



▲ 67.901 ▼ 26.789 ▲ 93.095 ▲ 40.381 ▼ 56.297 ▲ 38.295 ▼ 53.295 ▲ 38.295

# Industry Spotlight

## Cannabis: A Unique and Timely Opportunity

Spring 2026



# Cannabis

## MACRO TAILWINDS

On December 18<sup>th</sup>, President Trump signed an executive order to expedite the rescheduling process as cannabis is changed from a Schedule I drug to a Schedule III drug.

This proposed change marks a significant milestone for cannabis policy as the rescheduling process first began in 2022 under President Biden, but the process had stalled with no progress for nearly a year.

For the medical-use industry, rescheduling entails more medical advances through legal research. More crucially, for the adult-use (and medical-use) industry, rescheduling obviates Section 280E of the Internal Revenue Code, which does not allow standard business tax deductions for any business engaged in “trafficking” a Schedule I or II substance.

Cannabis businesses will enjoy immediate tax relief once the planned rescheduling takes effect. <sup>1</sup>

<sup>1</sup> Duane Morris, <sup>2</sup> MyCannabis  
Graph Sources: S&P Global, data extracted as of 02/23/2026

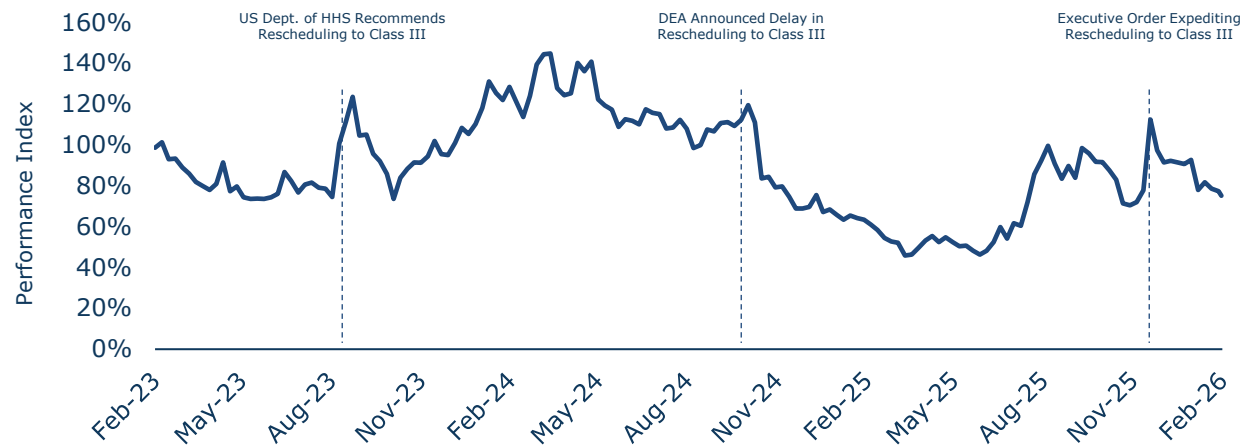
# Industry Spotlight

## Cannabis Industry Overview & Public Equities Performance

The U.S. legal cannabis industry has evolved into a structurally significant and fast-growing market with broad geographic expansion of medical and adult-use programs across states. This growth trajectory is occurring despite the sector’s unique regulatory constraints at the federal level, which has resulted in a dearth of accessible capital. This chronic underinvestment, particularly in cannabis dispensaries, presents **an opportunity for new capital providers** to participate.

Cannabis companies generally fall within three buckets: growers/cultivators, refiners/processors, and distributors/retailers. Public markets have historically skewed towards the growers/cultivators segment, as cultivation-heavy platforms were the first to scale into multi-stage footprints, with many reporting higher top-line revenues due to vertical integration; as well as owning real assets (cultivation licenses, greenhouses, indoor facilities) that are much easier for investors to underwrite. <sup>2</sup>

Below is an equally-weighted cannabis index consisting of the five largest cannabis stocks by market capitalization for the last 3 years: Tilray Brands, Cronos Group, Curaleaf Holdings, Green Thumb Industries, and Trulieve Cannabis.



Public equities in the cannabis sector present a high-beta exposure to both underlying industry fundamentals (market expansion, consumer demand) and regulatory catalysts (federal policy developments). While still relatively nascent compared to traditional consumer sectors, leading cannabis stocks have become key benchmarks for institutional and crossover investors interested in the regulated marijuana economy.



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## REGULATORY LANDSCAPE

The regulatory landscape for cannabis remains one of the most impactful drivers of investment opportunity and risk. At the federal level, marijuana continues to be classified as a Schedule I controlled substance under the Controlled Substances Act, meaning it retains the strictest regulatory designation for drugs with high abuse potential and no accepted medical use. However, significant policy movement in late 2025 and early 2026 represents a pivotal shift in federal cannabis discourse.

Nevertheless, rescheduling does not inherently change federal legality. Cannabis would still be a controlled substance and FDIC-regulated bank engagement will likely remain limited.

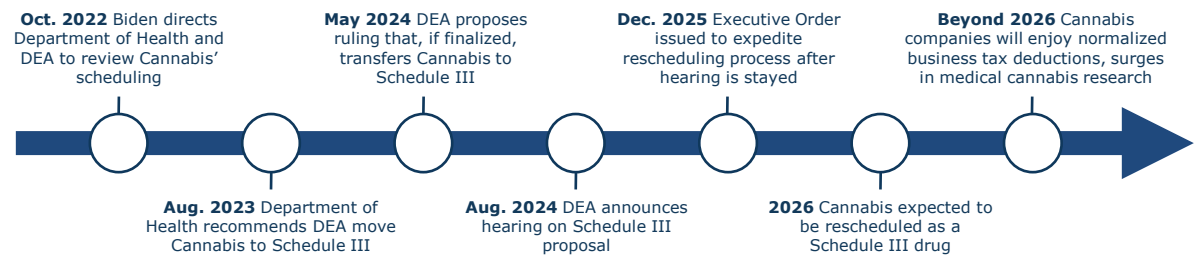
Critically, this constraint is itself a source of opportunity for institutional lenders who are positioned to deploy capital at significant premiums.

<sup>1</sup> Moritz College of Law <sup>2</sup> Gallup

# Industry Spotlight

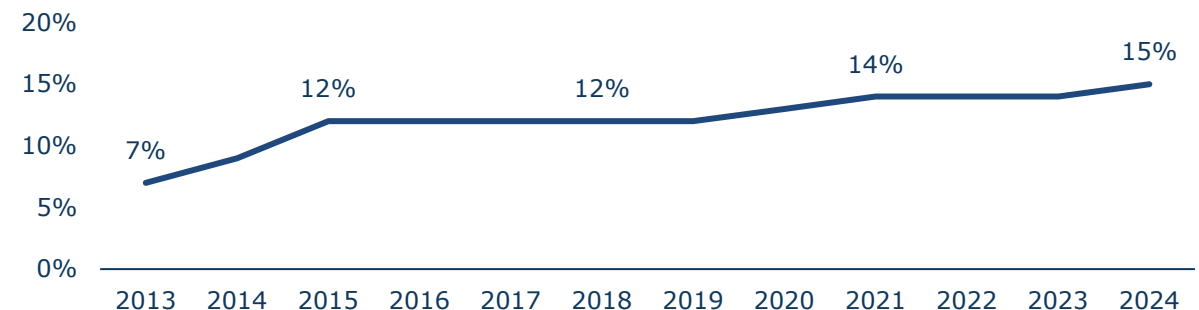
## Timeline of Cannabis Rescheduling

- **Dec. 2025:** Executive Order signed directing federal agencies to move marijuana from Schedule I to Schedule III status, a milestone in federal cannabis policy that will loosen research barriers, enable tax relief under Section 280E, and improve banking access.
- **2026:** Agencies continue rulemaking on rescheduling, with final implementation date not yet finalized, but likely to come.
- **Beyond 2026:** Parallel state-level reforms are expected to continue, with new adult-use programs and regulatory updates rolling out across jurisdictions, as well as a vast increase in the amount of medical research done on cannabis.<sup>1</sup>



## Adult-Use Cannabis Consumption

Adult-use cannabis consumption in the U.S. has continued to broaden and normalize, supported by expanding legalization and rising social acceptance. Recent Gallup polling in 2024 shows **15%** of U.S. adults report they smoke marijuana recreationally, more than double the share in 2013, underscoring significant growth in the addressable consumer base.<sup>2</sup>



# Cannabis

## CHRONIC UNDERINVESTMENT

Cannabis-related businesses are currently facing a severe capital crunch. Following the legalization of cannabis in multiple states, demand has increased exponentially.

Yet, businesses have been unable to access the traditional debt market as cannabis remains a controlled substance at the federal level. Even private credit funds largely shun the space despite having no overt regulatory restrictions, largely due to LP investor base caution or, in some cases, outright LP limitations (especially among public pension funds).

Of course, lending to cannabis businesses is not without precedent. A small slice of the private credit market (now largely tapped out) has long generated alpha in this space – underwriting conservatively structured notes at a significant pricing premium along with restrictive covenants. With no viable alternatives, cannabis businesses have had little choice but to accept these fulsome terms.

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## The Opportunity

Given the impending rescheduling and associated tax benefits, cannabis businesses (many of which already enjoy strong cash flow given the scarcity of licenses in numerous states) are now better positioned than ever to tap the private credit market for capital to support growth.

### RAPID REPAYMENT

Short tenor  
Heavy amortization and sweep

### COMPELLING PRICING

All-in yield at ~500-600 bps premium to comparables

### RESTRICTIVE COVENANTS

Fixed charge maintenance  
Leveraged maintenance

We believe the current market dynamic represents a **unique window of opportunity** for credit providers to provide leverage in the adult-use cannabis dispensary space at inordinately attractive terms until the market normalizes upon further deregulation.

## Selected Issuer Profiles

### Issuer #1

Vertically-Integrated Adult-Use Cannabis Provider

with

**Cultivation facilities, extraction labs, and retail dispensaries** in Western US

**>\$10M EBITDA**

### Issuer #2

Group of Nicotine and Cannabis Vape Shops

with

**~200 locations** in Midwestern US

**~\$15M EBITDA**

### Issuer #3

Group of Adult-Use Cannabis Dispensaries

with

**~30 locations** in Eastern US

**>\$30M EBITDA**

Please contact Michael Brill, Head of Private Capital Markets, or Andrew Tan, Vice President, to discuss the opportunity. See back cover for contact information.





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