

GLASS HOUSE BRANDS (GLAS.A.U:TSXV)

March 1, 2025

Category: Growth
Sector: Industrial
Size: MC \$239M Cdn



AGlass House Brands Inc. cultivates, manufactures, retails, and distributes raw cannabis, cannabis oil, and cannabis consumer goods to wholesalers and consumer packaged goods retail stores. It offers cannabis products under the Glass House Farms, Forbidden Flowers, and Mama Sue brands. Glass House Brands Inc. was founded in 2015 and is headquartered in Long Beach, California.

CEO				Mr. Kyle D. Kazan	
Website				glasshousebrands.com	
Sector				Personal Care Products	
Year Founded				2015	
Profile		Valuation (TTM)		Growth (CAGR)	
Market Cap	\$493.69M	P/E	-6.9	Rev 3Yr	40.4%
EV	\$581.85M	P/B	4.8	Rev 5Yr	78.1%
Shares Out	76.9M	EV/Sales	3.1	Rev 10Yr	—
Revenue	\$188.29M	EV/EBITDA	24.9	Dil EPS 3Yr	-3.1%
Employees	388.0	P/FCF	63.0	Dil EPS 5Yr	—
Margins		EV/Gross Profit	6.3	Dil EPS 10Yr	—
				Rev Fwd 2Yr	16.5%
Gross	49.2%	Valuation (NTM)		EBITDA Fwd 2Yr	33.1%
EBITDA	12.4%	Price Target	\$11.50	EPS Fwd 2Yr	—
Operating	4.6%	P/E	-22.5	EPS LT Growth Est	—
Pre-Tax	-23.3%	PEG	—		
Net	-26.4%	EV/Sales	3.0	Dividends	
FCF	4.2%	EV/EBITDA	27.7	Yield	—
Returns (5Yr Avg)		P/FCF	50.0	Payout	—
				DPS	—
ROA	—	Financial Health		DPS Growth 3Yr	—
ROTA	—	Cash	\$32.06M	DPS Growth 5Yr	—
ROE	—	Net Debt	\$38.46M	DPS Growth 10Yr	—
ROCE	—	Debt/Equity	0.5	DPS Growth Fwd 2Yr	—
ROIC	—	EBIT/Interest	0.9		

The Business

Industry Development Outlook

Impact of tariffs and other trends are difficult to predict, however given the infrastructure needs on the U.S. side and the announced investment programs, including for the modernization of U.S. airports, we continue to see the markets served by ADF in a favorable manner. Slowing inflation rates in Canada and the U.S., as well as lower interest rates, should also encourage investment south and north of the border, providing opportunities for our Corporation.

Corporate Developments Comments

On September 9, 2024 the company announced a series of new orders totalling \$55M expected to be completed over the next 8 months. This is in addition to the current backlog of \$402M as at July 31, 2024.

Other Comments

On December 12, 2025 the company announced a share buy-back program (NCIB) of up to 1.77M shares. The company paid a semi-annual dividend of \$.02/share on October 17, 2024 (this was in addition to the dividend of \$.01/share paid on May 15, 2024). On June 13, 2024 the company purchased for cancellation a total of 2,266,287 shares from principals of the company.

Notes:

ADF came to our attention through our KairosResearch screen in November of 2024.

The company, established in 1956, has a long history in performance in the sector and has continued to perform over the years.

More recently the company has seen revenue growth with accompanying growth in equity, cash and earnings.

Having said that, the company has chronically suffered from a lack of fair market value (on a earnings multiple to peers metric). It would appear the company, owned 30+% by family, is not fully engaged in promoting the undervalued nature of the company to the market and/or general shareholders.

The share buy-back program and dividend allocation (and arguably the stock purchase) are all signs of a financially strong corporate performance.

ADF GROUP (DRX:TSXV)



Performance Review:

Growing Revenues should trickle down into growing free cash flow, growing net income, growing equity and ultimately growing eps and forward P/E.

In the case of DRG the performance conditions exist while the current eps and forward p/e remain below comparable companies in this regard, indicating a value upside opportunity.

IR Comments: Q4 2024

The company is very conservative and chooses to maintain a significant financial cushion for operating flexibility. Having said that the lack of stock price relative to performance is perplexing and of concern to current institutional holders.

Analyst Comments

Analyst coverage from a lone analyst Nicholas Cortellucci of Atrium Research calls for a \$23 stock price target on a multiple of EPS and other financial metrics.

Conclusion: The Good/Bad/Ugly

This family run company has exhibited solid operational, financial and business development acumen over its history.

The large insider position held by the family and ultimate corporate control (as recently exhibited by the private share acquisition) can be known to raise flags for investors, but the corporate performance should speak for itself in generating a return on investment and thus more favorable valuation.

While the market changes on a daily basis, ADF has maintained a strong position in the fabrication sector and has continued to grow. With solid financials the short term risk to the company's performance (and thus valuation) is mitigated.

We expect to see this stock make up at least some portion of its latent valuation (3x current) at any time. Increased commitment to investor marketing could enable this change more quickly.