

BIG WEED

The marijuana industry
needs a bigger market.
Trulieve funds a way to it.

By Mike Vogel



*“We believe Florida will be the best
cannabis market in the world.”*

— Kim Rivers, CEO, Trulieve



Trulieve Cannabis

HEADQUARTERS: Quincy

CEO: Kim Rivers

EMPLOYEES: 5,800

2023 REVENUE: \$1.1 B

RANK: No. 68 of public companies



Attendees were all abuzz in April at a marijuana investment conference in South Florida as Kim

Rivers took the stage. The crowd recognized Rivers as the reason state voters in November could authorize a commercial, recreational weed industry here, a potential gold mine for the pot business.

Rivers sat for just 16 minutes at the Benzinga Capital Conference to host a dialogue with the Bellamy Brothers, septuagenarian pot advocates and a pop-and-country duo best known for their hit *Let Your Love Flow*.

Rivers chatted with the Bellamys about the coming campaign in Florida to legalize recreational pot and their favorite way to get high. Then she pivoted in her chair.



“Okay, so here’s the thing, guys,” she said to the audience. “We got to get our talking points down. ... All right, so all of our research shows a few things that are going to be critical in terms of messaging this thing.”

She hit the talking points she wanted the crowd to sell, then said, “All right, so y’all got it? There’s going to be a pop quiz later. So let’s just make sure that we’re holding hands, please, you guys.”

Come election night Nov. 5, no one watching the returns for the pot amendment will have more on the line than Rivers. The company Rivers leads, Trulieve, based in Quincy near Tallahassee, spent \$50 million through April to write the proposed amendment and gather the 1 million signatures needed to place it on the ballot.

“We don’t always get along, but I give credit



where credit's due," Brady Cobb, founder of Miami-based pot company Sunburn Cannabis, had earlier told the conference. "The reason we're here today is, Kim Rivers put one hell of a bet down and put her money where her mouth is."

If her \$50-million bet pays off, Big Reefer eyes Florida, the nation's third largest state, as a \$6-billion market, making it not just the largest legal cannabis market in the nation but also the largest in the world. "I think it will be a historical moment, not only for Trulieve but for the movement, nationally and really globally," Rivers says in an interview.

Bud Titan

Rivers, a north Florida native, earned her law degree at the University of Florida and moved to Atlanta where she worked in mergers, acquisitions

Trulieve has a production capacity of 4 million square feet companywide, with more than 3 million square feet in Florida.

and securities before returning to Florida as the state inched toward allowing medical marijuana.

Trulieve, with Rivers as chair, president and CEO, was founded in 2015. Florida voters in 2016 approved legalizing commercial medical marijuana in Florida, and Trulieve was in the first batch of five licenses granted — the first, Rivers likes to say. Gov. Ron DeSantis used to refer to the small group as "the cartel."

The Legislature created a regulatory scheme with a limited number of players and high barriers to entry. Florida, in its rules for the industry, restricts growth in the number of medical marijuana licensees. And cannabis is not subject to the three-tier system that separates ownership of manufacturers, distributors and retailers in the liquor industry. Instead, for marijuana, the Legis-



lature mandated “seed-to-sale” vertical integration — capital intensive but higher margin. “It’s one of the best markets in the country,” says Matt Darin, CEO of the New York-based marijuana company Curaleaf, which has 62 stores in Florida. “The ability to be fully vertical and have really built out a lot of scale is kind of unique to the industry and makes it really favorable.”

Operators had to be well capitalized to simultaneously fund cultivation, manufacturing and retail while covering compliance costs such as third-party lab certifications or posting with the state cash or a performance bond (now \$2 million to \$5 million). Regulations effectively disadvantaged mom-and-pop businesses in favor of larger commercial operators.

Nearly from the start, Trulieve dominated. It would be hard to find a better state. Florida became

While Trulieve is incorporated in Canada, its operational hub is located in Quincy near Tallahassee.

the nation’s largest medical marijuana market with 880,000 patient cardholders as of April. Its \$2.5 billion in medical sales alone make Florida the third-largest market by revenue, behind California and Michigan, both of which have legalized adult use.

Today, 25 companies have Florida licenses with another 74 vying for the 22 licenses scheduled to be awarded next, says Jae Williams, the Department of Health press secretary. Those license holders would be grandfathered in if voters approve adult-use.

By store count, Trulieve is the largest legal marijuana company in the world with 200 stores in nine states, though Darin’s New York-based Curaleaf bests it in market value and sales. In Florida, Trulieve is truly outsized. As of May, Trulieve owned roughly a fifth — or 136 of the 638 marijuana stores in Florida. It had 61 more than its nearest competitor. The company accounted for 40% of the 6,789



High Floridians

The National Drug Use Survey estimates 18% of Floridians 18 and older used marijuana in the last year — 13% in the last month. (53% used alcohol in the last month while 15% smoked cigarettes.) For comparison, in 2014-15, 13% of adult Floridians used marijuana in the last year and 8% in the last month.

despite being illegal under federal law — the United States accounts for the “lion’s share” of legal global demand, according to Washington, D.C.-based cannabis research firm New Frontier Data.

National polling shows a majority of Americans, up from just 12% in 1969, favor legalization. Drug use surveys show more people getting high. Rivers’ preferred way to consume cannabis: Smoking. For sleeping, she says she likes a Trulieve gummy.

Pot sales boomed in the pandemic. Companies raced into newly legalized state markets. Investors saw gross margins better than alcohol and tobacco. But the industry has challenges. “Even companies that are considered big in the cannabis world really aren’t that big when you look at multinationals,” says Amanda Reiman, New Frontier chief knowledge officer. “It’s still definitely a high-risk, high-

pounds of smokable marijuana sold during a week in May in Florida and nearly a third of the 742 pounds of THC sold in edibles and other products.

“We made a decision at the very beginning not to chase Kim. She’s going to be Walmart or CVS on every corner,” said Sunburn founder Cobb, at the Benzinga conference, held at the Diplomat Resort in Hollywood. His company had 13 stores as of May. “I don’t think anybody who is going to try to catch her is going to be able to,” he says.

Green Rush

No nation gets high like America. There are 15,000 cannabis stores across the country and nearly three-fourths of Americans live in a state that’s legalized marijuana for recreational or medical use, according to Pew Research.

With marijuana illegal in much of the world — and

Curaleaf CEO Matt Darin says Florida is “one of the best markets in the country.” His New York-based marijuana company operates 62 stores in the Sunshine State.





reward environment.” (Trulieve’s market capitalization at the end of May was \$1.8 billion, Curaleaf’s \$3.4 billion.)

Investors had high hopes federal authorities would lessen the risk by taking steps that would make the industry more profitable. The industry’s illegality at the federal level hurts economies of scale — no moving product across state lines, for instance. Pot companies have limited access to regular banking services and financing. Marijuana companies can’t be listed on the major U.S. exchanges. (Trulieve is incorporated in Canada where it trades, as well as trading over the counter in the United States.) And the federal tax code forbids companies that deal in Schedule 1 drugs, like heroin and marijuana, from taking deductions open to most commercial concerns, rendering most pot companies unprofitable.

With controlled light, temperature and humidity, Trulieve’s indoor grow houses have a lower risk of pests and allow year-round growing and more predictable yields.

It’s an “exorbitantly high” tax rate, Rivers says. In 2021, Trulieve’s income tax charge was \$146 million, an 89% effective tax rate. That left it with a \$17.4 million profit on \$938.4 million in revenue.

Amid the euphoria from increasing sales and industry hopes for Biden administration support, a green rush ensued. In 2021, the industry saw \$17 billion in M&A activity, according to New Frontier Data. A marijuana company exchange-traded fund, AdvisorShares Pure US Cannabis (NASDAQ: MSOS), hit \$52 per share in early 2021, more than double the price just five months earlier. Trulieve’s stock hit \$50.42 a share that March, more than doubling in six months.

The high didn’t last. Federal change came slow. (The federal Drug Enforcement Administration in May finally said it wanted to reclassify marijuana

More Potent

The average THC content in cannabis seized by the federal Drug Enforcement Administration in 1995 was 4%. The average in 2021 was 15%. Florida-based marijuana company Trulieve says plants at its new grow facility in Jefferson County average 28% THC potency.

as a Schedule III drug, putting it in the same category with anabolic steroids and blends of acetaminophen and codeine. Under the change, which still faces hurdles, marijuana would require a prescription and remain illegal for recreational use.)

Banking challenges, inefficiencies and compliance costs continued. Stocks cratered. The AdvisorShares ETF has averaged a 23% decline annually. Trulieve in May traded at \$11 per share.

Opportunity, and Uncertainty

Meanwhile, in Florida — Trulieve's critical arena — the medical marijuana market moved toward maturity. In 2019, when smokable marijuana was legalized in Florida, the number of Floridians with medical marijuana cards increased 79%. But the growth in the number of people willing to make a doctor visit and pay \$75 for a medical marijuana card slowed — to 20% growth in 2022 on its way to single digits recently, according to data from the state Office of Medical Marijuana Use. To keep sales growing,

marijuana companies had to rely on stealing customers from competitors.

Against that backdrop, Trulieve in 2022 wrote its first check to get recreational, commercial marijuana on the ballot. Under the proposed amendment, adults 21 and older can possess up to three ounces of marijuana and five grams of marijuana concentrate. The amendment grandfathered in existing medical marijuana players such as Trulieve but allows the Legislature to license newcomers. Legalization would occur May 5. Once the state Supreme Court in April cleared the amendment language to go forward, other industry players joined Trulieve to bankroll the campaign for November, contributing \$5.64 million as of May.

Curaleaf CEO Darin says he wants to add 20 stores to his existing 62 by summer 2025, employing an additional 500, plus more jobs in cultivation and processing.

The industry eyes the state's 17 million people 21 and older, an ever-growing population, 140.6 million tourists and cross-border buyers from Georgia and Alabama. Andrew Livingston, director of economics and research with Denver-based national cannabis law firm Vincente, estimates that adding adult use in Florida will take the industry here to \$4 billion, rivaling California. Rivers and speakers at the Benzinga conference in April tout \$6 billion for the Florida market. The Florida Legislature's Office of Economic and Demographic Research estimates the recreational market at \$2.7 billion to \$6.1 billion



Brady Cobb, founder of the South Florida-based pot company Sunburn Cannabis, says Kim Rivers “put one hell of a bet down and put her money where her mouth is.”

on top of the medical market.

Nationally, marijuana proposals nearly always succeed. Medical marijuana passed in 2016 in Florida with 11 percentage points to spare. The industry expects to outspend opponents.

“We’re routinely outspent,” agrees Luke Niforatos, executive vice president of the national anti-legalization group Smart Approaches to Marijuana. He and the opposition have their own reasons for confidence. Gov. Ron DeSantis isn’t a fan of approval. Adult-use commercialization hasn’t been tested with voters in the more culturally conservative Southeast Sunbelt states. Most importantly, no pot measure elsewhere has had to hurdle the 60% voter approval threshold Florida requires for constitutional amendments.

If it passes, the contours of the new commercial adult market will depend on what the Legislature — lobbied by the industry and opponents — creates in time for the May 5 legalization deadline. Rivers, to allay concerns, stresses that the amendment was written so that the Legislature, as it does with alcohol and cigarettes, can regulate time, place and manner of use.

The state would have an abundance of regulatory schemes to study from the 24 states that have legalized recreational marijuana. (Another 14, including Florida, have medical marijuana.)

Will Florida continue to restrict the number of operators, or will it let the market choose from all comers? Will it limit the amount of THC in products? How about daily purchase limits? The state requires smokable marijuana to have a label warning of carcinogens. Does it add cautions about other health risks associated with marijuana? Does it jettison mandated vertical integration? Does it allow people to grow plants at home? Will adult-use pot be subject to the sales tax? (Medical marijuana isn’t.) The state government’s Financial Estimating Impact Conference projects at least \$195.6 million in state and local sales tax revenue from adult-use marijuana. The state also could impose an additional excise tax, as it does with tobacco and alcohol.

Taxation — and industry profit margins — affect how much marijuana business shifts from the black market to the more expensive legal market. Price is the primary driver of which market consumers patronize, according to the state Financial Estimating Impact Conference. Based on other states’ experience, it says, about half of consumers will continue to buy on the illicit market after legalization.



Trulieve operates 200 stores nationally, with 138 in Florida.

Other changes coming to a post-legalization Florida can be predicted. While Rivers says safeguarding access to medical marijuana for patients is important to her, the medical market in states with recreational pot typically shrinks. Meanwhile, pricing power falls rather fast in newly legal markets, putting weaker operators under pressure. Look for capital raising and acquisitions as companies race for market share. Curaleaf says, “At the expected time of adult use launch in mid-2025, Curaleaf will have the necessary cultivation capacity and retail footprint in place to compete for the leadership position in Florida.”

Trulieve blamed increased competition in part for the 7% drop in revenue to \$1.1 billion it saw in 2023 and a 15% drop in gross profit.

Trulieve has \$327 million in cash to help fund the Florida pro-pot campaign and to be ready to take advantage of legalization. Rivers in May told investors Trulieve is well positioned. “I wouldn’t trade hands with anyone in the industry,” Rivers says. “We intend to remain out front in Florida.”

And she says she has no doubt about her \$50-million wager. “So I will tell you that I feel very optimistic,” she says.

WEED FAIR

To gauge the state of the corporate marijuana business, tour the exhibition floor at the annual Benzinga Cannabis Capital Conference at the Diplomat Beach Resort in Hollywood. “Where Deals Get Done!” read a Benzinga sign at the April event as more than 200 investors and 2,000 people tried to do just that.

It’s a typical trade show with some booths staffed by the bored silly and others alive with entrepreneur zeal. It diverged from usual shows in the crowd — plenty of businesspeople in suits but also a few who looked like they would be more at home in a head shop. And then there was the young woman in knee-high boots and a jacket emblazoned with a marijuana flower. Attendees passed booths for “Blazing Susan” smoking supplies or offerings from “Her Highness — Weed for Womankind.” The state of Maryland’s marijuana program was there, handing out koozies and tote bags, as was exhibitor Lophos — “pioneering new paths in psychedelic health and wellness.” Ready to answer questions were people from cannabis-friendly banks, packaging businesses, cultivation facility design firms, companies that specialize in ATMs for pot stores or microbial control for the marijuana plants. One company had a cooler stocked with its THC-infused ice pops. The display for Cheech & Chong’s seltzers had signage akin to the “Eat Mor Chicken” scrawl familiar to Chick-fil-A customers — except these said, “Drink More THC.”

Guzzling more THC was a theme. Tables had displays of THC beverages: “Howdy THC from Texas — Ain’t No Alcohol” or “Squared Gin & Tonic Non Alcoholic Cocktail 5 MG - Hemp D9 THC.”

An entire panel discussion at Benzinga focused on the breakout potential of THC drinks. Smoking pot in many public



THC-infused beverages were a hot topic at the recent Benzinga Cannabis Capital Conference in Hollywood.

places, hotel rooms and apartments, even in legalized states, often is prohibited by law or lease. Lounges where people can smoke have proved problematic from a regulatory approval and economic viability standpoint.

To the rescue: Beverages infused with THC, the psychoactive ingredient that provides a high. The intoxicants can be consumed without weed smell and smoke bothering the general public. The industry wants to get their beverages in

bars, restaurants, arenas, hotels and anywhere booze is consumed. It also, the industry people at Benzinga said, will expand the market, encouraging THC consumption by people intimidated by smoking or unfamiliar store products. People are accustomed to socializing with a drink in hand. Getting “mainstream consumers into a format they’re accustomed to is highly, highly important,” one industry speaker said. “I’m not going to be able to talk my mom into rolling a joint but I can talk my mom into having a beverage.”

Industry representatives say THC beverages have been outselling alcohol at some establishments. A Nashville eatery, one speaker noted, has THC-infused mayonnaise as a sauce.



Cannibas Challenges

General Gain, Concentrated Pain

In 2023, economists at the Federal Reserve Bank of Kansas City looked at the pluses and minuses of recreational marijuana legalization across states nationwide. Their research suggests its modest economic benefits are broadly distributed while the social cost is borne by heavy marijuana consumers. On balance, increased tax revenue from marijuana sales was offset by drops in alcohol and tobacco tax revenue, their paper said. Post-legalization, the average state saw house prices rise by 6%, population rise by 2%, and per capita income grow by 3%, mostly because of higher proprietors' income. Meanwhile, substance use disorders, chronic homelessness and arrests increased by 17%, 35% and 13%, respectively. That bodes ill for labor force participation and worker productivity. Self-reported marijuana use increased by 28% post-legalization. Problem: The rate of substance use disorder over time becomes larger as legalization "introduces cannabis to consumers, which serves as a gateway to use of more addictive illicit substances."

Bad news for Florida and other late adopters: The social costs were similar across states but Washington and Colorado, the early ones to legalize, saw larger economic gains than later states. Late adopting states still have to deal with higher social costs, but economic benefits are "more muted," the authors wrote.



Law & Order Redux

If voters endorse recreational pot in November, legislators will regulate where and how it can be used. Florida has no experience with a legal recreational marijuana market. But it does have extensive and mixed experience with decriminalizing pot possession.

Beginning in 2015, prosecutors in some Florida urban areas announced they wouldn't pursue criminal charges for possessing small amounts. Broward is one such county. On a random day in May, no one in the county jail was serving time for standalone possession. Several Florida cities and counties also made possession of small amounts a civil-citation offense or gave officers the latitude to issue a citation rather than bring a misdemeanor criminal charge.

Two of those local governments now regret it. The city of Sarasota in 2019 decided possessing less than 20 grams would bring a civil citation with a \$100 fine or 10 hours of community service. Through February, city police issued 535 citations. Only 11.8% were paid or saw community service performed. Some 88.2% were ignored. The city's elected leaders moved to make it a crime again but decided to await the outcome of the November legalization vote.

Miami Beach, meanwhile, grew tired of the weed smell as consumers ignored public use rules. "The optional \$100 civil penalty didn't deter public marijuana use. Instead, people were emboldened to disregard our laws," says Miami Beach Mayor Steven Meiner. This year, the city re-criminalized marijuana possession.



The Black Market

Pot amendment proponents say legalization will mean safe, quality, regulated marijuana for consumers rather than potentially tainted black-market marijuana. Marijuana consumers in states that have legalized have shown they're quite willing to abandon safety for price. Much has to do with how much profit legal companies want to make and also how a state regulates the legal market, accessibility to stores and the size of the tax burden, as regulatory and compliance costs on their own make legal pot more expensive than illegal marijuana. New York Gov. Kathy Hochul has called her state's regulatory program a "disaster." Illicit shops dominate retail sales. Maine's congressional delegation says illegal operators — some, perhaps many, financed by Chinese investors — outnumber licensed ones. The delegation asked the federal Justice Department for help. In other states — industry reports cite Washington — pressure by the state on the black market led to a flourishing licensed industry.



Trulieve CEO Kim Rivers talks with legislators and told analysts in May that she believes Florida "can set an example for other markets demonstrating how to implement a well-crafted adult use program without opening the floodgates for illicit market activity."

Drug Tests Positivity and Cheating Soars



Positive drug tests for marijuana among the U.S. workforce increased in 2023 to 4.5%, according to Quest Diagnostics' analysis of 9.8 million drug tests it conducted. Post-accident marijuana positives climbed to

7.5%, a 114.3% increase since 2015. Quest also found drug test cheating increased six-fold in 2023 to the highest rate it's seen in its more than 30 years of reporting.

For all drugs, positivity reached the highest level in more than 20 years. "It is possible that our society's normalization of drug use is fostering environments in which some employees feel it is acceptable to use such drugs without truly understanding the impact they have on workplace safety," says Suhash Harwani, Quest senior director of science for workforce health solutions. An American Medical Association journal study in February found recreational marijuana sales were associated with a 10% increase in workplace injuries for those 20 to 34 but noted earlier research found a decline in workers comp and nontraumatic injuries among older workers, suggesting marijuana helped older workers manage pain.

DUI

Florida from 2018 through 2022 saw far more alcohol-related vehicle crashes than marijuana-related ones — 25,017 vs. 2,411 — but the fatalities in each category were closer: 1,964 for alcohol vs 1,892 fatalities for marijuana. Marijuana was implicated in 2,080 non-fatal injuries. The most common age group for drugged driving was 25 to 29, and marijuana was the drug of choice. Marijuana was also the top choice for ages 10 to 24.



Source: Florida Department of Law Enforcement



Health Insights floridatrend.com/cannabis

The question in 2016 when Florida voters approved medical marijuana was over the plant's potential in addressing illness. This year, the debate shifts to the degree of harm marijuana causes when used like booze or tobacco for recreation. The industry's answer: Not as bad as alcohol. But the long-term health effects of regular marijuana use are debated — and some researchers see warning signs, with evidence showing it's addictive and contributes to mental health problems, stroke, heart attacks and gum disease. For a closer look at the health ramifications go to floridatrend.com/cannabis. 