



THE INDICA BUZZ



February 2023

CANNABIS ECONOMICS:

The reality of price compression

Understanding cannabis market trends and economics is critical to any cannabis business owner. Generally, there is a negative correlation between supply and market prices – meaning, if supply > consumer demand, expect a price correction to occur.

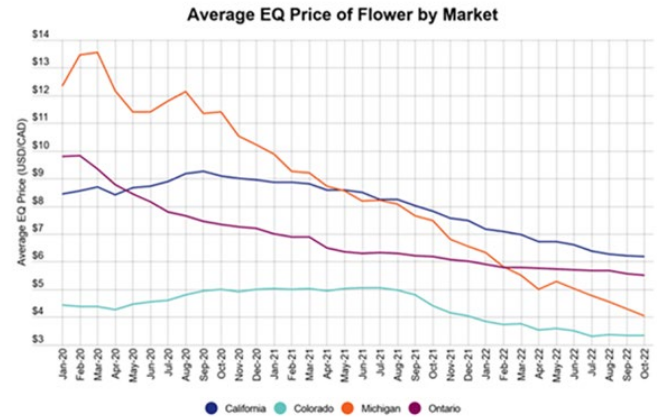
What we have seen in mature markets (CA, CO, OR, & MI) over the last few years is about a 40% decrease

(compression) in the average EQ price. The average EQ

price of flower (in grams) normalizes retail price differences in package sizes sold to consumers. Factors contributing to this price compression include oversaturation of supply, legalization in new states, easier consumer access, legacy competition, & uncapped licensing.

Key takeaways for emerging markets like Virginia & Maryland are:

- ✦ Avoid overly optimistic annual revenue forecasts.
- ✦ Anticipate a 50% drop in retail prices by year 3 or 4.
- ✦ Avoid oversupply by reducing the # of plants.
- ✦ Perform quarterly economic risk assessments.
- ✦ Have a best, expected, & worst-case financial scenario.
- ✦ Have an EXIT strategy planned for year 5.
- ✦ Consider consumer psychology & perception:
 - ✦ Place higher-priced products at the beginning of the shopping experience
 - ✦ Display prices on the top-left of price cards
 - ✦ List pricing tiers low-to-high
 - ✦ Consider minimizing marketing on lower-priced products



Source: Headset

The Difference between a Budget and a Forecast:

- ✦ A budget is generally completed once a year and is a company's realistic target or plan of what they want to achieve in the coming year.
- ✦ A budget variance analysis compares the budget against actual results to show if the company is doing better, worse, or right on target.
- ✦ A forecast can be done multiple times a year and is an estimate of what the company will most likely achieve.
- ✦ A forecast considers changes in the current market that may not have been known at the time the budget was formulated.
- ✦ A forecast can be a great indicator to CEOs if immediate action needs to be taken to influence the performance outcome.

Cash on Hand vs Cash Flow:

- ✦ Cash on hand is simply as it sounds: it is the cash that you have in the bank or vault at a specific point in time that is available to pay short-term liabilities.
- ✦ Cash Flow tracks the inflow/outflow of cash monthly. It helps CEOs create better financial strategies and helps with strategic planning.



UPCOMING EVENTS & DATES

02/02/23	Cannadelic Miami		Miami, FL	https://cannadelic.miami
02/04/23	Hawaii Cannabis Expo		Honolulu, HI	https://www.808hawaiicannabisexpo.com/
02/07/23	NCIA: South CA Industry Social		Los Angeles, CA	https://thecannabisindustry.org/event/southern-california-industry-social-2
02/08/23	Champs: East Coast		Las Vegas, NV	https://champstradeshows.com
02/13/23	CannaBizVA: Lobby Day	🕶️	Richmond, VA	https://www.cannabizva.org/event-details-registration/cannabizva-lobby-day-1
02/14/23	Cannatech Expo		Ft. Lauderdale, FL	https://www.cannatechexpo.com
02/15/23	NCIA: CO Cannabis Caucus		Denver, CO	https://thecannabisindustry.org/event/colorado-cannabis-caucus
02/16/23	National Cannabis Summit		Chicago, IL	https://www.bisnow.com/events/chicago/cannabis/national-cannabis-summit-in-chicago-7833
02/24/23	CannaCon: South Biloxi		Biloxi, MS	https://cannacon.org/south/cannacon-mississippi-2023
02/25/23	Cannapreneurs Summit	🕶️	Washington, DC	https://marchforequity.com
03/01/23	The Emerald Conference		San Diego, CA	https://theemeraldconference.com/
03/03/23	Alternative Products Expo		Ft. Lauderdale, FL	https://altproexpo.com/fort-lauderdale/
03/08/23	NCIA: Washington Industry Social		Seattle, WA	https://thecannabisindustry.org/event/washington-industry-social-2/
03/10/23	NECANN - New England Cannabis Convention	🕶️	Boston, MA	https://necann.com/boston/
03/24/23	Lucky Leaf Expo: Kansas City		Kansas City, MO	https://luckyleafexpo.com/kansas-city-2023/
03/25/23	XpoCanna Connecticut Cannabis Expo		Montville, CT	https://xpocann.com/event/connecticut-cannabis-expo/
03/29/23	NoCo Hemp Expo		Colorado Springs, CO	https://nocohempexpo.com/
03/30/23	NCIA Massachusetts Industry Social	🕶️	Boston, MA	https://thecannabisindustry.org/event/massachusetts-industry-social/
03/31/23	CannaCon South - OKC		OKC, OK	https://cannacon.org/south/cannacon-okc-2023/

🕶️ = See You There!

Dear INDICA:

What can I do to mitigate inflation or recession risk?

Sincerely, CEO

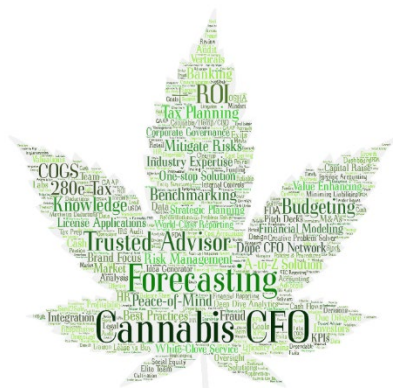
Dear CEO:

You can minimize the impact of inflation or a recession by:

1. Budgeting your cash flow – how much stress can your company endure?
2. Add new revenue streams.
3. AR Turnover ratio – focus on customers that take too long to pay.
4. Ask for flexible payment options or longer payable terms from creditors.
5. Eliminate or postpone non-critical expenses.
6. Scale back on marketing efforts that have little or no ROI.
7. Secure additional capital.
8. Stash away 3-6 months of emergency funds.

Stay Dope!

Next Month:
Raising Capital in the Cannabis Industry



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We are a VIP member of the Dope CFO Network, "the" premier cannabis accounting, tax, legal network in the US, with over 500 CPAs, attorneys, enrolled agents, bookkeepers, CFOs, MBAs, tax resolution experts, valuation experts and more!

We provide a full CFO/CPA, payroll, tax, bookkeeping, & more solution offering a complete white glove service from A to Z.

Our service includes rock solid accounting, improved cash flow, world-class financial reporting, lower taxes, value-enhancing ideas, & peace of mind.