



WE SET THE NARRATIVE

Trulieve Cannabis Corp.

OTCQX:TCNNF

CSE:TRUL

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Trulieve Cannabis Corp.

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Date	May 28th, 2024
Rating	Buy
Fair Value	\$15.29
Expected 1 Year Return Including Dividend	46%
Estimate 2024 FY Revenue	\$1.20 Billion
Estimate 2024 FY GMP %	55.1%
Estimate 2024 FY EBITDA Margin %	24.9%
Estimated 2024 FY EBITDA	\$298.8M

Company Description

Trulieve Cannabis Corp. operates as a multi-state cannabis retailer, cultivating, processing, and manufacturing cannabis products. It distributes these products to its dispensaries and through home delivery. The company sells flowers, edibles, vapes, creams, balms, lotions, vaporizers, batteries, cartridges, concentrates, topicals, capsules, syringes, tinctures, and accessories under various brands. Trulieve operates dispensaries in Florida, Arizona, Georgia, Ohio, Maryland, West Virginia, Connecticut, and Pennsylvania, with cultivation and processing facilities in Arizona, Colorado, Florida, Georgia, Maryland, Pennsylvania, and West Virginia. Incorporated in 1940, Trulieve is headquartered in Quincy, Florida.

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 Trulieve.

Establish Comparables

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

Trulieve Cannabis Corp. operates as a multi-state cannabis retailer, cultivating, processing, and manufacturing cannabis products. The company is headquartered in Quincy, Florida, and operates in multiple states including Florida, Arizona, Georgia, Ohio, Maryland, West Virginia, Connecticut, and Pennsylvania. Trulieve's product range includes flowers, edibles, vapes, creams, balms, lotions, vaporizers, batteries, cartridges, concentrates, topicals, capsules, syringes, tinctures, and accessories.

We rate Trulieve as a "Buy" based on our comprehensive analysis of its financial health and growth potential. Our valuation incorporates three key methods: Discounted Cash Flow (DCF) growth, DCF revenue, and EV/Revenue. The blended fair value of Trulieve is calculated to be \$15.29, which represents a potential upside of 46% from its current price of \$10.45. This significant potential for return is underpinned by Trulieve's strong financial metrics, including its high current ratio and lower liabilities-to-assets ratio compared to peers.

Trulieve exhibits several strengths that enhance its attractiveness as an investment. The company demonstrates robust cost management and profitability, as reflected in its higher-than-average gross profit margin. Additionally, Trulieve has shown strong cash flow management, with a high Levered Free Cash Flow (LFCF) Margin and significant positive change over the last twelve months. These factors contribute to Trulieve's financial flexibility and ability to invest in growth opportunities, pay dividends, and weather economic downturns.

However, Trulieve also faces some challenges compared to its peers. The company's recent and long-term EBITDA growth is below industry averages, indicating areas for improvement in operational efficiency and profitability. The negative change in its gross profit margin and modest improvement in SG&A margin further highlight the need for better cost control. Additionally, Trulieve's conservative approach to reinvestment, as evidenced by its lower Capital Expenditures (CapEx) Margin, may impact its future growth potential if not aligned with strategic growth objectives.

Despite these challenges, Trulieve's strengths, particularly in free cash flow growth, outweigh its weaknesses. Furthermore, the catalyst of additional legalization in key states like Florida and potential federal legalization in the USA is expected to support the company's return to growth. These factors, combined with the company's competitive long-term revenue growth rate, reinforce our positive outlook for Trulieve.

In conclusion, Trulieve presents a compelling investment opportunity with strong financial health and significant growth potential. The anticipated regulatory changes in the cannabis industry further enhance its prospects, making it a promising option for investors seeking substantial returns.

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%.

Trulieve is a vertically integrated U.S. multi-state cannabis operator, initially licensed in Florida, with sales starting in 2016 and an RTO on the CSE in 2018. As of March 2024, Trulieve operates over 4 million square feet of cultivation and processing capacity across 195 retail dispensaries in several states.

2024 Objectives

Trulieve aims to enhance customer experiences, expand distribution, maintain financial discipline, and invest in long-term growth. To build customer loyalty, the company focuses on efficient service, new products, and streamlined returns. Expansion efforts target key markets like Florida, Pennsylvania, and Arizona, with plans to grow retail and wholesale networks. Investments will be made in infrastructure, technology, and talent.

Key Markets

Trulieve's primary markets include Florida, Pennsylvania, and Arizona. In Florida, Trulieve operates 134 medical dispensaries and significant cultivation facilities, with potential adult-use legalization on the November 2024 ballot. The company has 20 retail locations and cultivation capabilities in Pennsylvania, with potential for adult-use expansion. Trulieve operates 21 dispensaries in a limited license market in Arizona, optimizing supply chains for branded product launches.

Customer Experience and Innovations

Trulieve enhances the customer experience through efficient service, easy returns, and loyalty programs. The company has introduced new products such as Live Budder, Live Diamonds, RSO tinctures, and ratio products, including CBG and CBN. Customer retention rates were 66% overall and 74% in the medical-only segment in Q4 2023.

Recent Developments

In January, recent developments at Trulieve include adding new executives, Wes Getman as CFO and Marie Zhang as COO. The company opened new retail locations in Florida, bringing its total to 195 dispensaries. Trulieve continues to prepare for regulatory changes and growth opportunities, focusing on technology platforms, customer data, and distribution networks. The rescheduling of marijuana under President Biden's administration marks significant progress in cannabis reform, potentially boosting Trulieve's market position.

Strategic Vision

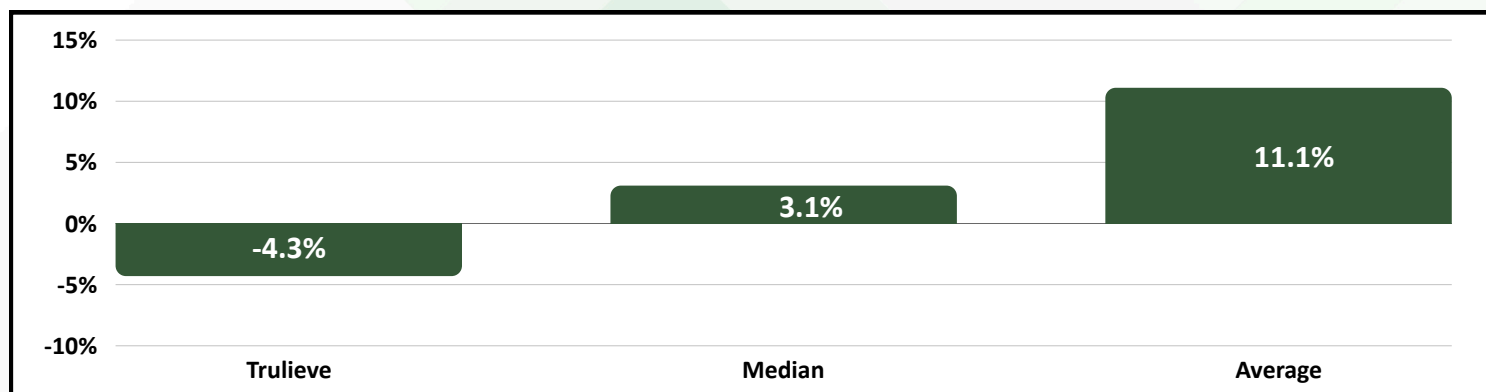
Trulieve is preparing for the future of Cannabis 2.0, driven by potential regulatory reforms allowing interstate commerce and broader age-restricted access. The company plans to leverage its scale, distribution networks, and technology platforms to succeed in this integrated digital commerce environment. Enhancing convenience and personalized marketing and maintaining a strong presence in core markets, Trulieve aims for continued success. The company is also active in advocacy, particularly in Florida with the YesOn3 campaign to expand cannabis access.

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.

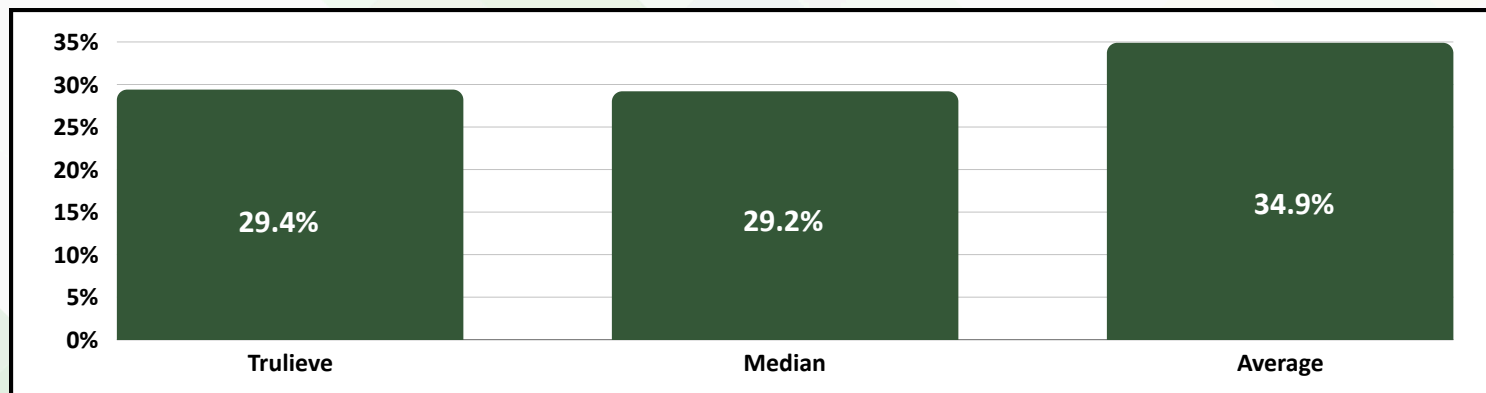
#	FINANCIAL STATEMENT	KPI
1	Income Statement	Revenue Growth LTM
2	Income Statement	Revenue Growth 3-Year CAGR
3	Income Statement	Gross Profit Margin LTM
4	Income Statement	Gross Profit Margin LTM Change
5	Income Statement	SG&A Margin LTM
6	Income Statement	SG&A Margin LTM Change
7	Income Statement	EBITDA 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, Trulieve's revenue growth over the last twelve months (LTM) is -4.3%, compared to the benchmark median of 3.1% and an average of 11.1%. For KPI #2, Trulieve's 3-year compound annual growth rate (CAGR) for revenue is 29.4%, while the benchmark median is 29.2% and the average is 34.9%. These figures indicate that while Trulieve's recent revenue growth is below the median and average, its longer-term growth rate is competitive with its peers, highlighting its strong performance over three years.
Take Away / Conclusion	Despite short-term revenue growth challenges, Trulieve'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
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, Trulieve's gross profit margin for the last twelve months (LTM) is 53.6%, compared to the benchmark median of 50.0% and an average of 49.7%. For KPI #4, Trulieve's gross profit margin LTM change is -1.7%, while the benchmark median is 0.0% and the average is 3.0%. These figures show that Trulieve's current gross profit margin is higher than both the median and average of its peers, indicating strong cost management. However, the negative change in its gross profit margin suggests room for improvement in maintaining or enhancing profitability over time.
Take Away / Conclusion	Trulieve's strong gross profit margin indicates effective cost management, but the negative change suggests a need for improved profitability control.

KPI #3 - Gross Profit Margin LTM



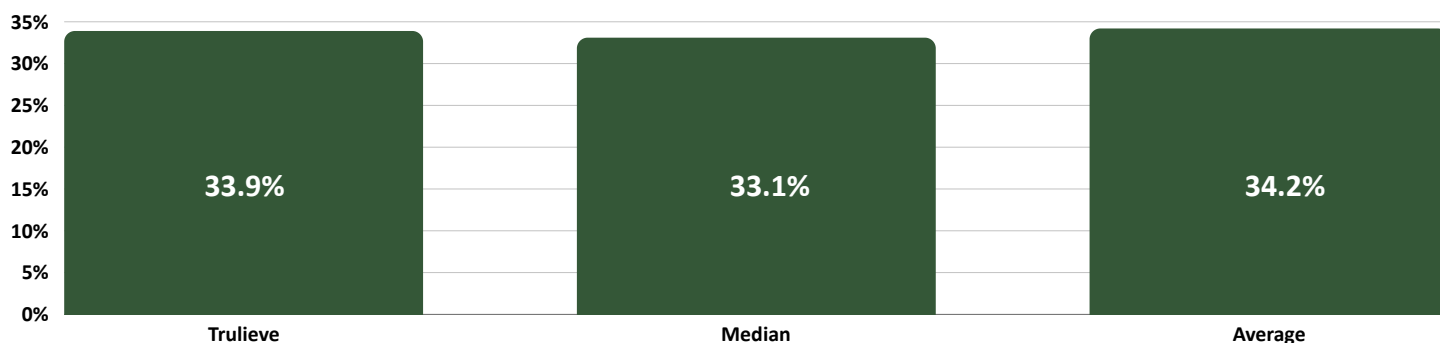
KPI #4 - Gross Profit Margin LTM Change



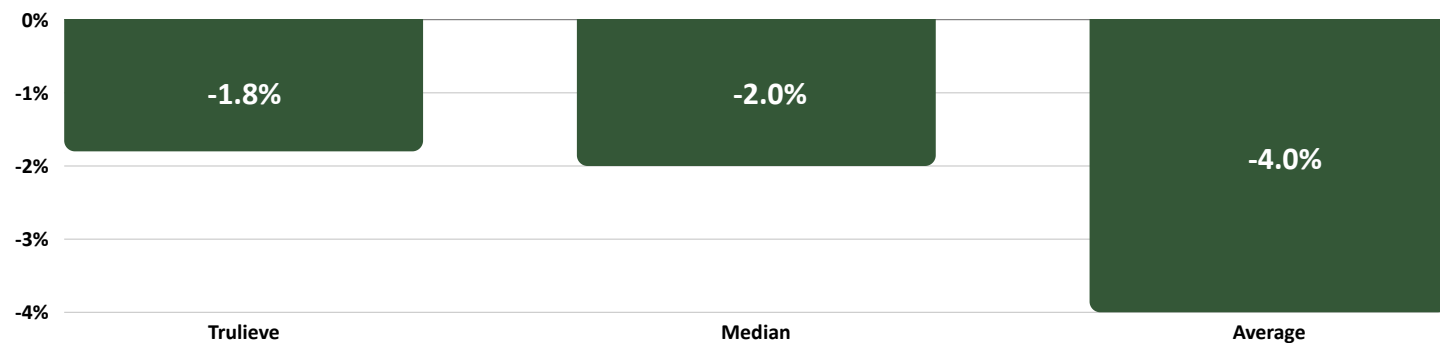
Source: S&P Capital IQ

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, Trulieve's SG&A margin for the last twelve months (LTM) is 33.9%, compared to the benchmark median of 33.1% and an average of 34.2%. For KPI #6, Trulieve's SG&A margin LTM percentage change is -1.8%, while the benchmark median is -2.0% and the average is -4.0%. These figures indicate that Trulieve's SG&A margin is slightly higher than the median but lower than the average of its peers, showing relatively good cost efficiency. The slight negative change in its SG&A margin suggests moderate improvement in operational efficiency, though it lags behind the average improvement seen in the benchmark group.
Take Away / Conclusion	Trulieve's SG&A margin shows good cost efficiency, though the slight improvement is below the average seen in peers.

KPI #5 - SG&A Margin LTM



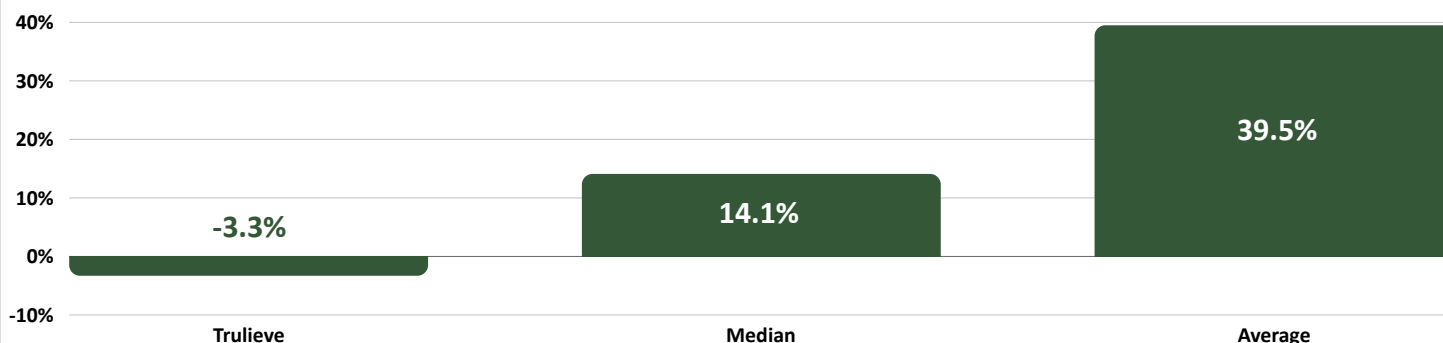
KPI #6 - SG&A LTM % Change



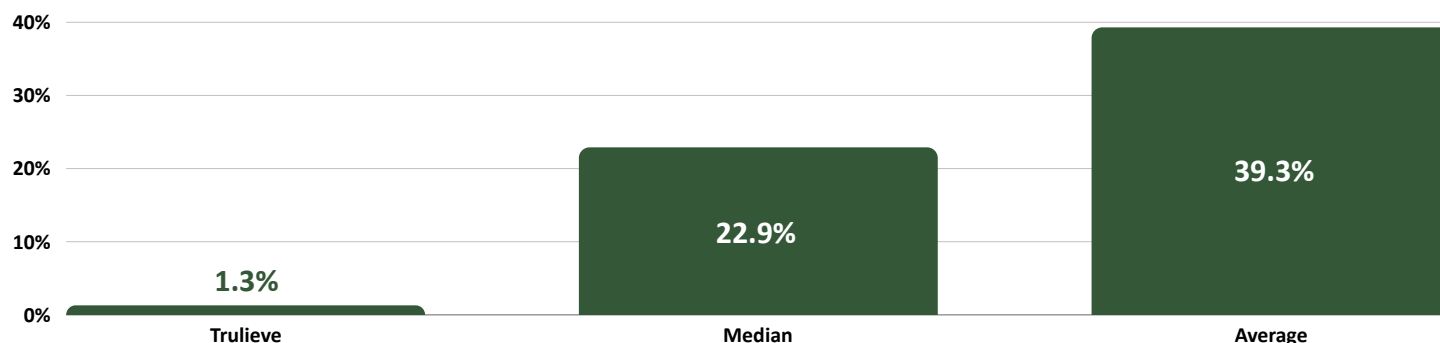
Source: S&P Capital IQ

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, Trulieve's EBITDA growth for the last twelve months (LTM) is -3.3%, compared to the benchmark median of 14.1% and an average of 39.5%. For KPI #8, Trulieve's 3-year compound annual growth rate (CAGR) for EBITDA is 1.3%, while the benchmark median is 22.9% and the average is 39.3%. These figures indicate that Trulieve's recent EBITDA growth is below both the median and average of its peers, suggesting challenges in operational efficiency and profitability. The 3-year CAGR for EBITDA further highlights that Trulieve's long-term growth is significantly lower than the industry average, pointing to the need for strategic improvements to enhance its financial health and attractiveness to investors.
Take Away / Conclusion	Trulieve faces operational efficiency challenges with recent and long-term EBITDA growth below industry averages.

KPI# 7 - EBITDA Growth LTM



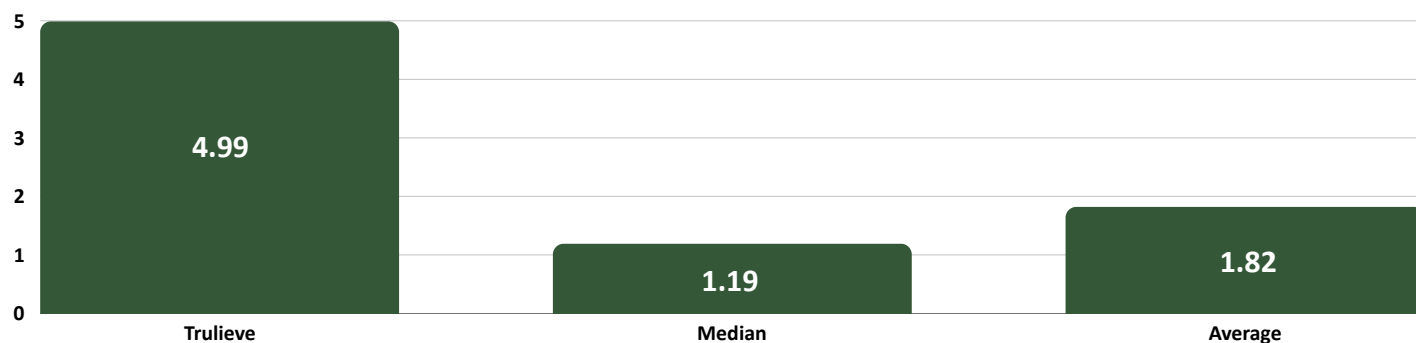
KPI #8 - EBITDA Growth 3-Year CAGR



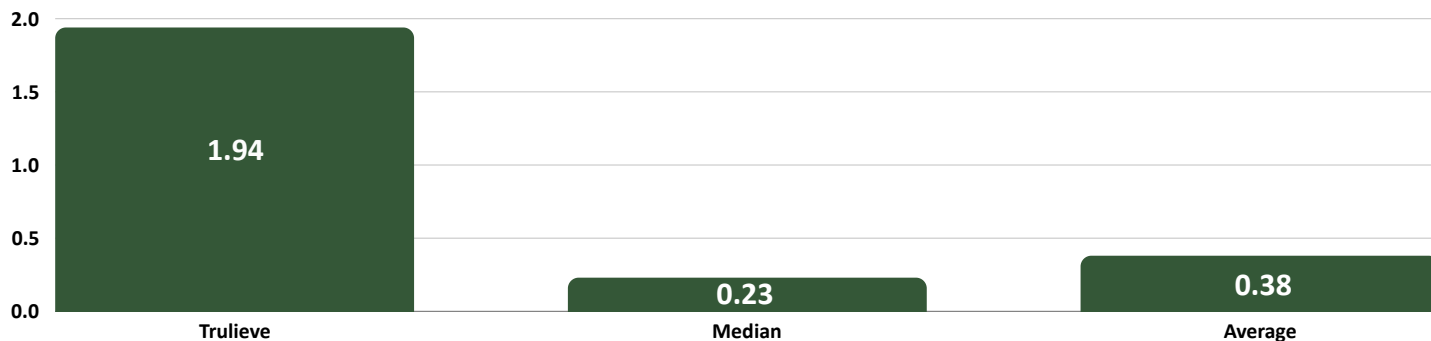
Source: S&P Capital IQ

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, Trulieve's current ratio is 4.99, compared to the benchmark median of 1.19 and an average of 1.82. For KPI #10, Trulieve's current ratio LTM change is 1.94, while the benchmark median is 0.23 and the average is 0.38. These figures indicate that Trulieve has a significantly higher current ratio than its peers' median and average, demonstrating strong liquidity and financial health. The substantial positive change in its current ratio over the last twelve months further underscores Trulieve's improved ability to manage short-term liabilities and unexpected expenses, enhancing its stability and investor confidence.
Take Away / Conclusion	Trulieve demonstrates strong liquidity with a high current ratio and significant improvement in managing short-term liabilities.

KPI #9 - Current Ratio



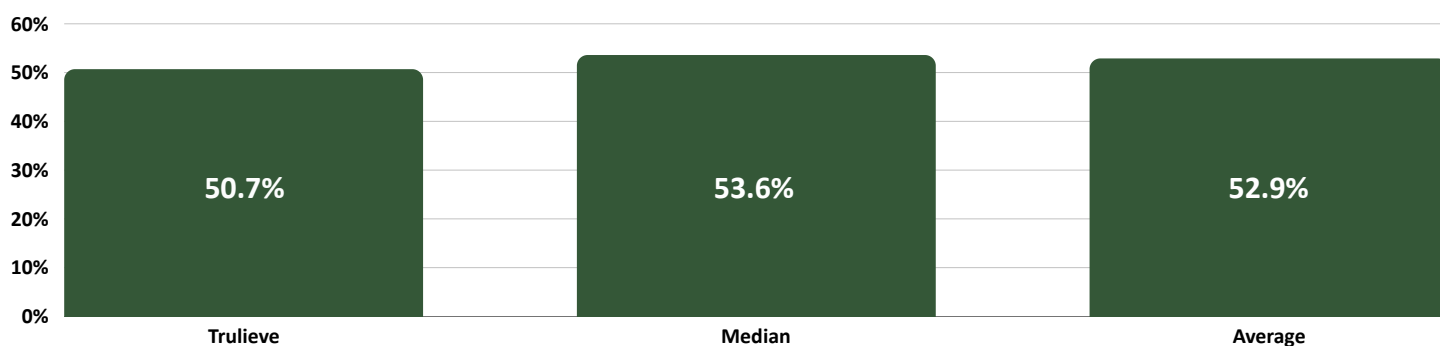
KPI #10 - Current Ratio LTM Change



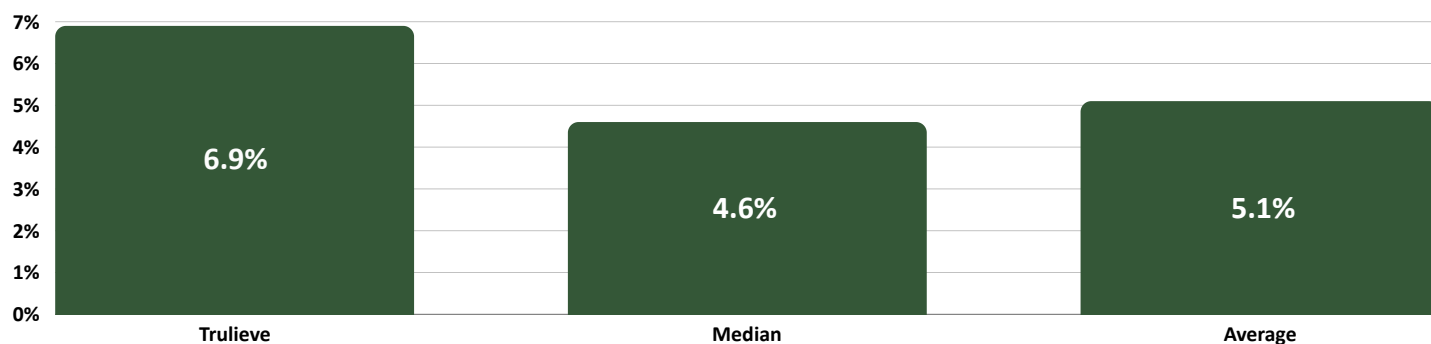
Source: S&P Capital IQ

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, Trulieve's total liabilities vs. assets ratio is 50.7%, compared to the benchmark median of 53.6% and an average of 52.9%. For KPI #12, Trulieve's total liabilities vs. assets LTM change is 6.9%, while the benchmark median is 4.6% and the average is 5.1%. These figures indicate that Trulieve has a lower liabilities-to-assets ratio than both the median and average of its peers, suggesting stronger financial health and lower risk of insolvency. However, the increase in this ratio over the last twelve months is higher than the benchmark median and average, indicating a need for improved financial management to maintain long-term stability.
Take Away / Conclusion	Trulieve's lower liabilities-to-assets ratio indicates strong financial health, but recent increases suggest the need for better financial management.

KPI #11 - Total Liabilities vs Assets



KPI #12 - Total Liabilities vs Assets LTM Change



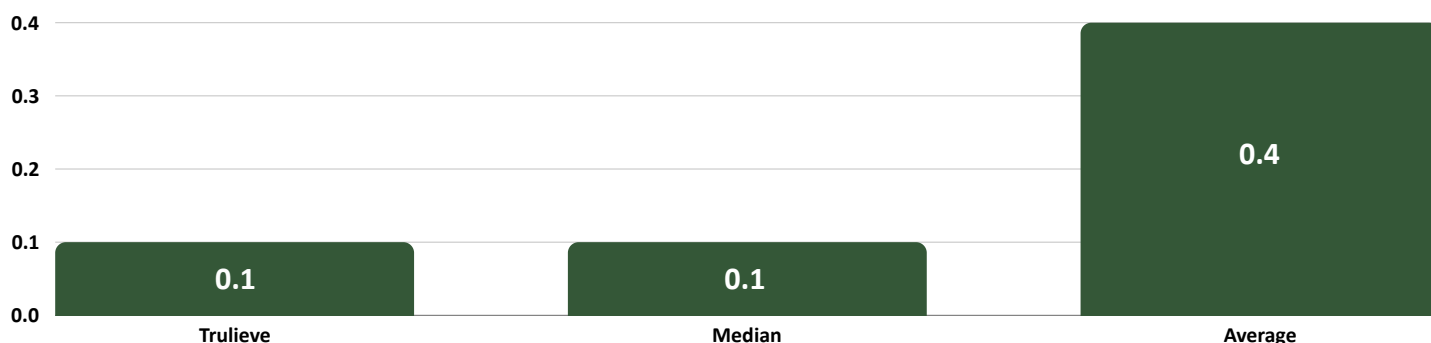
Source: S&P Capital IQ

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, Trulieve's Altman Z-score is 1.6, compared to the benchmark median of 1.5 and an average of 1.4. For KPI #14, Trulieve's Altman Z-score LTM percentage change is 0.1, while the benchmark median is 0.1 and the average is 0.4. These figures indicate that Trulieve has a slightly higher Altman Z-score than both the median and average of its peers, suggesting marginally better financial health and a lower risk of bankruptcy. The minimal change in the Altman Z-score over the last twelve months aligns with the benchmark median but is lower than the average, indicating stable financial management but highlighting the potential for further improvement in financial stability.
Take Away / Conclusion	Trulieve shows marginally better financial health and stability than peers, but there's potential for further improvement.

KPI #13 - Credit Check (Altman Z)



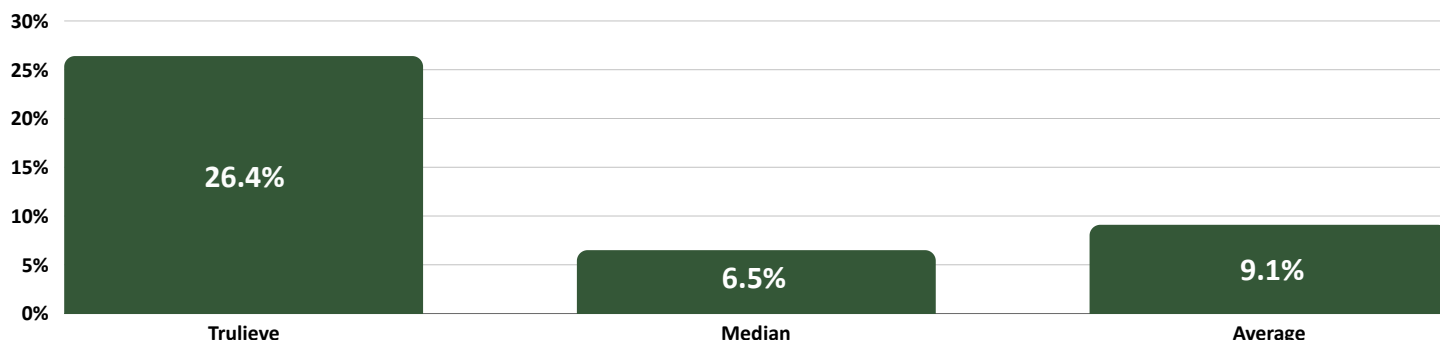
KPI #14 - Credit Check (Altman Z) LTM % Change



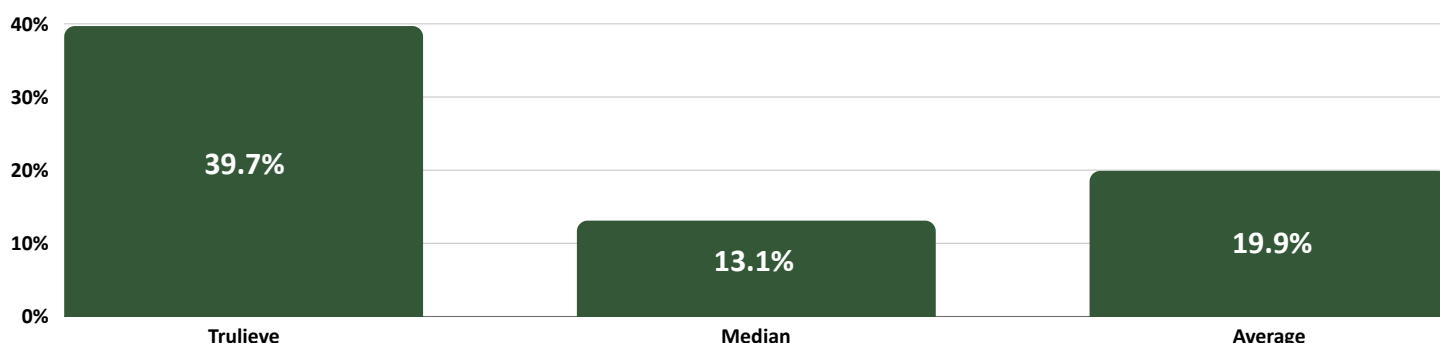
Source: S&P Capital IQ

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, Trulieve's Levered Free Cash Flow (LFCF) Margin for the last twelve months (LTM) is 26.4%, compared to the benchmark median of 6.5% and an average of 9.1%. For KPI #16, Trulieve's LFCF Margin change LTM is 39.7%, while the benchmark median is 13.1% and the average is 19.9%. These figures indicate that Trulieve has a significantly higher LFCF Margin than both the median and average of its peers, demonstrating strong cash flow management and financial health. The substantial positive change in its LFCF Margin over the last twelve months further underscores Trulieve's enhanced financial flexibility and ability to invest in growth opportunities, and weather economic downturns.
Take Away / Conclusion	Trulieve has strong cash flow management, with a high LFCF Margin and significant positive change, enhancing financial flexibility.

KPI #15 - Levered Free Cash Flow Margin LTM



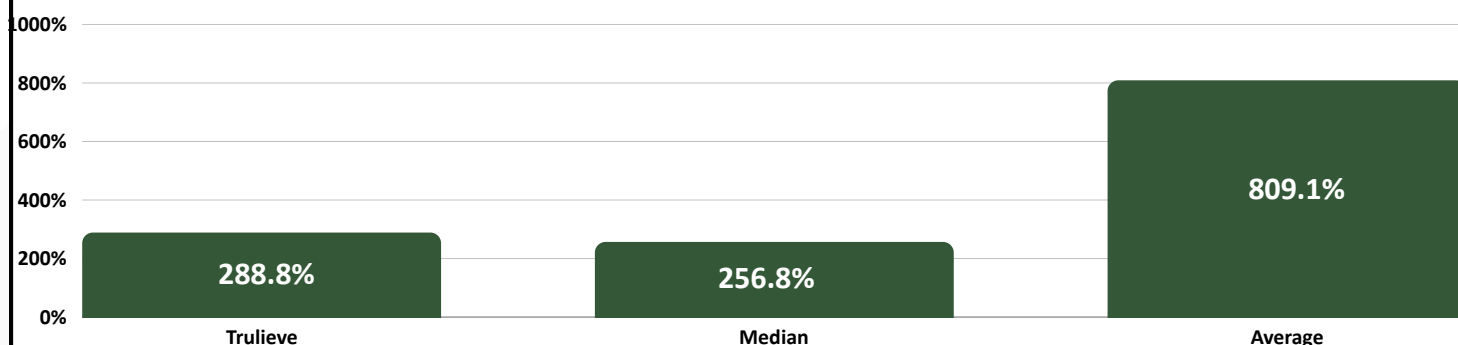
KPI #16 - Levered Free Cash Flow Margin Change LTM



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, Trulieve's Levered Free Cash Flow (LFCF) Growth for the last twelve months (LTM) is 288.8%, compared to the benchmark median of 256.8% and an average of 809.1%. These figures indicate that Trulieve's LFCF Growth is above the median but below the average of its peers. This demonstrates strong financial management and operational efficiency, although there is still potential for improvement when compared to the higher average growth rate in the industry. The substantial LFCF Growth highlights Trulieve's enhanced ability to reinvest in the business and handle economic downturns, making it attractive to investors.
Take Away / Conclusion	Trulieve's LFCF Growth indicates good financial management but has room for improvement compared to peers.

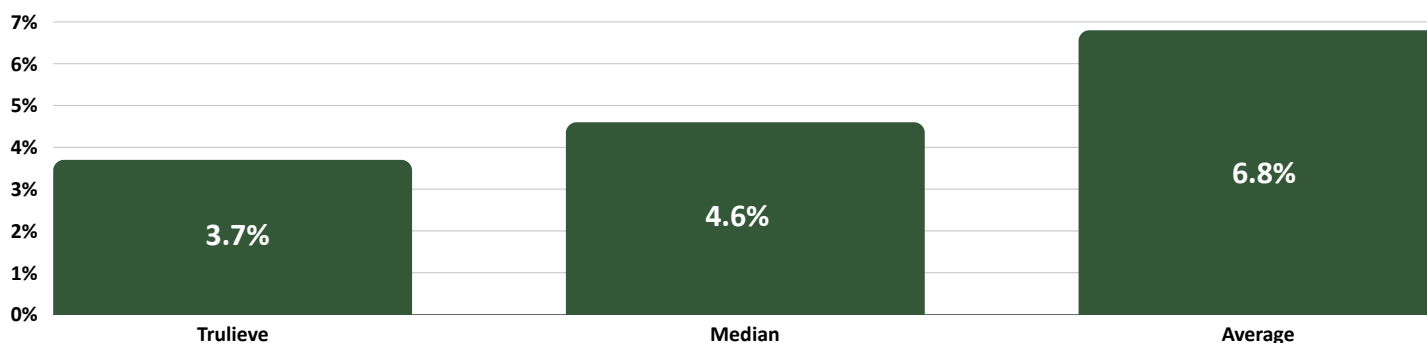
KPI #17 - Levered Free Cash Flow Growth LTM



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, Trulieve's Capital Expenditures (CapEx) Margin is 3.7%, compared to the benchmark median of 4.6% and an average of 6.8%. These figures indicate that Trulieve's CapEx Margin is lower than both the median and average of its peers. This suggests that Trulieve is investing a smaller proportion of its revenue back into its business compared to its competitors. While this might imply a more conservative approach to reinvestment, it may also affect future growth potential if not aligned with strategic growth objectives.
Take Away / Conclusion	Trulieve's conservative reinvestment approach may affect future growth potential compared to peers.

KPI #18 - Capital Expenditures (CapEx) 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	\$10.45
Discounted Cash Flow Growth Valuation	\$10.45
Discounted Cash Flow Revenue Valuation	\$17.84
EV / Revenue Valuation	\$13.36
Blended Fair Value	\$15.29
Potential Upside	46%

Our Take

We rate Trulieve as a "Buy" because its strengths, particularly in free cash flow growth, outweigh its other challenges. Additionally, we believe that the catalyst of further legalization in key states like Florida and potential federal legalization in the USA will support the company's return to growth.

Strengths of Trulieve Compared to Its Peers

Trulieve shows strong financial health with a high current ratio and a lower liabilities-to-assets ratio. The company's gross profit margin is above the median and average of its peers, indicating effective cost management. Trulieve also demonstrates strong cash flow management, with a high Levered Free Cash Flow (LFCF) Margin and significant positive change, enhancing its financial flexibility. Additionally, its long-term revenue growth rate is competitive, highlighting its potential for sustained growth.

Weaknesses of Trulieve Compared to Its Peers

Trulieve faces challenges in operational efficiency, with recent and long-term EBITDA growth below the industry average. The negative change in its gross profit margin and modest improvement in SG&A margin indicate a need for better cost control. Its recent revenue growth is below the median and average of its peers, suggesting short-term issues. Furthermore, Trulieve's conservative reinvestment approach, shown by its lower Capital Expenditures (CapEx) Margin, may impact its future growth potential compared to competitors.

Our Forecasts

Based on our analysis, we rate Trulieve as a "Buy" due to its strong financial health and growth potential. The blended fair value of Trulieve is calculated to be \$15.29, offering a potential upside of 46% from its current price of \$10.45. This valuation incorporates the strengths of its free cash flow growth and the catalysts of additional legalization in key states and potentially at the federal level. These factors suggest a promising return on investment for shareholders.

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