthc	Ice Kream	No Cap	SunState	

Source: The list above includes some brands attending CHAMPS Las Vegas (July 2024)



Financial Projections

There is no guidance, but in our interpretation, management expects the brand relaunch and the other new initiatives, to stabilize the company's top line, with growth likely by 4Q24. We realize the regulatory uncertainty makes PHD projections difficult, and the nutraceuticals initiative is still unproven. Still, interestingly, comparing the peak of 1Q22 with 2Q24 (sales down 48%), LIFD sales of vape formats and cartridges fell 54% while edibles were more stable (down "only" 26%). In fact, the company's edibles sales have been stable since 4Q22. Note: LIFD now produces hemp flower in CO and no longer in NM (hemp flower is only 4% of LFTD sales).

For base case projections, we assume only 5% annual growth from 1Q25, and gross margins gradually going back to a 40-45% range given more direct distribution to retailers and the online platform; we model EBITDA margins rising to the mid-teens. That said, due to the rebrand, we expect LFTD to take inventory write downs (bad debt provisions may also be a lingering issue, as in 2Q24).

As of June 2024, LFTD had net cash of \$1.1Mn (gross cash \$4.6Mn; gross debt of \$3.6Mn with payments only of \$428K in 2H24 and \$877K in CY25) and we project it should be cash flow positive in the coming qtrs (minimal capex needed). *Note: Back in Dec'23, LIFD was able to borrow at 9.5% from Surety Bank to acquire a building; this rate was well below what MJ peers could garner at the time.*

Table 4: Our Financial Projections

US\$ Mn	Dec CY22	Dec CY23	Mar 1Q24	Jun 2Q24	Sep 3Q24e	Dec 4Q24e	Dec CY24e	Dec CY25e	Dec CY26e	Dec CY27e
Sales (\$ Mn)	57.4	51.6	10.7	9.5	9.0	9.0	38.2	40.1	42.1	44.2
qoq ch %	na	na	-21%	-11%	-5%	0%	na	na	na	na
yoy ch %	81%	-10%	-14%	-24%	-31%	-33%	-26%	5%	5%	5%
Profit margins										
Gross profit before FV adj	21.0	19.7	3.4	3.6	3.2	3.3	13.4	15.8	18.1	19.9
as % of sales	37%	38%	32%	37%	35%	37%	35%	39%	43%	45%
Gross profit after FV adj	9.8	2.4	-0.1	-0.6	0.9	1.1	1.3	8.4	12.1	13.7
as % of sales	17%	5%	-1%	-6%	10%	12%	3%	21%	29%	31%
Op exp	-0.2	-0.3	1.4	0.1	0.1	0.1	1.6	0.2	0.2	0.1
as % of sales	0%	-1%	13%	1%	1%	1%	4%	1%	0%	0%
EBIT	10.0	2.8	-1.5	-0.7	0.8	1.0	-0.4	8.2	11.9	13.6
as % of sales	17%	5%	-14%	-7%	9%	11%	-1%	20%	28%	31%
adj EBITDA	10.1	3.1	-0.6	-0.3	0.8	1.0	0.9	6.7	7.1	7.9
as % of sales	18%	6%	-6%	-4%	9%	11%	2%	17%	17%	18%
EPS										
Pre tax income	10.0	2.8	-1.5	-0.7	0.8	1.0	-0.4	8.2	11.9	13.6
Tax rate assumption	-28.0%	-21.7%	-25.9%	-20.5%	-21.0%	-21.0%	-130.1%	-10.5%	-21.0%	-21.0%
Net income after minority interest	7.2	2.2	-1.1	-0.5	0.8	1.0	0.1	7.3	9.4	10.7
Share count (FD) Mn	15.9	16.4	14.8	14.8	14.8	14.8	14.8	14.8	14.8	14.8
EPS	0.45	0.13	0.08	-0.04	0.05	0.07	0.01	0.50	0.64	0.73
BS & CF highlights										
Operating cash flow	3.0	0.6	0.2	0.1	1.6	1.1	2.9	7.5	9.6	11.0
(-) Capex	0.9	2.2	0.0	0.3	0.1	0.1	0.5	0.4	0.4	0.4
Free cash flow	2.1	-1.5	0.1	-0.2	1.5	1.0	2.4	7.1	9.2	10.5
Ending net cash (debt)	3.5	1.5	1.6	1.0	1.1	2.1	2.1	9.2	18.4	28.9
Net debt/Sales	0.1x	0.0x	0.2x	0.1x	0.1x	0.2x	0.1x	0.2x	0.4x	0.7x
Net debt/EBITDA	0.3x	0.5x	-2.5x	-2.9x	1.3x	2.1x	2.4x	1.4x	2.6x	3.6x
Equity	34.5	38.8	37.7	37.7	38.5	39.5	39.5	46.8	56.2	67.0

Source: Company reports; Z&A estimates



Valuation and Performance

Stock performance. Owing to regulatory uncertainties both at the federal (Farm Bill?) and state level (risk of blanket or partial bans), LIFD shares are down 48% in the last year (MSOS ETF -10%; S&P500 +32%), and at 65c are well off the \$8 peak of April 2021. True, the stock is thinly traded and thus subject to steep volatility (it was at 42c on 8/30). *Note: Insiders own 57% of the company stock.*

Table 5: Stock Performance (5 years; Last 3 months)



Source: company reports, FactSet, Z&A estimates

Current market valuation. At \$0.65 per share, LIFD now trades at only 0.23x our projected CY24 EV/Sales (and 0.26x on spot EV/Sales taking 2Q24 data), and well below our conservative estimate of net book value of ~\$1 per share (i.e., “liquidation value”: cash, net working capital, building). *Note: For market derived EV calculation, we take 14.8mn shares and net cash of \$1Mn. So, pretty much the stock is trading as if hemp derivatives with psychoactive effects will be banned for good, nationally. We do not believe that will be the case, but also realize this is quite a binary story.*

How to Think About the Upside?

We do not set price targets, but even at 0.5x EV/Sales (vs. 0.2x now), the stock could be up 5x by Dec’25 on our 1yF estimates by then. Thus, on risk vs. reward (i.e., assigning 10% probability to the zero-valuation scenario), we believe LIFD merits an Overweight stance. True, until we get greater clarity on the new Farm Bill and on whether a common state “blueprint” begins to emerge (19 states have banned Delta 8, but enforcement varies; more states are attempting blanket bans), we realize our OW stance on LIFD should be seen more as a “speculative buy” trade.

Bull vs. Bear Case Analysis

- Bull case:** if the regulatory outlook becomes clearer, with the new Farm Bill delegating the PHD matter to the states, and no state bans in current key markets, we believe the LFTD EV/Sales multiple could go back to a 0.5-1.0x range. Longer term, Congress may pass national (federal) level legislation both for CBD and PHDs, which would expand the market for PHDs. Re the latter, with cannabis de-scheduled and PHDs fully legalized (but properly regulated), we think sales multiple of 3x (and EBITDA of >25x) would be possible. We do not set price targets but if we conservatively took 0.5x sales by Dec'25 on our CY26 estimates, the stock would be 5x above current levels.
- Bear case:** If PHDs are banned nationally (risk from Mary Miller amendment in the next Farm Bill) and the nutraceutical strategy does not work, the stock could be worth zero, with no revenues. But we only assign a 10% probability to the notion of a national ban, and we believe more states will follow the FL blueprint (on the other hand states like MA/NJ may remain off limits).

Table 6: Forward price scenarios (on EV/EBITDA multiples) under our base case financial estimates

US\$ Mn	Dec CY23	Mar 1Q24	Jun 2Q24	Sep 3Q24e	Dec 4Q24e	Dec CY24e	Dec CY25e	Dec CY26e	Dec CY27e
EV (\$Mn)	8.7	8.6	9.8	9.7	8.7	8.7	1.6	-7.5	-18.0
Market cap (\$Mn)	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6
Share price (US\$)	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65
FD share count (Mn)	14.8	14.8	14.8	14.8	14.8	14.8	14.8	14.8	14.8
common shares (proforma)	14.8	14.8	14.8	14.8	14.8	14.8	14.8	14.8	14.8
RSUs									
other derivatives									
Broadly defined net debt	0.9	1.1	-0.2	-0.1	0.9	0.9	8.0	17.2	27.7
net financial debt (proforma)	1.5	1.6	1.0	1.1	2.1	2.1	9.2	18.4	28.9
net leases	-0.6	-0.5	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2
other debt (taxes payable)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Multiples (Z&A)									
PE	5.0x	2.0x	-4.6x	3.0x	2.5x	87.5x	1.3x	1.0x	0.9x
EV/Sales	0.17x	0.20x	0.26x	0.27x	0.24x	0.23x	0.04x	-0.18x	-0.41x
EV/EBITDA	2.9x	-3.3x	-7.3x	2.9x	2.1x	9.9x	0.2x	-1.1x	-2.3x
Price Target Scenarios (1yF)							by CY24	by CY25	by CY26
EV/Sales of 0.5x							\$1.89	\$2.58	\$3.36
EV/Sales of 1.0x							\$3.25	\$4.00	\$4.85
EV/Sales of 1.5x							\$4.60	\$5.42	\$6.34
EV/Sales of 2.0x							\$5.95	\$6.84	\$7.83
EV/Sales of 3.0x							\$8.65	\$9.68	\$10.81

Source: company reports, FactSet, Z&A estimates



Table 7: Companies mentioned in this report

Company name	Ticker	Ticker	Rating
US MSOs			
4Front Ventures		FFNTF	Not rated
Acreage Holdings		ACRDF	will cover
Ascend Wellness		AAWH	Not rated
AYR Wellness		AYRWF	Not rated
Cannabist		CCHWF	Not rated
Cansortium		CNTMF	will cover
Cresco Labs		CRLBF	Overweight
Curaleaf Holdings		CURLF	will cover
GlassHouse Brands		GLASF	Not rated
Gold Flora		GRAM	Overweight
Goodness Growth		GDNSF	Not rated
Green Thumb Industries		GTBIF	Overweight
Grown Rogue		GRUSF	Not rated
Jushi Holdings		JUSHF	Overweight
MariMed		MRMD	Overweight
Planet 13 Holdings		PLNHF	Overweight
Schwazze		SHWZ	Not rated
StateHouse Holdings Inc		STHZF	Neutral
TerrAscend		TSNDF	Not rated
TILT Holdings		TLLTF	Neutral
Trulieve Cannabis		TCNNF	will cover
Verano Holdings		VRNOF	Overweight
Vext Science, Inc.		VEXTF	Overweight
Tech			
Leafly		LFLY	Not rated
Springbig		SBIG	Not rated
WM Technology		MAPS	Neutral

Source: Z&A

Company name	Ticker	Rating
Canada LPs		
Aurora Cannabis	ACB	Neutral
Auxly Cannabis Group	CBWTF	not rated
Avant Brands	AVTBF	not rated
Avicanna	AVCN	will cover
BZAM	BZAMF	not rated
Cannara Biotech	LOVFF	not rated
Canopy Growth Corporation	CGC	will cover
Cronos Group	CRON	not rated
Decibel Cannabis Co	DBCCF	Overweight
Organigram Holdings	OGI	will cover
Rubicon Organics	ROMJF	not rated
SNDL	SNDL	not rated
Tilray Brands	TLRY	Neutral
Village Farms Intl	VFF	Overweight
Finance Companies		
AFC Gamma	AFCG	Overweight
Chicago Atlantic REFC	REFI	Overweight
Innovative Industrial Properties	IIPR	will cover
New Lake Capital Partners	NLCP	Overweight
RIV Capital	CNPOF	not rated
SHF Holdings	SHFS	not rated
Silver Spike Inv Corp	SSIC	will cover
Other		
Intercure	INCR	Overweight
LFTD Partners Inc.	LIFD	Overweight
Ispire Technology	ISPR	will cover
Smooore International	SMORF	will cover



Appendix I: Regulatory Update as per USHR

As per the US Hemp Roundtable website, these are that entity's active campaigns at the state level:

CA: Attention California Hemp Supporters! We need your immediate action to protect the future of hemp in California! [AB 2223](#) poses an existential threat to the California hemp industry, punishing farmers and businesses that play by the rules. If passed, the bill would ban for retail sale all hemp products that have any THC them, meaning 90-95% of products on the marketplace. Such stringent regulations would effectively dismantle the full spectrum hemp industry, jeopardizing the progress we've fought so hard to achieve since the passage of [AB 45](#). But we can take action TODAY to make our voices heard! It's crucial that we act now to urge California's Governor and state legislators to oppose these harmful THC potency limits. Here's how you can help: 1) Take Action: The Governor and state legislators care about what their constituents have to say. Enter your contact information on this form, and pre-drafted messages will be ready for you to send with the click of a button voicing your opposition to AB 2223's harmful milligram and serving limits. Please edit and share your own personal stories. 2) Spread the Word: Share this urgent alert with your friends, family, and fellow hemp supporters. Encourage them to join the fight to protect California's hemp industry. 3) Stay Informed: Keep up to date on the latest developments regarding AB 2223 and other legislative actions affecting hemp in California. Sign up for [our newsletter](#) to receive timely updates and action alerts. Together, we can make a difference and ensure that California's hemp industry continues to thrive. Let's stand united in defense of the future of hemp!

D.C.: Things are heating up in the nation's capital. We [continue to hear](#) about hemp stores [facing action](#) for selling legal hemp products. The problem seems to be DC's emergency law aimed at marijuana gifting shops, which does not exempt hemp stores. *DC hemp supporters are encouraged to urge the mayor's office and their city councilmembers to cease enforcement efforts.*

GA: Earlier this month, the Georgia Department of Agriculture proposed [changes to existing rules](#) for hemp products, as well as a [new rule](#) for consumable hemp products. While many of the amendments to existing rules are minor or make clarifying edits, the new rule is substantive and significant. The new rule imposes the following THC limits: 1) Gummy – no more than 10mg of total delta-9-THC per serving or 150mg of total delta-9-THC per package; 2) Beverage – no more than 5mg of total delta-9-THC per serving and no more than one serving per container (12 fluid ounces total); 3) Topical – no more than 1,000mg of total delta-9-THC per package; 4) Tincture – no more than 1mg of total delta-9-THC per serving and no more than 10 fluid ounces per container (2 fluid ounces per serving). The new rule appears to conflict with Georgia [SB 494](#), which was enacted [earlier this year](#). SB 494 limits consumable hemp products to 0.3% total delta-9-THC but does not set per-serving or per-package limits. The Roundtable will be submitting written comments, which the Department of Agriculture is accepting until September 6. Please review the new rule, and submit your thoughts to info@hempsupporter.com by Friday, August 30.

IA: Eight companies in Iowa have sued to block enforcement of [HF 2605](#), the new law that sets 4mg/serving and 10mg/package THC limits and bans consumable hemp products for persons



under 21, [as we previously reported](#). The lawsuit is yet another in a [series](#) challenging state laws against federally legal hemp products. Arguments to block enforcement of the new law will occur next week.

IN: Low-THC hemp extracts that do not exceed 0.3% delta-9 THC are legal in Indiana. Attorney General Todd Rokita's opinion letter from earlier this year, however, claims that such products are illegal controlled substances. His letter has caused local prosecutors throughout the state to take enforcement action against some retailers. These activities could threaten the hemp industry in Indiana. Please use our State Action Center to urge the Attorney General to rescind his opinion letter. Our technology makes it super easy. Once you input your zip code, the appropriate email or state petition will populate—with the Attorney General's office already identified and an editable message prepared. With a simple click of the button, lawmakers will hear your voice loud and clear. Even if you aren't an Indiana resident or business, please share this page with your friends, colleagues, customers, and social media contacts in the state. Help us build our Hemp Supporter armies to assist us in these battles, which have a national impact.

MA: The Massachusetts Department of Agricultural Resources' [latest policy](#) basically bans all consumable hemp products, including non-intoxicating CBD sold as a food or dietary supplement. Please use our State Action Center to urge the Department to rescind its policy. Our technology makes it super easy. Once you input your zip code, the appropriate email or state petition will populate—with the Department's representative already identified and an editable message prepared. With a simple click of the button, lawmakers will hear your voice loud and clear. Even if you aren't a Massachusetts resident or business, please share this page with your friends, colleagues, customers, and social media contacts in the state. Help us build our Hemp Supporter armies to assist us in these battles, which have a national impact.

MO: A major positive development in the saga of outgoing Missouri Governor Mike Parson's outrageous recent [Executive Order](#), which would [ban hemp food](#) products that contain delta-8 THC, delta-10 THC, THC-O, THCP, THCV, HHC, or "similar substances" (which could be potentially broadly read to ban many intoxicating delta-9 products as well). This week, Secretary of State Jay Ashcroft, a [political rival](#) of the Governor's, blocked Parson's emergency rule that would have allowed Alcohol and Tobacco Control to prevent intoxicating products from being sold at liquor-licensed facilities. The proposed rule must go through the formal rulemaking process, meaning that delta-8 THC and similar products will remain available for now. While it's possible that a different agency—the Department of Health and Senior Services—could take enforcement steps starting September 1, any such action would likely face a quick legal challenge. This could delay matters until a new Governor—who could be more favorable to the hemp industry—is sworn in next January.

NC: [H563](#) establishes THC limits for ingestible hemp products. The House's version limits ingestible product to 3mg per serving of delta-9, delta-7, delta-8, or delta-10 THC in the aggregate. The Senate's [version](#) is much better, setting limits of 25mg per serving for non-liquid ingestible products and 10mg per serving for liquid ingestible products. Please use our State Action Center to urge lawmakers to support the Senate's version. Our technology makes it super easy. Once you input your zip code, the appropriate email or state petition will populate—with your legislators'



office already identified and an editable message prepared. With a simple click of the button, lawmakers will hear your voice loud and clear. Even if you aren't a North Carolina resident or business, please share this page with your friends, colleagues, customers, and social media contacts in the state. Help us build our Hemp Supporter armies to assist us in these battles, which have a national impact.

NE: Earlier this year, we urged Hemp Supporters to take action against [LB 388](#)'s 100% tax rate for consumable hemp products. Thanks to your efforts, [a revised version of the bill](#) reduced the tax rate to 25%. But there's even better news—the [latest version of the bill](#), which the legislature passed in a special session and the Governor signed, does not contain any tax for consumable hemp products. This is a major victory for hemp businesses and consumers in the Cornhusker State!

NH: Last week, we reported on New Hampshire [SB 505](#), a confusing new law that undoes a portion of a law enacted last year. In reviewing SB 505 closer, we read the law as continuing to allow the sale of hemp products that contain no more than 0.3% delta-9 THC on a dry weight basis. This means that hemp-derived delta-9 THC products, including those that are intoxicating, are legal if they do not exceed 0.3% delta-9 THC on a dry weight basis. Other THCs are allowed up to 0.3%, but the practical effect is that most delta-8 THC and similar products are effectively illegal because they usually have more than 0.3% THC.

NJ: It's bad news in New Jersey. The legislature passed [S3235](#), the bill banning full-spectrum hemp products by limiting them to licensed cannabis dispensaries. We [previously requested](#) that hemp supporters encourage lawmakers to oppose the bill, which requires a license from the Cannabis Regulatory Commission to sell a product containing more than 0.3% total THC, 0.5mg of total THC per serving, or 2.5mg of total THC per package. The bill is headed to the Governor's desk. *New Jersey Hemp Supporters are now encouraged to use our [State Action Center](#) to urge the Governor to veto the bill.*

NY: New York's [S9487](#) would legalize hemp-derived beverages containing up to 5 milligrams of THC per container without any ratio or serving size requirements. This progressive bill ensures consumer safety while promoting the growth of the hemp industry in New York. Please use our State Action Center to urge lawmakers to support S9487. Our technology makes it super easy. Once you input your zip code, the appropriate email or state petition will populate—with your legislators' office already identified and an editable message prepared. With a simple click of the button, lawmakers will hear your voice loud and clear. Even if you aren't a New York resident or business, please share this page with your friends, colleagues, customers, and social media contacts in the state. Help us build our Hemp Supporter armies to assist us in these initiatives, which have a national impact.

RI: [New rules](#) in Rhode Island took effect this week. The biggest change is that consumable hemp products are limited to 1mg of total THC per serving, 5mg of total THC per package, and 0.3% total THC on a dry weight basis. The previous version of the rule used only a 0.3% delta-9 THC limit. The new rule's THC limits conflict with Rhode Island's Hemp Growth Act, which continues to define "hemp" using a 0.3% delta-9 THC standard. Other key changes are that inhalable products are



treated as consumable products and converting CBD into delta-9 THC or any other cannabinoid is prohibited, unless approved by the state Department of Business Regulation. A comparison document of all the rule changes is available [here](#).

TN: The Tennessee Department of Agriculture recently issued an emergency set of new and amended [rules](#) for enacting [last year's law](#) on hemp-derived cannabinoid products. The emergency rules cover license requirements, proof-of-age and behind-the-counter requirements, under-21 sales restrictions, child-resistant safety and product storage requirements, label and product shape prohibitions, and cannabinoid milligram limits per serving. The emergency rules are effective for 180 days, after which it is expected the rules will be permanently adopted.

Interestingly, the USHR website also calls on interested parties to “urge Congress to support SAFE Banking for Hemp and CBD businesses”.



Appendix II: FDA on CBD

This taken from a presentation by the FDA Commissioner to Congress.

The current regulatory state of play is more complex when it comes to hemp products that contain CBD. It is unlawful under the Federal Food, Drug, and Cosmetic Act (FD&C Act) to introduce into interstate commerce a food (including any animal food or feed) to which has been added a substance that is an active ingredient in an approved drug product or a substance for which substantial clinical investigations have been instituted, and the existence of such investigations has been made public. Similarly, these types of substances are outside of the statutory definition of a dietary supplement. These provisions in our statute exist to protect patients and to preserve American patients' access to the most safe and advanced pharmaceutical system in the world. "I think everyone on this Committee can understand why, in general, adding drugs like blood pressure medicines or chemotherapeutics to foods, or to products marketed as dietary supplements, may not be in the best interests of American consumers and patients."

The Epidiolex precedent, and what it means for "consumer" CBD. In June 2018, FDA approved the drug Epidiolex for treatment of seizures associated with two very rare and severe pediatric diseases. The approval of this medicine was a significant milestone for these patients and their families. The active ingredient in this drug is CBD. Based on both the approval of this drug, as well as previous substantial clinical investigations of CBD, CBD cannot be marketed as a dietary supplement, and foods to which CBD has been added cannot be introduced into interstate commerce under the FD&C Act. The FD&C Act provisions that prohibit adding an active drug ingredient to foods or marketing an active drug ingredient as a dietary supplement contain an exception if the drug was marketed in foods or dietary supplements before the drug was approved and before it was subject to substantial clinical investigations. The Agency is not aware of any evidence that CBD was marketed in foods or dietary supplements prior to it being subject to substantial clinical investigation. Therefore, FDA has concluded this exception does not apply to CBD.

- The FD&C Act further allows for the Agency to make an exception through notice and comment rulemaking to one or both of the provisions that prohibit adding active drug ingredients to foods or marketing them as dietary supplements. It is important to note that it can take three to five years to complete even an expedited notice and comment rulemaking process that complies with the Administrative Procedure Act and other requirements. Completing a rulemaking requires the Agency to develop a robust record to support the rulemaking, including economic analyses, and to consider public comments, which can be voluminous when rulemakings concern substantive topics for which there is extensive public interest, as in the case of CBD.
- Creating an exception for an active drug ingredient to be used in either foods or dietary supplements would make sense only if we could determine that products would be able to meet the other relevant safety standards in the FD&C Act, such as the food additive safety standards for human or animal foods, or the New Dietary Ingredient standards for



dietary supplements. If we were to create an exception under one provision of the FD&C Act, but other provisions of the statute still barred products from coming to market, our action could end up generating additional confusion in the marketplace – a result the Agency believes all stakeholders would prefer to avoid.

- FDA recognizes that three to five years is a long time to wait for regulatory clarity, particularly given the significant public interest in hemp products, and CBD in particular. That is why, as I discuss in greater detail later in my testimony, the Agency is exploring options to reach a resolution more quickly and efficiently.



Appendix III: Company Financials

Zuanic & Associates

Exhibit 1: Financial highlights

US\$ Mn	Dec CY21	Dec CY22	Dec 1Q23	Dec 2Q23	Dec 3Q23	Dec 4Q23	Dec CY23	Dec 1Q24	Dec 2Q24	Dec 3Q24e	Dec 4Q24e	Dec CY24e	Dec CY25e	Dec CY26e	Dec CY27e
Sales (\$ Mn)	31.7	57.4	12.5	12.5	13.1	13.5	51.6	10.7	9.5	9.0	9.0	38.2	40.1	42.1	44.2
qoq ch %	na	na	10%	0%	5%	3%	na	-21%	-11%	-5%	0%	na	na	na	na
yoy ch %	na	81%	-31%	-25%	17%	19%	-10%	-14%	-24%	-31%	-33%	-26%	5%	5%	5%
Guidance									na	na	na	na	na	na	na
Consensus									na	na	na	na	na	na	na
Profit margins															
Gross profit before FV adj	15.9	21.0	5.6	5.6	4.4	4.0	19.7	3.4	3.6	3.2	3.3	13.4	15.8	18.1	19.9
as % of sales	50%	37%	45%	45%	34%	30%	38%	32%	37%	35%	37%	35%	39%	43%	45%
Gross profit after FV adj	7.8	9.8	-0.1	2.4	0.7	-0.5	2.4	-0.1	-0.6	0.9	1.1	1.3	8.4	12.1	13.7
as % of sales	25%	17%	-1%	19%	5%	-4%	5%	-1%	-6%	10%	12%	3%	21%	29%	31%
Op exp	0.6	-0.2	0.0	0.0	0.1	-0.5	-0.3	1.4	0.1	0.1	0.1	1.6	0.2	0.2	0.1
as % of sales	2%	0%	0%	0%	1%	-3%	-1%	13%	1%	1%	1%	4%	1%	0%	0%
EBIT	7.2	10.0	-0.1	2.3	0.6	-0.1	2.8	-1.5	-0.7	0.8	1.0	-0.4	8.2	11.9	13.6
as % of sales	23%	17%	-1%	19%	4%	0%	5%	-14%	-7%	9%	11%	-1%	20%	28%	31%
adj EBITDA	7.4	10.1	-0.1	2.4	0.7	0.0	3.1	-0.6	-0.3	0.8	1.0	0.9	6.7	7.1	7.9
as % of sales	23%	18%	0%	19%	5%	0%	6%	-6%	-4%	9%	11%	2%	17%	17%	18%
Consensus EBITDA									na	na	na	na	na	na	na
as % of sales									na	na	na	na	na	na	na
EPS															
Pre tax income	7.2	10.0	-0.1	2.3	0.6	-0.1	2.8	-1.5	-0.7	0.8	1.0	-0.4	8.2	11.9	13.6
Tax rate assumption	-19.1%	-28.0%	23.8%	-29.3%	6.7%	-143.5%	-21.7%	-25.9%	-20.5%	-21.0%	-21.0%	-130.1%	-10.5%	-21.0%	-21.0%
Net income after minority inter	5.8	7.2	-0.1	1.7	0.6	0.0	2.2	-1.1	-0.5	0.8	1.0	0.1	7.3	9.4	10.7
Share count (FD) Mn	13.4	15.9	14.2	16.7	15.4	16.4	16.4	14.8	14.8	14.8	14.8	14.8	14.8	14.8	14.8
EPS	0.43	0.45	-0.01	0.10	0.04	0.00	0.13	0.08	-0.04	0.05	0.07	0.01	0.50	0.64	0.73
consensus															
BS & CF highlights															
Operating cash flow	5.6	3.0	0.3	-0.7	1.1	-0.1	0.6	0.2	0.1	1.6	1.1	2.9	7.5	9.6	11.0
(-) Capex	0.4	0.9	0.4	0.3	0.1	1.4	2.2	0.0	0.3	0.1	0.1	0.5	0.4	0.4	0.4
Free cash flow	5.3	2.1	0.0	-1.0	1.1	-1.5	-1.5	0.1	-0.2	1.5	1.0	2.4	7.1	9.2	10.5
Ending net cash (debt)	1.6	3.5	3.5	2.0	3.1	1.5	1.5	1.6	1.0	1.1	2.1	2.1	9.2	18.4	28.9
Net debt/Sales	0.1x	0.1x	0.3x	0.2x	0.2x	0.1x	0.0x	0.2x	0.1x	0.1x	0.2x	0.1x	0.2x	0.4x	0.7x
Net debt/EBITDA	0.2x	0.3x	-66.5x	0.8x	4.7x	44.8x	0.5x	-2.5x	-2.9x	1.3x	2.1x	2.4x	1.4x	2.6x	3.6x
Equity	27.5	34.5	36.5	38.2	38.8	38.8	38.8	37.7	37.7	38.5	39.5	39.5	46.8	56.2	67.0

Source: Z&A estimates, company reports



Exhibit 2: Sales projections

US\$ 000s	Dec CY21	Dec CY22	Dec 1Q23	Dec 2Q23	Dec 3Q23	Dec 4Q23	Dec CY23	Dec 1Q24	Dec 2Q24	Dec 3Q24e	Dec 4Q24e	Dec CY24e	Dec CY25e	Dec CY26e	Dec CY27e
Sales by Format	31,657	57,417	12,462	12,523	13,106	13,520	51,611	10,667	9,487	9,013	9,013	38,180	40,089	42,093	44,198
Vapes	14,317	29,143	5,982	6,459	7,406	7,202	27,048	5,467	4,661	na	na	na	na	na	na
Edibles	7,422	15,810	3,863	3,693	3,293	4,276	15,126	3,619	3,730	na	na	na	na	na	na
Flower	1,824	4,866	1,620	1,418	1,166	990	5,194	669	332	na	na	na	na	na	na
Cartridges	6,047	7,472	997	945	1,223	970	4,136	856	722	na	na	na	na	na	na
Apparel and Accessories															
Mix	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Vapes	45%	51%	48%	52%	57%	53%	52%	51%	49%	na	na	na	na	na	na
Edibles	23%	28%	31%	29%	25%	32%	29%	34%	39%	na	na	na	na	na	na
Flower	6%	8%	13%	11%	9%	7%	10%	6%	4%	na	na	na	na	na	na
Cartridges	19%	13%	8%	8%	9%	7%	8%	8%	8%	na	na	na	na	na	na
Apparel and Accessories	0%	0%	0%	0%	0%	0%	0%	0%	0%	na	na	na	na	na	na
Sales by Channel	31,657	57,417	12,462	12,523	13,106	13,520	51,611	10,667	9,487	9,013	9,013	38,180	40,089	42,093	44,198
raw materials	476	41	2	1	1	177	181	176	584	na	na	na	na	na	na
private label clients	3,246	975	177	689	313	322	1,500	1,608	476	na	na	na	na	na	na
wholesalers	4,586	7,504	2,440	2,462	2,536	3,293	10,730	2,764	2,461	na	na	na	na	na	na
distributors	21,661	45,522	9,278	8,820	9,641	8,986	36,725	5,349	5,022	na	na	na	na	na	na
end customers															
Mix	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
raw materials	2%	0%	0%	0%	0%	1%	0%	2%	6%	na	na	na	na	na	na
private label clients	10%	2%	1%	6%	2%	2%	3%	15%	5%	na	na	na	na	na	na
wholesalers	14%	13%	20%	20%	19%	24%	21%	26%	26%	na	na	na	na	na	na
distributors	68%	79%	74%	70%	74%	66%	71%	50%	53%	na	na	na	na	na	na
end customers	0%	0%	0%	0%	0%	0%	0%	0%	0%	na	na	na	na	na	na

Source: Z&A estimates, company reports

Exhibit 3: Income statement

US\$ Mn	Dec CY21	Dec CY22	Dec 1Q23	Dec 2Q23	Dec 3Q23	Dec 4Q23	Dec CY23	Dec 1Q24	Dec 2Q24	Dec 3Q24e	Dec 4Q24e	Dec CY24e	Dec CY25e	Dec CY26e	Dec CY27e
Net Sales	31,657	57,417	12,462	12,523	13,106	13,520	51,611	10,667	9,487	9,013	9,013	38,180	40,089	42,093	44,198
(-) Cost of Goods Sold	15,716	36,423	6,813	6,886	8,684	9,522	31,906	7,283	5,933	5,858	5,678	24,752	24,265	23,993	24,309
Gross Profit	15,941	20,993	5,648	5,636	4,422	3,997	19,704	3,384	3,554	3,155	3,335	13,428	15,824	18,100	19,889
(-) Deferred Contingent Stock Expense	0	0	2,138	0	0	0	2,138	0	0	0	0	0	0	0	0
(-) Payroll, Consulting and Independent Contr	3,622	6,424	1,874	1,778	1,711	2,113	7,477	1,602	1,470	1,352	1,352	5,776	5,729	4,972	5,132
(-) Stock Compensation Expense	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(-) Company-Wide Management Bonus Pool	1,559	233	233	0	0	0	233	0	0	0	0	0	0	0	0
(-) Management Bonuses	650	500	0	0	0	0	0	0	0	0	0	0	0	0	0
(-) Professional Fees	500	889	349	256	265	218	1,088	389	232	180	180	982	802	842	884
(-) Bank Charges and Merchant Fees	393	478	137	141	148	169	595	159	146	90	90	486	401	421	442
(-) Advertising and Marketing	337	662	229	250	184	288	951	177	190	225	225	817	1,002	1,052	1,105
(-) Bad Debt (Income)/Expense	381	78	144	78	-83	215	353	275	1,165	0	0	1,441	0	0	0
(-) Depreciation and Amortization	90	32	38	45	48	51	183	49	49	48	49	196	0	0	0
(-) Collab Commission and Royalty Expense	0	0	0	0	847	0	1,734	171	238	0	0	409	0	0	0
(-) Other Operating Expenses	629	1,884	611	715	642	573	2,541	684	645	361	361	2,050	-555	-1,263	-1,326
Income/(Loss) From Operations	7,781	9,813	-105	2,373	660	-517	2,410	-122	-583	898	1,077	1,271	8,444	12,076	13,652
(-) Income/(Loss) From 50% membership inte	-196	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(-) Loss on Lease Modification	-1	0	0	0	0	0	0	0	10	0	0	10	0	0	0
(-) Interest Income	1	11	15	11	2	17	45	41	41	12	13	107	84	169	267
(-) Interest Expense	-142	-120	-24	-24	-24	-38	-111	-93	-90	-86	-83	-352	-322	-322	-322
(-) Dividend Income	2	0	0	1	1	1	4	1	2	0	0	4	0	0	0
(-) Settlement Income/Gain on Settlement	0	479	0	0	0	506	506	0	10	0	0	10	0	0	0
(-) Debt Financing Expenses	0	0	0	0	-60	0	-61	-3	-3	0	0	-6	0	0	0
(-) Penalties	-8	-8	0	-11	0	-25	-36	0	-1	0	0	-1	0	0	0
(-) Loss on Disposal of Fixed Assets	-5	-185	0	0	0	0	0	-14	-38	0	0	-52	0	0	0
(-) Loss on Jeeter Collab	0	0	0	0	0	0	0	-1,349	0	0	0	-1,349	0	0	0
(-) Loss on Deposits	-32	0	0	0	0	0	0	0	-6	0	0	-6	0	0	0
(-) Impairment of Investment in SmplyLifted	-389	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(-) Income from SmplyLifted for WCJ Labor	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(-) Warehouse Buildout Credits	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(-) Gain on Forgiveness of Debt	152	5	0	0	0	0	0	0	0	0	0	0	0	0	0
(-) Refund of Merchant Account Fees	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(-) Settlement Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Income/(Loss) Before Provision for Income T	7,167	9,994	-115	2,349	579	-56	2,757	-1,539	-658	824	1,007	-365	8,206	11,923	13,598
(-) Provision for Income Taxes	-1,367	-2,798	-27	-689	39	80	-598	398	135	-26	-32	475	-862	-2,504	-2,855
Net Income/(Loss) Attributable to LFTD Partr	5,800	7,196	-142	1,659	618	24	2,159	-1,141	-523	798	976	110	7,344	9,419	10,742
EPS - basic	0.50	0.51	-0.01	0.11	0.04	0.01	0.15	0.08	-0.04	0.05	0.07	0.01	0.50	0.64	0.73
EPS - diluted	0.43	0.45	-0.01	0.10	0.04	0.00	0.13	0.08	-0.04	0.05	0.07	0.01	0.50	0.64	0.73
Basic shares (Mn)	11.40	14.08	14.25	14.51	14.65	14.56	14.56	14.81	14.76	14.76	14.76	14.77	14.77	14.77	14.77
Diluted shares (Mn)	13.36	15.86	14.25	16.69	15.36	16.44	16.44	14.81	14.76	14.76	14.76	14.77	14.77	14.77	14.77

Source: Z&A estimates, company reports

Exhibit 4: Cash Flow

US\$ Mn	Dec CY21	Dec CY22	Dec 1Q23	Dec 2Q23	Dec 3Q23	Dec 4Q23	Dec CY23	Dec 1Q24	Dec 2Q24	Dec 3Q24e	Dec 4Q24e	Dec CY24e	Dec CY25e	Dec CY26e	Dec CY27e
Net earnings before minority interest	5,800	7,196	-142	1,659	618	24	2,159	-1,141	-523	798	976	110	7,344	9,419	10,742
(+) D&A	90	192	78	96	122	130	426	126	125	121	124	496	529	581	636
Cash earnings	5,890	7,388	-64	1,755	739	154	2,585	-1,015	-398	920	1,100	606	7,874	10,000	11,378
(-) Working capital changes	-1,124	-10,212	-1,776	-2,328	-347	-1,397	-5,848	-151	-999	650	0	-500	-388	-408	-428
(-) Other operating flows	857	5,861	2,169	-120	715	1,139	3,903	1,345	1,464	0	0	2,809	0	0	0
Operating cash flow	5,623	3,037	329	-693	1,107	-104	639	179	67	1,570	1,100	2,915	7,485	9,593	10,950
(-) net capex	-368	-916	-369	-327	-52	-1,427	-2,175	-32	-257	-90	-90	-469	-401	-421	-442
Free cash flow	5,254	2,121	-40	-1,020	1,055	-1,531	-1,536	147	-190	1,480	1,010	2,446	7,084	9,172	10,508
(-) acquisitions	0	0	0	-342	0	0	-342	0	-200	0	0	-200	0	0	0
(-) divestitures	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(+) other	-3,794	-2,171	-21	-58	-23	-66	1,878	-5	-246	-1,351	0	-1,602	4	4	4
(+) share issuance	0	50	0	0	0	0	0	0	0	0	0	0	0	0	0
(-) stock options/warrants	142	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Change in net	1,603	0	-60	-1,421	1,032	-1,598	0	142	-636	129	1,010	644	7,088	9,176	10,512
Ending net (debt)	1,603	3,531	3,470	2,049	3,081	1,484	1,484	1,626	989	1,118	2,128	2,128	9,216	18,391	28,904
Cash/inv/sec	1,603	3,531	3,470	2,049	3,081	5,358	5,358	5,376	4,614	4,693	5,703	5,703	12,791	21,967	32,479
Gross debts/loans/bonds	0	0	0	0	0	3,874	3,874	3,751	3,625	3,575	3,575	3,575	3,575	3,575	3,575

Source: Z&A estimates, company reports



Exhibit 5: Balance Sheet

US\$ Mn	Dec CY21	Dec CY22	Dec CY23	Dec 1Q24	Dec 2Q24	Dec 3Q24e	Dec 4Q24e	Dec CY24e	Dec CY25e	Dec CY26e	Dec CY27e
Cash and Cash Equivalents	1,603	3,531	4,358	4,376	3,614	4,692	5,702	5,702	12,790	21,966	32,478
Dividend Receivable from Bendistillery, Inc.	2	0	0	0	1	1	1	1	1	1	1
Prepaid Expenses	4,262	1,669	2,510	1,340	1,150	1,092	1,092	1,092	1,147	1,204	1,264
Loan to SmplyLifted LLC	0	0	0	0	0	0	0	0	0	0	0
Interest Receivable	0	0	0	0	0	0	0	0	0	0	0
Note Receivable from CBD LION	0	0	0	0	0	0	0	0	0	0	0
Accounts Receivable	3,461	2,410	3,586	3,901	3,205	3,045	3,045	3,045	3,197	3,357	3,525
Inventory	3,810	6,024	10,175	7,659	7,348	6,981	6,981	6,981	7,330	7,697	8,081
Income Tax Receivable	0	0	659	680	680	646	646	646	679	713	748
Current Portion of Settlement Asset	0	185	379	481	316	301	301	301	316	331	348
Other Current Assets	14	35	3	27	5	5	5	5	5	5	5
Current assets	13,153	13,854	21,669	18,465	16,320	16,763	17,773	17,773	25,464	35,274	46,451
Restricted Cash	0	0	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Goodwill	22,293	22,293	23,093	23,093	23,093	23,093	23,093	23,093	23,093	23,093	23,093
Investment in Abilis	399	399	399	399	399	399	399	399	399	399	399
Investment in Bendistillery and Bend Spirits	1,497	1,497	1,497	1,497	1,497	1,497	1,497	1,497	1,497	1,497	1,497
Net Deferred Tax Asset	332	87	0	375	514	514	514	514	514	514	514
Deposit for Girish GPO Distribution Agreem	0	0	0	0	0	0	0	0	0	0	0
Investment in SmplyLifted LLC	0	0	0	0	0	0	0	0	0	0	0
Fixed Assets	433	1,020	2,996	2,889	2,982	2,951	2,917	2,917	2,789	2,628	2,434
Intangible Assets	1	0	0	0	0	0	0	0	0	0	0
Security and State Licensing Deposits	7	26	43	48	60	60	60	60	60	60	60
Finance Lease Right-of-Use Asset	1,228	1,274	0	0	0	0	0	0	0	0	0
Operating Lease Right-of-Use Asset	76	497	627	586	1,227	1,227	1,227	1,227	1,227	1,227	1,227
Debt Financing Costs	0	0	0	0	0	0	0	0	0	0	0
Non-Current Portion of Settlement Asset	0	185	22	17	7	7	7	7	7	7	7
Other Non-Current Assets	0	0	0	0	0	0	0	0	0	0	0
TOTAL ASSETS	39,419	41,132	51,347	48,370	47,099	47,511	48,487	48,487	56,050	65,699	76,682
Finance Lease Liability	1,262	1,358	0	0	0	0	0	0	0	0	0
Operating Lease Liability	26	118	169	166	209	199	199	199	209	219	230
Deferred Revenue	2,174	594	236	853	866	823	823	823	864	907	953
Minimum Earnout Consideration to be paid	0	0	1,000	1,000	0	0	0	0	0	0	0
Note Payable to Related Party Nicholas S. Wi	0	0	0	0	0	0	0	0	0	0	0
Income Tax Payable	1,243	78	0	0	0	0	0	0	0	0	0
Management Bonuses Payable - Related Part	0	0	0	0	0	0	0	0	0	0	0
Management Bonus Payable - Related Party	500	0	0	0	0	0	0	0	0	0	0
Management Bonus Payable - Related Party	442	0	0	0	0	0	0	0	0	0	0
Company-Wide Management Bonus Pool	1,556	0	0	0	0	0	0	0	0	0	0
Collab Commissions and Royalties Payable	0	0	573	38	99	0	0	0	0	0	0
Accounts Payable and Accrued Expenses	4,671	4,050	6,173	4,451	3,532	3,355	3,355	3,355	3,523	3,699	3,884
Accounts Payable - Related Party	5	2	4	2	2	0	0	0	0	0	0
Interest Payable - Related Party	0	0	0	0	0	0	0	0	0	0	0
Interest - Payable to William C. Jacobs	4	0	0	0	0	0	0	0	0	0	0
Interest - Payable to Gerard M. Jacobs	9	0	0	0	0	0	0	0	0	0	0
Interest - Payable to Nicholas S. Warre	0	0	0	0	0	0	0	0	0	0	0
Preferred Stock Dividends Payable	0	11	7	7	6	0	0	0	0	0	0
Series A Convertible Preferred Stock Divide	12	0	0	0	0	0	0	0	0	0	0
Series B Convertible Preferred Stock Divide	2	0	0	0	0	0	0	0	0	0	0
Notes Payable to Surety Bank	0	0	506	520	533	500	500	500	500	500	500
Interest Payable to Surety Bank	0	0	19	18	17	0	0	0	0	0	0
Total current liabilities	11,906	6,210	8,687	7,055	5,263	4,877	4,877	4,877	5,096	5,325	5,567
Finance Lease Liability	0	0	0	0	0	0	0	0	0	0	0
Paycheck Protection Program Loan	0	0	0	0	0	0	0	0	0	0	0
Operating Lease Liability	51	384	464	428	1,054	1,054	1,054	1,054	1,054	1,054	1,054
Net Deferred Tax Liability	0	0	29	0	0	0	0	0	0	0	0
Notes Payable - Related Party	0	0	0	0	0	0	0	0	0	0	0
Notes Payable - Payable to Nicholas S. Warre	0	0	0	0	0	0	0	0	0	0	0
Notes Payable to Surety Bank	0	0	3,349	3,213	3,075	3,075	3,075	3,075	3,075	3,075	3,075
Total liabilities	11,957	6,595	12,529	10,696	9,393	9,006	9,006	9,006	9,225	9,455	9,696
Commitments and Contingencies	0	0	0	0	0	0	0	0	0	0	0
Preferred Stock	0	0	0	0	0	0	0	0	0	0	0
Common Stock	14	14	15	15	15	15	15	15	15	15	15
Treasury Stock (Purchase of 72,000 shares c	0	0	0	0	0	0	0	0	0	0	0
Additional Paid-in Capital	38,862	38,762	40,429	40,429	40,989	40,989	40,989	40,989	40,989	40,989	40,989
Deferred Contingent Stock	0	0	471	471	471	471	471	471	471	471	471
Accumulated Deficit	-11,415	-4,239	-2,097	-3,241	-3,768	-2,969	-1,994	-1,994	5,351	14,770	25,512
Total stockholders equity	27,462	34,538	38,818	37,674	37,707	38,505	39,481	39,481	46,825	56,244	66,986
Non-controlling interest	0	0	0	0	0	0	0	0	0	0	0
TOTAL LIABILITIES AND EQUITY	39,419	41,132	51,347	48,370	47,099	47,511	48,487	48,487	56,050	65,699	76,682

Source: Z&A estimates, company reports



Appendix IV: Valuation Comps

Zuanic & Associates



Exhibit 6: US MSOs - Valuation Multiples (consolidated multiples)

US\$Mn 24-Sep-24	Z&A Spot EV / Sales			Z&A Spot EV / EBITDA			Financial Net Debt				Broadly Defined Net Debt			
							Sales		EBITDA		Sales		EBITDA	
	Current	CY24e	CY25e	2023	2024	2025	CY24	Current	CY24	Current	CY24	Current	CY24	Current
US MSOs	0.8x	1.8x	1.6x	13.0x	11.9x	7.8x								
Acreage Holdings	0.5x	1.3x	na	11.2x	6.7x	na	-1.0x	-1.6x	-4.9x	-33.2x	-1.2x	-2.0x	-6.1x	-40.9x
Ascend Wellness	1.4x	1.2x	1.1x	6.6x	6.2x	5.4x	-0.4x	-0.4x	-2.0x	-1.5x	-0.8x	-0.8x	-4.2x	-3.3x
Ayr Wellness	1.2x	1.2x	1.1x	5.1x	5.1x	4.1x	-0.7x	-0.8x	-3.2x	-3.1x	-0.6x	-0.7x	-2.8x	-2.7x
Cannabist Co	0.9x	1.0x	0.9x	6.8x	7.0x	5.7x	-0.6x	-0.5x	-4.1x	-2.7x	-0.7x	-0.7x	-5.4x	-3.7x
Cansortium	5.4x	na	na	19.1x	na	na	na	na	na	na	na	na	na	na
Cresco Labs	1.8x	1.8x	1.7x	7.8x	6.4x	6.1x	-0.5x	-0.5x	-1.9x	-1.8x	-0.8x	-0.8x	-2.8x	-2.7x
Curaleaf	3.1x	3.0x	2.8x	13.9x	13.3x	10.9x	0.0x	0.0x	0.0x	0.0x	-1.3x	-1.3x	-5.6x	-6.2x
4Front Ventures	1.9x	na	na	18.0x	na	na	na	-1.0x	na	-1.4x	na	-1.7x	na	-2.3x
Glass House	5.4x	4.2x	na	35.6x	21.2x	na	-0.2x	na	-1.0x	na	-0.4x	-0.4x	-2.0x	-1.5x
Gold Flora	1.1x	1.0x	0.8x	na	55.6x	6.3x	na	-0.3x	na	na	na	-0.9x	na	na
Goodness Growth	1.9x	1.7x	na	9.7x	7.3x	na	-0.6x	-0.6x	-2.7x	-1.9x	-1.0x	-1.0x	-4.3x	-3.0x
Green Thumb	2.6x	2.4x	2.3x	8.4x	7.5x	7.2x	-0.1x	-0.1x	-0.3x	-0.3x	-0.1x	-0.1x	-0.4x	-0.3x
Grown Rogue	-28.5x	na	na	20.7x	na	na	na	na	na	na	na	na	na	na
iAnthus	1.4x	na	na	na	na	na	na	-0.9x	na	-5.3x	na	-0.9x	na	-5.4x
Jushi	1.5x	1.5x	1.4x	10.0x	7.1x	6.2x	-0.6x	-0.7x	-3.0x	-2.9x	-1.1x	-1.2x	-5.2x	-5.1x
MariMed	1.1x	1.0x	0.8x	6.7x	8.3x	4.6x	-0.4x	-0.4x	-3.2x	-3.6x	-0.5x	-0.5x	-4.0x	-4.6x
Planet 13	2.0x	1.5x	1.1x	-8.1x	16.6x	7.1x	0.1x	0.1x	1.6x	2.0x	0.0x	0.0x	0.2x	0.3x
Schwazze	1.1x	1.1x	na	3.6x	5.2x	na	-0.9x	-0.8x	-4.1x	na	-1.1x	-1.0x	-5.0x	na
StateHouse	2.0x	na	na	na	na	na	na	-1.1x	na	-12.3x	na	-1.8x	na	-20.8x
TerrAscend	3.3x	3.3x	3.2x	15.3x	16.5x	14.3x	-0.9x	-0.9x	-4.6x	-4.7x	-1.9x	-1.9x	-9.1x	-9.3x
TILT	0.7x	0.9x	0.7x	54.2x	na	18.3x	-0.5x	-0.4x	20.8x	688.6x	-0.9x	-0.8x	37.1x	1228.7x
Trulieve	2.6x	2.4x	2.4x	9.0x	7.4x	7.5x	-0.2x	-0.2x	-0.7x	-0.8x	-0.5x	-0.5x	-1.6x	-1.8x
Verano	1.9x	1.9x	1.8x	5.8x	6.2x	5.6x	-0.3x	-0.3x	-0.9x	-0.9x	-0.6x	-0.6x	-1.9x	-1.9x
Vext	2.2x	2.1x	na	14.2x	10.0x	na	-0.8x	-1.0x	-4.1x	-4.5x	-0.8x	-1.0x	-4.1x	-4.5x

1) We take FactSet consensus estimates for CY24e and CY25e multiples

2) By "current", we mean the latest reported qtr annualized

Source: FactSet and company reports

Exhibit 7: US MSOs - EV Calculations

US\$m	FactSet	Z&A	US\$	mn	mn	Total	Financial	Net	Income	Conting	ITM deriv	Total	Pref Stock
24-Sep-24	Spot EV	Spot EV	price	shares	deriv	Mkt Cap	net debt	leases	tax liab.	Cons.	inflow	BDND	Min Int
US MSOs													
Acreage Holdings	246	342	0.19	125.0	34.6	31	-252	-2	-57			-311	
Ascend Wellness	704	705	0.98	213.9	13.3	223	-226	-134	-123			-483	
Ayr Wellness	703	578	1.84	114.0	31.1	266	-359	4	-11	0	55	-311	
Cannabist Co	603	475	0.22	469.6	20.0	107	-276	-27	-65	0		-367	
Cansortium	140	147	0.16	304.9	5.6	50	-59	-9	-29			-97	
Cresco Labs	1,120	1,356	1.70	442.6	9.2	768	-395	-56	-128	-9		-588	
Curaleaf	2,981	4,241	3.09	742.3	11.2	2,326	8	-1,115	-672	-18		-1,796	119
4Front Ventures	257	181	0.05	915.2	3.8	47	-79	-8	-40	-6	0	-134	
Glass House	625	874	9.40	74.8	1.7	719	-42	0	-8	-33		-83	72
Gold Flora	130	137	0.08	287.6	0.0	24	-37	-31	-41	-4		-113	
Goodness Growth	117	166	0.48	144.7		69	-61	-9	-27			-97	
Green Thumb	2,627	2,731	10.57	237.0	9.3	2,603	-114	-26	-25	0	37	-128	
Grown Rogue	75	103	0.72	143.5		103	0	0	0	0		0	
iAnthus	83	246	0.01	6,615.3		84	-156	-6				-162	
Jushi	377	406	0.55	196.6	1.9	109	-170	0	-128			-298	
MariMed	148	164	0.17	380.6	5.0	65	-63	-1	-16			-80	19
Planet 13	144	193	0.60	325.2	0.3	195	18	-6	-5	-5		2	
Schwazze	180	195	0.11	80.2		9	-151	-2	-33	0		-186	
StateHouse	148	206	0.03	256.4	138.6	12	-114	-10	-54	-22	7	-192	2
TerrAscend	598	1,050	1.28	351.2	15.3	469	-293	-169	-6	-114		-581	
TILT	111	112	0.01	390.5	4.4	6	-59	-44	-3			-106	
Trulieve	2,158	2,912	12.10	186.0	3.3	2,291	-264	-20	-333	-5		-622	
Verano	1,567	1,765	3.49	346.4	8.7	1,237	-266	-6	-251	-4		-527	
Vext	56	78	0.19	245.5	3.4	46	-32	0				-32	

Source: FactSet and company reports



Exhibit 8: Canada LPs - Valuation Multiples (consolidated multiples)

Multiples 24-Sep-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.	2.9x	12.9x	11.8x	199.4x	180.3x	114.4x	na	na	na	na	0.0x	na	1.5x	na
Auxly Cannabis Group Inc.	0.2x	na	na	7.1x	na	na	-0.1x	na	-3.0x	na	-0.1x	na	-4.1x	na
Avant Brands Inc	2.6x	na	na	31.0x	na	na	0.0x	na	-0.4x	na	-0.1x	na	-1.1x	na
BZAM Ltd	0.1x	na	na	3.6x	na	na	-0.1x	na	-2.4x	na	-0.1x	na	-3.4x	na
Cannara Biotech	0.2x	na	na	4.4x	na	na	0.0x	na	0.0x	na	0.0x	na	0.0x	na
Canopy Growth Corporation	1.0x	3.5x	3.3x	-48.6x	-68.4x	326.9x	-0.3x	-1.3x	17.3x	24.4x	-0.3x	-1.3x	17.3x	24.4x
Cronos Group Inc	0.0x	0.0x	0.0x	0.1x	0.1x	-0.2x	na	na	na	na	1.9x	7.7x	-19.5x	-25.1x
Decibel Cannabis Company Inc	0.2x	0.7x	0.6x	4.0x	3.7x	2.8x	-0.1x	-0.4x	-2.4x	-2.2x	-0.1x	-0.4x	-2.3x	-2.1x
High Tide, Inc.	0.1x	0.4x	0.4x	6.7x	5.8x	5.1x	na	na	na	na	0.0x	0.0x	0.1x	0.1x
Nova Cannabis Inc	0.1x	0.4x	0.4x	12.0x	5.9x	4.0x	0.0x	0.0x	-0.1x	-0.1x	0.0x	0.0x	-0.9x	-0.5x
OrganiGram Holdings Inc	0.3x	1.1x	1.0x	21.0x	33.2x	13.1x	na	na	na	na	0.1x	0.5x	9.7x	15.3x
Rubicon Organics, Inc.	0.0x	na	na	0.9x	na	na	0.0x	na	-0.9x	na	0.0x	na	-0.9x	na
SNDL Inc.	0.2x	0.7x	0.6x	15.8x	71.8x	na	na	na	na	na	0.0x	0.2x	4.4x	20.2x
Tilray Brands, Inc.	0.5x	1.8x	1.7x	15.0x	19.7x	16.0x	0.0x	-0.1x	-0.6x	-0.7x	0.0x	-0.1x	-1.2x	-1.5x
Village Farms International, Inc.	0.1x	0.4x	0.4x	-9.5x	21.7x	6.5x	0.0x	-0.1x	1.3x	-3.0x	0.0x	-0.1x	1.4x	-3.1x

1) We take FactSet consensus estimates for CY24e and CY25e multiples

2) By "current", we mean the latest reported qtr annualized

Source: FactSet and company reports

Exhibit 9: Canada LPs - EV Calculations

C\$Mn 24-Sep-24	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.	3,857	7.90	475.1	16.9	3,887	89	-48	0	-11	0	30	
Auxly Cannabis Group Inc.	107	0.04	1,250.3	0.0	46	-45	-16	0	0	0	-61	
Avant Brands Inc	345	1.16	285.8	1.6	332	-4	-8	0	0	0	-13	
BZAM Ltd	47	0.01	180.8	0.2	3	-31	-14	0	0	0	-45	
Cannara Biotech	49	0.54	90.0	0.0	49	0	0	0	0	0	0	
Canopy Growth Corporation	1,027	6.34	102.5	1.8	661	-366	0	0	0	0	-366	
Cronos Group Inc	-6	2.95	382.3	8.8	1,154	1,163	-2	0	0	0	1,160	
Decibel Cannabis Company Inc	63	0.06	409.0	15.8	26	-37	1	0	0	0	-37	
High Tide, Inc.	222	2.76	80.4	0.8	224	5	-3	0	0	0	2	
Nova Cannabis Inc	118	1.75	62.1	0.0	109	-1	-8	0	0	0	-9	
OrganiGram Holdings Inc	173	2.44	103.8	0.0	253	80	0	0	0	0	80	
Rubicon Organics, Inc.	3	0.46	0.0	0.0	0	-3	0	0	0	0	-3	
SNDL Inc.	609	2.78	264.3	16.2	780	209	-38	0	0	0	171	
Tilray Brands, Inc.	2,230	2.36	831.9	26.6	2,025	-83	-67	0	-20	0	-171	34
Village Farms International, Inc.	183	1.27	111.7	0.0	142	-26	-1	0	0	0	-26	15

Source: FactSet and company reports

Exhibit 10: Stock Performance

24-Sep-24	Stock Performance			Stock Performance			Stock Performance				
	Last	Last	Last		Last	Last	Last		Last	Last	Last
Ticker	30d	90d	12mo	Ticker	30d	90d	12mo	Ticker	30d	90d	12mo
US MSOs				Canadian LPs				MJ Fincos			
Ascend	-16%	7%	-14%	Aurora	-11%	23%	-23%	AFCG	5%	-7%	-14%
Ayr	-2%	-15%	-36%	Avant	-26%	-43%	-79%	CNPOF	30%	54%	38%
Cannabist	-22%	23%	-82%	Auxly	-17%	42%	127%	IIPR	10%	26%	68%
Cansortium	8%	18%	47%	Cannara	-24%	-22%	-47%	NLCP	2%	4%	51%
Cresco	-6%	8%	-19%	Canopy	-25%	-28%	-45%	SHFS	-15%	-3%	-28%
Curaleaf	-4%	-23%	-28%	Cronos	-7%	-4%	4%	SSIC	-2%	-4%	18%
4Front	-15%	-48%	-78%	Decibel	-10%	-6%	-64%	REFI	0%	1%	4%
GlassHouse	0%	30%	109%	Entourage	-8%	-29%	-51%	Tech			
Gold Flora	5%	-44%	-40%	High Tide	4%	-8%	3%	LFLY	26%	5%	-65%
Vireo	-6%	-5%	164%	Nova	-1%	42%	174%	SBIG	27%	-45%	-34%
Grown Rogue	16%	7%	212%	OGI	-11%	20%	20%	MAPS	-15%	-2%	-25%
Green Thumb	-1%	-12%	-1%	Rubicon	-4%	19%	-11%	Vape parts			
iAnthus	-16%	-25%	-53%	SNDL	-3%	11%	6%	GNLN	-24%	24%	-38%
Jushi	-6%	-14%	-26%	Tilray	-10%	7%	-28%	ISPR	-10%	-11%	-30%
MariMed	-24%	-11%	-63%	VFF	-13%	-4%	4%	SMORF	0%	2%	34%
Planet13	-7%	17%	-23%	CBD				TLLTF	-23%	-30%	-75%
Schwazze	0%	-75%	-86%	CVSI	-2%	-18%	4%	Index			
StateHouse	29%	150%	-40%	CWEB	-1%	-4%	-63%	S&P 500	2%	5%	32%
Trulieve	26%	23%	96%	LFID	16%	-24%	-48%	S&P 477	2%	7%	20%
TerrAscend	-13%	-11%	-39%	International				Nasdaq	4%	23%	51%
Vext	4%	16%	-8%	InterCure	-13%	-18%	4%	MSOS ETF	1%	-5%	-10%
Verano	-10%	-5%	-26%	PharmaCielo	9%	31%	79%	YOLO ETF	-2%	-3%	-6%

Source: FactSet



Appendix V: Bio and Disclaimers

Zuanic & Associates



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, Canada, Germany, Australia, 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 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. Now, more than a year since its inception, the firm has collaborated with over 25 companies (in North America and overseas; plant touching and service providers; public and private), both on an on-going basis as well for specific projects. At various points in his career, Pablo Zuanic 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 at 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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