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New York is pushing to legalize marijuana. Here are the prime acquisition targets and the types of deals you can expect.

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In this Friday, May 8, 2020 photo workers harvest a fresh crop of marijuana at the Loving Kindness Farms in Los Angeles. AP Photo/Richard Vogel

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Cannabis companies will be eyeing acquisitions as a way to enter the state.



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New York is trying to legalize recreational cannabis. [Again.](#)

Analysts and experts say that the state's effort to legalize adult-use marijuana this year has a better chance than past attempts. Passage of the bill would mean huge changes to the state's current cannabis landscape.

Ten cannabis companies currently operate in New York's medical marijuana market. Nine of them are owned by large companies that sell cannabis in several US states, which are called multistate operators or MSOs. One is independent and operates in New York alone.

Some of those ten — or at least their assets — could be acquisition targets for cannabis companies looking to enter what's likely to be one of the biggest cannabis markets in the US, experts told Insider. Other states that have recently legalized adult-use cannabis have seen [a boom of M&A activity](#) as cannabis giants have made deals to expand their footprints.

Major cannabis firms have already used deals to build their presence in New York over the years, in anticipation of legalization. Valley Agriceuticals was [acquired by Cresco Labs](#) in August 2019 and Green Thumb Industries acquired [Fiorello Pharmaceuticals](#) around the same time for \$60 million.

Cannabis companies clamoring to get into New York

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Cannabis lawyers told Insider that private companies and struggling MSOs looking to sell off assets to stabilize their balance sheets, are likely to be acquisition targets. The companies that fit this bill include privately held Etain Health and Pharmacann, as well as unprofitable public companies MedMen, iAnthus Capital, and Acreage. Pharmacann said in a statement that it's "open to smart, thoughtful M&A conversations" but has no plans to be acquired. iAnthus and MedMen didn't return requests for comment.

Acreage already has a deal to be acquired by [Canadian cannabis company Canopy Growth](#) that would go into effect once it's permissible under US law.

"We've established a strong business in NY and are looking forward to continuing to serve our patients in the state for many years to come, as well as adult-use customers when NY expands its legal cannabis program. Anyone that would suggest otherwise is simply ill-informed," Acreage spokesman Howard Schacter said in a statement.

Etain, which only operates in New York, said out-of-state cannabis firms regularly approach the company about deals. Etain is a family-owned and women-owned private company, and COO Hillary Peckham said she would be picky about any potential acquirer.

Peckham told Insider that she's getting more inquiries this year than usual — in part, she believes, due to New Jersey's legalization of cannabis and increased interest from neighboring states looking to do the same thing.

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companies are picking up on that and really starting to look into it," she said. "Not just from our company but globally how they might enter the market here "



Most of the other operators in New York are public: Curaleaf, Green Thumb Industries, Columbia Care, MedMen, iAnthus, Acreage, Cresco Labs, and Vireo Health all have licenses in the state.

Pharmacann is privately held, though it was almost acquired by MedMen [before the deal fell apart in October 2019](#).

Companies "that are held by independent and smaller operators will find themselves in possession of a very desirable and valuable asset," Bill Doran, a partner at law firm Benesch Friedlander Coplan & Aronoff, told Insider. Doran recently worked on the merger between Caliva and Left Coast Ventures.

As the state rolls out its program there will likely be a heavy reliance on existing operators for early production and dispensing. This would give a "natural advantage" to incumbent licensees, said Doran, who added that he expects this landscape to be a big driver of M&A activity.

One or more of the struggling multi-state operators in New York may sell their license. It's possible that some of the firms may not have enough capital to navigate the transition to adult-use, and would be forced to sell for that reason, Schultz said.

New York's \$2 billion cannabis market

MedMen, which has struggled to turn its operations around after the boom and bust of the cannabis bubble in 2019, [recently hired](#) investment bank Moelis & Company to look at "strategic alternatives" for the company. Cowen analyst Vivien Azer has said in

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question in our view," Azer wrote in a September 2020 note.

iAnthus and Acreage have also struggled to become profitable in recent years, even as their competitors have cleaned up their balance sheets and streamlined operations.

To be sure, there is no guarantee that cannabis companies with licenses to sell medical marijuana will be able to transition to adult-use operators, Schultz said. And legislation hasn't yet passed, making potential deals less inviting.

Still, once established, New York's recreational market is expected to bring in more than \$2 billion a year by its fourth year, according to [Marijuana Business Daily](#).

Governor Andrew Cuomo, for his part, has touted studies showing that legal cannabis could bring the state an [extra \\$300 million in tax revenue](#), a much-needed boost following the pandemic.

But New York's 10 medical cannabis companies serve a little more than [130,000 patients](#) and the state's cultivation capacity matches the small-scale market it services.



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A CPlant employee organizes a box of hemp for export at the company's farm on the outskirts of Tala, Uruguay, Thursday, Aug. 13, 2020. AP Photo/Matilde Campodonico

'Both a conundrum and an opportunity'

Schultz said it's unclear how New York will [transition to an adult-use market](#). Two different legalization bills — Governor Andrew Cuomo's Cannabis Regulation and Taxation Act (CRTA) and Sen. Liz Krueger's The Marijuana Regulation and Taxation Act (MRTA) — are still being negotiated.

Neither bill proposes a vertically integrated adult-use system, though the state's current medical market requires all 10 of its licensees to control every part of the supply chain from seed to storefront.

This "creates both a conundrum and an opportunity for the current registered organizations," Schultz said. While companies that do make the crossover to adult-use will have a huge advantage over their competitors, it also means they'll likely have to pay a hefty price and meet certain requirements to make the transition, according to Schultz.

That could leave companies with limited capital in a tough spot.

Norman Birenbaum, New York's director of cannabis programs, told Insider that he's working to get a cannabis legalization bill approved through the state's budget, which is due April 1.

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three to four years to create a market with the cultivation capacity and dispensary numbers to meet the demands of consumers



instead of owning the entire supply chain.

Axel Bernabe, assistant counsel to Cuomo and a point person for New York's cannabis program, told Insider that there will be multiple ways for current operators to participate in an adult-use program.

Some companies are increasing capacity in New York



In this March 22, 2019, file photo, Heather Randazzo, a grow employee at Compassionate Care Foundation's medical marijuana dispensary, trims leaves off marijuana plants in the company's grow house in Egg Harbor Township, N.J. AP Photo/Julio Cortez, File

Companies covering New York's adult-use market are carefully watching the legislation.

Ayr Wellness has been expanding quickly over the past few months. The company



"I really hope for New York state that they can come to a program that is competitive with other states so that people can want to do business in New York," Ayr COO Jennifer Drake told Insider.

Drake told Insider that Ayr hopes to go from its current seven states to 10 or 12. Curaleaf president Boris Jordan told Insider that he plans to continue to build out in states like New York.

"We have to build the infrastructure," he said. "So we're already building that now. We've just raised \$300 million of capital for markets like New York that are moving from a medical to adult use."

Jordan said it's difficult to tell how New York's adult-use market will shape up.

"We're cautiously optimistic to the point where we're actually putting money," he said. "We're already the largest operator but we need to increase capacity by literally tenfold in order to be able to supply the market."

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