

The Highlights

Cannabis News for the Week Ending May 17, 2024

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KEY POINTS

- **The US cannabis MSOS ETF inched 2.89% higher this week, while the global YOLO ETF gained 3.77%.** MSOS had \$13,308,500 in inflows this week, which interestingly came before the big DEA news on Thursday.
- **On Thursday, the Justice Department officially proposed a new rule to reclassify cannabis from Schedule to Schedule III.** The notice of proposed rulemaking sent to the Federal Register on Tuesday stated the Attorney General “concur[s] with the HHS’ recommendation, for purposes of initiation of these rulemaking proceedings, that marijuana has a potential for abuse less than the drugs or other substances in Schedules I and II.”
- **This kicks off a 60-day comment period.** After receiving and assessing comments, officials will analyze the input and make a final determination. Potentially, the intent is to have the final rule in place ahead of the Democratic National Convention, which begins on August 19.
- **This would be consistent with our thinking that we are seeing a coordinated democratic effort to advance cannabis reform ahead of the elections to mobilize and sway younger voters.** [The President](#) and [Vice President](#) both made social media posts promoting the news this week.
- **Cresco (CSE: CL, OTCQX: CRLBF) CEO Charlie Bachtell joined us on Higher Exchanges to discuss politics and the company’s first-quarter results.** Bachtell shared his perspective on Schedule III’s next steps, timing, and impact on Cresco’s business.
- **Last year was the year of the core and Bachtell highlighted the tough decisions the company made to cut costs and rationalize the footprint.** He told us, “Every year is now the year of the core. It is just who we are.” Those interested can listen on [Apple Podcasts](#), [Spotify](#), or [X Spaces](#).
- **Gold Flora (NEO: GRAM, OTCQX: GRAM) reported 1Q24 earnings on Wednesday.** Cultivation expansion drove revenue 13.2% higher sequentially, which exceeded our estimate of \$29.2 million. Adjusted EBITDA of -\$1.8 million missed our estimate of \$0.1 million. Higher expenses associated with the expanded cultivation caused the lower AEBITDA. We will revisit our estimates.

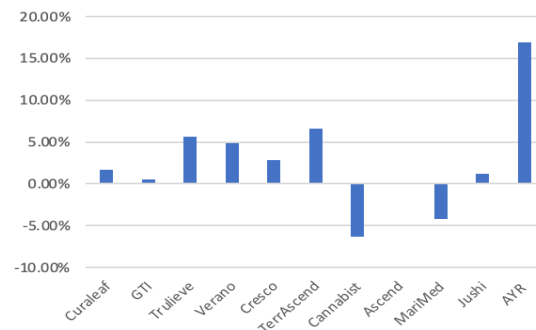
STATISTICS

Top MSOs Weekly Performance

Company	Symbol	Change
Curaleaf	(TSX: CJRA, OTCQX: CJRLF)	1.64%
GTI	(CSE: GTII, OTCQX: GTBIF)	0.54%
Trulieve	(CSE: TRUL, OTCQX: TCNNF)	5.60%
Verano	(NEO: VRNO, OTCQX: VRNOF)	4.84%
Cresco	(CSE: CL, OTCQX: CRLBF)	2.86%
TerrAscend	(TSX: TSND, OTCQX: TSNDF)	6.59%
Cannabist	(NEO: CBST, OTCQX: CBSTF)	-6.35%
Ascend	(CSE: AAWH, OTCQX: AAWH)	0.00%
MariMed	(CSE: MRMD, OTCQX: MRMD)	-4.15%
Jushi	(CSE: JUSH, OTCQX: JUSHF)	1.17%
AYR	(CSE: AYR, OTCQX: AYRWF)	16.88%

Source: FactSet

Top MSOs Weekly Performance Chart



Source: FactSet

MSOS ETF Weekly Performance

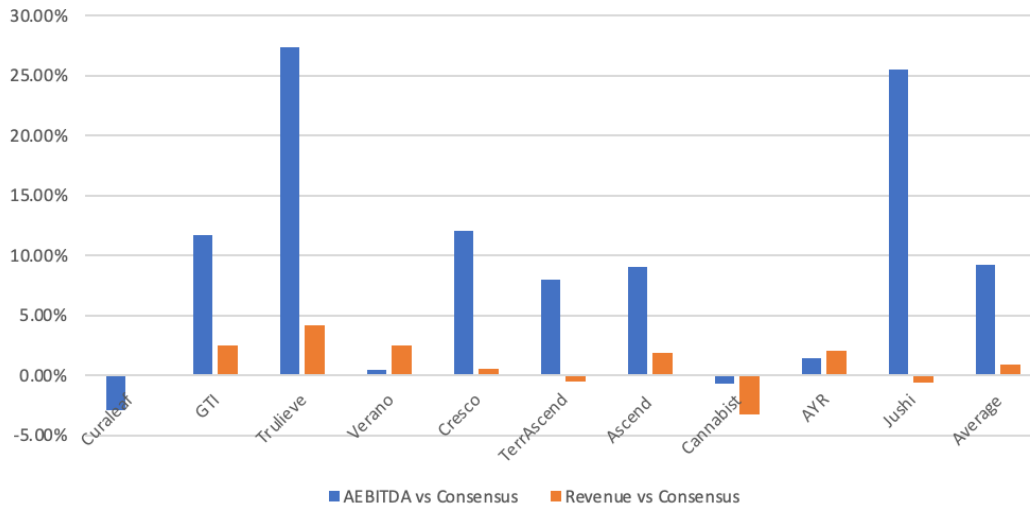


Source: FactSet

Top 10 MSOs Earnings Review

With earnings season over, we assembled summary metrics on the top 10 MSOs by enterprise value. The top 10 MSOs beat consensus revenue by an average of 0.92% and consensus AEBITDA by an average of 9.19%. **Trulieve** (CSE: TRUL, OTCQX: TCNNF) was the leader on both, beating AEBITDA by 4.20% and consensus revenue by 27.32%.

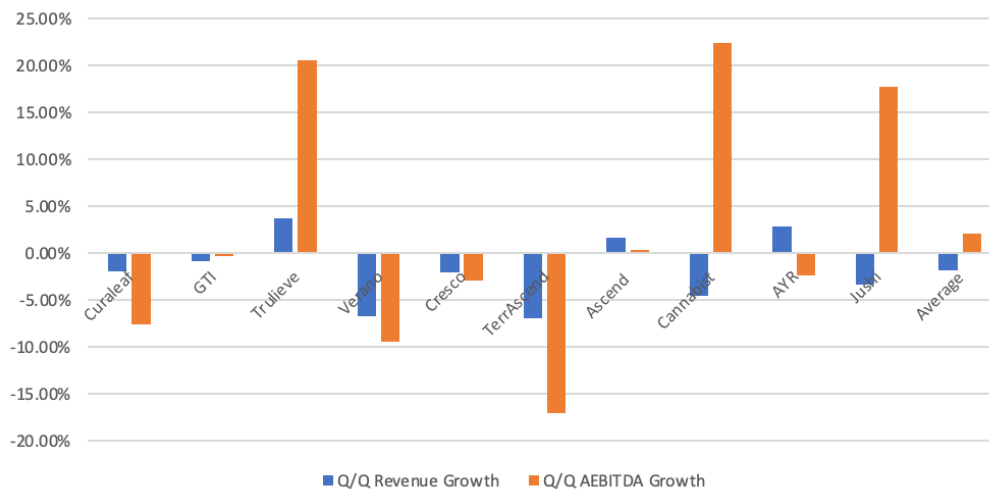
Figure 1: Top 10 MSOs vs. Consensus



Source: FactSet

Quarter over quarter, revenue for the top 10 decreased by 1.82%, while AEBITDA grew by 2.13%. **Trulieve** (CSE: TRUL, OTCQX: TCNNF) had the strongest quarterly revenue increase at 3.70%, while **Cannabist** (NEO: CBST, OTCQX: CBSTF) had the biggest AEBITDA improvement at 22.40%.

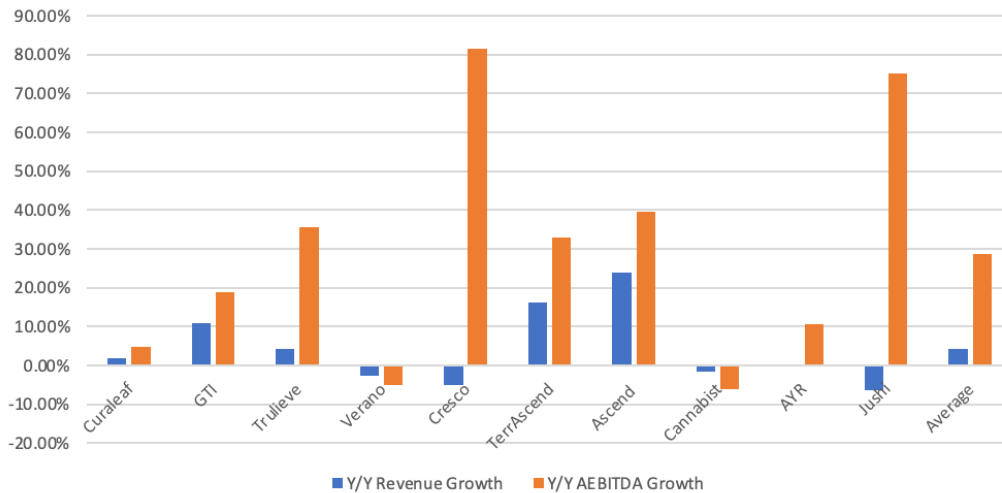
Figure 2: Top 10 MSOs Q/Q Changes



Source: FactSet

Year over year, revenue expanded 4.19% for the top 10, while AEBITDA jumped 28.76%. **Ascend** (CSE: AAWH, OTCWX: AAWH) led the way on revenue at +23.87%, while **Cresco's** (CSE: CL, OTCQX: CRLBF) +81.57% jump in AEBITDA was at the top of the pack, followed by **Jushi** (CSE: JUSH, OTCQX: JUSHF) at +75.00%.

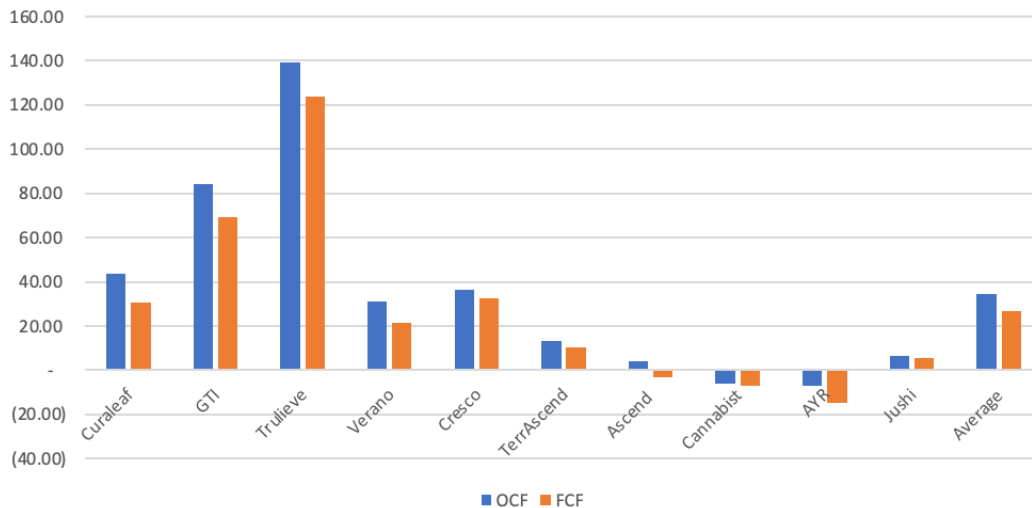
Figure 3: Top 10 MSOs Y/Y Changes



Source: FactSet

As credit markets remain tight and expensive, cash flow and the ability to self-fund are important. Eight of the top 10 MSOs generated operational cash flow last quarter and seven of 10 had free cash flow (FCF). **Trulieve** (CSE: TRUL, OTCQX: TCNNF) was the leader, followed by **Green Thumb Industries** (CSE: GTII, OTCQX: GTBIF).

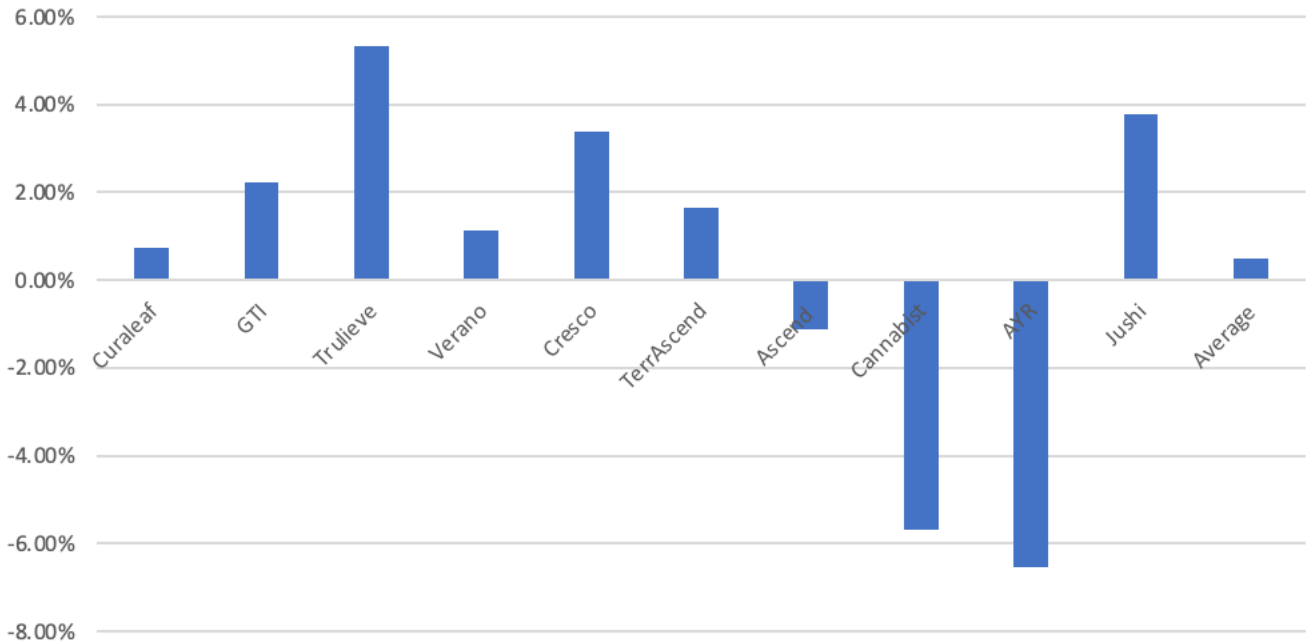
Figure 4: Top 10 MSOs 1Q24 OCF and FCF



Source: FactSet

FCF yield divides FCF by market cap. Using first-quarter numbers, **Trulieve** (CSE: TRUL, OTCQX: TCNNF) is the leader, with **Jushi** (CSE: JUSH, OTCQX: JUSHF) and **Cresco** (CSE: CL, OTCQX: CRLBF) not far behind. Figures are as reported and not tax adjusted.

Figure 5: Top 10 MSOs 1Q24 FCF Yield



Source: FactSet

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.

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