



12/20/2024

Cresco Labs (CRLBF)

Company Update: Overweight

US\$ Mn								
Sales	CY23a	CY24e	Prev	CY25e	Prev	CY26e	Prev	CY27e
1Q	194.2	184.3 A	184.3	173.6	184.3	166.8	180.1	207.1
2Q	197.9	184.4 A	184.4	175.9	187.5	163.9	179.2	223.9
3Q	190.6	179.8 A	179.8	169.9	183.7	190.8	202.6	233.4
4Q	188.2	179.0 E	183.6	170.0	185.2	198.8	210.5	245.4
FY	770.9	727.4 E	732.0	689.5	740.7	720.3	772.4	909.8
EBITDA	CY23a	CY24e	Prev	CY25e	Prev	CY26e	Prev	CY27e
1Q	29.3	53.2 A	53.2	48.4	20.8	45.8	49.6	57.2
2Q	40.5	53.9 A	53.9	48.9	51.6	44.9	49.3	61.8
3Q	49.0	51.3 A	51.3	47.2	50.5	52.5	55.9	64.5
4Q	54.8	51.0 E	20.7	47.1	51.0	54.7	58.1	67.9
FY	173.6	209.3 E	179.0	191.6	173.9	197.8	212.9	251.4

Share price (US\$)	0.88	Perf.	CRLBF	MSOS ETF	S&P500	Stance:	Overweight
Share count (mn)	448.0	30d	-28%	-23%	-1%		no price target
Market Cap (US\$Mn)	393	90d	-45%	-46%	3%		FY=Dec
Ticker	CRLBF	1yr	-35%	-41%	25%		



\$Mn	FY24	FY25	FY26
Projected EV	933	687	614
EV/Sales	1.3x	1.0x	0.9x
EV/EBITDA	4.5x	3.6x	3.1x
	FY24	FY25	FY26
Net debt/Sales	-0.4x	-0.3x	-0.2x
Net debt/EBITDA	-1.5x	-1.2x	-0.8x
Free Cash Flow	145.1	81.3	72.9
Net (debt) cash	-306.7	-225.4	-152.4
Consensus	FY24	FY25	FY26
Sales	721.8	719.6	741.7
EBITDA	203.7	195.5	192.4
Guidance CY24:	n/a		

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Investment Thesis

We rate CRLBF Overweight. Cresco is a tier-1 MSO with a more focused operation than direct peers (five states account for the bulk of revenues), EBITDA margins in the 30% range, one the best retail franchises in the industry (its IL and OH dispensaries yield rev/store 2x the state averages), and a thriving wholesale business (#1 in markets like IL, MA, PA, per BDSA). In our view, whether rightly or wrongly, Cresco has been more prudent than peers (it has not added stores in FL since mid 2023; it has yet to enter the fast-growing wholesale rec market in NY state), which has helped improve its balance sheet and cash flow position. As we wrote in [a recent report](#) (12/16), we expect CY25 to be a year of change for the US MJ industry (less so from the macro/reg context, but more endogenous), and for some companies to emerge stronger. We would put Cresco in that camp. Yes, we realize the main catalysts for MJ stocks revolve mostly around federal reform, but we continue to advise investors make use of the current weakness taking a long-term view and be selective. At 1.3x sales and 4.7x EBITDA (CY24), Cresco is attractively valued.

Note: we copy here verbatim CEO Charlie Bachtell's comments from the latest conference call: "To be successful, cannabis companies must be as dynamic as the market conditions; have a balance sheet that enables flexibility and growth; and maintain an unwavering focus on the bottom line. This is where Cresco Labs shines. We continue to prove out our strategy in every state we operate in, maintaining and gaining share in some of the country's largest and most competitive markets. We're leaning into our improved operating cash flow and profitability to seize on our businesses momentum. We're making smart, high ROI investments in our core markets, reinforcing the capabilities and infrastructure needed to win and exploring accretive, incremental M&A and new business opportunities. And we're reinforcing our balance sheet with every decision. We'll also continue to lead the way on federal reform as this is the ultimate unlock for the industry and its stakeholders."

Core Markets Deep Dive

In this report, we provide a deep dive into Cresco's operations in its five largest markets. We estimate that five states account for the bulk of Cresco's sales (as per our estimates, in this order: IL, PA, FL, OH, MA). Our analysis in part relies on Headset data, state official numbers (especially for FL and PA), and our proprietary surveys, plus company input (although we note Cresco does not split sales by state). In this report, we are also adjusting our estimates based on revised state level projections. *Note: We rate Cresco Overweight in our MJ stock coverage. It could be said that the main growth catalysts for the industry now at the state level are PA flipping rec and OH issuing AU rules., if so, we note Cresco is well positioned in both states. See our latest macro views on the sector [here](#) and a benchmarking of the tier 1 MSOs [here](#).*



Illinois: Cresco is among the retail and wholesale leaders in IL. We calculate IL contributed \$65Mn to total Cresco 3Q24 sales (or 36% of the \$180M reported).

- **Retail:** Cresco owns 10 stores in IL (a state with >230 stores, per the state regulator's latest report), which per management, yield rev/store double the state average. The state has gone from 110 stores two years ago, to 160 a year ago to >230 now, which has eroded rev/store for most players. For example, Verano reported IL retail sales of \$37.3Mn for 3Q24, down 13% yoy, with retail share of 4.8% vs. 6.2% in 3Q23 (for market size we use the official state data). So, on a per store basis, revenue per store was almost \$15Mn for Verano in 3Q24 (down from \$17.2Mn in 3Q23). We assume \$16Mn for Cresco stores (the state average now is around \$7-8Mn), for total IL retail sales of \$40Mn or 34% of Cresco's 3Q24 reported retail sales of \$118Mn (which were stable yoy).
- **Brand share:** According to Headset, the Cresco brand portfolio had 13% overall share in Illinois in 3Q24, only behind Ascend and Green Thumb (each with >16% share) among MSOs. Per Headset, Cresco's combined market share peaked in 1H21 at 19%. That said, we understand Cresco does not provide data to Headset from its stores, so the Headset share number may only be a good representation of Cresco's share in IL 3rd party stores, but not of overall brand portfolio market share in IL (thus Headset may also overstate the total brand share of peers, which contribute store data to Headset). Indeed, per BDSA, Cresco's 3Q24 market share data was 17.6% (down yoy, but above the Headset number).
- **Category and brand color:** Per Headset, in terms of brand mix, 57% of Cresco's sales in 3rd party stores in 3Q24 came from High Supply (value); 20% from Cresco; 9% Good News; 7% FloraCal (premium flower); 3% each from Mindy's and Wonder Wellness (and Remedi 1%). In 3Q24, flower was 64% of sales, vape 18%, edibles 10%, and 4% each came from concentrates and pre-rolls. In flower, Cresco had 19% share in 3Q24 (76% from High Supply, Cresco 16%; FloraCal 7%), with High Supply the #1 brand and Cresco #8. In vape, it had 9% share (46% Cresco, 33% Good News, 17% High Supply), with its Cresco brand #8. In edibles, Cresco had 11% share with a well-balanced portfolio (33% Good News; Mindy's 29%, Wonder Wellness 26%, FloraCal 13%); Good News was the #9 edibles brand in 3Q24 in edibles, per Headset.
- **Net wholesale revenue:** For context, Verano reported net wholesale revenues of \$13.4Mn for 3Q24 (+10% yoy). Per Headset, Cresco generated wholesales in 3rd party stores ~2.5x Verano. But Headset counts Verano sales at its own stores as well as 3rd party, while for Cresco it only counts 3rd party stores, so the Cresco net wholesale number could be in the ~\$25Mn range. *Note: We use Verano as a comp in several parts of this report, as they provide revenue split by state for their retail as well as wholesale business.*



Pennsylvania: Per the Sunnyside website, Cresco has 17 stores in PA (see our [initiation report](#) for color), and we understand it also operates a vibrant wholesale business. We calculate PA added \$55Mn to total company sales in 3Q24.

- We do not have Headset brand data for PA. Per BDSA, brand share wise across all stores, we understand that Cresco is the market leader in PA, with high teens share in 3Q24, almost 5pt above the #2 player.
- Per the latest state data report (11/1/24), there are 186 stores open and 32 operational grower/processors. Total sales (at retail) for Jan-Oct were \$1.4Bn (we realize the BDS number is much lower than this, but for PA market size analysis we use the official state number), up 8% yoy, and are on track for close to \$1.7Bn for CY24 (\$411Mn for 3Q24). As of 11/1, there were 440,773 active patients (3.4% of PA's population).
- We understand the Cresco stores, perform slightly above the state average (although the actual number will depend on what market size we use: the state official number of BDSA?). We roughly model that Cresco generated retail revenues in PA >\$ 30Mn in 3Q24, and \$20-25Mn in net wholesale.
- Note: Re PA market trends, price deflation remains an issue, with average retail price gram (dry leaf) of \$7.73 and wholesale of \$3.16 (both thru Oct), down 11% and 18% respectively. But it should be noted that at least wholesale prices seem to be recovering (up from \$2.78 in Aug), and, even more importantly, the 8% YTD market growth is impressive for a well-established medical program with continued new competition from neighboring states (NJ, NY, MD, OH). Rec remains a possibility if legislators can agree (and this is not just case of Democrats vs. Republicans, but in some cases about disagreements within the respective parties).

Florida. We calculate in 3Q24 Cresco generated sales of \$21Mn in the state (assuming \$2.55Mn revenues per annum per store), with the 33 Sunnyside stores yielding above average volumes per store. Among operators with 3Q total sales volumes above 50,000 oz of flower items (including pre-rolls), Cresco ranked #3 in volumes per store (2.31k oz in 3Q24), only behind Trulieve (4.05k) and Curaleaf (2.47k). In fact, anecdotal menu scraping, shows the company stocks a wider range of flower and pre-rolls SKUs. On the other hand, it lagged most of the large peers in extract volumes per store.

- Only three of FL operators disclose sales for the state. For 3Q24, Verano reported sales of \$45.3Mn (down 16% yoy and -8% qoq), Consortium reported \$22Mn (+3% yoy; -5% seq), and Planet 13 disclosed \$10.4Mn (no comparable base provided).
- During 3Q, Verano added 2 stores (ending 3Q with 79; it has 79 as of the latest OMMU report for 12/6). Consortium has remained at 35 stores since 3/1/24. Planet 13 opened 1 store during 3Q (early Aug) reaching 27 stores (and has 28 now). Cresco has remained at 33 stores since 9/8/23.



- If we take 3Q store count averages of 78, 35, and 26.5 respectively, this would imply the Verano stores yielded revenue of \$2.32Mn annualized; Consortium \$2.51Mn; Planet 13 \$1.57Mn. Where do the 33 Cresco stores stack up? Based on OMMU volume data comps across these operators, we estimate the Cresco stores should be in the \$2.5-2.6Mn range in revenue per store (Cresco sells ~20% more flower per store vs. Consortium, but 20% less per store re extracts).
- If we go by volumes, the Cresco stores sold 2.31k oz of flower per store during 3Q24 (up 96% yoy) vs. Verano 1.47k (-25% yoy), Consortium 1.70k (-2%), and Planet 13 1.60k (+72%), all per OMMU. In terms of extracts, the Cresco stores sold 4.81mn mg per store in 3Q24 (+120% yoy) vs. 4.96mn for Verano (-2% yoy), 5.89mn for Consortium (+9%), and 3.21mn for Planet 13 (+17%).
- Menu scraping, we see the Cresco stores carry 25 premium flower SKUs per store, plus another 20 flower SKUs in shake and small formats, for ~45 flower SKUs. Verano seems to have access to less flower SKUs averaging 15 whole flower SKUs per store plus another 8 SKUs of ground and smalls. Consortium shows on average 25 flower SKUs while Planet 13 averages only about 8. The flower analysis can be extrapolated to pre-rolls, while in vape Cresco, Verano, and Consortium have similar SKU numbers (PLNH about half).
- See our recent [FL report](#) (12/12) for macro state color.

Ohio: We calculate OH generated sales almost near FL levels for Cresco in 3Q24.

- Per management, the company's five stores yield revenue double the state average. For 3Q24, when total OH retail market sales amounted to \$196Mn (non-med sales only began on 8/6), we calculate OH stores did close to \$8Mn pa, so we assume for Cresco stores about \$15Mn pa (Verano reported \$8.6Mn retail sales in 3Q24 for its own five stores). So, the 5 Cresco stores in 3Q likely did \$19Mn in revenue (or about 16% of Cresco's total retail sales).
- Re wholesale brand share data, as in the case of IL, Cresco stores do not contribute data to Headset. Per management, Cresco total brand share in OH in 3Q24 was 5.5% (#3 in the state). Per Headset, in 3rd party stores, Cresco had 1-2% share, mostly from flower and edibles (with little presence in vapes; pre-rolls are not allowed in OH yet).
- Re net wholesale revenues, we calculate Cresco generated >\$1Mn in 3Q24.
- Note: Cresco has 5 stores operational in OH (Chillicothe; Cincinnati. Newark, Marion, Wintersville). Non-med sales only began on 8/6/24, and total sales in the state in 3Q (med and non-med) reached \$196Mn (med \$105Mn and non-med \$91Mn). We project 4Q24 sales at \$225Mn for the state. It remains unclear when new AU use rules will be implemented and how restricted they may be.



Massachusetts: Cresco is among the brand leaders in MA. We estimate MA contributed \$13-15Mn to 3Q24 sales (<30% retail; >70% net wholesale).

- **Brand share:** Per Headset, the Cresco brand portfolio had ~5% overall share in the state in 3Q24 (implying about \$10Mn in wholesale revenue, or >\$19Mn at retail), second only to Ascend among MSOs. Brand wise, 62% of Cresco's sales came from its High Supply Brand; 18% from Good News; 10% from Mindy's, 7% from Cresco, and 3% from FloraCal. In terms of formats, 67% of Cresco's sales came from flower, 13% each from edibles and vape, and 11% from pre-rolls. The company was #2 in flower with 7.1% share (High Supply accounting for 90% of its flower sales), only behind Ascend with 10.9% (bulk from Simply Herb); house brands have 17% flower share in MA. Cresco had 5.2% share in edibles in 3Q (53% from Mindy's; 39% Good News); 3.1% share in vapes (60% Good News; and <20% each Cresco and High Supply); 2.4% in pre-rolls (>80% High Supply). In vape, Good News ranked 15th; in edibles Mindy's ranked 10th; High Supply ranked 12th in pre-rolls (all this excluding house brands).
- **Retail:** Besides the wholesale operation (in a state with ~400 stores), Cresco owns three stores selling rec/med and one store selling only med. We estimate Cresco's retail sales in MA in 3Q24 at <\$4Mn and wholesale at ~\$10Mn (assuming \$5Mn pa rev/rec store and 5% share of the wholesale market).

Valuation and share price scenarios. The stock is down with the US MJ group (-45% for the last 90 days both for CRLBF and the MSOS ETF). We calculate a spot EV of \$956Mn for Cresco (share price of \$0.88). For the market cap, we take the latest disclosed share count of 441mn plus 8.9mn in RSUs (derivatives are out of the money); in the EV math, we include \$365Mn in financial net debt, \$56Mn in gross leases net of right of use assets, \$130Mn in income tax liabilities (ST and LT), plus \$10Mn in contingent consideration. On current sales (3Q24 annualized), this is equivalent to 1.3x sales (vs. 1.4x for the MSO average and ~1.8x for Curaleaf and Green Thumb; Verano and Trulieve are also around 1.4x) and 4.7x EBITDA (well below 6.3x for the MSO average). While Cresco trades mostly in line with Trulieve and Verano both on sales and EBITDA, on our concerns about increased competition in FL, we would say Cresco screens better than those two stocks regarding outlook (Cresco has FL exposure too, but less than Trulieve and Verano) and has more EBITDA torque to OH/PA, as per our estimates (in what relates to those two states as % of each company sales). We rate Cresco Overweight. While we do not set price targets, regarding share price forward scenarios, if we took 12x EBITDA on our CY26 estimates, by Dec'25 (1yF) the stock would be north of \$6 (>7x lift). See our [initiation report](#) for more background on Cresco.

Table 1: Companies mentioned in this report

Company name	Ticker	Ticker	Rating
US MSOs			
4Front Ventures		FFNTF	not rated
Ascend Wellness		AAWH	will cover
AYR Wellness		AYRWF	not rated
Cannabist		CCHWF	not rated
Consortium		CNTMF	will cover
Cresco Labs		CRLBF	Overweight
Curaleaf Holdings		CURLF	will cover
GlassHouse Brands		GLASF	not rated
Gold Flora		GRAM	Overweight
Green Thumb Industries		GTBIF	Overweight
Grown Rogue		GRUSF	not rated
Jushi Holdings		JUSHF	Overweight
MariMed		MRMD	Overweight
Planet 13 Holdings		PLNHF	Overweight
Schwazze		SHWZ	will cover
TerrAscend		TSNDF	not rated
TILT Holdings		TLLTF	Neutral
Trulieve Cannabis		TCNNF	not rated
Verano Holdings		VRNOF	Overweight
Vext Science, Inc.		VEXTF	Overweight
Vireo Growth		VREOF	will cover
Finance (MJ) Companies			
AFC Gamma		AFCG	Overweight
Chicago Atlantic BDC		LIEN	will cover
Chicago Atlantic REAF		REFI	Overweight
Innovative Industrial Properties		IIPR	not rated
New Lake Capital Partners		NLCP	Overweight
SHF Holdings		SHFS	not rated
Canada LPs			
Aurora Cannabis		ACB	Neutral
Auxly Cannabis Group		CBWTF	will cover
Avant Brands		AVTBF	will cover
Avicanna		AVCN	not rated
Ayurcann Holdings		AYURF	will cover
Cannara Biotech		LOVFF	not rated
Canopy Growth Corporation		CGC	will cover
Cronos Group		CRON	not rated
Decibel Cannabis Co		DBCCF	Overweight
Organigram Holdings		OGI	will cover
Rubicon Organics		ROMJF	not rated
SNDL		SNDL	not rated
Tilray Brands		TLRY	Neutral
Village Farms Int'l		VFF	Overweight
Other			
Agrify		AGFY	will cover
Cannapresso		TBD	will cover
Cantourage AG		HIGH:FF	will cover
Flora Growth		FLGC	will cover
Grow Generation		GRWG	not rated
Intercure		INCR	Overweight
Ispire Technology		ISPR	will cover
Leafly		LFLY	not rated
LFTD Partners Inc.		LIFD	Overweight
Smoores International		SMORF	will cover
Springbig		SBIG	not rated
Urban-gro		UGRO	will cover
WM Technology		MAPS	Neutral

Source: Z&A



Appendix I: Company Financials

20 December 2024

Cresco Labs: Core Markets Deep Dive

Exhibit 1: Financial highlights

US\$ Mn	Dec CY22	Dec CY23	Mar 1Q24	Jun 2Q24	Sep 3Q24	Dec 4Q24e	Dec FY24e	1Q25e	2Q25e	3Q25e	4Q25e	Dec FY25e	Dec FY26e	Dec FY27e
Reported Sales	842.7	770.9	184.3	184.4	179.8	179.0	727.4	173.6	175.9	169.9	170.0	689.5	720.3	909.8
qoq ch %	na	na	-2%	0%	-2%	0%	na	-3%	1%	-3%	0%	na	na	na
yoy ch %	3%	-9%	-5%	-7%	-6%	-5%	-6%	-6%	-5%	-5%	-5%	-5%	4%	26%
Guidance						na	na	na	na	na	na	na	na	na
Consensus						173.5	721.8	173.4	177.2	179.9	183.7	719.6	741.7	na
Profit margins														
Gross profit before FV adj	407.0	362.4	92.2	94.8	93.4	93.0	373.4	87.7	88.8	85.8	85.8	348.1	364.0	459.6
as % of sales	48.3%	47.0%	50.0%	51.4%	52.0%	52.0%	51.3%	50.5%	50.5%	50.5%	50.4%	50.5%	50.5%	50.5%
Op exp	491.3	450.2	63.0	62.4	67.1	58.4	256.1	55.6	56.5	55.3	55.6	243.8	256.4	306.0
as % of sales	58.3%	58.4%	34.2%	33.8%	37.3%	32.6%	35.2%	32.1%	32.1%	32.6%	32.7%	35.4%	35.6%	33.6%
EBIT	-84.3	-87.8	29.2	32.4	26.3	34.6	117.4	32.0	32.3	30.5	30.2	104.2	107.6	153.5
as % of sales	-10.0%	-11.4%	15.8%	17.6%	14.7%	19.4%	16.1%	18.4%	18.4%	17.9%	17.7%	15.1%	14.9%	16.9%
Adj EBITDA	172.7	173.6	53.2	53.9	51.3	51.0	209.3	48.4	48.9	47.2	47.1	191.6	197.8	251.4
as % of sales	20.5%	22.5%	28.8%	29.2%	28.5%	28.5%	28.8%	27.9%	27.8%	27.8%	27.7%	27.8%	27.5%	27.6%
Consensus EBITDA						45.7	203.7	46.0	48.2	49.1	50.2	195.5	192.4	na
as % of sales						26.4%	28.2%	26.5%	27.2%	27.3%	27.3%	27.2%	25.9%	na
EPS														
Pre tax income	-126.9	-146.9	15.9	-40.9	11.3	22.9	9.2	20.3	20.6	18.8	18.5	78.2	83.0	131.0
Tax rate assumption	70.1%	22.4%	-112.9%	25.0%	-168.0%	-25.0%	-576.2%	-25.0%	-25.0%	-25.0%	-25.0%	-25.0%	-25.0%	-25.0%
Net income after min int	-212.0	-175.5	-5.2	-54.3	-10.5	17.1	-52.9	15.2	15.5	14.1	13.9	58.7	62.2	98.3
Share count (FD) Mn	298.2	323.8	343.6	344.9	347.4	347.4	345.8	347.4	347.4	347.4	347.4	347.4	347.4	347.4
EPS	-0.71	-0.54	-0.02	-0.16	-0.03	0.05	-0.15	0.04	0.04	0.04	0.04	0.17	0.18	0.28
consensus						0.00	-0.19	0.00	0.01	0.01	0.01	-0.03	0.00	na
BS & CF highlights														
Operating cash flow	18.7	58.6	36.5	17.2	49.4	67.3	170.3	43.1	-22.3	32.8	62.2	115.8	108.9	143.0
(-) Capex	83.0	55.4	3.8	6.4	6.1	8.9	25.2	8.7	8.8	8.5	8.5	34.5	36.0	45.5
Free cash flow	-64.3	3.2	32.7	10.7	43.3	58.4	145.1	34.4	-31.1	24.3	53.7	81.3	72.9	97.5
Net cash (debt)	-366.4	-401.0	-394.8	-395.0	-365.0	-306.7	-306.7	-272.3	-303.4	-279.0	-225.4	-225.4	-152.4	-54.9
Net debt/Sales	-0.4x	-0.5x	-0.5x	-0.5x	-0.5x	-0.4x	-0.4x	-0.4x	-0.4x	-0.4x	-0.3x	-0.3x	-0.2x	-0.1x
Net debt/EBITDA	-2.1x	-2.3x	-1.9x	-1.8x	-1.8x	-1.5x	-1.5x	-1.4x	-1.6x	-1.5x	-1.2x	-1.2x	-0.8x	-0.2x
Equity	627.0	505.7	503.3	467.7	456.9	474.0	474.0	489.3	504.7	518.8	532.7	532.7	594.9	693.2

Source: Z&A estimates, company reports

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Cresco Labs: Core Markets Deep Dive

Exhibit 2: Sales projections

US\$ Mn	CY23	1Q24	2Q24	3Q24	4Q24e	FY24e	1Q25e	2Q25e	3Q25e	4Q25e	FY25e	FY26e	FY27e
Sales (reported)	770.7	184.3	184.3	179.7	179.0	727.3	173.6	175.9	169.9	170.0	689.5	720.3	909.8
wholesale	306.2	66.3	65.8	62.0	61.6	255.7	59.4	60.5	58.9	59.8	238.6	260.5	324.5
retail	464.5	118.0	118.5	117.7	117.3	471.6	114.2	115.5	111.0	110.2	450.9	459.8	585.3
By states (our est)	770.7	184.3	184.3	179.7	179.0	727.3	173.6	175.9	169.9	170.0	689.5	720.3	909.8
IL	350.7	72.8	71.3	65.2	63.9	273.3	60.7	62.5	61.0	62.1	246.3	244.6	249.0
PA	239.2	60.7	61.9	55.4	63.2	241.1	60.9	58.9	52.7	50.7	223.2	218.0	362.7
CA	9.1	1.8	1.3	1.3	1.2	5.6	1.9	2.0	1.9	1.9	7.7	7.9	8.1
MA	59.1	13.5	13.7	14.2	14.2	55.6	13.6	13.9	14.4	14.4	56.3	57.3	58.3
FL	42.7	17.9	18.8	21.1	21.6	79.5	21.6	21.1	20.7	19.5	82.9	78.3	79.1
NY	2.2	0.7	0.8	0.7	0.8	2.9	0.6	0.6	0.7	0.7	2.7	3.5	3.8
OH	50.4	12.2	12.0	20.5	12.7	57.3	12.9	15.5	17.1	19.2	64.6	104.6	142.6
MI	14.9	4.8	4.5	1.4	1.3	12.0	1.4	1.4	1.5	1.5	5.8	6.1	6.2
Sales mix %													
IL	46%	39%	39%	36%	36%	38%	35%	36%	36%	37%	36%	34%	27%
PA	31%	33%	34%	31%	35%	33%	35%	34%	31%	30%	32%	30%	40%
CA	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
MA	8%	7%	7%	8%	8%	8%	8%	8%	8%	8%	8%	8%	6%
FL	6%	10%	10%	12%	12%	11%	12%	12%	12%	11%	12%	11%	9%
NY	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
OH	7%	7%	6%	11%	7%	8%	7%	9%	10%	11%	9%	15%	16%
MI	2%	3%	2%	1%	1%	2%	1%	1%	1%	1%	1%	1%	1%

Source: Z&A estimates, company reports

Exhibit 3: Market growth assumptions

US\$ Mn	CY21	CY22	CY23	1Q24	2Q24	3Q24	4Q24e	CY24e	1Q25e	2Q25e	3Q25e	4Q25e	CY25e	CY26e	CY27e	rec began
Total	25,035	25,711	28,505	7,370	7,587	7,832	7,836	30,625	8,044	8,312	8,425	8,489	33,270	35,360	38,313	
rec	15,961	16,581	18,272	4,722	4,902	5,155	5,131	19,910	5,196	5,423	5,561	5,593	21,773	23,867	26,701	
med	9,074	9,130	10,232	2,648	2,685	2,678	2,704	10,715	2,849	2,889	2,864	2,896	11,497	11,493	11,612	
Total (med/rec)	25,035	25,711	28,505	7,370	7,587	7,832	7,836	30,625	8,044	8,312	8,425	8,489	33,270	35,360	38,313	
AZ	1,359	1,426	1,376	325	301	311	331	1,267	325	306	316	337	1,284	1,306	1,330	Jan'21
CA	5,780	5,393	5,177	1,222	1,294	1,264	1,245	5,025	1,251	1,324	1,294	1,274	5,143	5,262	5,380	Oct'16
CO	2,229	1,769	1,529	356	360	378	318	1,413	342	345	362	305	1,354	1,345	1,348	Jan'14
CT	150	150	277	73	73	76	76	298	80	84	89	93	346	419	493	Jan'23
FLA	1,616	1,705	1,860	489	480	498	501	1,967	492	488	488	487	1,955	1,957	1,978	med
GA	1	16	49	21	27	29	32	109	34	34	34	34	136	156	157	med
IL	1,776	1,907	1,960	493	505	496	504	1,998	488	503	497	509	1,998	2,033	2,070	Jan'20
MA	1,644	1,755	1,806	441	457	470	480	1,848	462	471	487	488	1,907	1,941	1,976	Nov'18
MD	551	509	787	273	284	292	297	1,146	310	320	330	343	1,304	1,516	1,780	Jul'23
ME	93	171	229	58	63	76	67	265	66	72	87	77	303	346	396	Oct'20
MI	1,793	2,294	3,029	793	837	912	892	3,433	919	947	975	1,005	3,846	4,075	4,165	Dec'19
MN	25	36	66	19	20	21	21	80	18	17	15	15	66	376	619	Jan'26
MO	210	390	1,338	348	363	375	381	1,467	385	395	405	409	1,593	1,708	1,833	Feb'23
NH	17	20	24	7	7	7	7	27	8	8	8	8	30	34	37	med
NJ	217	556	806	242	235	245	256	978	268	279	291	303	1,142	1,251	1,372	Apr'22
NM	119	358	556	147	150	156	156	609	157	158	162	162	640	654	670	Apr'22
NV	1,042	882	825	219	212	208	206	844	210	218	212	207	847	869	893	Jul'17
NY	250	265	431	138	152	172	192	654	201	216	230	245	892	1,164	1,259	Dec'22
OH	379	467	482	122	120	196	221	658	225	262	284	307	1,078	1,463	1,994	Aug'24
OK	941	780	728	179	185	175	175	714	179	185	175	175	714	724	735	med
OR	1,184	994	955	234	243	249	242	968	239	248	254	247	987	1,007	1,027	Oct'15
PA	1,353	1,457	1,530	411	426	411	405	1,653	399	387	346	333	1,464	1,429	2,378	Jul'26
RI	44	53	108	29	30	29	29	117	24	24	24	24	96	106	115	Dec'22
VA	27	100	167	52	57	62	67	237	67	68	70	71	276	307	357	med
VT	8	9	11	3	3	3	3	12	3	3	3	3	14	15	17	May'22
WA	1,422	1,294	1,259	305	314	327	319	1,265	307	316	328	321	1,272	1,278	1,284	Jul'14
WV	0	22	66	20	21	22	22	85	23	24	25	26	99	116	133	med
Other states	804	932	1,073	353	369	375	391	1,488	565	611	632	679	2,486	2,501	2,515	

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

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Exhibit 4: Cash Flow

US\$ 000s	Dec	Dec	Mar	Jun	Sep	Dec	Dec	Mar	Jun	Sep	Dec	Dec	Dec	Dec
SUMMARY CASH FLOW STATEMENT	CY22	CY23	1Q24	2Q24	3Q24	4Q24e	FY24e	1Q25e	2Q25e	3Q25e	4Q25e	FY25e	FY26e	FY27e
Net earnings before min int	-215,843	-179,852	-2,055	-51,179	-7,694	17,148	-43,780	15,236	15,455	14,071	13,909	58,671	62,218	98,276
(+) D&A	51,930	62,512	15,331	14,930	14,931	13,503	58,695	13,272	13,471	13,673	13,869	54,285	55,832	59,471
Cash earnings	-163,913	-117,340	13,276	-36,249	7,237	30,651	14,915	28,507	28,927	27,744	27,778	112,956	118,050	157,747
(-) Working capital changes	13,454	15,218	10,597	-14,015	33,384	36,657	66,623	14,579	-51,213	5,095	34,377	2,837	-9,108	-14,759
(-) Other operating flows	169,200	160,686	12,598	67,424	8,742	0	88,764	0	0	0	0	0	0	0
Net cash used in operating activities	18,741	58,564	36,471	17,160	49,363	67,308	170,302	43,086	-22,287	32,839	62,156	115,794	108,942	142,988
(-) net capex	-83,026	-55,385	-3,782	-6,434	-6,072	-8,949	-25,237	-8,680	-8,796	-8,496	-8,501	-34,474	-36,014	-45,490
Free cash flow	-64,285	3,179	32,689	10,726	43,291	58,359	145,065	34,406	-31,083	24,342	53,655	81,320	72,928	97,498
(-) acquisitions	-4,241	-2,498	-2,770	-3,942	-229	0	-6,941	0	0	0	0	0	0	0
(-) divestitures/lease liabilities	47,914	2,594	478	106	32	0	616	0	0	0	0	0	0	0
(+) other	-3,412	-11,722	-14,508	6,300	-12,066	0	-20,274	0	0	0	0	0	0	0
(+) share issuance	-86,643	-26,206	-9,649	-13,467	-1,022	0	-24,138	0	0	0	0	0	0	0
(-) stock options/warrants	3,215	0	2	7	0	0	9	0	0	0	0	0	0	0
Change in net	-107,452	-34,653	6,242	-270	30,006	58,359	94,337	34,406	-31,083	24,342	53,655	81,320	72,928	97,498
Ending net (debt)	-366,357	-401,010	-394,768	-395,038	-365,032	-306,673	-306,673	-272,267	-303,350	-279,008	-225,353	-225,353	-152,425	-54,927
Cash/inv/sec	121,510	108,520	124,901	115,950	156,555	172,659	172,659	207,065	175,982	200,324	253,979	253,979	326,907	424,405
Gross debts/loans/bonds	487,867	509,530	519,669	510,988	521,587	479,332	479,332	479,332	479,332	479,332	479,332	479,332	479,332	479,332

Source: Z&A estimates, company reports

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Exhibit 5: Forward EV calculations (and forward multiples as per our methodology), and forward share price scenarios

US\$ Mn	Dec CY22	Dec CY23	1Q24	2Q24	3Q24	4Q24e	Dec FY24e	Dec FY25e	Dec FY26e	Dec FY27e		
Current valuation												
EV (\$Mn)	933	940	949	983	956	933	933	687	614	516		
Market cap (\$Mn)	362	394	393	395	395	395	395	395	395	395		
Share price (US\$)	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88		
FD share count (Mn)	412.0	449.2	448.0	450.2	449.9	449.9	449.9	449.9	449.9	449.9		
common shares (prof	407.7	441.0	438.2	441.0	441.0	441.0	441.0	441.0	441.0	441.0		
RSUs	4.3	8.2	9.8	9.2	8.9	8.9	8.9	8.9	8.9	8.9		
Basic share count (Mn)	298.2	323.8					345.8	347.4	347.4	347.4		
Broadly defined net deb	-571	-545	-556	-588	-561	-538	-538	-292	-219	-121		
net financial debt (prof	-366	-401	-395	-395	-365	-307	-307	-225	-152	-55		
net leases	-54	-55	-56	-56	-56	-56	-56	-56	-56	-56		
other debt (taxes payab	-95	-82	-98	-128	-130	-165	-165	0	0	0		
contingent	-56	-7	-7	-9	-10	-10	-10	-10	-10	-10		
warrant inflow												
Multiples (Z&A)												
PE		-1.6x	-14.5x	-1.4x	-7.2x	4.4x	-5.7x	5.2x	4.9x	3.1x		
EV/Sales		1.2x	1.3x	1.3x	1.3x	1.3x	1.3x	1.0x	0.9x	0.6x		
EV/EBITDA		5.4x	4.5x	4.6x	4.7x	4.6x	4.5x	3.6x	3.1x	2.1x		
							by Dec'23	by Dec'24	by Dec'25	by Dec'26	upside by Dec'25	upside by Dec'26
Price scenarios												
EV/Sales		1.3x					0.89	1.33	1.58	2.35	80%	167%
EV/Sales		2.0x					2.04	2.42	2.72	3.77	209%	330%
EV/Sales		3.0x					3.65	3.95	4.32	5.80	391%	560%
EV/Sales		4.0x					5.27	5.48	5.92	7.82	574%	790%
EV/Sales		6.0x					8.50	8.55	9.12	11.86	938%	1251%
EV/Sales		8.0x					11.74	11.61	12.32	15.91	1303%	1711%
EV/EBITDA		4.7x					3.16	2.98	3.04	3.60	247%	310%
EV/EBITDA		9.0x					5.17	4.81	4.94	6.01	462%	584%
EV/EBITDA		12.0x					6.56	6.09	6.26	7.68	612%	775%
EV/EBITDA		15.0x					7.96	7.37	7.57	9.36	762%	966%
EV/EBITDA		18.0x					9.35	8.65	8.89	11.04	913%	1157%
EV/EBITDA		35.0x					17.26	15.88	16.37	20.54	1764%	2238%

Source: Z&A estimates, company reports



Appendix II: Valuation Comps

Exhibit 6: US MSOs Valuation Multiples

US\$Mn 20-Dec-24	Z&A Spot EV / Sales			Z&A Spot EV / EBITDA			Financial Net Debt				Broadly Defined Net Debt			
							Sales		EBITDA		Sales		EBITDA	
	Current	CY24e	CY25e	Current	CY24e	CY25e	CY24	Current	CY24	Current	CY24	Current	CY24	Current
US MSOs	1.5x	1.4x	1.2x	6.8x	6.3x	5.3x								
Ascend Wellness	1.1x	1.1x	1.1x	6.1x	5.6x	5.1x	-0.4x	-0.4x	-2.2x	-2.4x	-0.9x	-0.9x	-4.6x	-5.1x
Ayr Wellness	0.8x	0.8x	0.8x	3.5x	3.5x	3.3x	-0.8x	-0.8x	-3.4x	-3.4x	-0.7x	-0.7x	-2.9x	-2.9x
Cannabist Co	0.9x	0.9x	0.9x	6.8x	6.6x	5.1x	-0.6x	-0.6x	-4.4x	-4.5x	-0.8x	-0.8x	-6.2x	-6.4x
Consortium	1.1x	1.1x	na	3.8x	3.8x	na	na	na	na	na	na	na	na	na
Cresco Labs	1.3x	1.3x	1.3x	4.7x	4.7x	4.9x	-0.5x	-0.5x	-1.8x	-1.8x	-0.8x	-0.8x	-2.8x	-2.7x
Curaleaf	1.8x	1.8x	1.7x	7.9x	7.9x	6.6x	-0.5x	-0.5x	-2.3x	-2.3x	-0.9x	-0.9x	-3.8x	-3.8x
4Front Ventures	2.0x	2.0x	na	7.4x	7.4x	na	na	-1.0x	na	-3.8x	na	-1.7x	na	-6.5x
Glass House	2.4x	3.2x	na	7.5x	17.5x	na	-0.1x	na	-0.7x	na	-0.3x	-0.2x	-1.7x	-0.8x
Gold Flora	1.0x	1.0x	0.8x	11.4x	52.9x	7.1x	na	-0.3x	na	na	na	-0.9x	na	na
Goodness Growth	2.1x	2.2x	na	-123.8x	8.9x	na	-0.5x	-0.5x	-2.1x	29.1x	-0.9x	-0.9x	-3.7x	51.1x
Green Thumb	1.8x	1.8x	1.7x	5.7x	5.6x	5.6x	-0.1x	-0.1x	-0.2x	-0.2x	-0.1x	-0.1x	-0.4x	-0.4x
Grown Rogue	3.5x	3.5x	na	4.7x	4.7x	na	na	na	na	na	na	na	na	na
iAnthus	1.2x	1.2x	na	8.9x	8.9x	na	na	-1.0x	na	-7.3x	na	-1.0x	na	-7.5x
Jushi	1.5x	1.4x	1.3x	8.7x	7.2x	6.1x	-0.6x	-0.7x	-3.3x	-4.0x	-1.2x	-1.2x	-6.1x	-7.4x
MariMed	0.9x	0.9x	0.8x	8.1x	7.6x	4.7x	-0.4x	-0.4x	-3.3x	-3.5x	-0.5x	-0.5x	-4.2x	-4.5x
Planet 13	1.0x	1.1x	na	24.4x	26.7x	na	0.2x	0.1x	4.0x	3.7x	-0.1x	-0.1x	-1.7x	-1.5x
Schwazze	1.1x	1.1x	na	7.9x	5.3x	na	-0.9x	-0.9x	-4.2x	na	-1.1x	-1.1x	-5.2x	na
TerrAscend	1.8x	1.8x	1.7x	9.7x	9.0x	8.5x	-0.6x	-0.6x	-2.9x	-3.1x	-1.0x	-1.0x	-5.3x	-5.7x
TILT	1.0x	1.0x	1.0x	-17.7x	-17.7x	87.8x	-0.5x	-0.6x	13.0x	9.9x	-0.9x	-1.0x	22.7x	17.3x
Trulieve	1.4x	1.4x	1.3x	4.2x	4.0x	4.0x	-0.3x	-0.3x	-0.7x	-0.8x	-0.6x	-0.6x	-1.8x	-1.8x
Verano	1.3x	1.3x	1.2x	4.3x	4.2x	4.0x	-0.4x	-0.4x	-1.3x	-1.4x	-0.7x	-0.8x	-2.5x	-2.5x
Vext	1.6x	1.6x	na	5.1x	6.7x	na	-0.9x	-0.9x	-3.6x	-2.8x	-0.9x	-0.9x	-3.6x	-2.7x

1) We take FactSet consensus estimates for CY24e and CY25e multiples; 2) By "current", we mean the latest reported qtr annualized

Source: FactSet, Z&A estimates, and company reports

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Exhibit 7: US MSOs EV Calculations

US\$m	FactSet	Z&A	US\$	mn	mn	Total	Financial	Net	Income	Conting	ITM deriv	Total	Pref Stock
20-Dec-24	Spot EV	Spot EV	price	shares	deriv	Mkt Cap	net debt	leases	tax liab.	Cons.	inflow	BDND	Min Int
US MSOs													
Ascend Wellness	596	617	0.46	214.5	13.3	105	-241	-134	-137			-512	
Ayr Wellness	613	374	0.43	114.0	31.1	62	-359	4	-11	0	55	-311	
Cannabist Co	532	405	0.05	472.7	8.2	25	-269	-26	-86			-380	
Cansortium	140	118	0.07	304.9	5.6	22	-59	-9	-29			-97	
Cresco Labs	856	956	0.88	441.0	8.9	395	-365	-56	-130	-10		-561	
Curaleaf	1,947	2,382	1.47	743.8	11.2	1,110	-678	-24	-389	-56		-1,146	126
4Front Ventures	237	153	0.02	915.2	3.8	19	-79	-8	-40	-6	0	-134	
Glass House	396	616	5.71	81.0	3.5	482	-25	0	-4	-32		-61	72
Gold Flora	130	127	0.01	287.7	0.1	4	-40	-34	-44	-4		-123	
Goodness Growth	124	216	0.54	230.3	4.1	127	-51	-10	-29			-89	
Green Thumb	2,025	2,023	7.70	236.2	9.3	1,890	-82	-28	-23	0	0	-133	
Grown Rogue	75	93	0.66	143.5		94	5	-2	-2			1	
iAnthus	29	190	0.00	6,615.3		29	-156	-5				-161	
Jushi	324	358	0.27	196.7	0.0	54	-165	-1	-139			-305	
MariMed	131	151	0.13	381.3	6.7	49	-66	-1	-17			-83	19
Planet 13	91	127	0.37	325.2	0.3	119	19	-7	-16	-5		-8	
Schwazze	176	190	0.05	80.2		4	-151	-2	-33	0		-186	
TerrAscend	407	533	0.62	355.8	3.1	223	-172	-5	-128	-4		-310	
TILT	109	111	0.01	390.6	4.4	3	-62	-44	-2			-108	
Trulieve	987	1,615	4.78	186.0	3.3	905	-300	-21	-384	-5		-710	
Verano	795	1,104	1.24	356.9	8.6	453	-355	-6	-285	-4		-651	
Vext	44	59	0.11	245.5	3.4	27	-32	1				-31	

Source: FactSet, Z&A estimates, and company reports

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Exhibit 8: Performance

20-Dec-24	Stock Performance		
	Last	Last	Last
Ticker	30d	90d	12mo
US MSOs			
Ascend	-1%	-53%	-55%
Ayr	-40%	-76%	-73%
Cannabist	-51%	-77%	-86%
Consortium	-24%	-59%	-22%
Cresco	-28%	-45%	-35%
Curaleaf	-29%	-49%	-60%
4Front	-36%	-53%	-78%
GlassHouse	-25%	-38%	27%
Gold Flora	-66%	-84%	-91%
Vireo Growth	60%	20%	108%
Grown Rogue	-5%	0%	135%
Green Thumb	-17%	-24%	-22%
iAnthus	-30%	-61%	-84%
Jushi	-23%	-45%	-40%
MariMed	-19%	-23%	-56%
Planet13	-16%	-38%	-44%
Schwazze	-55%	-62%	-91%
StateHouse	MN/A	-40%	-20%
Trulieve	-23%	-57%	-3%
TerrAscend	-25%	-45%	-55%
Vext	-20%	-40%	-43%
Verano	-27%	-61%	-67%

	Stock Performance		
	Last	Last	Last
Ticker	30d	90d	12mo
Canadian LPs			
Aurora	-2%	-28%	-12%
Avant	-22%	-58%	-88%
Auxly	-12%	-15%	106%
Cannara	33%	41%	-14%
Canopy	-29%	-42%	-44%
Cronos	-8%	-13%	1%
Decibel	5%	-7%	-51%
Entourage	30%	4%	-25%
High Tide	10%	39%	92%
Nova	MN/A	MN/A	MN/A
OGI	1%	-19%	20%
Rubicon	3%	-12%	-11%
SNDL	-13%	-13%	22%
Tilray	-11%	-33%	-42%
VFF	-4%	-13%	3%
CBD			
CVSI	-16%	-24%	-2%
CWEB	-15%	-22%	-50%
LFID	-21%	-31%	-79%
International			
InterCure	-3%	-24%	-2%
PharmaCielo	-18%	40%	134%

	Stock Performance		
	Last	Last	Last
Ticker	30d	90d	12mo
MJ Fincos			
AFCG	-9%	-19%	-30%
CNPOF	-15%	-53%	5%
IIPR	-10%	-29%	-3%
NLCP	0%	-10%	28%
SHFS	28%	-31%	-65%
LIEN	-5%	7%	41%
REFI	-1%	0%	-4%
Tech			
LFLY	-8%	-32%	-67%
SBIG	-37%	-44%	-58%
MAPS	22%	52%	98%
Vape parts			
GNLN	-22%	-73%	-73%
ISPR	-16%	-28%	-61%
SMORF	-5%	9%	66%
TLLTF	8%	-52%	-63%
Index			
S&P 500	-1%	3%	25%
S&P 477	-1%	-2%	16%
Nasdaq	-3%	4%	40%
MSOS ETF	-23%	-46%	-41%
YOLO ETF	-11%	-28%	-16%

Source: FactSet and company reports



Appendix III: Bio and Disclaimers



Analyst Bio

Pablo Zuanic is a well-known and highly rated equity analyst following the broader cannabinoids (THC cannabis, hemp derivatives, CBD) and consumer sectors. Over the past six years he has launched coverage of over 40 companies in the US, Canada, and overseas; plant-touching as well as service providers (tech; finance); and has also worked with several private companies. He follows closely the reform process in the US, Canada, Germany, Australia, and elsewhere, and relies on a fundamental and data-driven approach to keep track of sectoral trends. His firm Zuanic & Associates publishes equity research, both from a macro/sectoral level in a thematic manner, as well as on listed stocks. The research service is aimed at institutional investors, corporations, and regulators. The firm is also available for short-term consulting and research advisory projects. Approaching the third year since its inception, the firm has collaborated with over 25 companies (in North America and overseas; plant touching and service providers; public and private), both on an on-going basis as well for specific projects. At various points in his career, Pablo Zuanic was ranked in the Institutional Investor magazine surveys and was called as expert witness in industry investigations. He has a deep global background having covered stocks over the past 20 years in the US, Europe, Latin America, and Asia, across consumer sub sectors. Prior employers include JP Morgan, Barings, and Cantor Fitzgerald. An MBA graduate of Harvard Business School, he started his career as a management consultant, which brings a strategic mindset to his approach to equity research. *He can be contacted via the company's portal www.zuanicassociates.com; via email at pablo.zuanic@zuanicgroup.com; or via X @420Odysseus.*



Disclosures and Disclaimers

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

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