Q1 2024

EMERALD INTEL CANNABIS MARKET BRIEF

Licensure and Multi-State Operators in the United States

INTRODUCTION

It all began in 1996. California was the first state to make the bold move to legalize medical cannabis. Two short years later, Oregon followed suit, and in 2000, Colorado jumped on the medical cannabis train. It wasn't until 2012, however, that adult-use first became legal—with Colorado and Washington state leading the charge.

Since then, the licensed cannabis movement has taken root, sweeping across the 50 states, flourishing into an estimated $39.85-billion-dollar a year industry[1] by the end of 2024. To date, 41 states including the District of Columbia, have legalized medical cannabis, and 24 of those have also legalized adult-use.

And of course, where there's money to be made, big business quickly follows. Multi-State Operators (MSOs) have become significant players in the cannabis marketplace, and in states where vertical integration is a requirement, MSOs hold 50% or more of the market share!

While still in its infancy, the cannabis market has quickly become a nuanced, complex ecosystem worth significant value. Whether you're an investor looking to 'get in' while the industry is fresh, a sales or marketer looking to land the biggest cannabis accounts, or a small business looking to grow your footprint in the industry as a dispensary, cultivator, or the like, a foundational understanding of the cannabis industry starts here, with licensure.

We're peeling back the layers of licensure in the United States to answer the following questions:

1. What does the current licensure landscape look like and what are the similarities and differences between licensing models across the United States?
2. The good, the bad, and the ugly: how are state licensure structures impacting the growth of the cannabis industry?
3. MSOs—cannabis giants—which states have the most, and why? And what correlations are there between MSOs, licensure, and a healthy (or unhealthy) competitive marketplace?

CONTENT

1 statista.com/outlook/hmo/cannabis/united-states

01 Medical vs. Adult-Use

A view of the current US cannabis landscape and how it may change.

42 States that have legalized medical cannabis use.

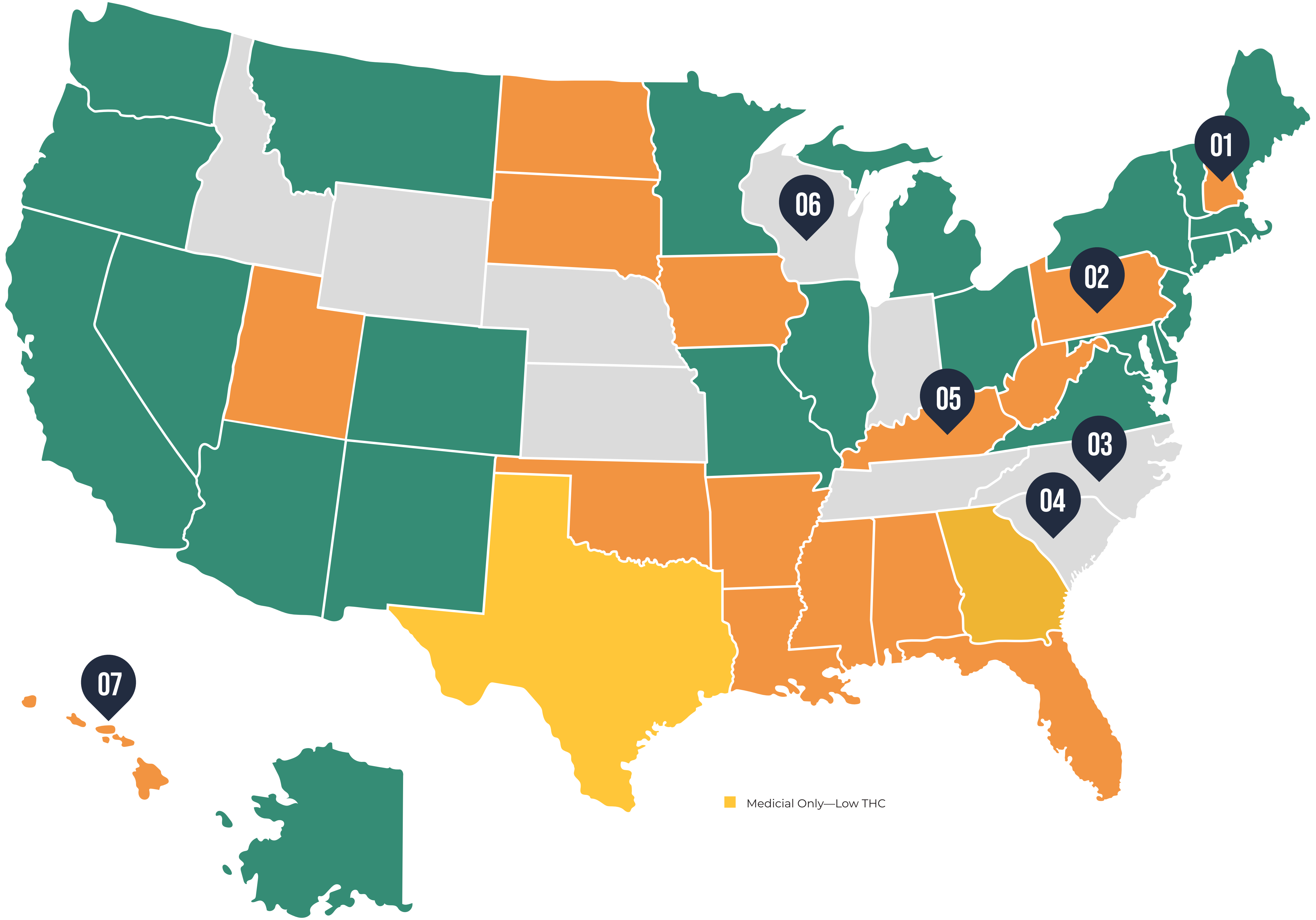
24 States that have legalized adult-use.

New York (2021), New Jersey (2022), and Maryland (2023), have recently expanded from medical only to adult-use, with Delaware and Ohio opening their adult-use application windows in Q2 2024 and Minnesota well into their adult-use rule-making process with licensing expected to begin in early 2025.

What states are next?
Here's how the landscape could change over the next twelve to eighteen months:

Florida, Idaho, Nebraska, and South Dakota currently have campaigns aiming to put legalization questions before voters in the 2024 November election. While Nebraska and Idaho aim to dip their toes into the cannabis marketplace by legalizing medical use, Florida and South Dakota are looking to its voters to determine whether they should take the next step towards adult-use.

There are seven additional states with irons in the fire, none of which require voter input, and legalization decisions will be made by state legislatures.



01 NEW HAMPSHIRE | Legally medical since 2013, NH is entertaining a state-run cannabis sales model for adult use, which would be the first of its kind.

02 PENNSYLVANIA | Legally medical since 2016, many are for the flip to adult-use, and there's a bipartisan bill in play, but political maneuvering may be required.

03 NORTH CAROLINA | A Senate-approved medical cannabis bill from 2023 is now up for review in the House. If approved, this would allow 10 companies to open its doors as vertically integrated operators.

04 SOUTH CAROLINA | While a medical bill was initially passed in the Senate in 2022, it came up against roadblocks in the House. It has since been revived and may again grow legs.

05 KENTUCKY | Decriminalized in 2023, Kentucky is a legally medical state but is sending its citizens to neighboring states for sales. They may be doing something similar this year if they legalize adult-use.

06 WISCONSIN | The current proposal would allow for independent businesses to cultivate and process medical cannabis with licensure and regulation.

07 HAWAII | Legally medical since 2000, the Hawaii Senate approved an adult-use legalization bill in 2023, which has since been met with a revised draft bill.

02 Recent Transitions From Medical To Adult-Use

An examination of the most recent states to legalize adult-use cannabis and their approach to implementation.

NEW YORK

As part of the expansion from medical to adult-use, the state initially rolled out the Conditional Adult-Use Retail Dispensary (CAURD) program, creating opportunities for justice-involved individuals to be the first to open adult-use dispensaries and to infuse capital into communities that had been disproportionately impacted by enforcement of cannabis prohibition.

As the state continued the process of administering adult-use licenses, high barriers to entry became more evident, including high fees ($5 million application fee for MSOs to convert to medical & adult-use), delays in applicant processing, and lawsuits around how applications were prioritized.

The prevalent cannabis black market that has emerged in New York after the legalization of adult-use was, in part, an unintended consequence of the state's initial approach — irrespective of their good intentions.

In February 2024, New York issued its first non-conditional licenses to 109 applicants that did not meet the social equity applicant criteria, creating opportunities for a new wave of cannabis businesses.

SOCIAL EQUITY APPLICANTS

Each state's definition differs slightly; however, the criteria remain roughly the same. For states prioritizing cannabis licenses to social equity applicants, individuals will meet a combination of the following criteria:

1. Low income;
2. A prior cannabis arrest or conviction;
3. Residency in a community disproportionately impacted by the War on Drugs;
4. Member of an underrepresented group, including minority, distressed farmers, women owned businesses, and veteran owned service-disabled businesses.

California, Illinois, New York, and Connecticut have been trailblazers in offering priority licensing, aiming to address disparities in social and economic equality, with more and more states starting to following suit.

MARYLAND

In 2023, the state chose to convert to both medical and adult-use, simply transitioning all existing medical dispensaries to dual licenses using the existing infrastructure.

Licensed businesses were subject to one-time conversion fees, ranging between 8%-10% of the business's 2022 total gross revenue, or $100,000. A license fee cap was set at $2,000,000.

Businesses that held pre-approval but were not operational before 2022 had to pay a one-time fee of $25,000-$50,000 to convert.

While the state kept it simple, the automatic conversion to a dual license was required, and if the Intent to Convert Form and conversion payment wasn't received by June 30, 2023, businesses had to close their doors. This approach has caused concerns about limited access and competition, especially in undeserved communities where the barrier to remain open may have been set too high.

NEW JERSEY

Relatively well structured in comparison to some other states, the adult-use program started with existing medical dispensaries expanding to adult-use sales, gradually adding new retailers with a social equity focus.

Licensing costs in NJ range from $1,000 for a dispensary license and top out at $1,000,000 for vertically integrated ATCs (Alternative Treatment Centers) and multiple dispensaries.

Limited cultivation and processing capacity created cannabis product shortages across the state, resulting in more than 60% of New Jersey municipalities opting out of having cannabis businesses in their jurisdictions. Because of this, some social equity businesses faced difficulties securing funding and navigating the licensing process.

Wholesale, distributor, and delivery license applicants are prioritized to increase opportunities for minorities, women, and disabled veterans, and (like New York) for people from designated target communities or with cannabis convictions.

03 Who Got It Right?

A comparison of cannabis licensure programs across the United States and their effectiveness.

Sometimes the best—and also most challenging trait—about the United States is the level of autonomy each state has over their approach to law making. And for the cannabis industry, it's made for an interesting ride. While some states have established sophisticated, well-organized programs for cannabis legalization, others—while unlikely purposeful—have found themselves down a more disorganized path.

Let's first look at the similarities across states we consider holding "advanced" cannabis licensure programs.

State	Medically Legal	Adult-Use Legal	License Tier (Defining Criteria)	# MSOs	MSO % Market Share	License Structure
California	1996	2016	Plant Count or Canopy Size	15	5%-10%	Tiered cultivation, tiered manufacturing
Washington	1998	2012	Canopy Size	2	<1%	Tiered cultivation
Oregon	1998	2014	N/A	4	<5%	No tiering
Colorado	2000	2012	Plant Count	11	10%	Tiered cultivation
Mississippi	2020	n/a	Canopy Size	2	2%	Tiered cultivation, tiered manufacturing

Slow & Steady Wins The Race

These states began with medical use only, and on average, waited 15 years before approving adult-use. One could argue that it took the collective country that amount of time to get comfortable with the idea of cannabis legalization in general—thus, it wasn't a purposeful decision.

While that may be true, these states didn't feel the same pressure to move quickly like some states feel today. Instead, they took their time and built structures that could scale and remain applicable far into the future. There's also something to be said for more recent legal states, like New Jersey, that have moved with deliberate speed, in part, because of the lessons they've garnered and applied from predecessor states.

Separation & License Tiering

When examining the actual licensing structures across these states, they tend to be organized and relatively well defined:

- All five states established separate licensing structures for cultivation and product manufacturing.
- 3/5 states created tiered license structures defined by canopy size in square feet. Colorado tiered its licenses by plant count.
- While Mississippi's roll out hasn't been necessarily smooth (Supreme Court delays, restricted to only indoor growing facilities, confusing purchasing limits, limited patient qualifying conditions), and is one of the more conservative we've seen, their foundational infrastructure seems to be heavily informed by states with long established structures that work: separate license types, and tiers defined by canopy size.
- Some may argue that while tiered systems can promote diversity by catering to different business sizes, they can also be complex and administratively burdensome for regulators. However, it seems like for these states, the "burden" has been worth the reward.

Minimal MSO Market Share

While not a direct correlation to the maturity of their licensure programs, it's interesting to note that these five states have very small MSO footprints (an average of 5%) relative to the total market share of the state. Why might this be?

License Structure

These states promote and enable smaller operations by tiering licenses, empowering small businesses to take root and have a fair chance at being part of the industry. In states with no tiered cultivation/manufacturing licenses, license fees and start-up costs tend to be higher and therefore favor MSOs. Due to high barriers to entry, facility sizes have to be large enough to become profitable and off-set all costs associated with licensing and operating.

In states such as California, cultivation license fees are based on the size of the grow operation, and not a fixed annual fee. Colorado and Washington have lower fixed license fees for all license types ($1,200 - $6,500).

Single State Operators

It's also worth noting that four out of the five states first legalized medical cannabis more than twenty years ago, when MSOs weren't even in existence yet. In these states, there are numerous single state operators (SSOs)—businesses that may own several steps of the supply chain—but only operate within a single state.

Businesses established in the early days of cannabis legalization didn't have the opportunity to extend themselves to other states—and once that opportunity did become available, the benefits of continued in-state expansion far outweighed crossing state borders. Familiarity with state law, clear license structures and generous license availability versus high start-up costs, the challenges and costs associated with business operations—like finding local accountants—and a general lack of financial benefits have kept SSOs within state boundaries. This could be another reason why MSO market share in these states is relatively low. SSOs hold a significant portion of the market and acquiring one of them may require too high a price tag—even for a flourishing MSO.

Controlling The Consumption of Cannabis

For numerous states, the cannabis supply chain isn't the only aspect of the industry under regulation. Many are requiring licensure for public establishments and/or dedicated spaces that wish to offer cannabis consumption. Below are a few examples:

New Jersey's Cannabis Consumption Area: This license permits dedicated spaces for consuming cannabis products, like cafes or bars.

New Mexico's Cannabis Consumption Area: This license allows for designated areas to consume cannabis, but with the restriction that alcohol cannot be sold or consumed on-site.

Michigan's Designated Consumption Establishment: This license permits establishments to host cannabis consumption on their premises. They can charge entry fees and offer other goods or services while customers consume cannabis.

Nevada

- **Independent Cannabis Consumption Lounge:** This license allows businesses separate from retail stores to offer on-site consumption of pre-packaged or ready-to-consume cannabis products for adults 21+.
- **Retail Cannabis Consumption Lounge:** This license allows businesses attached to retail stores to offer similar consumption options as independent lounges.

Massachusetts' Social Consumption Establishment: This limited-availability license allows businesses to sell and facilitate on-site marijuana consumption. Initially, it's reserved for specific applicant groups aimed at promoting social equity and economic empowerment within the industry.

Emerging Licensure Programs

New York

As we discussed earlier, NY has had its share of challenges, especially once they introduced adult-use legalization. The state's emphasis on conditional licenses, high barriers to entry, and a higher tax rate than some surrounding states (13%), have created the perfect storm for black market dispensaries, which persist despite legalization. An estimated 8,000 illicit dispensaries are in New York City alone. While NY introduced non-conditional licensure in February 2024, little more than 200 of the thousands of applicants have been approved, and the barrier to entry remains high.

Washington D.C.

"Legalized" in 2015, DC has yet to implement an adult-use program, missing out on millions in tax revenue and encouraging a thriving illicit black market for cannabis. If Washington D.C. ever does implement a formal program, the District will be faced with significant challenges if it hopes to disband a marketplace that has continued to grow and flourish over the last 9 years. While the influence of the federal government and other political factors have certainly played a part, the District could reach a state of "too little, too late" in the consumer's eyes.

Virginia

Although the state legalized the possession of adult-use marijuana, its executive and legislative branches, failing to align and move forward with adult-use licensing, have essentially upheld a prohibition on regulated sales and purchases, creating an illicit black market that has skyrocketed from $1.8 billion a year to $2.4 billion in 2023. It's also worth noting that Virginia's cannabis tax sits at 21%. Finding itself in a similar position to Washington DC, Virginia's lack of forward motion will ultimately lead to an uphill battle when the state decides to implement a formal program and attempt to disband its profitable black market.

What lessons can we glean from the District and these two states?

Stringent regulations, lack of formal programs, politics, and high tax rates can incentivize black market activity that will make it difficult to implement and enforce formal programs. Finding the right balance between regulation and fostering a thriving legal market remains a challenge for many states.

Organized programs with reasonable fees attract investment and reduce black market activity. High license fees like in New York can hinder legal market growth and benefit the black market. And in regions where consumers are conveniently located near state borders, what's to stop them from traveling into neighboring states to benefit from a lower tax rate? For example, New York citizens close to New Jersey will only have to pay 6.625% tax, and those close to Massachusetts will still save at 10.75%. For Virginia citizens, a hop across the state border into Maryland will save them more than half, paying only 9% tax—in addition to the fact that there isn't a legal way for them to shop in Virginia!

Finally, it's worth noting that on average, there was only a 3.5-year gap between adult-use legalization and the initial legalization of medical use in New York, Washington D.C., and Virginia. It begs the question—were these regulatory bodies ready? Did public pressure drive the secondary wave of regulation before infrastructures were prepared and well established? Possibly.

States That Aim To Please

We've examined a few different approaches to licensure thus far: states moving from medical to adult-use, states with long established licensing structures, states with a social equity approach, states that have approved adult-use but have yet to implement a formal model. Below are a few states doing interesting things to accelerate cannabis growth within their own state lines:

Massachusetts offers provisional licenses for various license types, including cultivation, manufacturing, retail, couriers, and delivery operators. Provisional licenses are given to approved applicants within 90 days of successfully completing the application. Provisional licenses allow operators to obtain permits, complete construction, and complete other conditions. Adult-use/medical cannabis may not be sold until the Final license is issued, but the provisional license allows business owners to begin the setup and establishment of their cannabis operation.

Michigan has also implemented a fast-phased approach to granting licenses in order to accelerate time-to-market. In Michigan, conditional licenses are given within 90 days of application submission. Once the license is awarded, the applicant must obtain site plan approval and apply for building permits. They then have 90 days after the certificate of occupancy is issued, to obtain the final state license.

Illinois has taken a social equity approach to their licensing model, and their dedication to the cause is significant. In 2020, lawmakers passed H.B. 1438, which established a $30M loan program to assist social equity applicants with startup costs. Criteria includes having resided for at least 5 of the last 10 years in a disproportionately impacted area and/or having been—or is a family member of—someone who has been arrested or convicted of, or adjudicated delinquent for cannabis-related offenses and is eligible for expungement. A business can also apply if they employ more than 10 full-time employees, and more than half of their employees currently reside in a disproportionately impacted area or meet the arrest/conviction criteria above.

04 Multi-State Operators

What are they, why should you care about them, and what does the current United States MSO landscape look like?

The formation of Multi-State Operators (MSOs) are a bi-product of the growth the cannabis marketplace has experienced. The concept is relatively straightforward. MSOs are large organizations—publicly or privately held—that conduct business in more than one state and have the money and resources needed to expand their operations across state lines. While MSOs have the deep pockets the industry can benefit from to drive regulatory change and reform, it can come at a cost. For example, many feel these big businesses are creating monopolies within the industry, stifling small players and their ability to innovate, develop new products, and secure patents.

The Current MSO Landscape

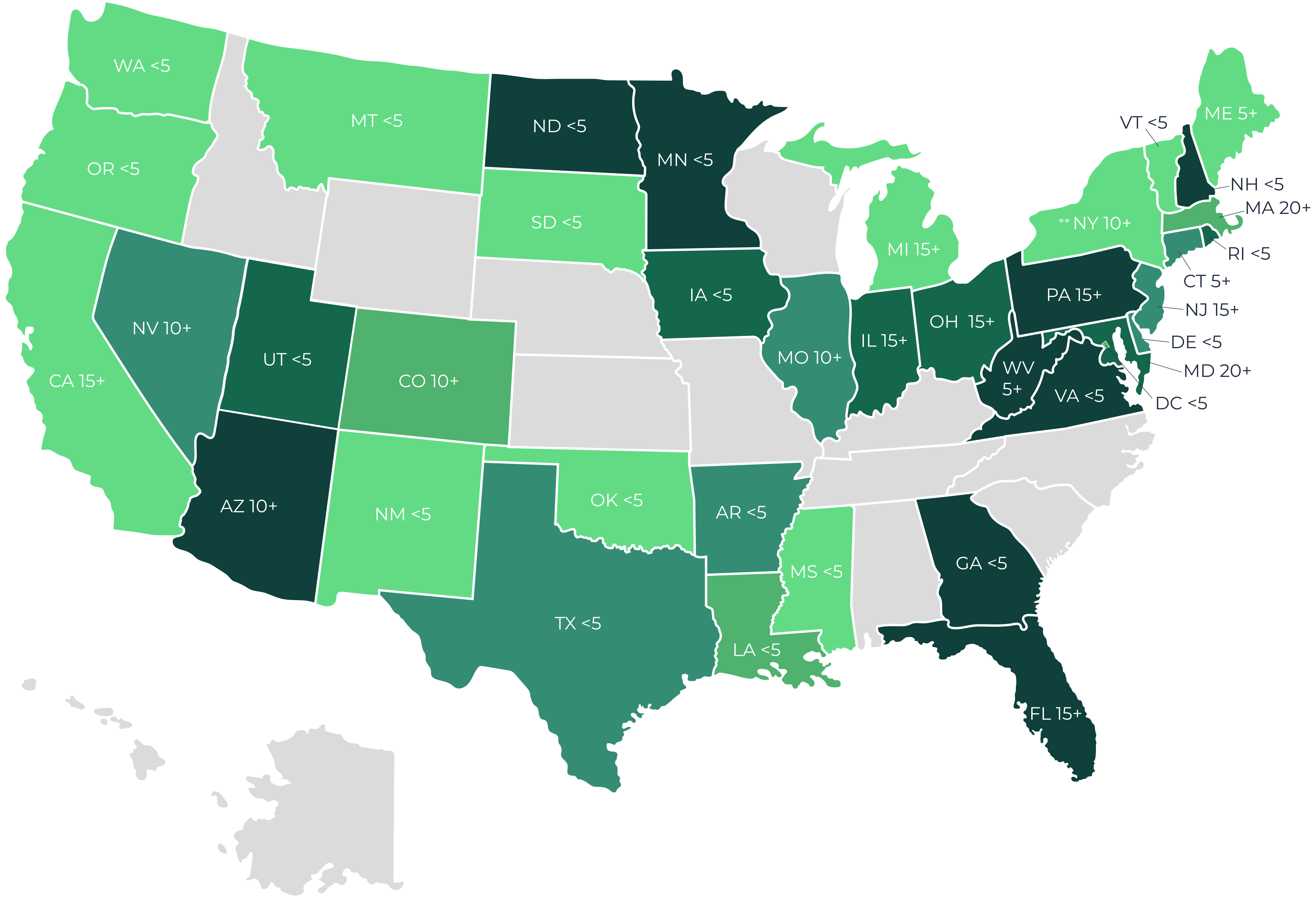
This map shows the number of MSOs by state and their percentage of market share relative to the state's total cannabis market.

Percent of State Market Share*

- ≤ 5%
- 10%-19%
- 20%-39%
- 40%-49%
- ≥ 50%

*Estimated percentages based on current research and known parent/child relationships.

**New York MSO percentage is based on total active adult-use and medically licensed locations.



Vertical Integration & MSOs

In the cannabis industry, vertical integration is where a single company controls multiple stages of the supply chain, often referred to as "seed-to-sale". Companies in this position will typically:

- Cultivate the cannabis plants
- Process and extract the cannabis into various forms (e.g., oils, concentrates)
- Manufacture cannabis products (e.g., edibles, topicals)
- Retail the products to consumers through dispensaries

Vertical Integration programs are largely established between an MSO and state directly. From a regulatory perspective, it gives the state significant oversight across all cannabis operations and reduces the headaches associated with complex, tiered licensure structures. While it may be easier for the state, vertical integration programs can (and have) severely limited small businesses to take root and get their fair shot at securing market share within the cannabis industry. This structure has given MSOs total control over pricing; eliminating local competition and causing a monopoly effect.

Below are three of the biggest vertically integrated states:

Minnesota | 100% market share

- Two MSOs—Leafline Labs (Green Thumb Industries) and Vireo (Goodness Growth Holdings)—operate with an agreement with Minnesota to cultivate, process, and sell medical cannabis. Each MSO can operate up to 8 dispensaries each.
- When the state transitions to adult-use in 2025, a robust licensure model will have been put in place which will also give preference to social equity applicants and vertical integration will be generally prohibited.

Florida | 93% market share

- 580 out of 621 establishments are MSOs with a parent license system facilitating expansion.
- 16 MSOs operate in the state providing medical cannabis only.

Arizona | 70% market share

- 11 MSOs operate in Arizona serving both medical and adult-use customers.
- Unique to Arizona, MSOs are separated by whether they provide medical or adult-use due to different regulations surrounding packaging, taxing, purchasing quantities, and pricing:
    - Marijuana Establishments are adult-use only and vertically integrated.
    - Nonprofit Medical Marijuana Dispensaries are vertically integrated for medical only.
    - Retail stores can hold a dual license, but all other supply chain activities (cultivation, manufacturing, etc.) are required to be kept separate.

License Costs & MSOs

Is there a correlation between state license costs and the percentage of market share held by MSOs? For a single license, not really—although some license renewals carry a price tag of $50,000-$100,000, which seems significant for a small business when one also considers the operational costs, rent, employees, etc. required just to keep its doors open.

What does stand out, however, is the correlation between MSOs and vertical integration. Emerald Intel researched every state with 50% or more MSO market share, and the majority require vertical integration. These states legalized medical cannabis 10+ years after California, Oregon, Washington, and Colorado and because they began their programs requiring vertical integration, small businesses didn't stand a chance—and single state operators barely had the opportunity to get up and running themselves.

When one totals up the cumulative license costs required to cover each step of the supply chain, only MSOs have the start-up capital and deep pockets to cover the initial investment, yearly renewals, and drive enough revenue to maintain profitability—or at the very least, break even.

Not only does vertical integration give MSOs a significant advantage over small businesses, but it's a huge state incentive as well. By leaning into established organizations that have the means to kick-start the state's cannabis program, the state itself recognizes tax revenue that much faster. Why would a state looking to boost its economy at velocity, pass up millions or even billions of dollars years sooner, just to give the 'little guy' a shot?

And who makes up the other percentage of market share in required vertical integration states? SSOs, the second largest players in the marketplace, are taking the rest of the business for themselves. For example in Georgia, Trulieve, an MSO, holds 50% of the market share, and the other 50% is owned by Botanical Sciences, an SSO. In North Dakota, one MSO—Curaleaf—and one SSO—Pure Dakota Health—control the entire cannabis market.

Top 50 United States MSOs

Company Name	Year Founded	HQ City	HQ State	# Employees	Total States	Public/Private
Curaleaf	2010	New York	NY	5,200	17	Public
Cannabist	2012	New York	NY	2,500	17	Public
Cookies	2010	San Francisco	CA	1,000	16	Private
Green Thumb Industries	2014	Chicago	IL	4,300	14	Public
Verano Holdings	2010	Chicago	IL	3,800	13	Public
iAnthus	2014	New York	NY	800	9	Public
Trulieve (Harvest)	2016	Tallahassee	FL	5,900	9	Public
Cresco Labs	2013	Chicago	IL	2,700	8	Public
Justice Cannabis Co.	2014	Chicago	IL	400	8	Private
PharmaCann	2014	Chicago	IL	500	8	Private
Ascend Wellness	2018	New York	NY	1,500	7	Public
AYR Wellness	2017	Miami	FL	2,700	7	Public
MariMed Inc.	2012	Norwood	MA	600	7	Public
Greenlight Dispensary	2019	Helena	AR	500	6	Private
Theory Wellness	2015	Stoneham	MA	200	6	Private
MedMen	2010	Culver City	CA	1,000	5	Public
Sweetspot Farms	2019	Warwick	RI	100	5	Private
Acreage Holdings	2011	New York	NY	1,000	5	Public
Holistic Industries	2011	Capitol Heights	MD	600	5	Private

Company Name	Year Founded	HQ City	HQ State	# Employees	Total States	Public/Private
Insa	2013	Easthampton	MA	200	5	Private
Schwazze	2014	Denver	CO	500	5	Public
TerrAscend	2017	Mississauga	ON	1,200	5	Public
The Mint Cannabis	2016	Mesa	AZ	400	5	Private
Yuma Way	2015	Denver	CO	200	5	Private
C3 Industries	2018	Ann Arbor	MI	300	4	Private
Good Day Farm	2020	Little Rock	AR	500	4	Private
Nirvana Wellness	2016	Phoenix	AZ	200	4	Private
Sanctuary	2018	Littleton	MA	200	4	Private
Standard Wellness	2017	Cleveland	OH	100	4	Private
Bud & Mary's	2017	Denver	CO	100	3	Private
Cansortium	2018	Miami	FL	300	3	Public
Ethos	2019	Philadelphia	PA	200	3	Private
Goodness Growth Holdings	2004	Minneapolis	MN	500	3	Public
JARS	2020	Troy	MI	700	3	Private
Nova Farms	2017	Attleboro	MA	150	3	Private
Parallel	2014	Atlanta	GA	1,000	3	Private
Planet 13 Holdings	2015	Las Vegas	NV	300	3	Public
Story Cannabis	2021	Phoenix	AZ	500	3	Private
TILT	2018	Phoenix	AZ	300	3	Public

Company Name	Year Founded	HQ City	HQ State	# Employees	Total States	Public/Private
4FRONT	2011	Phoenix	AZ	600	2	Public
Bloom Medicals	2014	Boca Raton	FL	200	2	Private
Essence Cannabis	2015	Las Vegas	NV	75	2	Private
Green Dragon	2009	Denver	CO	300	2	Private
Jungle Boys	2006	Los Angeles	CA	75	2	Private
Kaleafa	2014	Oregon City	OR	50	2	Private
Nature's Medicines	2013	Glendale	AZ	500	2	Private
Nectar Cannabis	2013	Portland	OR	300	2	Private
Solar Cannabis	2017	Somerset	MA	100	2	Private
Stiiizy	2017	Los Angeles	CA	1,000	2	Private
Temescal Wellness	2015	Framingham	MA	100	2	Private
Curio Wellness	2014	Baltimore	MD	300	2	Private

Where Are MSOs Calling Home?
When looking at MSO count independent of total market share, it's interesting to see where MSOs with some of the largest footprints have set-up shop. Out of the top 12:

- 5 are in Illinois
- 4 are in New York
- 2 are in Florida (vertical integration required)
- 1 is in California

When evaluating the total MSO landscape regardless of size, Arizona and Massachusetts both have six operating MSOs. Due to vertical integration requirements, Arizona is a no-brainer for MSOs, but what's so special about Massachusetts? In Massachusetts, provisional licenses are given to approved applicants within 90 days of successfully completing the application, allowing operators to obtain permits, complete construction, and finalize other conditions, ultimately accelerating time to revenue recognition. Simply put, combining a provisional license with the

capital and resources of an MSO may have been too good to pass up!

That said, the Massachusetts market has experienced a significant shift in the past few years, and one of the biggest MSOs, Trulieve, has completely exited the state. Once the only adult-use state in New England, neighboring states have begun legalizing adult-use and thus competition has increased. As other states begin to legalize adult-use in different regions of the country, will states that legalized it early-on feel an economic impact? The cannabis industry is still young and vulnerable to large swings, so only time will tell, but it's certainly worth noting and could lead to future business opportunities if more states begin to compete for cannabis business.

Sixteen MSOs were founded in 2014 and in 2017, five of which have gone public. Since 2019, two MSOs have started in Arkansas, one in Rhode Island, one in Michigan, one in Pennsylvania, and one in Arizona. It's not much of a surprise that as cannabis has become legal in more states, business owners are putting their concerns aside—even those associated with the lack of federal legalization—and are feeling more comfortable operating in multiple states.

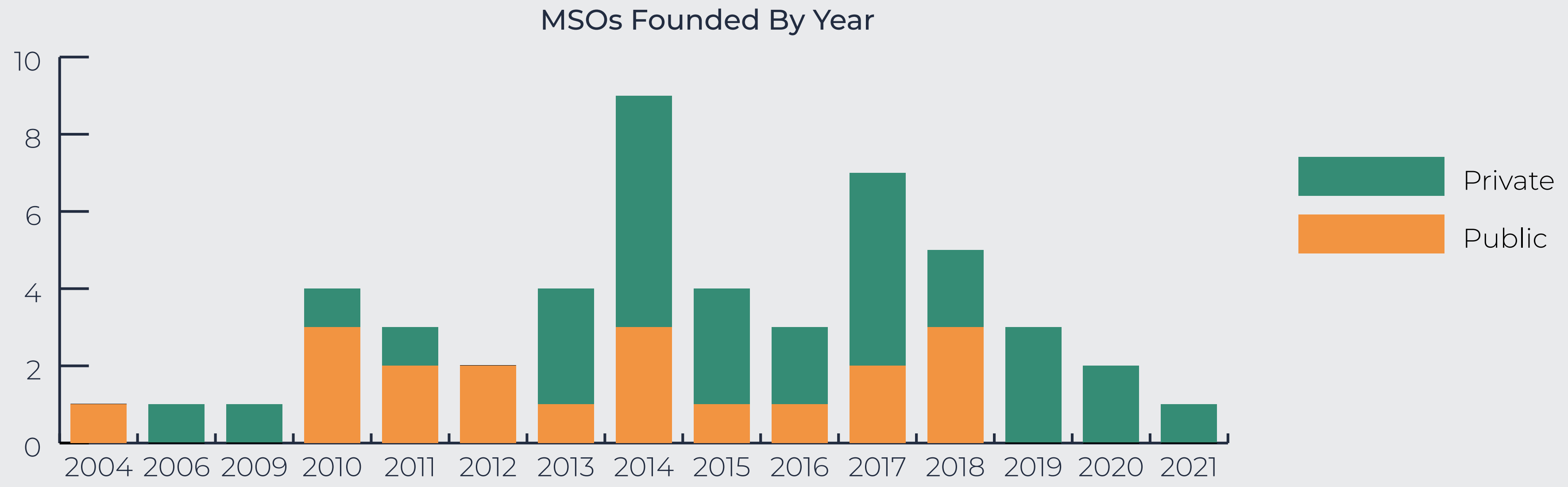
MSOs also have the means to fill in the gaps where there may be future opportunities for growth. As an example, the southeast United States has slowly begun legalizing medical cannabis. Even if state governments don't yet want to recognize it, there's a huge demand in the region for adult-use—and it's only a matter of time before complete legalization is reached. MSOs understand that demand and seem to be positioning themselves for not only today, but what the landscape will become in the next 5 years—ensuring they are well positioned to benefit when the time comes.

MSO Market Expansion

It seems the general public has become more comfortable with cannabis legalization as many are now investing their hard-earned dollars into the growth of the industry on public exchanges. Roughly 40% of MSOs are public, most of which can be found on smaller exchanges. Of the 12 dispensaries that started in 2012 or prior, 8 are now public (66%).

A natural bi-product of capitalism is the merger and acquisition of businesses, and at Emerald Intel, we've begun to see a shift in how MSOs are growing their empires.

Because of the number of states now legalizing cannabis either for medical or adult-use, MSOs have more opportunity than ever before to buy up existing store fronts in states where their footprint is small or nonexistent. By expanding their operation through acquisitions, MSOs can avoid the hefty start-up costs and immediately see return on their investment with the purchase of a well-established business. The next page features are a few current MSO market events that may be worth keeping an eye on.



In the next few years as more states legalize cannabis and MSOs and SSOs continue to grow their footprint, we'll likely see a wave of acquisitions and mergers across the industry. The question is, what share of the market will small businesses be left with? Will cannabis become a corporate industry ruled by executives in skyrises and pin-striped suits? It's possible. The irony in all of this is that the most passionate cannabis communities who fought for legalization are the complete opposite of corporate giants, yet their small shops are quickly being overshadowed—and overrun—by big business.

ACQUISITION | Planet13

Planet13 (MSO) is in the process of acquiring VidaCann (SSO). Planet13 was originally granted a vertically integrated license in Florida, but never ended up using it (we hypothesize that the business realized acquiring an existing operation was ultimately going to be more advantageous and lucrative in the long-run). In order for the deal to go through, Planet13 had to sell the original license they received from the state so they could buy the existing license and associated facilities from VidaCann. The deal is expected to go through sometime soon (Q1/Q2 2024). When it does, the MSO market share in Florida will get that much closer to 100%.

MSO Turns SSO | Blum Cannabis

Blum Cannabis (previously known as Unrivaled Brands), an MSO, seems to be changing their growth strategy, selling off certain parts of its portfolio to make way for expansion in other areas. The business seems solely focused on the California market, buying up additional locations across the state to expand its footprint. Is Blum foregoing its multi-state operations in-lieu of single state operator status? It seems that way.

INTERNATIONAL EXPANSION | Curaleaf Holdings

Curaleaf, an MSO and international provider of cannabis products, is acquiring Northern Green Canada (NGC), which is a vertically integrated Canadian cannabis producer. NCG is one of the few companies that holds an EU-GMP certification—which means they meet the minimum EU production standards for a medicine manufacturer, producing cannabis products that are safe for consumption. NCG has been a consistent supplier of high THC, non- irradited flower to Germany, which recently legalized cannabis nationwide. This acquisition allows Curaleaf a significant expansion opportunity and ensures the leading position in what will quickly become a lucrative cannabis market!

05 Conclusion

You've reached the end of our market report—so what's next?

What are you supposed to do with all of this new-found information about licensing, MSOs, and the cannabis landscape? Use it to direct your business strategy, of course! As a sales or marketing leader, your job is to understand the market you serve, the environmental factors impacting that market, and identify where the opportunity lies for your business to succeed. Below are a few thoughts to get you started:

01 Vertically integrated states have heavy MSO populations. Getting your foot in the door at an MSO can mean big dollars and could solidify your place as a provider of choice within the cannabis industry. On the flip side, MSOs likely have strong, long-standing relationships with select vendors.

Are you prepared to take on the incumbent and potentially play the long-game to upset a current competitor's foothold? Replacing a current provider is a strategic game of chess. Is your organization prepared to invest the time and dollars it takes? If so, heavily populated MSO states may be the focus for you. You could even start a bit smaller and target SSOs first.

02 If the incumbent upset strategy isn't for you, states where small businesses have been encouraged to flourish may be where you set your sights. While you may need to win more clients at a smaller price point to meet your revenue goals, there's likely more appetite in this arena to entertain new solutions.

Plus, never discount the power of a small business community and word of mouth. If you help one business reach its goals or simplify its operations, word will spread and you may find yourself benefiting from an inbound lead model faster than you think!

03 Focusing on states with social equity programs is another strategy to consider. While well meaning in concept, most states with social equity programs aren't exactly providing the resources these under-served communities need to establish and grow their businesses. It's unlikely that most of these individuals hold business degrees or know the basics of how to establish and then operationalize a business. Not to mention the start-up activities and costs associated with designing a business plan, finding a lender, rent, employees, insurance, service providers like accountants and a lawyer—the list goes on. For those readers offering consulting services, this demographic could be a lucrative target market if you can help these individuals get on their feet and realize success.

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