

Canopy Growth Exercises Option to Acquire U.S. Cannabis Operator Acreage

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Toronto, ON, June 4, 2024 — Canadian cannabis giant Canopy Growth Corp. has exercised its option to acquire U.S. multistate operator Acreage Holdings, marking a significant move in its expansion into the American market. This acquisition, managed through Canopy USA, the company's U.S.-domiciled holding entity, is expected to close in the first half of 2025.

Deal Details and Financial Arrangements

In the acquisition, Canopy USA will purchase all of Acreage's fixed and floating shares. Additionally, Canopy Growth has agreed to acquire \$99.8 million of Acreage's outstanding debt in exchange for \$69.8 million in cash and the discharge of approximately \$30.1 million held in escrow. This arrangement is aimed at restructuring Acreage's financial obligations, given its default on debt payments and an accumulated deficit of \$775 million.

Despite its financial challenges, Acreage reported \$7.3 million in cash and total liabilities of \$365.2 million for the period ending March 31, according to Green Market Report.

Historical Context and Valuation Adjustments

The initial agreement to acquire Acreage, based in New York, was reached in April 2019, with a valuation of approximately \$3.4 billion. However, a 2020 amendment reduced this valuation to \$900 million, reflecting adjustments in market conditions and strategic realignments.

Canopy's Strategic Moves in the U.S.

The acquisition of Acreage is part of Canopy's broader strategy to expand its footprint in the United States. Earlier this month, Canopy exercised its options to acquire Colorado-based edibles company Wana Brands and California-based extracts business Jetty.

Canopy entered into agreements to acquire Wana for \$297.5 million and Jetty for at least \$69 million in 2021 and 2022, respectively. The valuation of the Wana transaction has since increased to \$350 million. These acquisitions were contingent on the federal legalization of marijuana in the U.S., which appears more imminent with recent moves to reschedule the drug.

Statements from Leadership

“The debt restructuring and option exercise to commence Canopy USA’s acquisition of the Company, combined with our operational restructuring and our focus on reduced costs, should enable us to reach our potential and we are especially excited about Acreage’s opportunities in Ohio, Pennsylvania, New York, and New Jersey,” said Acreage CEO Dennis Curran. These states represent key markets with legalized recreational cannabis sales, enhancing Acreage’s growth prospects.

“We’re excited to see this strategy advancing as more of Canopy USA’s priority markets come online for adult use across the Midwest and Northeast,” added Canopy Growth CEO David Klein. This acquisition strategy aligns with Canopy’s vision to establish a dominant presence in the burgeoning U.S. cannabis market.

Market Implications

The acquisition of Acreage Holdings and the concurrent strategic moves in the U.S. market position Canopy Growth as a formidable player in the North American cannabis industry. The focus on key states with established or emerging cannabis markets underscores Canopy’s commitment to leveraging growth opportunities and expanding its operational footprint.

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