Canaccord Genuity Capital Markets

Cannabis

Canadian Equity Research
17 December 2018

Company	Rating	Price	Target
Cannabis			
ACRG.U-CSE	Spec Buy	US$16.20	US$35.00
CURA-CSE	Spec Buy	C$6.36	C$13.00

Priced as of close of business 14 December 2018

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Initiation of Coverage

Playing US cannabis at the national level

We are initiating coverage of two of the largest Multi-State Operators (MSOs) in the US cannabis industry: Acreage Holdings, Inc. and Curaleaf Holdings, Inc. We believe both are strategically positioned as two of the leading MSOs in terms of geographic exposure, operating assets, recreational optionality, branded presence and management expertise. With these two companies, investors can obtain exposure to operators with a valuable first-mover advantage that reach into 21 different US markets (all outlined in this report). We forecast these markets will reach a total revenue opportunity of >US$25B over the next five to seven years (including only market segments that are currently legal).

Company Highlights

- **Acreage Holdings, Inc. (ACRG.U-CSE | SPECULATIVE BUY; US$35.00 PT).** Acreage is the largest MSO in the US cannabis industry (by geographic exposure), with vertically integrated assets and licenses that span 19 states. The company is the market leader in many New England states (including CT, ME, NH and soon RI); has operations in some of the largest existing market opportunities (including NY, FL and MA); and has exposure to states that we believe provide investors with industry-leading recreational optionality (NJ, MI and IL) – a footprint we believe can tally 5-15% market share long-term in markets where the company has operations. Management has taken a strong consumer-branded approach, which includes a uniform retail design (under its “Botanist” brand banner); vertically integrated branded product offerings; and a recently announced acquisition of one of the industry’s largest cannabis product manufacturers to use as a springboard to launch its brands at a national level.
- **Curaleaf Holdings, Inc. (CURA-CSE | SPECULATIVE BUY; C$13.00 PT).** Curaleaf is an MSO in the US cannabis industry that currently has one of the largest portfolios of assets in operation. Over the past three years, the company has expanded its reach to a total of 12 states and already has ~35 licensed dispensaries up and running (the most of any single operator in the industry today). Long-term, we see Curaleaf as able to hold a 5-15% market share in markets where it has operations. In addition, Curaleaf has started to establish a coalesced brand image that spans both its retail design and its expanding assortment of "Curaleaf"-branded products. In our view, the company is ahead of many of its peers with respect to the execution of its vertically integrated operating platform by focusing on retailing its own in-house products and could achieve operating margins in excess of industry averages as a result.

Valuation: We have performed a sum-of-the-parts valuation for both Acreage and Curaleaf for each market where they have exposure. In both our valuations we utilized a DCF methodology, with discount rates ranging from 8% to 14% and a terminal growth rate of 2%. Acreage and Curaleaf currently trade at 9.9x and 10.1x our FY2020E EV/EBITDA, respectively (compared to the US peer average of 8.5x). Our US$35.00 PT for Acreage implies a 22.0x multiple and our C$13.00 PT for Curaleaf implies a 21.9x multiple (as compared to the CDN large-cap peer average of ~30.6x). Given the significant long-term growth profile and recreational optionality where both companies have exposure, we believe a premium valuation multiple is warranted (particularly compared to Canadian LPs that already trade in excess of these levels); however, due to the risks and uncertainties surrounding execution, regulatory changes, and other market factors, we believe a SPECULATIVE BUY rating is appropriate at this time.

For important information, please see the Important Disclosures beginning on page 104 of this document.

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Executive summary

We are initiating coverage of two of the largest Multi-State Operators (MSOs) in the US cannabis industry today; Acreage Holdings, Inc. and Curaleaf Holdings, Inc. We believe Acreage and Curaleaf are both strategically positioned (in terms of size, scale and assets in operation) to secure meaningful market share on a national level in the US.

Acreage Holdings, Inc. (ARCG.U-CSE | SPECULATIVE BUY; US$35.00 PT)
We are initiating coverage of Acreage Holdings, Inc. with a SPECULATIVE BUY rating and a target price of US$35.00. Acreage is currently the largest MSO in the US cannabis industry (by geographic exposure) with vertically integrated assets and licences in place that span 19 states. The company is already the market leader in many New England states (including Connecticut, Maine, New Hampshire and soon to be Rhode Island); has operations in some of the largest existing market opportunities (including New York, Florida and Massachusetts); and has exposure to states that we believe provides investors with industry-leading recreational optionality (New Jersey, Michigan and Illinois). Management has taken a strong consumer branded approach, which includes a uniform retail design (under its "Botanist" brand banner); vertically integrated branded product offerings; and a recently announced acquisition of one of the industry's largest cannabis product manufacturers to use as a springboard to launch its brands at a national level.

Curaleaf Holdings, Inc. (CURA-CSE | SPECULATIVE BUY; C$13.00 PT)
We are initiating coverage of Curaleaf Holdings, Inc. with a SPECULATIVE BUY rating and a target price of C$13.00. Curaleaf is a MSO in the US cannabis industry that currently has one of the largest portfolios of assets in operation. Over the past three years, the company has expanded its reach to a total of 12 states and already has ~35 licensed dispensaries up and running (the most of any single operator in the industry today). In addition, Curaleaf has started to establish a coalesced brand image that spans both its retail design and its expanding assortment of "Curaleaf" branded products. In our view, the company is ahead of many of its peers with respect to the execution of its vertically integrated operating platform by focusing on retailing its own in-house products and could likely achieve operating margins in excess of industry averages as a result.

Overview of holdings
As noted above, both Acreage and Curaleaf have assets that cover a large majority of regions in the United States that have legal cannabis markets in place (whether medical, recreational, or both). To date, we believe these companies represents two of the largest MSOs in the industry, as summarized below:

- **Acreage.** With a cumulative addressable population of >130M, close to 20 dispensaries up and running, and a geographic footprint that spans 19 states, we believe Acreage provides investors with exposure to the greatest breadth of markets and most attractive optionality as an increasing number of states look to implement adult-use platforms.
- **Curaleaf.** With a cumulative addressable population of >100M, ~35 dispensaries up and running, and a geographic footprint that spans 12 states, we believe Curaleaf provides investors with exposure to an operator

with the most assets in operation today and a market leader when it comes to its branded house of differentiated product offerings.

Although we believe that simply looking at flags on a map is not a particularly meaningful analysis to determine market leaders on its own, we believe that within its existing portfolio, both Acreage and Curaleaf have exposure (and in some cases a leading presence) in critical US markets that we believe will produce many of the industry winners down the road (as illustrated below).

Figure 1: Acreage: Key/leading markets

State/Region	Acreage Exposure
Massachusetts 	Acreage (along with Curaleaf) holds the greatest number of licenses in the state in a market that we believe will reach a peak of >US$1.5B in annual revenues with its recreational market recently implemented.
New York 	In a state that houses ~20M residents, Acreage holds one of only 10 vertically integrated licenses. As the State may see rec optionality in the near-term, we believe this market could represents a US$5.0B revenue opportunity over the long-term.
New England 	Acreage is currently the market leader in many New England regions. The company has captured a leading position in Connecticut, Maine, New Hampshire and Rhode Island. Combined, we believe these markets represents an annual revenue opportunity of >$750M.
Rec Optionality in all the right places 	Acreage has exposure in the next three markets that are expected to implement recreational platforms (New Jersey, Michigan and Illinois).

Source: Company Reports, Canaccord Genuity estimates

Figure 2: Curaleaf: Key/leading markets

State/Region	Curaleaf Exposure
Florida 	Curaleaf currently holds the #2 market share in Florida medical cannabis market. With a population of ~21M residents, Florida represents one of the most attractive medical markets in the US with an annual revenue potential of >US$1.5B
Massachusetts 	Curaleaf (along with Acreage) holds the greatest number of licenses in the state in a market that we believe will reach a peak of >US$1.5B in annual revenues with its recreational market recently implemented.
New York 	In a state that houses ~20M residents, Acreage holds one of only 10 vertically integrated license. As the State may see rec optionality in the near-term, we believe this market could represent a US$5.0B revenue opportunity over the long-term.
New Jersey 	Curaleaf is currently the market leader and holds one of only six licenses in New Jersey; likely to be the next large east cost state to implement a recreational market and open up a US$2.2B revenue opportunity.

Source: Company Reports, Canaccord Genuity estimates

Multi-State Operators: A 30,000-foot view

Over the past several months, the industry has seen an influx of MSOs come to market in order to raise capital and expedite what appears to be a landgrab in the US for high-quality assets/exposure. Refer to Figure 3 for an overview of the significant players in the space with respect to geographic exposure, near-term recreational optionality, leading market positions, current revenue run-rates and relative valuation.

Although both Acreage and Curaleaf trade at the high end of the group range, we believe both companies are currently leading in virtually all of the categories listed below.

Figure 3: Overview of current MSO landscape

Company	Significant Near Term Growth			Near Term Rec Optionality			Potential #1 MKT Share	Implemented Hemp Strategy	2020 EV/EBITDA	System-Wide Revenue Run Rate (USD)
	FL	MA	NY	IL	MI	NJ				
Acreage	✓	✓	✓	✓	✓	✓	ME, CT, NH, RI, MA		9.9x	$77.2M
Curaleaf	✓	✓	✓			✓	NJ, MA	✓	10.1x	$100.0M
MedMen	✓	✓	✓	✓	✓		CA, NY		10.6x	$110.0M
GTI	✓	✓	✓	✓					9.2x	$68.8M
iAnthus MPX	✓	✓	✓						8.9x	$65.6M
Trulieve	✓	✓					FL		7.2x	$113.2M
CRESCO labs		✓	✓	✓	✓	✓	IL, PA		7.4x	$65.2M
Harvest	✓	✓		✓	✓	✓	AZ		5.3x	$44.8M

Source: Company Reports, Canaccord Genuity estimates (Note: GTI, Cresco and Harvest all utilize consensus or management estimates)

Sum-of-the-parts valuation

We have performed a sum-of-the-parts valuation for both Acreage and Curaleaf for each market where they have exposure. In both our valuations, we utilized a DCF methodology, with discount rates ranging from 8% to 14% and a terminal growth rate of 2%.

- **Acreage:** Our SOTP analysis results in a valuation of US$34.84 per share, representing 22.0x our CY2020 EV/adjusted EBITDA, and we are therefore initiating on ACRG.U with a US$35.00 target and a SPECULATIVE BUY rating.
- **Curaleaf**: Our SOTP analysis results in a valuation of C$13.15 per share, representing 21.9x our CY2020 EV/adjusted EBITDA and we are therefore initiating on CURA with a C$13.00 target and a SPECULATIVE BUY rating.

Given the significant long-term growth profile and recreational optionality where Acreage and Curaleaf have exposure, we believe a premium valuation multiple is warranted to capture the value of states that are in excess of two years from coming on line in any material way. We also note that our implied 2020 EV/EBITDA multiples for both companies are still below the current trading multiples of the top Canadian Licensed Producers (at 30.0x). As Acreage, Curaleaf, and many other MSOs already have access to a greater population base than Canada and are able to operate in more favourable vertically integrated models, we believe this valuation gap will eventually close and MSOs (including Acreage and Curaleaf) could begin to re-rate against the relatively more expensive Canadian names over the medium to long term.

However, due to the risks and uncertainties surrounding execution, regulatory changes, and other market factors, we believe a SPECULATIVE BUY rating is appropriate at this time.

Figure 4: Acreage SOTP Valuation

SOTP Valuation	US$ per share	Value (US$ MM)	CY2020 EV/EBITDA
Massachusetts	$ 5.14	$ 624	16.8x
New York	$ 4.44	$ 539	23.0x
New Jersey	$ 4.25	$ 515	23.4x
Maine	$ 3.89	$ 472	38.6x
Ohio	$ 2.99	$ 362	40.2x
Illinois	$ 2.55	$ 310	46.7x
Florida	$ 2.35	$ 285	12.7x
Michigan	$ 2.27	$ 275	28.8x
Connecticut	$ 1.81	$ 219	21.4x
Oregon	$ 1.68	$ 203	34.0x
Rhode Island	$ 0.77	$ 93	12.7x
New Hampshire	$ 0.78	$ 95	22.6x
Pennsylvania	$ 0.61	$ 74	11.0x
Other Markets	$ 3.82	$ 463	29.6x
Fwd Cash	$ 1.04	$ 127	n/a
Hold Co. Discount	$ (3.55)	$ (430)	n/a
SOTP Valuation	$ 34.84	$ 4,226	22.0x

Source: Company Reports, Canaccord Genuity estimates

Figure 5: Curaleaf's SOTP Valuation

SOTP Valuation	C$ per share	Value (C$ MM)	CY2020 EV/EBITDA
Florida	$ 3.78	$ 1,894	22.2x
New Jersey	$ 2.10	$ 1,053	27.9x
Massachusetts	$ 1.72	$ 860	14.6x
New York	$ 1.46	$ 732	26.8x
Maine	$ 1.05	$ 525	46.2x
Arizona	$ 0.85	$ 428	19.5x
Maryland	$ 0.53	$ 266	22.1x
Pennsylvania	$ 0.19	$ 97	10.0x
Other Markets	$ 1.56	$ 780	25.4x
Fwd Cash	$ 0.56	$ 281	n/a
Minority Discount	$ (0.66)	$ (332)	
SOTP Valuation	$ 13.15	$ 6,584	21.9x

Source: Company Reports, Canaccord Genuity estimates

A focus on brands

In addition to a wide breadth of operating assets, both Acreage and Curaleaf place a high importance on branding. Acreage is building out and retrofitting a uniform design to its retail locations under the name "The Botanist" and is in the process of executing a House of Brands approach within its dispensaries (with several brands already launched to date). On the other hand, Curaleaf is implementing a Branded House approach, with its retail locations and product offerings all falling under the "Curaleaf" name in an effort to maximize consumer awareness out of the gate.

With the industry likely to eventually shift to a consumer-branded market, we believe successful consumer brands will eventually determine industry winners over the longer term.

Figure 6: Acreage's House of Brands

The Botanist
prime
Superflux
The Hague Cannabis Co THE FINEST QUALITY
Kind Bill CONCENTRATES

Source: Company Reports, Canaccord Genuity

Figure 7: Curaleaf's Branded House

Source: Company Reports, Canaccord Genuity estimates

Capitalized US cannabis starting to emerge

With access to capital a significant challenge for many US producers (due to the illicit nature of marijuana at the US federal level), we are seeing more and more US cannabis operators come to the Canadian equity markets for funding. Of all the US public companies to date, we believe Acreage and Curaleaf have two of the stronger balance sheets in the space, with >US$750M of cash on hand between the two entities (fully capitalized to meet our long-term forecasts). As we believe there are less than a dozen MSOs with the size, scale and valuation that allow for significant capital raises to fund growth, we believe Acreage and Curaleaf are favourably suited to facilitate expeditious M&A (now with equity upside to offer) as they continue to execute on a landgrab for licences throughout the US.

Experienced and well-aligned management teams

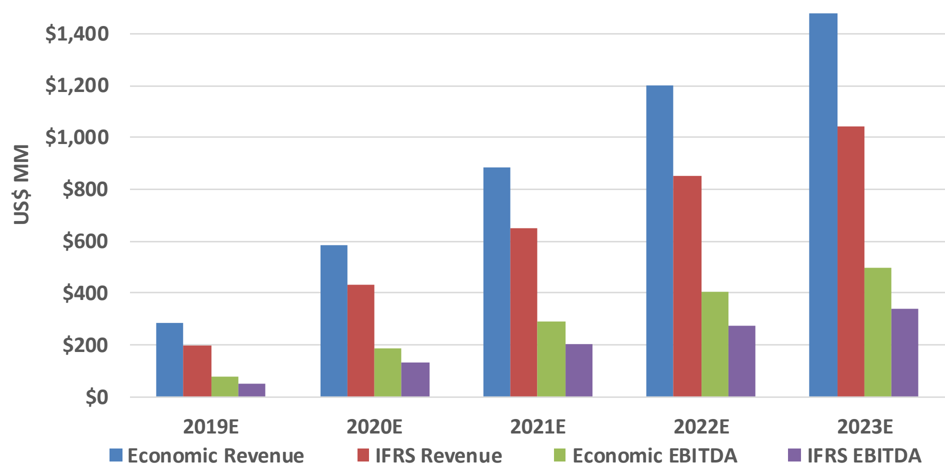
We note that both Acreage and Curaleaf have management teams with extensive experience in finance, management consulting and consumer brands. In particular, Acreage has one of the more impressive boards we have seen in the sector, which includes former Speaker of the US House of Representatives John Boehner; former Prime Minister of Canada Brian Mulroney; and former Governor of Massachusetts Bill Weld.

Burgeoning US markets drive our forecasts

We forecast that Acreage will realize "Economic Revenue" (the cumulative revenue from all its individual wholly owned operating assets) of US$286M in FY2019, increasing at a 50% CAGR to US$1.48B in FY2023. However, for IFRS purposes (as currently not all states are able to be consolidated into IFRS revenue) we forecast revenues of US$200M in FY2019, increasing by a 50% CAGR to US$1.04B by FY2023.

Our IFRS estimates above assume no future changes in states that are not currently consolidated into results. However, we expect that over time regulations will evolve, and we do not expect this gap between Economic and IFRS revenue to persist materially over the longer term. We note that this has no impact on valuation or cash flows and is only a financial reporting consideration.

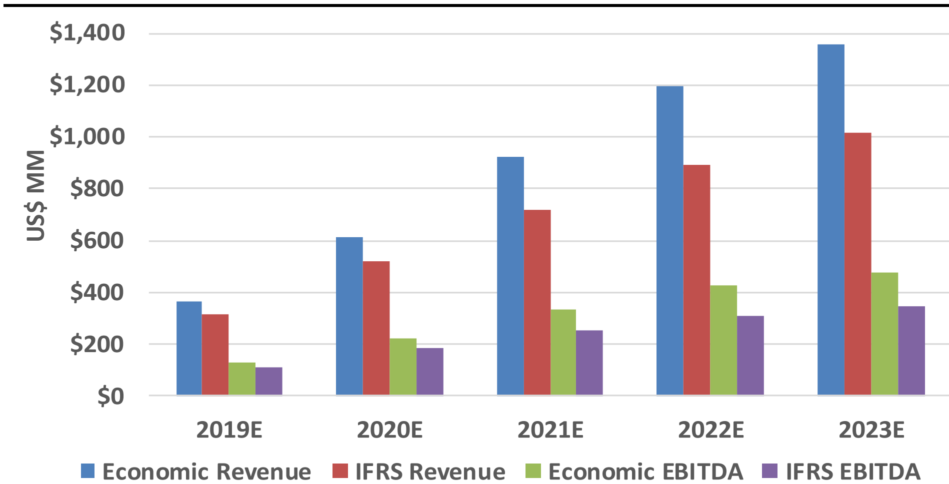
Figure 8: Acreage: FY2019 to FY2023 Revenue and EBITDA estimates



Source: Company Reports, Canaccord Genuity estimates

We forecast that Curaleaf will realize "Economic Revenue" of **US$363M** in FY2019, increasing at a 40% CAGR to **US$1.36B** in FY2023. For IFRS purposes, we forecast revenues of US$314M in FY2019, increasing by a 35% CAGR to US$1.01B by FY2023.

Figure 9: Curaleaf: FY2019 to FY2023 Revenue and EBITDA estimates



Source: Company Reports, Canaccord Genuity estimates

Premium players command a premium valuation

Acreage currently trades at 9.9x our CY2020 EV/EBITDA and Curaleaf at 10.1x. We note that both companies trade at a premium to the overall MSO peer average of 8.5x. Given that Acreage and Curaleaf both have larger geographic exposure and assets in operation compared to many of their peers (providing an increased first-mover advantage), we believe a premium valuation is warranted for both players at this time. However, we also note that both companies trade at a steep discount to the large-cap Canadian LPs (at 30.6x CY2020 EV/EBITDA). As Acreage, Curaleaf, and many other MSOs currently have access to a greater population base than Canada and are able to operate more favourable vertically integrated operations in many states, we believe this valuation gap will eventually close. In our view, it is plausible that MSOs could begin to re-rate against the relatively more expensive Canadian names over the medium to long term.

Figure 10: MSO Comp Table

Company	Ticker	Share Price ($)	Market Cap (MM)	Enterprise Value Adj	EV/EBITDA CY 2019	EV/EBITDA CY 2020	EV/Revenue CY 2019	EV/Revenue CY 2020
Canopy Growth	WEED	$ 41.47	$ 16,032	$ 10,216	49.7x	21.1x	14.4x	8.3x
Aphria Inc.	APH	$ 7.47	$ 1,900	$ 1,635	9.8x	5.1x	3.5x	2.1x
Tilray[1,2]	TLRY	$ 75.13	$ 6,995	$ 6,922	271.9x	81.4x	52.0x	25.7x
Aurora Cannabis	ACB	$ 7.47	$ 7,771	$ 7,653	38.5x	17.9x	13.1x	7.7x
Cronos Group Inc.	CRON	$ 15.13	$ 5,371	$ 2,929	52.9x	27.3x	16.5x	10.6x
Average					84.6x	30.6x	19.9x	10.9x
IAN + MPX	IAN	$ 5.78	$ 1,262	$ 1,140	13.7x	8.9x	3.7x	2.6x
Trulieve	TRUL	$ 10.56	$ 1,165	$ 1,135	10.3x	7.2x	3.5x	3.0x
Green Thumb Industries[1]	GTII	$ 13.00	$ 1,910	$ 1,726	30.2x	9.2x	7.0x	3.3x
Liberty Health Sciences	LHS	$ 1.01	$ 375	$ 352	16.8x	7.5x	3.9x	2.3x
MedMen	MMEN	$ 4.22	$ 2,760	$ 2,513	84.8x	10.6x	5.1x	2.9x
Harvest[1]	HARV	$ 6.50	$ 1,805	$ 1,548	20.5x	5.3x	5.0x	2.0x
Cresco[1]	CL	$ 7.55	$ 2,076	$ 1,969	15.1x	7.4x	5.0x	2.9x
Average of U.S. companies					25.9x	8.5x	5.1x	2.9x
Acreage	ACRG.U	$ 16.20	$ 1,965	$ 1,838	24.3x	9.9x	6.3x	3.1x
Curaleaf	CURA	$ 6.36	$ 3,184	$ 2,903	17.3x	10.1x	6.6x	3.8x

[1]Not rated - Based on Consensus or Management Estimates

[2]Tilray, Acreage estimates and values in USD

Source: Company Reports, Canaccord Genuity estimates

Investment risks

US Federal Government Schedule I classification

We believe the largest overhang facing the US cannabis industry today is marijuana's continued classification as a Schedule I controlled substance (the most restrictive labeling for any narcotic) by the US Federal Government. Although this risk should remain top of mind for investors, we believe there are a number of competing factors, including a large degree of bipartisan support for cannabis, a lack of federal funding for cannabis enforcement, and laws that protect existing medical markets throughout the US, that help mitigate this risk.

Sessions rescission of the Cole Memo

In early January, former US Attorney General Jeff Sessions rescinded the Cole Memo. This Obama-era memo, dating back to 2013, provided guidance on allowing state-sanctioned cannabis companies to operate without federal interference. With these guidelines now removed, it is unclear what standard the Federal Government might use in deciding whether to prosecute under federal cannabis laws within states with legalized platforms.

US cannabis operators are subject to unfavourable federal tax rules

Legal cannabis operators are still subject to unfavourable tax treatments on federal filings. Specifically, Revenue Code Section 280E outright disallows the deduction operating expenses for state-legal cannabis operators. As such, normal course operating expenses that are directly linked to the sales of cannabis are not deductible for federal tax purposes, in many cases. As a result, effective tax rates for US cannabis operators can range from 40% (if fully integrated) to as high as 70%, and tax returns could more likely be subject to increased scrutiny and risk of reassessment by the IRS.

Significant unknowns and material assumptions in our valuation

Because of the different regulatory frameworks and growth profiles of the target markets where Acreage and Curaleaf operate, our estimates and valuation are susceptible to many assumptions and unknowns inherent in these markets. As a result, our valuation could be materially impacted if changes in the industry or either company's ability to execute differ from our assumptions.

Financing risk

As Canada appears to be the only market where US cannabis operators can raise public funds, this limits the opportunity set for financing should Acreage and Curaleaf require additional capital to execute their growth strategy. Should the sentiment or regulations in the Canadian market regarding US cannabis operations materially change, this could make it difficult (or impractical) for the company to secure public market capital for expansion initiatives.

Repatriation of profits

We believe a potential issue that will require resolution in the medium to long term will be the mechanics of how legal cannabis operators in the US can distribute profits to out-of-state and international shareholders (due to the illicit nature of cannabis at the federal level). We believe this is not a near-term issue, as essentially all profits in the US market are being re-deployed to fund growth and keep pace with industry demand. However, we believe increased clarity on this issue will be critical (with many states already seeking federal commentary) as the market reaches a more normalized state.

FX risk
As Curaleaf operates in US markets (but is listed and trades in C$), its stock price is subject to USD/CAD FX fluctuations. Should the US$ depreciate materially against the C$, the stock prices of Curaleaf could experience headwinds independent of its underlying operational performance.

Regulatory/licensing risk
Curaleaf and Acreage operate in several US states with different regulatory, licensing and compliance requirements. Changes to or non-compliance with regulations in any of the states where the either company currently has a presence could have a material adverse impact on operating and financial performance going forward.

Execution risk
Although Acreage and Curaleaf are currently positioned as two of the leading cannabis MSOs in the United States, we believe there is moderate-to-high execution risk for all players in this rapidly evolving space.

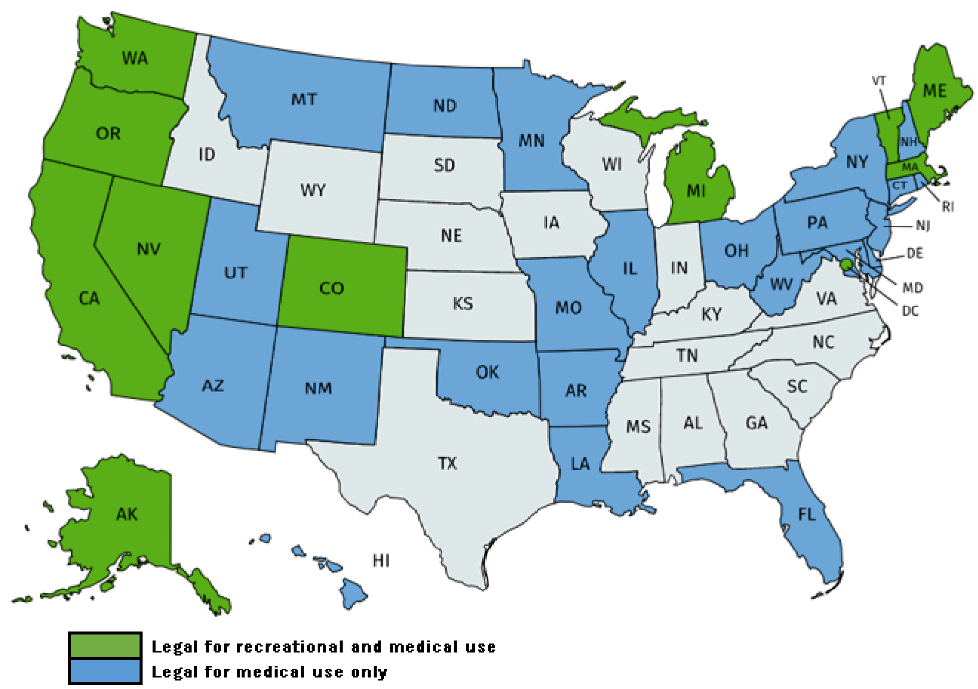
Potential New York lawsuit
Recently in November, a complaint was filed by an entity against a number of parties (including Acreage) in New York State's Supreme Court, alleging that it was wrongfully deprived of a minority interest in what is now Acreage's existing New York license. Acreage has commented that it plans to fully defend this action as needed and believes the claim is without merit. Further, the company noted that the alleged infraction occurred before its purchase of the NY license and is fully indemnified as a result. However, we will be carefully monitoring this matter going forward.

Cannabis legalization in the United States

In the United States, under the Controlled Substances Act, the Federal Government has classified Cannabis as an illegal Schedule I narcotic (the most restrictive classification for any controlled substance) dating back to the 1970s. This remained largely unchanged until 1996 when California's state legislature enacted a regulatory framework for medicinal use cannabis. Due to the Federal Government's negative stance on cannabis, the legal and regulatory framework continues to be determined on a state-by-state basis and can vary considerably across regions. For the most part, states that have legalized medical marijuana allow cannabis to be sold at authorized clinics and dispensaries as long as the patient is registered with a public health department and/or carries a medical cannabis ID card. Since California's legalization of medical cannabis in 1996, many other states have followed suit, and there are now 33 states, and Washington D.C., that have legalized (or are in the process of legalizing) medical cannabis, with many others that have decriminalized the drug for minor possession/personal use.

In 2012, Colorado and Washington were the first two states to legalize recreational use marijuana, passing ballot initiatives during the 2012 presidential election. Today, there are 10 states that have formulated a regulated framework for recreational sales, many of which will be implementing commercialization within the next year. In total, a majority of the states in the US have provided some allowance for cannabis use, either for medical or for both medical/recreational purposes, as shown below.

Figure 11: US: Map of legalized cannabis



Source: Canaccord Genuity

Schedule I classification continues to weigh on the US industry

Although legal recreational sales of cannabis commenced in the United States in 2014 (starting with Colorado), as marijuana remains an illegal narcotic from the standpoint of the US Federal Government, the operating environment in many legal

US regions is not without its complexities. As a result, each state that elects to legalize recreational marijuana must enact its own regulations, which can differ from state to state. We believe that as additional markets come online via state-by-state legislation and ballot initiatives, the negative stigma surrounding the use of cannabis will continue to dissipate, allowing legal markets to convert historically illicit markets into legalized channels.

In the meantime, lack of federal support in the US has created the following complications in legal markets:

- **Regulation and enforcement have been pushed down to the state level,** with fewer resources that would otherwise be overseen by federal agencies, such as the FDA.
- **Lack of capital.** Many financial institutions, which are regulated on a federal level, are hesitant to provide banking services to cannabis companies. This has created issues when cannabis operators need to raise capital or manage cash flows, as the options available to them can be extremely limited due to existing federal restrictions.
- **Supply of cannabis is restricted within the perimeters of state lines.** Even though neighbouring states (such as Washington and Oregon) may both allow recreational marijuana, the act of crossing a state line with cannabis is still a federal crime. Therefore, all supply must come from 'domestic' sources within each state (even when climates are not conducive to cannabis cultivation).
- **Unfavourable tax rates.** Cannabis distributors are restricted in the deductions that are allowed for federal income tax purposes under Section 280E. As a result, it is difficult to become a profitable dispensary in some markets within the United States, as a number of standard business deductions are denied for cannabis producers due to the illegal status of marijuana at the federal level. As a result, it is increasingly common for dispensaries to consolidate with cultivators, which allows for more favourable tax treatments when vertically integrated.
- **Unclear criteria surrounding federal enforcement.** After former Attorney General Jeff Sessions rescinded the Cole Memo earlier this year, it has become increasingly unclear what criteria the Federal Government might use in deciding whether to intervene in existing, legalized cannabis markets. Although we assess the risk of intervention as low, we believe the removal of the Cole Memo does incrementally increase the risk profile of US cannabis markets.

Although the Federal Government continues to represent a significant overhang to the industry as a whole, we believe there are a number of mitigating factors which should give investors some level of comfort when assessing the potential risk of federal interference in existing legalized cannabis regimes. These factors include the following:

Figure 12: US Federal interface: Mitigating factors

US Federal Interference: Mitigating Factors and Considerations	
Rohrabacher–Blumenauer legislation (formerly Rohrabacher-Farr)	Rohrabacher-Blumenauer is US legislation that prohibits the federal Justice Department from allocating any funds for the purpose of intervening in legalized medical cannabis markets. We believe this law helps provide a risk floor for the industry, as although recreational markets are expected to provide substantial upside, we believe the US has many attractive medical markets that represent standalone opportunities for significant growth on its own.
States' rights	Donald Trump and many other Republicans have publicly supported the use of cannabis for medical purposes and also considers the issue of marijuana legalization a matter to be determined at the state level.
Popular support	Currently, ~65% of Americans support the legalization of cannabis for recreational proposes, and >90% support access to marijuana for medical purposes. Due to the relatively wide acceptance of cannabis use, we do not believe there is much political incentive to intervene in these legalized programs that garner a lot of public support.
Bi-partisan support	The federal government is receiving mounting pressure from the governors of states with legalized cannabis frameworks already in place to provide clarity over important issues that impact the industry as a whole and to work in partnership with the states before considering significant changes to the status quo, if any.
Farm Bill	The Agriculture Improvement Act of 2018 (aka the “Farm Bill”) was passed by the U.S. Senate on December 11, 2018. In essence, the Bill removed hemp derived CBD, and all naturally occuring cannabinoids derived from hemp from the controlled subtance list, making hemp a legal commodity.
Federal Decriminalization	In June of 2018, Senator Chuck Schumer introduced a bill to decriminalize marijuana at the federal level. If passed the bill would further provide support for states that have legalized cannabis and only allow federal enforcement where states have chosen to keep recreational use illegal.
Other Bills in front of congress	A number of bills have already been introduced in an effort to change the federal government’s current hardened stance on marijuana regulations. These bills aim to tackle issues such as respecting current state regulations already in place, removing all federal funding for DEA enforcement of marijuana offences, and ending federal cannabis prohibition altogether.

Source: Company Reports, Canaccord Genuity estimates

Passing of STATES Act could facilitate overall industry growth

Earlier this year, U.S. Senators Cory Gardner (Republican) and Elizabeth Warren (Democrat) put forward the Strengthening the Tenth Amendment Through Entrusting States (STATES) Act. The Bill seeks to provide exemption to individuals operating or participating in legal cannabis markets from federal enforcement (as long as certain basic compliance criteria are met). The STATES Act further stipulates that the distribution or sale of marijuana to persons under the age of 21 should remain strictly prohibited, other than for medical purposes, and that compliant transactions should not be considered unlawful by the federal government.

Although the proposed Act would not result in the federal legalization of cannabis, we believe its passing would represent a significant step in the right direction. Should the Bill pass, we believe this would de-risk the industry as a whole and likely open up the banking system for state-by-state operators (which is currently highly restrictive in nature). Support for the bill has been seemingly widespread, with Donald Trump providing a high-level endorsement to the media shortly after it was introduced.

Canaccord Genuity Capital Markets

Acreage Holdings, Inc.

Cannabis

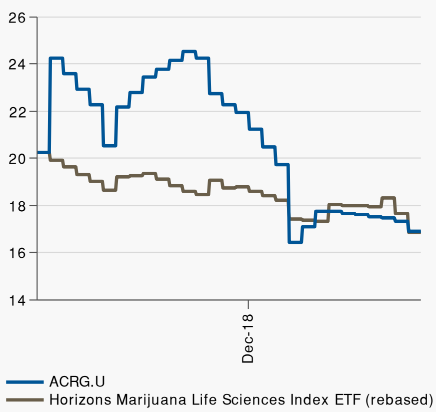
Canadian Equity Research
17 December 2018

SPECULATIVE BUY

PRICE TARGET	US$35.00
Price (14-Dec)	US$16.20
Ticker	ACRG.U-CSE

52-Week Range (US$):	15.25 - 26.90
Avg Daily Vol (000s) :	225.5
Market Cap (US$M):	1,965
Shares Out., FD (M) :	121.3
Total Return to Target (%) :	116.0
Net Debt (Cash) :	(127)
Enterprise Value (US$M):	1,838

FYE Dec	2019E	2020E	2021E
Economic Revenue (US$M)	286	582	887
IFRS Revenue (US$M)	200	433	651
SG&A (US$M)	64.1	123.8	183.8
Economic EBITDA (US$M)	75.5	186.6	292.1
IFRS EBITDA (US$M)	48.0	131.8	204.7
EPS Adj&Dil (US$)	(0.01)	0.32	0.63
EV/EBITDA (x)	24.3	9.9	6.3



Source: FactSet

Priced as of close of business 14 December 2018

Acreage Holdings is a New York based, vertically-integrated cannabis operator. The company launched in 2014, strategically investing in Cannabis assets in Maine, Connecticut, Illinois and Oregan. Since then, Acrease has expanded to New York, Florida, and Massacusettes, along with California and Oregon. Acreage has established cultivation, processing and dispensing assets in 12 states, with an additional 5 states through a network of partnership agreement.

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Initiation of Coverage

Developing a leading national US footprint

We are initiating coverage of Acreage Holdings, Inc. with a SPECULATIVE BUY rating and a target price of US$35.00. Acreage is currently the largest Multi-State Operator (MSO) in the US cannabis industry (by geographic exposure) with vertically integrated assets and licenses in place that span 19 states. The company is already a market leader throughout New England; has operations in some of the largest existing market opportunities by population (including NY, FL and MA); and has exposure to states that we believe provide investors with industry-leading recreational optionality.

Investment Highlights

- **Robust national footprint.** Acreage has the widest geographic footprint among all US MSOs, with licenses/assets in 19 states housing a cumulative population of >175M. Within its existing portfolio Acreage has exposure to critical US markets, including the highest number of licenses in Massachusetts, one of only 10 licenses in New York State, and recreational optionality in the next three states likely to implement adult use markets (New Jersey, Michigan and Illinois). We thus believe Acreage is favourably positioned to secure a first-mover advantage in markets throughout the US and obtain a 5-15% long-term market share in markets where the company has operations.
- **Consumer branded philosophy.** As US cannabis markets continue to evolve, we believe successful brands will eventually shape industry winners. Management has taken a strong consumer branded approach, which includes a uniform retail design (under its “Botanist” brand banner); vertically integrated branded product offerings; and a recently announced acquisition of one of the industry’s largest cannabis product manufacturers to use as a springboard to launch its brands at a national level.
- **Experienced management and BoD.** In addition to a management team with extensive experience in finance, management consulting and consumer branding, Acreage also brings to the table an impressive Board of Directors. Members include former Speaker of the US House of Representatives John Boehner; former Prime Minister of Canada Brian Mulroney; and former Governor of Massachusetts Bill Weld.
- **Burgeoning US markets drive our forecasts**. We forecast Acreage will realize “Economic Revenue” of US$286M in FY2019, increasing at a 50% CAGR to US$1.48B in FY2023; we estimate that the company will realize Adj. EBITDA of US$76M in 2019, increasing to US$497M by 2023.

Valuation: We value Acreage using a sum-of-the-parts analysis for each market where it has exposure. We utilize a DCF methodology, with discount rates ranging from 8% to 14%; a terminal growth rate of 2%; and further probability discounts where appropriate. Together, our SOTP valuation yields a target price of US$35.00 (or 22.0x our CY2020 EV/Adj. EBITDA) and represents a forecast return of 116%. Given the significant long-term growth profile and recreational optionality where Acreage has exposure, we believe a premium valuation multiple is warranted; however, due to the risks and uncertainties surrounding execution, regulatory changes, and other market factors, we believe a SPECULATIVE BUY rating is appropriate at this time. Acreage currently trades at 9.9x our FY2020 EV/EBITDA, compared to the average of its US peers at 8.5x.

Acreage at a glace

Headquartered in New York City, Acreage Holdings, Inc. is a MSO in the US cannabis industry. Its history dates back to 2012 when one of its founders began investing in minority positions in licensed operators throughout the East Coast. With additional investments added into its portfolio, Acreage was formed in 2014 (know then as "High Street Capital Partners") and has since increased its geographic exposure to an industry-leading 19 states. More importantly, throughout 2017/2018, Acreage underwent a comprehensive roll-up of all its minority and non-wholly owned assets and now owns 100% of the equity/assets in all 19 states where it has exposure. Going forward, the company is now a full-fledged operating company, and in this report, we therefore refer to Acreage and its investment entities interchangeably. As we head into 2019, the company will continue to integrate/standardize its cultivation/production protocols, centralize its corporate management, and roll out/retrofit its retail dispensary network under its "Botanist" brand (discussed further below).

We believe Acreage is strategically positioned as one of the leading MSOs in the US cannabis industry in terms of its geographic exposure, operating assets, recreational optionality and management expertise. Refer below for an overview of the company's existing US exposure, brand strategy and consumer packaged goods focus.

(1) **Geographic exposure.** As noted above, Acreage currently has the widest geographic footprint among all US MSOs with licenses/assets in 19 states that house a cumulative population of >175M (and ~20 dispensaries already up and running). Although we believe that a large footprint on its own will not necessarily determine industry winners, we believe that within its existing portfolio, Acreage has exposure (and in some cases a leading presence) in critical US markets that we believe will produce many of the industry winners down the road, including:

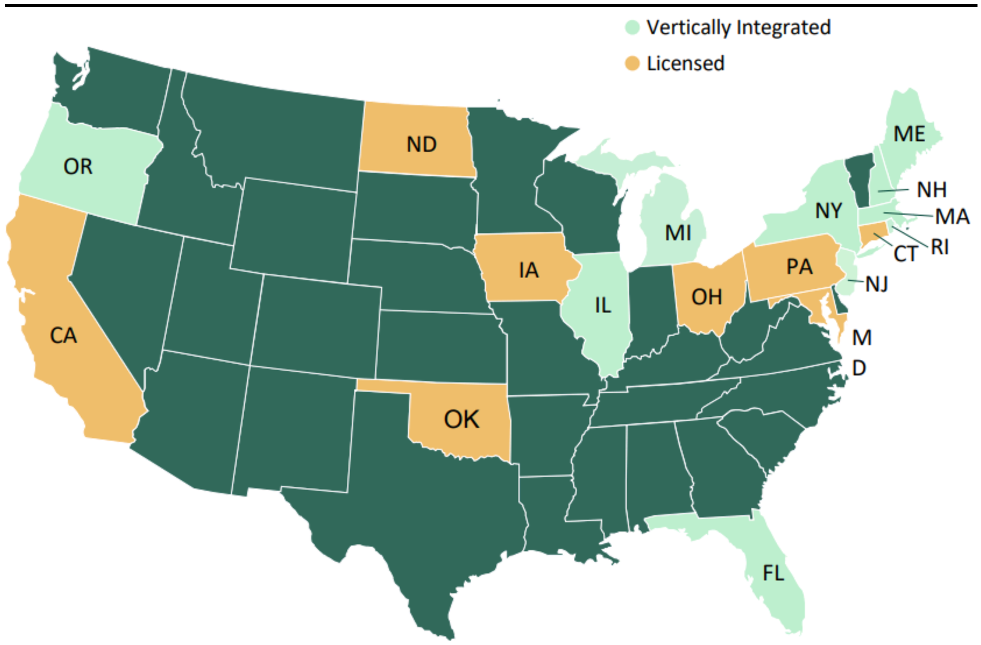
   i. ***The most licenses in Massachusetts.*** With its recreational market officially open for business, we believe Massachusetts represents the East Coast state with the highest near-term growth potential (est. mature market potential of >US$1.5B in annual revenues). In our view, Acreage (along with Curaleaf) are best suited to capture leading positions in this market as both hold the greatest number of licenses (vs. other operators in the state) and are already in the process of rolling out additional retail locations.

   ii. ***One of only 10 players in New York State.*** In a state that houses ~20M residents, we believe the existing New York medical market is a >US$1B opportunity on its own. However, with a recreational market that could plausibly open up over the next two years and increase the long-term revenue opportunity to ~US$5B, Acreage is currently one of only 10 licenced operators that we believe will have a significant first-mover advantage in this market.

   iii. ***An existing market leader in New England***. In addition to licenses in markets that we believe will provide the most near-term growth/value, Acreage is already the market leader in many other New England markets, including Connecticut, Maine, New Hampshire and soon to be Rhode Island (pending transaction closing). Combined, we estimate that these four markets represent a mature annual revenue opportunity of >US$750M where Acreage is already the market leader.

iv. *Recreational optionality in all the right places.* Although we believe most existing legal medical markets in the US will eventually implement adult-use regulations, we note that Michigan, New Jersey and Illinois are all in the process of considering recreational legislation that could see these markets implemented by the end of 2019. Acreage has licenses in all of these markets (including one of only six licenses in New Jersey), which we believe will represent a combined annual revenue potential of >US$8B at maturity.

Figure 1: Acreage's US geographical exposure



Source: Company Reports (Note: Washington State was also recently added to Acreage's portfolio of licenses)

(2) **A branded focus.** In addition to a wide breadth of operating assets, Acreage is placing a strict focus on its brand strategy – both at the retail and product levels. Although having sufficient licenses and access/ownership to distribution channels is paramount to carving out market share, we believe the industry will eventually shift to a consumer branded market. As a result, in our view, successful consumer brands will eventually determine industry winners over the longer term. Acreage's brand strategy and existing brands are summarized below.

The Botanist

i. **Retail branding.** After recently rolling up its investment portfolio to 100% equity ownerships, Acreage's ~20 dispensaries have various brand names and brand designs. The company believes that to build a national presence in the US, a uniform retail design will be critical to securing market awareness. As a result, the company has designed a retail brand under the moniker "The Botanist", which it believes provides a unique dispensary atmosphere and a balanced appeal between medical and recreational users. Its first Botanist dispensaries were opened in Baltimore and Buffalo, with several other locations in New York and Massachusetts expected to be rolled out in the coming months. In addition, Acreage will be retrofitting all of its existing retail stores that have different brand names to The Botanist design over the next 18 months. Refer below to photographs of the company's Botanist dispensary in Buffalo, NY.

Figure 2: Outside Acreage's Botanist dispensary in Buffalo

Source: Company Reports

Figure 3: Inside Acreage's Botanist dispensary in Buffalo

Source: Company Reports

ii. **Product branding.** In addition to a planned standardized retail design, Acreage is also in the process of rolling out a house of brands to cater to a variety of different cannabis users. As the company continues to ramp up its cultivation/production capacity throughout the US, we expect these brands to provide higher margins to the company once distributed through its predominantly vertically integrated infrastructure. Acreage's brands to date include:

The Botanist: This brand represents Acreage's "value" play, representing an overall lifestyle brand. The Botanist is Acreage's flagship brand and the company sees it as an entry point into its house of brands.

-1.-Prime: Designed for the medical use customer, Acreage has created the -1.- Prime line, marketed to advancing patient health and wellness.

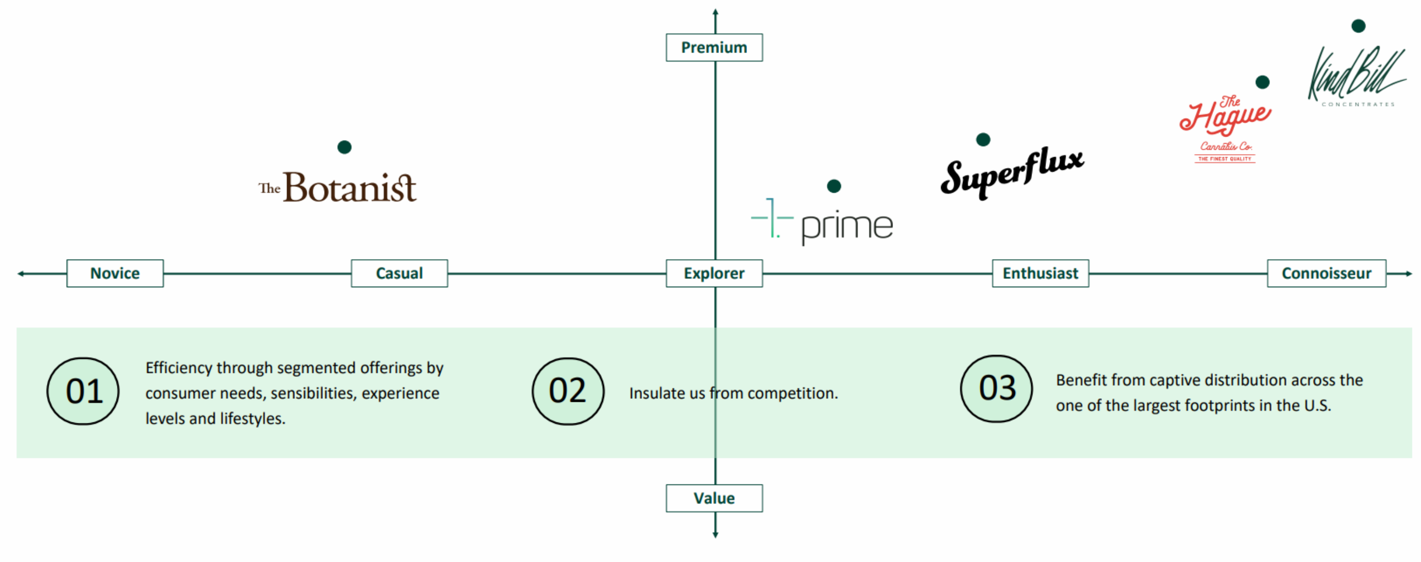
Superflux: Designed as the "premium lifestyle" brand in Acreage's portfolio with a motto of "Log off. Turn on. Peace out." The company is marketing this brand more towards the cannabis enthusiast, as opposed to casual users.

The Hague: This line comes from the collection of Phil Hague (Acreage's Head of Cultivation), a cannabis cultivator and Cannabis Cup winner. Phil has spent many years refining his collection of rare cannabis strains and is bringing to market high THC products.

Kind Bill: William Fenger is another award-winning cannabis processor that has also been added to the Acreage team. William has extensive expertise in cannabis extraction after spending years developing unique blends of cannabis. This line will be geared towards the cannabis connoisseur.

As the company continues to roll out its multi-state infrastructure, Acreage aims to leverage its range of operations to launch these (and likely other) brands at a national level. A summary of how the above-mentioned brands are being positioned by the company is illustrated below.

Figure 4: Acreage's house of brands positioning



Source: Company Reports

(3) **A scalable, consumer packed goods philosophy.** Earlier in December, Acreage announced the acquisition of Form Factory, a West Coast manufacturer and distributor of cannabis-based edible and beverage products (on a contract basis). The company believes the addition of Form Factory will provide it with the access and expertise of an existing operator that can develop, manufacture and distribute cannabis products to support its growing national footprint. Management is adamant that as the cannabis market continues to develop, industry winners will need to take a consumer packed goods approach in order to build national brand awareness throughout the US. Further, the company believes it will be critical to have manufacturing capabilities that can support a quickly evolving and dynamic cannabis market.

Form Factory is licensed to operate in California, Oregon and Washington State. Its existing operations include a 30,000 sq. ft. facility in Portland, Oregon and a 25,000 sq. ft. facility in Elma, Washington. In addition, the company is currently in the midst of building out three facilities in California (Oakland, Needles and Los Angeles), which will add >50,000 sq. ft. of manufacturing capabilities by Q1/19. The company already has a pipeline of >20 brands that are being onboarded for manufacturing/co-packing services, with many other brands in the queue. As the largest cannabis co-packer in Oregon and Washington with a basket of IP (including micro/macro encapsulation), management believes it will be able to leverage Form Factory's experience and manufacturing capabilities at its other cultivation/production sites in order to accelerate its product launches throughout its 19-state footprint.

Next, we will take a deep dive into Acreage's assets on a state-by-state level, as summarized below:

Figure 5: Summary of Acreage's assets by market

State/Region	Market Size	Acreage Exposure
Massachusetts 	• Population of ~7.0 million • Legal for medical and rec • Market opportunity of >**US$1.5 billion** at peak (medical +rec).	Acreage currently hold one MMJ license in Massachusetts, with management agreements in place that provide it with the economic benefits of another two licenses. Each license permits the company to operate one cultivation/processing facility and three dispensaries in the state. Massachusetts recently kicked-off its recreational market this past November.
New York 	• Population of ~20 million • Legal for medical use only • Market opportunity of >**US$1.2 billion** (medical only)	Acreage currently holds one of only 10 vertically integrated issued by the state of New York that allows for cultivation, processing and up to four dispensaries. The company has a 70,000 sq. ft. production facility and has already opened a Botanist store in downtown Buffalo.
New Jersey 	• Population of ~9.0 million • Legal for medical use only (but recreational legislation is expected in 2019) • Market opportunity of >**US$2.2 billion** (medical + rec).	Acreage holds one of only six vertically integrated licenses in New Jersey. The company operates one dispensary (with regulations likely to allow for each operator to open two more locations in 2019) and will utilize a 125,000 sq. ft. cultivation/production facility. It is largely anticipated that the state of New Jersey will introduce its recreational regulation in 2019, which could result in its adult-use market opening by the end of the year or early 2020.
Maine 	• Population of ~1.3 million • Legal for medical use and recreational use. • Market opportunity of >**US$350 million** (medical + rec)	Acreage is number one player in the Maine market, currently holding four of the States eight dispensaries, representing >50% of the state's market share. Its dispensaries are located in Portland, Gardiner, Brewer and Bath. The company also operates a 40,000 sq. ft. cultivation/processing building in Auburn. Maine's recreational market is expected to commence in early 2019.
Ohio 	• Population of ~12.0 million • Legal for medical only • Market opportunity of ~**US$700 million** at peak (medical only).	Acreage has been awarded 5 of 56 dispensary licenses and one of the first 12 production licenses in Ohio. This represents the maximum allotment for any one operator, with only two other applicants securing as many licenses. The dispensaries will be located in Akron, Canton, Cleveland, Columbus and Wickliffe and should be opened during Q1/19.
Illinois 	• Population of ~12.8 million • Legal for medical use only (but recreational legislation is expected in 2019) • Market opportunity of **~US$3.5 billion** (medical + rec)	Acreage owns one dispensary and one of 22 production licenses in Illinois where it will operate out of a ~80,000 sq. ft. facility. It is widely anticipated that Illinois will pass recreational regulations during 2019.
Florida 	• Population of ~21.0 million • Legal for medical use only • Market opportunity of **>US$1.5 billion** at peak (medical only).	Acreage has an agreement in place to acquire a 100% ownership of one of only ~14 vertically integrated licenses in the state of Florida. Acreage plans to have 18 of 30 dispensaries open with 100,000 sq. ft. of canopy growth space by the end of 2019.
Michigan 	• Population of ~10 million • Legal for medical and recreational use • Market opportunity of **>US$2.75 billion** (medical + rec)	Acreage holds an assortment of real estate assets in Michigan that have been locally approved for vertically-integrated cannabis operations. Upon receiving state approval, the company plans to operate a 60,000 sq. ft. cultivation/production site and is targeting to open 10 retail locations throughout the state (three of which it hopes to have open in the coming year).
Connecticut 	• Population of ~3.6 million • Legal for medical use only • Market opportunity of >**US$200 million** (medical only)	Acreage currently owns two of the most profitable dispensaries in Connecticut (out of a total of only nine in the state).
Oregon 	• Population of ~4.1 million • Legal for medical and recreational use • Market opportunity of **>US$1 billion** (medical + rec)	Acreage owns five active dispensaries in Oregon (three in Portland, one in Eugene, and one in Springfield) and a 30,000 sq. ft. cultivation/production facility to support its retail footprint.

Source: Company Reports, Canaccord Genuity estimates

Figure 6: Summary of Acreage's assets by market (continued)

State/Region	Market Size	Acreage Exposure
Rhode Island 	• Population of ~1.1 million • Legal for medical use only • Market opportunity of **>US$75 million** (medical only)	Acreage is in the process of closing an acquisition that will provide it with one of three vertically integrated licenses in Rhode Island, including a dispensary in Portsmouth (operational since 2013) and a 15,000 sq. ft. production facility.
New Hampshire 	• Population of ~1.3 million • Legal for medical use only • Market opportunity of **>US$75 million** (medical only)	Acreage holds one of four vertically integrated licenses in the state as well as an vertically-integrated a 30,000 sq. ft. cultivation / processing facility.
Pennsylvania 	• Population of ~12.8 million • Legal for medical use only • Market opportunity of **>US$800 million** (medical only)	Acreage holds one of 25 licenses in Pennsylvania that allows it o produce, process and sell cannabis to medical-use dispensaries. In Q1/18, Acreage's 30,000 sq. ft. cultivation and processing facility in Berks County went live.
California 	• Population of ~40.0 million • Legal for medical use and recreational use • Market opportunity of **>US$10 billion** at peak (medical + rec)	The company is in the process of closing an acquisition that will provide it with a 10,000 sq. ft. facility in Oakland; predominantly used for processing cannabis into derivative products. In addition, through its recently announced acquisition of Form Factory, Acreage also plans to build out another three facilities in the state (totaling >50,000 sq. ft.) for large scale manufacturing and co-packing services. Acreage plans to utilize the infrastructure acquired from Form Factory as a springboard to launch its brands in California and nationally.
Maryland 	• Population of ~6.1 million • Legal for medical use only • Market opportunity of **>US$350 million** (medical only)	Currently, Acreage operates one dispensary in the Baltimore area, which commenced operations in Q3/18.
Oklahoma 	• Population of ~3.9 million • Legal for medical use only • Market opportunity of **>~US$200 million** (medical only)	Acreage Holdings was granted a provisional cultivation and manufacturing license in Oklahoma. The facility is currently in the design and build out phase and the company expects to begin operating by mid 2019.
North Dakota 	• Population of ~0.8 million • Legal for medical use only • Market opportunity of **>~US$50 million** (medical only)	Acreage holds one of four issued dispensary licenses in the state of North Dakota.
Iowa 	• Population of ~3.1 million • Medical only (CBD) • Market opportunity of **>~US$100 million** (medical only CBD)	Acreage holds one of two manufacturing licenses issued by Iowa and will operator a 4,000 sq. ft. facility.
Washington State 	• Population of ~7.4 million • Legal for medical and recreational use • • Market opportunity of **>US$1.5 billion** (medical only + rec).	Through the acquisition of Form Factory, Acreage owns a 25,000 sq. ft. manufacturing facility based out of the city of Elma.

Source: Company Reports, Canaccord Genuity estimates

Overview of Acreage's assets, operations and geographic exposure

A detailed overview of Acreage's existing assets and operations in the 19 states where it has already secured exposure is provided next.

Massachusetts: Aiming for a leading market position as recreational cannabis hits the East Coast
With a medical market that has been in place since 2013, Massachusetts approved a ballot initiative in November 2016 that put in motion the legalization of recreational cannabis, which officially kicked off this past November (albeit at a relatively slow pace). As a result, Massachusetts is now the largest East Coast state to legalize and implement an adult-use market in addition to a medical market that we believe still has >3x upside from current levels. As a result, we estimate the state can support a revenue potential of >US$1.5B at maturity, and we believe Acreage is favourably positioned to compete for a leading market presence in this region.

Over the past several years, Acreage has compiled a wealth of assets/licenses/management agreements in the Massachusetts market. Each license in the state allows for a vertically integrated cultivation/production facility and three retail locations. To date, Acreage wholly owns one vertically integrated license with management agreements in place that effectively provide it with 100% of the economic interest of another two licences (with a third pending). As a result, the company plans to open six dispensaries in Massachusetts by the end of 2019. Along with Curaleaf, this represents the most potential exposure of any one operator in the state at this time. Further descriptions of the company's Massachusetts assets are provided below.

Cultivation/Production:

- Sterling facility. At Acreage's Sterling location (approx. 75km west of Boston), the company operates a 36,000 sq. ft. indoor cultivation facility where it will produce a majority of the dried flower to be sold through its planned retail dispensaries.
- Rockland facility. The company's Rockland facility is currently under construction and will be predominantly utilized for extraction/processing to create derivative products from cannabis trim purchased at wholesale.

Retail Dispensaries:

Acreage is in the process of constructing four of its dispensaries in the state with operations expecting to up and running as we head into the new year (all to be designed under the "Botanist" banner). The locations of the planned dispensaries fall in the following regions:

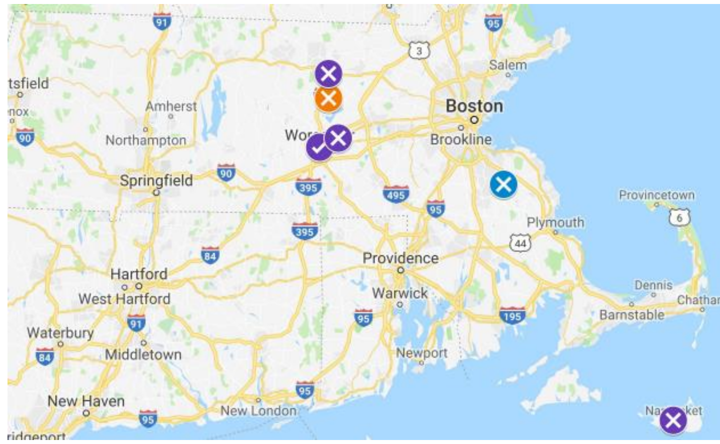
- **Rockland.** A location in a town in Plymouth County with a population of >500,000 located ~35 km south of Boston.
- **Nantucket.** An island town off the coast of Cape Cod with a population of ~12,000 and a popular summer tourist location.
- **Worcester, Sterling, Leominster and Shrewsbury.** Locations in towns in Worcester County with a total population of >800,000 located in the eastern

part of the state. These locations are currently under construction with its Worcester and Leominster sites set to be open by the end of the year.

Figure 7: Botanist dispensary location in Worcester

Source: Company Reports

Figure 8: Map of Acreage's Massachusetts exposure



Source: Canaccord Genuity

Although we do not believe Acreage necessarily has many of the "prime" retail locations in Massachusetts (Boston, etc.), its planned dispensaries will cumulatively be located in relatively close proximity to a population of ~1.3 million (almost 20% of the state's population). Given that the state has only 40 or so locations to date, we believe Acreage is in a favourable position to secure a first-mover advantage in the state's recently implemented recreational market.

Further, with access to capital still a significant challenge for many US players and municipal regulations in Massachusetts that are complex to navigate, we believe Acreage is one of a handful of public companies in the state that will be better suited to source the capital and resources needed to continue expanding in a market that will likely soon hit an inflection point in legal cannabis demand.

New York: One of 10 in the state

New York state enacted the Compassionate Care Act (CCA) in July of 2014 through legislation signed by Governor Andrew Cuomo. The CCA currently allows 10 operators ("Registered Organizations" or "RO") to provide medical cannabis to patients in the state. Each RO is entitled to one cultivation/production facility along with four assigned retail dispensaries. Under the current regulations, we believe the existing 10 operators in New York State are favourably positioned to take advantage of what we believe is a >US$1.2 billion revenue opportunity at full ramp (before considering the potential for recreational upside).

With >80,000 patients registered to date, we believe there is potentially 5x upside from existing medical levels. Although New York's medical program has historically been one of the more restrictive in the US, after the addition of chronic pain to the list of qualifying conditions last year, the state is starting to see its patient base reach an inflection point. Further, with Massachusetts' recently implemented recreational platform and New Jersey aiming towards legalizing recreational marijuana next year, New York could be one of the next larger US states to pull the trigger on adult-use legalization.

Acreage holds one of only 10 vertically integrated licenses in the state's existing medical market. Each licence holder is permitted to operate a cultivation/production facility and four assigned retail locations. Although the state's registered medical patient base continues to see healthy growth, we note that New York's infrastructure remains at a relatively nascent stage with only ~20+ dispensaries opened to date. As each licensee is allocated the same number of locations, we believe the playing field is somewhat level; however, we believe New York will need significantly more retail locations in order to allow its medical segment to continue its growth trajectory. As such, the 10 existing license holders have a valuable first-mover advantage in this growing market. Below is a summary of the assets held by Acreage in New York State:

Cultivation/Production:

- **DeWitt facility.** Located in Onondaga County, Acreage owns a 70,000 sq. ft. cultivation/production facility that is in the process of being scaled up to capacity (expected to reach 40,000 sq. ft. of cultivation canopy during 2019). In addition, the company is also considering purchasing adjacent land to construct a greenhouse facility that could add an additional 100,000 sq. ft. in the coming years. Although a modest wholesale market exists in the state, Acreage plans on building enough capacity to supply its vertically integrated retail stores as they are built out.

Retail Dispensaries:

Acreage has secured its four retail locations in the state, which it recently began opening. The locations include:

- **Buffalo.** Located in the city of Buffalo, this site represents the first dispensary opened by the Acreage in the State of New York (under the Botanist banner). With only three locations approved in the area, Acreage's Botanist location is the only one located in the downtown core on Seneca Street. Therefore, we believe Acreage will secure the lion's share of the market represented by the 260,000 living within the city of Buffalo – a revenue potential of >$15M on its own (at peak), in our view.

- **Queens.** Located on Long Island in the neighbourhood of Jamaica, this location represents Acreage's most attractive dispensary in terms of population density. We estimate that Queens' 2.4 million residents could represent an ~US$150M medical market on its own (at peak) and Acreage could potentially secure a meaningful market share of this opportunity considering only a small handful of locations have been approved in this area. This dispensary is expected to open in early 2019.

- **Middletown.** A location in a town in Orange County with a population of just under 400,000 located in Upstate New York. This dispensary is expected to open in early 2019.

- **Farmingdale.** A location on Long Island in a town on the outskirts of Nassau County with a population of just under ~1.4 million. This dispensary is expected to open in early 2019.

Figure 9: Botanist design in Buffalo

Source: Company Reports

Although similar to Massachusetts, we believe Acreage is also in the process of carving out a first-mover advantage in the State of New York. In our view, a material value driver of this opportunity lies within the potential for the state to legalize recreational cannabis in the coming years. We believe the US East Coast is undergoing a shift (similar to the West Coast in prior years) that will see a number of highly populated states (such as Massachusetts, New Jersey and Michigan) implement legal recreational cannabis programs and that New York State may not be too far behind given the increasing social acceptance.

Although we value this market opportunity including only medical sales (>US$1.2B revenue at peak), should the state implement a legalized recreational program, we believe the market opportunity could increase to >US$5B over the long term.

Figure 10: Map of Acreage's assets in New York state

Source: Canaccord Genuity

New Jersey: An existing medical presence with near-term rec upside

In January 2010, New Jersey signed into law the Compassionate Use Medical Marijuana Act, permitting the legal sale of medical cannabis for certain medical indications. Initially, regulations allowed for only certain debilitating diseases to be included in the program. However, earlier this year, Governor Phil Murphy signed an executive order to significantly expand the state's medical cannabis program (with 20+ new indications added). As a result, we expect participation in the program to increase heading into 2019 with >30,000 patients currently enrolled in the program that we believe could eventually grow to close to 200,000 at maturity. Perhaps more notably, state legislators are also in the process of writing up recreational cannabis regulations, which many anticipate could be passed in early 2019.

In the existing medical market, Acreage has a management agreement in place with one of six vertically integrated licenses that allows for one cultivation/production facility with an on-site retail dispensary. Although the company currently has just the one location, the expanded medical program is considering allowing an additional two locations for each licensee. As a result, management anticipates that it will likely have a total of three retail locations opened by the end of 2019. However, the state is also considering adding six more medical permits, bringing the total number of license holders in New Jersey to 12. Acreage's exposure in New Jersey comprises the following:

Cultivation/Production:

- **Egg Harbor facility.** Located just outside of Atlantic City, the company leases a 125,000 sq. ft. greenhouse facility that currently has ~10,000 sq. ft. of cultivation space. However, in anticipation of a growing medical market and potential recreational implementation, Acreage plans on building out this facility to >100,000 sq. ft. of grow space by the end of 2019.

Retail Dispensaries:

- **Compassionate Care Foundation.** Located at its Egg Harbor cultivation/production site, the company operates one medical dispensary (out of a total of six in the state) that is estimated to be operating at a US$5M run-rate, before factoring in potential upside from the state's expanded medical regulations.
- **Additional two locations.** As noted above, the company believes that during 2019, it will be able to open two additional dispensaries in the southern portion of the state. Management is currently in the process of scouting potential retail locations (likely in Atlantic City and Cherry Hill) where it plans to open retail stores under its Botanist brand banner.

After Massachusetts (where Acreage also has a presence), we believe New Jersey represents the state with the highest near-term recreational optionality. Its governor is actively in the process of moving adult-use regulations into law, which could happen in early 2019. Although Acreage is already carving out a presence in the existing medical market as one of only six operators, as most markets typically leverage off existing medical infrastructure when implementing recreational platforms, we believe this asset could see significant upside once adult-use regulations are approved.

Figure 11: Inside the Compassionate Care dispensary

Source: Company Reports

Maine: A market-leading position

Although Maine has a medical market that dates back to 1999, it was historically dominated by home grow until medical dispensaries were approved in 2009. More recently in 2016, recreational cannabis was approved via ballot initiative and state regulators are still in the process of finalizing its adult-market rules, which we believe will start to be implemented in 2019.

Acreage's investment in Maine represents its first foray into the US cannabis industry, dating back to 2011. The company operates one of the four cultivation/production facilities and four of the eight dispensaries licensed in Maine. Management estimates that it currently has over 50% market share in the state. As a result, after its Connecticut operations (previously outlined), Maine and Oregon (discussed next) represent the next highest contributors to Acreage's top line on a trailing basis. A description of Acreage's assets in Maine is as follows:

Cultivation/Production:

- **Auburn facility.** Located ~60 km north of Portland, Maine, the company operates a 40,000 sq. ft. cultivation/production facility with ~12,000 sq. ft. of cultivation space that the company plans to double to 24,000 sq. ft. by the end of 2019. This location represents one of only four licensed facilities in the state.

Retail Dispensaries:

As noted above, the company operates four of the eight licensed dispensaries in the state that are currently branded under the banner "Wellness Connection". However, over the longer-term management indicated that all of its retail locations will eventually be transitioned to its Botanist retail brand. On a trailing basis, management indicated that its total revenues in Maine are >US$12M.

WELLNESS CONNECTION

- **Portland.** The Wellness Connection location in Portland is situated in the heart of Portland, which is the only retail dispensary in the largest city in the state.

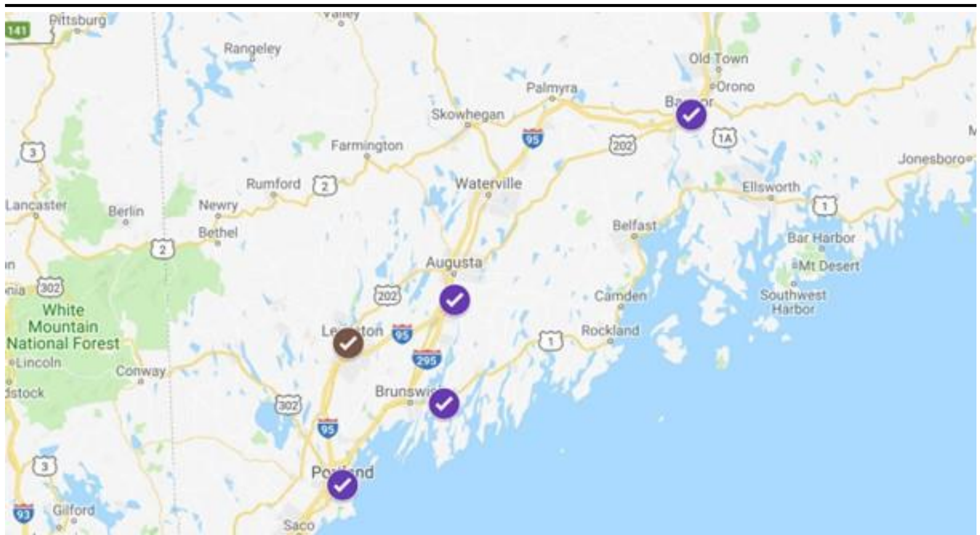
- **Bath.** Acreage's Bath location is located just east of the city of Brunswick.

- **Brewer.** The company's Brewer location is the only retail dispensary in the Bangor, Maine area.

- **Gardiner.** The Wellness Connection Gardiner is favourably located on the Kennebec River, just south of Augusta.

Although Maine's medical market is already at a (relatively) mature stage, with the introduction of recreational cannabis, we believe the state can support a long-term annual revenue potential of ~US$350M. Considering Acreage already has the leading position in the state's medical market, we believe its existing retail footprint could see significant growth from current levels over the near term.

Figure 12: Map of Maine retail locations



Source: Canaccord Genuity

Refer below for pictures inside some of Acreage's Maine dispensaries.

Figure 13: Portland location

Source: Company Reports

Figure 14: Bath location

Source: Company Reports

Figure 15: Gardiner location

Source: Company Reports

Ohio: A first mover in yet another densely populated East Coast market

In September 2016, after the passing of House Bill 532, Ohio legalized the use of medical cannabis for a variety of indications. After finalizing its medical regulations (which will include limited product forms to start, such as oils, tinctures, edibles and dried bud), the medical market in Ohio only recently kicked off this past November. To date, the state has issued 13 of 24 slated production licenses (without cultivation) and 56 of 60 retail dispensary locations. Although this represents a soft-cap for the time being, additional licenses may be issued if the state's population and overall medical demand are able to support the addition of new operators.

We believe Acreage has secured a strong first-mover advantage in Ohio with one of 13 production licenses and the ability to open five of 56 dispensaries. Further, we note that Acreage is one of only three operators in the state to be awarded five retail locations; the maximum allowed for any one applicant. Although Ohio is not necessarily vertically integrated by design (with different licences issued for cultivation, production and retail), we note that Acreage has already secured two of the three licence classifications and is appealing to the state to be granted the ability to cultivate flower (the least valuable of the three licences, in our view). Below is an overview of the assets secured by Acreage in Ohio to date:

Production:

- **Middlefield facility.** Through its investee Greenleaf Therapeutics, Acreage has the ability to operate one of 13 processing/extraction facilities in the state. Management expects the facility to be fully operational by Q2/19 and will supply products to its five retail locations (below).

Retail Dispensaries:

The company is currently in the process of building out the five dispensaries, which will be constructed under its Botanist retail brand and will include the following locations:

- **Cleveland and Columbus.** A location in two of the state's three most populated cities (the third being Cincinnati), which combined house ~4.2 million people and ~35% of Ohio's total population.
- **Akron.** A location in Akron, a city south of Cleveland with a population of >700,000.
- **Canton.** Located south of Akron, Acreage's fourth Ohio dispensary will be located in Canton, which houses a population of >400,000.
- **Wickliffe.** The company's fifth retail location will be in Wickliffe; a town located ~25 km east of Cleveland on Lake Erie.

Figure 16: Map of Acreage's planned Ohio dispensaries

Source: Canaccord Genuity

Management estimates that the construction of all five locations will be complete by the end of Q1/2019. Although we expect a full ramp-up of the medical sales to take some time, we believe Acreage is entering this burgeoning market with a top-three presence in the state. Although Ohio's medical market only kicked off last month, we estimate the medical segment alone could have an annual potential of ~US$700M at peak, ignoring the potential for recreational upside if regulations were to allow.

Illinois: Assets in place in another potentially soon-to-be rec state

Illinois set its medical cannabis program in place with the passing of the Medical Cannabis Pilot Program Act in August 2013. Current regulations allow patients to access medical cannabis from a list of >30 indications. In addition to a medical market that is still in its early stages (with 45,000 registered patients vs. its peak potential of >250,000 patients), during the recent November mid-term elections, incumbent Governor Bruce Rauner lost to Democratic candidate J.B. Pritzker (who ran on a pro cannabis platform). Since then, media reports indicate that state representatives are planning to introduce a Bill this January to propose the full legalization of recreational cannabis in the state (potentially by the end of 2019). As a result, we believe Illinois (much like New Jersey and Michigan) is yet another East Coast state where acreage has exposure with near-term recreational upside. A further description of the company's Illinois assets follows below.

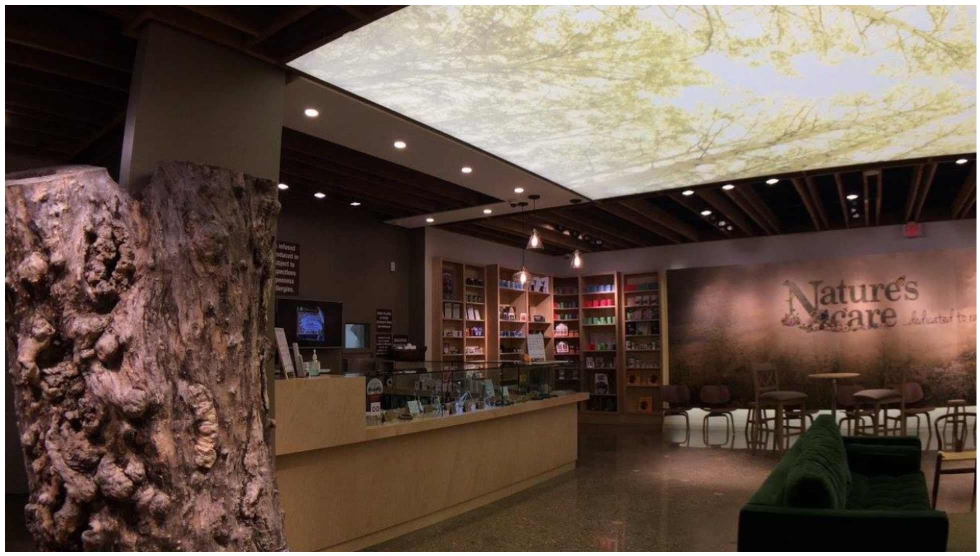
Cultivation/Production:

- **Freeport facility.** Acreage operates one of 22 licensed cultivation/production facilities in the state, located in Freeport. Construction of an 80,000 sq. ft. building is underway and expected to be completed in early 2019 and will include cultivation, production, an industrial kitchen and a laboratory for processing.

Retail Dispensary:

- **Nature's Care Company.** Acreage owns one of ~55 retail dispensaries licensed by the state. Its store is located in Rolling Meadows (a northwest suburb of Chicago, adjacent to Arlington Heights neighbourhood). This location operated with an estimated ~US$3M top line in 2018, but we expect significant growth from this base after closing its acquisition of the Freeport facility and with further potential upside for adult-use sales in the coming year(s).

Figure 17: Inside Nature Care dispensary



Source: Company Reports

Florida: Looking to secure a presence in a burgeoning medical market
Since medical cannabis became legal in Florida in late 2016 via ballot initiative (with ~71% voting in support), the Florida market continues to see strong growth in its registered patient base, which currently sits at >170,000 (up ~300% YoY). We believe Florida has one of the more robust regulatory frameworks in the US to date, with ~14 vertically integrated licenses issued to date (with caps in place until certain patient thresholds are met). Each license allows for a cultivation/production facility and up to 30 retail locations. Refer to our previous report on the Florida cannabis market for further background: Playing cannabis in the Sunshine State.

Originally, Acreage had exposure to Florida via a minority investment in Florida Wellness (a licensed state operator). However, in order to secure wholly owned exposure to the state, the company has disposed of this investment and is currently in the process of closing a binding agreement to purchase Nature's Way Nursey of Miami. Nature's Way is one of ~15 vertically integrated Florida operators. Acreage has agreed to purchase Nature's Way from proceeds of ~US$68M (with up to US$20M paid in ARCG shares). Management expects this transaction to close in early January 2019. Upon closing, Acreage will have the following assets in Florida:

- **Cultivation/production:** The ability to construct a cultivation/production facility to supply its retail locations. Currently, Florida does not allow for producers to purchase/sell product wholesale to one another. As a result, Acreage will need to build out its own capacity before it can begin selling through its retail storefronts. The company is in the process of seeking development sites for greenhouse and indoor cultivation and believes it will be able to build out to 100,000 sq. ft. of capacity by the end of 2019.

- **Retail dispensaries:** The ability to open up to 30 dispensaries in the state. Assuming Nature Way closes in January, management estimates it will have 18 retail locations opened by the end of 2019. We believe this is a reasonable projection given that some incumbents in the Florida market have been able to open 15+ locations over the past 12 months.

With a population of 21 million and an aging demographic, we believe Florida's annual medical revenues could grow to >US$1.5B over the next five years. Further, should the state legalize recreational cannabis (with lobbying in place to have it on the ballot in 2020), we believe the annual revenue opportunity has attractive optionality to grow to as much as US$5.0B over the long term. Due to the relatively disaggregated nature of the US industry, we believe the capitalized players in the industry will be able to secure higher market shares over the long term. Should Acreage close this acquisition in January, we believe the Florida market is still at a nascent enough stage for it to secure valuable exposure in this growing market.

Licensed real estate assets in Michigan as adult-use is green lit
Michigan established its medical cannabis program approximately 10 years ago in December 2008. At that time, regulations allowed access to medical cannabis predominantly for seriously or terminally ill patients. In 2016, the state passed additional legislation to bolster its licensing framework and inventory tracking systems. In addition, over the years the state also expanded its qualifying conditions to allow for a wider breadth of indications, which now includes chronic pain. More recently, during the November US mid-term elections, Michigan voted in recreational cannabis after Proposition 1 was approved by voters with ~56% in favour. As a result, we expect the state to launch its adult-use market in the relatively near term, which should provide significant upside to our existing medical market estimates.

Acreage recently closed its acquisition of Blue Tire Holdings, which has the right to various real estate assets that are approved (or in the process of being approved) by local municipalities to operate licensed cannabis businesses. The real estate assets include a 55,000 sq. ft. facility in Flint, with ~30,000 sq. ft. of large-scale cultivation/production space, and a 30-acre property in Vassar that is licensed for greenhouse grow and processing. Further, the company is currently in the process of prospecting for ~10 retail locations, with plans to have three stores opened during 2019. Acreage noted that it plans to invest significant resources into the Michigan market in the coming years and believes its real estate assets are favourably positioned with municipal licenses in cities such as Detroit, Bay City, Battle Creek, Lansing and Ann Arbour.

With a population of ~10M, we believe the existing medical market has the potential to grow to >US$550M in annual revenues; however, once recreational sales come online, we believe the overall market could reach >US$2.75B over the long term.

Connecticut: An established presence in a growing medical state
One of Acreage's first investments in the US cannabis space was a license in Connecticut after the state signed legislation in June 2012 to legalize medical cannabis. Although Connecticut's medical program has historically been considerably more restrictive than other medical markets, it has since increased its list of qualifying

conditions, which has helped lift patient registrations, which currently sits at >30,000 patients.

Acreage owns two of the original six dispensaries licenced in the state (subsequently increased to a total of nine retail locations) and is expected to soon close on an acquisition for a third retail location. The state has also allowed for four cultivation/production licenses, which Acreage does not own. As a result, it purchases its cannabis products wholesale to sell through its two existing retail locations. Although the company already has a leading retail presence in the state, it is considering acquiring an additional location and cultivation/processing capabilities down the road. A summary of its existing retail presence is provided below.

Retail Dispensaries:

Acreage operates two of the nine dispensaries in Connecticut branded under the names “Prime Wellness” and “Compassionate Care Center”:

- **Prime Wellness.** Located in South Windsor (a northern suburb of Hartford), Acreage operates a 3,200 sq. ft. medical dispensary that has been in operation since August 2014 and one of only two locations in the surrounding area catering to a population of ~125,000. Management indicated that both its Prime Wellness and Compassionate Care locations are two of the top-performing dispensaries in the state.
- **Compassionate Care Center.** Located in Bethel, Connecticut, this location has also been in operation since August 2014 and is one of the leading dispensaries in the state.
- **Third dispensary pending.** The company is expected to soon close on its previously announced acquisition of an additional dispensary in Connecticut, which would bring Acreage’s ownership to three of the nine retail locations in the space.

Figure 18: Inside Acreage’s Prime Wellness dispensary in Connecticut

Source: Company Reports

Between the two locations above, the company services over 8,000 registered patients, indicating a market share of >30% (before adding a third location into the mix). As a result, on a trailing basis, Acreage has realized ~US$20M in revenues in Connecticut. With a population of ~3.6M and only nine retail locations, we believe Acreage is positioned to continue its leading presence in a state that we estimate could eventually grow to sales of >US$$200M as additional indications are added into its regulations (excluding recreational upside).

Oregon: A maturing, but saturated market
In 1998, Oregon passed Ballot Measure 67, allowing access to medical cannabis in the state. Patients and their caregivers could access cannabis either through dispensaries or by growing a small quantity at home. In 2014, a ballot initiative, Measure 91, outlined the framework for the legalization of recreational sales in the state, allowing adults 21 and older the right to purchase and consume cannabis with licensing controlled through the Oregon Liquor Control Commission (OLCC). The state's recreational market subsequently implemented in the back half of 2015.

As Oregon does not limit the number of production/dispensary licenses, the state has quickly become one of the most saturated markets in the US with >1,100 producers and almost 600 retail dispensaries; the most of any state per capita. However, as of June 2018, the OLCC has suspended new applications for the time being.

Acreage currently owns five retail locations in the state (three of which are in the Portland area), and a recently completed cultivation/production facility. An overview of each asset is provided below:

Cultivation/Production:

- Medford facility. Located just north of the California boarder, the company owns a 30,000 sq. ft. facility in Medford where it recently completed construction of ~9,000 sq. ft. of cultivation space with future plans to convert its remaining footprint into extraction/manufacturing once a license is secured. This location will now be used to supply the company's five retail locations with dried bud and management is also considering opening a sixth retail dispensary at this site.
- Portland manufacturing. As previously outlined, through its acquisition of Form Factory, Acreage will acquire a 30,000 sq. ft. manufacturing facility where it will be able to co-package and manufacture edibles and other consumer packaged oriented cannabis products for brands throughout the state.

Retail Dispensaries:

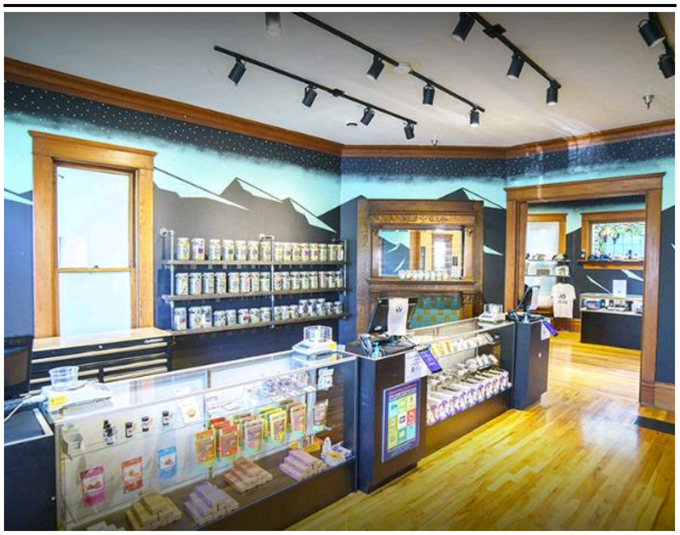
As noted above, the company operates five retail dispensaries throughout the state of Oregon. Although only a drop in the bucket compared to the almost 600 locations in the state, management estimates that these locations will realize a total of >US$11M in revenues in 2018. However, we believe there is still moderate upside from current levels as many of the state's undercapitalized players continue to falter. Acreage's current locations include the following (which will also eventually be transitioned to its Botanist retail brand).

- Portland. The company owns three locations in the city of Portland, including two under its Cannabliss banner ("22nd and Burn" located on Burnside St. and "Firestation 23," located on the east side of the Willamette River).

- **Eugene.** The company owns one dispensary in Eugene, “The Sorority House,” which also falls under its Cannabliss banner. This dispensary is located just adjacent to the University of Oregon in an off-campus retrofitted house.
- **Springfield.** The company’s fifth location is location in Springfield, a city located just east of Eugene.

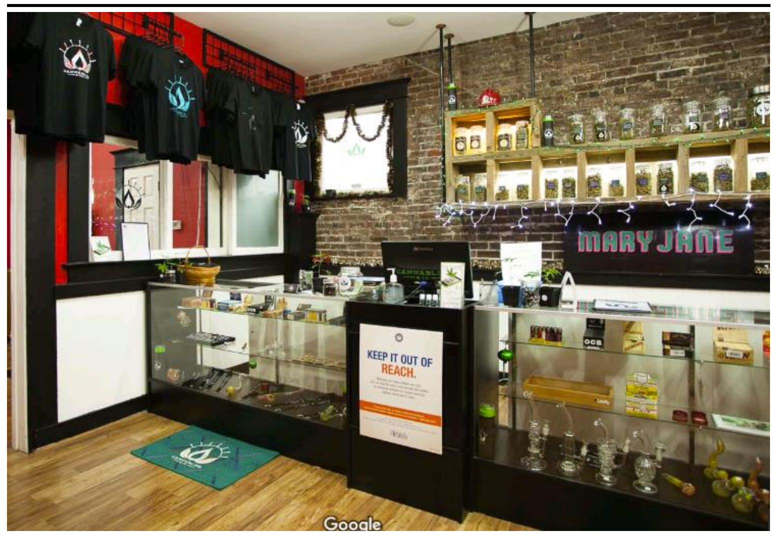
Due to the saturated state of the Oregon market, we do not believe this state will likely be a meaningful value driver for Acreage going forward; however, with a near-term market potential of >US$1B in annual revenues, we estimate that Acreage will still be able to drive moderate growth out of these dispensaries.

Figure 19: Eugene “Sorority House” location



Source: Company Reports

Figure 20: Portland “Firestation 23” location



Source: Company Reports

Rhode Island

Rhode Island initially legalized its medical cannabis program in 2006, with licensed dispensaries approved in 2009. However, it was not until mid-2016 when the state approved a number of regulation reforms (including additional qualifying conditions such as PTSD and chronic pain) when the market took its current form. Since then, the state has seen its registered patient base increase to ~19,000 and we forecast the number of medical patients could increase to >25,000 in the coming years.

Acreage is currently in the process of closing its acquisition of Greenleaf Compassionate Care Center, one of the three vertically integrated licenses in the state. Subsequent to closing, Acreage will own the following assets in Rhode Island:

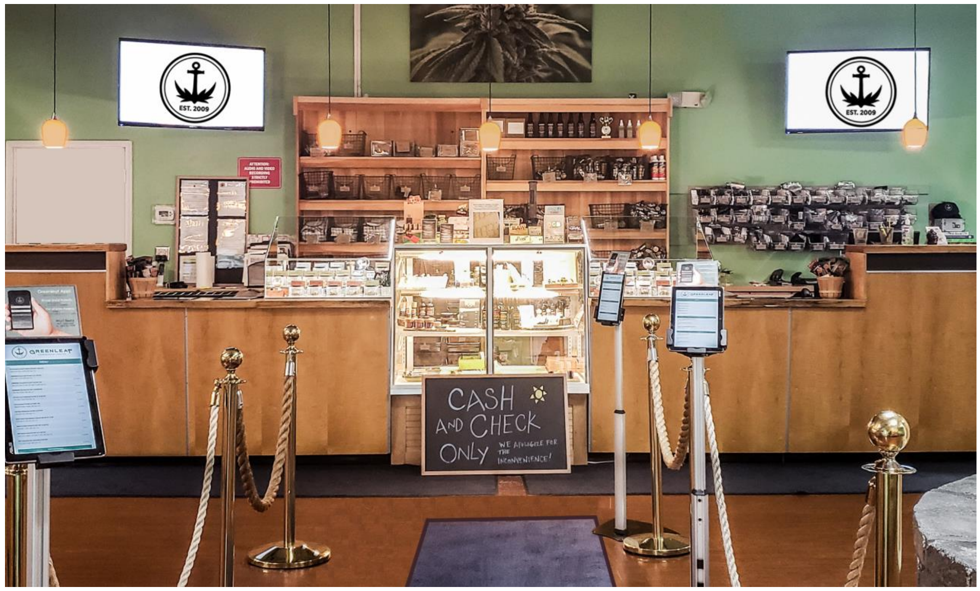
Cultivation/Production:

- **Newport facility.** Greenleaf has a facility in Newport that is ~15,000 sq. ft. with ~9,000 sq. ft. of production space where it is licensed to cultivate, process and manufacture cannabis products.

Retail Dispensary:

- **Portsmouth retail.** Greenleaf operates one of only three cannabis dispensaries in the state of Rhode Island out of Portsmouth, which has been in operation since June 2013. Combined with its cultivation/production operations, management estimates that Greenleaf will realize ~US$8M in revenues for 2018. Consistent with all of its other recently purchased dispensaries, the company plans to eventually retrofit this location under its Botanist brand banner.

Figure 21: Inside Greenleaf dispensary



Source: Company Reports

Although Rhode Island has a relatively modest population of ~1.1M, we believe the state represents another East Coast pocket where Acreage is growing out a market-leading presence. As a result, with only three vertically integrated licensed operators in the state to date, we believe Acreage will secure a favourable position in a region that we estimate will grow in excess of US$75M in annual revenues (ignoring potential recreational upside).

New Hampshire: One of four players in the state

In July 2013, New Hampshire singed into law House Bill 573, allowing for the legal sale of medical cannabis for a variety of qualifying conditions (which currently allows for chronic pain). The state has issued only four vertically integrated licenses (each allowing for cultivation, production and one retail location) and commenced sales in April 2016. Each patient must register with one of the four licensed locations in order to purchase medical cannabis.

Acreage owns one of the state's four vertically integrated licenses as further detailed below:

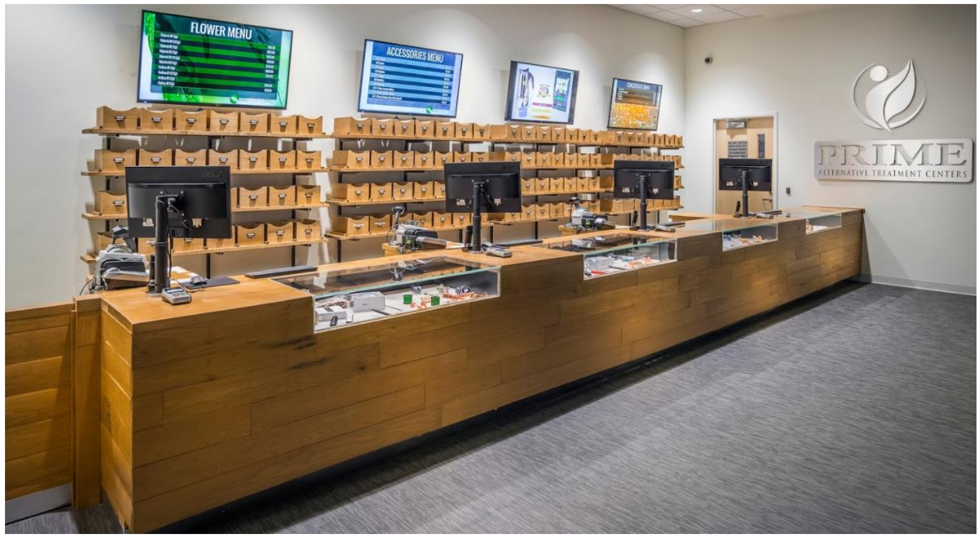
Production:

- **Peterborough facility.** The company owns a 30,000 sq. ft. building in Peterborough, New Hampshire (located northwest of Boston) where it is currently operating at an 8,000 sq. ft. production footprint with room to expand its annual output to service growth in its licensed retail location when needed.

Retail Dispensary:

- **Prime Alternative Treatment Center.** Located in the town of Merrimack, in the relatively densely populated County of Hillsborough (>400,000 residents), Acreage's retail location in New Hampshire is in relatively close proximity to over 30% of the state's population. On a trailing basis, management estimates this location produced revenues in excess of US$6M. However, with a patient base of ~5,000, we believe the state will grow to support >20,000 registrants at peak. As one of only four retailers in the state, we believe Acreage's New Hampshire operations could see moderate growth as the state grows towards peak revenues of ~US$70M, in our view.

Figure 22: Inside Acreage's Prime Alternative Treatment Center



Source: Company Reports

Production in Pennsylvania

After legalizing and establishing its medical cannabis regulations in mid-2016 (which allows for over a dozen qualified conditions, including chronic pain), Pennsylvania is currently in the midst of implementing its regulated market. The state is planning to issue a total of 25 cultivation/producer licenses and 50 dispensary permits that will allow for up to three locations (~150 dispensaries for the state). To date, the state has issued ~12 cultivation/production licenses and 27 retail permits, with the first retail locations opened in February 2018. Currently, the state has >40,000 registered patients, which we believe could still increase by ~7x as additional infrastructure is rolled out and market demand continues to grow.

Cultivation/Production:

- South Heidelberg facility. Located in Berks county (just west of Reading, PA), its South Heidelberg indoor facility represents just one of approximately twelve locations currently licensed to cultivate/produce medical cannabis in Pennsylvania. The facility commenced operations in Q1/18 out of a ~15,000 sq. ft. footprint, which management plans to double over the next year to ~30,000 sq. ft. In addition, the facility is located next to land where the company believes a 100,000 sq. ft. greenhouse can be constructed when demand in the state calls for additional capacity.

Retail Dispensaries:

- Clinical Research Trails. Much like Curaleaf, Acreage is considering participating in the state's Clinical Research Trial program that would involve partnering with one of Pennsylvania's approved research universities. Should Acreage be included in this program, it is expected that the state will allow for each participant to open up to six retail medical dispensaries. As details surrounding this program are still being finalized, the company has also applied for two retail locations in the state, independent of this research initiative.

We believe Pennsylvania represents one of the larger medical opportunities on the East Coast which is in a nascent enough stage where significant assets/exposure can still be won or acquired in the relatively near term. With a population of almost 13 million, we believe this state could eventually grow to an annual revenue opportunity of >US$800M at maturity, without considering the potential for recreational cannabis legalization down the road.

Additional US exposure

In addition to the assets and geographic exposure outlined above, Acreage also has incremental exposure to a variety of other potential high-growth opportunities, including:

1. **California.** California was the earliest adopter of medical cannabis (dating back to 1996); however, the state recently became the largest legalized cannabis market in the world with an adult-use market that kicked off this past January. Although the state represents the largest individual market opportunity in the US (>US$10B at peak, in our view), we note that its regulations are incredibly complex (both at state and municipal levels) and include thousands of players competing for market share in virtually all areas of the value chain (as the state does not mandate vertical integration).

   Acreage currently holds a 45% interest in a California operator (CWG Botanicals) and is in the process of closing a binding agreement to purchase the remaining 55% of the entity. CWG is a licensed boutique cultivator/producer/distributor that leases a 20,000 sq. ft. property in Oakland. CWC has an existing production footprint of 10,000 sq. ft., including 2,500 sq. ft. of grow and is in the process of doubling its production footprint for increased distillate and concentrate output. Management estimates that CWG currently has a wholesale reach into ~50 dispensaries in the San Francisco/Oakland head with trailing revenues of ~US$7M. Upon closing, Acreage plans to utilize this asset as a hub to eventually launch its branded products into the California market.

   More recently, through its acquisition of Form Factory, Acreage will also build out three additional facilities in California (Oakland, Needles and Los Angeles), which will add >50,000 sq. ft. of manufacturing and co-packing capabilities by Q1/19.

2. **Maryland.** Although legislation for medical cannabis was signed by Maryland's governor back in 2013, after several delays, the state implemented its medical platform only a year ago in December 2017. To date, Maryland has allowed for ~14 cultivation, 14 production and 102 retail licenses (~70 of which have been issued). During the first year, the state experienced a ~220% increase in its patients base with ~50,000 certified patients as of early Nov/18. As Maryland's medical market continues to grow, we believe it can eventually support a mature patient base of >125,000 as chronic pain is included in the state's qualifying conditions.

Acreage owns one of the 102 total anticipated retail licenses issued by the state (Maryland Medicinal Research & Caring) but does not own any cultivation/production at this time. The dispensary opened in Q3/18 and is located in a Baltimore suburb and represents 70 of the locations opened (or in the process of opening) to date. Although we believe Acreage's asset in Maryland represents only modest exposure to the state at this time, the company indicated that it is currently evaluating opportunities to potentially acquire cultivation/production capabilities going forward. With a market run rate of >$140M, we believe Maryland will continue to experience healthy growth in the coming years with the potential to reach peak revenues of ~US$350M.

3. **Oklahoma.** Oklahoma is currently in the process of implementing its medical cannabis (CBD oil only) market after signing House Bill 2154 in April 2015. Acreage currently has a license based out of Pocasset to cultivate and process cannabis in the state's medical program. The facility is in construction, with operations expected to commence in mid-2019.

4. **North Dakota.** North Dakota approved Measure 5 in 2016 to put in place the Compassionate Care Act to establish a legalized medical cannabis market. The market kicked off in April 2017 and currently allows for over a dozen medical indications, including chronic pain.

   Acreage owns one dispensary (in Fargo) out of a total of eight the state is planning to issue. The company is currently designing the location under its Botanist banner, with construction planned to be completed in Q4/18 and operational by Q1/19. As Acreage does not have a cultivation/production licence at this time, it will secure product from one of the two processers in the state. Much like its presence in Iowa (above), we believe this asset provides only incremental value to the company at this time; however, we still believe North Dakota provides the company with a first-mover advantage in another state with limited licenses and high barriers to entry.

5. **Iowa.** Iowa paved the way for its medical cannabis market in May 2014 with the signing into law of the Medical Cannabidiol Act. Although the state has since implemented its medical platform, it is one of the more restrictive programs in the county that allows for CBD products but has a 3% cap on THC and was initially prescribed only for children with epilepsy. However, in 2017, the state expanded its list of qualifying conditions to include a variety of indications (including chronic pain), but dispensaries (starting with five locations) did not start to open until recently.

   Earlier this year, Acreage was awarded the second (of two) cultivation/production licenses in the state through its investment in Iowa Relief. Iowa Relief has a 32,000 sq. ft. facility in Cedar Rapids, which is currently in the process of constructing 1,200 sq. ft. of canopy to support its manufacturing lab. Management estimates that the facility will be operational by Q2/19. Although the Iowa medical market is still at a very nascent stage (with only ~500 registered patients), Acreage owns one of only two production licenses in the state. As a result, we believe the company is set to secure a meaningful wholesale market share in a state that could eventually ramp to an annual revenue potential of ~US$150M as regulations continue to evolve over the long term.

6. **Washington State.** As previously outlined, as part of its acquisition of Form Factory, Acreage now owns a 25,000 sq. ft. facility in Elma, Washington, which is the leading manufacturer/co-packager of cannabis edibles in the state.

Estimates and valuation

We value Acreage using a sum-of-the-parts methodology in the 19 US markets (previously outlined) where the company currently operates or has assets/exposure.

Massachusetts

After legalizing recreational cannabis via a 2016 ballot initiative, Massachusetts is currently in the midst of implementing its rec program, with its first recreational dispensaries approved this past November. With a population of ~7 million and an existing medical market already in place, we believe the Massachusetts cannabis opportunity could reach a revenue potential of **>US$1.5B** at maturity.

As previously outlined, each license in Massachusetts permits a cultivation/production facility and up to three retail dispensaries. Although the state plans to issue additional licenses over time, only a limited number of recreational dispensaries are open to date, and so we believe Acreage is set to capture a leading market position in the state as an operator with the greatest number of licenses at this time.

Given that Acreage currently has the most of number of licenses in Massachusetts, we forecast that it will secure a **15%** market share in the state over the long term. Based on our macro-level forecasts and assuming the company opens six dispensaries by the end of next year, we estimate that Acreage will achieve ~**US$54M** of revenues in 2019, increasing **to ~US$274M** at peak, as illustrated below.

Figure 23: Acreage: Estimated Massachusetts revenues

US$MMs	2019E	2020E	2021E…	2027E	2028E	2029E
Est. Mass State Retail Rev	$ 676	$ 991	$1,156	$1,709	$1,771	$1,828
Assumed market share	8.0%	11.0%	12.0%	15.0%	15.0%	15.0%
Est. Acreage Retail Rev	$ 54.1	$109.0	$138.7	$256.3	$265.6	$274.2

Source: Company reports; Canaccord Genuity estimates

After applying an average industry EBITDA margin of 36% at peak (for vertically integrated operators with sufficient capacity) and incremental capex to grow with the overall market (additional capacity and retail dispensaries), we estimate that Acreage will achieve peak EBITDA of ~US$99M and free cash flow of US$74M at maturity in the Massachusetts market. Using a slightly elevated discount rate of **11%** (a 100bp premium to our base rate to account for execution risk in a state that is still in the early stages of launching its recreational platform) and a terminal growth rate of 2%, we value Acreage's Massachusetts opportunity at **~US$624M**, or **US$5.14** per share (as illustrated below).

Figure 24: Acreage: Valuation of Massachusetts opportunity (medical and rec)

US$MMs	2019E	2020E	2021E	2022E...	2026E	2027E	2028E	2029E
Est. Acreage Retail Rev	$ 54.1	$ 109.0	$ 138.7	$ 176.1	$ 250.9	$ 256.3	$ 265.6	$ 274.2
Acreage Massachusetts EBITDA	$ 16.2	$ 37.1	$ 48.5	$ 61.6	$ 90.3	$ 92.3	$ 95.6	$ 98.7
EBITDA Margin	30%	34%	35%	35%	36%	36%	36%	36%
Taxes	6.5	14.8	17.0	19.7	22.6	22.1	21.5	20.7
Working Capital	5.4	5.5	3.0	3.7	0.8	0.5	0.9	0.9
Capex	15.0	10.0	5.0	3.0	3.0	3.0	3.0	3.0
Free Cash Flow	$ (10.7)	$ 6.7	$ 23.6	$ 35.2	$ 63.9	$ 66.6	$ 70.2	$ 74.1
Terminal Value								$ 893.0
PV of Cash Flow	$ (10.7)	$ 6.4	$ 20.3	$ 27.4	$ 33.4	$ 31.5	$ 30.0	$ 382.2

Discount Rate	11%
Terminal Growth	2%

Present Value of FCF (US$)	$ 624.0
# of shares outstanding (FD)	121
Value per share (US$)	$ 5.14

Source: Company Reports, Canaccord Genuity estimates

New York

With a population of ~20M, New York State represents one of the larger medical cannabis opportunities in the US with an estimated peak annual revenue potential of **~US$1.2B**. Further, with the potential for a recreational cannabis bill to hit the State Senate floor at some point in 2019, we believe New York could also have significantly valuable recreational optionality over the next few years for the first movers in the state.

Acreage's license in New York allows for cultivation/production and up to four medical dispensaries. The company has already started to build out its dispensary profile with its first New York Botanist location opening in Buffalo earlier this year and three other locations in Queens, Middletown and Farmingdale set to open by early 2019. With only 10 vertically integrated licenses issued by the state, we believe Acreage is well-positioned to take advantage of the growing medical market in New York.

As each license holder is permitted to open the same number of dispensaries, we have estimated Acreage's New York medical revenues by using a market share percentage of our overall state macro forecast. Of the 10 licences issued by the state, we believe Acreage is one of five or so highly capitalized players in the market. Therefore, we have assumed a modest premium to the company's 1/10 proportional share of licenses and utilized a **12.5%** market share for the company in New York. As a result, we estimate that Acreage will achieve revenues of **~US$25M** in FY 2019, increasing to **~US$158M** at peak (as illustrated below).

Figure 25: Acreage: Estimated New York revenues (medical only)

US$MMs	2019E	2020E	2021E...	2027E	2028E	2029E
Est. NY State Rev	$ 310	$ 541	$ 876	$ 1,200	$ 1,215	$ 1,265
Est. Acreage market share	8.0%	12.0%	12.5%	12.5%	12.5%	12.5%
Est. Acreage Retail Rev	$ 24.8	$ 65.0	$ 109.5	$ 150.0	$ 151.9	$ 158.2

Source: Company Reports, Canaccord Genuity estimates

Using our above revenue estimates for Acreage's penetration into the New York medical market and applying an EBITDA margin of 40% at peak (for vertically integrated operators in limited license states with sufficient capacity) and incremental capex to grow with the overall market, we estimate that Acreage will achieve peak EBITDA of ~US$64M and free cash flow of US$47M at maturity in the New York market. In our valuation we have utilized a discount rate of **9.0%**, a 100bp discount to our base discount rate, and a terminal growth rate of 2%, we value Acreage's New York opportunity at **~US$539M**, or **US$4.44** per share (as illustrated below).

Figure 26: Acreage: Valuation of New York opportunity (medical only)

US$MMs	2019E	2020E	2021E	2022E…	2026E	2027E	2028E	2029E
Est. Acreage Retail Rev	$ 24.8	$ 65.0	$ 109.5	$ 141.0	$ 148.2	$ 150.0	$ 151.9	$ 158.2
Est. Acreage Total NY EBITDA	$ 8.2	$ 23.4	$ 39.4	$ 52.2	$ 57.8	$ 60.0	$ 60.8	$ 63.9
Est. EBITDA Margin	33%	36%	36%	37%	39%	40%	40%	40%
Taxes	$ 3.3	$ 8.2	$ 12.6	$ 15.6	$ 13.9	$ 13.8	$ 13.4	$ 13.4
Working Capital	$ 2.5	$ 4.0	$ 4.5	$ 3.1	$ 0.2	$ 0.2	$ 0.2	$ 0.6
Capex	15.0	10.0	7.5	5.0	3.0	3.0	3.0	3.0
Free Cash Flow	$ (12.6)	$ 1.2	$ 14.9	$ 28.4	$ 40.7	$ 43.0	$ 44.2	$ 46.9
Terminal Value								$ 743.7
PV of Cash Flow	$ (12.6)	$ 1.1	$ 13.1	$ 23.1	$ 24.0	$ 23.3	$ 22.1	$ 371.7

Discount Rate	9%
Terminal Growth	2%
Present Value of FCF (US$)	$ 538.9
# of shares outstanding	121
Value per share (US$)	$ 4.44

Source: Company Reports, Canaccord Genuity estimates

New Jersey

In a market with a growing medical patient base and recreational regulations that could be passed in early 2019, we believe New Jersey represents a state with the highest degree of near-term recreational optionality. Combined, we believe New Jersey's medical and recreational markets can support annual revenues of **>US$2.2B** over the long term.

As Acreage runs one of only six vertically integrated licenses in the state's existing medical market, we believe the company is well positioned to secure a first-mover advantage ahead of recreational implementation. Although we anticipate additional licenses to be issued over the near term, we expect New Jersey will leverage its existing medical infrastructure when implementing its recreational platform, likely providing Acreage with a first-mover advantage in this segment of the market as well.

With six operators currently in New Jersey, we have assumed that Acreage will be able to secure a 15% market share over the next 12 months in the state's existing medical market. Assuming recreational sales commence in the first half of 2020, we believe that Acreage will also secure exposure as an adult-use retailer but will see its market share decrease down to **12.5%** over the long term. Based on our macro-estimates for the state, this implies that Acreage will achieve revenues of **~US$26M** in FY 2019, increasing to **~US$296M** at peak (as illustrated below).

Figure 27: Acreage: Estimated New Jersey revenues (medical and rec)

US$MMs	2019E	2020E	2021E…	2027E	2028E	2029E
Est. NJ State Retail Rev	$ 175	$ 550	$ 900	$ 2,255	$ 2,311	$ 2,369
Est. Acreage market share	*15.0%*	11.0%	12.0%	12.5%	12.5%	12.5%
Est. Acreage Retail Rev	$ 26.3	$ 60.5	$ 108.0	$ 281.9	$ 288.9	$ 296.1

Source: Company Reports, Canaccord Genuity estimates

Using our above revenue estimates for Acreage's penetration into the New Jersey medical and recreational market and applying an EBITDA margin of 40% at peak, we estimate that Acreage will achieve peak EBITDA of ~US$113M and free cash flow of US$84M at maturity. Using a 200bp premium to our base discount rate for execution risk (Acreage will need to open additional dispensaries to meet our forecasts) and other unknowns as the market transitions into rec, we have utilized a **12.0%** discount rate, a terminal growth rate of 2%, and an overall probability adjustment of 90% for New Jersey passing adult-use legislation in 2019. As a net result, we value Acreage's New Jersey opportunity at **~US$573M**, or **US$4.25** per share (as illustrated below).

Figure 28: Acreage: Valuation of New Jersey opportunity (medical and rec)

US$MMs	2019E	2020E	2021E	2022E…	2026E	2027E	2028E	2029E
Est. Acreage Retail Rev	$ 26.3	$ 55.0	$ 99.0	$ 165.0	$ 275.0	$ 281.9	$ 288.9	$ 296.1
Acreage New Jersey EBITDA	$ 8.4	$ 22.0	$ 38.6	$ 62.7	$ 104.5	$ 107.1	$ 109.8	$ 112.5
EBITDA Margin	32%	40%	39%	38%	38%	38%	38%	38%
Taxes	3.4	8.8	13.5	20.1	26.1	25.7	25.3	24.8
Working Capital	2.6	2.9	4.4	6.6	3.5	0.7	0.7	0.7
Capex	10.0	20.0	15.0	7.5	3.0	3.0	3.0	3.0
Free Cash Flow	$ (7.6)	$ (9.7)	$ 5.7	$ 28.5	$ 71.9	$ 77.7	$ 80.8	$ 84.1
Terminal Value								$ 903.8
PV of Cash Flow	$ (7.6)	$ (9.2)	$ 4.8	$ 21.7	$ 35.4	$ 34.4	$ 32.0	$ 358.3

Discount Rate	12%
Terminal Growth	2%

Present Value of FCF (US$)	$ 572.6
Prob. Adj. for NJ Rec	90%
Value of New Jersey Market (US$)	$ 515.4
# of shares outstanding (FD)	121
Value per share (US$)	$ 4.25

Source: Company Reports, Canaccord Genuity estimates

Maine

As previously outlined, Acreage currently has the leading market share in Maine (>50%) as it owns four of the state's eight dispensaries along with a 40,000 sq. ft. vertically integrated cultivation/production facility. With its recreational market finally set to implement in 2019, we forecast the state to reach an annual revenue opportunity of **>US$350M** over the long term.

As a highly capitalized company with significant infrastructure already in place, we believe Acreage will be able to hold on to its leading position in the market and forecast that it will be able to hold on to a **40%** market share in the state at maturity due to the limited number of players currently in the market. As a result, we forecast that acreage will achieve revenues of **~US$20M** in FY 2019, increasing to **~US$155M** at peak (as illustrated below).

Figure 29: Acreage: Estimated Maine revenues (medical and rec)

US$MMs	2019E	2020E	2021E…	2027E	2028E	2029E
Est. Maine State Retail Rev	$ 60	$ 100	$ 150	$ 369	$ 378	$ 388
Assumed market share	50.0%	47.0%	44.0%	40.0%	40.0%	40.0%
Est. Acreage Retail Rev	$ 19.8	$ 35.3	$ 59.4	$ 147.6	$ 151.3	$ 155.1

Source: Company Reports, Canaccord Genuity estimates

Using our above revenue estimates, we have applied an EBITDA margin of 38% at peak (for vertically integrated operators in limited license states with sufficient capacity) and incremental capex to grow with the overall market. As a result, we estimate that Acreage will achieve peak EBITDA of ~US$60M and free cash flow of US$43M million at maturity in the Maine market. In our valuation we have utilized a discount rate of **9.0%**, a 100bp discount to our base rate as Acreage already has a leading presence with built infrastructure in the state and a terminal growth rate of 2%. As a result, we value Acreage's Maine opportunity at **~US$472M**, or **US$3.89** per share (as illustrated below).

Figure 30: Acreage: Valuation of Maine opportunity (medical and rec)

US$MMs	2019E	2020E	2021E	2022E...	2026E	2027E	2028E	2029E
Est. Acreage Retail Rev	$ 19.8	$ 36.0	$ 62.1	$ 96.6	$ 147.6	$ 147.6	$ 151.3	$ 155.1
Acreage Maine EBITDA	$ 5.9	$ 12.2	$ 21.7	$ 33.8	$ 54.6	$ 56.1	$ 58.1	$ 59.5
EBITDA Margin	30%	34%	35%	35%	37%	38%	38%	38%
Taxes	2.4	4.9	7.6	10.8	13.7	13.5	13.4	13.1
Working Capital	2.0	1.6	2.6	3.5	1.6	-	0.4	0.4
Capex	6.0	10.0	8.0	5.0	3.0	3.0	3.0	3.0
Free Cash Flow	$ (4.4)	$ (4.3)	$ 3.5	$ 14.5	$ 36.4	$ 39.6	$ 41.4	$ 43.1
Terminal Value								$ 683.6
PV of Cash Flow	$ (4.4)	$ (4.1)	$ 3.1	$ 11.9	$ 21.4	$ 21.5	$ 20.7	$ 341.7

Discount Rate	9%
Terminal Growth	2%

Present Value of FCF (US$)	$ 472.2
% Ownership	100%
Value of Maine Market (US$)	$ 472.2
# of shares outstanding (FD)	121
Value per share (US$)	$ 3.89

Source: Company Reports, Canaccord Genuity estimates

Ohio

In a medical market that is only a few months old, Acreage is one of only three operators to be allotted five dispensaries (the maximum allowed for any one license holder under current regulations), in addition to one of only 13 production licenses. As a result, we believe Acreage is strongly situated to compete for a leading market share in Ohio's medical market.

With a population of almost 12M, we forecast the medical opportunity in the state will reach peak annual revenues of **~US$700M** over the long term. Management estimates that the construction of all five dispensary locations will be complete by the end of Q1/2019, which could result in it being the largest vertically integrated operator in the state at that time. As a result, we have assumed Acreage will achieve a premium market share of **15%** in the state at maturity. Based on our macro-level estimates for Ohio, we forecast that Acreage will realize **US$16M** of revenue in FY2019 (comprised only of medical sales out of five dispensaries), increasing to **US$106M** at peak.

Figure 31: Acreage: Estimated Ohio revenues (medical only)

US$MMs	2019E	2020E	2021E...	2027E	2028E	2029E
Est. Ohio State Rev	$ 90	$ 151	$ 233	$ 675	$ 695	$ 709
Est. Acreage Market Share	18.0%	17.5%	16.5%	15.0%	15.0%	15.0%
Est. Acreage Ohio Rev	$ 16.3	$ 26.5	$ 38.4	$ 101.2	$ 104.3	$ 106.4

Source: Company Reports, Canaccord Genuity estimates

Using our above revenue estimates, we have applied an EBITDA margin of 37% at peak and incremental capex to grow with the overall market. As a result, we estimate that Acreage will achieve peak EBITDA of ~US$39M and free cash flow of US$29M at maturity. In our valuation we have utilized a discount rate of 8.0% (a 200bp discount to our base rate due to Acreage's potential market-leading position out of the gate) and a terminal growth rate of 2%. As a result, we value Acreage's Ohio opportunity at **~US$362M**, or **US$2.99** per share (as illustrated below).

Figure 32: Acreage: Valuation of Ohio opportunity (medical only)

US$MMs	2019E	2020E	2021E	2022E...	2026E	2027E	2028E	2029E
Est. Acreage Ohio Rev	$ 16.3	$ 26.5	$ 38.4	$ 51.3	$ 97.4	$ 101.2	$ 104.3	$ 106.4
Acreage Ohio EBITDA	$ 4.9	$ 9.0	$ 13.5	$ 17.9	$ 36.0	$ 37.5	$ 38.6	$ 39.4
EBITDA Margin	30%	34%	35%	35%	37%	37%	37%	37%
Taxes	2.0	3.2	4.3	5.7	9.0	9.0	8.9	8.3
Working Capital	1.6	1.0	1.2	1.3	1.0	0.4	0.3	0.2
Capex	15.0	10.0	8.0	5.0	2.0	2.0	2.0	2.0
Free Cash Flow	$ (13.7)	$ (5.2)	$ (0.0)	$ 5.9	$ 24.0	$ 26.1	$ 27.4	$ 28.9
Terminal Value								$ 545.0
PV of Cash Flow	$ (14)	$ (5)	$ (0)	$ 5	$ 15	$ 15	$ 15	$ 295

Discount Rate	8%
Terminal Growth	2%
Present Value of FCF (US$)	$ 362.3
# of shares outstanding	121
Value per share (US$)	$ 2.99

Source: Company Reports, Canaccord Genuity estimates

Illinois

Although Illinois already has an existing medical cannabis market in place, media reports indicate that state representatives are planning to introduce a Bill this January to purpose the full legalization of recreational cannabis in the state (with implementation as early as the end of 2019). In a fully legalized and implemented adult-use market, we believe Illinois could eventually support annual revenues of US$3.5B, one of the largest opportunities in the US at this time.

Although Acreage's existing infrastructure in the state is still somewhat modest with a production facility (one of 22) and retail location (one of 55), we believe the capitalized players in the state (much like Acreage) will be aggressively pursing recreational exposure should the market open up later in 2019 or early 2020. As a result, we believe Acreage is well suited to compete for a first-mover advantage in the adult-use market. As visibility is still low in Illinois, we have assumed Acreage will secure a modest **7.5%** market share in the state (at an elevated discount rate). Given that we forecast the Illinois medical + adult-use opportunity to grow to **>US$3.5B** over the long term, we forecast that Acreage will realize **US$5M** of revenue in FY2019 (comprised only of medical sales out of one dispensaries), increasing to **US$274M** at peak in a mature recreational use market (which assumes that Acreage will leverage its first-mover advantage in the state by opening more dispensaries in the Illinois recreational market over time).

Figure 33: Acreage: Estimated Illinois revenues (medical and rec)

US$MMs	2019E	2020E	2021E...	2027E	2028E	2029E
Est. Illinois State Rev	$ 183	$ 415	$ 884	$ 3,312	$ 3,524	$ 3,631
Est. market share	8.0%	5.0%	5.5%	7.5%	7.5%	7.5%
Est. Acreage Illinois Rev	$ 5.1	$ 20.7	$ 48.6	$ 248.4	$ 264.3	$ 273.7

Source: Company Reports, Canaccord Genuity estimates

Using our above revenue estimates we have applied an average industry EBITDA margin of 35% at peak (for vertically integrated operators with sufficient capacity) and >US$40M capex to get its operations up and running. As a result, we estimate that Acreage will achieve peak EBITDA of ~US$97M and free cash flow of US$72M at maturity. Even though we believe we have utilized a relatively modest market share for Acreage in this emerging market, our valuation also applies an elevated discount rate of **13%** (a 300bp premium to our base rate due to the state's significant growth profile but low level of visibility at this time), a terminal growth rate of 2% and an overall 80% probability discount of Illinois passing adult-use legislation. As a net result, we value Acreage's Illinois opportunity at **~US$310M**, or **US$2.55** per share (as illustrated below).

Figure 34: Acreage: Valuation of Illinois opportunity (medical and rec)

US$MMs	2019E	2020E	2021E	2022E…	2026E	2027E	2028E	2029E
Est. Acreage Illinois Rev	$ 5.1	$ 20.7	$ 48.6	$ 88.7	$ 232.9	$ 248.4	$ 264.3	$ 273.7
Est. Acreage Illinois EBITDA	$ 1.3	$ 6.6	$ 16.0	$ 31.1	$ 81.5	$ 87.0	$ 92.5	$ 96.9
EBITDA Margin	25%	32%	33%	35%	35%	35%	35%	35%
Taxes	0.5	2.3	5.1	9.3	19.6	20.0	20.4	20.4
Working Capital	0.5	1.6	2.8	4.0	1.9	1.6	1.6	0.9
Capex	10	15	12	8	3	3	3	3
Free Cash Flow	$ (9.7)	$ (12.2)	$ (3.9)	$ 10.2	$ 57.1	$ 62.4	$ 67.6	$ 72.6
Terminal Value								$ 705.0
PV of Cash Flow	$ (9.7)	$ (11.5)	$ (3.3)	$ 7.6	$ 26.5	$ 25.8	$ 24.8	$ 259.0

Discount Rate	13%
Terminal Growth	2%
Present Value of FCF (US$)	$ 387.1
Prob of Rec	80%
Value of Acreage Illinois (US$)	$ 309.7
	121
Value per share (US$)	$ 2.55

Source: Company Reports, Canaccord Genuity estimates

Florida

As previously outlined, Acreage is currently in the process of closing an acquisition to wholly own a soon-to-be vertically integrated licensed operator in the state of Florida. Each license is required to be vertically integrated and each producer responsible for its own cultivation, production, manufacturing and retailing. We believe Florida represents one of the more attractive newly regulated markets with a framework that has taken a relatively conservative approach to issuing new licenses (pegged to the overall number of patients registered in the state's medical program).

As Florida's medical cannabis market continues to grow (with >190,000 patients registered to date), we estimate the state can support peak annual revenues of **~US$1.5B** at maturity (excluding any potential recreational upside). Although leaders have already started to emerge in the state (including Trulieve and Curaleaf), we believe there is still market share up for grab with only a handful of producers up and running to date. With aggressive expansion plans in place in Florida once the acquisition is closed, we forecast that Acreage will be able to secure a fairly modest 5.5% market share in this state over the next year. Due to some of the incumbents already in the space, we have only tapered up our market share forecast for Acreage to **8%** over the longer term. As a result, we estimate that Acreage will achieve revenues in Florida of ~**US$23M** in FY2019, increasing to **US$121M** at peak.

Figure 35: Acreage: Estimated Florida revenues (medical only)

US$ MM	2019E	2020E	2021E...	2027E	2028E	2029E
Est. FL State Retail Rev	$ 675	$ 834	$ 990	$ 1,479	$ 1,494	$ 1,509
Assumed market share	5.0%	7.3%	7.5%	8.0%	8.0%	8.0%
Est. Acreage FL Rev	$ 22.5	$ 60.4	$ 74.2	$ 118.3	$ 120.1	$ 121.3

Source: Company Reports, Canaccord Genuity estimates

Using our above revenue estimates, we have applied an elevated EBITDA margin of 40% at maturity due to the high barriers in the state (we also note that existing producers have been able to achieve EBITDA margins in excess of these levels). As a result, we forecast that Acreage will achieve peak EBITDA of US$49M and free cash flow of US$36M in the Florida medical market. As wholesaling between producers is not currently permitted, we have also included ~US$50M of capex over the next three years in order for Acreage to build out its cultivation/production and retail. Using our base discount rate of **10%** for existing medical markets, a terminal growth rate of 2% and a 90% probability adjustment for Acreage closing this deal, we value Acreage's Florida opportunity at **~US$285M**, or **US$2.35** per share (as illustrated below).

Figure 36: Acreage: Valuation of Florida opportunity (medical only)

US$ MM	2019E	2020E	2021E	2022E...	2026E	2027E	2028E	2029E
Est. Acreage FL Rev	$ 22.5	$ 60.4	$ 74.2	$ 86.7	$ 114.5	$ 118.3	$ 120.1	$ 121.3
Est. Acreage Florida EBITDA	$ 6.7	$ 22.4	$ 29.7	$ 34.7	$ 45.8	$ 47.3	$ 48.5	$ 49.0
EBITDA Margin	30%	37%	40%	40%	40%	40%	40%	40%
Taxes	2.7	8.9	10.4	11.1	11.5	11.4	11.2	10.3
Working Capital	2.2	3.8	1.4	1.2	0.6	0.4	0.2	0.1
Capex	25	15	10	8	3	3	3	3
Free Cash Flow	$ (23.2)	$ (5.4)	$ 7.9	$ 14.8	$ 30.7	$ 32.6	$ 34.2	$ 35.6
Terminal Value								$ 487.5
PV of Cash Flow	$ (23)	$ (5.1)	$ 6.9	$ 11.8	$ 17.0	$ 16.5	$ 15.8	$ 225.4

Discount Rate	10%
Terminal Growth	2%
Present Value of FCF (US$)	$ 316.6
Prob of closing	90%
Value of Acreage Florida	$ 285.0
Shares outstanding	121
Value per share (US$)	$ 2.35

Source: Company Reports, Canaccord Genuity estimates

Michigan

With an established medical market and a ballot initiative that recently approved recreational sales, we expect the Michigan market to see significant growth in the coming years as adult-use sales are implemented in the state. With a population of 10 million, we forecast that Michigan should to be able to support annual sales of ~US$3.0B (including both medical and rec) at maturity.

Acreage recently closed its acquisition of Blue Tire Holdings, which has the right to various real estate assets that are approved (or in the process of being approved) by local municipalities to operate licensed cannabis businesses. The real estate assets include cultivation/processing facilities, and the company is currently in the process of securing three vertically integrated retail locations (with a goal of ultimately opening 10 dispensaries). Acreage has indicated that it plans to deploy capital in a concerted effort to maximize market share in this state; however, due to the very nascent stage of the rec opportunity (with limited visibility to the number of players vying for a stake), we have applied a **7.5%** market share against macro-level estimates. As a result, we forecast that Acreage will realize **US$13M** of revenue in FY2019 (comprised only of medical sales out of three dispensaries), increasing to **US$222M** at peak once Michigan's recreational market is fully implemented.

Figure 37: Acreage: Estimated Michigan revenues (medical and rec)

US$MMs	2019E	2020E	2021E…	2027E	2028E	2029E
Est. Michigan State Rev	$ 650	$ 850	$ 1,400	$ 2,827	$ 2,884	$ 2,942
Est. Acreage Market Share	2.0%	3.7%	4.0%	7.5%	7.5%	7.5%
Est. Acreage Michigan Rev	$ 13.0	$ 31.5	$ 56.0	$ 212.1	$ 217.5	$ 221.8

Source: Company Reports, Canaccord Genuity estimates

Using our above revenue estimates we have applied an average industry EBITDA margin of 35% at peak (for vertically integrated operators with sufficient capacity) and >US$50M capex to get its operations up and running. As a result, we estimate that Acreage will achieve peak EBITDA of ~US$79M and free cash flow of US$58M at maturity in the Michigan market (including adult-use contribution). In our valuation we have utilized our base discount rate of **13%** (a 300bp premium to our base rate due to the very nascent stage of the Michigan rec opportunity), a terminal growth rate of 2%, and a 90% probability adjustment as the company is still in the process of finalizing its licenses in the state. As a result, we value Acreage's Michigan opportunity at **~US$276M**, or **US$2.27** per share (as illustrated below).

Figure 38: Acreage: Valuation of Michigan opportunity (medical and rec)

US$MMs	2019E	2020E	2021E	2022E..	2026E	2027E	2028E	2029E
Est. Acreage Michigan Rev	$ 13.0	$ 31.5	$ 56.0	$ 84.0	$ 207.9	$ 212.1	$ 217.5	$ 221.8
Acreage Michigan EBITDA	$ 3.3	$ 9.6	$ 18.5	$ 29.4	$ 72.8	$ 74.2	$ 77.0	$ 78.5
EBITDA Margin	25%	30%	33%	35%	35%	35%	35%	35%
Taxes	1.3	3.3	5.9	9.4	18.2	17.8	17.7	17.3
Working Capital	1.3	1.8	2.5	2.8	1.9	0.4	0.5	0.4
Capex	20.0	15.0	10.0	7.5	3.0	3.0	3.0	3.0
Free Cash Flow	$ (19)	$ (10.6)	$ 0.1	$ 9.7	$ 49.7	$ 53.0	$ 55.7	$ 57.8
Terminal Value								$ 561.3
PV of Cash Flow	$ (19.4)	$ (10.0)	$ 0.09	$ 7.22	$ 23.11	$ 21.91	$ 20.48	$206.23

Discount Rate	13%
Terminal Growth	2%
Present Value of FCF (US$)	$ 306.1
Probability ofstate approval	90%
Value of Acreage Michigan	$ 275.5
# of shares outstanding	121
Value per share (US$)	$ 2.27

Source: Company Reports, Canaccord Genuity estimates

Connecticut

Although Connecticut's medical program has historically been considerably more restrictive than other medical markets, it has since increased its list of qualifying conditions, which has helped lift patient registrations to >30,000 as of late. We estimate that as the market continues to onboard patients, it could eventually reach an annual revenue potential of **>US$200M** (excluding potential recreational upside).

Acreage owns two of the original six dispensaries licenced in Connecticut (with another location pending M&A closing) and is the market leader in the state. As the market continues to grow, we believe Acreage (as the most capitalized operator in the state) will maintain its leading position in the state. Therefore, we have applied a market share of **35%** to our macro-level estimates for Connecticut. As a result, we forecast that Acreage will achieve revenues of **~US$27M** in FY 2019, increasing to **~US$85M** at peak (as illustrated below).

Figure 39: Acreage: Estimated Connecticut revenues (medical only)

US$MMs	2019E	2020E	2021E…	2027E	2028E	2029E
Est. Connecticut State Retail I	$ 90	$ 115	$ 136	$ 229	$ 236	$ 242
Assumed market share	30.0%	33.0%	35.0%	35.0%	35.0%	35.0%
Est. Retail Connecticut Rev	$ 27.0	$ 37.9	$ 47.6	$ 80.1	$ 82.5	$ 84.5

Source: Company Reports, Canaccord Genuity estimates

Using our above revenue estimates for Acreage's continued market leading presence in Connecticut, we have applied a discounted mature EBITDA margin of 28% (as the company currently does not have any cultivation/production in the state) and incremental capex to grow with the overall market. As a result, we estimate that Acreage will achieve peak EBITDA of ~US$24M and free cash flow of US$17M at maturity in the Connecticut market. In our valuation we have utilized a discount rate of **8.0%** (a 200bp discount to our base rate as Acreage already has a leading presence in this state) and a terminal growth rate of 2%. As a result, we value Acreage's Connecticut opportunity at **~US$219M**, or **US$1.81** per share (as illustrated below).

Figure 40: Acreage: Valuation of Connecticut opportunity (medical only)

US$MMs	2019E	2020E	2021E	2022E…	2026E	2027E	2028E	2029E
Est. Retail Connecticut Rev	$ 27.0	$ 37.9	$ 47.6	$ 55.1	$ 77.0	$ 80.1	$ 82.5	$ 84.5
Acreage Connecticut EBITDA	$ 6.8	$ 10.2	$ 13.3	$ 15.4	$ 21.6	$ 22.4	$ 23.1	$ 23.7
EBITDA Margin	25%	27%	28%	28%	28%	28%	28%	28%
Taxes	2.7	4.1	4.7	4.9	5.4	5.4	5.3	5.0
Working Capital	2.7	1.1	1.0	0.8	0.4	0.3	0.2	0.2
Capex	4.0	5.0	4.0	3.0	2.0	2.0	2.0	2.0
Free Cash Flow	$ (2.7)	$ 0.1	$ 3.7	$ 6.7	$ 13.8	$ 14.7	$ 15.5	$ 16.5
Terminal Value								$ 299.9
PV of Cash Flow	$ (2.7)	$ 0.1	$ 3.3	$ 5.6	$ 8.6	$ 8.6	$ 8.4	$ 162.2

Discount Rate	8%
Terminal Growth	2%
Present Value of FCF (US$)	$ 219.2
# of shares outstanding (FD)	121
Value per share (US$)	$ 1.81

Source: Company Reports, Canaccord Genuity estimates

Oregon

As Oregon was one of the first three states to legalize recreational cannabis, it is already one of the more mature adult-use markets in the US with the potential to eclipse US$1B in normalized annual sales. Given the saturated state of the market, we do not believe it is appropriate to apply a market share assumption due to the limited visibly of license dilution going forward. However, we believe the capitalized players in the state (like Acreage) will be better suited to survive margin compression over the long term. Instead, we have assumed that Acreage's five existing dispensaries (supported by a vertically integrated cultivation/production facility) will each reach an average top line of ~US$10M per year at maturity, in addition to

US$25M of co-packing revenues (from the facility acquired from Form Factory) at peak (or **~US$77M** in total at maturity).

Using our above revenue estimates we have applied a peak EBITDA margin of 30% and incremental capex to grow with the overall market. Although Acreage is fully vertically integrated in Oregon, we have used a discounted EBITDA margin to account for the saturated state of the market. As a result, we estimate that Acreage will achieve peak EBITDA of ~US$23M and free cash flow of US$16M at maturity. In our valuation, we have utilized an **8%** discount rate, as the company has an established presence in this market and a terminal growth rate of 2%. As a result, we value Acreage's Oregon opportunity at **~US$203M**, or **US$1.68** per share (as illustrated below).

Figure 41: Acreage: Valuation of Oregon opportunity (medical and rec)

US$MMs	2019E	2020E	2021E	2022E...	2026E	2027E	2028E	2029E
Acreage Oregon Revenues	$ 14.1	$ 23.0	$ 33.0	$ 37.0	$ 70.0	$ 73.5	$ 75.7	$ 77.2
Acreage Oregon EBITDA	$ 3.5	$ 6.0	$ 8.9	$ 10.4	$ 21.0	$ 22.1	$ 22.7	$ 23.2
EBITDA Margin	25%	26%	27%	28%	30%	30%	30%	30%
Taxes	1.4	2.1	2.9	3.3	5.3	5.3	5.2	5.1
Working Capital	1.4	0.9	1.0	0.4	0.7	0.4	0.2	0.2
Capex	3.0	3.0	3.0	2.0	2.0	2.0	2.0	2.0
Free Cash Flow	$ (2.3)	$ (0.0)	$ 2.1	$ 4.6	$ 13.1	$ 14.4	$ 15.3	$ 15.9
Terminal Value								$ 289.4
PV of Cash Flow	$ (2.30)	$ (0.0)	$ 1.85	$ 3.88	$ 8.16	$ 8.38	$ 8.26	$ 156.51

Discount Rate	8%
Terminal Growth	2%
Present Value of FCF (US$)	$ 203.3
# of shares outstanding	121
Value per share (US$)	$ 1.68

Source: Company Reports, Canaccord Genuity estimates

Rhode Island

Acreage is currently in the process of closing an acquisition for one of only three vertically integrated operators in Rhode Island's medical cannabis market. We believe this state represents a nice tuck-in to Acreage's existing leading presence in New England and should provide the company with a leading position (albeit modest) in a US$78M medical market.

As one of only three operators in the state, we forecast that the company will be able to maintain a proportional~**35%** market share over the long term. As a result, we forecast that Acreage will achieve revenues of **~US$17M** in FY 2019, increasing to **~US$27M** at peak (as illustrated below).

Figure 42: Acreage: Estimated Rhode Island revenues (medical only)

US$MMs	2019E	2020E	2021E...	2027E	2028E	2029E
Est. Rhode Island State Rev	$ 50	$ 60	$ 65	$ 75	$ 77	$ 78
Est. Acreage Market Share	33.0%	34.0%	35.0%	35.0%	35.0%	35.0%
Est. Acreage Rhode Island Rev	$ 16.5	$ 20.4	$ 22.7	$ 26.3	$ 26.8	$ 27.3

Source: Company Reports, Canaccord Genuity estimates

Using the above revenue estimates, we have applied an EBITDA margin of 38% at peak (for vertically integrated operators with sufficient capacity) and incremental capex to grow with the overall market. As a result, we estimate that Acreage will achieve peak EBITDA of ~US$10M and free cash flow of US$7M at maturity in the

Rhode Island market. In our valuation we have utilized an **8%** discount rate, a 200bp discount to our base rate given that there are only three operators in the state, a terminal growth rate of 2% and a 90% probability that Acreage closes this deal. As a result, we value Acreage's Rhode Island opportunity at **~US$93M**, or **US$0.77** per share (as illustrated below).

Figure 43: Acreage: Valuation of Rhode Island opportunity (medical only)

US$MMs	2019E	2020E	2021E	2022E...	2026E	2027E	2028E	2029E
Est. Acreage Rhode Island Rev	$ 16.5	$ 20.4	$ 22.7	$ 23.8	$ 26.0	$ 26.3	$ 26.8	$ 27.3
Acreage Rhode Island EBITDA	$ 5.8	$ 7.3	$ 8.4	$ 9.0	$ 9.9	$ 10.0	$ 10.2	$ 10.4
EBITDA Margin	35%	36%	37%	38%	38%	38%	38%	38%
Taxes	2.3	2.6	2.7	2.9	2.5	2.4	2.3	2.3
Working Capital	1.7	0.4	0.2	0.1	0.1	0.0	0.1	0.1
Capex	3.0	2.0	2.0	1.0	1.0	1.0	1.0	1.0
Free Cash Flow	$ (1.2)	$ 2.4	$ 3.5	$ 5.0	$ 6.4	$ 6.6	$ 6.8	$ 7.0
Terminal Value								$ 132.9
PV of Cash Flow	$ (1.2)	$ 2.3	$ 3.12	$ 4.21	$ 3.98	$ 3.81	$ 3.67	$ 71.85

Discount Rate	8%
Terminal Growth	2%

Present Value of FCF (US$)	$ 103.4
Prob. of closing	90.0%
Value of Acreage Rhode Island	$ 93.0
# of shares outstanding	121
Value per share (USD$)	$ 0.77

Source: Company Reports, Canaccord Genuity estimates

New Hampshire

Although New Hampshire represents a relatively modest opportunity in terms of size, we believe it is an example of another region where Acreage has secured a leading position in a market that is only a few years old. Acreage owns one of only four licensed dispensaries in the state along with a vertically integrated 30,000 sq. ft. cultivation/production facility.

Based on our macro-level assumptions we estimate that New Hampshire will be able to support peak annual revenues of >US$75M at maturity. Based on our assumption that Acreage will be able to maintain an **~35%** market share over the long term, we forecast that the company will achieve revenues of **~US$7M** in FY 2019, increasing to **~US$27M** at peak (as illustrated below).

Figure 44: Acreage: Estimated New Hampshire revenues (medical only)

US$MMs	2019E	2020E	2021E	2027E	2028E	2029E
Est. NH State Rev	$ 20	$ 33	$ 40	$ 75	$ 76	$ 78
Est. Acreage Market Share	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
Acreage New Hampshire Rev	$ 7.0	$ 11.6	$ 14.2	$ 26.2	$ 26.7	$ 27.3

Source: Company Reports, Canaccord Genuity estimates

Using our above revenue estimates we have applied an EBITDA margin of 38% at peak (for vertically integrated operators with sufficient capacity) and incremental capex to grow with the overall market. As a result, we estimate that Acreage will achieve peak EBITDA of ~US$10M and free cash flow of US$7M at maturity in the New Hampshire market. In our valuation, we have utilized a discount rate of **8%** (a 200bp discount to our base rate due to the company's existing leading presence in the state) and a terminal growth rate of 2%. As a result, we value Acreage's Rhode Island opportunity at **~US$95M**, or **US$0.78** per share (as illustrated below).

Figure 45: Acreage: Valuation of New Hampshire opportunity (medical only)

US$MMs	2019E	2020E	2021E	2022E…	2026E	2027E	2028E	2029E
Acreage New Hampshire Rev	$ 7.0	$ 11.6	$ 14.2	$ 16.9	$ 25.7	$ 26.2	$ 26.7	$ 27.3
Acreage New Hampshire EBITDA	$ 2.4	$ 4.2	$ 5.2	$ 6.4	$ 9.8	$ 10.0	$ 10.2	$ 10.4
EBITDA Margin	35%	36%	37%	38%	38%	38%	38%	38%
Taxes	1.0	1.5	1.7	2.1	2.4	2.4	2.3	2.2
Working Capital	0.7	0.5	0.3	0.3	0.1	0.1	0.1	0.1
Capex	2.0	2.0	2.0	1.0	1.0	1.0	1.0	1.0
Free Cash Flow	$ (1.2)	$ 0.3	$ 1.3	$ 3.1	$ 6.3	$ 6.5	$ 6.8	$ 7.1
Terminal Value								$ 129.6
PV of Cash Flow	$ (1.2)	$ 0.2	$ 1.18	$ 2.58	$ 3.92	$ 3.79	$ 3.66	$ 70.08

Discount Rate	8%
Terminal Growth	2%

Present Value of FCF ($USD)	$ 94.5
# of shares outstanding	121
Value per share (USD$)	$ 0.78

Source: Company Reports, Canaccord Genuity estimates

Pennsylvania

After legalizing and establishing its medical cannabis regulations in mid-2016, Pennsylvania is currently in the midst of implementing its regulated market. Currently, the state has >40,000 registered patients, which we believe could still increase by ~7x as additional infrastructure is rolled out and market demand continues to grow. At peak, we believe this could represent an annual revenue opportunity of **>US$800M**.

Acreage currently owns one of the 12 cultivation/production licenses issued by the state and is looking to gain exposure to the retail segment of the market through a Clinical Research Trial program that could permit the company to open up to six dispensaries in Pennsylvania. We have assumed Acreage will achieve a **5.0%** market share in Pennsylvania at peak (but have used a probability adjustment in our valuation for assumed dispensary sales). Based on these assumptions, we forecast that Acreage will realize **US$10M** of revenue in FY2019, increasing to **US$41M** at peak.

Figure 46: Acreage: Estimated Pennsylvania revenues (medical and rec)

US$MMs	2019E	2020E	2021E…	2027E	2028E	2029E
Est. Pennsylvania State Rev	$ 139	$ 346	$ 489	$ 810	$ 818	$ 822
Est. market share	7.5%	6.5%	5.5%	5.0%	5.0%	5.0%
Est. Acreage Pennsylvania Rev	$ 10.4	$ 22.5	$ 26.9	$ 40.5	$ 40.9	$ 41.1

Source: Company Reports, Canaccord Genuity estimates

Using our above revenue estimates we have applied an average industry EBITDA margin of 35% at peak (for vertically integrated operators with sufficient capacity) and incremental capex to grow with the overall market. As a result, we estimate that Acreage will achieve peak EBITDA of ~US$14M and free cash flow of US$9M at maturity. In our valuation, we have utilized our base discount rate of 10.0%, a terminal growth rate of 2% and an 80% probability adjustment of Acreage receiving retail exposure in the state. As a result, we value Acreage's Pennsylvania opportunity at **~US$74M**, or **US$0.61** per share (as illustrated below).

Figure 47: Acreage: Valuation of Pennsylvania opportunity (medical only)

US$MMs	2019E	2020E	2021E	2022E…	2026E	2027E	2028E	2029E
Est. Acreage Pennsylvania Rev	$ 10.4	$ 22.5	$ 26.9	$ 30.9	$ 40.1	$ 40.5	$ 40.9	$ 41.1
Est. Acreage Pennsylvania EBITDA	$ 2.6	$ 6.7	$ 8.9	$ 10.8	$ 14.0	$ 14.2	$ 14.3	$ 14.4
EBITDA Margin	25%	30%	33%	35%	35%	35%	35%	35%
Taxes	1.0	2.4	2.8	3.2	3.4	3.3	3.1	3.0
Working Capital	1.0	1.2	0.4	0.4	(1.9)	0.0	0.0	0.0
Capex	7	5	5	4	2	2	2	2
Free Cash Flow	$ (6.5)	$ (1.8)	$ 0.6	$ 3.2	$ 10.6	$ 8.9	$ 9.1	$ 9.3
Terminal Value								$ 131.6
PV of Cash Flow	$ (6.5)	$ (1.7)	$ 0.5	$ 2.5	$ 5.9	$ 4.5	$ 4.2	$ 60.8

Discount Rate	10%
Terminal Growth	2%
Present Value of FCF (US$)	$ 92
Prob. of retail licenses	80%
Value of Acreage Pennsylvania (US$)	$ 74
	121
Value per share (US$)	$ 0.61

Source: Company Reports, Canaccord Genuity estimates

Valuation of additional US markets

In addition to the state-by-state valuations above, we have also valued the following additional market opportunities for Acreage as follows:

- **California.** With three facilities under construction as part of its acquisition of Form Factory and a fourth production facility in Oakland that is expected to close in the coming month(s), we expect Acreage to have >70,000 sq. ft. of production online in California by Q2/19. Although details still remain thin with respect to the company's expected revenue contribution out of these facilities, we believe the company will have the capacity to sell ~US$20M of product over the near term (predominately though manufacturing/co-packing arrangements). We have ramped up our revenue estimates to ~US$125M over the long term, which we believe represents a modest 1% market share of the estimated California peak annual revenue opportunity.
- **Iowa.** Acreage owns one of only two manufacturing/production licenses that supply the state's five dispensaries. We estimate that Iowa will reach a peak annual revenue potential of >US$150M (medical only). Assuming Acreage maintains a 40% market share of production volumes over the long term, we estimate that the company will be able to achieve peak revenues of US$35M in Iowa.
- **North Dakota.** With a licence to operate one dispensary in North Dakota (out of eight that will be awarded), we have assumed that Acreage will be able to realize modest revenue of US$10M at peak out of a market that we believe has the potential to reach ~US$60M in sales.
- **Maryland.** Currently, Acreage only operates one dispensary in the state and does not yet have a license to cultivate or produce cannabis. We have assumed that the company will grow its dispensary profile to thee locations over the long-term and average ~US$12M in annual revenues per location (or US$38M in peak revenues).

- **Oklahoma.** Acreage owns one cultivation/manufacturing licence in Oklahoma. We estimate that the state can support >US$200M in annual revenues at peak. Assuming Acreage secures a 25% share of the wholesale production market, this would equate to peak revenues of US$33M for the company in Oklahoma at maturity.

- **Washington State.** As previously outline, Acreage acquired one manufacturing/co-packing facility in Washington as part of its deal with Form Factory. Due to the relatively saturated nature of this market, we have assumed that this operation will produce peak revenues of ~US$25M at maturity.

Using the cumulative revenue estimates above we have applied an average industry EBITDA margin of 28% at peak (as most of the assets above are not vertically integrated) and incremental capex to grow with the overall market. As a result, we estimate that Acreage will achieve peak EBITDA of ~US$77M and free cash flow of US$55M at maturity in these markets (combined). In our valuation, we have utilized our base discount rate of **10%** and a terminal growth rate of 2%. As a result, we value Acreage's ancillary US markets at **~US$463M**, or **US$3.82** per share (as illustrated below).

Figure 48: Acreage: Valuation of other US opportunities

US$MMs	2019E	2020E	2021E	2022E...	2026E	2027E	2028E	2029E
California	$ 20,000	$ 35,000	$ 60,000	$ 70,000	$ 120,542	$ 122,953	$ 125,412	$ 127,920
Iowa	$ 2,000	$ 7,500	$ 12,000	$ 18,000	$ 32,065	$ 33,668	$ 34,342	$ 35,028
North Dakota	$ 625	$ 1,000	$ 2,500	$ 4,000	$ 9,000	$ 10,000	$ 10,200	$ 10,404
Maryland	$ 3,000	$ 10,000	$ 15,000	$ 25,000	$ 34,670	$ 35,710	$ 36,781	$ 38,620
Oklahoma	$ 1,000	$ 5,000	$ 17,000	$ 21,000	$ 31,550	$ 32,181	$ 32,824	$ 33,481
Washington State	$ 2,000	$ 4,000	$ 10,000	$ 12,000	$ 20,000	$ 23,000	$ 24,000	$ 24,600
Est. Acreage Other Revenues	$ 28.6	$ 62.5	$ 116.5	$ 150.0	$ 247.8	$ 257.5	$ 263.6	$ 270.1
Est. Acreage Other EBITDA	$ 5.2	$ 15.6	$ 30.3	$ 40.5	$ 69.4	$ 72.1	$ 74.9	$ 76.7
EBITDA Margin	18%	25%	26%	27%	28%	28%	28%	28%
Taxes	2.1	5.5	9.7	12.2	16.7	16.6	16.5	16.1
Working Capital	2.9	3.4	5.4	3.4	1.2	1.0	0.6	0.6
Capex	30	20	10	8	5	5	5	5
Free Cash Flow	$ (29.8)	$ (13.2)	$ 5.2	$ 17.5	$ 46.6	$ 49.6	$ 52.8	$ 54.9
Terminal Value								$ 732.5
PV of Cash Flow	$ (29.8)	$ (12.6)	$ 4.5	$ 13.9	$ 25.8	$ 25.1	$ 24.4	$ 338.7

Discount Rate	10%
Terminal Growth	2%
Value of Acreage Other (US$)	$ 463
	121
Value per share (US$)	$ 3.82

Source: Company Reports, Canaccord Genuity estimates

Balance Sheet

With ~US$387M on its balance sheet after its RTO earlier this year, we estimate that Acreage will expend a net ~US$260M over the next 12 months related to acquisition closings and further capex build-outs. As a result, we forecast the company to have a 1-year fwd cash balance of US$127M, or ~$1.04 per share (as illustrated below).

Figure 49: Estimated 1-year fwd cash balance

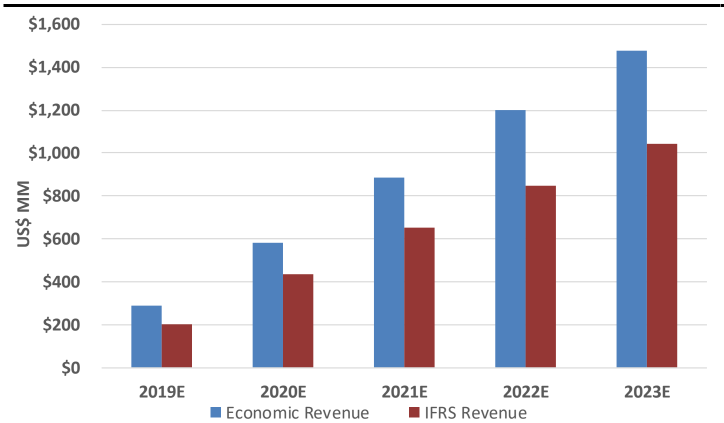
Asset	Book Value (US$MM)	Multiple of Book Value	Value (US$ MMs)
Net Acreage Cash after RTO	$ 387,000		
CG Est. 1 year Acq. Costs + Cash Burn + Capex	$ (260,266)		
Net-Cash available (1 yr fwd)	$ 126,734	1.0x	$ 126,734
# of shares outstanding			121
Value per Share			$ 1.04

Source: Company Reports, Canaccord Genuity estimates

Consolidated estimates

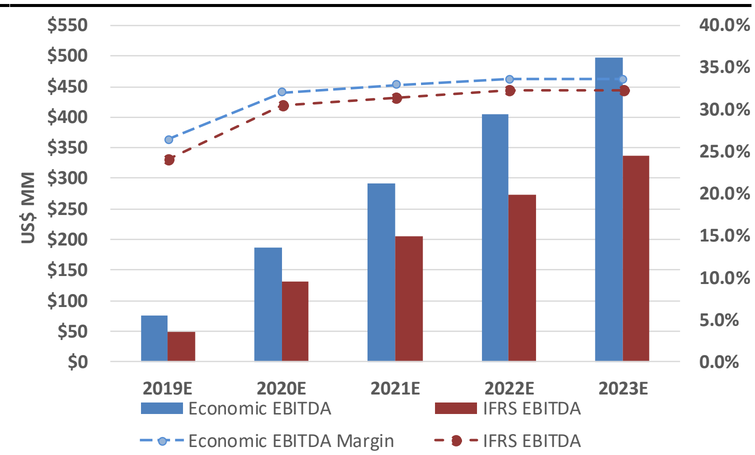
Based on our individual SOTP estimates detailed previously, the revenue and Adj. EBITDA we forecast Acreage will derive from the 19 states where it currently has exposure over the next five years is illustrated below:

Figure 50: Acreage: Forecasted Revenue (FY2019 to FY2023)



Source: Company Reports, Canaccord Genuity estimates

Figure 51: Acreage: Forecasted EBITDA (FY2019 to FY2023)

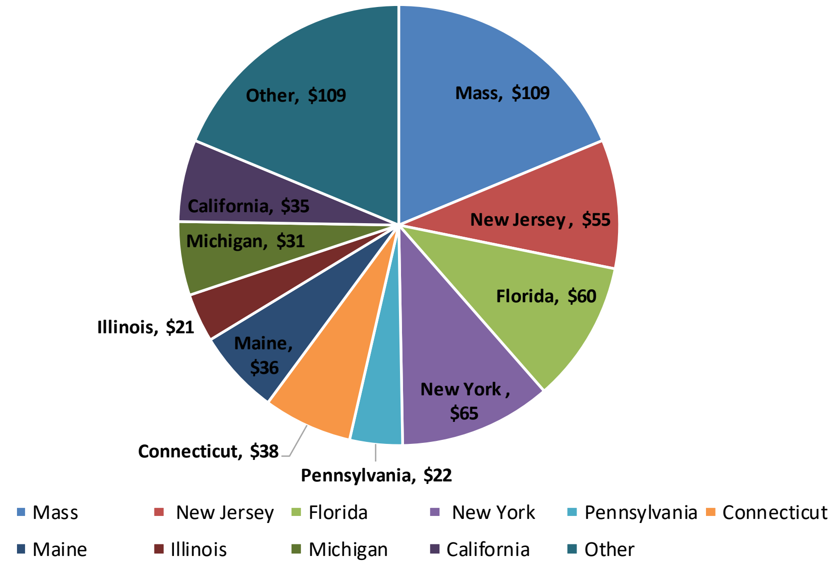


Source: Company Reports, Canaccord Genuity estimates

As illustrated above, we forecast that Acreage will realize "Economic Revenue" (the cumulative revenue from all its individual wholly owned operating assets) of **US$286M** in FY2019, increasing at a 50% CAGR to **US$1.48B** in FY2023. However, for IFRS purposes (as currently not all states are able to be consolidated into IFRS revenue) we forecast revenues of US$200M in FY2019, increasing by a 50% CAGR to US$1.04B by FY2023. Our IFRS estimates above assumes no future changes in states that are not currently consolidated into results. However, we anticipate that over time, regulations will evolve, and we do not expect this gap between Economic and IFRS revenue to persist materially over the longer term. We note that this has no impact on valuation or cash flows and is only a financial reporting consideration.

Further, the allocation of our US$582M revenue estimates for FY2020 by geography is shown below:

Figure 52: Acreage: Estimated FY2020 revenue by geography (US$MM)



Source: Company Reports, Canaccord Genuity estimates

Sum-of-the-parts valuation

Initiating coverage of Acreage with a SPECULATIVE BUY rating and US$35.00 PT
Based on our individual valuations in the 19 markets where Acreage already has exposure, net of a 10% HoldCo discount, our resulting sum-of-the-parts valuation for the company is US$34.84 per share, as illustrated below.

Figure 53: Acreage SOTP valuation

SOTP Valuation	US$ per share	Value (US$ MM)	CY2020 EV/EBITDA	EBITDA (US$ MM)
Massachusetts	$ 5.14	$ 624	16.8x	$ 37.1
New York	$ 4.44	$ 539	23.0x	$ 23.4
New Jersey	$ 4.25	$ 515	23.4x	$ 22.0
Maine	$ 3.89	$ 472	38.6x	$ 12.2
Ohio	$ 2.99	$ 362	40.2x	$ 9.0
Illinois	$ 2.55	$ 310	46.7x	$ 6.6
Florida	$ 2.35	$ 285	12.7x	$ 22.4
Michigan	$ 2.27	$ 275	28.8x	$ 9.6
Connecticut	$ 1.81	$ 219	21.4x	$ 10.2
Oregon	$ 1.68	$ 203	34.0x	$ 6.0
Rhode Island	$ 0.77	$ 93	12.7x	$ 7.3
New Hampshire	$ 0.78	$ 95	22.6x	$ 4.2
Pennsylvania	$ 0.61	$ 74	11.0x	$ 6.7
Other Markets	$ 3.82	$ 463	29.6x	$ 15.6
Fwd Cash	$ 1.04	$ 127	n/a	
Hold Co. Discount	$ (3.55)	$ (430)	n/a	$ (5.8)
SOTP Valuation	$ 34.84	$ 4,226	22.0x	$ 186.6

Source: Canaccord Genuity estimates

As a result, we are initiating coverage of Acreage with a SPECULATIVE BUY rating and a US$35.00 target price.

Our target represents a forecasted annualized return of 116%. Further, below is a sensitivity table of our base valuation if we were to increase/decrease the weighted average discount rate of 11.0% and terminal growth rate of 2.0% utilized in our DCF base case valuations. We note that should Acreage continue to execute and carve out market share where it already has exposure, a 200bp de-risking to our valuation would result in a valuation of ~US$44.00 (or ~170% higher than current trading levels). We believe as US markets continue to develop and Acreage continues to roll out its vertically integrated assets, ACRG has significant upside from our base case valuation, even without considering likely future M&A once/if the market begins to consolidate.

Figure 54: Acreage SOTP sensitivity table

Discount Rate	Terminal Growth Rate 1.0%	1.5%	2.0%	2.5%	3.0%
9%	39.09	41.39	44.17	47.62	52.07
10%	34.95	36.66	38.65	41.02	43.89
11%	31.91	33.27	34.84	36.65	38.79
12%	29.58	30.72	32.03	33.53	35.27
13%	27.73	28.73	29.87	31.17	32.68

Source: Canaccord Genuity estimates

Comparable company analysis

Acreage currently trades at 9.9x our CY2020 EV/EBITDA compared to its US peers at 8.5x. Given that Acreage currently has the greatest geographic exposure amongst all MSOs in the industry, we believe a premium valuation is warranted at this time and we would be buyers of ACRG at current levels.

We also note that Acreage trades at steep discount to the large-cap Canadian LPs (at 30.6x CY2020E EV/EBITDA). As Acreage and many other MSOs currently have access to a greater population base than Canada and are able to operate more favourable vertically integrated operations in many states, we believe this valuation gap will eventually close and MSOs (including Acreage) could begin to re-rate against the relatively more expensive Canadian names over the medium to long term.

Figure 55: Acreage Comp Table

Company	Ticker	Share Price ($)	Market Cap (MM)	Enterprise Value Adj	EV/EBITDA CY 2019	EV/EBITDA CY 2020	EV/Revenue CY 2019	EV/Revenue CY 2020
Canopy Growth	WEED	$ 41.47	$ 16,032	$ 10,216	49.7x	21.1x	14.4x	8.3x
Aphria Inc.	APH	$ 7.47	$ 1,900	$ 1,635	9.8x	5.1x	3.5x	2.1x
Tilray[1,2]	TLRY	$ 75.13	$ 6,995	$ 6,922	271.9x	81.4x	52.0x	25.7x
Aurora Cannabis	ACB	$ 7.47	$ 7,771	$ 7,653	38.5x	17.9x	13.1x	7.7x
Cronos Group Inc.	CRON	$ 15.13	$ 5,371	$ 2,929	52.9x	27.3x	16.5x	10.6x
Average					84.6x	30.6x	19.9x	10.9x
IAN + MPX	IAN	$ 5.78	$ 1,262	$ 1,140	13.7x	8.9x	3.7x	2.6x
Trulieve	TRUL	$ 10.56	$ 1,165	$ 1,135	10.3x	7.2x	3.5x	3.0x
Green Thumb Industries[1]	GTII	$ 13.00	$ 1,910	$ 1,726	30.2x	9.2x	7.0x	3.3x
Liberty Health Sciences	LHS	$ 1.01	$ 375	$ 352	16.8x	7.5x	3.9x	2.3x
MedMen	MMEN	$ 4.22	$ 2,760	$ 2,513	84.8x	10.6x	5.1x	2.9x
Curaleaf	CURA	$ 6.36	$ 3,184	$ 2,903	17.3x	10.1x	6.6x	3.8x
Harvest[1]	HARV	$ 6.50	$ 1,805	$ 1,548	20.5x	5.3x	5.0x	2.0x
Cresco[1]	CL	$ 7.55	$ 2,076	$ 1,969	15.1x	7.4x	5.0x	2.9x
Average of U.S. companies					25.9x	8.5x	5.1x	2.9x
Acreage	ACRG.U	$ 16.20	$ 1,965	$ 1,838	24.3x	9.9x	6.3x	3.1x

[1]Not rated - Based on Consensus or Management Estimates

[2]Tilray, Acreage estimates and values in USD

Source: Company Reports, Canaccord Genuity estimates

Selected management and director bios

Kevin Murphy | Chairman, founder and CEO

Kevin Murphy is the founder and CEO of High Street Capital Partners D/B/A Acreage Holdings. Prior to founding the firm, Kevin Murphy was a Founding Member and Managing Partner of Stanfield Capital Partners, a company wherein Kevin oversaw the company's growth from inception to a $30 billion money management firm. Between 2011 and 2014, Kevin Murphy played an active role in investments made in the cannabis industry on the eastern coast of the United States, aiding in the oversight of risk-management, sales and distribution, client services, legal, compliance and operations.

George Allen | President

George Allen spent the beginning of his career as an Associate at Goldman Sachs primarily focused on the deployment of capital in distressed securities in and around the Southeast Asian markets. Subsequent to this, Mr. Allen spent time in various roles centered around corporate development and investment research at Firstmark Communications, Blucora and Geronimo Capital. Most recently, Mr. Allen was the Chief Investment Officer at Cambridge Information Group where he was responsible for investing family office capital across multiple asset classes. Mr. Allen earned a bachelor's degree in Mechanical Engineering from Yale University.

Glen Leibowitz | CFO

Glen Leibowitz began his career at PricewaterhouseCoopers, spending 10 years focused on multiple complex foreign registrant financial statements and client IPO documents. From PwC, Mr. Leibowitz moved to Apollo Global Management LLC, serving as its Head of Financial Reporting from January 2014 to October 2016. As part of his role there, Mr. Leibowitz was involved in taking the organization public in 2011, which included implementation of public accounting reporting framework and directing the company-wide Sarbanes-Oxley program. Mr. Leibowitz holds a bachelor's degree in Accounting from Queens College.

Robert Daino | COO

Robert Daino began his career at General Electric, where he held several technical and senior management roles over his 13-year career. Subsequently, Robert joined WCNY Public Media where he served in the role of the President & CEO of the company. Under his leadership the company gained significant public engagement, ultimately getting into 50 states and 17 countries.

John Boehner | Director

John Boehner has extensive experience in the United States political landscape, serving in the House of Representatives from 1991 until October 2015. In addition to be a representative, John Boehner served as the Speaker of the House for four years, from January 2011 until October 2015. Prior to declaring for public office, John Boehner worked his way through the ranks of Nucite Sales, a sale packaging and plastics business, where he held the position of president, prior to being elected to congress. John plans to help the company navigate the challenges that arise in the marijuana political climate.

Brian Mulroney | Director

Brian Mulroney was the 18th Prime Minister of Canada, serving from September 17, 1984, until June 25, 1993. Prior to his position in office, Brian was a partner at a

Quebec-based law firm Norton Rose Fullbright, where he practiced as a labour lawyer. After several years at the law firm, Brian took a role as executive vice president of the Iron Ore Company of Canada. Subsequent to his time in the Iron Ore Company, he won the leadership seat for the conservative party, and was ultimately elected the Prime Minister of Canada. Brian holds a B.A. in political sciences from St. Francis Xavier University and a Law degree from Laval University.

William Weld | Director
William Weld began his career as a counsel in the US House Judiciary Committee and was appointed to the role of US Attorney for the District of Massachusetts. He later joined the international law firm of McDermott Will & Emery as a partner, followed by some time spent in a private equity. In 1991 William Weld was elected as Governor of Massachusetts, holding the role for 6 years, from 1991-1997. Mr. Weld holds a degree in economics from Oxford and a law degree form Harvard Law School.

Larissa Herda | Director
Ms. Herda is the former CEO and Chairman of TW Telecom Inc. (formerly, Time Warner Telecom Inc). Ms. Herda's experience was concentrated on the sales and marketing side of the business. Ms. Herda served in several capacities as an advisor to the federal government, first as a member of the President's National Security Telecommunications Advisory Committee and secondly as the Chair of the Federal Communications Commission's Communication, Security, Reliability and Interoperability Council.

Douglas Maine | Director
Mr. Maine has spent several years in the consumer products goods industry, holding roles at MCI (now part of Verizon), ibm.com and the IBM parent corporation. Mr. Maine holds more than 10 years of experience as the CFO of a multi-national corporations as has served on the board of a variety of public companies, including Albemarle Corporation, Rockwood Goldings, and BroadSoft, Inc.

William C. Van Faasen | Director
William C. Van Faasen first served as Chairman of Blue Cross Blue Shield of Massachusetts from 2002-2007. He served as interim President and CEO from March-September 2010. In 2010 he was elected Chair of the Board of Directors for the second time, retiring in March 2014 when he was named Chair Emeritus.

Figure 56: Acreage: Forecast Economic P&L

FYE Dec 31 (US$ 000s)	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Revenue	285,528	582,014	887,404	1,203,011	1,479,322	1,706,078	1,842,325	1,960,931	2,019,830	2,079,928	2,134,247
Revenue growth %	1366%	104%	52%	36%	23%	15%	8%	6%	3%	3%	3%
Cost of goods sold	122,607	233,786	351,837	472,248	580,707	667,350	719,987	763,189	784,641	806,280	826,276
Loss (Gain) on FV Changes	-	-	-	-	-	-	-	-	-	-	-
Gross Margin	$ 162,921	$ 348,228	$ 535,567	$ 730,764	$ 898,615	$ 1,038,728	$ 1,122,339	$ 1,197,743	$ 1,235,189	$ 1,273,648	$ 1,307,971
General & Administrative	$ 51,086	$ 97,411	$ 146,599	$ 196,770	$ 241,961	$ 278,062	$ 299,994	$ 317,995	$ 326,934	$ 335,950	$ 344,282
Share-based payments	10,000	11,640	17,748	24,060	29,586	34,122	36,847	39,219	40,397	41,599	42,685
Sales & Marketing & Promotion	30,652	58,446	87,959	118,062	145,177	166,837	179,997	190,797	196,160	201,570	206,569
Amortization and Depreciation	9,354	23,769	33,567	38,610	40,474	40,827	40,544	40,090	39,681	39,313	38,981
Interest Expense	6,567	13,386	20,410	27,669	34,024	39,240	42,373	45,101	46,456	47,838	49,088
Corporate Overheads	5,711	5,820	8,874	12,030	14,793	17,061	18,423	19,609	20,198	20,799	21,342
Other Operating Costs	-	-	-	-	-	-	-	-	-	-	-
Income (loss) from operations	$ 49,552	$ 137,755	$ 220,410	$ 313,562	$ 392,599	$ 462,579	$ 504,160	$ 544,932	$ 565,364	$ 586,579	$ 605,024
Adjusted EBITDA	$ 75,473	$ 186,550	$ 292,135	$ 403,901	$ 496,683	$ 576,767	$ 623,924	$ 669,341	$ 691,897	$ 715,328	$ 735,778
Adj. EBITDA %	26%	32%	33%	34%	34%	34%	34%	34%	34%	34%	34%
Interest expense & other	$ 6,066	$ 6,066	$ 6,066	$ 6,066	$ 6,066	$ 6,066	$ 6,066	$ 6,066	$ 6,066	$ 6,066	$ 6,066
Income (Loss) before taxes	$ 43,486	$ 131,689	$ 214,344	$ 307,496	$ 386,533	$ 456,513	$ 498,094	$ 538,866	$ 559,298	$ 580,513	$ 598,958
Tax Expense	$ 32,473	$ 72,525	$ 100,879	$ 130,408	$ 145,111	$ 148,457	$ 160,587	$ 170,011	$ 168,571	$ 166,407	$ 161,837
Net Income	$ 11,012	$ 59,164	$ 113,465	$ 177,088	$ 241,422	$ 308,056	$ 337,507	$ 368,855	$ 390,727	$ 414,106	$ 437,121
# of Shares (FD)	*121,313*	*121,313*	*121,313*	*121,313*	*121,313*	*121,313*	*121,313*	*121,313*	*121,313*	*121,313*	*121,313*
Earnings per Share	$ 0.09	$ 0.49	$ 0.94	$ 1.46	$ 1.99	$ 2.54	$ 2.78	$ 3.04	$ 3.22	$ 3.41	$ 3.60

Source: Company Reports, Canaccord Genuity estimates

Figure 57: Acreage: Forecast balance sheet

FYE Dec 31 (US$ 000s)	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Assets											
Cash & equivalents	83,075	31,206	52,137	145,950	335,550	635,610	988,269	1,378,617	1,802,637	2,250,704	2,723,378
Accounts receivable	28,553	58,201	88,740	120,301	147,932	170,608	184,233	196,093	201,983	207,993	213,425
Inventory	83,977	64,051	96,394	129,383	159,098	182,836	197,257	209,093	214,970	220,899	226,377
Prepaid expenses	1,680	3,203	4,820	6,469	4,773	5,485	5,918	6,273	6,449	6,627	6,791
Biological assets	2,855	5,820	8,874	12,030	14,793	17,061	18,423	19,609	20,198	20,799	21,342
Other current assets	34,263	69,842	106,489	144,361	177,519	204,729	221,079	235,312	242,380	249,591	256,110
Current Assets	**234,403**	**232,322**	**357,453**	**558,495**	**839,664**	**1,216,328**	**1,615,178**	**2,044,997**	**2,488,617**	**2,956,613**	**3,447,424**
Property, Plant and Equipment	166,685	284,917	352,850	380,740	388,266	387,439	382,895	378,806	375,125	371,813	368,831
Investments and Deposits	15,403	-	-	-	-	-	-	-	-	-	-
Intangible Assets	161,560	161,560	161,560	161,560	161,560	161,560	161,560	161,560	161,560	161,560	161,560
Promissory Note	19,651	19,651	19,651	19,651	19,651	19,651	19,651	19,651	19,651	19,651	19,651
Other Assets	759	759	759	759	759	759	759	759	759	759	759
Total Assets	**598,461**	**699,209**	**892,273**	**1,121,205**	**1,409,900**	**1,785,738**	**2,180,043**	**2,605,773**	**3,045,712**	**3,510,396**	**3,998,225**
Liabilities											
Accounts payable & accruals	71,382	116,403	177,481	204,512	221,898	255,912	276,349	294,140	302,974	311,989	320,137
Current portion of debt	9,668	9,668	9,668	9,668	9,668	9,668	9,668	9,668	9,668	9,668	9,668
Other current liabilities	7,628	7,628	7,628	7,628	7,628	7,628	7,628	7,628	7,628	7,628	7,628
Current Liabilities	**88,678**	**133,699**	**194,777**	**221,808**	**239,194**	**273,208**	**293,645**	**311,436**	**320,270**	**329,285**	**337,433**
Debt	-	-	-	-	-	-	-	-	-	-	-
Derivative liabilities	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	**88,678**	**133,699**	**194,777**	**221,808**	**239,194**	**273,208**	**293,645**	**311,436**	**320,270**	**329,285**	**337,433**
Shareholder's Equity											
Member's Equity	507,351	566,515	679,979	857,068	1,098,490	1,406,546	1,744,053	2,112,908	2,503,635	2,917,741	3,354,862
AOCI	2,433	(1,005)	17,517	42,329	72,216	105,984	142,345	181,429	221,806	263,370	305,930
Non-controlling Interest	-	-	-	-	-	-	-	-	-	-	-
Total Shareholder's Equity	**509,783**	**565,510**	**697,496**	**899,397**	**1,170,706**	**1,512,530**	**1,886,399**	**2,294,337**	**2,725,442**	**3,181,111**	**3,660,792**
Total Liabilities and Shareholder's Equity	**598,461**	**699,209**	**892,273**	**1,121,205**	**1,409,900**	**1,785,738**	**2,180,043**	**2,605,773**	**3,045,712**	**3,510,396**	**3,998,225**

Source: Company Reports, Canaccord Genuity estimates

Figure 58: Acreage: Forecast statement of cash flows

FYE Dec 31 (US$ 000s)	2018A	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
OPERATING ACTIVITIES												
Net profit (loss) for the period	(40,837)	11,012	59,164	113,465	177,088	241,422	308,056	337,507	368,855	390,727	414,106	437,121
Adjustments for non-cash items												
Depreciation and Amortization	2,961	9,354	23,769	33,567	38,610	40,474	40,827	40,544	40,090	39,681	39,313	38,981
Share based payments	15,365	10,000	11,640	17,748	24,060	29,586	34,122	36,847	39,219	40,397	41,599	42,685
Other	2,071	535	(2,965)	(3,054)	(3,156)	(2,763)	(2,268)	(1,362)	(1,186)	(589)	(601)	(543)
Changes in working capital	(1,380)	(82,535)	(1,803)	(40,068)	(77,041)	(71,421)	(40,323)	(24,391)	(20,494)	(10,177)	(10,313)	(9,445)
Cash from Operations	$ (21,820)	$ (51,634)	$ 89,805	$ 121,658	$ 159,561	$ 237,298	$ 340,414	$ 389,144	$ 426,483	$ 460,039	$ 484,102	$ 508,799
FINANCING ACTIVITIES												
Shares issued for cash	517,042	-	-	-	-	-	-	-	-	(0)	-	-
Proceeds from issuance of notes payable	30,682	(48,632)	-	-	-	-	-	-	-	-	-	-
Payment on Derivative Liabilities	(897)	(2,000)	-	-	-	-	-	-	-	-	-	-
Debt Issuance Costs	(12,664)	-	-	-	-	-	-	-	-	-	-	-
Cash from Financing	534,163	(50,632)	-	-	-	-	-	-	-	(0)	-	-
INVESTING ACTIVITIES												
Purchase of PP&E	(19,933)	(165,000)	(142,000)	(101,500)	(66,500)	(48,000)	(40,000)	(36,000)	(36,000)	(36,000)	(36,000)	(36,000)
Purchase of Intangible assets [licenses]	(158,569)	-	-	-	-	-	-	-	-	-	-	-
Business Acquisitions	-	-	-	-	-	-	-	-	-	-	-	-
Cash from Investing	(178,502)	(165,000)	(142,000)	(101,500)	(66,500)	(48,000)	(40,000)	(36,000)	(36,000)	(36,000)	(36,000)	(36,000)
Increase in cash and cash equivalents	333,841	(267,266)	(52,195)	20,158	93,061	189,298	300,414	353,144	390,483	424,039	448,102	472,799

Source: Company Reports, Canaccord Genuity estimates

Canaccord Genuity Capital Markets

Curaleaf Holdings, Inc.

Cannabis

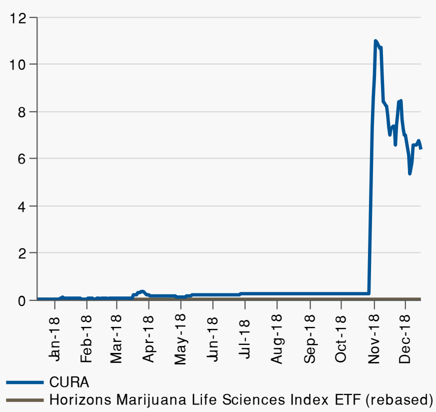
Canadian Equity Research
17 December 2018

SPECULATIVE BUY

PRICE TARGET	C$13.00
Price (15-Dec)	C$6.36
Ticker	CURA-CSE

52-Week Range (C$):	5.12 - 11.49
Avg Daily Vol (000s) :	942.9
Market Cap (C$M):	3,186
Shares Out., FD (M) :	500.7
Total Return to Target (%) :	104.4
Net Debt (Cash) (C$M):	(282)
Enterprise Value (C$M):	2,905

FYE Dec	2019E	2020E	2021E
Economic Revenue (US$M)	363	614	921
IFRS Revenue (US$M)	315	517	720
SG&A (US$M)	84.1	152.7	223.0
Economic EBITDA (US$M)	128.1	219.3	330.9
EBITDA (US$M)	109.8	181.8	253.1
EPS Adj&Dil (US$)	0.11	0.20	0.29
EV/EBITDA (x)	17.3	10.1	6.7



Source: FactSet

Priced as of close of business 15 December 2018

Curaleaf Holdings, Inc. is a Multi-State Operator in the US cannabis industry, which currently has one of the largest portfolios of assets and operating infrastructure.The company was an early mover in the market, beginning as a medical device company in 2010, and opening its first cannabis dispensary in New Jersey back in 2015. The company has quickly expanded to a total of 12 states and to date, has ~34 licensed dispensaries up and running.

Matt Bottomley, CPA, CA, CBV | Analyst | Canaccord Genuity Corp. (Canada) | mbottomley@cgf.com | 1.416.867.2394
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Initiation of Coverage

Leading the pack

We are initiating coverage of Curaleaf Holdings, Inc. with a SPECULATIVE BUY rating and a target price of C$13.00. Curaleaf is a Multi-State Operator (MSO) in the US cannabis industry that currently has one of the largest portfolios of assets in operation. Over the past three years, the company has expanded its reach to a total of 12 states and already has ~35 licensed dispensaries up and running (the most of any single operator in the industry today). Although the US cannabis industry is quickly evolving, on balance we believe between the company's geographic exposure, future optionality and existing assets in operation, Curaleaf is the largest vertically integrated cannabis company in the United States today.

Investment Highlights

- **Attractive US exposure.** Curaleaf has assets/exposure in 12 US states with a cumulative population of >130M. The company has the largest existing retail footprint (at 35 dispensaries) and one of the highest revenue run-rates among all US MSOs (~US$100M as of Q3/18). We believe Curaleaf's existing positioning is second to none, as it is the number one player in New Jersey (likely to go recreational next year); the number two player in Florida (the most robust medical market in the US today); has significant Massachusetts exposure; and holds one of only 10 licenses in New York State. Cumulatively, we believe the company Can achieve on average 5-15% long-term market share in the states in which it houses operations.
- **A branded house.** Curaleaf has started to establish a coalesced brand image that spans both its retail design and an expanding assortment of "Curaleaf" branded products. In our view, the company is ahead of many of its peers with respect to the execution of its vertically integrated operating platform by focusing on retailing its own in-house products and could likely achieve operating margins in excess of industry averages as a result.
- **Burgeoning US markets drive our forecasts**. We forecast Curaleaf will realize "Economic Revenue" of US$363M in FY2019, increasing at a 40% CAGR to US$1.36B in FY2023; we estimate that the company will realize Adj. EBITDA of US$128M in 2019, increasing to US$477M by 2023.

Valuation

We value Curaleaf using a sum-of-the-parts analysis for each market where it has exposure. We utilize a DCF methodology, with discount rates ranging from 8% to 13%; a terminal growth rate of 2%; and further probability discounts where appropriate. Together, our SOTP valuation yields a target price of C$13.00 (or 21.9x our CY2020 EV/ Adj. EBITDA) and represents a forecast return of 104%. Given the significant long-term growth profile and recreational optionality where Curaleaf has exposure, we believe a premium valuation multiple is warranted; however, due to the risks and uncertainties surrounding execution, regulatory changes, and other market factors, we believe a SPECULATIVE BUY rating is appropriate at this time. Curaleaf currently trades at 10.1x our FY2020 EV/EBITDA, compared to the average of its US peers at 8.5x.

Curaleaf at a glance

Curaleaf Holdings, Inc. is a Multi-State Operator (MSO) in the US cannabis industry, which currently has one of the largest portfolios of assets and operating infrastructure in the industry to date. The company was an early mover in the market (previously known as PalliaTech), first beginning as a medical device company in 2010, and opening its first cannabis dispensary in New Jersey back in 2015 (where it still remains the market leader). Over the past three years, the company has quickly expanded to a total of 12 states (pro forma), through both M&A and license tendering wins, and remains the highest capitalized company within its MSO peer group. To date, the company has ~34 licensed dispensaries up and running (the most of any one operator in the industry today) and further expects to increase its retail reach two-fold in 2019 alone.

Led by a management team with significant expertise in both finance and consumer branding, we believe Curaleaf has started to establish a coalesced brand image that spans both its retail design and its expanding assortment of "Curaleaf" branded SKUs. In our view, the company is ahead of many of its peers with respect to the execution of its vertically integrated operating platform by focusing on retailing its own in-house products and could likely achieve operating margins in excess of industry averages.

As a result, we believe Curaleaf is strategically positioned as one of the leading MSOs in the US cannabis industry in terms of its geographic exposure, operating assets, branded presence and management expertise. Refer below for an overview of the company's existing US exposure and brand/corporate strategy.

(1) **Geographic Exposure.** Curaleaf currently has assets/exposure in 12 US states, with a reach to a cumulative population of >120M. With 34 dispensaries up and running, the company is already the largest retailer in the US cannabis industry by store count (and second by revenue run-rate). Although we believe that a large footprint on its own will not necessarily determine industry winners, we believe that within its existing portfolio, Curaleaf has quality assets in operation in a wide variety of markets that could produce many of the industry winners down the road, including:

- ***a.*** ***#1 in New Jersey.*** In what will likely be the next large East Coast state to implement recreational cannabis (after Massachusetts), Curaleaf operates one of only six vertically integrated licensees in the state, with a market share of >40% on a trailing basis. We forecast that in a fully legalized and implemented adult-use market, New Jersey could reach upwards of US$2.5B in annual revenues; and we believe Curaleaf currently has the leading position in this market.
- ***b.*** ***#2 in Florida.*** After performing significant due diligence in the Florida medical market (refer to our report Playing cannabis in the Sunshine State) we believe Curaleaf solidly has the #2 market position in this growing market (after Trulieve). With a population of 21 million and an aging demographic, we believe Florida's annual medical revenues could grow to >US$1.5B over the next five years. Further, should the state legalize recreational cannabis (with lobbying in place to have it on the ballot in 2020), we believe the annual revenue opportunity has attractive optionality to grow to as much as US$5.0B over the long term. With 18

retail locations already up and running, we believe Curaleaf is positioned to capture a meaningful proportion of this opportunity.

c. ***The most licenses in Massachusetts.*** With its recreational market officially open for business, we believe Massachusetts represents the East Coast state with the highest near-term growth potential (estimated mature market potential of >US$1.5B in annual revenues). In our view, Curaleaf (along with Acreage) is best suited to capture leading positions in this market as both hold the greatest number of licenses (vs. other operators in the state) and are already in the process of rolling out additional retail locations.

d. ***One of only 10 players in New York State.*** In a state that houses ~20M residents, we believe the existing New York medical market is a >US$1B opportunity on its own. However, with a recreational market that could plausibly open up over the next two years and increase the long-term revenue opportunity to ~US$5B, Curaleaf is currently one of only 10 licenced operators that we believe will have a significant first-mover advantage in this market.

Figure 1: Curaleaf's US geographical exposure

Source: Company Reports

To support its growing geographical footprint, we believe Curaleaf also has the largest amount of operating assets in the industry today, with 12 cultivation facilities already up and running (with an existing annualized capacity of almost 30,000 kg of cannabis output) and 10 manufacturing facilities operating at CGMP standards.

(2) **A branded house.** In addition to a wide breadth of operating assets, Curaleaf is implementing a Branded House approach to its marketing strategy, with both its retail locations and product offerings all falling under the "Curaleaf" name. With the industry likely to eventually shift to a consumer branded market, we believe successful consumer brands will eventually determine industry winners over the longer term. Curaleaf's brand strategy and existing brands are summarized below.

a. **Retail branding.** We note that except for limited exceptions where the company operates under management agreements, virtually all of the company's 34 existing retail stores are all branded under the "Curaleaf" banner. The company primarily sells through branded brick-and-mortar dispensaries across the US in an effort to solidify the Curaleaf brand into consumers' minds throughout the US where it has exposure. Refer below for a sample of one of the company's locations in Maryland:

Figure 2: Outside a Curaleaf dispensary

Source: Company Reports,

Figure 3: Inside a Curaleaf dispensary

Source: Company Reports

b. **Diverse product offerings.** In addition to its Curaleaf-branded retail front (above), the company also utilizes the Curaleaf name for all of its products and SKUs. To date, the company offers over 250 SKUs (spanning ~150 different strains and ~100 different product formulations/concentrations), including flower, oil vapes, concentrates, topicals, capsules, tinctures and edibles. As a result of the company's robust existing infrastructure, it is able to maximize contribution from its own vertically integrated products using standardized operating procedures to ensure consistency, resulting in overall higher margins than typically seen in the industry.

However, in order to keep Curaleaf products exclusive to Curaleaf dispensaries, the company also recently launched a wholesale product line under the name UKU Craft Cannabis (starting with 45 SKUs). This allows the company to still benefit from wholesale revenue contribution in states where it has the capacity to sell volumes in excess of what its own retail footprint can support, while keeping Curaleaf products exclusive to Curaleaf stores.

Figure 4: UKU wholesale product line

Source: Company Reports

Figure 5: Curaleaf product line

Source: Company Reports

(3) **Not just a "pot" company.** In September, Curaleaf became the first MSO to officially launch its hemp strategy. The company now offers hemp-based nutraceutical products through an online e-commerce platform, starting 15 SKUs (including vape pens, tinctures, softgel capsules, lotions, and even pet treats). These products offer consumers the benefits of CBD without having to go to a licensed cannabis retailer, or for those who do not have a prescription or medical card in medical-only markets.

Figure 6: Curaleaf Hemp product line

Source: Company Reports,

Going forward, Curaleaf Hemp offerings will be made available for purchase through numerous platforms including direct-to-consumer on Curaleaf's e-commerce platform, by way of third-party retailers (both in-store and online), in high-end spas, pet stores, vape shops and dispensaries. This strategy also provides the potential for Curaleaf to eventually penetrate big box retailers and mass merchandisers (such as Target and Walmart) with the recent passing of the Farm Bill.

In our view, Hemp-based CBD product offerings could be a significant growth driver for the company as the overall acceptance of CBD's therapeutic benefits (particularly as an anti-inflammatory) continues to grow.

Next, we will take a deep dive into Curaleaf's assets on a state-by-state level, as summarized below:

Figure 7: Curaleaf Asset Map

State/Region	Market Size	Curaleaf Exposure
Florida 	• Population of ~21.0 million • Legal for medical use only • Market opportunity of **>US$1.5 billion** at peak (medical only).	Curaleaf holds one of ~15 vertically integrated licenses in Florida with 19 dispensaries already opened. We estimate that Curaleaf currently has the #2 market position in the state after Trulieve. The company operates an indoor grow facility and is in the process o building out a 250,000 sq. ft. greenhouse heading into 2019. Over the next 12 months, the company plans to open all 30 to 35 dispensaries allowed under current regulations.
New Jersey 	• Population of ~9.0 million • Legal for medical use only (but recreational legislation is expected in 2019) • Market opportunity of >**US$2.2 billion** (medical + rec).	Curaleaf is one of six licensed operators in New Jersey with a dispensary and a 34,200 sq. ft. cultivation/production facility . The company began sales in October 2015 and estimates that it has dispensed 44% of all product sold in the state. We believe Curaleaf continues to the hold the #1 market position in the state. It is largely anticipated that the state of New Jersey will introduce its recreational regulation in 2019, which could result in its adult-use market opening by the end of the year or early 2020.
Massachusetts 	• Population of ~7.0 million • Legal for medical and rec • Market opportunity of >**US$1.5 billion** at peak (medical +rec).	Curaleaf currently hold one MMJ license in Massachusetts and is in the process of closing an acquisition for a second existing license. Each license permits the company to operate one cultivation/processing facility and three dispensaries in the state. Massachusetts recently kicked-off its recreational market this past November.
New York 	• Population of ~20 million • Legal for medical use only • Market opportunity of >**US$1.2 billion** (medical only)	Curaleaf currently holds one of only 10 vertically integrated issued by the state of New York that allows for cultivation, processing and up to four dispensaries. The company has a 72,000 sq. ft. production facility and has already opened three of its four planned retail locations.
Maine 	• Population of ~1.3 million • Legal for medical use and recreational use. • Market opportunity of **>US$350 million** (medical + rec)	Curaleaf operates two of the States eight dispensaries as well as a 30,000 sq. ft. cultivation/production facility. With only a limited number of players to date, we believe Curaleaf will benefit from a first mover advantage in the state as Maine transitions to a recreational market in 2019.
Arizona 	• Population of ~7.0 million • Legal for medical use • Market opportunity of **>US$500 million** (medical only)	Curaleaf currently operates five licensed dispensaries in Arizona with a recently acquired sixth locations set to close in the coming months. All of Curaleaf' s locations are in the greater Phoenix area and are supported by a vertically integrated 25,000 sq. ft. manufacturing/processing facility.
Maryland 	• Population of ~6.1 million • Legal for medical use only • Market opportunity of **>US$350 million** (medical only)	Curaleaf owns one of 102 medical cannabis dispensary licenses in the state along with a 20,000 sq. ft. cultivation/ processing site. The company has also entered into an agreement to acquire a second cultivation site and two more dispensary operations. Subsequent to closing, management believes it will have one of the leading footprints in the state.
Pennsylvania 	• Population of ~12.8 million • Legal for medical use only • Market opportunity of **>US$800 million** (medical only)	Curaleaf is planning to partner with an accredited medical school to obtain a clinical registrant license, which would allow the company to operate a cultivation and processing centre (currently under construction) along with up to six dispensaries. The company anticipates that if it receives a license, it should commence operations in the first half of 2019.

Source: Company Reports, Canaccord Genuity estimates

Figure 8: Asset Map (continued)

State/Region	Market Size	Curaleaf Exposure
California 	• Population of ~40.0 million • Legal for medical use and recreational use • Market opportunity of **>US$10 billion** at peak (medical + rec)	Curaleaf was recently granted an Administrative Use Permit which allows the company to manufacture cannabis in Davis, California out of a 9,000 sq. ft. facility. The company expects to receive a permit to process raw cannabis material with CO2 or ethanol extraction and a state license by early 2019. If/when the license is received, Curaleaf expects to generate revenue by Q1 2019 and plans to eventually open retail stores in the state over the long-term.
Connecticut 	• Population of ~3.6 million • Legal for medical use only • Market opportunity of >**US$200 million** (medical only)	Curaleaf holds one of four medical cannabis producer licenses in Connecticut and has been wholesaling to all nine licensed dispensaries in the state out of a 40,000 sq. ft. cultivation and extraction facility.
Nevada 	• Population of 3.0 million • >40 million tourists annually in Las Vegas • Legal for both medical and rec use • Market opportunity of **>US$1 billion** (medical + rec)	Curaleaf has entered into agreements to acquire a vertically integrated licensed indoor cannabis cultivation facility and a dispensary, which will be moved to a location on the Las Vegas strip in the coming months.
Oregon 	• Population of ~4.1 million • Legal for medical and recreational use • Market opportunity of **>US$1 billion** (medical + rec)	Curaleaf holds a producer and processing license and operates a 20,000 sq. ft. outdoor cultivation center adjacent to a 17,000 sq. ft. indoor extraction facility. The company also has a dispensary in Portland.

Source: Company Reports, Canaccord Genuity estimates

Overview of Curaleaf's assets, operations and geographic exposure

A detailed overview of Curaleaf's assets and operations in the 12 states where it has already secured exposure (or is in the process of developing) is provided next.

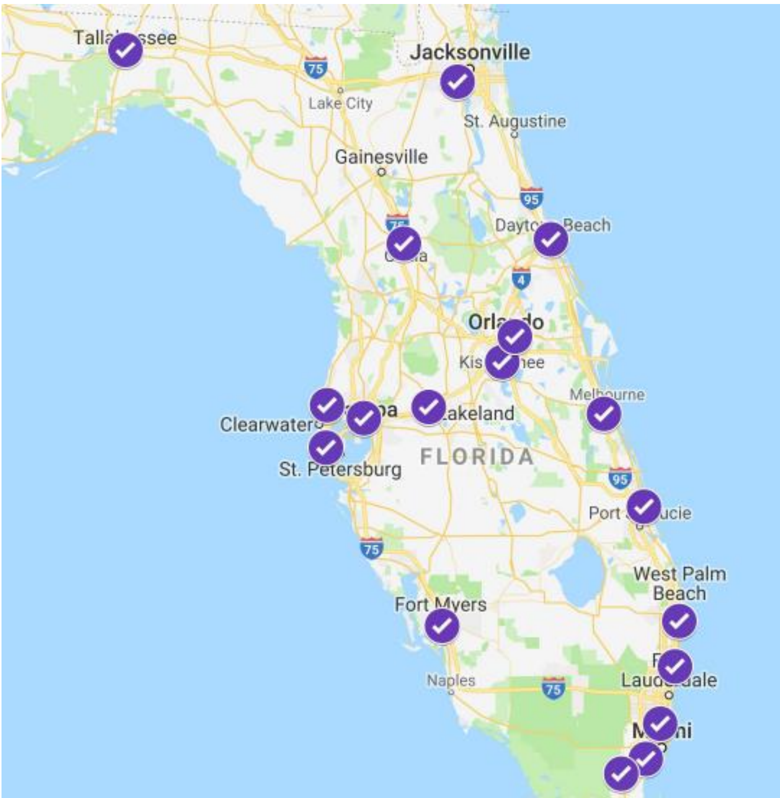
Florida: #2 in the most robust medical market in the US
Since medical cannabis became legal in Florida in late 2016 via ballot initiative (with ~71% voting in support), the Florida market continues to see strong growth in its registered patient base, which currently sits at >170,000 (up ~300% YoY). We believe Florida has one of the more robust regulatory frameworks in the US to date, with ~14 vertically integrated licenses issued to date (with caps in place until certain patient thresholds are met). Each license allows for a cultivation/production facility and up to 30 retail locations. Refer to our previous report on the Florida cannabis market for further background: Playing cannabis in the Sunshine State.

Curaleaf has already secured a valuable first-mover advantage in Florida's medical cannabis market, after receiving one of the first six original licences granted. The company commenced operations in October 2016 and has since rolled out 19 dispensaries throughout the state (the second most after Trulieve). The company's Florida operations represent its most advanced within its existing portfolio and were the first in the industry to receive the Safe Quality Food certification under the Global Food Safety Initiative. We estimate that as of Q3/18, the company's Florida operations were running at >US$20M run-rate and could finish the year with a US$40M+ exit rate. Curaleaf currently has the following assets/exposure in the Florida market:

Cultivation/production

- **Mt. Dora facility.** Curaleaf operates a 24,000 sq. ft. indoor grow facility in Mt. Dora, Florida, but is in the process of renovating a greenhouse that is expected to add an additional 250,000 sq. ft. of cultivation space. The company expects its first harvest from its greenhouse to occur in early 2019, at which time it will have a capacity to produce ~50,000 kg of cannabis per year (once in full crop rotation).
- **Retail distribution** Currently, each of the ~15 licensees in Florida is permitted to open up to 30 medical dispensaries. This cap is expected to increase by five dispensaries for every additional 100,000 registered patients in the state. To date, it is estimated that the state has >190,000 patients and approximately 80 dispensaries. As one of the first medical cannabis license holders in the state, the company has increased its retail footprint to 19 locations (~23% of all location in the state) and plans to open an additional 16 dispensaries over the next 12 months. A summary of Curaleaf's existing Florida retail footprint is illustrated below.

Figure 9: Curaleaf's Florida retail map



Source: Company Reports

Figure 10: Summary of existing Florida retail exposure

#	Location	County	Population (000s)
1	**Dadeland**	Miami-Dade	2,752
2	**Daytona**	Volusia	539
3	**Deerfield**	Broward	1,936
4	**Ft. Myers**	Lee	702
5	**Ft. Pierce**	St, Lucie	314
6	**Jacksonville**	Duval	913
7	**Lake Worth**	Palm Beach	1,423
8	**Lakeland**	Polk County	686
9	**Orlando**	Orange	1,288
10	**Palm Bay**	Brevard	112
11	**Palm Harbour**	Pinellas	950
12	**South Miami-Dade**	Miami-Dade	2,752
13	**St. Petersburg**	Pinellas	950
14	**North Miami-Dade**	Miami-Dade	2,752
15	**Orlando**	Orange	1,288
16	**Midtown-Tallahassee**	Leon	290
17	**Tampa**	Hillsborough	1,409
18	**Ocala**	Marion	354
	Total		**13,668**

Source: Company Reports

Note: The company has since opened a 19th dispensary in the town of Lutz.

As shown above, with only ~50% of its planned dispensaries in Florida up and running, Curaleaf already has locations opened in relatively close proximity to ~65% of the state's total population. Further, as a result our due diligence of the Florida market (refer to the above link), we believe that Curaleaf currently holds the #2 spot (after Trulieve) in what appears to be the fastest growing medical market in the US.

With a population of 21 million and an aging demographic, we believe Florida's annual medical revenues could grow to >US$1.5B over the next five years. Further, should the state legalize recreational cannabis (with lobbying in place to have it on the ballot in 2020), we believe the annual revenue opportunity has attractive optionality to grow to as much as US$5.0B over the long term. Due to the relatively disaggregated nature of the US industry, we believe the capitalized players in the industry will be able to secure higher market shares over the long term. As we estimate Curaleaf already has the #2 spot in this market (with 18 retail locations up and running), we believe the Florida market currently represents the most material value driver for the company at this time.

Figure 11: Inside a Curaleaf dispensary in Miami

Source: Company Reports

New Jersey: A market leading presence in a potential US$2.5B market

In January 2010, New Jersey signed into law the Compassionate Use Medical Marijuana Act, permitting the legal sale of medical cannabis for certain medical indications. Initially, regulations allowed for only certain debilitating diseases to be included in the program. However, earlier this year, Governor Phil Murphy signed an executive order to significantly expand the state's medical cannabis program (with 20+ new indications added). As a result, we expect participation in the program to increase heading into 2019 with >30,000 patients currently enrolled in the program that we believe could eventually grow to close to 200,000 at maturity. Perhaps more notably, state legislators are also in the process of writing up recreational cannabis regulations, which many anticipate could be passed in early 2019.

In the NJ medical market, Curaleaf operates one of only six vertically integrated licensees in the state and management believes its existing retail location (known as Alternative Treatment Centres) may be the largest dispensary on the East Coast to date. As a result, on a trailing basis, the company believes it has a >40% market share in the state. Although the company currently has just the one location (as do all licensees), the expanded medical program is considering allowing an additional two locations for each licensee. As a result, management anticipates that it will likely have a total of three retail locations opened by the end of 2019. However, the state is also considering adding six more medical permits, bringing the total number of license holders in New Jersey up to 12. Curaleaf's exposure in New Jersey is consists of the following:

Cultivation Production:

- **New Jersey facility.** Curaleaf's NJ cultivation/production infrastructure includes 34,200 sq. ft. of production space with ~17,200 sq. ft. for cultivation with an additional 17,000 sq. ft. currently under expansion. More notably, the company is also engaged in discussions to lease 435,000 sq. ft. of greenhouse space (adjacent to its existing facility) with the first phase targeted to come online in Q3 2019. The company believes this additional capacity will be necessary in order to meet the demands of what is expected to be a legalized rec market by the end of 2019, or early 2020.

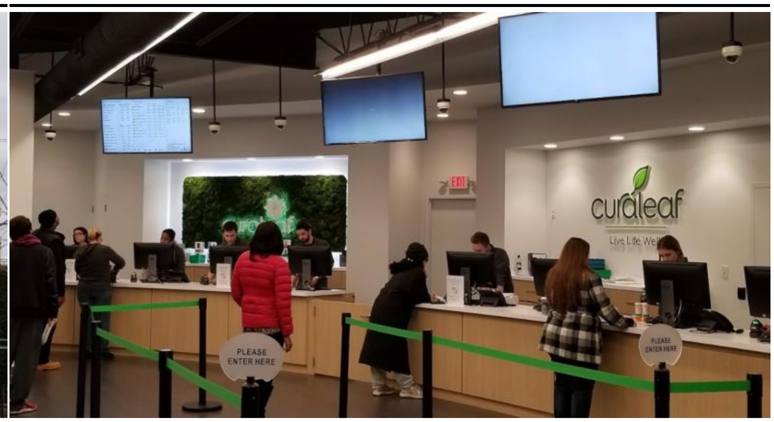
Retail distribution:

- **Bellmawr.** The company currently operates a 4,000 sq. ft. dispensary adjacent to its production facility, which opened back in October 2015 (and has since been retrofitted under the Curaleaf banner). Located in Camden County (south of Philadelphia) with a population of >500,000, we estimate that as of Q3, this location on its own was operating at a US$25M run-rate and could finish 2018 with a >US$40M exit rate.
- **Additional locations.** The company expects that regulations will soon allow each operator to secure an additional two locations and aims to have these retail stores to open by the end of 2019. However, as the state finalizes its recreational platform, we expect further retail stores to be granted and expect that the existing six operators in NJ will likely benefit from a significant first-mover advantage with infrastructure already in place to support the market.

Figure 12: Outside New Jersey dispensary

Source: Company Reports

Figure 13: Inside New Jersey dispensary



Source: Company Reports

After Massachusetts (where Curaleaf also has a presence), we believe New Jersey represents the state with the highest near-term recreational optionality. Its governor is actively in the process of moving adult-use regulations into law, which could happen in early 2019. With the #1 market position in what could be the highest near-term growth recreational-use state in the US, we believe the value of the company's NJ license could see significant upside once adult-use regulations are approved.

Massachusetts: Aiming for a leading market position as recreational cannabis hits the East Coast

With a medical market that has been in place since 2013, Massachusetts approved a ballot initiative in November 2016 that put in motion the legalization of recreational cannabis, which officially kicked off this past November (albeit at a relatively slow pace). As a result, Massachusetts is now the largest East Coast state to legalize and implement an adult-use market in addition to a medical market that we believe still has >3x upside from current levels. As a result, we estimate the state can support a revenue potential of >US$1.5B at maturity, and we believe Curaleaf is favourably positioned to compete for a leading market presence in this region.

Curaleaf currently holds a license in Massachusetts that allows it to operate a cultivation/processing the facility and up to three retail dispensaries. In addition, the company is also in the process of closing an acquisition for an additional Massachusetts license that would allow it to open a second facility and three additional retail locations. However, as one of these locations will not be transitioned into the rec markets (which began in November), Curaleaf plans to have six recreational dispensaries and one medical dispensary opened by Q1/19 to Q2/19. As a result, we believe Curaleaf (along with Acreage) has the most exposure into the state's recently implemented adult-use markets vs. its peers.

Cultivation/production:

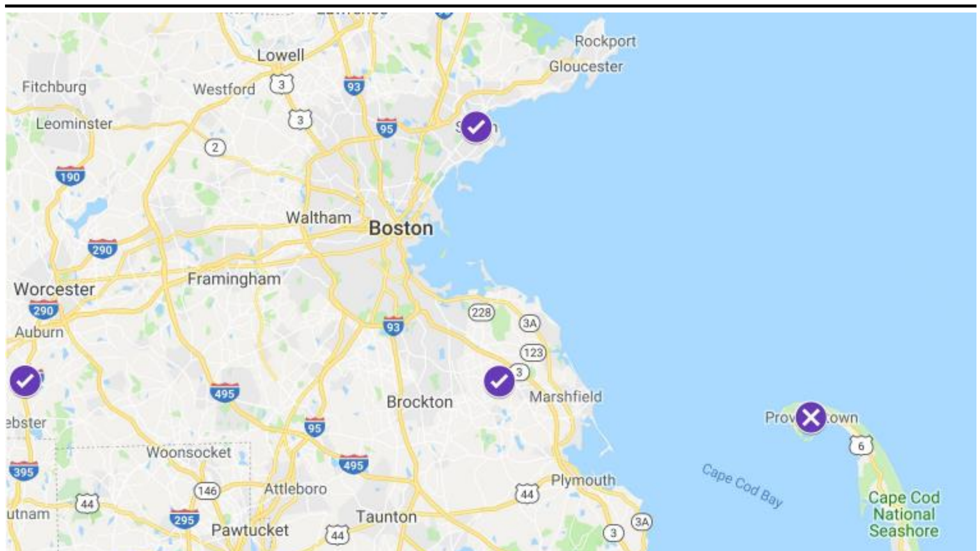
The company operates a 54,000 square foot indoor cultivation facility with an option to expand its existing facility to 104,000 sq. ft. The company is also in the process of acquiring a licensed medical cannabis operator, Alternative Therapies Group (ATG), that when completed, would add an additional 53,600 sq. ft. of cultivation space to its existing exposure.

Retail distribution:

Curaleaf currently operates two dispensaries in Massachusetts, one in Oxford and another in Hanover and expects to open a third in Provincetown. When closed, the acquisition of ATG would provide Curaleaf with an additional medical dispensary in Salem (and two other locations), which was the third dispensary in the state to be approved for recreational sales. Its pro forma dispensary profile includes:

- **Hanover.** Hanover is a town located in the Plymouth County (with a population of ~515,000 people).
- **Oxford.** The town of Oxford is located in the Worcester County, the second most populous county in Massachusetts (~830,000 people).
- **Provincetown.** The town of Provincetown is located in Barnstable County (with a population of ~215,000 people).
- **Salem.** The town of Salem is located in Essex County (with a population of ~785,000 people).

Figure 14: Curaleaf Massachusetts dispensary locations



Source: Company Reports, Canaccord Genuity

New York: One of 10 vertically integrated licenses

New York state enacted the Compassionate Care Act (CCA) in July 2014 through legislation signed by Governor Andrew Cuomo. The CCA currently allows 10 operators ("Registered Organizations" or "RO") to provide medical cannabis to patients in the state. Each RO is entitled to one cultivation/production facility along with four assigned retail dispensaries. Under the current regulations, we believe the existing 10 operators in New York State are favourably positioned to take advantage of what we believe is a >US$1.0 billion revenue opportunity at full ramp (before considering the potential for recreational upside).

With >80,000 patients registered to date, we believe there is potentially 5x upside from existing medical levels. Although New York's medical program has historically been one of the more restrictive in the US, after the addition of chronic pain to the list of qualifying conditions last year, the state is starting to see its patient base reach an inflection point. Further, with Massachusetts' recently implemented recreational platform and New Jersey aiming towards legalizing recreational marijuana next year, New York could be one of the next larger US states to pull the trigger on adult use legalization.

Curaleaf holds one of only 10 vertically integrated licenses in the state's existing medical market (licence granted in May 2017). Each licence holder is permitted to operate a cultivation/production facility and four assigned retail locations. Although the state's registered medical patient base continues to see healthy growth, we note that New York's infrastructure still remains at a relatively nascent stage with only ~20+ dispensaries opened to date. As each licensee is allocated the same number of locations, we believe the playing field is somewhat level; however, we believe New York will need significantly more retail locations in order to allow its medical segment to continue its growth trajectory. As such, the 10 existing license holders have a valuable first-mover advantage in this growing market. Below is a summary of the assets held by Curaleaf in New York State:

Cultivation/Production:

- **Ravena facility**. Curaleaf is currently constructing a 72,000 sq. ft. indoor cultivation and manufacturing facility located in Ravena, New York, which is ramping up its capacity heading into 2019. The company also plans to build an additional 86,000 sq. ft. greenhouse facility in 2019 to support what is expected to be a continued growing patient base in the state. With a very limited wholesale market to date, we believe Curaleaf will need to get its cultivation/production fully up and running before it will be able to expedite its growth initiatives in New York; however, by the end of 2019, the company anticipates it will have capacity to be able to produce ~20,000 kg of cannabis annually out of its built infrastructure.

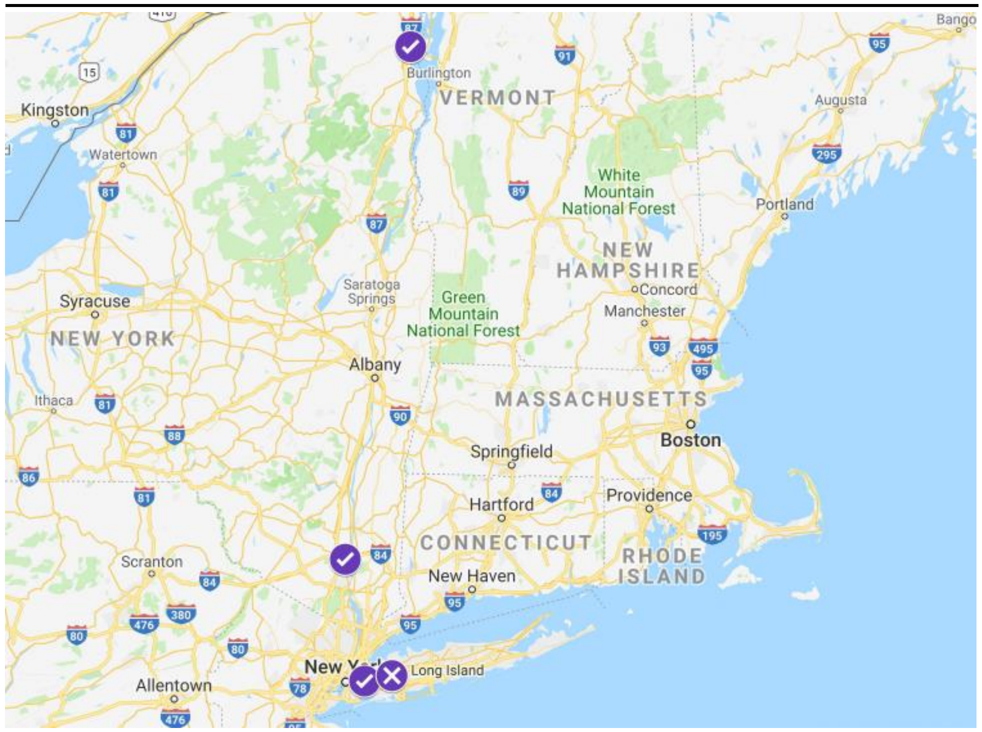
Retail dispensaries:

Curaleaf received one of ten New York State vertically integrated licenses in May 2017, which allows the company to open up to four dispensaries and one cultivation/processing facility (the same for each of the 10 license holders). Curaleaf currently has three dispensaries up and running (located in Newburgh, Plattsburgh, and Queens), with a fourth dispensary planned to be opened in the near future.

- **Forest Hills.** We believe Curaleaf's most attractive retail location in New York is as one of only two dispensaries in Queens County. Located in Forest Hills, Queens (~2.4 million people), we believe this location will be one of the primary near-term revenue drivers for the company's New York exposure.

- **Newburgh.** Curaleaf currently operates the only dispensary in Orange County, which houses a population of >380,000. Assuming medical only contribution, we believe this location could eventually support annual revenues of ~US$15M to US$20M.
- **Plattsburgh.** Curaleaf operates the only dispensary in Clinton County, a small town of ~80,000 in Upstate New York near the Canadian boarder. Although a modest location, we believe this site can still contribute ~US$5M in medical sales before considering recreational upside.
- **Carle Place (in process).** The company is planning to open a fourth dispensary in Nassau County, which currently only has one other dispensary in operations. Nassau County has a population of ~1.4 million people and this location is expected to open in the coming weeks.

Figure 15: Map of Curaleaf's NY facility and dispensaries

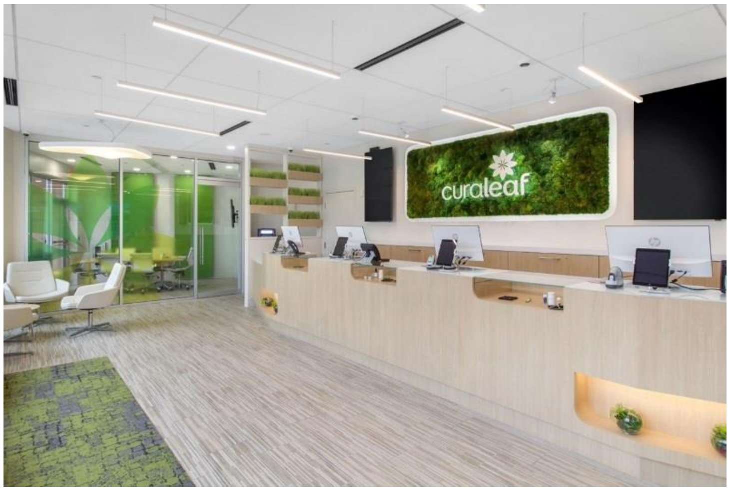


Source: Company Reports, Canaccord Genuity

Similar to Massachusetts, we believe Curaleaf is also in the process of carving out a first-mover advantage in the state of New York. In our view, a material value driver of this opportunity lies within the potential for the state to legalize recreational cannabis in the coming years. We believe the US East Coast is undergoing a shift (similar to the West Coast in prior years) that will see a number of highly populated states (such as Massachusetts, New Jersey and Michigan) implement legal recreational cannabis programs and that New York State may not be too far behind given the increasing social acceptance.

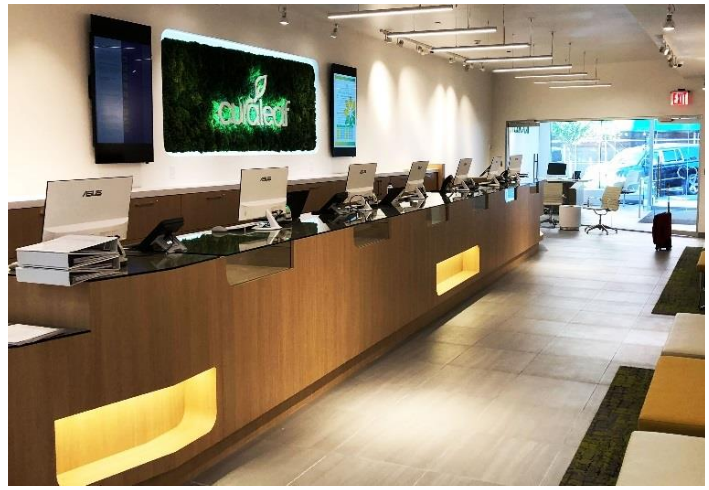
Although we value this market opportunity including only medical sales (>US$1B revenue at peak), should the state implement a legalized recreational program, we believe the market opportunity could increase to >US$5B over the long term.

Figure 16: Inside a Curaleaf Newburgh dispensary



Source: Company Reports

Figure 17: Inside a Curaleaf Forest Hills dispensary



Source: Company Reports

Maine: Set to go rec in 2019

Although Maine has a medical market that dates back to 1999, it was historically dominated by home grow until medical dispensaries were approved in 2009. More recently in 2016, recreational cannabis was approved via ballot initiative and state regulators are still in the process of finalizing the adult-market rules, which we believe will start to be implemented in 2019.

Curaleaf currently operates two of the state's eight licensed dispensaries as well as one of only four cultivation/production sites through management contracts. The two operators are Maine Organic Therapy and Remedy Compassion Center. Although structured as a management contract, the company effectively controls 100% of the economic interests of these locations. Although a market with a fairly modest population (~1.3M), with Maine set to go recreational in 2019, we believe this state represents a moderate growth driver for the company as it already has a solid first-mover advantage with 25% of the retail locations in the existing medical market. A summary of Curaleaf's assets in Maine is as follows;

Cultivation/Production:

- **Maine facility.** Through a management contract with Maine Organic Therapy, Curaleaf operates a 30,000 sq. ft. indoor facility in the southern region of the state. Management estimates that its current build can support >1,200 kg of annual cannabis output to its two existing retail locations.

Retail operations:

- **Remedy Compassion Center**. Located in Auburn, Maine, a city in the Androscoggin County, with a population of >100,000 people.
- **Maine Organic Therapy.** Located in Ellsworth, Maine, a town located in Hancock County with a population of ~55,000 people.
- **Retail expansions.** In addition to its two existing retail locations, Curaleaf intends to apply for additional retail exposure (as expected under the state's rec regulations) in South Portland and Bangor, with a target to have both opened by the end of 2019.

Figure 18: Outside Curaleaf's Maine Organic Therapy location

Source: Company Reports

Although Maine's medical market is already at a (relatively) mature stage, with the introduction of recreational cannabis, we believe the state can support a long-term annual revenue potential of ~US$350M. Considering Curaleaf already has a position in the state's medical market, we believe its existing retail footprint could see significant growth from current levels over the near term.

Arizona: Top 3 player in the state

Arizona's medical cannabis market was introduced in November 2010, upon the passing of the Arizona Medical Marijuana Act (AMMA), which legalized medical cannabis for patients with certain conditions. The act was adopted into law in April 2011 with first sales made to patients in December 2012. Currently, there are 130 dispensary licenses (114 dispensaries in operations) which permit each license holder to open one dispensary, one cultivation facility and one processing facility. Dispensaries are limited to their district for the first three years of operations and must be not-for profit. Arizona has 182,784 qualifying patients as at October 2018 and is growing at a rate of >3,000 patients/month. More importantly, the state has pegged the number of retail locations in the state to 10% of the total number of pharmacies in Arizona. We believe this provides moderate barriers to entry due to the finite number of allowed cannabis dispensaries.

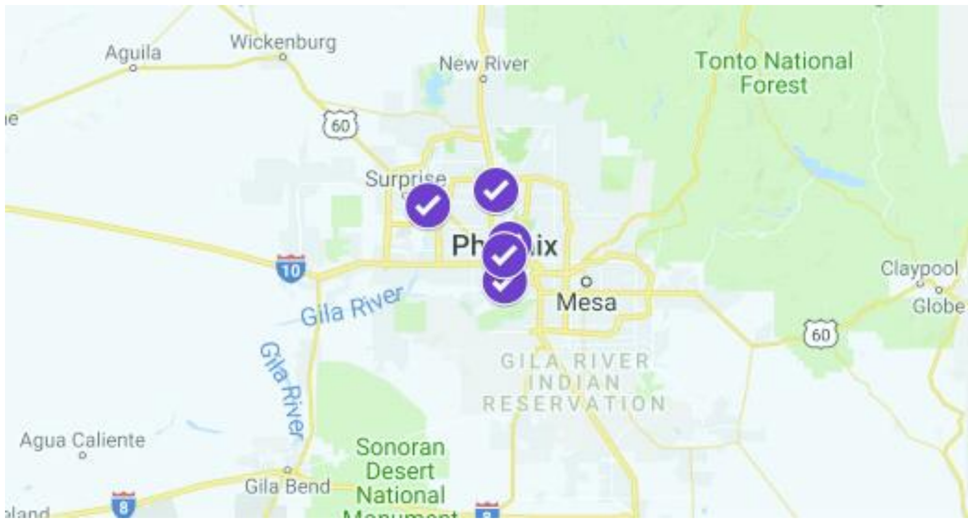
Cultivation/production

The company also entered into a 10-year lease to gain possession of a 100,000 sq. ft. cultivation facility. The facility, an indoor cultivation facility, already has 25,000 sq. ft. constructed and operational, but the company plans on ramping up the remaining 75,000 sq. ft. by the end of fiscal 2019.

Dispensary operations

Curaleaf acquired 100% of Swell, an operator of four dispensaries and one cultivation facility for total consideration of $27.6 million. The dispensaries are located in and around the Phoenix area, which comprises >65% of the Arizona population. Curaleaf recently added a fifth dispensary to its portfolio through the acquisition of Midtown Roots, one of the only dispensaries located at the heart of downtown Phoenix. Further, Curaleaf is also in the process of closing an acquisition for an additional retail location, which would bring its total dispensary footprint to six (at which point we believe it will become a top 3 operator in the state).

Figure 19: Map of Arizona dispensary locations



Source: Company Reports, Canaccord Genuity

Maryland: Vertically integrated in the state's recently launched medical market
Although legislation for medical cannabis was signed by Maryland's governor back in 2013, after several delays, the state implemented its medical platform only a year ago in December 2017. To date, Maryland has allowed for ~14 cultivation, 14 production and 102 retail licenses (~70 of which have been issued). During the first year, the state experienced a ~220% increase in its patient base with ~50,000 certified patients as of early Nov/18. As Maryland's medical market continues to grow, we believe it can eventually support a mature patient base of >125,000 as chronic pain is included in the state's qualifying conditions. With an estimated market revenue run rate of >$140M, we believe Maryland will continue to experience healthy growth in the coming years with the potential to reach peak revenues of ~US$350M.

Curaleaf currently owns one retail location and a processor in Maryland, which opened at the beginning of 2018. However, the company is also in the process of closing an acquisition that will provide it with an additional two locations (via management contracts) and a 20,000 sq. ft. production facility. A summary of Curaleaf's pro forma Maryland assets are as follows:

Production:

- **Existing Maryland production.** Curaleaf acquired one of the original seven semi-vertically integrated licenses (cultivation and processing) and began operations in the first quarter of 2018. Given that there are only seven operators that have existing semi-vertically integrated operations (both cultivation and processing capabilities), we believe Curaleaf has a strong first-mover advantage in Maryland (evidenced by the fact that it is already wholesaling to >50% of the dispensaries in the state).

- **Acquired facility.** As noted above, Curaleaf is also in the process of closing an acquisition of an additional processing license, which will include a 20,000 sq. ft. facility (approved to expand up to 48,000 sq. ft) and is expected to close in the coming weeks.

Retail dispensaries:

- **Reisterstown location.** In Maryland's initial tender process, Curaleaf secured its first location in Reisterstown (a town northwest of Baltimore), which opened in the first quarter of 2018, shortly after the market launched). Although a modest retail footprint to start, the company is currently one of the largest wholesalers in the state as it looks to add to its dispensary profile.
- **Expansion locations.** As part of the previously discussed acquisition, management expects to open an additional two locations in early 2019 (including one in Gaithersburg), effectively tripling its retail footprint in the state.

Figure 20: Curaleaf's existing Maryland dispensary

Source: Company Reports

Nevada: Moving to the Strip

In 2000, Nevada passed a vote allowing individuals with chronic or debilitating medical conditions access to cannabis to be used as treatment for these conditions. The state limits the number of state-issued certificates for medical marijuana dispensaries per county based on population, resulting in fewer dispensaries relative to the overall population. In 2016, Nevada legalized cannabis for recreational use for adults over the age of 21 with recreational sales beginning in July 2017.

Cultivation

In August 2017, the company announced plans to acquire Las Vegas Natural Care Givers LLC, also known as "House of Herbs", a cultivator of cannabis for dispensaries in the Las Vegas area, for ~US$3.1 million.

More recently, the company entered into another definitive agreement to acquire 100% of the ownership interest in a licensed cannabis cultivator and processor in Nevada for US$4.0 million. Curaleaf then plans to relocate the existing 9,800 sq. ft. indoor cultivation facility to another location in Henderson, Nevada, which would allow the company to expand the grow capacity by 46,000 sq. ft. to 55,800 sq. ft.

Dispensary:

Upon closing of the above transaction, the company intends to relocate the current dispensary to the Las Vegas Strip where it will convert what is currently a fast-food chain restaurant to a dispensary.

Oregon

In 1998, Oregon passed Ballot Measure 67, allowing access to medical cannabis in the state. Patients and their caregivers could access cannabis either through dispensaries or by growing a small quantity at home. In 2014, a ballot initiative, Measure 91, outlined the framework for the legalization of recreational sales in the state, allowing adults 21 and older the right to purchase and consume cannabis with licensing controlled through the Oregon Liquor Control Commission (OLCC). The state's recreational market was subsequently implemented in the back half of 2015.

As Oregon does not limit the number of production/dispensary licenses, the state has quickly become one of the most saturated markets in the US with >1,100 producers and almost 600 retail dispensaries, the most of any state per capita. However, as of June 2018, the OLCC has suspended new applications for the time being.

Curaleaf Exposure

Curaleaf holds a producer license and a processing license for recreational cannabis in the state. The company operates a facility with 20,000 sq. ft. of outdoor grow space with an adjacent 17,002 sq. ft. indoor facility for CO2 extraction and product manufacturing. The company also has operated a dispensary in Portland since July 2017.

Additional US exposure

In addition to the assets and geographic exposure outlined above, Curaleaf also has exposure to a variety of other potential high-growth opportunities, including:

1. **California.** California was the earliest adopter of medical cannabis (dating back to 1996); however, the state recently became the largest legalized cannabis market in the world with an adult-use market that kicked off this past January. Although the state represents the largest individual market opportunity in the US (>US$10B at peak, in our view), we note that its regulations are incredibly complex (both at state and municipal levels) and include thousands of players competing for market share in virtually all areas of the value chain (as the state does not mandate vertical integration).

   Curaleaf currently has a cannabis manufacturing permit issued by the city of Davis, which will allow the company to conduct manufacturing/extraction operations out of a 9,000 sq. ft. facility. Due to the dual-licensing nature of California, the company must obtain approval from both the state and the city where it plans to conduct operations. Curaleaf believes it will have state approval in the near term and expects to be revenue producing in California by Q1/19 as a wholesaler and will also target various regions throughout the state where it may also provide delivery services.

   In addition, the company intends to eventually begin to build out a robust retail presence in the state in order to launch its in-house products and build brand awareness of the Curaleaf name in California. However, at this time details on management's exact plan and timing of California retail remain thin.

2. **Connecticut.** In June 2012 Connecticut signed legislation to legalize medical cannabis. Although Connecticut's medical program has historically been considerably more restrictive than other medical markets, it has since increased its list of qualifying conditions, which has helped lift patient registrations, which currently sit at >30,000 patients.

   Curaleaf owns and operates one of only four producer licenses in Connecticut and commenced its wholesale operations back in October 2014, currently providing product to all nine of the states retail dispensaries. Its facility has a 40,000 sq. ft. footprint and includes ~5,000 sq. ft. of cultivation space, supercritical C02 extraction and a commercial kitchen for edibles. In 2019, management plans to transition to a larger facility in order to keep up with wholesale demand in this growing market. Although the company does not yet have any retail exposure in the state, Curaleaf has applied for a license for one retail location, which could be granted early in the new year.

   With a population of ~3.6M and only nine retail locations, we believe Curaleaf is well positioned to capture a sizable portion of Connecticut's wholesale market, which we believe could eventually grow to a market opportunity of US$>$100M in annual revenues.

3. **Pennsylvania.** After legalizing and establishing its medical cannabis regulations in mid-2016 (which allow for over a dozen qualified conditions, including chronic pain), Pennsylvania is currently in the midst of implementing its regulated market. The state is planning to issue a total of 25 cultivation/producer licenses and 50 dispensary permits that will allow for up to 3 locations (~150 dispensaries for the state). To date, the state has issued ~12 cultivation/production licenses and 27 retail permits, with the first retail locations opened in February 2018. Currently, the state has >40,000 registered patients, which we believe could still increase by ~7x as additional infrastructure is rolled out and market demand continues to grow.

   Although the company does not yet have a license in Pennsylvania, Curaleaf is planning to partner with an accredited medical school to obtain a clinical registrant license in Pennsylvania. The state has created this type of license to increase cooperation between the private sector and universities to engage in research of the therapeutic benefits of medical cannabis. If the company receives a license (potentially in Q1/19) under the program, it will be allowed one cultivation/processing facility and the right to open up to six medical dispensaries in the state. In the meantime, Curaleaf has already secured a lease on a 49,200 sq. ft. production facility in King of Prussia, Pennsylvania, where it intends to build out an indoor cultivation and production facility by the end of 2019 (pending license receipt).

   We believe Pennsylvania represents one of the larger medical opportunities on the East Coast which is in a nascent enough stage where significant assets/exposure can still be won or acquired in the relatively near term. With a population of almost 13 million, we believe this state could eventually grow to an annual revenue opportunity of>US$750M at maturity, without considering the potential for recreational cannabis legalization down the road.

Estimates and valuation

We value Curaleaf using a sum-of-the-parts methodology. Our valuation takes into consideration the markets where the company currently operates or has assets/exposure. The components of our SOTP estimates and valuation include the following markets:

Florida

Under Florida's license structure, each license is required to be vertically integrated and each producer responsible for its own cultivation, production, manufacturing and retailing. We believe Florida represents one of the most attractive newly regulated markets with a framework that has taken a relatively conservative approach to issuing new licenses (pegged to the overall number of patients registered in the state's medical program).

As Florida's medical cannabis market continues to grow (with >190,000 patients registered to date), we estimate the state can support peak annual medical revenues of **>US$1.5B** at maturity (excluding any potential recreational upside). Although leaders have already started to emerge in the state, one of whom is Curaleaf, we believe there is still significant market share to grab as only a handful of producers are up and running to date. However, Curaleaf has established itself as the number 2 player in the Florida as the company leveraged its early entry into the market to create a dispensary base of 19 dispensaries – rivaled only by Trulieve at this point in time. Given its strong positioning in the market presently, we forecast that Curaleaf will increase its ~13% market share up to **23%** at maturity. As a result, we estimate that Curaleaf will achieve revenues in Florida of ~**US$88M** in FY2019, increasing to **US$347M** at peak.

Figure 21: Curaleaf: Estimated Florida revenues (medical only)

US$MMs	2019E	2020E	2021E…	2027E	2028E	2029E
Est. FL State Retail Rev	**$ 675**	**$ 834**	**$ 990**	**$ 1,479**	**$ 1,494**	**$ 1,509**
Assumed market share	13.0%	17.0%	20.0%	23.0%	23.0%	23.0%
Est. Curaleaf FL Rev	**$ 87.7**	**$ 141.7**	**$ 197.9**	**$ 340.1**	**$ 343.5**	**$ 347.0**

Source: Company Reports, Canaccord Genuity estimates

Using our above revenue estimates, we have applied an elevated EBITDA margin of 42% at maturity due to the high barriers in the state (we also note that existing producers have been able to achieve EBITDA margins in excess of these levels). As a result, we forecast that Curaleaf will achieve peak EBITDA of US$147M and free cash flow of US$109M in the Florida medical market. As wholesaling between producers is not currently permitted, we have also included >US$40M of capex over the next three years as Curaleaf continues to build out its >250,000 sq. ft. cultivation facility and its additional planned dispensaries in FY2019. Using a discount rate of **8.0%,** a 200bp discount to our base rate given Curaleaf's leading presence in the market and a terminal growth rate of 2.0%, we value Curaleaf's Florida opportunity **at ~C$1.9B**, or **C$3.78** per share (as illustrated below).

Figure 22: Curaleaf: Valuation of Florida opportunity (medical only)

US$MMs	2019E	2020E	2021E	2022E…	2026E	2027E	2028E	2029E
Est. Curaleaf FL Rev	$ 87.7	$ 141.7	$ 197.9	$ 238.3	$ 329.3	$ 340.1	$ 343.5	$ 347.0
Est. Curaleaf Florida EBITDA	$ 41.2	$ 65.2	$ 89.1	$ 102.5	$ 138.3	$ 142.8	$ 144.3	$ 147.1
EBITDA Margin	47%	46%	45%	43%	42%	42%	42%	42%
Taxes	16.5	22.8	28.5	30.7	33.2	32.9	31.7	32.4
Working Capital	6.9	5.4	5.6	4.0	1.8	1.1	0.3	0.3
Capex	20	15	8	5	5	5	5	5
Free Cash Flow	$ (2.1)	$ 22.0	$ 46.9	$ 62.7	$ 98.3	$ 103.9	$ 107.2	$ 109.4
Terminal Value								$ 1,886.2
PV of Cash Flow	$ (2.1)	$ 21.1	$ 41.8	$ 51.7	$ 59.6	$ 58.3	$ 55.7	$ 980.6

Discount Rate	8%
Terminal Growth	2%
Present Value of FCF (US$)	$ 1,446
CAD/US FX	1.31
Value of Curaleaf Florida (C$)	$ 1,894
Shares outstanding	501
Value per share (C$)	$ 3.78

Source: Company Reports, Canaccord Genuity estimates

New Jersey

In a market with a growing medical patient base and recreational regulations that could be passed in early 2019, we believe New Jersey represents a state with the highest degree of near-term recreational optionality. Combined, we believe New Jersey's medical and recreational markets can support annual revenues of **>US$2.2B** over the long-term.

As Curaleaf runs one of only six vertically integrated licenses in the state's existing medical market, with >40% of the state's existing market share, we believe the company is well positioned to secure a first-mover advantage ahead of recreational implementation. Although we anticipate additional licenses to be issued over the near term, we expect New Jersey will leverage its existing medical infrastructure when implementing its recreational platform, likely providing Curaleaf with a first-mover advantage in this segment of the market as well.

With six operators currently in New Jersey, we have assumed that Curaleaf will be able to secure a 20% market share over the next 12 months in the state's existing medical market. Assuming recreational sales commence in the first half of 2020, we believe that Curaleaf will also secure positioning as an adult-use retailer, but its overall market share will decrease to **15%** over the long term. Based on our macro estimates for the state, we estimate Curaleaf to achieve revenues of **~US$35M** in FY2019, increasing to **~US$355M** at peak (as illustrated below).

Figure 23: Curaleaf: Estimated New Jersey revenues (medical and rec)

US$MMs	2019E	2020E	2021E…	2027E	2028E	2029E
Est. New Jersey State Rev	$ 175	$ 400	$ 900	$ 2,255	$ 2,311	$ 2,369
Assumed market share	20.0%	18.0%	17.0%	15.0%	15.0%	15.0%
Est. Curaleaf New Jersey Rev	$ 35.0	$ 72.0	$ 153.0	$ 338.3	$ 346.7	$ 355.4

Source: Company Reports, Canaccord Genuity estimates

Using our above estimates for Curaleaf's operations in the New Jersey medical and recreational market and applying an above industry-average EBITDA margin of 40% at peak (given Curaleaf's existing infrastructure in the state already capturing ~44% of the market), we estimate that Curaleaf will achieve peak EBITDA of ~US$142M and free cash flow of US$106M at maturity. Using a 100bp premium to our base rate, accounting for execution risk and other unknowns as the market transitions into rec, we have utilized a **11%** discount rate, a terminal growth rate of 2.0% and an overall probability adjustment of 90% for New Jersey passing adult-use legislation in 2019. As a net result, we value Curaleaf's New Jersey opportunity at **~C$1.05B**, or **C$2.10** per share (as illustrated below).

Figure 24: Curaleaf: Valuation of New Jersey opportunity (medical and rec)

US$MMs	2019E	2020E	2021E	2022E…	2026E	2027E	2028E	2029E
Est. Curaleaf New Jersey Rev	$ 35.0	$ 72.0	$ 153.0	$ 220.0	$ 330.0	$ 338.3	$ 346.7	$ 355.4
EBITDA Margin	40%	40%	40%	40%	40%	40%	40%	40%
Est. Curaleaf New Jersey EBITDA	$ 14.0	$ 28.8	$ 61.2	$ 88.0	$ 132.0	$ 135.3	$ 138.7	$ 142.1
Taxes	4.9	9.2	18.4	22.0	30.4	29.8	30.5	29.9
Working Capital	0.4	3.7	8.1	6.7	4.2	0.8	0.8	0.9
Capex	20	10	5	5	5	5	5	5
Free Cash Flow	$ (11.3)	$ 5.9	$ 29.7	$ 54.3	$ 92.4	$ 99.7	$ 102.3	$ 106.4
Terminal Value								$1,282.3
PV of Cash Flow	$ (11.3)	$ 5.6	$ 25.6	$ 42.3	$ 48.3	$ 47.2	$ 43.8	$ 548.8

Discount Rate	11%
Terminal Growth	2%

Present Value of FCF (US$)	$ 891
Probability of rec	90%
CAD/US FX	1.31
Value of Curaleaf New Jersey (C$)	$ 1,053
	501
Value per share (C$)	$ 2.10

Source: Company Reports, Canaccord Genuity estimates

Massachusetts

After legalizing recreational cannabis via a 2016 ballot initiative, Massachusetts is currently in the midst of implementing its rec program, with its first recreational dispensaries approved this past November. With a population of ~7M and an existing medical market already in place, we believe the Massachusetts cannabis opportunity could reach a revenue potential of **>US$1.5B** at maturity.

As previously outlined, each license in Massachusetts permits for a cultivation/production facility and up to three retail dispensaries. Although the state plans to issue additional licenses over time, with only a limited number of recreational dispensaries open to date, we believe Curaleaf is set to capture a leading market position in the state as an operator with the greatest number of licenses at this time.

With a leading breadth of licenses in the state of Massachusetts, we forecast that Curaleaf will secure a **15%** market share in the state long term. Based on our macro-level forecasts and assuming the company opens seven dispensaries under its current plan (by end of 2019), we estimate that Curaleaf will achieve **US$81** of revenue in 2019, increasing to **~US$274M** at peak, as illustrated below.

Figure 25: Curaleaf: Estimated Massachusetts revenues

US$MMs	2019E	2020E	2021E…	2027E	2028E	2029E
Est. Mass State Retail Rev	$ 676	$ 991	$1,156	$1,709	$1,771	$1,828
Est. market share	12.0%	13.0%	14.0%	15.0%	15.0%	15.0%
Est. Curaleaf Retail Rev	$ 81.1	$128.8	$161.8	$256.3	$265.6	$274.2

Source: Company Reports, Canaccord Genuity estimates

After applying a slightly higher than industry average EBITDA margin of 38% at peak, to account for the company's existing infrastructure in the state, and incremental capex to grow with the overall market (additional capacity and retail dispensaries), we estimate that Curaleaf will achieve peak EBITDA of ~US$105M and free cash flow of US$79M at maturity in the Massachusetts market. Using a slightly elevated discount rate of **11%** (a 100bp premium to our base rate to account for execution risk in a state that is still in the early stages of launching its recreational platform), a terminal growth rate of 2%, and a 95% probability that the company will close its recent acquisition, we value Curaleaf's Massachusetts opportunity at **~US$859M**, or **C$1.72** per share (as illustrated below).

Figure 26: Curaleaf: Valuation of Massachusetts opportunity (medical and rec)

US$MMs	2019E	2020E	2021E	2022E…	2026E	2027E	2028E	2029E
Est. Curaleaf Retail Rev	$ 81.1	$ 128.8	$ 161.8	$ 196.4	$ 250.9	$ 256.3	$ 265.6	$ 274.2
EBITDA Margin	35%	35%	36%	36%	38%	38%	38%	38%
Curaleaf Massachusetts EBITDA	$ 28.4	$ 45.1	$ 58.2	$ 70.7	$ 95.4	$ 97.4	$ 100.9	$ 105.3
Taxes	11.4	15.8	18.6	21.2	22.9	22.4	23.2	22.1
Working Capital	7.5	4.8	3.3	3.5	0.8	0.5	0.9	0.9
Capex	15.0	10.0	5.0	3.0	3.0	3.0	3.0	3.0
Free Cash Flow	$ (5.4)	$ 14.5	$ 31.3	$ 43.0	$ 68.7	$ 71.5	$ 73.8	$ 79.3
Terminal Value								$ 955.7
PV of Cash Flow	$ (5.4)	$ 13.8	$ 27.0	$ 33.5	$ 35.9	$ 33.8	$ 31.6	$ 409.0

Discount Rate	11%
Terminal Growth	2%

Present Value of FCF (US$)	$ 690.8
CAD/US FX	1.31
Prob of 2nsd license closing	95%
Value of Curaleaf Massachusetts (C$)	$ 859.7
# of shares outstanding (FD)	501
Value per share (C$)	$ 1.72

Source: Company Reports, Canaccord Genuity estimates

New York

With a population of ~20M, New York State represents one of the larger medical cannabis opportunities in the US with an estimated peak annual revenue potential of **>US$1.2B.** Further, with the potential for a recreational cannabis bill to hit the State Senate floor at some point in 2019, we believe New York could also have significantly valuable recreational optionality over the next few years for the first movers in the state.

Similar to the other nine licensed entities in the state, Curaleaf's license allows for a cultivation/production facility and up to four medical cannabis dispensaries. The company already has 3 dispensaries operational under its Curaleaf banner, with a fourth expected to be open before the end of 2018. Its dispensaries are provided product through the company's 72,000 sq. ft. grow facility. Curaleaf plans on increasing the scale of its cultivation/processing operation to 158,000 sq. ft. by the end of 2019. Given there are only 10 vertically integrated licenses issued by the state, we believe Curaleaf is well positioned to take advantage of the growing medical market in New York.

As each license holder is permitted to open the same number of dispensaries, we have estimated Curaleaf's New York medical revenues by using a market share percentage of our overall state macro forecast. Of the 10 licenses issued by the state, we believe Curaleaf is one of five or so highly capitalized players in the market, and therefore have assumed a modest premium to the company's 1/10 proportional share of licenses and utilized a **12.5%** market share in the long term for the state. As a result, we estimate that Curaleaf will achieve revenues of **~US$31M** in FY2019, increasing to **~US$158M** at peak (as illustrated below).

Figure 27: Curaleaf: Estimated New York revenues (medical only)

US$MMs	2019E	2020E	2021E…	2027E	2028E	2029E
Est. NY State Rev	$ 310	$ 541	$ 876	$1,200	$1,215	$1,265
Est. Curaleaf market share	10.0%	11.0%	12.0%	12.5%	12.5%	12.5%
Est. Curaleaf Retail Rev	$ 31.0	$ 59.5	$105.2	$150.0	$151.9	$158.2

Source: Company Reports, Canaccord Genuity estimates

Using our above revenue estimates for Curaleaf's penetration into the New York medical market and applying a premium to the average industry EBITDA margin of 40% at peak to account for Curaleaf's existing operations in the state and incremental capex to grow with the overall market, we estimate that Curaleaf will achieve peak EBITDA of ~US$64M and free cash flow of US$48M at maturity in the New York market. Using a discount rate of **9%** for existing medical markets with existing operations and a terminal growth rate of 2%, we value Curaleaf's New York opportunity at **~C$732M**, or **C$1.46** per share (as illustrated below).

Figure 28: Curaleaf: Valuation of New York opportunity (medical only)

US$MMs	2019E	2020E	2021E	2022E…	2026E	2027E	2028E	2029E
Est. Curaleaf Retail Rev	$ 31.0	$ 59.5	$ 105.2	$ 141.0	$ 148.2	$ 150.0	$ 151.9	$ 158.2
Est. EBITDA Margin	33%	35%	36%	37%	38%	40%	40%	40%
Est. Curaleaf Total NY EBITDA	$ 10.2	$ 20.8	$ 37.9	$ 52.2	$ 56.3	$ 60.0	$ 60.8	$ 63.9
Taxes	$ 3.6	$ 6.7	$ 11.4	$ 13.0	$ 12.9	$ 13.2	$ 13.4	$ 13.4
Working Capital	$ 2.7	$ 2.8	$ 4.6	$ 3.6	$ 0.2	$ 0.2	$ 0.2	$ 0.6
Capex	10	10	2	2	2	2	2	2
Free Cash Flow	$ (6.0)	$ 1.3	$ 19.9	$ 33.5	$ 41.2	$ 44.6	$ 45.2	$ 47.9
Terminal Value								$ 736.2
PV of Cash Flow	$ (6.0)	$ 1.3	$ 17.6	$ 27.4	$ 24.2	$ 24.2	$ 22.6	$ 368.0

Discount Rate	9%
Terminal Growth	2%

Present Value of FCF (US$)	$ 557.5
CAD/US FX	1.31
Value of Curaleaf New York (C$)	$ 731.9
# of shares outstanding	501
Value per share (C$)	$ 1.46

Source: Company Reports, Canaccord Genuity estimates

Maine

As previously outlined, Curaleaf's existing operations in Maine consist of a 30,000 sq. ft. grow facility and two operational dispensaries (out of the eight in the state). The company has plans to build out a further two dispensaries in the state by the end of 2019. With its recreational market finally set to be implemented in 2019, we forecast the state to reach an annual revenue opportunity of **~US$400M** over the long term.

Given the limited competition expected in the state, and the fact that Curaleaf is a highly capitalized company with infrastructure currently operational, we forecast Curaleaf to maintain a **35%** market share in Maine at maturity. As a result, we forecast that Curaleaf will achieve revenues of **~US$13M** in FY2019, increasing to **~US$136M** at peak (as illustrated below).

Figure 29: Curaleaf: Estimated Maine revenues (medical and rec)

US$MMs	2019E	2020E	2021E...	2027E	2028E	2029E
Est. ME State Retail Rev	$ 60	$ 100	$ 150	$ 369	$ 378	$ 388
Est. market share	*33.0%*	34.0%	35.0%	35.0%	35.0%	35.0%
Est. Curaleaf Retail Rev	$ 13.1	$ 25.5	$ 47.3	$129.2	$132.4	$135.7

Source: Company Reports, Canaccord Genuity estimates

Using our above revenue estimates, we have applied a slightly higher than industry average EBITDA margin of 38% at peak (to account for the limited competition in the state) and incremental capex to grow with the overall market. As a result, we estimate that Curaleaf will achieve peak EBITDA of ~US$52M and free cash flow of US$37M at maturity in the Maine market. In our valuation, we have utilized discount rate or 9%, a 100bp discount to our base rate given Curaleaf's existing infrastructure in the state, and a terminal growth rate of 2.0%. As a result, we value Curaleaf's Maine opportunity at **~C$525M**, or **C$1.05** per share (as illustrated below).

Figure 30: Curaleaf: Valuation of Maine opportunity (medical and rec)

US$MMs	2019E	2020E	2021E	2022E...	2026E	2027E	2028E	2029E
Est. ME State Retail Rev	$ 60	$ 100	$ 150	$ 230	$ 360	$ 369	$ 378	$ 388
Est. market share	*33.0%*	34.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
Est. Curaleaf Retail Rev	$ 13.1	$ 25.5	$ 47.3	$ 80.5	$ 126.0	$ 129.2	$ 132.4	$ 135.7
EBITDA Margin	33%	34%	35%	35%	37%	38%	38%	38%
Curaleaf ME EBITDA	$ 4.3	$ 8.7	$ 16.5	$ 28.2	$ 46.6	$ 49.1	$ 50.3	$ 51.6
Taxes	1.7	3.5	5.8	9.0	11.7	11.8	11.6	10.8
Working Capital	1.3	1.2	2.2	3.3	1.1	0.3	0.3	0.3
Capex	5.0	10.0	8.0	5.0	3.0	3.0	3.0	3.0
Free Cash Flow	$ (3.7)	$ (6.0)	$ 0.6	$ 10.8	$ 30.9	$ 34.0	$ 35.4	$ 37.4
Terminal Value								$ 593.7
PV of Cash Flow	$ (3.7)	$ (5.8)	$ 0.5	$ 8.8	$ 18.2	$ 18.4	$ 17.7	$ 296.8

Discount Rate	9%
Terminal Growth	2%
Present Value of FCF (US$)	$ 400.0
CAD/US FX	1.31
Value of Curaleaf Maine (C$)	$ 525.2
# of shares outstanding (FD)	501
Value per share (C$)	$ 1.05

Source: Company Reports, Canaccord Genuity estimates

Arizona

After legalizing and establishing its medical cannabis regulations in November 2010, Arizona made its first sale to patients in December 2012. Currently, the state has >180,000 registered patients and is growing at a rate of >3,000 patients per month. At peak, we value the Arizona medical market to have annual revenues of **>US$500M**.

Curaleaf's current exposure to the state is based on its 100,000 sq. ft. cultivation/production facility (only 25,000 sq. ft. currently operating) in addition to its five open dispensaries. The company has further procured a location for a sixth dispensary and is planning on having it open in 2019. Given that Curaleaf currently maintains a healthy market share and is planning on increasing its footprint in the state with additional dispensaries and facility build-outs, we believe the company will be able to secure a **14%** market share at maturity. Based on these assumptions, we forecast that Curaleaf will realize **~US$38M** of revenue in FY2019, increasing to **US$82M** at peak (as illustrated below).

Figure 31: Curaleaf: Estimated Arizona revenues (medical)

US$MMs	2019E	2020E	2021E...	2027E	2028E	2029E
Est. Arizona State Rev	$ 539	$ 551	$ 554	$ 577	$ 577	$ 583
Est. market share	7.0%	8.0%	9.0%	14.0%	14.0%	14.0%
Est. Curaleaf Arizona Rev	$ 37.7	$ 44.1	$ 49.9	$ 80.8	$ 80.8	$ 81.6

Source: Company Reports, Canaccord Genuity estimates

Using our above revenue estimates we have applied an EBITDA margin of 40% at peak and incremental capex to grow with the overall market. As a result, we estimate that Curaleaf will achieve peak EBITDA of ~US$33M and free cash flow of US$23M at maturity. In our valuation, we have utilized a discount rate of **8%**, a 200bp discount to our base rate given Curaleaf's extensive existing operations in the state, and a terminal growth rate of 2%. As a result, we value Curaleaf's Arizona opportunity at **~C$428M**, or **C$0.85** per share (as illustrated below).

Figure 32: Curaleaf: Valuation of Arizona opportunity (medical only)

US$MMs	2019E	2020E	2021E	2022E...	2026E	2027E	2028E	2029E
Est. Curaleaf Arizona Rev	$ 37.7	$ 44.1	$ 49.9	$ 54.9	$ 80.0	$ 80.8	$ 80.8	$ 81.6
EBITDA Margin	38%	38%	38%	38%	40%	40%	40%	40%
Est. Curaleaf Arizona EBITDA	$ 14.3	$ 16.8	$ 19.0	$ 20.9	$ 32.0	$ 32.3	$ 32.3	$ 33.0
Taxes	5.0	5.4	5.7	5.2	7.4	7.1	7.1	6.9
Working Capital	0.0	0.6	0.6	0.5	0.6	0.1	0.1	0.1
Capex	5	5	3	3	3	3	3	3
Free Cash Flow	$ 4.3	$ 5.8	$ 9.7	$ 12.1	$ 21.0	$ 22.1	$ 22.1	$ 22.9
Terminal Value								$ 417.3
PV of Cash Flow	$ 4.3	$ 5.6	$ 8.7	$ 10.1	$ 13.1	$ 12.9	$ 12.0	$ 225.7

Discount Rate	8%
Terminal Growth	2%
Present Value of FCF (US$)	$ 326
CAD/US FX	1.31
Value of Curaleaf Arizona (C$)	$ 428
	501
Value per share (C$)	$ 0.85

Source: Company Reports, Canaccord Genuity estimates

Maryland

Although legalized in 2013, Maryland's medical use program was not fully underway until December 2017. Under the structure of the program, there were 102 dispensary licenses available with ~70 licenses filled. At peak we believe this market could represent an annual revenue opportunity **>US$400M**.

Curaleaf's current exposure to the state is based in its 20,000 sq. ft. cultivation/processing facility in addition to its one open dispensary. The company is licensed to open a further two dispensaries and an additional 28,000 sq. ft. of cultivation space – we expect those to be online by the end of 2019. Given that Curaleaf was one of seven operators originally given both cultivation and processing licenses (with two more dispensaries in the pipeline), we believe Curaleaf has a first-mover advantage which will amount to a **15%** market share at maturity. Based on these assumptions, we forecast that Curaleaf will realize **~US$17M** of revenue in FY2019, increasing to **US$68M** at peak (as illustrated below).

Figure 33: Curaleaf: Estimated Maryland revenues (medical)

US$MMs	2019E	2020E	2021E…	2027E	2028E	2029E
Est. MD State Rev	$ 114	$ 175	$ 250	$ 445	$ 450	$ 454
Est. Curaleaf market share	*15.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*
Est. Curaleaf Retail Rev	$ 17.1	$ 26.3	$ 37.5	$ 66.8	$ 67.5	$ 68.1

Source: Company Reports, Canaccord Genuity estimates

Using our above revenue estimates we have applied an average industry EBITDA margin of 38% at peak (a slight premium to the average given Curaleaf's first-mover advantage in being a vertically integrated operator in the state) and incremental capex to grow with the overall market. As a result, we estimate that Curaleaf will achieve peak EBITDA of ~US$26M and free cash flow of US$20M at maturity. In our valuation, we have utilized our base discount rate of **10%** and a terminal growth rate of 2%. As a result, we value Curaleaf's Maryland opportunity at **~C$260M**, or **C$0.53** per share (as illustrated below).

Figure 34: Curaleaf: Valuation of Maryland opportunity (medical only)

US$MMs	2019E	2020E	2021E	2022E…	2026E	2027E	2028E	2029E
Total Curaleaf Revenue in MD	$ 17.1	$ 26.3	$ 37.5	$ 46.4	$ 66.1	$ 66.8	$ 67.5	$ 68.1
Est. Curaleaf EBITDA	$ 5.1	$ 9.2	$ 13.5	$ 17.2	$ 25.1	$ 25.4	$ 25.6	$ 26.2
Est. EBITDA Margin	30%	35%	36%	37%	38%	38%	38%	38%
Taxes	2.1	3.4	4.7	5.7	6.0	5.8	5.6	5.5
Working Capital	1.7	0.9	1.1	0.9	0.1	0.1	0.1	0.1
Capex	2.5	1.0	0.5	0.5	0.5	0.5	0.5	0.5
Free Cash Flow	$ (1.1)	$ 3.9	$ 7.2	$ 10.1	$ 18.5	$ 19.0	$ 19.4	$ 20.1
Terminal Value								$ 268
PV of Cash Flow	$ (1.1)	$ 3.7	$ 6.2	$ 8.1	$ 10.3	$ 9.6	$ 9.0	$ 123.9

Discount Rate	10%
Terminal Growth	2%
Present Value of FCF (US$)	$ 199.0
CAD/US FX	1.31
Value of Maryland (C$)	$ 260.7
# of shares outstanding	501
Value per share (C$)	$ 0.53

Source: Company Reports, Canaccord Genuity estimates

Pennsylvania

After legalizing and establishing its medical cannabis regulations in mid-2016, Pennsylvania is currently in the midst of implementing its regulated market. Currently, the state has >40,000 registered patients, which we believe could still increase by ~7x as additional infrastructure is rolled out and market demand continues to grow. At peak, we believe this could represent an annual revenue opportunity of **>US$800M**.

Although not operational, Curaleaf has the license to own one of 12 cultivation/production facilities in the state, and through a potential university partnership, is hoping to gain exposure to the states retail segment. Its potential participation in the Clinical Research Trial Program could permit the company to open up to six dispensaries in Pennsylvania. Given that the company does not have any operations currently, we assume the company will achieve a modest **5.0%** market share at maturity. Based on these assumptions, we forecast that Curaleaf will realize **~US$10M** of revenue in FY2019, increasing to **US$40M** at peak (as illustrated below).

Figure 35: Curaleaf: Estimated Pennsylvania revenues (medical)

US$MMs	2019E	2020E	2021E...	2027E	2028E	2029E
Est. Pennsylvania State Rev	$ 139	$ 346	$ 489	$ 810	$ 818	$ 822
Est. market share	7.5%	6.5%	5.5%	5.0%	5.0%	5.0%
Est. Curaleaf Pennsylvania Rev	$ 10.4	$ 22.5	$ 26.9	$ 40.5	$ 40.9	$ 41.1

Source: Company Reports, Canaccord Genuity estimates

Using our above revenue estimates we have applied an average industry EBITDA margin of 35% at peak (for vertically integrated operators with sufficient capacity) and incremental capex to grow with the overall market. As a result, we estimate that Curaleaf will achieve peak EBITDA of ~US$14M and free cash flow of US$9M at maturity. In our valuation, we have utilized our base discount rate of **10%**, a terminal growth rate of 2.0% and an 80% probability adjustment for obtaining a retail license in the state. As a result, we value Curaleaf's Pennsylvania opportunity at **~C$92M**, or **C$0.19** per share (as illustrated below).

Figure 36: Curaleaf: Valuation of Pennsylvania opportunity (medical only)

US$MMs	2019E	2020E	2021E	2022E...	2026E	2027E	2028E	2029E
Est. Curaleaf Pennsylvania Rev	$ 10.4	$ 22.5	$ 26.9	$ 30.9	$ 40.1	$ 40.5	$ 40.9	$ 41.1
Est. Curaleaf Pennsylvania EBITDA	$ 3.1	$ 7.4	$ 9.4	$ 10.8	$ 14.0	$ 14.2	$ 14.3	$ 14.4
EBITDA Margin	30%	33%	35%	35%	35%	35%	35%	35%
Taxes	1.3	2.6	3.0	3.2	3.4	3.3	3.1	3.0
Working Capital	1.0	1.2	0.4	0.4	(1.9)	0.0	0.0	0.0
Capex	5	8	8	2	2	2	2	2
Free Cash Flow	$ (4.2)	$ (4.4)	$ (2.0)	$ 5.2	$ 10.6	$ 8.9	$ 9.1	$ 9.3
Terminal Value								$ 131.6
PV of Cash Flow	$ (4.2)	$ (4.2)	$ (1.8)	$ 4.1	$ 5.9	$ 4.5	$ 4.2	$ 60.8

Discount Rate	10%
Terminal Growth	2%
Present Value of FCF (US$)	$ 92
Probability of license	80%
CAD/US FX	1.31
Value of Curaleaf Pennsylvania (C$)	$ 97
	501
Value per share (C$)	$ 0.19

Source: Company Reports, Canaccord Genuity estimates

Valuation of additional US markets
In addition to the state-by-state valuations above, we have also valued the following additional market opportunities for Curaleaf as follows:

- **California.** Curaleaf operates a 9,000 sq. ft. processing facility out of Davis California, expecting to launch its wholesale business in 2019. In its inaugural year, we anticipate the facility will generate **~US$10M** in revenue, with peak revenue >10x that figure, at ~**US$125M**, representing <1% market share for the estimated California peak annual revenue opportunity.
- **Oregon.** With a license to operate one dispensary in Oregon, we have assumed Curaleaf will be able to realize revenue of **~US$3M**, increasing to a modest peak of**~US$10M**.
- **Connecticut.** With one cultivation license in hand, and a dispensary set to open in 2019, we expect Curaleaf's Connecticut operations to provide a peak revenue opportunity in excess of **$40M**.
- **Nevada.** Curaleaf's current operation in Nevada includes one cultivation facility and a dispensary. Cumulatively, we anticipated these operations could achieve a peak revenue of **~US$35M** over the long term. The company has stated its plan to relocate its dispensary to the Las Vegas Strip, which, in our view, would result in increased foot traffic into its dispensary.
- **Hemp CBD line.** As noted previously, Curaleaf became the first MSO to officially launch its hemp strategy last month. The company now offers hemp-based nutraceutical products through an online e-commerce platform, starting 15 SKUs. Although details on this product line remain thin, we believe it currently represents a differentiated strategy vs. many of its peers and could eventually result in the company penetrating big box retailers and mass merchandisers (such as Target and Walmart) with the recent passing of the Farm Bill. We have forecast that Curaleaf will realize Hemp revenues of **US$10M** in 2019, increasing to ~**US$60M** at peak.

Using the cumulative revenue estimates above we have applied an average industry EBITDA margin of 30% at peak (as most of the assets above are not vertically integrated) and incremental capex to grow with the overall market. As a result, we estimate that Curaleaf will achieve peak EBITDA of ~US$85M and free cash flow of US$63M at maturity in these markets (combined). In our valuation, we have utilized our base discount rate of **10%** and a terminal growth rate of 2%. As a result, we value Curaleaf's ancillary US markets at **~C$780M**, or **C$1. 56** per share (as illustrated below).

Figure 37: Curaleaf: Valuation of other US opportunities

US$MMs	2019E	2020E	2021E	2022E...	2026E	2027E	2028E	2029E
Connecticut	$ 12,000	$ 18,000	$ 25,000	$ 34,500	$ 41,125	$ 41,947	$ 42,786	$ 43,642
California	$ 10,000	$ 25,000	$ 50,000	$ 75,000	$ 109,808	$ 115,298	$ 121,063	$ 127,116
Oregon	$ 2,500	$ 2,875	$ 3,163	$ 4,000	$ 8,000	$ 9,000	$ 10,000	$ 10,500
Nevada	$ 15,000	$ 23,000	$ 28,000	$ 28,840	$ 32,460	$ 33,433	$ 34,436	$ 34,436
CBD	$ 10,000	$ 25,000	$ 35,000	$ 42,000	$ 57,881	$ 60,775	$ 61,991	$ 63,231
Est. Curaleaf Other Revenues	$ 49.5	$ 93.9	$ 141.2	$ 184.3	$ 249.3	$ 260.5	$ 270.3	$ 278.9
Est. Curaleaf Other EBITDA	$ 10.9	$ 23.5	$ 35.3	$ 46.1	$ 69.8	$ 78.1	$ 81.1	$ 84.8
EBITDA Margin	22%	25%	25%	25%	28%	30%	30%	30%
Taxes	3.8	7.5	10.6	11.5	16.1	17.2	17.8	17.8
Working Capital	3.6	4.4	4.7	4.3	1.5	1.1	1.0	1.8
Capex	5	5	2	2	2	2	2	2
Free Cash Flow	$ (1.5)	$ 6.5	$ 18.0	$ 28.2	$ 50.2	$ 57.8	$ 60.3	$ 63.1
Terminal Value								$ 841.9
PV of Cash Flow	$ (1.5)	$ 6.2	$ 15.7	$ 22.5	$ 27.8	$ 29.3	$ 27.9	$ 389.2

Discount Rate	10%
Terminal Growth	2%
Present Value of FCF (US$)	$ 594
CAD/US FX	1.31
Value of Curaleaf Other Mkts (C$)	$ 780
	501
Value per share (C$)	$ 1.56

Source: Company Reports, Canaccord Genuity estimates

Balance Sheet

After raising ~C$520M as part of its RTO earlier this year, we estimate that net of its opex burn and one-year capex requirements, Curaleaf with have ~C$281M of net cash on a one-year forward basis. We have valued this amount at book value in our SOTP valuation.

Figure 38: Pro forma cash

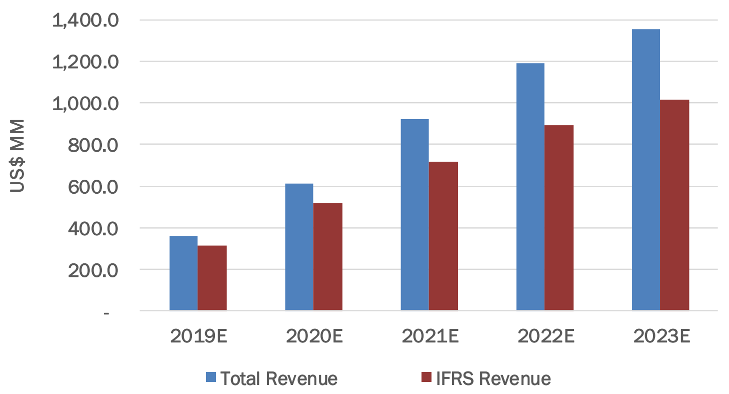
Asset	Book Value (C$MM)	Multiple of Book Value	Value (C$ MMs)
Net Curaleaf Cash after RTO	$ 567,800		
CG Est. 1 year Acq. Costs + Cash Burn + Capex	$ (286,315)		
Net-Cash available (1 yr fwd)	$ 281,485	1.0x	$281,485
# of shares outstanding			500,652
Value per Share			$ 0.56

Source: Company Reports, Canaccord Genuity estimates

Consolidated estimates

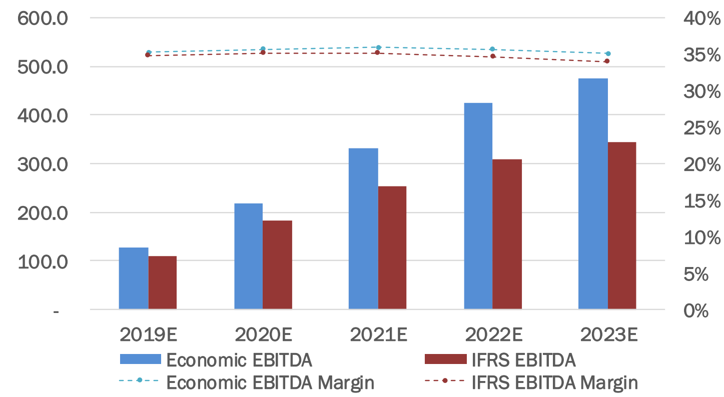
Based on our individual SOTP estimates detailed above, the revenue and Adj. EBITDA we forecast Curaleaf to derive over the next five years from the 12 states where it currently has exposure is illustrated below:

Figure 39: Curaleaf: Forecasted Revenue (FY2019 to FY2023)



Source: Company Reports, Canaccord Genuity estimates

Figure 40: Curaleaf: Forecasted EBITDA (FY2019 to FY 2023)

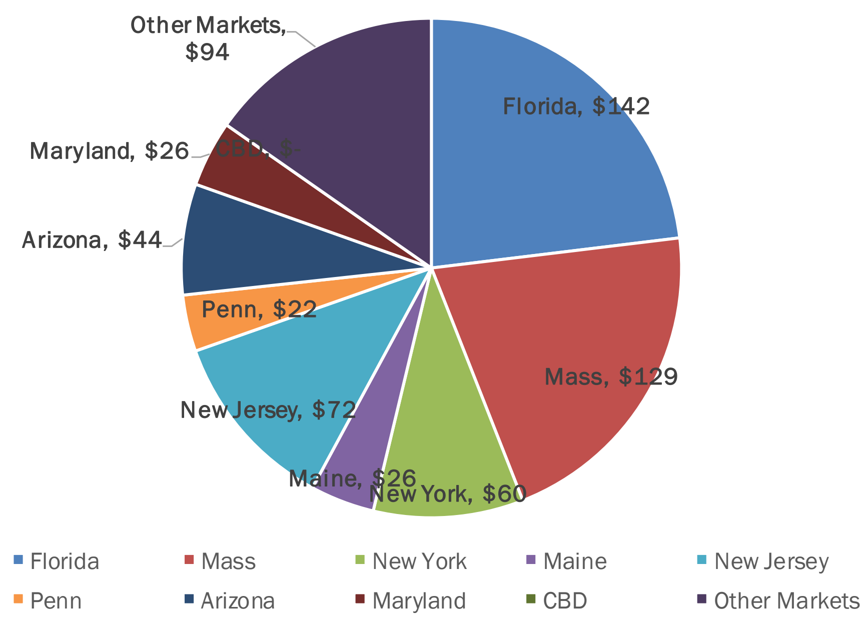


Source: Company Reports, Canaccord Genuity estimates

As illustrated above, we forecast that Curaleaf will realize "Economic Revenue" (the cumulative revenue from all its individual wholly owned operating assets) of **US$363M** in FY2019, increasing at a 40% CAGR to **US1.36B** in FY2023. However, for IFRS purposes (as currently not all states are able to be consolidated into IFRS revenue) we forecast revenues of US$315M in FY2019, increasing by a 35% CAGR to US$1.01B by FY2023. Our IFRS estimates above assume no future changes in states that are not currently consolidated into results. However, we anticipate that over time, regulations will evolve, and we do not expect this gap between Economic and IFRS revenue to persist materially over the longer term. We note that this has no impact on valuation or cash flows and is only a financial reporting consideration.

Further, the allocation of our US$614M revenue estimate for FY2020 by geography is shown below:

Figure 41: Curaleaf: Estimated FY2020 revenue by geography (US$MM)



Source: Company Reports, Canaccord Genuity estimates

Sum-of-the-parts valuation

Initiating coverage of Curaleaf with a SPECULATIVE BUY rating and C$13.00 PT
Based on our individual valuations in the 12 markets where Curaleaf already has exposure, net of a 5% HoldCo discount, our resulting sum-of-the-parts valuation for the company is $13.15 per share, as illustrated below.

Figure 42: Curaleaf SOTP Valuation

SOTP Valuation	C$ per share	Value (C$ MM)	CY2020 EV/EBITDA	CY2020 EBITDA (C$)
Florida	$ 3.78	$ 1,894	22.2x	$ 85.4
New Jersey	$ 2.10	$ 1,053	27.9x	$ 37.7
Massachusetts	$ 1.72	$ 860	14.6x	$ 59.1
New York	$ 1.46	$ 732	26.8x	$ 27.3
Maine	$ 1.05	$ 525	46.2x	$ 11.4
Arizona	$ 0.85	$ 428	19.5x	$ 21.9
Maryland	$ 0.53	$ 266	22.1x	$ 12.0
Pennsylvania	$ 0.19	$ 97	10.0x	$ 9.7
Other Markets	$ 1.56	$ 780	25.4x	$ 30.7
Fwd Cash	$ 0.56	$ 281	n/a	n/a
Minority Discount	$ (0.66)	$ (332)		$ (8.0)
SOTP Valuation	$ 13.15	$ 6,584	21.9x	$ 287.2

Source: Company Reports, Canaccord Genuity estimates

As a result, we are initiating coverage of Curaleaf with a SPECULATIVE BUY rating and a C$13.00 target price.

Our target represents a forecast annualized return of 104%. Further, below is a sensitivity table of our base valuation if we were to increase/decrease the weighted average discount rate of 10% and terminal growth rate of 2.0% utilized in our DCF base case valuation. We note that should Curaleaf continue to execute and carve out market share where it already has exposure, a 200bp de-risking to our discount rate would result in a valuation of ~C$14.70 (or >130% upside to current trading levels). We believe as the US market continues to develop and Curaleaf continues to roll out its vertically integrated assets, there is significant upside potential from our base case valuation, even without considering likely future M&A once/if the market begins to consolidate.

Figure 43: Curaleaf SOTP sensitivity table

Discount Rate \ Term Growth Rate	1.0%	1.5%	2.0%	2.5%	3.0%
8%	13.28	13.92	14.68	15.58	16.70
9%	12.59	13.14	13.78	14.53	15.43
10%	12.08	12.58	13.15	13.82	14.61
11%	11.68	12.14	12.68	13.29	14.02
12%	11.36	11.80	12.31	12.89	13.58

Source: Company Reports, Canaccord Genuity estimates

Comparable company analysis
Curaleaf currently trades at 10.1x our CY2020 EV/EBITDA compared to its US peers at 8.5x. Given that Curaleaf currently has one of the largest geographic exposures

amongst all MSOs in the industry, we believe a premium valuation is warranted at this time and we would be buyers of CURA at current levels.

We also note that Curaleaf trades at a steep discount to the large-cap Canadian LPs (at 30.6x CY2020 EV/EBITDA). As Curaleaf and many other MSOs currently have access to a greater population base than Canada and are able to operate in a more favourable environment (with seed-to-sale operations), we believe this valuation gap will eventually close and MSOs as a whole (including Curaleaf) could begin to re-rate against the relatively more expensive Canadian names in the medium to long term.

Figure 44: Curaleaf Comp Table

Company	Ticker	Share Price ($)	Market Cap (MM)	Enterprise Value Adj	EV/EBITDA CY 2019	EV/EBITDA CY 2020	EV/Revenue CY 2019	EV/Revenue CY 2020
Canopy Growth	WEED	$ 41.47	$ 16,032	$ 10,216	49.7x	21.1x	14.4x	8.3x
Aphria Inc.	APH	$ 7.47	$ 1,900	$ 1,635	9.8x	5.1x	3.5x	2.1x
Tilray[1,2]	TLRY	$ 75.13	$ 6,995	$ 6,922	271.9x	81.4x	52.0x	25.7x
Aurora Cannabis	ACB	$ 7.47	$ 7,771	$ 7,653	38.5x	17.9x	13.1x	7.7x
Cronos Group Inc.	CRON	$ 15.13	$ 5,371	$ 2,929	52.9x	27.3x	16.5x	10.6x
Average					84.6x	30.6x	19.9x	10.9x
IAN + MPX	IAN	$ 5.78	$ 1,262	$ 1,140	13.7x	8.9x	3.7x	2.6x
Trulieve	TRUL	$ 10.56	$ 1,165	$ 1,135	10.3x	7.2x	3.5x	3.0x
Green Thumb Industries[1]	GTII	$ 13.00	$ 1,910	$ 1,726	30.2x	9.2x	7.0x	3.3x
Liberty Health Sciences	LHS	$ 1.01	$ 375	$ 352	16.8x	7.5x	3.9x	2.3x
MedMen	MMEN	$ 4.22	$ 2,760	$ 2,513	84.8x	10.6x	5.1x	2.9x
Harvest[1]	HARV	$ 6.50	$ 1,805	$ 1,548	20.5x	5.3x	5.0x	2.0x
Cresco[1]	CL	$ 7.55	$ 2,076	$ 1,969	15.1x	7.4x	5.0x	2.9x
Acreage	ACRG.U	16.20	$ 1,965	$ 1,838	24.3x	9.9x	6.3x	3.1x
Average of U.S. companies					25.9x	8.5x	5.1x	2.9x
Curaleaf	CURA	6.36	3,184.15	$ 2,903	17.3x	10.1x	6.6x	3.8x

[1]Not rated - Based on Consensus or Management Estimates

[2]Tilray, Acreage estimates and values in USD

Source: Company Reports, Canaccord Genuity estimates

Selected management and board bios

Boris Jordan | Executive Chairman
Boris Jordan acquired a majority ownership in Curaleaf in 2014, subsequently making significant contributions as the company has expanded its geographic footprint throughout the United States. Mr. Jordan currently serves in two roles, first as the President and Chief Executive Officer of The Sputnik Group and a co-founder/chairman of Renaissance Capital Group. Aside from his roles in the aforementioned companies, Boris has been a member of the Council on Foreign Relations and a member of The Board of Trustees of New York in addition to being a key contributor to the creation of the Russian stock market. Boris Jordan will serve on the Audit Committee and the Compensation Committee of the reporting issuer. Boris holds a B.A. from New York University.

Joseph F. Lusardi | President, Chief Executive Officer and Director
Joseph Lusardi plays an active role in the company to help in the development of the company's corporate development. Mr. Lusardi has over 10 years of experience in the cannabis industry as he was one of the first entrepreneurs to open a medical cannabis company on the East Coast of the United States. Mr. Lusardi has accumulated over 20 years of experience in finance, private equity and entrepreneurship through executive positions held at companies such as Fidelity Investments, Liberty Mutual Group and Affiliated Managers Group. Mr. Lusardi has a B.B.A from The Catholic University of America and a M.B.A from Boston College.

Jonathan Faucher | Chief Financial Officer
Jonathan Faucher has a background in finance and operations, namely in the start-up and manufacturing industries. Before coming to Curaleaf, Jonathan was the Controller and Senior Director of Finance and Operations at BionX Medical Technologies. In his role at BionX, Jonathan was responsible for the design and implementation of the ERP and financial system, increasing the efficiency of the supply chain process and improvement of the company's cash management. At Curaleaf, Mr. Faucher is responsible for the maintenance of all financial reporting, budgeting and forecasting for the business. Mr. Faucher hold a B.S from the University of New Hampshire and an M.B.A from Babson College.

Stuart Wilcox | Chief Operating Officer
Mr. Wilcox has amassed a breadth of experience in the global supply chain business, operations start-up, corporate acquisitions as well as product commercialization through roles he has held in packaged goods companies. Prior to joining Curaleaf's senior leadership, Mr. Wilcox was a Senior Vice President and Chief Operations Officer at Hostess Brands and Senior Vice President of Operations at Fresh Express/Chiquita. Mr. Wilcox is expected to bring this experience with him to aid in the implementation and enhancement of operational procedures throughout the Curaleaf platform. Mr. Wilcox has a Bachelor's in Science from The University of Toledo and a Masters in Science from Central Michigan University.

Roma Khanna | Director
Roma Khanna is currently the Chief Executive Officer of Revolt Media and TV, LLC, having held the position since September 6, 2017. Ms. Khanna has spent much of her professional career in media-focused roles having previously served as the President of Television Group and Digital at Metro-Goldwyn-Mayer, Inc, President of

NBC Universal's International Networks and Digital Initiatives, in senior management at Chum Television as well as a Manager of Legal & Business Affairs at Sony Music Canada. In addition to her work, Ms. Khanna serves on the advisory board for the Telefilm Canada New Media Fund, the International New Media Festival, NextMedia and the Peabody Awards. Ms. Khanna holds a B.Sc. from the University of Toronto, a Canadian Law Degree from the University of Windsor, an American Law degree from the University of Detroit, and an MBA from the Schulich School of Business at York University.

Steven Patierno | Director

Dr. Steven Patierno brings with him years of experience in the cancer research field, as he is currently the deputy director of Duke University's Cancer Institute. Dr. Patierno's role at Duke also includes being a Professor of Medicine, Professor of Pharmacology and Cancer Biology, and Professor of Community and Family Medicine in the School of Medicine. Under Dr. Steven Patierno's guidance, the Duke Cancer Institute has become 1 of 41 Comprehensive Cancer Centers with more than 65,000 patient visits, 6,500 new cancer diagnoses annually and nearly 1,000 active clinical trials. The institute has been able to obtain more than $225 million in annual cancer research funding under Dr. Patierno's leadership. Dr. Patierno has a bachelor's in science from The University of Connecticut and a PhD from The University of Texas Health Science Center in Houston.

Karl Johansson | Director

Karl Johansson has extensive experience in multi-national accounting and tax for global entities. Mr. Johansson served as a Managing Partner in the CIS (Vienna, Austria) region for Ernst & Young as well as a Regional Partner for Eastern European Countries. Mr. Johansson also spent 10 years as a Managing Partner in the Ernst & Young Moscow office, where he became a coordinator of the Foreign Investment Advisory Council (FIAC). Mr. Johansson is the Chair of the Audit Committee in addition to being a member of the Compensation Committee for Curaleaf. Mr. Johansson has a Bachelors degree from the University of Minnesota and a JD degree from the University of Pennsylvania.

Figure 45: Curaleaf: Forecast P&L

FYE Dec 31 (USD$'000s)	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Kgs of Cannabis Sold											
Ave. sales price per gram											
Net Revenue	$ 362,748	$ 614,269	$ 920,554	$ 1,192,715	$ 1,357,281	$ 1,448,084	$ 1,535,786	$ 1,619,789	$ 1,662,309	$ 1,699,472	$ 1,740,099
Revenue growth %	179%	69%	50%	30%	14%	7%	6%	5%	3%	2%	2%
Cost of goods sold	138,641	233,313	348,297	453,766	520,244	551,132	583,988	606,173	616,618	630,716	643,078
Loss (Gain) on FV Changes	-	-	-	-	-	-	-	-	-	-	-
Adj. Gross Profit	$ 224,107	$ 380,956	$ 572,257	$ 738,949	$ 837,037	$ 896,952	$ 951,798	$ 1,013,615	$ 1,045,690	$ 1,068,756	$ 1,097,021
General & Administrative	57,767	97,214	145,124	189,069	216,768	229,638	243,328	252,572	256,924	262,798	267,949
Share-based payments	4,708	7,951	11,941	15,689	18,015	19,127	20,321	21,138	21,535	22,030	22,467
Sales & Marketing & Promotion	34,660	58,328	87,074	113,442	130,061	137,783	145,997	151,543	154,155	157,679	160,769
Amortization and Depreciation	9,382	14,642	18,953	20,508	21,107	21,546	21,942	22,297	22,618	22,906	23,165
Corporate Overhead	3,627	6,143	9,206	11,927	13,573	14,481	15,358	16,198	16,623	16,995	17,401
Other Operating Costs	-	-	-	-	-	-	-	-	-	-	-
Income (loss) from operations	$ 113,962	$ 196,679	$ 299,960	$ 388,315	$ 437,513	$ 474,377	$ 504,853	$ 549,866	$ 573,835	$ 586,348	$ 605,270
Adjusted EBITDA	$ 128,052	$ 219,271	$ 330,853	$ 424,511	$ 476,635	$ 515,050	$ 547,115	$ 593,302	$ 617,988	$ 631,283	$ 650,902
Adj. EBITDA %	35%	36%	36%	36%	35%	36%	36%	37%	37%	37%	37%
Interest expense & other	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Income (Loss) before taxes	$ 113,962	$ 196,679	$ 299,960	$ 388,315	$ 437,513	$ 474,377	$ 504,853	$ 549,866	$ 573,835	$ 586,348	$ 605,269
Tax Expense	$ 50,198	$ 69,949	$ 96,141	$ 106,974	$ 109,333	$ 117,463	$ 121,329	$ 126,159	$ 125,778	$ 126,924	$ 125,492
Net Income	63,764	126,730	203,819	281,341	328,180	356,914	383,523	423,707	448,058	459,424	479,776
Non-Controlling Interest	-	-	-	-	-	-	-	-	-	-	-
Net Income attributable to Curaleaf	$ 63,764	$ 126,730	$ 203,819	$ 281,341	$ 328,180	$ 356,914	$ 383,523	$ 423,707	$ 448,058	$ 459,424	$ 479,776
# of Shares (FD)	*500,652*	*500,652*	*500,652*	*500,652*	*500,652*	*500,652*	*500,652*	*500,652*	*500,652*	*500,652*	*500,652*
Earnings per Share	$ 0.13	$ 0.25	$ 0.41	$ 0.56	$ 0.66	$ 0.71	$ 0.77	$ 0.85	$ 0.89	$ 0.92	$ 0.96

Source: Company Reports, Canaccord Genuity estimates

Figure 46: Curaleaf: Forecast balance sheet

FYE Dec 31 (USD$'000s)	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Assets											
Cash & equivalents	305,588	338,272	454,136	662,190	947,188	1,271,403	1,622,067	2,016,282	2,438,481	2,871,303	3,325,228
Accounts receivable	36,275	61,427	92,055	119,272	135,728	144,808	153,579	161,979	166,231	169,947	174,010
Inventory	37,984	63,921	95,424	124,319	142,533	150,995	159,997	166,075	168,937	172,799	176,186
Prepaid expenses	1,899	3,196	4,771	3,730	4,276	4,530	4,800	4,982	5,068	5,184	5,286
Biological Assets	18,137	30,713	46,028	59,636	67,864	72,404	76,789	80,989	83,115	84,974	87,005
Current Assets	**399,883**	**497,530**	**692,414**	**969,147**	**1,297,589**	**1,644,140**	**2,017,232**	**2,430,308**	**2,861,832**	**3,304,207**	**3,767,714**
Property, Plant and Equipment	109,421	168,778	191,326	198,318	202,711	206,665	210,224	213,426	216,309	218,903	221,237
Investments and Deposits	29,107	29,107	29,107	29,107	29,107	29,107	29,107	29,107	29,107	29,107	29,107
Intangible Assets	67,281	87,310	107,339	127,368	147,397	167,426	187,455	207,484	227,513	247,542	267,571
Promissory Note	49,751	49,751	49,751	49,751	49,751	49,751	49,751	49,751	49,751	49,751	49,751
Total Assets	**655,443**	**832,477**	**1,069,936**	**1,373,691**	**1,726,555**	**2,097,090**	**2,493,768**	**2,930,076**	**3,384,511**	**3,849,510**	**4,335,380**
Liabilities											
Accounts payable & accruals	72,550	122,854	156,494	178,907	203,592	217,213	230,368	242,968	249,346	254,921	261,015
Other current liabilities	68,099	68,099	68,099	68,099	68,099	68,099	68,099	68,099	68,099	68,099	68,099
Current Liabilities	**140,649**	**190,953**	**224,593**	**247,006**	**271,691**	**285,312**	**298,467**	**311,067**	**317,445**	**323,020**	**329,114**
Convertible notes payable	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000
Embedded derivative	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	1,822	1,822	1,822	1,822	1,822	1,822	1,822	1,822	1,822	1,822	1,822
Total Liabilities	**151,471**	**201,775**	**235,415**	**257,828**	**282,513**	**296,134**	**309,289**	**321,889**	**328,267**	**333,842**	**339,936**
Shareholder's Equity											
Share capital	537,406	537,406	537,406	537,406	537,406	537,406	537,406	537,406	537,406	537,406	537,406
Warrants	-	-	-	-	-	-	-	-	-	-	-
Contributed Surplus	13,788	13,788	13,788	13,788	13,788	13,788	13,788	13,788	13,788	13,788	13,788
AOCI	(70,446)	56,284	260,103	541,444	869,624	1,226,538	1,610,061	2,033,769	2,481,826	2,941,250	3,421,026
Redeemable NCI contingency and buyout	-	-	-	-	-	-	-	-	-	-	-
Deficit	23,224	23,224	23,224	23,224	23,224	23,224	23,224	23,224	23,224	23,224	23,224
Total Shareholder's Equity	**503,972**	**630,702**	**834,521**	**1,115,862**	**1,444,042**	**1,800,956**	**2,184,479**	**2,608,187**	**3,056,244**	**3,515,668**	**3,995,444**
Total Liabilities and Shareholder's Equity	**655,443**	**832,477**	**1,069,936**	**1,373,691**	**1,726,555**	**2,097,090**	**2,493,768**	**2,930,076**	**3,384,511**	**3,849,510**	**4,335,380**

Source: Company Reports, Canaccord Genuity estimates

Figure 47: Curaleaf: Forecast statement of cash flows

FYE Dec 31 (USD$'000s)	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
OPERATING ACTIVITIES											
Net profit (loss) for the period	63,764	126,730	203,819	281,341	328,180	356,914	383,523	423,707	448,058	459,424	479,776
Adjustments for non-cash items											
Depreciation and Amortization	9,382	14,642	18,953	20,508	21,107	21,546	21,942	22,297	22,618	22,906	23,165
Changes in working capital	55,906	(2,082)	(30,066)	(32,657)	(10,531)	(4,176)	(4,887)	(2,061)	(821)	(2,120)	(1,457)
Cash from Operations	$ 113,517	$ 126,714	$ 177,392	$ 255,584	$ 330,527	$ 369,744	$ 396,193	$ 439,744	$ 467,728	$ 478,351	$ 499,453
FINANCING ACTIVITIES											
Shares issued for cash	-	-	-	-	-	-	-	-	-	-	-
Proceeds from exercise of warrants & options	3,466	-	-	-	-	-	-	-	-	-	-
Proceeds from issuance of notes payable	(73,501)	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Cash from Financing	(70,035)	-	-	-	-	-	-	-	-	-	-
INVESTING ACTIVITIES											
Purchase of PP&E	(87,500)	(74,000)	(41,500)	(27,500)	(25,500)	(25,500)	(25,500)	(25,500)	(25,500)	(25,500)	(25,500)
Purchase of Intangible assets	(20,029)	(20,029)	(20,029)	(20,029)	(20,029)	(20,029)	(20,029)	(20,029)	(20,029)	(20,029)	(20,029)
Investments	-	-	-	-	-	-	-	-	-	-	-
Cash from Investing	(107,529)	(94,029)	(61,529)	(47,529)	(45,529)	(45,529)	(45,529)	(45,529)	(45,529)	(45,529)	(45,529)
Increase in cash and cash equivalents	(64,047)	32,685	115,863	208,055	284,998	324,215	350,664	394,215	422,199	432,822	453,924

Source: Company Reports, Canaccord Genuity estimates

Appendix: Important Disclosures

Analyst Certification

Each authoring analyst of Canaccord Genuity whose name appears on the front page of this research hereby certifies that (i) the recommendations and opinions expressed in this research accurately reflect the authoring analyst's personal, independent and objective views about any and all of the designated investments or relevant issuers discussed herein that are within such authoring analyst's coverage universe and (ii) no part of the authoring analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the authoring analyst in the research.

Analysts employed outside the US are not registered as research analysts with FINRA. These analysts may not be associated persons of Canaccord Genuity LLC and therefore may not be subject to the FINRA Rule 2241 and NYSE Rule 472 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

Sector Coverage

Individuals identified as "Sector Coverage" cover a subject company's industry in the identified jurisdiction, but are not authoring analysts of the report.

Investment Recommendation

Date and time of first dissemination: December 17, 2018, 14:03 ET

Date and time of production: December 17, 2018, 14:03 ET

Target Price / Valuation Methodology:

Acreage Holdings, Inc. - ACRG.U

We value Acreage using a sum-of-the-parts analysis for each market where it has exposure. We utilize a DCF methodology, with discount rates ranging from 8% to 14%; a terminal growth rate of 2%; and further probability discounts where appropriate. Together, our SOTP valuation yields a target price of US$35.00 (or ~22.0x our CY2020 EV/Adj. EBITDA) and represents a forecast return of 116%.

Curaleaf Holdings, Inc. - CURA

We value Curaleaf using a sum-of-the-parts analysis for each market where it has exposure. We utilize a DCF methodology, with discount rates ranging from 8% to 13%; a terminal growth rate of 2%; and further probability discounts where appropriate. Together, our SOTP valuation yields a target price of C$13.00 (or ~21.9x our CY2020 EV/Adj. EBITDA) and represents a forecast return of 104%.

Risks to achieving Target Price / Valuation:

Acreage Holdings, Inc. - ACRG.U

US Federal Government Schedule I classification

We believe the largest overhang facing the US cannabis industry today is marijuana's continued classification as a Schedule I controlled substance (the most restrictive labeling for any narcotic) by the US Federal Government. Although this risk should remain top of mind for investors, we believe there are a number of competing factors, including a large degree of bipartisan support for cannabis, a lack of federal funding for cannabis enforcement, and laws that protect existing medical markets throughout the US, that help mitigate this risk.

Sessions rescission of the Cole Memo

In early January, former US Attorney General Jeff Sessions rescinded the Cole Memo. This Obama-era memo, dating back to 2013, provided guidance on allowing state-sanctioned cannabis companies to operate without federal interference. With these guidelines now removed, it is unclear what standard the Federal Government might use in deciding whether to prosecute under federal cannabis laws within states with legalized platforms.

US cannabis operators are subject to unfavourable federal tax rules

Legal cannabis operators are still subject to unfavourable tax treatments on federal filings. Specifically, Revenue Code Section 280E outright disallows the deduction operating expenses for state-legal cannabis operators. As such, normal course operating expenses that are directly linked to the sales of cannabis are not deductible for federal tax purposes, in many cases. As a result, effective tax rates for US cannabis operators can range from 40% (if fully integrated) to as high as 70%, and tax returns could more likely be subject to increased scrutiny and risk of reassessment by the IRS.

Significant unknowns and material assumptions in our valuation

Because of the different regulatory frameworks and growth profiles of the target markets where Acreage and Curaleaf operate, our estimates and valuation are susceptible to many assumptions and unknowns inherent in these markets. As a result, our valuation could be materially impacted if changes in the industry or either company's ability to execute differ from our assumptions.

Financing risk

As Canada appears to be the only market where US cannabis operators can raise public funds, this limits the opportunity set for financing should Acreage and Curaleaf require additional capital to execute their growth strategy. Should the sentiment or regulations in the Canadian market regarding US cannabis operations materially change, this could make it difficult (or impractical) for the company to secure public market capital for expansion initiatives.

Repatriation of profits

We believe a potential issue that will require resolution in the medium to long term will be the mechanics of how legal cannabis operators in the US can distribute profits to out-of-state and international shareholders (due to the illicit nature of cannabis at the federal level). We believe this is not a near-term issue, as essentially all profits in the US market are being re-deployed to fund growth and keep pace with industry demand. However, we believe increased clarity on this issue will be critical (with many states already seeking federal commentary) as the market reaches a more normalized state.

FX risk

As Curaleaf operates in US markets (but is listed and trades in C$), its stock price is subject to USD/CAD FX fluctuations. Should the US$ depreciate materially against the C$, the stock prices of Curaleaf could experience headwinds independent of its underlying operational performance.

Regulatory/licensing risk

Curaleaf and Acreage operate in several US states with different regulatory, licensing and compliance requirements. Changes to or non-compliance with regulations in any of the states where the either company currently has a presence could have a material adverse impact on operating and financial performance going forward.

Execution risk

Although Acreage and Curaleaf are currently positioned as two of the leading cannabis MSOs in the United States, we believe there is moderate-to-high execution risk for all players in this rapidly evolving space.

Potential New York lawsuit

Recently in November, a complaint was filed by an entity against a number of parties (including Acreage) in New York State's Supreme Court, alleging that it was wrongfully deprived of a minority interest in what is now Acreage's existing New York license. Acreage has commented that it plans to fully defend this action as needed and believes the claim is without merit. Further, the company noted that the alleged infraction occurred before its purchase of the NY license and is fully indemnified as a result. However, we will be carefully monitoring this matter going forward.

Curaleaf Holdings, Inc. - CURA

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Distribution of Ratings:

Global Stock Ratings (as of 12/17/18)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	567	63.49%	47.09%
Hold	200	22.40%	31.00%
Sell	9	1.01%	33.33%
Speculative Buy	117	13.10%	65.81%
	893*	100.0%	

*Total includes stocks that are Under Review

Canaccord Genuity Ratings System

BUY: The stock is expected to generate risk-adjusted returns of over 10% during the next 12 months.

HOLD: The stock is expected to generate risk-adjusted returns of 0-10% during the next 12 months.

SELL: The stock is expected to generate negative risk-adjusted returns during the next 12 months.

NOT RATED: Canaccord Genuity does not provide research coverage of the relevant issuer.

"Risk-adjusted return" refers to the expected return in relation to the amount of risk associated with the designated investment or the relevant issuer.

Risk Qualifier

SPECULATIVE: Stocks bear significantly higher risk that typically cannot be valued by normal fundamental criteria. Investments in the stock may result in material loss.

12-Month Recommendation History (as of date same as the **Global Stock Ratings** table)

A list of all the recommendations on any issuer under coverage that was disseminated during the preceding 12-month period may be obtained at the following website (provided as a hyperlink if this report is being read electronically) http://disclosures-mar.canaccordgenuity.com/EN/Pages/default.aspx

Required Company-Specific Disclosures (as of date of this publication)

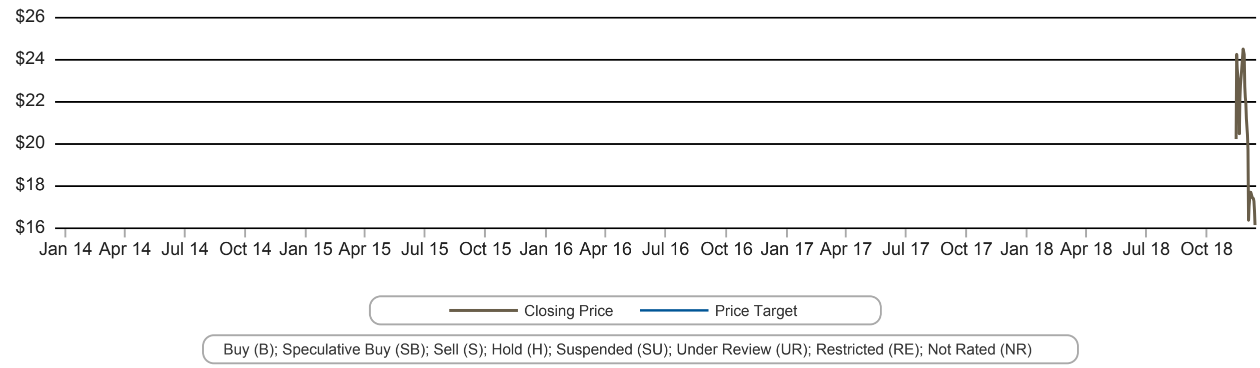
Acreage Holdings, Inc. and Curaleaf Holdings, Inc. currently are, or in the past 12 months were, a client of Canaccord Genuity or its affiliated companies. During this period, Canaccord Genuity or its affiliated companies provided investment banking services to Acreage Holdings, Inc. and Curaleaf Holdings, Inc..

In the past 12 months, Canaccord Genuity or its affiliated companies have received compensation for Investment Banking services from Acreage Holdings, Inc. and Curaleaf Holdings, Inc. .

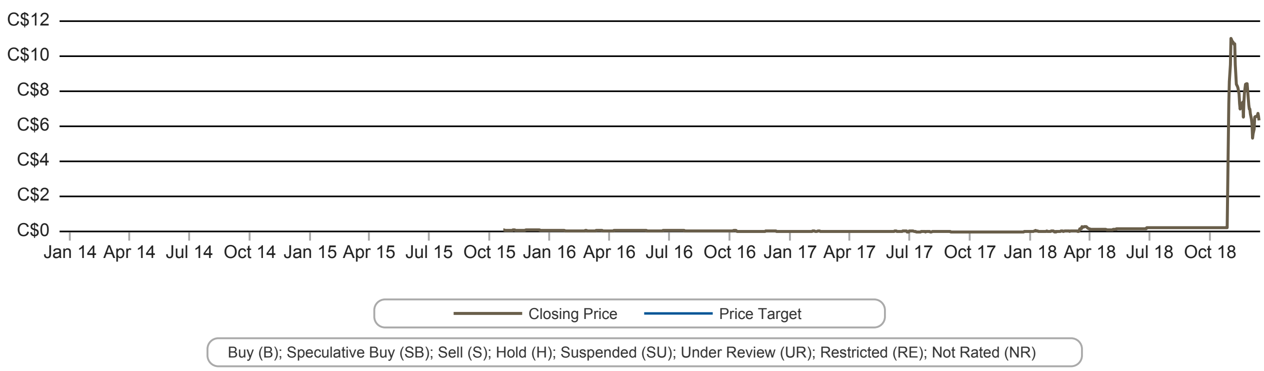
In the past 12 months, Canaccord Genuity or any of its affiliated companies have been lead manager, co-lead manager or co-manager of a public offering of securities of Acreage Holdings, Inc. and Curaleaf Holdings, Inc. or any publicly disclosed offer of securities of Acreage Holdings, Inc. and Curaleaf Holdings, Inc. or in any related derivatives.

Canaccord Genuity or one or more of its affiliated companies intend to seek or expect to receive compensation for Investment Banking services from Acreage Holdings, Inc. and Curaleaf Holdings, Inc. in the next three months.

Acreage Holdings, Inc. Rating History as of 12/14/2018



Curaleaf Holdings, Inc. Rating History as of 12/14/2018



Past performance

In line with Article 44(4)(b), MiFID II Delegated Regulation, we disclose price performance for the preceding five years or the whole period for which the financial instrument has been offered or investment service provided where less than five years. Please note price history refers to actual past performance, and that past performance is not a reliable indicator of future price and/or performance.

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