



1/10/2024

# StateHouse Holdings (STHZF)

Initiation of coverage: Neutral

## Key Highlights:

- StateHouse is among the largest operators in the fragmented CA cannabis industry
- With a solid brand portfolio and 12 stores there, it seeks to consolidate the market
- But a stretched balance sheet and mixed execution so far may limit near term upside
- The removal of 280E would have outsized benefits on STHZF vs. the MSO average
- Still, trading at ~2x EV/Sales and given B/S concerns, we start coverage at Neutral

US\$m				
Sales	FY22	FY23	FY24	FY25
1Q	17.3 A	24.7 A	25.3 E	28.2 E
2Q	34.6 A	25.3 A	26.1 E	29.1 E
3Q	30.8 A	25.5 A	26.7 E	28.7 E
4Q	25.5 A	25.3 E	26.7 E	28.5 E
FY	108.2 A	100.8 E	104.8 E	114.5 E
EBITDA	FY22	FY23	FY24	FY25
1Q	-1.4 A	-2.4 A	1.9 E	3.3 E
2Q	-4.5 A	0.6 A	2.3 E	3.4 E
3Q	-5.3 A	0.5 A	2.6 E	3.7 E
4Q	-4.8 A	0.2 E	2.8 E	3.9 E
FY	-15.9 A	-1.0 E	9.6 E	14.3 E

FCF			
	FY23	FY24	FY25
1Q	-1.5 A	-5.5 E	1.4 E
2Q	3.6 A	-1.8 E	-2.6 E
3Q	0.6 A	-3.1 E	-8.1 E
4Q	-8.7 E	-5.2 E	-7.6 E
FY	-5.9 E	-15.5 E	-16.9 E
Net Debt			
	FY23	FY24	FY25
1Q	0.0 A	-128.3 E	-137.0 E
2Q	-109.0 A	-130.1 E	-139.6 E
3Q	-114.2 A	-133.2 E	-147.7 E
4Q	-122.9 E	-138.4 E	-155.3 E

Share price (US\$)	\$0.03	Rating	Neutral
Share count (mn)	396.6	Price target	No PT
Market Cap (US\$m)	12	Fiscal Year	Dec
Ticker	STHZF		

Performance	STATEHOUSE	MSOS	S&P500
30d	36%	1%	3%
90d	-50%	5%	9%
1yr	-69%	7%	22%

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## Investment Summary

**We initiate coverage of StateHouse Holdings Inc. (STHZF) with a Neutral rating.** Whether one takes the bull or bear case regarding California’s cannabis market, we believe the state is ripe for consolidation, and the more efficient operators, with strong brands, well-performing stores, and strong balance sheets, should be well-placed to benefit. With MSOs exiting the state, we expect consolidation (to take place via M&A but also from attrition) to be led by the larger cannabis groups within the state and we would include StateHouse among these (in fact, StateHouse is the result of a 3-way merger). However, B/S issues (1.1x net debt to sales; net interest expense 16% of sales, break-even cashflow) may hamper the company’s ability to execute on this vision in the near term, and with the stock valued at ~2x current sales (well above the comparable peer group), we rate STHZF Neutral at this point.

**California: the over and under.** At >\$5Bn in retail sales (before factoring sales taxes), CA is the largest cannabis market in the US, it has runway for growth (legal per cap spend about 1/3 of MI), it is under stored, and retail prices as well as retailer spreads are above most states in the west. The state has shown brands matter (ex-flower), with leading brands garnering stickiness and translatability (licensing) to other states. With the CA market, top down, still mostly fragmented, and vertical integration not as commonplace as in other states, we see opportunities for leading companies to gain share over time (both in brands and retail stores), organically and via M&A. All this said, industry growth (as well as profitability) has been hampered by high sales taxes (as much as 40% in some cases), low store density vs. other matured states (partly due to municipal restrictions), lax enforcement of illicit retail stores and of the grey market’s supply chain (we estimate the illicit market accounts for >2/3 of consumption in the state), and generally more red tape. As per the official data, Jan-Sep sales fell 4% yoy, after a 7% drop in 2022 (sales peaked in 2021 at \$5.8Bn) and Headset projects a 4% QoQ drop for 4Q23. Wholesale prices of \$730/lb (mid Dec, as per Cannabis Benchmarks) are the lowest in the US. Negatives aside, we believe the state is ripe for consolidation, with companies with the right balance of brands, well-located storefronts, and vertically integrated operations, in good position to benefit and expand. For the latter, balance sheet strength and capital access will be key.

**On the StateHouse strategic vision, and execution so far.** “As the CA market continues to develop, management sees potential growth in well-known retail dispensaries, as well as cannabis products that are trusted by consumers and which are focused on specific consumer demographics”. Cost savings, merger synergies, selling more own branded product (both at retail and wholesale), and fine tuning both the store and brand portfolio, are key components of the company’s strategy as it tries to bring down debt. During 3Q, half of revenues came from the company’s store network and the balance from sales to 3<sup>rd</sup> party stores and producers. The StateHouse brands rank top 10 in the state in edibles pre-rolls, and flower, and have shown share gain momentum in recent months as per Headset. The company makes 70% gross margins on own brand products sold at the company’s own stores (own brands are 50% of company store sales) and distributes its brands to about 600 dispensaries (80% of production is sold via 3<sup>rd</sup> party stores). However, market challenges (competitive, and crime-related in some cases) have halved sales at some of the company’s best performing stores, and management now plans to sell about a third of its 12



remaining stores in CA before expanding again (sales at the company's retail stores fell 20% yoy in 3Q23). Also, our county-by-county analysis implies the company's store network is under performing its respective local markets. On the other hand, the company's greenhouses and production facilities are among the best in the state (to the level its grow know-how is in demand), with own branded flower garnering prices above those of say, Glass House, and the suite of STHZF brands ranking among the 8 top groups in the state. Management notes strong demand for its edibles and pre-roll lines.

**Finding new sources of revenue, both in an asset light manner and with strategic optionality.**

The company has started a management service offering to consult with and manage cultivation facilities owned by 3<sup>rd</sup> parties. While the focus is on cultivation, in some cases StateHouse can also bring the client's products to its own distribution platform, and down the line it may directly invest in the client's brands (either via equity stakes or taking full control). The approach would not be limited just to CA, and it could also be used in other states ("Midwest"). The company has already onboarded two clients in CA with a 3<sup>rd</sup> in the pipeline, plus two more outside the state. StateHouse gets paid a monthly fee, a services fee, and in some cases may sell its genetics to these clients. Given, the company reaches as many as 600 stores, it can also help these clients with distribution. In short, these initiatives help with cash flow generation in the short and medium term and may trigger strategic opportunities down the road. In addition, other sources of revenue growth may include the company's white label business (it has room to expand cultivation by as much as 4x) and by onboarding other 3<sup>rd</sup> party brands to sell through its retail and 3<sup>rd</sup> party distribution network (done via Nabis, which operates on a commission basis).

**The financial picture.** Despite revenues falling 17% yoy in 3Q23, the company has made significant progress in profitability (gross margins increased from 900bp yoy to 45% in 3Q23) and cash flow (OCF of +\$1.2Mn in 3Q23 compares with -\$10.7Mn in 3Q22). Still, StateHouse ended 3Q23 with \$114Mn in net debt (at 1.1x sales, this is among the highest in the MSO group), with cash at \$2Mn and debt booked at \$116Mn (interest expense of \$4.2Mn was 16% of sales). As per the latest restructurings (which resulted in 35% shareholder dilution with warrants issued almost at the money), debt repayments are as follows: \$34Mn in 2025 (Feb/Apr), \$6Mn in 2026, and \$81Mn in 2027. In the context of \$10Mn in annualized operating cash flow (taking the last two quarters), the company may need to restructure debt repayments again. Yes, the company is controlling what it can (efficiencies, synergies, product mix, more in house product, MSA revenue) and plans asset divestitures, but further shareholder dilution is a risk. Certainly, the removal of 280E would give a big boost to the company's financial position (see our [Financial Upside from Rescheduling](#) report).

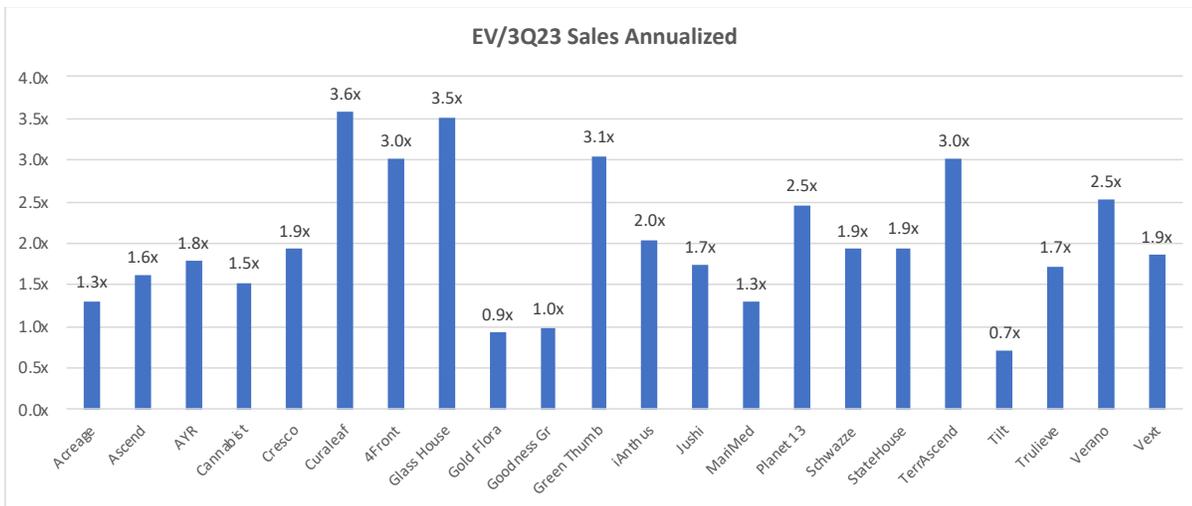
**Valuation.** We calculate a spot EV of \$198Mn, which means StateHouse trades at 1.9x current sales, well above comparable peers. In the share count, we include 255.6mn common shares, 4.7mn RSUs, and 136.3mn warrants with a strike price of \$0.05 (we include the eventual cash inflow in the EV); so, at the current share price of \$0.03 we calculate a market cap of \$11.9Mn (\$0.03 x 396.6mn). Financial net debt is \$114.2Mn, but we also include in the EV math \$39Mn in ST income tax payables, \$24Mn in excise taxes payable, \$13Mn in leases net of right of use assets, and \$2Mn in minority interest. We also factor the eventual cash inflow of \$6.8Mn from the \$0.05 warrants. While it could be said the stock is a deleveraging story, at the current cash flow pace that would not be an accurate statement. We realize the company is focused on profitability and cash



flow (yes, the various service agreements carry minimal cost and investment, and flow straight to the bottom line), and potential asset divestitures, should all help reduce the debt load over time. But the risk of further dilution is there, especially given \$34Mn in debt due between Feb and April 2025. Also, in our view, the company’s ability to expand via M&A with stock (buying profitable stores) is limited, as the high debt makes the company’s stock less preferable. Could STHZF be an acquisition target? We review this below.

- The bull case:** If CA were to “only” close half of the per capita gap with Michigan, it would be a \$9Bn market (for modelling purposes, we project \$5.5Bn by 2026). The largest player in CA (STIIIZY) has a combined ~8% market share. In our projections, we assume STHZF’s brands garner share of 2% by 2026, and we assume the company’s stores (50% owned brands) reach 1.2% retail share by 2026. But if on the \$9Bn assumption, we took a 4% blended retail/wholesale market share for STHZF (i.e., \$360Mn in revenues), 20% EBITDA margins, and 15x EBITDA, then the company’s EV would be \$1.08Bn (>5x the current EV), or more than \$2.25 per share (>50x current levels). We see a full break-up creating less value (with stores only selling at 0.5x sales, and what we see as a “mixed” brand portfolio), although in the event of a merger, some of the company’s brands (especially, Smokiez, Kingpen, and Dime Bag), some of the stores, and its cultivation/production units should be of value.
- The bear case:** From a technical perspective, the stock runs the risk of being overlooked among the myriad of US plant touching stocks, given investors’ focus on license restricted states, concerns (on the surface) about the structure of the CA market, and STHZF’s balance sheet structure. From a fundamental perspective, the main risk is that the market in California worsens, as more stores open that those new stores do not add to market growth (damaging retailer economics), and prices come down further (due to the mix of increased legal competition, more legal product finding its way to the illicit market, and increased supply of hemp derivatives).

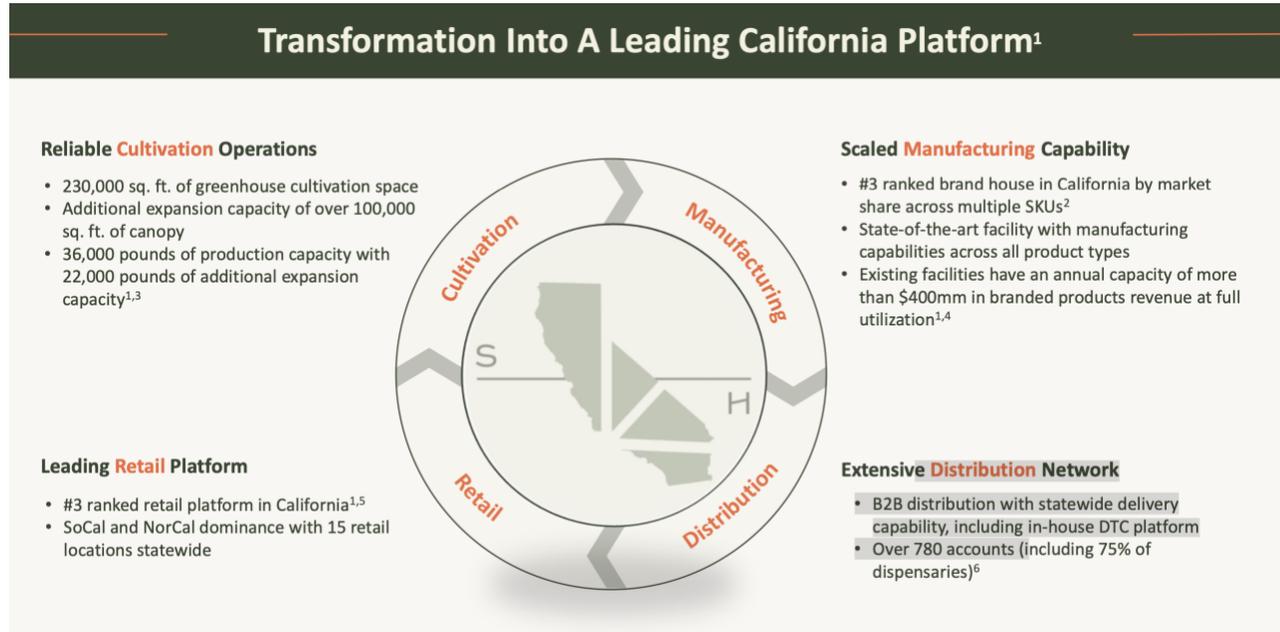
Table 1: EV to Current Sales



Source: FactSet; company reports



Table 2: Company Vision



Source: Company reports

Table 3: Company Highlights as per Management

### StateHouse Holdings: Consolidating California

**Immediate scale achieved** with estimated combined pro forma 2021 revenue of \$190mm<sup>1,2</sup>

**Positioned to lead** in the largest cannabis market in the world as a reliable vertically integrated operating platform

**Top three retail platform in California** under one unified banner with further planned expansion

**Leading cultivation and manufacturing capabilities** drive strong operating performance

**Portfolio of established brands** with strong market positions

**Experienced and motivated executive team** with extensive experience in leading successful CPG and cannabis companies

**Growth drivers** in California’s fragmented industry include retail and brand acquisitions, license applications and organic brand growth

Source: Company reports

**Note:** StateHouse’s common shares transitioned to the OTCQB Venture Market after market close on 8/18/23, from the OTCQX Best Market. The common shares will continue to trade under the symbol “STHZF” on the OTCQB and on the CSE under the symbol “STHZ”.



## Current Footprint and Brand Portfolio

StateHouse Holdings is a vertically integrated operator generating the bulk of revenue from CA; the company is the result of M&A activity that brought together retail plus production from three companies: Harborside, Urbn Leaf, and Loudpack. We believe the California market is ripe for consolidation, and those operators that can bring together leading brands, well-performing stores, and low-cost quality cultivation and production, should benefit over time (provided they have a strong balance sheet and access to capital).

**Company strategy.** As per the company vision, “the California cannabis market is challenging with many of the largest multi-state operators choosing to focus on other states. As a California focused operator, the company sees an opportunity to create one of the largest and most profitable companies in the world’s largest cannabis market. By consolidating and increasing its market share in CA, the company aims to position itself as a prime target for acquisition by multi-state operators that may enter the market in the future”. With the patchwork of differing laws and inability to ship products across state lines, it has historically been difficult to scale a cannabis business across multiple states. The company believes that the geographic and economic size of the California cannabis market, combined with the difficulties of operating in multiple states, supports the company’s focus on California (i.e., in a future context of interstate trade, STHZF’s know how and ability to produce at scale would be key advantages).

Table 4: Opportunities in California



Source: Company reports



### Regarding the company's operations,

- **Retail:** The company operated a total of 14 stores in 3Q23, 13 in CA (one has been shut since then) and one in OR. Of the 12 CA stores, it fully owns ten, has an 80% stake in one, and operates a store under an MSA. Of the 12 CA stores, seven were in SoCal operating under the Urbn Leaf banner, and five were in northern CA (Harborside banner). Based on 3Q23 figures, we estimate these stores are yielding \$4Mn per annum (\$4.3Mn if we assume zero for the OR store), which is below the CA average of \$4.2M. We review the retail unit later in more detail, but based on average revenue/county data, we estimate that the company's CA stores should be generating sales of \$8Mn pa vs. ~\$4Mn now. The company also offers delivery services in the areas of San Francisco Bay area, Grover Beach, and Bay Park (via an integrated ecommerce platform).
- **Cultivation/Production:** The company operates a cultivation and production facility in Salinas CA, in an area covering 47 acres, of which 11 acres include five light deprivation greenhouses with a total 200,00 sq ft of licensed cannabis cultivation (155K for flowering plants and 45K for nursery space). According to management, StateHouse employs "a progressive approach to cannabis cultivation, based on a science-based methodology from traditional horticulture". The company also owns a production facility in Greenfield CA (55K sq ft), where it produces most of its non-flower branded lines. Greenfield has permits for cultivation, but at present the facility is only being used for production.
- **Brands:** The company owns several brands, of which the top 3 are Dime Bag, King Pen, and Smokiez, according to Headset. Other brands are Fuzzies, King Roll, and Loudpack. That said, the company also has house brands like Urbn Leaf. Owned brands accounted for 50% of retail sales at StateHouse stores, compared with 21% at Gold Flora stores in 3Q23 (Gold Flora aims for 30%).
- **Revenue mix context:** GlassHouse posted \$48Mn in 3Q23 sales vs. \$25Mn for StateHouse and \$32Mn for Gold Flora. Retail contributed \$10Mn in sales for GlassHouse (4 stores) or 21% of sales, compared with \$13Mn at StateHouse (14 stores, 52% of sales), and \$28Mn at Gold Flora (17 stores, 88% of sales). StateHouse sales to 3<sup>rd</sup> parties (i.e., sold wholesale to 3<sup>rd</sup> party stores) of \$12Mn (48% of sales) compared with only \$3Mn at Gold Flora (GlassHouse \$38Mn wholesale revenue include biomass, and the Glass House brand itself operates mostly in the flower segment).

## On the Company's Store Network

**Retail strategy: rationalization.** The company has pruned the CA store network to 12 locations now (from 14 back in January), with Oakland being the best performing store (\$15Mn pa), followed by two in San Diego (Bay Park) yielding <\$8Mn pa, and a San Francisco store (\$7Mn). We estimate these four stores account for close to three quarters of the company's retail revenues. But some of the company's legacy locations have suffered from new competition (in municipalities that were not expected to add more retail licenses) as well as from increased crime. The Oakland store,



where sales have dropped from \$30Mn to \$15Mn, suffered a robbery in July. We understand the Bay Park stores have also seen sales fall. As a result, management is looking at rationalizing the store portfolio. It recently closed the Seaside store, which was doing only \$1mn pa (Seaside started with only 4 licensees but later expanded to 12) and prior to that it had closed the Redwood City store. But, over time, it also plans to add stores via M&A in more desirable areas. Indeed, given gross margins can reach 70% on own brand products sold at company stores, the goal is to net expand the retail network over time (say, cut 4 stores, and then add 4-6). Prices for new stores on average run at >0.5x sales (with the less desirable ones being sold at ~0.2x sales); it can pay with seller notes, stock, or even by bartering with product.

Table 5: StateHouse’s retail network



Source: Company reports

As we explain below, based on local sales growth trends and average revenue per store, only two (San Diego, San Luis Obispo) of the nine counties where StateHouse has retail stores, are what we could call “well-performing” counties. In addition, the county sales data (crossed with the # of licensed stores) implies the company’s stores generate sales only about half of what they should command based on their locations.

**Subpar performance.** As per our calculations, the StateHouse stores are underperforming their respective markets. If we take \$ sales by county for 3Q23 (total market sales by county, as reported by the state’s official data) divided by the number of active store licenses, StateHouse should be generating \$28Mn in retail sales per qtr, but in 3Q23 it only posted retail sales of \$13.2Mn. That said, the Oakland store does about 2x the Alameda county average, and the Bay Park stores seem



to be in line with the San Diego county average, which means the underperformance of the other stores is even worse (we took 13 CA stores for the analysis below given Seaside was still open).

**Table 6: StateHouse Retail Network in CA (see appendix for more details)**

StateHouse store network					Data for the county (not for the company)				Implied Rev \$Mn	
Municipality	# of co. stores	County			revenue / store	total stores	population mn	stores per 1mn pop		
San Francisco	1	San Francisco	Harborside	80%-owned	2.9	74	0.83	89	2.9	
<del>Redwood City</del>		<del>San Mateo</del>	<del>closed</del>		4.2	12	0.74	16		
Oakland	1	Alameda	Harborside	fully-owned	6.8	37	1.64	23	6.8	
San Leandro	1	Alameda	Harborside	fully-owned	6.8	37	1.64	23	6.8	
San Jose	1	Santa Clara	Harborside	fully-owned	21.0	9	1.89	5	21.0	
San Jose	1	Santa Clara	Urbn Leaf	fully-owned	21.0	9	1.89	5	21.0	
<del>Seaside</del>	<del>1</del>	<del>Monterey</del>	<del>closed</del>	fully-owned	2.9	23	0.43	53	2.9	
Grover Beach	1	San Luis Obispo	Urbn Leaf	fully-owned	7.0	9	0.28	32	7.0	
West Hollywood	1	Los Angeles	Urbn Leaf	MSA	3.3	384	9.76	39	3.3	
Desert Hot Springs	1	Riverside	Harborside	fully-owned	2.8	131	2.44	54	2.8	
Vista	1	San Diego	Urbn Leaf	fully-owned	7.7	71	3.27	22	7.7	
La Mesa	1	San Diego	Urbn Leaf	fully-owned	7.7	71	3.27	22	7.7	
San Diego	1	San Diego	Urbn Leaf	fully-owned	7.7	71	3.27	22	7.7	
San Ysidro	1	San Diego	Urbn Leaf	fully-owned	7.7	71	3.27	22	7.7	
<b>Total stores</b>	<b>13</b>							<b>Implied total -&gt;</b>	<b>105.2</b>	
					<i>StateHouse actual 3Q retail revenues</i>	13.2			<i>Implied per qtr -&gt;</i>	26.3
					<i>rev per store per annum (taking 13 stores for 3Q23)</i>	4.1			<i>Impied rev/store pa -&gt;</i>	8.1

Note: Analysis based on 3Q23 sales. Source: Company reports; Z&A calculations

**Market analysis by county.** At the end of Dec 2023, StateHouse was operating 12 stores in seven different counties (north: San Francisco, Alameda, Santa Clara; center: San Luis Obispo; south: Los Angeles, Riverside, San Diego). Of these, revenue per store (at the county level, not the company level necessarily), was highest in Santa Clara, followed by San Diego, San Luis Obispo, and Alameda. But we note YTD sales fell more in Santa Clara (-8%) and Alameda (-11%) counties, compared with the state average drop of 4%. Note: Of the 16 largest counties in CA, Alameda has the highest property crime rate (second only to San Francisco County).

- **San Diego (StateHouse has 4 stores in this county).** There are 71 stores in the county, but relative to population, this is one of the least dense counties in the state (21 stores per 1mn people). As a result, average revenue per store of \$8.4Mn is 2x the state average. Interestingly, despite low store density, per capita spend is well above the state average (\$169 vs. \$130). So, in general, this is an attractive county. That said, active license stores increased from 67 to 71 between Sep and Dec, while Jan-Sep sales were down 4% (in line with the state average decline), pointing to some dilution in rev/store.
- **Alameda (2).** Sales are down 11% YTD in the county (encompasses Berkeley, Oakland, and other municipalities). But rev/store remains near 2x the state average (\$7Mn vs. \$4Mn) and per cap spend is also above (\$151 vs. \$132). Store density is like that in San Diego County (21 stores per 1mn people) and below the state average (31).
- **Santa Clara (2).** This is one of most license restricted counties, with only nine stores (i.e., 5 stores per 1mn people vs. the state average of 32). As a result, rev/store of \$21Mn is



the state's highest. The low number of stores is reflected in subpar per cap spend (\$96). Sales are down 8% YTD.

- **San Francisco (1).** Sales are down 5% YTD. With 83 stores per 1mn people, rev/store of \$2.9Mn is well below the state average.
- **Los Angeles (1).** Sales are down 10% YTD compared with -4% for the state; we believe this is explained by more store openings in nearby counties (Orange) and municipalities. Per cap spend remains mostly in line with the state average (\$135 vs. \$132). Rev per store is only \$3.5Mn (store density is 38 per 1mn people).
- **Riverside (1).** YTD sales are down 9%, but per cap spend remains above the state average (\$148 vs. \$130). The county has greater store density than the average (53 stores per 1mn people vs. 32 for the state); as a result, revenue per store is well below the state average (\$2.9M vs. \$4Mn).
- **San Luis Obispo (1).** Sales YTD are down only 1% (vs. -4% for the state). Rev per store of \$7Mn is above the state average of \$4Mn, even though store density is in line (31). In part, this is explained by much higher per cap spend (\$222 vs. \$132)
- **Monterey (1 store, but this was recently closed).** Sales are down 11% YTD (per cap spend is \$150). Store density is an issue at 52 stores per 1mn people, and revenue per store is only \$2.9Mn pa. The company store was underperforming with only \$1Mn rev pa.

Putting it all together, if we judge "county quality" based on revenue per store (Santa Clara, San Diego, Alameda, San Luis Obispo) and YTD growth (only San Luis Obispo is outperforming, with San Diego down in line with the state average), we would say of the company's seven counties, only San Diego (4 stores of 13) and San Luis Obispo (1) screen well at present.

## Brands and Cultivation

**Management's take:** While STHZF has invested significantly to scale its cultivation operations, management believes that "unbranded wholesale cannabis flower prices are being negatively impacted by continued competition from the illicit market and commoditization as production capacity increases across California". As such, scale alone will not be sufficient to mitigate this risk. It "will be necessary to develop trusted, branded products to increase market share and retain customer loyalty". Improving quality and yields will further protect operating margins as the wholesale price of unbranded flower and trim fluctuates. For this reason, the company will consider investment opportunities to enhance its branded product offerings. In addition, the company recognizes that consumer purchasing habits are gradually trending in favor of manufactured products over flower and expects this trend to continue as new product categories are created and existing manufactured products are improved. Given the trend in favor of manufactured and branded products, the company intends to prioritize the development of manufactured products under its own brands that are offered for sale through its own retail operations as well as through other retailers in California.

**Current set up.** About 20% of the production output goes to the company’s own stores, with the balance sold to 3<sup>rd</sup> party stores, either under company brands or white label. Leading brands in the STHZF portfolio include Dime Bag, King Pen, and Smokiez. Urbn Leaf is only used as a house brand, and accounts for 40% of own brands sold at the company’s stores. Flower accounted for 30% of the \$11Mn in manufacturing revenues in 3Q23 (sales of branded product as well as white label), which proves the strength of the company’s brand portfolio in categories that are generally more consolidated in CA (like edibles and pre-rolls). According to management, the company’s flower brands sell at price points above Glass House (a supposedly low-cost producer). A revamp of Dime Bag had led to sales doubling; it also launched infused pre-rolls. STHZF has underperformed in vape, but new vape machinery (from Ispire) may help narrow the share gap with peers. StateHouse relies on Nabis for distribution (reaching about 600 stores), with the latter working on a commission basis, and STHZF taking the AR risk. As per Headset, STHZF ranks #8.

Table 7: Sales by Brands at Retail (CA)

Total Sales \$Mn	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23
<b>Total Market</b>	<b>1,304.3</b>	<b>1,253.2</b>	<b>1,237.2</b>	<b>5,085.5</b>	<b>1,193.5</b>	<b>1,190.4</b>	<b>1,120.8</b>
STIIIZY	84.1	95.7	93.2	99.4	93.5	96.6	97.6
Jeeter	43.8	52.4	53.9	49.4	40.1	42.4	38.5
Kiva	44.4	46.0	43.7	49.1	45.6	41.9	37.2
West Coast Cure	8.8	14.2	18.9	25.2	32.0	34.7	33.2
WYLD	30.5	33.5	31.1	31.3	30.1	30.5	31.7
House Brand	36.8	35.9	31.5	42.6	43.6	35.6	30.8
Raw Garden	45.7	43.0	40.6	38.7	34.5	36.2	30.4
StateHouse	44.8	34.9	25.0	20.2	19.0	21.5	22.2
Heavy Hitters	27.1	26.2	23.3	22.6	19.9	20.7	22.1
CannaBiotix (CBX)	21.1	21.9	22.2	20.0	16.2	17.9	18.2

Source: Headset

Table 8: Key formats

## Focusing Where it Counts

**Pre-roll Sales**  
One of the fastest-growing segments of the California Cannabis market

**+21.3%**  
Growth in pre-roll sales in California in Q1 2022 compared to the same period last year<sup>1</sup>

**14.2%**  
Pre-roll market share in Q1 2022 compared to 11.0% during the same period last year – the single best performing cannabis market segment in the state<sup>1</sup>

**StateHouse**  
Strong position in pre-rolls

Fuzzies, Kingroll infused pre-rolls and Urbn Leaf pre-rolls are currently top sellers in the Company’s stores

**Pre-Roll Market Share<sup>2</sup>**

**12.8%**  
Statehouse market share in the pre-roll category<sup>2</sup>, second only to Jeeter and substantially ahead of all other competitors

Source: Company reports



Table 9: StateHouse Brands vs. Leading Brands in Edibles and Vape

	Edibles	vs. avg	Share Rank	Segment Share		Vape	vs. avg	Share Rank	Segment Share
<b>\$/gram</b>	<b>0.16</b>				<b>\$/gram</b>	<b>30.20</b>			
<b>Leading Brands</b>					<b>Leading Brands</b>				
Kiva	0.18	13%	1	28.9%	STIIIZY	35.49	18%	1	24.2%
WYLD	0.17	8%	2	24.6%	Raw Garden	29.37	-3%	2	24.6%
Kanha / Sunderstorm	0.18	11%	3	9.2%	Plug Play	37.64	25%	3	9.2%
Froot	0.09	-46%	4	4.8%	Heavy Hitters	51.20	70%	4	4.8%
Heavy Hitters	0.18	11%	5	4.3%	West Coast Cure	20.61	-32%	5	4.3%
Plus	0.20	27%	6	3.6%	Jetty Extracts	34.04	13%	6	3.6%
Smokiez Edibles	0.15	-4%	7	2.3%	Gelato	23.49	-22%	7	2.3%
Good Tide	0.17	7%	8	1.9%	Kurvana	56.76	88%	8	1.9%
Highatus	0.14	-14%	9	1.5%	Turn	26.18	-13%	9	1.5%
Emerald Sky	0.13	-22%	10	1.3%	Jeeter	30.91	2%	10	1.3%
Clscics	0.16	-1%	11	1.2%	Cold Fire	42.46	41%	11	1.2%
Space Gem	0.21	30%	12	1.0%	Rove	37.99	26%	12	1.0%
Dr. Norm's	0.15	-9%	13	1.0%	Bloom	42.36	40%	13	1.0%
STIIIZY	0.13	-21%	14	0.8%	Sauce Essentials	36.29	20%	14	0.8%
<b>Gold Flora</b>				<b>0.4%</b>	<b>Gold Flora</b>				<b>1.9%</b>
Cruisers	0.12	-25%	24	0.3%	Aviation	32.49	8%	149	0.03%
Mirayo by Santana	0.15	-6%	55	0.1%	Caliva	19.77	-35%	141	0.03%
<b>StateHouse</b>				<b>2.3%</b>	Cruisers	16.32	-46%	15	1.4%
Smokiez Edibles	0.15	-4%	7	2.3%	Gold Flora	27.25	-10%	57	0.3%
					Jetfuel	20.84	-31%	75	0.1%
					<b>StateHouse</b>				<b>1.2%</b>
					Dime Bag	27.36	-9%	32	0.6%
					Kingpen	32.74	8%	36	0.5%
					Sublime	20.13	-33%	108	0.1%

Source: Headset; Z&A calculations

Table 10: StateHouse Brands vs. Leading Brands in Pre-Rolls and Flower

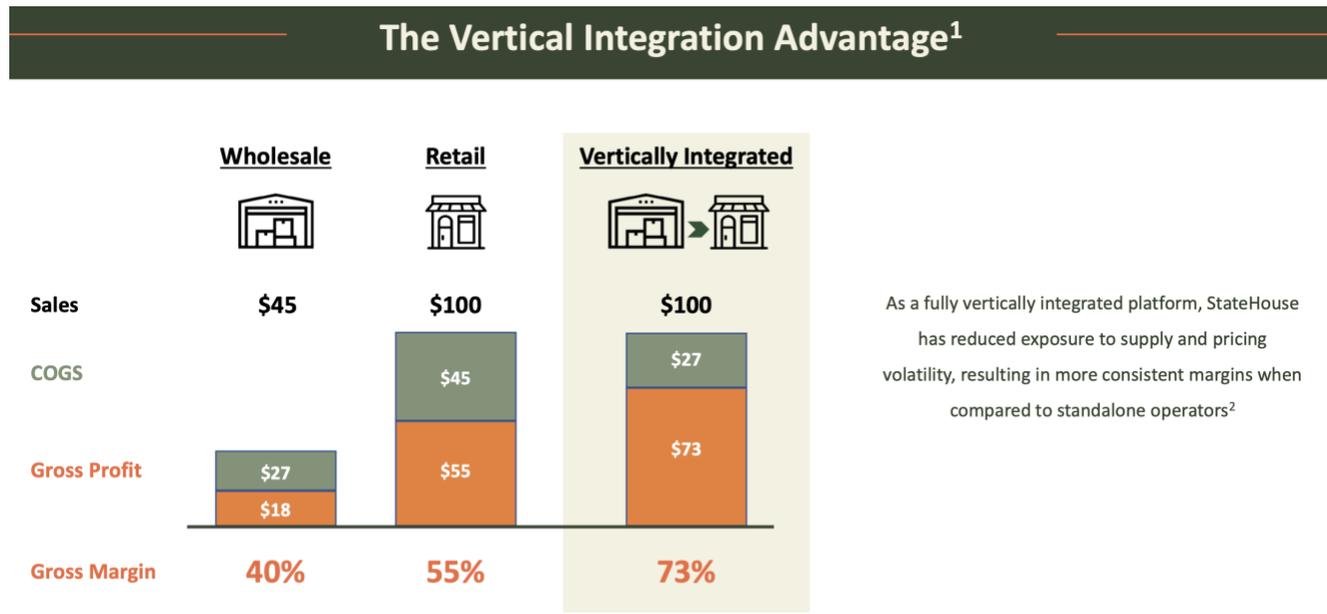
	Pre Rolls	vs. avg	Share Rank	Segment Share		Flower	vs. avg	Share Rank	Segment Share
<b>\$/gram</b>	<b>8.54</b>				<b>\$/gram</b>	<b>5.36</b>			
<b>Leading Brands</b>					<b>Leading Brands</b>				
Jeeter	12.62	48%	1	16.4%	House Brand	4.41	-18%	1	6.6%
STIIIZY	11.50	35%	2	6.3%	CannaBiotix (CBX)	13.78	157%	2	4.0%
Presidential	12.40	45%	3	4.0%	West Coast Cure	4.10	-24%	3	2.9%
Lowell Herb Co / Lowe	7.48	-12%	4	3.7%	Fig Farms	11.28	111%	4	2.3%
West Coast Cure	8.99	5%	5	3.7%	Pacific Stone	3.59	-33%	5	2.3%
Pacific Stone	5.63	-34%	6	3.6%	STIIIZY	5.29	-1%	6	2.1%
Pure Beauty	11.56	35%	7	3.1%	Oakfruitland	6.57	23%	7	2.1%
Claybourne Co.	13.40	57%	8	2.9%	Claybourne Co.	9.69	81%	8	2.1%
Kingpen (formerly 710)	10.72	26%	9	2.6%	Alien Labs	9.48	77%	9	2.0%
Raw Garden	10.74	26%	10	2.1%	Connected Cannabis C	9.35	74%	10	1.8%
Caviar Gold	11.41	34%	11	1.9%	Glass House Farms (C)	4.60	-14%	11	1.8%
Selfies	9.01	5%	12	1.8%	Dime Bag	4.32	-19%	12	1.8%
Heavy Hitters	18.48	116%	13	1.6%	Lolo	4.92	-8%	13	1.7%
Lime	8.73	2%	14	1.5%	UpNorth Humboldt	12.05	125%	14	1.7%
<b>Gold Flora</b>				<b>0.9%</b>	<b>Gold Flora</b>				<b>3.0%</b>
Aviation	10.72	26%	85	0.1%	Aviation	8.08	51%	66	0.4%
Caliva	5.72	-33%	117	0.1%	Caliva	6.38	19%	99	0.2%
Cruisers	6.58	-23%	37	0.6%	Cruisers	3.24	-40%	16	1.3%
Gold Flora	8.17	-4%	162	0.04%	Gold Flora	6.21	16%	79	0.3%
Jetfuel	14.27	67%	298	0.01%	Jetfuel	5.66	6%	54	0.5%
Mirayo by Santana	7.64	-11%	148	0.05%	Mirayo by Santana	4.55	-15%	117	0.2%
Monogram	18.32	115%	228	0.02%	Monogram	14.57	172%	266	0.0%
<b>StateHouse</b>				<b>4.3%</b>	<b>StateHouse</b>				<b>1.9%</b>
Dime Bag	6.11	-28%	23	0.8%	Dime Bag	4.32	-19%	12	1.8%
Kingpen	10.72	26%	9	2.6%	Loudpack	7.01	31%	165	0.1%
Loudpack	8.54	0%	88	0.1%	Sublime	10.7	100%	411	0.0%
Sublime	9.63	13%	29	0.7%					

Source: Headset; Z&A calculations



**Vertical integration benefits.** The company will continue to increase the share of owned products sold through its stores, given the significant benefit to gross margins. Also, this is a way to compensate for overall market deflation. Management thinks the recent “rebound” in market flower prices may be short lived. In terms of the cultivation landscape in the state, some smaller private operators may decide to not renew their annual licenses (saving \$100,000) but may continue to grow and funnel product to the illicit market. That said, a poor October crop (mold, weather issues) has resulted in prices stabilizing (and this should be sustained through next summer) for now.

Table 11: Vertical Integration Benefits



Source: Company reports



## The California Cannabis Market

At >\$5Bn in retail sales (before factoring sales taxes), CA is the largest cannabis market in the US. We believe the state is ripe for consolidation, with companies with the right balance of brands, well-located storefronts, and vertically integrated operations, in good position to benefit. For the latter, balance sheet strength and capital access will be key. Gold Flora ended Sep with \$32Mn in cash and net debt is only 0.1x sales.

Table 12: Management’s View of the CA Market



Source: Company reports

**Growth trends and per capita comps.** At >\$5Bn in retail sales (before factoring sales taxes), CA is the largest cannabis market in the US, but the state lags most other rec states in per capita spend.

- CA \$130 per cap spend is well below \$330 in MI and \$270 in MA, and even below states that only recently went rec: MO \$230, MD \$180. High sales taxes (as much as 40% in some cases), low store density vs. other matured states (partly due to municipal restrictions), lax enforcement of illicit retail stores, and generally more red tape, all in part explain the state’s low per capita.
- In theory, we could argue the state has significant runway for growth, provided change comes. Jan-Sep sales are down 4.3% yoy, after a 7% drop in 2022 (sales peaked in 2021 at \$5.8Bn). Bigger picture, the official data confirms what we have seen in other matured states: a large boost in CY21 due to stimulus and stay at home mandates, with sales in CY21 up 23% yoy (yes, partly a recovery from a depressed COVID base in 2020), and then drops after that (-7% yoy in CY22 and -4.3% yoy for Jan-Sep 2023).



- Headset projects a 4% QoQ drop for 4Q23 (equivalent to -10% yoy), but we would qualify that estimate based on their recent estimates (projected -11% yoy for 3Q23, but sales only fell 4%). We believe sales are starting to stabilize.

**Category Color.** During 3Q23, market mix was flower 34%, vape 26%, pre-rolls 18%, edibles 11%, and concentrates 6% (the rest: drinks 2%; capsules 2%, tinctures 1%, topical 1%). While the overall market fell 6% yoy in 3Q23 (and -4.3% for the Jan-Sep period), trends varied across formats. Flower and concentrates both fell in the low-teens; vape was down mid-single digits; edibles flat; and pre-rolls were up low-single digits. At the brand level, flower remains a highly fragmented category (the #1 brand only has 3.7% share, and only five brands are above 2%), while manufactured lines like edibles (Kiva 30%; WYLD 22%) and vape (STIIIZY 24%) are concentrated; in pre-rolls, Jeeter is a distant #1 with 17% share, more than 3x the next player.

- **Flower** (34% of the CA market): Sales fell 16% yoy in 3Q23, and fell 16% too YTD for Jan-Sep. The decline was price driven, with average rev/gram down 18% YTD. Flower accounted for as much as 48% of the CA market back in 3Q20 (time of COVID lockdowns), but it was 34% of the market in 3Q23, as per Headset.
- **Vape** (26%). Sales fell 4% yoy in 3Q23 and were down 9% for the Jan-Sep period. In YTD terms, prices fell 18%, which means volumes were up mid-single digits. As a % of the market, vape has remained mostly stable (22% in 2020).
- **Pre-rolls** (18%). Sales fell 1% yoy in 3Q23 and were up +1% for the Jan-Sep period yoy. Volumes were up, with prices down 13% for the Jan-Sep period. Pre-rolls have gained share, and now account for 18% of total sales vs. 10% in 1Q20).
- **Edibles** (11%). Sales fell 6% yoy in 3Q23 and were down 4% for the Jan-Sep period. The decline in sales was mostly price-driven, with rev/gram down mid-single digits yoy both in 3Q23 and YTD.
- **Other formats:** Concentrates were 6% of sales; drinks and capsules each accounted for 2% of sales; tinctures and topicals were each 1% of sales. In YTD Jan-Sep terms, sales for concentrates fell 17%, beverages +7%, capsules -1%, topicals -15%, and tinctures -26%.

**County Color.** Per capita spend by county varies, partly on accessibility (store density, delivery rules). Among the 10 largest counties by sales (which account for 73% of sales and for 72% of the state's population), per cap spend goes from \$60 in San Bernardino and \$85 in Orange, to \$238 in Stanislaus and \$241 in San Francisco. Interestingly, while Jan-Sep sales were down 4.3% yoy, sales in the top 10 counties (by sales) fell 8% and were up 7% in the rest. We attribute the latter to more townships allowing rec retailing, and to some townships issuing more permits too. Re the top ten counties by sales, Jan-Sep yoy growth was as follows,

- Worst performers: Alameda -11%, Stanislaus -11%, Los Angeles -10%, Riverside -9%, Sacramento -8%, Santa Clara -8%.
- Down MSD: San Francisco -5%, San Diego -4%, San Bernardino -4%, Orange -1%.

## Economics

Normally, the focus has been on CA’s lower flower wholesale prices, but we think that does not capture the whole picture, given a) the mix of outdoor, greenhouse, and indoor growth; b) retail flower prices well above the average for western states; and c) CA’s superior flower spreads vs. western states.

**Table 13: CA retail flower prices and spreads vs. other rec states**

	Flower prices \$/gram			Flower cost \$/gram			Flower spread \$/gram			Flower gross margins %	
	3Q22	3Q23	yoy ch	3Q22	3Q23	yoy ch	3Q22	3Q23	yoy ch	3Q22	3Q23
Arizona	5.45	4.24	-22%	2.98	2.33	-22%	2.47	1.90	-23%	45%	45%
California	6.34	5.36	-15%	3.04	2.65	-13%	3.30	2.71	-18%	52%	51%
Colorado	3.42	3.35	-2%	1.41	1.33	-5%	2.01	2.01	0%	59%	60%
Illinois	10.73	8.15	-24%	6.01	4.70	-22%	4.72	3.45	-27%	44%	42%
Massachusetts	9.25	5.80	-37%	3.93	2.85	-28%	5.32	2.95	-45%	58%	51%
Maryland	na	9.43	na	na	4.91	na	na	4.52	na	na	48%
Michigan	4.40	3.54	-20%	2.51	2.01	-20%	1.89	1.53	-19%	43%	43%
Nevada	6.66	6.37	-4%	3.45	3.42	-1%	3.22	2.94	-9%	48%	46%
Oregon	3.98	3.86	-3%	1.24	1.40	13%	2.74	2.45	-10%	69%	64%
Washington	3.69	3.31	-10%	2.01	1.79	-11%	1.68	1.52	-9%	45%	46%

Source: Headset; Z&A calculations

**Table 14: CA retail prices by formats vs. other states**

\$/gram	AZ	CA	CO	IL	MA	MD	MI	NV	OR	WA	CA vs. West	West avg
3Q23												
Beverage	0.12	0.08	0.19	0.22	0.43	0.19	0.13	0.10	0.07	0.08	-22%	0.11
Capsules	0.08	0.06	0.20	0.26	0.30	0.08	0.13	0.11	na	0.14	-50%	0.12
Concentrates	18.04	19.59	14.01	38.13	38.52	34.71	12.79	23.78	12.41	9.46	21%	16.21
Edible	0.10	0.16	0.16	0.21	0.22	0.18	0.05	0.18	0.09	0.16	11%	0.14
Flower	4.24	5.36	3.35	8.15	5.80	9.43	3.54	6.37	3.85	3.31	22%	4.41
Pre-Roll	9.80	8.54	7.36	13.25	10.26	12.96	6.04	11.49	3.86	3.67	15%	7.45
Tinctures	0.09	0.08	0.30	0.32	0.20	0.10	0.09	0.08	0.05	0.29	-48%	0.15
Topical	0.13	0.19	0.10	0.39	0.13	0.30	0.06	0.18	0.10	0.03	54%	0.12
Vape	34.62	30.20	29.78	64.96	47.69	54.29	15.08	48.24	22.99	19.70	-2%	30.92

Source: Headset; Z&A calculations

Note,

- Wholesale prices of \$730/lb (mid Dec, as per Cannabis Benchmarks) are the lowest in the US, but in part this is due to the large component of outdoor growth – flower grown indoors commands 3x the price vs. outdoor.
- Importantly, retail flower prices (and retail spreads) are higher in CA than in other western states, which makes for better retailer economics (even adjusting for red tape and other costs), both in terms of margins and revenue per store. Flower in CA retails for \$5.36/gram (3Q23 as per Headset) vs. WA \$3.31, CO \$3.35, MI \$3.54, OR \$3.85, AZ \$4.24. Retail spread per gram in CA is \$2.71/gram vs. WA \$1.52, MI \$1.53, AZ \$1.90, CO \$2.01, and OR \$2.44 (in fact, CA is not far off MA at \$2.95).

- Still, more recently, we have seen a decline in retailer margins. Flower retail prices were stable in 3Q23 vs. 2Q23 (as per Headset), although down 15% yoy (on top of a 21% drop in CY22). The Headset price and cost data is consistent with the notion of a yoy retailer margin squeeze in flower, with spreads per gram at \$2.71 in 3Q23 vs. \$3.30 in 3Q22 (and \$4.65 in 3Q20; \$3.69 in 3Q21).

## Leading Groups/Brands in California

On the aggregate (all formats), this is a rather fragmented market, with only 4 players holding more than 3% total California market share (STIIIZY 8.8%, Jeeter 3.5%, Kiva 3.4%, and West Coast Cure 3.0%). There are another 8 companies with shares between 1-3%: WYLD 2.9%, Raw Garden 2.8%, Heavy Hitters 2.0%, Cannabiotix 1.4%, Gelato 1.3%, Plug Play 1.2%, Kanha/Sunderstorm 1.1%, and Jetty Extracts 1.1%.

So, while we hear a lot about “California brands”, in sales the companies are small compared with the MSOs. There are 14 MSOs with sales over \$150Mn (of which 3 generate more than \$1Bn in annual sales). For example, ex STIIIZY, if we take the #2 player (Jeeter), with \$156Mn in annual sales at retail (as per Headset), Jeeter probably only generate \$70-80Mn in actual net sales (i.e., they are far from being fully vertically integrated, so their actual net sales are much less than the \$156Mn retail sales number).

Table 15: Leading CA Brands

Total Sales \$Mn	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23
<b>Total Market</b>	<b>1,277.15</b>	<b>1,266.73</b>	<b>1,204.12</b>	<b>1,167.16</b>	<b>1,105.39</b>	<b>1,284.80</b>	<b>1,245.67</b>
STIIIZY	84.09	95.66	93.21	99.37	93.50	96.64	97.60
Jeeter	43.76	52.38	53.93	49.37	40.10	42.40	38.45
Kiva	44.40	46.02	43.73	49.10	45.62	41.90	37.21
West Coast Cure	8.81	14.24	18.94	25.21	32.03	34.69	33.18
WYLD	30.47	33.54	31.15	31.30	30.14	30.45	31.74
House Brand	36.75	35.92	31.49	42.55	43.62	35.63	30.81
Raw Garden	45.69	43.02	40.58	38.67	34.54	36.21	30.44
Heavy Hitters	27.09	26.18	23.29	22.60	19.94	20.72	22.12
CannaBiotix (CBX)	21.12	21.87	22.20	19.97	16.16	17.85	18.23
Pacific Stone	17.93	16.38	16.04	14.78	12.74	14.00	15.75
Gelato	0.66	5.53	6.57	8.67	10.93	12.29	14.04
Claybourne Co.	13.37	11.23	10.82	11.20	10.85	12.82	13.87
Plug Play	11.08	14.44	18.22	19.60	17.80	15.92	13.20
Kanha / Sunderstorm	15.87	15.70	13.79	14.13	13.73	13.55	11.87
Jetty Extracts	10.38	9.52	10.67	10.99	11.31	12.25	11.81
Alien Labs	11.46	12.30	14.04	14.93	10.35	11.14	11.35
Cruisers	-	-	-	-	-	3.63	10.67
Dime Bag	13.59	10.59	7.80	6.48	6.74	8.47	10.21
Fig Farms	3.69	3.60	6.19	8.74	7.83	10.18	9.85
Connected Cannabis C	9.35	9.20	9.15	11.58	10.40	10.69	9.80
710 Labs	7.75	11.42	13.51	10.93	10.95	11.24	9.16

Source: Headset; Z&A calculations

All that said, some of these brands are growing better than others, and their franchise strength and penetration varies by category. We discuss the top 10 brands here in order of sales growth performance,



- **Gelato** +192% (+114% 3Q23). Gelato was the 10<sup>th</sup> largest player in CA in 3Q23, with sales at retail of \$14Mn (\$10Mn vape; \$3Mn pre-rolls, \$1Mn flower). From nominal share in 1Q22, the company has risen to a #7 position with 3.4% share in 3Q23 (vape sales were up 134% yoy). It is also building in pre-rolls, with sales +78% in 3Q23 (1.4% share). Flower is small (0.3% share), but it was up 68% in 3Q23.
- **West Coast Cure** sales (~\$33Mn at retail) are up 138% YTD (Jan-Sep) and were up 75% in 3Q23 yoy. As per Headset, the 3Q23 mix was: \$11.1Mn flower, \$10.2Mn vape, \$7.3Mn pre-rolls, and \$4.6Mn concentrates. The company owns the 2<sup>nd</sup> best-selling flower brand in CA, with 3% share in flower; it is #5 in vape (3.6%), #5 in pre-rolls (3.7%), and #4 in concentrates (7.5% share). All categories grew, but flower and vape more than doubled in 3Q23 yoy.
- **STIIIZY** +5% YTD, and +5% in 3Q23 yoy. Of the \$98Mn in total retail sales in 3Q23, vape contributed \$71Mn. Although the company is the far away #1 vape brand (25% share vs. the next player at 6%), its 3Q23 vape sales fell 10% yoy. Flower added \$8Mn in sales, and it was up 4x yoy. STIIIZY only entered the pre-roll category in 2Q22, and sales have grown more than 4x since then to \$12.5Mn in 3Q23. It is #3 now in concentrates with 8.3% share (\$5Mn in sales). *Note: STIIIZY also owns the largest retail chain in the state, with 31 stores (including soon to open), followed by Catalyst with 20.*
- **WYLD** -3% YTD (+2% in 3Q23). The company generates all its sales from edibles (\$31.7Mn in 3Q23). It is the 2<sup>nd</sup> largest edible brand in CA (25% share), behind Kiva with 29%. WYLD went from a 15% share in 1Q20 to 23% in 1Q21 to 25% now.
- **Kiva** -7% YTD (-15% in 3Q23). Like WYLD, the company generates all its sales from edibles (\$37.2Mn in 3Q23). It is the largest edible brand in CA (29% share), followed by WYLD with 25%. While Kiva has been a consistent #1 in edibles, its share peaked at 37% in 4Q22, and has been declining since then.
- **Pacific Stone** -16% YTD (-2% in 3Q23). With sales of \$16Mn in 3Q23, PS generated half of sales from flower in 3Q23, and the other half mostly from pre-rolls. The flower business is down significantly, from \$29.8Mn in 4Q20 (5.6% share) to \$8.6Mn in 3Q23 (2.4% share, though still the 4<sup>th</sup> "largest" flower brand). Pre-roll sales were mostly stable yoy in 3Q23; PS is the #4 pre-roll brand with 2.4% share.
- **Heavy Hitters** -18% YTD (-5% 3Q23). It had sales of \$22Mn (vape \$13Mn, edibles \$6Mn, pre-roll \$3Mn) in 3Q23. From its core category, vape, the company has expanded over time to pre rolls and edibles, with mixed results in our view, while the vape business has struggled. In 3Q, vape sales were down 21% yoy, and the company's 4.6% share (#4 brand) was well down from its peak of 8.1% in 2Q20. The company entered the pre-roll segment in mid 2021, and now has 1.6% share (#13 brand), but 3Q23 sales fell 10%. Edible sales were up more than 80% yoy; it was the #5 brand with 4.4% share (#3 Kanha 9.3%; #4 Froot 4.8%).



- **Jeeter** -19% YTD (-29% 3Q23). About 85% of sales come from pre-rolls, where the company has the #1 brand (16.7% share in 3Q23). While the rise of the brand from 4% pre-roll share back in 1Q20 is commendable, we note share peaked at 26.4% in 3Q22 and is down more than 10pt since then. The other 15% of sales comes mainly from vape, but sales fell 40% yoy in 3Q23.
- **Cannabiotix** -20% YTD (-4% 3Q23). The company generates ~85% of sales from flower. Although it remains the #1 flower brand in CA (ex-house brands), yoy share dropped to 4.2% in 3Q23 from 4.9% in 3Q22 (what was its peak share of 4.9%). So, while flower sales fell 6% in CA in 3Q23, the company fell 20%. House brand share in flower rose 50bp yoy 4.9% in 3Q23. The company's sales of concentrates were stable yoy.
- **Raw Garden** -22% YTD (-25% 3Q23). 3Q23 sales of \$30Mn were comprised by \$18Mn in vape \$18Mn, \$8Mn in concentrates, pre-rolls \$4Mn). The company had 20% share in vape back in 1Q20, but this is down to 6.2% now (#2); 3Q23 vape sales fell 30% yoy. It is #1 in concentrates with 13.7% (3Q23), but this is down from a peak 21% in 4Q21; concentrate sales fell 13% yoy. Pre-roll sales fell 25% (it is the #10 brand with 2% share).

## Key Brands by Category

Brand concentration and house brand relevance vary by categories. But not surprisingly, in our view, ready-to-consume manufactured products tend to show greater brand concentration and loyalty, than flower. We review key brands below, in order of formats that are more consolidated.

**Edibles: The top 3 brands have 63% market share (the top ten 83%).** As per Headset, in 3Q23 Kiva had 29% segment share, WYLD 25%, and Kanha 9%. Market share in this category tends to be sticky (the same top three brands had, respectively, 33%, 15%, and 13% share back in 1Q20), although the combined share of the 10 brands is slightly down from 88% in 1Q23. Sales growth trends also vary. Among the top 5 players, YTD Jan-Sep sales are down 7% for Kiva (vs. -4% for the category), -3% for WYLD, -14% for Kanha, up 68% for Froot (4.6% 3Q23 share), and +50% for Heavy Hitters. Sales for Plus (#6) are down 21%, and -40% for Smokiez (#7). Brands like Good Tide (#8) and Clsics (#11) are now among the top and had little sales a year ago. House brands are insignificant in edibles, with only 0.2% share.

**Vape: The top 3 brands have 35% market share (the top ten 57%).** As per Headset, in 3Q23 STIIIZY was #1 with 24.6% share (up from 9% in 1Q20), 4x the next player; the company has maintained share stable for the most part (peaking at 26.7% in 2Q22). That said, sales YTD for Jan-Sep fell 7% vs. -4% for the category. Other large vape players have seen more volatility. Raw Garden is #2 with 6.4% share, but YTD sales fell 32%; Plug Play (#3 with 4.6%) saw sales increase 7%; Heavy Hitters - 29% (#4; 4.6%); West Coast Cure is now #5 with sales up 332% YTD. Other meaningful gainers were Gelato +172% (#7; 3.4%) and Turn (#9 now with little sales the prior year). House brands only had 0.6% share in 3Q23.

**Pre-rolls: The top 3 brands have 27% market share (the top ten 49%).** As per Headset, in 3Q23 Jeeter was #1 with 16.6% share, but this was down from a peak of 26% in 1H22; the next players



were STIIIZY (6.4%), Presidential (4.1%), Lowell (3.7%), and West Coast Cure (3.7%). Unlike with edibles, share has moved around in this segment. YTD, sales for Jeeter are down 22%, while they are up 340% for STIIIZY (Presidential +19%, Lowell -2%, +51% for West Coast Cure). Claybourne (#8) is up 270% YTD and Raw Garden +70% (#10). House brands only have 1.4% share.

**Flower: The top 3 brands have 9% market share (the top ten 24% ex house brands).** We are doubtful of brand loyalty in this category. House brands are #1 with 6.7% share (we note this is low vs. states like CO and OR). The top 5 brands are Cannabiotix with 4.0% (it had minimal share in 1H20), West Coast Cure 2.9%, Fig Farms 2.3%, Pacific Stone 2.3, and STIIIZY 2.2%. Category sales are down 16% YTD, with wide ranging performance among the top players: House brands +1%, Cannabiotix -25%, West Coast Cure +183%, Fig Farms +86%, Pacific Stone -23%, STIIIZY +143%. Re other top 10 brands: Oakfruitland +2300%, Claybourne -24%, Alien Labs -15%, Connected +10%, and Glass House -25% YTD (its share peaked at 3% in 3Q21).

**Key brands in other categories:** In concentrates, the top 3 brands have 31% share (Raw Garden, 710 Labs, STIIIZY); the top 10 have 53%. In beverages, the top 3 brands have 43% share (St Ides, Uncle Arnie's, CANN); the top 10 have 75%. In topicals, Papa & Barkley has 45% share, followed by Mary's Medicinals with 23% (top 3 have 74%; top 10 have 93%). In tinctures, the top 3 have 42% share (Papa & Barkley, Care by Design, Yummi Karma); the top 10 have 81%.

**A caveat to the above analysis.** Prices can vary widely across brands, and at times some companies may become more aggressive in terms of price discounting, promotions, distribution push (to gain retail shelf space), and marketing spend (including in platforms like weedmaps). So, it is not just about sales growth, but more about consistency (an upward trend line in share) and sustainability. Regarding the latter, we see prices can vary widely within a category, and we wonder whether than some companies can survive in the long term with very low prices if their supply chain cannot really support such an approach. In the tables below, we compare prices for the leading brands in four segments.

**Table 16: Price differences among leading brands in Edibles and Vape**

	Edibles	vs. avg	Share Rank	Segment Share		Vape	vs. avg	Share Rank	Segment Share
<b>\$/gram</b>	<b>0.16</b>				<b>\$/gram</b>	<b>30.20</b>			
<b>Leading Brands</b>					<b>Leading Brands</b>				
Kiva	0.18	13%	1	28.9%	STIIIZY	35.49	18%	1	24.2%
WYLD	0.17	8%	2	24.6%	Raw Garden	29.37	-3%	2	24.6%
Kanha / Sunderstorm	0.18	11%	3	9.2%	Plug Play	37.64	25%	3	9.2%
Froot	0.09	-46%	4	4.8%	Heavy Hitters	51.20	70%	4	4.8%
Heavy Hitters	0.18	11%	5	4.3%	West Coast Cure	20.61	-32%	5	4.3%
Plus	0.20	27%	6	3.6%	Jetty Extracts	34.04	13%	6	3.6%
Smokiez Edibles	0.15	-4%	7	2.3%	Gelato	23.49	-22%	7	2.3%
Good Tide	0.17	7%	8	1.9%	Kurvana	56.76	88%	8	1.9%
Highatus	0.14	-14%	9	1.5%	Turn	26.18	-13%	9	1.5%
Emerald Sky	0.13	-22%	10	1.3%	Jeeter	30.91	2%	10	1.3%
Clsics	0.16	-1%	11	1.2%	Cold Fire	42.46	41%	11	1.2%
Space Gem	0.21	30%	12	1.0%	Rove	37.99	26%	12	1.0%
Dr. Norm's	0.15	-9%	13	1.0%	Bloom	42.36	40%	13	1.0%
STIIIZY	0.13	-21%	14	0.8%	Sauce Essentials	36.29	20%	14	0.8%

Source: Headset; Z&A calculations



Table 17: Price differences among leading brands in Pre-Rolls and Flower

	Pre	vs.	Share	Segment		vs.	Share	Segment	
	Rolls	avg	Rank	Share	Flower	avg	Rank	Share	
<b>\$/gram</b>	<b>8.54</b>				<b>5.36</b>				
<b>Leading Brands</b>					<b>Leading Brands</b>				
Jeeter	12.62	48%	1	16.4%	House Brand	4.41	-18%	1	6.6%
STIIIZY	11.50	35%	2	6.3%	CannaBiotix (CBX)	13.78	157%	2	4.0%
Presidential	12.40	45%	3	4.0%	West Coast Cure	4.10	-24%	3	2.9%
Lowell Herb Co / Lowe	7.48	-12%	4	3.7%	Fig Farms	11.28	111%	4	2.3%
West Coast Cure	8.99	5%	5	3.7%	Pacific Stone	3.59	-33%	5	2.3%
Pacific Stone	5.63	-34%	6	3.6%	STIIIZY	5.29	-1%	6	2.1%
Pure Beauty	11.56	35%	7	3.1%	Oakfruitland	6.57	23%	7	2.1%
Claybourne Co.	13.40	57%	8	2.9%	Claybourne Co.	9.69	81%	8	2.1%
Kingpen (formerly 710)	10.72	26%	9	2.6%	Alien Labs	9.48	77%	9	2.0%
Raw Garden	10.74	26%	10	2.1%	Connected Cannabis C	9.35	74%	10	1.8%
Caviar Gold	11.41	34%	11	1.9%	Glass House Farms (C/	4.60	-14%	11	1.8%
Selfies	9.01	5%	12	1.8%	Dime Bag	4.32	-19%	12	1.8%
Heavy Hitters	18.48	116%	13	1.6%	Lolo	4.92	-8%	13	1.7%
Lime	8.73	2%	14	1.5%	UpNorth Humboldt	12.05	125%	14	1.7%

Source: Headset; Z&A calculations

## The California Retail Market

**CA has over 1,200 stores but that is low vs. other states, relative to population and land mass.**

Big picture, revenue per store (>\$4Mn) is above other matured markets and varies widely by county: San Diego County is 2x the state average; Santa Clara County is more than 5x the state average, but neighboring Monterey is below the state average at \$3Mn. Retail scale matters (especially in a context of narrowing retailer spreads for flower), as does a mix of “good” locations (preferably in less store-dense counties, with above average rev per store).

- According to the official state website, there are 1,241 active “commercial retailer” storefront licenses in California (another 253 have expired; 7 have been revoked; 63 have been surrendered), plus another 468 active delivery licenses (“commercial retailer non-storefront”). Some of the delivery licenses may be owned by retailers with store fronts.
- On a total population of 39mn, this means 32 storefronts per 1mn people (or >31,000 people per store). Compared to other states, CA has low store density relative to its population; OR is at 196 and CO at 182, but even among newer rec states only IL has less stores per 1mn people (13). Add the fact that CA is a larger state in sq miles (164K), and the density is even less.
- We think this issue (plus higher taxes, and a large illicit trade) explains why CA lags other states in annual consumption per cap.

**Rev/store vs. other states.** Assuming zero sales for the delivery operators without storefront, annual sales per store in CA amount to \$4.2Mn taking the YTD sales run rate for the state (if we assume standalone delivery operators account for 15% of the industry, then rev/store would be \$3.7Mn). While low vs. the “license-restricted” states of the east, the CA store average is towards



the higher end compared with other “unrestricted” licensing states (MA \$4.5Mn; MI \$3.8Mn; WA \$2.9Mn; CO \$1.5Mn; OR \$1.2Mn).

**Table 18: Retail Stats by County**

Counties:	\$Mn Sales	\$Mn Rev Per Store	# of Stores	Stores per 1mn pop	Stores per 1k sq ml	Population 000s	Ares sq miles	\$ per cap spend
Alameda	263.6	7.1	37	21	46	1,747	813	151
Calaveras	11.3	2.8	4	88	4	45	1,037	250
Contra Costa	113.3	5.7	20	17	28	1,201	716	94
Del Norte	4.3	0.7	6	218	5	27	1,230	158
El Dorado	45.1	4.1	11	57	6	194	1,786	232
Fresno	75.7	4.0	19	18	3	1,032	6,011	73
Humboldt	33.0	1.3	25	182	6	137	4,052	241
Imperial	33.4	2.8	12	66	3	181	4,482	184
Inyo	3.6	0.7	5	261	0	19	10,227	188
Kern	15.4	7.7	2	2	0	930	8,163	17
Kings	28.9	5.8	5	33	4	152	1,392	190
Lake	9.7	1.1	9	130	7	69	1,329	141
Los Angeles	1,362.6	3.5	384	38	94	10,073	4,084	135
Marin	13.3	13.3	1	4	2	265	520	50
Mendocino	19.1	0.9	21	226	5	93	3,878	206
Merced	35.8	4.5	8	28	4	289	1,979	124
Mono	4.9	1.0	5	385	2	13	3,132	381
Monterey	66.7	2.9	23	52	6	446	3,771	150
Napa	18.9	2.1	9	65	11	138	789	137
Nevada	19.0	9.5	2	19	2	103	974	184
Orange	277.5	5.2	53	16	56	3,268	948	85
Placer	0.5	0.5	1	2	1	422	1,424	1
Riverside	378.7	2.9	131	53	18	2,487	7,209	152
Sacramento	270.7	6.9	39	24	39	1,635	994	166
San Bernardino	133.8	5.4	25	11	1	2,226	20,105	60
San Diego	547.6	7.7	71	21	16	3,360	4,526	163
San Francisco	215.8	2.9	74	83	1,579	895	47	241
San Joaquin	59.1	4.9	12	15	8	807	1,426	73
San Luis Obispo	63.6	7.1	9	31	3	286	3,300	222
San Mateo	59.4	5.0	12	15	27	778	449	76
Santa Barbara	61.5	2.8	22	48	6	456	3,789	135
Santa Clara	190.7	21.2	9	5	7	1,983	1,291	96
Santa Cruz	63.3	3.2	20	73	33	273	607	231
Shasta	36.6	4.1	9	48	2	187	3,847	196
Siskiyou	5.8	1.5	4	91	1	44	6,347	133
Solano	77.1	4.8	16	34	18	466	909	166
Sonoma	113.1	3.1	37	75	23	490	1,575	231
Stanislaus	134.3	4.8	28	50	18	564	1,515	238
Tulare	61.2	4.7	13	27	3	482	4,839	127
Tuolumne	na	na	2	36	1	56	2,274	
Undisclosed	77.3	6.4	12	-32	0	-376	32,046	-205
Ventura	85.4	3.0	28	33	13	850	2,208	100
Yolo	27.2	6.8	4	18	4	221	1,024	123
Yuba	na	na	2	24	3	84	632	
<b>Total</b>	<b>5,157</b>	<b>4.2</b>	<b>1,241</b>	<b>32</b>	<b>8</b>	<b>39,100</b>	<b>163,696</b>	<b>132</b>

Source: CA state data; Z&A calculations



**CA rev per store varies widely across counties.** Due to several municipalities still not allowing storefronts in CA, sales by county vary widely.

- Among counties with 1mn people or more (nine in total, which account for 69% of CA's population), six are well above the state average in terms of rev/store. San Diego County stores average \$8.4Mn rev/store pa (67 active store fronts); Sacramento \$7.6Mn (36); Alameda \$7.3Mn (37), Contra Costa \$6.1Mn (19); Orange County \$5.6Mn (51); San Bernardino \$5.3Mn (26). Among these nine most populous counties, Riverside at \$2.9Mn (130), had the lowest rev/store. Counties mostly in line with the state average: Fresno \$4.3Mn (18) and LA county \$3.7Mn (385).
- Among counties with populations between 400K and 1mn (another ten), the outliers were Kern County at \$8.3Mn rev/store (2 stores) and San Mateo at \$5.5Mn (12), at the top. At the bottom Santa Barbara (22 stores) and San Francisco County (72), each with \$3Mn rev/store; Monterey (22) and Ventura (28) also had low rev/store at \$3.1Mn (22). The rest of the counties in this population group were between \$4-5Mn rev/store: Stanislaus, San Joaquin, Tulare, Sonoma, Solano (from highest to lowest).
- Among the smaller counties, Santa Clara stands out (9 stores) with rev/store of \$21.3Mn; Marin (1) \$13.2Mn; Nevada (2) \$9.8Mn; San Luis Obispo (8) \$8.6Mn; Kings (4) \$7.4Mn; and Yolo (4) \$7Mn. But several small counties have rev/store below \$1.5Mn: Humboldt, Lake, Siskiyou, Inyo, Mendocino, Del Norte, Mono (from highest to lowest).

**Table 19: Sales and store data for California counties with 1mn people or more**

Counties:	Los Angeles	San Diego	Orange	Riverside	San Bernardino	Alameda	Sacramento	Contra Costa	Fresno
Sales \$Mn	1,362.6	547.6	277.5	378.7	133.8	263.6	270.7	113.3	75.7
rev/store	3.5	7.7	5.2	2.9	5.4	7.1	6.9	5.7	4.0
pop (mn)	10.1	3.4	3.3	2.5	2.2	1.7	1.6	1.2	1.0
sq miles	4,084	4,526	948	7,209	20,105	813	994	716	6,011
# of stores	384	71	53	131	25	37	39	20	19
per 1mn pop	38	21	16	53	11	21	24	17	18
per 1k sq mile	94	16	56	18	1	46	39	28	3

Source: CA state data; Z&A calculations

## Earnings Outlook

On moderate sales growth, assuming EBITDA margins improve to mid-teens, and projecting capex at only a \$0.2Mn annual run rate (as per guidance), the company's cash flow picture does not improve much given the high net interest expense burden and income taxes 21% of gross profits.

**Table 20: Our financial projections**

US\$ Mn	FY22	1Q23	2Q23	3Q23	4Q23e	FY23e	1Q24e	2Q24e	3Q24e	4Q24e	FY24e	FY25e	FY26e
<b>Sales (\$ Mn)</b>	108.2	24.7	25.3	25.5	25.3	100.8	25.3	26.1	26.7	26.7	104.8	114.5	121.7
qoq ch %		-3%	3%	1%	-1%	na	0%	3%	2%	0%	na	na	na
yoy ch %		43%	-27%	-17%	-1%	-7%	3%	3%	5%	5%	4%	9%	6%
<i>consensus</i>					<i>na</i>								
<b>Profit margins</b>													
Gross profit before FV ad	42.1	10.9	12.3	11.4	11.9	46.6	12.6	13.1	13.3	13.6	52.7	60.4	66.6
as % of sales	38.9%	44.3%	48.6%	44.9%	47.0%	46.2%	50.0%	50.0%	50.0%	51.0%	50.3%	52.7%	54.7%
Op exp	280.4	16.8	14.6	14.8	12.9	59.0	11.9	12.0	12.0	12.0	47.8	51.0	51.6
as % of sales	259.0%	68.0%	57.5%	58.1%	50.8%	58.6%	47.1%	45.7%	44.9%	44.9%	45.6%	44.5%	42.4%
EBIT	-237.8	-5.8	-1.9	-3.6	-1.0	-12.3	0.7	1.1	1.4	1.6	4.8	9.4	15.1
as % of sales	-219.7%	-23.5%	-7.6%	-13.9%	-3.8%	-12.2%	2.9%	4.3%	5.1%	6.1%	4.6%	8.2%	12.4%
adj EBITDA	-18.7	-2.4	0.6	0.5	0.2	-1.0	1.9	2.3	2.6	2.8	9.6	14.3	20.0
as % of sales	-17.3%	-9.5%	2.5%	1.9%	0.9%	-1.0%	7.6%	8.8%	9.6%	10.6%	9.2%	12.5%	16.5%
<i>consensus EBITDA</i>					<i>na</i>								
<b>EPS</b>													
Pre tax income	-247.9	-7.0	-1.9	-8.2	-5.5	-22.6	-4.0	-3.8	-3.7	-3.5	-15.0	-12.3	-9.3
Tax rate as % of PBT	-25.5%	142.8%	16.5%	-35.2%	-4.8%	-77.5%	-21.0%	69.9%	-21.0%	-21.0%	-21.0%	-21.0%	-21.0%
Net income	-240.4	-10.6	-2.1	-16.8	-7.9	-37.5	-6.7	-6.5	-6.4	-6.4	-26.0	-24.8	-23.1
Share count (FD) Mn	213.8	213.8	252.9	253.2	255.6	243.9	255.6	255.6	255.6	255.6	255.6	255.6	255.6
EPS	-1.12	-0.05	-0.01	-0.07	-0.03	-0.15	-0.03	-0.03	-0.03	-0.02	-0.10	-0.10	-0.09
<b>BS &amp; CF highlights</b>													
Operating cash flow	-37.1	-1.4	3.7	1.2	-8.6	-5.1	-5.4	-1.7	-3.0	-5.1	-15.3	-15.8	-15.7
(-) Capex	-0.7	-0.1	-0.1	-0.6	-0.1	-0.8	-0.1	-0.1	-0.1	-0.1	-0.2	-1.1	-1.2
Free cash flow	-37.8	-1.5	3.6	0.6	-8.7	-5.9	-5.5	-1.8	-3.1	-5.2	-15.5	-16.9	-16.9
Ending net cash (debt)	-114.7	-115.0	-109.0	-114.2	-122.9	-122.9	-128.3	-130.1	-133.2	-138.4	-138.4	-155.3	-172.2
Net debt/EBITDA	6.1x	na	na	na	na	123.1x	-9.8x	-6.6x	-4.8x	-3.6x	-14.4x	-10.9x	-8.6x
Equity	-113.6	-123.5	-125.2	-141.3	-149.3	-149.3	-155.9	-162.5	-168.9	-175.2	-175.2	-200.1	-223.2

Source: Company reports, FactSet, Z&A estimates

Regarding external matters (the above issues relate more to execution and are mostly under the control of the company),

- We shall see how the CA market grows (it is down since 2021). It has potential to ramp as more municipalities open to rec retail. We project 2% pa growth.
- Yes, retailer economics point to lower margins (see analysis in prior pages), but CA retail prices remain above other states in the west.
- It remains unclear whether the state will be more aggressive in terms of fighting the illicit market and or lowering the tax burden on the industry and the consumer. In this sense, NY state's efforts seem to be more advanced (maybe CA will follow?).



Table 21: Our sales projections

\$Mn	CY22	1Q23	2Q23	3Q23	4Q23e	CY23e	1Q24e	2Q24e	3Q24e	4Q24e	CY24e	CY25e	CY26e
California market	5,383	1,280	1,335	1,253	1,240	5,108	1,225	1,294	1,264	1,245	5,028	5,146	5,265
qoq ch %				-6%	-1%	na	-1%	6%	-2%	-2%	na	na	na
yoy ch %				-4%	-8%	-5%	-4%	-3%	1%	0%	-2%	2%	2%
<b>StateHouse total sales</b>	<b>108.2</b>	<b>24.7</b>	<b>25.3</b>	<b>25.5</b>	<b>25.3</b>	<b>25.3</b>	<b>26.1</b>	<b>26.7</b>	<b>26.7</b>	<b>26.7</b>	<b>104.8</b>	<b>114.5</b>	<b>121.7</b>
retail	63.0	14.4	13.0	13.2	13.0	13.3	13.3	13.7	14.0	14.0	54.3	60.0	64.0
wholesale/manuf	45.3	10.2	12.3	12.3	12.3		12.0	12.8	13.0	12.7	50.5	54.5	57.7
StateHouse retail sales				13.2	13.0		13.3	13.3	13.7	14.0	54.3	60.0	64.0
own brands				6.6	6.5		6.7	6.7	6.8	7.0	27.1	30.0	32.0
3rd party brands				6.6	6.5		6.7	6.7	6.8	7.0	27.1	30.0	32.0
as % of market				1.05%	1.05%		1.09%	1.03%	1.08%	1.12%	1.08%	1.17%	1.22%
# of co stores				14	14	14	14	14	14	14	14	15	16
new store							0	0	0	0	0	1	1
avg rev/store pa				3.8	3.7		3.8	3.8	3.9	4.0	3.9	4.0	4.0
Statehouse manuf/wholesale	45.3	10.2	12.3	12.3	12.3		12.0	12.8	13.0	12.7	50.5	54.5	57.7
own brands (ex bulk)	45.3	10.2	12.3	12.3	12.3		12.0	12.8	13.0	12.7	50.5	54.5	57.7
3rd party brands	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Implied co branded sales at retail				31.2	31.0		30.6	32.3	32.9	32.4	128.2	138.9	147.4
at 3rd party stores				24.6	24.6		24.0	25.7	26.0	25.4	101.1	108.9	115.4
own stores				6.6	6.5		6.7	6.7	6.8	7.0	27.1	30.0	32.0
market share				2.49%	2.50%		2.50%	2.50%	2.60%	2.60%	2.55%	2.70%	2.80%
Implied by Headset		19.0	21.5	22.2									

Note: We assume stores are cash funded (capex), but we realize some may be via M&A (and paid with stock).

Source: Company reports, Z&A estimates

## Review of 3Q23 Results

**Sales trends.** Retail sales fell 20% yoy, in the context of a CA market that fell 20%. Management attributed the decline to a “market-wide reduction in retail foot traffic, increased competition, and price compression”. Manufacturing revenue (a mix of owned branded products sold to 3<sup>rd</sup> parties, as well as white label) fell 11% yoy, mainly due to “increased competition, increased credit risk from retail customers, and price compression”. The decrease in wholesale (a smaller part of the co.) was due to more production being allocated to own brands vs. bulk sales. All this said, we also attribute part of the decline to the company’s streamlining operations (for the sake of efficiency and profitability). In fact, both retail and manufacturing revenues were flat QoQ in 3Q23 in the context of a CA market that fell 6% seq.

**Profit margins.** Over time, product mix (faster growth of higher quality cannabis SKUs), better utilization of the company’s raw materials via vertical integration, plus integration efficiencies should drive profitability. On the other hand, lower revenue per store and tighter retail margins (as implied by Headset) may offset some of the margin gains. In 3Q23, gross margins increased yoy from 36% to 45%, but were down 270bps seq. Better control of cash opex resulted in EBITDA margins climbing from -15% in 3Q22 to +1.9% in 3Q23 (+2.5% in 2Q23).

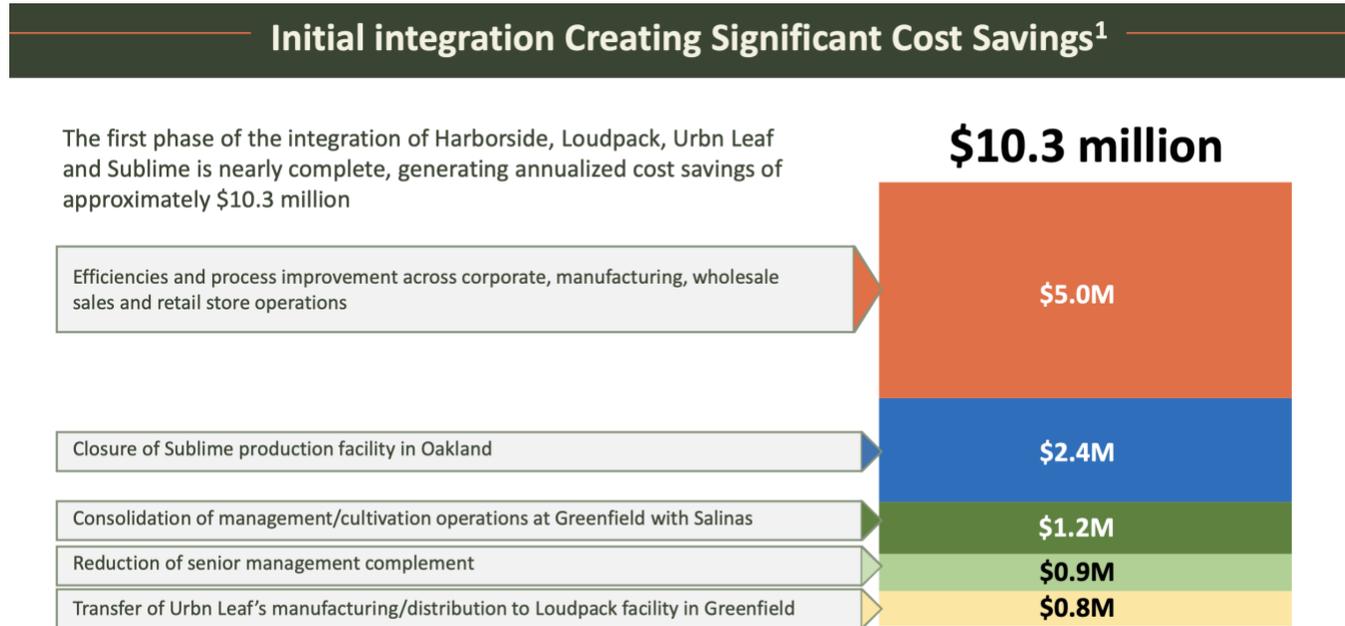


**Cash flow.** After burning \$38Mn in cash in CY22 (FCF), cash flow trends have improved. It posted OCF of \$3.7Mn in 2Q23 and \$1.2Mn in 3Q23. Capex has been reduced to minimal levels. That said, despite positive FCF, net debt increased by \$5Mn seq to \$114Mn

**Balance sheet.** StateHouse ended 3Q23 with \$114Mn in net debt (a high 1.1x sales), with cash at \$2.1Mn and debt booked at \$116.3Mn. Interest expense of \$4.2Mn was a high 16% of sales. As per the latest restructurings, debt repayments are as follows: \$34Mn in 2025 (\$6Mn in Feb and \$28Mn in Apr), \$6Mn in 2026 (Feb), and \$81Mn in 2027 (Feb). Regarding the two largest debt components,

- \$77.3Mn term loan (10.25% rate, plus warrants) due in three installments: 7.5% by 2/10/25, 7.5% by 2/10/26, and 85% by 2/10/27. *Note: the loan was recorded on the 9/30/23 books at \$72Mn due to amortization costs.*
- Notes payable of \$44.4Mn: This balance includes seven separate notes, including one for \$15Mn (senior secured debt) and >\$28M in “carryover notes”. The latter (\$25Mn in principal plus owed interest) is due by 4/4/25. The \$15Mn SSN (extended and expanded nine times) is due 2/10/27 and carries interest of SOFR (5.4% at present) +12.5%.

Table 22: Original guidance for cost savings



Source: Company reports



## Our Evaluation Framework (“Filter”)

We expand here on our filter and how we evaluate companies in general.

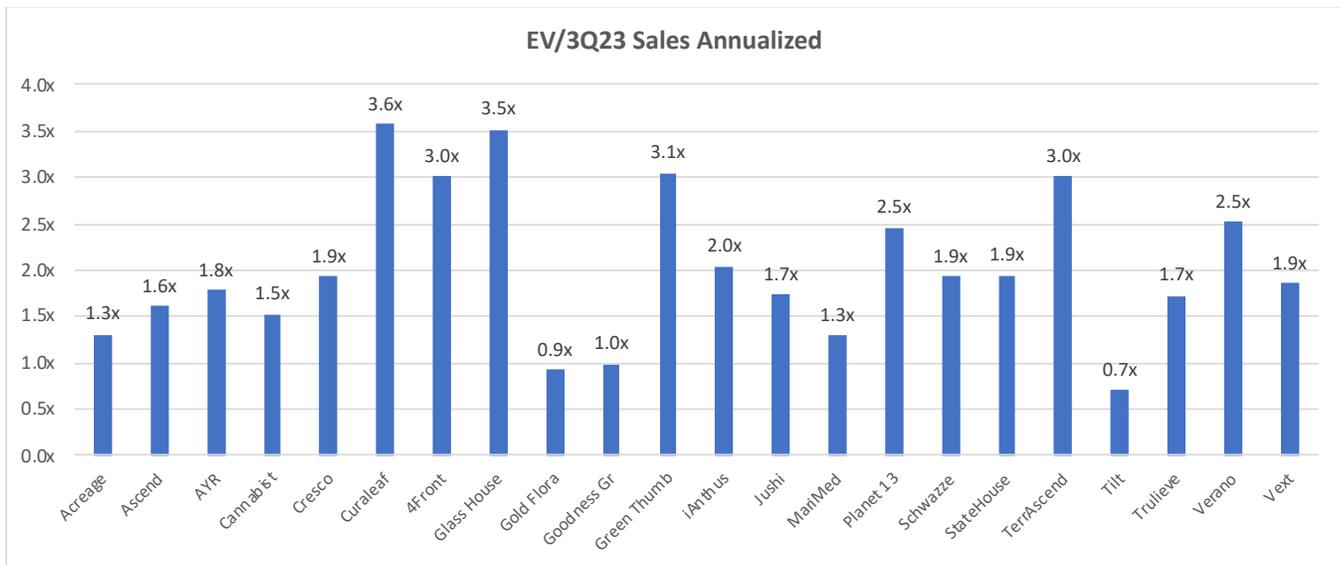
- **Avoid companies with governance issues and lackluster M&A track record.** While these factors are backward looking, they are still relevant. We prefer to avoid companies with a history of buying “related” assets at steep prices; with well above average executive compensation (unlinked to performance); with stacked boards; with a history of proven rule-breaking (here we do not include unproven allegations), such as cross-state shipping, improper labelling, THC inflation, just to name a few “transgressions”. In terms of M&A, one metric we factor is sales per share over time - we prefer scale, so no issue with M&A if it is accretive and grows a company’s moat and strategic position. But if we take net sales per share for 2Q23 vs. 2Q21, we see this metric among MSOs grew 23% for Schwazze and 15% for MariMed, while group average was -3%. In the same period, adj EBITDA per share is down for most MSOs, with few exceptions.
- **Highly levered companies (with negative cashflow trends) carry potential shareholder dilution risk.** The recent shareholder dilution seen with stocks like CGC (down 73% in the last three months vs. +6% for MSOS ETF) and TLRV (-32%), should serve as a cautionary tale for investors. That said, with some these North American companies, the question is about survival, so for minority equity investors the option is more about getting diluted or fully wiped out. Sure, most would prefer the former. Still, with the sector being inexpensive in general, we believe it is better to choose stocks with lower dilution risk (relatively speaking).
- **Look for sustainable franchise strength or specific know-how.** A small operator may only own a few stores, but if those stores outsell peers in the state by a factor of 2-3x rev/store, we see that as franchise strength. A company with a unique concept, such as Planet 13’s superstore in Las Vegas, or with niche strength, such as Decibel in infused pre-rolls in Canada, we see as having franchise strength. A company with a large retail store network, such as Trulieve in Florida, has franchise strength (and those stores outsell peers 2-3x on a per store basis). By the same token, Cresco Labs’ leading wholesale presence (as per market data), also counts as franchise strength (and this is not just a function of retail presence – see its #1 position in MA). On the know-how front, we would highlight Village Farms’ years of expertise in farming, and low production costs, at scale.
- **Positive financial metrics.** By this we mean profitability, cash flow conversion (EBITDA to OCF), and decent balance sheet. In 1Q23, Schwazze had the highest gross margin among MSOS (58%). MariMed and Tilt Holdings (TLLTF/NR) had the lowest cash recurring SGA to sales in 1Q23 (29% and 28%, respectively). Green Thumb (GTBIF/NR) has the best cash flow conversion in the group, with OCF/EBITDA of 51% in CY22. On balance sheet metrics among MSOs (net debt at less than 0.5x sales, or in net cash position), Green Thumb, MariMed, Planet 13, and Tilt Holdings stand out.



## Valuation and Stock Performance

**Valuation.** We calculate a spot EV of \$205Mn, which means StateHouse trades at 2x current sales, well above comparable peers. In the share count, we include 255.6mn common shares, 4.7mn RSUs, and 136.3mn warrants with a strike price of \$0.05 (we include the eventual cash inflow in the EV); so, at the current share price of \$0.03 we calculate a market cap of \$11.9Mn ( $\$0.03 \times 396.6\text{mn}$ ). Financial net debt is \$114.2Mn, but we also include in the EV math \$39Mn in ST income tax payables, \$24Mn in excise taxes payable, \$13Mn in leases net of right of use assets, and \$2Mn in minority interest. We also factor the eventual cash inflow of \$6.8Mn from the \$0.05 warrants.

**Table 23: EV to 1yr Forward EBITDA as per FactSet**



Source: FactSet; company reports

While it could be said the stock is a deleveraging story, at the current cash flow pace that would not be an accurate statement. We realize the company is focused on profitability and cash flow (yes, the various service agreements carry minimal cost and investment, and flow straight to the bottom line), and potential asset divestitures, should all help reduce the debt load over time. But the risk of further dilution is there, especially given \$34Mn in debt due between Feb and April 2025. Also, in our view, the company’s ability to expand via M&A with stock (buying profitable stores) is limited, as the high debt makes the company’s stock less preferable. Could STHZF be an acquisition target? We review this below.

### Bull and Bear Case

- The bull case: If CA were to “only” close half of the per capita gap with Michigan, it would be a \$9Bn market (for modelling purposes, we project \$5.5Bn by 2026). The largest player in CA (STIIIZY) has a combined ~8% market share. In our projections, we assume STHZF’s brands garner share of 2% by 2026, and we assume the company’s stores (50% owned

brands) reach 1.2% retail share by 2026. But if on the \$9Bn assumption, we took a 4% blended retail/wholesale market share for STHZF (i.e., \$360Mn in revenues), 20% EBITDA margins, and 15x EBITDA, then the company’s EV would be \$1.08Bn (>5x the current EV), or more than \$2.25 per share (>50x current levels). We see a full break-up creating less value (with stores only selling at 0.5x sales, and what we see as a “mixed” brand portfolio).

- The bear case: From a technical perspective, the stock runs the risk of being overlooked among the myriad of US plant touching stocks, given investors’ focus on license restricted states, concerns (on the surface) about the structure of the CA market, and STHZF’s balance sheet structure. From a fundamental perspective, the main risk is that the market in California worsens as more stores open that do not add to market growth (damaging retailer economics) and prices come down further (due to increased legal competition, more legal product finding its way to the illicit market, and increased supply of hemp derivatives).

Table 24: EV calculation on a forward projected basis (different from spot EV)

US\$ Mn	FY22	1Q23	2Q23	3Q23	4Q23e	FY23e	FY24e	FY25e	FY26e
<b>EV</b>	<b>174.7</b>	<b>179.6</b>	<b>196.4</b>	<b>198.0</b>	<b>212.6</b>	<b>212.6</b>	<b>228.2</b>	<b>246.0</b>	<b>263.8</b>
Market cap (\$Mn)	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9
Share price (US\$)	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03
FD share count (Mn)	396.6	396.6	396.6	396.6	396.6	396.6	396.6	396.6	396.6
common shares				255.6	255.6	255.6	255.6	255.6	255.6
derivatives (str pr 5c)				136.3	136.3	136.3	136.3	136.3	136.3
RSUs				4.7	4.7	4.7	4.7	4.7	4.7
Broadly defined net debt	-162.8	-167.6	-184.4	-183.9	-200.7	-200.7	-216.3	-234.1	-251.8
Net debt	-114.7	-115.0	-109.0	-114.2	-122.9	-122.9	-138.4	-155.3	-172.2
cash	2.8	2.6	3.3	2.1	2.0	2.0	2.0	2.0	2.0
gross debt	117.5	117.7	112.3	116.3	124.9	124.9	140.4	157.3	174.2
Net leases	9.9	8.9	-12.4	-13.1	-13.5	-13.5	-15.4	-17.3	-19.3
right of use assets	20.3	19.7	19.1	18.1	17.7	17.7	16.1	14.5	12.9
gross leases	-10.4	-10.8	-31.5	-31.2	-31.2	-31.2	-31.5	-31.9	-32.2
ST income tax	-30.4	-33.8	-37.3	-39.3	-39.0	-39.0	-41.1	-43.8	-46.6
Other taxes	-24.7	-24.9	-23.4	-24.1	-23.1	-23.1	-19.1	-15.1	-11.1
Contingent	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money inflow from war	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8
Minority interest	2.9	2.8	2.4	2.2	2.2	2.2	2.3	2.5	2.6
<b>Multiples</b>									
EV/Sales	1.6x			1.9x		2.1x	2.2x	2.1x	2.2x
EV/EBITDA	-9.3x			99.7x		-212.9x	23.8x	17.2x	13.2x

Source: company reports, FactSet, Z&A estimates

## Cannabis Rescheduling

**Our report is written assuming no new news in terms of federal level reform, but upside could be greater if 280 is removed.** The MSOS ETF almost doubled over a 2-week period in the first half of September 2023, following the “HHS leaked memo” to the DEA recommending rescheduling of cannabis. Even though the ETF has given back about half of those gains, we expect the DEA to abide by the HHS recommendation. Rescheduling is part of the President’s reelection platform,



and we expect positive headlines coming out of the DEA in late 2Q24. In fact, we assign 90% probability to such a scenario. But the devil will be in the details: the DEA reply may go from only a positive response but with no implementation framework (or timeline) before the election, to a full-blown framework enacted by the DOJ in the summer (setting the FDA role; phasing out 280e for rec and med; even including safe harbor language for the US exchanges to uplist plant touching cannabis companies). We think the former is more likely (leaving a lot up in the air), but even in that scenario cannabis stocks would rally.

Certainly, the removal of 280E would give a big boost to the company’s financial position (see our [Financial Upside from Rescheduling](#) report).

*Note: Stocks in this group are quite sensitive to federal reform news flow (stocks jumped in the first half of Sep’23 following news the HHS was recommending rescheduling cannabis).*

**Table 25: MSOS ETF in Sep’23**



Source: FactSet

**Table 26: Companies mentioned in this report**

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

*Note: others mentioned are either brands or private companies*

Source: Z&A



# Appendix I: Company Slides and Maps

Exhibit 1: The CA market in context

# The California Market Opportunity

The Largest Legal Cannabis Market in the U.S. (2025E \$bn)<sup>1</sup>



## Building a Leading House of Cannabis Brands Based in California



Source: Company reports



Exhibit 2: Roll-Up plans

## Rolling Up California

StateHouse expects to expand shelf space control through both **organic** and **M&A growth**<sup>1</sup>

**November 2021**

**Transformational combination of Harborside, Loudpack and Urbn Leaf**

**M&A Growth**

**Retail:** Attractive leases in limited-competition locations  
**Retail:** Prime locations that can operate profitably and provide outsized opportunity to showcase brands  
**Brands:** Category leaders  
**Brands:** Fill product and target demographic gaps in current offering

**Organic Growth**

**Retail:** San Francisco & San Diego new locations both opened in April 2022  
**Retail:** West Hollywood location targeted to open by end of year  
**Retail:** Pursue organic license opportunities in select CA markets  
**Brands:** Increase market penetration and average order sizes

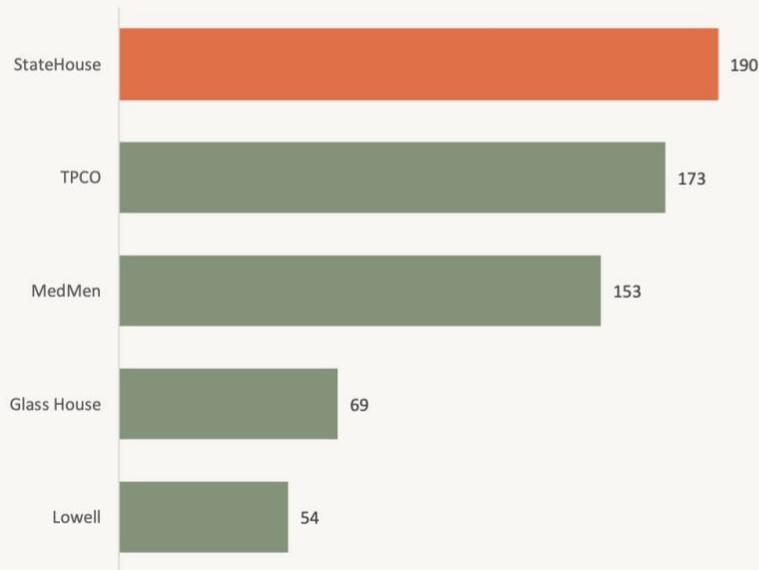
	2021	2022	
 <b>Retail Footprint</b>	<b>12</b>	<b>15+</b>	Accretive M&A for retail and branded product assets <sup>1</sup>
 <b>Buyer Count Brand Presence</b>	<b>780</b>	<b>900+</b>	Goal to become a leading retailer of choice for in-store and direct-to-consumer sales
			Expansion and strength in branded product presence in CA

Source: Company reports

Exhibit 3: Targeting state leadership

### Largest Public Operator in California Before Anticipated Synergies<sup>1</sup>

FY 2021 Revenue Relative to Public CA Peers (in US\$mm)



Source: Company reports

### Potential Synergies from the Combination



#### Revenue Growth Factors

- Improved brand segmentation for a clear distinction between brands
- Consistent access to quality biomass to improve in-store stock rate
- Wider B2B distribution touchpoints
- Expansion of DTC platform



#### Gross Margin<sup>3</sup>

- Scale, integration to eliminate suboptimal processes
- Improvement through optimal mix between in-house and third-party brands
- Target to achieve half of the shelf space filled with in-house products<sup>1</sup>



#### Cost Optimization

- SKU and brand rationalization
- Potential divestment of assets<sup>1</sup>
- Re-allocation of distribution and packaging to centralized facilities
- Efficiencies through sharing of distribution fleets

Exhibit 4: Cultivation facilities

## Scaled Cultivation Platform

StateHouse’s cultivation platform is the heartbeat of the Company’s supply chain and is right-sized to meet 100% of its own retail needs without relying on the wholesale market<sup>1</sup>

Salinas | 200,000 sq. ft. Greenhouse



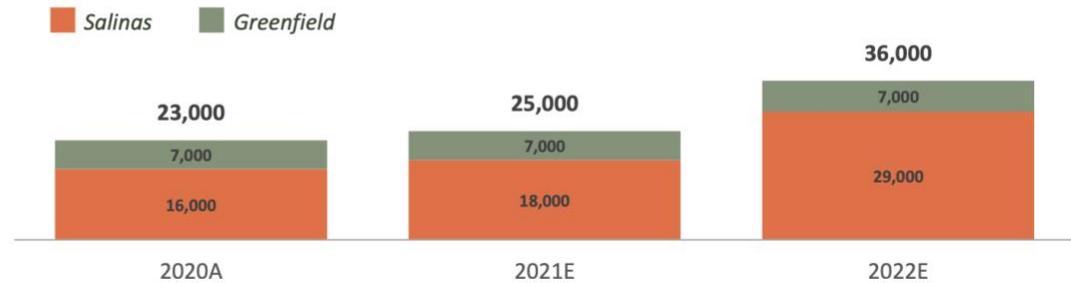
Greenfield | 30,000 sq. ft. Greenhouse



Optionality to significantly expand cultivation as additional dispensaries operationalize and branded products evolve<sup>1</sup>

Salinas’ 4.9MW solar panel project funded externally offsets a significant portion of cultivation power consumption and sustainability goals<sup>1</sup>

Annual Yield from Existing Asset Base (pounds)<sup>1</sup>



Source: Company reports

Exhibit 5: Know-How

## Strength in Manufacturing Driving Top-Tier Portfolio of Branded Products

StateHouse's manufacturing facility is the driving force behind several leading branded products and will continue to develop new brands and SKUs to win in California<sup>1</sup>

**State-of-the-art facility** with manufacturing capabilities for packaged flower, pre-roll, concentrates, edibles and vape SKUs

**Dependable manufacturing asset** as the driving force of StateHouse's brands and foundation for growth

**Significant investment in automation** to drive efficiencies and support high quality brand manufacturing

**Leading roster of branded products** provides coverage on each retail shelf from value to premium across all prominent SKUs



Source: Company reports

Exhibit 6: Retail Assets

urbn leaf 

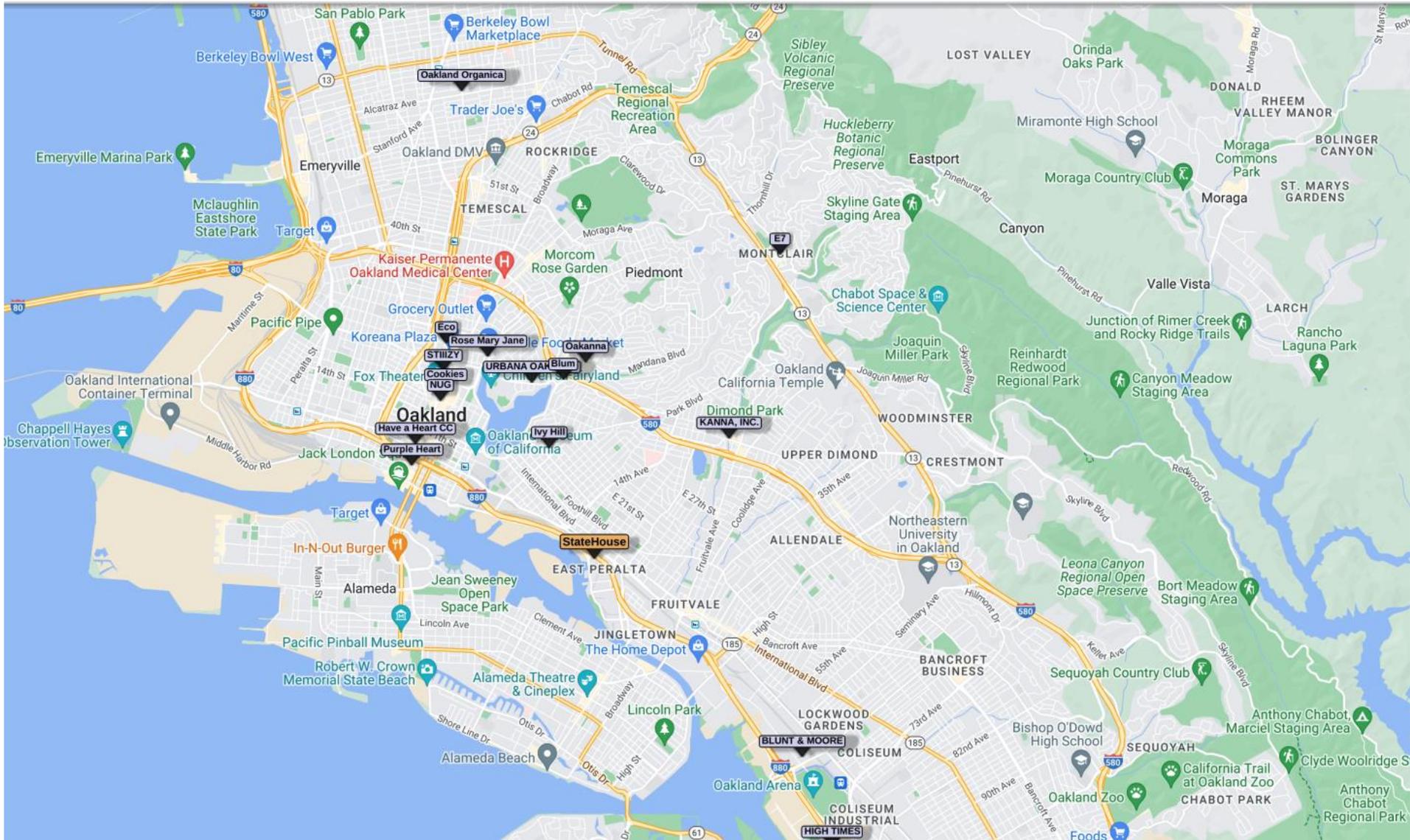


**Retail locations to be converted/rebranded as Urbn Leaf stores, except for the original Harborside Oakland location**

**StateHouse is a top three retailer in the state and expected to gain further market share with a robust pipeline of additional storefronts through greenfield license applications and accretive acquisitions<sup>1,2</sup>**

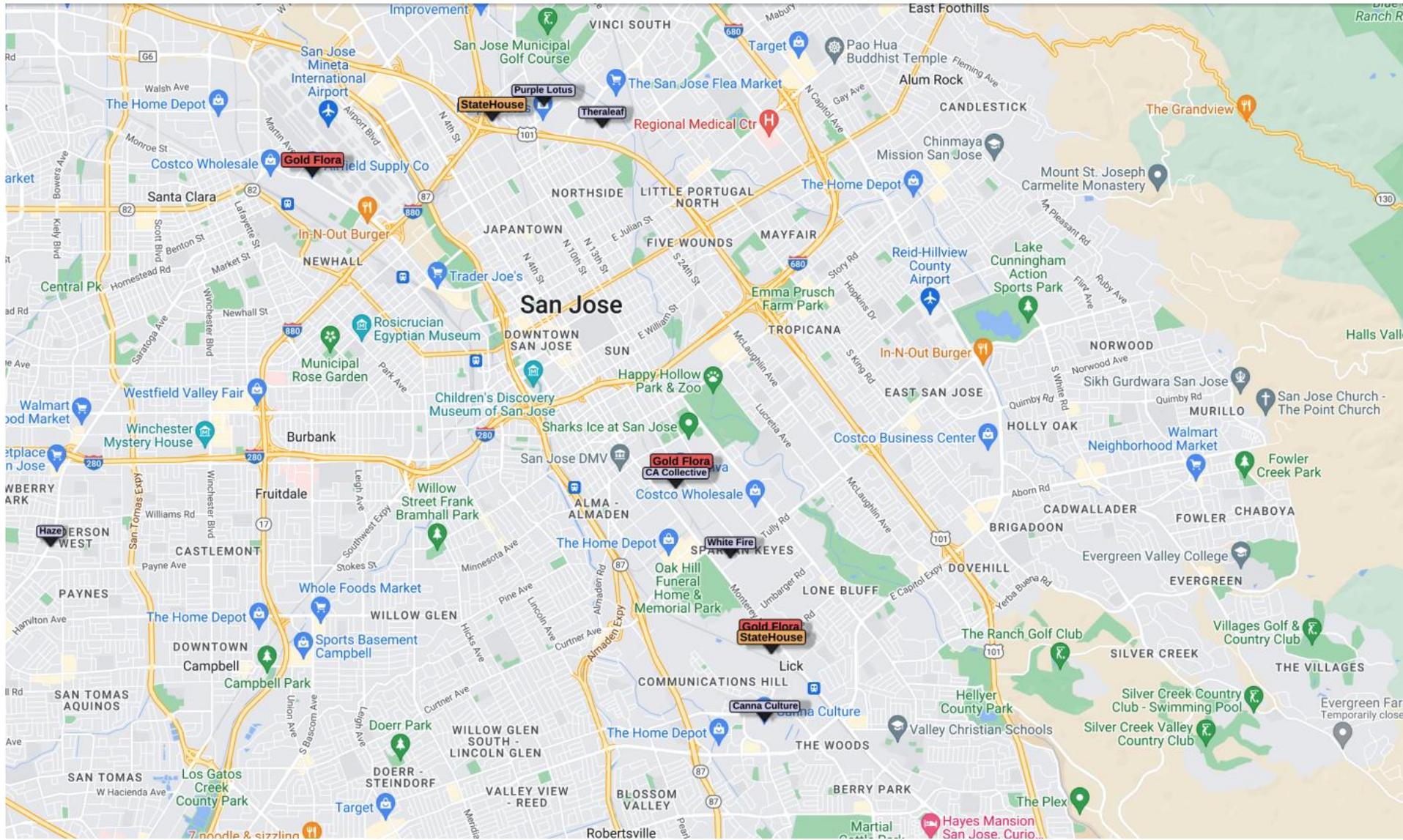
Source: Company reports

Exhibit 7: Oakland CA Dispensaries



Source: Maptive

Exhibit 8: San Jose CA Dispensaries



Source: Maptive





# Appendix II: Company Financials

Exhibit 10: Financial highlights

US\$ Mn	FY22	1Q23	2Q23	3Q23	4Q23e	FY23e	1Q24e	2Q24e	3Q24e	4Q24e	FY24e	FY25e	FY26e
<b>Sales (\$ Mn)</b>	108.2	24.7	25.3	25.5	25.3	100.8	25.3	26.1	26.7	26.7	104.8	114.5	121.7
qoq ch %		-3%	3%	1%	-1%	na	0%	3%	2%	0%	na	na	na
yoy ch %		43%	-27%	-17%	-1%	-7%	3%	3%	5%	5%	4%	9%	6%
<i>consensus</i>					na								
<b>Profit margins</b>													
Gross profit before FV ad	42.1	10.9	12.3	11.4	11.9	46.6	12.6	13.1	13.3	13.6	52.7	60.4	66.6
as % of sales	38.9%	44.3%	48.6%	44.9%	47.0%	46.2%	50.0%	50.0%	50.0%	51.0%	50.3%	52.7%	54.7%
Op exp	280.4	16.8	14.6	14.8	12.9	59.0	11.9	12.0	12.0	12.0	47.8	51.0	51.6
as % of sales	259.0%	68.0%	57.5%	58.1%	50.8%	58.6%	47.1%	45.7%	44.9%	44.9%	45.6%	44.5%	42.4%
EBIT	-237.8	-5.8	-1.9	-3.6	-1.0	-12.3	0.7	1.1	1.4	1.6	4.8	9.4	15.1
as % of sales	-219.7%	-23.5%	-7.6%	-13.9%	-3.8%	-12.2%	2.9%	4.3%	5.1%	6.1%	4.6%	8.2%	12.4%
adj EBITDA	-18.7	-2.4	0.6	0.5	0.2	-1.0	1.9	2.3	2.6	2.8	9.6	14.3	20.0
as % of sales	-17.3%	-9.5%	2.5%	1.9%	0.9%	-1.0%	7.6%	8.8%	9.6%	10.6%	9.2%	12.5%	16.5%
<i>consensus EBITDA</i>					na								
<b>EPS</b>													
Pre tax income	-247.5	-7.0	-1.9	-8.2	-5.5	-22.6	-4.0	-3.8	-3.7	-3.5	-15.0	-12.3	-9.3
Tax rate as % of PBT	-25.5%	142.8%	16.5%	-35.2%	-4.8%	-77.5%	-21.0%	69.9%	-21.0%	-21.0%	-21.0%	-21.0%	-21.0%
Net income	-240.0	-10.6	-2.1	-16.8	-7.9	-37.5	-6.7	-6.5	-6.4	-6.4	-26.0	-24.8	-23.1
Share count (FD) Mn	213.8	213.8	252.9	253.2	255.6	243.9	255.6	255.6	255.6	255.6	255.6	255.6	255.6
EPS	-1.12	-0.05	-0.01	-0.07	-0.03	-0.15	-0.03	-0.03	-0.03	-0.02	-0.10	-0.10	-0.09
<b>BS &amp; CF highlights</b>													
Operating cash flow	-37.1	-1.4	3.7	1.2	-8.6	-5.1	-5.4	-1.7	-3.0	-5.1	-15.3	-15.8	-15.7
(-) Capex	-0.7	-0.1	-0.1	-0.6	-0.1	-0.8	-0.1	-0.1	-0.1	-0.1	-0.2	-1.1	-1.2
Free cash flow	-37.8	-1.5	3.6	0.6	-8.7	-5.9	-5.5	-1.8	-3.1	-5.2	-15.5	-16.9	-16.9
Ending net cash (debt)	-114.7	-115.0	-109.0	-114.2	-122.9	-122.9	-128.3	-130.1	-133.2	-138.4	-138.4	-155.3	-172.2
Net debt/EBITDA	6.1x	na	na	na	na	123.1x	-9.8x	-6.6x	-4.8x	-3.6x	-14.4x	-10.9x	-8.6x
Equity	-113.6	-123.5	-125.2	-141.3	-149.3	-149.3	-155.9	-162.5	-168.9	-175.2	-175.2	-200.1	-223.2

Source: Z&A estimates, company reports

## Exhibit 11: Sales projections

\$Mn	CY22	1Q23	2Q23	3Q23	4Q23e	CY23e	1Q24e	2Q24e	3Q24e	4Q24e	CY24e	CY25e	CY26e
California market	5,383	1,280	1,335	1,253	1,240	5,108	1,225	1,294	1,264	1,245	5,028	5,146	5,265
qoq ch %				-6%	-1%	na	-1%	6%	-2%	-2%	na	na	na
yoy ch %				-4%	-8%	-5%	-4%	-3%	1%	0%	-2%	2%	2%
<b>StateHouse total sales</b>	<b>108.2</b>	<b>24.7</b>	<b>25.3</b>	<b>25.5</b>	<b>25.3</b>		<b>25.3</b>	<b>26.1</b>	<b>26.7</b>	<b>26.7</b>	<b>104.8</b>	<b>114.5</b>	<b>121.7</b>
retail	63.0	14.4	13.0	13.2	13.0		13.3	13.3	13.7	14.0	54.3	60.0	64.0
wholesale/manuf	45.3	10.2	12.3	12.3	12.3		12.0	12.8	13.0	12.7	50.5	54.5	57.7
StateHouse retail sales				13.2	13.0		13.3	13.3	13.7	14.0	54.3	60.0	64.0
own brands				6.6	6.5		6.7	6.7	6.8	7.0	27.1	30.0	32.0
3rd party brands				6.6	6.5		6.7	6.7	6.8	7.0	27.1	30.0	32.0
as % of market				1.05%	1.05%		1.09%	1.03%	1.08%	1.12%	1.08%	1.17%	1.22%
# of co stores				14	14	14	14	14	14	14	14	15	16
new store							0	0	0	0	0	1	1
avg rev/store pa				3.8	3.7		3.8	3.8	3.9	4.0	3.9	4.0	4.0
Statehouse manuf/wholesale	45.3	10.2	12.3	12.3	12.3		12.0	12.8	13.0	12.7	50.5	54.5	57.7
own brands (ex bulk)	45.3	10.2	12.3	12.3	12.3		12.0	12.8	13.0	12.7	50.5	54.5	57.7
3rd party brands	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Implied co branded sales at retail				31.2	31.0		30.6	32.3	32.9	32.4	128.2	138.9	147.4
at 3rd party stores				24.6	24.6		24.0	25.7	26.0	25.4	101.1	108.9	115.4
own stores				6.6	6.5		6.7	6.7	6.8	7.0	27.1	30.0	32.0
market share				2.49%	2.50%		2.50%	2.50%	2.60%	2.60%	2.55%	2.70%	2.80%
Implied by Headset		19.0	21.5	22.2									

Source: Z&amp;A estimates, company reports



Exhibit 12: Market growth assumptions

US\$ Mn	CY20	CY21	CY22	1Q23	2Q23	3Q23	4Q23e	CY23e	1Q24e	2Q24e	3Q24e	4Q24e	CY24e	CY25e	CY26e	CY27e	rec began
<b>Total</b>	<b>18,389</b>	<b>24,904</b>	<b>25,654</b>	<b>6,640</b>	<b>7,076</b>	<b>7,285</b>	<b>7,313</b>	<b>28,314</b>	<b>7,394</b>	<b>7,707</b>	<b>7,845</b>	<b>7,908</b>	<b>30,855</b>	<b>34,904</b>	<b>37,623</b>	<b>40,027</b>	
rec	11,478	15,995	16,538	4,215	4,488	4,727	4,704	18,134	4,713	4,972	5,083	5,106	19,874	22,218	24,298	26,108	
med	6,911	8,910	9,116	2,425	2,587	2,558	2,609	10,180	2,680	2,735	2,763	2,803	10,981	12,686	13,325	13,920	
<b>Total (med/rec)</b>	<b>18,389</b>	<b>24,904</b>	<b>25,654</b>	<b>6,640</b>	<b>7,076</b>	<b>7,282</b>	<b>7,313</b>	<b>28,310</b>	<b>7,394</b>	<b>7,707</b>	<b>7,845</b>	<b>7,908</b>	<b>30,855</b>	<b>34,904</b>	<b>37,623</b>	<b>40,027</b>	
AZ	1,034	1,359	1,390	351	339	292	297	1,279	300	297	296	301	1,193	1,209	1,227	1,247	Jan'21
CA	4,480	5,779	5,383	1,280	1,335	1,253	1,240	5,108	1,225	1,294	1,264	1,245	5,028	5,146	5,265	5,383	Oct'16
CO	2,191	2,229	1,769	394	389	398	362	1,543	361	370	379	374	1,485	1,530	1,578	1,627	Jan'14
CT	117	150	150	57	68	74	71	270	73	75	79	81	309	370	444	518	Jan'23
FLA	842	1,456	1,740	437	471	484	525	1,918	525	534	543	552	2,154	2,313	2,482	2,650	med
GA	0	1	16	9	12	13	15	49	21	27	29	32	109	136	156	157	med
IL	1,035	1,776	1,907	467	484	498	509	1,958	499	512	521	531	2,063	2,158	2,258	2,363	Jan'20
MA	921	1,644	1,755	427	449	471	478	1,825	466	471	475	484	1,896	1,929	1,963	1,997	Nov'18
MD	453	551	509	118	123	270	273	784	273	277	281	286	1,117	1,242	1,450	1,704	Jul'23
ME	41	96	171	48	55	66	56	226	58	66	79	67	269	321	382	456	Oct'20
MI	985	1,793	2,294	642	754	830	807	3,033	817	881	919	899	3,517	3,876	4,106	4,196	Dec'19
MN	20	25	36	12	17	18	19	66	19	20	21	21	80	266	448	619	Jan'25
MO	21	210	390	266	363	360	359	1,349	365	378	391	397	1,531	1,659	1,777	1,904	Feb'23
NH	35	44	50	13	14	14	14	54	13	14	14	14	55	60	60	60	med
NJ	196	217	555	179	193	198	208	779	217	227	231	238	913	1,070	1,078	1,085	Apr'22
NM	119	119	358	130	140	143	147	560	147	149	153	154	603	627	657	690	Apr'22
NV	780	1,042	882	213	213	215	211	853	215	224	220	217	876	910	936	962	Jul'17
NY	200	250	260	74	85	111	133	403	152	191	230	279	853	1,437	1,826	1,887	Dec'22
OH	223	379	467	120	119	118	123	481	127	131	134	138	530	1,163	1,648	2,326	Jan'25
OK	831	941	780	182	189	178	178	728	179	185	175	175	714	714	724	735	med
OR	1,111	1,184	994	231	242	244	239	957	236	247	249	244	976	996	1,015	1,036	Oct'15
PA	745	1,395	1,469	370	380	371	372	1,493	366	367	368	368	1,469	1,480	1,491	1,502	med
RI	47	44	39	14	15	17	18	65	19	21	22	23	85	106	128	149	Dec'22
VA	10	27	80	31	35	38	41	145	44	45	47	48	183	202	511	728	Jan'26
VT	37	52	73	23	24	24	24	94	26	27	27	28	108	117	117	117	May'22
WA	1,380	1,464	1,294	304	313	325	318	1,259	305	314	327	319	1,265	1,272	1,278	1,284	Jul'14
WV	0	0	26	15	17	17	18	66	19	20	22	23	84	101	118	135	med
Other states	535	676	817	232	240	244	253	969	324	343	351	370	1,388	2,493	2,500	2,506	

Note: For projection purposes, we assume even in CY27, states like FL, OK, PA and WV, are still med, but we keep reevaluating our assumptions. Source: Z&A estimates, Headset, state official data

Exhibit 13: Income statement

US\$ 000s	FY22	1Q23	2Q23	3Q23	4Q23e	FY23e	1Q24e	2Q24e	3Q24e	4Q24e	FY24e	FY25e	FY26e
<b>Net revenue</b>	<b>108,248</b>	<b>24,658</b>	<b>25,340</b>	<b>25,486</b>	<b>25,301</b>	<b>100,786</b>	<b>25,285</b>	<b>26,149</b>	<b>26,674</b>	<b>26,679</b>	<b>104,788</b>	<b>114,473</b>	<b>121,706</b>
(-) Cost of goods sold	-66,113	-13,731	-13,013	-14,050	-13,410	-54,204	-12,643	-13,075	-13,337	-13,073	-52,127	-54,091	-55,074
Gross profit	42,135	10,927	12,328	11,435	11,892	46,582	12,643	13,075	13,337	13,606	52,661	60,382	66,632
(-) Changes in fair value less costs to sell of I	-7,753	-1,270	935	-172	0	-508	0	0	0	0	0	0	0
(-) Realized fair value amounts included in in	8,171	1,315	-617	-8	0	690	0	0	0	0	0	0	0
<b>Gross profit</b>	<b>42,554</b>	<b>10,971</b>	<b>12,645</b>	<b>11,256</b>	<b>11,892</b>	<b>46,764</b>	<b>12,643</b>	<b>13,075</b>	<b>13,337</b>	<b>13,606</b>	<b>52,661</b>	<b>60,382</b>	<b>66,632</b>
(-) General and administrative	-48,085	-11,469	-10,236	-10,116	-10,374	-42,194	-9,800	-9,800	-9,800	-9,800	-39,200	-42,355	-42,597
(-) Professional fees	-9,241	-1,942	-2,103	-1,657	-1,265	-6,967	-1,011	-1,046	-1,067	-1,067	-4,192	-4,007	-4,260
(-) M&A and transaction expenses	-8,698	0	0	0	0	0	0	0	0	0	0	0	0
(-) Share-based compensation	-4,842	-795	-454	-702	-253	-2,204	-253	-261	-267	-267	-1,048	-1,145	-1,217
(-) Allowance for expected credit losses	-2,829	-794	2	-458	-253	-1,503	-126	-131	-133	-133	-524	-572	-609
(-) Write-down (recovery) of receivable & inv	0	0	0	0	0	0	0	0	0	0	0	0	0
(-) Depreciation and amortization	-10,020	-1,774	-1,780	-1,876	-715	-6,146	-716	-716	-716	-716	-2,864	-2,873	-2,891
(-) Impairment loss	-196,656	0	0	0	0	0	0	0	0	0	0	0	0
<b>Loss from operations</b>	<b>-237,816</b>	<b>-5,803</b>	<b>-1,925</b>	<b>-3,554</b>	<b>-968</b>	<b>-12,251</b>	<b>736</b>	<b>1,121</b>	<b>1,354</b>	<b>1,623</b>	<b>4,833</b>	<b>9,431</b>	<b>15,058</b>
(+) interest expense, net	-15,935	-4,192	-4,747	-4,159	-4,522	-17,621	-4,785	-4,921	-5,012	-5,167	-19,885	-21,719	-24,338
(+) interest income	-3,265	0	0	1,330	5	1,335	5	5	5	5	20	20	20
(-) other expense, net	16,102	195	6,593	0	0	6,789	0	0	0	0	0	0	0
(-) gain on assignment of non-controlling in	431	431	8	-440	0	0	0	0	0	0	0	0	0
(-) fair value gain in other current assets and	1,711	395	42	-67	0	369	0	0	0	0	0	0	0
(-) Gain (loss) on debt extinguishment	-66	0	0	-231	0	-231	0	0	0	0	0	0	0
(-) Provisions	0	0	0	0	0	0	0	0	0	0	0	0	0
(-) fx gain	-1,462	1,941	-1,887	-1,495	0	-1,442	0	0	0	0	0	0	0
(-) loss on sale of business	-7,168	0	0	437	0	437	0	0	0	0	0	0	0
<b>Loss before provision for income taxes</b>	<b>-247,468</b>	<b>-7,034</b>	<b>-1,917</b>	<b>-8,179</b>	<b>-5,486</b>	<b>-22,615</b>	<b>-4,044</b>	<b>-3,795</b>	<b>-3,653</b>	<b>-3,539</b>	<b>-15,032</b>	<b>-12,268</b>	<b>-9,260</b>
(-) provision for income taxes	6,944	-3,846	-595	-8,865	-2,497	-15,804	-2,655	-2,746	-2,801	-2,857	-11,059	-12,680	-13,993
<b>Net loss and comprehensive loss</b>	<b>-240,524</b>	<b>-10,880</b>	<b>-2,512</b>	<b>-17,043</b>	<b>-7,983</b>	<b>-38,418</b>	<b>-6,699</b>	<b>-6,541</b>	<b>-6,454</b>	<b>-6,396</b>	<b>-26,090</b>	<b>-24,949</b>	<b>-23,253</b>
(-) non controlling interest	569	277	385	201	40	903	33	33	32	32	130	125	116
<b>Net loss attributable to co</b>	<b>-239,955</b>	<b>-10,603</b>	<b>-2,127</b>	<b>-16,842</b>	<b>-7,943</b>	<b>-37,515</b>	<b>-6,665</b>	<b>-6,508</b>	<b>-6,422</b>	<b>-6,364</b>	<b>-25,960</b>	<b>-24,824</b>	<b>-23,136</b>
EPS - diluted	-1.12	-0.05	-0.01	-0.07	-0.03	-0.15	-0.03	-0.03	-0.03	-0.02	-0.10	-0.10	-0.09
weighted average common shares outstandi	213.8	213.8	252.9	253.2	255.6	243.9	255.6	255.6	255.6	255.6	255.6	255.6	255.6

Source: Z&A estimates, company reports

Exhibit 14: Cash Flow

US\$ 000s	FY22	1Q23	2Q23	3Q23	4Q23e	FY23e	1Q24e	2Q24e	3Q24e	4Q24e	FY24e	FY25e	FY26e
Net earnings	-240,955	-10,880	-2,512	-16,320	-7,943	-37,656	-6,665	-6,508	-6,422	-6,364	-25,960	-24,824	-23,136
(+) D&A	12,594	2,228	2,162	322	898	5,610	899	899	899	899	3,596	3,607	3,630
<b>Cash earnings</b>	<b>-228,361</b>	<b>-8,653</b>	<b>-350</b>	<b>-15,998</b>	<b>-7,045</b>	<b>-32,045</b>	<b>-5,767</b>	<b>-5,609</b>	<b>-5,523</b>	<b>-5,465</b>	<b>-22,364</b>	<b>-21,217</b>	<b>-19,506</b>
(-) Working capital changes	-32,231	6,073	1,902	8,840	-1,601	15,213	330	3,842	2,448	323	6,943	5,294	3,710
(-) Other operating flows	223,533	1,221	2,101	8,367	40	11,729	33	33	32	32	130	125	116
<b>Operating cash flow</b>	<b>-37,059</b>	<b>-1,359</b>	<b>3,652</b>	<b>1,209</b>	<b>-8,606</b>	<b>-5,104</b>	<b>-5,403</b>	<b>-1,735</b>	<b>-3,042</b>	<b>-5,110</b>	<b>-15,291</b>	<b>-15,799</b>	<b>-15,680</b>
(-) net capex	-726	-117	-58	-559	-51	-785	-50	-50	-50	-50	-200	-1,145	-1,217
<b>Free cash flow</b>	<b>-37,785</b>	<b>-1,475</b>	<b>3,594</b>	<b>649</b>	<b>-8,656</b>	<b>-5,889</b>	<b>-5,453</b>	<b>-1,785</b>	<b>-3,092</b>	<b>-5,160</b>	<b>-15,491</b>	<b>-16,943</b>	<b>-16,897</b>
(-) acquisitions	4,614	0	0	0	0	0	0	0	0	0	0	0	0
(-) divestitures	0	0	0	0	0	0	0	0	0	0	0	0	0
(+) other	-90,291	-83,253	-17,513	-6,691	0	-107,456	0	0	0	0	0	0	0
(-) distributions	0	0	0	0	0	0	0	0	0	0	0	0	0
(+) share issuance	0	0	0	0	0	0	0	0	0	0	0	0	0
(-) stock options/warrants	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Change in net</b>	<b>-123,462</b>	<b>-84,729</b>	<b>-13,919</b>	<b>-6,041</b>	<b>-8,656</b>	<b>-8,187</b>	<b>-5,453</b>	<b>-1,785</b>	<b>-3,092</b>	<b>-5,160</b>	<b>-15,491</b>	<b>-16,943</b>	<b>-16,897</b>
<b>Ending net (debt)</b>	<b>-114,687</b>	<b>-115,026</b>	<b>-109,042</b>	<b>-114,218</b>	<b>-122,875</b>	<b>-122,875</b>	<b>-128,328</b>	<b>-130,113</b>	<b>-133,205</b>	<b>-138,365</b>	<b>-138,365</b>	<b>-155,309</b>	<b>-172,206</b>
Cash/inv/sec	2,812	2,640	3,276	2,093	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Gross debts/loans/bonds	117,499	117,666	112,319	116,311	124,875	124,875	130,328	132,113	135,205	140,365	140,365	157,309	174,206

Source: Z&A estimates, company reports



## Exhibit 15: Balance Sheet

US\$ 000s	FY22	1Q23	2Q23	3Q23	4Q23e	FY23e	FY24e	FY25e	FY26e
Cash and cash equivalents	2,812	2,640	3,276	2,093	2,000	2,000	2,000	2,000	2,000
Restricted cash	607	0	0	1,757	1,757	1,757	1,757	1,757	1,757
Accounts receivable	5,742	6,651	5,788	7,883	7,826	7,826	8,252	8,800	9,358
Inventories	9,785	9,212	8,348	7,626	7,526	7,526	7,126	6,726	6,400
Biological assets	441	510	912	954	947	947	850	850	850
Prepaid expenses and other current assets	5,885	4,660	4,414	2,580	2,562	2,562	2,701	2,881	3,063
Notes receivable	2,338	2,297	2,216	1,700	1,688	1,688	88	0	0
Assets held for sale	2,184	2,263	2,258	2,944	2,923	2,923	1,323	0	0
Other current assets	0	0	0	1,835	1,822	1,822	222	0	0
<b>Current assets</b>	<b>29,794</b>	<b>28,232</b>	<b>27,213</b>	<b>29,372</b>	<b>29,050</b>	<b>29,050</b>	<b>24,319</b>	<b>23,015</b>	<b>23,428</b>
PPE, net	86,956	85,415	83,918	81,286	80,838	80,838	79,042	78,180	77,367
Intangible assets, net	27,069	27,069	27,069	27,069	27,069	27,069	27,069	27,069	27,069
Right of use assets	20,273	19,682	19,075	18,111	17,711	17,711	16,111	14,511	12,911
Deposits and other assets	1,246	1,106	1,033	1,047	1,047	1,047	1,047	1,047	1,047
Due from other entities	723	943	1,293	1,474	1,474	1,474	1,474	1,474	1,474
Investments and advances	0	0	0	0	0	0	0	0	0
Goodwill	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0
<b>TOTAL ASSETS</b>	<b>166,062</b>	<b>162,447</b>	<b>159,601</b>	<b>158,360</b>	<b>157,190</b>	<b>157,190</b>	<b>149,063</b>	<b>145,297</b>	<b>143,298</b>
Accounts payable and accrued liabilities	44,412	47,002	49,793	52,483	52,104	52,104	54,941	58,591	62,302
Due to related parties	0	0	0	0	0	0	0	0	0
Notes payable - current	8,577	8,273	8,123	1,769	10,333	10,333	25,823	42,767	59,664
Excise, cultivation and property tax liabilities	24,718	24,871	22,273	22,884	21,884	21,884	17,884	13,884	9,884
Lease liabilities - current	1,985	2,013	5,367	5,367	5,328	5,328	5,618	5,992	6,371
Liabilities associated with assets held for sale	2,873	2,772	2,628	1,287	1,278	1,278	1,348	1,437	1,528
Income taxes payable	30,411	33,831	37,263	39,264	38,980	38,980	41,103	43,834	46,610
Provisions - current	16,252	16,525	16,525	16,493	16,373	16,373	17,265	18,412	19,578
Other	0	0	0	0	0	0	0	0	0
<b>Total current liabilities</b>	<b>129,228</b>	<b>135,287</b>	<b>141,972</b>	<b>139,548</b>	<b>146,281</b>	<b>146,281</b>	<b>163,983</b>	<b>184,917</b>	<b>205,937</b>
Notes payable, less current portion	27,304	27,774	28,355	42,644	42,644	42,644	42,644	42,644	42,644
Term loan, net of current	75,638	75,739	75,840	71,898	71,898	71,898	71,898	71,898	71,898
Mortgages payable, less current portion	4,900	4,800	0	0	0	0	0	0	0
Revolving credit facility, net	0	0	0	0	0	0	0	0	0
Excise, cultivation and property tax liabilities	0	0	1,080	1,217	1,217	1,217	1,217	1,217	1,217
Provisions - current	0	0	4,930	5,216	5,216	5,216	5,216	5,216	5,216
Derivative Liabilities	0	0	2	5	5	5	5	5	5
Deferred tax liability	0	0	4,143	11,128	11,128	11,128	11,128	11,128	11,128
Debentures payable, less current portion, net	1,080	1,080	0	0	0	0	0	0	0
Operating lease liabilities, less current portion	1	5	0	0	0	0	0	0	0
Finance lease liabilities, less current portion	8,380	8,806	26,094	25,861	25,861	25,861	25,861	25,861	25,861
Revolving credit facility, net	0	0	0	0	0	0	0	0	0
Other liabilities	30,203	29,714	0	0	0	0	0	0	0
<b>Total liabilities</b>	<b>276,734</b>	<b>283,205</b>	<b>282,416</b>	<b>297,517</b>	<b>304,250</b>	<b>304,250</b>	<b>321,952</b>	<b>342,885</b>	<b>363,906</b>
Share capital	227,565	227,565	227,565	227,565	227,565	227,565	227,565	227,565	227,565
Contributed surplus	15,953	17,074	17,062	17,763	17,763	17,763	17,763	17,763	17,763
Reserve for warrants	1,710	1,243	1,710	1,710	1,710	1,710	1,710	1,710	1,710
Accumulated deficit	-358,802	-369,405	-371,532	-388,374	-396,317	-396,317	-422,277	-447,101	-470,237
Other	0	0	0	0	0	0	0	0	0
<b>Total stockholders equity</b>	<b>-113,574</b>	<b>-123,523</b>	<b>-125,196</b>	<b>-141,336</b>	<b>-149,279</b>	<b>-149,279</b>	<b>-175,238</b>	<b>-200,062</b>	<b>-223,199</b>
Non controlling interest	2,902	2,766	2,380	2,179	2,219	2,219	2,349	2,474	2,590
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>166,062</b>	<b>162,447</b>	<b>159,601</b>	<b>158,360</b>	<b>157,190</b>	<b>157,190</b>	<b>149,063</b>	<b>145,297</b>	<b>143,298</b>

Source: Z&amp;A estimates, company reports



# Appendix III: Benchmarking Data



## Exhibit 16: Balance sheet comparisons

US\$ Mn	Acreage Holdings	Ascend Wellness	AYR Strategies	Columbia Care	Cresco Labs	Curaleaf	4Front Ventures	Glass House	Gold Flora	Goodness Growth	Green Thumb
<b>Debt structure</b>											
Financial debt, net	-213.9	-241.8	-373.1	-290.4	-415.0	-705.9	-79.2	-29.0	-16.5	-49.5	-140.9
Financial debt, gross	244.0	309.8	433.2	327.4	489.8	790.9	84.5	63.9	48.8	60.9	289.9
ST	13.8	9.0	75.9	47.8	18.3	53.7	7.9	0.0	15.5	53.9	1.0
LT	230.2	300.8	357.2	279.6	471.6	737.2	76.6	63.9	33.2	7.0	288.9
cash	30.0	68.0	60.0	37.0	74.8	85.0	5.4	34.9	32.3	11.3	149.0
Income tax payables	34.0	47.0	69.7	46.9	92.4	209.9	41.2	20.6	4.9	0.0	9.8
Deferred tax liabilities	10.6	31.6	72.4	0.0	75.2	318.2	7.6	3.8	17.5	0.0	62.6
Leases, net	2.0	133.3	-5.5	188.2	54.5	29.9	5.6	0.2	32.3	8.4	20.6
Gross leases	21.1	263.7	157.2	228.7	176.4	302.8	141.2	11.4	117.4	10.6	260.6
Right of use assets	19.1	130.3	162.7	40.5	122.0	272.9	135.6	11.2	85.1	2.1	240.0
Contingent considerations	0.0	0.0	0.0	0.3	8.6	23.0	0.0	-28.7	4.6	0.0	32.0
<b>Ratios under various debt definitions</b>											
<b>Net financial (debt)</b>	<b>-213.9</b>	<b>-241.8</b>	<b>-373.1</b>	<b>-290.4</b>	<b>-415.0</b>	<b>-705.9</b>	<b>-79.2</b>	<b>-29.0</b>	<b>-16.5</b>	<b>-49.5</b>	<b>-140.9</b>
trailing last 12 months											
to sales	-0.9x	-0.5x	-0.8x	-0.6x	-0.5x	-0.5x	-0.7x	-0.2x	-0.3x	-0.6x	-0.1x
to adj EBITDA	-5.4x	-2.4x	-3.3x	-3.9x	-2.8x	-2.4x	-7.3x	-0.8x	na	-3.6x	-0.4x
to OCF	na	-5.7x	-15.2x	-1511.5x	-6.3x	-14.7x	na	-2.3x	na	na	-0.6x
to FCF	na	-30.6x	-572.3x	na	-230.8x	na	na	na	na	na	na
last qtr annualized											
to sales	-0.92x	-0.49x	-0.80x	-0.56x	-0.52x	-0.52x	-0.64x	-0.15x	-0.13x	-0.61x	-0.14x
to adj EBITDA	-7.8x	-2.8x	-3.2x	-3.6x	-2.6x	-2.5x	-10.0x	-0.7x	na	-4.4x	-0.5x
to OCF	na	-2.4x	na	na	-5.8x	-7.7x	na	-0.8x	na	-7.6x	-1.9x
to FCF	na	-3.5x	na	na	-256.2x	-19.7x	na	-1.1x	-1.1x	na	na
<b>Broader definition (1)</b>	<b>-249.9</b>	<b>-422.0</b>	<b>-437.4</b>	<b>-525.8</b>	<b>-570.4</b>	<b>-968.7</b>	<b>-126.0</b>	<b>-21.2</b>	<b>-58.3</b>	<b>-58.0</b>	<b>-203.3</b>
trailing last 12 months											
to sales	-1.0x	-0.9x	-0.9x	-1.0x	-0.7x	-0.7x	-1.1x	-0.1x	-1.1x	-0.7x	-0.2x
to adj EBITDA	-6.3x	-4.1x	-3.8x	-7.0x	-3.8x	-3.3x	-11.7x	-0.6x	na	-4.2x	-0.6x
to OCF	na	-9.9x	-17.9x	-2736.3x	-8.7x	-20.2x	na	-1.7x	na	na	-0.9x
to FCF	na	-53.4x	-670.8x	na	-317.3x	na	na	na	na	na	na
last qtr annualized											
to sales	-1.1x	-0.9x	-0.9x	-1.0x	-0.7x	-0.7x	-1.0x	-0.1x	-0.5x	-0.7x	-0.2x
to adj EBITDA	-9.1x	-4.9x	-3.7x	-6.5x	-3.5x	-3.5x	-15.8x	-0.5x	na	-5.1x	-0.7x
to OCF	na	-4.2x	na	na	-7.9x	-10.6x	na	-0.6x	na	-8.9x	-2.8x
to FCF	na	-6.1x	na	na	-352.1x	-27.0x	na	-0.8x	-3.8x	na	na
<i>Note: 1) broader definition of net debt includes financial net debt, ST income tax payables, leases net of rights of use, and contingent consideration (we do not include deferred)</i>											
<i>Note: 2) "na" if EBITDA, OCF, and or FCF negative</i>											
<b>Financials</b>											
LTM metrics											
Sales	244	491	485	509	782	1,371	116	154	55	83	1,036
adj EBITDA	40	102	114	75	148	295	11	36	-58	14	316
OCF	-13	43	24	0	65	48	-44	12	na	-10	224
FCF	-35	8	1	-12	2	-41	-57	-17	na	-17	-19
Last qtr metrics annualized											
Sales	232	492	467	517	792	1,354	123	193	128	81	1,010
adj EBITDA	27	85	118	81	162	280	8	43	-7	11	303
OCF	-2	102	-21	-1	72	91	-183	36	-99	7	73
FCF	-28	69	-48	-1	2	36	-21	27	15	-3	-184

Source: Z&amp;A estimates, company reports



## Exhibit 17: Balance sheet comparisons (continued...)

US\$ Mn	iAnthus	Jushi Holdings	Marimed	Planet 13	Schwazze	StateHouse	TerrAscend	Tilt Holdings	Trulieve	Verano Holdings	Vext Science
<b>Debt structure</b>											
Financial debt, net	-145.8	-183.5	-38.1	39.6	-135.6	-109.0	-192.6	-52.9	-494.1	-317.8	-34.7
Financial debt, gross	155.9	213.4	52.7	0.9	155.4	112.3	221.5	57.0	646.5	420.4	39.0
ST	14.7	14.8	5.7	0.9	6.6	8.1	23.9	11.5	134.9	21.4	5.8
LT	141.2	198.6	47.1	0.0	148.9	104.2	197.6	45.5	511.6	399.0	33.2
cash	10.1	29.9	14.6	40.5	19.9	3.3	28.9	4.1	152.4	102.6	4.3
Income tax payables	0.0	32.6	9.6	0.8	14.1	37.3	45.9	1.8	0.0	227.1	0.0
Deferred tax liabilities	23.8	60.5	0.0	1.5	0.2	4.1	35.6	0.0	211.9	189.3	4.1
Leases, net	8.5	-3.8	0.6	5.6	2.9	12.4	6.7	42.9	21.1	4.0	0.1
Gross leases	35.6	61.5	12.7	27.3	26.1	31.5	39.5	58.0	182.6	88.3	1.0
Right of use assets	27.0	65.2	12.2	21.7	23.2	19.1	32.8	15.1	161.5	84.2	0.9
Contingent considerations	0.0	3.1	0.0	0.0	6.5	0.0	10.2	0.0	2.4	2.0	0.0
<b>Ratios under various debt definitions</b>											
<b>Net financial (debt)</b>	<b>-145.8</b>	<b>-183.5</b>	<b>-38.1</b>	<b>39.6</b>	<b>-135.6</b>	<b>-109.0</b>	<b>-192.6</b>	<b>-52.9</b>	<b>-494.1</b>	<b>-317.8</b>	<b>-34.7</b>
trailing last 12 months											
to sales	-0.9x	-0.7x	-0.3x	0.4x	-0.8x	-1.1x	-0.6x	-0.3x	-0.4x	-0.3x	-1.0x
to adj EBITDA	na	-4.4x	-1.5x	na	-2.4x	na	-2.9x	-15.9x	-1.1x	-1.0x	-4.2x
to OCF	na	na	-5.9x	na	-5.6x	na	-6.5x	-30.9x	-3.9x	-3.0x	-5.0x
to FCF	na	na	na	na	-9.0x	na	-22.7x	-49.3x	-11.7x	-4.5x	-8.3x
last qtr annualized											
to sales	-0.94x	-0.69x	-0.26x	0.38x	-0.80x	-1.08x	-0.67x	-0.32x	-0.44x	-0.34x	-0.95x
to adj EBITDA	na	-2.7x	-1.5x	na	-2.5x	-42.9x	-3.8x	-8.6x	-1.6x	-1.1x	-8.3x
to OCF	-32.2x	na	-7.5x	na	-12.6x	-7.5x	-12.5x	na	na	-3.3x	-2.8x
to FCF	-194.9x	na	na	na	-38.0x	-7.6x	-26.1x	na	na	-5.0x	-3.2x
<b>Broader definition (1)</b>	<b>-154.3</b>	<b>-215.4</b>	<b>-48.3</b>	<b>33.2</b>	<b>-159.1</b>	<b>-158.7</b>	<b>-255.4</b>	<b>-97.6</b>	<b>-517.6</b>	<b>-551.0</b>	<b>-34.9</b>
trailing last 12 months											
to sales	-1.0x	-0.8x	-0.3x	0.3x	-0.9x	-1.6x	-0.9x	-0.6x	-0.4x	-0.6x	-1.0x
to adj EBITDA	na	-5.2x	-1.9x	na	-2.9x	na	-3.9x	-29.3x	-1.2x	-1.8x	-4.2x
to OCF	na	na	-7.5x	na	-6.6x	na	-8.6x	-57.1x	-4.1x	-5.2x	-5.0x
to FCF	na	na	na	na	-10.6x	na	-30.2x	-90.9x	-12.3x	-7.8x	-8.3x
last qtr annualized											
to sales	-1.0x	-0.8x	-0.3x	0.3x	-0.9x	-1.6x	-0.9x	-0.6x	-0.5x	-0.6x	-0.9x
to adj EBITDA	na	-3.1x	-1.9x	na	-2.9x	-62.5x	-5.0x	-15.9x	-1.6x	-1.9x	-8.3x
to OCF	-34.1x	na	-9.5x	na	-14.8x	-10.9x	-16.6x	na	na	-5.8x	-2.9x
to FCF	-206.3x	na	na	na	-44.6x	-11.0x	-34.7x	na	na	-8.7x	-3.2x
<i>Note: 1) broader definition of net debt includes financial net debt, ST income tax payables, leases net of rights of use, and contingent consideration (we do not include deferred tax liabilities)</i>											
<i>Note: 2) "na" if EBITDA, OCF, and or FCF negative</i>											
<b>Financials</b>											
LTM metrics											
Sales	156	278	146	100	169	101	298	173	1,154	927	35
adj EBITDA	-32	41	26	0	56	-7	66	3	445	310	8
OCF	-1	-3	6	-7	24	-1	30	2	125	106	7
FCF	-4	-19	-10	-15	15	-1	8	1	42	70	4
Last qtr metrics annualized											
Sales	155	266	146	103	170	101	288	166	1,127	936	37
adj EBITDA	-2	69	25	-2	55	3	51	6	315	286	4
OCF	5	-27	5	-6	11	15	15	-13	-94	96	12
FCF	1	-33	-18	-8	4	14	7	-14	-138	64	11

Source: Z&amp;A estimates, company reports

Exhibit 18: Sales comps

	CY20	CY21	1Q22	2Q22	3Q22	4Q22	CY22	1Q23	2Q23	3Q23
<b>SALES (\$Mn)</b>										
Acreage	114.5	188.9	56.9	61.4	61.4	57.5	237.1	56.0	58.1	72.1
Ascend	143.7	332.4	85.1	97.5	111.2	112.1	405.9	114.2	123.0	141.3
AYR	155.1	357.6	99.5	110.1	119.6	136.3	465.6	117.7	116.7	114.4
Cannabist	179.5	460.1	123.1	129.6	132.7	126.2	511.6	124.5	129.2	129.2
Cresco	476.3	821.7	214.4	218.2	210.5	199.6	842.7	194.2	197.9	190.6
Curaleaf	626.6	1,196.0	296.1	337.6	339.7	363.0	1,336.3	336.5	338.6	333.2
4Front	57.6	104.6	26.0	28.4	32.5	31.6	118.6	30.4	30.7	23.0
Glasshouse Brands	48.3	69.4	14.0	16.5	28.3	32.2	90.9	29.0	44.7	48.2
Gold Flora	0.0	79.9	22.4	21.7	16.4	23.1	83.6	18.1	19.4	32.0
Goodness Growth	49.2	54.4	15.6	21.1	18.9	19.0	74.6	19.1	20.2	24.7
Green Thumb	556.6	893.6	242.6	254.3	261.2	259.3	1,017.4	248.5	252.4	275.4
iAnthus	151.7	203.0	42.8	43.5	39.4	37.6	163.2	36.8	38.7	42.9
Jushi	80.8	209.3	61.9	72.8	72.8	76.8	284.3	69.9	66.4	65.4
Marimed	50.9	121.5	31.3	33.0	33.9	35.8	134.0	34.4	36.5	38.8
Planet13	70.5	119.5	25.7	28.4	25.6	24.8	104.6	24.9	25.8	24.8
Schwazze	24.0	108.4	31.8	44.3	43.2	40.1	159.4	40.0	42.4	46.7
StateHouse	60.0	60.3	17.3	34.6	30.8	25.5	108.2	24.7	25.3	25.5
TerrAscend	148.0	194.2	48.6	64.8	67.0	67.4	247.8	69.4	72.1	89.2
Tilt	158.4	202.7	42.4	47.1	40.5	44.3	174.2	42.3	41.6	44.6
Trulieve	521.5	938.4	317.7	313.8	300.8	307.4	1,239.8	289.1	281.8	275.2
Verano	228.5	737.9	202.2	223.7	227.6	225.9	879.4	227.1	234.1	240.1
Vext	25.2	37.2	10.8	8.8	7.7	8.2	35.4	9.1	9.2	8.1

Source: Z&A estimates, company reports



## Exhibit 19: Gross margin comps

	CY20	CY21	1Q22	2Q22	3Q22	4Q22	CY22	1Q23	2Q23	3Q23
<b>GROSS MARGIN %</b>										
Acreage	43%	51%	52%	50%	35%	35%	43%	48%	36%	47%
Ascend	42%	41%	28%	34%	33%	37%	33%	31%	23%	31%
AYR	57%	39%	41%	37%	41%	44%	41%	41%	49%	42%
Cannabist	35%	42%	46%	39%	39%	33%	39%	38%	40%	29%
Cresco	43%	49%	50%	52%	47%	44%	48%	44%	44%	49%
Curaleaf	50%	48%	54%	52%	49%	21%	43%	48%	43%	45%
4Front	63%	47%	52%	43%	46%	1%	35%	36%	31%	40%
Glasshouse Brands	39%	23%	17%	2%	31%	32%	24%	41%	55%	54%
Gold Flora	na	16%	30%	28%	26%	39%	31%	43%	49%	35%
Goodness Growth	35%	36%	16%	49%	51%	45%	41%	50%	46%	53%
Green Thumb	55%	55%	51%	49%	50%	48%	50%	50%	50%	49%
iAnthus	54%	54%	53%	45%	41%	43%	46%	42%	48%	41%
Jushi	47%	40%	31%	37%	38%	29%	34%	43%	46%	44%
Marimed	62%	55%	54%	45%	48%	44%	48%	45%	45%	43%
Planet13	49%	55%	50%	49%	41%	43%	46%	44%	46%	45%
Schwazze	28%	46%	34%	57%	60%	57%	53%	58%	58%	46%
StateHouse	47%	43%	32%	43%	36%	42%	39%	44%	49%	45%
TerrAscend	55%	58%	32%	35%	36%	57%	41%	49%	50%	54%
Tilt	37%	25%	22%	23%	24%	19%	22%	21%	10%	18%
Trulieve	74%	60%	57%	56%	56%	51%	55%	52%	50%	52%
Verano	59%	45%	49%	44%	54%	45%	48%	48%	49%	55%
Vext	39%	44%	75%	65%	60%	32%	59%	51%	30%	39%

Source: Z&A estimates, company reports

Exhibit 20: SGA comps

	CY20	CY21	1Q22	2Q22	3Q22	4Q22	CY22	1Q23	2Q23	3Q23
<b>CASH SGA / GROSS PROFIT</b>										
Acreage	191%	83%	79%	73%	121%	127%	96%	88%	99%	72%
Ascend	87%	86%	142%	102%	93%	87%	102%	99%	128%	92%
AYR	82%	105%	122%	120%	111%	116%	117%	108%	83%	81%
Cannabist	229%	120%	98%	143%	136%	187%	138%	99%	100%	152%
Cresco	95%	73%	81%	69%	77%	125%	86%	84%	88%	77%
Curaleaf	72%	68%	62%	61%	63%	176%	77%	70%	75%	65%
4Front	120%	97%	95%	105%	84%	5178%	135%	136%	149%	202%
Glasshouse Brands	118%	290%	550%	5691%	174%	163%	275%	113%	67%	67%
Gold Flora	na	957%	421%	406%	110%	500%	394%	227%	276%	192%
Goodness Growth	154%	170%	373%	83%	89%	87%	109%	75%	86%	51%
Green Thumb	65%	56%	56%	51%	63%	65%	58%	65%	67%	63%
iAnthus	120%	89%	104%	296%	144%	145%	172%	115%	121%	109%
Jushi	143%	135%	133%	145%	113%	347%	164%	84%	61%	63%
Marimed	50%	57%	58%	65%	63%	57%	61%	66%	76%	81%
Planet13	82%	100%	109%	93%	116%	128%	110%	113%	106%	115%
Schwazze	317%	69%	135%	61%	33%	100%	72%	75%	68%	70%
StateHouse	97%	117%	159%	128%	146%	124%	136%	123%	100%	103%
TerrAscend	55%	67%	137%	148%	121%	80%	114%	82%	84%	61%
Tilt	40%	76%	111%	114%	108%	144%	118%	134%	265%	108%
Trulieve	40%	57%	59%	62%	68%	80%	67%	68%	68%	66%
Verano	32%	82%	65%	73%	70%	131%	84%	69%	73%	65%
Vext	25%	32%	34%	39%	44%	55%	40%	57%	30%	82%

Source: Z&A estimates, company reports

Exhibit 21: EBITDA margins comps

	CY20	CY21	1Q22	2Q22	3Q22	4Q22	CY22	1Q23	2Q23	3Q23
<b>EBITDA MARGIN</b>	19%	14%	9%	-27%	16%	8%	1%	12%	13%	19%
Acreage	-26%	13%	15%	17%	14%	12%	15%	19%	12%	21%
Ascend	21%	24%	19%	21%	25%	25%	23%	20%	17%	21%
AYR	32%	27%	16%	18%	18%	22%	19%	22%	25%	25%
Cannabist	-11%	13%	14%	9%	16%	14%	13%	13%	16%	16%
Cresco	13%	24%	24%	23%	20%	15%	20%	15%	20%	26%
Curaleaf	23%	22%	28%	26%	26%	21%	23%	22%	21%	23%
4Front	28%	32%	28%	32%	29%	21%	23%	12%	6%	15%
Glasshouse Brands	3%	-13%	-46%	-59%	-10%	50%	-3%	-1%	21%	22%
Gold Flora	na	-108%	-107%	-100%	4%	-142%	-93%	-61%	-67%	-5%
Goodness Growth	-11%	-17%	-17%	11%	10%	13%	6%	8%	14%	28%
Green Thumb	32%	34%	28%	31%	32%	31%	31%	31%	30%	30%
iAnthus	70%	3%	23%	-816%	-13%	-98%	-237%	2%	-1%	11%
Jushi	5%	7%	-1%	1%	1%	9%	2%	11%	26%	15%
Marimed	32%	35%	33%	27%	25%	17%	24%	21%	17%	16%
Planet13	12%	14%	10%	5%	2%	-3%	3%	3%	-2%	1%
Schwazze	-32%	30%	25%	34%	37%	33%	33%	36%	33%	30%
StateHouse	12%	1%	-21%	-14%	-15%	-22%	-17%	-10%	3%	2%
TerrAscend	32%	36%	10%	11%	19%	25%	16%	18%	18%	27%
Tilt	-5%	11%	4%	2%	1%	-1%	2%	0%	4%	5%
Trulieve	50%	41%	33%	33%	33%	69%	32%	27%	28%	28%
Verano	77%	44%	43%	34%	36%	35%	37%	31%	31%	37%
Vext	27%	36%	35%	55%	43%	39%	43%	32%	11%	13%

Source: Z&A estimates, company reports

Exhibit 22: Net interest expense comps

	CY20	CY21	1Q22	2Q22	3Q22	4Q22	CY22	1Q23	2Q23	3Q23
<b>NET INTEREST / SALES</b>										
Acreage	-8%	-8%	-8%	-8%	-8%	-13%	-9%	-14%	-15%	-9%
Ascend	-17%	-9%	-7%	-7%	-7%	-7%	-7%	-8%	-6%	-5%
AYR	-2%	-5%	-6%	-7%	-7%	-6%	-7%	-6%	-9%	-9%
Cannabist	-3%	-5%	-9%	-9%	-10%	-10%	-9%	-10%	-10%	-10%
Cresco	-7%	-6%	-7%	-6%	-7%	-8%	-7%	-8%	-10%	-6%
Curaleaf	-7%	-4%	-4%	-4%	-4%	-6%	-4%	-4%	-4%	-4%
4Front	-12%	-13%	-10%	-12%	-13%	-8%	-11%	-10%	-10%	-15%
Glasshouse Brands	4%	4%	-9%	-10%	-9%	-7%	-8%	-7%	-6%	-4%
Gold Flora	na	-6%	-6%	-6%	-35%	14%	-6%	-7%	-6%	-21%
Goodness Growth	-10%	-19%	-29%	-25%	-30%	-37%	-30%	-37%	-38%	-32%
Green Thumb	-3%	-2%	-2%	-2%	-1%	-1%	-2%	-1%	-1%	-1%
iAnthus	-16%	-11%	-14%	-13%	-9%	-9%	-11%	-10%	-10%	-8%
Jushi	-19%	-15%	-16%	-15%	-18%	-15%	-16%	-12%	-15%	-14%
Marimed	-19%	-2%	0%	0%	-1%	-1%	-1%	-7%	-7%	-6%
Planet13	-3%	0%	0%	0%	0%	1%	0%	1%	1%	1%
Schwazze	-96%	3%	-38%	3%	6%	-23%	-11%	-5%	-7%	1%
StateHouse	-7%	-5%	-8%	-20%	-18%	-22%	-18%	-17%	-19%	-11%
TerrAscend	-7%	-14%	-14%	-21%	-14%	-9%	-14%	-15%	-11%	-11%
Tilt	-4%	-5%	-7%	-8%	-10%	-8%	-8%	-10%	-13%	-14%
Trulieve	-4%	-4%	-6%	-6%	-6%	-7%	-6%	-8%	-7%	-8%
Verano	-2%	-5%	-5%	-5%	-5%	-31%	-12%	-7%	-6%	-6%
Vext	-2%	-5%	-2%	-2%	-1%	-1%	-1%	-1%	0%	-1%

Source: Z&A estimates, company reports



Exhibit 23: Operating Cash Flow

	CY20	CY21	1Q22	2Q22	3Q22	4Q22	CY22	1Q23	2Q23	3Q23
<b>OPERATING CASH FLOW</b>										
Acreage	-67.7	-40.5	-5.4	-18.1	-7.0	-19.6	-50.1	-8.1	-0.5	14.8
Ascend	-6.0	-41.7	-10.2	-10.3	-1.8	-16.1	-38.4	5.8	25.4	27.5
AYR	36.5	-27.8	-21.2	-13.7	0.2	0.5	-34.2	10.3	-5.3	19.0
Cannabist	-49.7	-0.5	-27.8	-72.0	-16.8	5.2	-111.4	-3.4	-0.3	-1.2
Cresco	-7.8	14.5	-3.4	-7.1	25.6	3.6	18.7	3.3	18.0	40.6
Curaleaf	12.4	-58.3	45.6	-34.0	59.9	-25.1	46.4	14.2	22.8	36.0
4Front	-14.0	5.8	-2.4	-0.5	0.9	10.7	8.8	-6.9	-2.0	-45.9
Glasshouse Brands	-12.6	-31.1	-15.5	-9.8	-6.2	-9.3	-40.8	4.5	8.3	9.1
Gold Flora	na	na	na	-20.0						
Goodness Growth	-10.9	-30.5	-6.8	-3.1	-2.1	-6.1	-18.1	-3.8	1.6	-1.5
Green Thumb	95.9	132.0	55.4	-15.5	48.3	70.3	158.6	74.7	18.3	60.8
iAnthus	-9.8	16.1	1.8	-7.4	-8.5	-5.4	-19.5	-0.8	1.1	4.4
Jushi	-12.4	-14.3	-13.8	-13.9	1.5	4.8	-21.4	-3.6	-6.7	2.5
Marimed	3.4	35.9	8.5	-6.3	3.3	1.7	7.3	-4.5	1.3	7.9
Planet13	-0.9	-0.4	3.0	-1.8	1.1	1.5	3.8	-5.2	-1.6	-1.7
Schwazze	-9.8	8.4	3.6	-11.6	4.0	15.3	11.4	-0.9	2.7	6.9
StateHouse	-0.6	-15.3	-0.3	-21.8	-10.7	-4.2	-37.1	-1.4	3.7	1.2
TerrAscend	-27.9	-24.2	-18.8	-16.1	1.5	11.6	-21.8	8.4	3.9	5.8
Tilt	16.7	-8.6	4.2	-0.4	4.5	0.3	8.6	3.8	-3.3	1.0
Trulieve	99.6	12.9	45.1	-55.4	-21.6	55.0	23.1	0.4	-23.5	93.4
Verano	71.6	182.9	34.5	9.2	21.7	29.0	94.3	16.9	23.9	36.6
Vext	3.1	11.3	3.1	0.9	-1.0	2.9	5.9	0.4	3.1	0.6

Source: Z&A estimates, company reports



# Appendix IV: Valuation Comps



## Exhibit 24: US MSO EV Multiples

US\$Mn 9-Jan-24	Z&A Spot EV / Sales			Z&A Spot EV / EBITDA			Financial Net Debt				Broadly Defined Net Debt			
	2023	2024	2025	2023	2024	2025	Sales		EBITDA		Sales		EBITDA	
							CY24	Current	CY24	Current	CY24	Current	CY24	Current
<b>US MSOs</b>	<b>2.0x</b>	<b>1.8x</b>	<b>1.7x</b>	<b>10.0x</b>	<b>8.2x</b>	<b>7.4x</b>								
Acreage Holdings	1.3x	1.2x	na	9.3x	5.9x	na	-0.8x	-0.7x	-4.2x	-3.5x	-1.0x	-0.9x	-5.3x	-4.4x
Ascend Wellness	1.6x	1.5x	1.4x	8.2x	6.9x	6.0x	-0.4x	-0.4x	-2.0x	-2.1x	-1.0x	-1.0x	-4.7x	-4.8x
Ayr Wellness	1.8x	1.6x	1.5x	7.4x	6.5x	5.8x	-0.8x	-0.9x	-3.2x	-3.7x	-1.3x	-1.4x	-5.1x	-5.7x
Cannabist Co	1.5x	1.4x	1.3x	10.0x	7.6x	6.2x	-0.5x	-0.5x	-2.7x	-3.3x	-1.0x	-1.1x	-5.5x	-6.9x
Cresco Labs	1.9x	2.0x	1.8x	9.1x	8.0x	7.6x	-0.6x	-0.5x	-2.3x	-2.1x	-0.9x	-0.9x	-3.8x	-3.6x
Curaleaf	3.6x	3.4x	3.0x	16.0x	13.6x	10.8x	-0.5x	-0.5x	-1.9x	-2.2x	-1.0x	-1.0x	-3.9x	-4.6x
4Front Ventures	3.0x	2.7x	na	26.9x	13.0x	na	-0.7x	-1.0x	-3.5x	-6.9x	-2.1x	-3.0x	-10.3x	-20.1x
Glass House	3.5x	2.6x	na	22.0x	9.5x	na	-0.1x	na	-0.4x	na	-0.4x	-0.4x	-1.5x	-2.0x
Gold Flora	0.9x	0.9x	na	na	na	na	na	-0.1x	na	na	na	-0.5x	na	na
Goodness Growth	1.0x	0.9x	na	4.0x	3.7x	na	-0.5x	-0.5x	-2.1x	-1.8x	-0.6x	-0.6x	-2.6x	-2.1x
Green Thumb	3.1x	2.9x	2.6x	10.2x	9.7x	8.6x	-0.1x	-0.1x	-0.5x	-0.5x	-0.3x	-0.3x	-1.2x	-1.2x
iAnthus	2.0x	na	na	na	na	na	na	-0.8x	na	-7.5x	na	-1.1x	na	-9.3x
Jushi	1.7x	1.7x	1.6x	11.4x	8.6x	7.9x	-0.7x	-0.7x	-3.4x	-4.7x	-1.3x	-1.3x	-6.4x	-9.0x
MariMed	1.3x	1.1x	0.9x	7.2x	5.0x	3.9x	-0.2x	-0.2x	-1.0x	-1.6x	-0.4x	-0.4x	-1.7x	-2.7x
Planet 13	2.5x	1.5x	1.5x	-13.6x	13.0x	10.0x	0.1x	0.2x	1.0x	21.4x	-0.1x	-0.1x	-0.6x	-11.5x
Schwazze	1.9x	1.7x	na	5.7x	4.1x	na	-0.9x	-0.9x	-2.1x	-3.1x	-1.1x	-1.2x	-2.7x	-3.9x
StateHouse	1.9x	na	na	na	na	na	na	-1.1x	na	-57.5x	na	-1.8x	na	-92.6x
TerrAscend	3.0x	2.5x	2.3x	13.3x	10.2x	8.3x	-0.5x	-0.5x	-2.0x	-1.9x	-0.8x	-0.8x	-3.2x	-3.1x
TILT	0.7x	0.7x	0.6x	20.0x	11.9x	8.0x	-0.3x	-0.3x	-5.1x	-5.7x	-0.6x	-0.6x	-11.0x	-12.3x
Trulieve	1.7x	1.7x	1.7x	6.2x	6.1x	6.0x	-0.5x	-0.5x	-1.7x	-1.7x	-0.7x	-0.7x	-2.5x	-2.6x
Verano	2.5x	2.4x	2.2x	7.7x	7.4x	6.9x	-0.3x	-0.3x	-0.9x	-0.8x	-0.6x	-0.7x	-2.0x	-1.8x
Vext	1.9x	1.2x	na	9.6x	4.8x	na	-0.6x	-1.1x	-2.4x	-8.1x	-0.6x	-1.1x	-2.5x	-8.3x

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

3) As there are no CY23 sales consensus estimates for Gold Flora, iAnthus, and StateHouse, we take "current" sales for each of them

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



Exhibit 25: US MSO EV Calculations

US\$Mn 9-Jan-24	FactSet Spot EV	Z&A Spot EV	US\$ 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
<b>US MSOs</b>													
Acreage Holdings	222	298	0.20	138.1	6.7	29	-214	-21	-34			-269	
Ascend Wellness	716	836	1.21	206.7	13.3	266	-244	-266	-60			-570	
Ayr Wellness	707	829	2.16	76.6	5.0	176	-417	-158	-78	0		-653	
Cannabist Co	715	777	0.50	428.9		215	-272	-246	-45	0		-563	
Cresco Labs	1,038	1,480	1.74	436.5	8.2	774	-415	-174	-111	-6		-706	
Curaleaf	3,737	4,807	4.41	741.9	8.4	3,309	-672	-281	-345	-81		-1,378	119
4Front Ventures	298	351	0.11	648.6		73	-95	-141	-41	0		-278	
Glass House	346	564	5.16	75.3	3.2	405	-26	-11	-21	-29		-87	72
Gold Flora	-7	118	0.21	288.3	0.3	60	-16	-32	-5	-5		-58	
Goodness Growth	146	88	0.25	108.7		28	-50	-11				-60	
Green Thumb	2,683	3,194	11.23	236.6	13.7	2,811	-162	-262	-16	-33	89	-383	
iAnthus	166	351	0.03	6,510.5		169	-146	-36				-181	
Jushi	409	463	0.58	196.6	1.1	115	-184	-62	-103	0		-348	
MariMed	123	193	0.29	376.1	5.5	109	-38	-13	-14			-65	19
Planet 13	148	248	0.79	301.7	1.2	238	20	-27	-3			-11	
Schwazze	148	342	0.70	171.3		120	-176	-28	-18	0		-222	
StateHouse	148	198	0.03	255.6	141.0	12	-114	-13	-39	-24	7	-184	2
TerrAscend	684	962	1.80	351.2	15.3	660	-186	-51	-59	-6		-303	
TILT	111	120	0.02	381.5	5.0	10	-51	-58	-1			-110	
Trulieve	1,211	1,913	5.90	186.0	3.3	1,117	-537	-173	-81	-4		-796	
Verano	2,001	2,357	4.86	343.4	9.8	1,716	-292	-95	-251	-2		-640	
Vext	48	69	0.22	149.8	0.4	33	-35	-1				-36	

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



## Exhibit 26: US MSO Estimates

US\$Mn Company name	FACTSET CONSENSUS					ZUANIC & ASSOCIATES ESTIMATES					Z&A vs. CONSENSUS			
	Revenues		Adj EBITDA		margin	Revenues		Adj EBITDA		margin	Revenues		Adj EBITDA	
	2024	2025	2024	2025	2024	2024	2025	2024	2025	2024	2024	2025	2024	2025
<b>US MSOs</b>														
Acreage Holdings	259	na	51	na	19.6%			<i>not covered yet</i>						
Ascend Wellness	576	589	121	139	21.1%			<i>not covered yet</i>						
Ayr Wellness	505	537	128	144	25.4%			<i>not covered yet</i>						
Cannabist Co	548	607	102	125	18.6%			<i>not covered yet</i>						
Cresco Labs	753	814	184	195	24.5%			<i>not covered yet</i>						
Curaleaf	1,412	1,579	353	445	25.0%			<i>not covered yet</i>						
4Front Ventures	131	na	27	na	20.6%			<i>not covered yet</i>						
Glass House	214	na	60	na	27.9%			<i>not covered yet</i>						
Gold Flora	135	na	-2	na	na	155	199	9	34	5.9%	15%	na	-648%	na
Goodness Growth	102	na	24	na	23.2%			<i>not covered yet</i>						
Green Thumb	1,108	1,211	329	370	29.7%	1,063	1,210	318	371	29.9%	-4%	0%	-3%	0%
iAnthus	na	na	na	na	na			<i>not covered yet</i>						
Jushi	275	284	54	59	19.6%			<i>not covered yet</i>						
MariMed	177	203	38	50	21.6%	185	221	41	53	22.3%	5%	8%	8%	6%
Planet 13	164	163	19	25	11.6%	150	163	16	25	10.5%	-9%	0%	-18%	0%
Schwazze	203	235	83	84	41.0%			<i>not covered yet</i>						
StateHouse	na	na	na	na	na	105	114	10	14	9.2%	na	na	na	na
TerrAscend	380	421	94	117	24.7%			<i>not covered yet</i>						
TILT	182	204	10	15	5.5%	182	207	11	16	5.8%	0%	2%	5%	9%
Trulieve	1,114	1,154	313	320	28.1%			<i>not covered yet</i>						
Verano	988	1,049	318	344	32.2%	960	1,032	314	340	32.8%	-3%	-2%	-1%	-1%
Vext	59	61	14	20	24.4%			<i>not covered yet</i>						

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



## Exhibit 27: Canadian LP Valuation Comps

US\$Mn 9-Jan-24	Z&A Spot EV / Sales			Z&A Spot EV / EBITDA			Financial Net Debt				Broadly Defined Net Debt			
	Current	2024	2025	Current	2024	2025	Sales		EBITDA		Sales		EBITDA	
							Current	CY24	Current	CY24	Current	CY24	Current	CY24
<b>US MSOs</b>														
Aurora Cannabis Inc.	1.2x	1.1x	0.9x	22.4x	10.2x	6.0x	na	na	na	na	0.0x	0.0x	-0.9x	-0.4x
Auxly Cannabis Group Inc.	1.4x	na	na	346.1x	na	na	-1.1x	na	-273.2x	na	-1.3x	na	-310.1x	na
Avant Brands Inc	2.1x	na	na	15.4x	na	na	-0.3x	na	-2.1x	na	-0.7x	na	-4.9x	na
BZAM Ltd	0.8x	na	na	-2.1x	na	na	-0.4x	na	1.0x	na	-0.5x	na	1.4x	na
Canopy Growth Corporation	3.3x	3.0x	2.6x	-19.4x	-278.8x	30.1x	-1.5x	-1.3x	8.7x	125.0x	-1.5x	-1.3x	8.7x	125.0x
Cronos Group Inc	-0.4x	-0.4x	-0.3x	0.7x	1.8x	2.4x	na	na	na	na	8.4x	7.9x	-13.5x	-33.2x
Decibel Cannabis Company Inc	0.9x	0.8x	0.7x	4.0x	3.3x	2.8x	-0.3x	-0.3x	-1.6x	-1.3x	-0.4x	-0.3x	-1.8x	-1.5x
High Tide, Inc.	0.4x	0.4x	0.3x	12.6x	5.7x	3.9x	0.0x	0.0x	-0.7x	-0.3x	-0.1x	-0.1x	-2.6x	-1.2x
Nova Cannabis Inc	0.4x	0.4x	0.3x	4.0x	4.6x	3.5x	0.0x	0.0x	-0.1x	-0.2x	-0.2x	-0.2x	-2.0x	-2.3x
OrganiGram Holdings Inc	0.7x	0.6x	0.5x	-8.1x	15.5x	5.9x	na	na	na	na	0.4x	0.3x	-4.5x	8.6x
Rubicon Organics, Inc.	0.7x	0.6x	na	6.5x	3.8x	na	0.0x	0.0x	-0.3x	-0.2x	0.0x	0.0x	-0.3x	-0.2x
SNDL Inc.	0.5x	0.4x	0.4x	6.7x	10.7x	6.4x	na	na	na	na	0.1x	0.1x	0.9x	1.5x
Tilray Brands, Inc.	2.4x	1.9x	1.7x	36.6x	17.2x	9.5x	-0.1x	-0.1x	-1.9x	-0.9x	-0.2x	-0.1x	-2.4x	-1.1x
Village Farms International, Inc.	0.4x	0.4x	0.4x	9.6x	8.4x	5.5x	0.0x	0.0x	-1.0x	-0.8x	-0.1x	-0.1x	-2.0x	-1.8x

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

Exhibit 28: EV Calculations for Canada LPS

C\$Mn 9-Jan-24	FactSet Spot EV	Z&A Spot EV	C\$ price	mn shares	mn deriv	Total Mkt Cap	Financial net debt	Gross leases	ST income tax liab.	Conting Cons.	ITM deriv inflow	Total BDND	Pref Stock Min Int
<b>US MSOs</b>													
Aurora Cannabis Inc.	191	305	0.62	475.1	16.9	293	53	-51		-14		-12	
Auxly Cannabis Group Inc.	149	162	0.02	1,009.0	249.9	17	-128	-17		0		-145	
Avant Brands Inc	46	55	0.15	258.3	3.4	38	-7	-10				-18	
BZAM Ltd	54	67	0.13	180.8	0.2	23	-31	-14				-45	
Canopy Growth Corporation	na	921	6.13	82.9	1.7	508	-413					-413	
Cronos Group Inc	-48	-60	2.77	381.1	7.8	1,056	1,119	-3				1,116	
Decibel Cannabis Company Inc	101	107	0.14	409.0	16.7	59	-42	-6				-48	
High Tide, Inc.	186	214	2.26	75.1	0.5	170	-12	-31				-44	
Nova Cannabis Inc	4	107	0.94	57.2		54	-4	-49				-53	
OrganiGram Holdings Inc	96	94	1.83	80.5	1.2	147	53		0			52	
Rubicon Organics, Inc.	33	29	0.50	56.1	6.9	28	-1	0				-1	
SNDL Inc.	293	434	2.09	236.7	12.8	495	232	-171				61	
Tilray Brands, Inc.	2,208	2,228	2.81	730.3		2,053	-115	-10		-20		-145	30
Village Farms International, Inc.	133	167	1.06	110.2		116	-17	-18				-35	16

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

Exhibit 29: Other Companies Valuation Comps

US\$Mn	Company name	Ticker	Listing	1/9/24	Mkt		Net	Ent	1yr Forward	Consensus		Cons	Net debt		
				Price	Cap	(mn)				EV/Sales	EV/EBITDA			1yF Estimates (US\$Mn)	EBITDA
				US\$	US\$ MN	Shares	(Debt)	Value			Sales	EBITDA	mgn %	1yF EBITDA	
<b>Service Providers</b>															
	AFC Gamma	AFCG	NASDAQ	11.90	242	20	-17	259	<i>finco</i>	4.0x	#N/A	65	#N/A	#N/A	#N/A
	Chicago Atlantic	REFI	NASDAQ	15.77	280	18	-52	332	<i>finco</i>	5.4x	#N/A	61	#N/A	#N/A	#N/A
	Innovative Industrial Prop	IIPR	NYSE	93.92	2,627	28	-14	2,641	<i>finco</i>	8.5x	10.6x	310	250	81%	-0.1x
	New Lake Capital Partners	NLCP	US OTC	16.60	355	21	42	313	<i>finco</i>	6.7x	#N/A	47	#N/A	#N/A	#N/A
	River North	RIV	NYSE	11.43	245	21	34	211	<i>finco</i>	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
	SHF Holdings	SHFS	NASDAQ	1.44	34	24	7	27	<i>finco</i>	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
	Silver Spike BDC	SSIC	NASDAQ	8.44	52	6	85	-32	<i>finco</i>	-2.1x	#N/A	16	#N/A	#N/A	#N/A
	Leafly	LFly	NASDAQ	4.78	10	2	-4	14	<i>tech</i>	0.4x	-4.0x	38	-4	-9%	1.0x
	Springbig	SBIG	US OTC	0.13	3	27	-6	9	<i>tech</i>	0.3x	2.5x	31	4	11%	-1.6x
	WM Technology	MAPS	NASDAQ	0.85	47	55	0	47	<i>tech</i>	0.2x	1.6x	200	29	14%	0.0x
	Greenlane Holdings	GNLN	NASDAQ	0.55	1	2	-8	8	<i>vape parts</i>	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
	GrowGeneration	GRWG	NASDAQ	2.54	155	61	23	132	<i>pix &amp; shovel</i>	0.6x	-63.1x	219	-2	-1%	-11.0x
	HydroFarm	HYFM	NASDAQ	0.91	41	45	-165	206	<i>pix &amp; shovel</i>	0.9x	19.7x	225	10	5%	-15.8x
	Scotts Miracle Gro	SMG	NYSE	62.00	3,503	57	-2,874	6,377	<i>pix &amp; shovel</i>	1.7x	11.5x	3,690	556	15%	-5.2x
	urban-gro	UGRO	NASDAQ	1.60	17	11	6	12	<i>pix &amp; shovel</i>	0.1x	-42.3x	113	0	0%	-20.0x
<b>CBD, CPG, Pharma, International</b>															
	Charlotte's Web	CWBHF	US OTC	0.20	31	152	9	22	<i>CBD</i>	0.3x	-1.9x	78	-12	-15%	-0.8x
	Clever Leaves	CLVR	NASDAQ	3.50	5	1	4	1	<i>CBD</i>	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
	CV Sciences	CVSI	US OTC	0.04	6	152	-1	6	<i>CBD</i>	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
	Turning Point Brands	TPB	NYSE	25.21	441	17	-314	755	<i>CPG</i>	2.0x	7.7x	384	98	25%	-3.2x
	IM Cannabis	IMCC	NASDAQ	0.32	2	8	-7	9	<i>Intl</i>	0.2x	20.8x	42	0	1%	-15.3x
	InterCure	INCR	NASDAQ	1.39	63	46	-2	66	<i>Intl</i>	0.7x	-7.9x	90	-8	-9%	0.3x
	Ispire Tech	ISPR	NASDAQ	11.40	618	54	45	573	<i>Intl</i>	2.0x	13.5x	281	43	15%	1.1x
	Little Green Pharma	LGPPF	US OTC	#N/A	#N/A	298	0	#N/A	<i>Intl</i>	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
	PharmaCielo	PCLOF	US OTC	0.20	30	155	-9	39	<i>Intl</i>	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
	Smooore Intl	SMORF	US OTC	0.72	4,378	6,078	2,106	2,273	<i>Intl</i>	0.2x	0.8x	15,143	2,831	19%	0.7x
	Jazz Pharma	JAZZ	NASDAQ	122.38	7,736	63	-4,936	12,672	<i>pharma</i>	3.1x	6.8x	4,068	1,877	46%	-2.6x

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



## Exhibit 30: Stock Performance

9-Jan-24	Stock Performance		
Ticker	Last 30d	Last 90d	Last 12mo
<b>US MSOs</b>			
FFNTF	-13%	-51%	-57%
ACRDF	-22%	-38%	-76%
AAWH	-18%	34%	-18%
AYRWF	-15%	29%	61%
CXXIF	2%	-5%	38%
CBSTF	12%	-39%	-38%
CRLBF	-3%	6%	-11%
CURLF	6%	-1%	5%
GLASF	13%	17%	128%
GRAMF	73%	43%	-4%
GDNSF	1%	45%	39%
GTBIF	-1%	12%	31%
ITHUF	0%	0%	0%
JUSHF	-14%	-20%	-22%
LOWLF	6%	-39%	-78%
MRMD	-5%	-25%	-29%
PLNH	-5%	-5%	-12%
RWBYF	na	na	na
SHWZ	21%	-1%	-49%
STHZF	36%	-50%	-69%
TSNDF	15%	-4%	27%
GQRS	na	na	na
TLLTF	-2%	-52%	-60%
TCNNF	-2%	17%	-20%
VRNOF	7%	14%	58%
VEXTF	7%	3%	19%

	Stock Performance		
Ticker	Last 30d	Last 90d	Last 12mo
<b>Canada</b>			
ALEAF	na	na	-70%
ACB	-11%	-15%	-47%
CBWTF	-2%	10%	-25%
AVTBF	3%	-24%	-22%
BZAMF	-14%	-14%	-67%
CGC	-43%	-37%	-81%
CRON	-1%	4%	-18%
DBCCF	14%	-12%	30%
ETRGF	-29%	-36%	-40%
HITI	4%	9%	14%
NVACF	23%	61%	-5%
OGI	3%	13%	-58%
ROMJF	5%	11%	-44%
SNDL	6%	-6%	-26%
TLRY	10%	-1%	-28%
VFF	0%	1%	-45%
YOLO ETF	1%	1%	-15%
<b>CBD, CPG, Pharma, International</b>			
CWBHF	-11%	-26%	-64%
CLVR	63%	17%	-68%
CVSI	-9%	-10%	11%
TPB	4%	11%	14%
IMCC	-13%	-52%	-77%
INCR	5%	-2%	-63%
ISPR	1%	27%	#N/A

	Stock Performance		
Ticker	Last 30d	Last 90d	Last 12mo
<b>Service Providers</b>			
AFCG	-3%	3%	-25%
AGFY	-6%	-48%	-81%
REFI	1%	7%	5%
IIPR	7%	23%	-6%
NLCP	19%	29%	2%
PW	16%	-17%	-85%
RIV	6%	7%	-6%
SHFS	44%	106%	-2%
SSIC	-11%	-11%	-14%
LFLY	-13%	-35%	-63%
SBIG	-3%	-7%	-78%
MAPS	-4%	-32%	-19%
GNLN	-10%	-5%	-84%
GRWG	-7%	-9%	-39%
HYFM	-15%	-17%	-28%
SMG	2%	27%	11%
UGRO	42%	29%	-47%
<b>CBD, CPG, Pharma, International</b>			
LGPPF	#N/A	#N/A	#N/A
PCLOF	69%	31%	-11%
SMORF	-10%	-19%	-56%
JAZZ	2%	-6%	-23%
<b>Index</b>			
S&P 500	3%	9%	22%
MSOS ETF	1%	5%	7%

Source: FactSet



Exhibit 31: Stock Performance – Last Six Months



Source: FactSet



Exhibit 32: Stock Performance – Last 12 Months



Source: FactSet



# Appendix V: Bio and Disclaimers



## Analyst Bio

Pablo Zuanic is a well-known and highly rated equity analyst following the cannabis and psychedelics sector. Over the past four years he launched coverage of over 35 companies (MSOs, LPs, CBD, ancillary, psychedelics), kept close track of sectoral trends, and followed the reform process in the US and elsewhere. His firm Zuanic & Associates publishes equity research on the cannabis and psychedelics sectors, both from a macro/sectoral level in a thematic manner, as well as specific reports on listed stocks. The research service is aimed at institutional investors and corporations. The firm is also available for short term consulting and research advisory projects ([www.zuanicassociates.com](http://www.zuanicassociates.com)). At various points in his career, Pablo was II ranked and called as expert witness in industry investigations. He has a deep global background having covered stocks over the past 20 years in the US, Europe, Latin America, and Asia, across consumer sub sectors. Prior employers include JP Morgan, Barings, and Cantor Fitzgerald. An MBA graduate of Harvard Business School, he started his career as a management consultant, which brings a strategic mindset to his approach to equity research. Pablo can be contacted at [pablo.zuanic@zuanicgroup.com](mailto:pablo.zuanic@zuanicgroup.com).



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