

# Can Cannabis Companies Survive the Debt Avalanche?

## How the Cannabis Sector Is Grappling With a Debt Avalanche

### *Billions in Debt Looming Over the Cannabis Industry*

The U.S. cannabis sector is bracing for a financial reckoning, with more than \$6 billion in debt set to mature by the end of 2026. The bulk of this burden falls on a handful of the industry's biggest players: Curaleaf, Ayr Wellness, Trulieve, Cresco Labs, and Verano Holdings. Together, these top five borrowers account for \$3.4 billion, placing enormous pressure on their balance sheets and threatening to reshape the landscape of legal marijuana.

Industry analysts warn that without proactive debt management, the sector could face a wave of defaults that destabilizes an already challenged market. As lenders, investors, and operators seek solutions, the cannabis debt crisis is increasingly being described as a ticking "time bomb."

### **A Growing Industry With Persistent Capital Challenges**

Despite looming financial trouble, cannabis remains a major economic force. In 2024, the industry generated \$32 billion in revenue and supported over 400,000 jobs across the country. It also contributed \$4.4 billion in taxes to states where marijuana is legal, underscoring its economic importance.

But the financial architecture of the industry has long been fragile. Because marijuana remains federally illegal, cannabis companies lack access to traditional banking and capital markets. This has forced them to rely heavily on debt financing, often at steep interest rates. Now, with many of those obligations coming due, operators must find ways to restructure or refinance before maturities arrive.

### **The Debt Time Bomb: Companies Under Pressure**

For some of the industry's biggest multistate operators (MSOs), the challenge is urgent. Verano Holdings, for example, carries \$403 million in debt, with \$350 million due in October 2026. The company burned \$19 million in cash during the first half of this year, making it vulnerable if it cannot secure favorable refinancing terms.

During a recent earnings call, Verano's Chief Financial Officer, Rich Tarapchak, emphasized that the company is already in proactive negotiations with lenders to refinance before the looming maturity date. He said management is focused on debt reduction, cost controls, and balance sheet strength to prepare for the challenges ahead.

Bob Finley, a partner at CFO consulting firm FLG Partners, said that early action is essential. “There is a mutual advantage for borrowers and lenders to come to a rational solution instead of letting the debt time bomb go off. In that situation, both parties lose,” he explained.

## **Diverging Strategies: Refinancing Versus Restructuring**

Some cannabis companies have already taken steps to manage their debt burdens. Cresco Labs, one of the sector’s largest operators, successfully refinanced \$360 million in debt earlier this month. The company replaced it with a \$325 million senior secured term loan maturing in 2030, giving Cresco an additional five years of breathing room.

Cresco CEO Charlie Bachtell called the deal “another milestone in our disciplined approach to capital management,” noting that it strengthened the company’s balance sheet and eliminated near-term refinancing risks. By pushing out maturities, Cresco is positioning itself to continue investing in growth rather than scrambling to meet debt deadlines.

Other MSOs, however, are taking more drastic measures. Ayr Wellness, weighed down by \$368 million in debt due in 2026, announced in July that it would wind down operations after reaching a restructuring agreement with lenders. The plan involves selling off licenses in eight states and shutting down the bulk of its retail network, including 97 stores.

Anthony Coniglio, CEO of cannabis-focused real estate investment trust NewLake Capital Partners, said Ayr’s example highlights the importance of demonstrating cash flow strength to investors. “If you can’t convince them that you’ll be able to pay them back or refi them out, you’re very limited in what you can do to stave off foreclosure,” he said.

## **Investors Seek Confidence in Cash Flow**

One of the key challenges for cannabis operators is restoring confidence among investors. With federal reform stalled and market oversaturation in several states, many MSOs are struggling to show sustainable profitability. Coniglio noted that lenders are more willing to provide financing to companies that can prove their cash burn is under control.

This dynamic is creating a split in the industry: well-capitalized companies like Cresco, which have the ability to refinance on more favorable terms, are strengthening their market positions. Meanwhile, weaker operators, such as Ayr Wellness, are being forced into asset sales or complete wind-downs.

## **The Road Ahead for Cannabis Debt Management**

As 2026 draws closer, the cannabis industry will face intense scrutiny from both investors and regulators. Debt restructuring will be critical for survival, but it will also be costly, requiring significant legal expertise and strategic financial planning.

Finley emphasized that success will depend on early action and experienced advisers. Companies that delay negotiations may find themselves without viable options, increasing the risk of default. Those that act now, however, could emerge stronger, with leaner balance sheets and renewed investor confidence.

While the \$6 billion debt avalanche represents one of the biggest financial tests in cannabis history, it may also serve as a turning point. Companies that navigate the storm successfully could reshape the sector, setting new standards for fiscal discipline in an industry long constrained by federal prohibition.

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