ZUANIC & ASSOCIATES

3/27/2025

Canopy Growth

Initiation of Coverage: Neutral

C$Mn								
Sales	FY24		FY25e		FY26e		FY27e	
1Q	109	A	66	A	69	E	73	E
2Q	70	A	63	A	68	E	73	E
3Q	79	A	75	A	71	E	76	E
4Q	40	A	68	E	70	E	77	E
FY	297	A	272	E	278	E	299	E
Cons. EBITDA	FY24		FY25e		FY26e		FY27e	
1Q	-23	A	-5	A	-5	E	6	E
2Q	-12	A	-6	A	-5	E	6	E
3Q	-9	A	-3	A	-3	E	6	E
4Q	-14	A	-8	E	-3	E	6	E
FY	-58	A	-22	E	-15	E	25	E

MJ Sales	FY24		FY25e		FY26e		FY27e	
1Q	50	A	48	A	49	E	53	E
2Q	48	A	47	A	52	E	56	E
3Q	51	A	53	A	50	E	54	E
4Q	50	A	49	E	52	E	57	E
FY	199	A	196	E	202	E	220	E
Net Debt	FY24		FY25e		FY26e		FY27e	
1Q	-474	A	-366	A	-230	E	-277	E
2Q	-413	A	-323	A	-244	E	-281	E
3Q	-426	A	-263	A	-259	E	-287	E
4Q	-394	A	-216	E	-271	E	-292	E
FY	-1,706	A	-1,168	E	-1,004	E	-1,137	E

Share price (C$)	$1.57	**Rating**	**Neutral**
Share count (mn)	174.8	Price target	No PT
Market Cap (C$Mn)	275	Fiscal Year	Mar
Ticker	WEED.TO		

Performance	**CGC**	**YOLO ETF**	**S&P500**
30d	-33%	-15%	-4%
90d	-61%	-23%	-4%
1yr	-86%	-51%	10%

- Only NASDAQ-listed cannabis company with exposure to the US, Canada, and ROW.
- Proforma valuation (0.9x) in line with peers. But on SOP, non-US piece is at <0.6x sales.
- Significant improvements in past two years re focus, margins, B/S, and cash flow.
- But more remains to be done.
- We start at Neutral.

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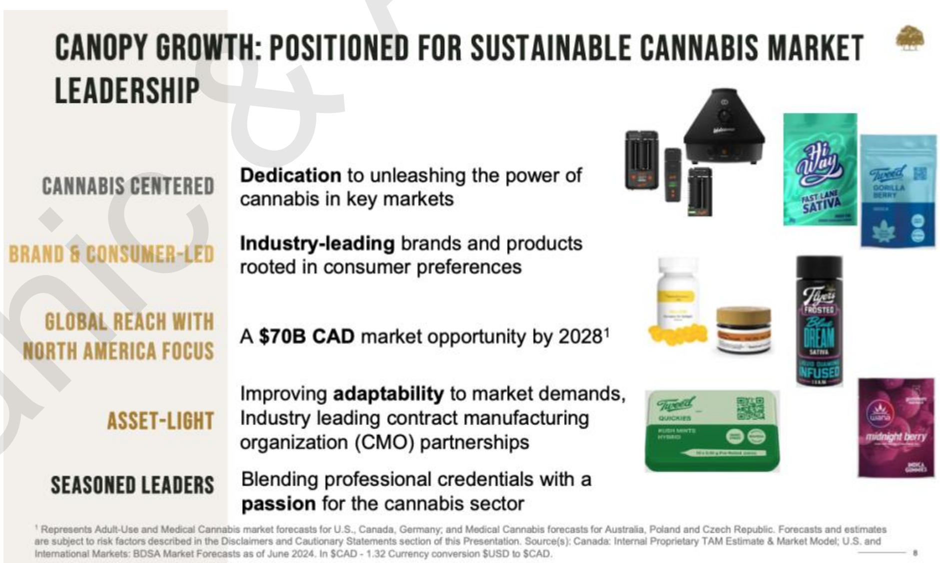
Investment Summary

We initiate coverage of Canopy Growth (NASDAQ: CGC) with a Neutral rating. Canopy Growth is a leader in global medical cannabis (top 2 in Canada; top 3 outside NA based on our estimates) and should benefit as overseas markets start to increase access to MMJ. The company also owns the #1 global brand in dry herb vaporizer devices (Storz & Bickel), and it is an active participant in Canada's rec market. The company's non-consolidated US ecosystem (brands and plant touching) account for ~60% of proforma gross profits per our estimates. Management points to a C$70Bn global total addressable market opportunity by 2028 (US, Canada, ROW). CGC has made significant progress in the last two years re profit margins, B/S (with equity raises and disposals), and free cash flow. That said, it is still EBITDA negative and cash burn in the Dec qtr was equivalent to 12% of cash balances – these will surely be areas of focus for incoming CEO Luc Mongeau. In proforma terms, we calculate CGC trades at 0.9x EV/Sales (ACB 1.1x; TLRY 0.9x), which is probably fair in relative terms, as the positives of the US torque are offset in part by the company's mixed international performance and still high debt levels (consolidated net debt to sales is ~90%). All this said, although we start coverage at Neutral, we are constructive and will keep a close eye on a) US regulatory developments at the federal and state level, and the state of Canopy USA's retail, wholesale, and brand franchise there; b) sustainable and profitable growth in the international markets; and c) progress on EBITDA and cash burn. *Note: $ figures are in C$ unless noted otherwise.*

Table 1: Well-Positioned (per CGC management)



Source: Company reports

Significant progress made in recent years. Top line momentum has improved and gross margins (on the back of production efficiencies; a leaner system relying more on outsourcing; better product and business mix) are back north of 30% after a phase of less than 10%; SGA expenses have been cut by half and have stabilized around C$56Mn in recent quarters. EBITDA is still negative, but the -5% of the Dec'24 qtr was the best on record for CGC. Cash burn remains an issue (-C$28Mn in the latest qtr was about 12% of cash holdings), but it has been halved vs. recent qtrs.

Importantly, asset divestitures have reduced complexity and helped lower debt (the latter has also been helped by ~C$260Mn in equity raises so far in FY25), although net debt is still high at ~90% of consolidated revenues. While use of an at the market equity facility has been dilutive, it has helped fortify the B/S. Management has said that future equity raises (it signed a new $200M ATM) will be used opportunistically for strategic initiatives and to further reduce debt.

Top line trends are encouraging. The domestic rec business was up 15% seq in the Dec qtr (sales to the boards), driven by innovation in pre-rolls (infused pre-rolls under the Claybourne brand) and new flower strains. Hifyre data for 1Q25 so far points to CGC infused pre-roll sales growing almost 4x qoq. Also, a shift to more premium lines, and increased outsourcing have helped improve margins. The domestic medical business was up 5% in the context of a flat to down MMJ market. Overseas sales grew 14% yoy; distribution disruptions in Australia led to a double-digit drop in sales in that market, but shipments to Europe were up 65% (led by Poland, UK, and Germany). S&B (vaporizers of dried herb) has benefitted from recent innovation, both in larger hardware formats as well as in portable devices such as the new Venty. Overall, we would argue these positive trends are the result of a more focused organization, which is now also past a phase of disruptive cost cuts, although CGC management continues to seek additional cost efficiencies. All this progress notwithstanding, in our judgment, new CEO Luc Mongeau will need to decide which of these platforms to prioritize in order to drive sustainable and profitable growth.

The international opportunity, and upside. Taking PA/FL MMJ population penetration metrics (3-4%) on markets like Australia, Germany, and Israel, we would estimate a total addressable market ("international TAM") of US$10Bn, assuming US$200 in monthly spend per patient, just for those three markets. Our TAM may be understated as it only includes three countries, but on the other hand we realize overseas MMJ markets require an Rx physician-issued prescription, whereas as in the US, Drs are issuing general "recommendations" (not always specifying amounts, dosage, or formats, or brands), so we think the US$10Bn number is a fair estimate. CGC's current annualized international revenues of ~US$30Mn (C$10.2Mn in the Dec'24 qtr when excluding S&B Australia) would be only 0.6% of that figure (taking a 0.5x factor to convert wholesale to retail). If we were to assume a long-term market share of 5% for CGC on that TAM, CGC's international MMJ sales could be close to US$250Mn (US$10Bn x 0.5 x 5%), or ~10x current proforma levels. Taking a 50% gross margin on the international opportunity and cash opex in the 30% range, the estimated long term expanded international medical sales could represent ~US$75Mn of new EBITDA. At 30x, that alone would imply ~US$2.3Bn in valuation upside (vs. a current market cap of only >US$200Mn). Yes, we realize that the overseas markets are only now starting to develop, with new players emerging, and seemingly low barriers to entry. Still, Spectrum is a top 5 player in most of the key international MMJ markets, and top 3 overall among the LPs, per our estimates.

The US upside potential. Importantly, CGC is the only NASDAQ-listed cannabis stock with exposure to the US plant touching market, via a compliant ring-fenced structure. It has put together an attractive ecosystem of US assets, including leading edibles (Wana) and extracts (Jetty) brands, and plant touching businesses (MSO Acreage Holdings and a minority stake in MSO TerrAscend), all owned by a separate entity called Canopy USA (C-USA). The latter is a deconsolidated entity, in which CGC holds a non-voting and non-controlling interest. Via Acreage, C-USA has retail and or wholesale exposure in 8 states (with NY and OH only recently starting rec sales, and PA likely to legalize rec this year), and its Wana brand is licensed in 19 states. We expect C-USA to scale up the presence of the Jetty and Wana brands (by entering new markets, launching more SKUs in existing markets, and via brand extensions including entry into hemp-derived THC categories). The focus for the plant touching business will be mainly in gaining depth in existing markets (increased verticality in some cases and adding more stores in key states) rather than expanding the footprint to new states.

In our view, proper analysis of CGC warrants a proforma look. With the US assets (these are not consolidated, to comply with NASDAQ rules) contributing close to 60% of proforma earnings (per our estimates), and representing a key source of long-term growth, any valuation or fundamental analysis of CGC based only on its consolidated businesses (Canada rec/med cannabis; overseas sales of cannabis; Storz & Bickel vaporizer hardware) would be incomplete. Indeed, given lingering questions about the Canadian market's growth pace (both for rec/med), and mostly CPG-like growth at S&B, the growth story at CGC is driven mostly by international and by the US plant touching businesses. Importantly, in our view, with the CGC international piece still a bit of a "show me" story (CGC has less control of its overseas RTM vs. ACB/TLRY, and it relies more on on-the-ground partnerships; also, staffing cuts backs as well as divestitures may have impacted execution, in our view), the US could be the main engine of proforma earnings growth in the short-term. Indeed, industry sales in the US more than doubled between 2019 and 2024 and could expand by 50% over the next five, taking our conservative state by state projections (ex-federal legalization).

Financials: Reaching positive EBITDA and stopping the cash burn will be key priorities for the new CEO. Counting FY23 (Mar), FY24, and the 9-month period for Apr-Dec 2024, Canopy Growth generated cumulative negative free cash flow of more than C$980Mn. This was partly offset by dilutive equity raises (C$340Mn raised over those 11 quarters; with the share count increasing by over 4x from Apr'22 to 173mn now) and asset disposals. Yes, at one point, CGC benefitted from a combined C$5Bn equity infusion from Constellation Brands (NASDAQ: STZ), which still owns 24% of the company, via non-voting exchangeable voting shares. But the cash balance is now less than C$180Mn (and gross debt C$442Mn). Among the larger LPs, CGC is the most geared at ~90% net debt to sales (we estimate the proforma ratio is >50%). Still, we should look forward. Management expects to be EBITDA positive in the coming quarters - reaching cash flow positive generation should not be far behind. Also, more radical action from the new CEO could accelerate the process. Among his options (in our view): downsize the domestic rec business; move to an even asset lighter system overseas; and even divest S&B to make CGC a pure cannabis company. We will not hear about the CEO's new strategy until the fiscal 4Q25 (Mar) earnings call in late May.

Valuation. CGC shares are down 61% in the last 90 days vs. -23% for the YOLO ETF (S&P 500 -4%); we attribute the underperformance to Dec qtr results coming in below consensus and investor reaction to ongoing equity ATM usage. The stock is also the most liquid path for day-traders betting on US reg news flow, so we think that also has impacted the share price (given current negative sentiment). All that said, the adjusted proforma valuation is now more in line with peers.

- **Proforma valuation in line.** In proforma terms, we calculate CGC is valued at 0.9x current sales, which is in line with ACB (1.1x) and TLRY (0.9x). On the state of CGC's international business (good but with mixed growth trends; margins below ACB), domestic rec/med performance (improving but profitability remains a question), and its financials (P&L, B/S, and CF, are below average), it would be hard to make the case the stock is cheap vs. peers. That said, the company has the most “torque” to US market growth (i.e., exposure to PA going rec, or to the ramp expected in OH) and to legalization (it is unclear to us how quickly other LPs could partner with MSOs to enter the US market once federally legal), and that alone would deserve a premium.

- **Non-US piece trades at only 0.58x sales.** As we explain in the valuation section of this report, we value CGC’s 84.4% stake (non-voting) in C-USA at C$307Mn. If we subtract that from the CGC consolidated EV of C$479Mn, that would mean the non-US part of CGC proforma is valued by the market at C$172Mn. On CGC’s consolidated sales of C$299Mn, that would mean a valuation of 0.58x sales for CGC ex US. All this assuming federal level regulatory status quo. *Note: See valuation section for greater detail.*

- **Our investment stance.** Without significant changes in US reform (a key catalyst for CGC), for the stock to outperform we will need to see improvements in the pace of international sales growth (this was only mid-teens in the Dec qtr), as well as in profitability and cash flow (with debt reduction via equity ATM usage being minimal). So, while in this report we are starting coverage with a Neutral rating, we will keep a close eye on progress and changes implemented by new CEO Luc Mongeau at CGC.

Note: As we show in this report, fundamental analysis aside, CGC shares are significantly sensitive to news flow out of the US. When US stocks peaked in late April 2024 on rescheduling news, CGC decoupled from the group, increasing 350% over a 60-day period vs. ~35% for the MSOS ETF. If the new US President delivers on his MJ campaign promises (rescheduling; SAFE banking; leaving regs to the states for the most part), CGC would probably be the best way to “trade” that news flow.

Table 2: CGC Stock Performance between 3/1/24 to 6/28/24

Source: FactSet

Company Strategy and Operations

In recent years, Canopy Growth, under the helm of recently retired CEO David Klein, pursued a more focused (divesting various business units) and asset-light strategy (cut cultivation capacity; established distribution partnerships overseas), improved profitability (by cutting SGA and seeking a mix of higher margin products/segments), and bolstered the balance sheet (in the last seven quarters thru Dec'24 it issued ~C$340Mn in equity, which together with proceeds from asset sales, helped cut debt from C$1.3Bn at the end of FY23 to ~C$442Mn by Dec'24).

In that sense, incoming CEO Luc Mongeau (a seasoned CPG executive), takes over a business in much better shape than the one CEO Klein took over in 2019 (founder/CEO Bruce Linton had led a large global acquisition spree, that left Canopy Growth with a disjointed set of assets across the globe, over capacity, and a bloated balance sheet). True, while all financial metrics are better than 2-3 years ago, Canopy Growth is still burning cash, has yet to put a string of consecutive quarters of positive EBITDA, and net debt remains high at 0.9x sales. But the trends are encouraging. CEO Mongeau will surely put his own imprint on the company, likely accelerating efforts to improve profitability and cash flow (we do not expect CGC to engage in much M&A in the medium term).

At present, Canopy Growth has five distinct businesses (four are consolidated, while the US assets are not consolidated). We calculate a run rate for the consolidated business of C$299Mn in net sales, with 72% from global cannabis sales (domestic rec 28%; domestic med 26%; international 16%) and 29% from Storz & Bickel vaporizer division. Although the US assets (C-USA) are not consolidated (in order to comply with NASDAQ listing requirements regarding US plant touching businesses), they should be part of any investment analysis of CGC, in our view. Indeed, the CGC B/S shows the "weight" of those assets (re debt and past capital raises), but the P&L does not show the benefits. We roughly calculate the Canopy USA sales annual run rate in the >US$200Mn range (accounting for close to half of what we would call proforma Canopy Growth, or PF-CGC in short).

In the next pages, we discuss these five divisions and the market dynamics they face.

Table 3: Proforma CGC (including non-consolidated C-USA)

Annualized	Sales	Gross Profit	Gross Margin %	% of PF GP	Growth Potential
C$ Mn					
PROFORMA CGC	**600.0**	**231.8**	**39%**	**100%**	
Consolidated CGC	299.0	96.4	32%	42%	
Canada cannabis	162.9	40.7	25%	18%	
rec	84.6	*9.4*	*11%*	4%	some
med	78.3	*31.3*	*40%*	14%	limited
International cannabis	48.1	19.7	41%	9%	significant
Storz & Bickel	88.0	35.9	41%	16%	some
C-USA	301.0	*135.4*	*45%*	58%	good

Note: 1) Numbers in grey are not disclosed and only reflect our own estimates; 2) CGC owns 84.4% of C-USA.
Source: Z&A estimates, and company reports

CGC: International Cannabis (consolidated)

CGC is a top 3 player in the international MMJ market. With feet on the ground plus distribution partnerships in key markets, Canopy Growth is one the three main players in global MMJ (ACB and TLRY being the other two). During the Dec qtr, CGC reported C$12Mn in international sales (we understand this included C$1.2Mn of S&B sales in Australia, which will now be reported under the S&B line), up 20% qoq and +14% yoy. During the Dec qtr call, management said that sales to Europe grew by 65% yoy in the Dec qtr (Poland, UK, Germany), while sales in Australia were down double-digits. We would expect Europe to remain a key driver of growth in the year ahead. Management is confident that changes to its supply chain and better-quality flower at its own facility will help CGC keep up with growing international MMJ demand.

Spectrum Therapeutics is the division spearheading Canopy Growth's international MMJ strategy. Over the years, Canopy Growth has refined its international strategy, shedding assets in some cases (it sold its Denmark facility to Little Green Pharma; it divested its dronabinol unit C3) and taken a more asset-light approach, increasingly relying on distribution partnerships, and sourcing products from 3rd party cultivators. That said, CGC's international shipments come from its own 20ton EU-GMP certified facility (certification was granted in Oct'23) in Kincardine, ON Canada (where it grows high quality flower), as well as from other growers (in Canada and elsewhere). It also owns a packaging facility in Germany, from which it supplies pharmacies and distributors, and also re-exports to Poland and other European markets.

We are bullish about the growth potential of the MMJ markets, and we expect CGC to benefit. German and Australia are the two main export markets for Canadian producers at preset (Israel has also been a key market, but on-off restrictions on imports, and the recent war, have resulted in more volatile numbers), but we expect other MMJ markets to develop also. Regulations vary, and changes to these impact projections estimates – for example, Poland recently began to restrict telehealth, while Czechia added chronic pain as a medical condition and allowed GPs to prescribe. The table below shows our current estimates for key overseas markets.

Table 4: Our Projections for Key International Markets

	mn	MMJ	Market size estimates (US$Mn)				
TOTAL SALES	pop	%	CY23	CY24	CY25	CY26	CY27
US$ Mn							
Total							
Australia	27.2		464	583	708	914	1,110
Czechia	10.9	0.02%		5	52	130	261
France	66.5	na	0	0	0	???	???
Germany	84.6	0.4%	189	406	1,284	2,132	2,868
Israel	10.0	1.4%		300	313	337	361
Italy	58.7	na	0	0	0	???	???
Netherlands	18.0	na	0	0	0	???	???
New Zealand	5.2	0.25%		31	44	63	100
Poland	38.5	0.09%	45	163	84	111	139
Switzerland	8.9	0.04%	0	0	0	???	???
Spain	48.6	na	0	0	0	???	???
United Kingdom	69.1	0.07%		120	166	249	415

Source: Z&A estimates

Calculating the valuation upside from the international opportunity for CGC,

- Taking PA/FL MMJ population penetration metrics (3-4%) on markets like Australia, Germany, and Israel, we would estimate a total addressable market ("international TAM") of US$10Bn, assuming US$200 in monthly spend per patient, just for those three markets.
- Our TAM may be understated as it only includes three countries, but on the other hand we realize overseas MMJ markets require an Rx physician-issued prescription, whereas as in the US, Drs are issuing general "recommendations" (not always specifying amounts, dosage, or formats, or brands), so we think the US$10Bn number is a fair estimate.
- CGC's current annualized international revenues of ~US$30Mn (C$10.2Mn in the Dec'24 qtr when excluding S&B Australia) would only be 0.6% of that figure (taking a 0.5x factor to convert wholesale to retail). In other words, if we assume a long-term market share of 5% on that TAM, CGC's international MMJ sales could be close to US$250Mn (US$10Bn x 0.5 x 5%), or ~10x current proforma levels.
- Taking a 50% gross margin on the international opportunity and cash opex in the 30% range, the estimated long term expanded international medical sales could represent ~US$75Mn of new EBITDA. At 30x, that alone would imply ~US$2.3Bn in valuation upside (vs. a current market cap of >US$300Mn).
- Yes, we realize that the overseas markets are only now starting to develop, with new players emerging, and seemingly low barriers to entry. Still, Spectrum is a top 10 player in most of the key international MMJ markets, per our estimates.

Canada's Exports Growth Trends

Canadian dried flower C$ exports doubled yoy in 4Q24 (+31% QoQ) and reached record levels in December, per StatCan. Germany is now the #1 destination (Australia moved down to #2) and accounted for ~80% of the absolute C$ growth between 1Q24 and 4Q24 (when including shipments to Portugal that are later reexported). Reg unlocks in other market may further fuel export growth. The international MMJ markets are rather consolidated and high margin and represent potentially great upside for most of the Canadian LPs with export capabilities, distribution arrangements, and or feet on the ground. In that regard, the LP group deserves a new fresh look (in a selective way). Yes, investor focus on the US is understandable (given the size of the US market opportunity), but we would also look at international.

Dried flower C$ exports from Canada doubled yoy in 4Q24 (>C$90Mn) and reached record levels in the month of December. At $34.8Mn, Dec was 22% above Nov, 29% above Oct, 41% above Sep, and 2.5x above the $14Mn monthly average of 1Q24. For CY24, DF exports reached >$261Mn in CY24 vs. $160Mn in CY23 and $128Mn in CY22. On a monthly basis, the ramp began in May'24 ($25.4Mn), with June/July around $21Mn, Aug/Sep $24Mn, and Oct/Nov $28Mn. *Note: Numbers are in C$ unless noted otherwise.*

- **Destinations:** In 4Q24, Germany surpassed Australia as the main destination for Canadian dry flower C$ exports, accounting for 34% (17% in 1Q24) of total DF exports vs. 31% for Australia (57% in 1Q24). The next markets were Portugal at 15% (2%), Israel 10% (11%), and UK 5% (0%). In terms of the absolute C$ growth delta between 1Q24 and 4Q24 of $47Mn ($90Mn vs. $43Mn), Germany accounted for half of that and Portugal for 27%. Most of the exports to Portugal are reshipped to Germany after EU GMP processing, so we calculate Germany could have accounted for close to 80% of the absolute C$ growth between 1Q24 and 4Q24. The rest of the C$ growth was driven by the UK (9%), Israel (8%), and Australia (6%).

- **Momentum by markets:** DF C$ exports to Germany were up 3.1x in 4Q24 yoy (and 4x if we include Portugal). Growing domestic production in Australia and imports from other countries may explain the "slowdown" in DF C$ exports to Australia (in CY23 Canada accounted for 81% of all MMJ import volumes in Australia; CY24 Aussie data is not out yet), with 4Q24 up 11% yoy vs. 26% in 4Q23. Israel remains a key market, but C$ exports of C$9Mn in 4Q24 (up only 15% yoy) are well below the $31Mn peak of 4Q21. The rapid rise of telemedicine platforms in the UK (100,000 patients now and counting) helped make that market the 4th destination for Canadian dried flower exports. *Note: Yes, we realize quarterly trends can be volatile (no shipments to Denmark in 4Q24 after $6Mn in 3Q24; we see Denmark also as a reshipping point).*

- **Pricing:** Average DF export prices in 4Q24 were C$2.39/gram vs. $2.11 in 3Q24, with mix accounting for the increase. Average prices to Germany were $3.03/gram in 4Q24 vs. $2.48 to Australia (Portugal $1.51; Israel $1.84; UK $3.48). Given robust demand growth trends, it is surely too early to expect any signs of deflation. That said, prices to Germany at $3.03 in 4Q24 were off 3Q24 ($3.40), and Australia is down from the $2.80 of 4Q23 ($2.53 1Q24). *Note: What some of the Canadian LPs report includes "route to market", so their C$ numbers are not comparable with FOB prices from Canada. For example, Aurora reported $41Mn in international sales for the Dec qtr (see our review), but that number is not comparable with the total DF C$ exports of $90Mn, as the ACB figures reflect "prices to pharmacy" in markets like Australia and Germany.*

- **Company implications**: We will not delve in this report into detailed company read, but in principle most Canadian LPs with export capabilities (EU GMP certified manufacturing and processing facilities; overseas distribution capabilities and route to market, or at least established distribution partnerships; know-how to navigate the regulatory complexities), should benefit from the rise of the overseas MMJ markets. In C$ scale, the largest (in alphabetical order) are Aurora, Canopy Growth, and Tilray. Both CRON and OGI also have arrangements overseas. Companies like Avant, Decibel (see our note on the AgMedica deal), Rubicon, SNDL, and Village Farms, are also gearing up for export growth (in fact, VFF says about a third of its B2B sales in Canada end up being reexported). *Note: VFF is one of ten licensees in the Dutch rec pilot – see our report.*

Extracts growth is more muted, and more volatile. Extracts export growth (here we include oils, extracts, vape, pastilles, as reported by StatCan) has been more erratic quarter to quarter, with 4Q24 at $4.5Mn vs. $13.4Mn in 3Q24, $18.8Mn in 2Q24, and $10.4Mn in 1Q24. That said, C$ exports of extracts have been stable when comparing 12mo periods (CY24 $47Mn; CY23 $48Mn; CY22 $45Mn).

- Our read of the export markets is that, generally, as med is "deregulated" more of the demand growth starts to come from dried flower (the consumer-led segment), while oils/extracts tend to flatten out or even fall (C$ extracts exports to Australia fell 3% when comparing calendar 2H24 with 1H24). But this may vary by market. Indeed, as more doctors are willing to prescribe MMJ, extracts could also see some growth.

- In the case of Germany, Canadian C$ extracts exports doubled between 2H24 vs. 1H24 (and 2H24 was up 64% yoy vs. 2H23). Companies with strong presence in extracts should benefit (Tilray is #1 in Germany in extracts with 40-50% share, as per our estimates). But given the volatility in extract qtr to qtr figures, we will reserve judgment on the growth potential of this format overseas (extracts are the #1 format in the reimbursed segment, while flower is #1 in the cash payer segment). *Note: Data for the reimbursed market in Germany is out only thru calendar 2Q24, and it had pointed to muted growth trends (that data shows 2Q24 reimbursed sales were up only 1% vs. 4Q23).*

In short, we would expect Canada's MMJ export growth to be mostly driven by flower, for the time being. For context, average monthly extracts exports in 2H24 were $3Mn/mo ($4Mn/mo in 2H23) compared with $27Mn for dried flower ($14Mn/mo in 2H23). In CY23, flower exports were more than 2x C$ exports of extracts figure, but in 2H24 dried flower exports were 9x larger.

For greater context on the international markets, also see these other Z&A reports: German imports up 4x; C$ Exports in 3Q24; and *in-depth report on Germany*.

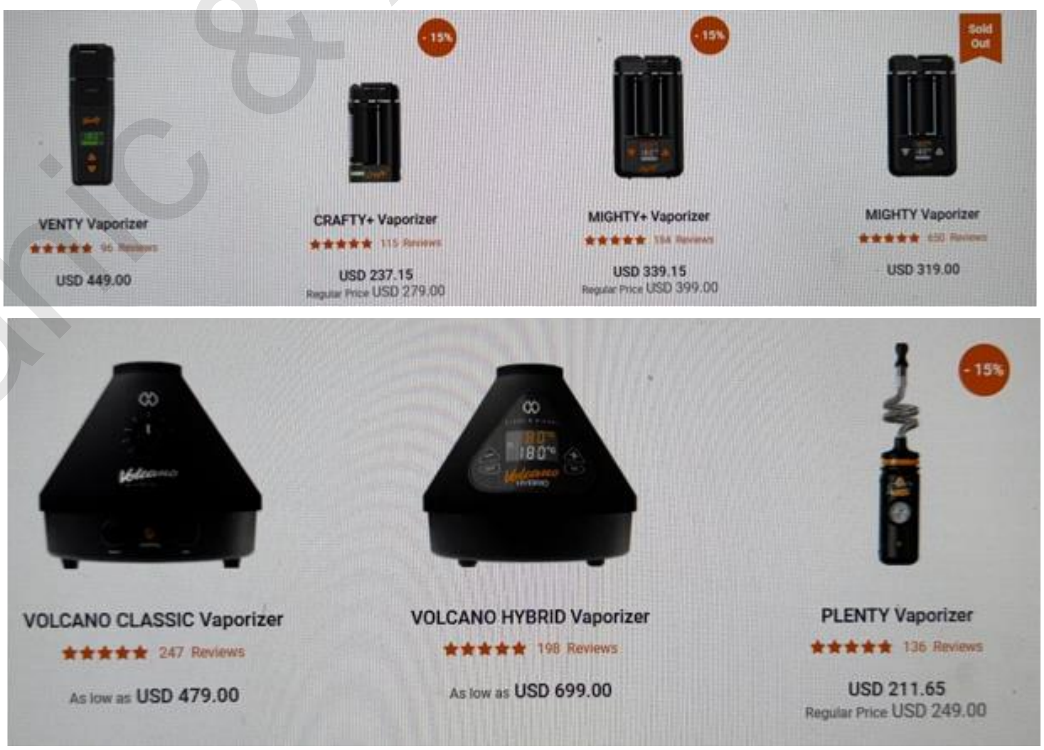
CGC: Storz & Bickel (consolidated)

Storz & Bickel, a specialist in herbal vaporizers (desktop and portable), accounts for close to 40% of CGC's consolidated gross profits, and the division is a steady contributor to CGC's cash flows (S&B 9-month FY25 gross profits are up 2%; gross margins are in the 40% range). At present, it is the only non-cannabis division (although adjacent to cannabis) in the Canopy Growth ecosystem.

The S&B units are designed for combustion-free vaporization and inhalation of dry herbs (thus they offer a cleaner way to inhale flower, and "overall, a superior experience", per CGC management) and the units range from portable devices to high end tabletop models. The units are medically certified, so they can be sold in all countries where MMJ is legal (i.e., they are not restricted to only rec markets). For example, S&B is the only authorized vaporizer hardware in Australia. That said, the US remains (where 24 states have legalized rec sales) the #1 market for S&B. Per the company website, the company's herbal vaporizers are characterized by "first class vapor quality, unadulterated taste, and are all made in Germany". Management prioritizes quality, innovation, and the highest standards. For more than 20 years, S&B's "certified vaporizers have been the hallmark of outstanding functionality based on cutting-edge technology" (company website).

The focus is not on the rec vape users (that inhale distillate and or live resin/rosin), but on those that want to inhale dry herb flower without combustion. Prices range from >$200 to $449 for the portable units and $479 to $699 for the desktops (not including the new Plenty selling for $249).

Table 5: Range of S&B portable and desktop devices



Source: Company reports

Here we give more color about the new Venty, and the well-established Volcano Classic.

- **Volcano Classic:** Per the S&B website: “the VOLCANO CLASSIC Vaporizer impresses by its robust and purely electromechanical design. High quality materials and craftsmanship guarantee a long working life – made in Germany”. Here is a 5-star customer review: *“ I remember seeing The Volcano in High Times mags when I was younger and thought, "man, if only." Fast forward to adulthood when I have a little extra-spending money and bought my Volcano. That was 8 years ago, and the unit is still going strong. It's fallen off tables, been left on for extended periods of time on accident (entire weekends), and other forms of punishment. It still works fine! Consistent, reliable, easy to use and keep clean etc. The best part is it gets more from your herbs. They stretch further and produce stronger effects. I can't speak highly enough of the Volcano Classic. I should say I did need to send it in for service when it crashed hard and broke the temp nob off on the inside. It still worked but the temp setting broke at a lower temp than I needed so I had to get it fixed. Repair wasn't cheap but the customer service was great.”*

- **VENTY Vaporizer:** Per the company website: “VENTY is our fastest device and the first Vaporizer of its kind to feature an adjustable airflow. Though portable, it is highly efficient and takes merely 20 seconds to heat up, while allowing an amazing airflow of 20 liters/minute at the maximum stage. If you are looking for an S&B allrounder, the VENTY is the Vaporizer for you!”. It offers features such as adjustable airflow up to 20 liters/minute; fast heat-up time of only 20 seconds; features our newly designed convection & conduction mini-heater = no burn, just big, tasty vapor clouds; precisely adjustable temperature from 40°C to 210° on the device; USB-C charging including Supercharge function: 80% charge in 40 minutes; Bluetooth connectivity and Web App control; integrated Boost & Superboost. Here is a 5-star customer review: *“ it does not get any better than the Venty. The flow control added to the device makes all the difference. I can set a flow customized to my own vaping style and change it depending on the use. The function adds a new dimension to the experience, which feels liberating compared to traditional vaporizers. There are also all the other advantages, such as using the S&B accessories, the dosing capsules, the device's heating-up speed, or the excellent S&B customer service.*

Table 6: S&B units

Source: Company reports

Take on S&B’s Recent Results

In the latest Dec’24 qtr, S&B generated C$22Mn in sales (C$23.3M including S&B sales in Australia), with >C$11Mn generated in the US, ~C$8Mn in Germany, and the balance elsewhere. For the qtr management noted the following: a) Storz & Bickel delivered net revenue in Q3 FY2025 of $22MM, representing a 19% increase over Q3 FY2024 driven by traditionally strong holiday purchases, robust direct-to-consumer online sales, and continued growth in Germany; b) continued robust consumer demand drove strong year-over-year growth for Venty during Q3 FY2025 (Venty is a handheld device).

As comparison, in the Dec’23 qtr, strong demand for the new Venty portable vaporizer device helped drive strong sequential revenue growth. Management then noted the following,

- Demand for the new Venty vaporizer, a device priced at the top of the range for comparable portable devices, has exceeded expectations, and a second production shift was added to help meet demand.
- In the critical holiday sales window of December 2023, the Venty vaporizer was Storz & Bickel’s best-selling device, selling approximately double the number of the next highest-selling device.
- The Venty vaporizer has been positively reviewed by leading vape and vaporizer-related publications and influencers.
- Black Friday sales were the most successful in Storz & Bickel’s over 20-year history with device sales increasing 55% over the number of devices sold during the prior year's Black Friday event.

CGC: Canadian Med Cannabis (consolidated)

CGC's Spectrum Therapeutics division is the 2nd largest player in Canadian medical cannabis, with over 20% market share (ACB is #1 with ~30% share). Spectrum's marketplace portal has garnered positive reviews, and CGC continues to expand and adapt the assortment for patients. CGC sees its market share gap with the #1 domestic med player narrowing.

The medical market (C$334Mn in CY24) is more concentrated than the adult-use market in Canada, with the top three players (ACB, CGC, and TLRY) accounting for around two thirds of industry revenues, per our estimates. In the Dec'24 qtr, ACB reported Canadian medical sales of C$27.3Mn, followed by CGC with C$19.5Mn; Tilray reported US$6.7Mn for the Nov qtr (or less than C$10Mn). Profit margins comps are less obvious given the way these companies report the data.

- CGC reported Canadian cannabis (rec and med) gross margins of 25% (as noted before, we estimated CGC's MMJ gross margins at ~40% and rec >10%) for the Dec qtr. It disclosed international gross margins of 41%.
- ACB reported gross margins for its global medical business (merging domestic med and international med) for the Dec qtr of 72% (this includes depreciation but excludes impairments and one-off charges); it generated negative gross margins in rec of -4%).
- Tilray reported cannabis gross margins of 35% for the Nov qtr (Canada rec, Canada med, international), but it dd not provide further split. The comparable number for CGC would have been 29% (25% Canada rec/med; 41% international).

Canada's medical cannabis market has declined in recent years. Since the start of rec sales in Oct 2018, Canada's medical market has been in a downward trajectory for the most part. Per StatCan, there were 179,931 registered patients in the med program (0.45% of the population) as of June 2024 (latest data available), compared with 345,520 in Oct 2018. Sales for the calendar year 2024 amounted to C$334Mn, compared with C$367Mn in CY23, and C$411Mn in CY22 (the market peaked at C$590Mn in CY19). Out of pocket patients (those not reimbursed) have switched to the adult-use market given generally lower prices and easy access (variety, supplies, formats, plenty of stores). On the other hand, the reimbursed segment continues to (VA related); the number of veterans reimbursed has increased from 4,474 in FY17 (Mar) compared with 26,645 as of Dec'24. In total, the reimbursed segment, per StatCan, amounted to C$210Mn in CY24, accounting for 63% of total medical sales in Canada.

More reimbursement will be the main catalyst for Canada's MMJ market. While we value the "stickiness" of CGC's #2 position in Canadian med and the business' higher gross margins (vs. rec, and apparently also higher than export margins), greater reimbursement will be the main catalyst for this segment, as the "cash-payer" market continues to decline. Per our estimates, the cash payer market in CY24 only amounted to C$124Mn compared with $235Mn in CY22 (i.e., almost a 50% decline over two years), and it amounted to >C$500Mn in CY19.

CGC: Canadian Rec Cannabis (consolidated)

Canada's rec market remains challenging, with low prices, a heavy excise tax burden (as much as 40% in some cases), a tiered structure in which LPs must sell to government controlled provincial boards (one per province), which in turn sell to a rather fragmented retail channel (there are over 3,600 dispensaries in Canada, averaging C$1.5Mn in sales per annum). Some LPs have essentially exited the market, while others keep a small presence. Canopy Growth remains committed to the Canadian rec market, while focusing on product lines that can be profitable over time.

In that context, while moving to more of an asset light strategy, CGC has been rolling out more premium lines as it reduces its focus on the value end of the market. In the case of flower, per the Hifyre scanner data, CGC average flower prices were up 6% yoy. More recently, CGC introduced infused pre-rolls under the well-known Claybourne brand (a licensed brand). After consistently losing market share, CGC saw an uptick in 4Q24.

Table 7: CGC Canada Rec Market Share and Mix Over Time

	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24
Market Sales C$Mn	**1,025**	**1,119**	**1,169**	**1,184**	**1,176**	**1,271**	**1,371**	**1,330**	**1,271**	**1,337**	**1,433**	**1,433**
Beverages	17	20	21	18	20	22	25	24	22	24	26	25
Concentrates	47	49	48	62	61	60	66	73	69	66	67	68
Edibles	57	62	62	69	73	72	68	68	67	65	67	70
Flower	490	499	492	485	480	501	527	491	484	499	510	497
Oils	32	32	30	32	31	29	30	36	31	30	30	31
Pre-Rolled	230	293	343	332	321	390	440	418	383	434	501	498
Vapes	152	164	173	186	190	197	214	221	216	218	232	244
CGC share %	**6.4%**	**5.8%**	**5.0%**	**4.2%**	**3.5%**	**3.2%**	**3.6%**	**2.7%**	**2.6%**	**2.5%**	**2.4%**	**2.5%**
Beverages	25.1%	25.1%	24.8%	22.0%	16.6%	12.0%	5.5%	3.7%	7.3%	6.5%	5.3%	4.6%
Concentrates	0.6%	0.6%	0.4%	0.3%	0.2%	0.9%	0.7%	0.9%	0.8%	0.7%	0.6%	0.5%
Edibles	1.8%	1.7%	1.2%	0.9%	0.7%	0.4%	9.0%	6.3%	4.4%	4.1%	3.3%	1.5%
Flower	6.9%	5.9%	5.1%	4.6%	4.0%	4.2%	4.9%	3.7%	3.2%	3.3%	3.3%	3.5%
Oils	10.6%	11.5%	12.4%	17.4%	17.3%	17.0%	14.8%	10.8%	12.6%	11.7%	10.9%	13.7%
Pre-Rolled	8.5%	7.9%	6.4%	4.8%	3.8%	2.7%	2.3%	1.8%	2.0%	1.8%	1.8%	2.0%
Vapes	1.9%	1.5%	0.7%	0.4%	0.3%	0.4%	0.4%	0.3%	0.3%	0.4%	0.4%	0.5%
CGC sales mix	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Beverages	7%	8%	9%	8%	8%	7%	3%	2%	5%	5%	4%	3%
Concentrates	0%	0%	0%	0%	0%	1%	1%	2%	2%	1%	1%	1%
Edibles	2%	2%	1%	1%	1%	1%	12%	12%	9%	8%	6%	3%
Flower	52%	45%	43%	45%	46%	52%	52%	50%	47%	49%	48%	48%
Oils	5%	6%	6%	11%	13%	12%	9%	11%	12%	10%	9%	12%
Pre-Rolled	30%	35%	38%	32%	30%	25%	21%	21%	23%	23%	26%	28%
Vapes	4%	4%	2%	1%	2%	2%	2%	2%	2%	2%	3%	4%

Source: Hifyre

About CGC's 4Q rec trends. CGC reported rec net sales (to the provincial boards) increased to >C$21Mn in the Dec qtr. vs. C$18-19Mn in the Jun/Sep quarters, and the Hifyre scanner data (measuring retail POS trends) also pointed to seq growth. Per Hifyre, during 4Q24, at retail, flower accounted for 48% of CGC's rec sales in Canada, followed by pre-rolls at 28%, oils 12%, vape 4%, drinks and edibles each 3%. Also, per Hifyre, while total CGC sales were up 6% seq (and -2% yoy), the mix shifted towards pre-roll sales, with the latter up 13% qoq (flower was up 6% qoq); in yoy terms, pre-roll sales were up 29% vs. a 5% decline in flower. Infused joints are now (4Q24) 24% of CGC's pre-roll sales with joints 59%; brand wise, recently launched Claybourne is now the #2 brand in the pre-roll portfolio after Tweed (pre-roll mix in 4Q24: Tweed 29%, Claybourne 23%, Hiway 19%, 7Acres 18%, Twd 6%).

Table 8: CGC Canada Rec Business in 4Q24 per Hifyre

	SALES C$000S	% of Sales	VOLUME 000 grms	$/grm	SKUs	UNITS 000s	$/unit	grms per unit
	35,779	**100%**	**6,887**	**$5.19**	**488**	**1,568**	**$22.82**	**4.4**
Beverages	1,147	3%	99	$11.61	58	170	$6.77	0.6
Concentrates	372	1%	8	$47.27	7	13	$28.42	0.6
Dried Flowers	149	0%	43	$3.47	12	2	$77.06	22.2
Edibles	1,038	3%	126	$8.22	64	159	$6.51	0.8
Flower	17,292	48%	4,236	$4.08	143	349	$49.57	12.1
Oils	4,230	12%	218	$19.43	42	167	$25.36	1.3
Pre-Rolled	9,924	28%	1,985	$5.00	122	655	$15.16	3.0
Topicals	374	1%	1	$301.75	9	12	$31.03	0.1
Vapes	1,252	4%	171	$7.32	31	42	$30.03	4.1

Source: Hifyre

Note: The Hifyre numbers are shown in terms of retail prices and thus are not 100% comparable with the sales reported by the company (which indicate prices to the provincial boards, which in turn sell to retailers, who then take a mark-up margin).

Hifyre points to continued growth so far in 1Q25 for CGC, led by pre-rolls. Grossing up the data available thru 3/16/25, Hifyre would be pointing to 19% qoq C$ sales growth for CGC in 1Q25 (+27% yoy growth). Of CGC's top 3 categories in 4Q24 (flower 48%; pre-rolled 28%; oils 12%), pre-rolls sales are up 86% qoq (grossing up for a full 1Q25), while flower is down 12%, and oils are up 10% (edibles remain small at only 3% of the mix, but they are up 38% qoq). On what is driving the CGC growth in pre-rolls,

- Infused pre rolls represent ~75% of CGC's pre-roll sales so far in 1Q25 (infused joints 51%; variety infused pre-roll 22%; plus others) compared with 35% in 4Q24 (infused joints 24%; variety infused pre-rolls 10%).
- Extrapolating for the full quarter, we calculate CGC's infused pre-roll sales grew almost 4x qoq (+288%).
- The recently launched Claybourne (Flyers Frosted) brand accounts for over 93% of the company's sales in the infused segment.
- Hifyre shows a total of 18 infused Claybourne FF SKUs (15 in 1.5g pack sizes and three in 2.5G), with two in the variety kind (2.5g).
- The top three selling Claybourne Flying Frosted infused joint strains are: Blue Dream, Pineapple Express, and Grape Gasolina.
- All this said, while the progress is significant, CGC is starting from a low base in infused pre-rolls. In total, it had 2.2% segment share (infused) in 4Q24 vs. Decibel 25%, OGI 15%, BZAM 14%. Still, we estimate CGC infused pre-roll share around 8% for 1Q25 (#4 slot).

The Big Picture on Canada's Rec Market

Some background on Canada's rec market. Canada began adult-use sales on 20 October 2018, and thru April 2024 the market continued to grow in yoy terms. Still, growth seems to be slowing, with 1Q24 sales only up 2% yoy.

- Unrestricted licensing (of stores and producers) has impacted economics. There are now over 3,600 retail dispensaries open (implying only C$1.2Mn sales per store annually) and more than 900 licensed cultivators and processors. Retail prices are now in line with some of the lowest prices seen in US markets like Colorado, Oregon, and Washington.

- All this is exacerbated by a three-tier system (producers, wholesalers, retailers) that does not allow for vertical integration in most of the provinces. Moreover, the government in most provinces owns the wholesalers ("boards" act as the only wholesaler in provinces like AB, BC, ON, and QC), and in the case of Quebec province, the government owns all retail stores.

- Restrictions on advertising, packaging, and omni-channel services (in some provinces), plus a minimum tax of C$1/gram on flower (excise taxes account for more than 30% of gross revenues for most licensed producers, and close to 40% on extracts), exacerbate the pressure on operators.

All these factors make it difficult for operators to be cash flow positive and profitable. As a result, several have diversified away from cannabis, and or been forced to merge (or sell), to garner better economics. Still, regulators seem to be getting the message, although at a macro level there is no clear line of sight on regulatory relief for now, despite intense lobbying by industry operators. A recent attempt to change the excise tax did not make it in the government's final annual budget. Still, garnishment of balances owed by the boards to the operators (receivables) to recover unpaid government excise taxes (collected in part by the operators) has started to put pressure on smaller producers. Note: see our June 3 report for the latest market trends in Canada rec thru May.

Benchmarking with the US adult-use market. CY23 yoy growth of 14% was above the US adult-use pace (+9%), and only slightly below the +17% growth the Canadian adult-use market posted for all of 2022. Importantly, US growth is driven mostly by new markets opening adult-use sales, while in the case of Canada, the base of legal provinces is the same, so 14% growth in CY23 is good in that context. That said, the Canadian market has developed more slowly than the US (Canada rec capita spend is below the state of California, not a leading state in US per caps by any means), so we could argue the "faster" growth in Canada is off a lower base. Canada underperforms the US in adult-use spending per capita metrics. At about US$100 per person, adult-use consumption is well below that of even less matured US states (that legalized adult-use after Canada): Michigan $316 (it began rec sales in December 2019); Massachusetts $253 (November 2018 first stores); Missouri $224 (February 2023); Maryland $180 (July 20923); Arizona $173 (January 2022); Illinois $155 (January 2020). Why the difference, if Canada has as many dispensaries per 1mn people as Michigan, and low prices in line with states like Colorado and Oregon? We believe this is explained in part by a larger illicit market (compared with the US average); by steeper taxes; by marketing, advertising, and packaging restrictions; by restrictions on THC per unit (that particularly impact sales of edibles, but also of vape and drinks); and by retail stores that, on average, are below US standards, in our view. Interestingly, the minimum age in Canada is 19 vs. with 21 in the US.

Factors impacting licensed producers. We would highlight three factors impacting the economics of Canadian LPs compared with their US counterparts,

- Retail prices are well below US averages. Flower prices now average C$5.32 per gram (US$4.00) in Canada (down -13% yoy and -32% in 2-year stacked terms), which is well below most US states. True, Canada's flower prices are above those seen in US states like Colorado, Michigan, Oregon, and Washington (all between $3-4 per gram), but California is at $5.45 and Massachusetts at $6.20.

- High excise taxes. The minimum tax in Canada is C$1 per gram (on flower), which means average prices paid by the consumer are $6.32 (C$5.32 + C$1) per gram for flower. But if we assume an LP only keeps 30-40% of the C$5.32 retail price, this implies excise taxes can be as much as 35% of total gross revenue generated at the LP level, and in the case of extracts (vape, other) this can be over 40% (see Decibel's high excise tax line in the P&L vs. reported gross revenues). When Canadian flower prices were at C$11/gram back in 1Q20, a minimum tax of C$1/gram was less of an issue. But not now, with retail prices down more than 50%, this is a much larger burden.

- Three tier-system. In Canada, licensed producers sell to provincial boards that act as the sole wholesalers in their respective provinces and then these sell to retailers. Combined with high sales excise taxes at the point of sale, this means a typical LP only accounts for ~25% of the final all-in price (including taxes) paid by the consumer. In contrast, in a vertically integrated state like Florida (where there are no taxes on medical cannabis), a producer gets to keep 100% of the total amount paid by the consumer.

Canadian Rec Market Trends in 4Q24

The official data (StatCan) point to significant deceleration in Canada's rec market, to minimal growth for CY24, while Hifyre shows continued growth (+6% for CY24) but at a slower pace.

- StatCan has reported sales through October, and the data shows rec sales up 1.2% year-to-date thru October, compared with 15.2% growth for Jan-Oct 2023 (CY22 +17%; CY21 +48%). Per StatCan, sales for 1Q24 were up 1 % yoy, down 1% for 2Q, and flat for 3Q24. The Oct month was up 2% yoy.

- Hifyre, on the other hand, shows 5.9% growth year-to-date thru Oct, with acceleration in 4Q resulting in total CY24 sales growth of +6.3%. Indeed, per Hifyre, total market yoy sales growth was +8% in 1Q24, +5% in 2Q24, +5% in 3Q24, and +8% in 4Q24.

- In the past, Hifyre would correct its own historical data to match that of StatCan, but now it claims the sample size at StatCan has been reduced, which may make the StatCan data less accurate and reliable. So, while StatCan points to 0% yoy growth in 3Q24, Hifyre has +5%. This 5pt gap in 3Q24 compares with 6pt in 2Q24, and 7pt in 1Q24.

- If we assume zero growth for CY24 (using StatCan data thru Oct), this would mean a rec market of C$5.2Bn (medical is ~C$400Mn) for CY24 (C$5.53Bn if we go by Hifyre). In total per capita terms (med+rec), taking the StatCan number, this is equivalent to US$100 (C$136), taking the population at 41.3mn. So, after almost six years since the legalization of rec (10/17/18), total per capita (med+rec) remains well below states in the US where rec/med is legal: MI >US$300; above US$200 CO, MA, MO, NV, OR; above US$150 AZ, IL, MD, WA. Note: CA is at US$130.

Growth Trends by LPs in 4Q24

According to Hifyre, the companies with >5% total rec market share in 4Q24 were Organigram with 12.0% (including 3.3pt from Motif on a proforma basis); Tilray with 9.2%; Village Farms with 6.2%; Auxly with 5.6%; and Cronos with 5.1%. There were five more players with shares between 2% to 5% (Decibel 4.7%, Cannara Biotech 4.2%, Weed Me 2.8%, Canopy Growth 2.5%, and Rubicon 2.1%). Note: see here our review of Tilray's Nov qtr results released on 1/10.

Table 9: Top Canadian LP Trends in the Domestic Rec Market

	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	2024 Jul	2024 Aug	2024 Sep	2024 Oct	2024 Nov	2024 Dec
Market Share %	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Tilray	14.4%	13.6%	13.4%	13.2%	12.1%	11.1%	10.3%	9.8%	9.2%	10.4%	9.5%	9.3%	9.2%	9.1%	9.4%
Village Farms	8.2%	7.2%	6.3%	6.3%	6.8%	8.0%	8.4%	7.3%	6.2%	8.0%	7.1%	6.8%	6.4%	6.2%	6.0%
Organigram	9.5%	9.9%	10.2%	11.3%	11.5%	11.7%	11.5%	11.9%	12.0%	11.6%	11.9%	12.2%	12.0%	12.2%	11.9%
Decibel	5.9%	6.5%	7.2%	7.2%	6.7%	6.0%	5.5%	5.2%	4.7%	5.3%	5.3%	4.9%	4.8%	4.6%	4.6%
Cronos	3.9%	4.4%	4.3%	4.5%	5.2%	5.4%	5.2%	5.2%	5.1%	5.2%	5.4%	5.1%	5.0%	5.1%	5.0%
Auxly	4.8%	5.2%	4.8%	4.5%	4.4%	4.6%	4.5%	5.1%	5.6%	4.8%	5.3%	5.3%	5.4%	5.5%	5.9%
Cannara Biotech	1.5%	1.8%	2.0%	2.5%	2.7%	2.9%	3.0%	3.4%	4.2%	3.1%	3.3%	3.9%	4.3%	4.1%	4.1%
Canopy Growth	5.1%	4.6%	4.3%	3.8%	2.9%	2.6%	2.5%	2.4%	2.5%	2.4%	2.5%	2.3%	2.3%	2.3%	2.7%
Weed Me	3.2%	3.1%	3.0%	2.7%	2.5%	2.5%	2.3%	2.5%	2.8%	2.4%	2.6%	2.6%	2.8%	2.9%	2.8%
SNDL	3.3%	3.3%	3.1%	2.4%	2.1%	2.0%	1.8%	1.8%	1.7%	1.7%	1.8%	1.8%	1.7%	1.6%	1.6%
Aurora	2.4%	2.7%	2.7%	2.1%	2.0%	1.9%	1.8%	1.5%	1.7%	1.5%	1.5%	1.6%	1.7%	1.7%	1.7%
Ayurcann	0.5%	0.9%	1.2%	1.6%	1.8%	1.8%	1.7%	1.8%	1.7%	1.8%	1.8%	1.8%	1.8%	1.8%	1.6%
Rubicon	1.8%	1.7%	1.8%	1.8%	1.8%	1.7%	1.8%	1.9%	2.1%	1.9%	1.9%	2.0%	2.0%	2.1%	2.1%
Others	32.9%	31.6%	31.6%	31.4%	32.7%	33.3%	35.1%	35.6%	37.3%	35.3%	35.7%	35.8%	35.7%	35.4%	40.5%
3mo yoy growth %	**13.4%**	**14.8%**	**13.5%**	**17.2%**	**12.3%**	**8.0%**	**5.2%**	**4.6%**	**7.7%**	**4.9%**	**4.5%**	**4.6%**	**5.6%**	**6.4%**	**7.7%**
Tilray	-19%	-11%	-5%	3%	-5%	-12%	-19%	-23%	-18%	-19%	-21%	-23%	-24%	-22%	-18%
Village Farms	132%	27%	17%	14%	-8%	21%	40%	22%	-1%	43%	34%	22%	10%	4%	-1%
Organigram	55%	43%	27%	34%	37%	28%	19%	10%	12%	15%	11%	10%	10%	12%	12%
Decibel	119%	104%	97%	88%	28%	0%	-19%	-25%	-25%	-22%	-24%	-25%	-25%	-25%	-25%
Cronos	1%	27%	26%	35%	49%	31%	27%	21%	4%	25%	25%	21%	14%	7%	4%
Auxly	-25%	-10%	1%	14%	4%	-4%	-2%	20%	38%	5%	12%	20%	27%	31%	38%
Cannara Biotech	2701%	1882%	604%	485%	106%	76%	54%	43%	69%	46%	42%	43%	52%	66%	69%
Canopy Growth	-36%	-32%	-30%	-28%	-36%	-39%	-38%	-34%	-10%	-38%	-36%	-34%	-26%	-24%	-10%
Weed Me	62%	45%	33%	14%	-12%	-12%	-19%	-2%	22%	-18%	-11%	-2%	10%	17%	22%
SNDL	18%	4%	-7%	-27%	-27%	-36%	-38%	-23%	-16%	-34%	-29%	-23%	-20%	-19%	-16%
Aurora	-11%	21%	64%	47%	-4%	-23%	-33%	-24%	-11%	-31%	-29%	-24%	-16%	-13%	-11%
Ayurcann	580%	376%	352%	451%	297%	121%	55%	19%	6%	33%	26%	19%	15%	10%	6%
Rubicon	41%	48%	8%	0%	12%	7%	7%	11%	27%	6%	9%	11%	14%	19%	27%
Others	13%	-83%	-72%	-72%	-61%	662%	564%	676%	399%	553%	624%	676%	632%	448%	399%

Source: Hifyre; Z&A calculations

Key highlights,

- $ sales growth: Re those with >5% share, during 4Q24 (when the market grew ~8% yoy, as per Hifyre), OGI grew 12% proforma (including Motif in the base and in the latest qtr, with Motif down and OGI ex Motif up), Tilray sales fell 18% yoy, Village Farms -1%, Auxly

+38%, and Cronos +4% (for those between 2-5% share: Decibel -25%; Cannara +69%; Weed Me +22%; Canopy Growth -10%, Rubicon +27%).

- Dec share trends: For the top 5, if we look at the Dec month vs. 4Q and 3Q, we see a general decrease. OGI proforma (inc. Motif) remains steady (Dec 11.9% share vs. 4Q 12.0% and 3Q 11.9%). Tilray is gaining, with 9.4% Dec month share vs. 9.2% and 9.8% resp.; VFF is at 6.0% vs. 6.2% and 7.3%, resp.; Auxly in Dec was at 5.9% vs. 5.6% and 5.1%, resp.; Cronos Dec share was at 5.0% vs. 5.1% and 5.2%. Of those between 2-5% total share, Dec share for Decibel was 4.6% (down vs. 4Q and 3Q); Cannara 4.1% (steady); Weed Me 2.8% (steady); Canopy Growth 2.7% (up); and Rubicon 2.1% (steady).

- We realize consolidated CPG industries typically show 2-3 companies with combined 70-80% share, while in Canada the top 3 have less than 28% share combined. Still, Canada rec is more concentrated than most US states (at a total market level).

Growth Trends by Formats (4Q24)

Key trends,

- During 4Q24, and as in 3Q24, pre-rolls and flower each accounted for 35% of industry sales (pre-rolls caught up with flower last quarter); vape is 17% of the market, followed by concentrates and edibles at 5% each, and beverages and oils each with 2%.

- For context, flower was 37% of sales in 4Q23 (4Q22 41%; 4Q21 49%); pre-rolls 31% (28%; 26%); vape 17% (16%; 14%); edibles 5% (6%; 5%); concentrates 5% (5%; 4%).

- Compared with the total 8% yoy market growth estimated by Hifyre for 4Q24, among the categories accounting for 2% or more of the market, two categories outperformed: pre-rolls +19% and vape +10%. On the other hand, concentrates fell 7% and oils -14%. Re the rest, beverages +6%, edibles +3%, flower +1%.

Key Players in Flower, Pre-rolls, Vape (4Q24)

OGI on the back of the Motif deal is now #1 in vape and pre-rolls, while Tilray recouped its #1 position in flower. Re market concentration, we note the top 3 players had >46% share in vape, ~38% share in flower, and <25% in pre-rolls, during 4Q24.

Flower segment,

- Four companies had >5% flower segment share in 4Q24 (all as per Hifyre scans). Tilray recouped the #1 position in flower and led with 13.3% share in 4Q24 (vs. 12.8% in 3Q24 and 13.7% in 4Q23). Village Farms had 12.9%, down from recent quarters (15%; 14.3%). Organigram had 11.6% share (10.8%; 9.0%); Cronos 5.9% (6.1%; 6.7%); and Auxly 5.8% (4.6%; 3.9%). So, trends wise, Tilray, OGI, and Auxly, have all gained.

- There were seven LPs with 2-5% flower share in 4Q24: Canopy Growth 3.5%, Cannara 3.0%, CCC 2.7%, Sundial 2.3%, ACL 2.3%, Rubicon 2.1%, and BZAM with 2%.
- Average flower prices in 4Q24 were C$4.88/gram compared with C$5.00 in 3Q24 and C$4.91 in 4Q23. Retail flower have mostly stabilized over the past year. However, this varies by operator.
- For VFF ex Quebec, average flower retail prices were C$4.05 in 4Q24 vs. C$4.06 in 3Q24 and in 4Q23); Tilray's 4Q24 C$3.83/gram (C$4.05; C$3.91); OGI $4.48 (C$4.43; C$4.26); Cronos C$4.69 (C4.51; C$4.37); Auxly C$4.08 (C$4.05; C$3.99).
- Other interesting nuggets per Hifyre for the flower segment: Quebec province accounted for 40% of VFF's total flower retail sales in 4Q24 vs. 30% in 4Q23; outside QC, 43% of Pure Sunfarms sales came from the Pure Sunfarms brand (C$4.88 avg price) and 33% from The Original Fraser Valley line (C$3.19) vs. 50% and 38% a year ago respectively. Three brands accounted for the bulk of Tilray's flower sales (Good Supply 41%; Redecan 22%; Bake Sale 14%; avg prices for these brands respectively were C$2.81, C$5.51, C$3.45). At OGI, Shred accounted for 43% of its total flower sales in 4Q24 (avg price C$4.10.), followed by Big Bag O'Buds at 40% (C$4.69), and Holy Mountain 11% (C$3.93).

Pre-rolls,

- Five companies had >5% segment share in 4Q24. OGI including Motif had 8.8% share in 4Q24 (3Q24 9.4% proforma; 4Q23 8.9%), followed by Decibel 8.3% (9.8%; 15.1%), Tilray 7.6% (8.1%; 12.8%), Cannara 6.5% (4.0%; 2.3%), and VFF 5.1% (5.4%; 3.8%). If we compare these top 4 with segment share as of 4Q22: Tilray proforma was at 17.5% in 4Q22, Decibel 10.5%, OGI proforma 4.5%, VFF 4.4%, and Cannara 1.2%). There were seven companies between 2-5% share in 4Q24: Weed Me had 4.9%, BZAM 4.6%, Auxly 3.7%, Cronos 2.9%, Mera 2.2%, Stigma Grow 2.2%, and Canopy Growth 2%.
- Re category structure, in 4Q24 joints accounted for 50% of sales, infused joints for 25% (31% if we include infused blunts and "variety infused pre-rolled"), pre-rolled 15%, and other categories for 4%. Infused joints seemed to have peaked segment share wise (27% in 4Q23, and 33% including all infused varieties), while pre-rolled has gained (6% in 4Q23), taking share from joints (57% in 4Q23 vs. 50% now).
- Company mix by subsegment varies. For example, of the top 3: infused joints accounted for 92% of Decibel total pre-roll sales in 4Q24 (88% in 4Q23); at Tilray joints were 70% of sales (infused joints and pre-rolled were 11% each); at OGI proforma, the mix was more balanced, with infused joints 38%, joints 26%, pre-rolled 13%, and infused blunts 10% (Motif drove all pre-roll sales from infused products).
- Decibel's market share in the infused joint segment was 30% in 4Q24, down from 35% in 3Q24 and 49% in 4Q23 (share peaked at 57% in 2Q23). OGI proforma is now at 13% (13.2% in 3Q24; 9.6% in 4Q23). BZAM (inc. Final Bell/Jeeter) was at 9.3% n 4Q24 (9.6% in 3Q24 and 4% in 4Q23).

Vape,

- There were five companies with >5% segment share in 4Q24. OGI (all from Motif Labs) had 22.2% share (3Q24 20.6%; 4Q23 21.6%), followed by Auxly 13.1% (12.9%; 8.4%), Decibel 9.1% (9.7%; 10.5%), Cronos 6.4% (7.3%; 6.8%), and Ayurcann 6.3% (6.2%; 5.7%). Back in 1Q24, Tilray and BZAM were top 5 and 6 with 6.3% and 6.2% share, respectively, but their respective vape share has fallen to 3.8% and 1.3%. Outside those with >5% share, in 4Q24 there were six companies between 2-5% share (Tilray 3.8%, Heritage 3.8%, Weed Me 3.8%, Cannara 3.8%, Adastra 3%, Mera 2.1%).

- Re the category itself, in 4Q24 65% of sales came from 510 cartridges (1ml 40%, 1.20ml 14%, rest 11%) compared with 77% in 4Q23; disposables 23% (1ml 10%) vs. 12%; live resin 510 carts 10% (1m 10%) vs. 8%; closed loop systems have not made much inroad and only accounted for 1% of total vape sales in 4Q24 (2% in 4Q23).

- OGI (per the Motif deal) over-indexes in big formats; 61% of its total vape sales in 4Q24 came from 1ml and 1.2ml 510 carts (510 carts were in total 78% of its vape sales; with disposables 19%, and close loop 2%).

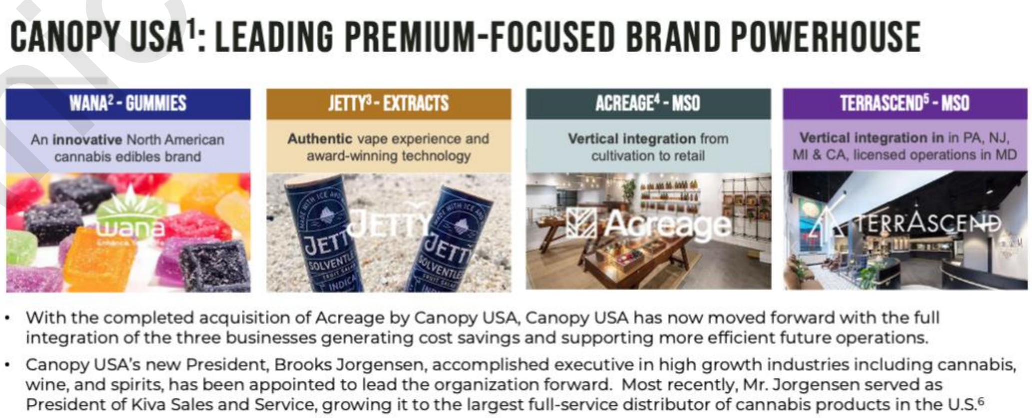
Canopy USA (not consolidated)

Under the Canopy USA (C-USA) structure, CGC has put together an attractive ecosystem of US assets, including leading brands in Wana edibles and Jetty extracts, as well as plant touching assets (retail, cultivation, processing) via MSO Acreage Holdings (Canopy USA also owns an 18% equity stake in MSO TerrAscend). Recently appointed C-USA CEO, Brooks Jorgensen, will oversee "the continued integration and enhancement of C-USA's operations as a single, cohesive platform focused on maximizing growth across the US". Jorgensen last served as president of Kiva Sales and Service, where he helped grow the business to the largest full-service distributor of cannabis products in the US. *Note: In this section we provide high level comments on Canopy USA (also see our [in-depth report on Canopy USA](#) published last year in October).*

- Via a ring-fenced structure (see appendix), Canopy USA has closed on the acquisitions of Wana, Jetty, and Acreage. Due to its NASDAQ listing and SEC accounting rules (while cannabis remains federally illegal in the US), CGC will not fully consolidate these assets for reporting purposes, but we understand it will share proforma numbers by this coming May. *Note: At present, C-USA owns 77% of Jetty, and CGC indirectly owns 84.4% of C-USA.*

- The ecosystem has growth optionality as the brands are scaled nationally, and as Acreage benefits from more states legalizing adult-use (AU), such as OH recently and PA in the future (we could add NY here as the state cracks down on the illicit trade). Indeed, depending on federal reform developments and more states legalizing rec, we do not rule out C-USA seeking to expand into other states. In the meantime, it is already partly leveraging top line and bottom-line synergies from the combined entity.

Table 10: Canopy USA's THC Platform Demonstrates Asset-Light Growth Capabilities, per CGC Management



Source: Company reports

The Vision

Building a scalable asset-light model in the US, focused on brands. Canopy USA is intent on building an asset light model with presence in categories that can be branded and scaled nationally - the goal calls for a "a portfolio of differentiated brands with unique attributes in key segments". With the lessons and scars of the Canadian experience, and with the assumption that in the US vertical integration may not be practical (or allowed) in the long term, CGC (via the ring-fenced structure of Canopy USA) will not seek to build "massive grow facilities" but focus more on the brand side of the business. That said, at this stage in the industry's evolution, CGC management also sees value in owning retail assets. Indeed, with Acreage, Canopy USA gets retail capabilities to showcase its brands at company dispensaries as well as 3rd party stores (reciprocity deals help expand wholesale distribution for brands).

The notion of "brandable categories". Management believes formats like edibles and vape, and the various subsegments in these categories will be comprised by strong brands (this can be seen already, with leading edible brands like Wana, Wyld, and Camino, sold in most markets now). On the other hand, flower will probably remain a fragmented segment, as it is the case now, with perhaps attributes from craft beer (i.e., a role for strong regional or local brands) or very premium niche-type national flower brands. We think pre-rolls and drinks may land somewhere in between. A key question for us here, is whether consumers will look for convenience and consistency (which leads to brand consolidation), or whether they will mainly seek new experiences (which would lead to brand fragmentation). We believe this will depend on the consumer. Our sense is that edibles and vape consumers tend to value more convenience and consistency.

- **Wana** is a leading edible brand, which has not compromised on pricing, and through continued innovation stayed ahead of peers, according to management. The brand is available now in 19 states (including its home state of Colorado) via mostly licensing agreements (typically for 3-4 years). We do not expect Canopy USA to take over control of these agreements in the near term (although theoretically that would help profitability), especially if the brand is already performing well in a specific market. For example, the Wana licensee in IL is much larger than Acreage (Curaleaf has 10 stores in IL, or 16 if we include Windy City, vs. 2 for Acreage). Besides, these licensees can also have reciprocity deals with Acreage (i.e., so that 3rd party companies can carry the Acreage brands). The growth opportunity for Wana is to go deeper in its various markets. Wana has a full suite of 16 SKUs in Colorado vs. ~3 SKUs on average in the other 18 states.

- **Jetty**, with its solventless technology, is considered the cleanest vape in the market (made with organic principles). According to management, with a better tasting and healthier proposition, Jetty commands a price premium - with 11 years of consistent growth in CA, consumers there seem to appreciate the brand's value proposition. Jetty is now also sold in NY, and it also recently entered New Jersey although initially only with distillate (the latter is a much larger category than solventless, but Jetty made its name in CA in the solventless segment). Jetty does not have a licensing system and prefers to partner with local operators (in part due to the training and know-how that needs to be shared, and to the investments required).

A grip on retail still matters. Management recognizes it remains unclear what cannabis retail may look like in five years (no vertical integration allowed? multiple stores in most states as we already see in markets like CO, MA, MI, NM? chains allowed or low caps on store ownership?), but certainly in the current context retail ownership helps to build brands, especially in states with relatively lower number of stores (i.e., license-restricted). In fact, a portfolio of strong brands can benefit from having a retail arm. Indeed, CGC believes MSOs and LPs are becoming more aware of the staying power of some brands. Parallel in FL (controlled by SNDL) has had great results with Wana, and the same applies to Curaleaf in Illinois. These licensing agreements also work with reciprocity, as Acreage's dispensaries may also stock Curaleaf products, and vice-versa, while both companies sell Wana through their retail footprint.

About Acreage Holdings

Acreage Holdings is a multi-state operator with presence in eight states (CT, IL, MA, ME, NJ, NY, OH, and PA), all mostly of the license-restricted kind. Of these states, PA could legalize AU sales in the next two years, and OH/NY only recently began AU. The company is vertically integrated in six of these states; in CT it only retails; in PA it has been granted a license to open three stores (it had only wholesale). Over the past three years, Acreage has divested underperforming assets or sold businesses where it lacked scale (FL, MD), and has focused on improving profitability and cash flow. Acreage reported US$39.6Mn in sales for the Sep'24 qtr. Acreage is focused on making use of potential growth opportunities in its existing footprint (the idea is to maximize the upside in OH/PA; it can also make gains in IL/NJ wholesale). Potential collaboration with Wana and Jetty (where these brands are not licensed to other operators) should be a source of further upside.

Proforma Look: C-USA and CGC

The proforma look of CGC + Canopy USA. Here we use data as of Sep 2024, as that was the last quarter Acreage reported quarterly results (Wana and Jetty are private).

- For the Sep'24 qtr, Canopy Growth reported net sales of C$63Mn (C$37Mn Canadian rec and med; C$10Mn international; C$16Mn Storz & Bickel), gross margins of 35%, adjusted EBITDA of -C$5.5Mn (-9% as % consolidated sales), and operating cash flow of -$53.9Mn (FCF -$56.4Mn).

- We estimate Sep'24 qtr sales for C-USA at US$52.6Mn (Acreage reported US$39.6Mn; we estimate $8Mn for Wana and $5Mn for Jetty), or C$75.2Mn (C$301Mn annualized). Adj EBITDA margins for Acreage were +1.6% in 3Q24 (+3.6% for Jan-Sep), and we estimate 25% EBITDA margins for Wana and break even for Jetty. So, total EBITDA for C-USA in 3Q24 would have been ~US$2.6Mn (5% margins), or C$3.7Mn.

- Proforma, annualized Sep qtr sales would be ~C$553Mn and EBITDA -C$7Mn (-1%).

Table 11: Proforma Financials (taking Sep'24 qtr results)

3Q24 Financials	CGC		Acreage	Wana	Jetty	=	CUSA		Proforma	Annualized
US$Mn										
Sales	44.1		39.6	8.0	5.0		52.6		96.7	386.7
adj EBITDA	-3.9		0.6	2.0	0.0		2.6		-1.2	-4.9
as % of sales	-9%		2%	25%	0%		5%		-1%	-1%
C$Mn										
Sales	63.0		56.7	11.4	7.1		75.2		138.2	553.0
adj EBITDA	-5.5		0.9	2.9	0.0		3.7		-1.8	-7.0

Notes: CGC reported consolidated revenues and EBITDA for do not include CUSA (i.e., Acreage, Wana, Jetty)

Source: Z&A estimates and company reports

One Step Ahead of LP Peers?

We value the CGC vision for the US ecosystem. If well executed, and taking a long-term view, we think CGC (via the deconsolidated C-USA ring-fenced structure) may be building a more sustainable strategy for the US market than the LP peer group at present.

- For the most part, US multi-state operators (MSOs) are focused on expanding their vertically integrated footprint to more states, especially into license-restricted ones, and quickly abandon or de-emphasize markets as they become more competitive and saturated (most MSOs do not talk about MA anymore, save a few exceptions like MRMD). In the short-term, we see this as a bit of a whack-a-mole approach. Longer term we could question their strategy, in the context of a federally legal market, with interstate trade, and a tiered system (by choice as companies specialize, or by force if mandated by law as in the case of the alcohol industry).
- We will not compare here with the Tilray strategy of building a separate alcohol brand portfolio, which may be more capital-intensive, and is based (partly) on the assumption of future convergence of alcohol and cannabis marketing and distribution. But to some extent, we are skeptical of the latter, at least taking a 10-year view. Emerging from an era of Prohibition, cannabis, like alcohol, will likely be heavily regulated and we would not expect these rules to converge in that timeframe.
- Other Canadian LPs may also seek to set up a ring-fenced structure to enter the US market, but we note it took CGC quite a few years to set up the structure, to get SEC clearance, to remain compliant with NASDAQ. Also, it took time for Canopy USA to get reg approval at the state level to close the Acreage transaction (note: the C-USA structure was first announced in October 2022 and SEC clearance came through only by February 2024; the Acreage deal only closed in Dec'24). So, in this sense, we think CGC has a significant first mover advantage vs. other Canadian LPs – certainly a head start.

Benchmarking CGC vs. Canada's LPs

First, a caveat: it is not so straightforward discussing Canadian cannabis licensed producers (LPs) on a apples-to-apples basis. Unlike US MSOs, which mostly have similar business models, although with different levels of profitability (due to respective footprint, execution, and efficiencies), the Canadian LPs are for the most part quite different from each other. Some have diversified away from cannabis, and even when it comes to cannabis revenues, they are different depending on the mix of domestic rec, domestic med, and exports. Note: all numbers below are in C$s.

- Total sales: The largest LPs (we exclude retailers like High Tide and Nova) in terms of total revenues (latest reported qtr, either Sep'24 or Dec'24, all converted to C$Mn) are TLRY with >$300Mn and SNDL with $237Mn. The next ones are Village Farms International ($113Mn), Aurora ($88Mn), and Canopy Growth ($75Mn). But cannabis accounts for less than 10% of SNDL revenues and for ~30% at Tilray and 43% for VFF. At Canopy Growth, after recent divestitures, cannabis is 75% of total revenues (and 90% at ACB).

- Cannabis sales: In terms of total global cannabis sales (all in C$Mn, latest qtr), Tilray is the largest with ~$94Mn, followed by Aurora $79Mn. Then four companies are in a close range: Canopy Growth $53Mn, Village Farms $52Mn, Cronos ($47Mn per Sep qtr), and OGI $43Mn. Then there is a cluster of companies within a close range near ~$30Mn (in order: Auxly, Decibel, and Cannara, (Avant and Rubicon are in $10Mn +/- range. Note: We do not include financially troubled BZAM, which has near $30Mn in sales following its deal with Final Bell.

- Cannabis revenue mix by channel for the top six: The mix varies in terms of domestic (rec, med, B2B), and international. Per the latest qtr:

  - TLRY (C$94Mn): rec $54.5Mn, med $8.6Mn, B2B $9.5Mn, and international $21.2Mn.
  - ACB (C$79Mn): rec $9.9Mn, med $27.3Mn, B2B $1.3Mn, international $40.9Mn.
  - CGC (C$53Mn): rec $21.2Mn, med $19.6Mn, exports $12.0Mn.
  - VFF (C$52Mn): rec $39Mn, B2B $11Mn, exports $2Mn.
  - CRON (C$47Mn): rec $36Mn, exports (Israel sales) $11Mn.
  - OGI (C$43Mn): rec $38.6Mn (90%), med $0.5Mn, B2B $0.4Mn, exports $3.3Mn.

Cannabis gross margins: Canopy Growth disclosed cannabis gross margins of 32% for the Dec qtr and Tilray 35% for Nov. For the Sep qtr, VFF disclosed 26% gross margins and Cronos 11% (Dec not out yet for either). ACB reported adj gross margins (ex-impairments but including D&A) of 61% with the medical business (domestic and international) at 72% (B2B and rec were negative); cash margins for medical (ex D&A) were 74%.

Cannabis EBITDA: Not all companies split EBITDA by division, so this is harder to compare. ACB reported consolidated EBITDA margins for the Dec qtr of 26%, Tilray of 4.3%, OGI -2%, and Canopy Growth of -5% (again, these companies do not split EBITDA by division). Without allocating part of its corporate overheads (these are 3.3% of consolidated sales), Village Farms reported cannabis EBITDA margins of 13% for the Sep qtr. CRON reported consolidated negative EBITDA margins of negative -76% in the Sep qtr. *Note: Given companies may have different methodologies, we do not believe EBITDA numbers are entirely comparable. That said, at a consolidated level, below we look at total SGA to gross profits (for the entire company, not just cannabis).*

SGA/sales (consolidated). Recurring cash SGA (ex-one-off items and excluding non-cash items) was larger than gross profits in several cases. Among the top six: CRON 541% (Sep); CGC 172% (Dec); OGI 137% (Dec), TLRY 117% (Nov); VFF 105% (Sep); ACB 79% (Dec).

Operating cash flow (consolidated). For the 12mo thru Dec, CGC reported OCF of -$155Mn (-63% of total sales), OGI negative -$12Mn (-7%), and ACB +$8Mn (2%). For Jan-Sep 2024 CRON +$16Mn (+13%) and VFF $14Mn (+4%); neither has reported Dec qtr. For the 12mo thru Nov, TLRY reported OCF of -$87Mn (-7% of sales).

Balance sheet. Of the six LPs reviewed here, both OGI and CRON had net cash positions (largely thanks to their CPG strategic investors); ACB was also in net cash (C$51Mn for Dec). In terms of net financial debt to sales, CGC was at 88% (C$263Mn), TLRY 7% (US$53Mn, or C$76Mn), and VFF 6% (US$19Mn, or C$27Mn).

Table 12: Debt Leverage Comps

C$ Mn Per Sep/Dec reported qtrs	Aurora Cannabis	Auxly Cannabis	Avant Brands	Cannara Biotech	Canopy Growth	Cronos Group	Decibel Cannabis	Organigram Holdings	Rubicon Organics	SNDL Inc.	Tilray Brands	Village Farms Intl
Debt structure												
Financial debt, net	**50.8**	**-38.2**	**-4.9**	**-41.1**	**-263.2**	**1,175.7**	**-35.9**	**36.4**	**3.2**	**287.4**	**-74.2**	**-25.3**
Financial debt, gross	57.9	57.3	8.1	47.7	441.6	0.0	38.9	34.8	1.1	0.0	421.1	64.4
ST	53.1	16.0	4.4	9.2	3.2	0.0	8.7	0.0	1.0	0.0	41.2	17.3
LT	4.8	41.2	3.7	38.5	438.4	0.0	30.2	34.8	0.1	0.0	380.0	47.2
cash	108.7	19.1	3.1	6.6	178.3	1,175.7	3.0	71.2	4.2	287.4	346.9	39.1
Income tax payables	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Deferred tax liabilities	0.9	8.1	1.5	0.0	0.0	15.2	0.0	0.0	0.0	0.0	176.2	32.7
Leases, net	43.1	14.4	8.3	0.1	0.0	1.1	-0.5	0.0	-0.1	39.1	70.5	1.3
Gross leases	43.1	14.4	8.3	0.6	0.0	2.5	6.2	0.0	0.1	157.5	96.0	16.3
Right of use assets	0.0	0.0	0.0	0.6	0.0	1.4	6.7	0.0	0.1	118.4	25.5	15.0
Contingent considerations	4.4	2.1	0.0	0.0	0.0	0.3	0.0	33.9	0.0	0.1	23.4	0.0
Ratios under various debt definitions using last 12mo sales, EBITDA, and cash flow)												
Net debt broader definition (1)	**3.3**	**-54.6**	**-13.2**	**-41.1**	**-263.2**	**1,174.2**	**-35.4**	**2.5**	**3.2**	**248.2**	**-168.1**	**-26.6**
to sales	0.01x	-0.54x	-0.50x	-0.62x	-0.76x	9.97x	-0.31x	0.02x	0.08x	0.27x	-0.17x	-0.07x
to adj EBITDA	0.2x	-37.1x	-3.0x	-2.2x	na	na	-1.4x	na	0.7x	8.5x	-2.3x	-2.6x
to OCF	na	-6.6x	-2.4x	-6.7x	na	na	-5.0x	na	0.6x	na	na	-3.7x
to FCF	na	-8.3x	-7.1x	-7.3x	na	na	-6.3x	na	1.3x	na	na	na

Note: 1) broader definition of net debt includes financial net debt, income tax payables, leases net of rights of use, and contingent consideration

Note: 2) "na" if EBITDA, OCF, and or FCF negative

Source: Company reports; Z&A estimates

Financial Projections

CGC management has not issued guidance for FY26 (other than it should become EBITDA positive in the coming quarters) and only provided high level thoughts regarding the Mar'25 qtr (fiscal 4Q25). In part, this is due to the arrival of a new CEO, so we expect more color by the time of the fiscal 4Q25 call at the end of May.

- Despite improvements on both the profitability and cash flow front, EBITDA remains in negative territory and free cash flow was -C$28Mn in the Dec qtr (half of prior qtr levels). So, we believe these will be key areas of focus for the new CEO. In our view, all this may entail: a) further divestitures; b) a more aggressive pivot in rec (more outsourcing; focus on more premium lines), driven by an effort to improve mix and remove fixed costs; and c) a rethink of the international business (go deeper like ACB has done in Australia, for example), or go more asset light even in terms of route-to-market and delegate more on the company's overseas distribution partners.

- Clearly, the prior CEO, David Klein, put great emphasis on the US strategy. We are unclear where this will rank for the new CEO. We assume to some extent this will depend on the pace of reform in the US. We would not expect more M&A in the US for the time being.

We show our consolidated estimates below (we discuss proforma numbers and analysis in the valuation section), based on what we know at this stage.

Table 13: Our Projections for CGC Consolidated

C$ Mn	Mar FY23	Mar'24 FY24	Jun'24 1Q25	Sep'24 2Q25	Dec'24 3Q25	Mar'25 4Q25e	Mar'25 FY25e	Jun 1Q26e	Sep 2Q26e	Dec 3Q26e	Mar 4Q26e	Mar FY26e	Mar FY27e
Sales	402.9	297.1	66.2	63.0	74.8	68.4	272.4	68.6	68.5	70.7	70.2	278.0	299.0
qoq ch %	na	na	64%	-5%	19%	-8%	na	0%	0%	3%	-1%	na	na
yoy ch %	-21%	-26%	-39%	-9%	-5%	70%	-8%	4%	9%	-5%	3%	2%	8%
guidance													
consensus						*71.8*	*278.8*	*72.1*	*69.2*	*78.1*	*76.7*	*292.4*	*315.6*
Profit margins													
Gross profit before FV adj	-104.1	80.9	23.0	21.8	24.1	21.8	90.8	23.9	24.1	25.6	26.1	99.7	116.3
as % of sales	-25.8%	27.2%	34.8%	34.7%	32.2%	31.9%	33.3%	34.8%	35.2%	36.2%	37.2%	35.8%	38.9%
Op exp	2,744.2	309.6	52.1	67.8	47.9	43.4	211.3	41.4	41.4	41.5	41.5	165.9	140.5
as % of sales	681%	104%	79%	108%	64%	63%	78%	60%	60%	59%	59%	60%	47%
EBIT	-2,848.3	-228.7	-29.1	-45.9	-23.8	-21.6	-120.5	-17.6	-17.3	-16.0	-15.4	-66.2	-24.2
as % of sales	-707%	-77%	-44%	-73%	-32%	-32%	-44%	-26%	-25%	-23%	-22%	-24%	-8%
adj EBITDA	-208.6	-58.2	-5.3	-5.5	-3.5	-7.9	-22.2	-4.9	-4.6	-3.2	-2.6	-15.3	24.9
as % of sales	-52%	-20%	-8%	-9%	-5%	-12%	-8%	-7%	-7%	-4%	-4%	-6%	8%
consensus adj EBITDA						*-3.3*	*-17.4*	*-1.3*	*-0.7*	*2.5*	*2.6*	*3.7*	*13.3*
as % of sales						*-5%*	*-6%*	*-2%*	*-1%*	*3%*	*3%*	*1%*	*4%*
EPS													
Pre tax income	-3,314	-471	-121	-128	-122	-27	-397	-23	-22	-21	-21	-86	-45
Tax rate assumption	-0.1%	2.6%	5.1%	0.2%	0.3%	-2.0%	1.6%	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%
Net income	-3,278	-657	-127	-128	-122	-26	-403	-22	-22	-21	-20	-85	-44
Share count (FD) Mn	463.7	74.8	79.2	86.8	110.3	110.3	96.7	110.3	110.3	110.3	110.3	110.3	110.3
EPS	-7.07	-8.79	-1.60	-1.48	-1.11	-0.24	-4.42	-0.20	-0.20	-0.19	-0.18	-0.77	-0.40
consensus EPS						*-0.39*	*-4.69*	*-0.23*	*-0.22*	*-0.19*	*-0.20*	*-1.07*	*-0.65*
BS & CF highlights													
Operating cash flow	-558	-282	-52	-54	-27	-11	-143	-13	-13	-13	-10	-49	-15
(-) Capex	-9	-3	-4	-3	-1	-1	-9	-1	-1	-1	-1	-6	-6
Free cash flow	-567	-285	-56	-56	-28	-12	-152	-14	-14	-15	-12	-55	-21
Ending net cash (debt)	-524	-394	-366	-323	-263	-216	-216	-230	-244	-259	-271	-271	-292
LTM EBITDA	-209	-58	-41	-34	-29	-22	-22	-22	-21	-21	-15	-15	25
Net Debt/Sales	-1.3x	-1.3x	-1.4x	-1.3x	-0.9x	-0.8x	-0.8x	-3.4x	-3.6x	-3.7x	-3.9x	-1.0x	-1.0x
Net debt/EBITDA	2.5x	6.8x	2.3x	2.4x	2.3x	2.4x	9.7x	10.6x	11.7x	12.6x	17.7x	17.7x	-11.7x
Equity	758	500	533	510	591	624	624	602	580	560	540	540	496

Source: Company reports; Z&A estimates

Table 14: CGC Consolidated Divisional Split Projections

C$ Mn	Mar FY23	Mar'24 FY24	Jun'24 1Q25	Sep'24 2Q25	Dec'24 3Q25	Mar'25 4Q25e	Mar'25 FY25e	Jun 1Q26e	Sep 2Q26e	Dec 3Q26e	Mar 4Q26e	Mar FY26e	Mar FY27e
Sales	**309.1**	**301.3**	**66.2**	**63.0**	**74.8**	**68.4**	**272.4**	**68.6**	**68.5**	**70.7**	**70.2**	**278.0**	**299.0**
Global cannabis	201.8	199.2	47.8	47.1	52.8	48.6	196.3	49.3	51.8	49.9	51.5	202.5	219.7
Canada	162.9	157.9	37.7	37.1	40.7	36.0	151.5	36.3	38.8	37.4	38.0	150.5	158.6
rec	107.1	96.5	18.9	18.4	21.2	20.5	78.9	21.5	23.9	22.4	23.1	90.8	102.7
med	55.8	61.3	18.8	18.7	19.6	15.5	72.6	14.8	15.0	15.0	14.9	59.6	55.9
International	38.9	41.3	10.1	10.1	12.0	12.6	44.8	13.0	13.0	12.5	13.5	52.0	61.1
Storz & Bickel	107.2	102.1	18.5	15.9	22.0	19.8	76.1	19.4	16.6	20.8	18.7	75.6	79.3
Segment Gross Profit	**-72.5**	**71.7**	**23.0**	**21.8**	**24.1**	**21.8**	**90.8**	**23.9**	**24.1**	**25.6**	**26.1**	**99.7**	**116.3**
Canada cannabis	-95.3	24.9	12.1	12.0	10.2	9.0	43.2	10.2	11.3	11.2	12.2	44.8	55.5
International cannabis	-3.3	16.7	3.6	4.7	4.9	5.3	18.6	5.6	5.9	5.6	6.1	23.1	27.5
Storz & Bickel	26.1	30.1	7.3	5.1	9.0	7.5	29.0	8.1	7.0	8.7	7.9	31.7	33.3
As % of sales	**-23.5%**	**23.8%**	**34.8%**	**34.7%**	**32.2%**	**31.9%**	**33.3%**	**34.8%**	**35.2%**	**36.2%**	**37.2%**	**35.8%**	**38.9%**
Canada cannabis	-58.5%	15.8%	32.1%	32.2%	25.0%	25.0%	28.5%	28.0%	29.0%	30.0%	32.0%	29.8%	35.0%
International cannabis	-8.5%	40.4%	36.0%	47.1%	41.0%	42.0%	41.5%	43.0%	45.0%	45.0%	45.0%	44.5%	45.0%
Storz & Bickel	24.3%	29.5%	39.6%	32.5%	40.8%	38.0%	38.1%	42.0%	42.0%	42.0%	42.0%	42.0%	42.0%

Source: Company reports; Z&A estimates

Recent Performance (Dec'24 Qtr, Fiscal 3Q25)

Sales trends accelerated seq in the Dec qtr, while profit metrics and cash flow trends improved too.

- *Sales*: Net sales of C$74.8Mn were up 19% seq, led by strong growth at S&B (+39% qoq to C$22Mn) partly on seasonal demand and strength in Venty; domestic rec (+15% to C$21.2Mn; as mentioned before, pre-roll sales were a key growth driver); +5% in domestic med (to C$19.6Mn); and international sales growth (+20% to C$12Mn). Re the latter, Europe was up 65% yoy (Poland more than doubled) while Australia was down double-digits. In terms of geography, Canada represented close to C$41Mn in sales (rec/med); Germany was <C$18Mn (MMJ, and S&B); US <C$12Mn (all S&B); and ROW was <C$5Mn.

- *Profitability*: Adj gross margins eased to 32% from ~35% in Sep, with seq drops in Canada cannabis (25% vs. 32%) and international (41% vs. 47%), offsetting gains at S&B (41% vs. 32%). SGA has now remained stable at C$41Mn for two quarters in a row, vs. C$48Mn in 1Q25 and >C$55Mn on average in FY24. As a result, EBITDA margins of -5% marked an improvement vs. negative 8-9% in fiscal 1Q25 and 2Q25 (for context, FY24 EBITDA margin was -20% and -52% in FY23.

- *Balance sheet and cash flow*: Cash burn trends have improved but remain an issue. In fiscal 3Q25, FCF of -C$28Mn (about 10% of the cash balance at end of Sep) was half of the burn seen in 1Q25 and 2Q25 (context: FCF was -C$285Mn in FY24 and -C$567Mn in FY23). All this said, becoming EBITDA and cash flow positive are key priorities for management. The B/S has been helped by equity raises (via an ATM facility), with C$118Mn raised in fiscal 3Q25 and another C$138Mn in fiscal 1H25 (all this compares with C$81Mn raised for all of FY24.

Guidance/Outlook for the Mar'25 Qtr (Fiscal 4Q25)

For fiscal 4Q25 (Mar'25), we project sales of $68.4Mn, down vs. 3Q25 in part due to S&B comps and seasonality and moving parts in the Canadian business. In fiscal 4Q24 S&B benefited from the launch of Venty, and fiscal 3Q25 was up on seasonal demand, which also resulted in inventory build, so we project a $2Mn drop seq in S&B. The Canadian rec business (in terms of reported sales, which represent sales to the boards) has been helped by the launch of several new lines, including Claybourne, and we would expect some of the pipeline fill to unwind somewhat in fiscal 4Q25 (note that in the Dec qtr Hifyre pointed to 6% seq growth at retail vs. +15% reported). Hence, our projections for a slight decline in rec sales. International should continue to grow led by Europe, with part of this offset by softness in Australia and new restrictions on telehealth in Poland.

Gross margins and EBITDA trends should continue to improve sequentially. While management projects future positive EBITDA ("in the coming quarters), it has not given an exact timeline. We model positive EBITDA only by fiscal FY27. In the near term, 35% gross margins are a reasonable target, and we see that growing to 40% on mix (international, and better domestic rec mix) and cost efficiencies (including benefits from outsourcing).

We would expect the remaining $22Mn in the at the market (ATM) equity facility to be used in full during the Mar'25 qtr. Part of a new US$200Mn ATM facility may also be used to pay down debt. While not confirmed, CGC might use cash holdings and ATM proceeds to make use of the option to pay down US$97.5Mn in debt by end of FY25 (this would lower the cash interest expense load).

Canopy USA: Estimated Financials

We discussed C-USA' financials in a prior section. Once the company provides more color this coming May, we expect to be able to make proforma projections (for now, our proforma estimates are only based on reported data as of 3Q24).

Valuation

In proforma terms, we calculate CGC is valued at 0.9x current sales (in line with ACB at 1.1x, and TLRY at 0.9x). On the state of CGC's international business (mixed growth trends, and with margins below ACB), domestic rec/med performance (improving but profitability remains a question), and its financials (P&L, B/S, and CF, are below average), it would be hard to make the case the stock is cheap vs. peers. That said, if we took US comps, we would value CGC's 84.4% stake (indirect, non-controlling) in C-USA's assets at C$307Mn (this is explained below), that would imply that CGC ex C-USA is valued at only 0.58x sales.

Without significant changes in US reform (a key catalyst for CGC), for the stock to outperform we will need to see improvements in the pace of international sales growth (this was only mid-teens in the Dec qtr), as well as in profitability and cash flow (with debt reduction via equity ATM usage being minimal). So, while in this report we are starting coverage with a Neutral rating, we will keep a close eye on progress and changes implemented by new CEO Luc Mongeau at CGC.

As the next chart shows, fundamental analysis aside, CGC shares are significantly sensitive to US news flow. When US stocks peaked in April 2024 on cannabis rescheduling news, CGC decoupled from the group (the comp we show below is the YOLO ETF; the chart is based on US$ performance).

Table 15: CGC 1-Year Stock Performance

Source: FactSet

Stock Performance: Last 90 Days

CGC shares are down 61% in the last 90 days compared with -31% for the MSOS ETF and -23% for the YOLO ETF (S&P500 -4%). While in the past the larger Canadian LPs have moved pretty much in tandem, there has been a decoupling of late. ACB +6% in the last 90d; CRON -9%; SNDL -15%; VFF -18%; OGI -31%; TLRY -52%. In our view, the Dec qtr numbers coming in below estimates and ATM usage, explain CGC's underperformance. Also, lack of positive news flow out of the US (on the reform front) has weighed on CGC sentiment.

Table 16: Canadian LPs Stock Performance

	ACB	CGC	CRON	DB	OGI	RUBI	SNDL	TLRY	VFF	XLY
30d	-23%	-33%	-7%	-3%	-18%	29%	-13%	-28%	-19%	30%
90d	6%	-61%	-9%	-10%	-31%	14%	-15%	-52%	-18%	147%
1yr	-7%	-86%	-30%	-47%	-61%	26%	-12%	-70%	-38%	297%

Source: FactSet

Spot EV Valuation

We calculate for CGC a spot EV of C$479Mn (57% market cap and 43% net debt). On the current pace of annualized sales (fiscal 3Q25 x 4), that would imply 1.6x sales, above peers like ACB (1.1x) and TLRY (0.9x).

Table 17: EV/Sales and EV/EBITDA multiples (on spot EV)

							Financial Net Debt			
Multiples	Z&A Spot EV / Sales			Z&A Spot EV / EBITDA			Sales		EBITDA	
25-Mar-25	Current	2024	2025	Current	2024	2025	Current	CY24	Current	CY24
Aurora Cannabis	1.1x	1.2x	1.0x	4x	7x	6x	na	na	na	na
Auxly Cannabis Group	1.3x	na	na	11x	na	na	-0.3x	na	-2.2x	na
Avant Brands	0.6x	na	na	3x	na	na	-0.1x	na	-0.6x	na
Cannara Biotech	1.6x	na	na	7x	na	na	-0.4x	na	-1.8x	na
Canopy Growth	1.6x	1.7x	1.6x	-35x	-28x	130x	-0.7x	-0.7x	14.7x	11.7x
Cronos Group	-3.1x	-3.1x	-2.6x	-2x	11x	43x	na	na	na	na
Decibel Cannabis	0.8x	0.8x	0.6x	4x	4x	3x	-0.3x	-0.4x	-1.6x	-1.9x
Organigram Holdings	0.9x	1.0x	0.7x	-46x	176x	11x	na	na	na	na
Rubicon Organics	0.6x	na	na	4x	na	na	0.0x	na	-0.2x	na
SNDL	0.4x	0.4x	0.4x	-20x	249x	na	na	na	na	na
Tilray Brands	0.9x	0.9x	0.8x	22x	13x	9x	-0.1x	-0.1x	-1.5x	-0.8x
Village Farms International	0.3x	0.3x	0.3x	5x	57x	5x	-0.1x	-0.1x	-0.9x	-11.1x

1) We take FactSet consensus estimates for CY24e and CY25e, if available; 2) By "current", we mean the latest reported qtr annualized

Source: Company reports, FactSet, Z&A estimates

- The CGC share count was 173.4mn (147.1mn common shares and 26.3mn exchangeable shares owned by STZ) as of 2/6/25 (per the latest 10-Q, after C$59Mn of equity was raised in equity via the ATM thru that date). *Note: the count will likely be higher as of 3/31/25 as the company makes further use of the ATM.*

- So, for EV purposes, we take the latest share price of C$1.57 and a total share count of 174.8mn (173.4mn plus 1.4mn in RSU/PSUs; the options and warrants are out of the money), which implies a market cap of ~C$275Mn.

- Net debt adjusted by the C$59Mn equity raised so far in fiscal 4Q25 would be C$204Mn (we do not factor potential cash burn from fiscal 4Q25).

- Taking the latest reported sales (Sep, Nov, Dec qtr, depending on the company), at 1.7x EV/current sales, CGC would trade above the peer group in terms of EV to annualized current consolidated revenues.

Proforma EV

The above analysis notwithstanding, if we are going to use EV/Sales to compare LP stocks, then for CGC we would have to factor the revenues and net debt of the US assets. At present, this data has not been disclosed in full, but as mentioned before we calculate current net sales of C$301Mn for C-USA (Acreage, Wana, Jetty). and factor net debt of US$65Mn (we exclude the Acreage debt held by Canopy USA, to avoid double counting), or C$93Mn. We also should reflect the market value of the 18% stake in TerrAscend in the EV (subtracting it), which is worth C$43Mn. So, the proforma EV would be C$529Mn (479+93-43), and the "current" sales base would be C$600Mn (C$299Mn + C$301Mn). *Note: In this analysis, we do not factor US$16Mn in Acreage leases.*

Table 18: Proforma EV Math

C$ Mn	CGC Cons.	C-USA	Acreage Net Debt	Stake Value TSNDF	Proforma
Spot EV	479.3		93.0	-43.0	529.3
Sales	299.0	301.0			600.0
EV/Sales	1.6x				0.9x

Source: Z&A estimates

So, the proforma spot EV to current sales multiple would only be 0.9x (and not the CGC headline 1.6x), which would be more in line with ACB (1.1x) and TLRY (0.9x consolidated). These multiples should reflect,

- **Growth outlook**: international medical cannabis; domestic Canada rec and med; other non-MJ businesses; and US cannabis assets.

- **Profitability and cash flow trends as well as the state of the B/S.** We said before that net debt to net sales was 88% at CGC (net debt of C$263Mn as of Dec on annualized sales of C$299Mn). If we adjust for US sales (C$600Mn in total proforma), for C-USA net debt with 3rd parties (US$65mn or C$93Mn), and for the market value of the TSNDF equity stake (C$43Mn), the proforma ratio would be ~52% ([263+93-43]/600).

- **Management and track record.** We believe CEO Klein made significant improvements in the past few years, even though there is still much left to do.

In short, in comp terms, we do not think the CGC proforma 0.9x multiple is either low or high. Yes, certainly, the stock has great upside to US optionality, and to international growth.

Implied Value of CGC ex Canopy USA

CGC ex Canopy USA trades at only 0.5x sales, per our estimates. As we explain below, we value the 84.4% stake in C-USA at C$307Mn. If we subtract that from the CGC consolidated EV of C$479Mn, that would mean the non-US part of CGC proforma is valued by the market at C$172Mn. On the consolidated sales of C$299Mn, that would mean a valuation of 0.58x sales.

Assuming federal level regulatory status quo, on an EV basis, we value the Canopy USA assets at ~C$364Mn (Acreage C$285Mn; Wana/Jetty C$130Mn; 18% equity stake in TerrAscend at C$43Mn; US$65Mn in Acreage non-consolidated 3rd party debt, which we deduct from Acreage's C$285Mn valuation). Given CGC owns 84.4% of C-USA (indirectly, in a non-controlling structure), for proforma EV purposes we take the value of the C-USA stake at C$307Mn. Certainly, favorable changes at the federal level would further boost the value of the CGC US assets.

- **How we value Acreage Holdings:** US MSOs on average trade at 1.3x current sales (latest qtr annualized). While Acreage has higher debt than the MSO average and lower profit margins, it has rec optionality in OH (which just began rec on 8/6/24) and PA; we could also add NY to this (that market crossed US$1Bn in sales as the state has begun to crack down on the illicit trade; all this should benefit the Acreage wholesale business in the state). Combined, we project the TAM for these eight states to expand from $7.5Bn in CY23 to $12.4Bn by CY27 (if we took $200 per capita, the TAM would be $15.3Bn and $23Bn if $300). If we conservatively value Acreage at 1x CY26 sales, taking our CY26 sales projections of US$200Mn, then on a 1-year forward basis by Dec'25 the Acreage EV would be US$200Mn, or C$285Mn. If we assume 3rd party net debt (we do not count related debt, to avoid double counting) remains stable at US$65Mn (C$93Mn), that would value the Acreage equity at C$192Mn. If the entire sector were to re-rate due to favorable regulatory changes, at 2.5x sales the Acreage equity would be >C$600Mn by Dec'25.

- **Wana and Jetty:** At the time when these deals we announced (Wana in Oct'21; Jetty May'22), these companies were valued at US$350Mn and US$120Mn, respectively. On our estimated CY24 EBITDA run rate of $8Mn (combined), at 10x, these businesses would be worth $80Mn, which is well below the price CGC originally paid. That said, on a forward basis on a future national federally legal market and assuming CGC can fund these brands' expansion, we see them generating $800Mn in EBITDA by 2030. If we take a 20x multiple and bring that to Dec'25 present value (10% disc. rate), these assets would be worth over $10Bn by then. No, we do not factor the $10Bn in our base case valuation. That said, we assume 25% yoy growth, so we value Wana/Jetty at US$100Mn (the current US$80Mn x 1.25), or C$143Mn in total (~62% Wana and ~38% Jetty). Given C-USA only owns 77% of Jetty, we value these assets at C$130Mn (100% of 62% and 77% of 38%).

- **TerrAscend:** The 63.5mn shares owned by Canopy USA are worth US$29.2Mn, or C$42Mn at present (US$0.46 x 63.5mn shares, converted to C$).

Table 19: Companies mentioned in this report

Company name	Ticker	Ticker	Rating
US MSOs			
4Front Ventures		FFNTF	not rated
Ascend Wellness		AAWH	will cover
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
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
TerrAscend		TSNDF	will cover
TILT Holdings		TLLTF	Neutral
Trulieve Cannabis		TCNNF	will cover
Verano Holdings		VRNOF	Overweight
Vext Science, Inc.		VEXTF	Overweight
Vireo Growth		VREOF	will cover
Finance (MJ) Companies			
AFC Gamma		AFCG	Overweight
Chicago Atlantic BDC		LIEN	will cover
Chicago Atlantic REAF		REFI	Overweight
Innovative Industrial Properties		IIPR	will cover
New Lake Capital Partners		NLCP	Overweight
SHF Holdings		SHFS	not rated

Company name	Ticker	Rating
Canada LPs		
Aurora Cannabis	ACB	Neutral
Auxly Cannabis Group	CBWTF	not rated
Avant Brands	AVTBF	will cover
Avicanna	AVCN	not rated
Ayurcann Holdings	AYURF	not rated
Cannara Biotech	LOVFF	not rated
Canopy Growth Corporation	CGC	Neutral
Cronos Group	CRON	not rated
Decibel Cannabis Co	DBCCF	Overweight
Organigram Holdings	OGI	not rated
Rubicon Organics	ROMJF	will cover
SNDL	SNDL	not rated
Tilray Brands	TLRY	Neutral
Village Farms Intl	VFF	Overweight
Other		
Agrify	AGFY	not rated
Canify AG	TBD	private
Cantourage AG	HIGH:FF	not rated
Flora Growth	FLGC	not rated
Grow Generation	GRWG	not rated
Intercure	INCR	not rated
Ispire Technology	ISPR	will cover
Leafly	LFLY	not rated
LFTD Partners Inc.	LIFD	Overweight
Smoore International	SMORF	will cover
Springbig	SBIG	not rated
Urban-gro	UGRO	not rated
WM Technology	MAPS	Neutral

Source: Z&A

Appendix I: Company Financials

Exhibit 1: CGC Consolidated Financial Highlights

C$ Mn	Mar FY23	Mar'24 FY24	Jun'24 1Q25	Sep'24 2Q25	Dec'24 3Q25	Mar'25 4Q25e	Mar'25 FY25e	Jun 1Q26e	Sep 2Q26e	Dec 3Q26e	Mar 4Q26e	Mar FY26e	Mar FY27e
Sales	402.9	297.1	66.2	63.0	74.8	68.4	272.4	68.6	68.5	70.7	70.2	278.0	299.0
qoq ch %	na	na	64%	-5%	19%	-8%	na	0%	0%	3%	-1%	na	na
yoy ch %	-21%	-26%	-39%	-9%	-5%	70%	-8%	4%	9%	-5%	3%	2%	8%
guidance													
consensus						*71.8*	*278.8*	*72.1*	*69.2*	*78.1*	*76.7*	*292.4*	*315.6*
Profit margins													
Gross profit before FV adj	-104.1	80.9	23.0	21.8	24.1	21.8	90.8	23.9	24.1	25.6	26.1	99.7	116.3
as % of sales	-25.8%	27.2%	34.8%	34.7%	32.2%	31.9%	33.3%	34.8%	35.2%	36.2%	37.2%	35.8%	38.9%
Op exp	2,744.2	309.6	52.1	67.8	47.9	43.4	211.3	41.4	41.4	41.5	41.5	165.9	140.5
as % of sales	681%	104%	79%	108%	64%	63%	78%	60%	60%	59%	59%	60%	47%
EBIT	-2,848.3	-228.7	-29.1	-45.9	-23.8	-21.6	-120.5	-17.6	-17.3	-16.0	-15.4	-66.2	-24.2
as % of sales	-707%	-77%	-44%	-73%	-32%	-32%	-44%	-26%	-25%	-23%	-22%	-24%	-8%
adj EBITDA	-208.6	-58.2	-5.3	-5.5	-3.5	-7.9	-22.2	-4.9	-4.6	-3.2	-2.6	-15.3	24.9
as % of sales	-52%	-20%	-8%	-9%	-5%	-12%	-8%	-7%	-7%	-4%	-4%	-6%	8%
consensus adj EBITDA						*-3.3*	*-17.4*	*-1.3*	*-0.7*	*2.5*	*2.6*	*3.7*	*13.3*
as % of sales						*-5%*	*-6%*	*-2%*	*-1%*	*3%*	*3%*	*1%*	*4%*
EPS													
Pre tax income	-3,314	-471	-121	-128	-122	-27	-397	-23	-22	-21	-21	-86	-45
Tax rate assumption	-0.1%	2.6%	5.1%	0.2%	0.3%	-2.0%	1.6%	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%
Net income	-3,278	-657	-127	-128	-122	-26	-403	-22	-22	-21	-20	-85	-44
Share count (FD) Mn	463.7	74.8	79.2	86.8	110.3	110.3	96.7	110.3	110.3	110.3	110.3	110.3	110.3
EPS	-7.07	-8.79	-1.60	-1.48	-1.11	-0.24	-4.42	-0.20	-0.20	-0.19	-0.18	-0.77	-0.40
consensus EPS						*-0.39*	*-4.69*	*-0.23*	*-0.22*	*-0.19*	*-0.20*	*-1.07*	*-0.65*
BS & CF highlights													
Operating cash flow	-558	-282	-52	-54	-27	-11	-143	-13	-13	-13	-10	-49	-15
(-) Capex	-9	-3	-4	-3	-1	-1	-9	-1	-1	-1	-1	-6	-6
Free cash flow	-567	-285	-56	-56	-28	-12	-152	-14	-14	-15	-12	-55	-21
Ending net cash (debt)	-524	-394	-366	-323	-263	-216	-216	-230	-244	-259	-271	-271	-292
LTM EBITDA	-209	-58	-41	-34	-29	-22	-22	-22	-21	-21	-15	-15	25
Net Debt/Sales	-1.3x	-1.3x	-1.4x	-1.3x	-0.9x	-0.8x	-0.8x	-3.4x	-3.6x	-3.7x	-3.9x	-1.0x	-1.0x
Net debt/EBITDA	2.5x	6.8x	2.3x	2.4x	2.3x	2.4x	9.7x	10.6x	11.7x	12.6x	17.7x	17.7x	-11.7x
Equity	758	500	533	510	591	624	624	602	580	560	540	540	496

Source: Z&A estimates, company reports

Exhibit 2: CGC Consolidated Divisional Split

C$ Mn	Mar FY23	Mar'24 FY24	Jun'24 1Q25	Sep'24 2Q25	Dec'24 3Q25	Mar'25 4Q25e	Mar'25 FY25e	Jun 1Q26e	Sep 2Q26e	Dec 3Q26e	Mar 4Q26e	Mar FY26e	Mar FY27e
Sales	**309.1**	**301.3**	**66.2**	**63.0**	**74.8**	**68.4**	**272.4**	**68.6**	**68.5**	**70.7**	**70.2**	**278.0**	**299.0**
Global cannabis	201.8	199.2	47.8	47.1	52.8	48.6	196.3	49.3	51.8	49.9	51.5	202.5	219.7
Canada	162.9	157.9	37.7	37.1	40.7	36.0	151.5	36.3	38.8	37.4	38.0	150.5	158.6
rec	107.1	96.5	18.9	18.4	21.2	20.5	78.9	21.5	23.9	22.4	23.1	90.8	102.7
med	55.8	61.3	18.8	18.7	19.6	15.5	72.6	14.8	15.0	15.0	14.9	59.6	55.9
International	38.9	41.3	10.1	10.1	12.0	12.6	44.8	13.0	13.0	12.5	13.5	52.0	61.1
Storz & Bickel	107.2	102.1	18.5	15.9	22.0	19.8	76.1	19.4	16.6	20.8	18.7	75.6	79.3
Segment Gross Profit	**-72.5**	**71.7**	**23.0**	**21.8**	**24.1**	**21.8**	**90.8**	**23.9**	**24.1**	**25.6**	**26.1**	**99.7**	**116.3**
Canada cannabis	-95.3	24.9	12.1	12.0	10.2	9.0	43.2	10.2	11.3	11.2	12.2	44.8	55.5
International cannabis	-3.3	16.7	3.6	4.7	4.9	5.3	18.6	5.6	5.9	5.6	6.1	23.1	27.5
Storz & Bickel	26.1	30.1	7.3	5.1	9.0	7.5	29.0	8.1	7.0	8.7	7.9	31.7	33.3
As % of sales	**-23.5%**	**23.8%**	**34.8%**	**34.7%**	**32.2%**	**31.9%**	**33.3%**	**34.8%**	**35.2%**	**36.2%**	**37.2%**	**35.8%**	**38.9%**
Canada cannabis	-58.5%	15.8%	32.1%	32.2%	25.0%	25.0%	28.5%	28.0%	29.0%	30.0%	32.0%	29.8%	35.0%
International cannabis	-8.5%	40.4%	36.0%	47.1%	41.0%	42.0%	41.5%	43.0%	45.0%	45.0%	45.0%	44.5%	45.0%
Storz & Bickel	24.3%	29.5%	39.6%	32.5%	40.8%	38.0%	38.1%	42.0%	42.0%	42.0%	42.0%	42.0%	42.0%

Source: Z&A estimates, company reports

Exhibit 3: US Markets Projections

US$ Mn	CY19	CY20	CY21	CY22	CY23	CY24e	1Q25e	2Q25e	3Q25e	4Q25e	CY25e	CY26e	CY27e	CY28e	CY29e	CY30e	*rec began*
Total	**12,068**	**18,712**	**24,831**	**25,901**	**28,742**	**30,792**	**7,947**	**8,127**	**8,292**	**8,351**	**32,716**	**35,057**	**37,776**	**39,913**	**42,786**	**45,959**	
rec		11,506	15,961	16,581	18,298	20,350	5,401	5,577	5,778	5,843	22,598	24,773	27,281	29,260	31,481	34,468	
med		7,206	8,870	9,320	10,444	10,442	2,546	2,550	2,514	2,508	10,118	10,285	10,495	10,653	11,305	11,491	
Total (med/rec)	**12,068**	**18,712**	**24,831**	**25,901**	**28,742**	**30,792**	**7,947**	**8,127**	**8,292**	**8,351**	**32,716**	**35,057**	**37,776**	**39,913**	**42,786**	**45,959**	
AZ	841	801	1,359	1,426	1,419	1,244	316	301	278	300	1,193	1,195	1,217	1,239	1,262	1,285	*Jan'21*
CA	2,804	4,704	5,780	5,393	5,177	5,020	1,251	1,248	1,306	1,333	5,139	5,257	5,376	5,495	5,613	5,732	*Oct'16*
CO	1,748	2,191	2,229	1,769	1,529	1,375	339	330	340	299	1,309	1,284	1,298	1,311	1,324	1,338	*Jan'14*
CT	84	117	150	150	277	294	79	84	88	93	344	368	381	394	408	423	*Jan'23*
FLA	506	1,308	1,613	1,708	1,862	1,813	397	398	399	399	1,593	1,599	1,605	1,611	2,640	4,279	*Jul'29*
GA		0	1	16	49	109	34	34	34	34	136	156	216	355	475	530	*med*
IL	251	1,035	1,776	1,907	1,960	1,998	488	502	495	506	1,991	2,018	2,043	2,069	2,095	2,122	*Jan'20*
MA	677	962	1,644	1,755	1,806	1,848	462	471	487	488	1,907	1,941	1,976	2,011	2,047	2,084	*Nov'18*
MD	252	453	551	509	787	1,146	296	313	331	340	1,280	1,420	1,527	1,621	1,683	1,706	*Jul'23*
ME	9	16	93	171	229	265	63	69	84	74	290	304	318	334	350	367	*Oct'20*
MI	289	985	1,793	2,294	3,029	3,317	808	855	869	853	3,385	3,458	3,465	3,472	3,479	3,486	*Dec'19*
MN	20	20	25	36	66	82	18	17	15	15	66	376	619	762	877	991	*Jan'26*
MO	20	21	210	390	1,338	1,452	377	395	401	407	1,580	1,721	1,877	2,049	2,238	2,445	*Feb'23*
NH	10	13	17	20	24	27	8	8	8	8	30	34	37	40	44	47	*med*
NJ	95	196	217	556	800	1,046	268	280	292	304	1,143	1,252	1,373	1,506	1,652	1,813	*Apr'22*
NM	119	119	119	358	556	603	150	148	151	149	597	598	609	609	609	609	*Apr'22*
NV	702	780	1,042	882	825	844	210	218	212	207	847	852	868	885	902	919	*Jul'17*
NY	173	200	250	265	431	1,148	505	554	603	652	2,312	3,071	3,195	3,327	3,470	3,621	*Dec'22*
OH	56	223	379	467	482	687	254	260	266	274	1,054	1,376	1,700	1,773	1,848	1,928	*Aug'24*
OK	428	831	941	780	728	714	179	185	175	175	714	724	735	746	757	769	*med*
OR	840	1,111	1,184	994	955	968	236	245	252	244	978	987	997	1,007	1,017	1,028	*Oct'15*
PA	671	823	1,353	1,457	1,530	1,653	399	387	346	333	1,464	1,429	2,311	2,663	2,781	2,905	*Jul'26*
RI	40	47	44	53	108	117	30	30	31	31	123	132	142	151	161	170	*Dec'22*
VA	0	10	27	100	167	237	67	68	70	71	276	307	501	995	1,245	1,403	*Jul'27*
VT	5	6	8	9	11	12	3	3	3	3	14	15	17	19	20	22	*May'22*
WA	1,200	1,280	1,422	1,294	1,259	1,265	306	315	327	320	1,268	1,270	1,273	1,275	1,278	1,281	*Jul'14*
WV	0	0	0	22	66	85	23	24	25	26	99	116	129	129	129	129	*med*
Other states	229	459	603	1,119	1,286	1,429	380	385	406	413	1,584	1,792	1,971	2,066	2,382	2,526	

Source: Z&A estimates, Hifyre, StatCan, company reports

Exhibit 4: CGC Consolidated Cash Flow Projections

C$Mn SUMMARY CASH FLOW	Mar FY23	Mar'24 FY24	Jun'24 1Q25	Sep'24 2Q25	Dec'24 3Q25	Mar'25 4Q25e	Mar FY25e	Jun 1Q26e	Sep 2Q26e	Dec 3Q26e	Mar 4Q26e	Mar FY26e	Mar FY27e
Net earnings	-3,309,546	-483,682	-127,138	-128,293	-127,206	-26,081	-408,718	-22,092	-21,902	-20,603	-20,091	-84,688	-43,875
(+) D&A	84,517	53,868	11,030	10,307	10,303	10,249	41,889	9,233	9,249	9,266	9,283	37,031	34,125
Cash earnings	**-3,225,029**	**-429,814**	**-116,108**	**-117,986**	**-116,903**	**-15,832**	**-366,829**	**-12,859**	**-12,652**	**-11,337**	**-10,808**	**-47,657**	**-9,751**
(-) Working capital changes	0	0	0	0	0	5,220	5,220	-160	133	-1,811	347	-1,491	-5,291
(-) Other operating flows	2,667,483	147,864	64,328	64,134	89,937	0	218,399	0	0	0	0	0	0
Operating cash flow	**-557,546**	**-281,950**	**-51,780**	**-53,852**	**-26,966**	**-10,612**	**-143,210**	**-13,019**	**-12,519**	**-13,149**	**-10,461**	**-49,147**	**-15,042**
(-) net capex	-9,217	-3,449	-3,920	-2,589	-1,215	-1,027	-8,751	-1,373	-1,370	-1,413	-1,405	-5,561	-5,980
Free cash flow	**-566,763**	**-285,399**	**-55,700**	**-56,441**	**-28,181**	**-11,639**	**-151,961**	**-14,391**	**-13,889**	**-14,562**	**-11,866**	**-54,708**	**-21,022**
(-) acquisitions	-21,384	-8,252	21,121	6,968	-395	0	27,694	0	0	0	0	0	0
(-) divestitures	28,541	153,097	4,926	-6,962	0	0	-2,036	0	0	0	0	0	0
(+) other	163,332	190,002	3,543	6,642	-29,535	0	-19,350	0	0	0	0	0	0
(+) share issuance	1,049	81,063	53,854	84,622	117,513	58,902	314,891	0	0	0	0	0	0
(-) stock options/warrants	281	0	0	8,566	0		8,566					0	0
Change in net	**-394,944**	**130,511**	**27,744**	**43,395**	**59,402**	**47,263**	**177,804**	**-14,391**	**-13,889**	**-14,562**	**-11,866**	**-54,708**	**-21,022**
Ending net (debt)	**-524,279**	**-393,768**	**-366,024**	**-322,629**	**-263,227**	**-215,964**	**-215,964**	**-230,355**	**-244,244**	**-258,806**	**-270,672**	**-270,672**	**-291,694**
Cash/inv/sec	782,602	203,461	194,922	231,221	178,344	227,440	227,440	213,049	199,160	184,598	172,732	172,732	151,710
Gross debts/loans/bonds	1,306,881	597,229	560,946	553,850	441,571	443,404	443,404	443,404	443,404	443,404	443,404	443,404	443,404

Source: Z&A estimates, Hifyre, StatCan, company reports

Exhibit 5: Acreage Holdings (MSO) Reported Financial Highlights (reported only through Sep'24; the rest reflects our own estimates)

US$ Mn	FY21	CY22	CY23	1Q24	2Q24	3Q24	4Q24e	CY24e	1Q25e	2Q25e	3Q25e	4Q25e	CY25e	CY26e
Consolidated sales	188.9	237.1	223.4	45.3	39.0	39.6	39.4	163.3	38.9	42.5	43.8	45.1	170.3	200.0
qoq ch %	na	na	na	-14%	-14%	2%	-1%	na	-1%	9%	3%	3%	na	na
yoy ch %	65%	26%	-6%	-19%	-33%	-30%	-25%	-27%	-14%	9%	10%	15%	4%	17%
Profit margins														
Gross profit before FV adj	95.9	101.7	85.6	-1.5	16.9	13.9	18.1	47.5	18.7	20.8	21.9	22.6	83.9	100.0
as % of sales	50.8%	42.9%	38.3%	-3.3%	43.4%	35.1%	46.0%	29.1%	48.0%	49.0%	50.0%	50.0%	49.3%	50.0%
Op exp	143.0	244.8	116.8	21.7	22.5	22.6	18.7	81.4	16.1	17.1	16.8	16.8	66.8	71.0
as % of sales	75.7%	103.2%	52.3%	47.9%	57.8%	57.0%	47.4%	49.9%	41.4%	40.3%	38.3%	37.3%	39.3%	35.5%
EBIT	-47.1	-143.1	-31.1	-23.2	-5.6	-8.7	-0.5	-34.0	2.6	3.7	5.1	5.7	17.1	29.0
as % of sales	-24.9%	-60.3%	-13.9%	-51.2%	-14.4%	-21.9%	-1.4%	-20.8%	6.6%	8.7%	11.7%	12.7%	10.0%	14.5%
adj EBITDA	24.6	34.8	28.3	2.0	1.9	0.6	1.5	6.0	4.4	5.5	6.9	7.6	24.3	36.2
as % of sales	13.0%	14.7%	12.7%	4.4%	4.9%	1.6%	3.7%	3.7%	11.2%	12.9%	15.8%	16.7%	14.3%	18.1%
EPS														
Pre tax income	-55.4	-158.7	-52.8	-32.2	-20.2	-17.8	-9.6	-75.8	-6.0	-5.0	-3.6	-3.0	-17.7	-1.5
Tax rate assumption	32.2%	6.3%	47.6%	3.5%	19.2%	25.1%	-20.0%	10.0%	-20.0%	-20.0%	-20.0%	-20.0%	-20.0%	-20.0%
Net income	-63.0	-139.9	-69.1	-28.0	-21.0	-19.5	-6.9	-71.4	-4.4	-3.6	-2.6	-2.2	-12.7	-1.1
Share count (FD) Mn	105.1	109.7	113.9	116.0	116.3	120.0	120.0	118.1	120.0	120.0	120.0	120.0	120.0	120.0
EPS	-0.63	-1.28	-0.61	-0.24	-0.18	-0.16	-0.06	-0.61	-0.04	-0.03	-0.02	-0.02	-0.11	-0.01
BS & CF highlights														
Operating cash flow	-40.5	-50.1	-15.1	-3.8	-9.5	-4.2	-21.3	-38.9	-2.9	-1.9	-0.9	-0.4	-6.0	7.1
(-) Capex	33.0	18.5	19.0	2.6	0.0	-0.3	0.1	2.5	0.1	0.1	0.2	0.2	0.7	2.0
Free cash flow	-73.6	-68.6	-34.1	-6.4	-9.5	-4.0	-21.4	-41.4	-3.0	-2.0	-1.1	-0.6	-6.7	5.1
Ending net cash (debt)	-126.5	-191.0	-219.3	-228.1	-251.7	-260.8	-282.2	-282.2	-285.2	-287.3	-288.3	-288.9	-288.9	-283.9
Net debt/Sales	-0.7x	-0.8x	-1.0x	-1.3x	-1.6x	-1.6x	-1.8x	-1.7x	-1.8x	-1.7x	-1.6x	-1.6x	-1.7x	-1.4x
Net debt/EBITDA	-5.1x	-5.5x	-7.7x	-28.8x	-33.2x	-104.8x	-48.2x	-47.3x	-16.4x	-13.1x	-10.4x	-9.6x	-11.9x	-7.8x
Equity	197.3	61.4	-8.9	-41.4	-63.3	-69.0	-75.9	-75.9	-80.3	-83.9	-86.5	-88.7	-88.7	-89.8

Source: Z&A estimates, Hifyre, StatCan, company reports

Appendix II: Valuation Comps

Exhibit 6: Canada LPs - Valuation Multiples (consolidated multiples)

Multiples	Z&A Spot EV / Sales			Z&A Spot EV / EBITDA			Financial Net Debt				Stock Performance		
							Sales		EBITDA				
25-Mar-25	Current	2024	2025	Current	2024	2025	Current	CY24	Current	CY24	Current	2024	2025
Aurora Cannabis	1.1x	1.2x	1.0x	4x	7x	6x	na	na	na	na	-23%	6%	-7%
Auxly Cannabis Group	1.3x	na	na	11x	na	na	-0.3x	na	-2.2x	na	-23%	119%	-66%
Avant Brands	0.6x	na	na	3x	na	na	-0.1x	na	-0.6x	na	30%	147%	297%
Cannara Biotech	1.6x	na	na	7x	na	na	-0.4x	na	-1.8x	na	-5%	80%	24%
Canopy Growth	1.6x	1.7x	1.6x	-35x	-28x	130x	-0.7x	-0.7x	14.7x	11.7x	-33%	-61%	-86%
Cronos Group	-3.1x	-3.1x	-2.6x	-2x	11x	43x	na	na	na	na	-7%	-9%	-30%
Decibel Cannabis	0.8x	0.8x	0.6x	4x	4x	3x	-0.3x	-0.4x	-1.6x	-1.9x	-3%	-10%	-47%
Organigram Holdings	0.9x	1.0x	0.7x	-46x	176x	11x	na	na	na	na	-18%	-31%	-61%
Rubicon Organics	0.6x	na	na	4x	na	na	0.0x	na	-0.2x	na	29%	14%	26%
SNDL	0.4x	0.4x	0.4x	-20x	249x	na	na	na	na	na	-13%	-15%	-12%
Tilray Brands	0.9x	0.9x	0.8x	22x	13x	9x	-0.1x	-0.1x	-1.5x	-0.8x	-28%	-52%	-70%
Village Farms International	0.3x	0.3x	0.3x	5x	57x	5x	-0.1x	-0.1x	-0.9x	-11.1x	-19%	-18%	-38%

1) We take FactSet consensus estimates for CY24e and CY25e, if available; 2) By "current", we mean the latest reported qtr annualized

Source: FactSet and company reports

Exhibit 7: Canada LPs - EV Calculations

C$Mn 25-Mar-25	Z&A Spot EV	C$ 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	404	6.46	54.9	1.2	363	51	-43	0	-10	0	-2	39
Auxly Cannabis Group	174	0.09	1,285.7	133.4	122	-36	-14	0	-2	0	-52	
Avant Brands	28	1.07	10.6	0.2	12	-6	-10	0	0	0	-16	
Cannara Biotech	156	1.24	90.0	0.0	112	-43	0	-1	0	0	-44	
Canopy Growth	479	1.57	173.4	1.4	275	-204	0	0	0	0	-204	
Cronos Group	-531	2.62	267.3	0.0	700	1,233	-2	0	0	0	1,231	
Decibel Cannabis	75	0.07	576.7	16.3	41	-34	0	0	0	0	-33	
Organigram Holdings	110	1.53	134.0	19.3	234	124	0	0	0	0	124	
Rubicon Organics	35	0.53	56.5	5.5	33	-2	0	0	0	0	-2	
SNDL	369	2.20	265.4	14.7	617	287	-39	0	0	0	248	
Tilray Brands	1,141	0.97	937.7	26.1	939	-76	-69	0	-21	0	-166	36
Village Farms International	147	0.91	112.3	0.3	103	-29	-2	0	0	0	-30	14

Source: FactSet and company reports

Exhibit 8: US MSOs - Valuation Multiples (consolidated multiples)

US$Mn	Z&A Spot EV / Sales			Z&A Spot EV / EBITDA			NET DEBT RATIOS: Net Debt/Sales		NET DEBT RATIOS: Net Debt/EBITDA		BROADER DEFINITION OF NET DEBT: BDND/Sales		BROADER DEFINITION OF NET DEBT: BDND/EBITDA	
25-Mar-25	Current	CY25e	CY26e	Current	CY25e	CY26e	Current	CY25	Current	CY25	Current	CY25	Current	CY25
US MSOs	**1.3x**	**1.1x**	**0.9x**	**6.2x**	**5.6x**	**4.3x**								
Ascend Wellness	1.0x	1.1x	1.0x	5.9x	4.9x	4.5x	-0.4x	-0.4x	-2.4x	-2.0x	-0.9x	-0.9x	-5.1x	-4.3x
Ayr Wellness	1.2x	1.2x	1.2x	7.1x	5.7x	5.5x	-0.9x	-0.9x	-5.2x	-4.1x	-1.1x	-1.2x	-6.8x	-5.5x
Cannabist Co	0.9x	1.1x	1.0x	6.9x	11.0x	7.4x	-0.6x	-0.7x	-4.5x	-7.3x	-0.8x	-1.0x	-6.4x	-10.3x
Cansortium	1.1x	na	na	3.7x	na	na	-0.5x	na	-1.9x	na	-0.9x	na	-3.1x	na
Cresco Labs	1.3x	1.3x	1.3x	4.6x	5.7x	5.1x	-0.5x	-0.5x	-1.6x	-2.0x	-0.8x	-0.9x	-2.9x	-3.6x
Curaleaf	1.5x	1.5x	1.4x	6.5x	6.5x	5.9x	-0.5x	-0.5x	-2.2x	-2.2x	-0.9x	-0.9x	-3.9x	-3.8x
4Front Ventures	2.0x	na	na	7.4x	na	na	-1.0x	na	-3.9x	na	-1.8x	na	-6.7x	na
Glass House	2.1x	2.5x	2.0x	6.6x	13.6x	8.3x	-0.1x	-0.1x	-0.3x	-0.6x	-0.2x	-0.3x	-0.8x	-1.6x
Gold Flora	1.0x	0.8x	0.7x	11.9x	7.7x	4.4x	-0.3x	-0.2x	-3.6x	-2.4x	-0.9x	-0.7x	-11.0x	-7.2x
Goodness Growth	1.9x	1.9x	na	8.0x	7.9x	na	-0.5x	-0.5x	-2.1x	-2.1x	-0.9x	-0.9x	-3.7x	-3.6x
Green Thumb	1.3x	1.3x	1.2x	3.8x	4.2x	3.9x	-0.1x	-0.1x	-0.2x	-0.2x	-0.1x	-0.1x	-0.3x	-0.3x
Grown Rogue	2.8x	na	na	3.8x	na	na	0.2x	na	0.3x	na	0.0x	na	0.1x	na
iAnthus	1.2x	na	na	9.4x	na	na	-1.0x	na	-7.3x	na	-1.0x	na	-7.5x	na
Jushi	1.4x	1.4x	1.3x	11.5x	7.3x	6.1x	-0.6x	-0.6x	-5.2x	-3.3x	-1.2x	-1.2x	-9.8x	-6.2x
MariMed	1.0x	0.9x	0.8x	6.3x	5.8x	4.5x	-0.4x	-0.4x	-2.8x	-2.6x	-0.6x	-0.5x	-3.8x	-3.5x
Planet 13	0.8x	0.8x	0.6x	20.9x	8.8x	4.9x	0.1x	0.1x	3.7x	1.5x	-0.1x	-0.1x	-1.5x	-0.6x
Schwazze	1.1x	1.0x	na	4.7x	na	na	-0.9x	na	-3.8x	na	-1.1x	na	-4.6x	na
TerrAscend	1.6x	1.6x	1.5x	8.7x	7.5x	6.8x	-0.6x	-0.6x	-3.1x	-2.7x	-1.0x	-1.0x	-5.7x	-4.9x
TILT	1.0x	0.9x	na	-17.9x	-19.4x	na	-0.6x	-0.5x	9.9x	10.8x	-1.0x	-0.9x	17.3x	18.8x
Trulieve	1.3x	1.3x	1.3x	3.5x	3.9x	3.9x	-0.3x	-0.3x	-0.7x	-0.8x	-0.7x	-0.7x	-1.8x	-2.0x
Verano	1.0x	1.0x	1.0x	3.6x	3.5x	3.4x	-0.4x	-0.4x	-1.3x	-1.3x	-0.8x	-0.8x	-2.6x	-2.6x
Vext	1.8x	1.3x	1.1x	5.7x	4.3x	3.5x	-0.9x	-0.7x	-2.9x	-2.2x	-0.9x	-0.7x	-2.9x	-2.2x

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

Source: FactSet and company reports

Exhibit 9: US MSOs - EV Calculations

US$Mn 25-Mar-25	FactSet Spot EV	Z&A Spot EV	US$ price	mn shares	mn deriv	Total Mkt Cap	Financial net debt	Net leases	Income tax liab.	Conting Cons.	ITM deriv inflow	Total BDND	Pref Stock Min Int
US MSOs													
Ascend Wellness	565	592	0.35	214.5	13.3	80	-241	-134	-137			-512	
Ayr Wellness	606	544	0.18	116.2	3.4	22	-394	-5	-123	0	0	-522	
Cannabist Co	470	406	0.05	472.7	8.2	26	-269	-26	-86			-380	
Cansortium	140	115	0.06	304.9	5.6	19	-59	-9	-29			-97	
Cresco Labs	744	934	0.74	441.2	8.9	333	-332	-56	-202	-10		-600	
Curaleaf	1,542	1,986	0.89	750.1	11.0	680	-670	-46	-416	-41		-1,173	132
4Front Ventures	233	154	0.02	915.2	3.8	15	-81	-11	-42	-5	0	-139	
Glass House	338	536	4.76	81.0	3.5	402	-25	0	-4	-32		-61	72
Gold Flora	130	132	0.03	287.7	0.1	9	-40	-34	-44	-4		-123	
Goodness Growth	150	194	0.45	230.3	4.1	105	-51	-10	-29			-89	
Green Thumb	1,546	1,484	5.62	235.9	7.7	1,369	-83	-29	-2	0	0	-115	
Grown Rogue	75	75	0.53	143.5		76	5	-2	-2			1	
iAnthus	39	200	0.01	6,615.3		39	-157	-5				-161	
Jushi	305	369	0.27	196.7	1.3	54	-167	-2	-146			-314	
MariMed	139	149	0.10	382.2	7.7	40	-68	-1	-22			-90	19
Planet 13	79	109	0.31	325.2	0.3	101	19	-7	-16	-5		-8	
Schwazze	174	188	0.03	80.2		2	-151	-2	-33	0		-186	
StateHouse	144	200	0.02	256.4	138.6	6	-114	-10	-54	-22	7	-192	2
TerrAscend	353	477	0.46	356.7	3.1	167	-172	-5	-128	-4		-310	
TILT	110	112	0.01	390.6	4.4	4	-62	-44	-2			-108	
Trulieve	1,192	1,566	3.98	191.0	3.2	773	-318	-23	-445	-6		-793	
Verano	674	908	0.67	358.7	6.3	243	-326	-9	-329	-1		-666	
Vext	47	66	0.13	247.4	0.4	32	-33	0				-34	

Source: FactSet and company reports

Exhibit 10: Stock Performance

25-Mar-25	Stock Performance		
Ticker	Last 30d	Last 90d	Last 12mo
US MSOs			
Ascend	-8%	-8%	-75%
Ayr	-55%	-56%	-91%
Cannabist	4%	-1%	-82%
Cansortium	0%	-17%	-71%
Cresco	-17%	-13%	-66%
Curaleaf	-37%	-42%	-83%
4Front	6%	-24%	-86%
GlassHouse	-26%	-16%	-35%
Gold Flora	6%	5%	-88%
Vireo Growth	-3%	-20%	19%
Grown Rogue	-14%	-22%	15%
Green Thumb	-21%	-27%	-60%
iAnthus	-16%	26%	-69%
Jushi	-22%	-4%	-63%
MariMed	-24%	-12%	-64%
Planet13	-11%	-17%	-44%
Schwazze	50%	50%	-97%
StateHouse	na	na	-67%
Trulieve	-9%	-17%	-66%
TerrAscend	-13%	-26%	-75%
Vext	24%	9%	-35%
Verano	-36%	-48%	-89%
International			
InterCure	-13%	0%	-8%
PharmaCielo	-27%	0%	104%

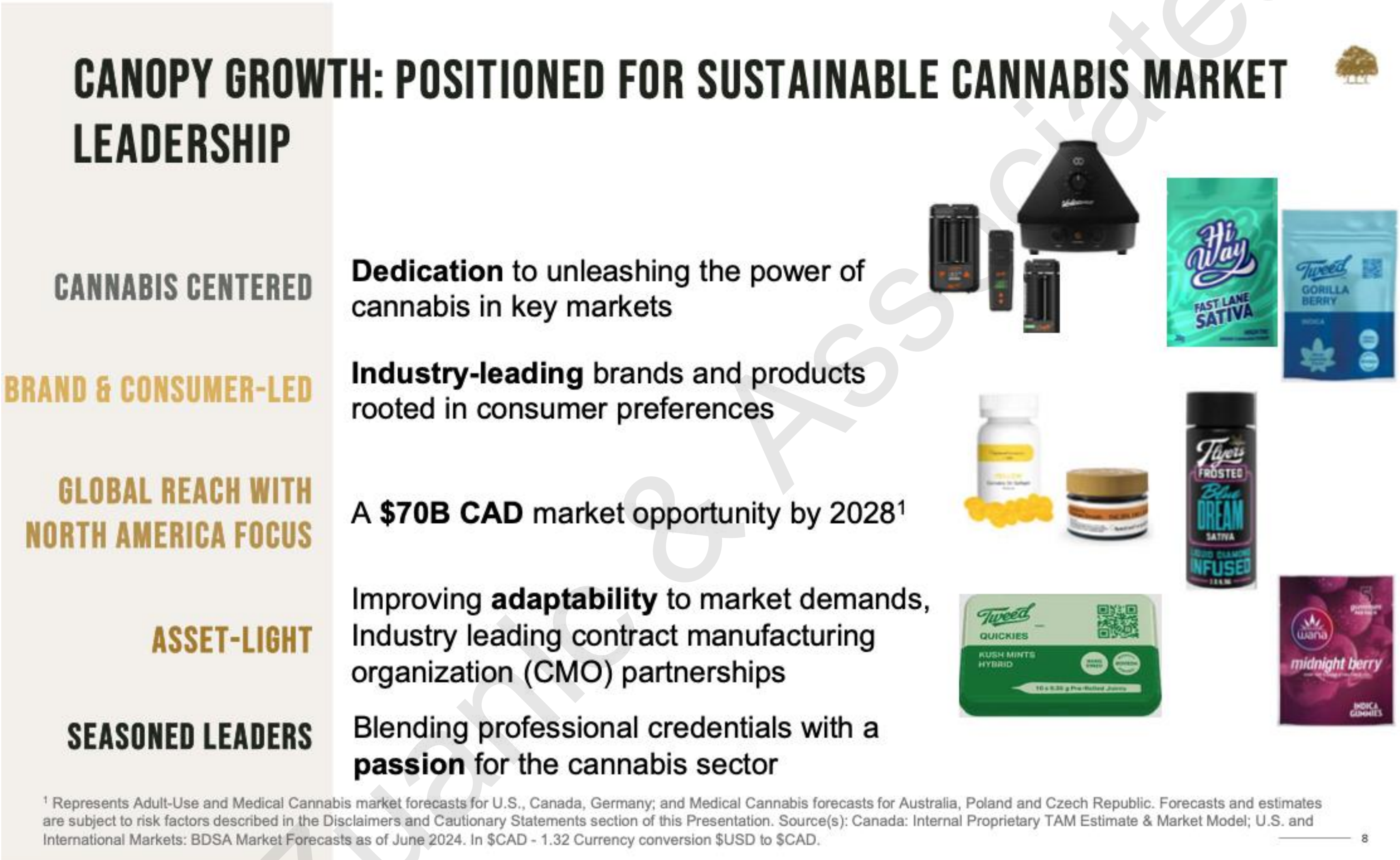
	Stock Performance		
Ticker	Last 30d	Last 90d	Last 12mo
Canadian LPs			
Aurora	-23%	6%	-7%
Avant	-23%	119%	-66%
Auxly	30%	147%	297%
Ayurcann	0%	-3%	6%
Cannara	-5%	80%	24%
Canopy	-33%	-61%	-86%
Cronos	-7%	-9%	-30%
Decibel	-3%	-10%	-47%
Entourage	-14%	-58%	-67%
High Tide	-17%	-32%	16%
OGI	-18%	-31%	-61%
Rubicon	29%	14%	26%
SNDL	-13%	-15%	-12%
Tilray	-28%	-52%	-70%
VFF	-19%	-18%	-38%
Tech			
LFLY	2%	-87%	-94%
SBIG	28%	71%	-41%
MAPS	-2%	-14%	18%
Vape parts			
GNLN	-64%	-82%	-96%
ISPR	-31%	-49%	-51%
SMORF	36%	36%	88%
TLLTF	-6%	51%	-66%

	Stock Performance		
Ticker	Last 30d	Last 90d	Last 12mo
MJ Fincos			
AFCG	-20%	-29%	-52%
IIPR	-11%	-8%	-37%
NLCP	-2%	-14%	-18%
SHFS	-31%	-39%	-73%
LIEN	-7%	-8%	15%
REFI	-1%	-5%	-4%
Pix & Shovel			
AGFY	-16%	-44%	210%
GRWG	-12%	-27%	-47%
HYFM	-59%	-60%	-74%
SMG	-6%	-15%	-23%
UGRO	-19%	-44%	-72%
CBD			
CVSI	-13%	0%	-8%
CWEB	-1%	-2%	-43%
LFID	10%	-35%	-85%
Index			
S&P 500	*-4%*	*-4%*	*10%*
S&P 477	*-5%*	*-1%*	*7%*
Nasdaq	*-4%*	*-2%*	*26%*
MSOS ETF	*-24%*	*-31%*	*-73%*
YOLO ETF	*-15%*	*-23%*	*-51%*
Simple Group Averages			
Large Canada LP:	-24%	-30%	-51%
Tier 1 MSOs	-24%	-30%	-73%

Source: FactSet

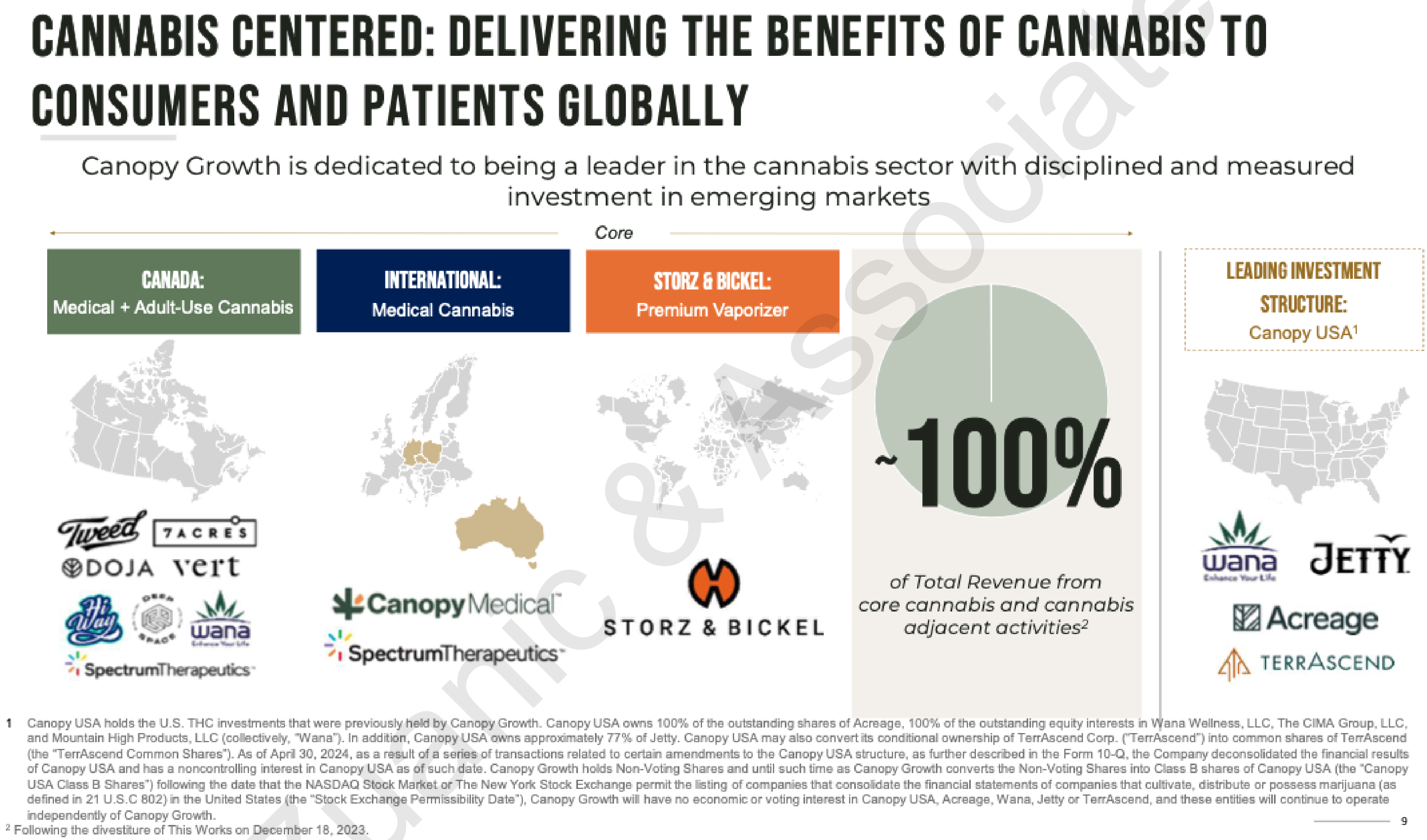
Appendix III: Company Slides

Exhibit 11: Positioning



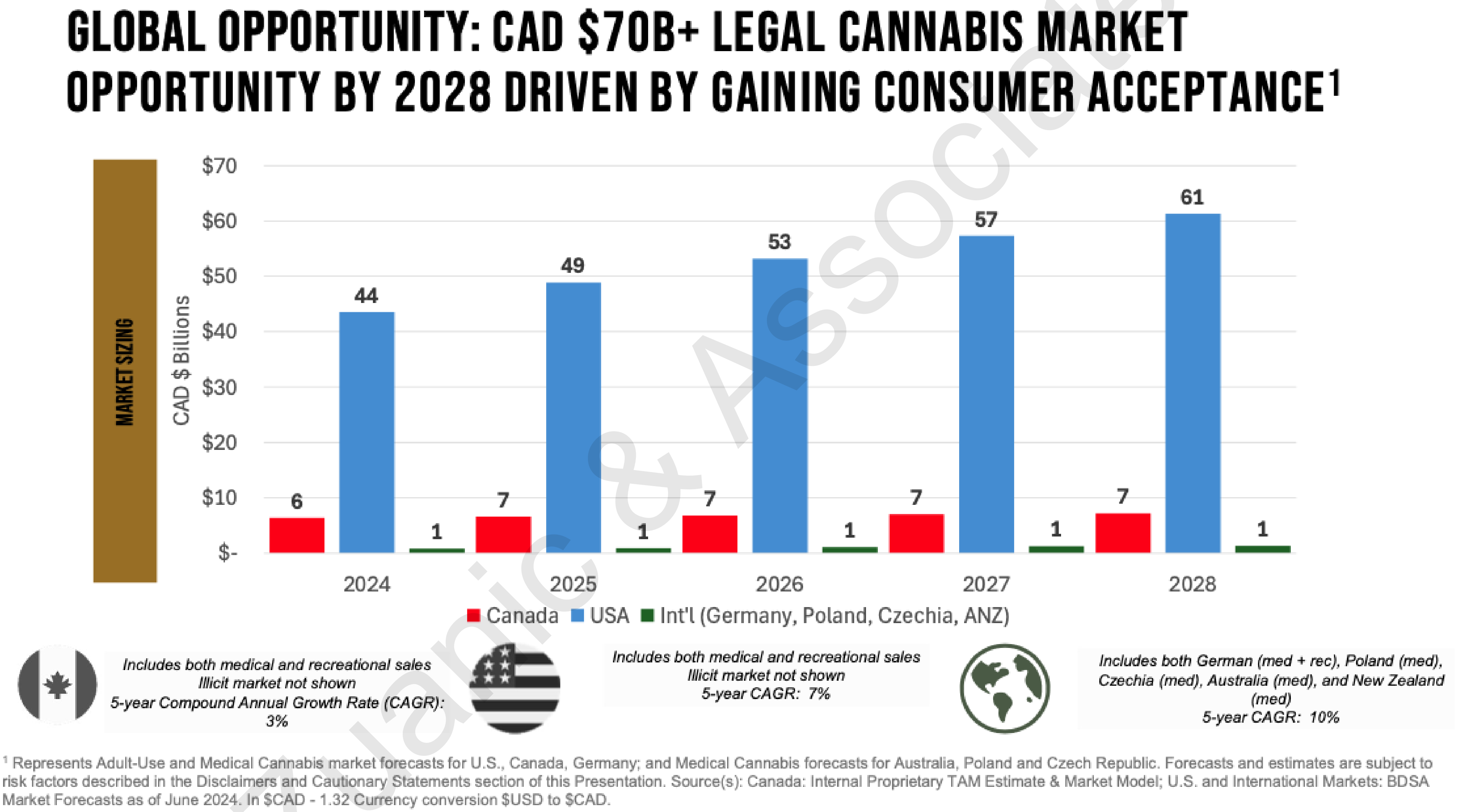
Source: FactSet

Exhibit 12: Cannabis Focus



Source: FactSet

Exhibit 13: Global TAM per CGC



Source: FactSet

Appendix IV: Bio and Disclaimers

Analyst Bio

Pablo Zuanic is a well-known and highly rated equity analyst following the cannabis and psychedelics sector. Over the past 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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