

**The Highlights**

Cannabis News for the Week Ending April 5, 2024

April 8, 2024  
Jesse Redmond  
jesse@watertowerresearch.com  
805-717-9327

**KEY POINTS**

- **In a volatile week, the US cannabis MSOS ETF gained 1.10%, while the global YOLO ETF climbed 3.92% on continued strength of select Canadian names.** YTD, MSOS is +49.70% and YOLO is +39.47%.
- **AYR Wellness (CSE: AYR, OTCQX: AYRWF) finished at +8.47% and had the strongest week among the larger operators.** CEO David Goubert joined us on Higher Exchanges to discuss the exciting set of potential catalysts that the company has ahead in 2024. Eighty percent of AYR’s stores are medical, giving it outsized exposure to possible adult-use transitions in Florida, Pennsylvania, and the rollout in Ohio. Those interested can listen to the episode on [Apple](#), [Spotify](#), or [Google](#).
- **MSOS had five consecutive days of inflows totaling \$51.3 million.** This may be driven by the potential for the DEA to respond ahead of 4/20 and investors adding to positions after the Florida news last Monday. The fund has had \$410 million in inflows since the HHS made its recommendation on August 29, 2023, and \$250 million YTD.
- **On Monday, the Florida Supreme Court ruled 5-2 to allow Amendment 3 on the ballot this fall.** This is an approximately \$2 billion medical market that we expect to more than double if it becomes adult-use. The measure requires a 60% vote to pass and, if successful, sales would start in May 2025.
- **The biggest driver of the larger-than average adult-use gain is the 135 million tourists Florida welcomed last year.** Under the medical program, out-of-state visitors are not allowed to buy cannabis, but they would be able to under recreational rules. Plus, Florida is bordered by Georgia and Alabama, neither of which have adult-use programs, which should drive significant sales to out-of-state residents.
- **Trulieve (CSE: TRUL, OTCQX: TCNNF) is the leader in Florida with 134 stores and 750,000 square feet of indoor cultivation.** Because Florida does not have a wholesale market, it is critical that operators’ cultivation and manufacturing capabilities match their retail footprint.
- **We’ll be in Florida on April 16-17 for the Benzinga Cannabis Capital Conference.** We’ll be moderating the opening keynote on April 16 at 9:10 am ET with **Glass House Brands** (NEO: GLAS, OTCQX: GLASF) CEO Kyle Kazan. [Use code WTR20 for 20% off tickets.](#)

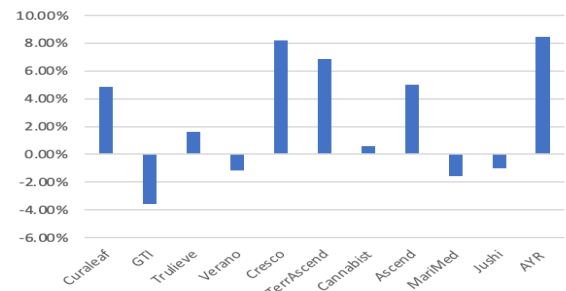
**STATISTICS**

**Top MSOs Weekly Performance**

Company	Symbol	Change
Curaleaf	(TSX: CJRA, OTCQX: CURLF)	4.87%
GTI	(CSE: GTII, OTCQX: GTBIF)	-3.58%
Trulieve	(CSE: TRUL, OTCQX: TCNNF)	1.61%
Verano	(NEO: VRNO, OTCQX: VRNOF)	-1.18%
Cresco	(CSE: CL, OTCQX: CRLBF)	8.21%
TerrAscend	(TSX: TSND, OTCQX: TSNDF)	6.88%
Cannabist	(NEO: CBST, OTCQX: CBSTF)	0.59%
Ascend	(CSE: AAWH, OTCQX: AAWH)	5.02%
MariMed	(CSE: MRMD, OTCQX: MRMD)	-1.55%
Jushi	(CSE: JUSH, OTCQX: JUSHF)	-0.99%
AYR	(CSE: AYR, OTCQX: AYRWF)	8.47%

Source: FactSet

**Top MSOs Weekly Performance Chart**



Source: FactSet

**MSOS ETF Weekly Performance**



Source: FactSet

### CLS Holdings Expands into New York with City Trees Vape Launch

**CLS Holdings** (CSE: CLSH, OTCQX: CLSH) is a vertically-integrated cannabis company with core operations in Nevada. The company owns and operates Oasis cannabis dispensary, one of the leading stores in Las Vegas. CLS also has a state-of-the-art extraction and manufacturing facility in Nevada and a suite of top-performing brands.

City Trees is CLS' flagship brand of extracts, oils, tinctures, capsules, pre-rolls, and vapor cartridges. It is Nevada's top-selling vape brand and according to BDSA is number two in the state by total units sold in the inhalables, concentrates, extracts, and vape only category.

City Trees announced it is expanding into New York's recreational cannabis market. BDSA forecasts New York will be a \$1.3 billion market in 2024 and it should continue to grow as new stores open, and consumers convert from the illicit market.

CLS is using an asset-light licensing strategy to enter New York. This is similar to how the company expanded into New Mexico and requires little capex and often offers higher margins. CLS is partnering with AUCP license holder Basix Mixtures, the only operating processor in Brooklyn. This makes City Trees the first "Made in Brooklyn" cannabis product to enter the New York recreational market.

City Trees is launching with three of its most popular vapor cartridge blends: Blue Dream, Fruity Pebbles, and Mango Haze. These three initial offerings sell more than one million cartridges per month in Nevada and span the indica, sativa, and hybrid categories. They will be offered in one-gram size, using the popular 510 thread that is compatible with most batteries. Flavors and form factors will evolve as the New York market grows.

Joseph Ramalho, COO of CLS Holdings, commented, "New York's regulated cannabis market is still in its early stages, offering us the chance to grow and evolve in what promises to be one of the world's largest recreational cannabis markets. There's something about NYC and the City Trees brand that just seemed to fit..."

### Looking Forward

We remain in a potentially politically active period as we head into the 4/20 holiday, which falls on a Saturday this year, so any action is likely to take place sometime the week of April 15. Senator Cory Booker [was recently asked by a reporter](#) if he "had heard it (the DEA response) might be April 15—have you heard that?" He responded, "I do not want to comment on that." The reporter followed up, "Oooh, I'm warm?" Booker replied, "Yes." This, coupled with the uptick in rescheduling mentions by the White House, are signs we \*may\* soon see action. But until we see action, cannabis rightly remains the ultimate show-me story.

We'll be traveling to Florida for Benzinga next weekend and will not be able to write The Highlights. Please say hello if you are at the conference.

Thanks for reading, and we'll see you in two weeks.

## ABOUT THE ANALYST



**Jesse Redmond**

Head of Cannabis

Jesse is the former co-founder of two hedge funds and a rising retail California cannabis collective. He began his career at Franklin Templeton, was an early employee of Fisher Investments, and spent a decade co-managing multiple hedge funds. In this role, he allocated more than \$1 billion to hedge fund strategies and conducted more than 1,000 due diligence visits around the world.

In 2016, he founded a dispensary outside of Santa Barbara, California, that went on to become number one in its region. In 2020, he founded Higher Calling Consulting, where he helped investors find the best cannabis investments. Through these experiences, Jesse brings a unique perspective on investing in cannabis.

Jesse holds a bachelor's degree in business economics from the University of California, Santa Barbara.

## DISCLOSURES

Water Tower Research (“WTR”) is a professional publisher of investment research reports on public companies and, to a lesser extent, private firms (“the Companies”). WTR provides investor-focused content and digital distribution strategies designed to help companies communicate with investors.

WTR is not a registered investment adviser or a broker/dealer nor does WTR provide investment banking services. WTR operates as an exempt investment adviser under the so called “publishers’ exemption” from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940. WTR does not provide investment ratings / recommendations or price targets on the companies it reports on. Readers are advised that the research reports are published and provided solely for informational purposes and should not be construed as an offer to sell or the solicitation of an offer to buy securities or the rendering of investment advice. The information provided in this report should not be construed in any manner whatsoever as personalized advice. All users and readers of WTR’s reports are cautioned to consult their own independent financial, tax and legal advisors prior to purchasing or selling securities.

The analyst who is principally responsible for the content of this report has represented that neither he/she nor members of his/her household have personal or business-related relationships to the subject company other than providing digital content and any ancillary services that WTR may offer.

Unless otherwise indicated, WTR intends to provide continuing coverage of the covered companies. WTR will notify its readers through website postings or other appropriate means if WTR determines to terminate coverage of any of the companies covered.

In certain instances, including this report, WTR will write research covering non-clients. Readers should assume that WTR may seek to turn these non-paying companies into paying clients. Likewise, WTR may seek to transform these non-clients into paying clients of it or of its affiliate, which provides services such as presenting at sponsored investor conferences, distributing press releases, advising on investor relations and broader corporate communications and public relations strategies as well as performing certain other related services (“Ancillary Services”). The companies that WTR covers in our research are not required to purchase or use Ancillary Services of WTR or an affiliate might offer to clients.

The manner of WTR’s potential research compensation and Ancillary Services to covered companies raise actual and perceived conflicts of interest. WTR is committed to manage those conflicts to protect its reputation and the objectivity of employees/analysts by adhering to strictly written compliance guidelines.

The views and analyses included in our research reports are based on current public information that we consider to be reliable, but no representation or warranty, expressed or implied, is made as to their accuracy, completeness, timeliness, or correctness. Neither we nor our analysts, directors, officers, employees, representatives, independent contractors, or agents shall be liable for any omissions, errors, or inaccuracies, regardless of cause, foreseeability, or the lack of timeliness of, or any delay or interruptions in the transmission of our reports to content users. This lack of liability extends to direct, indirect, incidental, exemplary, compensatory, punitive, special, or consequential damages, costs, expenses, legal fees, losses, lost income, lost profit, or opportunity costs.

All investment information contained herein should be independently verified by the reader or user of this report. For additional information, all readers of this report are encouraged to visit WTR’s website [www.watertowerresearch.com](http://www.watertowerresearch.com).