



6/27/2024

Tilray Brands (TLRY)

Initiation of coverage: Neutral

Key Highlights:

- Cannabis industry leader outside the U.S. Well-placed to benefit from regulatory unlocks in key overseas medical markets. International upside not reflected in the stock.
- Diversified business with a complementary range of assets across alcohol and non-alc drinks, cannabis, wellness, and distribution.
- U.S. F&B footprint could prove to be synergistic upon federal legalization of cannabis.
- The stock's peer valuation premium (\$2Bn EV), liquidity, significant cash balance, and NASDAQ listing, are all key strategic assets, in our view.
- In a bull-case scenario, the stock could be near \$7 a year from now. On near term execution and reinvestment risk, we prefer to start at Neutral, but are long-term constructive.

Sales	FY23	FY24	FY25	FY26
1Q	153 A	177 A	210 E	224 E
2Q	144 A	194 A	207 E	224 E
3Q	146 A	188 A	198 E	218 E
4Q	184 A	225 E	235 E	258 E
FY	627 A	784 E	850 E	924 E
EBITDA	FY23	FY24	FY25	FY26
1Q	13 A	11 A	17 E	21 E
2Q	11 A	10 A	17 E	26 E
3Q	13 A	10 A	18 E	34 E
4Q	22 A	27 E	32 E	41 E
FY	59 A	58 E	83 E	121 E
Share price (\$)	1.66	Rating	Neutral	
Share count (mn)	799.0	Price target	No PT	
Market Cap (\$Mn)	1,326	Fiscal Year	May	
Ticker	TLRY			

EPS	FY23	FY24	FY25	FY26
1Q	-0.13 A	-0.10 A	-0.04 E	-0.04 E
2Q	-0.11 A	-0.07 A	-0.04 E	-0.03 E
3Q	-1.90 A	-0.12 A	-0.04 E	-0.02 E
4Q	-0.15 A	-0.03 E	-0.02 E	-0.02 E
FY	-2.29 A	-0.32 E	-0.14 E	-0.10 E
FCF	FY23	FY24	FY25	FY26
1Q	-49 A	-20 A	-25 E	-14 E
2Q	25 A	-36 A	0 E	5 E
3Q	-19 A	-25 A	5 E	4 E
4Q	31 A	71 E	23 E	25 E
FY	-13 A	-10 E	3 E	20 E
Performance	TLRY	YOLO	S&P500	
30d	-11%	-13%	3%	
90d	-28%	-11%	4%	
1yr	3%	28%	24%	

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Investment Summary

We initiate coverage of Tilray Brands (NASDAQ: TLRY) with a Neutral rating. Tilray Brands is the largest cannabis company outside the US market by total revenues, on the back of leading international sales (outside North America) and a #1 position in the Canadian rec market (the only G-7 legal rec market). Tilray is well-placed to be a leading player in the global cannabis industry, should benefit as markets outside North America begin to lift restrictions on their medical cannabis programs (MMJ). We see TLRY's EV of near \$2Bn (unrivalled outside the US, among publicly traded cannabis companies), ~\$225Mn cash balance, valuation premium (cannabis stub trades at near 4x sales), and stock liquidity (NASDAQ listed), all as strategic assets in and out of themselves. In fact, these, combined with visionary leadership and M&A actions (since taking the helm, CEO Irwin Simon has grown revenues by >10x, from a \$50Mn base), have allowed Tilray to build a diversified portfolio of complementary assets in cannabis, drinks (US, alcohol), hemp food, and pharma distribution (Germany). How well these various businesses complement each other now, and in the future, will depend on regulatory changes and how the lines begin to "blur" potentially between product types (hemp/THC drinks distributed via beer channels in the US?). All this said, while we are long term constructive on the stock, near-term questions about the pace of international growth (TAM ramp, holding international share), ability to reverse rec share loss in Canada, potential US deal making, and ability to reach positive free cash flow, make us begin coverage at Neutral.

The international opportunity, and upside. Taking PA/FL MMJ population penetration metrics (3-4%) only on markets like Australia, Germany, and Israel, we estimate a total addressable market ("international TAM") of US\$10Bn, assuming US\$200 in monthly spend per patient. Our TAM may be understated as it only includes three countries, but on the other hand we realize overseas MMJ markets require an Rx physician-issued prescription, whereas as in the US, Drs are issuing rather general "recommendations" (not always specifying amounts, dosage, or formats), so we think the US\$10Bn number is a fair estimate. TLRY's current annualized international revenues of US\$56Mn would be only 1% of that figure (taking a 0.5x factor to convert wholesale to retail). In other words, if we assume a long-term market share of 10% on that TAM, Tilray's international MMJ sales could be 9x larger, or US\$450Mn more than now. Taking a 60% gross margin and SGA assumptions, that could represent ~\$200Mn more on EBITDA. At 30x, that would imply ~\$6Bn in valuation upside. With EU GMP facilities in place, cultivation in Canada and Portugal, seen as a trusted and complaint player in overseas markets (having the respect of the supply chain from wholesalers to clinicians and Drs., pharmacies, patients, and regulators), and starting to leverage its entire brand portfolio and various cultivars, TLRY aims to keep leadership positions in all key international markets. True, the overseas markets are only now starting to develop, with new players emerging, and seemingly low barriers to entry. That said, we estimate Tilray already has mid-teens share outside NA, and with the proper upstream and downstream investments, it should be able to capitalize on market growth – in that context a 10% share target is not unreasonable. Management also believes it will be able to ship medical cannabis (MMJ) to the US market, once federally legal. *Note: we do not have line of sight on the latter given the way reform is being implemented in the US (i.e., mostly about legalizing state programs, with no interest trade, no imports, and no federal legalization).*

The US opportunity. Given cannabis remains federally illegal in the US (state programs generated \$30Bn in legal sales last year), Tilray is unable to directly own US-plant touching assets (in part due to its NASDAQ listing) and, compared with other LPs, management has taken a more guarded approach to putting down money for option-based deals that can only be executed upon federal permissibility (i.e., Canopy Growth putting down \$300Mn in Wana Brands almost three years ago). Still, with rescheduling in the US likely implemented this year, plus perhaps other reforms that could provide safe harbor for US exchanges and banks (see our report [DOJ Drives Rescheduling](#)), this may be the time for TLRY to act. In fact, on 5/17 TLRY announced a \$250Mn at the market equity offering, that may address this issue. In our view, TLRY has a narrow window. Three years ago, large Canadian LPs had valuations >10x those of the larger MSOs, but this is no longer the case, with MSOs like Curaleaf now almost 3x the TLRY EV (three other MSOs also have larger EVs than TLRY). Also, other NASDAQ-listed Canadian LPs may be more advanced re US optionality, in our view; see CGC with Acreage/Wana/Jetty and Cronos/PharmaCann, or ring-fenced debt deals as in the case of SNDL equityizing debt in Parallel and SkyMint *[note: we do not believe TLRY's debt holding in MedMen is in the same league of those deals owing to that company's bankruptcy proceedings and smaller footprint, even though TLRY management sees value in the MedMen brand]*. In the meantime, Tilray is focused on building an alcohol drinks ecosystem in the US that it believes could yield revenue synergies in the future with cannabis.

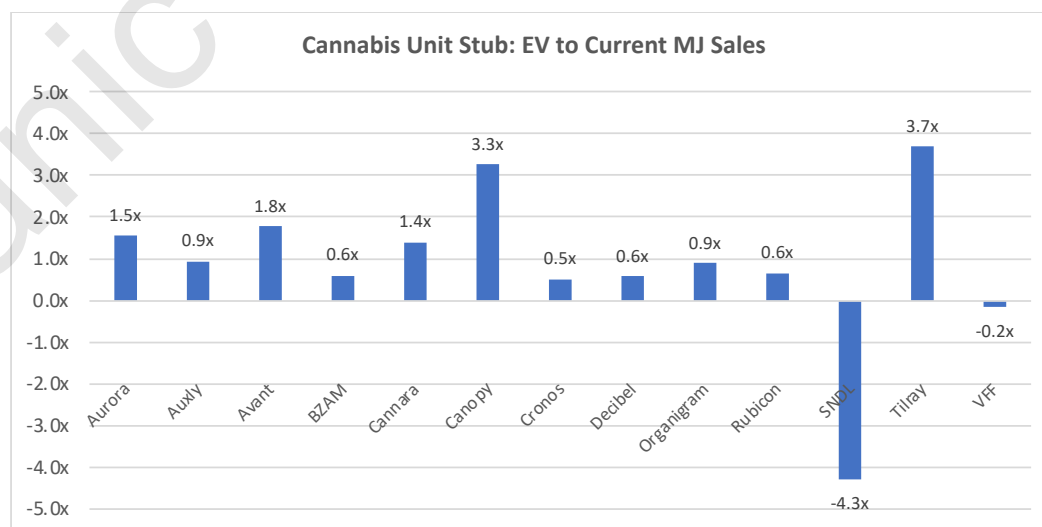
The US alcohol business (and recent entry to non-alcohol drinks). Starting with the Sweetwater (craft beer) deal in Nov'20, TLRY entered the alcohol beverage space, both as a diversification move and to also add future optionality in the event alcohol brands and distribution overlap with recreational cannabis, when federally permissible. In fact, given the blurring lines between hemp derivatives and THC cannabis, part of these revenue synergies may be garnered before the actual legalization, in the form of hemp-based drinks. With annualized proforma revenues approaching \$300Mn now (factoring the recent acquisition of eight craft brands from Anheuser-Busch), Tilray aims to become a top 12 beverage alcohol company in the US market (it is already the 5th largest craft brewer). Importantly, the alcohol business has helped expand the company's EBITDA and cash flow base, and management sees top line growth potential as these brands receive more "nurturing" (innovation, investment, expanded distribution) under Tilray. It also plans to leverage its portfolio to win more occasions for the core craft beer portfolio, and is entering other categories such as malt beverages, ready to drink cocktails, and spirits. Tilray is also going beyond alcohol, recently launching non-alcohol beer, sparkling water, energy drinks, and hemp-based drinks.

Financial projections and track record. The growth in key international markets and Tilray's ability to gain or maintain market share there, plus revenue growth in the US drinks business should be the main drivers of total sales growth (we see the Canadian rec business as a smaller contributor to growth, given market challenges there). Cost savings from the recent acquisitions and margin accretion from international, should help expand profit margins (the company is now at mid-single digits EBITDA margins). In the interim, cash burn has remained an issue (guidance calls for negative FCF for FY24, ending May), and the share count has increased by 50% in the last two years (partly on debt equityization and M&A) with sales and EBITDA growing below that. Moreover, the company cut guidance on 4/9 for the May qtr (and missed Feb qtr estimates). Recent share loss in Canada rec is a concern, but we do not see that as a significant drag on earnings (given the much higher

margins in MMJ). All that said, underlying trends seem to be improving. The latest management guidance calls for EBITDA up 2.9x in the May qtr vs. Feb (\$29-32Mn vs. \$10.2Mn), on the back of acquisition synergies, proforma growth in the beer unit (Shock Top +10% since the acquisition in Sep'23), international MMJ demand, and seasonality (ordering ahead of the summer in the alcohol unit). Ex one-offs management says it is on track to be FCF positive. Stepping back and bigger picture, cash holdings of >\$220Mn are unique in this sector (net debt is manageable at 0.2x sales), and over the past few years TLRY has gained in “strategic scale”, which positions it well ahead of various global regulatory unlocks.

Valuation and stock performance. On liquidity, TLRY is a bellwether for the global cannabis sector, but that also makes it more volatile. We calculate a spot EV of US\$1.5Bn, which implies 1.6x the latest quarter (Feb) sales annualized. If we strip out the cannabis assets (see SOP analysis), we calculate the cannabis piece trades at 3.7x spot EV/sales, well above peers. We think that premium may be a strategic asset, if it can be properly utilized to position the company well ahead of key regulatory unlocks globally. Sure, there are plenty of cheaper stocks, but Tilray has the liquidity (one the two most liquid cannabis stocks, and one of the few for which investors can get bank/broker custody), a large market cap, and a significant cash balance, plus “assets in place” already, which make the long-term investment case more credible, in our view. Management says it has the “strategy and assets in place to win” in the global cannabis industry. Indeed, we believe TLRY should be a long-term holding in any global portfolio of cannabis stocks. All that said, while cognizant of TLRY’s long-term upside and franchise strength, we prefer to start at Neutral until we have better line of sight on: a) actual international markets growth and how TLRY directly benefits (can it hold on to share); b) Tilray’s ability to reverse recent domestic rec market share loss, c) accretion, nature, and scope from future US deals, and c) progression of key financial metrics improve (FCF, EBITDA per share).

Table 1: EV/Sales Valuation Multiples for LPs’ Cannabis Businesses (on spot EV)



Source: FactSet, Z&A estimates, company reports

We do not assign price targets, but this is how we think of the bull and bear-case here:

- Bull case.** With investor focus mostly on the US market, we do not believe the upside from international markets and Tilray's #1 position overseas, is well appreciated. As mentioned above, 10% share of an international TAM of \$10Bn (at retail) could expand the Tilray EV by 4x (and market cap by 8x). Upside could be greater if the company can find ways to get more direct exposure to the US market, in a value-creating way. We do not set price targets, but combined with a sectoral rerating, and on what we think are conservative financial projections, the stock could be near \$7 a year from now (see valuation section for more details regarding share price scenarios).
- Bear case.** If the international markets fail to grow as expected and become fragmented and over supplied, that would call into question the company's upside opportunity there. Also, if the company does not find direct ways to enter the US, and it continues to lose share in Canada, the stock's valuation premium may also be called into question. Indeed, some of this has played out in the past year, if we go by the stock's underperformance in the LTM. Moreover, the resulting derating of the stock (under the "bear case" scenarios) would limit the company's ability to execute deals (especially as leading US MSOs expand the valuation gap vs. Tilray).

Table 2: Projected Forward Price Scenarios for TLRY

	May FY22	May FY23	May FY24e	May FY25e	May FY26e	May FY27e
US\$Mn						
Total EV			1,465	1,463	1,443	1,410
Non-Cannabis			531	625	661	700
alcohol	2x sales		404	497	531	569
hemp food	1.5x sales		78	80	82	83
pharma distribution	C\$65Mn		48	48	48	48
Implied cannabis EV (projected)			935	838	782	710
EV/Sales	3.5x		2.9x		2.3x	1.6x
EV/EBITDA			na	na	na	na
Projected share price under various MJ multiple scenarios						
Total EV						
Non-Cannabis EV			531	625	661	700
Cannabis EV	4.0x		1,076	1,137	1,344	1,748
	5.0x		1,346	1,421	1,679	2,185
	7.0x		1,884	1,990	2,351	3,058
	10.0x		2,691	2,843	3,359	4,369
	12.0x		3,229	3,411	4,031	5,243
	15.0x		4,037	4,264	5,038	6,554
Implied PT				by May'24	by May'25	by May'26
	4.0x		1.84	2.03	2.36	2.96
	5.0x		2.17	2.39	2.78	3.51
	7.0x		2.85	3.10	3.62	4.60
	10.0x		3.86	4.17	4.89	6.24
	12.0x		4.53	4.88	5.73	7.33
	15.0x		5.54	5.95	6.99	8.97
						upside
						78%
						111%
						177%
						276%
						342%
						441%

Source: FactSet, Z&A estimates, company reports

Company Strategy and Key Assets

With almost \$800Mn in annualized revenues (Feb qtr annualized run rate), Tilray Brands has built a diversified portfolio of complementary assets in the cannabis, drinks (alcohol mostly, but not only), hemp food, and pharma distribution businesses. Exiting FY24, we believe the cannabis and drinks unit will each contribute about 40% of the company's gross profits. How these various categories complement each other now, and in the future, will depend on regulatory changes and how these changes "blur the lines" between product types (say, hemp and or THC drinks). For example,

- Tilray's expertise in medical cannabis could be a competitive advantage as more countries "liberalize" their MMJ programs (Germany and Israel are making their MMJ programs less restrictive). Also, lessons learned from the competitive Canadian rec market (where TLRY is #1) will help as more countries legalize rec (although we think the medical opportunity is the more realistic source of top line upside in the short and medium term).
- TLRY's eco-system in Germany, comprised by a pharmaceutical products distribution unit, domestic production complemented by cultivation in Canada and Portugal, and local sales force, should be an edge as that market sees a ramp up in demand.
- The company's alcohol brands (mostly beer), hemp food brands, and 3rd party distribution system in the US, could represent relevant synergies for the sale and distribution of rec cannabis in the future (depending on how the US legalizes rec). In the short term, the company may leverage those assets to sell hemp-derived drinks. In the short term, the alcohol business is also a relevant source of cash flow, profitability, and greater stability.

Table 3: Divisional Sales and Gross Profits

	May FY22	Aug 1Q23	Nov 2Q23	Feb 3Q23	May 4Q23	May FY23	Aug 1Q24	Nov 2Q24	Feb 3Q24
US\$Mn									
Total net sales	628.4	153.2	144.1	145.6	184.2	627.1	176.9	193.8	188.3
cannabis	237.5	58.6	49.9	47.5	64.4	220.4	70.3	67.1	63.4
beverage alcohol	71.5	20.7	21.4	20.6	32.4	95.1	24.2	46.5	54.7
pharma distribution	259.7	60.6	60.2	65.4	72.6	258.8	69.2	67.2	56.8
hemp food	59.6	13.4	12.7	12.0	14.8	52.8	13.3	12.9	13.4
Gross Profits	116.8	48.6	42.9	-11.7	67.2	147.0	44.2	47.4	49.4
cannabis	42.7	29.7	21.3	-32.8	39.5	57.7	19.8	20.6	20.9
beverage alcohol	39.5	9.8	10.0	10.0	16.6	46.3	12.9	16.0	18.9
pharma distribution	16.5	5.6	7.7	7.4	6.7	27.5	7.7	7.1	5.6
hemp food	18.2	3.5	3.9	3.7	4.4	15.5	3.8	3.7	4.1
Mix of Gross Profits	100%	100%	100%	100%	100%	100%	100%	100%	100%
cannabis	37%	61%	50%	280%	59%	39%	45%	44%	42%
beverage alcohol	34%	20%	23%	-85%	25%	32%	29%	34%	38%
pharma distribution	14%	12%	18%	-63%	10%	19%	17%	15%	11%
hemp food	16%	7%	9%	-32%	7%	11%	9%	8%	8%

Source: Company reports



About Tilray's Global Cannabis Business

In the latest report quarter (Feb'24), cannabis net sales (US\$63.4Mn) accounted for 34% of total company revenues, and for 44% of reported gross profits (Tilray does not provide divisional EBITDA). The Canadian market accounted for 78% of cannabis sales (rec 65%; med 9%; B2B 4%), and sales outside of Canada added the other 22%. If we assume, 50-60% gross margins for the international cannabis business (total company cannabis gross margins were 33% in the Feb qtr), that would mean gross margins of ~27% for domestic sales (with the med piece likely near 50%). So, we estimate international cannabis sales accounted for 40% of cannabis gross profits.

Given the slowdown in the Canadian cannabis market (and lower margins in rec), combined with Tilray's recent share loss (in part due to increased focus on rec profitability, like ACB has done too), we expect international to drive the cannabis unit's top line growth, earnings, and cash flow.

Table 4: Tilray Cannabis Sales by Channel

	May FY22	Aug 1Q23	Nov 2Q23	Feb 3Q23	May 4Q23	May FY23	Aug 1Q24	Nov 2Q24	Feb 3Q24
US\$Mn									
Total net sales	237.5	58.6	49.9	47.5	64.4	220.4	70.3	67.1	63.4
Canadian rec	148.6	41.9	36.2	32.4	42.5	152.9	45.3	45.2	40.9
Canadian med	28.2	5.9	5.7	5.4	5.5	22.5	5.5	5.7	5.7
Canadian bulk	6.9	0.4	0.2	0.1	0.8	1.4	5.3	4.3	2.8
International	53.9	10.4	7.7	9.7	15.7	43.6	14.3	11.9	14.0
YoY ch %		-17%	-15%	-14%	21%	-7%	20%	35%	33%
Canadian rec		-18%	2%	8%	31%	3%	8%	25%	27%
Canadian med		-24%	-21%	-16%	-18%	-20%	-6%	-1%	5%
Canadian bulk		-77%	-90%	-98%	432%	-79%	1251%	1717%	4666%
International		2%	-44%	-39%	12%	-19%	37%	55%	44%
Mix %	100%	100%	100%	100%	100%	100%	100%	100%	100%
Canadian rec	63%	72%	73%	68%	66%	69%	64%	67%	65%
Canadian med	12%	10%	11%	11%	8%	10%	8%	8%	9%
Canadian bulk	3%	1%	0%	0%	1%	1%	8%	6%	4%
International	23%	18%	15%	20%	24%	20%	20%	18%	22%

Note: Feb'24 qtr yoy growth is explained by the HEXO acquisition (6/22/23) and the Truss Beverage deal (1/24/24).

Source: Company reports

Canada: Cannabis Market and TLRY Position

Cannabis retail sales are now at a run rate close to C\$6Bn (CY23), 93% adult-use and 7% medical. The rec market continues to grow, while the medical market has been declining as patients (especially those paying out of pocket) can easily buy in the rec market with similar economics.

On Canada's Recreational Market

Canada began adult-use sales on 20 October 2018, and thru April 2024 the market continued to grow in yoy terms. Still, growth seems to be slowing, with 1Q24 sales only up 2% yoy.



- Unrestricted licensing (of stores and producers) has impacted economics. There are now over 3,600 retail dispensaries open (implying only C\$1.2Mn sales per store annually) and more than 900 licensed cultivators and processors. Retail prices are now in line with some of the lowest prices seen in US markets like Colorado, Oregon, and Washington.
- All this is exacerbated by a three-tier system (producers, wholesalers, retailers) that does not allow for vertical integration in most of the provinces. Moreover, the government in most provinces owns the wholesalers (“boards” act as the only wholesaler in provinces like AB, BC, ON, and QC), and in the case of Quebec province, the government owns all retail stores.
- Restrictions on advertising, packaging, and omni-channel services (in some provinces), plus a minimum tax of C\$1/gram on flower (excise taxes account for more than 30% of gross revenues for most licensed producers, and close to 40% on extracts), exacerbate the pressure on operators.

All these factors make it difficult for operators to be cash flow positive and profitable. As a result, several have diversified away from cannabis, and or been forced to merge (or sell), to garner better economics. Still, regulators seem to be getting the message, although at a macro level there is no clear line of sight on regulatory relief for now, despite intense lobbying by industry operators. A recent attempt to change the excise tax did not make it in the government’s final annual budget. Still, garnishment of balances owed by the boards to the operators (receivables) to recover unpaid government excise taxes (collected in part by the operators) has started to put pressure on smaller producers. Note: see our [June 3 report](#) for the latest market trends in Canada rec thru May.

Benchmarking with the US adult-use market. CY23 yoy growth of 14% was above the US adult-use pace (+9%), and only slightly below the +17% growth the Canadian adult-use market posted for all of 2022. Importantly, US growth is driven mostly by new markets opening adult-use sales, while in the case of Canada, the base of legal provinces is the same, so 14% growth in CY23 is good in that context. That said, the Canadian market has developed more slowly than the US (Canada rec capita spend is below the state of California, not a leading state in US per caps by any means), so we could argue the “faster” growth in Canada is off a lower base. Canada underperforms the US in adult-use spending per capita metrics. At about US\$100 per person, adult-use consumption is well below that of even less matured US states (that legalized adult-use after Canada): Michigan \$316 (it began rec sales in December 2019); Massachusetts \$253 (November 2018 first stores); Missouri \$224 (February 2023); Maryland \$180 (July 2023); Arizona \$173 (January 2022); Illinois \$155 (January 2020). Why the difference, if Canada has as many dispensaries per 1mn people as Michigan, and low prices in line with states like Colorado and Oregon? We believe this is explained in part by a larger illicit market (compared with the US average); by steeper taxes; by marketing, advertising, and packaging restrictions; by restrictions on THC per unit (that particularly impact sales of edibles, but also of vape and drinks); and by retail stores that, on average, are below US standards, in our view. Interestingly, the minimum age in Canada is 19 compared with 21 in the US.



Factors impacting licensed producers. We would highlight three factors impacting the economics of Canadian LPs compared with their US counterparts,

- Retail prices are well below US averages. Flower prices now average C\$5.32 per gram (US\$4.00) in Canada (down -13% yoy and -32% in 2-year stacked terms), which is well below most US states. True, Canada's flower prices are above those seen in US states like Colorado, Michigan, Oregon, and Washington (all between \$3-4 per gram), but California is at \$5.45 and Massachusetts at \$6.20.
- High excise taxes. The minimum tax in Canada is C\$1 per gram (on flower), which means average prices paid by the consumer are \$6.32 (C\$5.32 + C\$1) per gram for flower. But if we assume an LP only keeps 30-40% of the C\$5.32 retail price, this implies excise taxes can be as much as 35% of total gross revenue generated at the LP level, and in the case of extracts (vape, other) this can be over 40% (see Decibel's high excise tax line in the P&L vs. reported gross revenues). When Canadian flower prices were at C\$11/gram back in 1Q20, a minimum tax of C\$1/gram was less of an issue. But not now, with retail prices down more than 50%, this is a much larger burden.
- Three tier-system. In Canada, licensed producers sell to provincial boards that act as the sole wholesalers in their respective provinces and then these sell to retailers. Combined with high sales excise taxes at the point of sale, this means a typical LP only accounts for ~25% of the final all-in price (including taxes) paid by the consumer. In contrast, in a vertically integrated state like Florida (where there are no taxes on medical cannabis), a producer gets to keep 100% of the total amount paid by the consumer.

Leading producers. Challenging economics, structural issues, inter province trade, have all resulted in a market that is more consolidated compared with the US. For example, the top five licensed producers have close to 40% national market share. Some of these have reached their market positions via organic growth (Decibel, Village Farms), while others have done it via M&A. The market leader is Tilray (10.3% share as of April 2024, as per Hifyre), a company that via M&A now includes seven different operators: Aphria, 48North, HEXO, Redecan, Tilray, Truss, and Zenabis. TLRY has a wide range of brands and formats. Village Farms International (Village Farms), a large-scale low-cost producer based in British Columbia (the company has shifted tomato greenhouses into cannabis) is #2 with 8.3% share (April 2024); flower accounts for 80% of VFF cannabis sales. Organigram is #3 with 6.9% share; ground flower is a key part of its portfolio. Decibel (5.6% share overall) is #4; it derives close to 70% of sales from infused pre-rolls.

Sales growth and segment share vary widely across formats. Pre-rolls and vape are driving industry growth. Flower is now 38% of total rec market sales (compared with 60% in Q2 2020). Pre-rolls are now 30% of sales (vs. 17% three years ago); for context, in California pre-rolls are only 17% of sales (and flower 34%). Vape is at 17% of sales in Canada (26% in California). Concentrates now account for 5.5% of sales. Edibles have low penetration in Canada (5.3% vs. 15% in California) due to packaging and potency restrictions. In 1Q24, according to Hifyre, pre-roll sales grew 17% yoy, concentrates +16%, and vape +15%, while flower was up only 1%. *Note: Oils and beverages each account for 2% of total rec sales).*

Table 5: Format Growth and Mix in Canada's Rec Market (calendar quarters)

	2021 1Q	2021 2Q	2021 3Q	2021 4Q	2022 1Q	2022 2Q	2022 3Q	2022 4Q	2023 1Q	2023 2Q	2023 3Q	2023 4Q	2024 1Q
YoY ch %													
Flower	57%	44%	22%	8%	3%	1%	-6%	-5%	-2%	0%	8%	5%	1%
Pre-roll	61%	98%	74%	63%	61%	61%	48%	43%	40%	32%	28%	23%	17%
Oil	-18%	-7%	-9%	-11%	-7%	0%	-5%	-5%	-4%	-10%	-2%	-3%	4%
Vape	205%	78%	46%	35%	31%	36%	26%	26%	24%	20%	24%	19%	15%
Edibles	180%	105%	95%	74%	68%	63%	37%	28%	28%	17%	11%	-2%	-7%
Beverages	676%	212%	71%	36%	30%	37%	15%	7%	15%	9%	12%	24%	12%
Concentrates	867%	209%	148%	100%	76%	54%	21%	28%	26%	30%	38%	11%	16%
Topicals	nm	383%	112%	90%	28%	18%	-9%	-3%	9%	-6%	-1%	-16%	-21%
Cultivation	153%	91%	-10%	-10%	-6%	14%	-32%	-45%	-36%	-50%	-53%	-60%	-48%
Mix													
Flower	56%	54%	50%	49%	48%	44%	42%	41%	41%	39%	38%	38%	38%
Pre-roll	17%	20%	23%	22%	22%	26%	29%	28%	27%	30%	32%	31%	30%
Oil	4%	3%	3%	3%	3%	3%	3%	3%	3%	2%	2%	2%	2%
Vape	14%	13%	13%	14%	15%	15%	15%	16%	16%	15%	15%	16%	17%
Edibles	4%	4%	4%	5%	5%	5%	5%	6%	6%	6%	5%	5%	5%
Beverages	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Concentrates	3%	3%	4%	4%	5%	4%	4%	5%	5%	5%	5%	5%	5%
Topicals	0%	0%	0%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Cultivation	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Source: Hifyre, Z&A calculations

Regarding share trends for the six top categories in 1Q24, according to Hifyre:

- Flower: Village Farms 16%; Tilray 13%; Organigram 9%; Cronos 6%; Auxly 4%.
- Pre-rolls: Decibel 14% share; Tilray 11%; Organigram 7%; Village Farms 5%; Weed Me 4%.
- Vape: Motif Labs 20%; Auxly 10%; Decibel 9%; Cronos 8%; Tilray >6%.
- Concentrates: Organigram 11%; Cannara 10%; Adastra Labs 8%; Vortex 7%; Tilray <6%.
- Edibles: Indiva 26%; Organigram 21%; Cronos 15%; BZAM 10%; Canopy Growth 4%.
- Beverages: Tilray 40%; Peak 21%; Sundial 11%; Canopy 7%; Tidal 5%.

Tilray's Canadian Recreational Cannabis Unit

Tilray is the # 1 player in Canada with >10% share. The company's rec business is partly the result of the Aphria-Tilray merger, and the acquisition of HEXO. Given the latter had also grown via M&A, TLRY presently includes the operations of at least seven companies (Aphria, HEXO, Redecan, Tilray, Truss, Zenabis, 48 North, and others). While the integration of these various businesses has yielded meaningful cost savings, we believe integration issues have also led to proforma share loss, also caused by unsustainable price discounting by some players and the market saturation of licensed producers.

As per the latest company disclosure (at the time of the earnings call in early April), Tilray reported domestic rec market share of 11% for the Feb' 24 qtr, down from 12.5% in the Nov'23 qtr and 13.4% in the Aug qtr (proforma data includes the HEXO and Truss deals). The Hifyre scanner data also shows downward trends for Tilray's total rec market share (10.3% for April; 11.2% for 1Q24 vs. 17.4% in 1Q22, all on a proforma comparable basis, according to Hifyre).

As per Hifyre, we estimate flower now accounts for 46% of the company's rec sales and pre-rolls for 29%. Relative to segment share trends (i.e., segment share vs. overall company market share),

Tilray over indexes in drinks, oils, and somewhat in flower; it under indexes in vape, concentrates, and edibles; it is market neutral in pre-rolls.

Table 6: Market Share by Formats, as per Hifyre (calendar quarters)

	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24
TLRY market share	17.4%	16.0%	15.0%	14.5%	13.6%	13.4%	13.1%	12.2%	11.2%
Beverages	14.0%	9.3%	3.8%	2.4%	39.0%	38.8%	38.1%	41.7%	41.0%
Concentrates	15.0%	14.7%	17.4%	15.1%	9.9%	9.2%	8.4%	6.2%	5.6%
Edibles	8.0%	6.4%	5.6%	5.7%	2.6%	1.9%	2.0%	2.1%	2.4%
Flower	13.6%	14.0%	14.4%	16.8%	14.3%	14.7%	15.4%	14.0%	13.4%
Oils	16.6%	14.8%	14.3%	14.8%	33.0%	33.6%	31.8%	27.3%	24.6%
Pre-rolls	25.7%	20.2%	17.1%	13.7%	15.1%	14.1%	12.6%	12.5%	11.0%
Topicals	14.0%	18.0%	20.7%	20.8%	17.7%	16.0%	14.7%	11.0%	10.5%
Vapes	22.3%	20.0%	16.5%	14.1%	8.7%	8.4%	8.0%	6.9%	6.2%
TLRY sales mix	100%	100%	100%	100%	100%	100%	100%	100%	100%
Beverages	1%	1%	0%	0%	5%	5%	5%	6%	6%
Concentrates	4%	4%	5%	5%	4%	3%	3%	3%	3%
Edibles	3%	2%	2%	2%	1%	1%	1%	1%	1%
Flower	37%	39%	40%	47%	43%	43%	45%	44%	46%
Oils	3%	3%	2%	3%	6%	6%	5%	5%	5%
Pre-rolls	33%	33%	33%	27%	31%	32%	31%	32%	29%
Topicals	0%	0%	1%	1%	1%	0%	0%	0%	0%
Vapes	19%	18%	16%	15%	10%	10%	9%	9%	9%

Source: Hifyre; Z&A calculations

In proforma terms, and taking the Hifyre data, company rec sales (at retail) fell by \$36Mn between 1Q22 to 1Q24 (from \$179Mn to \$143mn). In absolute terms, the bulk of the decline during that 2-year period was driven by vape (-\$20Mn) and pre-rolls (-\$18Mn); while flower sales were relatively stable. Combined, these three categories were 89% of sales back in 1Q22 (proforma). We believe the emergence of more specialized players (Decibel in pre-rolls; Motif in vape) partly explains the company's drop in share in those segments.

At a macro level (i.e., including all categories), while Tilray lost 7.2pt of proforma share between 1Q22 and 1Q24, other companies picked up share: Motif 3.7pt, Cannara Biotech 2.8pt, Decibel gained 2.3pt, Ayurcann 1.6pt, and Village Farms 1.4pt.

Table 7: Market Share by Formats, as per Hifyre

	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2023 Nov	2023 Dec	2024 Jan	2024 Feb	2024 Mar	2024 Apr
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Tilray	17.4%	16.0%	15.0%	14.5%	13.6%	13.4%	13.1%	12.2%	11.2%	12.1%	12.1%	11.6%	11.2%	10.9%	10.3%
Village Farms	6.4%	6.0%	6.3%	7.7%	7.2%	6.4%	6.3%	6.7%	7.8%	6.9%	6.8%	7.3%	7.8%	8.2%	8.3%
Organigram	7.2%	7.6%	7.7%	7.0%	6.4%	6.2%	6.7%	6.8%	7.2%	6.7%	7.0%	7.3%	7.2%	7.1%	6.9%
Decibel	3.7%	4.2%	4.5%	5.8%	6.5%	7.2%	7.2%	6.6%	6.0%	6.4%	6.8%	5.9%	6.2%	5.9%	5.6%
Cronos	4.0%	3.9%	3.9%	4.0%	4.4%	4.3%	4.6%	5.3%	5.4%	5.3%	5.3%	5.3%	5.3%	5.5%	5.5%
Auxly	6.6%	5.4%	4.6%	4.8%	5.2%	4.9%	4.5%	4.4%	4.7%	4.3%	4.4%	4.5%	4.7%	4.8%	4.5%
Motif Labs	0.8%	1.3%	2.1%	2.7%	3.4%	4.1%	4.6%	4.8%	4.5%	4.9%	4.6%	4.5%	4.4%	4.4%	4.6%
Cannara Biotech	0.1%	0.3%	0.5%	1.1%	1.7%	2.3%	2.6%	2.6%	2.9%	2.6%	2.6%	2.8%	2.9%	3.0%	2.8%
Canopy Growth	8.2%	7.3%	6.4%	5.4%	4.7%	4.3%	3.9%	3.0%	2.7%	3.0%	2.7%	2.8%	2.6%	2.7%	2.7%
Weed Me	2.4%	2.6%	2.8%	3.1%	3.1%	2.9%	2.7%	2.5%	2.6%	2.5%	2.5%	2.6%	2.6%	2.4%	2.3%
SNDL	3.6%	3.7%	3.9%	3.3%	3.3%	3.0%	2.4%	2.2%	2.0%	2.2%	2.1%	2.2%	2.0%	1.9%	1.8%
Aurora	2.5%	1.9%	1.7%	2.2%	2.7%	2.6%	2.0%	2.2%	2.0%	2.2%	2.3%	2.2%	1.9%	1.9%	1.7%
Ayurcann	0.2%	0.3%	0.3%	0.5%	0.9%	1.2%	1.6%	1.8%	1.8%	1.7%	1.7%	1.8%	1.8%	1.8%	1.9%
Rubicon	1.6%	2.2%	2.6%	2.3%	2.3%	2.3%	2.3%	2.4%	2.3%	2.4%	2.4%	2.4%	2.3%	2.3%	2.3%
Others	35.2%	37.2%	37.6%	35.4%	34.7%	35.0%	35.6%	36.6%	37.0%	36.7%	36.5%	36.7%	37.1%	37.3%	38.8%

Source: Hifyre; Z&A calculations



Regarding Tilray's presence in Canada's three largest segment:

- Flower:** Back in 1Q20, flower accounted for 61% of rec sales (all stats based on Hifyre scanner data and or StatCan), compared with 38% in 1Q24. During that 4-year period, flower C\$ sales grew cumulatively by 62% while the rest of the market grew by a factor of 4.3x. That said, price deflation has been a theme in flower. In fact, during those 4 years, flower volumes grew by 3.6x to 99 tons in 1Q24 (dried equivalent), but average flower prices fell from C\$10.54/gram in 1Q20 to C\$4.85 in 1Q24, at retail before sales excise taxes. Have flower prices bottomed out? Not yet, although the QoQ drops have lessened (1Q24 was down 2% QoQ, after 4Q23 was down 15% QoQ). Regarding the flower segment market leaders, in 1Q24 Village Farms overtook Tilray as the #1 flower player, reaching 16.0% share (1Q23 13.5%) vs. 13.4% for Tilray (1Q23 14.3%). Organigram was #3 with 8.9% share; Cronos 6.5%; Auxly 4%. As per Hifyre, Tilray had 250 flower SKUs in 1Q24 vs. 171 for VFF. Average price per gram for Tilray flower C\$3.91 vs. the market average of C\$4.85 for flower.
- Pre-Rolls:** Segment sales were up 17% yoy in 1Q24, as per Hifyre, and now account for 30% of national sales (in AB and BC, pre-rolls are now the largest category). The infused segment is driving category growth - see our [Infused Pre-Rolls \(Feb 13 report\)](#), with sales up 51% yoy in 1Q24 vs. flat yoy trends for non-infused. Infused is now 29% of total pre-rolls sales. Tilray under-indexes in this segment, with 6% share in infused (14% share in non-infused) compared with Decibel, which derives all its pre-roll sales from infused and has infused share of 48%. Organigram has 10% share in infused vs. 5% in non-infused.
- Vape:** Segment sales are being driven by new close-loop systems and by all-in-ones, especially the larger format sizes. Tilray also under-indexes in these sub segments driving vape category growth. See [Vape Deep Dive \(Feb 6 report\)](#) for greater granularity. On the aggregate, the segment leader in vape is now Motif Labs with 22.9% share in 1Q24 (vs. 15.3% in 1Q23), followed by Auxly with 10.4% (10.6%), Decibel 9.2% (16.5%), Tilray 6.2% (9.3%), and Ayurcann 5.5% (4.8%).

On Canada's Medical Market

Canada's medical cannabis market has declined in recent years. Sales for the fiscal year ending March 2023 amounted to C\$401Mn (US\$300Mn), compared with C\$441Mn the prior year, and C\$501Mn for the fiscal year ending March 2021.

Active client/patient registrations amounted to 212,700 as of March 2023 (0.6% of the population), down 40% since Oct 2018 (adult-use sales began on 20 Oct 2018). Out of pocket patients (those not reimbursed) have switched to the adult-use market given generally lower prices and easy access (variety, supplies, formats, plenty of stores). In fact, between CY21 and CY23, sales to out of pocket patients fell 39%.

On the other hand, total reimbursements (mostly veterans) have continued to increase (+40% for FY23 vs. FY21) and accounted for 42% of sales in FY23. The medical market is more concentrated



than the adult-use market in Canada; Aurora has 24% share, followed by Canopy Growth with 13%, and Tilray with 8%.

Unlike the 3-tier system in adult-use, Canadian companies can sell directly to patients, and or directly to dispensaries. Sales done via Shopper's Drug Mart account for about 15% of the market, as per our estimates (Canadian LP Avicanna recently took control of this platform, with Shoppers now out of medical cannabis retailing).

On the International Cannabis Operations

Tilray reported international cannabis revenues of US\$14Mn for the latest Feb qtr (+17% qoq, and +44% yoy) and US\$56Mn for the trailing 12 months (C\$76Mn thru Feb'24). By revenues, Tilray is the #1 exporter of cannabis in the world (Aurora is #2 with C\$68Mn LTM thru Dec'23). At present, TLRY does not export from Canada, with most of its international shipments coming out of its facility in Portugal. The company does not split sales by country of destination, but we understand key destination markets include Australia, Germany, Poland, and the UK. Israel was a key market for Tilray, but it has not shipped there for more than a year. Based on the company's regional revenue disclosure, we estimate in the Feb'24 qtr, EMEA accounted for over US\$10Mn of the US\$14Mn disclosed as cannabis international sales, and Oceania for the balance.

- **What is Tilray's international share?** Combined, we estimate the export markets, at retail are about US\$800Mn at present. If so, then Tilray would have about 14% share (taking a 0.5x factor to convert TLRY's international revenues to retail). Assuming the numbers are comparable ("B2B" definitions may vary by company depending on how much wholesale margin they take beyond "dock to dock"), the #2 player would be ACB and #3 Curaleaf (it disclosed \$10Mn in international wholesale revenues for the Dec qtr).
- **What is the upside?** If we took PA/FL MMJ population penetration metrics, for markets like Australia, Germany, and Israel, we estimate a TAM of US\$10Bn. Tilray's international revenues (taking a 0.5x factor to convert TLRY's revenues to retail) at present would be only 1% of that figure. In other words, if we take a LT share of 10%, Tilray's sales could be 10x larger or US\$900Mn more than now (or 14x larger if we extrapolated its 14% share). Taking a 60% gross margin and SGA assumptions, that could represent ~\$200Mn more on EBITDA. At 30x, that would imply an extra ~\$6Bn in EV upside (i.e., growing the company's EV by 4x and market cap by 8x).

Below we review Canada's export trends (Tilray does not export from Canada at present) and how key overseas markets are developing. We realize the overseas markets remain fragmented (and with low barriers to entry apparently), but those with access to quality low-cost cultivation, and good command of the distribution chain should be able to consolidate the markets, organically and via M&A.



Canadian Exports of Medical Cannabis

Canada's exports of medical cannabis continue to grow. As per StatCan, exports reached C\$172Mn in CY23, up 17% yoy, and up 71% vs. C21 (2-year stacked). In this analysis, we only factor flower exports (code 1211.90.10) and extracts exports (1302.90.10). As per the same source, flower accounted for 90% of C\$ exports in CY23, and extracts for the balance. While flower exports grew by 21% in CY23 (+\$26Mn), extracts sales fell by 10% (-\$2Mn). In volumes, flower exports grew from 121 tons to 159 tons.

- **Flower destination:** In CY23, 57% of flower exports went to Australia (41% in CY22), or C\$88Mn; 25% to Germany (21% in CY22), and 12% to Israel (37% in CY22). Flower exports to Australia in CY23 grew by 66% yoy (on top of 165% growth in CY22); flower exports to Germany were up 47% (on top of 7% growth); flower exports to Israel in CY23 fell 60% (and had been flat in CY22). Back in 2020, Israel accounted for 54% of Canadian MMJ flower export sales (Germany 39%, Australia 7%) and for 51% in 2021 (Germany 27%, Australia 22%).
- **Extracts destination:** As per StatCan, 90% of exports of extracts went to Australia, and 6% to Germany. But exports to Australia (of extracts) fell by 13% yoy in CY23, while shipments to Germany were up 4.2x.

Canada's edge? Canada accounts for more than 80% of all cannabis imported into Australia, and for over 50% in Germany. Those metrics are even higher if we include Canadian LPs shipping from other countries (most notably, Tilray from Portugal). Canadian operators are on record indicating that medical exports can be as much as 3x more profitable than Canada's domestic adult-use sales (on a normalized basis for the latter). Compared with other producing countries, Canada has a first mover advantage in the export markets, a larger production footprint, and more years of expertise in at scale cultivation. While these advantages may be eroded over time, Canada for now remains the main supplier to key overseas medical markets such as Australia and Germany.

Leading exporters. Aurora accounted for 40% of Canada's cannabis exports in CY23 (note that in CY22 Aurora was shipping from Denmark into Germany, but now it ships everything from Canada), or \$68Mn of the C\$170Mn reported by StatCan (in CY23, Tilray mostly shipped from Portugal to the rest of the world). If we include TLRY in this analysis (C\$76Mn thru Feb'24), we could say total exports by Canadian companies reached nearly C\$250Mn in CY23. Other leading Canadian exporters included: Canopy Growth with C\$38Mn, Organigram \$13Mn (mainly to Israel), and Village Farms with \$6Mn (in addition, VFF says about one third of its domestic B2B revenues of C\$15Mn in CY23 were reexported by the LPs that bought B2B from VFF). Cronos Group reported C\$14Mn in international sales, but some of that includes sales at its Israel operation (not shipped from Canada).



Key Overseas Markets and the Growth Opportunity

Australia, Germany, and Israel are the largest MMJ markets outside of North America (US med is a ~US\$7Bn; Canada US\$300Mn). In terms of potential TAM, if we took 3% population penetration (PA and FL are closer to 4%) and the standard US\$200/month spend, the three countries (~130mn people combined) represent a potential addressable market of US\$9.4Bn (taking retail prices). Presently, Canada accounts for 85% of Australian MMJ imports and for half of Germany's (this is closer to 65% if we account for overseas operations owned by Canadian companies, most notably Tilray in Portugal). Conservatively, if we assume Canadian companies (with their global footprint, not just in Canada), can serve 50% of the TAM, and apply a 0.5x B2B adjustment factor, then the revenue upside is almost 15x current levels (C\$3.2Bn vs. the combined Canadian LPs international revenues of C\$250Mn at present).

Australia: We estimate the medical cannabis market in Australia in CY23 reached US\$460Mn at retail, or about 3x the size of the German medical market, despite population of almost one third (26.6mn people vs. 83.2mn in Germany). As per Australia's Office of Drug Control, imports reached 25 tons in CY22 (vs. 7 tons in CY21), with growth driven by a change in prescribing rules in late 2021 (2H23 new category 5 patients up 77% vs. 2H22 and 13.5x vs 2H21, per authorized prescribers approval reports). In CY22, Canada accounted for 85% of imports. Domestic production added another 25 tons in CY22 (as per the ODC), with only 1.5 tons exported, and total inventories down 2.3 tons. If correct, these numbers would imply domestic consumption in CY23 was almost 51 tons. At A\$10/gram, that would imply a market size of A\$510Mn or US\$337Mn. The ODC has not issued 2023 data, but Canada's flower exports to Australia increased by close to 70% in value. If we assume, Canada accounted for 80% of imports in CY23 in Australia (for total imports of 45 tons) and domestic production held steady at 25 tons (a conservative assumption), then domestic consumption in CY23 amounted to 70 tons in Australia, or A\$700Mn, or >US\$460Mn. If we take our base case spend of \$200/mo per patient, this would mean there were about 193,000 active patients in Australia in 2023, or about 0.7% of the population. If correct, this would mean the MMJ market in Australia has room to grow. Taking 3-4% penetration, this would equate to a future TAM of US\$1.9-2.6Bnm (or 4x to 6x larger).

Germany: Medical cannabis (MMJ) imports reached 31 tons in CY23 (source: BfArM), up 26% yoy after 20% growth in CY22 and +70% in CY21. About 50% of MMJ imports came from Canada, 14% from Portugal, and 8% each from Denmark and the Netherlands (3% each from Colombia and Denmark). Of the total volume imported, part gets re-exported and part is destroyed as it does not meet German variance standards. As per the same source, purchases by pharmacies are at about 5 tons per quarter, so we estimate the market at present is at a 20-ton annual run rate. If we take a price of 7-8 euros (at retail) per gram, we would estimate Germany is about a US\$160Mn market. We calculate that the cash market (not reimbursed) accounted for more than half of sales in CY23, up from almost nothing back in 2018. Until 4/1/24, MMJ had been prescribed a narcotic as per German law, which meant it could be prescribed by doctors only as a last resort (whether in the reimbursed or cash market), and doctors had to go through an onerous/complex prescription process, and pharmacies could only stock minimum quantities and lock the product in a safe vault. As a result, the German MMJ market was rather underdeveloped. If we assume average patient



spend of \$200 per month, this would mean population penetration of less than 0.1%. But now MMJ has been removed from the narcotics list and we expect prescribing to ramp. Anecdotally, clinics and pharmacies note about a doubling of sales in the month of April. Conservatively, if we assume 1% population penetration by end of 2025 (and \$200/mo spend), by then the market could be at an annual run rate of almost \$2Bn (if we took 3-4%, the market could be \$6-8Bn). Our report from 2/26, discusses the market in greater detail. [Germany: Fact, Fiction, MMJ Upside](#).

Israel: We calculate the domestic MMJ market is at a run rate of \$350Mn (60ton), with about 1.4% of the population prescribed. Until end of 2018, cannabis was prescribed as a last resort medication, and there were only about 30,000 active patients. But changes to the narcotics law (80% of conditions allowed since then) resulted in exponential growth (80,000 patients by Dec'20; 125,000 by Dec'22). Post the 10/7/23 attacks and the Israel/Hamas war, the number grew to >140,000 (it was back at 135,000 by Mar'24). Now, further changes, as per an MOH reform announced on 8/7/23 and being implemented since 3/28/24 (in a phased-in manner) should result in exponential demand growth: 1) more doctors will be able to prescribe cannabis and will not require a special license to prescribe (this will include all doctors in the HMO system, Israel's public health care); 2) more conditions will be allowed, but this will be phased and dependent on age; 3) importantly, medical prescriptions for patients will be similar to those for other narcotics and patients will not require a special "permit" (i.e., patients will not to enter a registry and pay for a special medical card); 4) prescriptions costs for patients will come down significantly (in part due to HMO involvement), roughly from 200-300 NIS for a new prescription plus 100-200 NIS for refills, to new combined costs of 40-50 NIS. The IMCA (unit within the MOH overseeing PHC) changes began this April and will be fully implemented (in phases) by end of 2025. As a result, local companies like InterCure expect the market to at least double by end of 2026. But that may be conservative. If we use FL/PA penetration metrics, this could be a \$1.2Bn market (3.5x). See our recent initiation report on [InterCure](#) (the market leader in Israel). As per StatCan, Canadian MMJ exports to Israel in CY23 fell by 60% in C\$, and only accounted for 12% of Canadian flower C\$ exports (vs. 51% in CY21 and 54% in CY20).

Other markets: Poland and UK. We are keeping a close eye on other emerging MMJ markets (UK, Poland), but so far sales seem small relative to their populations and market potential. Canadian exports to countries outside of the three mentioned above accounted for only 1% of export revenues in CY23, but we realize markets such as Poland, Czech Republic, or UK, may be served from Portugal, Denmark, and other parts of Europe.

- **Poland:** As per the talkingdrugs.org website, "Poland has undergone a political and societal shift in drug-related attitudes in the past few years, and there are growing indications that cannabis is increasingly accepted as a medicine. The Polish Centre for Investigating Public Opinions (CBOS) revealed that 73.4% of Poles support the decriminalization of cannabis. Underlying this interest in ending criminal sanctions for cannabis is a burgeoning desire for medical cannabis. As per Poland's Ministry of Health, the medical cannabis market has grown significantly since the policy enactment in 2017. In 2019, only 2,909 prescriptions were issued for medical cannabis in Poland. This number increased to 27,687 prescriptions in 2023. A substantial growth can also be seen in the overall volume of medical cannabis that has been issued (33.2kg of medical cannabis was dispensed in 2019, compared to 4.6



tons in 2023". If we take an average price of 10 euros per gram, the Polish MMJ market could now be at a run rate of US\$50Mn taking the 10-euro price point.

- UK: Curaleaf claims to have 50% share in the UK and reported retail revenues of US\$6.6Mn for 4Q23, which would imply market size of US\$53Mn. But we think the UK market is more around \$140-150Mn (implying Curaleaf share of ~18%). At the end of 2023, there were 30,000 patients in the UK and this number is expected to reach 60,000 (<1% of the population) by year-end 2024. At US\$200/mo, this would imply a market of US\$144Mn.

Tilray's Edge

Tilray does not disclose sales by country, but we know it is #1 in international cannabis sales. EU-GMP production capabilities in Canada and Portugal, sales staff and wholesale distribution in key markets, and sales under its own brand name, all help equip the company well to maintain a leading position in overseas markets. In addition, in Germany Tilray owns CC Pharma, a company that acts as a wholesale/distributor to pharmacies of a wide range of products including MMJ (It serves 13,000 of the 21,000 pharmacies in Germany). In short, as overseas markets continue to develop, we should see growth in the company's B2B export business, particularly in Germany, as we discussed before. In particular, in the case of Germany we would highlight,

- Management believes "made in Germany" will matter to the local MMJ consumer there, and now with the change in regulations, Tilray will be able to expand local production and sell directly to pharmacies (until now, it could sell its domestic production only to BfArM's designated wholesaler, Cansativa, at preset prices and with only a small 1-ton quota). Importantly, the company's existing EU GMP certified facility in Germany has plenty of room to expand and it would not take long for Tilray to turn on more grow rooms. All this puts Tilray at an advantage vis-a-vis future licensees that would need to start from scratch. *Note: the only two other companies with domestic production in Germany at present are Aurora and Demecan (besides Tilray).*
- The company's brands are well established in Germany (#1 in extracts and plans to roll out new brands and cultivars to serve the flower segment, according to management), and it recently introduced Broken Coast in the more premium segment of the flower market. Tilray also sells (in a smaller amount) for white label purposes in Germany. We think brand name recognition will matter as the German market develops. In the aggregate, the company's brands are among the top two groups in Germany. So, for Germany, Tilray has a three-pronged supply chain (Germany, Portugal, Canada).
- CC Pharma's reach and relationships with pharmacies are a core strength. At present, given the ramp in demand, we hear many prescriptions sit unfulfilled at pharmacies as these cannot process the high volumes. CC Pharma can help in getting the script in the patient's name.

More international M&A down the line? Also, we do not rule out TLRY acquiring downstream operations overseas or building them. For example, Aurora acquired 100% of MedReleaf Australia (capturing pretty much all the revenue through to the pharmacy stage). Curaleaf acquired a wholesaler/importer in Germany (Four20 Pharma) and Poland (Can4Med), and it has developed clinics in the UK (pretty much capturing revenue all the way to the final patient).

The EBITDA upside of international MMJ sales. To state the obvious, an extra \$1 in international sales is significantly more accretive to earnings than \$1 in rec sales in Canada. Tilray reported adjusted cannabis gross margins of 33.2% in the latest Feb qtr (US\$21.1Mn on net sales of US\$63.4Mn). If we assume 65% gross margins for the US\$14Mn in international sales (i.e., US\$9.1Mn), that would mean domestic gross margins of 24% (\$12Mn/\$49.4Mn), and international accounting for 43% of the company's total gross profits. Given the potential for exponential growth in key overseas markets, in 2-3 years international could account for two thirds of the company's cannabis earnings (and that is before factoring the US market, whether medical at first in case of federal legalization, and or rec in the future).

On the Beverage Assets

With \$300Mn now in annualized sales (proforma), Tilray aims to become a top 12 beverage alcohol company in the US market. It plans to leverage its portfolio to win more occasions for core craft beer portfolio, and it has also begun to enter other categories such as malt beverages, ready to drink cocktails, and spirits. Tilray is now also expanding to non-alc drinks, entering segments such as non-alc beer, sparkling water, energy drinks, and hemp drinks.

Starting with the Sweetwater (craft beer) deal in Nov'20, TLRY entered the alcohol beverage space, both as a diversification move and to also add future optionality in the event alcohol brands and distribution could overlap (or find synergies) with THC recreational cannabis, when federally permissible. Given the blurring lines between hemp derivatives and THC cannabis, part of these revenue synergies may be garnered before actual THC rec legalization in the form of hemp drinks. Also, the growing business helps expand the company's EBITDA and cash flow base.

According to management, with the recent A-B craft brands deal, Tilray is approaching a \$300Mn annual run rate in terms of annual craft beer and spirits sales (the latter being 10%), with about 12mn cases (3x prior to the A-B deal). In 2023, the U.S. craft beer market was projected to reach \$30Bn in sales, and to grow at a CAGR of approximately 7.2% through 2030, as per the Brewers Association. Combined with the pro forma sales revenue from the acquired businesses, TLRY is now the 5th largest craft beer business in the U.S. market, as per Beer Insights. Although the craft beer market remains quite fragmented, TLRY calculates it now has about 4.5% share of the US craft beer market.

Table 8: Alcohol Companies Acquired

Company	Closing Date	Purchase Price ex CC	Cash	Stock	# of shares	Implied share price	Contingent Consideration up to	Contingent Consideration fair value
		US\$ 000s	US\$ 000s	US\$ 000s			US\$ 000s	US\$ 000s
A-B Craft portfolio	29-Sep-23	83,658	83,658	0			0	0
Montauk Brewing Company	7-Nov-22	35,123	28,701	6,422	1,708,521	\$3.76	18,000	10,245
Breckenridge Distillery	7-Dec-21	114,068	0	114,068	12,540,479	\$9.10	0	0
SW Brewing Company	25-Nov-20	321,432	255,543	65,889	8,232,810	\$8.00		
Total		470,623			22,481,810		18,000	10,245

Source: Z&A estimates, company reports

We provide more detail here on Tilray's four M&A deals in the drinks space. In total, the company has issued 22.5mn shares for these deals and disbursed almost \$370Mn in cash.

- A-B Deal (Sep'23): The acquisition includes eight beer and beverage brands from Anheuser-Busch, including associated breweries (four in total; two in OR, one in CO, and one in NY) and brewpubs. The eight brands are Shock Top (national), Breckenridge Brewery (CO), Blue Point Brewing Company (NY), 10 Barrel Brewing Company (OR), Redhook Brewery (WA), Widmer Brothers Brewing (OR), Square Mile Cider Company (Pacific Northwest), and HiBall Energy (the only non-alc brand in the portfolio). TLRY will



distribute Shock Top (a traditional Belgian-style wheat ale) as its national craft brand, while the other brands will be scaled up selectively with more of a regional focus. We estimate total sales at about \$150Mn.

- Montauk Brewing (Nov'22): The deal helped Tilray expand its craft footprint to the US northeast with a leading brand - Montauk is the #1 craft brewer in metro NY. We estimate annual sales at about \$6Mn. Initially, the plan was to scale up distribution nationwide, but post the A-B deal, the expansion will be more selective in terms of regions. Also, production will be brought back to Long Island (it had been moved to Sweetwater's GA facility).
- Double Diamond Distillery (Dec'21): Founded in 2008, Breckenridge Distillery is well known for its blended bourbon whiskey, a high-rye mash American-style whiskey, and a collection of artisanal spirits. We estimate sales at the time of the deal were at >\$20Mn, with Tilray paying north of 5x sales in all stock deal. At the time of the acquisition, 85% of company revenues came from CO, and TLRY has been expanding distribution to other states.
- SweetWater (Nov'20): An award-winning brewery known for its stash of heady brews including the original 420 Extra Pale Ale and loads of IPAs, Sweetwater is the largest craft brewer in the US southeast (since the deal, TLRY has expanded regional distribution).

Clear and focused strategy to drive top and bottom line. Regarding the beer brand portfolio, the plan is for Shock Top to be a national craft brand, and for the rest to expand selectively in their own regions. According to Beer Insights, Tilray has already increased market share in 13 states, post acquisitions; in the US southeast it has gained 4.6pt of share. In the Feb qtr, Shock Top's #1 distributor increased coverage by 24% yoy. TLRY says the acquired brands had not seen much innovation, so this is an area of opportunity (examples so far include Shock Top LIIT hard tea; High Ball Hard Ball 10% ABV drinks; and Runner's High, a non-alc craft brew for athletes). As with CEO Irwin Simon's experience at Hain Celestial, the "playbook" is to leverage the existing infrastructure (distribution, marketing, production), by adding new brands (acquired or organic) as well as line extensions, and scaling them up (see recent launch of several non-alcoholic drinks).

Our Financial Projections for Tilray

The growth in key international markets and Tilray's ability to gain or maintain market share, plus revenue growth in the US drinks business should be the main drivers of total sales growth. Cost savings from the recent acquisitions and the margin accretion from international, should help increase profit margins. We show our consolidated and divisional assumptions below, plus our international sales modelling projections.

Table 9: Our projections vs. FactSet consensus

US\$ Mn	May FY23	Aug 1Q24	Nov 2Q24	Feb 3Q24	May 4Q24e	May FY24e	Aug 1Q25e	Nov 2Q25e	Feb 3Q25e	May 4Q25e	May FY25e	May FY26e
Net Sales (\$ Mn)	627.1	176.9	193.8	188.3	225.2	784.2	209.6	206.5	198.3	235.5	849.8	923.9
qoq ch %	na	-4%	10%	-3%	20%	na	-7%	-1%	-4%	19%	na	na
yoy ch %	0%	15%	34%	29%	22%	25%	18%	7%	5%	5%	8%	9%
consensus Sales					224.6	783.6	210.7	211.4	198.9	234.3	863.2	949.7
Profit margins (on net sales)												
Gross profit after FV adj	147.0	44.2	47.4	49.4	69.4	210.4	58.8	58.4	58.9	75.0	251.2	306.2
as % of sales	23.4%	25.0%	24.5%	26.2%	30.8%	26.8%	28.1%	28.3%	29.7%	31.8%	29.6%	33.1%
adj EBITDA	185.8	10.7	10.1	10.2	27.4	58.4	16.9	16.7	17.6	31.7	82.9	120.7
as % of sales	29.6%	6.1%	5.2%	5.4%	12.2%	7.4%	8.1%	8.1%	8.9%	13.5%	9.8%	13.1%
guidance					29-32	60-63	na	na	na	na	na	na
consensus EBITDA					27.5	59.1	16.6	18.4	17.7	30.4	87.1	134.5
as % of sales					12.2%	7.5%	7.9%	8.7%	8.9%	13.0%	10.1%	14.2%
EPS												
Pre tax income	-1,450.2	-48.6	-49.6	-107.9	-24.1	-230.1	-33.3	-33.3	-31.9	-20.1	-118.7	-86.3
Tax rate assumption	-0.5%	14.9%	-6.8%	-2.7%	-0.5%	0.4%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%
Net income	-1,443.0	-71.5	-49.0	-92.7	-23.3	-236.5	-32.2	-32.2	-30.8	-19.4	-114.6	-83.3
Share count (FD) Mn	655.0	691.2	730.8	754.4	799.0	743.9	799.0	799.0	799.0	799.0	799.0	799.0
EPS	-2.35	-0.10	-0.07	-1.90	-0.03	-0.32	-0.04	-0.04	-0.04	-0.02	-0.14	-0.10
consensus					-0.03	-0.30	-0.03	-0.03	-0.05	-0.03	-0.09	-0.09
BS & CF highlights												
Operating cash flow	8	-16	-30	-15	72	11	-24	1	6	24	8	25
(-) Capex	-21	-4	-6	-10	-1	-21	-1	-1	-1	-1	-4	-5
Free cash flow	-13	-20	-36	-25	71	-10	-25	0	5	23	3	20
Ending net cash (debt)	-131	-86	-193	-177	-64	-64	-89	-89	-84	-61	-61	-40
LTM EBITDA	186	57	56	53	58	58	65	71	79	83	83	121
Net debt/EBITDA	-0.7x	-1.5x	-3.4x	-3.3x	-1.1x	-1.1x	-1.4x	-1.3x	-1.1x	-0.7x	-0.7x	-0.3x
Equity	3,316	3,379	3,368	3,359	3,378	3,378	3,345	3,313	3,282	3,263	3,263	3,180

Source: Z&A estimates, company reports

Table 10: Divisions

US\$Mn	May FY23	Aug 1Q24	Nov 2Q24	Feb 3Q24	May 4Q24e	May FY24e	Aug 1Q25e	Nov 2Q25e	Feb 3Q25e	May 4Q25e	May FY25e	May FY26e
Total net sales	627.1	176.9	193.8	188.3	225.2	784.2	209.6	206.5	198.3	235.5	849.8	923.9
cannabis	220.4	70.3	67.1	63.4	68.2	269.1	69.7	71.7	69.4	73.4	284.3	335.9
beverage alcohol	95.1	24.2	46.5	54.7	76.8	202.1	56.8	53.4	57.5	80.6	248.4	265.7
pharma distribution	258.8	69.2	67.2	56.8	67.5	260.7	69.5	68.2	57.6	68.6	263.9	267.9
hemp food	52.8	13.3	12.9	13.4	12.6	52.2	13.6	13.2	13.7	12.8	53.3	54.3
Gross Profits	147.0	44.2	47.4	49.4	69.4	210.4	58.8	58.4	58.9	75.0	251.2	306.2
cannabis	57.7	19.8	20.6	20.9	25.9	87.3	24.4	25.1	24.3	25.7	99.5	130.3
beverage alcohol	46.3	12.9	16.0	18.9	32.3	80.0	22.7	21.9	24.1	37.9	106.7	130.2
pharma distribution	27.5	7.7	7.1	5.6	7.4	27.8	7.6	7.5	6.3	7.5	29.0	29.5
hemp food	15.5	3.8	3.7	4.1	3.8	15.3	4.1	4.0	4.1	3.8	16.0	16.3
Mix of Gross Profits	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
cannabis	39%	45%	44%	42%	37%	41%	41%	43%	41%	34%	40%	43%
beverage alcohol	32%	29%	34%	38%	46%	38%	39%	37%	41%	51%	42%	43%
pharma distribution	19%	17%	15%	11%	11%	13%	13%	13%	11%	10%	12%	10%
hemp food	11%	9%	8%	8%	5%	7%	7%	7%	7%	5%	6%	5%

Source: Z&A estimates, company reports

Table 11: International Sales Projections

	May FY23	Aug 1Q24	Nov 2Q24	Feb 3Q24	May 4Q24e	May FY24e	Aug 1Q25e	Nov 2Q25e	Feb 3Q25e	May 4Q25e	May FY25e	May FY26e
US\$Mn												
Intl markets size												
Germany		36.0	38.0	41.9	58.6	174.4	74.3	83.7	104.6	130.8	393.4	907.3
Australia		110.0	120.0	125.0	145.0	500.0	123.2	134.4	140.0	162.4	560.0	627.2
Israel		88.5	92.3	94.1	99.5	374.4	106.1	119.4	132.6	145.9	504.0	756.0
Other												
Tilray share %												
Germany					23%		18%	17%	16%	16%	17%	15%
Australia					10%		9%	8%	8%	8%	8%	7%
Israel					3%		2%	2%	2%	2%	2%	2%
Other												
Tilray sales (0.4x factor)	43.6	14.3	11.9	14.0	17.5	57.7	16.0	16.6	18.2	21.0	71.7	106.2
Germany					5.4		5.3	5.7	6.7	8.4	26.1	54.4
Australia					5.8		4.4	4.3	4.5	5.2	18.4	17.6
Israel					1.2		0.8	1.0	1.1	1.2	4.0	6.0
Other					5.1		5.4	5.6	5.9	6.2	23.2	28.1

Source: Z&A estimates

Latest Guidance and Consensus

The latest guidance (issued on 4/9, at the time of the fiscal 3Q23 print for the Feb qtr) calls for adj EBITDA of \$60-63Mn (down from \$68-78Mn pre 4/9). Based on adj EBITDA of \$31Mn for the first 9mo, this implies \$29-32Mn for 4Q23 (FactSet consensus is at \$27.5Mn). After three consecutive qtrs of \$10-11Mn EBITDA, this seems like a tall order. Still, management seemed confident in the 4/9 call owing to the benefits from acquisition synergies, proforma growth in the beer unit (Shock Top +10% since the acquisition in Sep'23), international MMJ demand, and seasonality (ordering ahead of the summer in the alcohol unit). Ex one-offs management also says it is on track to be FCF positive.

Stepping back and bigger picture, cash holdings of >\$220Mn are unique in this sector (net debt is manageable at 0.2x sales), and over the past few years TLRY has gained in "strategic scale", which positions it well ahead of various global regulatory unlocks.

About 3Q24 (Feb Qtr)

On 4/9, Tilray missed consensus estimates for 3Q24 and cut FY24 guidance, so the stock fell 25% that day. Still, into the print, the stock had been up almost 80% in the trailing 30 days due to positive news flow in the US and Europe, and chatter of changes to the Canadian excise tax (this did not happen).

Bigger picture, in terms of 9mo FY24 trends, we would highlight the following,

- FCF for the first three quarters was -\$81Mn compared with -\$13Mn in FY23. But this is explained by TLRY having to settle the HEXO liabilities (as part of the deal structure) and deal with exit costs. In fact, at around \$60Mn, they explain the difference between the -\$13Mn and -\$81Mn. Indeed, management says underlying cash flow trends are improving.
- Net debt increased to \$177Mn at the end of 3Q24 vs. \$131Mn at the start of the fiscal year, mostly due to M&A (and not due to cash burn, according to management). Also, we



would note that net debt at 0.24x sales is manageable (or 1.6x “normalized” EBITDA, if we take 15% as “normal” EBITDA margins).

- The share count increased by 18% during those nine months.
- There has been slight erosion in cannabis gross margins, while alcohol gross margins are also down YTD due to the lower margins of the A-B crafts brands acquired. We are told cost efficiencies and scale gains, should help improve alcohol gross margins. In cannabis, faster growth in international sales should also help margins.
- Due to M&A, both in cannabis and beer, yoy total sales growth metrics do not capture actual underlying trends.

Dilution/Accretion from Scale-Up Strategy?

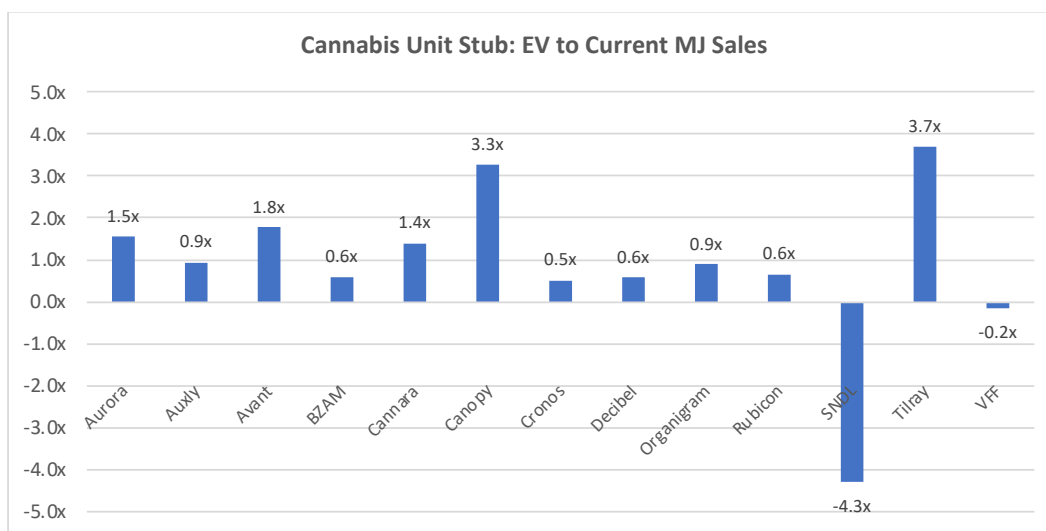
The TLRY share count as of 4/9/24 was 799mn (factoring debt equitized in April), compared with 657mn at end of FY23 and 533Mn at FY22 end. So, during that 24-month period, the share count increased by 50%. Was the share issuance (whether for deals or for equitizing debt) accretive? Well, sales per share (taking our in line with consensus 4Q24 estimates) between 4Q22 and 4Q24 grew by 46% (in line mostly) and EBITDA by 135%. So, on this math, share issuance has been accretive. We will keep a close eye on underlying free cash flow trends (both in absolute terms and per share).

Importantly, as stated before, the company has gained in “strategic scale”, and this positions Tilray well ahead of various global regulatory unlocks. We could say they just have to execute now. That said, if we go by the \$250Mn at the market offering equity program, it seems management is also signaling more M&A is required. Nothing wrong with gaining further scale (avoiding medium term dilution) if helps enhance the company’s strategic position in the global industry.

Valuation

As per our calculations, Tilray's cannabis business trades at a premium to direct peers (not just Canadian). We think that premium may be a strategic asset, if is properly utilized to strengthen the company's position ahead of key regulatory unlocks globally. Sure, there are plenty of cheaper LP stocks, but Tilray has the stock liquidity, a large market cap, a significant cash balance, and "assets in place" already, which make the investment case more credible, in our view.

Table 12: EV/Sales for LPs' cannabis businesses (on spot EV)



Source: FactSet, Z&A estimates, company reports

Top-Down EV

Our EV math and valuation: we calculate a spot EV of US\$1.5Bn (C\$2.3Bn), which implies 1.6x the latest quarter (Feb) annualized sales. For context, US MSOs on average trade at 2x current sales and 12x EBITDA, although we think that is somewhat of an apples and oranges comparison. Despite challenging fundamentals in Canada, we would argue that LPs like Tilray have significant global upside and could someday also have a role to play in the US. Also, US MSOs carry regulatory risk (how will the US rec and med cannabis industry look once federally legalized?) and their stocks are much less liquid. Re our EV math (appendix LP comp tables are in C\$),

- Share count of 799mn:** In the latest 10-Q, the company disclosed 774mn shares. Then on 4/9, it disclosed as many as 25mn shares would be issued to equitize debt (we factor this in the count, and we adjust for the net debt reduction in the EV math). Also, on 5/17, Tilray announced a US\$250Mn at-the-market equity program to "fund strategic and accretive acquisitions and accelerate expansion plan upon US cannabis rescheduling when effective", but we do not factor this in the share count (given no new disclosure since then about how much has been used). We use the closing share price of US\$1.66.

- **Broadly defined proforma net debt of \$239Mn:** Factoring the recent debt conversion, we take proforma \$164Mn in net debt, net leases of \$61Mn, and contingent consideration of \$14Mn.

Table 13: Consolidated Spot (fiscal 3Q24) and Forward EV Estimates

	May FY23	Aug 1Q24	Nov 2Q24	Feb 3Q24	May 4Q24e	May FY24e	May FY25e	May FY26e	May FY27e
US\$m									
EV									
Total company EV (US\$m)	1,253	1,319	1,426	1,540	1,465	1,465	1,463	1,443	1,410
Market cap (US\$m)	1,090	1,201	1,217	1,285	1,326	1,326	1,326	1,326	1,326
FD share count (Mn)	657	723	733	774	799	799	799	799	799
common shares	657	723	733	774	799	799	799	799	799
RSUS and derivatives in the money									
Share price (US\$)	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66
Broadly defined net det	-163	-118	-209	-255	-139	-139	-136	-116	-83
net (debt)	-131	-86	-193	-177	-64	-64	-61	-40	-6
leases/other	-4	-5	4	-58	-61	-61	-61	-62	-63
contingent considerat	-27	-27	-20	-21	-14	-14	-14	-14	-14
Non controlling interest									
EV/Sales	2.0x	1.9x	1.8x	2.0x	1.6x	1.9x	1.7x	1.6x	1.3x
EV/EBITDA	6.7x	30.7x	35.3x	37.9x	13.3x	25.1x	17.6x	12.0x	9.8x

Source: FactSet, Z&A estimates, company reports

Market Implied Value of Cannabis Unit

SOP analysis: derived value of the cannabis unit. Top-down valuation comps of NASDAQ-listed Canadian LP stocks are tricky, and a case of apples and oranges, as some of these companies do not derive 100% of sales from cannabis (see VFF and tomatoes; see SNDL's liquor retail arm; what is the value of the US assets of LPs like CGC and SNDL?). The same applies to Tilray, with cannabis only about one third of cannabis sales. To strip out the cannabis piece, we value the rest of the company as explained below (we calculate the cannabis unit is valued at 3.7x spot EV/Sales):

- **Alcohol:** Management says the business is on track to \$300Mn in annualized sales. In the beer group, SAM trades at 1.2x sales and 9.7x EBITDA; TAP trades at 1.4x and 6.8x, respectively; BUD (more of an international beer company) trades at 2.9x and 8.3x, respectively. Fast growth non-alcohol companies like MNST and CELH trade at 6.5x and 10.6x sales, respectively (21x and 47x EBITDA, resp.). The Tilray beer business has growth upside as more investment is funneled to the various brands and distribution is expanded. That said, we see execution risk, so we take 2x sales on our projected revenue run rate of ~\$265.5Mn (so, US\$531Mn EV for the drinks piece).
- **Manitoba Harvest:** Sales for this business are mostly flat so far in FY24 and sales fell 11% in FY23. We take 1.5x sales, which implies an EV of US\$82Mn.
- **CC Pharma:** we take the purchase price of C\$65Mn or US\$48Mn.

Table 14: EV/Sales and EV/EBITDA multiples (these are forward EV estimates -i.e., different from spot EV)

	May FY23	May FY24e	May FY25e	May FY26e	May FY27e
US\$Mn					
Total EV		1,465	1,463	1,443	1,410
Non-Cannabis		531	625	661	700
alcohol		404	497	531	569
hemp food		78	80	82	83
pharma distribution		48	48	48	48
Implied cannabis EV (projected)		935	838	782	710
EV/Sales		3.5x	2.9x	2.3x	1.6x
EV/EBITDA		na	na	na	na

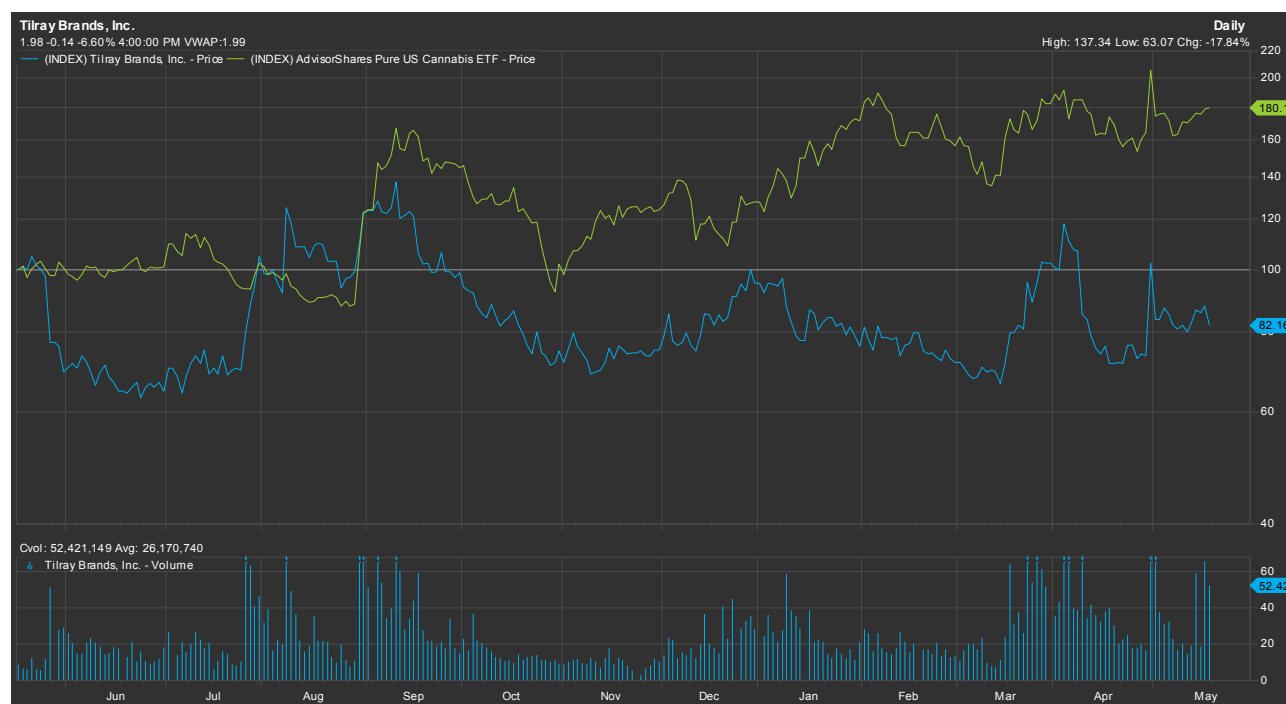
Source: FactSet, Z&A estimates, company reports

The bar chart shown at the start of this section is based on CY23 data and on spot EVs, so it does not exactly tally with the table above (based on projected EV and forward estimates).

Recent stock performance

Tilray shares are up 3% over the last 12 months, while during that time the YOLO ETF is up 28%. A couple of earnings misses and not so well received capital raises explain the stock's underperformance, in our view. That said, as the chart shows, gives its much higher liquidity, TLRY shares tend to be used as proxies for US cannabis news, and tend to outperform on days of positive macro news. In fact, TLRY are down 11% in the last 30 days (-28% last 90d) vs. -13% for the YOLO ETF (-11%).

Table 15: Stock Performance Chart through mid-May



Source: FactSet



The Liquidity Factor

Tilray shares are among the two most actively traded stocks in the cannabis sector (CGC being the other), and the stock is also used as a proxy for US market exposure. Indeed, liquidity remains a problem for the cannabis group, in general, with three NASDAQ listed Canadian LPs and the MSOS ETF capturing the bulk of sector volumes. As per FactSet, over the last 90 days, CGC traded \$115Mn per day, TLRY \$60Mn, and ACB \$38Mn. That is well above the volume of leading US MSOs, which trade OTC: Green Thumb only trades \$8Mn per day, and so does Curaleaf (split between TSX and US OTC); Trulieve trades \$7Mn per day. Other US MSOs are even less liquid (Cresco and Verano \$2-3Mn; Glass House ~\$1Mn; all other MSOs trade below \$1Mn). On the other hand, the MSOS ETF traded nearly \$90Mn on average per day over the last 90 days. That is more than 10x the most “liquid” US MSO (Green Thumb).

Without uplisting in US exchanges, it is unlikely liquidity will improve for US plant touching stocks. We calculate total liquidity for Curaleaf has not changed much since its TSX listing. Indeed, it has only splintered between US OTC and TSX, but the total has not changed.

Table 16: Liquidity (\$ traded per day averages)

			6/24/24	AVERAGE TRADED VOLUME (000s)			AVERAGE TRADED \$ VALUE (\$Mn)		
US\$Mn			Price	Last	Last	Last	Last	Last	Last
Company name	Ticker	Listing	US\$	30-day	90-day	360-day	30-day	90-day	360-day
Canada									
Aurora Cannabis Inc.	ACB	NASDAQ	5.09	4,907	667	375	14.6	38.1	18.9
Auxly Cannabis Group Inc.	CBWTF	US OTC	0.02	301	84	94	0.0	0.0	0.0
Avant Brands Inc	AVTBF	US OTC	0.05	154	905	114	0.0	0.0	0.0
BZAM Ltd	BZAMF	US OTC	0.03	21	45	9	0.0	0.0	0.0
Cannara Biotech, Inc.	LOVFF	US OTC	0.50	6	0	0	0.0	0.0	0.0
Canopy Growth Corporation	CGC	NASDAQ	6.99	17,356	4,061	1,722	65.6	115.3	59.5
Cronos Group Inc	CRON	NASDAQ	2.31	5,257	3,102	2,630	4.7	7.2	5.5
Decibel Cannabis Company Inc	DBCCF	US OTC	0.05	184	59	22	0.0	0.0	0.0
Entourage Health Corp	ETRGF	US OTC	0.01	0	3	16	0.0	0.0	0.0
High Tide, Inc.	HITI	NASDAQ	2.27	645	331	103	1.5	1.5	0.8
Nova Cannabis Inc	NVACF	US OTC	0.94	2	0	3	0.0	0.0	0.0
OrganiGram Holdings Inc	OGI	NASDAQ	1.57	846	2,241	285	1.5	2.7	1.9
Rubicon Organics, Inc.	ROMJF	US OTC	0.28	0	1	15	0.0	0.0	0.0
SNDL Inc.	SNDL	NASDAQ	1.88	8,311	3,510	2,876	9.1	11.9	8.2
Tilray Brands, Inc.	TLRY	NASDAQ	1.66	20,738	27,038	21,881	34.9	59.8	56.3
Village Farms International, Inc.	VFF	NASDAQ	1.02	485	514	290	0.6	1.1	0.7

Source: FactSet, Z&A estimates, company reports

Short Interest

Among the three most liquid LP stocks, the short interest for ACB and CGC has increased since 8/1/23 (pre-HHS rescheduling news), while Tilray’s has remained mostly stable. ACB is now at 28% compared with 9% back in August; CGC has increased to 32% from 7%; Tilray’s short interest has only moved up from 12% to ~14%.

Table 17: Short Interest as % of Free Float

Ticker	24-Jun-24	01-Mar-24	01-Dec-23	01-Aug-23	31-Dec-22	31-Dec-21	31-Dec-20
ACB	28.2%	21.5%	8.0%	8.7%	11.1%	15.7%	18.9%
CGC	31.7%	6.2%	4.8%	7.4%	18.6%	18.3%	14.2%
CRON	2.6%	3.3%	3.9%	5.2%	4.0%	8.9%	15.8%
HITI	7.1%	4.5%	4.5%	2.8%	1.9%	1.4%	0.2%
OGI	5.1%	5.4%	6.5%	3.8%	2.9%	6.1%	4.0%
SNDL	5.1%	3.9%	4.9%	6.1%	7.8%	12.7%	6.9%
TLRY	14.5%	16.0%	16.9%	12.1%	9.4%	10.9%	20.3%
VFF	2.9%	0.8%	1.4%	1.7%	5.6%	9.3%	13.4%

Source: FactSet, Z&A estimates, company reports

Price Target Scenario

We do not assign price targets, but below we show the potential upside taking various EV/Sales multiples for the cannabis unit and apply these on our MJ sales assumptions. True, if the US market opens for Tilray, and our projections estimates for Germany and other markets are too low, then there should be further upside for the stock.

Table 18: Share Price Scenarios

	May FY23	May FY24e	May FY25e	May FY26e	May FY27e
US\$Mn					
Total EV		1,465	1,463	1,443	1,410
Non-Cannabis		531	625	661	700
alcohol		404	497	531	569
hemp food		78	80	82	83
pharma distribution		48	48	48	48
Implied cannabis EV (projected)		935	838	782	710
EV/Sales	3.5x	2.9x	2.3x	1.6x	
EV/EBITDA	na	na	na	na	
Projected share price under various MJ multiple scenarios					
Total EV					
Non-Cannabis EV		531	625	661	700
Cannabis EV	4.0x	1,076	1,137	1,344	1,748
	5.0x	1,346	1,421	1,679	2,185
	7.0x	1,884	1,990	2,351	3,058
	10.0x	2,691	2,843	3,359	4,369
	12.0x	3,229	3,411	4,031	5,243
	15.0x	4,037	4,264	5,038	6,554
Implied PT		by May'24	by May'25	by May'26	upside
4.0x		1.84	2.03	2.36	2.96
5.0x		2.17	2.39	2.78	3.51
7.0x		2.85	3.10	3.62	4.60
10.0x		3.86	4.17	4.89	6.24
12.0x		4.53	4.88	5.73	7.33
15.0x		5.54	5.95	6.99	8.97

Source: FactSet, Z&A estimates, company reports

Table 19: Stocks Mentioned in this Report

Company name	Ticker	Ticker	Rating
US MSOs			
4Front Ventures		FFNTF	Not rated
Acreage Holdings		ACRDF	Not rated
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	Overweight
Trulieve Cannabis		TCNNF	will cover
Verano Holdings		VRNOF	Overweight
Vext Science, Inc.		VEXTF	will cover
Tech			
Leafly		LFLY	Not rated
Springbig		SBIG	Not rated
WM Technology		MAPS	Neutral

Source: Z&A ratings

Company name	Ticker	Rating
Canada LPs		
Aurora Cannabis	ACB	will cover
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	will cover
Village Farms Intl	VFF	Overweight
Finance Companies		
AFC Gamma	AFCG	will cover
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
Irwin Naturals	IWINF	Not rated
Ispire Technology	ISPR	will cover
Smoore International	SMORF	will cover



Appendix I: Company Financials

27 June 2024

Tilray Brands: Initiation of Coverage

Exhibit 1: Financial Highlights

US\$ Mn	May FY23	Aug 1Q24	Nov 2Q24	Feb 3Q24	May 4Q24e	May FY24e	Aug 1Q25e	Nov 2Q25e	Feb 3Q25e	May 4Q25e	May FY25e	May FY26e	May FY27e
Net Sales (\$ Mn)	627.1	176.9	193.8	188.3	225.2	784.2	209.6	206.5	198.3	235.5	849.8	923.9	1,048.6
qoq ch %	na	-4%	10%	-3%	20%	na	-7%	-1%	-4%	19%	na	na	na
yoy ch %	0%	15%	34%	29%	22%	25%	18%	7%	5%	5%	8%	9%	14%
<i>consensus Sales</i>					224.6	783.6	210.7	211.4	198.9	234.3	863.2	949.7	na
Profit margins (on net sales)													
Gross profit after FV adj	147.0	44.2	47.4	49.4	69.4	210.4	58.8	58.4	58.9	75.0	251.2	306.2	359.2
as % of sales	23.4%	25.0%	24.5%	26.2%	30.8%	26.8%	28.1%	28.3%	29.7%	31.8%	29.6%	33.1%	34.3%
Op exp	1,516.6	78.6	89.2	131.5	86.8	386.0	85.9	85.5	84.6	88.8	344.8	366.9	404.9
as % of sales	241.8%	44.4%	46.0%	69.8%	38.5%	49.2%	41.0%	41.4%	42.7%	37.7%	40.6%	39.7%	38.6%
EBIT	-1,369.7	-34.4	-41.8	-82.1	-17.4	-175.6	-27.0	-27.1	-25.7	-13.8	-93.6	-60.6	-45.7
as % of sales	-218.4%	-19.4%	-21.6%	-43.6%	-7.7%	-22.4%	-12.9%	-13.1%	-13.0%	-5.9%	-11.0%	-6.6%	-4.4%
adj EBITDA	185.8	10.7	10.1	10.2	27.4	58.4	16.9	16.7	17.6	31.7	82.9	120.7	143.4
as % of sales	29.6%	6.1%	5.2%	5.4%	12.2%	7.4%	8.1%	8.1%	8.9%	13.5%	9.8%	13.1%	13.7%
<i>guidance</i>					29-32	60-63	na	na	na	na	na	na	na
<i>consensus EBITDA</i>					27.5	59.1	16.6	18.4	17.7	30.4	87.1	134.5	na
<i>as % of sales</i>					12.2%	7.5%	7.9%	8.7%	8.9%	13.0%	10.1%	14.2%	na
EPS													
Pre tax income	-1,450.2	-48.6	-49.6	-107.9	-24.1	-230.1	-33.3	-33.3	-31.9	-20.1	-118.7	-86.3	-72.4
Tax rate assumption	-0.5%	14.9%	-6.8%	-2.7%	-0.5%	0.4%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%
Net income	-1,443.0	-71.5	-49.0	-92.7	-23.3	-236.5	-32.2	-32.2	-30.8	-19.4	-114.6	-83.3	-69.9
Share count (FD) Mn	655.0	691.2	730.8	754.4	799.0	743.9	799.0	799.0	799.0	799.0	799.0	799.0	799.0
EPS	-2.35	-0.10	-0.07	-1.90	-0.03	-0.32	-0.04	-0.04	-0.04	-0.02	-0.14	-0.10	-0.09
<i>consensus</i>					-0.03	-0.30	-0.03	-0.03	-0.05	-0.03	-0.09	-0.09	0.00
BS & CF highlights													
Operating cash flow	8	-16	-30	-15	72	11	-24	1	6	24	8	25	39
(-) Capex	-21	-4	-6	-10	-1	-21	-1	-1	-1	-1	-4	-5	-5
Free cash flow	-13	-20	-36	-25	71	-10	-25	0	5	23	3	20	34
Ending net cash (debt)	-131	-86	-193	-177	-64	-64	-89	-89	-84	-61	-61	-40	-6
LTM EBITDA	186	57	56	53	58	58	65	71	79	83	83	121	143
Net debt/EBITDA	-0.7x	-1.5x	-3.4x	-3.3x	-1.1x	-1.1x	-1.4x	-1.3x	-1.1x	-0.7x	-0.7x	-0.3x	0.0x
Equity	3,316	3,379	3,368	3,359	3,378	3,378	3,345	3,313	3,282	3,263	3,263	3,180	3,110

Source: Z&A estimates, company reports

27 June 2024

Tilray Brands: Initiation of Coverage

Exhibit 2: Divisional Split

	May FY23	Aug 1Q24	Nov 2Q24	Feb 3Q24	May 4Q24e	May FY24e	Aug 1Q25e	Nov 2Q25e	Feb 3Q25e	May 4Q25e	May FY25e	May FY26e	May FY27e
US\$Mn													
Total net sales	627.1	176.9	193.8	188.3	225.2	784.2	209.6	206.5	198.3	235.5	849.8	923.9	1,048.6
cannabis	220.4	70.3	67.1	63.4	68.2	269.1	69.7	71.7	69.4	73.4	284.3	335.9	436.9
beverage alcohol	95.1	24.2	46.5	54.7	76.8	202.1	56.8	53.4	57.5	80.6	248.4	265.7	284.3
pharma distribution	258.8	69.2	67.2	56.8	67.5	260.7	69.5	68.2	57.6	68.6	263.9	267.9	271.9
hemp food	52.8	13.3	12.9	13.4	12.6	52.2	13.6	13.2	13.7	12.8	53.3	54.3	55.4
Gross Profits	147.0	44.2	47.4	49.4	69.4	210.4	58.8	58.4	58.9	75.0	251.2	306.2	359.2
cannabis	57.7	19.8	20.6	20.9	25.9	87.3	24.4	25.1	24.3	25.7	99.5	130.3	169.7
beverage alcohol	46.3	12.9	16.0	18.9	32.3	80.0	22.7	21.9	24.1	37.9	106.7	130.2	143.0
pharma distribution	27.5	7.7	7.1	5.6	7.4	27.8	7.6	7.5	6.3	7.5	29.0	29.5	29.9
hemp food	15.5	3.8	3.7	4.1	3.8	15.3	4.1	4.0	4.1	3.8	16.0	16.3	16.6
Mix of Gross Profits	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
cannabis	39%	45%	44%	42%	37%	41%	41%	43%	41%	34%	40%	43%	47%
beverage alcohol	32%	29%	34%	38%	46%	38%	39%	37%	41%	51%	42%	43%	40%
pharma distribution	19%	17%	15%	11%	11%	13%	13%	13%	11%	10%	12%	10%	8%
hemp food	11%	9%	8%	8%	5%	7%	7%	7%	7%	5%	6%	5%	5%

Source: Z&A estimates, company reports

27 June 2024

Tilray Brands: Initiation of Coverage

Exhibit 3: Cannabis Projections

	May FY23	Aug 1Q24	Nov 2Q24	Feb 3Q24	May 4Q24e	May FY24e	Aug 1Q25e	Nov 2Q25e	Feb 3Q25e	May 4Q25e	May FY25e	May FY26e	May FY27e
US\$Mn													
Total net sales	220.4	70.3	67.1	63.4	68.2	269.1	69.7	71.7	69.4	73.4	284.3	335.9	436.9
Canadian rec	152.9	45.3	45.2	40.9	41.7	173.1	44.4	45.6	42.1	43.3	175.4	192.6	233.3
Canadian med	22.5	5.5	5.7	5.7	5.8	22.7	5.8	5.8	5.8	5.8	23.0	23.0	23.0
Canadian bulk	1.4	5.3	4.3	2.8	3.3	15.7	3.6	3.8	3.4	3.5	14.3	15.0	16.1
International	43.6	14.3	11.9	14.0	17.5	57.7	16.0	16.6	18.1	20.8	71.5	105.2	164.5
YoY ch %	-7%	20%	35%	33%	6%	22%	-1%	7%	9%	8%	6%	18%	30%
Canadian rec	3%	8%	25%	27%	-2%	13%	-2%	1%	3%	4%	1%	10%	21%
Canadian med	-20%	-6%	-1%	5%	5%	1%	4%	2%	1%	0%	2%	0%	0%
Canadian bulk	-79%	1251%	1717%	4666%	344%	992%	-32%	-12%	24%	5%	-9%	5%	7%
International	-19%	37%	55%	44%	11%	32%	12%	39%	29%	19%	24%	47%	56%
Mix %	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Canadian rec	69%	64%	67%	65%	61%	64%	64%	64%	61%	59%	62%	57%	53%
Canadian med	10%	8%	8%	9%	8%	8%	8%	8%	8%	8%	8%	7%	5%
Canadian bulk	1%	8%	6%	4%	5%	6%	5%	5%	5%	5%	5%	4%	4%
International	20%	20%	18%	22%	26%	21%	23%	23%	26%	28%	25%	31%	38%

Source: Z&A estimates, company reports

27 June 2024

Tilray Brands: Initiation of Coverage

Exhibit 4: Canadian Cannabis Rec Market Assumptions

Mn	2019	2020	2021	2022	2023	1Q24e	2Q24e	3Q24e	4Q24e	2024e	2025e	2026e	2027e	2028e
Our projections														
Rec (US\$)	926	1,955	3,092	3,470	3,826	892	947	1,032	997	3,868	3,945	4,024	4,105	4,187
Rec (C\$)	1,188	2,620	3,875	4,518	5,163	1,203	1,277	1,391	1,344	5,214	5,318	5,425	5,533	5,644
yoy ch %	679%	121%	48%	17%	14%	2%	0%	1%	1%	1%	2%	2%	2%	2%
qoq ch %	na	na	na	na	na	-9%	6%	9%	-3%	na	na	na	na	na
	Nov	Nov	Nov	Nov	Nov	Feb	May	Aug	Nov	Nov	Nov	Nov	Nov	Nov
Rec (C\$)	1,097	2,470	3,819	4,448	5,140	1,237	1,252	1,353	1,359	5,202	5,416	5,535	5,658	5,784
yoy ch %		125%	55%	16%	16%	4%	0%	-1%	2%	1%	4%	2%	2%	2%
qoq ch %	na	na	na	na	na	-7%	1%	8%	0%	na	na	na	na	na
Sales by province	1,188	2,620	3,875	4,518	5,163	1,203	1,277	1,391	1,344	5,214	5,318	5,425	5,533	5,644
Ontario	254	722	1,423	1,803	2,125									
Alberta	286	575	717	797	894									
British Columbia	255	370	551	670	797									
Quebec	97	496	601	586	623									
Rest	296	457	583	662	723									
YoY ch %		121%	48%	17%	14%									
Ontario		184%	97%	27%	18%									
Alberta		101%	25%	11%	12%									
British Columbia		45%	49%	21%	19%									
Quebec		412%	21%	-2%	6%									
Rest		54%	28%	14%	9%									
QoQ ch %		na	na	na	na									

Source: Z&A estimates, company reports

27 June 2024

Tilray Brands: Initiation of Coverage

Exhibit 5: International Cannabis Sales Assumptions

	May FY23	Aug 1Q24	Nov 2Q24	Feb 3Q24	May 4Q24e	May FY24e	Aug 1Q25e	Nov 2Q25e	Feb 3Q25e	May 4Q25e	May FY25e	May FY26e	May FY27e
US\$Mn													
Intl markets size													
Germany		36.0	38.0	41.9	58.6	174.4	74.3	83.7	104.6	130.8	393.4	907.3	1,754.9
Australia		110.0	120.0	125.0	145.0	500.0	123.2	134.4	140.0	162.4	560.0	627.2	702.5
Israel		88.5	92.3	94.1	99.5	374.4	106.1	119.4	126.0	132.6	484.1	630.0	663.2
Other													
Tilray share %													
Germany					23%		18%	17%	16%	16%	17%	15%	15%
Australia					10%		9%	8%	8%	8%	8%	7%	7%
Israel					3%		2%	2%	2%	2%	2%	2%	2%
Other													
Tilray sales (0.4x factor)	43.6	14.3	11.9	14.0	17.5	57.7	16.0	16.6	18.1	20.8	71.5	105.2	164.5
Germany					5.4		5.3	5.7	6.7	8.4	26.1	54.4	105.3
Australia					5.8		4.4	4.3	4.5	5.2	18.4	17.6	19.7
Israel					1.2		0.8	1.0	1.0	1.1	3.9	5.0	5.3
Other					5.1		5.4	5.6	5.9	6.2	23.2	28.1	34.2

Source: Z&A estimates, company reports

27 June 2024

Tilray Brands: Initiation of Coverage

Exhibit 6: Income Statement

INCOME STATEMENT	May FY23	Aug 1Q24	Nov 2Q24	Feb 3Q24	May 4Q24e	May FY24e	Aug 1Q25e	Nov 2Q25e	Feb 3Q25e	May 4Q25e	May FY25e	May FY26e	May FY27e
<i>US\$ 000s</i>													
Net revenue	627,124	176,949	193,771	188,340	225,156	784,216	209,618	206,507	198,254	235,464	849,844	923,855	1,048,587
(-) product costs	-480,164	-132,753	-146,362	-138,944	-155,769	-573,828	-150,769	-148,060	-139,361	-160,472	-598,661	-617,621	-689,426
Gross profit	146,960	44,196	47,409	49,396	69,388	210,389	58,849	58,447	58,894	74,992	251,182	306,234	359,161
(-) General and administrative	-165,159	-40,516	-43,313	-39,940	-41,000	-164,769	-41,000	-41,000	-41,000	-41,000	-164,000	-182,250	-206,742
(-) Selling	-34,840	-6,859	-7,583	-9,995	-11,708	-36,145	-10,900	-10,738	-10,309	-12,244	-44,192	-43,365	-49,190
(-) Amortization	-93,489	-22,225	-21,917	-21,558	-20,575	-86,275	-21,386	-21,398	-21,410	-21,422	-85,617	-85,820	-86,044
(-) Marketing and promotion	-30,937	-8,535	-9,208	-11,191	-13,509	-42,443	-12,577	-12,390	-11,895	-14,128	-50,991	-55,431	-62,915
(-) Research and development	-682	-79	-56	-106	0	-241	0	0	0	0	0	0	0
(-) Change in fair value of contingent cor	-855	11,107	-300	5,983	0	16,790	0	0	0	0	0	0	0
(-) Impairments	-934,000	0	0	0	0	0	0	0	0	0	0	0	0
(-) Other than temporary change in FV of	-246,330	0	0	-42,681	0	0	0	0	0	0	0	0	0
(-) Litigation costs	505	-2,034	-3,042	-3,363	0	-8,439	0	0	0	0	0	0	0
(-) Restructuring costs	-9,245	-915	-2,655	-5,178	0	-8,748	0	0	0	0	0	0	0
(-) Transaction costs	-1,613	-8,502	-1,094	-3,465	0	-13,061	0	0	0	0	0	0	0
Operating income	-1,369,685	-34,362	-41,759	-82,098	-17,405	-175,624	-27,014	-27,080	-25,721	-13,802	-93,617	-60,632	-45,729
(+) FX gain	0	0	0	0	0	0	0	0	0	0	0	0	0
(-) Interest expense, net	-13,587	-9,835	-8,625	-8,517	-6,695	-33,672	-6,329	-6,251	-6,200	-6,323	-25,103	-25,682	-26,683
(+) Change in fair value of warrant liability	0	0	0	0	0	0	0	0	0	0	0	0	0
(+) Non-operating income	-66,909	-4,402	821	-17,239	0	-20,820	0	0	0	0	0	0	0
Loss before provision for income taxes	-1,450,181	-48,599	-49,563	-107,854	-24,100	-230,116	-33,343	-33,330	-31,921	-20,125	-118,720	-86,314	-72,412
(-) deferred income tax recovery	0	0	0	0	723	723	1,000	1,000	958	604	3,562	2,589	2,172
(-) current income tax expense	7,181	-7,264	3,380	2,871	120	-893	167	167	160	101	594	432	362
Net income before min int	-1,443,000	-55,863	-46,183	-104,983	-23,256	-230,285	-32,176	-32,164	-30,804	-19,421	-114,565	-83,293	-69,878
(-) min int	9,238	-15,662	-2,825	12,282	0	-6,205	0	0	0	0	0	0	0
Net income	-1,443,000	-71,525	-49,008	-92,701	-23,256	-236,490	-32,176	-32,164	-30,804	-19,421	-114,565	-83,293	-69,878
Basic EPS	-2.35	-0.10	-0.07	-1.90	-0.03	-0.32	-0.04	-0.04	-0.04	-0.02	-0.14	-0.10	-0.09
Diluted EPS	-2.35	-0.10	-0.07	-1.90	-0.03	-0.32	-0.04	-0.04	-0.04	-0.02	-0.14	-0.10	-0.09
Basic # of shares (Mn)	655.0	691.2	730.8	754.4	799.0	743.9	799.0	799.0	799.0	799.0	799.0	799.0	799.0
Diluted # of shares (Mn)	655.0	691.2	730.8	754.4	799.0	743.9	799.0	799.0	799.0	799.0	799.0	799.0	799.0

Source: Z&A estimates, company reports

27 June 2024

Tilray Brands: Initiation of Coverage

Exhibit 7: Cash Flow

SUMMARY CASH FLOW	May FY23	Aug 1Q24	Nov 2Q24	Feb 3Q24	May 4Q24e	May FY24e	Aug 1Q25e	Nov 2Q25e	Feb 3Q25e	May 4Q25e	May FY25e	May FY26e	May FY27e
<i>US\$ 000s</i>													
Net earnings	-1,443,000	-55,863	-46,183	-104,983	-23,256	-230,285	-32,176	-32,164	-30,804	-19,421	-114,565	-83,293	-69,878
(+) D&A	130,149	30,789	31,552	32,842	31,344	126,527	31,364	31,382	31,400	31,417	125,563	125,860	126,188
Cash earnings	-1,312,851	-25,074	-14,631	-72,141	8,088	-103,758	-812	-782	596	11,996	10,998	42,567	56,310
(-) Working capital changes	14,400	5,571	-13,059	-21,397	64,340	35,455	-23,623	2,171	5,759	12,202	-3,491	-17,713	-17,088
(-) Other operating flows	1,306,357	3,661	-2,719	78,177	0	79,119	0	0	0	0	0	0	0
Net cash used in operating activities	7,906	-15,842	-30,409	-15,361	72,428	10,816	-24,435	1,389	6,354	24,198	7,506	24,855	39,222
(-) net capex	-20,800	-4,152	-5,859	-9,528	-1,126	-20,665	-1,048	-1,033	-991	-1,177	-4,249	-4,619	-5,243
Free cash flow	-12,894	-19,994	-36,268	-24,889	71,303	-9,848	-25,483	357	5,363	23,021	3,257	20,235	33,979
(-) acquisitions	-26,718	22,956	-83,582	0	0	-60,626	0	0	0	0	0	0	0
(-) divestitures	4,304	342	23	801	0	1,166	0	0	0	0	0	0	0
(+) other	-35,663	41,480	13,290	39,976	0	94,746	0	0	0	0	0	0	0
(+) share issuance	129,593	0	0	0	41,900	41,900	0	0	0	0	0	0	0
(+) share repurchase	-1,189	0	0	0	0	0	0	0	0	0	0	0	0
(-) stock options/warrants	0	0	0	0	0	0	0	0	0	0	0	0	0
Change in net	58,622	44,784	-106,537	15,888	113,203	67,338	-25,483	357	5,363	23,021	3,257	20,235	33,979
Ending net (debt)	-131,243	-86,459	-192,996	-177,108	-63,905	-63,905	-89,389	-89,032	-83,669	-60,649	-60,649	-40,413	-6,434
Cash/inv/sec	448,529	466,465	261,367	225,858	305,839	305,839	272,461	271,236	272,406	314,334	314,334	346,150	399,703
Gross debts/loans/bonds	579,772	552,924	454,363	402,966	369,745	369,745	361,849	360,268	356,075	374,982	374,982	386,563	406,138

Source: Z&A estimates, company reports

27 June 2024

Tilray Brands: Initiation of Coverage

Exhibit 8: Balance Sheet

BALANCE SHEET	May FY23	Aug 1Q24	Nov 2Q24	Feb 3Q24	May 4Q24e	May FY24e	May FY25e	May FY26e	May FY27e
US\$ 000s									
Cash and cash equivalents	206,632	179,132	144,949	146,253	226,234	226,234	234,729	266,545	320,098
Marketable securities	241,897	287,333	116,418	79,605	79,605	79,605	79,605	79,605	79,605
Accounts receivable	86,227	82,076	90,596	89,542	91,865	91,865	85,842	92,141	99,776
Held for sale	0	3,696	0	28,638	0	0	0	0	0
Inventory	200,551	232,075	252,702	244,139	247,443	247,443	231,220	248,186	268,751
Prepaid expenses and other current as:	37,722	44,943	37,362	43,034	51,446	51,446	53,801	59,009	67,811
Current assets	773,029	829,255	642,027	631,211	696,593	696,593	685,198	745,486	836,041
Capital ssets	429,667	494,619	615,087	578,783	566,923	566,923	519,049	471,247	423,741
Right of use assets	5,941	5,605	13,551	17,453	17,453	17,453	17,453	17,453	17,453
Intangible assets	973,785	967,568	953,419	930,105	911,746	911,746	838,307	764,868	691,429
Goodwill	2,008,843	2,009,673	2,009,714	2,009,632	2,009,632	2,009,632	2,009,632	2,009,632	2,009,632
Interest in equity investees	4,576	4,638	4,638	0	0	0	0	0	0
Long-term investments	7,795	7,564	8,034	8,058	8,058	8,058	8,058	8,058	8,058
Convertible notes receivable	103,401	74,681	74,681	32,000	32,000	32,000	32,000	32,000	32,000
Other assets	222	8,647	9,406	5,614	5,614	5,614	5,614	5,614	5,614
TOTAL ASSETS	4,307,259	4,402,250	4,330,557	4,212,856	4,248,020	4,248,020	4,115,311	4,054,359	4,023,968
Bank indebtedness	23,381	14,594	20,181	15,029	5,000	5,000	5,000	5,000	5,000
Accounts payable and accrued liabilities	190,682	238,081	216,898	209,763	257,822	257,822	233,969	243,688	261,840
Contingent consideration	16,218	7,181	7,704	0	0	0	0	0	0
Warrant liability	1,817	10,015	3,768	3,182	3,804	3,804	3,978	4,363	5,014
Escrow payable	0	0	0	0	0	0	0	0	0
Current portion of lease liabilities	2,423	2,324	5,043	5,424	6,484	6,484	6,781	7,437	8,547
Current portion of long-term debt	24,080	13,489	12,993	12,351	14,765	14,765	15,441	16,936	19,462
Current portion of convertible debent	174,378	251,590	128,399	83,351	99,644	99,644	104,206	114,292	131,340
Total current liabilities	432,979	537,274	394,986	329,100	387,520	387,520	369,376	391,716	431,204
Contingent consideration	10,889	13,000	13,000	14,000	14,000	14,000	14,000	14,000	14,000
Lease liabilities	7,936	7,462	69,974	73,228	73,228	73,228	73,228	73,228	73,228
Long-term debt	136,889	152,390	169,099	165,648	165,648	165,648	165,648	165,648	165,648
Convertible debentures payable	221,044	120,861	123,691	126,587	84,687	84,687	84,687	84,687	84,687
Deferred tax liabilities	167,364	169,633	166,454	161,042	161,042	161,042	161,042	161,042	161,042
Other liabilities	215	74	0	210	210	210	210	210	210
Total liabilities	977,316	1,000,694	937,204	869,815	886,335	886,335	868,191	890,531	930,019
Convertible preferred stock	66	72	73	77	77	77	77	77	77
Preferred stock	0	0	0	0	0	0	0	0	0
Class 1 common stock	5,777,743	5,909,895	0	0	0	0	0	0	0
Class 2 common stock	-46,610	0	0	0	0	0	0	0	0
Class 3 common stock	0	0	0	0	0	0	0	0	0
Capital stock	0	0	0	0	0	0	0	0	0
Additional paid-in capital	0	0	5,942,671	6,030,709	6,072,609	6,072,609	6,072,609	6,072,609	6,072,609
Accumulated other comprehensive inc	0	-43,561	-38,367	-43,187	-43,187	-43,187	-43,187	-43,187	-43,187
Accumulated deficit	-2,415,507	-2,487,032	-2,536,040	-2,628,741	-2,651,997	-2,651,997	-2,766,562	-2,849,855	-2,919,732
Total stockholders equity	3,315,692	3,379,374	3,368,337	3,358,858	3,377,502	3,377,502	3,262,937	3,179,644	3,109,767
Non controlling interest	14,251	22,182	25,016	-15,817	-15,817	-15,817	-15,817	-15,817	-15,817
TOTAL LIABILITIES AND EQUITY	4,307,259	4,402,250	4,330,557	4,212,856	4,248,020	4,248,020	4,115,311	4,054,359	4,023,968

Source: Z&A estimates, company reports



Appendix II: Selected Company Slides

Exhibit 9: Brand Portfolio

Tilray Brands Diversified Global Portfolio

Building a Multi-Billion Dollar Global Consumer Packaged Goods Company with a Portfolio of Best-in-Class Brands















Source: Company reports

Exhibit 10: Cannabis Brand Portfolio

High-Growth Brand Portfolio and Increased Product Breadth

**Consumers Have Access to the Most Diverse Portfolio in the Industry;
Well-Positioned in All Large Cannabis Markets Across Canada with a Complete Product Offering**

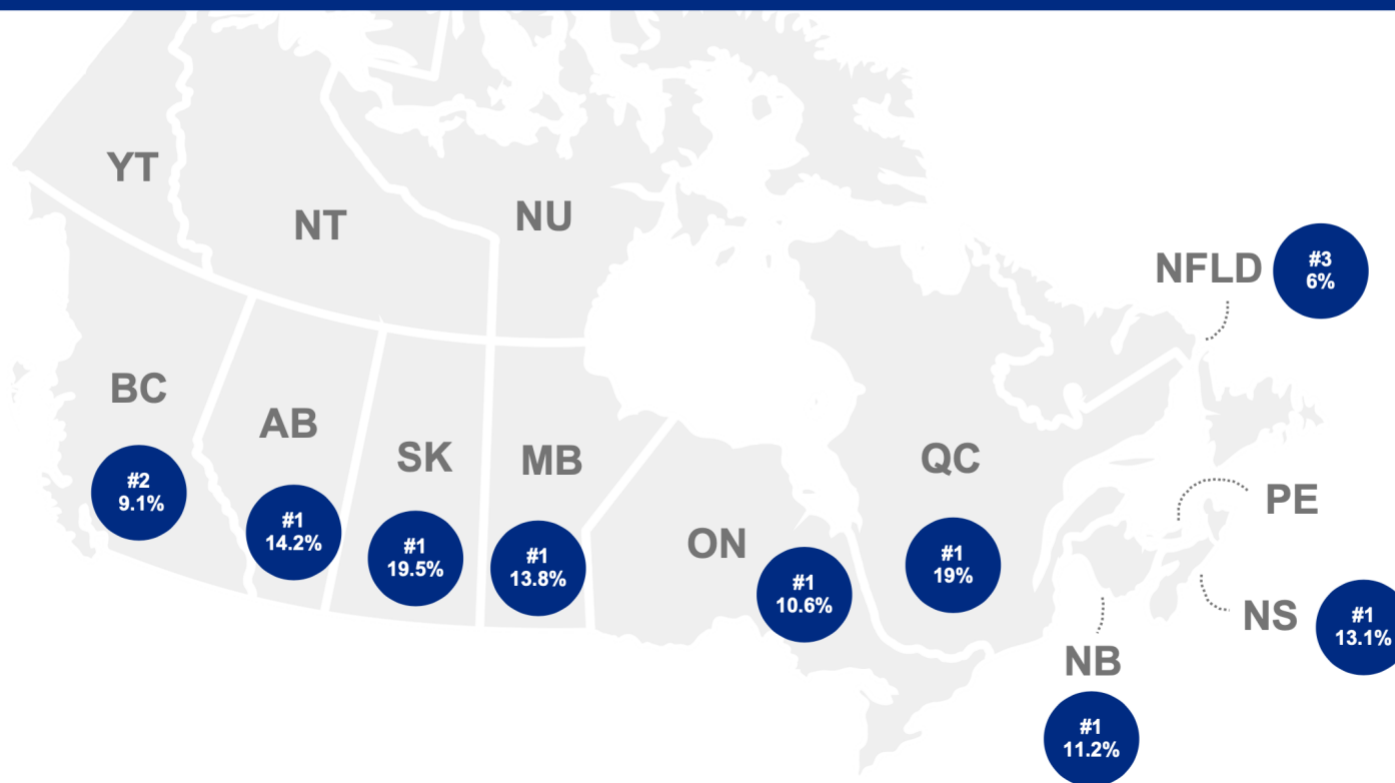
		TILRAY BRANDS		HEXO CORP	
				Notable Brand Additions	
Premium	<ul style="list-style-type: none"> Flower/Pre-Rolls Oils/Capsules Vapes Concentrates 	 			
Mainstream	<ul style="list-style-type: none"> Flower/Pre-Rolls Oils/Capsules Vapes Concentrates Edibles Topicals 	  			
Value	<ul style="list-style-type: none"> Flower/Pre-Rolls Oils/Capsules Vapes Concentrates Edibles Topicals 	 	  		

Source: Company reports

Exhibit 11: Cannabis Presence in Canada (inc. HEXO)

Pro-Forma Market Share Leader Across Canada

Expansive Reach is Critical to Combat Proliferation of LP's and SKU's



Source: Company reports

Exhibit 12: HEXO Deal Rationale

TILRAY + HEXO → Canadian Cannabis Leader



¹ Source: HiFyre, WeedCrawler, Provincial Board & Company data (May 2023)

² Synergies to be realized after integration efforts are completed

Source: Company reports

Exhibit 13: Synergies from HEXO Deal

Numerous Identified Cost Synergy Opportunities

Potential Cost Synergies	Cultivation, Production & Manufacturing	<ul style="list-style-type: none"> Consolidation of cultivation & production infrastructure in Canada Centralized packaging & efficient logistics Expertise in manufactured products, including Phase 2.0 products
	Sales & Marketing	<ul style="list-style-type: none"> Sales & distribution synergies
	Corporate	<ul style="list-style-type: none"> Public company expenses Corporate consolidation & optimization

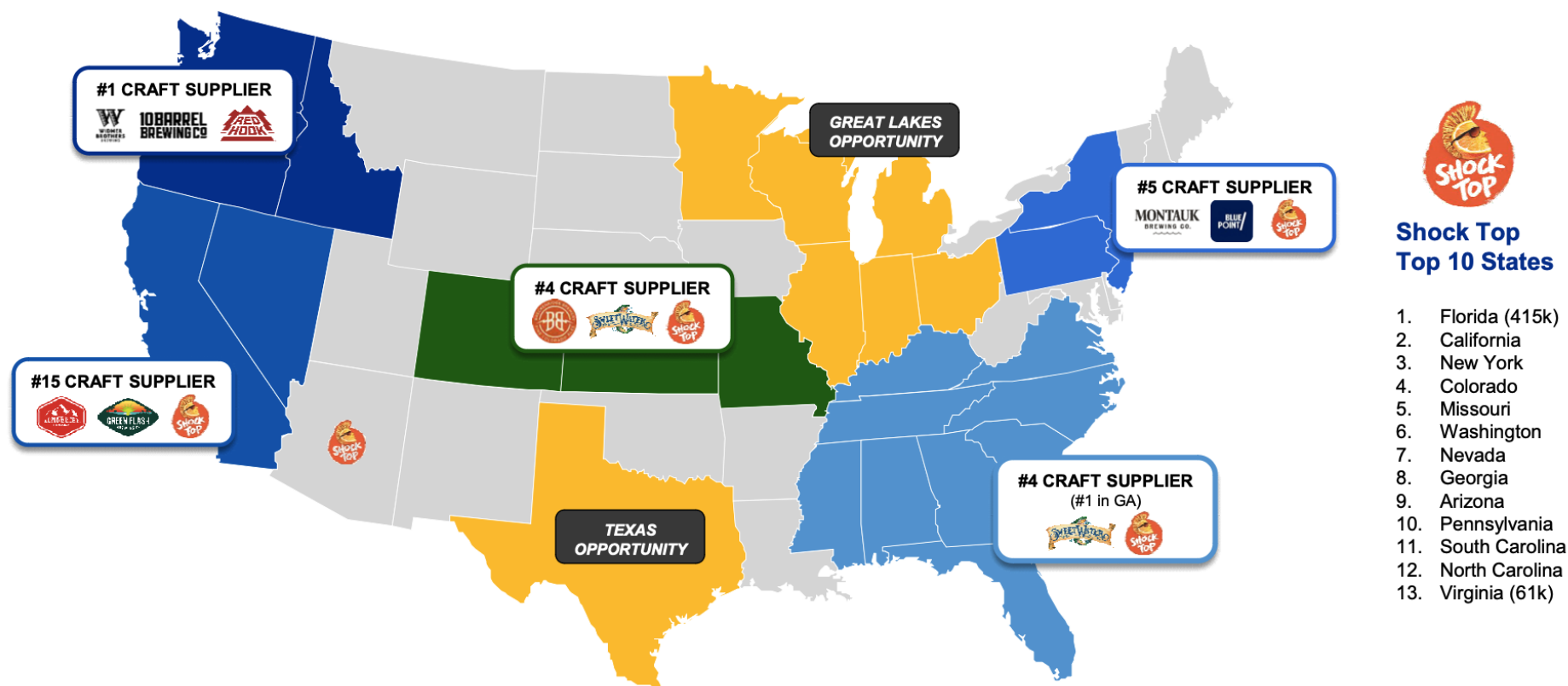
Expect Cumulative ~US\$27M¹ of Pre-Tax Cost Synergies on an annualized basis, with Potential Incremental Upside

Potential Revenue Synergies	Canada Adult Use & Medical	<ul style="list-style-type: none"> Meaningful gains in the Mainstream & Value segments across Canada in the Adult-Use channel HEXO assortment helps grow & retain patients in the Medical channel
	International	<ul style="list-style-type: none"> Strong genetics pipeline for future legalization Future additions in extracts & oils

Source: Company reports

Exhibit 14: Beer regional coverage

Tilray Beer Geographical Presence



Source: Company reports

Exhibit 15: Strategic benefits from BUD Craft Brands deal

Mission: Top 10 U.S. Brewer (+\$100B Category)

6 REASONS THIS IS GAME-CHANGING FOR TILRAY BRANDS

1	2	3	4	5	6
SCALE	INNOVATION	SYNERGIES	TALENT & TECHNOLOGY	CONSUMER	EXPERIENCES
<ul style="list-style-type: none"> • Scale Wins in Beer and Beverage • State-of-the-Art production facilities in geographic desirable locations throughout the country 	<ul style="list-style-type: none"> • Speed, Cost and Time critical to innovation success • Innovation critical to beer growth 	<ul style="list-style-type: none"> • SG&A • Logistics and Transportation • Back office • Procurement 	<ul style="list-style-type: none"> • Upgrade Talent in key areas • Increase capabilities 	<ul style="list-style-type: none"> • Brands are important: going from 6 brands to 14 Total Beverage & Alc Brands • Meet Consumer Preference • Leverage Demographics • Broader Insights to move Faster 	<ul style="list-style-type: none"> • Leverage Taprooms (12), Venues, Events and Sponsorships to enhance Consumer Engagement • Marry Innovation to experiential activities

Source: Company reports



Appendix III: Valuation Comps

Exhibit 16: Canadian LPs Valuation Multiples

Multiples 24-Jun-24	Z&A Spot EV / Sales			Z&A Spot EV / EBITDA			Financial Net Debt				Broadly Defined Net Debt			
							Sales		EBITDA		Sales		EBITDA	
	Current	2024	2025	Current	2024	2025	Current	CY24	Current	CY24	Current	CY24	Current	CY24
Aurora Cannabis Inc.	1.5x	1.2x	1.2x	52.3x	22.1x	13.6x	na	na	na	na	0.1x	na	5.2x	na
Auxly Cannabis Group Inc.	1.0x	na	na	11.3x	na	na	-0.4x	na	-5.0x	na	-0.6x	na	-6.8x	na
Avant Brands Inc	1.1x	na	na	2.3x	na	na	-0.2x	na	-0.4x	na	-0.5x	na	-1.1x	na
BZAM Ltd	0.6x	na	na	-1.7x	na	na	-0.4x	na	1.0x	na	-0.5x	na	1.4x	na
Cannara Biotech	1.4x	na	na	7.7x	na	na	-0.6x	na	-3.3x	na	-0.6x	na	-3.3x	na
Canopy Growth Corporation	1.1x	4.3x	2.9x	-5.6x	-64.1x	261.4x	-0.3x	-1.2x	1.5x	17.8x	-0.3x	-1.0x	1.3x	15.5x
Cronos Group Inc	0.5x	0.5x	0.3x	-1.1x	-1.3x	-3.5x	na	na	na	na	8.4x	8.2x	-20.0x	-23.8x
Decibel Cannabis Company Inc	0.8x	0.7x	0.5x	4.5x	3.2x	2.4x	-0.4x	-0.4x	-2.6x	-1.9x	-0.4x	-0.4x	-2.6x	-1.8x
High Tide, Inc.	0.5x	0.5x	0.4x	6.0x	6.4x	5.0x	0.0x	0.0x	0.0x	0.0x	0.0x	0.0x	-0.1x	-0.1x
Nova Cannabis Inc	0.3x	0.3x	0.3x	4.6x	3.7x	2.5x	0.0x	0.0x	0.0x	0.0x	0.0x	0.0x	-0.5x	-0.4x
OrganiGram Holdings Inc	0.9x	0.9x	0.8x	-9.8x	71.3x	14.8x	na	na	na	na	0.5x	0.5x	-5.0x	36.4x
Rubicon Organics, Inc.	0.7x	na	na	-15.3x	na	na	-0.1x	na	1.7x	na	-0.1x	na	1.7x	na
SNDL Inc.	0.7x	0.5x	0.5x	12.9x	21.0x	na	na	na	na	na	0.2x	0.2x	4.3x	7.0x
Tilray Brands, Inc.	2.1x	1.8x	1.7x	39.2x	18.3x	11.8x	-0.2x	-0.2x	-4.1x	-1.9x	-0.3x	-0.3x	-5.9x	-2.8x
Village Farms International, Inc.	0.5x	0.5x	0.4x	10.3x	9.8x	6.2x	-0.1x	-0.1x	-1.3x	-1.2x	-0.1x	-0.1x	-1.3x	-1.3x

Source: FactSet and company reports

27 June 2024

Tilray Brands: Initiation of Coverage

Exhibit 17: Canadian LPs EV Calculations

C\$Mn 24-Jun-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.	337	396	6.98	54.5	1.8	393	56	-17		0		39	42
Auxly Cannabis Group Inc.	153	102	0.03	1,250.3	249.9	41	-45	-16		0		-61	
Avant Brands Inc	24	35	0.07	278.6	2.0	18	-6	-10				-16	
BZAM Ltd	120	53	0.05	180.8	0.2	8	-31	-14				-45	
Cannara Biotech	85	108	0.69	90.0	0.0	62	-46	0	-1			-46	
Canopy Growth Corporation	na	1,311	9.59	102.5	1.3	995	-364				48	-316	
Cronos Group Inc	60	65	3.17	382.0	7.8	1,235	1,173	-2				1,171	
Decibel Cannabis Company Inc	64	65	0.07	409.0	15.8	28	-38	1				-37	
High Tide, Inc.	252	249	3.11	78.6	0.4	246	0	-3				-3	
Nova Cannabis Inc	1	82	1.28	57.3		74	-1	-8				-9	
OrganiGram Holdings Inc	142	142	2.15	94.5	5.0	214	72		0			72	
Rubicon Organics, Inc.	26	26	0.38	56.2	4.1	23	-3	0				-3	
SNDL Inc.	427	530	2.58	263.2	10.9	707	217	-40				177	
Tilray Brands, Inc.	2,130	2,184	2.28	799.0		1,819	-226	-85		-19		-331	34
Village Farms International, Inc.	177	203	1.40	110.2		154	-25	-1				-26	22

Source: FactSet and company reports

27 June 2024

Tilray Brands: Initiation of Coverage

Exhibit 18: US MSOs EV Multiples

US\$Mn 24-Jun-24	Z&A Spot EV / Sales			Z&A Spot EV / EBITDA			Financial Net Debt				Broadly Defined Net Debt			
							Sales		EBITDA		Sales		EBITDA	
	2023	2024	2025	2023	2024	2025	CY24	Current	CY24	Current	CY24	Current	CY24	Current
US MSOs	1.9x	1.7x	1.5x	11.5x	9.0x	7.2x								
Acreage Holdings	0.3x	1.2x	na	2.8x	5.9x	na	-0.8x	-0.9x	-4.2x	-8.1x	-1.0x	-1.1x	-4.9x	-9.5x
Ascend Wellness	1.3x	1.2x	1.1x	6.4x	5.4x	4.8x	-0.4x	-0.4x	-1.9x	-2.0x	-0.8x	-0.8x	-3.7x	-4.0x
Ayr Wellness	1.4x	1.3x	1.2x	5.8x	5.4x	4.6x	-0.8x	-0.8x	-3.1x	-3.4x	-0.7x	-0.7x	-2.7x	-3.0x
Cannabist Co	0.8x	0.8x	0.7x	6.1x	5.9x	4.1x	-0.5x	-0.5x	-3.8x	-3.3x	-0.7x	-0.7x	-4.7x	-4.2x
Consortium	1.2x	na	na	3.6x	na	na	na	na	na	na	na	na	na	na
Cresco Labs	1.7x	1.8x	1.6x	7.5x	6.3x	6.0x	-0.5x	-0.5x	-1.9x	-2.0x	-0.7x	-0.7x	-2.7x	-2.8x
Curaleaf	3.2x	3.1x	2.8x	14.1x	12.7x	10.9x	-0.5x	-0.5x	-2.0x	-3.2x	-0.8x	-0.8x	-3.3x	-5.3x
4Front Ventures	2.3x	2.5x	na	22.4x	13.8x	na	-0.9x	-0.9x	-4.8x	-5.7x	-1.5x	-1.5x	-8.2x	-9.7x
Glass House	4.6x	3.4x	na	30.2x	14.7x	na	-0.1x	na	-0.5x	na	-0.4x	-0.4x	-1.5x	-1.8x
Gold Flora	1.0x	0.9x	0.8x	na	21.6x	4.4x	na	-0.2x	na	na	na	-0.6x	na	na
Goodness Growth	0.9x	0.8x	na	4.7x	3.7x	na	-0.5x	-0.5x	-2.3x	-1.8x	-0.6x	-0.6x	-2.7x	-2.1x
Green Thumb	3.1x	2.9x	2.7x	10.0x	9.2x	8.7x	-0.1x	-0.1x	-0.4x	-0.4x	-0.2x	-0.2x	-0.6x	-0.6x
Grown Rogue	5.0x	na	na	21.2x	na	na	na	na	na	na	na	na	na	na
iAnthus	1.6x	na	na	na	na	na	na	-0.8x	na	-7.5x	na	-0.9x	na	-8.0x
Jushi	1.5x	1.5x	1.4x	10.2x	7.5x	6.5x	-0.7x	-0.7x	-3.2x	-8.4x	-1.1x	-1.1x	-5.3x	-13.9x
MariMed	1.1x	1.0x	0.8x	6.6x	6.6x	4.0x	-0.3x	-0.3x	-2.1x	-2.2x	-0.4x	-0.5x	-2.8x	-2.9x
Planet 13	1.7x	1.3x	0.9x	-7.0x	15.0x	5.8x	0.1x	0.1x	0.9x	10.4x	0.0x	-0.1x	-0.5x	-6.6x
Schwazze	1.3x	1.3x	na	4.4x	5.7x	na	-0.8x	-0.7x	-3.4x	-2.4x	-0.9x	-0.8x	-3.9x	-2.8x
StateHouse	1.9x	na	na	na	na	na	na	-1.1x	na	-57.5x	na	-1.8x	na	-92.6x
TerrAscend	2.5x	2.4x	2.2x	11.7x	11.5x	9.8x	-0.6x	-0.5x	-2.7x	-1.9x	-0.8x	-0.7x	-3.7x	-2.7x
TILT	0.7x	0.7x	0.6x	53.8x	na	19.3x	-0.4x	-0.3x	-41.9x	-6.7x	-0.7x	-0.6x	-76.4x	-12.1x
Trulieve	2.2x	2.1x	2.0x	7.8x	6.7x	6.6x	-0.5x	-0.5x	-1.4x	-1.7x	-0.5x	-0.6x	-1.7x	-2.1x
Verano	1.9x	2.0x	1.8x	6.0x	6.4x	5.7x	-0.3x	-0.3x	-0.9x	-0.8x	-0.6x	-0.5x	-1.8x	-1.5x
Vext	2.0x	1.7x	na	12.6x	7.2x	na	-0.9x	-1.1x	-3.6x	-8.1x	-0.9x	-1.1x	-3.6x	-8.1x

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

3) As there are no consensus estimates for Consortium, Grown Rogue, iAnthus, and StateHouse, we take "current" sales for each of them

Source: FactSet and company reports

27 June 2024

Tilray Brands: Initiation of Coverage

Exhibit 19: US MSOs EV Calculations

US\$Mn 24-Jun-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	249	299	0.29	139.9	29.7	49	-214	-2	-34			-250	
Ascend Wellness	699	686	0.96	211.5	13.3	216	-238	-134	-99			-470	
Ayr Wellness	727	658	2.22	114.0	31.1	322	-382	5	-13	0	55	-336	
Cannabist Co	592	424	0.19	429.3		83	-272	-23	-45	0		-340	
Cansortium	140	125	0.14	298.3	6.3	43	-49	-7	-26			-81	
Cresco Labs	1,113	1,308	1.68	438.2	9.8	753	-395	-56	-98	-7		-556	
Curaleaf	3,642	4,307	4.12	738.1	7.9	3,073	-672	-18	-345	-81		-1,115	119
4Front Ventures	288	225	0.10	916.2	20.2	92	-79	-8	-40	-6	0	-134	
Glass House	509	741	7.52	75.7	3.2	593	-26	0	-21	-29		-76	72
Gold Flora	130	128	0.16	287.6	0.2	45	-32	-33	-13	-4		-82	
Goodness Growth	118	80	0.48	45.3		22	-50	-8				-58	
Green Thumb	3,043	3,258	12.55	236.1	7.1	3,052	-147	-23	-11	-33	9	-206	
Grown Rogue	75	125	0.73	170.8		125	4	-3	0	0		0	
iAnthus	112	267	0.02	6,510.5		112	-146	-9				-155	
Jushi	388	414	0.60	196.6	1.1	119	-179	1	-117			-295	
MariMed	157	164	0.19	379.6	5.7	74	-53	-1	-16			-70	19
Planet 13	122	168	0.50	321.8	0.3	162	10	-6	-5	-5		-6	
Schwazze	204	232	0.43	171.3		74	-138	-3	-18	0		-159	
StateHouse	143	191	0.01	255.6	141.0	5	-114	-13	-39	-24	7	-184	2
TerrAscend	658	804	1.49	351.2	15.3	546	-186	-7	-59	-6		-258	
TILT	114	111	0.02	384.8	10.9	9	-56	-43	-3			-102	
Trulieve	1,809	2,516	9.92	186.0	3.3	1,878	-537	-16	-81	-4		-639	
Verano	1,634	1,827	3.68	343.5	9.8	1,300	-271	-4	-248	-4		-527	
Vext	52	69	0.16	217.5	0.4	34	-35	0				-35	

Source: FactSet and company reports

27 June 2024

Tilray Brands: Initiation of Coverage

Exhibit 20: Other MJ Related Stocks

			6/24/24	Mkt								Consensus		Cons	Net debt
US\$m			Price	Cap	(mn)	Net	Ent	Last Qtr Annualized	1yr Forward Consensus			1yF Estimates (US\$m)		EBITDA	to Cons
Company name	Ticker	Listing	US\$	US\$ MN	Shares	(Debt)	Value	EV/Sales	EV/EBITDA	EV/Sales	EV/EBITDA	Sales	EBITDA	mgn %	1yF EBITDA
Service Providers															
AFC Gamma, Inc.	AFCG	NASDAQ	11.75	240	20.5	-8	249	<i>finco</i>	3.5x	#N/A		72	#N/A	#N/A	#N/A
Agrify Corp.	AGFY	NASDAQ	0.43	1	1.7	-23	24	<i>finco</i>	#N/A	#N/A		#N/A	#N/A	#N/A	#N/A
Chicago Atlantic Real Estate Finance, Inc.	REFI	NASDAQ	15.63	284	18.2	-58	343	<i>finco</i>	5.7x	#N/A		60	#N/A	#N/A	#N/A
Innovative Industrial Properties Inc	IIPR	NYSE	109.91	3,093	28.1	-139	3,232	<i>finco</i>	10.2x	12.7x		318	254	80%	-0.5x
NewLake Capital Partners, Inc.	NLCP	US OTC	20.33	417	20.5	24	393	<i>finco</i>	7.7x	#N/A		51	#N/A	#N/A	#N/A
Power REIT	PW	NYSE America	0.93	3	3.4	-32	35	<i>finco</i>	#N/A	#N/A		#N/A	#N/A	#N/A	#N/A
RIV Capital, Inc. Class A	CNPOF	US OTC	0.10	14	136.2	-42	56	<i>finco</i>	#N/A	#N/A		#N/A	#N/A	#N/A	#N/A
SHF Holdings Inc Class A	SHFS	NASDAQ	0.57	31	54.6	-12	43	<i>finco</i>	#N/A	#N/A		#N/A	#N/A	#N/A	#N/A
Silver Spike Investment Corp.	SSIC	NASDAQ	11.99	75	6.2	33	42	<i>finco</i>	3.5x	#N/A		12	#N/A	#N/A	#N/A
Leafly Holdings, Inc.	LFly	NASDAQ	2.41	5	2.2	-14	19	<i>tech</i>	0.5x	-5.5x		36	-3	-10%	4.0x
SpringBig Holdings, Inc.	SBIG	US OTC	0.15	7	45.3	-6	13	<i>tech</i>	0.4x	2.3x		32	6	17%	-1.1x
WM Technology, Inc. Class A	MAPS	NASDAQ	1.01	56	55.5	0	56	<i>tech</i>	0.3x	1.6x		191	34	18%	0.0x
Greenlane Holdings, Inc. Class A	GNLN	NASDAQ	0.38	1	1.6	-8	8	<i>vape parts</i>	#N/A	#N/A		#N/A	#N/A	#N/A	#N/A
GrowGeneration Corp.	GRWG	NASDAQ	2.27	140	61.5	23	117	<i>pix & shovel</i>	0.5x	-359.5x		216	0	0%	-69.1x
Hydrofarm Holdings Group, Inc.	HYFM	NASDAQ	0.73	34	45.8	-154	187	<i>pix & shovel</i>	0.9x	24.1x		203	8	4%	-19.8x
Scotts Miracle-Gro Company Class A	SMG	NYSE	67.06	3,789	56.5	-2,874	6,663	<i>pix & shovel</i>	1.9x	11.6x		3,594	576	16%	-5.0x
urban-gro Inc	UGRO	NASDAQ	1.27	15	12.1	-4	20	<i>pix & shovel</i>	0.2x	27.6x		92	1	1%	-5.9x
CBD, CPG, Pharma, International															
Charlotte's Web Holdings, Inc.	CWBHF	US OTC	0.16	25	154.3	-13	38	<i>CBD</i>	0.7x	-2.4x		58	-16	-27%	0.8x
Clever Leaves Holdings, Inc.	CLVR	US OTC	3.20	6	1.7	4	2	<i>CBD</i>	#N/A	#N/A		#N/A	#N/A	#N/A	#N/A
CV Sciences, Inc.	CVSI	US OTC	0.06	9	161.7	1	8	<i>CBD</i>	#N/A	#N/A		#N/A	#N/A	#N/A	#N/A
Turning Point Brands Inc	TPB	NYSE	32.10	565	17.6	-260	825	<i>CPG</i>	2.1x	8.2x		396	101	26%	-2.6x
IM Cannabis Corp	IMCC	NASDAQ	0.49	7	13.4	-9	16	<i>Intl</i>	0.4x	-9.3x		43	-2	-4%	5.4x
InterCure Ltd.	INCR	NASDAQ	2.07	94	45.6	-24	118	<i>Intl</i>	1.2x	10.1x		99	12	12%	-2.0x
Ispire Technology, Inc.	ISPR	NASDAQ	7.24	393	54.2	45	347	<i>Intl</i>	1.5x	19.9x		230	17	8%	2.6x
Little Green Pharma Ltd.	LGPPF	US OTC	#N/A	#N/A	300.1	0	#N/A	<i>Intl</i>	#N/A	#N/A		31	1	3%	0.0x
PharmaCielo Ltd.	PCLOF	US OTC	0.13	21	155.0	-9	30	<i>Intl</i>	#N/A	#N/A		#N/A	#N/A	#N/A	#N/A
Smoores International Holdings Limited	SMORF	US OTC	1.20	7,322	6,101.8	2,171	5,151	<i>Intl</i>	0.4x	1.9x		14,221	2,649	19%	0.8x
Jazz Pharmaceuticals Public Limited Con	JAZZ	NASDAQ	109.83	6,837	62.3	-4,170	11,008	<i>pharma</i>	2.6x	6.1x		4,197	1,815	43%	-2.3x

Source: FactSet and company reports

27 June 2024

Tilray Brands: Initiation of Coverage

Exhibit 21: Stock Performance

21-Jun-24	Stock Performance		
	Last	Last	Last
Ticker	30d	90d	12mo
US MSOs			
AAWH	-27%	-38%	38%
ACRDF	-36%	-6%	-24%
AYRWF	-26%	-9%	119%
CBSTF	-28%	-36%	-59%
CNTMF	-17%	-33%	24%
CRLBF	-26%	-28%	-7%
CURLF	-24%	-25%	29%
CXXIF	-25%	-29%	-14%
FFNTF	-22%	-16%	-33%
GLASF	-26%	-4%	76%
GRAMF	-33%	-40%	-16%
GDNSF	-32%	17%	181%
GRUSF	-22%	38%	285%
GTBIF	-6%	-14%	53%
ITHUF	-17%	-12%	-1%
JUSHF	-15%	-21%	15%
LOWLF	-34%	-66%	-87%
MRMD	-21%	-33%	-51%
PLNH	-17%	-8%	-13%
SHWZ	-23%	-58%	-62%
STHZF	-25%	-74%	-74%
TCNNF	-21%	-22%	131%
TLTFF	-30%	-20%	-39%
TSNDF	-16%	-23%	-17%
VEXTF	-27%	-22%	-23%
VRNOF	-30%	-40%	21%

	Stock Performance		
	Last	Last	Last
Ticker	30d	90d	12mo
Canadian LPs			
ACB	-29%	5%	-9%
AVTBF	-16%	-37%	-56%
BZAMF	-57%	-61%	-89%
CBWTF	-44%	34%	74%
CGC	-32%	-11%	14%
CRON	-16%	-11%	27%
DBCCF	-29%	-44%	-52%
ETRGF	-2%	20%	-28%
HITI	-3%	26%	84%
LOVFF	-16%	-29%	-26%
NVACF	7%	-27%	142%
OGI	-21%	-44%	-7%
ROMJF	-2%	-5%	-22%
SNDL	-23%	4%	33%
TLRY	-13%	-28%	5%
VFF	-11%	8%	63%
Cannabis - International			
CLVR	15%	-11%	-17%
IMCC	-24%	-30%	-56%
INCR	-35%	57%	35%
LGPPF	na	na	na
PCLOF	-11%	11%	36%
Tech			
LFLY	42%	-36%	-60%
SBIG	-12%	-5%	-70%
MAPS	18%	-2%	35%

	Stock Performance		
	Last	Last	Last
Ticker	30d	90d	12mo
MJ Fincos			
AFCG	0%	-4%	-6%
CNPOF	3%	35%	8%
IIPR	-4%	5%	45%
NLCP	0%	9%	60%
PW	4%	6%	-59%
SHFS	-27%	-42%	-4%
SSIC	6%	23%	47%
REFI	0%	-3%	-2%
Pix & Shovel			
AGFY	-32%	-38%	-93%
GRWG	-14%	0%	-34%
HYFM	-10%	-21%	-23%
SMG	-2%	-9%	14%
UGRO	-24%	-40%	-4%
Vape parts			
GNLN	-24%	-30%	-80%
ISPR	-8%	17%	-10%
SMORF	26%	34%	16%
TLLTF	-30%	-20%	-39%
Index			
S&P 500	3%	4%	25%
S&P 477	-1%	2%	6%
Nasdaq	-4%	-2%	19%
MSOS ETF	-20%	-24%	30%
YOLO ETF	-16%	-13%	25%

Source: FactSet



Appendix IV: Benchmarking Data

27 June 2024

Tilray Brands: Initiation of Coverage

Exhibit 22: Consolidated Sales comps

	<i>Dec</i>	<i>Dec</i>	<i>Mar</i>	<i>Jun</i>	<i>Sep</i>	<i>Dec</i>	<i>Dec</i>	<i>Mar</i>	<i>Jun</i>	<i>Sep</i>	<i>Dec</i>	<i>Dec</i>
C\$Mn	CY20	CY21	1Q22	2Q22	3Q22	4Q22	CY22	1Q23	2Q23	3Q23	4Q23	CY23
SALES												
Aurora	285.0	231.6	50.4	50.1	49.3	61.7	211.5	64.0	75.1	63.3	64.4	266.8
Auxly	50.8	83.8	22.6	27.3	19.8	24.7	94.5	24.0	22.0	28.2	26.9	101.1
Avant	7.9	9.5	4.2	4.1	4.0	7.9	20.1	7.0	8.0	6.5	4.8	26.3
BZAM	12.7	30.2	10.6	11.6	9.9	17.2	49.4	24.1	19.3	21.0	22.1	86.5
Cannara Biotech	na	22.5	7.4	10.1	11.9	10.3	39.7	13.0	15.9	18.3	19.5	66.7
Canopy Growth	506.1	557.0	101.8	105.9	105.4	104.0	417.1	87.5	108.7	69.6	78.5	344.4
Cronos	62.6	115.2	31.7	27.6	27.3	33.1	120.6	27.2	25.6	33.3	31.7	117.7
Decibel	29.9	52.5	16.7	18.6	18.3	25.8	79.3	24.9	30.9	30.2	29.9	116.0
High Tide	98.7	203.3	78.1	90.6	104.0	114.8	387.6	118.1	122.3	126.2	127.8	494.4
Nova Cannabis	63.3	134.4	49.8	56.3	58.9	61.4	226.4	60.2	64.0	67.7	61.4	259.3
Organigram	82.9	86.6	31.4	36.0	43.0	44.0	154.5	40.8	35.0	41.7	39.6	157.0
Rubicon	9.4	22.6	5.1	8.8	10.5	11.0	35.5	8.8	11.3	10.0	10.0	40.1
SNDL	60.9	56.1	17.6	223.7	230.5	240.4	712.2	191.0	231.9	237.6	248.5	909.0
Tilray	507.8	750.2	193.0	195.7	196.0	196.3	787.8	214.2	244.2	244.7	261.2	964.2
Village Farms	228.0	336.0	88.9	105.8	92.7	94.3	385.2	87.5	103.7	93.2	101.0	385.4

Source: Z&A estimates, company reports

27 June 2024

Tilray Brands: Initiation of Coverage

Exhibit 23: Cannabis Net Sales comps

C\$Mn	CY20	CY21	1Q22	2Q22	3Q22	4Q22	CY22	1Q23	2Q23	3Q23	4Q23	CY23
CANNABIS SALES												
Aurora	272.1	231.1	49.7	49.2	44.7	54.2	197.8	52.7	54.8	55.8	56.8	220.2
Auxly	50.8	83.8	22.6	27.3	19.8	24.7	94.5	24.0	22.0	28.2	26.9	101.1
Avant	7.9	9.5	4.2	4.1	4.0	7.9	20.1	7.0	8.0	6.5	4.8	26.3
BZAM	12.7	30.2	10.6	11.6	9.9	17.2	49.4	24.1	19.3	21.0	22.1	86.5
Cannara Biotech	na	22.5	7.4	10.1	11.9	10.3	39.7	13.0	15.9	18.3	19.5	66.7
Canopy Growth	103.8	339.5	99.0	66.2	62.9	52.5	280.5	44.5	49.6	48.5	50.7	193.3
Cronos	62.6	115.2	31.7	27.6	27.3	33.1	120.6	27.2	25.6	33.3	31.7	117.7
Decibel	29.9	52.5	16.7	18.6	18.3	25.8	79.3	24.9	30.9	30.2	29.9	116.0
High Tide	98.7	203.3	78.1	90.6	104.0	114.8	387.6	118.1	122.3	126.2	127.8	494.4
Nova Cannabis	63.3	134.4	49.8	56.3	58.9	61.4	226.4	60.2	64.0	67.7	61.4	259.3
Organigram	82.9	86.6	31.4	36.0	43.0	44.0	154.5	40.8	35.0	41.7	39.6	157.0
Rubicon	9.4	22.6	5.1	8.8	10.5	11.0	35.5	8.8	11.3	10.0	10.0	40.1
SNDL	60.9	40.0	8.8	11.6	11.8	12.3	44.4	7.7	6.7	10.3	15.4	40.1
Tilray	160.5	287.1	69.0	70.2	72.7	66.7	281.2	71.8	89.1	92.9	89.7	343.6
Village Farms	17.1	120.9	27.6	38.0	39.6	37.9	144.2	34.0	37.7	38.6	43.6	153.9

Source: Z&A estimates, company reports

27 June 2024

Tilray Brands: Initiation of Coverage

Exhibit 24: Cannabis as % of Consolidated Sales comps

C\$Mn	CY20	CY21	1Q22	2Q22	3Q22	4Q22	CY22	1Q23	2Q23	3Q23	4Q23	CY23
CANNABIS AS % OF TOTAL NET REVENUES												
Aurora	95%	100%	99%	98%	91%	88%	94%	82%	73%	88%	88%	83%
Auxly	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Avant	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
BZAM	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Cannara Biotech	na	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Canopy Growth	21%	61%	97%	62%	60%	50%	67%	51%	46%	70%	65%	56%
Cronos	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Decibel	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
High Tide	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Nova Cannabis	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Organigram	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Rubicon	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
SNDL	100%	71%	50%	5%	5%	5%	6%	4%	3%	4%	6%	4%
Tilray	32%	38%	36%	36%	37%	34%	36%	34%	37%	38%	34%	36%
Village Farms	8%	36%	31%	36%	43%	40%	37%	39%	36%	41%	43%	40%

Source: Z&A estimates, company reports

27 June 2024

Tilray Brands: Initiation of Coverage

Exhibit 25: Consolidated Gross Margin comps

C\$Mn	CY20	CY21	1Q22	2Q22	3Q22	4Q22	CY22	1Q23	2Q23	3Q23	4Q23	CY23
GROSS MARGIN												
Aurora	-6%	-15%	-20%	10%	3%	3%	-1%	32%	18%	29%	31%	27%
Auxly	21%	21%	-2%	18%	15%	22%	14%	35%	20%	19%	21%	24%
Avant	50%	39%	23%	23%	37%	38%	32%	42%	34%	31%	30%	34%
BZAM	-6%	26%	35%	21%	6%	-15%	8%	13%	16%	8%	70%	27%
Cannara Biotech	na	50%	36%	37%	40%	39%	38%	31%	38%	38%	41%	37%
Canopy Growth	-4%	-4%	-166%	-5%	-8%	0%	-44%	-103%	5%	34%	36%	-10%
Cronos	-55%	13%	28%	20%	6%	-2%	13%	12%	16%	16%	11%	14%
Decibel	39%	34%	35%	41%	52%	43%	43%	51%	42%	43%	44%	45%
High Tide	37%	34%	29%	27%	27%	27%	28%	27%	27%	27%	27%	27%
Nova Cannabis	33%	19%	19%	19%	19%	21%	19%	21%	23%	25%	18%	24%
Organigram	-33%	-23%	17%	22%	20%	24%	21%	26%	10%	5%	19%	15%
Rubicon	-43%	10%	14%	32%	39%	41%	34%	34%	41%	32%	32%	35%
SNDL	-60%	-20%	7%	20%	23%	19%	21%	17%	22%	20%	23%	21%
Tilray	29%	23%	16%	8%	31%	17%	18%	9%	33%	25%	25%	23%
Village Farms	6%	17%	14%	8%	12%	4%	9%	19%	15%	21%	15%	17%

Source: Z&A estimates, company reports

27 June 2024

Tilray Brands: Initiation of Coverage

Exhibit 26: Consolidated SGA/Gross Profits comps

C\$Mn	CY20	CY21	1Q22	2Q22	3Q22	4Q22	CY22	1Q23	2Q23	3Q23	4Q23	CY23
CASH SGA/GROSS PROFIT												
Aurora	-1408%	-544%	-423%	1004%	3043%	1965%	-10826%	205%	261%	195%	177%	205%
Auxly	453%	257%	-2687%	260%	399%	173%	365%	122%	196%	187%	171%	162%
Avant	97%	161%	137%	206%	113%	69%	110%	74%	66%	145%	133%	97%
BZAM	-4248%	321%	160%	271%	1030%	-536%	803%	383%	372%	757%	79%	205%
Cannara Biotech	na	80%	111%	63%	70%	70%	75%	71%	55%	56%	49%	56%
Canopy Growth	-2848%	-1889%	-99%	-2608%	-1175%	26735%	-282%	-120%	1537%	246%	193%	-953%
Cronos	-524%	893%	454%	571%	2218%	-5756%	893%	853%	641%	527%	690%	655%
Decibel	103%	90%	77%	62%	59%	61%	64%	57%	56%	80%	86%	70%
High Tide	70%	81%	85%	82%	80%	80%	81%	77%	69%	70%	69%	71%
Nova Cannabis	10%	11%	-15%	-20%	-23%	-25%	-21%	-25%	-38%	-40%	-58%	-35%
Organigram	-169%	-256%	271%	218%	210%	168%	208%	181%	599%	1078%	303%	369%
Rubicon	-238%	555%	386%	115%	84%	76%	107%	116%	77%	88%	82%	89%
SNDL	-104%	-397%	922%	96%	90%	101%	103%	160%	111%	107%	96%	114%
Tilray	128%	144%	234%	524%	122%	222%	214%	397%	104%	127%	126%	142%
Village Farms	174%	103%	171%	275%	201%	588%	248%	142%	146%	108%	141%	133%

Source: Z&A estimates, company reports

27 June 2024

Tilray Brands: Initiation of Coverage

Exhibit 27: Adj Consolidated EBITDA margins comps

C\$Mn	CY20	CY21	1Q22	2Q22	3Q22	4Q22	CY22	1Q23	2Q23	3Q23	4Q23	CY23
EBITDA MARGIN												
Aurora	-53%	-27%	-20%	-17%	-13%	5%	-10%	3%	4%	5%	8%	5%
Auxly	-56%	-26%	-28%	-15%	-29%	-3%	-18%	1%	-5%	0%	9%	1%
Avant	-3%	-16%	2%	-26%	18%	20%	9%	25%	21%	14%	-5%	17%
BZAM	-300%	-75%	-21%	-37%	13%	-40%	-37%	-16%	-31%	-38%	11%	-18%
Cannara Biotech	na	21%	3%	34%	13%	17%	17%	25%	45%	18%	27%	28%
Canopy Growth	-69%	-70%	-51%	-75%	-53%	-48%	-57%	-27%	-53%	-17%	-11%	-30%
Cronos	-315%	-175%	-62%	-77%	-104%	-115%	-164%	-75%	-97%	-62%	-246%	-71%
Decibel	5%	14%	15%	17%	23%	27%	21%	26%	24%	22%	18%	22%
High Tide	12%	6%	3%	4%	5%	5%	4%	5%	4%	4%	7%	5%
Nova Cannabis	-3%	-2%	3%	4%	4%	5%	4%	5%	9%	10%	10%	8%
Organigram	-9%	-33%	-2%	-1%	1%	6%	1%	7%	-10%	-14%	-12%	-7%
Rubicon	-118%	-35%	-30%	3%	18%	12%	5%	2%	16%	11%	13%	11%
SNDL	-42%	54%	-4%	-12%	8%	-3%	-2%	4%	1%	7%	1%	3%
Tilray	2%		7%	8%	8%	8%	8%	10%	10%	6%	5%	8%
Village Farms	9%	5%	-9%	-12%	-3%	-4%	-7%	1%	6%	5%	-1%	3%

Source: Z&A estimates, company reports

27 June 2024

Tilray Brands: Initiation of Coverage

Exhibit 28: Net Interest Expense comps

C\$Mn	CY20	CY21	1Q22	2Q22	3Q22	4Q22	CY22	1Q23	2Q23	3Q23	4Q23	CY23
NET INTEREST EXP/SALES												
Aurora	-23%	-25%	-49%	-28%	-13%	-10%	-24%	-4%	-3%	-2%	1%	-2%
Auxly	-25%	-19%	-22%	0%	1%	-67%	-22%	-24%	0%	0%	22%	0%
Avant	0%	-1%	0%	0%	0%	0%	0%	0%	-1%	-1%	3%	0%
BZAM	0%	-20%	-9%	-10%	-13%	-10%	-10%	-7%	-9%	-8%	-7%	-8%
Cannara Biotech	na	-9%	-10%	-1%	-10%	-11%	-8%	-10%	-8%	-7%	-7%	-8%
Canopy Growth	0%	-4%	25%	-26%	0%	0%	-1%	32%	0%	0%	0%	8%
Cronos	39%	25%	8%	17%	108%	-24%	25%	56%	66%	54%	61%	59%
Decibel	-12%	-8%	-6%	-4%	-3%	-3%	-4%	-3%	-2%	-2%	-3%	-3%
High Tide	-11%	-6%	-3%	-3%	-3%	-2%	-3%	-2%	-2%	-2%	-2%	-2%
Nova Cannabis	0%	-2%	-2%	-2%	-2%	-2%	-2%	-2%	-2%	-2%	-2%	-2%
Organigram	-8%	-2%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Rubicon	0%	-6%	-5%	-3%	-3%	0%	-2%	-3%	-2%	-3%	-3%	-3%
SNDL	0%	17%	22%	-11%	-2%	0%	-3%	0%	0%	1%	0%	0%
Tilray	-8%	-6%	-2%	-3%	-3%	-2%	-2%	-1%	-4%	-5%	-4%	-4%
Village Farms	-1%	-1%	-1%	-1%	-1%	-2%	-1%	-1%	-1%	-2%	0%	-1%

Source: Z&A estimates, company reports

27 June 2024

Tilray Brands: Initiation of Coverage

Exhibit 29: Consolidated Operating Cash Flow comps

C\$Mn	CY20	CY21	1Q22	2Q22	3Q22	4Q22	CY22	1Q23	2Q23	3Q23	4Q23	CY23
OPERATING CASH FLOW												
Aurora	-280.9	-82.2	-39.0	-26.6	-31.1	-60.6	-157.4	-24.0	0.0	-30.9	-5.3	-60.2
Auxly	-33.1	-49.6	-7.0	1.7	-2.9	5.7	-2.5	3.2	-5.4	2.5	8.2	8.2
Avant	-0.1	-5.5	-2.0	-1.7	0.2	0.0	-3.5	0.4	2.0	1.8	1.2	5.4
BZAM	-36.0	-18.0	-3.7	-4.7	-3.2	2.7	-9.0	-7.4	-1.7	7.9	0.9	-0.3
Cannara Biotech	na	3.6	-1.4	-1.6	2.9	-0.3	-0.4	0.4	2.5	2.8	0.4	6.1
Canopy Growth	-578.5	-517.0	-126.7	-140.5	-133.4	-143.9	-544.5	-139.7	-148.7	-78.7	-32.6	-399.6
Cronos	-194.2	-192.6	-43.0	-22.1	-17.5	-33.1	-116.7	-64.5	-15.8	-0.2	22.9	-57.8
Decibel	-4.2	-17.1	3.0	1.8	3.6	-0.1	8.3	2.2	1.0	1.9	1.9	7.1
High Tide	10.0	-4.9	-2.0	-0.7	5.6	4.1	7.0	1.6	5.5	8.9	7.8	23.8
Nova Cannabis	11.3	-10.0	-5.9	5.9	3.3	-3.4	-0.1	-1.4	3.9	3.0	6.1	11.7
Organigram	-26.9	-35.0	-3.6	-4.5	-15.3	-4.2	-27.6	-12.1	-10.2	-25.3	-6.4	-54.0
Rubicon	-14.3	-10.4	-1.6	-0.7	1.4	2.8	2.0	0.2	2.4	1.4	1.1	5.0
SNDL	-57.5	-155.4	-26.0	-17.9	8.6	28.6	-6.7	-48.8	-8.8	27.5	13.5	-16.6
Tilray	-10.4	-146.6	-47.9	-37.0	-27.9	18.2	-98.2	2.6	32.2	-27.7	-34.6	-27.3
Village Farms	7.6	-49.6	-12.2	0.8	-5.5	-9.1	-26.1	-5.0	-2.1	16.2	-2.0	7.2

Source: Z&A estimates, company reports

27 June 2024

Tilray Brands: Initiation of Coverage

Exhibit 30: Net Debt comps

C\$Mn	CY20	CY21	1Q22	2Q22	3Q22	4Q22	CY22	1Q23	2Q23	3Q23	4Q23	CY23
NET (DEBT) CASH												
Aurora	-109	-16	96	211	85	83	83	57	48	53	89	89
Auxly	-93	-148	-162	-158	-163	-159	-159	-157	-163	-128	-119	-119
Avant	-6	14	12	9	9	7	7	-6	-8	-7	-7	-7
BZAM	-29	-16	-21	-25	-27	-28	-28	-34	-34	-31	-112	-112
Cannara Biotech	na	4.3	-1.4	-6.1	-36.0	-41.3	-41.3	-39.0	-40.4	-41.3	-45.2	-45.2
Canopy Growth	961	-87	-129	-241	-211	-416	-416	-524	-474	-413	-426	-426
Cronos	1,729	1,259	1,243	1,206	1,159	1,192	1,152	1,131	1,130	1,126	1,172	1,162
Decibel	-35	-44	-42	-42	-40	-41	-41	-39	-39	-42	-37	-37
High Tide	-33	-13	-14	-12	-11	-12	-12	-15	-14	-9	-3	-3
Nova Cannabis	0	11	0	-3	-3	-4	-4	-7	-6	-4	-1	-1
Organigram	-0.9	172.9	143.4	128.5	107.9	96.1	96.1	79.4	58.9	39.9	39.0	39.0
Rubicon	-2	2	-1	-3	-4	-2	-2	-3	-1	-2	-1	0
SNDL	68	671	520	425	349	329	329	252	218	232	220	220
Tilray	-199	-527	-445	-226	-200	-228	-220	-226	-156	-163	-255	-253
Village Farms	-54	-14	-36	-40	-51	-53	-52	-29	-31	-17	-23	-23

Source: Z&A estimates, company reports

27 June 2024

Tilray Brands: Initiation of Coverage

Exhibit 31: Net Debt to Consolidated Sales comps

C\$Mn	CY20	CY21	1Q22	2Q22	3Q22	4Q22	CY22	1Q23	2Q23	3Q23	4Q23	CY23
NET DEBT / CONSOLIDATED SALES												
Aurora	0.4x	0.2x	-0.6x	-2.0x	-0.7x	-0.3x	-0.5x	-0.6x		-0.4x	-4.3x	-0.4x
Auxly	2.8x	3.0x	5.8x	-22.7x	14.2x	-7.0x	64.2x	-12.2x	7.6x	-12.6x	-3.6x	-3.6x
Avant	44.8x	-2.6x	-1.5x	-1.3x	12.9x	54.7x	-2.0x	-4.4x	-1.0x	-1.0x	-1.5x	-0.3x
BZAM	0.8x	0.9x	1.4x	1.3x	2.1x	-2.6x	3.1x	1.2x	5.0x	-1.0x	-30.2x	104.2x
Cannara Biotech	na	1.2x	0.2x	1.0x	-3.1x	32.7x	96.3x	-25.9x	-4.0x	-3.6x	-31.9x	-1.9x
Canopy Growth	-1.7x	0.2x	0.3x	0.4x	0.4x	0.7x	0.8x	0.9x	0.8x	1.3x	3.3x	0.3x
Cronos	-8.9x	-6.5x	-7.2x	-13.7x	-16.6x	-9.0x	-9.9x	-4.4x	-17.9x	na	na	na
Decibel	8.2x	2.5x	-3.6x	-5.9x	-2.8x	98.9x	-4.9x	-4.4x	-9.7x	na	na	na
High Tide	-3.3x	2.7x	1.7x	4.2x	-0.5x	-0.7x	-1.7x	-2.3x	-0.6x	-0.2x	-0.1x	0.0x
Nova Cannabis	0.0x	-1.1x	0.0x	-0.1x	-0.3x	0.3x	56.0x	1.3x	-0.4x	-0.3x	0.0x	0.0x
Organigram	0.0x	-4.9x	-9.9x	-7.1x	-1.8x	-5.8x	-3.5x	-1.6x	-1.4x	-0.4x	-1.5x	-0.2x
Rubicon	0.1x	-0.2x	0.2x	1.0x	-0.7x	-0.2x	-1.0x	-4.1x	-0.1x	-0.3x	-0.2x	0.0x
SNDL	-1.2x	-4.3x	-5.0x	-5.9x	10.2x	2.9x	-49.1x	-1.3x	-6.2x	2.1x	4.1x	-3.3x
Tilray	19.2x	3.6x	2.3x	1.5x	1.8x	-3.1x	2.2x	-21.9x	-1.2x	1.5x	1.8x	2.3x
Village Farms	-7.1x	0.3x	0.7x	-12.8x	2.3x	1.5x	2.0x	1.4x	3.7x	-0.3x	2.8x	-0.8x

Source: Z&A estimates, company reports



Appendix V: Bio and Disclaimers



Analyst Bio

Pablo Zuanic is a well-known and highly rated equity analyst following the cannabis and psychedelics sector. Over the past 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, research, and advisory services. Potential conflicts of interest are duly reflected in the respective specific company reports.

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Disclosure: Zuanic & Associates offers advisory and research services, and it also organizes investor events and conferences. The firm is often engaged by various operators in the cannabis industry (both plant touching companies and those providing services, private and public, in North America and overseas) on an ongoing or ad hoc basis. The company discussed in this report is a paying customer of the services provided by the firm.

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