



12/4/2024

# Advanced Flower Capital (AFCG)

Company Update: Overweight

## Key Highlights:

- \$116Mn in new commitments YTD (above \$100Mn CY24 target)
- Making progress in diversifying and improving quality of loan book
- Liquidity could result in another \$75Mn in deployments (we model ~\$50Mn for CY25)
- Legacy issues (non-accrual status of some loans) being addressed (exits, restructurings).
- Trading at par; close to 14% dividend yield. We rate AFCG Overweight.

ADE/share \$	FY23	FY24	FY25	FY26
1Q	0.57 A	0.49 A	0.39 E	0.40 E
2Q	0.49 A	0.56 A	0.42 E	0.42 E
3Q	0.49 A	0.35 E	0.42 E	0.44 E
4Q	0.49 A	0.36 E	0.42 E	0.45 E
FY	2.04 A	1.76 E	1.64 E	1.71 E
Div/share \$	FY23	FY24	FY25	FY26
1Q	0.56 A	0.56 A	0.33 A	0.36 E
2Q	0.48 A	0.48 A	0.36 E	0.38 E
3Q	0.48 A	0.48 E	0.36 E	0.38 E
4Q	0.48 A	0.33 E	0.36 E	0.40 E
FY	2.00 A	1.85	1.41 E	1.52 E
Share price (US\$)	\$9.62		Rating	Overweight
Share count (mn)	22.0		Price target	No PT
Market Cap (US\$Mn)	211		Fiscal Year	Dec
Ticker	AFCG-US			

BVPS \$	FY23	FY24	FY25	FY25
1Q	16.49 A	15.22 A	9.44 E	9.58 E
2Q	16.75 A	15.38 A	9.48 E	9.60 E
3Q	16.65 A	9.91 E	9.52 E	9.63 E
4Q	15.82 A	9.40 E	9.55 E	9.66 E
Debt/Equity	FY23	FY24	FY25	FY25
1Q	26% A	48% A	72% E	72% E
2Q	26% A	39% A	71% E	77% E
3Q	26% A	72% E	71% E	82% E
4Q	41% A	72% E	71% E	87% E
Performance	AFCG-US	MSOS	S&P500	
30d	0%	-37%	6%	
90d	-7%	-34%	9%	
1yr	-17%	-38%	32%	

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## Company Update

**We rate AFCG Overweight.** With over 15% growth so far in 4Q24 (\$41Mn in new commitments, although not all disbursed yet), \$20Mn in unfunded commitments as of 9/30, successful exits YTD, and encouraging status of two work outs, we believe distributable earnings should have upside into 4Q24 and CY25. As such, the post CRE spin dividend of 33c per share is well secured, as per our estimates. Also, recent portfolio diversification and increased exposure to license-restricted states, helps reduce overall portfolio risk for AFCG, in our view. While we do not expect another \$100Mn in new commitments in CY25 (\$116Mn so far in CY24), \$40-60Mn is possible (we model \$50Mn). Between cash and credit lines, the company has access to \$75Mn in liquidity (3Q24 debt to equity was 72%), that it could put to work. Yes, the reform outlook remains uncertain, but we think risks are to the upside for the US cannabis industry (see our [Macro Views](#) report) in the current context. See our [initiation report](#) from this past September.

### Significant loan book growth.

- Through 11/1/24, AFCG had originated seven deals adding up to \$116Mn in commitments (above the \$100Mn target for CY24). The latest transaction was a \$41Mn senior secured credit facility with Story Cannabis (a private MSO) for their Maryland operation.
- The other loans booked in 2024 include \$36Mn (in terms of principal balance as of 9/30) to Sunburn Cannabis in FL; >\$15Mn to SocietyC in MI; >\$5Mn to Botanical Sciences in GA; and <\$3Mn to Gron Edibles. Unfunded commitments amounted to >\$20Mn as of 9/30/24 (with \$13.7Mn within one year).
- The \$116Mn in new commitments represent ~50% growth over the \$239Mn principal base as of 9/30/24 of loans booked prior to CY24 (this excludes \$31Mn in loans held at fair value).
- In this regard, management has succeeded not only in expanding the loan book, but also in diversifying it (operator wise and geographically), and increasing the % of exposure to what we would consider license-restricted states.
- As of 9/30/24, two loans representing 39% of the loans booked at “carrying value” were in non-accrual status (\$79Mn with Justice Cannabis [NJ/PA]; \$12Mn with DMA Holdings in MA). That said, Justice has made several operating improvements (cultivation, lab) and would directly benefit if PA goes rec.
- CECL loss reserve (\$25Mn, or \$1.14/share) was over 10% of the book as of 9/30, but part of that could be reversed in the months ahead (say, ~30c/share). The \$31Mn booked at fair value may have upside given potential bids for those assets.
- Management is confident about future loan book growth (no target given yet for CY25) given the industry’s continued demand/supply capital imbalance (refinancings coming up; potential adult use market unlocks; increased M&A activity). It targets mid to high teens

IRR (18% book YTM as of 9/30/24). With 67% of the book fixed rated and another 30% with above market floors, close to 90% of the book is not vulnerable to lower rates.

### Valuation.

- Taking the share price at \$9.62 and the quarterly dividend of \$0.33, the yield is close to 14%. AFCG pays 85% to 100% of distributable earnings in dividends.
- The BVPS as of 9/30 was \$9.91, so the stock trades almost at par (-3%), BVPS could have some upside based on the status work outs and asset sales.
- Further upside could come from faster loan book growth than modelled (and dividend hikes); interest spread widening (given 2/3 of the loan is in fixed rate loans, and floors limit rate downside risk); garnering part of the \$2/share mentioned above re CECL/UL. All this, before factoring a potential rerating of the cannabis sector, if federal reform news flow is favorable.
- We show comps below, but the other MJ-REIT in the space pays a <12% dividend yield. We realize the AFCG has higher risk as well as legacy issues (compared with REFI), but as explained in this note, we believe the dividend is secured and the loan book is in better shape.

Table 1: mREITs Comps

US\$Mn			12/3/24				Mkt					
Company name	Ticker	Listing	Price US\$	Price to BVPS	Div Yield	(mn) Shares	Cap US\$Mn	Debt to Equity	Net (Debt)	Ent Value	1yf Consensus EV/Rev	EV/EBITDA
<b>Industrial REITS</b>			<b>1.72x</b>									
Americold Realty Trust, Inc.	COLD	NYSE	23.10	1.95x	3.8%	283.7	6,553	104%	-3,432	9,986	3.6x	15.2x
EastGroup Properties, Inc.	EGP	NYSE	169.78	2.95x	3.1%	47.7	8,099	62%	-1,663	9,761	13.7x	19.6x
First Industrial Realty Trust, Inc.	FR	NYSE	52.76	2.65x	2.7%	132.3	6,980	86%	-2,214	9,194	13.4x	19.2x
Innovative Industrial Properties Inc	IIPR	NYSE	107.47	1.58x	6.9%	28.1	3,024	16%	-139	3,163	9.9x	12.3x
Industrial Logistics Properties Trust	ILPT	NASDAQ	3.69	0.42x	1.1%	65.8	243	742%	-4,083	4,326	9.6x	12.9x
LXP Industrial Trust	LXP	NYSE	9.28	1.30x	5.6%	293.4	2,723	86%	-1,461	4,185	12.5x	15.3x
NewLake Capital Partners, Inc.	NLCP	US OTC	19.20	0.99x	8.7%	20.5	394	1%	24	370	7.1x	N/A
Prologis, Inc.	PLD	NYSE	116.40	2.03x	3.2%	924.4	107,599	60%	-31,275	138,874	16.9x	21.7x
Plymouth Industrial REIT, Inc.	PLYM	NYSE	18.46	1.92x	5.1%	45.3	835	203%	-858	1,693	8.2x	12.0x
Rexford Industrial Realty, Inc.	REXR	NYSE	42.10	1.17x	3.9%	212.3	8,940	31%	-2,349	11,289	10.7x	15.2x
STAG Industrial, Inc.	STAG	NYSE	36.53	2.02x	4.0%	181.7	6,637	82%	-2,666	9,303	11.5x	15.5x
Terreno Realty Corporation	TRNO	NYSE	60.55	1.65x	3.0%	87.5	5,297	27%	-690	5,987	13.9x	21.0x
<b>Cannabis "Fincos"</b>												
Advanced Flower Capital Inc.	AFCG	NASDAQ	9.62	1.02x	18.4%	20.46	196.80	67%	-8	205.19	3.85	N/A
Innovative Industrial Properties Inc	IIPR	NYSE	107.47	1.58x	6.9%	28.14	3024.30	16%	-139	3163.02	9.89	12.31
NewLake Capital Partners, Inc.	NLCP	US OTC	19.20	0.99x	8.7%	20.50	393.67	1%	24	369.93	7.11	N/A
Chicago Atlantic BDC, Inc.	SSIC	NASDAQ	12.83	0.97x	7.8%	6.21	79.74	0%	33	47.13	1.14	N/A
SHF Holdings Inc Class A	SHFS	NASDAQ	0.46	0.65x	0.0%	54.56	25.04	43%	-12	36.62	N/A	N/A
Chicago Atlantic Real Estate Finance, In	REFI	NASDAQ	16.08	1.07x	11.7%	18.20	292.61	24%	-58	350.71	6.23	N/A

Source: FactSet



# Appendix I: Company Financials

4 December 2024

## Advanced Flower Capital: Company Update

### Exhibit 1: Balance Sheet

US\$ 000s													
BALANCE SHEET	CY22	CY23	1Q24	2Q24	3Q24	4Q24e	CY24e	1Q25e	2Q25e	3Q25e	4Q25e	CY25e	CY26e
Loans, net	373,086	338,717	383,522	285,273	242,558	252,558	252,558	272,558	283,558	293,483	303,754	303,754	348,565
Loans held for investment at fair value, net	99,226	61,721	54,977	34,661	31,372	0	0	0	0	0	0	0	0
gross	100,636	0	0	0	0	0	0	0	0	0	0	0	0
disc	-1,410	0	0	0	0	0	0	0	0	0	0	0	0
Debt securities available for sale held at fair value	0	0	0	0	0	0	0	0	0	0	0	0	0
Loans held for investment at carrying value, net	285,177	301,265	357,852	273,580	234,257	0	0	0	0	0	0	0	0
Loan receivable held at carrying value, net	2,221	2,040	2,040	2,040	2,040	0	0	0	0	0	0	0	0
(-) Current expected credit loss reserve	-13,538	-26,309	-31,347	-25,009	-25,111	0	0	0	0	0	0	0	0
Cash and cash equivalents	140,373	121,626	82,298	170,298	122,164	115,562	115,562	94,093	84,175	75,756	66,308	66,308	60,000
Accounts receivable	0	1,837	5,690	0	0	0	0	0	0	0	0	0	0
Interest receivable	5,257	3,716	4,362	1,729	1,474	1,680	1,680	1,804	1,933	1,955	1,983	1,983	2,120
Prepaid expenses and other assets	461	688	533	692	423	482	482	518	555	561	569	569	609
Receivable for loans and securities sold	0	0	0	0	0	0	0	0	0	0	0	0	0
Due from affiliate	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL ASSETS</b>	<b>519,177</b>	<b>466,585</b>	<b>476,406</b>	<b>457,992</b>	<b>366,618</b>	<b>370,282</b>	<b>370,282</b>	<b>368,974</b>	<b>370,220</b>	<b>371,755</b>	<b>372,615</b>	<b>372,615</b>	<b>411,294</b>
Interest reserve	3,201	0	0	0	0	0	0	0	0	0	0	0	0
Accrued interest	1,037	894	2,202	889	2,170	2,474	2,474	2,657	2,846	2,880	2,880	2,880	3,079
Due to affiliate	18	16	20	24	21	23	23	25	27	27	28	28	30
Dividends payable	11,404	9,820	9,920	13,020	7,221	9,928	9,928	7,244	7,244	7,903	7,903	7,903	8,342
Current expected credit loss reserve	754	115	9	157	165	188	188	202	216	218	222	222	237
Accrued management and incentive fees	3,892	3,472	3,463	3,985	982	1,119	1,119	1,202	1,288	1,303	1,321	1,321	1,413
Accrued direct administrative expenses	1,844	1,486	963	884	878	1,001	1,001	1,076	1,152	1,165	1,182	1,182	1,264
Accounts payable and other liabilities	837	715	1,045	1,436	658	750	750	806	863	873	886	886	947
Payables for securities purchase	0	0	0	0	0	0	0	0	0	0	0	0	0
Senior notes payable, net	97,132	88,015	88,163	88,312	88,462	88,462	88,462	88,462	88,462	88,462	88,462	88,462	88,462
Line of credit payable, net	60,000	42,000	60,000	35,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	95,379
<b>Total liabilities</b>	<b>180,118</b>	<b>146,533</b>	<b>165,785</b>	<b>143,708</b>	<b>160,557</b>	<b>163,947</b>	<b>163,947</b>	<b>161,674</b>	<b>162,099</b>	<b>162,832</b>	<b>162,883</b>	<b>162,883</b>	<b>199,152</b>
Preferred stock	0	0	1	0	0	0	0	0	0	0	0	0	0
Common stock	204	205	207	207	219	219	219	219	219	219	219	219	219
Additional paid in capital	348,818	349,806	350,347	350,591	248,194	248,194	248,194	248,194	248,194	248,194	248,194	248,194	248,194
Accumulated other comprehensive income	0	0	0	0	0	0	0	0	0	0	0	0	0
Accumulated deficit	-9,962	-29,958	-39,933	-36,514	-42,352	-42,078	-42,078	-41,113	-40,291	-39,490	-38,681	-38,681	-36,271
<b>Total stockholders equity</b>	<b>339,059</b>	<b>320,052</b>	<b>310,622</b>	<b>314,284</b>	<b>206,061</b>	<b>206,335</b>	<b>206,335</b>	<b>207,299</b>	<b>208,122</b>	<b>208,923</b>	<b>209,732</b>	<b>209,732</b>	<b>212,142</b>
Non controlling interest	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>519,177</b>	<b>466,585</b>	<b>476,407</b>	<b>457,992</b>	<b>366,618</b>	<b>370,282</b>	<b>370,282</b>	<b>368,974</b>	<b>370,220</b>	<b>371,755</b>	<b>372,615</b>	<b>372,615</b>	<b>411,294</b>
Total net assets	339,059	320,052	310,622	314,284	206,061	206,335	206,335	207,299	208,122	208,923	209,732	209,732	212,142
<b>NET ASSET VALUE PER SHARE</b>	<b>\$16.99</b>	<b>\$15.73</b>	<b>\$15.22</b>	<b>\$15.38</b>	<b>\$9.91</b>	<b>\$9.40</b>	<b>\$9.87</b>	<b>\$9.44</b>	<b>\$9.48</b>	<b>\$9.52</b>	<b>\$9.55</b>	<b>\$9.55</b>	<b>\$9.66</b>

Source: Z&A estimates, company reports

4 December 2024

## Advanced Flower Capital: Company Update

### Exhibit 2: Income Statement

US\$ 000s													
INCOME STATEMENT	CY22	CY23	1Q24	2Q24	3Q24	4Q24e	CY24e	1Q25e	2Q25e	3Q25e	4Q25e	CY25e	CY26e
<b>Net interest income</b>	<b>74,685</b>	<b>64,178</b>	<b>14,758</b>	<b>18,384</b>	<b>8,882</b>	<b>10,126</b>	<b>52,150</b>	<b>10,876</b>	<b>11,649</b>	<b>11,785</b>	<b>11,953</b>	<b>46,263</b>	<b>48,823</b>
(+) Interest income	81,499	70,535	16,361	19,958	10,455	11,759	58,533	12,472	13,208	13,344	13,438	52,461	55,365
(-) Interest expense	-6,814	-6,357	-1,603	-1,573	-1,573	-1,633	-6,382	-1,596	-1,559	-1,559	-1,485	-6,198	-6,542
<b>Expenses</b>	<b>-23,405</b>	<b>-21,566</b>	<b>-6,015</b>	<b>-6,422</b>	<b>-2,475</b>	<b>-2,255</b>	<b>-17,168</b>	<b>-2,285</b>	<b>-2,516</b>	<b>-2,671</b>	<b>-2,828</b>	<b>-10,301</b>	<b>-11,353</b>
(-) Management and incentive fees	-15,765	-14,064	-3,463	-3,985	-982	-1,000	-9,430	-1,000	-1,200	-1,350	-1,500	-5,050	-6,000
(-) General and administrative expenses	-4,700	-5,005	-1,052	-1,054	-857	-850	-3,814	-850	-850	-850	-850	-3,400	-3,400
(-) Stock-based compensation	-1,338	-1,008	-543	-369	-219	-152	-1,283	-163	-175	-177	-179	-694	-732
(-) Organizational expenses	0	0	-957	0	0	0	-957	0	0	0	0	0	0
(-) Professional fees	-1,602	-1,488	0	-1,014	-417	-253	-1,685	-272	-291	-295	-299	-1,157	-1,221
(-) Loss on sale of real estate	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Income from operations</b>	<b>51,279</b>	<b>42,612</b>	<b>8,743</b>	<b>11,962</b>	<b>6,407</b>	<b>7,871</b>	<b>34,983</b>	<b>8,591</b>	<b>9,133</b>	<b>9,114</b>	<b>9,125</b>	<b>35,962</b>	<b>37,470</b>
(-) provision for current expected credit losses	-11,177	-12,133	-4,932	6,190	-181	-203	875	-218	-233	-236	-239	-925	-976
(-) realized (losses) gains on sales of investments, net	450	-1,340	-93	0	0	0	-93	0	0	0	0	0	0
(-) gain (loss) on extinguishment of debt	0	1,986	0	0	0	0	0	0	0	0	0	0	0
(-) change in unrealized (losses) gains on loans at fair value	-3,593	-8,513	-3,614	-1,420	-4,622	0	-9,655	0	0	0	0	0	0
<b>Net Income</b>	<b>36,959</b>	<b>22,611</b>	<b>104</b>	<b>16,732</b>	<b>1,604</b>	<b>7,668</b>	<b>26,109</b>	<b>8,373</b>	<b>8,900</b>	<b>8,878</b>	<b>8,886</b>	<b>35,037</b>	<b>36,494</b>
(-) income tax expense	-1,026	-1,659	-158	-286	-386	-150	-981	-164	-175	-174	-174	-687	-716
(-) non-controlled/non-affiliate investments	0	0	0	0	166	0	166	0	0	0	0	0	0
<b>Net income attributable to common stockholders</b>	<b>35,932</b>	<b>20,952</b>	<b>-54</b>	<b>16,446</b>	<b>1,384</b>	<b>7,518</b>	<b>25,294</b>	<b>8,209</b>	<b>8,725</b>	<b>8,704</b>	<b>8,712</b>	<b>34,350</b>	<b>35,778</b>
Basic EPS	1.81	1.03	0.00	0.81	0.07	0.34	1.21	0.37	0.40	0.40	0.40	1.56	1.63
FD EPS	1.80	1.03	0.00	0.80	0.07	0.34	1.21	0.37	0.40	0.40	0.40	1.56	1.63
basic share count (Mn)	19.8	20.3	20.4	20.4	20.7	22.0	20.9	22.0	22.0	22.0	22.0	22.0	22.0
diluted share count (Mn)	20.0	20.3	20.4	20.4	20.8	22.0	20.9	22.0	22.0	22.0	22.0	22.0	22.0

Source: Z&A estimates, company reports

4 December 2024

## Advanced Flower Capital: Company Update

### Exhibit 3: Adj Earnings and FactSet Consensus

US\$ 000s	Dec CY22	Dec CY23	Mar 1Q24	Jun 2Q24	Sep 3Q24	Dec 4Q24e	Dec CY24e	Mar 1Q25e	Jun 2Q25e	Sep 3Q25e	Dec 4Q25e	Dec CY25e	Dec CY26e
<b>DISTRIBUTABLE EARNINGS</b>													
net income	35,932	20,952	-54	16,446	1,384	7,518	25,294	8,209	8,725	8,704	8,712	34,350	35,778
adjustments to net income:	0	0	0	0	0	0	0	0	0	0	0	0	0
stock-based compensation expense	1,338	1,008	543	369	219	152	1,283	163	175	177	179	694	732
depreciation and amortization	0	0	0	0	0	0	0	0	0	0	0	0	0
unrealized losses, (gains) or other non-cash items	3,593	8,513	3,614	1,420	4,622	0	9,655	0	0	0	0	0	0
increase in provision for CECL	11,177	12,133	4,932	-6,190	181	203	-875	218	233	236	239	925	976
TRS loss, net of dividends	-2,170	-1,159	931	-624	841	0	1,148	0	0	0	0	0	0
one-time events pursuant to changes in GAAP and	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>distributable earnings</b>	<b>49,871</b>	<b>41,447</b>	<b>9,966</b>	<b>11,421</b>	<b>7,246</b>	<b>7,872</b>	<b>36,505</b>	<b>8,589</b>	<b>9,133</b>	<b>9,117</b>	<b>9,130</b>	<b>35,969</b>	<b>37,487</b>
<i>per basic share</i>	2.51	2.04	0.49	0.56	0.35	0.36	1.75	0.39	0.42	0.42	0.42	1.64	1.71

Source: Z&A estimates, company reports



4 December 2024

## Advanced Flower Capital: Company Update

### Exhibit 4: Cash Flow

US\$ 000s													
SUMMARY CASH FLOW	CY22	CY23	1Q24	2Q24	3Q24	4Q24e	CY24e	1Q25e	2Q25e	3Q25e	4Q25e	CY25e	CY26e
Net income	35,932	20,952	-54	16,446	1,384	7,518	25,294	8,209	8,725	8,704	8,712	34,350	35,778
(+) adjustments	-3,552	4,864	5,906	-8,285	5,862	354	3,839	381	408	412	418	1,619	1,709
(-) purchase of investments	0	0	0	0	0	0	0	0	0	0	0	0	0
(+) decrease in operating A&L	-2,116	-4,587	520	2,158	-7,777	3,124	-1,974	-2,433	259	704	15	-1,454	713
<b>Net cash provided in operating activities</b>	<b>30,264</b>	<b>21,229</b>	<b>6,372</b>	<b>10,320</b>	<b>-531</b>	<b>10,997</b>	<b>27,158</b>	<b>6,157</b>	<b>9,392</b>	<b>9,821</b>	<b>9,145</b>	<b>34,515</b>	<b>38,200</b>
(-) issuance of and funding on loans	-162,886	-51,757	-84,191	-5,896	42,715	-10,000	-57,372	-20,000	-11,000	-9,925	-10,272	-51,196	-44,811
(+) client repayment of loans	120,042	58,964	28,514	24,589	0	0	53,103	0	0	0	0	0	0
(+) proceeds from sales of loans	10,600	21,313	1,796	94,265	0	0	96,061	0	0	0	0	0	0
(+) other	15,900	0	0	0	0	0	0	0	0	0	0	0	0
<b>Net cash used in investing activities</b>	<b>-16,344</b>	<b>28,519</b>	<b>-53,881</b>	<b>112,958</b>	<b>42,715</b>	<b>-10,000</b>	<b>91,792</b>	<b>-20,000</b>	<b>-11,000</b>	<b>-9,925</b>	<b>-10,272</b>	<b>-51,196</b>	<b>-44,811</b>
(-) debt	-15,000	-25,738	18,000	-25,000	25,150	0	18,150	0	0	0	0	0	35,379
(-) dividends	-41,619	-42,532	-9,820	-9,927	-9,792	-9,928	-39,467	-7,244	-7,244	-7,903	-7,903	-30,295	-32,490
(+) share issuance	75,058	0	0	0	0	0	0	0	0	0	0	0	0
(+) other	-2,290	-225	0	-350	-105,677	2,330	-103,697	-381	-1,066	-412	-418	-2,278	-2,587
(-) stock options/warrants	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Net cash provided from financing activities</b>	<b>16,149</b>	<b>-68,495</b>	<b>8,180</b>	<b>-35,277</b>	<b>-90,318</b>	<b>-7,599</b>	<b>-125,014</b>	<b>-7,625</b>	<b>-8,311</b>	<b>-8,315</b>	<b>-8,321</b>	<b>-32,572</b>	<b>303</b>
<b>Increase in cash and cash equivalents</b>	<b>30,069</b>	<b>-18,746</b>	<b>-39,328</b>	<b>88,000</b>	<b>-48,134</b>	<b>-6,602</b>	<b>-6,065</b>	<b>-21,468</b>	<b>-9,918</b>	<b>-8,419</b>	<b>-9,448</b>	<b>-49,254</b>	<b>-6,308</b>
Cash at start of year	109,246	140,373	121,626	82,298	170,298	122,164	121,626	115,562	94,093	84,175	75,756	115,562	66,308
Cash at end of year	140,373	121,626	82,298	170,298	122,164	115,562	115,562	94,093	84,175	75,756	66,308	66,308	60,000
<b>Net (debt) cash</b>	<b>-16,759</b>	<b>-8,388</b>	<b>-65,865</b>	<b>46,986</b>	<b>-26,298</b>	<b>-32,900</b>	<b>-32,900</b>	<b>-54,369</b>	<b>-64,287</b>	<b>-72,706</b>	<b>-82,154</b>	<b>-82,154</b>	<b>-123,841</b>
Cash	140,373	121,626	82,298	170,298	122,164	115,562	115,562	94,093	84,175	75,756	66,308	66,308	60,000
Debt	157,132	130,015	148,163	123,312	148,462	148,462	148,462	148,462	148,462	148,462	148,462	148,462	183,841
debt to equity	46%	41%	48%	39%	72%	72%	72%	72%	71%	71%	71%	71%	87%
net debt to equity	5%	3%	21%	-15%	13%	16%	16%	26%	31%	35%	39%	39%	58%

Source: Z&A estimates, company reports.





# Appendix II: Valuation Comps

4 December 2024

## Advanced Flower Capital: Company Update

### Exhibit 5: mREITs and Lenders to the Cannabis Industry

US\$Mn			12/3/24				Mkt				1yF Consensus		Stock Performance		
Company name	Ticker	Listing	Price US\$	Price to BVPS	Div Yield	(mn) Shares	US\$Mn Cap	Debt to Equity	Net (Debt)	Ent Value	EV/Rev	EV/EBITDA	Last 30d	Last 90d	Last 12mo
<b>mREITS</b>				<b>0.79x</b>	<b>11.6%</b>								<b>3%</b>	<b>-1%</b>	<b>-11%</b>
Arbor Realty Trust Inc	ABR	NYSE	14.14	1.11x	12.2%	188.5	2,665	503%	-10,532	13,198	21.1x	N/A	-5%	7%	5%
Ares Commercial Real Estate Corporatic	ACRE	NYSE	7.03	0.68x	15.4%	54.1	381	289%	-1,507	1,887	27.7x	19.0x	11%	0%	-32%
Advanced Flower Capital Inc.	AFCG	NASDAQ	9.62	1.02x	18.4%	20.5	197	67%	-8	205	3.8x	N/A	0%	-7%	-17%
Apollo Commercial Real Estate Finance	ARI	NYSE	9.13	0.68x	14.2%	140.6	1,284	366%	-6,729	8,013	30.0x	N/A	4%	-12%	-18%
Blackstone Mortgage Trust, Inc. Class A	BXMT	NYSE	18.81	0.85x	12.4%	173.2	3,258	501%	-18,936	22,194	47.3x	18.6x	3%	2%	-19%
Claros Mortgage Trust, Inc.	CMTG	NYSE	6.44	0.43x	13.2%	138.7	894	271%	-5,463	6,356	27.2x	37.2x	2%	-18%	-49%
Granite Point Mortgage Trust Inc.	GPMT	NYSE	3.35	0.25x	13.4%	50.6	169	289%	-1,752	1,921	46.5x	N/A	14%	26%	-40%
KKR Real Estate Finance Trust, Inc.	KREF	NYSE	11.39	0.77x	0.0%	69.3	789	589%	-5,924	6,714	40.2x	17.2x	-2%	-1%	-12%
Ladder Capital Corp. Class A	LADR	NYSE	11.78	0.98x	7.8%	126.9	1,495	250%	-2,790	4,285	14.0x	N/A	2%	-4%	3%
Chicago Atlantic Real Estate Finance, Inc.	REFI	NASDAQ	16.08	1.07x	11.7%	18.2	293	24%	-58	351	6.2x	N/A	7%	2%	3%
Starwood Property Trust, Inc.	STWD	NYSE	20.00	1.03x	9.6%	313.4	6,267	322%	-19,244	25,511	13.2x	15.1x	1%	-3%	-3%
TPG RE Finance Trust, Inc.	TRTX	NYSE	9.04	0.65x	10.6%	77.9	704	281%	-2,832	3,536	22.3x	31.2x	3%	2%	46%
<b>Cannabis "Fincos"</b>															
Advanced Flower Capital Inc.	AFCG	NASDAQ	9.62	1.02x	18.4%	20.5	197	67%	-8	205	3.8x	N/A	0%	-7%	-17%
Innovative Industrial Properties Inc	IIPR	NYSE	107.47	1.58x	6.9%	28.1	3,024	16%	-139	3,163	9.9x	12.3x	-15%	-12%	28%
NewLake Capital Partners, Inc.	NLCP	US OTC	19.20	0.99x	8.1%	20.5	394	1%	24	370	7.1x	N/A	2%	-2%	43%
Chicago Atlantic BDC, Inc.	SSIC	NASDAQ	12.83	0.97x	7.8%	6.2	80	0%	33	47	1.1x	N/A	-1%	13%	35%
SHF Holdings Inc Class A	SHFS	NASDAQ	0.46	0.65x	NA	54.6	25	43%	-12	37	N/A	N/A	13%	-26%	-39%
Chicago Atlantic Real Estate Finance, Inc.	REFI	NASDAQ	16.08	1.07x	11.7%	18.2	293	24%	-58	351	6.2x	N/A	7%	2%	3%

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

4 December 2024

## Advanced Flower Capital: Company Update

### Exhibit 6: Industrial REITs and Lenders to the Cannabis Industry

US\$Mn			12/3/24				Mkt				1yF Consensus		Stock Performance		
Company name	Ticker	Listing	Price US\$	Price to BVPS	Div Yield	(mn) Shares	Cap US\$Mn	Debt to Equity	Net (Debt)	Ent Value	EV/Rev	EV/EBITDA	Last 30d	Last 90d	Last 12mo
<b>Industrial REITs</b>			1.72x										-2%	-13%	2%
Americold Realty Trust, Inc.	COLD	NYSE	23.10	1.95x	3.8%	283.7	6,553	104%	-3,432	9,986	3.6x	15.2x	-9%	-21%	-20%
EastGroup Properties, Inc.	EGP	NYSE	169.78	2.95x	3.1%	47.7	8,099	62%	-1,663	9,761	13.7x	19.6x	-1%	-9%	-4%
First Industrial Realty Trust, Inc.	FR	NYSE	52.76	2.65x	2.7%	132.3	6,980	86%	-2,214	9,194	13.4x	19.2x	0%	-7%	9%
Innovative Industrial Properties Inc	IIPR	NYSE	107.47	1.58x	6.9%	28.1	3,024	16%	-139	3,163	9.9x	12.3x	-15%	-12%	28%
Industrial Logistics Properties Trust	ILPT	NASDAQ	3.69	0.42x	1.1%	65.8	243	742%	-4,083	4,326	9.6x	12.9x	8%	-23%	-2%
LXP Industrial Trust	LXP	NYSE	9.28	1.30x	5.6%	293.4	2,723	86%	-1,461	4,185	12.5x	15.3x	1%	-10%	3%
NewLake Capital Partners, Inc.	NLCP	US OTC	19.20	0.99x	8.7%	20.5	394	1%	24	370	7.1x	N/A	2%	-2%	43%
Prologis, Inc.	PLD	NYSE	116.40	2.03x	3.2%	924.4	107,599	60%	-31,275	138,874	16.9x	21.7x	3%	-9%	-2%
Plymouth Industrial REIT, Inc.	PLYM	NYSE	18.46	1.92x	5.1%	45.3	835	203%	-858	1,693	8.2x	12.0x	-9%	-22%	-18%
Rexford Industrial Realty, Inc.	REXR	NYSE	42.10	1.17x	3.9%	212.3	8,940	31%	-2,349	11,289	10.7x	15.2x	-1%	-17%	-18%
STAG Industrial, Inc.	STAG	NYSE	36.53	2.02x	4.0%	181.7	6,637	82%	-2,666	9,303	11.5x	15.5x	-1%	-9%	0%
Terreno Realty Corporation	TRNO	NYSE	60.55	1.65x	3.0%	87.5	5,297	27%	-690	5,987	13.9x	21.0x	1%	-12%	3%
<b>Cannabis "Fincos"</b>															
Advanced Flower Capital Inc.	AFCG	NASDAQ	9.62	1.02x	18.4%	20.46	196.80	67%	-8	205.19	3.85	N/A	0%	-7%	-17%
Innovative Industrial Properties Inc	IIPR	NYSE	107.47	1.58x	6.9%	28.14	3024.30	16%	-139	3163.02	9.89	12.31	-15%	-12%	28%
NewLake Capital Partners, Inc.	NLCP	US OTC	19.20	0.99x	8.7%	20.50	393.67	1%	24	369.93	7.11	N/A	2%	-2%	43%
Chicago Atlantic BDC, Inc.	SSIC	NASDAQ	12.83	0.97x	7.8%	6.21	79.74	0%	33	47.13	1.14	N/A	-1%	13%	35%
SHF Holdings Inc Class A	SHFS	NASDAQ	0.46	0.65x	0.0%	54.56	25.04	43%	-12	36.62	N/A	N/A	13%	-26%	-39%
Chicago Atlantic Real Estate Finance, In	REFI	NASDAQ	16.08	1.07x	11.7%	18.20	292.61	24%	-58	350.71	6.23	N/A	7%	2%	3%

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

## Exhibit 7: US MSO Valuation Multiples

US\$Mn 3-Dec-24	Z&A Spot EV / Sales			Z&A Spot EV / EBITDA			Financial Net Debt				Broadly Defined Net Debt			
							Sales		EBITDA		Sales		EBITDA	
	Current	CY24e	CY25e	Current	CY24e	CY25e	CY24	Current	CY24	Current	CY24	Current	CY24	Current
<b>US MSOs</b>	<b>1.6x</b>	<b>1.5x</b>	<b>1.3x</b>	<b>7.9x</b>	<b>6.3x</b>	<b>5.6x</b>								
Ascend Wellness	1.1x	1.1x	1.1x	6.1x	5.6x	5.1x	-0.4x	-0.4x	-2.2x	-2.4x	-0.9x	-0.9x	-4.7x	-5.1x
Ayr Wellness	0.9x	0.8x	0.8x	3.2x	3.7x	3.4x	-0.8x	-0.8x	-3.4x	-3.0x	-0.7x	-0.7x	-2.9x	-2.6x
Cannabist Co	0.9x	0.9x	0.9x	7.3x	7.0x	5.4x	-0.6x	-0.6x	-4.4x	-4.5x	-0.8x	-0.8x	-6.2x	-6.4x
Consortium	1.2x	1.2x	na	4.2x	4.2x	na	na	na	na	na	na	na	na	na
Cresco Labs	1.3x	1.3x	1.3x	4.7x	4.8x	5.0x	-0.5x	-0.5x	-1.8x	-1.8x	-0.7x	-0.7x	-2.3x	-2.3x
Curaleaf	2.0x	2.0x	1.8x	8.8x	8.8x	7.3x	-0.5x	-0.5x	-2.3x	-2.3x	-0.9x	-0.9x	-3.8x	-3.8x
4Front Ventures	2.0x	2.0x	na	7.6x	7.6x	na	na	-1.0x	na	-3.8x	na	-1.7x	na	-6.5x
Glass House	2.8x	3.6x	na	8.6x	19.9x	na	-0.1x	na	-0.7x	na	-0.3x	-0.2x	-1.7x	-0.8x
Gold Flora	1.0x	1.0x	0.8x	12.0x	55.9x	7.5x	na	-0.3x	na	na	na	-0.9x	na	na
Goodness Growth	1.8x	1.8x	na	-102.3x	7.3x	na	-0.5x	-0.5x	-2.1x	29.1x	-0.9x	-0.9x	-3.7x	51.1x
Green Thumb	2.1x	2.1x	2.0x	6.7x	6.6x	6.6x	-0.1x	-0.1x	-0.2x	-0.2x	-0.1x	-0.1x	-0.4x	-0.4x
Grown Rogue	3.8x	3.8x	na	5.1x	5.1x	na	na	na	na	na	na	na	na	na
iAnthus	1.1x	1.1x	na	5.5x	5.5x	na	na	-0.9x	na	-4.4x	na	-0.9x	na	-4.5x
Jushi	1.5x	1.4x	1.3x	8.9x	7.2x	6.1x	-0.6x	-0.7x	-3.2x	-4.0x	-1.2x	-1.2x	-5.9x	-7.4x
MariMed	1.0x	1.0x	0.8x	8.3x	7.7x	4.5x	-0.4x	-0.4x	-3.3x	-3.5x	-0.5x	-0.5x	-4.2x	-4.5x
Planet 13	1.0x	1.1x	na	25.7x	19.9x	na	0.2x	0.1x	2.9x	3.7x	-0.1x	-0.1x	-1.2x	-1.5x
Schwazze	1.1x	1.1x	na	8.1x	5.4x	na	-0.9x	-0.9x	-4.2x	na	-1.1x	-1.1x	-5.2x	na
TerrAscend	2.0x	1.9x	1.9x	10.7x	10.0x	9.4x	-0.6x	-0.6x	-2.9x	-3.1x	-1.0x	-1.0x	-5.3x	-5.7x
TILT	1.0x	0.9x	1.0x	-17.7x	-17.7x	87.5x	-0.5x	-0.6x	13.0x	9.9x	-0.9x	-1.0x	22.7x	17.3x
Trulieve	1.6x	1.5x	1.4x	4.6x	4.4x	4.5x	-0.3x	-0.3x	-0.7x	-0.8x	-0.6x	-0.6x	-1.8x	-1.8x
Verano	1.3x	1.3x	1.3x	4.5x	4.4x	4.1x	-0.4x	-0.4x	-1.3x	-1.4x	-0.7x	-0.8x	-2.5x	-2.5x
Vext	1.8x	1.8x	na	5.6x	7.3x	na	-0.9x	-0.9x	-3.6x	-2.8x	-0.9x	-0.9x	-3.6x	-2.7x

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

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

4 December 2024

## Advanced Flower Capital: Company Update

### Exhibit 8: Stock Performance

3-Dec-24			
	Stock Performance		
	Last	Last	Last
Ticker	30d	90d	12mo
<b>US MSOs</b>			
Ascend	-48%	-52%	-66%
Ayr	-76%	-69%	-75%
Cannabist	-50%	-55%	-70%
Consortium	-30%	-30%	7%
Cresco	-27%	-33%	-39%
Curaleaf	-39%	-38%	-49%
4Front	-36%	-54%	-77%
GlassHouse	-14%	-20%	43%
Gold Flora	-50%	-54%	-65%
Vireo Growth	-14%	-24%	58%
Grown Rogue	9%	15%	162%
Green Thumb	-11%	-6%	-13%
iAnthus	-38%	-62%	-84%
Jushi	-25%	-36%	-53%
MarlMed	-16%	-18%	-54%
Planet13	-30%	-35%	-49%
Schwazze	-9%	-9%	-82%
StateHouse	MIN/A	-40%	10%
Trulieve	-54%	-40%	2%
TerrAscend	-27%	-35%	-52%
Vext	-5%	-25%	-33%
Verano	-59%	-59%	-68%

	Stock Performance		
	Last	Last	Last
Ticker	30d	90d	12mo
<b>Canadian LPs</b>			
Aurora	-20%	-24%	-6%
Avant	-41%	-58%	-89%
Auxly	-21%	-19%	112%
Cannara	15%	2%	-6%
Canopy	-28%	-30%	-43%
Cronos	-6%	-9%	-3%
Decibel	-10%	-12%	-55%
Entourage	8%	-6%	-32%
High Tide	23%	79%	119%
Nova	0%	0%	136%
OGI	-15%	-18%	10%
Rubicon	-4%	-26%	-32%
SNOL	-9%	-3%	27%
Tilray	-21%	-23%	-32%
VFF	-8%	-21%	-4%
<b>CBD</b>			
CVSI	-24%	-25%	-2%
CWEB	-17%	-17%	-38%
LFID	-30%	-1%	-80%
<b>International</b>			
InterCure	-21%	-25%	-2%
PharmaCielo	-19%	51%	158%

	Stock Performance		
	Last	Last	Last
Ticker	30d	90d	12mo
<b>MJ Fincos</b>			
AFCG	0%	-7%	-17%
CNPOF	-36%	-24%	7%
IIIPR	-15%	-12%	28%
NLCP	2%	-2%	43%
SHFS	13%	-26%	-39%
LIEN	-1%	13%	35%
REFI	7%	2%	3%
<b>Tech</b>			
LFLY	-20%	-27%	-79%
SBIG	-16%	25%	-48%
MAPS	80%	51%	46%
<b>Vape parts</b>			
GNLN	-37%	-67%	-73%
ISPR	8%	-13%	-43%
SMORF	23%	23%	79%
TLLTF	-49%	-64%	-80%
<b>Index</b>			
S&P 500	6%	9%	32%
S&P 477	4%	1%	20%
Nasdaq	9%	13%	45%
MSOS ETF	-37%	-34%	-38%
YOLO ETF	-18%	-16%	-11%

Source: FactSet



# Appendix III: Bio and Disclaimers



## Analyst Bio

Pablo Zuanic is a well-known and highly rated equity analyst following the cannabis and psychedelics sector. Over the past five years he launched coverage of over 40 companies in the US, Canada, and overseas (MSOs, LPs, CBD, ancillary, psychedelics), kept close track of sectoral trends, and followed the reform process in the US and elsewhere. His firm Zuanic & Associates publishes equity research on the cannabis and psychedelics sectors, both from a macro/sectoral level in a thematic manner, as well as specific reports on listed stocks. The research service is aimed at institutional investors and corporations. The firm is also available for short-term consulting and research advisory projects. At various points in his career, Pablo was II ranked and called as expert witness in industry investigations. He has a deep global background having covered stocks over the past 20 years in the US, Europe, Latin America, and Asia, across consumer sub sectors. Prior employers include JP Morgan, Barings, and Cantor Fitzgerald. An MBA graduate of Harvard Business School, he started his career as a management consultant, which brings a strategic mindset to his approach to equity research. *Pablo Zuanic can be contacted via the company's portal [www.zuanicassociates.com](http://www.zuanicassociates.com); via email [pablo.zuanic@zuanicgroup.com](mailto:pablo.zuanic@zuanicgroup.com); or via X @420Odysseus.*





## Disclosures and Disclaimers

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