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Canopy USA

An In-Depth Look at CGC's Canopy USA Unit

Key Highlights:

- Canopy Growth has put together an attractive ecosystem of US assets, including leading edibles (Wana) and extracts (Jetty) brands, and plant touching businesses (MSO Acreage Holdings and a minority stake in MSO TerrAscend), all owned by a separate entity called Canopy USA (CUSA).
- We expect CUSA to scale up the presence of the two brands (by entering new markets, launching more SKUs in existing markets, and via brand extensions) and to also acquire brands (it can co-invest in M&A with CGC or seek investment from third-party investors).
- The focus for the plant touching business will be mainly in gaining depth in existing markets (increased verticality in some cases; adding more stores in key states) rather than expanding the footprint to new states (FL could be an exception).
- Assuming federal level regulatory status quo, on an EV basis, we value the Canopy USA assets at US$617Mn (Acreage >$411Mn; Wana/Jetty $125Mn; equity stake in TerrAscend at $81Mn). Favorable changes at the federal level would boost the value of the CGC US assets.
- For context, the total CGC EV at present is C$987Mn. So, as per our calculations, CGC ex CUSA is now valued at an EV of only C$16Mn, or 0.1x annualized consolidated sales (these do not include CUSA revenues), which is well below Tilray (3.5x) and Aurora (1.9x).
- Note: *This report seeks to shed more light on Canopy Growth's (NASDAQ:CGC) Canopy USA business unit, its structure, strategy, and outlook. In this regard, the report should not be seen as an investment analysis of CGC shares per se, but more as an in-depth look at Canopy USA, and its potential valuation as a standalone entity.*

Pablo Zuanic
ZUANIC & ASSOCIATES
pablo.zuanic@zuanicgroup.com
420Odysseus; www.zuanicassociates.com

Summary: CGC's US Strategy (via Canopy USA)

This report seeks to shed more light on Canopy Growth's (NASDAQ:CGC) Canopy USA business unit, its structure, strategy, and outlook. In this regard, the report should not be seen as investment analysis of CGC shares per se, but more as an in-depth look at Canopy USA, and its potential valuation as a standalone entity.

The Vision

Canopy Growth has put together an attractive ecosystem of US assets, including leading edibles (Wana) and extracts (Jetty) brands, and plant touching businesses (US MSO Acreage Holdings, and a minority stake in US MSO TerrAscend), all owned by a separate entity called Canopy USA (CUSA). We expect Canopy USA to scale up the presence of the two brands (by entering new markets, launching more SKUs in existing markets, by brand extensions to new formats) and to also acquire brands (it can co-invest in M&As with CGC and/or seek investment from third-party investors). The focus for the plant touching business will be mainly in gaining depth (increased verticality where appropriate; adding more stores in key markets) in existing markets rather than expanding the footprint to new states (FL could be an exception).

- The Canopy USA ecosystem has optionality as the brands are scaled nationally, and the two MSOs benefit from more states legalizing adult-use (AU), such as OH recently and PA in the future (we could add NY here as the state cracks down on the illicit trade).

- Via the Canopy USA structure, CGC is already partly leveraging top line and bottom-line synergies from the combined entity, as well as helping deleverage the combined entity (it recently acquired ~US$100Mn of Acreage's debt held by AFC Gamma).

- Canopy USA has already closed on the Jetty deal and is awaiting regulatory approval for the acquisition of Acreage by 1H25 (it has already fully exercised its options to acquire Acreage's fixed and floating shares). In the case of Wana, regulatory approval from Colorado is expected imminently.

- At present, of the 323.5mn Canopy USA shares, Canopy Growth owns 234mn (72.3%) in non-voting shares, Wana shareholders own 61mn of voting shares, and a private entity under the name Trust owns 28.6mn of voting shares. Once the Acreage deal closes (in 1H25), CGC will own close to 90% of CUSA.

- We understand CGC will share key financial metrics for Canopy USA once the Acreage deal closes in 1H25.

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

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

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

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

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

Executing the Plan So Far

Growing alignment of the US assets. Canopy USA now has its own board of managers, developing a joint strategy and greater coordination. For example, in New York, Wana and Jetty have combined their sales force, with the same salespeople visiting stores to promote the two brands, even though the licensees making the products may not be the same. In the future, these same salespeople could be selling the Storz & Bickel vaporizers. The joint sales model will be soon rolled out in New Jersey and Connecticut. Down the road, the ambition is to have a sole Canopy USA salesforce. As the company acquires more brands, expanding its portfolio, the revenue and cost synergies of this strategy should become more evident.

Adding more brands. In our view, for the Canopy USA strategy to work, we think more brands will be required (beyond Wana, Jetty, and Acreage's own brands like Superflux flower and Botanist). Still, CGC may have a strategic advantage through Canopy USA, which can acquire US cannabis brands. Besides acquiring other brands, Canopy USA may rely on brand extensions. Jetty has been extended to distillate and pre-rolls). Wana has now entered hemp-derived gummies and drinks, and we expect Canopy USA to make use of other brand partners to participate in that industry.

Acreage in better shape. With a much stronger B/S and near-term debt maturities refinanced, Acreage will aim to go deeper in the states where it operates, rather than expanding wider by trying to enter new markets (FL could be an exception, though). For example, it could add retail in PA (where it only has wholesale); it can get up to 8 stores in OH (from 5 now)' it may scale up wholesale in New York; and it could add cultivation in CT if it can garner a license (it only has retail now). Depending on the rules in Florida, it may be able to sell Wana (and other brands in the portfolio) into more stores (not just those from Parallel), or even enter the FL market via a deal (we think this will heavily depend on future FL rules, which are yet to be determined). Note: the Parallel deal is not exclusive, so Canopy USA could license Wana to other operators.

It is less clear to us how TerrAscend may fit it in longer term (does Canopy USA buy all of TerrAscend? or does it sell its stake? status quo?), but we note the TerrAscend footprint is generally complementary with Acreage, with little overlap. TerrAscend sells Wana brands in Maryland and in New Jersey. Acreage and TerrAscend have reciprocity trading agreements (i.e., their dispensaries sell each other's brands) in New Jersey and Pennsylvania. Jetty may also enter some of the TerrAscend markets in the future. Once all the Canopy USA transactions close, we would expect even greater coordination with TerrAscend (even in a scenario of no changes in the TerrAscend ownership structure).

The Structure

To comply with NASDAQ as well as SEC rules, and through several strategic transactions, CGC transferred the US assets (“deconsolidated” them) to an entity called Canopy USA. The structure allows Canopy USA close on all these transactions. Canopy USA provides a ring-fenced structure, in which Canopy Growth (CGC) only owns non-voting stock in the form of exchangeable shares that can be converted into common stock once cannabis becomes federally permissible the US.

Table 1: Canopy USA’s THC Platform Demonstrates Asset-Light Growth Capabilities, per CGC Management

Source: Company reports

One Step Ahead of LP Peers?

We value the CGC vision for its US business. If well executed, and taking a long-term view, we think CGC may be building a more sustainable strategy for the US market than the LP peer group at present.

- Most US multi-state operators (MSOs) are focused on expanding their vertically integrated footprint to more states, especially into license-restricted ones, and quickly abandon or de-emphasize markets as they become more competitive and saturated (most MSOs do not talk about MA anymore, save a few exceptions like MRMD). In the short-term, we see this as a bit of a whack-a-mole approach. Longer term we could question their strategy, in the context of a federally legal market, with interstate trade, and a tiered system (by choice as companies specialize, or by force if mandated by law as in the case of the alcohol industry).

- We will not compare here with the Tilray strategy of building a separate alcohol brand portfolio, which may be more capital-intensive, and is based (partly) on the assumption of future convergence of alcohol and cannabis marketing and distribution. But to some extent, we are skeptical of the latter, at least taking a 10-year view. Emerging from an era of Prohibition, cannabis, like alcohol, will likely be heavily regulated and we would not expect these rules to converge in that timeframe.

- Other Canadian LPs may also seek to set up a ring-fenced structure to enter the US market, but we note it has taken CGC quite a few years to set up the structure, get SEC clearance, remain compliant with NASDAQ, and CUSA is still in the process of getting state level approval to close on the Acreage deal (note: the CUSA structure was first announced in October 2022 and SEC clearance came through only by February 2024). So, in this sense, we think CGC has a significant first mover advantage vs. other Canadian LPs – certainly a head start.

Canopy USA – Financials

The current financial picture of CGC. For the June'24 qtr, Canopy Growth reported net sales of C$66.2Mn (C$377Mn Canadian rec/med; C$10Mn international; C$18.5Mn Storz & Bickel), gross margins of 35%, adjusted EBITDA of -C$5.3Mn, and operating cash flow of -$51.8Mn (free cash flow was -$55.7Mn). Net debt was C$366Mn (i.e. 1.4x annualized sales, which is high for the group) and equity of C$533Mn.

- CGC valued the Canopy USA investment at C$151Mn as of 6/30/24 (at fair value, equity method investment). In addition, as of 6/30/24, the CGC books showed loans to Canopy USA entities (or related parties) for a combined C$289Mn (Acreage C$133Mn; Elevate C$156Mn).
- We estimate 2Q24 sales for Canopy USA at US$52Mn (Acreage reported US$39Mn; we estimate $8Mn for Wana and $5Mn for Jetty). Adj EBITDA margins for Acreage were 5% in 2Q24, and we estimate 20% for Wana and Jetty (given licensing revenues flows to the bottom line), so total EBITDA for Canopy USA in 2Q24 would have been about $4.5Mn.
- Acreage had US$252Mn in net debt (~US$50Mn with Canopy USA).
- The CGC reported consolidated sales and EBITDA do not include the CUSA assets.

Table 2: Proforma Financials (taking 2Q24 reported numbers)

2Q24 Financials									
US$Mn	CGC	Acreage	Wana	Jetty	18% TSNDF	=	CUSA	Adj	Total
Sales	49.0	39.0	8.0	5.0	14.0		66.0		114.9
adj EBITDA	-3.9	1.9	1.6	1.0	2.8		7.3		3.4
as % of sales	-8%	5%	20%	20%	20%		11%		3%
Net debt	-270.9	-251.7	-115.6	0.0	0.0			214.1	-424.1
net debt / sales	-1.4x	-1.6x	-3.6x	0.0x	0.0x				-0.9x
net debt / EBITDA	na	-33.2x	-18.1x	na	na				-31.1x
OCF	-38.3	-9.5	na	na	na				na

Notes:
1) CGC valued its Canopy USA investment at a fair value of C$150.7Mn (6/30/24), under equity method investment
2) Loans recorded at fair value with Acreage (C$133.1Mn) and Elevate (C$156.2Mn); this 2nd loan is booked at fair value
3) The CGC reported consolidated revenues and EBITDA for 2Q24 do not include CUSA (i.e., Acreagea, Wana, Jetty, and TerrAscend)

Source: Z&A estimates

About Wana Brands

Wana is one of the leading edible brands in North America. From its roots in the Colorado market (where at one point it had >30% share), the company has scaled nationally via licensing deals in 18 states (with varying structures and levels of involvement) and in Canada (first with Indiva, and now with Canopy Growth). Wana can claim to be one of the few truly national brands in the US edibles market. Importantly, while flower seems to be a rather fragmented category in terms of brands (with seemingly little stickiness), manufactured products like vape and edibles tend to be more concentrated and stickier. In fact, per the Headset data, edibles are even more concentrated than vape. For example, the top 3 brands in edibles in CO have 64% segment share (9% for vape); 51% in CA (27% for vape); 31% in MO (20% for vape); and 27% in Michigan (24%).

Already a $150Mn brand at retail in the US. Based on Headset scanner data, we calculate the Wana brand generated retail sales of $50Mn in 2023 in Colorado, and $100Mn in a slew of other states (with >$20Mn in retail sales in markets like IL, MA, MI, and MO). The brand is also licensed in AZ, CT, MA, MD, ME, NV, OH, OR, and WA, among other states. We understand the company pulled out of the CA market in late 2022. We calculate Wana, as a compay, generated net revenues of $38Mn in CY23. We take a 0.40x wholesale deflator for the CO business (i.e., ~$20Mn on a net revenue basis for CY23) and estimate close to $18Mn from licensing (on $100Mn in US retail sales outside CO plus royalties from Canada, where Indiva was paying a 25% licensing fee before the arrangement was transferred to CGC).

Re further state color (taking retail $ figures).

- Colorado: Wana's edibles market share peaked at 30% in 4Q20, but it has consistently declined to <20% in 2Q24. Wyld has gone from 9% share in 4Q20 to the #1 position now with 33% share; Dialed in Gummies is at 10% vs. <1% in late 2020; Ript entered the market in 2023 and is now #4 with 7.5% share. While the overall edibles category was down 5% in 1H24, Wana sales were down 17% (after -18% in 2023 and -10% in 2022). After >$50Mn in sales in CY23 in CO, Wana is now at a quarterly run rate of ~$11Mn. Yes, the CO market has faced deflationary challenges (stabilizing now), but in that context edibles have held up better, and accounted for 19% of total sales in 1H24 vs. 13% in CY20. So, Wana's issue in CO has been more about organic market share loss.

- Illinois: As a category, edibles have remained stable at 12% of the IL market. Per Headset, the Wana brand generated $24Mn in sales at retail in CY23, in what would be the company's best market outside CO. But sales were down 35% for Wana in CY23, according to Headset. But trends seem to be rebounding. Wana had 9.9% edibles segment share in 2Q24 compared with a trough of 7.2% in 4Q23 (share peaked at 20.2% in 4Q21). While Wana remains #2 in the state, it has lost ground in that time (2Q24 vs. 4Q21), with several new brands entering the market. Indeed, of the top 5 edible brands in IL, only Wyld gained share. Re the top 5: Incredibles had 11.1% share in 2Q24 (vs. 18.5% in 4Q21); Wyld 8.6% (0%); Encore 7.7% (12.5%); Ozone 6.6% (8%).

- Massachusetts: Edibles now have 11% of the overall market vs. 14% in CY22. Per Headset, the Wana brand generated $20Mn in sales at retail in CY23 in MA, up 10% yoy. Wana is the #2 brand in the state, with 8.6% share as of 2Q24 (this is down from a peak of 11% in 2Q23). Camino is #1 with 12.7% share (2.5% in 4Q21); #3 Betty's Eddies 7.7% (5.6%); house brands are #4 with 6.5% share, but this is down from 14% in 4Q21; Kanha is #5 with 6.3%.

- Michigan: Edibles are now 10% of the market compared with 14% in CY21. Per Headset, the Wana brand generated close to $20Mn in sales at retail in CY23 in MI, but this was down 37% yoy, mostly due to share loss. Wana is now the #5 brand in the state with 4% share, down from a peak of 19% in 3Q21 (16.7% in 4Q21). If we compare 2Q24 with 4Q21, three of the top 5 brands (inc. Wana) have lost segment share to newcomers. In 2Q24, Wyld had 11.8% share (vs. 0.4% in 4Q21); Choice 10.5% (12.9%); MKX Oil Company 5.1% (10.9%); Camino 4.2% (3.5%). Play Cannabis now has 4% share vs. zero in 4Q21.

- Missouri: Edibles have 14% of the total cannabis market in MO. Per Headset, Wana generated close to $22Mn in sales at retail in CY23 (we do not have prior data), but sales for 1H24 are down 34% yoy. Wana was the #5 brand in the state with 7% share in 2Q24 (vs. 14% in 1Q23). The top 4 brands were: Gron with 11.5% share in 2Q24 (6.7% in 1Q23); Smokiez 9.5% (12.5%); Good Day Farm 8.2% (4.8%); Wyld 7.5% (0%).

- Other states: As per Headset, Wana had 3.8% share in AZ in 2Q24 (top 5; Wyld was #1 with 23% share); it had 6.1% share in MD (Betty's Eddies was #1 with 10.9% share); it was top 4 in NV with 9.2% share (Wyld was #1 with 32%); it was top 6 in OH with 6.4% share (Incredibles was #1 with 12.1%).

- Canada: As per Hifyre, Wana had 4.1% edibles segment share in 2Q24 (C$2.67Mn in sales, or C$10.7Mn annualized), down from a peak of 35% back in early 2021. The top 4 edibles brands in 2Q24 had combined share of 50% (Indiva's Pearls and Cronos' Spinach each with ~16% share; OGI's Shred' Ems and Galaxie Brands' Wyld with ~9% each). *Note: The edibles segment in Canada under indexes vs. the US, mostly due to regulatory issues (potency, packaging).*

Canopy valued Wana around $350Mn three years ago. Canopy Growth initially paid $297.5Mn for 85% of Wana (back in Oct 2021), and Canopy USA is in the process of closing the transaction; Canopy USA has already closed on two Wana entities (CIMA, Wana Wellness) and is now waiting for regulatory approval to close on the CO unit (MHP). What is the long-term value of Wana? If we assume some day the US market is at $200Bn at retail and that edibles are 20% of the entire market, and that Wana can truly become a national brand with average market share of 10%, then total Wana sales (taking a 0.5x wholesale adjustor) at that point would be $2Bn. If we assume 25% EBITDA margins (~$500Mn), then we could say on a forward basis that Canopy got a good deal, having paid 0.7x EBITDA (0.18x sales). But, yes, that is taking a 2030 view and making several assumptions along the way (market size, category share, Wana national share). Canopy's vision is to build a national footprint with leading brands, once the US cannabis market is federal legal.

About Jetty Extracts

Jetty Extracts is the market leader in CA in solventless extracts (a growing vape segment) and has also launched its brand so far in CO and NY. While Wana pursues a pure licensing model for its brand in states outside of Colorado, Jetty owns its brand and partners with manufacturers and distributors to sell into states outside of CA. We assume Jetty may also work with Acreage in the future, if the latter has the tools and infrastructure to operate the solventless technology. Vape as a category continues to outgrow the overall cannabis market, accounting now for over a quarter of total sales (see our 10/10/23 report on vape category trends and hardware suppliers).

- Per Headset, Jetty brand sales at retail in CA were $9.7Mn in 2Q24, up 5% yoy compared with a 3% drop for the overall vape segment in the state. Jetty ranked # 8 with 3.3% share of all vape. The top 3 players saw significant sales drops in 2Q24 (STIIIZY -28%; Plug Play -7%; Raw Garden -27%). The top 5 brands brads in CA in 2Q24 had a combined 36% share: STIIIZY 18.2% (24.5% in 2Q23), Plug Play 4.6% (4.8%); Raw Garden 4.5% (6%); CAKE 4.3% (0.1%); Heavy Hitters 4.0% (4.7%).

- Jetty entered the CO market during 2023 and had about $0.5Mn sales at retail in 2Q24, with about 0.5% share (top 40 brand in the vape segment). Vape remains a rather fragmented market in CO, with the top five brands only having 9% share (Spherex, Kush Masters, Green Tea Medicine, Co2lors, Willie's Reserve).

- Jetty also entered NY during 2023 and had >$0.4Mn sales at retail in 2Q24; it had 1.2% share and was a top 25 brand. The top five brands in New York state had 27% share (Rove, Jaunty, Airloom, MFNY. Magnitude).

We estimate a $20Mn sales run rate (in terms of company revenues). Jetty remains private and we do not have access to financials. But if we assume a 0.5x wholesale ratio (i.e. implying ~$5Mn in sales per qtr in CA) and 5% royalties from the CO and NY licensing deals (i.e., $50K per qtr in revenues), we calculate Jetty at present is at a >$20Mn annual sales run rate. As per the numbers mentioned above, vape does not seem to have true national brands (yes, STIIIZY and Select often figure among the top brands in various states, but not in the three states mentioned above), the category remains fragmented, and seems to lack brand stickiness. In short, a brand with the right delivery and appeal and value proposition could still build national share, once the US market is legalized. In that sense, we see long term potential for Jetty, if properly stewarded and funded.

Canopy valued Jetty around $92Mn two years ago. Canopy Growth initially paid $69Mn for 75% of Jetty (May 2022), and recently closed the full transaction under the Canopy USA structure (Canopy USA now owns 78% of Jetty). If we assume some day the US market is at $200Bn at retail and that vape is 30% of the entire market, and that Jetty can reach 5% share, then total Jetty sales (taking a 0.5x wholesale adjustor) at that point would be $1.5Bn. If we assume 20% EBITDA margins (~$300Mn), then we could say on a forward basis that Canopy got a bargain, having paid 0.4x EBITDA (and less than 0.1x sales). But, yes, that is taking a 2030 view and making several assumptions along the way, namely the 5% national share. That said, Canopy's vision is to build a national footprint with leading brands, for when the US cannabis market is federally legalized.

About Acreage Holdings

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

Table 3: Footprint and Assets

	Stores	Type	Cultivation Processing	Market Size $Mn CY23	Market Size $Mn CY27e	4yr CAGR
CT	3	AU/med	no	277	493	16%
IL	2	AU/med	yes	1,960	2,320	4%
MA	2	AU/med	yes	1,806	1,977	2%
ME	4	AU/med	yes	229	396	15%
NJ	3	AU/med	yes	800	1,371	14%
NY	4	med	yes	431	1,259	31%
OH	5	AU/med	yes	482	2,658	53%
PA	0		yes	1,530	3,104	19%

Source: Company reports

So far 2024 has been a transformative year for Acreage, according to management. CEO Dennis Curran recently said, *"this is a transformative moment for Acreage and Canopy USA that's been years in the making. With a strengthened financial position and a clear path for joining Canopy USA, our priority is to take advantage of the immediate growth potential in important markets like Ohio where Acreage is ideally positioned as we begin to demonstrate the potential of this powerful ecosystem."*

- **At the operational level, so far this year:**
    - It entered the adult-use wholesale market in New York in early 2024, and it is in negotiations to begin AU sales at its three med stores (but this is still pending).

- It launched AU sales at a 3rd dispensary in Connecticut.
- Achieved record-breaking monthly production in NJ, and wholesale in Illinois, in March.
- Debuted the full range of The Botanist gummies in New Jersey, in addition to the Superflux flower offering.
- Poised to seize significant opportunities in Ohio, with enhanced cultivation and manufacturing operations and five dispensaries.
- Well-positioned for vertical integration in Pennsylvania's medical and future adult use markets.

- In terms of **r**ecent financial actions, it has entered various transformative corporate transactions, which position Acreage well for growth and for the acquisition by Canopy USA**.**
  - Call option exercised to initiate Canopy USA's acquisition of Acreage, plus purchase of Acreage's senior secured debt by Canopy.
  - CGC recently acquired ~US$100Mn of Acreage's debt held by AFC Gamma – the moves gives Acreage greater flexibility, operationally and financially.
  - Acreage entered into $10Mn private placement and amended and restated credit facility.
  - The enhanced capital structure positions Acreage for growth with focus on key states in the northeast and Midwest including Ohio and Pennsylvania.
  - Acquisition of Acreage by Canopy USA expected to close in 1H2025.

About 2Q24 Trends

Acreage reported sales of $39Mn in 2Q24, down 33% yoy and -14% qoq (retail -17% to $26.4Mn; wholesale -6% to $12.6Mn). Reported gross margins improved by almost 700bp to 43.4%, but EBITDA margins suffered (5% vs. 12% in 2Q23) due to the loss of operating leverage (recurring cash opex remained flat at ~$20Mn). Operating cash flow for 1H24 was -$13.3Mn, which is worse than the -$15Mn for all CY23. The B/S remains stretched, with net debt at $252Mn ($10Mn cash; $262Mn financial debt), and $57Mn of income tax debt ($7.6Mn booked as ST income taxes payable and $49.2Mn booked as long term "liability on unrecognized benefits"). Net interest expense of $8.4Mn in 2Q24 was equivalent to 22% of revenues in 2Q24.

- Management attributed the sales drop in retail sales to competitive pressures, supplier issues, as well as credit issues. Ohio was also impacted as patients cut back on purchases ahead of adult-use sales in 3Q24.

- We estimate close to 80% of Acreage's wholesale business was generated in NJ, IL, and PA, while close to three quarters of retails sales were generated in CT, OH, and NJ.

Briefly on the Key States in the Footprint

We show our projections in the appendix, but we see growth being driven mostly by states like OH and PA (on the assumption that OH rec begins to ramp up and that PA legalizes rec), and by yield improvements in the company's key wholesale markets (NJ, IL, PA). On the other hand, we expect stiffening retail competition in markets like CT, IL, MA, and NJ. During 2Q24, we estimate NJ, OH, CT, and IL, accounted for ~80% of total company sales.

Table 4: TAM Scenarios

		Our market estimates ($Mn)								
		2023	2027	4yr $ delta		Pop (mn)	if $200/cap	vs. 2023	if $250/cap	vs. 2023
CT	rec	277	419	142	15%	3.6	711	2.6x	1,067	3.9x
IL	rec	1,960	2,222	263	4%	12.7	2,540	1.3x	3,810	1.9x
MA	rec	1,806	1,943	137	2%	6.1	1,212	0.7x	1,818	1.0x
ME	rec	229	346	117	15%	1.4	279	1.2x	418	1.8x
NJ	rec	800	1,251	451	16%	9.0	1,802	2.3x	2,703	3.4x
NY	rec	431	1,164	733	39%	19.3	3,860	9.0x	5,790	13.4x
OH	rec	482	2,280	1,798	68%	11.7	2,346	4.9x	3,519	7.3x
PA	med	1,530	2,753	1,223	22%	12.8	2,557	1.7x	3,835	2.5x
Combined		**7,515**	**12,378**	**4,863**	**18%**	**77**	**15,307**	**2.0x**	**22,960**	**3.1x**

Source: Company reports

Below we provide more color on the company's key states.

New Jersey: It has a vertically integrated license in southern New Jersey, with thee stores plus cultivation (it opened a kitchen, launched edibles and live resin vapes, and recently expanded grow capacity). Until recently two of the three stores were AU/med, while the Atlantic City store (on the board walk) was only med. Acreage is in the process of relocating the AC store to a new location where AU sales will be allowed. While the state has issued more retail licenses, which has resulted in increased competition for the company's stores, this has also helped the company's wholesale business. In fact, NJ is the #1 wholesale market for Acreage (and #3 for retail).

- <u>Overall market trends</u>: Rec sales began on 4/21/22. The official data is out only thru 1Q24 ($225Mn total sales in 1Q24, with rec at $201Mn and med the balance). We attribute the total 25% yoy growth (rec and med) to more stores opening. That said, two years into rec, NJ is underperforming in per caps terms spend ($95). To some extent this is due to higher prices and the slow ramp in store openings (explained by red tape, township pushback, and capital constraints). As of 7/23/24 there were 146 licensed stores selling rec cannabis (47 hybrid med/rec and 99 selling rec only), up from 116 on 4/22/24 and 80 on 1/15/24. There are another >170 in the pipeline based on "conditional to annual conversions". In total, there are 844 "conditional" retail licenses. NJ could quickly begin to look like MI and

MA (in terms of dispensary proliferation), but at present, with only 146 stores selling rec, NJ is understored compared with most states in the eastern US (15 stores per 1mn people). On the supply side, besides 38 active "annual cultivation licenses", there are another 91 in the pipeline ("conditional to annual conversions"), plus 345 "conditional" cultivation licenses. Our retail surveys point to $9/per gram compared with $14 in 2Q23. We believe the lower prices are explained by the rise in the number of stores. Also, with over 80% of townships not allowing rec stores, the existing stores in some cases tend to be quite close to each other (see Rt 22). If we take an average of 90 stores for 1Q24, the state average in 1Q24 was $10Mn pa (still good, but well below $50Mn rev/store pa achieved by NJ some stores at the start).

Ohio: Acreage has five stores selling both med and non-medical and a facility in Middlefield, and it is well positioned as the state rolls out its AU program (voters approved AU via ballot in Nov'23 and non-med sales began on 8/6/24). Our in-depth report on Ohio upside for MSOs, highlighted Acreage as one of the companies best set to benefit in the state.

- Recent "rec" market trends: Although OH began non-medical sales on 8/6/24, full AU rules are not out yet (presumably they will be issued by Oct), and this has limited growth a bit. That said, data for the first three weeks points to $56.5Mn in total rec/med sales ($33Mn rec; $23.5Mn med), which implies an annualized market run rate of $979Mn vs. $480Mn in 2Q24. The initial 2x pace rate is consistent with what we saw in MD at first, but we think OH should do 3-4x once the full AU program gets going.

- OH med market context: OH's medical market was less developed than neighboring PA despite similar population (11.8mn OH vs. 12.6mn PA), with PA's med market 3.6x larger. For an undeveloped market, med growth has been paltry (flat yoy in 2Q24 after +2% in 2Q24); 2Q24 OH MMJ sales amounted to $120Mn. There are 165K active patients now (down from 185K back on 9/30/23). The state regulator has issued 124 certificates of operations for dispensaries, plus another 17 provisional licenses. Back in 4Q22, only 72 COs had been issued. Average sales per store are only slightly above $3.9Mn (higher than FL, but below PA). With the advent of rec, location will be a key differentiator (i.e., being next to the IN/KY border beats being next to MI; proximity to PA will depend on whether and when that state goes rec). As per the official state data, wholesale prices have begun to move up. As of 7/22 they were at $7.85/gram ($3,500/lb) compared with a trough of $5.69 on 4/22/24 (we assume due to retailers stocking up ahead of rec).

Connecticut: Acreage has three stores selling AU/med, but it does not have a cultivation license. The state has been slow to issue rec store licenses, which has resulted in robust rev/store metrics for incumbent retailers like Acreage. As more growers begin ops, retailer margins should benefit.

- Overall market trends: Rec sales began on 10 Jan 2023, but this is what we would call an underachieving market, mostly due to red tape and the slow pace of store openings (the large border with MA does not help either). Total rec+med sales reached $72.6Mn in 1Q24 (67% rec, 33% med), down 1% seq and up 6% yoy. We note 1Q24 was up 29%. On an annualized basis, this means only $81 per capita. CT was an underdeveloped med market, and typically those types of markets are 5-6x larger a year after rec sales begin. But in the case of CT, the jump has been less than 2x. The CT regulator has issued so far 43 rec retail licenses (up from 28 in Jan'24), of which 24 are med/rec ("hybrid") and 19 are rec only (there are 2 "med only" stores). While the number of stores is up more than 50% YTD, on a population of 3.61mn, 43 rec stores equate to only ~12 rec stores per 1mn people (one the lowest store densities in the US). We calculate the state average rev/store at $7.3Mn for 2Q24 vs. $9.8Mn in 1Q24. Wholesale prices as of 7/26 were at $2,461/lb (per Cannabis Benchmarks), down from close to $3,000 in Jan'24, but slightly up from the trough of $2,344 seen in late Oct'23. The drop in wholesale prices is somewhat surprising given the ramp in stores and the small number of licensed cultivators. We do not have retail price data at this point, although past surveys showed prices were below typical prices in the east (we think this is partly due to the proximity to MA).

Illinois: Acreage has two stores, which is below the cap of ten. However, the company is more focused on expanding its wholesale business to service the growing number of stores (185 social equity stores being added to the legacy base of 110). It has fixed production issues (microbial) and expects to improve yields to bolster production (there are no plans to increase capacity per se).

- <u>Overall market trends</u>: 2Q24 sales reached $505Mn (86% rec, 14% med), +2% qoq and +4% yoy (1Q24 +6% yoy), implying some acceleration for 1H24 vs. the +2.8% pace of CY23. That said, now 4.5 years since the start of rec sales, IL continues to underperform other rec+med markets, with only $158 per capita spend (MI $333). Moreover, despite a 13% increase in total stores qoq, the market was up only 2% qoq. As per the official state source, retailer rec prices for flower averaged $9.22/gram in 2Q24 ($32.41 per 1/8 oz), down 11% yoy (-29% 2-year stacked) but stable qoq. All this in a context of stabilizing wholesale prices. Indeed, as per Headset, flower retailer margins continue to drop (2Q24 $3.25 per gram; 1Q24 $3.36; CY avg $3.57; CY22 avg $4.91). The store count has been increasing at a faster pace than total sales, leading to rev/store dilution. As of 7/26/24, the IL regulator (IDFPR) had issued a total of 221 licenses for adult sales dispensaries vs. 196 as of 4/11/24 (a total of 61 new stores have opened since 10/1/23). Of the total 221 licenses issued, 111 are part of the social equity license program (of a total 185 to be issued). If we take an average of 210 stores for 2Q24, this equates to $9.6Mn in annual sales per store, on average (from $17Mn two years ago).

Pennsylvania: Until recently, Acreage only had a cultivation license in this med state, but it now has been issued three retail store licenses, which it expects to open next year (one in 2Q25 and two in 3Q25). With PA likely to legalize AU in the next legislative session (we model AU from July 2025), the state could be a source of significant upside for Acreage's top line. At present, it is the company's top 3 state for wholesale (behind NJ and IL).

- <u>Overall market trends</u>: As per the official state data, 2Q24 sales reached $426Mn, up 11% yoy. Combined average growth of 12% compares well with 5% yoy growth in CY23 (CY22 +8%). Active patients are up, and they seem to be spending more ($322/month in 2Q24). As per the latest PA DOH report (5/1/24), retail prices in Apr were $8.26/gram. While they were down 15% yoy, they seem to be stabilizing and remain robust compared with other states. As of 5/1/24, there were 181 operational dispensaries (vs. 175 in May'23), which makes PA far from dense compared with other states (14 stores per 1mn people). Annualized revenue per store $9.4Mn rev/store is above average for states in the east, and gross margins (as per the official state data) are healthy at near 55% ($5.2Mn annual gross profit per store). Profitability for vertically integrated retailers (which is the case for most of the MSOs in PA) is even greater.

Table 5: Financial Highlights (and our unofficial projections)

US$ Mn	CY22	CY23	1Q24	2Q24	3Q24e	4Q24e	CY24e	1Q25e	2Q25e	3Q25e	4Q25e	CY25e	CY26e
Consolidated sales	237.1	223.4	45.3	39.0	40.4	45.2	169.9	47.7	51.6	57.4	60.2	216.9	273.6
qoq ch %	na	na	-14%	-14%	4%	12%	na	6%	8%	11%	5%	na	na
yoy ch %	26%	-6%	-19%	-33%	-28%	-14%	-24%	5%	32%	42%	33%	28%	26%
Profit margins													
Gross profit before FV ac	101.7	85.6	-1.5	16.9	18.2	20.8	54.4	22.9	25.3	28.7	30.1	107.0	136.8
as % of sales	42.9%	38.3%	-3.3%	43.4%	45.0%	46.0%	32.0%	48.0%	49.0%	50.0%	50.0%	49.3%	50.0%
Op exp	244.8	116.8	21.7	22.5	19.6	20.1	81.7	19.6	20.6	21.7	22.2	84.1	96.0
as % of sales	103.2%	52.3%	47.9%	57.8%	48.5%	44.4%	48.1%	41.0%	39.9%	37.9%	36.8%	38.7%	35.1%
EBIT	-143.1	-31.1	-23.2	-5.6	-1.4	0.7	-27.3	3.3	4.7	7.0	7.9	22.9	40.8
as % of sales	-60.3%	-13.9%	-51.2%	-14.4%	-3.5%	1.6%	-16.1%	7.0%	9.1%	12.1%	13.2%	10.6%	14.9%
adj EBITDA	34.8	28.3	2.0	1.9	2.0	4.2	10.2	6.7	8.1	10.4	11.3	36.4	55.1
as % of sales	14.7%	12.7%	4.4%	4.9%	5.0%	9.4%	6.0%	14.0%	15.6%	18.1%	18.8%	16.8%	20.1%
EPS													
Pre tax income	-158.7	-52.8	-32.2	-20.2	-9.9	-7.8	-68.0	-4.6	-3.3	-1.0	0.1	-8.8	13.3
Tax rate assumption	6.3%	47.6%	3.5%	19.2%	-20.0%	-20.0%	2.2%	-20.0%	-20.0%	-20.0%	-20.0%	-20.0%	-20.0%
Net income	-139.9	-69.1	-28.0	-21.0	-7.1	-5.6	-59.6	-3.3	-2.4	-0.7	0.0	-6.3	9.6
Share count (FD) Mn	109.7	113.9	116.0	116.3	121.2	121.2	118.6	121.2	121.2	121.2	121.2	121.2	121.2
EPS	-1.28	-0.61	-0.24	-0.18	-0.06	-0.05	-0.50	-0.03	-0.02	-0.01	0.00	-0.05	0.08
BS & CF highlights													
Operating cash flow	-50.1	-15.1	-3.8	-9.5	-5.5	-3.4	-22.2	-1.3	-0.1	2.0	2.4	3.0	20.5
(-) Capex	18.5	19.0	2.6	0.0	0.1	0.1	2.9	0.1	0.2	0.3	0.3	0.9	2.7
Free cash flow	-68.6	-34.1	-6.4	-9.5	-5.6	-3.5	-25.1	-1.5	-0.3	1.7	2.1	2.1	17.8
Ending net cash (debt)	-191.0	-219.3	-228.1	-251.7	-257.3	-260.8	-260.8	-262.3	-262.6	-260.8	-258.7	-258.7	-240.9
Net debt/Sales	-0.8x	-1.0x	-1.3x	-1.6x	-1.6x	-1.4x	-1.5x	-1.4x	-1.3x	-1.1x	-1.1x	-1.2x	-0.9x
Net debt/EBITDA	-5.5x	-7.7x	-28.8x	-33.2x	-31.5x	-15.4x	-25.7x	-9.8x	-8.2x	-6.3x	-5.7x	-7.1x	-4.4x
Equity	61.4	-8.9	-41.4	-63.3	-70.5	-76.1	-76.1	-79.4	-81.8	-82.5	-82.4	-82.4	-72.8

Source: Company reports (historicals) and Z&A estimates.

Table 6: State Breakdown (and our unofficial projections)

US$ 000s	CY22	CY23	1Q24	2Q24	3Q24e	4Q24e	CY24e	1Q25e	2Q25e	3Q25e	4Q25e	CY25e	CY26e
Consolidated sales	**237,138**	**223,379**	**45,301**	**38,951**	**40,427**	**45,186**	**169,865**	**47,712**	**51,577**	**57,403**	**60,217**	**216,910**	**273,559**
New England	63,969	64,509	12,692	12,442	11,096	10,603	46,833	10,156	10,540	11,088	11,183	42,966	46,706
CT (all retail)	34,400	32,962	8,067	7,986	7,968	7,609	31,629	7,558	7,823	8,158	8,392	31,931	35,127
ME	14,800	14,600	2,269	2,406	1,032	944	6,652	930	993	1,142	1,041	4,106	4,541
MA	14,769	16,947	2,356	2,050	2,096	2,050	8,551	1,667	1,724	1,788	1,750	6,930	7,038
Mid-Atlantic	77,217	80,782	19,147	13,867	14,349	14,670	62,033	15,509	15,757	18,897	20,081	70,244	90,616
PA (all wholesale)	27,717	14,096	2,056	2,304	2,055	2,025	8,440	1,996	1,933	4,636	5,539	14,104	31,522
NJ	40,500	60,390	15,615	10,294	11,094	11,445	48,449	11,684	11,922	12,284	12,492	48,381	50,276
NY	9,000	6,296	1,476	1,268	1,200	1,200	5,144	1,830	1,903	1,976	2,050	7,759	8,819
MD (sold)	0	0	0	0			0					0	0
Midwest	91,437	77,502	13,462	12,643	14,982	19,913	60,999	22,048	25,280	27,419	28,953	103,700	136,237
IL	32,477	24,680	6,161	6,060	5,683	5,807	23,711	5,646	5,545	5,383	5,502	22,077	22,224
OH	58,960	52,822	7,300	6,583	9,299	14,106	37,288	16,401	19,735	22,035	23,451	81,623	114,012
Sales mix %	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
CT	15%	15%	18%	21%	20%	17%	19%	16%	15%	14%	14%	15%	13%
IL	14%	11%	14%	16%	14%	13%	14%	12%	11%	9%	9%	10%	8%
MA	6%	8%	5%	5%	5%	5%	5%	3%	3%	3%	3%	3%	3%
ME	6%	7%	5%	6%	3%	2%	4%	2%	2%	2%	2%	2%	2%
NJ	17%	27%	34%	26%	27%	25%	29%	24%	23%	21%	21%	22%	18%
NY	4%	3%	3%	3%	3%	3%	3%	4%	4%	3%	3%	4%	3%
OH	25%	24%	16%	17%	23%	31%	22%	34%	38%	38%	39%	38%	42%
PA	12%	6%	5%	6%	5%	4%	5%	4%	4%	8%	9%	7%	12%
Other	2%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Source: Z&A estimates. Note: The company does not provide a state by state split (the above is as per our estimates).

About TerrAscend

Canopy USA owns an ~18% equity stake in TerrAscend, a US multi-state vertically integrated company with operations in NJ, MD, PA, MI, and CA (in that order as per our estimates), besides a limited presence in Canada. Canopy USA owns 63.5mn exchangeable shares in TerrAscend (convertible 1:1 to common shares); one option (strike price of C$1) to buy 1.07mn shares; 22.5mn warrants with a strike price of C$6.07 (current share price is C$1.60). Wana's brand is sold via TerrAscend in some states. It remains unclear to us at this stage whether CGC would someday in the future make a full bid for TerrAscend or divest its stake. In the case of a hypothetical merger, the companies would only overlap in NJ and PA; we assume one of the NJ license and assets would need to be divested, but we assume PA could be more flexible. We see less value in the MI and CA businesses, so the main attraction for CGC would be the MD piece and potentially PA (if it does not need to divest any assets there).

Table 7: Financial Highlights (and our unofficial projections)

US$ Mn	FY22	FY23	1Q24	2Q24	3Q24e	4Q24e	FY24e	1Q25e	2Q25e	3Q25e	4Q25e	FY25e	FY26e
Sales (C$ Mn)	247.8	317.3	80.6	77.5	75.4	75.5	309.1	76.3	78.0	85.8	89.8	329.9	387.2
qoq ch %	na	na	-7%	-4%	-3%	0%	na	1%	2%	10%	5%	na	na
yoy ch %	28%	28%	16%	7%	-15%	-13%	-3%	-5%	1%	14%	19%	7%	17%
consensus					*84.4*	*86.8*	*333.2*	*85.8*	*87.3*	*87.9*	*89.2*	*363.9*	*440.2*
Profit margins													
Gross profit before FV adj	101.5	159.7	38.7	37.7	49.0	49.1	174.5	49.6	50.7	55.8	58.3	214.4	251.7
as % of sales	41.0%	50.3%	48.0%	48.6%	65.0%	65.0%	56.5%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%
adj EBITDA	38.8	68.8	16.2	15.6	32.5	33.2	97.6	33.1	33.9	37.1	38.8	142.9	167.5
as % of sales	15.7%	21.7%	20.1%	20.2%	43.1%	44.0%	31.6%	43.4%	43.4%	43.2%	43.2%	43.3%	43.3%
consensus					*18.2*	*19.3*	*69.9*	*19.8*	*21.0*	*22.4*	*21.6*	*81.3*	*127.8*
as % of sales					*21.5%*	*22.2%*	*21.0%*	*23.0%*	*24.0%*	*25.5%*	*24.2%*	*22.3%*	*29.0%*
EPS													
Pre tax income	-310.2	-58.8	-5.2	4.5	23.1	22.9	45.3	23.6	24.3	27.1	28.5	103.5	124.6
Net income	-329.9	-95.5	-17.1	-8.2	22.4	22.2	19.4	22.9	23.6	26.3	27.7	100.4	120.9
Share count (mn)	154.0	154.0	154.0	154.0	154.0	154.0	154.0	0.0	0.0	0.0	0.0	0.0	0.0
EPS	-1.30	-0.34	-0.06	-0.03	0.08	0.08	0.07	0.08	0.08	0.09	0.09	0.34	0.41
consensus					*-0.01*	*-0.01*	*-0.07*	*-0.03*	*-0.03*	*-0.02*	*-0.03*	*-0.02*	*0.03*
BS & CF highlights													
Operating cash flow	-21.8	27.5	13.3	13.1	27.1	29.2	82.7	31.3	22.3	29.0	33.5	116.1	140.1
(-) Capex	-37.1	-47.6	-12.1	-11.6	-11.3	-11.3	-46.4	0.0	0.0	0.0	0.0	0.0	0.0
Free cash flow	-61.5	19.7	10.5	11.7	15.8	17.8	55.8	19.9	10.6	16.1	20.1	66.6	82.0
Ending net cash (debt)	-179.2	-184.4	-177.1	-168.6	-64.2	-35.4	-35.4	-10.8	10.0	37.8	70.8	70.8	197.9
Net debt/EBITDA	-4.6x	-2.7x	-2.7x	-2.7x	-0.5x	-0.3x	-0.1x	-0.1x	0.1x	0.3x	0.5x	0.1x	0.3x
Net debt/Sales	-0.7x	-0.6x	-0.5x	-0.5x	-0.2x	-0.1x	0.0x	0.0x	0.0x	0.1x	0.2x	0.1x	0.1x
Equity	318.8	242.5	230.6	224.7	247.0	269.3	269.3	292.2	315.8	342.0	369.7	369.7	490.5

Source: Company reports and Z&A estimates

Table 8: Regional Sales Split (and our unofficial projections)

US$ Mn	FY22	FY23	1Q24	2Q24	3Q24e	4Q24e	FY24e	1Q25e	2Q25e	3Q25e	4Q25e	FY25e	FY26e
Sales (US$ Mn)	**247.2**	**317.2**	**80.6**	**77.4**	**75.4**	**75.5**	**309.0**	**76.3**	**78.0**	**85.8**	**89.8**	**329.9**	**387.2**
wholesale	63.3	77.4	26.8	24.3	24.4	24.9	100.4	25.5	26.0	28.1	29.4	109.1	126.4
retail	183.9	239.8	53.9	53.2	51.0	50.6	208.6	50.8	52.0	57.7	60.3	220.8	260.8
Split by States	**247.2**	**317.2**	**80.6**	**77.4**	**75.4**	**75.5**	**309.0**	**76.3**	**78.0**	**85.8**	**89.8**	**329.9**	**387.2**
CA	34.5	25.7	7.3	7.9	7.1	7.0	29.2	6.9	7.4	7.2	7.1	28.7	29.4
MD	5.1	39.1	17.5	17.8	17.4	17.9	70.5	18.6	19.3	20.0	20.7	78.7	91.1
MI	36.7	59.0	11.9	12.6	11.9	11.6	47.9	11.9	12.3	12.7	13.1	50.0	53.0
NJ	52.5	97.2	21.8	18.5	18.9	19.1	78.2	19.0	19.7	20.4	21.2	80.3	87.6
PA	104.3	83.5	18.5	17.0	16.4	16.2	68.2	16.0	15.5	21.6	23.6	76.6	110.1
Canada	8.7	7.0	2.2	2.2	2.2	2.2	8.7	2.2	2.2	2.2	2.2	8.7	8.7
CBD	5.4	5.8	1.5	1.6	1.6	1.6	6.3	1.6	1.7	1.7	1.7	6.8	7.3
fx	*1.312*	*1.349*	*1.348*	*1.368*	*1.371*	*1.369*	*1.364*	*1.369*	*1.369*	*1.369*	*1.369*	*1.369*	*1.369*

Source: Company reports and Z&A estimates

Valuation Considerations: Canopy USA and CGC

Valuation. Favorable changes at the federal level would boost the value of the CGC US assets. That said, assuming federal level regulatory status quo, we value the Canopy USA assets at US$617Mn on an EV basis (Acreage >$411Mn; Wana/Jetty $125Mn; equity stake in TerrAscend at $81Mn per the 10/4/24 share price). If we adjust for the Acreage/Wana net debt, the equity would be valued at ~US$250Mn. *Note: As of 6/30/24, for accounting reporting purposes, CGC had estimated a fair value (via equity investment method) of US$112Mn (C$150.7Mn) for CUSA and reported in its books loans to Acreage and Wana in the books for US$214Mn (C$289Mn).*

- **Acreage:** US MSOs on average trade at 1.8x CY24 sales (Curaleaf 3x; Green Thumb 2.4x sales) and 11.6x EBITDA (Curaleaf 12.9x; Green Thumb 7.1x). While Acreage has higher debt and profit margins below the group average, it has rec optionality in OH (which just began rec on 8/6) and PA; we could also add NY to this list as it begins to crack down on the illicit trade. Combined, we project the TAM for the company' six core states to expand from $5.5Bn in CY23 to $12.4Bn by CY27 (if we took $200 per capita, the TAM would be $14Bn and $21Bn if $300). If we value Acreage at 1.5x EV/sales taking our CY26 sales projections ($274Mn), then on a 1-year forward basis by Dec'25 the Acreage EV should be $411Mn. If we assume net debt remains stable at $252Mn, that would value the Acreage equity at $159Mn. If the entire sector were to rerate due to favorable regulatory changes, at 2.5x sales the Acreage equity would be worth $433Mn by Dec'25 ($844Mn at 4x).

- **Wana and Jetty:** At the time of the deals (Wana in Oct'21; Jetty May'22), these companies were valued at $350Mn and $92Mn, respectively. On our estimated CY24 EBITDA run rate of $10.4Mn (combined, annualizing 2Q24 EBITDA), at 10x, these businesses would be worth $104Mn, which is well below the valuation implied by the price GCG originally paid. That said, on a forward basis on a future national federally legal market and assuming CGC can fund these brands' expansion, we see them generating $800Mn in EBITDA by 2030 (see next section). If we take a 20x multiple and bring that to Dec'25 present value (10% disc. rate), these assets would be worth over $10Bn by then. No, we do not factor that PV in our base case valuation. If we assume 20% growth, we value Wana and Jetty at $125Mn (the current $104Mn x 1.20).

- **TerrAscend:** The 63.5mn shares owned by Canopy USA are worth $81Mn taking the share price as of 10/4/24 of US$1.27.

Implied valuation of the rest of GCG. As of 10/4/24, at C$5.96, the market cap of CGC is C$621Mn, and total EV is C$987Mn (net debt of C$366Mn); the latter implies 5x June qtr sales annualized (2Q24 sales C$49Mn) and 3.4x FactSet CY24 consensus estimates of C$288Mn. But these multiples are distorted as the EV reflects the investments made in Canopy USA, while the denominator does not reflect the earnings power of those assets. So, if we take our EV for Canopy USA of US$617Mn (C$971Mn), then CGC ex Canopy USA is valued at C$16Mn (C$987Mn – C$971Mn). Annualizing June qtr sales of C$66.2Mn, that means CGC ex CUSA is valued at 0.1x sales (C$16Mn/C$265Mn), which is well below Tilray (3.5x) and Aurora (1.9x). In part, this may reflect CGC's more debt levered status, but it also shows the stock may not be getting full credit for CGC's global ecosystem (US assets, Canadian rec/med, international, S&B). *Note: At present, CGC owns a non-voting economic stake of 72% in CUSA, which is expected to change (estimated to be approximately 90%) once the Acreage deal closes.*

Table 9: Companies mentioned in this report

Company name	Ticker	Ticker	Rating
US MSOs			
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
Tech			
Leafly		LFLY	Not rated
Springbig		SBIG	Not rated
WM Technology		MAPS	Neutral

Company name	Ticker	Rating
Canada LPs		
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
Finance Companies		
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
Other		
Intercure	INCR	Overweight
LFTD Partners Inc.	LIFD	Overweight
Ispire Technology	ISPR	will cover
Smoore International	SMORF	will cover

Source: Z&A

Appendix I: Structure

On October 24, 2022, Canopy Growth completed a number of strategic transactions (the "Reorganization") in connection with the creation of Canopy USA, LLC ("Canopy USA"), a U.S.-domiciled holding company wherein, as of October 24, 2022, Canopy USA, holds certain U.S. cannabis investments previously held by Canopy Growth.

Following the creation of Canopy USA, the Nasdaq Stock Market LLC ("Nasdaq") communicated its position to the Company stating that companies that consolidate "the assets and revenues generated from activities in violation under federal law cannot continue to list on Nasdaq". Since the Company is committed to compliance with the listing requirements of the Nasdaq, the Company and Canopy USA effectuated certain changes to the initial structure of the Company's interest in Canopy USA that were intended to facilitate the deconsolidation of the financial results of Canopy USA within the Company's financial statements. These changes included, among other things, modifying the terms of the Protection Agreement (as defined below) between the Company, its wholly owned subsidiary and Canopy USA as well as the terms of Canopy USA's limited liability company agreement and amending the terms of certain agreements with third-party investors in Canopy USA to eliminate any rights to guaranteed returns (collectively, the "Reorganization Amendments").

On May 19, 2023, the Company and Canopy USA implemented the Reorganization Amendments, which included, entering into the First A&R Protection Agreement (as defined below) and amending and restating Canopy USA's limited liability company agreement (the "A&R LLC Agreement") in order to: (i) eliminate certain negative covenants that were previously granted by Canopy USA in favor of the Company as well as delegating to the managers of the Canopy USA Board (as defined below) not appointed by Canopy Growth the authority to approve the following key decisions (collectively, the "Key Decisions"): (a) the annual business plan of Canopy USA; (b) decisions regarding the executive officers of Canopy USA and any of its subsidiaries; (c) increasing the compensation, bonus levels or other benefits payable to any current, former or future employees or managers of Canopy USA or any of its subsidiaries; (d) any other executive compensation plan matters of Canopy USA or any of its subsidiaries; and (e) the exercise of the Wana Options (as defined below) or the Jetty Options (as defined below), which for greater certainty means that the Company's nominee on the Canopy USA Board will not be permitted to vote on any Key Decisions while the Company owns Non-Voting Shares (as defined below); (ii) reduce the number of managers on the Canopy USA Board from four to three, including, reducing the Company's nomination right to a single manager; (iii) amend the share capital of Canopy USA to, among other things, (a) create a new class of Canopy USA Class B Shares (as defined below), which may not be issued prior to the conversion of the Non-Voting Shares or the Canopy USA Common Shares (as defined below) into Canopy USA Class B Shares; (b) amend the terms of the Non-Voting Shares such that the Non-Voting Shares will be convertible into Canopy USA Class B Shares (as opposed to Canopy USA Common Shares); and (c) amend the terms of the Canopy USA Common Shares such that upon conversion of all of the Non-Voting Shares into Canopy USA Class

B Shares, the Canopy USA Common Shares will, subject to their terms, automatically convert into Canopy USA Class B Shares, provided that the number of Canopy USA Class B Shares to be issued to the former holders of the Canopy USA Common Shares will be equal to no less than 10% of the total issued and outstanding Canopy USA Class B Shares following such issuance. Accordingly, as a result of the Reorganization Amendments, in no circumstances will the Company, at the time of such conversions, own more than 90% of the Canopy USA Class B Shares. In connection with the Reorganization Amendments, on May 19, 2023, Canopy USA and Huneeus 2017 Irrevocable Trust (the "Trust") entered into a share purchase agreement (the "Trust SPA"), which sets out the terms of the Trust's investment in Canopy USA in the aggregate amount of up to US$20 million (the "Trust Transaction"). Agustin Huneeus, Jr. is the trustee of the Trust and is an affiliate of a shareholder of Jetty. Pursuant to the terms of the Trust SPA, the Trust will, subject to certain terms and conditions contained in the Trust SPA be issued common shares of Canopy USA (the "Canopy USA Common Shares") in two tranches with an aggregate value of up to US$10 million along with warrants of Canopy USA to acquire additional Canopy USA Common Shares. In addition, subject to the terms of the Trust SPA, the Trust has also been granted options to acquire additional Voting Shares (as defined in the A&R LLC Agreement) with a value of up to an additional US$10 million and one such additional option includes the issuance of additional warrants of Canopy USA.

On April 26, 2024, Canopy USA completed the first tranche closing of the Trust Transaction in accordance with the Trust SPA, whereby the Trust acquired an aggregate 28,571,429 Canopy USA Common Shares at US$0.175 per Canopy USA Common Share and warrants to acquire up to 42,857,142 Voting Shares expiring on April 26, 2031. In addition, subject to the terms and conditions of the A&R Protection Agreement (as defined below) and the terms of the option agreements to acquire Wana (as defined below) and Jetty (as defined below), as applicable, Canopy Growth may be required to issue additional common shares in satisfaction of certain deferred and/or option exercise payments to the shareholders of Wana and Jetty. Canopy Growth will receive additional Non-Voting Shares from Canopy USA as consideration for any Company common shares issued in the future to the shareholders of Wana and Jetty.

On November 3, 2023, the Company received a letter from the staff of the SEC (the "Staff") in which the Staff indicated that, despite the Reorganization Amendments, it would object to the deconsolidation of the financial results of Canopy USA from the Company's financial statements in accordance with U.S. GAAP once Canopy USA acquires Wana, Jetty or the Fixed Shares of Acreage Holdings, Inc. ("Acreage"). The Company subsequently had discussions with the Office of Chief Accountant of the SEC (the "OCA") and determined to make certain additional amendments to the structure of Canopy USA (the "Additional Reorganization Amendments") to facilitate the deconsolidation of Canopy USA from the financial results of Canopy Growth in accordance with U.S. GAAP upon Canopy USA's acquisition of Wana, Jetty or Acreage. In connection with the Additional Reorganization Amendments, Canopy USA and its members entered into a second amended and restated limited liability company agreement (the "Second A&R LLC Agreement"). In accordance with the Second A&R LLC Agreement, the terms of the Non-Voting Shares have been amended such that the Non-Voting Shares are only convertible into Canopy USA Class B Shares following the date that the NASDAQ Stock Market or The New York Stock Exchange permit the listing of companies that consolidate the financial statements of companies that cultivate, distribute or possess marijuana (as defined in 21 U.S.C 802) in the United States (the "Stock Exchange Permissibility Date"). Based on the Company's discussions with the OCA, upon effectuating the Additional Reorganization Amendments, the Company believes that the Staff would not object to the deconsolidation of the financial results of Canopy USA from the Company's financial statements in accordance with U.S. GAAP. Following the Reorganization, Reorganization Amendments and Additional Reorganization Amendments, on May 6, 2024, Canopy USA exercised the options (the "Wana Options") to acquire Mountain High Products, LLC, Wana Wellness, LLC and The Cima Group, LLC (collectively, "Wana") leading cannabis edibles brand in North America and subsequently closed the transactions to acquire Wana Wellness, LLC and The Cima Group, LLC. In addition, Canopy USA exercised the options (the "Jetty Options") to acquire Lemurian, Inc. ("Jetty") a California-based producer of high-quality cannabis extracts and pioneer of clean vape technology and subsequently completed the first tranche closing to acquire Jetty. On June 4, 2024,the option to acquire the issued and outstanding Class E subordinate voting shares (the "Fixed Shares") of Acreage (the "Acreage Option") was exercised. Canopy USA also holds direct and indirect interests in the capital of TerrAscend Corp. ("TerrAscend"), a leading North American cannabis operator with vertically integrated operations and a presence in Pennsylvania, New Jersey, Michigan and California as well as licensed cultivation and processing operations in Maryland.

Canopy USA holds an ownership interest in the following assets, among others:

- Wana – 100% of the membership interest of Wana Wellness, LLC and The Cima Group, LLC and has exercised the option to acquire 100% of the membership interests of Mountain High Products, LLC.

- Jetty – approximately 75% of the shares of Jetty.

- Acreage – On June 4, 2024, the Acreage Option was exercised, representing approximately 70% of the total shares of Acreage, at a fixed share exchange ratio of 0.03048 of a common share of Canopy Growth per Fixed Share, as adjusted in accordance with the terms of the Existing Acreage Arrangement Agreement (as defined below). Concurrently with the closing of the acquisition of the Fixed Shares pursuant to the exercise of the Acreage Option, the Fixed Shares will be issued to Canopy USA. In addition, Canopy USA has agreed to acquire all of the issued and outstanding Class D subordinate voting shares of Acreage (the "Floating Shares") by way of a court-approved plan of arrangement under the Business Corporations Act (British Columbia) (the "Floating Share Arrangement") in exchange for 0.045 of a common share of Canopy Growth for each Floating Share held. Accordingly, we will not hold any Fixed Shares or Floating Shares. Acreage is a leading vertically integrated multi-state cannabis operator, with its main operations in densely populated states across the Northeast U.S. including New Jersey and New York.

- TerrAscend – Canopy USA's direct and indirect interests in TerrAscend include: (i) 63,492,037 exchangeable shares in the capital of TerrAscend (the "TerrAscend Exchangeable Shares"), (ii) an option to purchase 1,072,450 TerrAscend common shares (the "TerrAscend Common Shares") for an aggregate purchase price of $1.00 (the "TerrAscend Option") and (iii) 22,474,130 TerrAscend Common Share purchase warrants with a weighted average exercise price of $6.07 per TerrAscend Common Share and expiring on December 31, 2032 (the "TerrAscend Warrants"). The TerrAscend Exchangeable Shares can be converted into TerrAscend Common Shares at Canopy USA's option, subject to the terms of the A&R Protection Agreement.

- Following the implementation of the Reorganization, Canopy USA was determined to be a variable interest entity pursuant to ASC 810 - Consolidations ("ASC 810") and prior to the completion of the Reorganization Amendments and the Additional Reorganization Amendments, Canopy Growth was determined to be the primary beneficiary of Canopy USA. As a result of such determination and in accordance with ASC 810, Canopy Growth consolidated the financial results of Canopy USA up to April 30, 2024.

Appendix II: Valuation Comps

Exhibit 1: Canada LPs - Valuation Multiples (consolidated multiples)

Multiples	Z&A Spot EV / Sales			Z&A Spot EV / EBITDA			Financial Net Debt Sales		Financial Net Debt EBITDA		Broadly Defined Net Debt Sales		Broadly Defined Net Debt EBITDA	
4-Oct-24	**Current**	**2024**	**2025**	**Current**	**2024**	**2025**	**Current**	**CY24**	**Current**	**CY24**	**Current**	**CY24**	**Current**	**CY24**
Aurora Cannabis Inc.	2.7x	11.9x	10.8x	183.3x	165.8x	105.2x	na	na	na	na	0.0x	na	1.5x	na
Auxly Cannabis Group Inc.	0.2x	na	na	7.1x	na	na	-0.1x	na	-3.0x	na	-0.1x	na	-4.1x	na
Avant Brands Inc	2.4x	na	na	28.4x	na	na	0.0x	na	-0.4x	na	-0.1x	na	-1.1x	na
BZAM Ltd	0.1x	na	na	3.4x	na	na	-0.1x	na	-2.4x	na	-0.1x	na	-3.4x	na
Cannara Biotech	0.2x	na	na	5.1x	na	na	0.0x	na	0.0x	na	0.0x	na	0.0x	na
Canopy Growth Corporation	0.9x	3.4x	3.3x	-46.7x	-58.5x	341.0x	-0.3x	-1.3x	17.3x	21.7x	-0.3x	-1.3x	17.3x	21.7x
Cronos Group Inc	0.0x	0.0x	0.0x	0.1x	0.1x	8.3x	na	na	na	na	1.9x	7.5x	-19.5x	-23.3x
Decibel Cannabis Company Inc	0.2x	0.7x	0.6x	3.9x	3.6x	2.7x	-0.1x	-0.4x	-2.4x	-2.2x	-0.1x	-0.4x	-2.3x	-2.1x
Nova Cannabis Inc	0.1x	0.4x	0.4x	11.9x	5.9x	4.0x	0.0x	0.0x	-0.1x	-0.1x	0.0x	0.0x	-0.9x	-0.5x
OrganiGram Holdings Inc	0.3x	1.0x	0.9x	20.0x	31.6x	12.5x	na	na	na	na	0.1x	0.5x	9.7x	15.3x
Rubicon Organics, Inc.	0.0x	na	na	0.9x	na	na	0.0x	na	-0.9x	na	0.0x	na	-0.9x	na
SNDL Inc.	0.2x	0.6x	0.6x	15.2x	68.9x	na	na	na	na	na	0.0x	0.2x	4.4x	20.2x
Tilray Brands, Inc.	0.4x	1.7x	1.6x	14.5x	20.3x	15.2x	0.0x	-0.1x	-0.6x	-0.8x	0.0x	-0.1x	-1.2x	-1.6x
Village Farms International, Inc.	0.1x	0.4x	0.4x	-9.2x	20.2x	6.3x	0.0x	-0.1x	1.3x	-2.9x	0.0x	-0.1x	1.4x	-3.0x

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 2: Canada LPs - EV Calculations

C$Mn 4-Oct-24	FactSet Spot EV	Z&A Spot EV	C$ price	mn shares	mn deriv	Total Mkt Cap	Financial net debt	Net leases	ST income tax liab.	Conting Cons.	ITM deriv inflow	Total BDND	Pref Stock Min Int
Aurora Cannabis Inc.	3,483	3,583	7.26	475.1	16.9	3,572	89	-48		-11		30	41
Auxly Cannabis Group Inc.	164	105	0.04	1,250.3	0.0	45	-45	-16		0		-61	
Avant Brands Inc	283	316	1.06	285.8	1.6	303	-4	-8				-13	
BZAM Ltd	112	45	0.00	180.8	0.2	0	-31	-14				-45	
Cannara Biotech	85	57	0.63	90.0	0.0	57	0	0	0			0	
Canopy Growth Corporation	na	987	5.96	102.5	1.8	621	-366					-366	
Cronos Group Inc	-25	-6	2.95	382.3	8.8	1,154	1,163	-2				1,160	
Decibel Cannabis Company Inc	61	61	0.06	409.0	15.8	24	-37	1				-37	
Nova Cannabis Inc	1	117	1.74	62.1		108	-1	-8				-9	
OrganiGram Holdings Inc	165	165	2.36	103.8	0.0	245	80		0			80	
Rubicon Organics, Inc.	28	3	0.41	0.0	0.0	0	-3	0				-3	
SNDL Inc.	455	584	2.69	264.3	16.2	755	209	-38				171	
Tilray Brands, Inc.	2,008	2,160	2.28	831.9	26.6	1,955	-83	-67		-20		-171	34
Village Farms International, Inc.	157	178	1.22	111.7		136	-26	-1				-26	15

Source: FactSet and company reports

Exhibit 3: US MSOs - Valuation Multiples (consolidated multiples)

							Financial Net Debt				Broadly Defined Net Debt			
US$Mn	Z&A Spot EV / Sales			Z&A Spot EV / EBITDA			Sales		EBITDA		Sales		EBITDA	
4-Oct-24	Current	CY24e	CY25e	2023	2024	2025	CY24	Current	CY24	Current	CY24	Current	CY24	Current
US MSOs	**0.8x**	**1.8x**	**1.5x**	**12.7x**	**11.6x**	**7.7x**								
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	1.1x	1.1x	6.2x	5.8x	5.1x	-0.4x	-0.4x	-2.0x	-1.5x	-0.8x	-0.8x	-4.2x	-3.3x
Ayr Wellness	1.2x	1.2x	1.1x	5.0x	5.1x	4.1x	-0.7x	-0.8x	-3.2x	-3.1x	-0.6x	-0.7x	-2.8x	-2.7x
Cannabist Co	0.9x	1.0x	0.9x	6.9x	7.1x	5.7x	-0.6x	-0.5x	-4.1x	-2.7x	-0.7x	-0.7x	-5.4x	-3.7x
Cansortium	5.3x	na	na	18.9x	na	na	na	na	na	na	na	na	na	na
Cresco Labs	1.7x	1.8x	1.7x	7.7x	6.3x	6.0x	-0.5x	-0.5x	-1.9x	-1.8x	-0.8x	-0.8x	-2.8x	-2.7x
Curaleaf	3.1x	3.0x	2.7x	13.6x	12.9x	10.6x	0.0x	0.0x	0.0x	0.0x	-1.3x	-1.3x	-5.6x	-6.2x
4Front Ventures	1.8x	na	na	17.7x	na	na	na	-1.0x	na	-1.4x	na	-1.7x	na	-2.3x
Glass House	5.1x	3.9x	na	33.6x	20.2x	na	-0.2x	na	-1.0x	na	-0.4x	-0.4x	-2.0x	-1.5x
Gold Flora	1.1x	1.0x	0.8x	na	55.3x	6.3x	na	-0.3x	na	na	na	-0.9x	na	na
Goodness Growth	1.8x	1.7x	na	9.5x	7.1x	na	-0.6x	-0.6x	-2.7x	-1.9x	-1.0x	-1.0x	-4.3x	-3.0x
Green Thumb	2.5x	2.4x	2.2x	8.2x	7.3x	7.0x	-0.1x	-0.1x	-0.3x	-0.3x	-0.1x	-0.1x	-0.4x	-0.3x
Grown Rogue	-27.7x	na	na	20.2x	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	9.8x	7.0x	6.1x	-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	1.9x	1.5x	1.1x	-7.9x	16.2x	6.9x	0.1x	0.1x	1.6x	2.0x	0.0x	0.0x	0.2x	0.3x
Schwazze	1.1x	1.1x	na	3.6x	5.2x	na	-0.9x	-0.8x	-4.1x	na	-1.1x	-1.0x	-5.0x	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	15.2x	16.4x	14.3x	-0.9x	-0.9x	-4.6x	-4.7x	-1.9x	-1.9x	-9.1x	-9.3x
TILT	0.7x	0.9x	0.7x	53.5x	na	18.0x	-0.5x	-0.4x	20.8x	688.6x	-0.9x	-0.8x	37.1x	1228.7x
Trulieve	2.6x	2.4x	2.3x	9.0x	7.4x	7.4x	-0.2x	-0.2x	-0.7x	-0.8x	-0.5x	-0.5x	-1.6x	-1.8x
Verano	1.8x	1.9x	1.7x	5.6x	6.0x	5.4x	-0.3x	-0.3x	-0.9x	-0.9x	-0.6x	-0.6x	-1.9x	-1.9x
Vext	2.1x	1.9x	na	13.3x	9.4x	na	-0.8x	-1.0x	-4.1x	-4.5x	-0.8x	-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

Exhibit 4: US MSOs - EV Calculations

US$Mn 4-Oct-24	FactSet Spot EV	Z&A Spot EV	US$ price	mn shares	mn deriv	Total Mkt Cap	Financial net debt	Net leases	Income tax liab.	Conting Cons.	ITM deriv inflow	Total BDND	Pref Stock Min Int
US MSOs													
Acreage Holdings	245	337	0.16	125.0	34.6	26	-252	-2	-57			-311	
Ascend Wellness	662	660	0.78	213.9	13.3	177	-226	-134	-123			-483	
Ayr Wellness	701	574	1.81	114.0	31.1	263	-359	4	-11	0	55	-311	
Cannabist Co	605	478	0.23	469.6	20.0	110	-276	-27	-65	0		-367	
Cansortium	140	145	0.16	304.9	5.6	49	-59	-9	-29			-97	
Cresco Labs	1,100	1,329	1.64	442.6	9.2	741	-395	-56	-128	-9		-588	
Curaleaf	2,885	4,128	2.94	742.3	11.2	2,213	8	-1,115	-672	-18		-1,796	119
4Front Ventures	255	178	0.05	915.2	3.8	44	-79	-8	-40	-6	0	-134	
Glass House	584	823	8.73	74.8	1.7	668	-42	0	-8	-33		-83	72
Gold Flora	130	136	0.08	287.6	0.0	24	-37	-31	-41	-4		-113	
Goodness Growth	114	162	0.45	144.7		65	-61	-9	-27			-97	
Green Thumb	2,579	2,675	10.34	237.0	9.3	2,547	-114	-26	-25	0	37	-128	
Grown Rogue	75	100	0.70	143.5		100	0	0	0	0		0	
iAnthus	68	231	0.01	6,615.3		69	-156	-6				-162	
Jushi	372	400	0.52	196.6	1.9	103	-170	0	-128			-298	
MariMed	148	165	0.17	380.6	5.0	65	-63	-1	-16			-80	19
Planet 13	141	189	0.59	325.2	0.3	191	18	-6	-5	-5		2	
Schwazze	180	195	0.11	80.2		9	-151	-2	-33	0		-186	
StateHouse	144	200	0.02	256.4	138.6	6	-114	-10	-54	-22	7	-192	2
TerrAscend	595	1,046	1.27	351.2	15.3	465	-293	-169	-6	-114		-581	
TILT	110	110	0.01	390.5	4.4	4	-59	-44	-3			-106	
Trulieve	2,137	2,887	11.97	186.0	3.3	2,266	-264	-20	-333	-5		-622	
Verano	1,508	1,704	3.31	346.4	8.7	1,177	-266	-6	-251	-4		-527	
Vext	53	73	0.17	245.5	3.4	41	-32	0				-32	

Source: FactSet and company reports

Exhibit 5: Stock Performance

4-Oct-24		Stock Performance	
	Last	Last	Last
Ticker	30d	90d	12mo
US MSOs			
Ascend	-19%	-8%	-19%
Ayr	14%	-6%	-27%
Cannabist	0%	22%	-75%
Cansortium	11%	26%	65%
Cresco	5%	1%	-20%
Curaleaf	2%	-25%	-36%
4Front	-5%	-40%	-80%
GlassHouse	4%	22%	85%
Gold Flora	-12%	-44%	-48%
Vireo	-7%	-1%	159%
Grown Rogue	13%	3%	204%
Green Thumb	7%	-11%	-7%
iAnthus	-28%	-43%	-58%
Jushi	1%	-11%	-43%
MariMed	-9%	-10%	-61%
Planet13	5%	17%	-34%
Schwazze	0%	-59%	-86%
StateHouse	-42%	50%	-73%
Trulieve	38%	29%	94%
TerrAscend	6%	-6%	-38%
Vext	-2%	-2%	-36%
Verano	0%	-11%	-28%

		Stock Performance	
	Last	Last	Last
Ticker	30d	90d	12mo
Canadian LPs			
Aurora	-12%	9%	-5%
Avant	-18%	-50%	-80%
Auxly	-18%	19%	131%
Cannara	-6%	-5%	-34%
Canopy	-16%	-33%	-41%
Cronos	-4%	-6%	11%
Decibel	-13%	-1%	-64%
Entourage	-7%	7%	-50%
High Tide	7%	2%	24%
Nova	-1%	42%	164%
OGI	-6%	9%	37%
Rubicon	-12%	-5%	-10%
SNDL	1%	1%	13%
Tilray	-2%	-3%	-26%
VFF	-13%	-8%	23%
CBD			
CVSI	-9%	-26%	1%
CWEB	-7%	-13%	-58%
LFID	88%	31%	-39%
International			
InterCure	-20%	-26%	1%
PharmaCielo	58%	29%	86%

		Stock Performance	
	Last	Last	Last
Ticker	30d	90d	12mo
MJ Fincos			
AFCG	-5%	-18%	-11%
CNPOF	19%	24%	5%
IIPR	7%	22%	78%
NLCP	-1%	2%	45%
SHFS	-20%	-9%	-37%
SSIC	-4%	-6%	14%
REFI	-4%	0%	5%
Tech			
LFLY	3%	-7%	-70%
SBIG	-9%	-46%	-39%
MAPS	-12%	-20%	-35%
Vape parts			
GNLN	-19%	47%	-34%
ISPR	-12%	-19%	-31%
SMORF	0%	0%	36%
TLLTF	-36%	-33%	-82%
Index			
S&P 500	*1%*	*3%*	*33%*
S&P 477	*0%*	*7%*	*22%*
Nasdaq	*1%*	*21%*	*51%*
MSOS ETF	*10%*	*-6%*	*-13%*
YOLO ETF	*1%*	*-4%*	*-6%*

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, Canada, Germany, Australia, and elsewhere. His firm Zuanic & Associates publishes equity research on the cannabis and psychedelics sectors, both from a macro/sectoral level in a thematic manner, as well as on listed stocks. The research service is aimed at institutional investors and corporations. The firm is also available for short-term consulting and research advisory projects. Now, more than a year since its inception, the firm has collaborated with over 25 companies (in North America and overseas; plant touching and service providers; public and private), both on an on-going basis as well for specific projects. At various points in his career, Pablo Zuanic was II ranked and called as expert witness in industry investigations. He has a deep global background having covered stocks over the past 20 years in the US, Europe, Latin America, and Asia, across consumer sub sectors. Prior employers include JP Morgan, Barings, and Cantor Fitzgerald. An MBA graduate of Harvard Business School, he started his career as a management consultant, which brings a strategic mindset to his approach to equity research. *Pablo Zuanic can be contacted via the company's portal www.zuanicassociates.com; via email at pablo.zuanic@zuanicgroup.com; or via X @420Odysseus.*

Disclosures and Disclaimers

About the firm: Zuanic & Associates is a domestic limited liability company (LLC) registered in the state of New Jersey. The company's registered address is Five Greentree Centre, 525 Route 73, N Suite 104, Marlton, New Jersey 08053, USA. Pablo Zuanic is the registered agent. The firm publishes equity research on selected stocks in the cannabis and psychedelics sector, as well as thematic macro industry notes. The firm also provides consulting and advisory services. Potential conflicts of interest are duly reflected in the respective specific company reports.

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