



WE SET THE NARRATIVE

Verano Holdings Corp

CBOE CA: VRNO

OTC: VRNOF

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Verano Holdings Corp

Verano Holdings Corp	CBOE CA: VRNO OTC: VRNOF
Date	June 7th, 2024
Rating	Buy
Fair Value	\$10.08
Expected 1 Year Return Including Dividend	145%
Estimate 2024 FY Revenue	\$933.1M
Estimate 2024 FY GMP %	51.5%
Estimate 2024 FY EBITDA Margin %	29.5%
Estimated 2024 FY EBITDA	\$275.2M

Company Description

Verano Holdings Corp. operates as a vertically integrated multi-state cannabis operator in the United States. The company engages in the cultivation, processing, wholesale, and retail distribution of cannabis in Arizona, Arkansas, Connecticut, Florida, Illinois, Maryland, Massachusetts, Michigan, Nevada, New Jersey, Ohio, Pennsylvania, and West Virginia. It offers cannabis products under the Encore, Avexia, MUV, Savvy, BITS, and Verano brands for medical and adult-use markets. The company 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 Verano Holdings Corp. (Verano)

Establish Comparables

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

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

Understanding the Industry and Catalysts

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

Understanding the Company and Future Catalysts

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

Establish KPIs

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

KPI Results

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

Valuation Analysis

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

Our Take

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

Executive Summary

TDR Research is initiating coverage of Verano Holdings Corp with a "Buy" rating. We have determined a fair value of \$10.08, offering a potential upside of 145% from its current price of \$4.05. Our estimates for 2024 include a projected revenue of \$933.1 million, a gross margin percentage of 51.5%, an EBITDA margin of 29.5%, and an EBITDA of \$275.2 million.

The company excels in free cash flow growth, with a significant increase over the last twelve months. Verano's gross profit margin is above the median and average of its peers, reflecting effective cost management and profitability. The company's financial stability is also evident in its lower total liabilities vs. assets ratio, indicating better financial health and lower leverage compared to its competitors.

Strengths of Verano Compared to Its Peers

Verano demonstrates strong financial stability with a lower total liabilities vs. assets ratio. The company's gross profit margin is above the median and average of its peers, reflecting effective cost management and profitability. Verano also excels in cash flow management, with a Levered Free Cash Flow Margin above the benchmark, showcasing its financial flexibility and operational efficiency. Additionally, Verano's long-term growth rate for EBITDA is significantly above the benchmark median and average, indicating robust operational efficiency and profitability.

Weaknesses of Verano Compared to Its Peers

Verano faces challenges with its current ratio, which is below the benchmark median and average, indicating potential liquidity issues in meeting short-term liabilities. Additionally, the company's SG&A margin is slightly higher than the median and average, with room for improvement in operational efficiency. Verano's CapEx Margin is also lower than its peers, suggesting conservative reinvestment that may impact future growth.

Our Forecasts

Based on our analysis, we rate Verano Holdings Corp as a "Buy" with a fair value price of \$10.08, offering a potential upside of 145% from its current price of \$4.05. This valuation considers the company's strengths in free cash flow growth and the future catalysts of regulatory changes. These factors indicate a promising return on investment for shareholders. Verano's strong financial health, effective cost management, and operational efficiency make it a compelling investment opportunity in the cannabis industry.

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%.

Verano Holdings Corp is a leading U.S. multi-state cannabis operator. The company was established in 2014 and operates in 13 states with a total of 140 retail locations and 14 production facilities spanning over 1 million square feet. Verano has a diverse portfolio of 12+ brands and serves around 700 active wholesale accounts. In 2023, employs over 3,900 people.

2024 Objectives

Verano aims to enhance its market presence, expand its retail and wholesale networks, and maintain financial discipline. The company plans to achieve growth through expansion of its retail footprint, focusing on strategic locations and customer experience. Additionally, Verano will expand its wholesale distribution to drive scale economies and reinforce its market position. The company is also committed to investing in its portfolio of brands, further diversifying product offerings to attract a broader customer base.

Zen Leaf aspires to be a leading cannabis retail brand, aiming for brand loyalty among a wide range of consumers as it continues to expand. The brand's mission is to inspire customers, meet important life needs, and offer innovative products that drive economic success and cultural influence in a crowded marketplace.

MÜV serves the Florida region with 74 state-of-the-art retail dispensaries. MÜV offers a wide selection of concentrates for patients needing micro-dosing options and in-house brands like MÜV, Verano Reserve, Savvy, and Sweet Supply. The knowledgeable and friendly staff are dedicated to helping meet the needs of medical patients.

1Q 2024 Retail vs. Wholesale Revenue Contribution: 66% Retail, 34% Wholesale

Innovation Engine Fueling Growth

In 2023, Verano launched over 70 new products, which contributed 47% to net revenue in the fourth quarter. The company continually evaluates new information and data to anticipate exciting and innovative product launches, reaching new consumer segments and driving growth.

Growth Strategy

- **Grow Retail Footprint:** Verano seeks to expand its retail presence strategically, focusing on location, traffic flow, and customer experience.
- **Grow Wholesale Distribution:** The company aims to scale its wholesale business to drive economic benefits and strengthen market presence.
- **Expand House of Brands:** Verano plans to diversify its product offerings and price points to attract a broader customer base.
- **Disciplined M&A:** Verano leverages its strong balance sheet to execute accretive and disciplined mergers and acquisitions across the cannabis ecosystem.

Key Markets

Verano's primary markets include Florida, Pennsylvania, and Arizona:

- Florida: Verano operates 75 dispensaries with a total cultivation and manufacturing capacity of 262,000 square feet. The market is expected to grow from \$2.6 billion in 2023 to \$4.3 billion in 2027.
- Pennsylvania: The company has 18 operational dispensaries and a 62,000 square foot cultivation and manufacturing facility in Chester. The market is projected to grow from \$1.1 billion in 2022 to \$1.9 billion in 2027.
- Arizona: Verano operates 6 dispensaries with a combined cultivation and manufacturing capacity of 62,000 square feet. The market is expected to grow from \$1.3 billion in 2023 to \$1.5 billion in 2027.

Customer Experience and Innovations

Verano prioritizes enhancing the customer experience through efficient service, loyalty programs, and innovative products. The company launched over 70 new products in 2023, contributing 47% to net revenue in the fourth quarter. Verano focuses on data-driven research and development to anticipate and meet customer needs, continually introducing new products to capture a wider consumer base.

Recent Developments

Recent developments include strategic additions to the executive team, expansion of retail locations, and significant financial moves to strengthen the balance sheet. Verano paid down \$50 million towards its senior credit facility and continues to maintain a strong cash position. The company is well-positioned to capitalize on potential regulatory changes, such as the rescheduling of cannabis to Schedule III, which would enhance its cash flow generation and provide significant investment opportunities.

Strategic Vision

Verano is preparing for the future of the cannabis industry by leveraging its scale, distribution networks, and technology platforms. The company aims to enhance convenience and personalized marketing while maintaining a strong presence in core markets. Verano's strategic vision includes disciplined mergers and acquisitions (M&A) to grow within states with high potential for adult-use legalization and to strengthen its market position.

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.

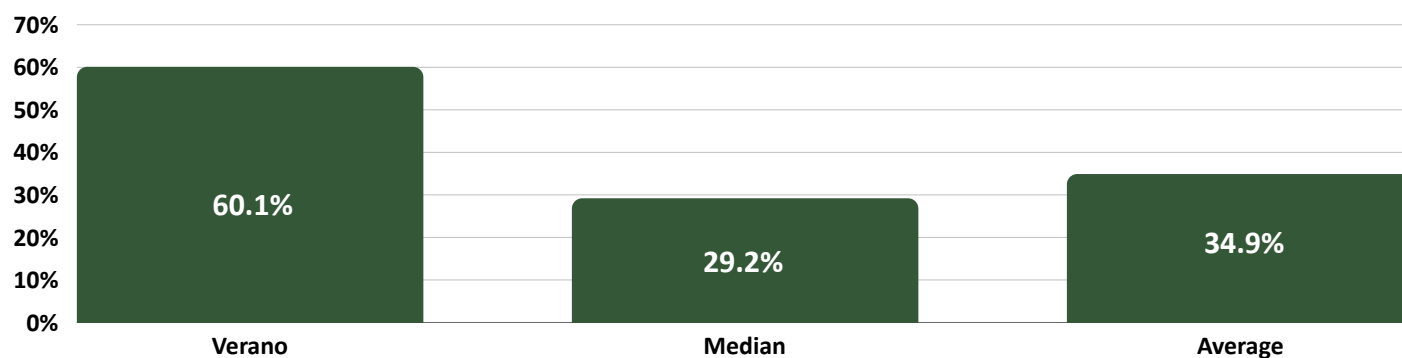
#	FINANCIAL STATEMENT	KPI
1	Income Statement	Revenue Growth LTM
2	Income Statement	Revenue Growth 3-Year CAGR
3	Income Statement	Gross Profit Margin LTM
4	Income Statement	Gross Profit Margin LTM Change
5	Income Statement	SG&A Margin LTM
6	Income Statement	SG&A Margin LTM Change
7	Income Statement	EBITDA 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, Verano's revenue growth over the last twelve months (LTM) is 3.1%, which matches the benchmark median of 3.1% and is below the average of 11.1%. For KPI #2, Verano's 3-year compound annual growth rate (CAGR) for revenue is 60.1%, significantly above the benchmark median of 29.2% and the average of 34.9%.
Take Away / Conclusion	These figures show that while Verano's recent revenue growth aligns with the median, its long-term growth rate is exceptionally strong compared to its peers, indicating robust performance over three years.

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, Verano's gross profit margin for the last twelve months (LTM) is 51.4%, which is above the benchmark median of 50.0% and the average of 49.7%. For KPI #4, Verano's gross profit margin change over the last twelve months is 3.9%, which is significantly above the benchmark median of 0.0% and the average of 3.0%. These figures indicate that Verano is managing its costs effectively, resulting in better profitability compared to its peers.
Take Away / Conclusion	Verano's gross profit margin and its positive change over the last twelve months highlight effective cost management and profitability compared to its peers. This positions Verano strongly within the industry, indicating better financial health and operational efficiency.

KPI #3 - Gross Profit Margin LTM



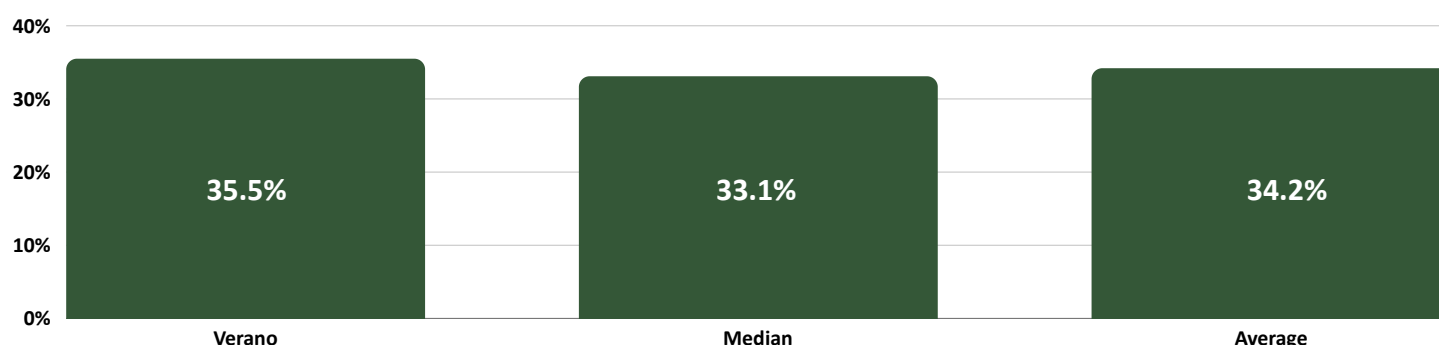
KPI #4 - Gross Profit Margin LTM Change



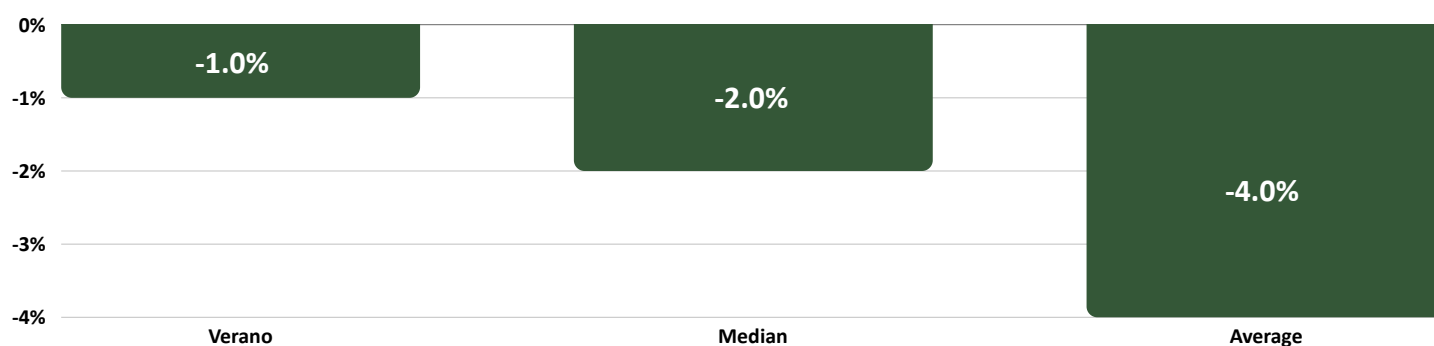
Source: S&P Capital IQ

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, Verano's SG&A margin for the last twelve months (LTM) is 35.5%, which is above the benchmark median of 33.1% and the average of 34.2%. For KPI #6, Verano's SG&A margin change over the last twelve months is -1.0%, compared to the benchmark median of -2.0% and the average of -4.0%.
Take Away / Conclusion	These figures show that while Verano's SG&A margin is slightly higher than the median and average, its improvement over the last year is below the benchmark average, indicating room for further efficiency improvements.

KPI #5 - SG&A Margin LTM



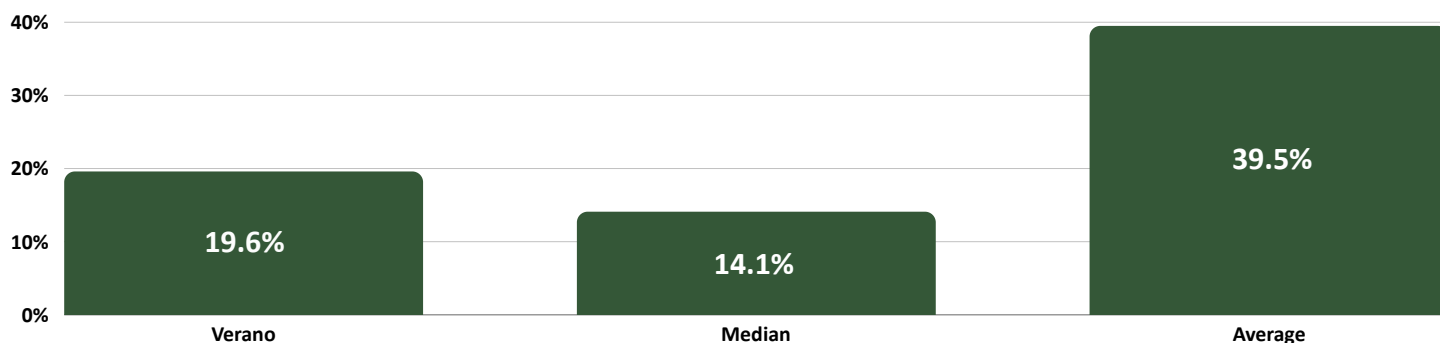
KPI #6 - SG&A LTM % Change



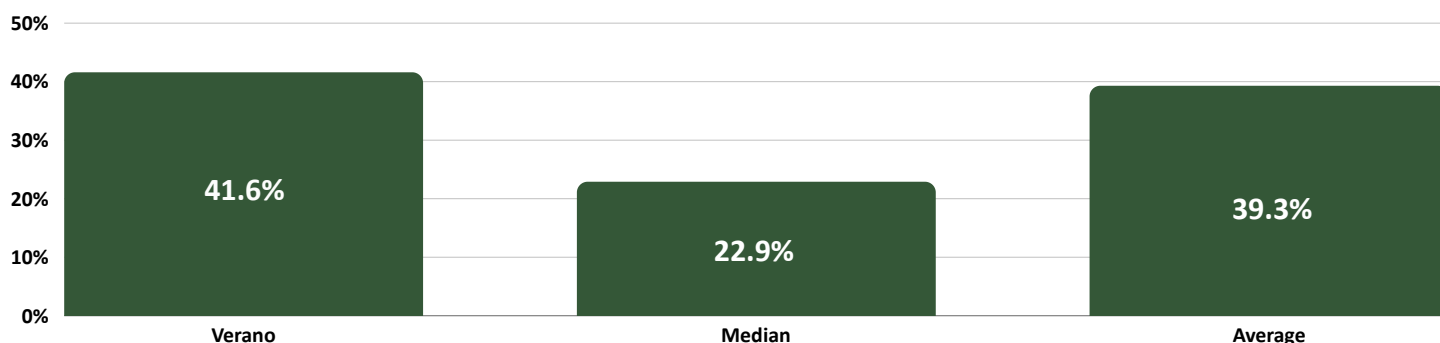
Source: S&P Capital IQ

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, Verano's EBITDA growth over the last twelve months (LTM) is 19.6%, which is above the benchmark median of 14.1% but below the average of 39.5%. For KPI #8, Verano's 3-year compound annual growth rate (CAGR) for EBITDA is 41.6%, which is significantly above the benchmark median of 22.9% and the average of 39.3%.
Take Away / Conclusion	These figures indicate that while Verano's recent EBITDA growth is solid, its long-term growth rate is even more competitive compared to its peers.

KPI# 7 - EBITDA Growth LTM



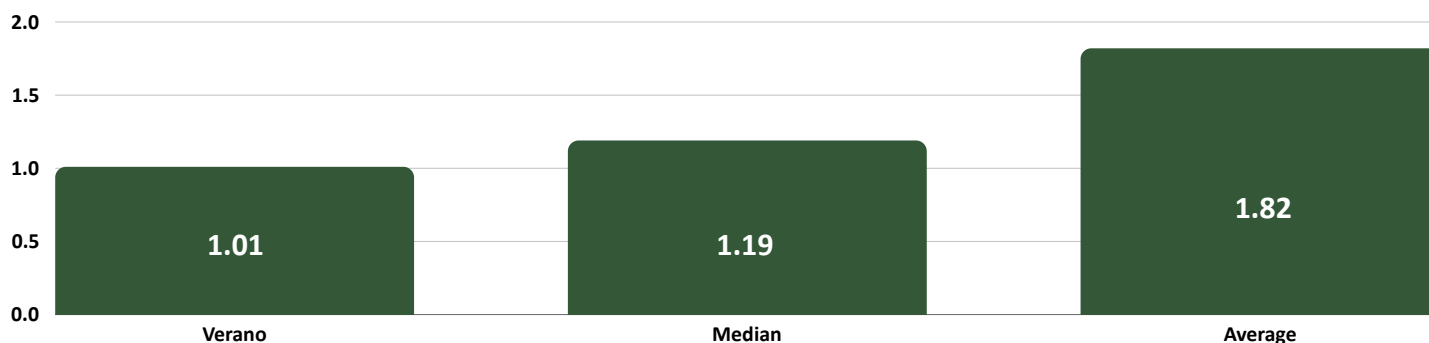
KPI #8 - EBITDA Growth 3-Year CAGR



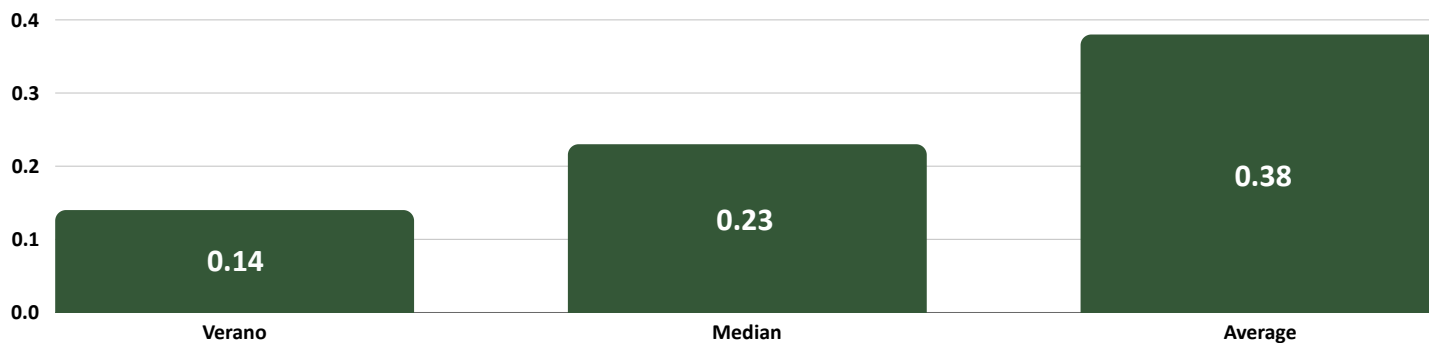
Source: S&P Capital IQ

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, Verano's current ratio is 1.01, which is below the benchmark median of 1.19 and the average of 1.82. For KPI #10, Verano's current ratio change over the last twelve months (LTM) is 0.14, which is below the benchmark median of 0.23 and the average of 0.38.
Take Away / Conclusion	These figures show that Verano's liquidity position is weaker compared to its peers, indicating potential challenges in meeting short-term liabilities.

KPI #9 - Current Ratio



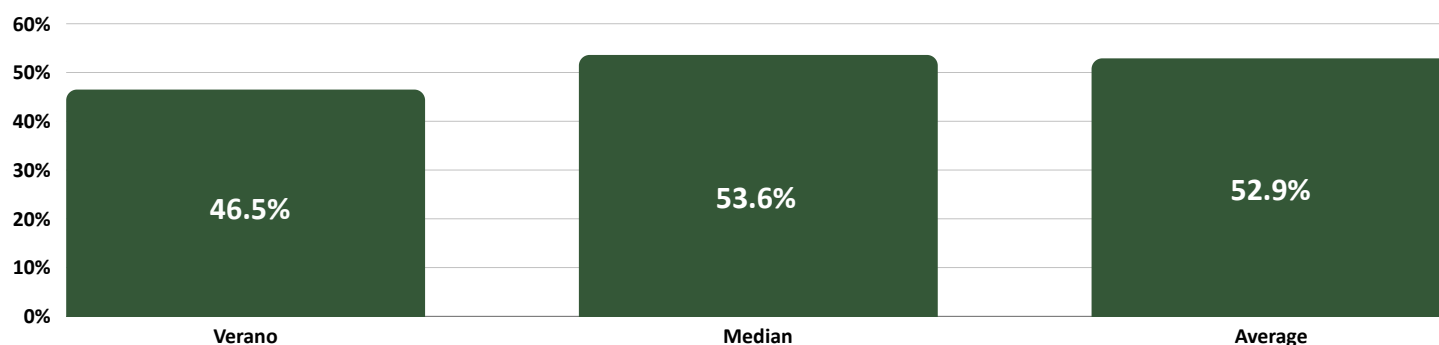
KPI #10 - Current Ratio LTM Change



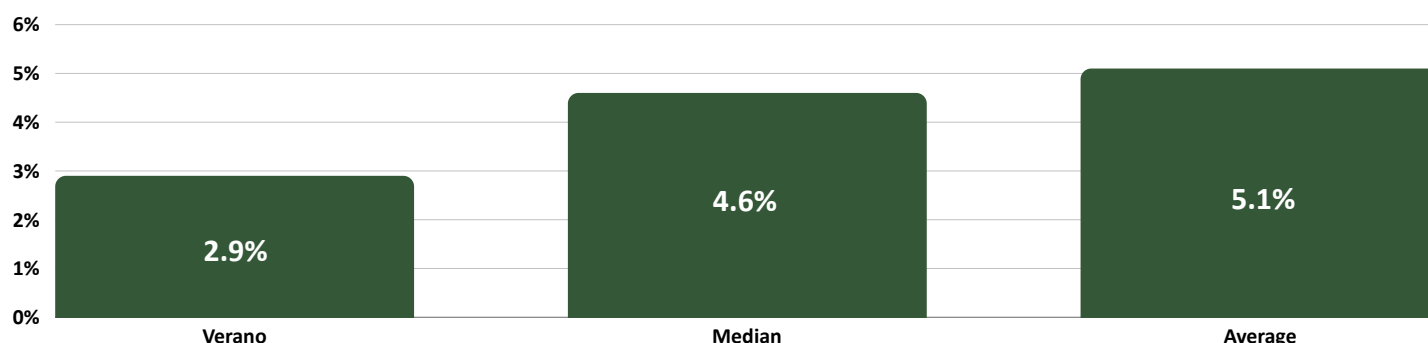
Source: S&P Capital IQ

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, Verano's total liabilities vs. assets ratio is 46.5%, which is below the benchmark median of 53.6% and the average of 52.9%. For KPI #12, Verano's change in the total liabilities vs. assets ratio over the last twelve months (LTM) is 2.9%, which is also below the benchmark median of 4.6% and the average of 5.1%.
Take Away / Conclusion	These figures show that Verano has a lower financial leverage compared to its peers, indicating better financial stability.

KPI #11 - Total Liabilities vs Assets



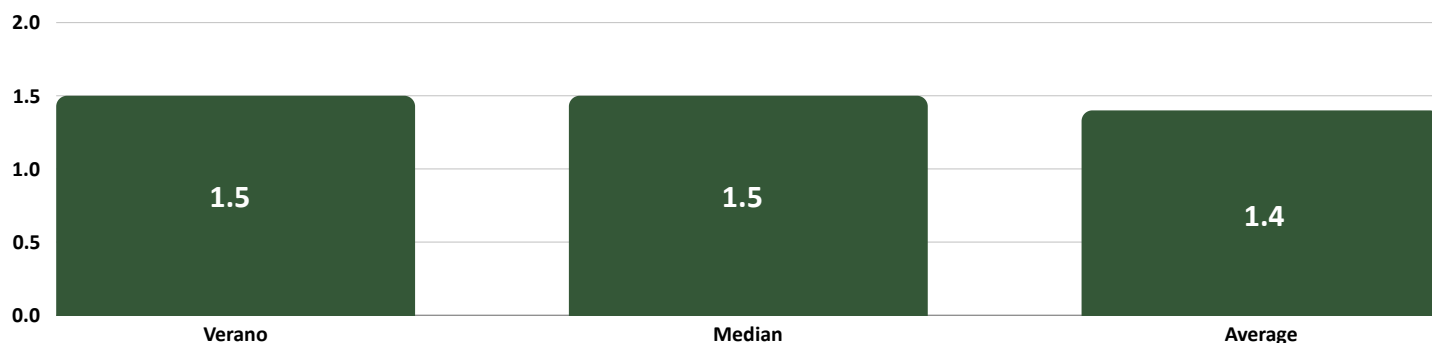
KPI #12 - Total Liabilities vs Assets LTM Change



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, Verano's Altman Z-score is 1.5, which is equal to the benchmark median of 1.5 and above the average of 1.4. For KPI #14, Verano's Altman Z-score change over the last twelve months (LTM) is 0.2, which is above the benchmark median of 0.1 but below the average of 0.4.
Take Away / Conclusion	These figures show that Verano's financial health is on par with the median of its peers and slightly better than the average, indicating a stable financial position.

KPI #13 - Credit Check (Altman Z)



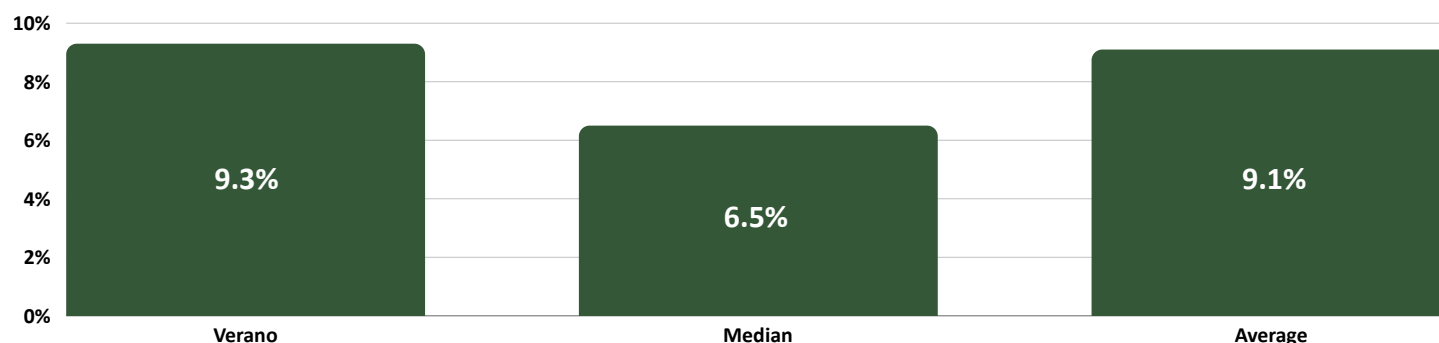
KPI #14 - Credit Check (Altman Z) LTM Change



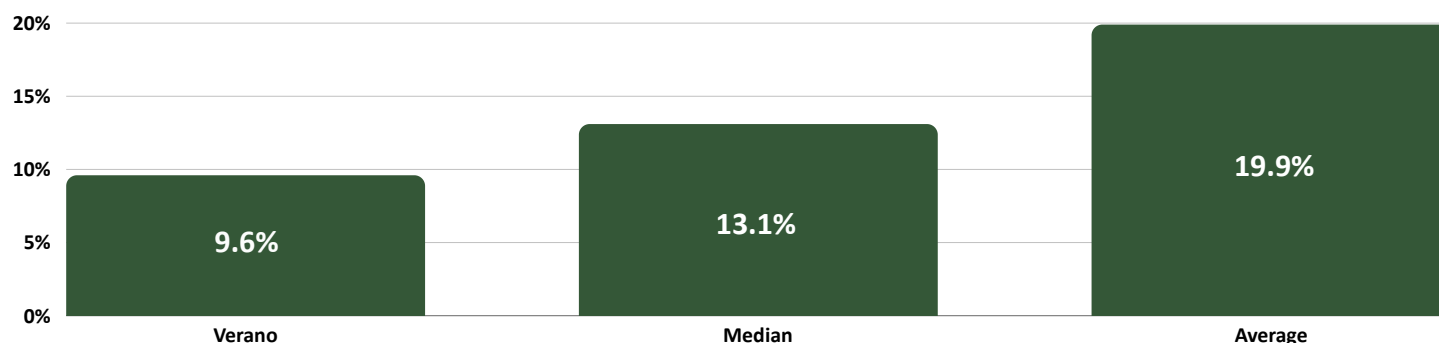
Source: S&P Capital IQ

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, Verano's Levered Free Cash Flow Margin for the last twelve months (LTM) is 9.3%, which is above the benchmark median of 6.5% and slightly above the average of 9.1%. For KPI #16, Verano's change in Levered Free Cash Flow Margin over the last twelve months is 9.6%, which is below the benchmark median of 13.1% and the average of 19.9%.
Take Away / Conclusion	These figures show that Verano has a healthy LFCF margin, indicating effective cash flow management, though there is room for improvement in its rate of change compared to its peers.

KPI #15 - Levered Free Cash Flow Margin LTM



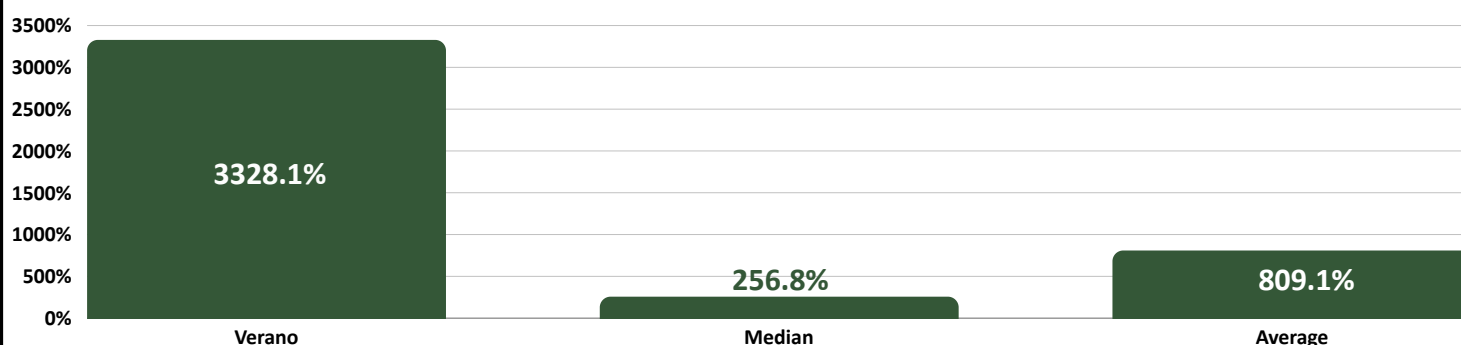
KPI #16 - Levered Free Cash Flow Margin Change LTM



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, Verano's Levered Free Cash Flow Growth over the last twelve months (LTM) is 3328.1%, which is significantly higher than the benchmark median of 256.8% and the average of 809.1%.
Take Away / Conclusion	These figures demonstrate that Verano has achieved substantial growth in its free cash flow, far exceeding the performance of its peers.

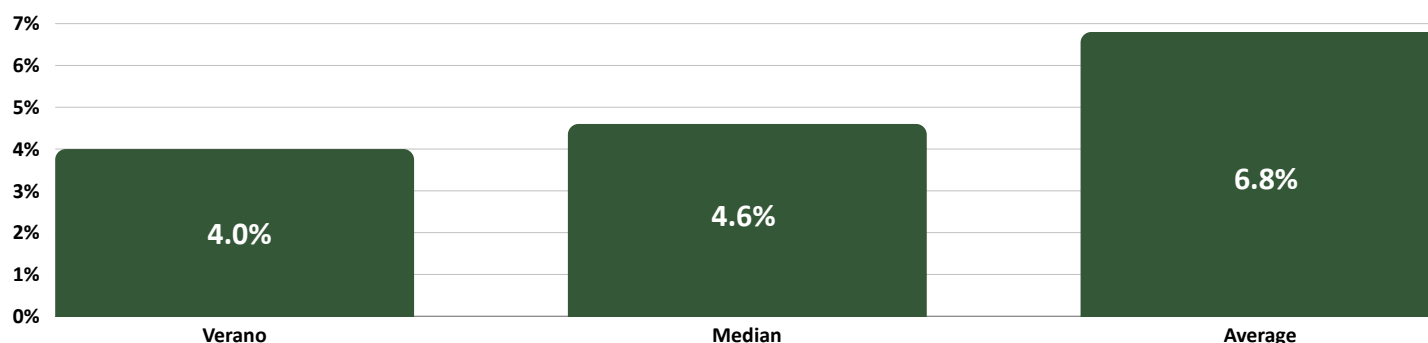
KPI #17 - Levered Free Cash Flow Growth LTM



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, Verano's Capital Expenditures Margin is 4.0%, which is below the benchmark median of 4.6% and the average of 6.8%.
Take Away / Conclusion	These figures suggest that Verano is investing a lower proportion of its revenue back into its business compared to 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 provides a different perspective on the company's financial health and potential. By blending these methods, we achieve a comprehensive and balanced valuation. This blended valuation helps ensure accuracy and reliability by smoothing out any anomalies or extremes from the individual methods. We then calculate the potential upside in the stock price by comparing this blended valuation to the current market price, offering insights into potential investment growth.

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

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

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

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

Current Price	\$4.05
Discounted Cash Flow Growth Valuation	\$13.06
Discounted Cash Flow Revenue Valuation	\$10.63
EV / Revenue Valuation	\$6.56
Blended Fair Value	\$10.08
Potential Upside	145%

Our Take

We rate Verano Holdings Corp as a "Buy" due to its strong financial health and growth potential. One of the main positive highlights is Verano's exceptional Levered Free Cash Flow Growth, which significantly outpaces its peers. Additionally, the anticipated rescheduling of cannabis to Schedule III presents a significant future catalyst for growth.

Strengths of Verano Compared to Its Peers

Verano demonstrates strong financial stability with a lower total liabilities vs. assets ratio, indicating better financial health and lower leverage. The company's gross profit margin is above the median and average of its peers, reflecting effective cost management and profitability. Verano also excels in cash flow management, with a Levered Free Cash Flow Margin above the benchmark, showcasing its financial flexibility and operational efficiency.

Weaknesses of Verano Compared to Its Peers

Verano faces challenges with its current ratio, which is below the benchmark median and average, indicating potential liquidity issues in meeting short-term liabilities. Additionally, the company's SG&A margin is slightly higher than the median and average, with room for improvement in operational efficiency. Verano's CapEx Margin is also lower than its peers, suggesting conservative reinvestment that may impact future growth.

Our Forecasts

Based on our analysis, we rate Verano Holdings Corp as a "Buy" with a fair value price of \$10.08, offering a potential upside of 145% from its current price of \$4.05. This valuation considers the company's strengths in free cash flow growth and the future catalysts of regulatory changes. These factors indicate a promising return on investment for shareholders.

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