

MariMed: The Best Kept Secret in Cannabis (OTC: MRMD \$0.68)

MariMed might be the best kept secret of any cannabis multi-state operator (MSO) with more than \$100 million in revenue, but it probably won't remain that way. The company trades at 7 times trailing 2021 EBITDA, 5 times this year's estimate and approximately 3 times my estimate for 2023 and this is all with no leverage.

Besides being one of the most undervalued, MariMed is the only major MSO that beat estimates last year, and that was off guidance that the company had previously raised. And the company's numbers are likely too low again, especially for 2023, as analysts may not be considering what will happen when MariMed consolidates its Maryland operations, nearly doubles its cultivation footprint in the state and opens a new dispensary right in front of the state approving full adult use in November of this year.

Not only can most investors not invest in MariMed due to Federal illegality, but because MariMed only trades over the counter (OTC) and does not have a Canadian ticker, the few sizable cannabis investors can't invest either. The MSOS ETF, which has over \$1 billion of assets and dominates the cannabis landscape, doesn't own any shares of MariMed. The MSOS ETF can only own plant touching cannabis stocks with Canadian tickers, they cannot own OTC shares, due to the swap structure they use to get around the rules that prohibit NASDAQ listed companies to invest in cannabis businesses that touch the cannabis plant. But this should soon change, as MariMed has filed for listing on the Canadian Securities Exchange to rectify this, so that the ETFs and other investors can buy.

The stock also trades below \$1 per share and of the few professional investors that can invest in MariMed, some are restricted by prime brokers because MariMed is deemed a "penny stock," simply because it trades below \$1 per share, even though its market cap is over \$300 million.

Also, the company only recently in the last six months started a concerted investor relations effort, as the company was trying to restructure after an ill-fated bet on hemp and CBD in 2019. A cleaned-up balance sheet and a renewed emphasis on its regulated THC cultivation and dispensary business has led to a remarkable turnaround for the company

I believe that the company trades at approximately 3 times my EBITDA estimate of \$75 million for 2023, a remarkable number for a company that has more than doubled revenue in the past two years, with over 30% EBITDA margins and with no leverage. This is an absurd valuation in an industry that is already absurdly undervalued, but frankly is par for the course in a capital constrained sector with little institutional involvement.

If MariMed traded at 7 times my estimate of EBITDA in 2023 it would more than double from its current stock price. And that says nothing of where MariMed could trade to if the broader investment world were able to invest. In my opinion, SAFE Banking has a good chance of passing this year, which would give financial firms legal cover to invest and bank with plant touching cannabis firms. SAFE Banking could also possibly provide a path for cannabis stocks to trade on the NASDAQ or NYSE. MariMed could easily trade for 20 times EBITDA in that scenario and would go up by more than 8 times its current price.

MariMed's Current Footprint

MariMed is considered a Multi-State Operator (MSO), which means it operates in multiple states. Since cannabis cannot cross state lines, each state is like its own country. Here is their footprint:

National Footprint in Attractive States



MariMed operates in five states (with Ohio soon to be the sixth) and their primary states have been Illinois and Massachusetts. Though this should change after they consolidate Maryland.

The Consolidation of Maryland

Investors may not appreciate how dramatically the economics are going to change for MariMed in Maryland. First, the company has been running operations under a managed services contract, which doesn't pass along the full economics compared to if the company fully owned it. MariMed planned on consolidating the operations and then got in litigation with the company it was planning on acquiring (KIND Therapeutics). KIND wanted more money for the acquisition and the dispute only recently was settled. The acquisition is now closing very shortly and has been approved by state regulators.

But the result of this litigation is that MariMed stopped investing into KIND, and so is only using 100,000 square feet of its approved 180,000 square foot cultivation capacity. So, MariMed will not only see improved economics by fully owning KIND but will nearly double cultivation capacity late this year.

Add in a new dispensary in Annapolis coming this summer and the company will see an enormous impact over the back half of the year as Maryland hits the company's financials with full force.

And then on top of that, Maryland state legislators have already approved a ballot initiative for full adult use for the November election, meaning that we could see full adult use sales in the state sometime in 2023, right after the company has doubled capacity and added a dispensary.

Normally, when medicinal cannabis markets change to full adult use, the market doubles, or triples in size overnight. As the leading brand in the market (Leaflink) and with one of the largest cultivation facilities that is due to be expanded, MariMed will benefit immensely from adult use.

To appreciate what is coming when Maryland goes adult use. See this video for what happened on the first day of adult use sales in New Jersey:

https://twitter.com/aaronvalue/status/1517143063394615298?s=20&t=srfj_bDQMsyTi016lpHfIA

Consensus Estimates Are Too Low for Next Year

MariMed is one of the only MSOs with positive cash flow, positive free cash flow and positive EPS. And last year, it was the only MSO that not only raised guidance, but then beat that raised guidance. And due to the conservative guidance, it recently gave, plus the conservative guidance analysts have forecasted in 2023, it is likely that the company will again exceed guidance.

The company guided from \$145 to \$150 million in revenue for 2022 and \$47 to \$52 million in EBITDA. Analysts have \$169 million in revenue estimated and \$61 million in EBITDA for 2023.

And here is the money slide from their most recent presentation which shows just how ridiculously low those numbers could be:

Acquire & Consolidate Client Businesses	Annual Revenue Gains
<ul style="list-style-type: none">Delaware, Maryland (pending)	\$40m - \$65m
Increase Revenues in Existing States	
<ul style="list-style-type: none">Expansion to increase capacity in MA, MD, DEAdd 3 dispensaries: MA, MDIL construction of grow/processing (pending), & add'l dispensaries	\$50m - \$85m \$30m - \$60m TBD
Expand Footprint in Additional States	
<ul style="list-style-type: none">M&A expansion AZ, CT, MI, MO, NJ, NM, NY, OH	TBD
Expand Brand Portfolio & Licensing Revenue	
<ul style="list-style-type: none">Expand manufacturing & distribution in additional states	TBD
Est. Additional Revenue Via Strategic Growth Plan = \$120m - \$210m (Timing TBD)	

Just consolidating its Maryland and Delaware businesses adds significant revenue, then the company is going to significantly increase cultivation as mentioned before and then the company will open three new dispensaries. Just these actions add anywhere from \$120 to \$210 million in revenue. And this is without adult use in Maryland doubling or tripling the size of the market or expansion in other states like Ohio, where the company won a license recently. And it doesn't include Maryland allowing adult use sales.

And this also doesn't include growing their branded business in existing states or via licensing and MariMed is unique in that some of their brands really resonate with consumers.

Collection of Brands

MariMed's brands not only give the company upside and pricing power but position it well in the future when many believe Cannabis will transition into a consumer-packaged goods (CPG) industry.

MariMed is more than just an MSO, it also has some successful brands including Nature's Heritage, which is the #1 flower brand in Massachusetts, and is also one of Leaflink's 5 Fastest Growing Concentrates in all the US. There are several stellar reviews on Reddit and Instagram for both

Massachusetts and Maryland. A unique differentiator for Nature's Heritage is the terpene levels of their products (at 2%), they were one of the few brands to explicitly label them, and this was appreciated by their customers (see below). According to the Q4 call, THC and Terpene Levels have improved even further due to LED lighting.

↑ Posted by u/[deleted] 3 months ago 🗨



18 I love you Natures Heritage / Panacea Wellness - don't ever change

↓ Rec

Here's to hoping they never stop putting out the glorious flower that they do...their menu is absolute fire right now...if they ever start selling their slices at \$45 per (\$50 is already pretty great don't get me wrong) & slightly lower the price of other brands they have (HC & Smyth) they'd be hands down the best grower/dispo in the state

Oh and don't forget to try their Tikun Olam line, all those strains are great too

💬 35 Comments ➦ Share 📌 Save ...



realhiyawathadan I always have some Grape Diamonds on hand

37w 1 like Reply



da_cool_guy_443 Never got an inconsistent product from y'all

37w 1 like Reply



da_cool_guy_443

37w 2 likes Reply



lifeonawavif you guys need a rep in Maryland dm me 😊
love that diesel I did a blind test with just smell picked out of 5 others no problem

37w 1 like Reply



damdambro79 My friends and I do say the best cannabis we get from the despencery comes from you guys ! So thankyou.

44w Reply



kaiserwho3 Just picked up some bubblegum diesel and all I can say is wow wow wow. 🍌 phenomenal mix of terps... made a crappy day into a happy night...smells of berry

135w 1 like Reply ...



NativeMasshole · 7 mo. ago

I love that they post the full terp results. A lot of places that do have them listed only seem to give you the top few. Probably because nobody else has results that look like those. This is the way medical should be.

12 ↑ ↓ Reply Give Award Share Report Save Follow

Another interesting brand is the company’s partnership with Israeli owned Tikun Olam, which is the oldest and largest medical cannabis company based in Israel ([source](#)), the country thought to be the [leading cannabis](#) research center.

MariMed has exclusive license to distribute 4 Tikun Olam proprietary strains (Alaska, Eran Almog, Midnight, OR) in MA, IL, MD, DE, RI. The strains are also available in other markets like Florida and Canada.

MariMed also showed off their marketing chops when they launched Bubby’s Baked Goods with the world’s largest pot brownie that got 5 billion impressions.

Building Buzz - World's Largest Pot Brownie

5 billion media impressions



.... and 1,000+ more in 43 countries

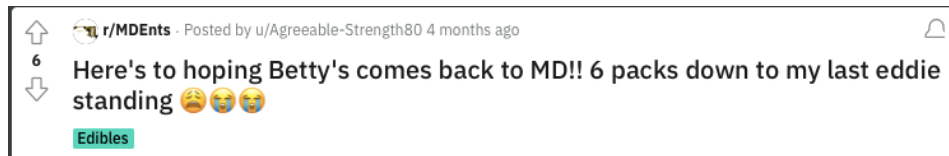
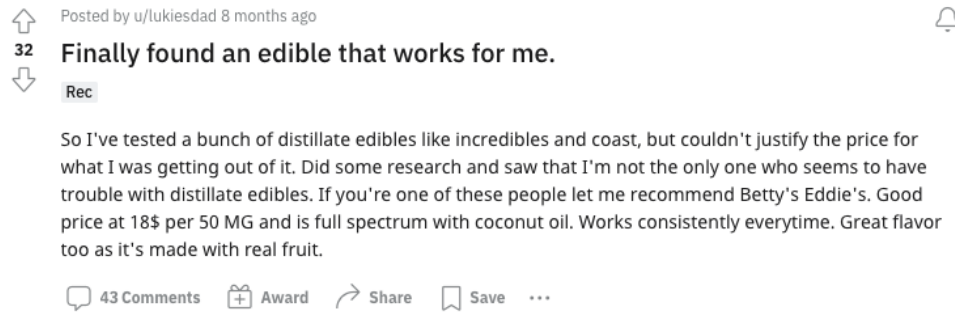
Recently they have launched a Cannabis Infused Vibration Energy Drink and Emack & Bolio Vegan Ice Cream. Their new CMO is former CMO of Boston Beer Company and was the brains behind the Truly hard seltzer launch.

But the brand that is most fascinating is Betty’s Eddies.

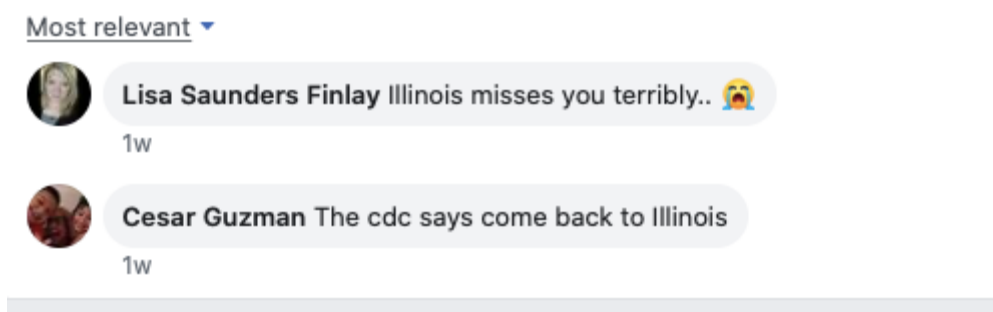
Betty’s Eddies Is the Most Exciting Brand

The Betty’s Eddies edible brand is the #1 edible in Massachusetts and had sold 1.8 million chews to date as of Q3 2021. It used to be the #1 edible brand in Illinois until 2019, when the company lost its distribution (the company will soon re-introduce it to the state). I’ve heard that at least one major MSO has offered to acquire Betty’s Eddies as well.

The reviews online are stellar on every social media platform and in every state it is sold.



Post on Reddit, referring to a temporary pullback due to new dosage regulations



**Comments on a post on Betty's Eddies Facebook Page*

The company plans to invest in the Betty's Eddies brand this year and introduce it to other states. There is also a possibility to license it to other states as well.

What makes MariMed unique is they are one of the few MSOs that have demonstrated real success with brands and marketing chops. Stay tuned as this could be a real source of upside for the company.

Pristine Balance Sheet and Opportunity to Use Debt

It helps that MariMed has a pristine balance sheet with approximately \$13 million in net cash (\$29.7 million in cash and \$16.8 million in mortgages). The company clearly could lever its portfolio up a bit more if it saw an acquisition opportunity. There are only two other major MSOs that are in a net cash position (Planet 13 and Jushi). The company has stated several times they are in the market for attractively valued assets.

Considering the company's conservative balance sheet, it makes its valuation look even more compelling.

Catalysts Include Raising Guidance, Listing in Canada and SAFE Banking

There are several catalysts, but none as compelling as the fact that 2023 estimates are just too low considering what will happen in Maryland for MariMed. Instead of \$61 million, I'm assuming \$75 million in EBITDA, and that frankly even is highly conservative. At \$75 million in EBITDA, MariMed

trades for approximately 3.5 times 2023 EBITDA on fully diluted share count including all options and warrants.

Then there is the opportunity for the ETFs like MSOS to buy the company once it is listed in Canada. No cannabis ETF owns one single share of MariMed.

Finally, there is the broader industry opportunity that SAFE Banking will pass this year. I wrote an article about the opportunity for SAFE to pass in the next 90 days or later this year in the lame duck session of Congress.

<https://mindsetvalue.substack.com/p/the-safe-window?s=w>

Remember that 96% or more of the investment world cannot invest in U.S. cannabis companies that “touch the flower.” Whether due to compliance departments, fear of being accused of money laundering or finding a custodian to hold the stocks (most investment banks will not hold or let you buy cannabis stocks). This all changes if SAFE passes.

But it is not just equity investment dollars that will flow, it should also enable a flood of debt financing dollars and credit costs should plunge. Even the best cannabis companies must borrow at 7-9% interest rates, much, much higher than other normal companies. Equally important is that SAFE probably also allows credit cards to be used in dispensaries for the first time.

And depending on the regulations, it could also allow a path to NYSE and NASDAQ listing, index inclusion and the massive passive capital fund flows.

In other words, it could transform a capital constrained industry that trades at backwater exchanges overnight.

Risks

Remember that this is cannabis which remains Federally illegal and that in addition to trading on backwater exchanges with limited liquidity, these companies also pay excessively high taxes (due to 280e) and have few institutional investors. It may take several years for cannabis to be legalized or decriminalized such that MariMed can access the Federal banking system.

You need to understand that this stock can be whipped around easily on low volume. And because there are few institutional investors, the stock can trade completely opposite to its fundamentals.

This is also a smaller MSO, and it may be that true scale across many markets is the right long-term path. I think the company can be nimble and its lack of debt is an advantage but that may be wrong. Even in that scenario, the quality of its operations and its brands should make it an attractive acquisition target.

Summary

MariMed is one of the best kept secrets in cannabis, with a recent history of beating estimates, a pristine balance sheet, a unique exposure to Maryland and a group of brands including Betty’s Eddies and Nature’s Heritage that are highly desired by consumers.

Investors haven’t yet discovered the company, but that may soon change with a new listing in Canada and continued outperformance. As one of the most undervalued cannabis stocks out there, the stock is unlikely to stay at 3 times next year’s cash flow.