



WE SET THE NARRATIVE

# Curaleaf Holdings Inc.

TSX:CURA

OTCQX:CURLF

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## Curaleaf Holdings Inc.

<b>Curaleaf Holdings Inc.</b>	<b>TSX:CURA, OTCQX:CURLF</b>
<b>Date</b>	<b>May 28th, 2024</b>
<b>Rating</b>	<b>Buy</b>
<b>Fair Value</b>	<b>\$5.61</b>
<b>Expected 1 Year Return Including Dividend</b>	<b>\$20%</b>
<b>Estimate 2024 FY Revenue</b>	<b>\$1.43B</b>
<b>Estimate 2024 FY GMP %</b>	<b>46.5%</b>
<b>Estimate 2024 FY EBITDA Margin %</b>	<b>17.9%</b>
<b>Estimated 2024 FY EBITDA</b>	<b>\$256.51M</b>

## Company Description

Curaleaf Holdings, Inc. is a U.S. cannabis operator with Domestic and International Operations. It offers cannabis products, including flower, pre-rolls, vaporizer cartridges, and disposable pens, as well as concentrates for dabbing, tinctures, capsules, and edibles. The company also provides hemp-based products and cannabinoids like cannabidiol and cannabigerol. Curaleaf engages in the cultivation, production, and sale of cannabis products through retail and wholesale channels. The company is headquartered in New York, New York.

## Rating Methodology

After carefully evaluating a company's financial health, operational efficiency, and growth prospects through various analyses, we culminate our assessment by assigning a rating of "Buy," "Hold," or "Sell." This rating is determined based on the company's performance compared to its peers, alongside an examination of its valuation. A "Buy" rating suggests the company outperforms its competitors and is undervalued or poised for growth, indicating a good investment opportunity. A "Hold" rating implies the company is performing on par with industry standards, and its current valuation accurately reflects its market position and prospects, suggesting investors should maintain their positions without adding more. A "Sell" rating is given if the company underperforms relative to its peers or is overvalued, indicating a potential decline in value and advising investors to divest. This systematic approach helps investors make informed decisions by understanding a company's relative standing in its sector and potential for future performance.

## Report Process

We have established a process for analyzing multi-state cannabis operators, which we will outline in this section before discussing specific details regarding Curaleaf Holdings Inc (Curaleaf).

## Establish Comparables

First, we looked for public company US multi-state operators in a similar size range as Curaleaf. We started the search by considering all AdvisorShares Pure US Cannabis MSOS ETF holdings. The AdvisorShares Pure US Cannabis MSOS ETF has twenty-one companies with market capitalization between \$37M and \$3.45B USD. This is too extensive of a range, so we split the benchmark into multi-state operators above and below \$500M in market capitalization.

Using this process, we identified five other cannabis multi-state operators with market capitalizations between \$627M and \$3.45B USD. We feel that this makes for a robust comparable benchmark.

## Understanding the Industry and Catalysts

Next, we aim to validate the fundamental underlying macro drivers for the industry independently. We will predict the expected growth rates for all six companies in the benchmark.

## Understanding the Company and Future Catalysts

We will then review the company's primary thesis and strategic plan and determine if we feel the growth thesis of the company is strong and the likelihood of management being able to execute on it.

## Establish KPIs

We have set Key Performance Indicators (KPIs) to compare the company against a custom benchmark of other companies. Our analysis will include the three financial statements as metrics for valuation compared to the benchmark.

## KPI Results

Next, we compare and rank the company against its peers across each category. The comparison will include a ranking of the average and median to provide an accurate picture of the company's performance. It is possible that in some categories, all the companies have performed well collectively, and scoring low could still be a good result, conversely with poor overall performance.

## Valuation Analysis

Next, we will apply traditional discounted cash flow and comparative valuation methods.

## Our Take

Ultimately, we will analyze all the information gathered and conclude whether we recommend the company as a Buy, Hold, or Sell. We will also provide our target valuation for the company.

# Executive Summary

TDR Research is initiating coverage on Curaleaf Holdings Inc. with a "Buy" rating, driven by the company's strategic international expansion and strong market presence. Our fair value estimate for Curaleaf is \$5.61, representing a 20% expected one-year return from the current price of \$4.68. For the fiscal year 2024, we estimate Curaleaf's revenue to be \$1.43 billion, with a gross margin percentage of 46.5%, an EBITDA margin of 17.9%, and an EBITDA of \$256.51 million.

Curaleaf's strengths lie in its expansive operations across 17 U.S. states and its growing international footprint in Europe. The company has a robust retail network supported by over 900 wholesale partner accounts, which enhances its market penetration and operational efficiency. Strategic acquisitions, such as Can4Med, bolster Curaleaf's distribution capabilities in Europe, positioning it well for future growth. The company's commitment to product innovation, supported by a strong research and development team, further strengthens its market position.

Despite these strengths, Curaleaf faces challenges with its current ratio, which is below the median and average, indicating lower liquidity. The company's total liabilities vs. assets ratio is higher than its peers, suggesting greater financial leverage and potential risk. Recent EBITDA growth is below the median and average, reflecting short-term operational inefficiencies. Additionally, Curaleaf's lower Capital Expenditures (CapEx) Margin indicates less investment in future growth compared to competitors, potentially impacting long-term revenue potential.

We rate Curaleaf as a "Buy" due to its strong market presence and strategic international expansion. The blended fair value of Curaleaf is calculated to be \$5.61, offering a potential upside of 20% from its current price of \$4.68. This valuation incorporates the strengths of its diverse product offerings and strategic market expansions, along with the catalysts of regulatory advancements in key markets, suggesting a promising return on investment for shareholders.



## Establish Benchmark Comparables

Using this process, we identified five other cannabis multi-state operators with market capitalizations between \$627M and \$3.45B USD. These companies are holdings in the AdvisorShares Pure US Cannabis MSOS ETF. We feel that this makes for a robust comparable benchmark. Four companies are close in size with the range of \$1.39B and \$3.46B USD; the two others are close at \$627M and \$669M. Ideally, there would be more companies closer in size, but in this case, it was better to compare six companies to each other than two or four.

COMPARABLE COMPANY	US TICKER	FOCUS	MC USD \$M
Cresco Labs	OTC:CRLBF	US Cannabis MSO	\$669
<b>Curaleaf Holdings</b>	<b>OTC:CURLF</b>	<b>US Cannabis MSO</b>	<b>\$3455</b>
Glass House Brands	OTC:GLASF	US Cannabis MSO	\$627
Green Thumb Industries	OTC:GTBIF	US Cannabis MSO	\$2675
Trulieve Cannabis	OTC:TCNNF	US Cannabis MSO	\$1949
Verano Holdings	OTC:VRNOF	US Cannabis MSO	\$1391

The main qualitative catalysts for cannabis that we noted are as follows:

- In the US, the population is becoming more favorable for the use of cannabis for both recreational and medical reasons. In the most updated survey by the Pew Research Center, dated March 26th, 2024, 88% of Americans feel that cannabis should be legal for medical or recreational use. This trend has been increasing each year, producing more demand each year for cannabis in the US.
- Additional US states have legalized cannabis at a state level for medicinal or recreational use. As of today, cannabis is legal in 38 of 50 states for medical use and in 24 states for recreational use. Each year, more US states transition into medical or recreational legal status.
- At the current time, cannabis is a Schedule 1 drug at the federal level. The President of the US announced on May 16th that his administration is progressing in rescheduling cannabis to Schedule 3, allowing for medical use federally. This would enable potentially 12 additional states to open for the medical use of cannabis and likely encourage additional states to legalize recreational use.
- Outside of the US, European companies like Germany are shifting or considering shifting from illegal status to medical use to recreational use. This presents an opportunity for North American companies to expand in Europe.

The quantitative forecast for cannabis growth in the US varies widely, but when combined as an average, the growth rate is substantially higher than the outlook for the broad US GDP growth.

- Technavio predicts a combined recreational and medical cannabis CAGR growth of 24.03% between 2022 and 2027.
- MJBiz predicts a combined recreational and medical cannabis growth rate of 11.26%, which they note is an estimate for the high end of the scale.
- Fortune Business Insights estimates the global cannabis market size is projected to grow from \$57.18 billion in 2023 to \$444.34 billion by 2030, at a CAGR of 34.03% during the forecast period.
- BDSA forecasts the total global legal cannabis industry is predicted to reach \$36.7 billion in 2023 (with 80% of sales from U.S. markets), growing at a compound annual growth rate (CAGR) of 13% from 2022 to 2027.
- Statista is an outlier with much more modest predictions; the revenue for the cannabis market in the United States is anticipated to demonstrate an annual growth rate (CAGR 2024-2029) of 2.89%. But Statista does show intriguing data comparisons for the US in 2024. The tobacco (\$108), beer (\$112), wine (\$39), and spirits (\$103) market in the US is a combined \$362B, whereas the legal cannabis market is only \$43 Billion. This shows how much potential cannabis has for growth compared to the already established markets.

Based on the qualitative and quantitative points above, the US combined recreational and medical cannabis market has strong winds behind its growth rates compared to the expected Real GDP growth long term in the US, which is around 2% plus an inflation target of 2% for a combined growth rate long term of 4%.

Curaleaf's expansion strategy targets domestic and international markets, demonstrating a comprehensive approach to growth. Domestically, Curaleaf operates in 17 states, boasting 145 retail locations and 21 cultivation sites encompassing approximately 1.4 million square feet of cultivation capacity. The company's revenue mix is 80% retail and 19% wholesale, supported by over 900 wholesale partner accounts. Key U.S. markets include Florida, Pennsylvania, and Arizona. Internationally, Curaleaf is significantly expanding its presence in Europe, with operations in Germany, the UK, Poland, Switzerland, and Sweden. Curaleaf leads the market in Germany through its premium flower brand, Four20 Pharma, and has commenced wholesaling in Switzerland and Sweden. The acquisition of Can4Med has strengthened Curaleaf's distribution capabilities in Poland. Additionally, the company has established a GACP grow and EU-GMP post-harvest facility in Portugal and operates Curaleaf Clinics in Germany and the UK, further solidifying its international footprint.

## Key Markets

### United States

In the U.S., Curaleaf operates across multiple states, with significant markets in Florida, Pennsylvania, and Arizona. Florida is a critical state for Curaleaf, hosting 61 dispensaries, which makes it a key area for the company's medical cannabis operations. Florida's potential for adult-use legalization could further enhance Curaleaf's market position in the state.

In Pennsylvania, Curaleaf operates 18 dispensaries and has plans for further expansion. The state is a significant market for medical cannabis, and the potential future legalization of adult-use cannabis could provide additional growth opportunities.

Arizona remains a crucial market for Curaleaf, with 16 dispensaries serving both medical and recreational cannabis customers. The state's well-established legal framework for both medical and recreational cannabis supports Curaleaf's operations and future growth in this region.

### Europe

Curaleaf is actively expanding its market share in Europe, focusing on key regions and leveraging strategic acquisitions. Curaleaf leads the market in Germany through its premium flower brand, Four20 Pharma, wholesaling directly to pharmacies. The German Bundestag approved the Cannabis Act "CanG" in February 2024, which decriminalizes cannabis, allows home growing, and establishes the framework for social clubs. This legislation significantly enhances Curaleaf's market potential in Germany, with the medical patient population expected to grow substantially.

Curaleaf's European expansion extends beyond Germany. The company has begun wholesaling operations in Switzerland and Sweden, tapping into new medical cannabis markets. In Poland, Curaleaf enhanced its presence through the acquisition of Can4Med, an experienced pharmaceutical wholesaler, which strengthened its distribution capabilities.

Additionally, Curaleaf is growing its market leadership in the U.K. medical cannabis sector through an enhanced technology platform. The company's operations in other European countries include processing and manufacturing in Spain, where it has an EU-GMP certified facility, and R&D capabilities in Italy.

Curaleaf continues to monitor regulatory developments across Europe, including a draft bill in the Czech Republic proposing the legalization of recreational cannabis. These efforts collectively position Curaleaf as a leading player in the European cannabis market, driving growth and expanding its footprint across the continent.

## Customer Experience and Innovations

Curaleaf focuses on delivering a high-quality customer experience with efficient service, easy returns, and loyalty programs. The company regularly introduces new products, which made up about 26% of 2023 revenue from items launched in the past 12 months. These products include Live Resin Vapes, Select Snoozeberry Gummies, and RSO capsules. Curaleaf's commitment to product development is backed by its strong research and development team located in Massachusetts and the U.K., which launched 179 new products in 2023.

Curaleaf collaborates with prestigious institutions like Imperial College London, the Institute of Cancer Research in London, the University of Insubria in Italy, and the Fondazione Mondino in Italy. Additionally, Curaleaf partners with Boiron, a major European pharmaceutical company, to enhance its product portfolio and ensure that its offerings are supported by scientific research. This approach helps Curaleaf provide reliable and effective cannabis products to its customers.

## Recent Developments

Recent strategic initiatives include the acquisition of Can4Med, expanding Curaleaf's footprint in Poland, and the commencement of wholesaling operations in Switzerland and Sweden. In Germany, the approval of the Cannabis Act "CanG" significantly expands Curaleaf's market, enabling broader medical cannabis access and potential future recreational use.

On December 14, 2023, Curaleaf began trading on the Toronto Stock Exchange (TSX: CURA). This move increases access to both U.S. and international institutional investors, enhances the stock's long-term liquidity, and provides eligibility for inclusion in indices such as the S&P/TSX Composite Index, MSCI, and FTSE Russell. Large U.S. financial institutions like BNY Mellon, State Street Capital, and Morgan Stanley now offer prime brokerage and custody solutions to U.S. and global investors, removing barriers to investment. Curaleaf has been assigned two market makers to improve trading liquidity. Uplisting to the TSX removes the "CSE venture exchange" barrier, allowing large mutual funds that were previously prohibited from investing in "venture stocks" to consider Curaleaf for investment.

## Strategic Vision

Curaleaf's vision is to become the world's leading cannabis company by leveraging its extensive network and innovative product offerings. The company aims to capitalize on regulatory changes and expand its market presence through strategic investments and operational excellence. Curaleaf's strategic priorities for 2024 include extending its U.S. leadership, optimizing its infrastructure for future growth, and leveraging its U.S. strategy to enhance its position in Europe.



We established Key Performance Indicators (KPIs) across three financial statements to evaluate a company's performance relative to its peers. We identified eight KPIs for the income statement to assess if the company is growing profitably. We looked at six KPIs for the balance sheet to determine the company's financial soundness. Finally, we considered four KPIs on the cash flow statement to ensure the company's cash flow aligns with its income statement performance. This comprehensive approach allows us to accurately gauge the company's overall financial health and growth potential.

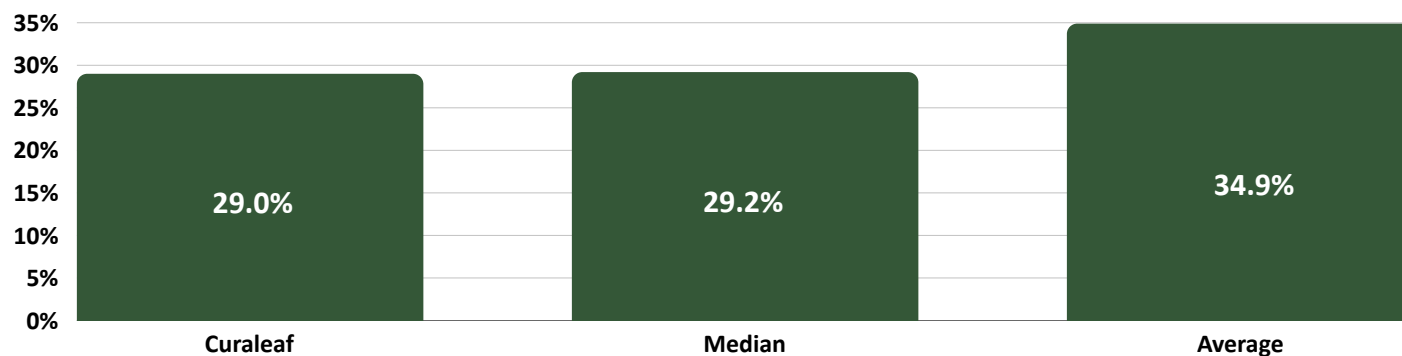
#	FINANCIAL STATEMENT	KPI
1	Income Statement	Revenue Growth LTM
2	Income Statement	Revenue Growth 3-Year CAGR
3	Income Statement	Gross Profit Margin LTM
4	Income Statement	Gross Profit Margin LTM Change
5	Income Statement	SG&A Margin LTM
6	Income Statement	SG&A Margin LTM Change
7	Income Statement	EBITDA Growth LTM
8	Income Statement	EBITDA Growth 3-Year CAGR
9	Balance Sheet	Current Ratio
10	Balance Sheet	Current Ratio LTM Change
11	Balance Sheet	Total Liabilities vs Assets
12	Balance Sheet	Total Liabilities vs Assets LTM Change
13	Balance Sheet	Credit Check (Altman Z)
14	Balance Sheet	Credit Check (Altman Z) LTM Change
15	Cash Flow	Levered Free Cash Flow Margin LTM
16	Cash Flow	Levered Free Cash Flow Margin Change LTM
17	Cash Flow	Levered Free Cash Flow Growth LTM
18	Cash Flow	Capital Expenditure Margin LTM

KPI	Income Statement – Revenue Growth
<b>Why it is important?</b>	Revenue growth is crucial because it indicates the company's ability to increase sales over time, reflecting market demand and operational effectiveness. It helps analysts assess the company's competitiveness and potential for future profitability. Consistent revenue growth often correlates with stock price increases, making it an attractive metric for investors and a crucial factor considering if the company is required to raise additional capital.
<b>Peer Comparison</b>	For KPI #1, Curaleaf's revenue growth over the last twelve months (LTM) is 3.1%, compared to the benchmark median of 3.1% and an average of 11.1%. For KPI #2, Curaleaf's 3-year compound annual growth rate (CAGR) for revenue is 29.0%, while the benchmark median is 29.2% and the average is 34.9%. These figures indicate that Curaleaf's recent revenue growth aligns with the median but falls short of the average. However, its long-term growth rate remains competitive with its peers, demonstrating solid performance over three years.
<b>Take Away / Conclusion</b>	Despite short-term revenue growth challenges, Curaleaf's long-term growth rate is competitive, indicating strong performance and potential for future profitability.

**KPI #1 - Revenue Growth LTM**



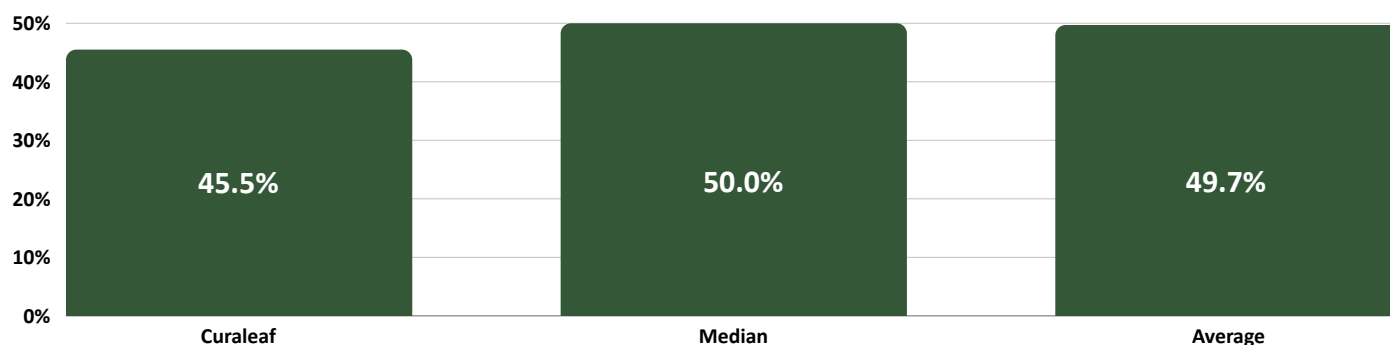
**KPI #2 - Revenue Growth 3-Year CAGR**



Source: S&P Capital IQ

KPI	Income Statement – Gross Profit Margin
<b>Why it is important?</b>	Gross profit margin is significant because it measures how efficiently a company produces its goods compared to its revenue. A higher gross profit margin indicates better cost management and profitability. Businesses with increasing gross profit margins are improving their cost control and product pricing, which should lead to higher profits and stronger financial health.
<b>Peer Comparison</b>	For KPI #3, Curaleaf's Gross Profit Margin over the last twelve months (LTM) is 45.5%, compared to the benchmark median of 50.0% and an average of 49.7%. For KPI #4, Curaleaf's Gross Profit Margin LTM change is -2.2%, while the benchmark median is 0.0% and the average is 3.0%. These figures indicate that Curaleaf's Gross Profit Margin is below the median and average, showing less effective cost management than its peers. The negative LTM change further highlights the need for improving cost control and product pricing.
<b>Take Away / Conclusion</b>	Curaleaf's Gross Profit Margin is below the median and average, indicating less effective cost management than its peers. The negative change in Gross Profit Margin suggests a need for better cost control and pricing strategies to enhance profitability.

## KPI #3 - Gross Profit Margin LTM



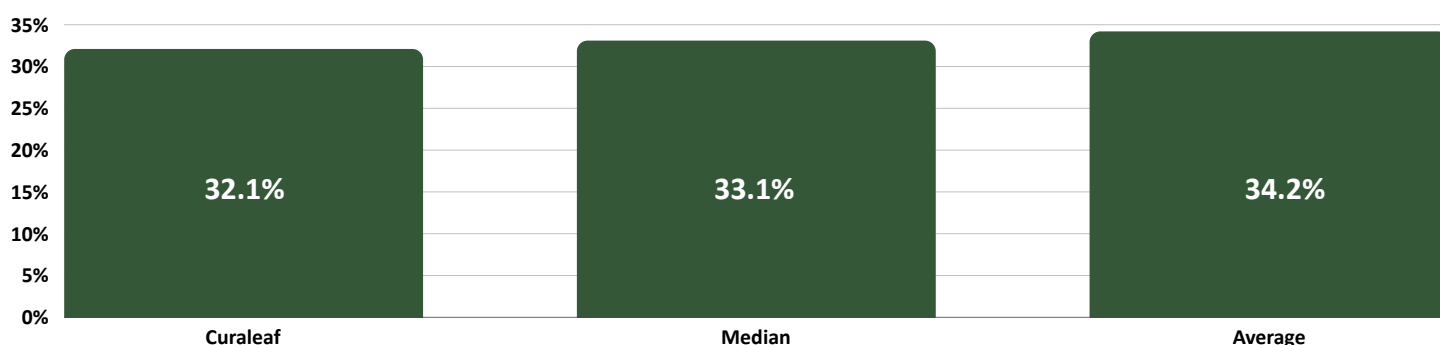
## KPI #4 - Gross Profit Margin LTM Change



Source: S&P Capital IQ

KPI	Income Statement – SG&A Margin (Selling, General, and Administrative)
<b>Why it is important?</b>	SG&A margin is important because it shows how well a company controls its operating expenses relative to its revenue. A lower SG&A margin indicates better cost efficiency and higher profitability. Businesses with a trend of decreasing SG&A margins demonstrate improved management and operational efficiency, leading to stronger financial performance and greater investor confidence.
<b>Peer Comparison</b>	For KPI #5, Curaleaf's SG&A margin over the last twelve months (LTM) is 32.1%, compared to the benchmark median of 33.1% and an average of 34.2%. For KPI #6, Curaleaf's SG&A LTM percentage change is -2.3%, while the benchmark median is -2.0%, and the average is -4.0%. These figures indicate that Curaleaf has a better-than-median SG&A margin, showing good cost efficiency. The LTM percentage change is also better than the median but less favorable than the average.
<b>Take Away / Conclusion</b>	Curaleaf demonstrates effective cost control with a better-than-median SG&A margin and a solid LTM percentage change, indicating good operational efficiency and potential for strong financial performance.

**KPI #5 - SG&A Margin LTM**



**KPI #6 - SG&A LTM % Change**

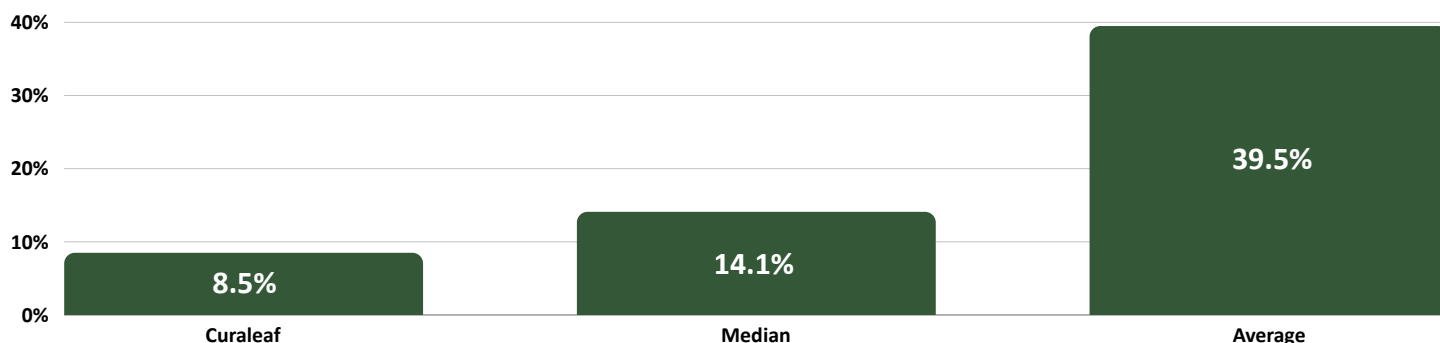


Source: S&P Capital IQ

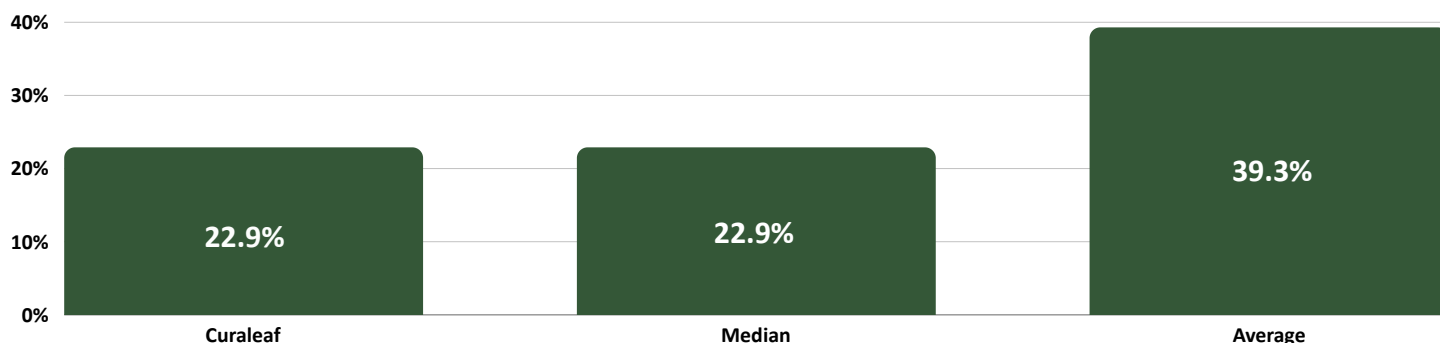


KPI	Income Statement – EBITDA Growth
<b>Why it is important?</b>	EBITDA growth is crucial because it shows a company's ability to generate earnings before interest, taxes, depreciation, and amortization. It reflects operational efficiency and profitability. Companies with increasing EBITDA are often more attractive to investors as it indicates stronger financial health and potential for sustainable growth.
<b>Peer Comparison</b>	For KPI #7, Curaleaf's EBITDA growth over the last twelve months (LTM) is 8.5%, compared to the benchmark median of 14.1% and an average of 39.5%. For KPI #8, Curaleaf's 3-year compound annual growth rate (CAGR) for EBITDA is 22.9%, matching the benchmark median and below the average of 39.3%. These figures show that while Curaleaf's recent EBITDA growth is lower than the median and average, its longer-term growth rate is on par with the median, indicating consistent performance.
<b>Take Away / Conclusion</b>	Curaleaf's recent EBITDA growth lags behind its peers, but its 3-year CAGR is competitive with the median, reflecting consistent long-term performance and potential for sustainable growth.

**KPI# 7 - EBITDA Growth LTM**



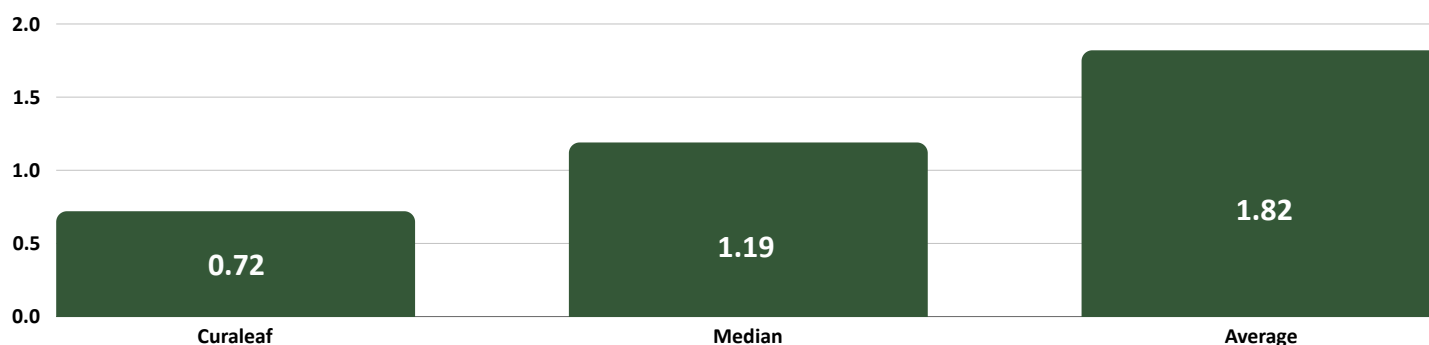
**KPI #8 - EBITDA Growth 3-Year CAGR**



Source: S&P Capital IQ

KPI	Current Ratio
<b>Why it is important?</b>	The current ratio is important because it measures a company's ability to pay its short-term obligations with its short-term assets. A higher current ratio indicates better liquidity and financial health. Companies with a strong current ratio are better positioned to handle short-term liabilities and unexpected expenses, which enhances their stability and investor confidence.
<b>Peer Comparison</b>	For KPI #9, Curaleaf's current ratio is 0.72, compared to the benchmark median of 1.19 and an average of 1.82. For KPI #10, Curaleaf's current ratio LTM change is -0.38, while the benchmark median is 0.23 and the average is 0.38. These figures indicate that Curaleaf's liquidity is below the median and average, and its liquidity position has worsened over the last twelve months.
<b>Take Away / Conclusion</b>	Curaleaf's current ratio is below the median and average, indicating lower liquidity than its peers. The negative LTM change further highlights the need to improve short-term financial liquidity to enhance stability and investor confidence.

### KPI #9 - Current Ratio



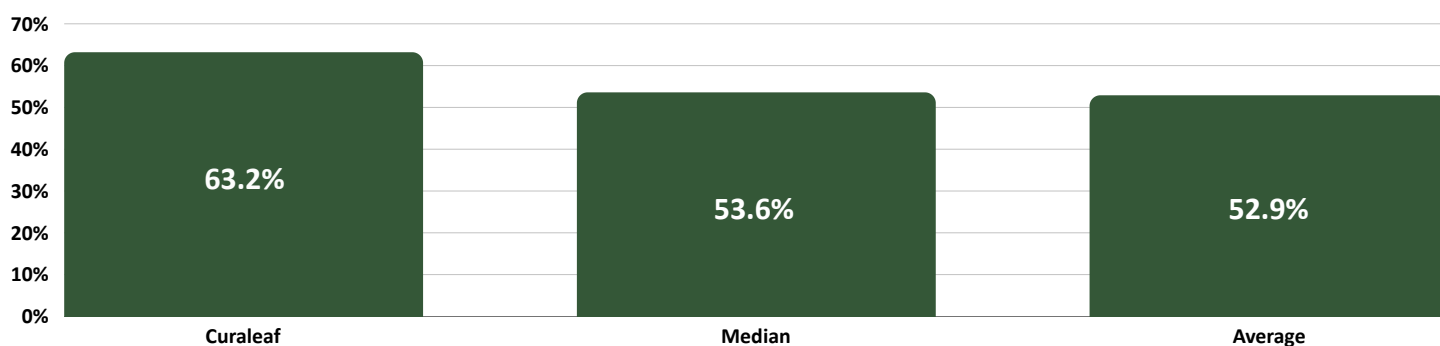
### KPI #10 - Current Ratio LTM Change



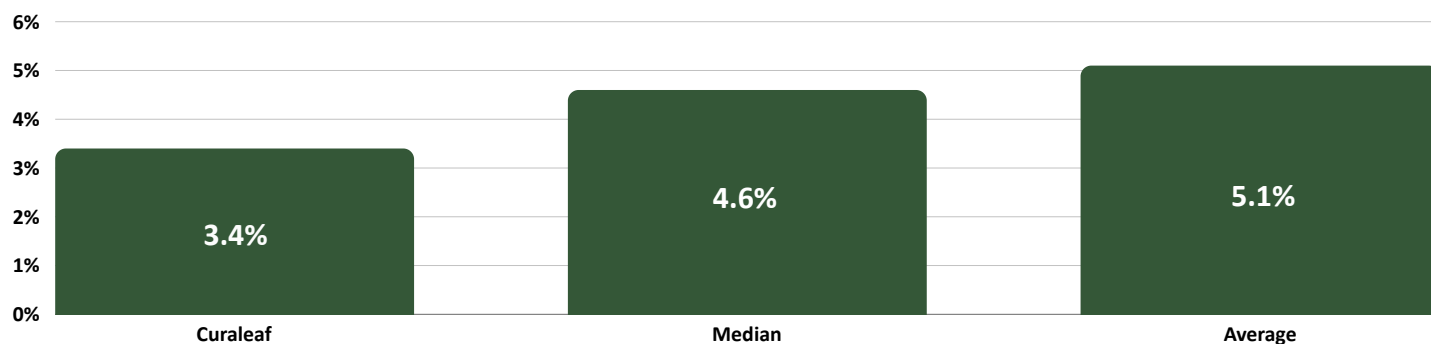
Source: S&P Capital IQ

KPI	Total Liabilities vs Assets
<b>Why it is important?</b>	The total liabilities vs. assets ratio is important because it measures a company's financial leverage and stability. A lower ratio indicates that the company has more assets than liabilities, suggesting stronger financial health and a lower risk of insolvency. Companies with decreasing ratios over time demonstrate improved financial management and greater long-term stability, making them more attractive to investors.
<b>Peer Comparison</b>	For KPI #11, Curaleaf's total liabilities vs. assets ratio is 63.2%, compared to the benchmark median of 53.6% and an average of 52.9%. For KPI #12, Curaleaf's total liabilities vs. assets LTM change is 3.4%, while the benchmark median is 4.6% and the average is 5.1%. These figures indicate that Curaleaf has a higher liabilities vs. assets ratio than both the median and the average, suggesting higher financial leverage. However, its LTM change is more favorable compared to its peers, showing relatively better improvement in managing liabilities.
<b>Take Away / Conclusion</b>	Curaleaf's higher total liabilities vs. assets ratio indicates greater financial leverage compared to its peers, suggesting a need for improved financial stability. However, the relatively favorable LTM change compared to its peers shows progress in managing liabilities.

**KPI #11 - Total Liabilities vs Assets**



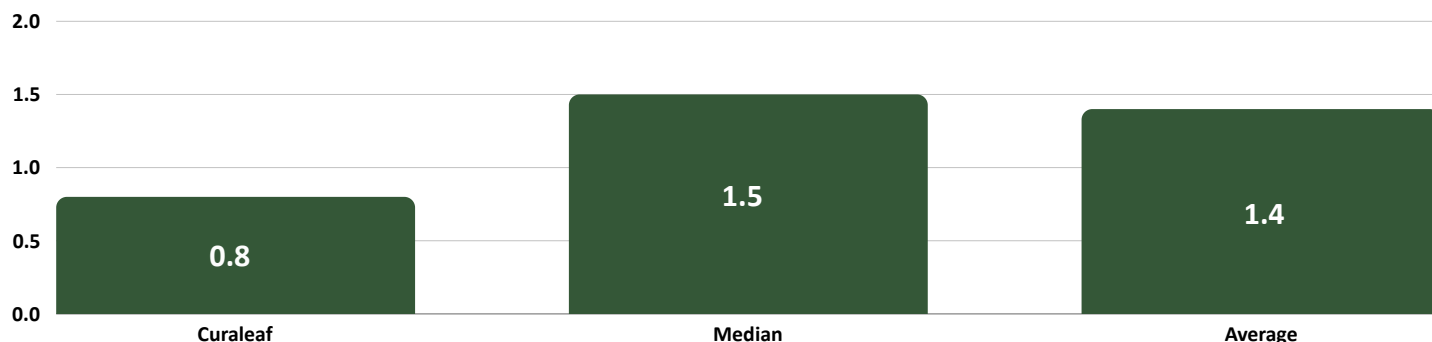
**KPI #12 - Total Liabilities vs Assets LTM Change**



Source: S&P Capital IQ

KPI	Credit Check (Altman Z)
<b>Why it is important?</b>	The Altman Z-score is important because it predicts the likelihood of a company facing financial distress. It is calculated using five financial ratios: working capital to total assets, retained earnings to total assets, EBIT to total assets, market value of equity to total liabilities, and sales to total assets. A higher Altman Z-score indicates better financial health and a lower risk of bankruptcy. Companies with improving Altman Z-scores demonstrate enhanced financial stability and management effectiveness.
<b>Peer Comparison</b>	For KPI #13, Curaleaf's Altman Z-score is 0.8, compared to the benchmark median of 1.5 and an average of 1.4. For KPI #14, Curaleaf's Altman Z LTM percentage change is 0.0, while the benchmark median is 0.1 and the average is 0.4. These figures indicate that Curaleaf has a lower Altman Z-score than the median and the average, suggesting a higher risk of financial distress. Additionally, its LTM percentage change shows no improvement, highlighting the risk level in the company's balance sheet.
<b>Take Away / Conclusion</b>	Curaleaf's lower Altman Z-score indicates a higher risk of financial distress than its peers. The lack of improvement in the LTM percentage change further underscores the need for enhanced financial stability as leverage and risk are higher than their peers.

**KPI #13 - Credit Check (Altman Z)**



**KPI #14 - Credit Check (Altman Z) LTM Change**

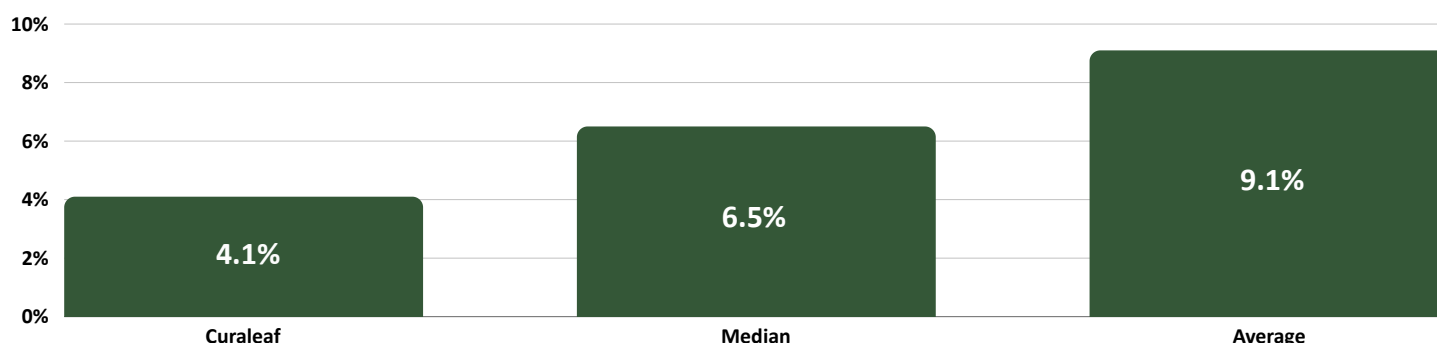


Source: S&P Capital IQ

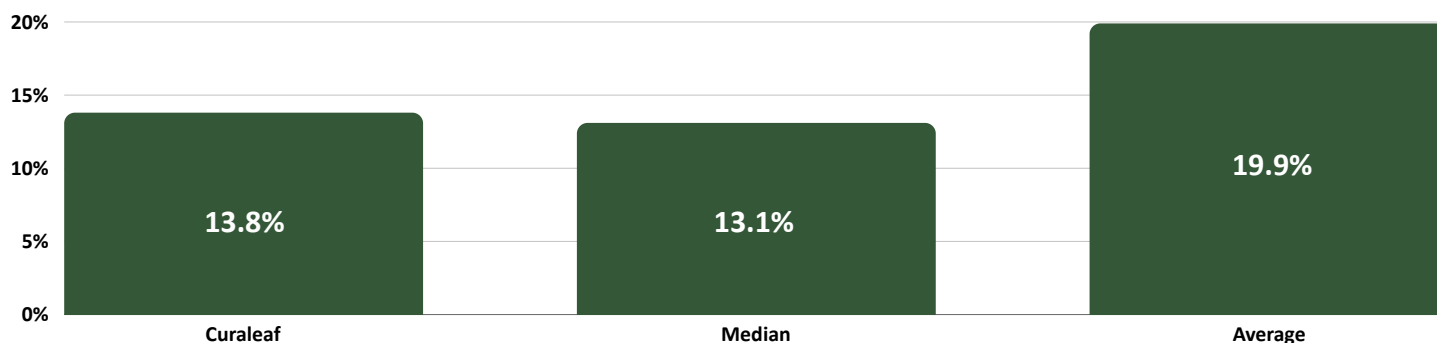


KPI	Levered Free Cash Flow Margin
<b>Why it is important?</b>	Levered Free Cash Flow (LFCF) Margin is important because it measures the cash a company generates after accounting for financial obligations, indicating financial flexibility and health. It is calculated by subtracting capital expenditures and interest payments from operating cash flow and then dividing by revenue. A higher LFCF Margin shows that a company effectively manages its cash flow while meeting its debt obligations. Companies with increasing LFCF Margins are better positioned to invest in growth opportunities, pay dividends, and weather financial downturns.
<b>Peer Comparison</b>	For KPI #15, Curaleaf's Levered Free Cash Flow Margin over the last twelve months (LTM) is 4.1%, compared to the benchmark median of 6.5% and an average of 9.1%. For KPI #16, Curaleaf's Levered Free Cash Flow Margin Change LTM is 13.8%, while the benchmark median is 13.1% and the average is 19.9%. These figures indicate that Curaleaf's LFCF Margin is below both the median and average, showing less effective cash flow management. However, the LTM change is slightly better than the median, indicating some improvement in cash flow trends.
<b>Take Away / Conclusion</b>	Curaleaf's Levered Free Cash Flow Margin is below the median and average, suggesting less effective cash flow management than its peers. The positive LTM change shows some improvement, indicating the potential for a positive change in trend.

**KPI #15 - Levered Free Cash Flow Margin LTM**



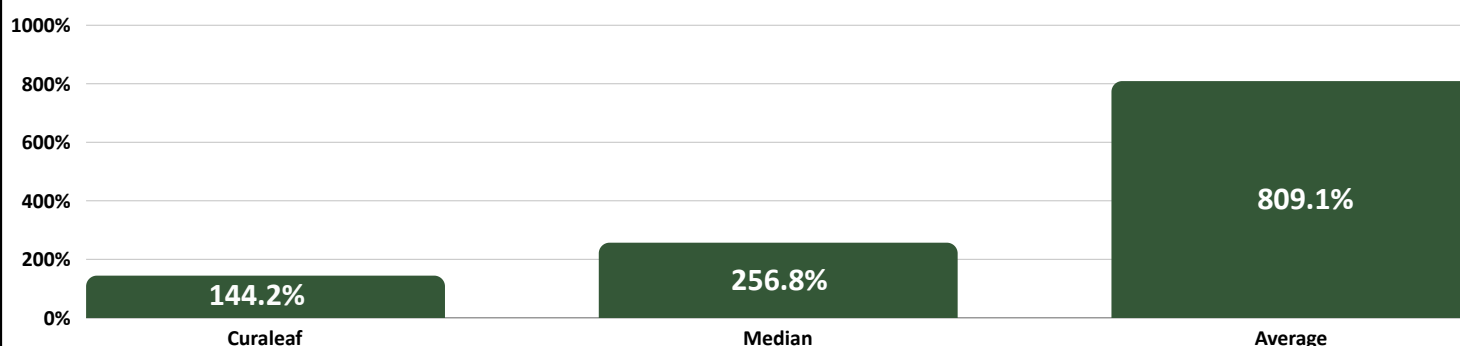
**KPI #16 - Levered Free Cash Flow Margin Change LTM**



Source: S&P Capital IQ

KPI	Levered Free Cash Flow Growth
<b>Why it is important?</b>	Levered Free Cash Flow (LFCF) Growth is significant because it measures the change in the cash a company generates after meeting its financial obligations over time. It reflects the company's ability to expand its financial flexibility and health. LFCF Growth is calculated by tracking the increase in free cash flow after accounting for interest payments and capital expenditures. A higher growth rate indicates improved financial management and operational efficiency. Companies with increasing LFCF Growth are better positioned to reinvest in their business, pay dividends, and handle economic downturns, making them more attractive to investors.
<b>Peer Comparison</b>	For KPI #17, Curaleaf's Levered Free Cash Flow Growth LTM is 144.2%, compared to the benchmark median of 256.8% and an average of 809.1%. These figures show that Curaleaf's LFCF Growth is below both the median and the average, yet still significantly strong growth in cash flow.
<b>Take Away / Conclusion</b>	Curaleaf's Levered Free Cash Flow Growth LTM is below the median and average yet still shows strong growth.

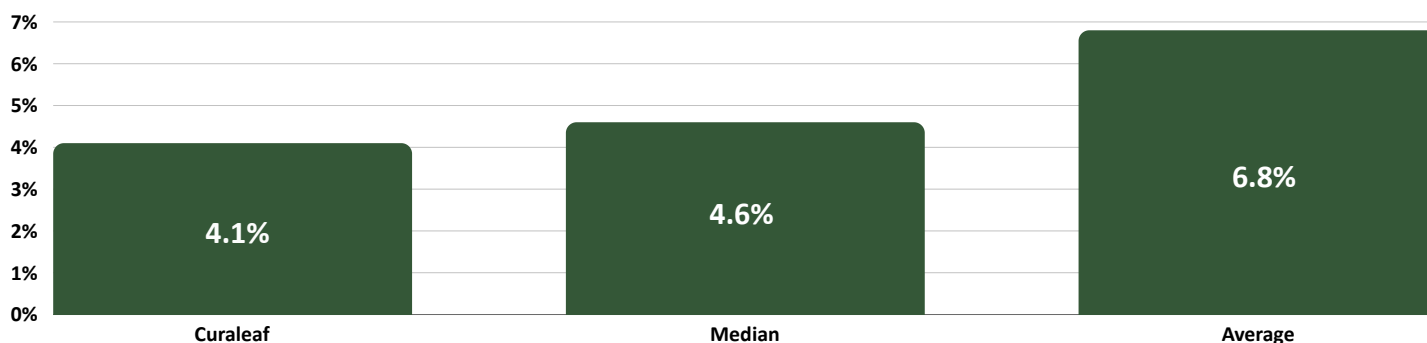
## KPI #17 - Levered Free Cash Flow Growth LTM



Source: S&P Capital IQ

KPI	Capital Expenditures (CapEx) Margin
Why it is important?	Capital Expenditures Margin is important because it measures the proportion of revenue that a company is investing back into its business. It is calculated by dividing capital expenditures by total revenue. A higher CapEx Margin indicates that a company is investing significantly in its future growth and operational capacity. Companies with higher CapEx compared to their competitors may see future revenue increases as a result of these past investments.
Peer Comparison	For KPI #18, Curaleaf's Capital Expenditures Margin is 4.1%, compared to the benchmark median of 4.6% and an average of 6.8%. These figures show that Curaleaf's CapEx Margin is below both the median and average, indicating that the company is investing a smaller proportion of its revenue back into its business compared to its peers.
Take Away / Conclusion	Curaleaf's lower Capital Expenditures Margin compared to the median and average suggests that the company is investing less in future growth and operational capacity. This may impact its ability to drive future revenue increases compared to its competitors.

**KPI #18 - Capital Expenditures Margin**



Source: S&P Capital IQ

## Valuation Analysis

We use three primary valuation methods to determine a company's value: Discounted Cash Flow (DCF) growth, DCF Revenue, and EV/Revenue. Each method provides a different perspective on the company's financial health and potential. By blending these methods, we achieve a comprehensive and balanced valuation. This blended valuation helps ensure accuracy and reliability by smoothing out any anomalies or extremes from the individual methods. We then calculate the potential upside in the stock price by comparing this blended valuation to the current market price, offering insights into potential investment growth.

Discounted cash flow (DCF) growth calculates a company's value by estimating its future cash flows and discounting them to their present value using a discount rate. The process involves projecting the company's future cash flows, determining an appropriate discount rate, and applying this rate to the future cash flows to find their present value. The sum of these discounted cash flows represents the estimated value of the company.

Discounted cash flow (DCF) revenue valuation calculates a company's value by projecting its future revenue and estimating the resulting cash flows. These future cash flows are then discounted to their present value using a discount rate. The total of these discounted cash flows provides the estimated value of the company based on its expected revenue.

EV/Revenue valuation calculates a company's value by dividing its enterprise value (EV) by its annual revenue. Enterprise value is the total value of a company, including its market capitalization, debt, and cash. By comparing EV to revenue, this valuation metric assesses how much investors are willing to pay for each dollar of the company's revenue, providing insight into its market valuation relative to its sales.

After calculating the valuations using these three methods, we blend them into a single valuation price to get a comprehensive estimate. This blended valuation helps smooth out any anomalies or extremes from individual methods, providing a balanced perspective. Finally, we calculate the potential upside in the stock price by comparing the blended valuation to the current market price, indicating the potential for investment growth.

Current Price	\$4.68
Discounted Cash Flow Growth Valuation	\$4.88
Discounted Cash Flow Revenue Valuation	\$5.91
EV / Revenue Valuation	\$6.04
Blended Fair Value	\$5.61
Potential Upside	20%



# Our Take

We rate Curaleaf as a "Buy" because its strengths, particularly in its strategic international expansion, outweigh its other challenges. Additionally, we believe that the catalyst of further legalization in key states and regulatory advancements in Europe will support the company's growth.

## **Strengths of Curaleaf Compared to Its Peers**

Curaleaf demonstrates significant market presence with operations in 17 U.S. states and expanding international markets. The company's strong retail network and diverse product offerings contribute to its competitive edge. Curaleaf's strategic acquisitions, such as Can4Med, enhance its distribution capabilities in Europe, positioning it well for future growth. Furthermore, its revenue mix shows a robust retail segment, supported by over 900 wholesale partner accounts, highlighting strong market penetration and operational efficiency.

## **Weaknesses of Curaleaf Compared to Its Peers**

Curaleaf faces challenges with its current ratio, which is below both the median and average, indicating lower liquidity. The company's total liabilities vs. assets ratio is higher than its peers, suggesting greater financial leverage and potential risk. Additionally, Curaleaf's recent EBITDA growth is below the median and average, reflecting short-term operational inefficiencies. Its lower Capital Expenditures (CapEx) Margin indicates less investment in future growth compared to competitors, which may impact long-term revenue potential.

## **Our Forecasts**

Based on our analysis, we rate Curaleaf as a "Buy" due to its strong market presence and strategic international expansion. The blended fair value of Curaleaf is calculated to be \$5.61, offering a potential upside of 20% from its current price of \$4.68. This valuation incorporates the strengths of its diverse product offerings and strategic market expansions, along with the catalysts of regulatory advancements in key markets, suggesting a promising return on investment for shareholders.

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