

August 9, 2022

## Marimed Inc. (US OTCQX: MRMD: \$0.70): 2022 Headwinds but Execution Remains Solid

Marimed reported Q2/22 results of \$33M in revenues and \$8.9M adjusted EBITDA. Revenues were in line with our estimate however reported adjusted EBITDA was below our forecast of \$10.4M. The lower than expected adjusted EBITDA result stemmed mainly from one-time costs including inventory write-offs and inflated expenses associated with bringing new production online. The company additionally faced wholesale pricing pressure particularly in Maryland where the state's medical market has become over-supplied as operators anticipate a near-term opening of recreational opportunities.

For the full year, management reduced guidance to now reflect revenues in the range of \$135M to \$140M and adjusted EBITDA between \$35M and \$40M. The update compares to prior targets of \$145M to \$150M in revenues and adjusted EBITDA of \$47M to \$52M. The reason for the top line cut was delays on two new store openings (in Beverly, MA and Annapolis, MD) and a longer than anticipated build-out of a production kitchen in Maryland. On adjusted EBITDA, these factors drove the cut to guidance as did anticipated continued wholesale pricing pressure in Massachusetts and Maryland. Regarding pricing pressure, Marimed management continues to highlight achieved top of the market pricing in Massachusetts for its premium product and the company across its business is benefitting from the launch of value-oriented brands. Even with the guidance cut, management is confident that Marimed will be cash flow positive for 2022

We adjust our estimates to reflect results and the guidance update however we note that the Beverly, MA rec dispensary could be a source of upside to estimates before year-end as we believe that dispensary is largely omitted from forecasts. Despite the disappointing update, we remain confident that Marimed is poised for accelerating growth in 2023 and beyond particularly if the recent IL license acquisition news is the first of several for the company to come in the near term while we believe the company's leading margin profile and cash generation capabilities warrant greater investor consideration moving forward. Regarding Illinois, the recent acquisition will give Marimed its fifth store in the state and we expect the company to quickly ramp to the permitted ten dispensaries as new lower cost buying opportunities become available following the state's recent licensing round. Meanwhile, we continue to view Marimed to be an attractive takeout candidate for any MSO without a full Massachusetts position and/or to be a strategic partner for a well-positioned limited state operator that is looking to scale. Our rating and price target remain Buy and \$1.20 respectively.

### Viridian Capital Advisors

[www.viridianca.com](http://www.viridianca.com)

Jonathan DeCoursey

Director Equity Research

[jdecoursey@viridianca.com](mailto:jdecoursey@viridianca.com)

(781) 724.6869

### Marimed

**Rating: Buy**

**Price Target: \$1.20**

### Investment Highlights

- Q2 Adjusted EBITDA Miss  
Mainly on One-Time Costs.
- Guidance Cut on Continued Pricing Pressure and Opening Delays.
- Seeing Strength with Value Offerings Across States and Premium Product in MA.
- Recent IL Acquisition Could be First of Several as Recent Licensing by State Creates a Buyers Market.
- Confident in Strong Growth and Profitability in '23.
- Continue to view Marimed as an underappreciated operator. Believe a takeout could also be in play in near-term.

Click the Link to Subscribe to the  
[Viridian Cannabis Deal Tracker](#)

**FY Income Statement (\$M)**

	2020	2021	2022					2023				
	2020	2021	Q1 '22	Q2 '22	Q3 '22E	Q4 '22E	2022	Q1 '23E	Q2 '23E	Q3 '23E	Q4 '23E	2023
	Dec-20	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Dec-23
<b>Revenues</b>	<b>50.9</b>	<b>121.5</b>	<b>31.3</b>	<b>33.0</b>	<b>35.0</b>	<b>37.0</b>	<b>136.3</b>	<b>41.0</b>	<b>43.0</b>	<b>45.0</b>	<b>46.0</b>	<b>175.0</b>
COGS	19.6	55.2	14.3	18.0	17.9	18.5	68.6	18.9	19.4	20.3	20.7	79.2
Gross Profit	31.3	66.3	17.0	15.0	17.2	18.5	67.6	22.1	23.7	24.8	25.3	95.8
Opex	16.8	39.4	9.9	10.5	10.4	10.4	41.2	10.5	10.5	10.5	10.5	42.0
Income from operations	14.5	26.9	7.0	4.5	6.8	8.1	26.4	11.6	13.2	14.3	14.8	53.8
Interest Expense	(9.8)	(2.4)	(0.3)	(0.4)	(0.3)	(0.3)	(1.4)	(0.3)	(0.3)	(0.3)	(0.3)	(1.2)
Pre-tax Income	4.5	23.8	7.9	3.6	6.5	7.8	25.8	11.3	12.9	14.0	14.5	52.6
Taxes		16.2	3.7	1.8	2.5	2.5	10.4	3.0	3.0	3.0	3.0	12.0
Net Income	2.4	7.6	4.2	1.9	4.0	5.3	15.4	8.3	9.9	11.0	11.5	40.6
<b>Adjusted EBITDA</b>	<b>16.3</b>	<b>43.1</b>	<b>10.4</b>	<b>8.9</b>	<b>8.6</b>	<b>9.9</b>	<b>37.7</b>	<b>13.4</b>	<b>15.0</b>	<b>16.1</b>	<b>16.6</b>	<b>61.0</b>
<u>% Revenues</u>												
Gross Margin	62%	55%	54%	45%	49%	50%	50%	54%	55%	55%	55%	55%
Opex	33%	32%	32%	32%	30%	28%	30%	26%	24%	23%	23%	24%
Operating Income	29%	22%	23%	14%	19%	22%	19%	28%	31%	32%	32%	31%
Net Income	0%	6%	13%	6%	11%	14%	11%	20%	23%	24%	25%	23%
Adjusted EBITDA		36%	33%	27%	24%	27%	28%	33%	35%	36%	36%	35%
<u>Growth Rates</u>												
Revenues												
Y/Y		139%	27%	1%	5%	19%	12%	31%	30%	29%	24%	28%
Q/Q			1%	5%	6%	6%		11%	5%	5%	2%	

Source: Company Reports, Viridian Capital Estimates

## Required Research Disclosures

Distribution of Ratings/IB Services				
Rating	Count	Percent	IB Services in Past 12 months	
			Count	Percent
Buy (Buy)	15	100%	0	0%
Hold (Hold)	0	0%	0	0%
Sell (Sell)	0	0%	0	0%
Not Rated (NR)	0	0%	0	0%

### Analyst Certification

The research analyst responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers and were prepared in an independent manner, including with respect to Bradley Woods & Co. Ltd.; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the research analyst in this report.

### Meaning of Ratings

Bradley Woods & Co. Ltd.'s rating system of **Buy, Hold, Sell, Not Rated** reflects the analyst's best judgment of risk-adjusted assessment of a security's 24-month performance.

**Buy:** A Buy recommendation is assigned to stocks with low risk and approximately 10% expected return or stocks with high risk and approximately 25% expected return. The analyst recommends investors add to their position.

**Hold:** A Hold recommendation is assigned to stocks with low risk and less than 10% upside or less than 15% downside or to stock with high risk and less than 25% upside or less than 15% downside.

**Sell:** A Sell recommendation is assigned to stocks with an expected negative return of approximately 15%. The analyst recommends investors reduce their position.

**Not Rated:** A Not Rated recommendation makes no specific Buy, Hold or Sell recommendation.

### Compensation or Securities Ownership

The analyst(s) responsible for covering the securities in this report receives compensation based upon, among other factors, the overall profitability of Bradley Woods & Co. Ltd. including profits derived from investment banking revenue and securities trading and market making revenue. Unless noted in the Company Specific Disclosures section above, the analyst(s) that prepared the research report did not receive any compensation from the Company or any other companies mentioned in this report in the previous 12 months, or in connection with the preparation of this report. Unless noted in the Company Specific Disclosures section above, neither the analyst(s) responsible for covering the securities in this report, nor members of the analyst(s)' household, has a financial interest in the Company, but in the future may from time to time engage in transactions with respect to the Company or other companies mentioned in the report.

For compendium reports (a research report covering six or more subject companies) please see the latest published research to view company specific disclosures.

### Other Important Disclosures

This report is provided for informational purposes only. It is not to be construed as an offer to buy or sell a solicitation of an offer to buy or sell any financial instruments or to particular trading strategy in any jurisdiction. The information and opinions in this report were prepared by registered employees of Bradley Woods & Co. Ltd. The information herein is believed by Bradley Woods & Co. Ltd. to be reliable and has been obtained from public sources believed to be reliable, but Bradley Woods & Co. Ltd. makes no representation as to the accuracy or completeness of such information.

Bradley Woods & Co. Ltd. is regulated by the United States Securities and Exchange Commission, FINRA, and various other self-regulatory organizations. This report has been prepared in accordance with the laws and regulations governing United States broker-dealers.

Opinions, estimates, and projections in this report constitute the current judgment of the author as of the date of this report. They do not necessarily reflect the opinions of Bradley Woods & Co. Ltd. and are subject to change without notice. In addition, opinions, estimates and projections in this report may differ from or be contrary to those expressed by other business areas or group of Bradley Woods & Co. Ltd. and its affiliates. Bradley Woods & Co. Ltd. has no obligation to update, modify or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

Bradley Woods & Co. Ltd. does not provide individually tailored investment advice in research reports. This report has been prepared without regard to the particular investments and circumstances of the recipient. The securities discussed in this report may not be suitable for all investors and investors must make their own investment decisions using their own independent advisors as they believe necessary and based upon their specific financial situations and investment objectives. Estimates of future performance are based on assumptions that may not be realized. Furthermore, past performance is not necessarily indicative of future performance. Investment involves risk. You are advised to exercise caution in relation to the research report. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

Bradley Woods & Co. Ltd. salespeople, traders and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed in this research. Bradley Woods & Co. Ltd. may seek to offer investment banking services to all companies under research coverage. Bradley Woods & Co. Ltd. and/or its affiliates expect to receive or intend to seek investment-banking related compensation from the company or companies mentioned in this report within the next three months.

This research report (the "Report") is investment research, which has been prepared on an independent basis by Bradley Woods & Co. Ltd., a member of FINRA and SIPC, with offices at 805 Third Avenue, 18th Floor, New York, NY USA, 10022. Electronic research is simultaneously available to all clients. This research report is provided to Bradley Woods & Co. Ltd. clients and may not be redistributed, retransmitted, disclosed, copied, photocopied, or duplicated, in whole or in part, or in any form or manner, without the express written consent of Bradley Woods & Co. Ltd. Receipt and review of this research report constituted your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion or information contained in this report (including any investment recommendations, estimates, or target prices) without first obtaining express permission from Bradley Woods & Co. Ltd. In the event that this research report is sent to you by a party other than Bradley Woods & Co. Ltd., please note that the contents may have been altered from the original, or comments may have been added, which may not be the opinions of Bradley Woods & Co. Ltd. In such case, neither Bradley Woods & Co. Ltd., nor its affiliates or associated persons, are responsible for the altered research report.

This report and any recommendation contained herein speak only as of the date of this report and are subject to change without notice. Bradley Woods & Co. Ltd. and its affiliated companies and employees shall have no obligation to update or amend any information or opinion contained in this report, and the frequency of subsequent reports, if any, remain in the discretion of the author and Bradley Woods & Co. Ltd.

Bradley Woods & Co. Ltd. may affect transactions in the securities of companies discussed in this research report on a riskless principal or agency basis. Bradley Woods & Co. Ltd.'s affiliated entities may, at any time, hold a trading position (long or short) in the securities of the companies discussed in this report. Bradley Woods & Co. Ltd. and its affiliates may engage in such trading in a manner inconsistent with this research report. All intellectual property rights in the research report belong to Bradley Woods & Co. Ltd. Any and all matters related to this research report shall be governed by and construed in accordance with the laws of the State of New York.

This report is not directed at, or intended for distribution to or use by, any person or entity who is a citizen or resident of, or located in any locality, state, country, or other jurisdiction where such distribution, publication, availability, or use would be contrary to law or regulation or which would subject Bradley Woods & Co. Ltd. and its affiliates to any registration or licensing requirements within such jurisdictions.

The Bradley Woods Form CRS, Client Relationship Summary, can be accessed [here](#).