Research Note

Rubicon Organics – Needs More Time for Ramp Up; Shifting Focus to 2027

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Rating	Target Price
BUY	**$1.00**
Unchanged	*Unchanged*

November 16, 2026

Disseminated on Behalf of Rubicon Organics Inc.

All figures in CAD unless otherwise stated

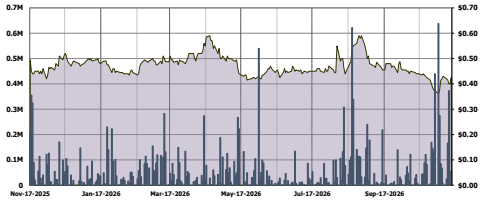
Rubicon Organics Inc.	ROMJ:TSXV
Rating	BUY
Target Price	$1.00
Return to Target	174%

Market Data	
Share Price	$0.365
Average Daily TSXV Volume (K)	169.1
FD ITM Shares (M)	81.1
Market Cap ($M)	$29.6
PF Cash & Marketable Securities ($M)	$7.2
Debt ($M)	$15.3
Enterprise Value ($M)	$37.7

FYE Dec 31	2025A	2026E	2027E
Revenue ($M)	$59.5	$69.1	$86.0
Gross Margin (%)	33%	28%	37%
Adj. EBITDA ($M)	$5.0	$3.5	$11.1
Adj. EBITDA Margin (%)	8%	5%	13%
Net Income ($M)	$1.1	($1.5)	$8.5
EPS (Basic)	$0.02	($0.02)	$0.13
FCFF ($M)	($11.5)	$0.5	$0.8

Valuation	2025A	2026E	2027E
EV/EBITDA	7.5x	10.8x	3.4x
EV/Sales	0.6x	0.5x	0.4x
P/E	N/A	N/A	3.5x

Please refer to the applicable disclosures on the back page
Source: Atrium Research, CapitalIQ, Company Documents



Rubicon Organics is a Canadian leader in premium, certified organic cannabis. With a vertically integrated model and strong national distribution, the company is scaling a house of trusted, high-performing brands including Simply Bare™ Organics, 1964 Supply Co.™, Wildflower™, and Homestead Cannabis Supply™.

What you need to know:

- ROMJ reported Q3 revenue of $18.3M (+17% YoY), and adjusted EBITDA of $1.4M came in below our estimates of $20.2M and $1.7M, respectively. This miss was due to the Cascadia ramp up being six months behind schedule.
- Gross margin declined to 27.5% from 33.7% in Q3/25, weighed down by the costs of scaling the platform.
- Cascadia contributed $2.3M of revenue in its first full quarter of sales, with management confident in reaching targeted yields at the facility by year-end.

This morning, Rubicon Organics Inc. (ROMJ:TSXV, ROMJF:OTCQX) reported its Q3 financials, which were lower than our estimates due to the Cascadia ramp up taking longer than expected. Management remains bullish on 2027, where the effects of its expansion and optimization efforts will be seen. Recently, CEO Margaret Brodie presented at Planet Microcap; watch the replay here. **We are maintaining our BUY rating and $1.00/share target price on ROMJ.**

Q3 Financial Highlights

- Revenue came in at $18.3M (+17% YoY), below our estimate of $20.2M and CapitalIQ consensus of $20.3M. Product sales were $23.1M (+16% YoY), driven by Pacifica's yields increasing 16% YTD.
- Cascadia generated ~$2.3M of revenue in its first full quarter of contribution, or 12% of sales, up from 2% in Q2. Management stated that ramping Cascadia to optimal performance has taken longer than anticipated, but results from recent crops reinforced their view that it can achieve target yields by year-end.
- ROMJ secured a top 10 market share position in Canada in Q3, while maintaining its position as #1 premium LP.
- International markets represented 12% of Q3 net revenue as the program continued to ramp, with sales to the UK, Germany, and Australia.
- Gross margin for the quarter was 27.5%, below our estimate of 36.0% and 29.5% in Q2. The lower margins were due to the costs of scaling its platform as well as a changing mix (more low-margin international sales).
- Adj. EBITDA was $1.4M (8% margin) vs. our $1.7M, CapitalIQ consensus estimate of $2.1M, and $1.7M in Q3/25. Adj. EBITDA increased 27% QoQ even though Cascadia start-up costs were included for the first time ($1.3M). Operating expenses decreased 28% QoQ.
- Rubicon reported a net loss of $0.1M compared to net income of $2.8M in Q3/25 (included a $2.8M fair value gain) and our estimate of $1.2M.
- Operating cash flow was $3.8M, as A/P increased $3.0M QoQ.
- Rubicon ended Q3 with $4.2M cash and $15.3M debt (down $0.3M QoQ). PF cash is $7.2M if we include the $3.0M private placement that closed in October.

	Q3/26A	Atrium Est.	YoY
Revenue ($M)	**$18.3**	$20.2	+17%
Gross Margin (%)	**27.5%**	36.0%	-619 bps
Adj. EBITDA ($M)	**$1.4**	$1.7	-18%
EBITDA Margin (%)	**8%**	9%	-328 bps
Net Income ($M)	**($0.1)**	$1.2	N/A

Figure 1: Q3 Financials Summary

Outlook

Management stated that its focus going forward is translating the expanded platform into its financial results. The team believes ROMJ is making progress on initiatives to improve capacity, efficiency, and financial performance. Capacity increases are scheduled for 2027 from the new lighting solutions, pre-roll automation (installed August 2026), and hydrocarbon extraction moving in-house (ramp up in H1/27,

margin benefits realized in H2/27). Two compartments are now growing under the upgrading lighting at Pacifica, with more to be installed by the end of 2026. Cascadia is approximately six months behind schedule, but ROMJ remains confident in its production potential, supported by recent yields. Management expects to reach capacity of 20,000kg by mid-2027. ROMJ now has four international agreements signed, expanding its pipeline and building its brand reputation overseas. As for margins, ROMJ expects international gross margins to improve as sales volumes increase while it plans to optimize the domestic product portfolio to improve profitability. Management has framed 2027 as the year when all of its improvements should bear fruit.

	Rubicon's Share (%)			Total Market ($000's)		
	Q3/26	Q3/25	Variance	Q3/26	Q3/25	Variance
All Price Tiers						
Flower	**1.8%**	1.8%	—	**460,029**	497,351	-7.5%
Pre-rolls	**3.2%**	3.0%	+0.2%	**398,557**	372,800	+6.9%
Vapes	**1.3%**	1.3%	—	**285,493**	253,369	+12.7%
Concentrates	**5.3%**	5.6%	-0.3%	**71,520**	71,038	+0.7%
Topicals	**31.4%**	26.1%	+5.3%	**4,764**	5,423	-12.2%
Premium Price Tier						
All Categories	**6.6%**	6.7%	-0.1%	**201,959**	200,685	+0.6%
Flower	**9.0%**	9.2%	-0.2%	**78,275**	83,310	-6.0%
Pre-rolls	**5.2%**	3.2%	+2.0%	**65,366**	55,040	+18.8%
Vapes	**6.5%**	7.8%	-1.3%	**17,112**	21,001	-18.5%

Figure 2: Market Share Data (Source: Hifyre)

Our Take

While Q3 came in below our expectations, we view the miss as largely a timing issue. Revenue grew 17% YoY and Adj. EBITDA margins increased from 6% in Q2 to 8% in Q3, absorbing $1.3M of Cascadia start-up costs. That said, execution now needs to catch up with the expanded platform. Cascadia is running roughly six months behind schedule, and gross margin compressed to 27.5% from 29.5% in Q2 on scaling costs and a heavier mix of lower-margin international sales. The key items we will be watching are Cascadia reaching target yields by year-end and international margins improving as volumes scale. Overall, we believe the building blocks for 2027 are in place, with added capacity from Cascadia, upgraded lighting at Pacifica, pre-roll automation, and in-house hydrocarbon extraction all set to contribute.

We encourage investors to look past Q4/26 (improvements still in progress, decreasing estimates) and Q1/27 (seasonally weaker), before results inflect in Q2/27. Our 2027E revenue estimate remains largely unchanged, while we model slightly lower gross margins to remain conservative. Our target price remains unchanged based on 7x 2027E EBITDA of $11.1M.

Conference Call Takeaways

- Cascadia has mostly a fixed cost basis. Expects margin and cashflow improvements in 2027.
- Lighting is one of the most important items for increasing yield. Cascadia is seeing yield improvements from lighting as well. Over 40% gross margin targeted for Cascadia.
- Hydrocarbon extraction will increase margins on vapes materially in H2. >$2M in annual savings from hydrocarbon extraction on 2026 volume.
- 3-6 months to see these improvements in financials.
- Key themes for 2027: More volume, lower costs per unit, and better product mix.
- Aiming for >15% of revenue from international markets in 2027.
- Minimal incremental cost on genetics facility (previously contracted out).
- 5-6 international contracts in 2027. Looking at Israel, Poland, France.

Organigram to Acquire Aurora Cannabis

On November 3rd, Organigram Global (OGI:TSX, OGI:NASDAQ) announced a definitive agreement to acquire Aurora Cannabis (ACB:TSX, ACB:NASDAQ) for C$7.80/share, which values Aurora at ~C$561M on a fully diluted equity basis. The offer represents a 93% premium to Aurora's unaffected share price on August 10th, and a 21% premium to the implied value of Curaleaf's hostile bid, which Aurora's board unanimously rejected in favour of this transaction. The cash portion is fully financed through a C$187.5M private placement from BAT (Organigram's strategic shareholder) at C$1.33/share, alongside an expanded ATB credit facility of up to $210M.

The offer implies an enterprise value of ~$435M, or 21.2x/13.3x FY27E/FY28E EBITDA. Applying the 13.3x multiple to our 2027E EBITDA of $11.1M would value ROMJ at $1.75/share compared to our $1.00/share target price, which is based on 7x.

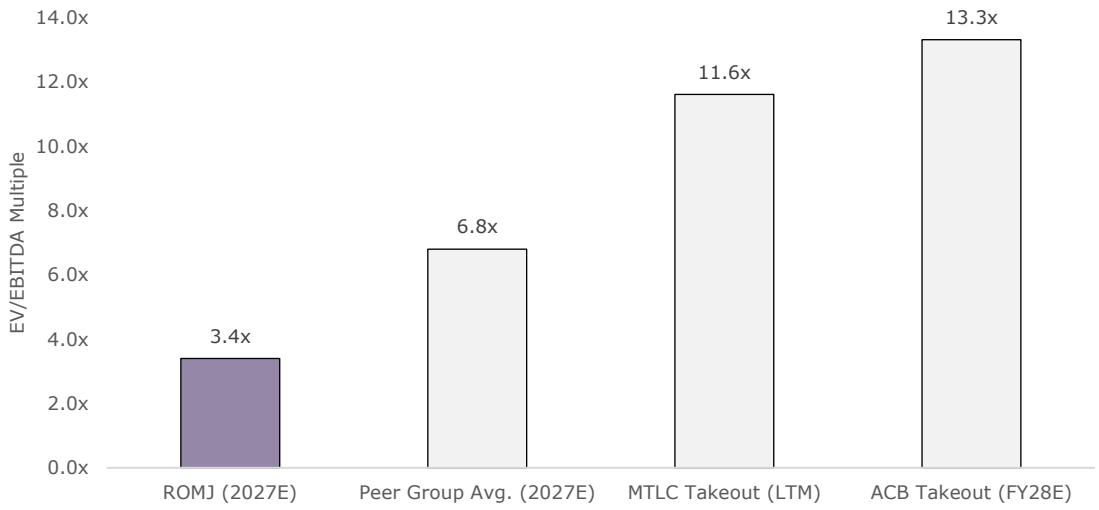


Figure 3: EV/EBITDA Valuation Comparison

Launch of Dedicated Genetics Facility

Last week, Rubicon announced the launch of Arbora, a dedicated genetics facility in Squamish, British Columbia. The leased site has received its Health Canada cultivation licence and will house the preservation, propagation and development of Rubicon's library of over 500 cultivars. The facility follows the recent launch of Caviar Z under the Simply Bare Organics brand, the Company's first internally bred genetic to reach market. Genetics are one of the key differentiators in the premium segment, and giving the library its own home should help Rubicon bring new proprietary strains to market more consistently while protecting its existing cultivars.

Canada's Budget 2026 Proposes a Common Excise Stamp

On November 5th, the federal government's 2026 budget proposed a common cannabis excise stamp for all provinces and territories with the same tax rate, including British Columbia, Quebec and Atlantic Canada. The change cuts the number of unique stamps from 13 to six. Ontario, Alberta, Saskatchewan and Nunavut can opt in by January 31st, 2027, and the stamp becomes available on January 1st, 2028. Duty-paid product will still largely be unable to move between provinces, and the $1/gram excise duty is unchanged. In our view, it is a modest operational positive for Rubicon, since it simplifies packaging across British Columbia and the other participating provinces; however, the benefits are still years away.

Why We Like ROMJ

- Rubicon is a leading producer of premium certified organic cannabis in Canada, holding top market share in multiple categories and growing revenue at 44% CAGR since 2020 while maintaining profitability since 2022.
- The newly acquired Cascadia facility will increase production capacity by 40%, positioning the Company for accelerated growth and improved economies of scale in 2027.
- ROMJ has a seasoned management team with backgrounds in cannabis, CPG, and finance, led by CEO Margaret Brodie and former Aurora Cannabis CFO Glen Ibbott, underpinning disciplined execution and sustainable growth.
- With forecasted 13% adjusted EBITDA margins in 2027E, Rubicon trades at just 3.4x 2027E EBITDA, a discount to peers and the historical valuations of LPs.

Catalysts

- Quarterly Financial Results – Ongoing
- Cascadia Sales Ramp – 2027
- International Shipments – Ongoing

Tear Sheet

Market Data	
Ticker	ROMJ:TSXV
Stock Price	$0.365
Rating	BUY
Target Price	$1.00
Upside	174%
Market Cap ($M)	$29.6
Cash ($M)	$7.2
Debt ($M)	$15.3
EV ($M)	$37.7

Capital Structure	
Basic Shares Outstanding (M)	75.6
Warrants (M)	5.3
Options (M)	1.5
FD Shares (M)	82.4
FD ITM Shares (M)	81.1

Ownership	
Jesse McConnell (Founder)	17%
Eric Savics	13%
Management & Board	8%

Financial Estimates	2024A	Q1/25A	Q2/25A	Q3/25A	Q4/25A	2025A	Q1/26A	Q2/26A	Q3/26A	Q4/26E	2026E	2027E
Revenue ($M)	**48.7**	**12.4**	**15.0**	**15.6**	**16.5**	**59.5**	**13.7**	**18.5**	**18.3**	**18.7**	**69.1**	**86.0**
% YoY	*21%*	*39%*	*24%*	*16%*	*16%*	*22%*	*11%*	*23%*	*17%*	*13%*	*16%*	*25%*
Gross Profit ($M)	**15.3**	**3.8**	**5.1**	**5.3**	**5.3**	**19.5**	**2.7**	**5.4**	**5.0**	**6.2**	**19.4**	**32.2**
Gross Margin	*31%*	*31%*	*34%*	*34%*	*32%*	*33%*	*20%*	*29%*	*27%*	*33%*	*28%*	*37%*
Adj. EBITDA ($M)	**4.0**	**0.7**	**1.4**	**1.7**	**1.2**	**5.0**	**(0.6)**	**1.1**	**1.4**	**1.5**	**3.5**	**11.1**
Adj. EBITDA Margin	*8%*	*6%*	*9%*	*11%*	*7%*	*8%*	*-4%*	*6%*	*8%*	*8%*	*5%*	*13%*
Net Income ($M)	(2.6)	(0.3)	0.8	2.8	(2.2)	1.1	(2.8)	0.4	(0.1)	0.9	(1.5)	8.5
EPS (Basic)	(0.04)	(0.01)	0.01	0.04	(0.03)	0.02	(0.04)	0.01	0.00	0.01	(0.02)	0.13
FCFF ($M)	1.9	(1.7)	(4.3)	(0.2)	(5.2)	(11.5)	(0.2)	(2.1)	1.9	0.8	0.5	0.8

Figure 4: Tear Sheet

Estimate Revisions

	Q4/26E		2026E		2027E	
	New	Previous	New	Previous	New	Previous
Revenue ($M)	**$18.7**	$21.4	**$69.1**	$73.8	**$86.0**	$86.5
Gross Margin (%)	**33.0%**	38.0%	**28.0%**	32.0%	**37.4%**	39.4%
Adj. EBITDA ($M)	**$1.5**	$2.5	**$3.5**	$4.7	**$11.1**	$12.0
Net Income ($M)	**$0.9**	$1.9	**($1.5)**	$0.8	**$8.5**	$9.1

Figure 5: Estimate Revisions

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