



10/23/2024

MariMed Inc. (MRMD)

Company update: Overweight

US\$ Mn								
Sales	FY22a	FY23a	FY24e	Prev	FY25e	Prev	FY26e	Prev
1Q	31.3	34.4	37.9 A	37.9	54.8	54.1	59.9	59.1
2Q	33.0	36.5	40.4 A	40.4	56.5	56.3	61.5	61.0
3Q	33.9	38.8	41.0 E	41.5	58.2	58.6	63.0	63.2
4Q	<u>35.8</u>	<u>38.9</u>	<u>42.9</u> E	<u>42.2</u>	<u>60.2</u>	<u>59.5</u>	<u>65.0</u>	<u>64.0</u>
FY	134.0	148.6	162.3	162.1	229.8	228.5	249.3	247.3
EBITDA	FY22a	FY23a	FY24e	Prev	FY25e	Prev	FY26e	Prev
1Q	10.4	7.1	4.7 A	4.7	8.1	8.0	12.2	12.0
2Q	8.9	6.3	4.4 A	4.4	9.1	9.0	12.6	12.5
3Q	8.6	6.1	5.2 E	5.2	9.9	9.9	12.9	12.9
4Q	<u>4.5</u>	<u>5.2</u>	<u>5.8</u> E	<u>5.7</u>	<u>10.9</u>	<u>10.7</u>	<u>13.3</u>	<u>13.1</u>
FY	32.4	24.7	20.1	19.9	38.0	37.6	51.1	50.5

Share price (US\$)	0.17	Perf.	MRMD	MSOS	S&P500	Stance:	Overweight
Share count (mn)	385.6	30d	4%	18%	2%		no price target
Market Cap (\$Mn)	65	90d	-1%	5%	7%		FY=Dec
Ticker	MRMD	1yr	-52%	21%	38%		



US\$Mn	FY24	FY25	FY26
Projected EV	173.4	190.3	189.2
EV/Sales	1.1x	0.8x	0.8x
EV/EBITDA	8.6x	5.0x	3.7x

	FY24	FY25	FY26
Net debt/Sales	-0.4x	-0.3x	-0.3x
Net debt/EBITDA	-3.5x	-2.1x	-1.5x
Free Cash Flow	-9.8	-8.4	3.5
Net debt	-71.0	-79.4	-76.0

Consensus	FY24	FY25	FY26
Sales	162.3	205.6	219.2
EBITDA	19.7	36.0	44.9

Guidance CY24:	Sales up 5-7%		
	EBITDA up 0-2%		

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A Close Look At MRMD's Core Markets in 3Q24

We provide an update here about MariMed's operations in IL, MD, and MA – the company's three states accounting for the bulk of sales. Capacity expansion in IL and MD, two states with attractive economics, bodes well for MRMD's organic growth outlook. MA, on the other hand, faces more challenging economics. By 2025, states like MO and OH should become larger contributors to company sales. For 2024, we calculate the company is ahead of sales guidance for 5-7% growth, but due to start-up costs we expect EBITDA to decline yoy (vs. guidance for 0-2% growth). The stock is attractively valued at 1x sales (MSO average 1.9x) and 8x EBITDA (12x).

IL Market Update, and MRMD Brands

We estimate IL accounts for 40-45% of MariMed sales, and even though total market growth has stalled, the state should be a growth driver for MRMD. The company opened a 5th store earlier this year, it began sales from its kitchen in January (edibles and extracts), and recently started planting at its 14K sq ft facility (with sales set to begin by early 2025).

Overall market trends: With wholesale prices above \$2,000/lb and dispensary revenue per store near \$9Mn pa, IL remains an attractive state vs. several other rec markets in the US. But growth has stalled, and economics have suffered, especially for retailers without cultivation.

- **Sales:** 3Q24 sales of \$496Mn (86% rec, 14% med) were flat in yoy terms and -2% qoq; yoy trends have slowed compared with the 4-6% growth range seen in the past three quarters. Given the continued increase in the # of stores, we would have expected acceleration in aggregate demand or at least a similar growth trend. All this in the context of IL continuing to underperform other states in per cap spend. With \$2Bn in LTM sales, IL per cap of \$160 is well below other states that began rec after IL (AZ \$178; MD \$188; MO \$224) and MI (\$320), which began rec just one month before IL. Re product mix, per Headset, flower accounted for 43% of 3Q24 sales and vape for 26% (pre-rolls 12% and edibles 11%).
- **Prices and Retailer Spreads:** As per the official state source, retailer rec prices for flower averaged \$8.87/gram in 3Q24 (\$31.04 per 1/8 oz), down 10% yoy (-29% 2-year stacked) and -4% qoq. All this in a context of stabilizing wholesale prices. Per Cannabis Benchmarks (CB), flower wholesale prices were down only 1% yoy in 3Q24. Indeed, as per Headset, flower retailer margins continued to drop, with 3Q24 \$2.98/gram down 16% yoy (2Q24 \$3.25; 1Q24 \$3.36; CY avg \$3.57; CY22 avg \$4.91).
- **Stores:** The store count has been increasing at a faster pace than total statewide sales, leading to rev/store dilution. As of 10/9/24, the IL regulator (IDFPR) had issued a total of 232 licenses for adult sales dispensaries vs. 110 at the end of 2023. Of the total 232 licenses issued, 122 are part of the social equity license program (of a total 185 to be issued). If we take an average of 227 stores for 3Q24, this equates to \$8.8Mn in annual sales per store, on average – while this is above several rec states, it is well below from \$17Mn two years ago.



MRMD brand performance: According to Headset (note: MRMD only began selling its own brands in IL in January), sales of MRMD brands at retail (inc. company stores) added up to \$7.7Mn in 3Q24 vs. zero in CY23 (1Q24 \$3.8Mn; 2Q24 \$6.0Mn), with vape contributing \$4.9Mn (all InHouse brand) and edibles \$2.4Mn (Betty's 1.7Mn); the balance came from powder beverages (Vibations) and capsules, per Headset. Sales of Nature's Heritage flower should begin by 1Q25.

- Vape: Only launched in Jan'24, InHouse is already a top 11 brand in IL with 3.7% share in 3Q24. The top 3 brands in the quarter were Green Thumb's & Shine with 12.6% segment share, Curaleaf's Select 9.3%, and Joos 6.6% (part of family-owned Nature's Grace & Wellness). In the month of September, InHouse was a top 7 vape brand.
- Edibles: Only launched in Jan'24, the company's edibles brands had combined segment share of 3.5% in 3Q24. Betty's Eddies was a top 12 brand in 3Q24 (the top 3 were: Green Thumb's Incredibles 10.6%; Canopy-USA's Wana 9.5%; Wyld 9.4%), and Bubby's Baked had 0.7%. Betty's was already top 10 in September.
- Drinks: The beverage (and powder) category remains small, and as per Headset, Vibations only generated \$0.2Mn in sales in 3Q24. That said, Vibations was already a top 6 brand in the segment although with only 4% share (the top two brands were Journeyman with 31% share and Uncle Arnie's 21%).

MRMD store performance: MRMD has five stores in the southern half of IL (it opened a 5th store this year), which have benefitted from out of state traffic (Metropolis has been a top performer). While the start of MO rec impacted sales at a couple of the company's stores, we estimate the MRMD five stores yield rev/store at least in line with the state average, if not above. Importantly, as the company begins to sell more of its own brands at the five stores, profitability should go up. We understand own brands (edibles, vape) already account for 15% of its store sales (in MA this is 30-35%).

MD Market Update, and MRMD Brands

MD is already MRMD's 3rd largest contributor to revenues, fast closing in on MA due to faster growth and now an expanded wholesale business. In fact, given stronger economics, we calculate MD is already the company's 2nd contributor to earnings. With the recent doubling of capacity (see our Z&A [video](#) on MariMed's GM of MD ops) and the recently opened 2nd store, MD will become an even larger contributor to the MD bottom line.

Overall market trends: The state is almost at a \$1.2Bn run rate already, five quarters into the start of rec sales.

- Sales: Rec sales began on 7/1/23. Total rec+med sales reached \$292Mn in 3Q24 (73% rec) and were up 8% yoy and +2.4x vs. 2Q23 (the last quarter with med sales only). Seq growth of 3% is a step up from the 4Q23 and 1Q24 pace. Per capita consumption at \$192 is well above other rec states like IL, NJ, and CT. As more stores open and assortment grows, we would expect the market to further accelerate. A per capita in the \$220 range within a



year is a reasonable expectation. With neighboring states like PA, VA, and WV (DC also helps), remaining med, MD should continue to benefit from out of state traffic (unlike IL, MD does not track the in and out of state shopper traffic flow).

- Prices and retailer economics: Flower retail prices remain firm, and actually moved up qoq, per Headset, to \$8.62 per gram in 3Q24 from \$8.34. For context, flower retail prices in IL are \$7.37 (Headset) and MO \$6.77. Indeed, MD rec pricing is line with OH (also \$8.62 in 3Q24), where prices have moved up as rec sales began in the state (OH flower prices were \$5.84 in 4Q23). Headset estimates wholesale flower prices of \$2,078 per pound for MD in 3Q24, which means retailer flower spreads in MD of \$3.98 per gram vs. \$2.98 in IL. So, although wholesale prices in MD (as per Headset) are among the highest in the east coast, MD retailer spreads are well above average.
- Stores: The state regulator has issued 101 store licenses. Average annualized revenue per store of \$11.6Mn is among the best in the US, and now above that of Illinois. We calculate gross margins at >46%, so this means >\$5.3Mn gross profit per store. Companies with vertical operations like MariMed are in a strong position to benefit both from grower margins as well as retailer margins.

MRMD brand performance: According to Headset, sales of MRMD brands at retail (inc. company stores) in MD added up to \$13.9Mn in 3Q24 (IL \$7.7Mn; MA), with edibles contributing \$5.8Mn (Betty's \$3.7Mn, InHouse \$1.7Mn, Bubby's \$0.4Mn), vape \$3Mn (almost all from InHouse), and flower \$2.5Mn (the bulk from Nature's Heritage).

- Edibles: Betty's was #1 in 3Q24 with 11.3% segment share, per Headset, up from 7% in 2Q23 (pre rec). The next brands were Green Thumb's Incredibles with 10.2% share, Curio Wellness 8.9%, Wyld 8.5%. and Verano's Encore 8.3%. MRMD's Bubby's Baked had 1.2% share.
- Vape: InHouse ranked #7 in vape in 3Q24, with 4.2% share, up from 3.4% in 3Q23. The top 3 vape brands were Curaleaf's Select with 18.7% share, Hellavated 10.9%, and Green Thumb's &Shine 9.9% (Green Thumb's Rythm was #4 with 5.6% share).
- Flower: MRMD's Nature's Heritage brand had 1.6% share in 3Q24, stable qoq. The top 4 brands were Fade Co. with 9.4%, SunMed 8%, Green Thumb's Rythm 7.9%, and Strane with 6.8% (owned by private MSO Holistic).
- 3Q24. The top 3 brands in the quarter were Green Thumb's &Shine with 12.6% segment share, Curaleaf's Select 9.3%, and Joos 6.6% (part of family-owned Nature's Grace & Wellness). In the month of September, InHouse was a top 7 vape brand.
- See our videos re MRMD's [kitchen](#), [extraction lab](#), and [cultivation](#).



MRMD store performance: MRMD has a well-performing store in Annapolis and recently opened a 2nd store in the state (in Prince George's county). The Annapolis store is located near highways and faces limited competition in the surrounding area (Goldleaf being the most notable competing dispensary in the area).

MA Market Update, and MRMD Brands

MA is MRMD's second largest market, in terms of revenue contribution, with three stores and a strong wholesale business, with established presence in flower, edibles, and vape.

Overall market trends: 3Q24 sales up 1% yoy.

- **Sales:** 3Q24 sales of \$470Mn (90% rec; 10% med) were up 1% yoy and +3% qoq, with rec +3% yoy and med -18%. As with most >5-year rec states, med sales have shrunk (10% of total sales now vs. 23% in 1Q21). We think of MA as a matured market, with little growth momentum now, and deflation an issue, especially at the retail level. All this said, annual per capita spend of \$270 is among the highest in the US ex Michigan (the outlier >\$300), annualizing the 3Q24 data.
- **Retail and wholesale prices:** Rec retail prices on average were \$4.85/gram in Sep'24, as per the official state source (MD flower \$8.62 as per Headset, PA \$7.90 in Aug'24 as the official state source), down 18% yoy, and -6% qoq. Headset also shows deflation, with flower retail prices in 3Q24 of \$4.67 vs. \$4.81 in 2Q24 and \$5.81 in 3Q23. Per Cannabis Benchmarks, wholesale prices were \$1,190/lb in 3Q24 (-13% yoy) vs. \$1,316 in 2Q24, and pressure lingers (\$1,111/lb on 10/11/24, down 15% yoy). All this said, retail prices have fallen more than wholesale.
- **Store count and retailer economics.** Despite the lack of market growth, the MA regulator keeps adding retail licenses. A total of 566 licenses had been issued ("approved") as of 7/12/24 (up from 516 on 4/12/24), with over 400 operational (for average pa rev/store of \$4.7Mn). As a result, retailer economics have suffered. Retailer spreads for flower fell to \$2.18/gram in 3Q24 (Headset) vs. \$2.97 in 3Q23 (\$5.24 in 3Q22). We calculate gross profit per store on average at >\$2Mn. Note: MA flower retail prices are 40% below PA, wholesale is "only" 30% below PA. In short, if an operator is not vertically integrated in MA, in relative terms, it is better to be a grower than a retailer (compared with PA), and the opposite is true for PA, again, all relatively speaking (if non-vertical).

MRMD brand performance in MA: According to Headset, sales of MRMD brands at retail (inc. company stores) in MA added up to \$11.7Mn in 3Q24 (MD \$13.9Mn; IL \$7.7Mn), which was down from \$12.5Mn in 2Q24 and \$14.1Mn in 3Q23. The 17% drop in company branded sales in MA in 3Q24 compares with +1% yoy growth for the overall MA market in 3Q24. Per Headset, the sales brand split was Nature's Heritage \$4.5Mn (-33% yoy); Betty's \$3.5Mn (stable yoy); InHouse \$3.4Mn (stable yoy).



- Flower: MRMD's Nature's Heritage brand had 0.8% share in 3Q24, down from 1.7% in 3Q23, per Headset. It ranked 25th among brands (house flower brands in MA had 17.2% share in 3Q24). The top 4 brands were Ascend's Simply Herb with 10%, Cresco's High Supply 6.4%, and Perpetual Harvest 4.5%.
- Edibles: Betty's was #3 in 3Q24 with 7.5% segment share, per Headset, up from 6.9% in 3Q23. Kiva's Camino was #1 with 12.5% segment share, followed by Wana with 9.2% (house brands in MA had 6% share).
- Vape: InHouse ranked #14 among vape brands in 3Q24, with 2% share, vs. 2.3% in 3Q23. The top 3 vape brands were Crude Boys with 8.1%, Fernway 7.5%, and Curaleaf's Select with 7.3% (house brands had 7.5% share).

MRMD store performance in MA: The company's three stores are in eastern MA. The Beverly store (rec) opened in April 2023. The Quincy store opened in March 2023 with med services first and began rec this past July. The Middleboro (rec/med) store is more established (it is also the largest of the three in revenues and size), but it has seen revenue compression as more stores have opened. We would expect MRMD MA retail sales to almost 3x over time when comparing with 4Q22, which would put these stores eventually at 1.5x to 2x the state rev/store average. Indeed, although MA is store dense (Trulieve decided to close its operations there), as with any matured consumer industry, the best retail operators tend to outperform (on accessibility, parking, location, ambience, service, assortment, price).

Valuation

We realize the investment call on cannabis stocks at present is mostly sectoral, and also, about FL exposure. That said, MRMD is attractively valued, has various "self-help" growth drivers (i.e., not just dependent on reg unlocks at the state level), and has a robust balance sheet. Hence, our OW stance (our calls are based on fundamentals, and not on one-off speculative short term trading so-called opportunities).

MRMD has underperformed the group over the past year (MRMD -52%, MSOS ETF +21%), as well as over the last month (+4% vs. +18%). We believe this in part is due to focus on more speculative stocks (S3 would have greater financial impact on companies with weaker B/S, relatively speaking) and those with FL exposure.

On a spot EV basis, MRMD trades at 1x CY24 sales compared with 1.9x for the MSO average, and at 8x EBITDA vs. 12x for the peer average. We believe the discount is overdone. See appendix for valuation calculations and more details.



Appendix I: Company Financials

23 October 2024

MariMed: Core Markets Deep Dive

Exhibit 1: Financial highlights

US\$ Mn	Dec CY22	Dec CY23	Mar 1Q24	Jun 2Q24	Sep 3Q24e	Dec 4Q24e	Dec CY24e	Mar 1Q25e	Jun 2Q25e	Sep 3Q25e	Dec 4Q25e	Dec CY25e	Dec CY26e
P&L metrics													
Sales (product rev + other)	134.0	148.6	37.9	40.4	41.0	42.9	162.3	54.8	56.5	58.2	60.2	229.8	249.3
qoq ch %	na	na	-2%	7%	1%	5%	na	28%	3%	3%	3%	na	na
yoy ch %	10%	11%	10%	11%	6%	10%	9%	45%	40%	42%	40%	42%	8%
Gross profit	64.0	65.9	16.5	16.9	18.8	20.2	72.4	26.3	27.7	28.5	30.1	112.6	124.6
Total SGA	-43.6	-51.5	-14.5	-16.0	-16.0	-16.8	-63.2	-20.4	-20.9	-20.9	-21.5	-83.7	-82.7
Operating income	20.4	14.4	2.0	1.0	2.8	3.4	9.2	5.9	6.8	7.6	8.6	28.9	41.9
Net interest expense	-0.7	-8.9	-1.6	-1.7	-2.8	-2.9	-8.9	-2.7	-2.8	-2.8	-2.9	-11.2	-10.5
Profit before tax	19.5	-6.6	0.4	-0.8	0.0	0.5	0.2	3.2	4.0	4.8	5.7	17.7	31.4
Adj EBITDA	32.4	24.7	4.7	4.4	5.2	5.8	20.1	8.1	9.1	9.9	10.9	38.0	51.1
Net profit	13.5	-16.0	-1.3	-1.7	-3.8	-3.6	-10.4	-2.3	-1.8	-1.2	-0.6	-5.8	5.1
EPS	0.04	-0.04	0.00	0.00	-0.01	-0.01	-0.03	-0.01	0.00	0.00	0.00	-0.02	0.01
AFD share count (mn)	380.3	363.4	375.2	379.5	379.5	379.5	378.4	379.5	379.5	379.5	379.5	379.5	379.5
Gross margins	47.7%	44.4%	43.4%	41.8%	46.0%	47.0%	44.6%	48.0%	49.0%	49.0%	50.0%	49.0%	50.0%
SGA/sales	-32.5%	-34.7%	-38.1%	-39.5%	-39.1%	-39.1%	-39.0%	-37.2%	-37.0%	-35.9%	-35.8%	-36.4%	-33.2%
Operating margin	15.2%	9.7%	5.3%	2.4%	6.9%	7.9%	5.7%	10.8%	12.0%	13.1%	14.2%	12.6%	16.8%
Net int exp/sales	-0.5%	-6.0%	-4.2%	-4.2%	-6.8%	-6.7%	-5.5%	-5.0%	-4.9%	-4.9%	-4.8%	-4.9%	-4.2%
EBITDA margin	24.2%	16.6%	12.3%	10.8%	12.7%	13.6%	12.4%	14.9%	16.0%	17.1%	18.1%	16.5%	20.5%
Guidance													
Sales				na	na	na	up 5-7%	na	na	na	na	na	na
EBITDA							up 0-2%	na	na	na	na	na	na
FactSet consensus													
Sales					41.6	43.0	162.3	54.1	56.3	58.6	59.5	205.6	219.2
EBITDA					4.9	5.9	19.7	8.0	9.0	9.9	10.7	36.0	44.9
as % of sales					11.7%	13.8%	12.2%	14.8%	16.0%	16.9%	18.0%	17.5%	20.5%
BS & CF highlights													
Operating cash flow	7.3	7.9	3.2	3.2	-1.4	-1.4	3.5	-1.8	0.3	0.9	1.4	0.8	13.4
(-) Capex	-12.1	-20.1	-3.4	-5.0	-2.5	-2.5	-13.3	-2.2	-2.3	-2.3	-2.4	-9.2	-10.0
Free cash flow	-4.8	-12.2	-0.2	-1.8	-3.9	-3.9	-9.8	-4.0	-2.0	-1.4	-1.0	-8.4	3.5
Financial net (debt)	-20.0	-51.7	-53.3	-63.2	-67.1	-71.0	-71.0	-75.0	-77.0	-78.4	-79.4	-79.4	-76.0
Net debt to Sales	-0.1x	-0.3x	-0.4x	-0.4x	-0.4x	-0.4x	-0.4x	-0.3x	-0.3x	-0.3x	-0.3x	-0.3x	-0.3x
Net debt to EBITDA	-0.6x	-2.1x	-11.4x	-14.5x	-12.9x	-12.2x	-3.5x	-9.2x	-8.5x	-7.9x	-7.3x	-2.1x	-1.5x
Broad net debt (inc taxes, ot	-32.0	-66.9	-70.3	-80.4	-84.6	-89.5	-89.5	-99.3	-102.1	-104.4	-106.3	-106.3	-105.2
Income taxes paid													

Source: Z&A estimates, company reports

23 October 2024

MariMed: Core Markets Deep Dive

Exhibit 2: Cash Flow

US\$ 000s	Dec	Dec	Mar	Jun	Sep	Dec	Dec	Mar	Jun	Sep	Dec	Dec	Dec
SUMMARY CASH FLOW	CY22	CY23	1Q24	2Q24	3Q24e	4Q24e	CY24e	1Q25e	2Q25e	3Q25e	4Q25e	CY25e	CY26e
Net earnings	13,614	-16,007	-1,292	-1,639	-3,841	-3,624	-10,397	-2,277	-1,760	-1,168	-636	-5,841	5,105
(+) D&A	4,714	8,574	2,312	2,817	2,400	2,437	9,966	2,225	2,258	2,292	2,327	9,101	9,163
Cash earnings	18,328	-7,433	1,020	1,178	-1,442	-1,187	-431	-52	498	1,124	1,690	3,260	14,268
(-) Working capital changes	-21,931	-1,291	1,704	1,335	-81	-296	2,663	-1,785	-259	-250	-296	-2,589	-719
(-) Other operating flows	10,914	16,634	486	672	78	74	1,310	46	36	24	13	119	-104
Operating cash flow	7,311	7,910	3,210	3,185	-1,444	-1,409	3,542	-1,790	275	898	1,408	790	13,445
(-) net capex	-12,140	-20,130	-3,368	-4,968	-2,500	-2,500	-13,336	-2,193	-2,262	-2,329	-2,407	-9,191	-9,971
Free cash flow	-4,829	-12,220	-158	-1,783	-3,944	-3,909	-9,794	-3,983	-1,987	-1,431	-1,000	-8,401	3,474
(-) acquisitions	-14,248	-4,999	-836	-4,522	0	0	-5,358	0	0	0	0	0	0
(-) divestitures	0	0	0	0	0	0	0	0	0	0	0	0	0
(+) other	-11,924	-14,640	-20,386	-18,773	0	0	-39,159	0	0	0	0	0	0
(-) distributions	-259	-158	-45	-38	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	10	109	0	0	0	0	0	0	0	0	0	0	0
Change in net	-30,991	-31,750	-21,380	-25,078	-3,944	-3,909	-19,306	-3,983	-1,987	-1,431	-1,000	-8,401	3,474
	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending net (debt)	-19,980	-51,730	-53,271	-63,183	-67,127	-71,036	-71,036	-75,020	-77,007	-78,437	-79,437	-79,437	-75,963
Cash/inv/sec	9,737	14,645	15,234	10,192	10,299	6,579	6,579	4,000	4,000	4,000	4,000	4,000	4,000
Gross debts/loans/bonds	29,717	66,375	68,505	73,375	77,427	77,615	77,615	79,020	81,007	82,437	83,437	83,437	79,963

Source: Z&A estimates, company reports

23 October 2024

MariMed: Core Markets Deep Dive

Exhibit 3: Cannabis sales projections

US\$ Mn	Dec CY22	Dec CY23	Mar 1Q24	Jun 2Q24	Sep 3Q24e	Dec 4Q24e	Dec CY24e	Mar 1Q25e	Jun 2Q25e	Sep 3Q25e	Dec 4Q25e	Dec CY25e	Dec CY26e
Total revenues	134.0	148.6	37.9	40.5	41.0	42.9	162.3	54.8	56.5	58.2	60.2	229.8	249.3
Product revenue	125.7	144.3	36.9	39.5	39.9	41.7	158.0	53.7	55.6	57.2	58.9	225.4	244.9
Other	8.3	4.3	1.1	0.9	1.0	1.3	4.4	1.1	0.9	1.0	1.3	4.4	4.4
Product revenue	125.7	144.3	36.9	39.5	39.9	41.7	158.0	53.7	55.6	57.2	58.9	225.4	244.9
wholesale	32.9	48.8	14.5	15.9	16.8	18.3	65.5	26.7	27.7	28.9	29.5	112.8	124.6
retail	92.8	95.5	22.3	23.6	23.1	23.4	92.5	27.0	27.9	28.3	29.4	112.6	120.3
YoY ch %	16%	15%	10%	12%	6%	11%	9%	46%	41%	43%	41%	43%	9%
wholesale	26%	48%	40%	44%	23%	33%	34%	84%	74%	72%	62%	72%	10%
retail	13%	3%	-4%	-3%	-4%	-2%	-3%	21%	18%	22%	26%	22%	7%
QoQ ch %	na	na	-2%	7%	1%	4%	na	29%	3%	3%	3%	na	na
wholesale	na	na	6%	10%	6%	9%	na	46%	4%	4%	2%	na	na
retail	na	na	-6%	6%	-2%	1%	na	16%	3%	1%	4%	na	na
By states (our est)	125.7	144.3	36.9	39.5	39.9	41.7	158.0	53.7	55.6	57.2	58.9	225.4	244.9
IL	71.9	67.9	15.0	15.6	15.6	16.2	62.4	20.0	20.6	20.5	21.4	82.5	85.6
MA	41.3	44.9	11.6	13.6	13.4	13.9	52.6	16.2	16.5	17.0	17.1	66.8	67.9
MD	12.5	31.0	10.0	10.0	10.6	11.0	41.6	12.7	13.4	14.2	14.9	55.3	67.4
MO	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.8	3.9	4.1	4.1	15.9	17.1
OH	0.0	0.5	0.2	0.2	0.4	0.6	1.4	1.0	1.2	1.3	1.4	4.9	6.8
Other													
Sales mix %													
IL	57%	47%	41%	40%	39%	39%	39%	37%	37%	36%	36%	37%	35%
MA	33%	31%	32%	34%	34%	33%	33%	30%	30%	30%	29%	30%	28%
MD	10%	22%	27%	25%	27%	26%	26%	24%	24%	25%	25%	25%	28%
MO	0%	0%	0%	0%	0%	0%	0%	7%	7%	7%	7%	7%	7%
OH	0%	0%	1%	1%	1%	1%	1%	2%	2%	2%	2%	2%	3%
Other	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Market size estimates (\$Mn) rec/med													
DE	36	36	9	9	12	15	45	18	20	22	25	85	98
IL	1,907	1,960	493	505	496	528	2,022	513	528	523	550	2,114	2,206
MA	1,755	1,806	441	457	470	480	1,848	462	471	487	488	1,907	1,941
MD	509	787	273	284	292	297	1,146	310	320	330	343	1,304	1,516
MO	390	1,338	348	363	375	381	1,467	385	395	405	409	1,593	1,708
OH	467	482	122	120	175	282	699	328	395	441	469	1,632	2,280

Source: Z&A estimates, company reports

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Exhibit 4: Market growth assumptions

US\$ Mn	CY21	CY22	CY23	1Q24	2Q24e	3Q24e	4Q24e	CY24e	1Q25e	2Q25e	3Q25e	4Q25e	CY25e	CY26e	CY27e	rec began
Total	25,035	25,711	28,499	7,353	7,587	7,812	7,921	30,672	8,172	8,470	8,801	8,950	34,393	38,320	42,708	
rec	15,961	16,581	18,267	4,706	4,902	5,123	5,205	19,935	5,312	5,569	5,924	6,042	22,847	26,778	31,047	
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	
Total (med/rec)	25,035	25,711	28,499	7,353	7,587	7,812	7,921	30,672	8,172	8,470	8,801	8,950	34,393	38,320	42,708	
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	2,604	4,526	Jul'26
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	282	699	328	395	441	469	1,632	2,280	2,658	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, Headset, state official data

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Exhibit 5: Potential share price upside

US\$ Mn	Jun CY22	Dec CY23	Dec CY24e	Dec CY25e	Dec CY26e	upside
Scenarios			by Dec'23	by Dec'24	by Dec'25	by Dec'25
EV/Sales of		1.0x	0.14	0.27	0.33	92%
EV/Sales of		1.5x	0.35	0.57	0.65	284%
EV/Sales of		1.8x	0.48	0.75	0.84	399%
EV/Sales of		3.0x	0.98	1.47	1.62	860%
EV/Sales of		5.0x	1.83	2.66	2.92	1627%
EV/Sales of		7.2x	2.76	3.98	4.34	2471%
EV/EBITDA of		5.0x	-0.02	0.17	0.34	102%
EV/EBITDA of		7.3x	0.10	0.40	0.65	284%
EV/EBITDA of		8.0x	0.14	0.46	0.74	338%
EV/EBITDA of		10.0x	0.24	0.66	1.01	495%
EV/EBITDA of		15.0x	0.50	1.16	1.67	888%

Source: Z&A estimates, company reports

Exhibit 6: Forward EV calculations and forward multiples as per our methodology (this is not the same as spot EV)

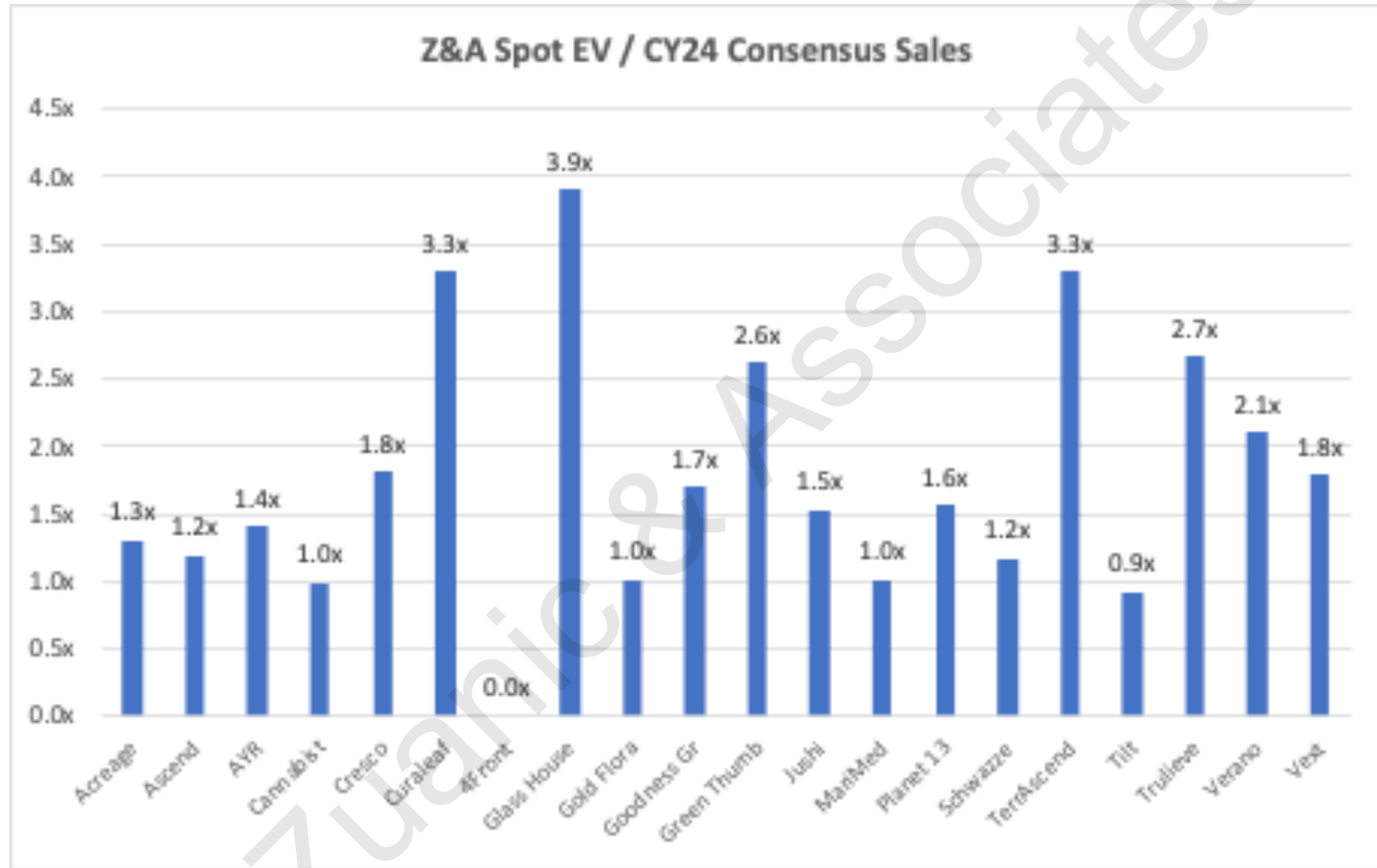
US\$ Mn	Jun CY22	Dec CY23	Mar 1Q24	Jun 2Q24	Sep 3Q24e	Dec 4Q24e	Dec CY24e	Dec CY25e	Dec CY26e
EV calculation for val purposes	97.1	151.1	154.5	164.5	168.6	173.4	173.4	190.3	189.2
Market cap (\$Mn)	65.2	65.2	65.2	65.2	65.0	65.0	65.0	65.0	65.0
Share price (US\$)	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17
Share count used for val purposes	385.6	385.6	385.6	385.6	384.5	384.5	384.5	384.5	384.5
common shares	380.6	380.6	380.6	380.6	379.5	379.5	379.5	379.5	379.5
RSUs and derivatives in the money	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Broadly defined net debt (\$Mn)	-32.0	-66.9	-70.3	-80.4	-84.6	-89.5	-89.5	-106.3	-105.2
financial net cash (debt)	-20.0	-51.7	-53.3	-63.2	-67.1	-71.0	-71.0	-79.4	-76.0
leases net of right of use assets	-0.5	-0.7	-0.8	-0.8	-0.8	-1.0	-1.0	-2.5	-2.9
st taxes	-11.5	-14.4	-16.3	-16.4	-16.6	-17.4	-17.4	-24.4	-26.3
contingent warrant inflow									
Other									
preferred stock		19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0
minority interest adj									
Valuation Multiples		CY23					CY24	CY25	CY25
EV/Sales		1.0x					1.1	0.8	0.8
EV/EBITDA		6.1x					8.6x	5.0x	3.7x

Source: Z&A estimates, company reports



Appendix II: MSO Valuation Comps

Exhibit 7: Valuation Comps – MSOs



Source: FactSet; company reports

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Exhibit 8: Valuation Comps – MSOs

US\$Mn 23-Oct-24	Z&A Spot EV / Sales			Z&A Spot EV / EBITDA			Financial Net Debt				Broadly Defined Net Debt			
							Sales		EBITDA		Sales		EBITDA	
	Current	CY24e	CY25e	2023	2024	2025	CY24	Current	CY24	Current	CY24	Current	CY24	Current
US MSOs	0.9x	1.9x	1.6x	12.9x	12.0x	8.0x								
Acreage Holdings	0.5x	1.3x	na	11.1x	6.6x	na	-1.0x	-1.6x	-4.9x	-33.2x	-1.2x	-2.0x	-6.1x	-40.9x
Ascend Wellness	1.3x	1.2x	1.1x	6.5x	6.1x	5.3x	-0.4x	-0.4x	-2.0x	-1.5x	-0.8x	-0.8x	-4.2x	-3.3x
Ayr Wellness	1.5x	1.4x	1.3x	6.0x	6.1x	4.9x	-0.7x	-0.8x	-3.2x	-3.1x	-0.6x	-0.7x	-2.8x	-2.7x
Cannabist Co	1.0x	1.0x	0.9x	7.0x	7.2x	5.7x	-0.6x	-0.5x	-4.1x	-2.7x	-0.7x	-0.7x	-5.4x	-3.7x
Consortium	5.4x	na	na	19.1x	na	na	na	na	na	na	na	na	na	na
Cresco Labs	1.8x	1.8x	1.7x	7.8x	6.4x	6.1x	-0.5x	-0.5x	-1.9x	-1.8x	-0.8x	-0.8x	-2.8x	-2.7x
Curaleaf	3.4x	3.3x	3.0x	15.0x	14.4x	11.6x	0.0x	0.0x	0.0x	0.0x	-1.3x	-1.3x	-5.6x	-6.2x
4Front Ventures	1.9x	na	na	18.6x	na	na	na	-1.0x	na	-1.4x	na	-1.7x	na	-2.3x
Glass House	5.1x	3.9x	na	33.3x	20.0x	na	-0.2x	na	-1.0x	na	-0.4x	-0.4x	-2.0x	-1.5x
Gold Flora	1.1x	1.0x	0.8x	na	55.7x	6.3x	na	-0.3x	na	na	na	-0.9x	na	na
Goodness Growth	1.9x	1.7x	na	9.7x	7.3x	na	-0.6x	-0.6x	-2.7x	-1.9x	-1.0x	-1.0x	-4.3x	-3.0x
Green Thumb	2.8x	2.6x	2.4x	9.1x	8.1x	7.8x	-0.1x	-0.1x	-0.3x	-0.3x	-0.1x	-0.1x	-0.4x	-0.3x
Grown Rogue	-25.3x	na	na	18.4x	na	na	na	na	na	na	na	na	na	na
iAnthus	1.3x	na	na	na	na	na	na	-0.9x	na	-5.3x	na	-0.9x	na	-5.4x
Jushi	1.5x	1.5x	1.4x	10.0x	7.2x	6.2x	-0.6x	-0.7x	-3.0x	-2.9x	-1.1x	-1.2x	-5.2x	-5.1x
MariMed	1.1x	1.0x	0.8x	6.7x	8.3x	4.6x	-0.4x	-0.4x	-3.2x	-3.6x	-0.5x	-0.5x	-4.0x	-4.6x
Planet 13	2.0x	1.6x	1.2x	-8.4x	17.1x	7.3x	0.1x	0.1x	1.6x	2.0x	0.0x	0.0x	0.2x	0.3x
Schwazze	1.2x	1.2x	na	3.8x	5.5x	na	-0.9x	-0.8x	-4.1x	na	-1.1x	-1.0x	-5.1x	na
StateHouse	1.9x	na	na	na	na	na	na	-1.1x	na	-12.3x	na	-1.8x	na	-20.8x
TerrAscend	3.3x	3.3x	3.2x	15.0x	16.3x	14.1x	-0.9x	-0.9x	-4.6x	-4.7x	-1.9x	-1.9x	-9.1x	-9.3x
TILT	0.7x	0.9x	0.7x	54.1x	na	18.3x	-0.5x	-0.4x	20.8x	688.6x	-0.9x	-0.8x	37.1x	1228.7x
Trulieve	2.8x	2.7x	2.6x	9.9x	8.1x	8.3x	-0.2x	-0.2x	-0.7x	-0.8x	-0.5x	-0.5x	-1.6x	-1.8x
Verano	2.0x	2.1x	1.9x	6.3x	6.8x	6.1x	-0.3x	-0.3x	-0.9x	-0.9x	-0.6x	-0.6x	-1.9x	-1.9x
Vext	1.9x	1.8x	na	12.1x	8.6x	na	-0.9x	-1.0x	-4.1x	-4.5x	-0.9x	-1.0x	-4.1x	-4.5x

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

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

Source: FactSet and company reports

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Exhibit 9: Spot EV calculation - MSOs

US\$m	FactSet	Z&A	US\$	mn	mn	Total	Financial	Net	Income	Conting	ITM deriv	Total	Pref Stock
23-Oct-24	Spot EV	Spot EV	price	shares	deriv	Mkt Cap	net debt	leases	tax liab.	Cons.	inflow	BOND	Min Int
US MSOs													
Acreage Holdings	245	338	0.17	125.0	34.6	27	-252	-2	-57			-311	
Ascend Wellness	692	693	0.93	213.9	13.3	210	-226	-134	-123			-483	
Ayr Wellness	748	681	2.55	114.0	31.1	370	-359	4	-11	0	55	-311	
Cannabist Co	614	488	0.25	469.6	20.0	120	-276	-27	-65	0		-367	
Consortium	140	147	0.16	304.9	5.6	50	-59	-9	-29			-97	
Cresco Labs	1,116	1,352	1.69	442.6	9.2	764	-395	-56	-128	-9		-588	
Curaleaf	3,271	4,583	3.54	742.3	11.2	2,667	8	-1,115	-672	-18		-1,796	119
4Front Ventures	261	187	0.06	915.2	3.8	53	-79	-8	-40	-6	0	-134	
Glass House	578	816	8.64	74.8	1.7	661	-42	0	-8	-33		-83	72
Gold Flora	130	137	0.09	287.6	0.0	25	-37	-31	-41	-4		-113	
Goodness Growth	117	165	0.47	144.7		68	-61	-9	-27			-97	
Green Thumb	2,818	2,956	11.48	237.0	9.3	2,828	-114	-26	-25	0	37	-128	
Grown Rogue	75	92	0.64	143.5		92	0	0	0	0		0	
iAnthus	61	224	0.01	6,615.3		62	-156	-6				-162	
Jushi	378	407	0.55	196.6	1.9	109	-170	0	-128			-298	
MariMed	148	165	0.17	380.6	5.0	65	-63	-1	-16			-80	19
Planet 13	148	200	0.62	325.2	0.3	202	18	-6	-5	-5		2	
Schwazze	187	202	0.20	80.2		16	-151	-2	-33	0		-186	
StateHouse	144	200	0.02	256.4	138.6	6	-114	-10	-54	-22	7	-192	2
TerrAscend	586	1,035	1.24	351.2	15.3	454	-293	-169	-6	-114		-581	
TILT	111	112	0.01	390.5	4.4	5	-59	-44	-3			-106	
Trulieve	2,382	3,177	13.50	186.0	3.3	2,555	-264	-20	-333	-5		-622	
Verano	1,717	1,919	3.92	346.4	8.7	1,392	-266	-6	-251	-4		-527	
Vext	49	67	0.14	245.5	3.4	35	-32	0				-32	

Source: FactSet and company reports

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Exhibit 10: Stock Performance

23-Oct-24 Stock Performance			
Ticker	Last 30d	Last 90d	Last 12mo
US MSOs			
Ascend	-6%	-5%	9%
Ayr	41%	21%	56%
Cannabist	11%	26%	-65%
Consortium	-4%	40%	54%
Cresco	6%	3%	7%
Curaleaf	22%	-13%	1%
4Front	29%	-33%	-74%
GlassHouse	-7%	18%	111%
Gold Flora	-2%	-29%	-28%
Vireo	4%	13%	197%
Grown Rogue	-3%	0%	122%
Green Thumb	13%	3%	26%
iAnthus	-16%	-44%	-61%
Jushi	11%	1%	-22%
MariMed	4%	-1%	-52%
Planet13	5%	32%	-11%
Schwazze	54%	-6%	-70%
StateHouse	-40%	1400%	-54%
Trulieve	22%	30%	186%
TerrAscend	11%	-10%	-27%
Vext	-23%	-22%	-35%
Verano	25%	-1%	-7%

Stock Performance			
Ticker	Last 30d	Last 90d	Last 12mo
Canadian LPs			
Aurora	9%	9%	48%
Avant	-18%	-46%	-80%
Auxly	23%	29%	182%
Cannara	14%	10%	-37%
Canopy	13%	-28%	3%
Cronos	8%	-2%	32%
Decibel	-30%	-12%	-63%
Entourage	-2%	-27%	-44%
High Tide	30%	47%	93%
Nova	-1%	36%	144%
OGI	6%	18%	86%
Rubicon	-16%	-17%	-12%
SNDL	10%	-2%	55%
Tilray	0%	-4%	-3%
VFF	8%	-17%	27%
CBD			
CVSI	4%	-11%	26%
CWEB	-9%	-26%	-47%
LFID	8%	-23%	-75%
International			
InterCure	-5%	-11%	26%
PharmaCielo	13%	22%	111%

Stock Performance			
Ticker	Last 30d	Last 90d	Last 12mo
MJ Fincos			
AFCG	-6%	11%	-8%
CNPOF	-23%	63%	30%
IIPR	-2%	10%	85%
NLCP	-6%	4%	44%
SHFS	-10%	-18%	-20%
SSIC	13%	9%	39%
REFI	-3%	-4%	7%
Tech			
LFLY	-19%	-11%	-76%
SBIG	-6%	-38%	-19%
MAPS	-8%	-10%	-22%
Vape parts			
GNLN	-17%	44%	-28%
ISPR	-13%	-10%	-27%
SMORF	0%	0%	66%
TLLTF	-5%	-31%	-67%
Index			
S&P 500	2%	7%	38%
S&P 477	-1%	6%	24%
Nasdaq	0%	18%	49%
MSOS ETF	18%	5%	21%
YOLO ETF	7%	2%	24%

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 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). 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.



Disclosures and Disclaimers

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