

EVALUERVE



The Attractiveness of the Cannabis Market

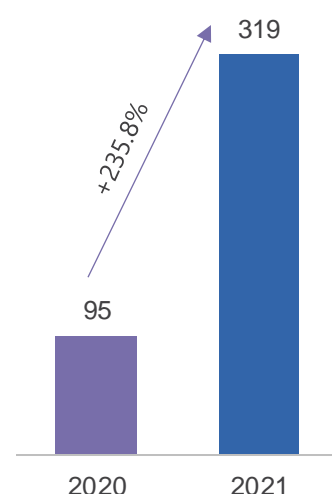


Cannabis Industry – M&A Trends & Deals

Cannabis deal-making skyrocketed in 2021 and is likely to accelerate in 2022 owing to lower interest costs and pressure on larger cannabis brands to expand their reach and boost the top line

M&A Transactions reached its highest since 2018 with **319 deals** and a total transaction value of **\$25.2 billion in 2021**

- Th US took the pole position in terms of the transactions with **~210 deals reaching \$10bn+ in total value**
- Cannabis **Cultivation & retail** accounted to be the most active sector within the industry followed by the hemp sector



Why deal-making is on the rise?

- **Inexpensive Debt:** Most large MSOs are able to raise debt financing at an annual interest rates of 8%-10% for acquisitions which is the lowest the industry has ever witnessed
- **Valuation Gap:** Large cannabis brands stocks are trading at a low but the target companies are even lower. This has given rise to a valuation gap between the acquirors, and targets and in-turn provides an impetus for larger brands to pursue inorganic growth
- **Health Prospects:** As the world continues to learn more about the medicinal benefits of marijuana, the health prospects of the industry are reflected in the M&A activity
- **Stock Consideration:** The market has been witnessing an increased share of stock as part of consideration under the belief that MSO are undervalued

Select Notable Deals

Date	Target	Target Geography	Acquirer	Deal Value (\$M)
03-Feb-21	GW Pharma	UK	Jazz Pharma	\$7,200
16-Dec-20	Aphria	Canada	Tilray	\$3,844
10-May-21	Harvest Health	US	Trulieve	\$2,100
23-Mar-22	Columbia Care	US	Cresco Labs	\$2,000
28-Feb-22	LivWell	US	PharmCann	N.A.
28-May-21	Redecan	Canada	Hexo	\$766
01-Sep-21	Gage Cannabis	US	TerrAscend	\$545
01-Feb-22	Goodness Growth	US	Verano	\$413
08-Apr-21	Supreme Cannabis	Canada	Canopy	\$346
22-Dec-20	Liberty Health	US	AYR Wellness	\$293



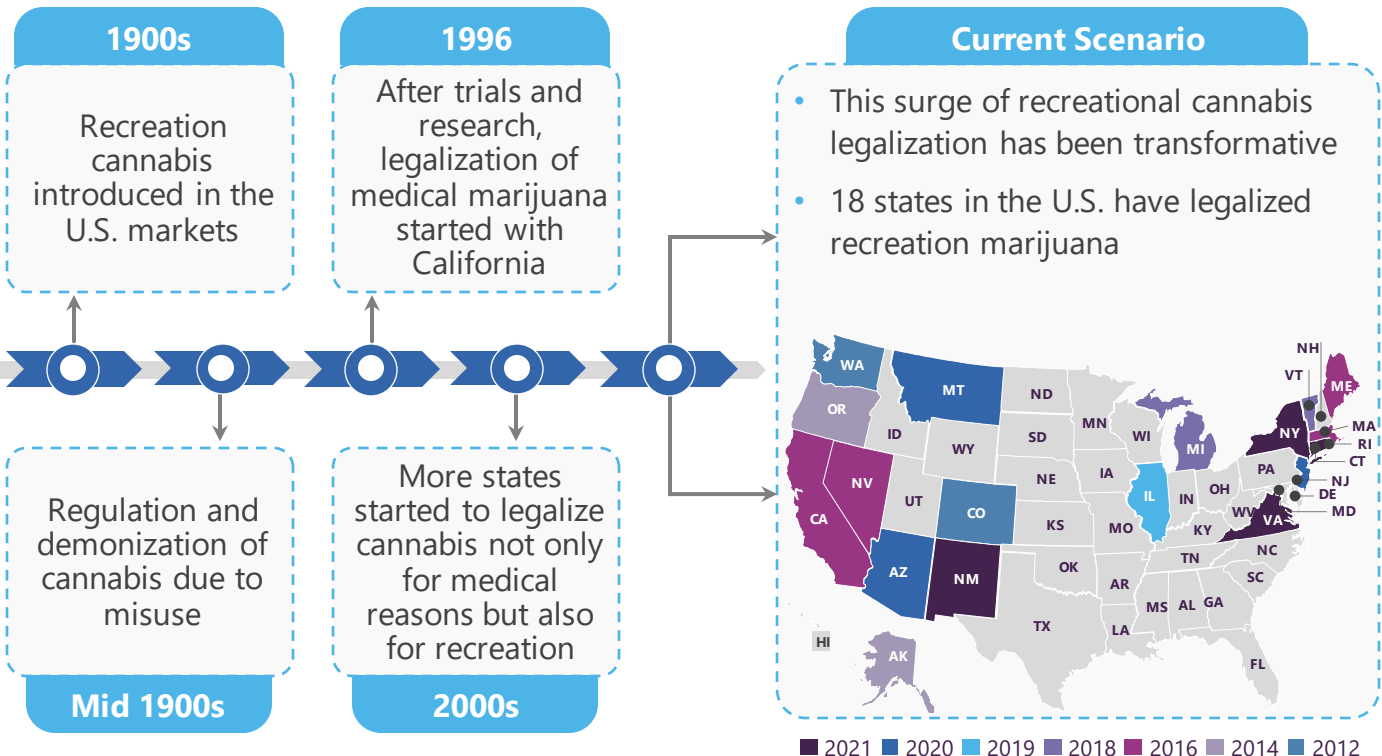
Evolving Regulation in the Cannabis Industry

United States

- In the U.S. market 2/3rd of the states have passed laws to legalize cannabis in different capacities
 - Currently ~37 states already have medical marijuana laws which includes 18 states with recreational cannabis laws
- One of the driving forces towards widening reforms includes the Secure and Fair Enforcement (SAFE) Banking Act, enables the access banking services to cannabis retailers/ businesses
- Another popular reform towards legalization is the States Reform Act, that seeks towards decriminalizing cannabis, having it federally regulated like alcohol

Canada

- In October, 2018, Canada passed The Cannabis Act to legalized the possession and recreational use of marijuana use by adults
- The act sets a strict legal framework for controlling the production, distribution, sale and possession of cannabis
- The act came with a set of rules on the minimum age and quantity of possession to regulate the usage
- Though a few blanket rules have been set at the national level, the districts within Canada have been given autonomy to set own regulations
- Cannabis has added ~\$43.5 billion to Canada's economy since legalization
 - Generated \$15.1 billion in Canadian tax revenues



The Way Forward for the Cannabis Industry

Growth in the Cannabis Sector

- The Global consumer spend on Cannabis is currently ~\$25 billion and is expected to rise to ~\$37 billion in the next two years by 2023
- The North American Cannabis sales is expected grow from \$23 billion in 2020 to \$49 billion in 2025 with growing demand for legal marijuana as a primary factor in the growth

Wider Acceptance

- Change in public opinion owing to the health benefits is likely to continue shaping favorable public policies around the industry
- Legalization and supporting bills in Pipeline are likely to attract new entrants in the industry

Deal-making to Continue to Rise

- 2022 is set to be another banner year for cannabis M&A following the trend in 2021 fueled by the quest of large MSOs to increase their footprint and venture into different geographies
- On the private capital front, more & more private equity firms and venture capitalists see cannabis as an untapped market & the next big thing in the consumer non-durable space

Increased Development of Intellectual Property

- There has been an increased development of intellectual property ("IP") assets by those involved in both the growing and retail sectors as the cannabis industry grows
- Organizations will need to develop policies and procedures to register, protect and defend their intellectual property rights for their strains and branded product

Growing Momentum in the CPG Industry

- The legal cannabis products have been gaining a significant momentum in the new consumer packaged goods (CPG) segment
- The industry is expected to experience substitution effect with Cannabis products competing with alcohol, nicotine and other pain relivers



Evalueserve has Expertise in Doing Extensive Research for Niche Industries

How Evalueserve can Help?

Evalueserve has comprehensive experience working with Large, Mid Market investment and Boutique advisory firms across sectors. Our resources are experienced and qualified to support on all industries from broad areas such as Retail sector to something as nuanced & trending as Cannabis. Evalueserve has been engaging with its clients on various industry specific deliverables like - screening of Cannabis targets/ buyer with relevant metrics, company positioning and Cannabis retail placement, market and peer analysis through stock movements, financial and operational benchmarking, providing regular updates on any major events in the industry capturing deal making, management changes or any market expansions. Evalueserve also monitors a list of Cannabis retail and Cannabis testing/ laboratory services companies and undertakes industry analysis for new trends, requirements and regulatory updates.

About Evalueserve:

Evalueserve's Corporate and Investment Banking (CIB) practice works with bulge bracket banks, large global banks, commercial banks and boutique advisory firms. Our key practice areas include Sector and Product support, Lending & Credit support, Business Information / Library Services, Presentation Support services and Business Management Reporting. In addition, our proprietary technology platform helps streamline and automate workflows, re-use work products through knowledge management and automate repetitive tasks.

For more information, please visit : <https://www.evalueserve.com/industry/financial-services/>

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