

# U.S. Cannabis Industry and M&A Report

Q1 2025

## U.S. Cannabis Market Overview

Overall merger and acquisition (M&A) activity in the United States saw an uptick in 2024 relative to the prior year. The cause of this increase is multifaceted, but major tailwinds to dealmaking include a stabilizing economic environment, inflation normalization and the FOMC beginning to cut interest rates after a sustained period of quantitative tightening. The cannabis space remains an active sector for deals, and the rapidly evolving regulatory environment may allow for more institutional capital to pursue investments in the space in the coming years.

## Industry Drivers and Trends

- Changing consumer preferences are reshaping product growth profiles and industry practices. As regulated recreational cannabis markets enter their second decade of existence, the sector has demonstrated notable maturity and evolution. In the next five to 10 years, significant growth is expected in hybrid strains, concentrates, edibles, topicals and other alternative cannabis products. The popularity aligns with broader health and wellness trends in the U.S. as users value increased precision in controlling dosage and compound profile, targeting specific therapeutic and physical benefits. This trend in ultra-personalization has only gained momentum as the cannabis industry has evolved and, in some states, people are allowed to grow cannabis products in their own homes.
- Advanced technology is becoming increasingly integrated within cultivation and distribution enabling improved reach, product control and efficiency. Innovations such as precision hydroponics and vertical farming allow cultivators to capitalize on growing demand for hyper-personalized products and grow-it-yourself capabilities. Such advances in irrigation have become increasingly prominent as new age consumers place greater value on organic and sustainable products. Aiming to meet consumer demands and preferences, retailers have invested significant capital into the transaction experience, building out online ordering, curbside pickup and delivery capabilities.
- Amidst expanded legalization of cannabis across the U.S. and improvements in cultivation technology, oversupply has emerged as a threatening force in several markets. In mature markets such as California, Oregon and Colorado, the overabundance of product, along with minimal room for product differentiation, invites intense price compression across the market. The same can be seen in Michigan, which commenced adult-use sales in December 2019. For the smaller cannabis operator, these factors, as well as the lengthy license acquisition process, high start-up costs and limited access to traditional financing, prove extremely difficult to overcome, although there are examples of craft operators finding success. These factors lay the foundation for the forces of consolidation, which have boosted acquisitions of small regional players by market leaders over the past five years. Given upcoming rate cuts, such trends are likely to accelerate.

## Key Takeaways

- New technologies across cultivation and distribution are likely to drive efficiencies and improve margins for major players
- Upcoming key decisions on federal and state legislation will likely motivate increased involvement of financial institutions in the industry

## Key Contacts



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# Regulatory Developments

## Tailwinds

### Federal Re-Classification of Cannabis (DEA recommended 4/30/24 and endorsed on 12/2/24)

- Cannabis is currently classified as a Schedule 1 substance under the Controlled Substances Act (CSA)
- The incoming Trump Administration appears to support re-classification of cannabis as a Schedule 3 substance, which would make cannabis federally legal, although still highly regulated. The most significant consequence of reclassifying cannabis would be that the industry would no longer need to comply with Section 280E of the federal tax code
  - This would allow for cannabis companies to take ordinary business deductions and greatly decrease tax liabilities

### SAFE Banking Act

- Would create a “safe harbor to shield banks and credit unions that conduct business with state-sanctioned cannabis companies from civil and criminal penalties under federal law”
- Recent support in congressional and executive bodies points to a favorable outlook for the SAFE Banking Act’s future passage

### Federal Legalization

- Federal legalization of cannabis has been gaining momentum in Congress in recent years
  - Democrats introduced a new federal legalization bill on May 1, 2024
- Legalization by surrounding nations like Mexico and Canada may increase pressure for the US to follow suit

### Growing Momentum of State Legalization

- In the past two years, three new states have legalized marijuana for recreational use, including Ohio’s August 2024 legalization
- As of November 2024, recreational use is legal in 24 states and medicinal use is legal in 40 states
- In November 2024, Cannabis legalization referendums were on the ballot in four states historically opposed to recreational legalization

## Headwinds

### Current Federal Regulations

- Given repeated delays of reclassifying cannabis under the CSA, cannabis remains a Schedule 1 substance
- This means that, despite legalization for recreational purposes by nearly half of U.S. states, the possession and distribution of cannabis is still illegal under federal law
- Administrative hearings, review and publication of final rules and potential legal challenges need to be resolved before cannabis is officially reclassified as a Schedule 3 substance under the CSA

### State Level Setbacks

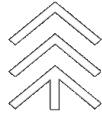
- Despite the evolution of the cannabis industry in many states, and tremendous efforts to launch new recreational markets in additional states, there have been setbacks
  - South Carolina failed in its effort to legalize medical marijuana in April 2024
  - In the same month, Missouri introduced a bill to ban Delta-8 THC products (currently protected by federal hemp regulations)
  - Ballot initiatives for recreational legalization in historically conservative states such as Florida, North Dakota and South Dakota all failed – although nearly 56% of voters in Florida voted to approve the ballot initiative, it fell short of the required 60% threshold

### Conflicting Regulations

- Different legal treatment of cannabis at the state and federal levels create a complex and uncertain operating environment
  - This has impacted businesses more than consumers so far
- Regulations also differ on a state-by-state basis
  - Some states require cannabis companies to be vertically integrated and allow operation of multiple locations, while other states restrict the type and number of permissible operations

# Cannabis Products M&A Insights

Historic reluctance among private equity firms to acquire cannabis companies amidst regulatory uncertainty and financing concerns along with consolidation forces drives higher proportions of strategic-driven M&A activity.



Justera Health, a health and wellness management company, acquired Port North Extracts in October 2024. Port North Extracts is an operator of a cannabis extract brand that specializes in extraction techniques to provide pure, premium, 100% solventless extracts for the recreational and therapeutic cannabis markets.

Dark Horse Cannabis, a manufacturer of cannabis and related products, acquired Greenlight in October 2024. Greenlight is an operator of a cannabis dispensary intended to lessen the stigma of cannabis, promoting education for its collections of products for both recreational and medicinal purposes.

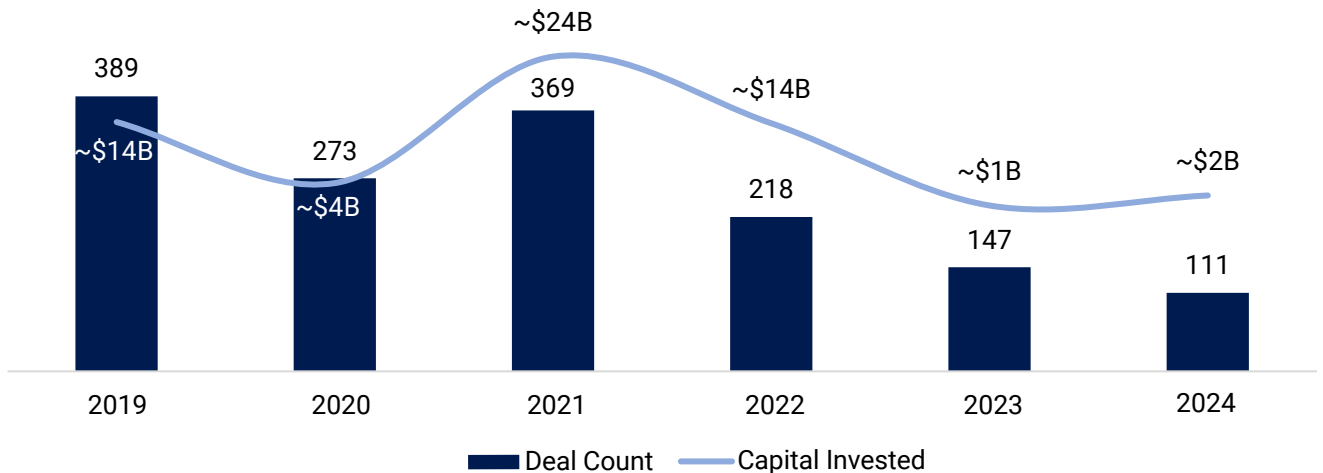
\$ in millions, except per share data

Company	Stock Price 12/31/24	% 52-Week High	Market Cap (\$M)	EV (\$M)	LTM Rev (\$M)	1-year Rev Growth (%)	LTM EBITDA (\$M)	TEV / Rev	TEV / EBITDA
Cresco Labs	\$1.03	41%	320	738	726	(5.3%)	183	1.0x	4.0x
Curaleaf Holdings	\$1.60	26%	1,167	2,194	1,357	1.2%	253	1.6x	8.7x
Green Thumb Industries	\$8.08	54%	1,945	2,279	1,121	8.3%	331	2.0x	6.9x
TerrAscend	\$0.68	30%	187	392	319	6.4%	54	1.2x	7.3x
Trulieve Cannabis	\$5.24	38%	994	1,465	1,172	2.8%	288	1.2x	5.1x
Verano Holdings	\$1.22	19%	439	866	898	(3.2%)	242	1.0x	3.6x

### Select Public Companies Summary

Mean	35%	1.7%	1.4x	5.9x
Median	34%	2.0%	1.2x	6.0x
Maximum	54%	8.3%	2.0x	8.7x
Minimum	19%	(5.3%)	1.0x	3.6x

## Global Cannabis M&A



Sources: S&P Capital IQ, IbisWorld, Pitchbook, Griffin Financial Group Research as of 12/31/24

# Notable Recent Transactions: Cannabis

Date	Target	Acquirer	Target Business Description
22-Nov-24	Okay Cannabis	Nature's Grace and Wellness	Retailer of cannabis products designed for recreational use
21-Nov-24	Delta 9 (Grow Pod Business)	Nebula Group	Wholesaler and retailer of grow pods in Winnipeg, Canada
21-Nov-24	Extract Labs	CV Sciences	Producer of cannabinoid-based products including cannabinoid oil, gummies, capsules, topicals and more
20-Nov-24	Frozen Fields	Highsman	Manufacturer of hemp-based cannabis products including vapes, resin gummies and vape cartridges
7-Nov-24	Indiva	SNDL	Producer and distributor of cannabis products nationally, including Bhang Chocolate, Doppio, Cookies, Sour Gummies and others
6-Nov-24	Ratio Cannabis	TerrAscend	Operator of a medical marijuana dispensary catering to patients across the Midwest
21-Oct-24	Nova Cannabis	SNDL	Retailer of cannabis intended to deliver compelling value to cannabis consumers
16-Oct-24	Port North Extracts	Justera Health	Operator of a cannabis extract brand based in Port Elgin, Canada
7-Oct-24	Greenlight (Helena)	Dark Horse Cannabis	Operator of a cannabis dispensaries across the United States
4-Oct-24	Super Sonic Transportation	Talaria Transportation	Provider of cannabis transport services intended to promote the growth of the cannabis industry across the Midwest
12-Sep-24	CannMart	Simply Solventless Concentrates	Producer of cannabis products based in Mississauga, Canada
11-Sep-24	Papa & Barkley	Mammoth Distribution	Provider of consumer wellness and lifestyle products designed to provide pure cannabinoids and cannabis terpenes
10-Sep-24	COCO Labs	Dark Horse Cannabis	Provider of cannabis extraction and infusion services intended for the medicinal marijuana industry
4-Sep-24	NMG Ohio	LMTB	Operator of a medical dispensary in Elyria, Ohio
29-Aug-24	Cannaport	European Cannabis Corporation	Distributor of premium cannabis-derived pharmaceutical products
29-Aug-24	HO KARAN	D-LAB Group	Manufacturer of cannabis-based products intended to provide sustainable and environment-friendly cosmetics
2-Aug-24	Serenus Global	3win	Producer of cannabis products based in Vancouver, Canada
29-Jul-24	The Cannabist Company	Verano Holdings	Manufacturer of cannabis products, intended to supply products and services to both the medical and open markets
20-Jun-24	Hapa Pharm	Ricardo Pendon Victorio	Manufacturer of cannabinoid-containing pharmaceutical products intends to serve for the international medical market
10-Jun-24	People's First Choice	Haven Nectar	Operator of a chain of cannabis dispensaries intended to serve the United States market
9-May-24	VidaCann	Planet 13 Holdings	Manufacturer of medical cannabis products intended to serve the pharmaceuticals industry
7-May-24	Covert	Kona Gold Beverage	Producer of a cannabis products based in Asheville, North Carolina
6-May-24	Planet 13 Florida	SGW FL Enterprises	Provider of cannabis products based in Florida
24-Apr-24	Delta 9 PA	Cresco Labs	Operator of medical marijuana dispensaries based in Pennsylvania
15-Jan-24	Aleafia Health	Red White & Bloom	Operator of a medical cannabis company intended to offer cannabis health and wellness services and products
8-Jan-24	Final Bell Canada	BZAM	Provider of end-to-end supply chain services intended for the legal cannabis industry
9-Jul-23	Gold Flora	The Parent Company	Producer of cannabis products intended to serve the California market
28-Jun-23	The Apothecarium	TerrAscend	Operator of the cannabis dispensary platform intended to provide alternative medicine and knowledge to use it effectively
22-Jun-23	HEXO	Tilray Brands	Manufacturer and distributor of medical marijuana products intended to supply for the global market
27-Apr-23	Sucellus	Schwazze	Producer and retailer of recreational cannabis based in Albuquerque, New Mexico

Sources: S&P Capital IQ, IbisWorld, Pitchbook, Griffin Financial Group Research

# About Griffin Financial Group

- ◆ Griffin Financial Group is a leading investment bank focused on the needs of lower middle market companies
- ◆ We provide M&A advisory, capital advisory and strategic board advisory services to the consumer and retail, commercial and industrial, services, technology, financial institutions and private equity sectors.
- ◆ We specialize in working with closely held private and small-cap public companies, with particular expertise regarding family-owned and owner-operated businesses
- ◆ Griffin is part of The Stevens & Lee Companies, a multidisciplinary professional services Platform of 260 professionals providing financial, legal, tax and consulting services

## Team Biographies



**Sophea Chau**

Senior Managing Director  
Griffin Financial Group

### EXPERIENCE

- ◆ Nearly two decades of investment banking experience and has advised on more than \$2 billion of transactions including mergers and acquisitions, corporate divestitures and capital raising
- ◆ Has dedicated her career to advising privately held businesses in the consumer and retail industry
- ◆ Prior experience includes Managing Director and Head of Boston Office at Capstone Partners and Investment Banking Analyst at FTN Midwest Securities
- ◆ B.A. in Economics from Columbia University



**Gregg Hilzer**

Co-Chair, Cannabis Law  
Stevens & Lee

### EXPERIENCE

- ◆ Distinguished in the cannabis space as an experienced advisor to both adult-use and medical marijuana operators
- ◆ In the area of complex litigation, Gregg's representations span financial institutions, multinational corporations, public entities, small businesses and individuals
- ◆ Fordham University School of Law, LL.M., Banking, Corporate and Finance Law, *magna cum laude*
- ◆ J.D. from Penn State Dickinson School of Law