



WE SET THE NARRATIVE

MariMed Inc.

OTC: MRMD

CSE: MRMD

William (Bill) McNarland, CFA

Head of Research

TDR Research

May 28th, 2024

www.thedalesreport.com

bmcnarland@thedalesreport.com

MariMed Inc.

MariMed Inc.	OTC:MRMD, CSE:MRMD
Date	May 28th, 2024
Rating	Buy
Blended Pre and Post 280E Fair Value	\$0.63
Expected 1-Year Return	186%
Estimate 2024 FY Revenue	\$161M
Estimate 2024 FY GMP %	45.1%
Estimate 2024 FY EBITDA Margin %	15.1%
Estimated 2024 FY EBITDA	\$24.3M

Company Description

MariMed Inc. is a vertically integrated, multi-state cannabis operator headquartered in Norwood, Massachusetts. Since its incorporation in 2011, MariMed has established itself as a significant player in the U.S. cannabis market, focusing on the cultivation, production, and dispensing of both medicinal and recreational cannabis. The company operates under several brands, including Nature's Heritage, Bubby's Baked, Vibrations, Kalm Fusion, InHouse and Betty's Eddies, and has a presence in Illinois, Massachusetts, Maryland, Delaware, Ohio, and Missouri.

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 MariMed Inc. ("MariMed")

Establish Benchmark Comparables

This section will explain how we came up with a benchmark for comparables.

Understanding the Industry and Future 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 MariMed Inc. with a "Buy" rating. The current price of MariMed (OTCQX:MRMD, CSE:MRMD) is \$0.22. Based on our comprehensive analysis, we have determined the following valuations for MariMed:

- Pre-280E Discounted Cash Flow Growth Valuation: \$0.33
- Pre-280E Discounted Cash Flow Revenue Valuation: \$0.38
- Pre-280E EV / Revenue Valuation: \$0.35
- Pre-280E Blended Fair Value: \$0.35
- Post-280E Fair Value Increase: \$0.55
- Post-280E Fair Value - 1-Year Price Target: \$0.90
- Blended Pre 280E and Post 280E Valuation: \$0.63

These valuations suggest a potential return of 59% (Pre-280) or 311% (Post-280) changes if MariMed approaches its fair valuation price. A blend of all valuations would produce a target of \$0.63 and a potential upside of 186%.

Our Take

MariMed is a comparably financially strong multi-state operator in the fast-growing cannabis industry. The cannabis industry is poised for significant expansion due to consumer trends and expected favorable regulatory changes. We rate MariMed as a "Buy" because of its strong comparable financial performance compared to its peers, strategic growth initiatives, and potential for substantial returns as the stock is undervalued. MariMed's strong balance sheet and impressive track record of revenue growth sets it apart from its peers. Over the past year, MariMed has reinvested heavily in its business, increasing spending on SG&A and CapEx to drive future revenue growth. The stock is undervalued, and we believe changes in 280E taxation rules could unlock significant additional value.

Strengths of MariMed Compared to Its Peers

MariMed shows strong comparable financial health with a high current ratio, lower liabilities-to-assets ratio, and a better credit rating than its peers. The company's gross profit margin is above the median and average of its peers, indicating effective cost management. Furthermore, MariMed has shown strong revenue growth, with both short-term and long-term rates outperforming its peers. This highlights MariMed's operational efficiency and competitiveness in the market.

Weaknesses of MariMed Compared to Its Peers

MariMed faces operational efficiency challenges, with recent EBITDA growth below the industry average. The increase in SG&A margin and leverage has also heightened the company's risk profile. However, management considers these investments in SG&A and additional leverage as prudent for future revenue growth.

Our Forecasts

Based on our analysis, we maintain a "Buy" rating for MariMed due to its strong comparable financial health and growth potential. The blended fair value of MariMed is calculated to be \$0.63, offering a potential upside of 186% from its current price of \$0.22. This valuation incorporates MariMed's revenue growth and the catalysts of market expansion and potential federal rescheduling. These factors suggest a promising return on investment for shareholders.

Establish Benchmark Comparables

First, we examined the holdings of the AdvisorShares Pure US Cannabis MSOS ETF. It was determined that there were 21 holdings in the ETF. We eliminated Acreage Holdings, which has been acquired, but we will use their historical data for comparison. All but companies except Gold Flora are cannabis companies focused on multistate operations. Gold Flora is only focused on California, but we felt that leaving them in the comparison set was beneficial. TerrAscend has a limited focus in Canada, but its main focus is still in the US Multi-State cannabis market. Hence, it stayed in the benchmark.

The size of the companies became an issue for comparison, with market capitalizations ranging from \$35M to \$3.5B USD. We then split the 21 companies into two datasets, market capitalization above and below \$500M. Six companies were assigned to the larger market capitalization set and 15 to the benchmark of lower market capitalizations.

This benchmark has 14 active companies plus Acreage Holdings' historical data for 15 companies. The market capitalization range is more realistic, with the smallest now being \$35M USD and the largest being \$436. This presents a diversified benchmark for comparing each company.

COMPARABLE COMPANY	US TICKER	FOCUS	MC USD \$M
4Front Ventures	FFNTF	Cannabis MSO	\$93
Acreage	ACRHF	N/A	N/A
Ascend Wellness	AAWH	Cannabis MSO	\$47
Ayr Wellness	AYRWF	Cannabis MSO	\$213
C21 Investments	CXXIF	Cannabis MSO	\$36
Gold Flora	GRAM	Cannabis MSO	\$56
Goodness Growth	GDNSF	Cannabis MSO	\$90
Grown Rouge	GRUSF	Cannabis MSO	\$144
Jushi	JUSHF	Cannabis MSO	\$117
MariMed	MRMD	Cannabis MSO	\$83
Medicine Man	SHWZ	Cannabis MSO	\$35
Planet13	PLNH	US Cannabis MSO	\$180
TerrAscend	TSNDF	Cannabis MSO	\$436
The Cannabist	CBSTF	Cannabis MSO	\$110
Vext Science	VEXTF	Cannabis MSO	\$43

Acreage Holdings has been acquired, but we use their historical data for comparison.

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%.

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2024 Objectives

MariMed's strategic objectives for 2024 include expanding its market presence, improving operational efficiency, and enhancing financial performance. The company aims to increase revenue in existing states through organic growth in retail and wholesale channels, as well as through acquisitions and facility expansions. MariMed is committed to leveraging its strong brand portfolio to enter new markets and introduce new products, ensuring consistent growth and market penetration.

Key Markets

MariMed operates in several key markets:

1. Illinois: Five operational dispensaries, one processing kitchen, and one craft grow facility under development.
2. Massachusetts: Three dispensaries and one cultivation/processing facility.
3. Maryland: One operational dispensary, one cultivation/processing facility (currently under expansion) and another dispensary under development.
4. Delaware: Manages two operational dispensaries and two cultivation/processing facilities.
5. Ohio: One operational dispensary.
6. Missouri: One processing facility under development.

Customer Experience and Innovations

MariMed enhances the customer experience through high-quality products, efficient service, and educational initiatives. The company focuses on providing a seamless retail experience with trained staff and customer counseling. MariMed's product innovation includes a wide range of cannabis-infused products, catering to diverse consumer preferences.

1. Acquisition of Allgreens Dispensary, LLC: On April 9, 2024, MariMed closed its acquisition of Allgreens Dispensary, LLC, which includes the Thrive-branded dispensary in Casey, Illinois. This dispensary is the only one in Clark County and benefits from its proximity to major tourist attractions.
1. Expansion in Illinois: MariMed is actively seeking additional retail locations in Illinois, aiming to leverage the state's \$1.6 billion adult-use cannabis market. The company has recently become vertical in Illinois with the opening of a craft grow and processing facility in Mt. Vernon, distributing products to Thrive dispensaries and over 100 other dispensaries statewide.
1. Operational Enhancements: The company commenced wholesale operations at scale in Illinois, making its branded products widely accessible. MariMed acquired its second adult-use dispensary in Maryland and completed significant construction projects, including new processing and cultivation facilities in Illinois and Maryland.

Recent Developments

Recent developments at MariMed include strategic expansions and operational improvements. Key highlights include:

- **Acquisition of Allgreens Dispensary, LLC:** On April 9, 2024, MariMed closed its acquisition of Allgreens Dispensary, LLC, which includes the Thrive-branded dispensary in Casey, Illinois. This dispensary is the only one in Clark County and benefits from its proximity to major tourist attractions.
- **Expansion in Illinois:** MariMed is actively seeking additional retail locations in Illinois, aiming to leverage the state's \$1.6 billion adult-use cannabis market. The company has recently become vertical in Illinois with the opening of a craft grow and processing facility in Mt. Vernon, distributing products to Thrive dispensaries and over 100 other dispensaries statewide.
- **Operational Enhancements:** The company commenced wholesale operations at scale in Illinois, making its branded products widely accessible. MariMed acquired its second adult-use dispensary in Maryland and completed significant construction projects, including new processing and cultivation facilities in Illinois and Maryland.

Strategic Vision

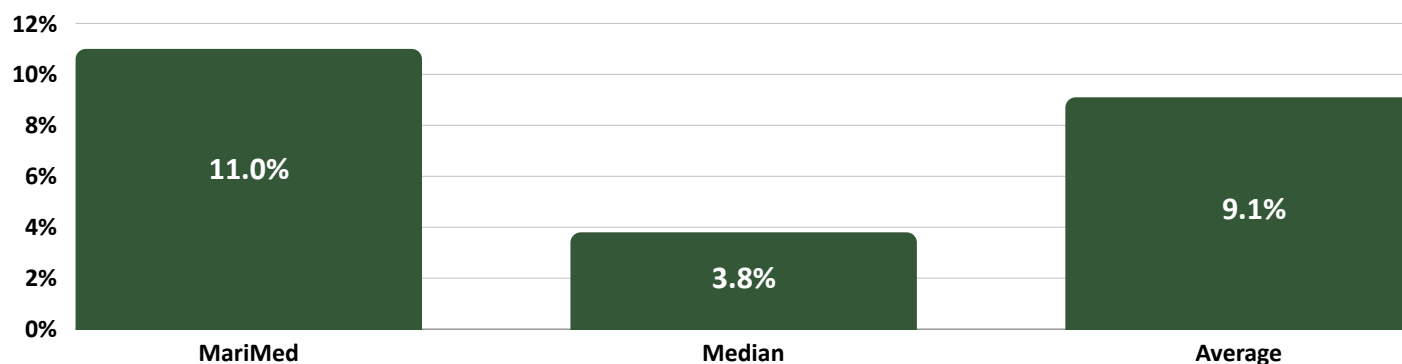
MariMed's strategic vision focuses on becoming a leading vertically integrated cannabis operator in limited-license markets. The company aims to achieve this through strategic acquisitions, organic growth, and the expansion of its brand portfolio. MariMed is also preparing for potential regulatory changes that could further enhance its market opportunities. The company is committed to maintaining high standards of product quality, safety, and regulatory compliance, ensuring long-term success and value creation for its stakeholders.

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.

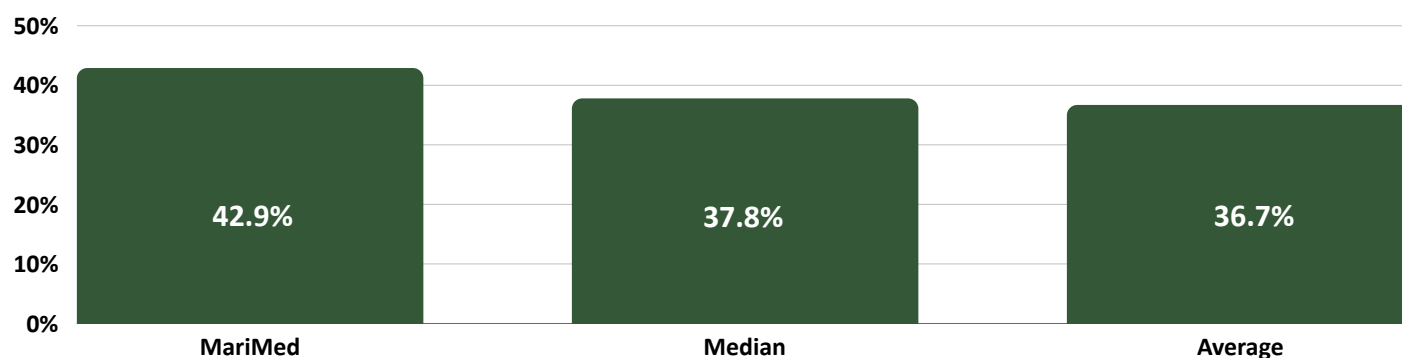
#	FINANCIAL STATEMENT	KPI
1	Income Statement	Revenue Growth LTM
2	Income Statement	Revenue Growth 3-Year CAGR
3	Income Statement	Gross Profit Margin LTM
4	Income Statement	Gross Profit Margin LTM Change
5	Income Statement	SG&A Margin LTM
6	Income Statement	SG&A Margin LTM Change
7	Income Statement	EBITDA 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
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, MariMed's revenue growth over the last twelve months (LTM) is 11.0%, compared to the benchmark median of 3.8% and an average of 9.1%. For KPI #2, MariMed's 3-year compound annual growth rate (CAGR) for revenue is 42.9%, while the benchmark median is 37.8% and the average is 36.7%. These figures show that MariMed's recent and long-term revenue growth rates are above the median and average, indicating strong performance compared to its peers.
Take Away / Conclusion	MariMed has demonstrated strong revenue growth in the short term and has outperformed its peers over the past three years. It is remarkable for any company in any industry to grow revenue above 40% a year for an extended period.

KPI #1 - Revenue Growth LTM



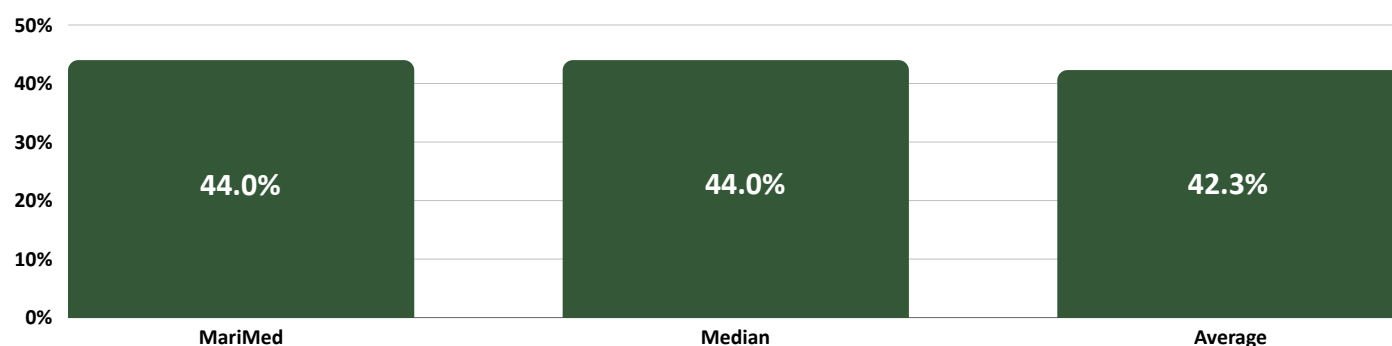
KPI #2 - Revenue Growth 3-Year CAGR



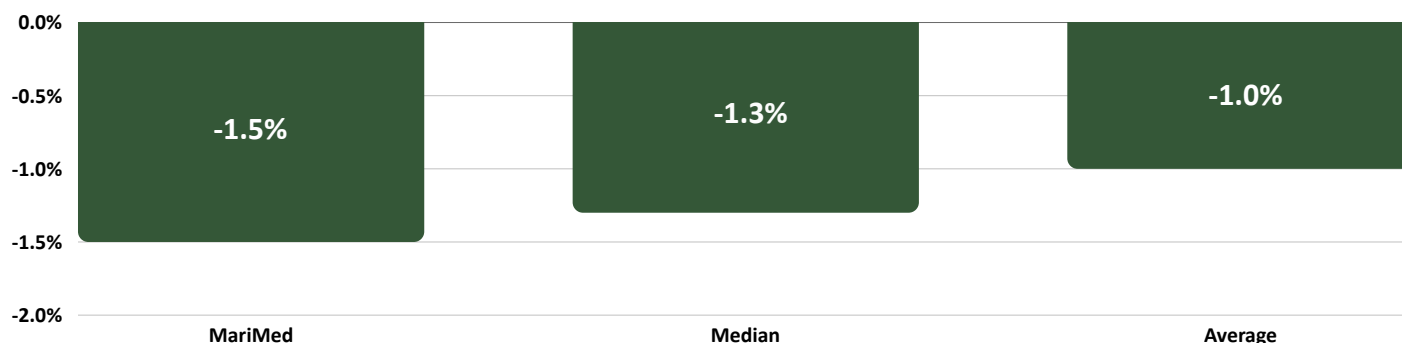
Source: S&P Capital IQ

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, MariMed's gross profit margin over the last twelve months (LTM) is 44.0%, matching the benchmark median of 44.0% and higher than the average of 42.3%. For KPI #4, MariMed's gross profit margin LTM change is -1.5%, compared to the benchmark median of -1.3% and the average of -1.0%. These figures indicate that while MariMed's gross profit margin is competitive, its change in gross profit margin over the past year is slightly below the median and average.
Take Away / Conclusion	MariMed's gross profit margin aligns with the median and above the average, reflecting effective cost management. However, the slight decrease in the gross profit margin over the last year suggests room for improvement in maintaining or enhancing cost efficiencies. Overall, MariMed's profitability remains strong compared to its peers.

KPI #3 - Gross Profit Margin LTM



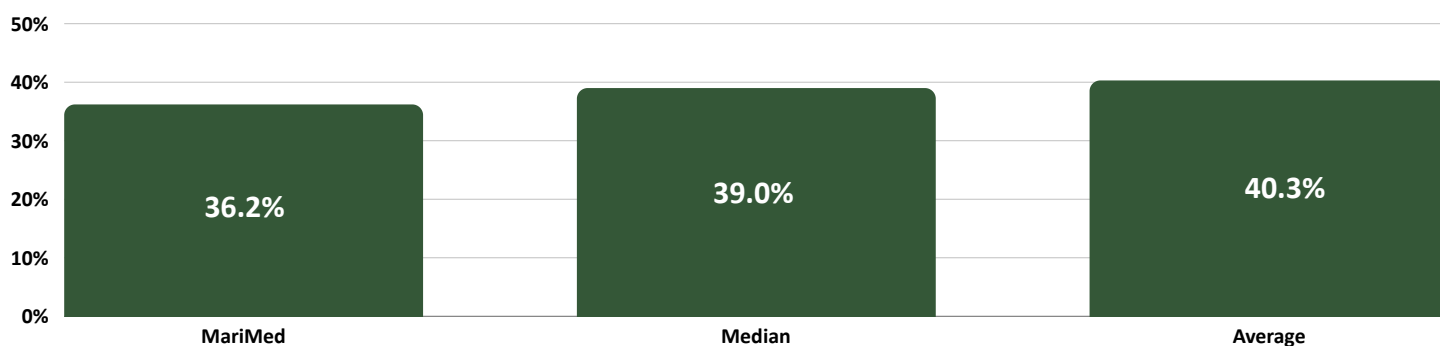
KPI #4 - Gross Profit Margin LTM Change



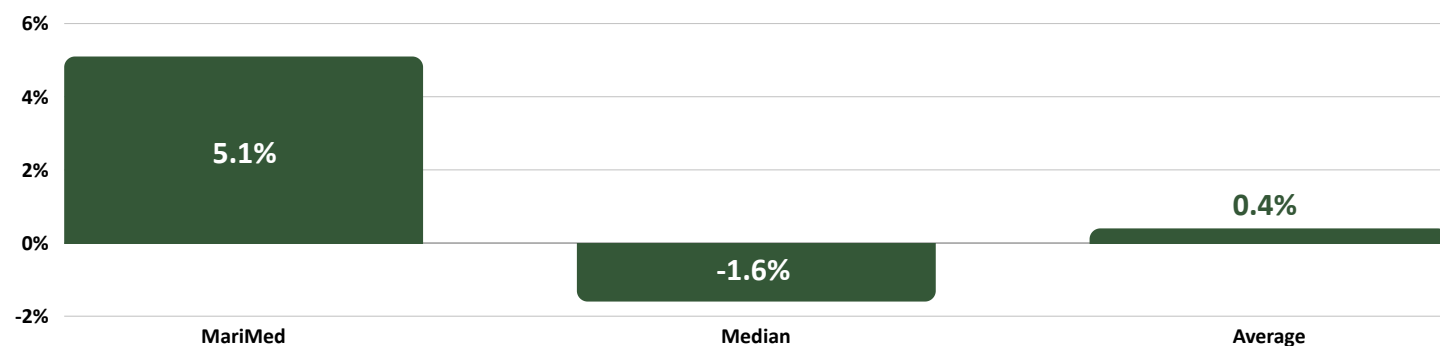
Source: S&P Capital IQ

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, MariMed's SG&A margin over the last twelve months (LTM) is 36.2%, compared to the benchmark median of 39.0% and an average of 40.3%. For KPI #6, MariMed's SG&A LTM percentage change is 5.1%, while the benchmark median is -1.6%, and the average is 0.4%. These figures indicate that MariMed has a better SG&A margin than the median and average, but its change in SG&A margin over the past year is less favorable compared to peers.
Take Away / Conclusion	MariMed's SG&A margin is significantly better than the median and average, reflecting excellent cost management. However, the increase over the past year suggests a need to reduce operational expenses to maintain profitability. MariMed's management believes the increase in SG&A is an investment in future growth that should result in additional revenue.

KPI #5 - SG&A Margin LTM



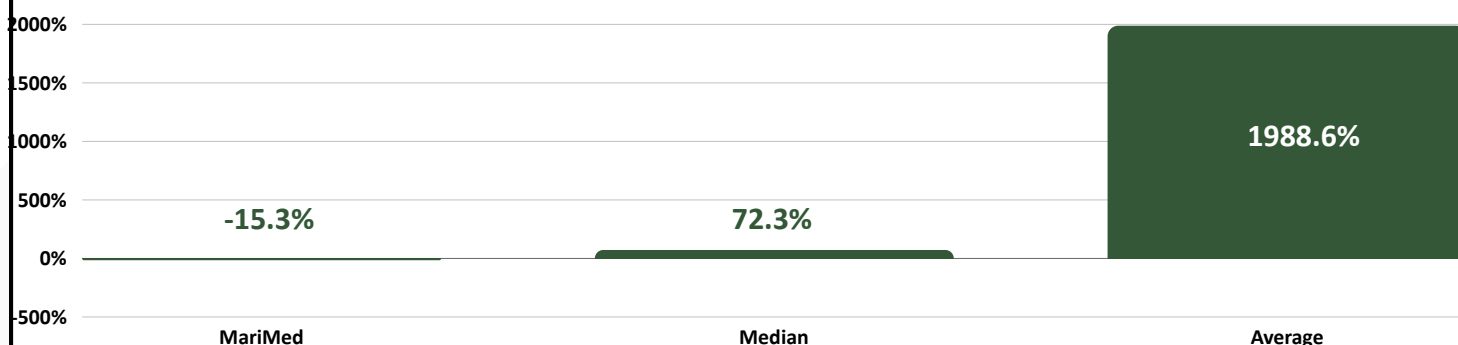
KPI #6 - SG&A LTM % Change



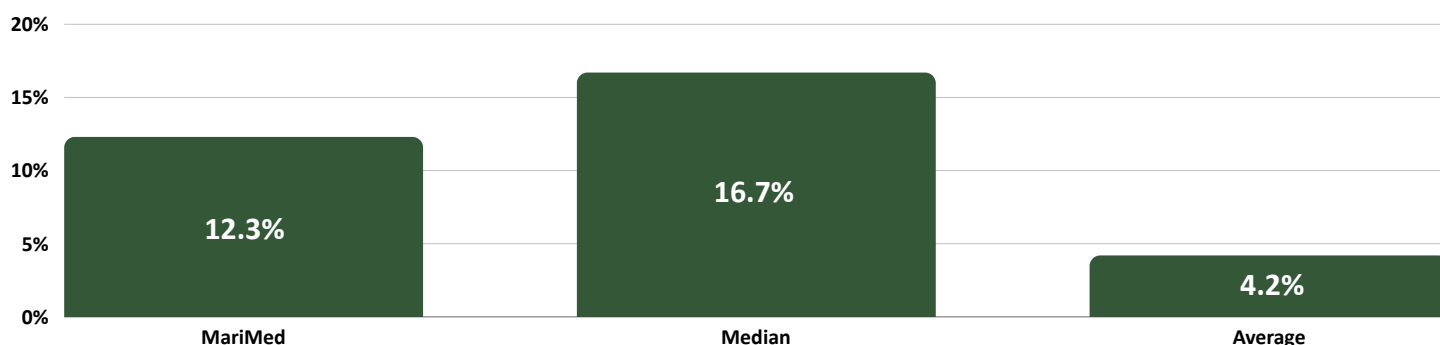
Source: S&P Capital IQ

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, MariMed's EBITDA growth over the last twelve months (LTM) is -15.3%, compared to the benchmark median of 72.3% and an average of 1988.6%. The average result is misleading, as a couple of companies went from extremely small EBITDA to a somewhat average EBITDA, which highly skewed the number to become irrelevant. For KPI #8, MariMed's 3-year compound annual growth rate (CAGR) for EBITDA is 12.3%, while the benchmark median is 16.7% and the average is 4.2%. These figures show that while MariMed's recent EBITDA growth is below the median and average, its long-term EBITDA growth rate is competitive.
Take Away / Conclusion	MariMed's 3-Year EBITDA CAGR is in line with the industry. The LTM has had higher spending, which the company views as an investment in the future, and it expects to produce a significant increase in revenue.

KPI# 7 - EBITDA Growth LTM



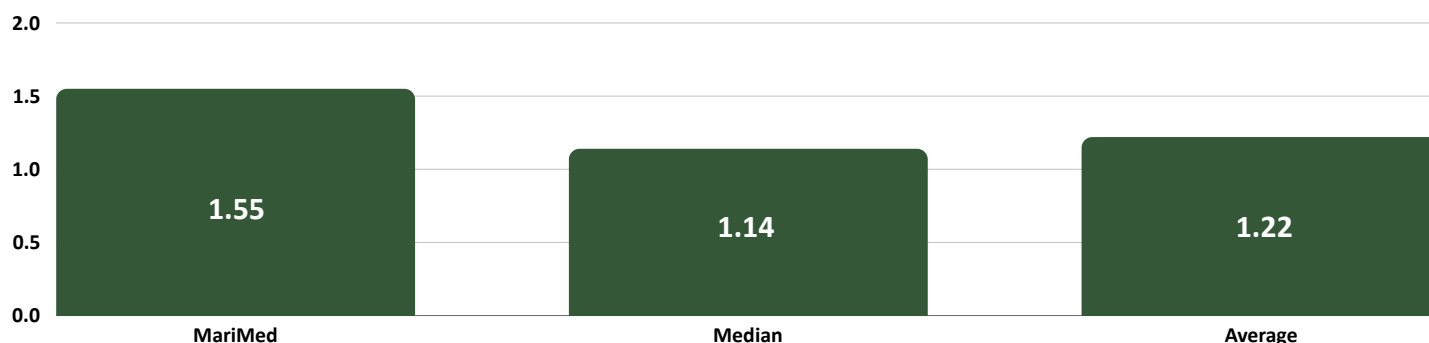
KPI #8 - EBITDA Growth 3-Year CAGR



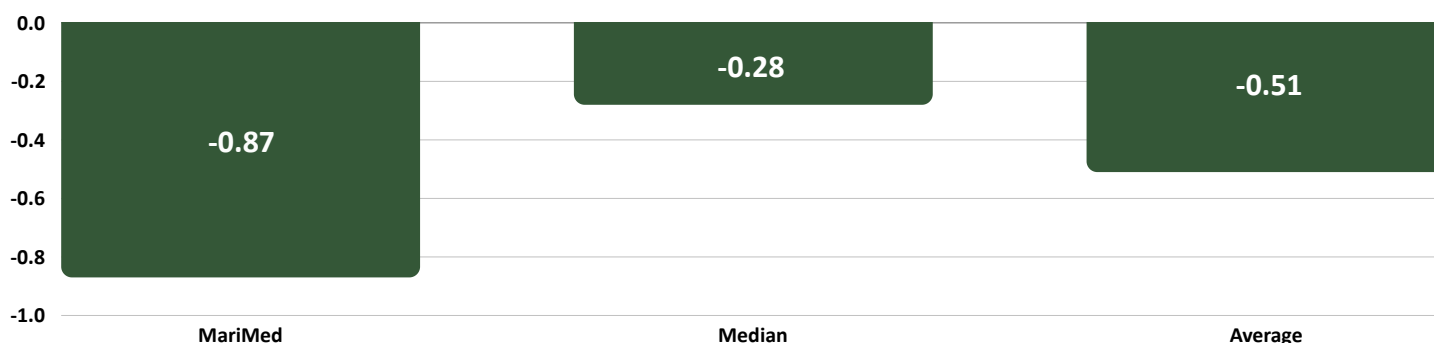
Source: S&P Capital IQ

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, MariMed's current ratio is 1.55, compared to the benchmark median of 1.14 and an average of 1.22. This shows that MariMed is in a position of financial strength compared to its peers. For KPI #10, MariMed's current ratio LTM change is -0.87, while the benchmark median is -0.28 and the average is -0.51. These figures indicate that while MariMed's liquidity started and finished the year stronger than its competitors, management decreased liquidity with the aim of higher operational efficiency. Given MariMed's initial position of strength, this decision appears prudent.
Take Away / Conclusion	MariMed started and finished the year with stronger liquidity than its peers, even after prudently decreasing its liquidity to increase operational efficiency.

KPI #9 - Current Ratio



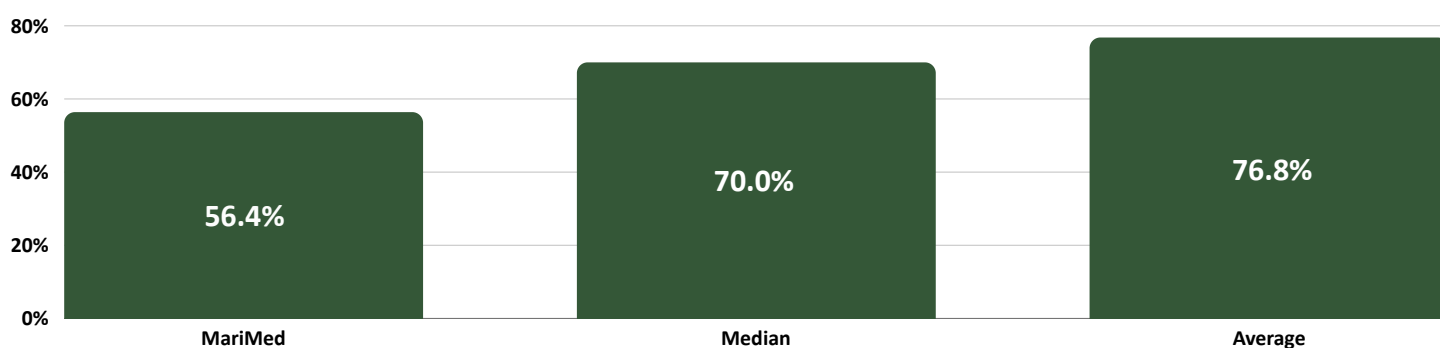
KPI #10 - Current Ratio LTM Change



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, MariMed's total liabilities vs. assets ratio is 56.4%, compared to the benchmark median of 70.0% and an average of 76.8%. This indicates that MariMed has a stronger financial position with more assets relative to its liabilities than its peers. For KPI #12, MariMed's total liabilities vs. assets LTM change is 12.24%, while the benchmark median is 11.24% and the average is 9.79%. This suggests that MariMed's increase in liabilities relative to its assets over the last twelve months is slightly higher than its peers.
Take Away / Conclusion	MariMed's management slightly increased the company's leverage with the long-term goal of improving future revenue. Even after increased leverage, the company still has a more conservative balance sheet than its peers.

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, MariMed's Altman Z-score is 0.9, compared to the benchmark median of -0.8 and an average of -0.2. This indicates that MariMed has better financial health and lower bankruptcy risk than its peers. For KPI #14, MariMed's Altman Z LTM change is -0.97, while the benchmark median is -0.57, and the average is 0.35. This shows that MariMed has increased its leverage on its Balance Sheet but is still more conservative than its peers.
Take Away / Conclusion	MariMed has increased its leverage on its Balance Sheet to increase future revenue and earnings. Despite this change, it still has a more conservative balance sheet than its peers.

KPI #13 - Credit Check (Altman Z)



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



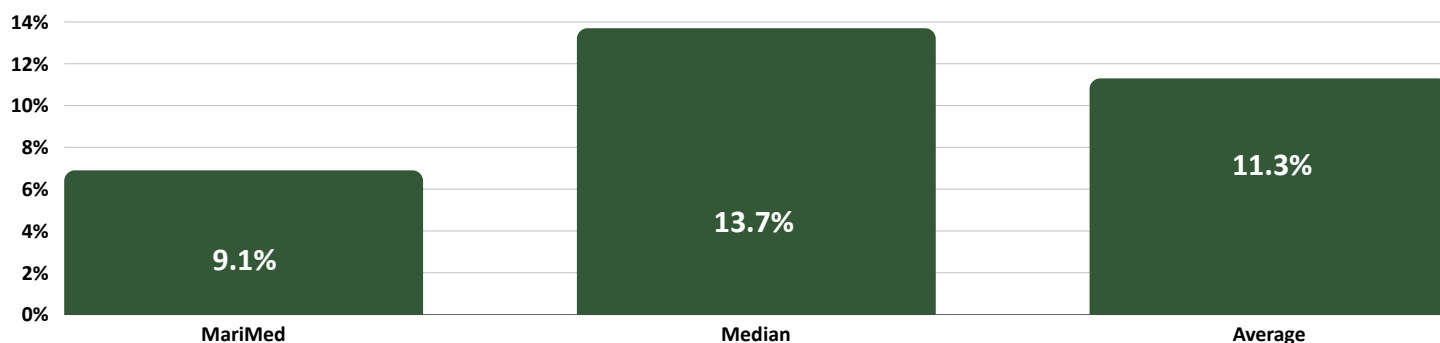
Source: S&P Capital IQ

KPI	Levered Free Cash Flow Margin
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, MariMed's LFCF Margin (LTM) over the last twelve months is -3.2%, compared to the benchmark median of -0.1% and an average of -2.3%. For KPI #16, MariMed's LTM change in LFCF Margin is 9.1%, while the benchmark median is 13.7% and the average is 11.3%. These figures show that while MariMed's LFCF Margin is below the median and average, its change over the last year indicates improvement.
Take Away / Conclusion	Levered Free Cash deducts funds used for Capital Expenditures (CapEx). MariMed is in the range of Levered Free Cash Flow compared to its peers, but we will note in the upcoming KPI 18 that it has a much higher than average spend on Capital Expenditures.

KPI #15 - Levered Free Cash Flow Margin LTM



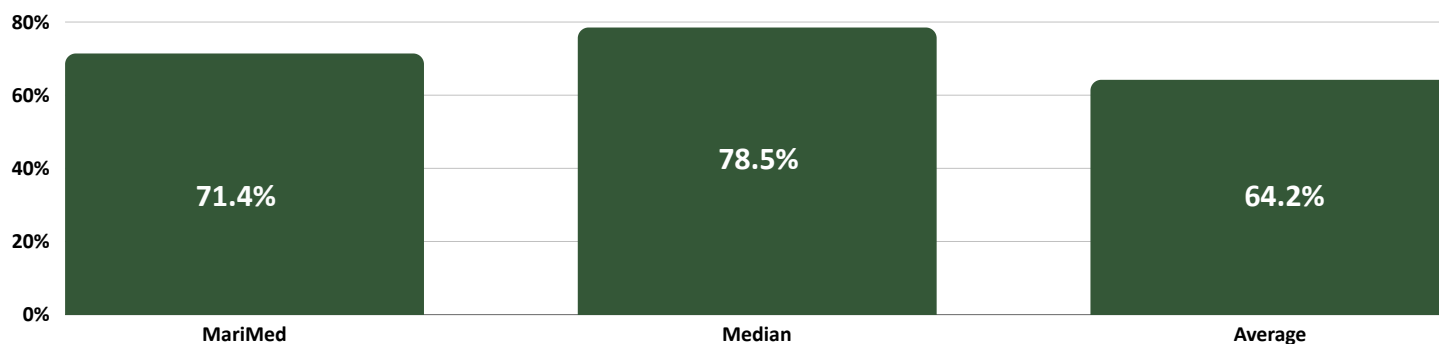
KPI #16 - Levered Free Cash Flow Margin Change LTM



Source: S&P Capital IQ

KPI	Levered Free Cash Flow Growth
Why it is important?	Levered Free Cash Flow (LFCF) Growth is 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.
Peer Comparison	For KPI #17, MariMed's LFCF Growth LTM is 71.4%, compared to the benchmark median of 78.5% and an average of 64.2%. This shows that while MariMed's LFCF Growth is slightly below the median, it is above the average, indicating strong performance.
Take Away / Conclusion	MariMed has excellent LFCF. It has kept up with its peers even though its CAPEX allocation, which reflects a reinvestment in the business is much higher than its peers.

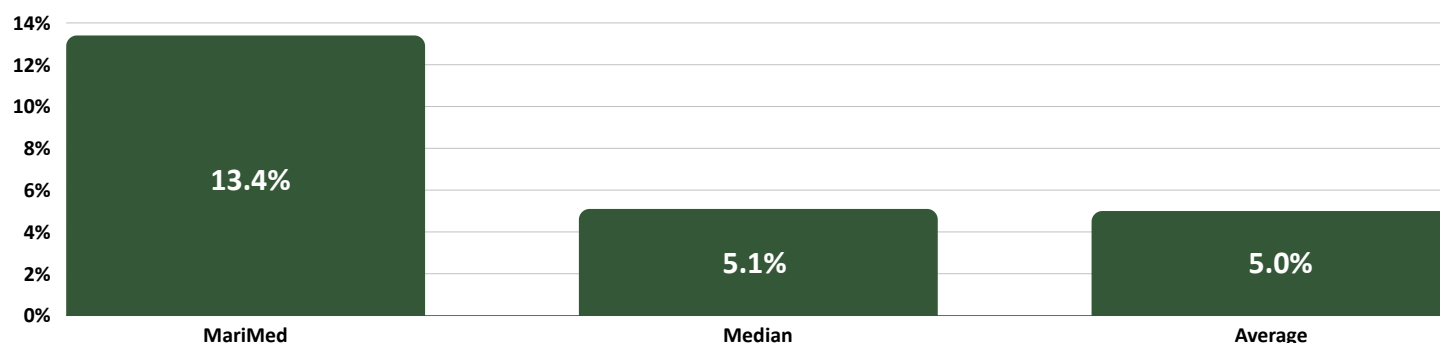
KPI #17 - Levered Free Cash Flow Growth LTM



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, MariMed's CapEx Margin is 13.4%, compared to the benchmark median of 5.1% and an average of 5.0%. This shows that MariMed is investing a larger portion of its revenue back into the business than its peers.
Take Away / Conclusion	MariMed's higher CapEx Margin indicates a strong commitment to investing in future growth and operational capacity. This proactive investment strategy positions the company for potential future revenue increases and long-term success, setting it apart from its peers.

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 offers 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, providing insights into potential investment growth.

Discounted Cash Flow (DCF) Growth: This method estimates a company's value by projecting its future cash flows and discounting them to their present value using a discount rate. The sum of these discounted cash flows represents the estimated value of the company.

Discounted Cash Flow (DCF) Revenue: This method 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: This method 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.

In addition, we adjust the valuation to account for the benefits that would come from the elimination of 280E taxes. When assessing the impact of Section 280E on a company's stock price, several factors must be considered:

- The company's Earnings Before Tax (EBT), excluding unusual items in the last twelve months, was \$3.17 million.
- The combined federal and state corporate tax rates vary in the US, with a low of 23.5% in North Carolina and a high of 32.5% in New Jersey. For our calculations, we will apply a median rate of 28%.
- Regular taxes paid on the EBT would be approximately 28% of \$3.17 million or \$0.89 million. The company's income tax expense was \$8.6 million in the last twelve months, which could represent an overpayment of up to \$7.7 million.

Valuation Analysis

Based on these calculations, MariMed appears to have overpaid taxes by \$7.7 million in the last twelve months. The tax savings should be multiplied by a stock earnings multiple. At the time of writing this report, the S&P 500 trades at 27.21 times earnings. Divided by the outstanding shares, this results in an additional \$0.55 per share when multiplied by the 27.21 earnings multiple.

Consequently, this analysis suggests an added value of \$0.55 to MariMed's fair value calculation.

Current Price	\$0.22
Pre 280E Discounted Cash Flow Growth Valuation	\$0.33
Pre 280E Discounted Cash Flow Revenue Valuation	\$0.38
Pre 280E EV / Revenue Valuation	\$0.35
Pre 280E Blended Fair Value	\$0.35
Post 280E Value Increase	\$0.55
Post 280E Fair Value - 1-Year Price Target	\$0.90
Fully Blended Fair Valuation	\$0.63
Expected 1-Year Return Pre 280 E	59%
Expected 1-Year Return Post 280 E	311%
Expected 1-Year Return Blended 280E	186%

These valuations suggest a potential return of 59% (Pre-280) or 311% (Post-280) changes if MariMed approaches its fair valuation price. A blend of the two valuations would produce a target of \$0.63 and a potential upside of 186%.

Our Take

We rate MariMed as a "Buy" due to its position in the fast-growing cannabis industry, which will likely benefit from favorable regulatory changes. Within this industry, MariMed stands out with a stronger balance sheet and a leading track record of revenue growth. Over the last twelve months, management has reinvested heavily in the business by increasing spending on SG&A and CapEX, anticipating future revenue increases. The stock is currently undervalued, and significant additional value could be realized with changes in 280E taxation rules.

Strengths of MariMed Compared to Its Peers

MariMed demonstrates solid financial health with a high current ratio, lower liabilities-to-assets ratio, and better credit rating than its peers. The company's gross profit margin is above the median and average of its peers, reflecting effective cost management. MariMed also shows strong revenue growth, with short-term and long-term rates outperforming its peers. This highlights the company's operational efficiency and market competitiveness.

Weaknesses of MariMed Compared to Its Peers

MariMed faces some challenges in operational efficiency, with recent EBITDA growth below the industry average. Additionally, the increase in SG&A margin and leverage has increased the risk profile, but management feels it is prudent as an investment for future revenue growth.

Our Forecasts

We rate MariMed as a "Buy" based on our analysis due to its strong comparable financial health and growth potential. MariMed's blended fair value is calculated to be \$0.63, offering a potential upside of 186% from its current price of \$0.22. This valuation incorporates its revenue growth strengths, market expansion catalysts, and likely federal rescheduling. These factors suggest a promising return on investment for shareholders.

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