



11/18/2024

# Verano Holdings (VRNOF)

Company update: Overweight

Sales	CY23a	CY24e	Prev	CY25e	Prev	CY26e	Prev	CY27e
1Q	227.1	221.3 A	221.3	222.2	234.6	238.2	257.7	263.5
2Q	234.1	222.4 A	222.4	224.6	240.5	245.5	266.5	270.3
3Q	240.1	216.7 A	225.4	231.3	250.6	251.2	306.0	297.3
4Q	<u>237.2</u>	<u>225.7</u> E	<u>232.6</u>	237.1	<u>257.2</u>	<u>260.1</u>	<u>316.5</u>	<u>316.6</u>
FY	938.5	886.1 E	901.7	915.2	982.9	995.0	1,146.7	1,147.7
EBITDA	CY23a	CY24e	Prev	CY25e	Prev	CY26e	Prev	CY27e
1Q	70.6	66.5 A	66.5	63.7	72.1	67.0	78.0	73.8
2Q	71.5	70.6 A	70.6	64.3	73.9	68.9	80.6	75.8
3Q	89.3	64.5 A	69.8	65.7	76.4	70.5	93.3	77.2
4Q	<u>73.4</u>	<u>62.3</u> E	<u>72.3</u>	<u>66.8</u>	<u>78.1</u>	<u>73.0</u>	<u>96.6</u>	<u>79.6</u>
FY	304.9	263.9 E	279.2	260.5	300.5	279.4	348.5	306.5

Share p	1.92	Performance	<b>VRNOF</b>	<b>MSOS</b>	<b>S&amp;P500</b>	Stance:	<b>Overweight</b>
Share o	353.3	30d	-40%	-24%	3%		no price target
Market	678	90d	-54%	-30%	10%		FY=Dec
Ticker	VRNOF	1yr	-58%	-24%	36%		



\$Mn	FY24	FY25	FY26
Projected EV	1,343	1,270	1,196
EV/Sales	1.5x	1.4x	1.2x
EV/EBITDA	5.1x	4.9x	4.3x
	FY24	FY25	FY26
Net debt/Sales	-0.4x	-0.3x	-0.2x
Net debt/EBITDA	-1.3x	-1.0x	-0.7x
Free Cash Flow	-6.8	73.1	73.7
Net (debt) cash	-345.9	-272.7	-199.0
Consensus	FY24	FY25	FY26
Sales	888.4	945.8	na
EBITDA	270.3	888.4	na
Guidance CY24:	n/a		

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**We are publishing this report for FactSet compilation purposes.** We had assumed FL rec from mid 2026 in our estimates, but no longer do so. See appendix for our estimates. Our write up here is macro focused rather than stock specific.

*Note: The Verano 3Q24 results only reflected about 42% of the AZ/VA assets acquired from The Cannabist Company (see [press release](#)), with the deal closing on 8/22/24. So, besides seasonality and a full quarter from the new assets, sales should be up seq in the Dec qtr for Verano.*

## On the Reg Front with DJT Part II Looming

**Our main take-away:** Valuations for the top MSOs are attractive (sure, easy to say after 11/5) and we believe these companies are here to stay and should be able to adapt to various regulatory changes in the future (which, yes, could run the gamut). Stocks are pretty much saying nothing will happen, so therein lies the investment opportunity (limited downside vs. significant upside, sure, not factoring opportunity cost). With DJT2, we believe change will be gradual, with rescheduling to Schedule III quite likely but probably dragging on to late 2025. Whether this comes accompanied by SAFE Banking (could be part of parallel negotiations with the new Farm Bill) and the new AG's Cole Memo II, is not unfathomable, especially given the strength of the MSO lobby and some CEOs proximity to Team Trump. Let's see. More radical federal changes (like decriminalization; federal legalization; a new federal rec framework a la Rep Nancy Mace's SRA with interstate trade and alcohol-like regulations) are less likely, in our view – at least only taking a 2-year view – given how disruptive they could be. Such a context benefits the larger MSOs. Any positive news flow with a semblance of reality will push stocks up (see the reaction to comments made by an out of the loop ex Gov Chris Christie).

**Context regarding stock performance post the presidential election and FL A3 not passing.** Not all MSO stocks took big dives post 11/5, and some have recovered more than others as the cabinet of DJT2 begins to take shape (sure, a lot remains to be seen). MSO stocks with Florida exposure ran up ahead of the ballot, outperforming peers, and they are the ones that saw the biggest drops post the election. In fact, comparing valuations as of the close of Friday 11/15 with 11/4, Cresco and Green Thumb are down only 6% and 9%, respectively, while Trulieve is down 45% and Verano -44% (Curaleaf -28%; MSOS ETF -30%); tier 2 MSO Ayr Wellness is down 68%. Given concerns FL may get worse (which can be debated, of course), the FL plays may suffer from a lingering overhang, which may also be the case for the MSOS ETF (given it must own the FL plays, and with AYR still an overweight position). So, if we take Cresco and Green Thumb as barometers of the federal outlook, these stocks would be saying little will happen post the election. We understand the investor skepticism given the new administration's various priorities, uncertainty about cabinet confirmations, and the eventual tug of war between the GOP's historical Prohibitionist leanings vs. DJT's only recent and apparently opportunistic support for cannabis (all this in the context of opportunity cost, with other "Trump plays" being more obvious). But, for those that can afford a punt on the sector, taking a 2-year view, in a diversified manner, we recommend buying key names in the group. *Note: we rate Cresco and Green Thumb Overweight, and have kept the OW on Verano,*



*although we think the latter will suffer from a FL overhang in the near term; we do not have formal coverage of Curaleaf and Trulieve.*

**Facts that support investing in this space, in our view, but selectively,**

- The legal cannabis industry in the US is on an annual run rate of \$32Bn in sales. To state the obvious, this is a real and large industry, generating jobs and tax revenue (municipal, state, and federal level), and serving real consumers' and patients' needs. Projections of sales growth will depend on the pace of state level legalization (we take the under for now, and project "only" \$39.5Bn by 2027).
- Well-managed companies, reliant mostly on license-restricted states, have been able to reinvest their abnormal profit margins to expand, by acquiring brands (MRMD's Betty's Eddies), entering adjacent segments (Green Thumb's Señorita in HDD9 drinks), expanding and strengthening their footprint (adding depth in key states; building vertical models; entering new states), putting together well-oiled wholesale models (Cresco); and in some cases even building a credible business overseas (Curaleaf).
- The longer the license restricted model of state silos (no interstate trade) remains in place (more likely with DJT2 than KH), the better for the larger players. We calculate the top 20 MSOs now account for almost half of legal sales compared with <20% back in 2018. Sure, federal illegality is a problem (limiting capital access, for starters), but on the flip side it keeps "external" competition at bay (from the CPG and pharma industries, as well as from global cannabis companies operating in federally legal markets, whether med or rec).
- Even if the future structure of the industry is unclear - when do states become less license-restricted, like, say, Massachusetts or Michigan? will hemp competition become a bigger problem with the new Farm Bill? could, someday, federal legalization and descheduling of rec bring a 3-tier system as in alcohol plus interstate trade? or could rescheduling of med bring in greater restrictions on prescriptions and greater FDA oversight? -, the longer the current state of affairs is in place (again, more likely with DJT2), all the better for the larger and well managed companies (they will be even more prepared and well-equipped to face that long term future).
- Sure, the industry is not without its challenges (the 280e tax burden; competition from hemp-derived products; illicit cannabis trade), and those with stretched balance sheets and limited growth prospects (FL not going rec will add pressure on some of the MSOs), may be sold at the bottom of the valuation cycle. But given quality names are attractively valued, why bother with stocks that mostly represent high-risk short-term trades.



## Benchmarking the Tier 1 MSOs

Across various financial metrics, Green Thumb leads the group of the five largest MSOs. In that sense, the valuation is attractive at 7x current EBITDA vs. 10x for Curaleaf. Of the three stocks trading near 5x EBITDA, on debt leverage and adjusted cash flow trends Cresco screens below Trulieve and Verano. All this said, we may be splitting hairs here, as we see these five MSOs are long term players, with sustainable models, and stock upside once we get better visibility on the regulatory outlook.

- Sales and momentum:** As per 3Q24 results, Curaleaf reported sales of \$331Mn (-3% seq); Green Thumb \$287Mn (+2%); Trulieve \$284Mn (-6%); Verano \$227Mn (inc a full qtr of the AZ/VA deal) down 5% (ex-VA/AZ deal), and Cresco \$180Mn (-2%). Beyond seasonal and weather issues impacting AZ and FL in 3Q24, of these five companies we believe Trulieve and Verano face the toughest outlook given what we anticipate will be a more challenging FL market.
- EBITDA margins:** Adjusted EBITDA margins in 3Q24 were 34% for Trulieve (down 100bp seq); Green Thumb 31% (-200bp); Verano 30% (-200bp), Cresco 29% (flat), and Curaleaf 23% (+200bp).
- Adjusted cash flow:** In our view, reported operating cash flow minus the increase in tax debt (as not paying income taxes is distorting reported cash flow metrics) gives a better sense of real adjusted cash flow, and of what we call true EBITDA to OCF conversion. On this metric, Green Thumb leads, and Cresco and Curaleaf lag. Cresco reported 9mo OCF of \$89Mn (27% of sales) but total tax debt (ST and LT) increased by \$92Mn between YE23 and 3Q24, so adjusted 9mo OCF was -\$3Mn (-1% of 9mo sales). At Curaleaf, adj OCF was +\$4Mn (\$116Mn-\$112Mn), or 0% of sales. At Trulieve, adj OCF was +\$37Mn (\$241Mn-\$204Mn), or 4% of sales. At Verano, adj OCF was +\$30Mn (\$69Mn-\$39Mn), or 5% of sales. At Green Thumb, adj OCF was +\$139Mn (\$152Mn-\$13Mn), or 17% of sales.
- Financial net debt plus tax liabilities relative to total revenues:** Financial net debt relative to LTM sales is 7% at Green Thumb, 14% at Trulieve, 40% at Verano, 50% at Curaleaf, and 53% at Cresco. ST tax payables plus LT uncertain tax provisions/benefits compared to LTM sales are 33% at Trulieve and 32% at Verano; 27% at Cresco and 29% at Curaleaf; 2% at Green Thumb. So, if add up the two (financial net debt and tax debt), the most levered tier 1 MSOs are Cresco at 80% of sales, Curaleaf 79%, and Verano at 72%; Trulieve is at 47%, and Green Thumb at 9%.
- Gross cash holdings:** Trulieve \$318Mn; Green Thumb \$174Mn; Cresco \$157Mn; Curaleaf \$90Mn; and Verano \$65Mn.

**Regarding valuation** (taking net debt, tax debt, net leases, and contingent obligations in the EV math): In terms of EV to current sales (3Q annualized), Green Thumb and Curaleaf trade at 2.2x; Trulieve at 1.8x; and both Cresco and Verano are at 1.6x. Regarding EV to current EBITDA, Curaleaf is at 10x, Green Thumb at 7x, and the other three at >5x (Cresco 5.5x, Trulieve 5.3x, Verano 5.2x).

Table 1: Companies mentioned in this report.

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

Source: Z&amp;A

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



# Appendix I: Company Financials

Zuanic & Associates

Exhibit 1: Financial highlights

US\$ Mn	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	Dec CY27e
<b>P&amp;L metrics</b>														
Sales	879.4	938.5	221.3	222.4	216.7	225.7	886.1	222.2	224.6	231.3	237.1	915.2	995.0	1,147.7
qoq ch %	na	na	-7%	0%	-3%	4%	na	-2%	1%	3%	2%	na	na	na
yoy ch %	19%	7%	-3%	-5%	-10%	-5%	-6%	0%	1%	7%	5%	3%	9%	15%
Gross profit	423.1	475.2	113.0	114.3	109.1	108.4	444.8	106.6	107.8	111.0	113.8	439.3	477.6	550.9
Total SGA	-585.8	-390.1	-90.3	-87.1	-92.3	-84.5	-354.2	-81.6	-82.3	-84.2	-86.0	-334.1	-355.1	-403.7
Operating income	-162.7	85.1	22.7	27.3	16.8	23.8	90.5	25.1	25.5	26.8	27.8	105.2	122.5	147.2
Net interest expense	-104.3	-59.8	-15.1	-14.2	-12.8	-13.2	-55.3	-12.9	-12.9	-12.8	-12.8	-51.4	-50.7	-49.9
Profit before tax	-163.4	27.8	6.7	8.8	2.9	10.6	29.0	12.2	12.7	14.0	15.0	53.8	71.9	97.3
Adj EBITDA	323.6	305.5	66.5	70.6	64.5	62.3	263.9	63.7	64.3	65.7	66.8	260.5	279.4	306.5
Net profit	-269.2	-117.3	-4.8	-21.8	-42.6	-14.3	-83.5	-12.3	-12.1	-11.6	-11.1	-47.2	-38.0	-29.4
EPS	-0.81	-0.34	-0.01	-0.06	-0.12	-0.04	-0.24	-0.03	-0.03	-0.03	-0.03	-0.13	-0.11	-0.08
FD share count (mn)	331.4	342.8	344.1	345.0	351.2	356.9	349.3	356.9	356.9	356.9	356.9	356.9	356.9	356.9
Gross margins	48.1%	50.6%	51.0%	51.4%	50.3%	48.0%	50.2%	48.0%	48.0%	48.0%	48.0%	48.0%	48.0%	48.0%
SGA/sales	-66.6%	-41.6%	-40.8%	-39.2%	-42.6%	-37.4%	-40.0%	-36.7%	-36.6%	-36.4%	-36.3%	-36.5%	-35.7%	-35.2%
Operating margin	-18.5%	9.1%	10.2%	12.3%	7.7%	10.6%	10.2%	11.3%	11.4%	11.6%	11.7%	11.5%	12.3%	12.8%
Net int exp/sales	-11.9%	-6.4%	-6.8%	-6.4%	-5.9%	-5.9%	-6.2%	-5.8%	-5.7%	-5.5%	-5.4%	-5.6%	-5.1%	-4.4%
EBITDA margin	36.8%	32.5%	30.1%	31.7%	29.7%	27.6%	29.8%	28.7%	28.6%	28.4%	28.2%	28.5%	28.1%	26.7%
<b>FactSet consensus</b>														
Sales						225.4	888.4	na	na	na	na	945.8	na	na
EBITDA						68.0	270.3	na	na	na	na	291.7	na	na
as % of sales						30.2%	30.4%	na	na	na	na	30.8%	na	na
<b>BS &amp; CF highlights</b>														
Operating cash flow	94.3	109.7	31.0	7.9	29.7	18.3	87.0	28.6	25.0	22.9	24.1	100.6	103.6	92.3
(-) Capex	-119.2	-36.3	-9.7	-18.5	-56.6	-9.0	-93.8	-6.7	-6.7	-6.9	-7.1	-27.5	-29.9	-34.4
Free cash flow	-24.8	73.4	21.3	-10.6	-26.9	9.3	-6.8	22.0	18.2	16.0	17.0	73.1	73.7	57.8
Financial net (debt)	-328.2	-270.9	-250.9	-265.7	-355.2	-345.9	-345.9	-323.9	-305.6	-289.7	-272.7	-272.7	-199.0	-141.2
Net debt to Sales	-0.4x	-0.3x	-0.3x	-0.3x	-0.4x	-0.4x	-0.4x	-0.4x	-0.3x	-0.3x	-0.3x	-0.3x	-0.2x	-0.1x
Net debt to EBITDA	-1.0x	0.6x	-0.9x	-0.9x	-1.4x	-1.4x	0.2x	-1.3x	-1.2x	-1.1x	-1.0x	0.5x	0.7x	0.9x
Broad net debt (tax, etc)	0.0	-527.0	-517.3	-527.2	-650.8	-641.5	-641.5	-619.5	-601.3	-585.3	-568.4	-568.4	-494.7	-436.8
Income tax paid	70.7	166.6	9.6	43.9	26.6	24.9	105.0	24.5	24.8	25.5	26.2	101.0	109.9	126.7

Source: Z&A estimates, company reports



Exhibit 2: Cannabis sales projections

US\$ Mn	CY22	CY23	1Q24	2Q24	3Q24	4Q24e	CY24e	1Q25e	2Q25e	3Q25e	4Q25e	CY25e	CY26e	CY27e
<b>Total sales reported (\$Mn)</b>	<b>879.4</b>	<b>938.5</b>	<b>221.3</b>	<b>222.4</b>	<b>216.7</b>	<b>225.7</b>	<b>886.1</b>	<b>222.2</b>	<b>224.6</b>	<b>231.3</b>	<b>237.1</b>	<b>915.2</b>	<b>995.0</b>	<b>1,147.7</b>
Retail	721.3	741.4	168.6	164.7	164.4	173.3	671.0	171.0	171.8	176.9	180.3	700.1	753.2	868.3
Wholesale (net)	158.1	197.0	52.7	57.7	52.3	52.4	215.1	51.2	52.8	54.4	56.7	215.1	241.8	279.4
<b>Total sales</b>	<b>874.5</b>	<b>938.5</b>	<b>221.3</b>	<b>222.4</b>	<b>216.7</b>	<b>225.7</b>	<b>886.1</b>	<b>222.2</b>	<b>224.6</b>	<b>231.3</b>	<b>237.1</b>	<b>915.2</b>	<b>995.0</b>	<b>1,147.7</b>
AR	6.8	10.5	2.0	1.7	1.3	1.6	6.6	1.6	1.6	1.6	1.6	6.4	6.5	6.7
AZ	71.6	76.9	17.3	17.0	16.9	18.1	69.3	17.5	16.5	16.7	17.5	68.3	67.3	68.5
CT	27.4	71.7	18.8	20.5	19.4	19.2	77.9	19.9	20.6	21.3	21.9	83.7	93.8	110.3
FL	191.9	222.0	50.3	49.2	45.3	45.1	189.9	43.2	41.5	41.4	40.4	166.6	158.0	158.2
IL	190.2	168.9	38.4	40.1	37.3	37.5	153.2	35.7	35.9	34.8	34.4	140.7	143.4	149.6
MA	35.1	15.9	4.1	4.2	4.0	4.1	16.4	3.7	3.8	3.9	3.9	15.3	13.6	13.8
MD	29.5	48.0	15.1	16.4	16.3	15.7	63.5	15.8	16.4	16.5	17.1	65.8	80.1	94.1
MI	11.5	6.1	1.6	1.7	1.8	1.8	6.9	1.8	1.9	2.0	2.0	7.7	6.5	6.7
NV	54.4	32.1	8.3	8.1	7.8	7.6	31.8	7.4	7.7	7.3	6.9	29.4	29.1	29.9
NJ	57.1	178.2	40.5	38.4	34.0	34.3	147.2	34.3	35.2	36.4	37.9	143.8	156.4	171.5
OH	47.9	28.8	6.6	6.8	10.5	11.6	35.5	12.4	14.4	15.6	16.9	59.3	77.5	103.7
PA	151.2	70.9	15.7	15.1	13.8	13.2	57.8	12.4	12.0	16.2	17.7	58.3	82.6	93.1
VA	0.0	0.0	0.0	0.0	5.1	13.0	18.1	13.4	14.0	14.3	15.4	57.1	66.0	125.3
WV	0.0	8.6	2.6	3.2	3.2	3.1	12.1	3.1	3.2	3.3	3.3	12.8	14.2	16.3
<b>Sales mix %</b>														
AR	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
AZ	8%	8%	8%	8%	8%	8%	8%	8%	7%	7%	7%	7%	7%	6%
CT	3%	8%	8%	9%	9%	8%	9%	9%	9%	9%	9%	9%	9%	10%
FL	22%	24%	23%	22%	21%	20%	21%	19%	18%	18%	17%	18%	16%	14%
IL	22%	18%	17%	18%	17%	17%	17%	16%	16%	15%	15%	15%	14%	13%
MA	4%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	1%	1%
MD	3%	5%	7%	7%	8%	7%	7%	7%	7%	7%	7%	7%	8%	8%
MI	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
NV	6%	3%	4%	4%	4%	3%	4%	3%	3%	3%	3%	3%	3%	3%
NJ	7%	19%	18%	17%	16%	15%	17%	15%	16%	16%	16%	16%	16%	15%
OH	5%	3%	3%	3%	5%	5%	4%	6%	6%	7%	7%	6%	8%	9%
PA	17%	8%	7%	7%	6%	6%	7%	6%	5%	7%	7%	6%	8%	8%
VA	0%	0%	0%	0%	2%	6%	2%	6%	6%	6%	6%	6%	7%	11%
WV	0%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%

Source: Z&A estimates, company reports





Exhibit 3: Market size projections

US\$ Mn	CY21	CY22	CY23	1Q24	2Q24e	3Q24e	4Q24e	CY24e	1Q25e	2Q25e	3Q25e	4Q25e	CY25e	CY26e	CY27e	rec began
<b>Total</b>	<b>25,035</b>	<b>25,711</b>	<b>28,499</b>	<b>7,353</b>	<b>7,587</b>	<b>7,812</b>	<b>7,847</b>	<b>30,599</b>	<b>8,069</b>	<b>8,337</b>	<b>8,644</b>	<b>8,788</b>	<b>33,838</b>	<b>36,856</b>	<b>39,496</b>	
rec	15,961	16,581	18,267	4,706	4,902	5,123	5,131	19,861	5,208	5,436	5,768	5,880	22,292	25,313	27,834	
med	9,074	9,130	10,232	2,648	2,685	2,689	2,716	10,737	2,861	2,901	2,876	2,908	11,546	11,542	11,661	
<b>Total (med/rec)</b>	<b>25,035</b>	<b>25,711</b>	<b>28,499</b>	<b>7,353</b>	<b>7,587</b>	<b>7,812</b>	<b>7,847</b>	<b>30,599</b>	<b>8,069</b>	<b>8,337</b>	<b>8,644</b>	<b>8,788</b>	<b>33,838</b>	<b>36,856</b>	<b>39,496</b>	
AZ	1,359	1,426	1,376	325	301	311	331	1,267	325	306	316	337	1,284	1,306	1,330	Jan'21
CA	5,780	5,393	5,177	1,222	1,294	1,264	1,245	5,025	1,251	1,324	1,294	1,274	5,143	5,262	5,380	Oct'16
CO	2,229	1,769	1,529	356	360	378	318	1,413	342	345	362	305	1,354	1,345	1,348	Jan'14
CT	150	150	277	73	73	76	76	298	80	84	89	93	346	419	493	Jan'23
FLA	1,616	1,705	1,860	489	480	497	501	1,966	491	488	488	487	1,954	1,956	1,977	med
GA	1	16	49	21	27	29	32	109	34	34	34	34	136	156	157	med
IL	1,776	1,907	1,960	493	505	496	528	2,022	513	528	523	550	2,114	2,206	2,302	Jan'20
MA	1,644	1,755	1,806	441	457	470	480	1,848	462	471	487	488	1,907	1,941	1,976	Nov'18
MD	551	509	787	273	284	292	297	1,146	310	320	330	343	1,304	1,516	1,780	Jul'23
ME	93	171	229	58	63	76	67	265	66	72	87	77	303	346	396	Oct'20
MI	1,793	2,294	3,029	793	837	912	892	3,433	919	947	975	1,005	3,846	4,075	4,165	Dec'19
MN	25	36	66	19	20	21	21	80	18	17	15	15	66	376	619	Jan'26
MO	210	390	1,338	348	363	375	381	1,467	385	395	405	409	1,593	1,708	1,833	Feb'23
NH	17	20	24	7	7	7	7	27	8	8	8	8	30	34	37	med
NJ	217	556	800	225	235	245	256	962	268	279	291	303	1,142	1,251	1,372	Apr'22
NM	119	358	556	147	150	156	156	609	157	158	162	162	640	654	670	Apr'22
NV	1,042	882	825	219	212	208	206	844	210	218	212	207	847	869	893	Jul'17
NY	250	265	431	138	152	172	192	654	201	216	230	245	892	1,164	1,259	Dec'22
OH	379	467	482	122	120	175	208	625	225	262	284	307	1,078	1,463	1,994	3Q24
OK	941	780	728	179	185	175	175	714	179	185	175	175	714	724	735	med
OR	1,184	994	955	234	243	249	242	968	239	248	254	247	987	1,007	1,027	Oct'15
PA	1,353	1,457	1,530	411	426	411	405	1,653	399	387	539	591	1,916	2,753	3,104	Jul'25
RI	44	53	108	29	30	29	29	117	24	24	24	24	96	106	115	Dec'22
VA	27	100	167	52	57	62	67	237	67	68	70	71	276	307	583	Jun'27
VT	8	9	11	3	3	3	3	12	3	3	3	3	14	15	17	May'22
WA	1,422	1,294	1,259	305	314	327	319	1,265	307	316	328	321	1,272	1,278	1,284	Jul'14
WV	0	22	66	20	21	22	22	85	23	24	25	26	99	116	133	med
Other states	804	932	1,073	353	369	375	391	1,488	565	611	632	679	2,486	2,501	2,515	

Source: Z&A estimates, company reports

Exhibit 4: Cash Flow Projections

US\$ 000s	Dec	Dec	Mar	Jun	Sep	Dec	Dec	Mar	Jun	Sep	Dec	Dec	Dec	Dec
SUMMARY CASH FLOW	CY22	CY23	1Q24	2Q24	3Q24	4Q24e	CY24e	1Q25e	2Q25e	3Q25e	4Q25e	CY25e	CY26e	CY27e
Net earnings	-268,873	-117,348	-4,822	-21,764	-42,567	-14,300	-83,453	-12,347	-12,137	-11,568	-11,144	-47,196	-37,990	-29,449
(+) D&A	141,387	141,133	35,552	35,733	36,865	38,446	146,596	38,627	38,760	38,895	39,033	155,315	156,862	159,280
<b>Cash earnings</b>	<b>-127,486</b>	<b>23,785</b>	<b>30,730</b>	<b>13,969</b>	<b>-5,702</b>	<b>24,145</b>	<b>63,142</b>	<b>26,280</b>	<b>26,623</b>	<b>27,327</b>	<b>27,889</b>	<b>108,119</b>	<b>118,872</b>	<b>129,831</b>
(-) Working capital changes	-38,957	-194	-7,891	-20,916	23,821	-5,803	-10,789	2,363	-1,636	-4,435	-3,826	-7,534	-15,316	-37,555
(-) Other operating flows	260,790	86,119	8,202	14,868	11,613	0	34,683	0	0	0	0	0	0	0
<b>Operating cash flow</b>	<b>94,347</b>	<b>109,710</b>	<b>31,041</b>	<b>7,921</b>	<b>29,732</b>	<b>18,342</b>	<b>87,036</b>	<b>28,643</b>	<b>24,987</b>	<b>22,892</b>	<b>24,063</b>	<b>100,585</b>	<b>103,556</b>	<b>92,276</b>
(-) net capex	-119,174	-36,330	-9,699	-18,516	-56,588	-9,030	-93,833	-6,666	-6,739	-6,939	-7,112	-27,456	-29,851	-34,430
<b>Free cash flow</b>	<b>-24,827</b>	<b>73,380</b>	<b>21,342</b>	<b>-10,595</b>	<b>-26,856</b>	<b>9,312</b>	<b>-6,797</b>	<b>21,977</b>	<b>18,248</b>	<b>15,953</b>	<b>16,951</b>	<b>73,129</b>	<b>73,705</b>	<b>57,846</b>
(-) acquisitions	-114,752	-13,250	-32	0	-35,843	0	-35,875	0	0	0	0	0	0	0
(-) divestitures	6,249	2,180	0	0	52	0	52	0	0	0	0	0	0	0
(+) other	-4,016	-5,039	-1,315	-4,108	-26,931	0	-32,354	0	0	0	0	0	0	0
(+) share issuance	0	0	0	-136	136	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	0
<b>Change in net</b>	<b>-137,346</b>	<b>57,271</b>	<b>19,995</b>	<b>-14,839</b>	<b>-89,442</b>	<b>9,312</b>	<b>-74,974</b>	<b>21,977</b>	<b>18,248</b>	<b>15,953</b>	<b>16,951</b>	<b>73,129</b>	<b>73,705</b>	<b>57,846</b>
<b>Ending net (debt)</b>	<b>-328,153</b>	<b>-270,882</b>	<b>-250,887</b>	<b>-265,726</b>	<b>-355,168</b>	<b>-345,856</b>	<b>-345,856</b>	<b>-323,878</b>	<b>-305,631</b>	<b>-289,678</b>	<b>-272,727</b>	<b>-272,727</b>	<b>-199,022</b>	<b>-141,176</b>
Cash/inv/sec	84,851	174,760	193,799	130,052	64,981	56,761	56,761	78,739	96,986	112,939	129,890	129,890	203,595	261,441
Gross debts/loans/bonds	413,004	445,642	444,686	395,778	420,149	402,617	402,617	402,617	402,617	402,617	402,617	402,617	402,617	402,617

Source: Z&A estimates, company reports

Exhibit 5: Forward EV Estimates (different from spot EV) and Share Price Scenarios (these are not price targets)

US\$ Mn	Dec CY23	Mar 1Q24	Jun 2Q24	Sep 3Q24	Dec 4Q24e	Dec CY24e	Dec CY25e	Dec CY26e	Dec CY27e		
<b>Forward EV calculation (used for forward valuation)</b>	<b>1,152.0</b>	<b>1,142.3</b>	<b>1,152.2</b>	<b>1,275.9</b>	<b>1,266.6</b>	<b>1,266.6</b>	<b>1,193.4</b>	<b>1,119.7</b>	<b>1,061.9</b>		
Market cap (\$Mn)	625.1	625.1	625.1	625.1	625.1	625.1	625.1	625.1	625.1		
Share price (US\$)	1.71	1.71	1.71	1.71	1.71	1.71	1.71	1.71	1.71		
Share count used for val purposes	365.5	365.5	365.5	365.5	365.5	365.5	365.5	365.5	365.5		
common shares	356.9	356.9	356.9	356.9	356.9	356.9	356.9	356.9	356.9		
RSUs and derivatives in the money	8.6	8.6	8.6	8.6	8.6	8.6	8.6	8.6	8.6		
Broadly defined net debt (\$Mn)	-527.0	-517.3	-527.2	-650.8	-641.5	-641.5	-568.4	-494.7	-436.8		
financial net cash (debt)	-270.9	-250.9	-265.7	-355.2	-345.9	-345.9	-272.7	-199.0	-141.2		
net leases	-3.7	-4.3	-6.1	-6.2	-6.2	-6.2	-6.2	-6.2	-6.2		
st taxes	-248.5	-258.1	-251.2	-285.3	-285.3	-285.3	-285.3	-285.3	-285.3		
contingent	-3.9	-4.0	-4.1	-4.2	-4.2	-4.2	-4.2	-4.2	-4.2		
warrant inflow											
<b>Valuation Multiples</b>	<b>CY23</b>					<b>CY24</b>	<b>CY25</b>	<b>CY26</b>	<b>CY26</b>		
EV/Sales	1.2x	1.3	1.3	1.5	1.4	1.4	1.3	1.1	0.9		
EV/EBITDA	3.8x	4.3x	4.1x	4.9x	5.1x	4.8x	4.6x	4.0x	3.5x		
<b>Scenarios</b>						<i>by Dec'23</i>	<i>by Dec'24</i>	<i>by Dec'25</i>	<i>by Dec'25</i>	<b>upside</b> <i>by Dec'25</i>	
EV/Sales	<b>1.4x</b>					1.54	1.85	2.35	3.07	<b>37%</b>	current 1yF sector multiple
EV/Sales	<b>1.7x</b>					2.36	2.70	3.27	4.14	<b>91%</b>	assumes 25% peer premium
EV/Sales	<b>3.0x</b>					5.52	5.96	6.81	8.22	<b>298%</b>	
EV/Sales	<b>5.4x</b>					11.43	12.06	13.45	15.88	<b>687%</b>	sector quadruples
EV/Sales	<b>7.0x</b>					15.21	15.97	17.70	20.78	<b>935%</b>	
EV/Sales	<b>10.0x</b>					22.49	23.48	25.87	30.20	<b>1413%</b>	
EV/EBITDA	<b>4.8x</b>					1.71	1.87	2.32	2.83	<b>35%</b>	current 1yF sector multiple
EV/EBITDA	<b>6.0x</b>					2.58	2.72	3.23	3.84	<b>89%</b>	assumes 25% peer premium
EV/EBITDA	<b>7.0x</b>					3.30	3.43	4.00	4.67	<b>134%</b>	
EV/EBITDA	<b>10.0x</b>					5.46	5.57	6.29	7.19	<b>268%</b>	
EV/EBITDA	<b>15.0x</b>					9.07	9.14	10.11	11.38	<b>491%</b>	
EV/EBITDA	<b>19.2x</b>					12.10	12.13	13.32	14.90	<b>679%</b>	sector quadruples

Source: Z&A estimates, company reports



# Appendix II: MSO Valuation Comps

Zuanic & Associates

## Exhibit 6: Valuation Comps – MSOs

US\$Mn 18-Nov-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>1.7x</b>	<b>1.6x</b>	<b>1.3x</b>	<b>8.4x</b>	<b>9.6x</b>	<b>10.8x</b>								
Acreage Holdings	2.1x	1.3x	na	136.3x	6.7x	na	-1.0x	-1.6x	-5.1x	-104.8x	-1.2x	-2.0x	-6.3x	-129.2x
Ascend Wellness	1.1x	1.1x	1.1x	6.1x	5.6x	5.0x	-0.4x	-0.4x	-2.2x	-2.4x	-0.9x	-0.9x	-4.6x	-5.1x
Ayr Wellness	0.9x	0.9x	0.9x	3.5x	3.9x	3.5x	-0.8x	-0.8x	-3.3x	-3.0x	-0.7x	-0.7x	-2.9x	-2.6x
Cannabist Co	0.9x	0.9x	0.9x	7.3x	7.1x	5.4x	-0.6x	-0.6x	-4.4x	-4.5x	-0.8x	-0.8x	-6.2x	-6.4x
Consortium	1.1x	na	na	4.0x	na	na	na	na	na	na	na	na	na	na
Cresco Labs	1.5x	1.5x	1.5x	5.4x	5.4x	5.5x	-0.5x	-0.5x	-1.8x	-1.8x	-0.7x	-0.7x	-2.3x	-2.3x
Curaleaf	2.2x	2.2x	2.0x	9.8x	9.8x	8.1x	-0.5x	-0.5x	-2.3x	-2.3x	-0.9x	-0.9x	-3.8x	-3.8x
4Front Ventures	2.1x	na	na	7.7x	na	na	na	-1.0x	na	-3.8x	na	-1.7x	na	-6.5x
Glass House	3.2x	4.1x	na	9.9x	22.8x	na	-0.1x	na	-0.7x	na	-0.3x	-0.2x	-1.7x	-0.8x
Gold Flora	1.0x	1.0x	0.8x	12.1x	29.5x	7.6x	na	-0.3x	na	na	na	-0.9x	na	na
Goodness Growth	1.9x	1.9x	na	-109.5x	7.8x	na	-0.5x	-0.5x	-2.1x	29.1x	-0.9x	-0.9x	-3.7x	51.1x
Green Thumb	2.2x	2.2x	2.1x	7.0x	6.9x	6.9x	-0.1x	-0.1x	-0.2x	-0.2x	-0.1x	-0.1x	-0.4x	-0.4x
Grown Rogue	3.8x	na	na	5.0x	na	na	na	na	na	na	na	na	na	na
iAnthus	1.1x	na	na	5.7x	na	na	na	-0.9x	na	-4.4x	na	-0.9x	na	-4.5x
Jushi	1.6x	1.5x	1.4x	9.5x	7.5x	6.4x	-0.6x	-0.7x	-3.1x	-4.0x	-1.2x	-1.2x	-5.8x	-7.4x
MariMed	1.0x	1.0x	0.8x	8.7x	8.1x	4.8x	-0.4x	-0.4x	-3.3x	-3.5x	-0.5x	-0.5x	-4.2x	-4.5x
Planet 13	1.3x	1.3x	1.0x	31.6x	17.4x	6.0x	0.2x	0.1x	2.0x	3.7x	-0.1x	-0.1x	-0.8x	-1.5x
Schwazze	1.2x	1.2x	na	8.6x	5.6x	na	-0.9x	-0.9x	-4.1x	na	-1.1x	-1.1x	-5.1x	na
StateHouse	1.9x	na	na	19.7x	na	na	na	-1.1x	na	-11.2x	na	-1.8x	na	-18.9x
TerrAscend	2.1x	2.1x	2.0x	11.5x	10.5x	9.5x	-0.6x	-0.6x	-2.9x	-3.1x	-1.0x	-1.0x	-5.2x	-5.7x
TILT	1.0x	0.9x	0.7x	-17.7x	na	73.3x	-0.5x	-0.6x	15.1x	9.9x	-0.9x	-1.0x	26.3x	17.3x
Trulieve	1.8x	1.7x	1.6x	5.2x	5.0x	5.0x	-0.3x	-0.3x	-0.7x	-0.8x	-0.6x	-0.6x	-1.8x	-1.8x
Verano	1.5x	1.4x	1.4x	4.9x	4.8x	4.4x	-0.4x	-0.4x	-1.3x	-1.4x	-0.7x	-0.8x	-2.4x	-2.5x
Vext	1.8x	1.8x	na	10.3x	9.1x	na	-0.9x	-0.9x	-4.3x	-4.9x	-0.9x	-0.9x	-4.3x	-4.9x

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

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

Source: FactSet and company reports

Exhibit 7: Spot EV calculation - MSOs

US\$m	FactSet	Z&A	US\$	mn	mn	Total	Financial	Net	Income	Conting	ITM deriv	Total	Pref Stock
18-Nov-24	Spot EV	Spot EV	price	shares	deriv	Mkt Cap	net debt	leases	tax liab.	Cons.	inflow	BDND	Min Int
<b>US MSOs</b>													
Acreage Holdings	244	339	0.14	125.0	1.0	18	-261	-3	-58			-322	
Ascend Wellness	597	618	0.47	214.5	13.3	106	-241	-134	-137			-512	
Ayr Wellness	634	423	0.77	114.0	31.1	112	-359	4	-11	0	55	-311	
Cannabist Co	558	434	0.11	472.7	8.2	54	-269	-26	-86			-380	
Cansortium	140	123	0.09	304.9	5.6	27	-59	-9	-29			-97	
Cresco Labs	1,020	1,100	1.39	441.0	8.9	625	-365	-56	-43	-10		-474	
Curaleaf	2,427	2,948	2.22	743.8	11.2	1,676	-678	-24	-389	-56		-1,146	126
4Front Ventures	242	160	0.03	915.2	3.8	26	-79	-8	-40	-6	0	-134	
Glass House	536	806	7.96	81.0	3.5	673	-25	0	-4	-32		-61	72
Gold Flora	130	135	0.04	287.7	0.1	12	-40	-34	-44	-4		-123	
Goodness Growth	113	191	0.43	230.3	4.1	102	-51	-10	-29			-89	
Green Thumb	2,426	2,492	9.61	236.2	9.3	2,359	-82	-28	-23	0	0	-133	
Grown Rogue	75	100	0.71	143.5		101	5	-2	-2			1	
iAnthus	41	203	0.01	6,615.3		42	-156	-6				-162	
Jushi	357	392	0.45	196.7	0.0	88	-165	-1	-139			-305	
MariMed	144	164	0.16	381.0	5.0	61	-66	-1	-17			-83	19
Planet 13	117	164	0.48	325.2	0.3	156	19	-7	-16	-5		-8	
Schwazze	190	205	0.24	80.2		19	-151	-2	-33	0		-186	
StateHouse	144	200	0.02	256.4	138.6	6	-114	-10	-54	-22	7	-192	2
TerrAscend	486	631	0.89	355.8	3.1	321	-172	-5	-128	-4		-310	
TILT	109	111	0.01	390.6	4.4	3	-62	-44	-2			-108	
Trulieve	1,309	1,997	6.80	186.0	3.3	1,287	-300	-21	-384	-5		-710	
Verano	956	1,276	1.71	356.9	8.6	625	-355	-6	-285	-4		-651	
Vext	49	67	0.14	245.5	3.4	35	-32	0				-32	

Source: FactSet and company reports

## Exhibit 8: Stock Performance

17-Nov-24	Stock Performance		
Ticker	Last 30d	Last 90d	Last 12mo
<b>US MSOs</b>			
Ascend	-29%	-48%	-49%
Ayr	-53%	-53%	-55%
Cannabist	-38%	-57%	-73%
Cansortium	-41%	-30%	-9%
Cresco	-10%	-25%	-10%
Curaleaf	-25%	-29%	-32%
4Front	-31%	-46%	-83%
GlassHouse	-7%	-17%	74%
Gold Flora	-42%	-52%	-58%
Vireo Growth	17%	-29%	151%
Grown Rogue	-4%	5%	134%
Green Thumb	-6%	-10%	-6%
iAnthus	-38%	-55%	-69%
Jushi	-20%	-38%	-53%
MariMed	10%	-39%	-46%
Planet13	-7%	-17%	-40%
Schwazze	-50%	-45%	-80%
StateHouse	MN/A	-50%	-17%
Trulieve	-40%	-29%	26%
TerrAscend	-24%	-46%	-50%
Vext	-11%	-26%	-44%
Verano	-40%	-54%	-58%

	Stock Performance		
Ticker	Last 30d	Last 90d	Last 12mo
<b>Canadian LPs</b>			
Aurora	-17%	-34%	-4%
Avant	-36%	-55%	-86%
Auxly	4%	-9%	108%
Cannara	6%	-1%	-32%
Canopy	-2%	-42%	-27%
Cronos	-2%	-8%	8%
Decibel	51%	83%	-50%
Entourage	-34%	-26%	-51%
High Tide	17%	41%	113%
Nova	2%	2%	116%
OGI	-8%	-17%	36%
Rubicon	-18%	-25%	-37%
SNDL	-2%	-9%	23%
Tilray	-12%	-25%	-14%
VFF	-14%	-21%	22%
<b>CBD</b>			
CVSI	1%	-14%	49%
CWEB	10%	-2%	-36%
LFID	-27%	-27%	-68%
<b>International</b>			
InterCure	-28%	-14%	49%
PharmaCielo	-43%	46%	156%

	Stock Performance		
Ticker	Last 30d	Last 90d	Last 12mo
<b>MJ Fincos</b>			
AFCG	-5%	-7%	-12%
CNPOF	-39%	-19%	-1%
IIPR	-21%	-12%	39%
NLCP	-12%	-17%	32%
SHFS	-26%	-43%	-46%
LIEN	0%	10%	38%
REFI	0%	2%	3%
<b>Tech</b>			
LFLY	-18%	-20%	-74%
SBIG	1%	-19%	-54%
MAPS	0%	-17%	-15%
<b>Vape parts</b>			
GNLN	-49%	-88%	-62%
ISPR	-10%	-18%	-44%
SMORF	2%	2%	49%
TLLTF	-43%	-61%	-82%
<b>Index</b>			
S&P 500	3%	10%	36%
S&P 477	-1%	2%	19%
Nasdaq	12%	15%	53%
MSOS ETF	-24%	-30%	-24%
YOLO ETF	-11%	-16%	-1%

Source: FactSet



# Appendix III: Bio and Disclaimers

Zuanic & Associates





## Analyst Bio

Pablo Zuanic is a well-known and highly rated equity analyst following the broader cannabinoids (THC cannabis, hemp derivatives, CBD) and consumer sectors. Over the past six years he has launched coverage of over 40 companies in the US, Canada, and overseas; plant-touching as well as service providers (tech; finance); and has also worked with several private companies. He follows closely the reform process in the US, Canada, Germany, Australia, and elsewhere, and relies on a fundamental and data-driven approach to keep track of sectoral trends. His firm Zuanic & Associates publishes equity research, both from a macro/sectoral level in a thematic manner, as well as on listed stocks. The research service is aimed at institutional investors, corporations, and regulators. The firm is also available for short-term consulting and research advisory projects. Approaching the third year since its inception, the firm has collaborated with over 25 companies (in North America and overseas; plant touching and service providers; public and private), both on an on-going basis as well for specific projects. At various points in his career, Pablo Zuanic was ranked in the Institutional Investor magazine surveys and was 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. *He can be contacted via the company's portal [www.zuanicassociates.com](http://www.zuanicassociates.com); via email at [pablo.zuanic@zuanicgroup.com](mailto:pablo.zuanic@zuanicgroup.com); or via X @420Odysseus.*



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