



WE SET THE NARRATIVE

Green Thumb Industries

OTCQX:GTBIF

CSE:GTII

William (Bill) McNarland, CFA

Head of Research

TDR Research

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www.thedalesreport.com

bmcnarland@thedalesreport.com

Green Thumb Industries

Green Thumb Industries	OTCQX:GTBIF, CSE:GTII
Date	May 28th, 2024
Rating	Buy
Fair Value	\$19.89
Expected 1 Year Return Including Dividend	76%
Estimate 2024 FY Revenue	\$1.14B
Estimate 2024 FY GMP %	51.1%
Estimate 2024 FY EBITDA Margin %	30.2%
Estimated 2024 FY EBITDA	\$344.2M

Company Description

Green Thumb Industries Inc. manufactures, distributes, markets, and sells cannabis products for medical and adult use in the United States. It operates through Retail and Consumer Packaged Goods segments. The company offers cannabis flower, pre-rolls, concentrates, vapes, capsules, tinctures, edibles, topicals, and other products under brands like &Shine, Beboe, Dogwalkers, Doctor Solomon's, Good Green, incredibles, and RHYTHM. Products are distributed to third-party retail customers and sold directly to consumers through its retail stores and delivery channels. Green Thumb Industries Inc. was founded in 2014 and is headquartered in Chicago, Illinois.

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 Green Thumb.

Establish Comparables

First, we looked for public company US multi-state operators in a similar size range as Green Thumb. 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

We rate Green Thumb Industries (GTI) as a "Buy" with a target price of \$19.89, providing an expected 1-year return/upside of 76% from the current price of \$11.29. This rating reflects the company's strong balance sheet, consistent multi-year growth, and significant investment in capital expenditures that should drive future revenue growth.

Green Thumb Industries, a national cannabis retailer and consumer packaged goods company, operates through its Retail and Consumer Packaged Goods segments. The company offers a variety of cannabis products, including flowers, vapes, edibles, pre-rolls, concentrates, and topicals under multiple brands. GTI has established a significant national footprint with 93 retail stores across 14 states and 20 manufacturing facilities, ensuring a steady supply to meet consumer demand.

Strengths of Green Thumb Industries

Green Thumb Industries demonstrates strong financial health, with a current ratio of 2.40, significantly above the median and average of its peers, indicating excellent liquidity and the ability to meet short-term obligations effectively. The company's total liabilities vs. assets ratio of 31.6% is well below the benchmark, suggesting strong financial stability and lower risk of insolvency. GTI's gross profit margin of 50.5% shows efficient cost management, slightly above the median and average of its peers. Furthermore, GTI's substantial investment in capital expenditures, with a CapEx margin of 15.7%, highlights its commitment to expanding operational capacity and positioning for future growth.

Weaknesses of Green Thumb Industries

While Green Thumb Industries shows solid financial health, there are areas for improvement. The recent EBITDA growth of 8.0% is below the median and average of its peers, indicating room for enhancing operational efficiency. The company's levered free cash flow margin, at 6.0%, is slightly below the median and significantly below the average of its peers, suggesting potential for better cash flow management. Additionally, the increase in SG&A margin over the last twelve months, contrasted with the decreasing trend seen in its peers, points to a need for further operational improvements.

Based on our comprehensive analysis, Green Thumb Industries is well-positioned to capitalize on the growing cannabis market in the U.S., supported by its strategic initiatives and broad national footprint. These factors, combined with the company's financial strength and growth potential, make it a compelling investment opportunity.

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
Curaleaf Holdings	OTC:CURLF	US Cannabis MSO	\$3455
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.

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%.

Green Thumb Industries (GTI) is a national cannabis retailer and consumer packaged goods company. GTI cultivates, processes, and manufactures a variety of cannabis products, including flowers, vapes, edibles, pre-rolls, concentrates, and topicals. The company's mission is to promote well-being through the power of cannabis.

National Footprint

Green Thumb Industries has a significant national presence, serving a large portion of the American market. Key aspects of the company's footprint include:

1. **Retail Stores:** GTI operates 93 retail stores across 14 states as of May 2024. These stores aim to provide a consistent consumer experience, enhancing brand recognition and customer loyalty.
2. **Manufacturing Facilities:** The company has 20 manufacturing facilities that support its product lineup and ensure a steady supply to meet consumer demand.

Key Markets

Green Thumb Industries focuses on markets with high demand and limited supply, covering both medical and adult-use cannabis programs.

1. **Adult-Use States:** GTI operates in states that have legalized adult-use cannabis, including Nevada, Massachusetts, Illinois, New Jersey, Rhode Island, New York, Connecticut, and Maryland.
2. **Medical States:** The company also has operations in states with established medical cannabis programs, serving consumers who use cannabis for medicinal purposes.
3. **Pending Adult-Use Sales:** GTI is positioned to enter states like Virginia, Minnesota, and Ohio, where cannabis legalization is progressing.

Strategic Initiatives

1. **Market Entry and Expansion:** GTI's strategy focuses on entering high-demand markets, opening new retail locations, and scaling operations to improve market penetration and efficiency.
2. **Brand Portfolio:** The company develops brands that aim to foster loyalty and provide positive consumer experiences. GTI's portfolio includes various product categories to cater to different consumer preferences.
3. **Prudent Financial Management:** GTI emphasizes careful allocation of resources to achieve growth. This includes investing in infrastructure, technology, and personnel to support its initiatives.

Future Catalysts

Several factors are expected to drive the future growth of Green Thumb Industries:

1. **Regulatory Changes:** Ongoing legalization and regulatory reform in various states offer growth opportunities. GTI is prepared to benefit from these changes, particularly in states where cannabis laws are evolving.
2. **Consumer Demand:** Increasing acceptance and demand for cannabis products, both for medicinal and recreational use, are key drivers. GTI's diverse product portfolio addresses a wide range of consumer needs.
3. **Market Expansion:** The company's expansion into new markets will contribute to revenue growth. This includes entering newly legalized states and increasing market share in existing ones.
4. **Technological Advancements:** Adoption of advanced cultivation and manufacturing technologies will improve operational efficiency and product quality, helping GTI maintain its competitive position.
5. **Brand Development:** Building and strengthening the GTI brand through effective marketing and customer engagement will drive consumer loyalty. The company's focus on creating a consistent brand experience helps distinguish it from competitors.

Green Thumb Industries is positioned to take advantage of the growing cannabis market in the U.S. Its strategic initiatives and broad national footprint support its potential for sustained growth.

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 five 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.

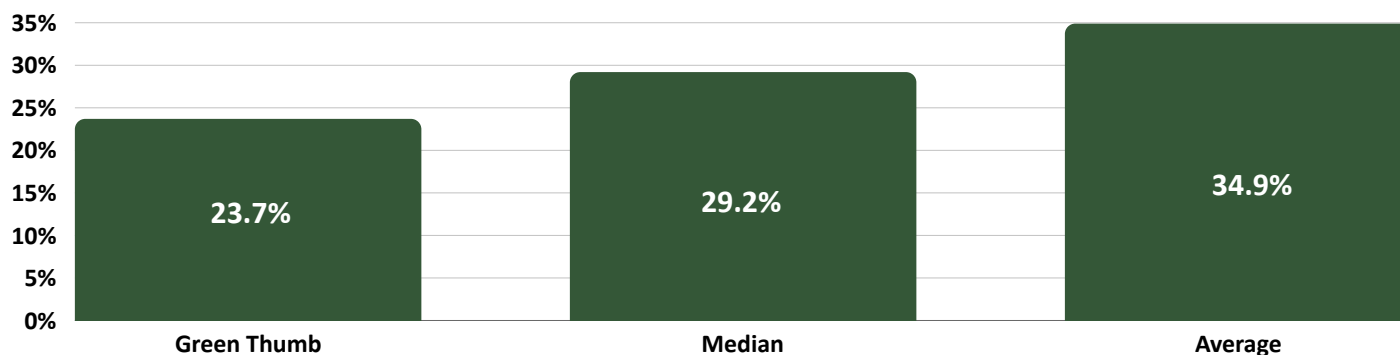
#	FINANCIAL STATEMENT	KPI
1	Income Statement	Revenue Growth LTM
2	Income Statement	Revenue Growth 3-Year CAGR
3	Income Statement	Gross Profit Margin LTM
4	Income Statement	Gross Profit Margin LTM Change
5	Income Statement	SG&A Margin LTM
6	Income Statement	SG&A Margin LTM Change
7	Income Statement	EBITDA 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
Why it is important?	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.
Peer Comparison	For KPI #1, Green Thumb Industries revenue growth over the last twelve months (LTM) is 5.7%, compared to the benchmark median of 3.1% and an average of 11.1%. For KPI #2, GTI's 3-year compound annual growth rate (CAGR) for revenue is 23.7%, while the benchmark median is 29.2% and the average is 34.9%. These figures indicate that GTI's recent revenue growth is above the median but below the average of its peers, showing solid performance in the short term. However, its longer-term growth rate is below the median and average, yet it is still very impressive to have a sustained growth rate of about 20% per year.
Take Away / Conclusion	Despite short-term revenue growth that outpaces the median, Green Thumb Industries' long-term growth rate is lower than its peers, yet it is still above 20% per year on a three-year basis.

KPI #1 - Revenue Growth LTM



KPI #2 - Revenue Growth 3-Year CAGR



Source: S&P Capital IQ

KPI	Income Statement – Gross Profit Margin
Why it is important?	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.
Peer Comparison	For KPI #3, Green Thumb Industries gross profit margin for the last twelve months (LTM) is 50.5%, compared to the benchmark median of 50.0% and an average of 49.7%. For KPI #4, GTI's gross profit margin LTM change is 1.1%, while the benchmark median is 0.0% and the average is 3.0%. These figures show that GTI's current gross profit margin is slightly above both the median and average of its peers, indicating efficient cost management. However, the change in its gross profit margin over the last twelve months is below the average, suggesting that while GTI is maintaining its margins, its peers are seeing more significant improvements.
Take Away / Conclusion	Green Thumb Industries demonstrates efficient cost management with a gross profit margin above the median and average of its peers. However, the modest change in its gross profit margin suggests there is room for improvement in enhancing profitability.

KPI #3 - Gross Profit Margin LTM



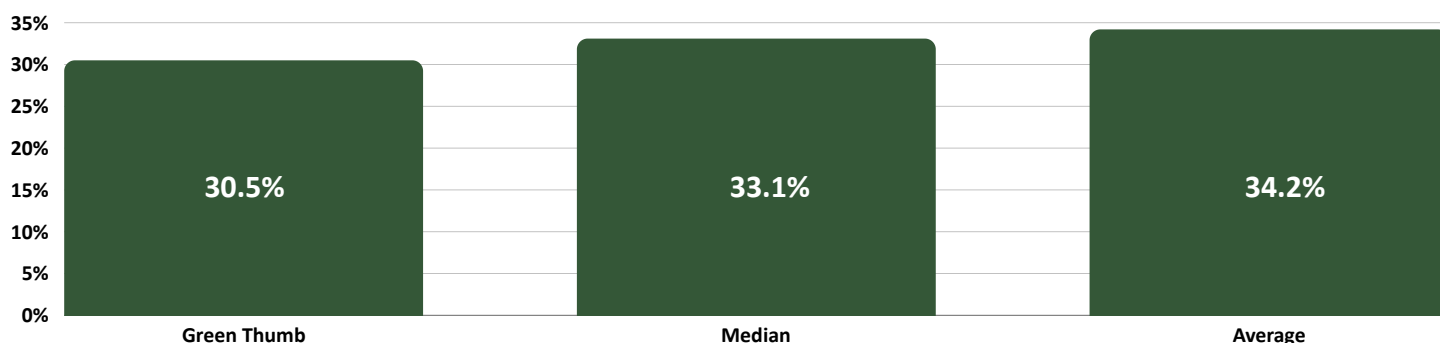
KPI #4 - Gross Profit Margin LTM Change



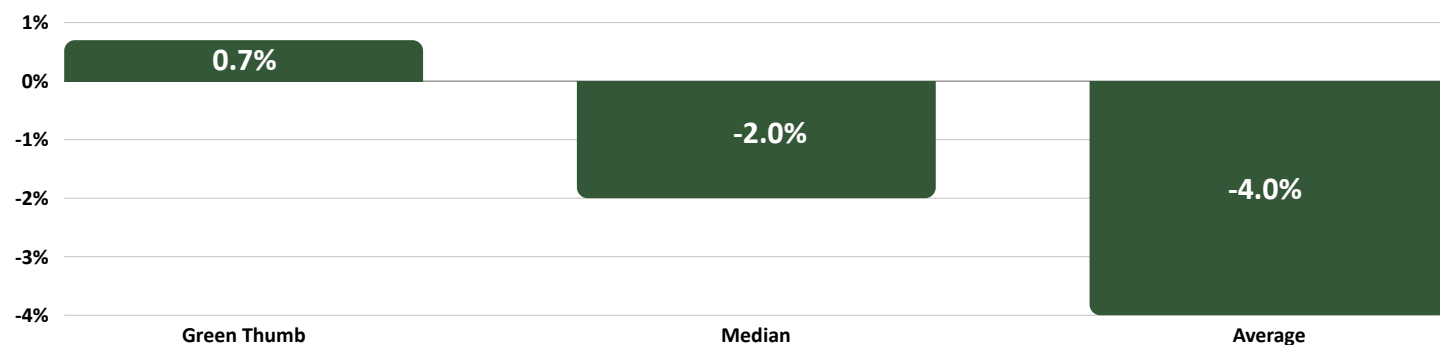
Source: S&P Capital IQ

KPI	Income Statement – SG&A Margin (Selling, General, and Administrative)
Why it is important?	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.
Peer Comparison	For KPI #5, Green Thumb Industries SG&A margin for the last twelve months (LTM) is 30.5%, compared to the benchmark median of 33.1% and an average of 34.2%. For KPI #6, GTI's SG&A margin LTM percentage change is 0.7%, while the benchmark median is -2.0% and the average is -4.0%. These figures indicate that GTI's SG&A margin is lower than both the median and average of its peers, showing good cost efficiency. However, the slight increase in its SG&A margin over the last twelve months contrasts with the decreasing trend seen in its peers, suggesting a need for further operational improvements.
Take Away / Conclusion	Green Thumb Industries demonstrates good cost efficiency with an SG&A margin lower than the median and average of its peers. However, the increase in SG&A margin last year indicates there is room for further operational efficiency improvements.

KPI #5 - SG&A Margin LTM



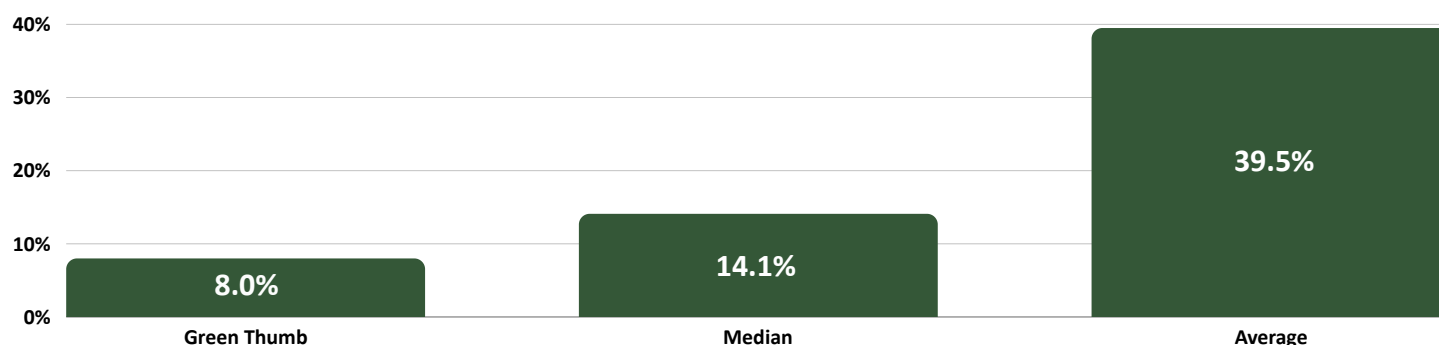
KPI #6 - SG&A LTM % Change



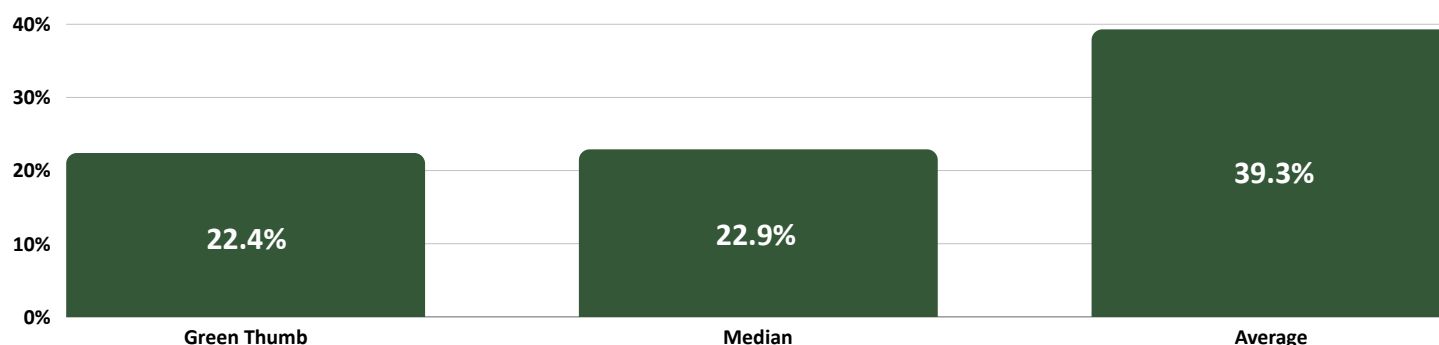
Source: S&P Capital IQ

KPI	Income Statement – EBITDA Growth
Why it is important?	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.
Peer Comparison	For KPI #7, Green Thumb Industries EBITDA growth for the last twelve months (LTM) is 8.0%, compared to the benchmark median of 14.1% and an average of 39.5%. For KPI #8, GTI's 3-year compound annual growth rate (CAGR) for EBITDA is 22.4%, while the benchmark median is 22.9% and the average is 39.3%. These figures indicate that GTI's recent EBITDA growth is below both the median and average of its peers, suggesting there is room for improvement in operational efficiency. However, its 3-year CAGR for EBITDA is close to the median, showing that GTI has been relatively consistent in its long-term EBITDA growth, even though it trails the industry average.
Take Away / Conclusion	Green Thumb Industries shows steady long-term EBITDA growth, close to the median of its peers. However, recent growth is below the industry average, highlighting the need for enhancements in operational efficiency to boost profitability.

KPI# 7 - EBITDA Growth LTM



KPI #8 - EBITDA Growth 3-Year CAGR



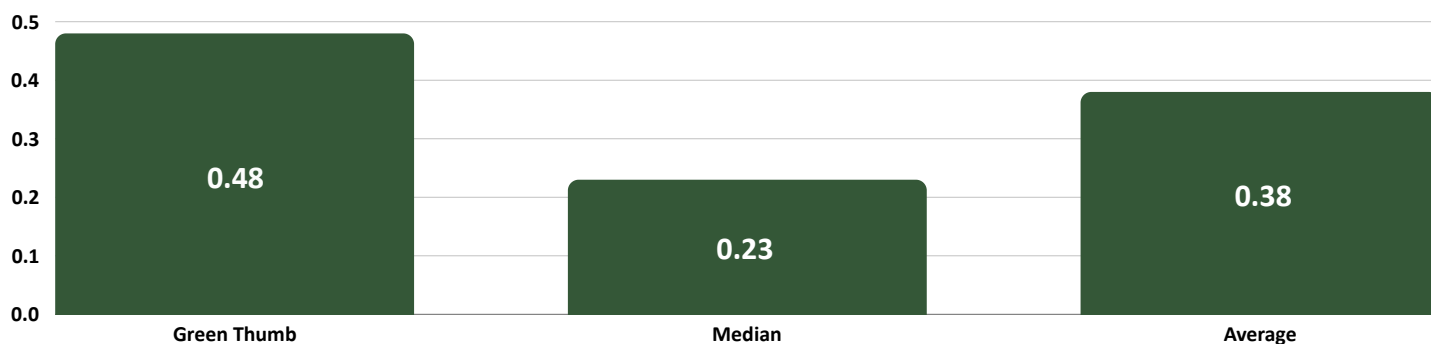
Source: S&P Capital IQ

KPI	Current Ratio
Why it is important?	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.
Peer Comparison	For KPI #9, Green Thumb Industries current ratio is 2.40, compared to the benchmark median of 1.19 and an average of 1.82. This indicates that GTI has better liquidity than its peers, showing a strong ability to meet short-term obligations. For KPI #10, GTI's current ratio LTM change is 0.48, while the benchmark median is 0.23 and the average is 0.38. This positive change over the last twelve months further highlights GTI's improved liquidity position compared to its peers.
Take Away / Conclusion	Green Thumb Industries demonstrates strong liquidity with a current ratio significantly above the median and average of its peers. The positive change in its current ratio over the last twelve months further underscores its solid financial health and ability to manage short-term liabilities effectively.

KPI #9 - Current Ratio



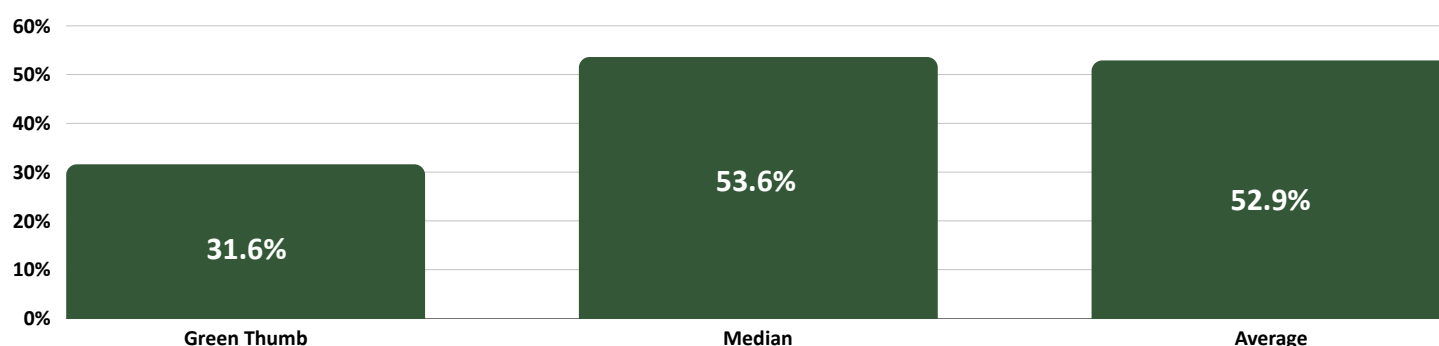
KPI #10 - Current Ratio LTM Change



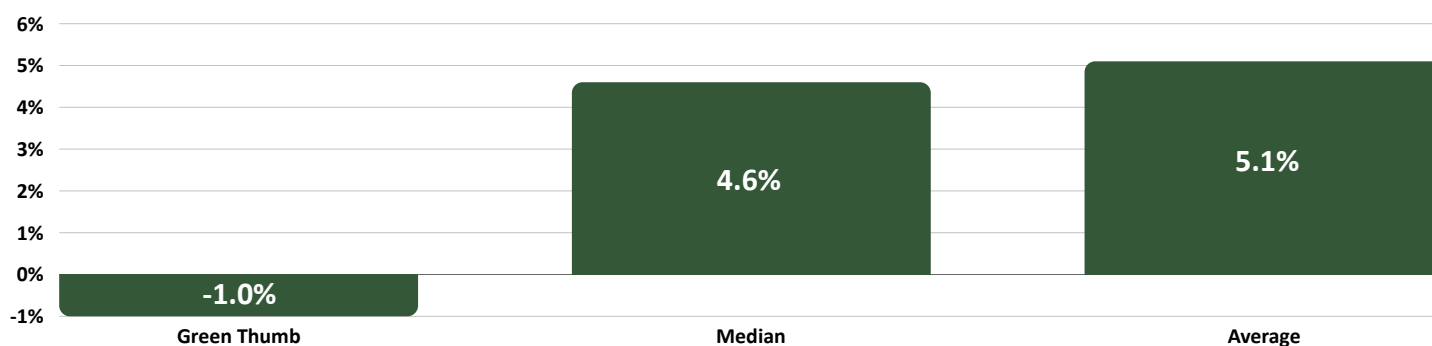
Source: S&P Capital IQ

KPI	Total Liabilities vs Assets
Why it is important?	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.
Peer Comparison	For KPI #11, Green Thumb Industries total liabilities vs. assets ratio is 31.6%, compared to the benchmark median of 53.6% and an average of 52.9%. This indicates that GTI has a significantly lower ratio than its peers, suggesting stronger financial health and lower risk of insolvency. For KPI #12, GTI's total liabilities vs. assets LTM change is -1.0%, while the benchmark median is 4.6% and the average is 5.1%. The negative change in GTI's ratio over the last twelve months highlights its improved financial stability compared to the increasing ratios seen in its peers.
Take Away / Conclusion	Green Thumb Industries demonstrates strong financial health with a total liabilities vs. assets ratio significantly below the median and average of its peers. The continued improvement in this ratio over the last twelve months further underscores GTI's effective financial management and long-term stability.

KPI #11 - Total Liabilities vs Assets



KPI #12 - Total Liabilities vs Assets LTM Change



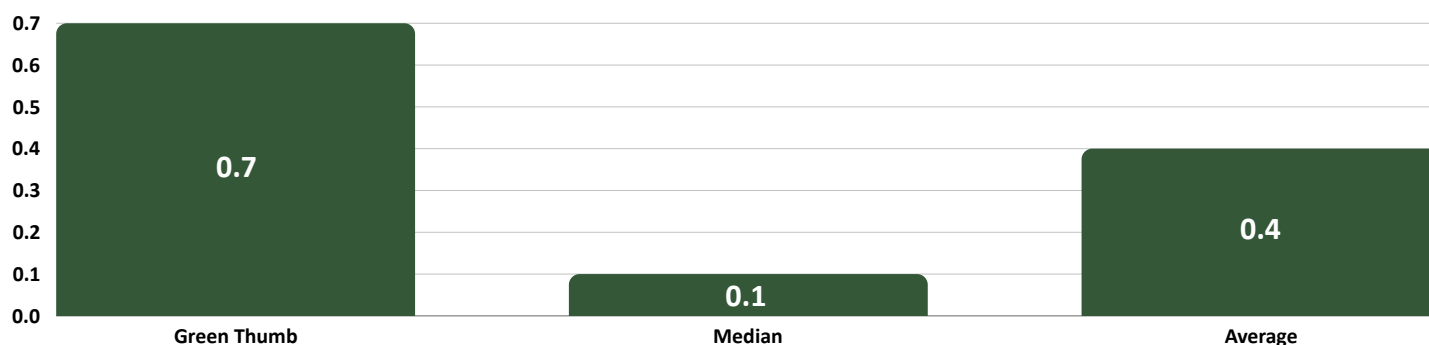
Source: S&P Capital IQ

KPI	Credit Check (Altman Z)
Why it is important?	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.
Peer Comparison	For KPI #13, Green Thumb Industries Altman Z-score is 3.4, compared to the benchmark median of 1.5 and an average of 1.4. This indicates that GTI has a significantly better financial health and lower risk of bankruptcy compared to its peers. For KPI #14, GTI's Altman Z-score LTM percentage change is 0.7, while the benchmark median is 0.1 and the average is 0.4. The positive change in GTI's score over the last twelve months suggests a notable improvement in financial stability.
Take Away / Conclusion	Green Thumb Industries demonstrates strong financial health with an Altman Z-score significantly above the median and average of its peers. The positive change in the score over the last twelve months highlights GTI's effective financial management and improved stability.

KPI #13 - Credit Check (Altman Z)



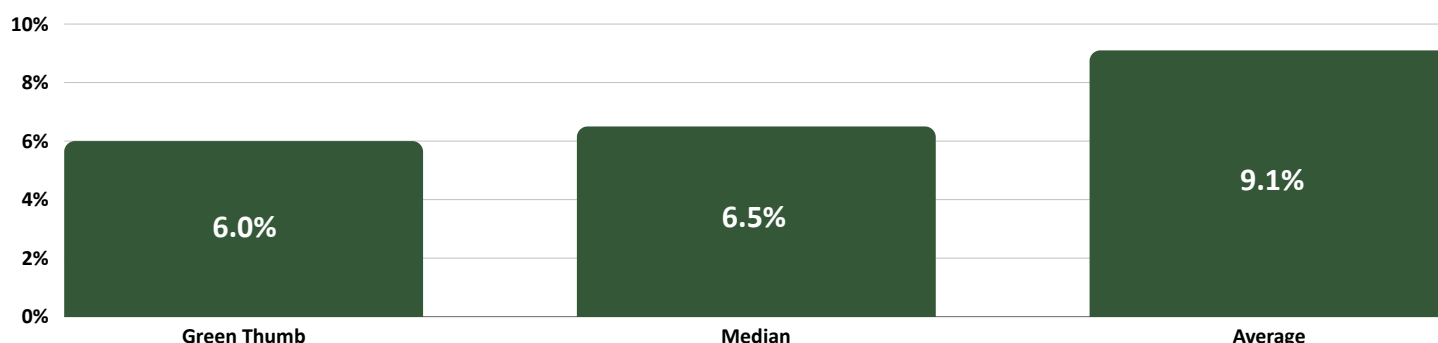
KPI #14 - Credit Check (Altman Z) LTM % Change



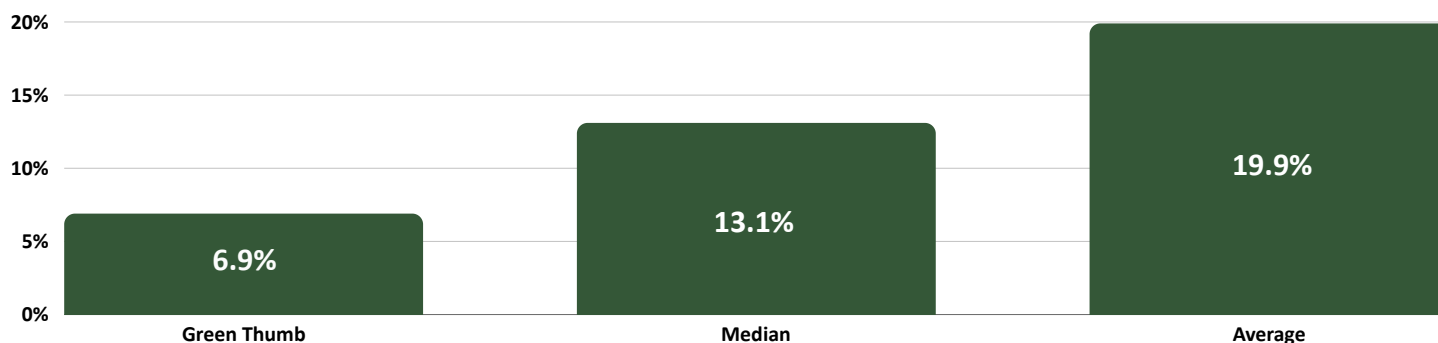
Source: S&P Capital IQ

KPI	Levered Free Cash Flow Margin
Why it is important?	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.
Peer Comparison	For KPI #15, Green Thumb Industries Levered Free Cash Flow Margin for the last twelve months (LTM) is 6.0%, compared to the benchmark median of 6.5% and an average of 9.1%. This indicates that GTI's LFCF Margin is slightly below the median and significantly below the average of its peers, suggesting room for improvement in managing cash flow. For KPI #16, GTI's Levered Free Cash Flow Margin change over the last twelve months is 6.9%, while the benchmark median is 13.1% and the average is 19.9%. This shows that GTI has seen some improvement, but it lags behind the more significant increases seen in its peers.
Take Away / Conclusion	Green Thumb Industries shows moderate financial flexibility with a Levered Free Cash Flow Margin slightly below the median and significantly below the average of its peers. The positive change in its margin over the last twelve months is a good sign, but full picture, we will consider CAPEX spending later in the report.

KPI #15 - Levered Free Cash Flow Margin LTM



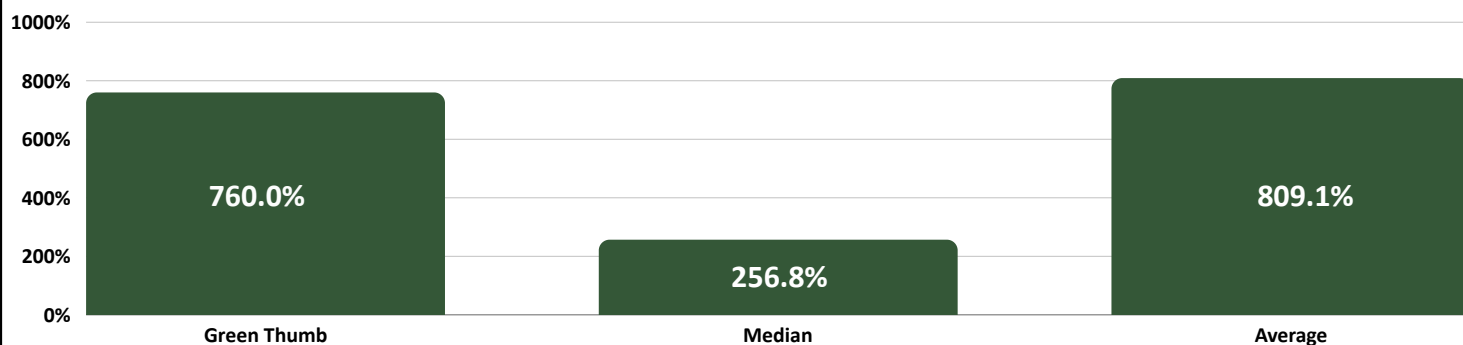
KPI #16 - Levered Free Cash Flow Margin Change LTM



Source: S&P Capital IQ

KPI	Levered Free Cash Flow Growth
Why it is important?	Levered Free Cash Flow (LFCF) Growth is important 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.
Peer Comparison	For KPI #17, Green Thumb Industries Levered Free Cash Flow Growth for the last twelve months (LTM) is 760.0%, compared to the benchmark median of 256.8% and an average of 809.1%. This indicates that GTI has experienced substantial growth in its LFCF, significantly above the median but slightly below the average of its peers. This substantial increase highlights GTI's improved financial management and operational efficiency.
Take Away / Conclusion	Green Thumb Industries demonstrates significant improvement in financial flexibility with Levered Free Cash Flow Growth well above the median of its peers. The whole peer group has had remarkable cash flow growth. While slightly below the industry average, the high growth rate reflects GTI's strong financial management and operational efficiency, making it well-positioned to reinvest in its business and handle economic challenges.

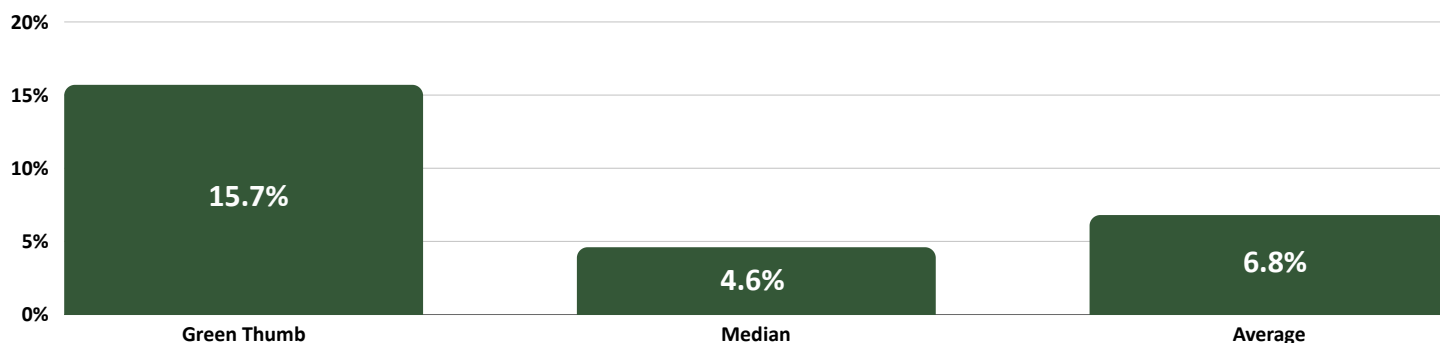
KPI #17 - Levered Free Cash Flow Growth LTM



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, Green Thumb Industries Capital Expenditures (CapEx) Margin is 15.7%, compared to the benchmark median of 4.6% and an average of 6.8%. This indicates that GTI is investing a significantly higher portion of its revenue into capital expenditures compared to its peers. This suggests a strong focus on expanding operational capacity and positioning for future growth.
Take Away / Conclusion	Green Thumb Industries demonstrates a strong commitment to future growth with a Capital Expenditures Margin significantly above the median and average of its peers. This high level of investment in capital expenditures indicates that GTI is focused on expanding its operational capacity, which, if wisely invested, can significantly increase future revenues.

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	\$11.29
Discounted Cash Flow Growth Valuation	\$24.08
Discounted Cash Flow Revenue Valuation	\$19.14
EV / Revenue Valuation	\$16.46
Blended Fair Value	\$19.89
Potential Upside	76%

Our Take

We rate Green Thumb Industries (GTI) as a "Buy" due to its strong balance sheet, consistent multi year growth, and significant spending on capital expenditures that should drive future revenue growth.

Strengths of Green Thumb Industries

Green Thumb Industries demonstrates solid financial health, with a current ratio of 2.40, significantly above the median and average of its peers, indicating excellent liquidity and the ability to meet short-term obligations effectively. The company's total liabilities vs. assets ratio of 31.6% is well below the benchmark, suggesting strong financial stability and lower risk of insolvency. GTI's gross profit margin of 50.5% shows efficient cost management, slightly above the median and average of its peers. Furthermore, GTI's substantial investment in capital expenditures, with a CapEx margin of 15.7%, highlights its commitment to expanding operational capacity and positioning for future growth.

Weaknesses of Green Thumb Industries

While Green Thumb Industries shows solid financial health, there are areas for improvement. The recent EBITDA growth of 8.0% is below the median and average of its peers, indicating room for enhancing operational efficiency. The company's levered free cash flow margin, at 6.0%, is slightly below the median and significantly below the average of its peers, suggesting potential for better cash flow management. Additionally, the increase in SG&A margin over the last twelve months, contrasted with the decreasing trend seen in its peers, points to a need for further operational improvements.

Our Forecasts

Based on our analysis, we rate Green Thumb Industries as a "Buy" due to its strong financial health and growth potential. The blended fair value of GTI is calculated to be \$19.89, offering a potential upside of 76% from its current price of \$11.29.

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