



5/21/2024

MariMed Inc. (MRMD)

Company update: Overweight

Sales	FY22a	FY23a	FY24e	Prev	FY25e	Prev	FY26e	Prev
1Q	31.3	34.4	37.9 A	37.0	54.2	51.4	59.3	
2Q	33.0	36.5	39.6 E	39.0	56.4	54.0	61.3	
3Q	33.9	38.8	41.9 E	39.9	58.7	55.2	63.4	
4Q	<u>35.8</u>	<u>38.9</u>	<u>42.5</u> E	<u>40.8</u>	<u>59.7</u>	<u>57.0</u>	<u>64.3</u>	
FY	134.0	148.6	162.0	156.7	229.0	217.6	248.3	
EBITDA	FY22a	FY23a	FY24e	Prev	FY25e	Prev	FY26e	Prev
1Q	10.4	7.1	4.7 A	4.8	10.1	9.9	13.3	
2Q	8.9	6.3	5.7 E	5.7	11.1	10.8	13.7	
3Q	8.6	6.1	7.3 E	6.9	11.5	11.0	14.1	
4Q	<u>4.5</u>	<u>5.2</u>	<u>8.0</u> E	<u>7.6</u>	<u>12.5</u>	<u>12.2</u>	<u>14.3</u>	
FY	32.4	24.7	25.6	25.0	45.2	43.9	55.3	

Share price (\$)	0.25	Perf.	MRMD	MSOS	S&P500	Stance:	Overweight
Share count (mn)	381.1	30d	-7%	-6%	6%		no price target
Market Cap (\$Mn)	94	90d	-11%	0%	6%		FY=Dec
Ticker	MRMD	1yr	-44%	62%	26%		



\$Mn	FY24	FY25	FY26
Projected EV	193.8	202.6	195.9
EV/Sales	1.2x	0.9x	0.8x
EV/EBITDA	7.6x	4.5x	3.5x
	FY24	FY25	FY26
Net debt/Sales	-0.4x	-0.3x	-0.2x
Net debt/EBITDA	-2.3x	-1.3x	-0.9x
Free Cash Flow	-7.0	0.0	9.1
Net debt	-59.1	-59.1	-50.0
Consensus	FY24	FY25	FY26
Sales	158.6	197.9	na
EBITDA	24.5	40.2	na
Guidance CY24:	Sales up 5-7%		
	EBITDA up 0-2%		

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Updated Estimates Post 1Q24 Call

At a macro level, we like the risk/reward set up for the MSO group with the rescheduling process of cannabis from I to III on track to be completed and implemented before the presidential election (see our 5/17 report [Rescheduling on Track](#)). That said, questions about when/if the DEA will come on board and the potential for a Trump win in Nov are both overhangs on the group and will likely limit the near-term upside. Still, we would note, a) the OLC gave deference to the DOJ over DEA in the rescheduling process and that significantly lowers the risk that legal challenges succeed in delaying implementation, and b) a new president would need to start the entire scheduling review process all over again (assuming full implementation before the inauguration on 1/20/25, and no judge issuing a stay), and that itself could take time and risk burning political capital. So, we think investors with a medium long-term view will be rewarded, but in the short term we expect volatility and stocks being mostly range-bound.

In that macro context, MRMD shares should also rerate over time. But we see “alpha” embedded in the stock too, as the peer discount narrows, and the company grows above the group average (on various expansion plans).

Earnings Growth Momentum

MRMD reported 1Q24 results on 5/9 before the open. Sales of \$37.9Mn (+10% yoy) were down 2.5% seq vs. guidance for an MSD decline. Wholesale was better than expected, up 6% seq and +40% yoy, driven by all states in the footprint (the MD wholesale business is now as big as the more established MA wholesale unit); retail was down 6% seq (and -4% yoy, with IL down and MA/MD up). EBITDA of \$4.7Mn (mostly in line with our \$4.8Mn estimate) was down 11% seq due to various start-up related costs. The company kept FY guidance unchanged, calling for 5-7% sales growth (we are at +9%) and EBITDA up 0-2% (Z&A +4%). Increased verticality, especially in IL and MD, should help margins, as the MRMD stores will be able to reduce reliance on 3rd party products (in IL a new kitchen and future cultivation will help feed the company’s five stores in the state). Noteworthy, despite lingering deflation in MA and increased retail competition in IL, MariMed generated 10% yoy sales growth in 1Q24.

Guidance is well secured... Even though the company will lap the start of MD rec on 7/1, expanded capacity in IL, MA, and MD, and the recently opened IL store near the IN border should drive revenue growth. Importantly, MRMD continues to gain wholesale share in IL/MA/MD, as we indicated in our report of 4/16 [Brand Performance in Eastern States](#). Expansion plans for the rest of the year are on track, with the IL kitchen only starting in Dec and now ramping. Sales from cultivation in IL should begin by 3Q24 (finishing grow rooms), and new capacity in MD should start to come online by Sep (in total, the MD expansion will double production by mid 2025). The MA kitchen is also being expanded. Despite a slowdown in the IL market and increased competition from new stores, MRMD has proven its brands (especially edibles) can penetrate well established markets. We understand only MariMed and 4Front are the only MSOs currently expanding cultivation capacity in IL. See our [1/29 report](#) for more detailed operational color.



... **and has upside.** CY24 guidance does not account for the following: a) start of OH rec sales (which would benefit the company's Tiffin store), which we now expect anytime between June and August; b) acquisition of a 2nd rec store in MD (the transaction already closed and the licensed was transferred, so now it is about reopening this previously med store); c) approval for Quincy MA med store to begin rec sales (now expected by this June); d) approval for acquisition of a processing facility in MO (likely by 3Q24, but this will be accrued as management income for now); e) upside from other M&A initiatives (adding stores in OH and becoming vertical in that state are key priorities). Ex potential M&A (for example, buying stores in OH), we calculate the four points mentioned above could generate an additional \$20Mn in annualized sales for MRMD (the 2nd MD store, alone, could account for \$12Mn in upside, in annualized terms).

280E Savings

Upside from 280e savings, with rescheduling as outlined in the DOJ's proposed draft rule.

- MRMD paid income taxes of \$22.8Mn for four years from 2020 to 2023, and declared \$33.6Mn, as per company filings. During that time, that represented 10% of gross profits and 55% of profit before tax.
- If it had calculated income tax of 21% on PBT, it would have only had to declare \$8.7Mn. So, assuming tax refunds claims are retroactive, it could file for \$24.9Mn (33.6-8.7) in total. Of that, it would receive \$14.1Mn in cash and the \$10.8Mn unpaid balance (33.6-22.8) would be forgiven.
- For 2024, we project gross profits of \$74Mn and profit before tax of \$6.5Mn, so the tax savings would be north of \$14Mn.
- If we add the \$24.9Mn in retroactive claims (4 years) and we put 10x on the 2024 savings of \$14Mn (10x being close to the sector EBITDA multiple), the 280E value creation would be \$165Mn – almost 1.7x the stock's current market cap.

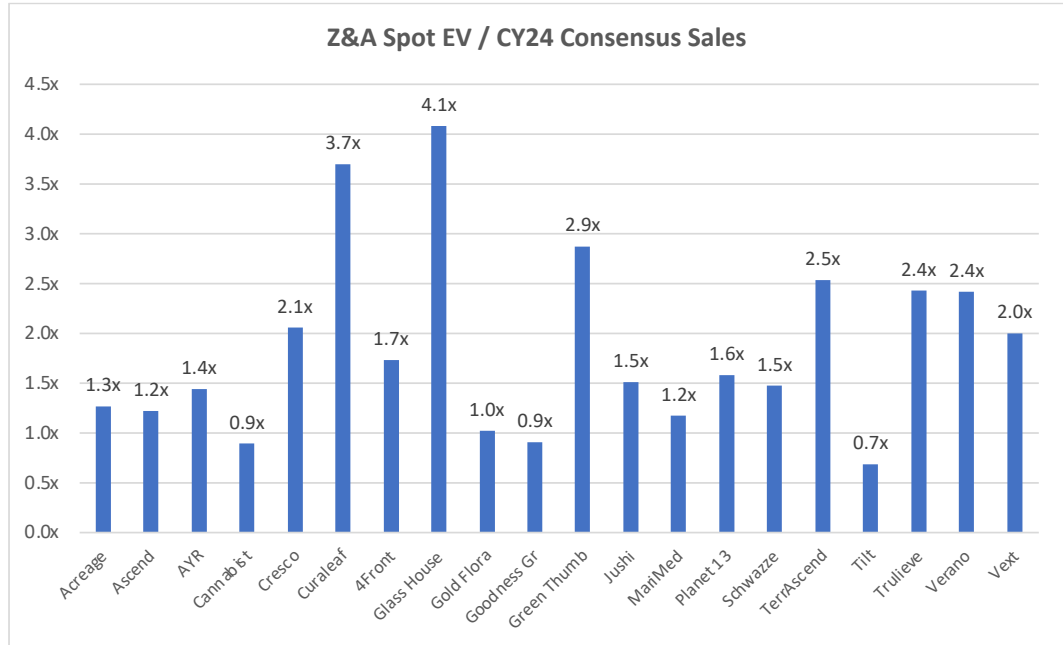
Valuation

Over the past 90 days, MRMD shares are down 11% compared with a flat MSOS ETF (S&P500 +6%). The underperformance is unwarranted, in our view, and we believe it is explained in part by the company's below average rec optionality (no FL/PA exposure; only one store in OH so far) and to the MSOS ETF only owning 1% of the stock vs. heavier holdings of other MSOs (17% of AYR; 12% of TerrAscend). Liquidity is an issue for all MSOs, but MRMD only trades \$100K/day (last 30d) compared with \$8.2Mn for Green Thumb. Taking Monday's close of \$0.25, we calculate a spot EV for MRMD of \$186Mn. For market cap, we take the latest share count of 380mn and 5.7mn in RSUs (we factor the \$19Mn book value of preferred stock in the EV); options and warrants are out of the money (68-78c strike price). In the spot EV, we include net debt of \$53Mn, ST tax liabilities of \$16Mn, and leases net of right of use assets of ~\$1Mn. On a spot EV basis, the stock trades at 1.2x the mid-point of CY24 sales guidance (vs. 1.8x for the peer average) and 7.5x EBITDA (9.8x). We believe the discount is overdone. We continue to rate the stock Overweight, and believe downside



is limited in relative terms. Ex macro/reform tailwinds, we note MRMD has more base business growth momentum (based on its various organic expansion plans) than the MSO average, and that, combined with its valuation discount, makes us continue to recommend the stock.

Table 1: EV to current to Sales as per FactSet



Source: FactSet; company reports



Appendix I: Company Financials



21 May 2024

MariMed: Company Update Post 1Q24 Print

Exhibit 1: Financial highlights

US\$ Mn	Dec CY22	Mar 1Q23	Jun 2Q23	Sep 3Q23	Dec 4Q23	Dec CY23	Mar 1Q24	Jun 2Q24e	Sep 3Q24e	Dec 4Q24e	Dec CY24e	Dec CY25e	Dec CY26e
P&L metrics													
Sales (product rev + other)	134.0	34.4	36.5	38.8	38.9	148.6	37.9	39.6	41.9	42.5	162.0	229.0	248.3
qoq ch %	na	-4%	6%	6%	0%	na	-2%	4%	6%	1%	na	na	na
yoy ch %	10%	10%	11%	14%	9%	11%	10%	8%	8%	9%	9%	41%	8%
Gross profit	64.0	15.4	16.4	16.8	17.3	65.9	16.5	17.8	19.3	20.0	73.6	112.3	124.2
Total SGA	-43.6	-10.3	-12.8	-13.5	-14.9	-51.5	-14.5	-14.4	-14.3	-14.4	-57.6	-76.4	-78.2
Operating income	20.4	5.1	3.5	3.3	2.4	14.4	2.0	3.4	4.9	5.6	16.0	35.8	45.9
Net interest expense	-0.7	-2.4	-2.5	-2.5	-1.5	-8.9	-1.6	-2.6	-2.6	-2.7	-9.4	-10.0	-9.1
Profit before tax	19.5	1.8	1.0	0.2	-9.6	-6.6	0.4	0.8	2.3	3.0	6.5	25.9	36.8
Adj EBITDA	32.4	7.1	6.3	6.1	5.2	24.7	4.7	5.7	7.3	8.0	25.6	45.2	55.3
Net profit	13.5	-0.6	-1.0	-4.3	-10.2	-16.0	-1.3	-2.8	-1.7	-1.2	-7.0	2.3	10.5
EPS	0.04	0.00	0.00	-0.01	-0.03	-0.04	0.00	-0.01	0.00	0.00	-0.02	0.01	0.03
AFD share count (mn)	380.3	342.8	361.3	373.1	376.5	363.4	375.2	375.2	375.2	375.2	375.2	375.2	375.2
Gross margins	47.7%	44.8%	44.8%	43.4%	44.5%	44.4%	43.4%	45.0%	46.0%	47.0%	45.4%	49.0%	50.0%
SGA/sales	-32.5%	-29.8%	-35.1%	-34.9%	-38.3%	-34.7%	-38.1%	-36.4%	-34.2%	-33.8%	-35.5%	-33.4%	-31.5%
Operating margin	15.2%	14.9%	9.7%	8.5%	6.2%	9.7%	5.3%	8.6%	11.8%	13.2%	9.9%	15.7%	18.5%
Net int exp/sales	-0.5%	-7.0%	-6.9%	-6.3%	-3.9%	-6.0%	-4.2%	-6.5%	-6.3%	-6.2%	-5.8%	-4.3%	-3.7%
EBITDA margin	24.2%	20.6%	17.3%	15.6%	13.5%	16.6%	12.3%	14.4%	17.3%	18.8%	15.8%	19.7%	22.3%
Guidance													
Sales								na	na	na	up 5-7%	na	na
EBITDA											up 0-2%	na	na
FactSet consensus													
Sales								39.0	40.5	41.7	158.6	197.9	na
EBITDA								5.5	6.7	7.6	24.5	40.2	na
as % of sales								14.0%	16.6%	18.2%	15.4%	20.3%	na
BS & CF highlights													
Operating cash flow	7.3	-4.5	1.3	7.9	3.2	7.9	3.2	-0.7	0.3	1.1	3.9	9.2	19.0
(-) Capex	-12.1	-3.1	-5.7	-6.0	-5.4	-20.1	-3.4	-2.5	-2.5	-2.5	-10.9	-9.2	-9.9
Free cash flow	-4.8	-7.6	-4.5	1.9	-2.1	-12.2	-0.2	-3.2	-2.2	-1.4	-7.0	0.0	9.1
Financial net (debt)	-20.0	-31.9	-38.1	-37.7	-51.7	-51.7	-53.3	-55.5	-57.7	-59.1	-59.1	-59.1	-50.0
cash	9.7	21.6	14.6	13.3	14.6	14.6	15.2	17.1	14.9	13.6	13.6	14.0	23.3
debt	29.7	53.5	52.7	50.9	66.4	66.4	68.5	72.6	72.6	72.6	72.6	73.1	73.2
Key BS and CF ratios													
OCF/Sales	5.5%	-13.1%	3.5%	20.4%	8.3%	5.3%	8.5%	-1.8%	0.8%	2.6%	2.4%	4.0%	7.7%
Capex/Sales	-9.1%	-8.9%	-15.7%	-15.4%	-13.8%	-13.5%	-8.9%	-6.3%	-6.0%	-5.9%	-6.7%	-4.0%	-4.0%
Net debt to Sales	-0.1x	-0.2x	-0.3x	-0.2x	-0.3x	-0.3x	-0.4x	-0.4x	-0.3x	-0.3x	-0.4x	-0.3x	-0.2x
Net debt to EBITDA	-0.6x	-4.5x	-6.0x	-6.2x	-9.9x	-2.1x	-11.4x	-9.8x	-7.9x	-7.4x	-2.3x	-1.3x	-0.9x

Source: Z&A estimates, company reports



Exhibit 2: Cash Flow

<i>US\$ 000s</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>	<i>Dec</i>	<i>Dec</i>
SUMMARY CASH FLOW	CY22	1Q23	2Q23	3Q23	4Q23	CY23	1Q24	2Q24e	3Q24e	4Q24e	CY24e	CY25e	CY26e
Net earnings	13,614	-664	-935	-4,269	-10,139	-16,007	-1,292	-2,839	-1,710	-1,203	-7,043	2,264	10,514
(+) D&A	4,714	1,543	2,041	2,435	2,555	8,574	2,312	2,283	2,321	2,358	9,274	9,328	9,389
Cash earnings	18,328	879	1,106	-1,834	-7,584	-7,433	1,020	-555	611	1,155	2,231	11,593	19,903
(-) Working capital changes	-21,931	-7,676	-1,454	8,393	-554	-1,291	1,704	-233	-319	-87	1,065	-2,375	-644
(-) Other operating flows	10,914	2,298	1,623	1,341	11,372	16,634	486	58	35	25	603	-46	-215
Operating cash flow	7,311	-4,499	1,275	7,900	3,234	7,910	3,210	-730	327	1,093	3,899	9,172	19,044
(-) net capex	-12,140	-3,052	-5,734	-5,963	-5,381	-20,130	-3,368	-2,500	-2,500	-2,500	-10,868	-9,159	-9,934
Free cash flow	-4,829	-7,551	-4,459	1,937	-2,147	-12,220	-158	-3,230	-2,173	-1,407	-6,969	12	9,110
(-) acquisitions	-14,248	-3,896	58	-212	-949	-4,999	-836	1,000	1,000	1,000	2,164	12,000	48,000
(-) divestitures	0	0	0	0	0	0	0	0	0	0	0	0	0
(+) other	-11,924	-35,815	-18,287	-24,728	-28,654	-14,640	-20,386	-1,000	-1,000	-1,000	-23,386	-12,000	-48,000
(-) distributions	-259	-34	-47	-47	-30	-158	-45	0	0	0	0	0	0
(+) share issuance	0	0	0	0	0	0	0	1,000	0	0	1,000	0	0
(-) stock options/warrants	10	0	35	74	0	109	0	0	0	0	0	0	0
Change in net	-30,991	-47,262	-22,653	-22,929	-31,750	-31,750	-21,380	-2,230	-2,173	-1,407	-7,352	12	9,110
	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending net (debt)	-19,980	-31,891	-38,105	-37,689	-51,730	-51,730	-53,271	-55,501	-57,675	-59,082	-59,082	-59,070	-49,960
Cash/inv/sec	9,737	21,595	14,635	13,259	14,645	14,645	15,234	17,051	14,941	13,552	13,552	14,041	23,280
Gross debts/loans/bonds	29,717	53,486	52,740	50,948	66,375	66,375	68,505	72,552	72,616	72,633	72,633	73,110	73,240

Source: Z&A estimates, company reports



Exhibit 3: Cannabis sales projections

US\$ Mn	Dec CY22	Mar 1Q23	Jun 2Q23	Sep 3Q23	Dec 4Q23	Dec CY23	Mar 1Q24	Jun 2Q24e	Sep 3Q24e	Dec 4Q24e	Dec CY24e	Dec CY25e	Dec CY26e
Total revenues	134.0	34.4	36.5	38.8	38.9	148.6	37.9	39.6	41.9	42.5	162.0	229.0	248.3
Product revenue	125.7	33.6	35.4	37.8	37.6	144.3	36.9	38.5	40.9	41.3	157.4	224.4	243.8
Other	8.3	0.8	1.2	1.0	1.3	4.3	1.1	1.2	1.0	1.3	4.6	4.6	4.6
Product revenue	125.7	33.6	35.4	37.8	37.6	144.3	36.9	38.5	40.9	41.3	157.4	224.4	243.8
wholesale	32.9	10.4	11.0	13.6	13.7	48.8	14.5	15.1	17.0	18.1	64.7	112.3	123.9
retail	92.8	23.2	24.3	24.1	23.9	95.5	22.3	23.4	23.8	23.2	92.7	112.1	119.9
YoY ch %	16%	22%	14%	16%	9%	15%	10%	9%	8%	10%	9%	43%	9%
wholesale	26%	71%	39%	51%	40%	48%	40%	37%	25%	32%	33%	73%	10%
retail	13%	8%	5%	2%	-3%	3%	-4%	-4%	-1%	-3%	-3%	21%	7%
QoQ ch %	na	-3%	5%	7%	0%	na	-2%	4%	6%	1%	na	na	na
wholesale	na	5%	6%	24%	1%	na	6%	4%	13%	6%	na	na	na
retail	na	-6%	5%	-1%	-1%	na	-6%	5%	2%	-3%	na	na	na
By states (our est)	125.7	33.6	35.4	37.8	37.6	144.3	36.9	38.5	40.9	41.3	157.4	224.4	243.8
IL	71.9	17.5	17.9	16.4	16.0	67.9	15.0	15.7	16.2	16.2	63.1	83.3	86.6
MA	41.3	10.7	11.5	11.3	11.4	44.9	11.6	12.6	13.8	13.7	51.7	66.7	67.9
MD	12.5	5.3	6.0	9.7	10.0	31.0	10.0	9.9	10.6	11.0	41.4	55.4	67.3
MO	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	15.4	16.5
OH	0.0	0.0	0.0	0.2	0.2	0.5	0.2	0.2	0.3	0.4	1.2	3.7	5.4
Other													
Sales mix %													
IL	57%	52%	51%	44%	42%	47%	41%	41%	40%	39%	40%	37%	36%
MA	33%	32%	32%	30%	30%	31%	32%	33%	34%	33%	33%	30%	28%
MD	10%	16%	17%	26%	27%	22%	27%	26%	26%	27%	26%	25%	28%
MO	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	7%	7%
OH	0%	0%	0%	1%	1%	0%	1%	1%	1%	1%	1%	2%	2%
Other	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Market size estimates (\$Mn) rec/med													
DE	36	9	9	9	9	36	9	9	12	15	45	85	98
IL	1,907	467	484	498	511	1,960	493	508	518	530	2,048	2,141	2,241
MA	1,755	425	449	471	460	1,806	441	459	483	471	1,854	1,905	1,939
MD	509	118	123	270	276	787	273	283	289	297	1,142	1,305	1,513
MO	390	266	363	360	349	1,338	348	354	363	369	1,434	1,543	1,655
OH	467	120	119	118	125	482	122	121	167	213	623	1,222	1,812

Source: Z&A estimates, company reports



Exhibit 4: Market growth assumptions

US\$ Mn	CY19	CY20	CY21	CY22	CY23	1Q24	2Q24e	3Q24e	4Q24e	CY24e	1Q25e	2Q25e	3Q25e	4Q25e	CY25e	CY26e	CY27e	rec began
Total	11,910	18,831	25,076	25,711	28,508	7,347	7,649	7,827	7,917	30,740	8,152	8,602	9,037	9,285	35,076	40,228	44,636	
rec		11,507	15,960	16,569	18,222	4,673	4,932	5,084	5,145	19,835	5,207	5,589	6,088	6,323	23,208	28,349	32,489	
med		7,325	9,115	9,142	10,285	2,674	2,717	2,743	2,773	10,906	2,945	3,013	2,949	2,962	11,869	11,879	12,147	
Total (med/rec)	11,910	18,831	25,076	25,711	28,508	7,347	7,649	7,827	7,917	30,740	8,152	8,602	9,037	9,285	35,076	40,228	44,636	
AZ	841	801	1,359	1,413	1,360	316	319	306	322	1,263	312	325	312	329	1,278	1,303	1,328	Jan'21
CA	2,803	4,705	5,780	5,393	5,142	1,225	1,294	1,264	1,245	5,028	1,254	1,324	1,294	1,274	5,146	5,265	5,383	Oct'16
CO	1,748	2,191	2,229	1,769	1,529	348	357	365	360	1,430	358	368	376	372	1,474	1,520	1,567	Jan'14
CT	84	117	150	150	277	73	74	76	76	300	80	84	89	93	346	419	493	Jan'23
FLA	506	1,308	1,616	1,705	1,860	488	493	498	501	1,981	492	600	739	823	2,653	4,486	5,999	May'25
GA		0	1	16	49	21	27	29	32	109	34	34	34	34	136	156	157	med
IL	251	1,035	1,776	1,907	1,960	493	508	518	530	2,048	515	531	541	554	2,141	2,241	2,346	Jan'20
MA	677	962	1,644	1,755	1,806	441	459	483	471	1,854	457	471	494	483	1,905	1,939	1,974	Nov'18
MD	252	453	551	509	787	273	283	289	297	1,142	309	320	332	344	1,305	1,513	1,765	Jul'23
ME	9	16	93	171	229	58	65	76	67	266	66	74	87	77	304	348	398	Oct'20
MI	289	985	1,793	2,294	3,029	793	862	912	892	3,459	919	947	976	1,006	3,849	4,078	4,168	Dec'19
MN	20	20	25	36	66	19	20	21	21	80	18	17	15	15	66	376	619	Jan'26
MO	20	21	210	390	1,338	348	354	363	369	1,434	372	382	392	396	1,543	1,655	1,776	Feb'23
NH	10	13	17	20	24	7	7	7	7	27	8	8	8	8	30	34	37	med
NJ	95	196	217	555	799	224	227	234	243	929	241	246	254	265	1,005	1,099	1,202	Apr'22
NM	119	119	119	358	556	147	150	152	154	603	154	158	161	161	635	665	696	Apr'22
NV	702	780	1,042	882	825	193	200	196	195	784	198	206	200	196	801	822	845	Jul'17
NY	173	200	250	265	431	148	162	182	230	722	259	293	328	362	1,242	1,631	1,783	Dec'22
OH	56	223	379	467	482	122	121	167	213	623	244	275	336	367	1,222	1,812	2,396	Jul'25
OK	428	831	941	780	728	179	185	175	175	714	179	185	175	175	714	724	735	med
OR	840	1,111	1,184	994	955	236	247	249	242	974	241	252	254	247	993	1,013	1,034	Oct'15
PA	290	745	1,395	1,469	1,592	414	416	417	418	1,666	419	420	522	548	1,908	2,765	3,293	Jul'25
RI	40	47	44	52	108	51	51	50	50	202	54	53	53	52	212	221	231	Dec'22
VA	0	10	27	100	167	52	62	71	71	256	72	73	75	76	296	231	459	Jun'27
VT	5	6	8	9	11	3	3	3	3	12	3	3	3	3	14	15	17	May'22
WA	1,200	1,280	1,422	1,294	1,259	305	314	327	319	1,265	307	316	328	321	1,272	1,278	1,284	Jul'14
WV	0	0	0	26	66	19	20	22	23	84	24	25	26	27	101	118	135	med
Other states	452	655	804	932	1,073	353	369	375	391	1,488	565	611	632	679	2,486	2,501	2,515	

Source: Z&A estimates, Headset, state official data

Exhibit 5: Potential share price upside

US\$ Mn	Dec CY23e	Dec CY24e	Dec CY25e	Dec CY26e	
					upside
Price scenarios		<i>by Dec'23</i>	<i>by Dec'24</i>	<i>by Dec'25</i>	<i>by Dec'25</i>
EV/Sales of	1.0x	0.17	0.32	0.39	54%
EV/Sales of	1.5x	0.38	0.62	0.71	183%
EV/Sales of	1.8x	0.50	0.79	0.90	261% 20% peer premium
EV/Sales of	3.0x	1.01	1.51	1.68	570%
EV/Sales of	5.0x	1.85	2.70	2.96	1086%
EV/Sales of	7.2x	2.77	4.00	4.38	1653% 20% PP plus sector rerating
EV/EBITDA of	5.0x	0.08	0.31	0.46	84%
EV/EBITDA of	7.3x	0.23	0.58	0.79	217% 20% peer premium
EV/EBITDA of	8.0x	0.28	0.66	0.89	256%
EV/EBITDA of	10.0x	0.41	0.90	1.18	371%
EV/EBITDA of	15.0x	0.74	1.48	1.90	658%

Source: Z&A estimates, company reports

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

US\$ Mn	Jun 2Q23	Sep 3Q23	Dec 4Q23	Dec CY23e	Dec CY24e	Dec CY25e	Dec CY26e
EV calculation for val purposes	164.1	166.7	181.1	181.1	193.8	202.6	195.9
Market cap (\$Mn)	93.9	95.4	95.2	95.2	96.3	96.3	96.3
Share price (US\$)	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Share count used for val purposes	375.5	381.4	380.7	381.0	385.3	385.3	385.3
common shares	371.6	375.9	375.1	375.1	379.6	379.6	379.6
RSUs and derivatives in the money	3.9	5.5	5.5	5.8	5.7	5.7	5.7
Broadly defined net debt (\$Mn)	-48.3	-52.4	-66.9	-66.9	-78.5	-87.3	-80.6
financial net cash (debt)	-38.1	-37.7	-51.7	-51.7	-59.1	-59.1	-50.0
gross leases	-0.6	-0.7	-0.7	-0.7	-1.2	-2.6	-3.0
st taxes	-9.6	-14.0	-14.4	-14.4	-18.2	-25.6	-27.6
contingent warrant inflow							
Other							
preferred stock	21.9	19.0	19.0	19.0	19.0	19.0	19.0
minority interest adj							
Z&A valuation Multiples	1yF			CY23	CY24e	CY25e	CY26e
EV/Sales	1.2x			1.2x	1.2x	0.9x	0.8x
EV/EBITDA	7.5x			7.3x	7.6x	4.5x	3.5x
FactSet valuation Multiples							
EV/Sales	1.7x						
EV/EBITDA	12.1x						

Source: Z&A estimates, company reports



Appendix II: MSO Valuation Comps



Exhibit 7: Valuation Comps – MSOs

US\$Mn 20-May-24	Z&A Spot EV / Sales			Z&A Spot EV / EBITDA			Financial Net Debt				Broadly Defined Net Debt				
	2023	2024	2025	2023	2024	2025	Sales		EBITDA		Sales		EBITDA		
							CY24	Current	CY24	Current	CY24	Current	CY24	Current	
US MSOs	2.1x	1.8x	1.6x	12.5x	9.8x	7.3x									
Acreage Holdings	0.4x	1.3x	na	3.1x	6.4x	na	-0.8x	-0.9x	-4.2x	-8.1x	-1.0x	-1.1x	-4.9x	-9.5x	
Ascend Wellness	1.4x	1.2x	1.2x	6.7x	5.6x	4.9x	-0.4x	-0.4x	-1.9x	-2.1x	-0.7x	-0.8x	-3.4x	-3.7x	
Ayr Wellness	1.5x	1.4x	1.3x	6.2x	5.7x	4.9x	-0.9x	-0.9x	-3.4x	-3.7x	-1.0x	-1.1x	-4.0x	-4.3x	
Cannabist Co	0.9x	0.9x	0.8x	6.5x	5.9x	4.3x	-0.5x	-0.5x	-3.6x	-3.3x	-0.7x	-0.7x	-4.4x	-4.2x	
Cansortium	1.4x	na	na	3.9x	na	na	na	na	na	na	na	na	na	na	
Cresco Labs	2.0x	2.1x	1.9x	8.8x	7.6x	7.2x	-0.6x	-0.5x	-2.1x	-2.1x	-0.8x	-0.8x	-2.9x	-3.0x	
Curaleaf	3.8x	3.7x	3.4x	17.0x	15.2x	13.1x	-0.5x	-0.5x	-2.0x	-3.2x	-0.8x	-0.8x	-3.3x	-5.3x	
4Front Ventures	2.1x	1.7x	na	20.6x	10.8x	na	-0.8x	-1.0x	-5.0x	-6.9x	-1.2x	-1.5x	-7.4x	-10.3x	
Glass House	5.5x	4.1x	na	36.1x	17.2x	na	-0.1x	na	-0.5x	na	-0.3x	-0.4x	-1.5x	-1.8x	
Gold Flora	1.0x	1.0x	0.7x	na	12.1x	3.9x	na	-0.2x	na	na	na	-0.6x	na	na	
Goodness Growth	1.0x	0.9x	na	5.1x	4.1x	na	-0.5x	-0.5x	-2.3x	-1.8x	-0.6x	-0.6x	-2.7x	-2.1x	
Green Thumb	3.0x	2.9x	2.7x	9.9x	9.2x	8.6x	-0.1x	-0.1x	-0.4x	-0.4x	-0.2x	-0.2x	-0.6x	-0.6x	
Grown Rogue	5.5x	na	na	23.5x	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	1.6x	1.5x	1.4x	10.3x	7.8x	6.8x	-0.7x	-0.7x	-3.4x	-8.6x	-1.0x	-1.1x	-5.3x	-13.5x	
MariMed	1.2x	1.2x	0.9x	7.5x	7.6x	4.6x	-0.3x	-0.3x	-2.2x	-2.2x	-0.4x	-0.5x	-2.9x	-2.9x	
Planet 13	1.9x	1.6x	1.2x	-3.8x	13.8x	6.8x	0.2x	0.2x	1.8x	26.5x	0.1x	0.1x	0.6x	9.3x	
Schwazze	1.5x	1.5x	na	4.8x	6.2x	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	2.7x	2.5x	2.3x	12.4x	12.0x	10.3x	-0.6x	-0.5x	-2.6x	-1.9x	-0.8x	-0.7x	-3.6x	-2.7x	
TILT	0.7x	0.7x	0.6x	53.0x	20.1x	11.8x	-0.3x	-0.3x	-9.0x	-5.8x	-0.6x	-0.5x	-17.4x	-11.2x	
Trulieve	2.5x	2.4x	2.3x	8.9x	7.8x	7.6x	-0.5x	-0.5x	-1.5x	-1.7x	-0.5x	-0.6x	-1.7x	-2.1x	
Verano	2.4x	2.4x	2.2x	7.4x	7.8x	7.0x	-0.3x	-0.3x	-0.9x	-0.8x	-0.6x	-0.5x	-1.8x	-1.5x	
Vext	2.4x	2.0x	na	15.4x	12.5x	na	-0.8x	-1.1x	-5.1x	-8.1x	-0.8x	-1.1x	-5.1x	-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 Cansortium, Grown Rogue, iAnthus, and StateHouse, we take "current" sales for each of them

Source: FactSet and company reports

Exhibit 8: Spot EV calculation - MSOs

US\$Mn 20-May-24	FactSet Spot EV	Z&A Spot EV	US\$ 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
US MSOs													
Acreage Holdings	255	327	0.46	139.9	29.7	77	-214	-2	-34			-250	
Ascend Wellness	762	715	1.26	206.9	13.3	278	-244	-134	-60			-438	
Ayr Wellness	751	701	2.60	76.6	5.0	212	-417	6	-78	0		-489	
Cannabist Co	620	453	0.26	429.3		112	-272	-23	-45	0		-340	
Cansortium	140	137	0.18	298.3	6.3	56	-49	-7	-26			-81	
Cresco Labs	1,257	1,534	2.13	436.9	8.2	948	-415	-54	-111	-6		-586	
Curaleaf	4,391	5,181	5.29	738.1	7.9	3,946	-672	-18	-345	-81		-1,115	119
4Front Ventures	290	207	0.10	648.6		65	-95	-6	-41	0		-142	
Glass House	622	886	9.35	75.7	3.2	738	-26	0	-21	-29		-76	72
Gold Flora	130	134	0.22	287.5	0.2	63	-26	-32	-8	-4		-71	
Goodness Growth	136	87	0.65	45.3		29	-50	-8				-58	
Green Thumb	3,007	3,216	12.38	236.1	7.1	3,011	-147	-23	-11	-33	9	-206	
Grown Rogue	75	139	0.81	170.8		138	4	-3	0	0		0	
iAnthus	124	279	0.02	6,510.5		124	-146	-9				-155	
Jushi	401	420	0.67	196.6	1.1	132	-183	1	-106			-288	
MariMed	178	186	0.25	379.6	5.7	96	-53	-1	-16			-70	19
Planet 13	146	188	0.61	321.8	0.3	196	24	-6	-5	-5		9	
Schwazze	214	255	0.56	171.3		96	-138	-3	-18	0		-159	
StateHouse	146	195	0.02	255.6	141.0	9	-114	-13	-39	-24	7	-184	2
TerrAscend	696	852	1.62	351.2	15.3	594	-186	-7	-59	-6		-258	
TILT	119	109	0.04	384.8	10.9	14	-49	-43	-3			-95	
Trulieve	2,093	2,853	11.70	186.0	3.3	2,215	-537	-16	-81	-4		-639	
Verano	2,044	2,247	4.87	343.5	9.8	1,720	-271	-4	-248	-4		-527	
Vext	63	85	0.23	217.5	0.4	50	-35	0				-35	

Source: FactSet and company reports



Exhibit 9: Stock Performance

20-May-24			
	Stock Performance		
	Last	Last	Last
Ticker	30d	90d	12mo
US MSOs (mkt cap >\$200Mn)			
AAWH	-3%	-27%	43%
AYRWF	-5%	32%	98%
CRLBF	-3%	23%	41%
CURLF	2%	4%	84%
GLASF	5%	38%	149%
GTBIF	-6%	-11%	68%
PLNH	-10%	-15%	-1%
TSNDF	-11%	-4%	-1%
TCNNF	-1%	37%	169%
VRNOF	-10%	-22%	65%
US MSOs (mkt cap <\$200Mn)			
ACRDF	26%	82%	-7%
CBSTF	-14%	-31%	-45%
CNTMF	-9%	9%	151%
CXXIF	5%	-10%	43%
FFNTF	-4%	12%	-39%
GRAMF	-4%	-49%	33%
GDNSF	55%	61%	261%
GRUSF	19%	69%	500%
ITHUF	4%	-9%	1%
JUSHF	-4%	2%	35%
LOWLF	-7%	-54%	-78%
MRMD	-7%	-11%	-44%
SHWZ	-21%	-59%	-47%
STHZF	-58%	-59%	-43%
VEXTF	26%	-15%	11%

Stock Performance			
	Last	Last	Last
Ticker	30d	90d	12mo
Canadian LPs			
ACB	28%	88%	17%
AVTBF	-1%	-27%	-50%
BZAMF	48%	-47%	-79%
CBWTF	10%	204%	204%
CGC	56%	165%	-4%
CRON	15%	22%	53%
DBCCF	-26%	-16%	-22%
ETRGF	37%	44%	-41%
HITI	-3%	16%	68%
LOVFF	0%	-13%	12%
NVACF	-23%	-8%	80%
OGI	9%	-9%	2%
ROMJF	10%	-8%	-26%
SNDL	31%	61%	45%
TLRY	13%	1%	-20%
VFF	6%	50%	90%
Cannabis - International			
CLVR	-41%	25%	-27%
IMCC	18%	-43%	-67%
INCR	43%	51%	41%
LGPPF	na	na	na
PCLOF	4%	45%	50%
Tech			
LFLY	-12%	-50%	-76%
SBIG	38%	-2%	-69%
MAPS	-17%	-3%	-14%

Stock Performance			
	Last	Last	Last
Ticker	30d	90d	12mo
MJ Fincos			
AFCG	9%	6%	9%
CNPOF	41%	7%	18%
IIPR	21%	23%	60%
NLCP	13%	22%	61%
PW	34%	9%	-65%
SHFS	12%	-27%	98%
SSIC	9%	42%	33%
REFI	3%	-2%	10%
Pix & Shovel			
AGFY	-15%	-46%	-92%
GRWG	21%	12%	-32%
HYFM	-9%	-6%	-25%
SMG	2%	19%	-1%
UGRO	7%	-30%	-3%
Vape parts			
GNLN	2%	36%	-82%
ISPR	24%	-41%	-21%
SMORF	12%	39%	-12%
TLLTF	14%	3%	-26%
Index			
S&P 500	6%	6%	26%
S&P 477	6%	7%	5%
Nasdaq	4%	13%	13%
MSOS ETF	-6%	0%	62%
YOLO ETF	5%	9%	47%

Source: FactSet



Appendix III: Bio and Disclaimers



Analyst Bio

Pablo Zuanic is a well-known and highly rated equity analyst following the cannabis and psychedelics sector. Over the past four years he launched coverage of over 35 companies (MSOs, LPs, CBD, ancillary, psychedelics), kept close track of sectoral trends, and followed the reform process in the US and elsewhere. His firm Zuanic & Associates publishes equity research on the cannabis and psychedelics sectors, both from a macro/sectoral level in a thematic manner, as well as specific reports on listed stocks. The research service is aimed at institutional investors and corporations. The firm is also available for short term consulting and research advisory projects (www.zuanicassociates.com). At various points in his career, Pablo was II ranked and called as expert witness in industry investigations. He has a deep global background having covered stocks over the past 20 years in the US, Europe, Latin America, and Asia, across consumer sub sectors. Prior employers include JP Morgan, Barings, and Cantor Fitzgerald. An MBA graduate of Harvard Business School, he started his career as a management consultant, which brings a strategic mindset to his approach to equity research. Pablo can be contacted at pablo.zuanic@zuanicgroup.com.



Disclosures and Disclaimers

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

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