

# The State of Cannabis Capital Markets: Restructuring and Insolvency

---

May 18, 2023

# Presenters



Ruth A. Rauls  
Partner, Saul Ewing  
Ruth.Rauls@saul.com



Stephen B. Ravin  
Partner, Saul Ewing  
Stephen.Ravin@saul.com



Peter S. Murphy  
Partner, Saul Ewing  
Peter.Murphy@saul.com



Jacques Santucci  
President, Opus Consulting  
Jacques@opuscg.com



Peter Su, ACBP, CTP,  
CCBP, CCCE, GRCP,  
GRCA, IDPP, CBE  
Cannabis Banking Executive  
retopus7@gmail.com

The legal cannabis market offers numerous opportunities with a high number of consumers and players

### Market Highlights

- **Legalization**
  - **39 states** have legalized cannabis in some form:
    - 22 states have legalized **recreational** (also known as adult-use) cannabis
- **Market Landscape**
  - The legal cannabis industry in the United States grew **30%** in 2021
  - Legal recreational and medical cannabis sales (**\$27B**) outsold Starbucks' North American sales (**\$20.5B**) in 2021
- **Unique Players**
  - Food and beverage manufacturers such as **Heineken, Molson Coors, and Nestlé** have become investors in the US legal cannabis market
  - Products from these players include THC-infused beers & seltzers and CBD-infused liquid drops and gels

**\$37.9B** market value

by 2024 in North America

**\$31B** consumer spend

estimated in 2022 in the United States

**\$14.9B** flower sales

estimated in 2022 in the United States

**\$19.9M** equity investment

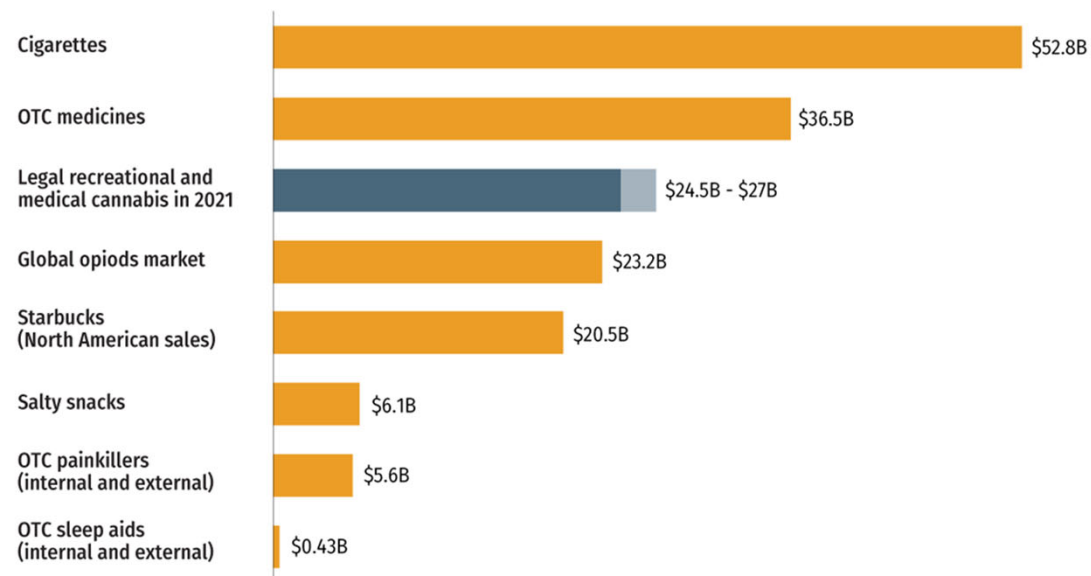
average in 2021 for cannabis companies

Sources: Visual Capitalist, TechCrunch, New Cannabis Ventures, BDSA, MJBizDaily

## US Cannabis Sales vs. Other Industries

The legal cannabis market in the US is growing quickly and has surpassed several other industries

### U.S. Cannabis Sales Vs. Other Industries



Source: MJBiz Factbook research, Statista, Consumer Healthcare Products Association, BCC Research, Mordor Research, Allied Research, Starbucks financial filings, IRI Market Advantage  
© 2022 MJBiz, a division of Emerald X, LLC

Note: All data reported for 2021.

# 3

## Potential Reasons

How did we get here?

---

- Inadequate business planning
  - Insufficient capital
  - Operation is underutilized
  - Unanticipated market moves
  - Break-even is too high for current market conditions
  - Poor exit strategy (not focused on profits or cash flow)
- Team lacks certain critical skills
- Regulatory hurdles
- Mismanagement
- Fixed costs are too high (landlords)
- Poor financial structure (loans or investors)
- We used Peter's money to pay Paul
- Did not plan for 280E
- What else?

### **Baltimore**

1001 Fleet Street  
9th Floor  
Baltimore, MD 21202  
T: 410.332.8600 • F: 410.332.8862

### **Boston**

131 Dartmouth Street  
Suite 501  
Boston, MA 02116  
T: 617.723.3300 • F: 617.723.4151

### **Chesterbrook**

1200 Liberty Ridge Drive  
Suite 200  
Wayne, PA 19087  
T: 610.251.5050 • F: 610.651.5930

### **Chicago**

161 North Clark  
Suite 4200  
Chicago, IL 60601  
T: 312.876.7100 • F: 312.876.0288

### **Fort Lauderdale**

200 E. Las Olas Blvd.  
Suite 1000  
Fort Lauderdale, FL 33301  
T: 954.713.7600 • F: 954.713.7700

### **Harrisburg**

Penn National Insurance Plaza  
2 North Second Street, 7th Floor  
Harrisburg, PA 17101  
T: 717.257.7500 • F: 717.238.4622

### **Miami**

701 Brickell Avenue  
17<sup>th</sup> Floor  
Miami, FL 33131  
T: 305.428.4500 • F: 305.374.4744

### **Minneapolis**

33 South Sixth Street, Suite 4750  
Minneapolis, MN 55402  
T: 612.217.7130 • F: 612.677.3844

### **New York**

1270 Avenue of the Americas  
Suite 2005  
New York, NY 10020  
T: 212.980.7200 • F: 212.980.7209

### **Newark**

One Riverfront Plaza  
1037 Raymond Blvd., Suite 1520  
Newark, NJ 07102  
T: 973.286.6700 • F: 973.286.6800

### **Philadelphia**

Centre Square West  
1500 Market Street, 38th Floor  
Philadelphia, PA 19102  
T: 215.972.7777 • F: 215.972.7725

### **Pittsburgh**

One PPG Place  
30th Floor  
Pittsburgh, PA 15222  
T: 412.209.2500 • F: 412.209.2570

### **Princeton**

650 College Road East  
Suite 4000  
Princeton, NJ 08540  
T: 609.452.3100 • F: 609.452.3122

### **Washington**

1919 Pennsylvania Avenue, N.W.  
Suite 550  
Washington, DC 20006  
T: 202.333.8800 • F: 202.337.6065

### **West Palm Beach**

515 N. Flagler Drive  
Suite 1400  
West Palm Beach, FL 33401  
T: 561.833.9800 • F: 561.655.5551

### **Wilmington**

1201 North Market Street  
Suite 2300 • P.O. Box 1266  
Wilmington, DE 19899  
T: 302.421.6800 • F: 302.421.6813