cannin
YOUR CANNABIS INVESTMENT RESOURCE

Q4 2019

the cannin report

Your Cannabis investment resource.

table of contents

Cannin Report Q4 2019: Cannabis Real Estate Holding Companies

Welcome to Cannabis Investing in 2019!

It's crazy out there, we know. This is why we've compiled hundreds of hours of research into this quarterly publication; to help you discern "fool's gold" from the genuine article.

In the following report, you'll find deep-dive analyses of 12 of the largest real estate and holdings companies specializing in cannabis growth and cultivation. We also included in the introduction some information on using pesticides in cannabis cultivation and its possible effects. We believe this is important in order to understand deeper on how you can have a better grow.

Our team of industry experts and market analysts have made this report so that it's easy to read, easy to understand, and easy to digest. We want to be sure you'll have all the information you need to make the most profitable investments this calendar year.

We'd also like to take this opportunity to thank everyone for the support this entire year. It has been a great year in the cannabis industry and we're looking forward to more success in the future.

Thanks for purchasing, happy reading, and stay tuned for the next Cannin Reports on the upcoming year. We hope you'll continue to support us as we work hard in keeping you up to date with this fast-growing CBD industry.

Happy trading.

Stephen Goldman William C Goodin

Stephen Goldman & William Goodin
Founders, Cannin.com

Pesticide Use in Cannabis Cultivation

"Pesticides" is an ugly word with (usually) a negative connotation, and the last thing we want to do is to be ingesting them through cannabis use. But just like any other plant, cannabis is susceptible to the insects and diseases that pesticides fight against. We don't want to be ingesting spider mites and fungus, either.

Every other agricultural product has certain pesticides that are made specifically for them, and they are relatively safe if used correctly by following the instructions. But what about cannabis? Are there specific pesticides made for the growing industry that has been projected to produce almost $132 billion in tax revenue and 1 million jobs?

Unfortunately, the answer to that question is no. There is no special pesticide made explicitly for cannabis due to disparities between state and federal laws. This means that there are no approved pesticides for cannabis, and that has left the growers with no choice but to take matters into their own hands using methods and pesticides that are intended for other uses.

On the bright side, the cannabis industry has noticed this informal use of pesticides and, as a result, safer methods are being examined and spread throughout agricultural commerce. In places like California and Colorado, where recreational marijuana use has been legalized, lists of safer forms of pesticides have been produced. In these places, biological methods such as the use of citric acid, sulfur, and bio-pesticides, have replaced chemically dependent pesticides. These methods use microorganisms and natural chemicals to fight against insects, pests, and fungi.

According to Marrone Bio Innovations, not only are these naturally produced pesticides usable for every type of crop out there, they are safer for the environment, safer for human health, and safer for the crops they are used on. This discovery of bio-pesticide use could completely replace the old chemical way of doing things. This means that the cannabis industry has not only grown exponentially, it has also had a positive effect on other agricultural fields that could lead to higher crop yields and safer consumption.

Before bio-pesticides became the more commonly used pesticides in cannabis cultivation, chemical pesticides and herbicides were raising health concerns. To top that off, many of the pesticides being used were unauthorized because there were no guidelines or approved pesticides for what was/is considered an illicit crop by the federal government. Unauthorized in this case means industrial strength chemicals that, in some cases, are banned. Fortunately, in states that cannabis has been legalized, officials have drafted rules on safe pesticides for the crop. Regulating pesticide use has been and continues to be a struggle for cannabis companies because of the federal laws governing the topic, however, because it is still considered an illicit crop, finding safe pesticides can be an expensive endeavor and regulations can only be put in place if the studies and research needed can be done. It is an uphill battle for cannabis companies who, until recently, have not had to worry about widespread fungus and spider mites in the much larger operations that have been developed.

Why is Revenue Generation Important for Publicly Traded Companies?

Publicly traded companies have performance indicators that investors base investment decisions on. Revenue, and the continuance of further revenue generation, is one of the most important indications of a successful company that investors focus on in earnings releases and gather peace of mind from. The importance of revenue generation is that it shows if a company's performance has stagnated from previous quarters with previous quarter comparisons, quarter-over-quarter comparisons, and year-over-year comparisons. A company's revenue generation is also widely tied to the demand for its product or services and their ability to market them correctly. Lastly, if a company can't generate enough revenue for consistent profits, then it will not effectively scale to capture more and more of its market space as time passes.

The net income of a publicly traded company is garnered through its revenue and is then utilized to determine the Earnings Per Share (EPS). An earnings release and EPS of a company that shows an increase in revenue and profits heavily influence the value of the stock as it indicates the company's ability to continue revenue growth and generate a profit. Investors tune in to earnings releases quarterly to find out how the company fared in revenue generation and find out the new EPS numbers. If a company has significantly higher earnings than predicted it will promote vigorous interest by outside investors who decide to invest due to the indication that profits will continue company growth and further continue increased revenue generation.

When a company is required to release its financial earnings quarterly, all of its finances are revealed to the public. These earnings releases are what current and potential investors will use to dictate if they should increase their current position with the company or to close their position with the company in fear of further losses. The line between if a company has demand for its product and the ability to continue sales and revenue growth will be very apparent with comparisons to previous quarters within the same year. If a company shows a decline in revenue generation with missed earnings predictions through three straight quarters, then it will be taken by investors as a sign that the company's lack of stellar revenue generation will not waver.

A company's ability to generate a larger revenue and continual profit within the market space that it occupies weighs greatly on the company's performance in the next quarter. There is a compounding effect if a company misses one or more quarters in a row and continues to not generate enough revenue to make a profit. A company will have significantly less cash on hand to expand and capture a larger percentage of its market from its competitors or first-time buyers in new regions if it fails to generate enough revenue. If a company doesn't generate a profit and has tapped out of its cash reserves, then it will have to get financed for a debt facility that comes with repayments and interest which will most likely further take away from its quarterly profits. The debt facility, or credit loan, would serve the company as a way to continue routine operations, scale the company up into new regions, expand marketing for its services or products, and swing the company back into the black with further revenue generation.

Revenue generation is highly important for companies as it is required to ease current investors, attract new investors, scale the business up, and maintain cash flow. It is not only important for companies to generate consistent amounts of revenue; they also need to generate more revenue after every quarter to demonstrate effective growth. Investors will take notice of a quarterly increase to revenue generation and determine if a company can continue to lead itself into a higher position within its market or further cement itself as a market leader.

Making money in cannabis is as easy as signing up.

cannin

YOUR CANNABIS INVESTMENT RESOURCE

Get a Suite of Four Premium Investor Offerings Enabling You to Profit.

$149/month standard pricing

Only $99/month for a limited time!

With an estimated worth of **$130 Billion** in the next decade,
now is the time to invest in cannabis.

leverage our expertise.

Our market analysts and industry experts have
over 20 years of collective expertise in both the stock market and the cannabis industry.

cannin

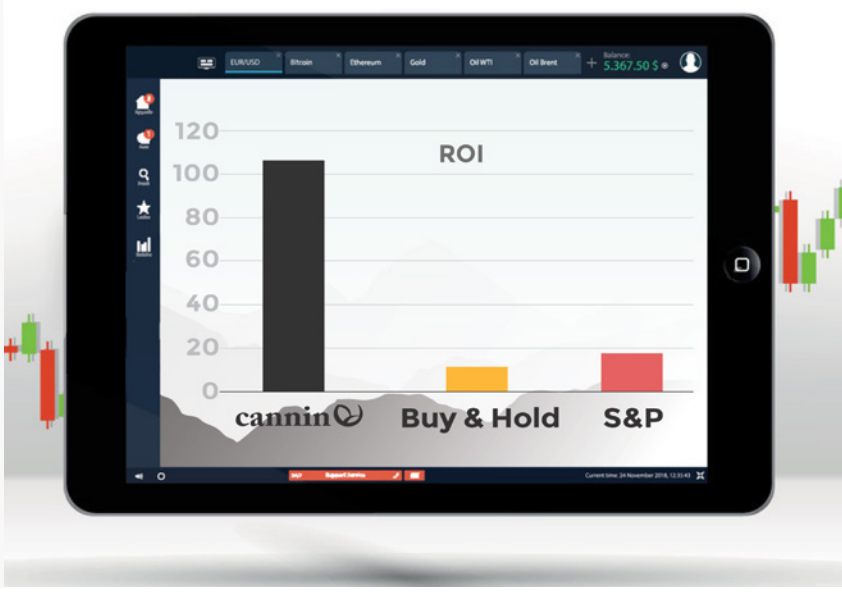
"Cannin's Automated Trading Platform has delivered above and beyond my expectations. They have completely taken the guesswork out of trading - which is great with my busy schedule. In the last two years, my portfolio has grown over **93%** Thank you, Cannin!"
- Dr. Bill Bragg, Charleston West Virginia.

1. automated trading

Take the guesswork our of trading. Our Model Portfolio has outperformed S&P and buy-and-hold strategies over the last 8 years.

Sign up today and Cannin's models will send you a timely alert when it's time to make a trade.

Learn More

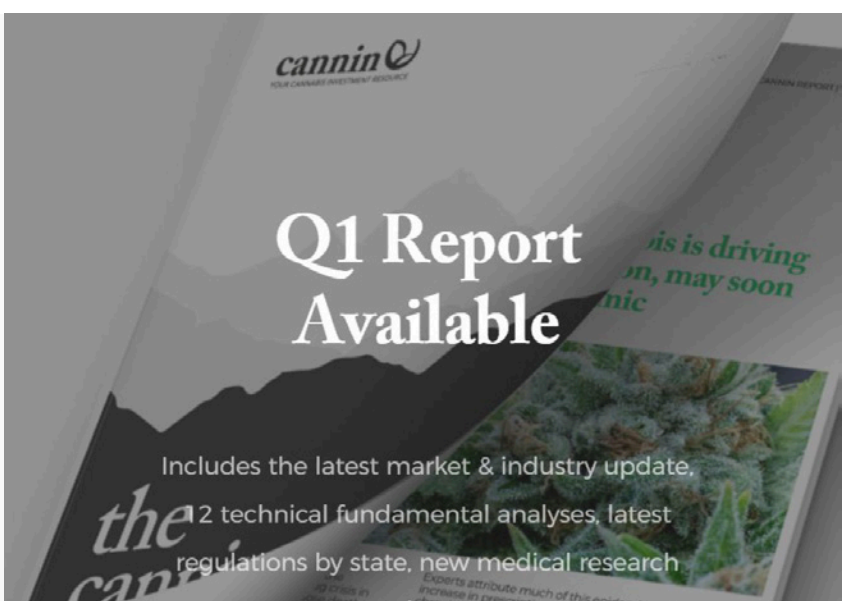


2. detailed fundamental analysis reports

Get exclusive access to our fundamental analysis reports of the top cannabis companies every quarter. Stay informed on the latest and greatest investment opportunities in the cannabis industry.

A $99 value

Learn More

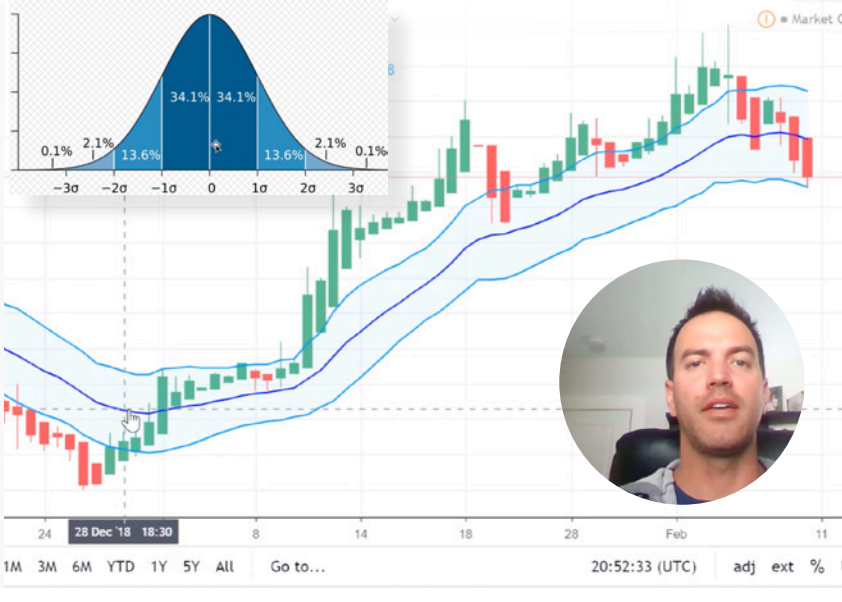


3. technical analysis videos

Get exclusive access to technical analysis videos to learn how to make smart tradesusing a variety of technical indicators.

See why trading successfully is so fun.
A $39/ month value.

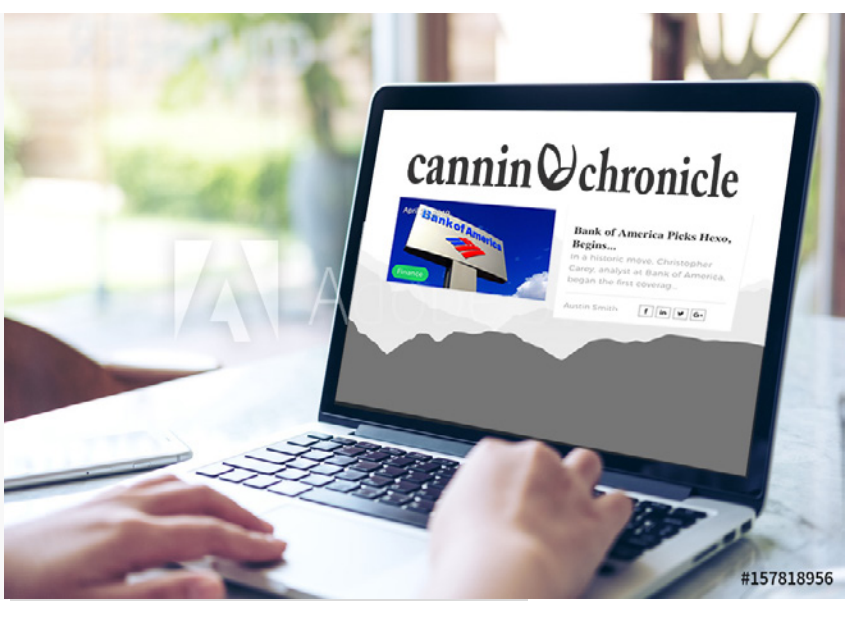
Learn More



4. cannin chronicle

Stay informed. Receive a free cannabis stock tip and fundamental analysis in your inbox every week.

Learn More



Your Subscriptions Gets You A Suite of **Four** Premium Investor Offerings Enabling You to Profit.

$149/month standard pricing

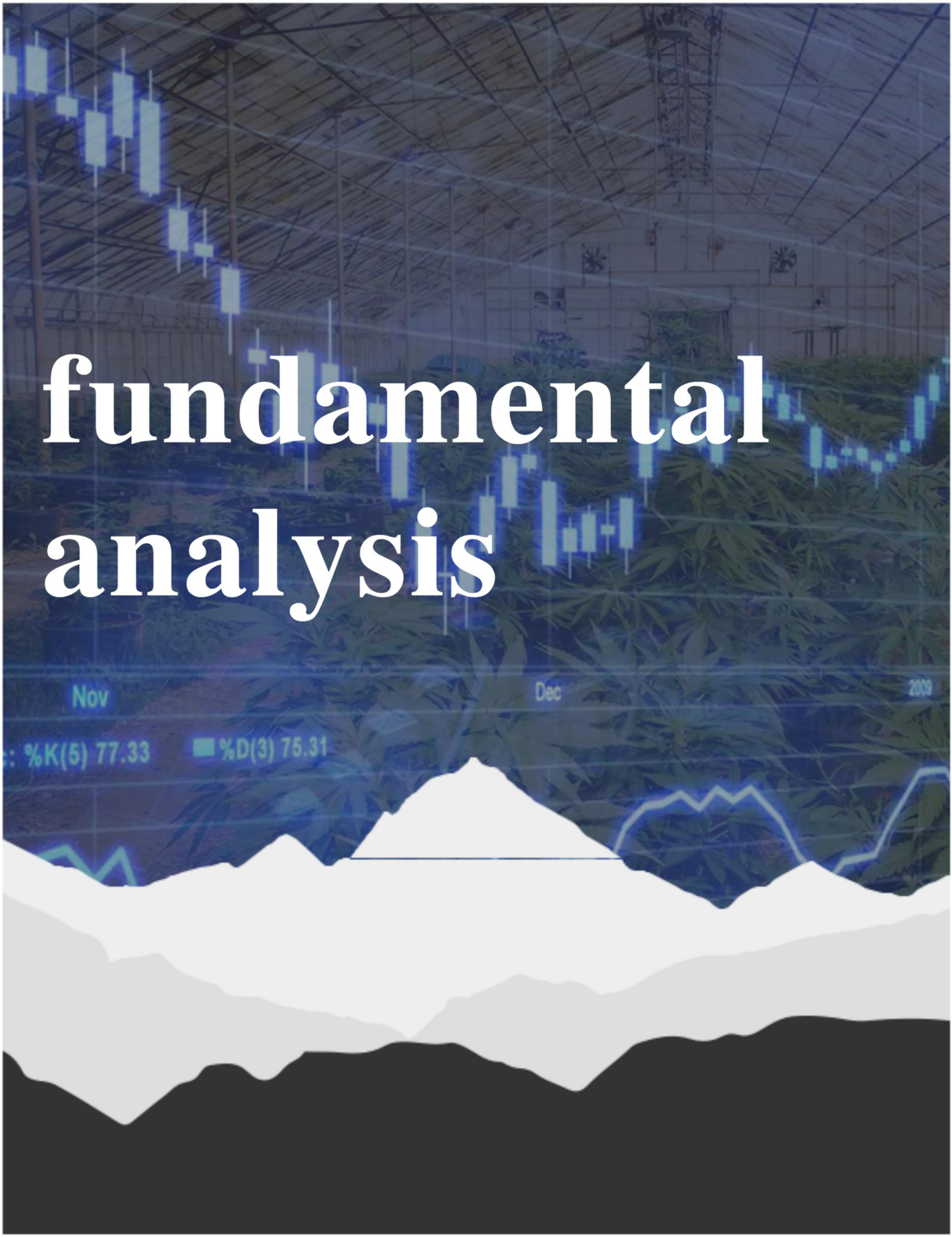
Only $99/month for a limited time!

With an estimated worth of **$130 Billion** in the next decade,
now is the time to invest in cannabis.

cannin

Risk of Prosecution for Marijuana-Related Companies. If you are considering investing in a company that is connected to the marijuana industry, be aware that marijuana-related companies may be at risk of federal, and perhaps state, criminal prosecution. The Department of Treasury recently issued guidance noting: "[T]he Controlled Substances Act ("CSA") makes it illegal under federal law to manufacture, distribute, or dispense marijuana. Many states impose and enforce similar prohibitions. Notwithstanding the federal ban, as of the date of this guidance, 20 states and the District of Columbia have legalized certain marijuana-related activity."

fundamental analysis



A Short Explanation on How Cannin Evaluates Cannabis Companies

Prior to investing in any stock, it's important to do your homework. Fundamental analyses and technical analyses are essential to any stock evaluation and should be done with care. Cannin is here to help.

The following is how Cannin performs fundamental evaluations for our users. For Technical analyses by Cannin experts, please consult our Cannin Chronicle, Cannin Investment YouTube Channel, and the Cannin website to perform guided technical analyses of your own.

Cannin uses a simple Green/ Yellow/ Red Rating system. Green means strong, yellow means neutral and red means weak. In this manner you can quickly see a company's strengths and weaknesses. Cannin performs these analyses based on these ten main categories:

1. Business Focus
2. Size
3. Markets
4. Operations
5. Financials
6. Management
7. Branding
8. Valuation
9. Risks
10. Overall Recommendation

Look for Cannin featured companies as well as stock analysis on Cannin's blog and chronicle pieces at cannin.com!

Risks Disclosures

If you are considering investing in a company that is connected to the marijuana industry, be aware that marijuana-related companies may be at risk of federal, and perhaps state, criminal prosecution. The Department of Treasury recently issued guidance noting: "[T]he Controlled Substances Act ("CSA") makes it illegal under federal law to manufacture, distribute, or dispense marijuana. Many states impose and enforce similar prohibitions. Notwithstanding the federal ban, as of the date of this guidance, 20 states and the District of Columbia have legalized the certain marijuana-related activity."

Fundamental Analysis Sections


curaleaf


MJARDIN
GROUP


GTI


HARVEST


MedMen


INNOVATIVE
Industrial Properties


KUSHCO
HOLDINGS


CRESCO
LABS


Trulieve


TILT


CSE:PLTH
planet 13
HOLDINGS INC.


Acreage
HOLDINGS

CuraLeaf Holdings Inc.

Fundamentals

Profile:
HQ: Wakefield, MA USA
Incorporated: 2010
Facilities: Arizona, Florida, Connecticut, Maine, Maryland, Massachusetts, Nevada, New Jersey, New York, Oregon, Penn.
Symbol: CURLF (OTC), CURA (CN)

Focus: Strong
CuraLeaf operates and owns 14 cultivation sites, 50 dispensaries and 13 processing sites with a focus on highly populated, limited license states, including Florida, Massachusetts, New Jersey, and New York. CuraLeaf leverages its extensive research and development capabilities to distribute cannabis products in multiple formats. They are focused on patient education, physician engagement and community outreach to build a national retail brand.

Size:
Market Cap: US $ 2.84 bil
Enterprise Value: US $2.94 bil

Markets: Neutral
Primary: Operations in twelve states (Arizona, Florida, Maine, Maryland, Massachusetts, Nevada, New Jersey, New York, Ohio, Oregon and Pennsylvania)
Secondary: Approvals growing

Subsidiaries:
Majority: Acres Cannabis, Eureka Investment Partners, Glendale Green House, HMS Health LLC, PalliaTech MD Processing, GX3 LLC, Spark Dispensary, Alternative Therapies Group, Las Vegas Natural Caregivers LLC, GGM LLC, CuraLeaf Midtown, Hytotherapeutics Management Services, CuraLeaf, Thunderbird III Partners, PT Nevada, Inc, PalliaTech AZ
Minority: Groen Investment Group

Operations: Neutral
Cultivation:
CuraLeaf is currently producing 83,000 lbs./yr. They are also extracting upwards of 20,000 grams of cannabis oil weekly.

Future production: 260,000 lbs./yr.

Distribution:
Direct sales: Yes.
Store networks: The current footprint allows for 71 stores operational by 2020 YE. CuraLeaf's primary method of sales currently occurs in its brick-and-mortar dispensaries across the U.S.

However, the company also offers home delivery services across the State of Florida, in compliance with all state regulations. Also, in Florida, they offer drive-thru service at one of its dispensaries. In multiple states, they offer customers the option to order online to pick-up in store. CuraLeaf aims to expand its e-commerce operations and delivery operations, where permitted, to offer convenient access for its customers and meet the demands of an evolving retail landscape.

Supply agreements: In August 2018, CuraLeaf entered into a purchase agreement to acquire 100% of the membership interests of ATG, a registered marijuana dispensary licensed by the Massachusetts Department of Health, operating a 53,600 square foot cultivation facility in Amesbury, Massachusetts and a medical dispensary in Salem, Massachusetts. In the same month, they also entered into a purchase agreement to acquire 100% of the membership interests of HMS Health, LLC, a holder of Stage 2 licenses to cultivate and dispense medical cannabis and a Stage 1 license to process medical cannabis in the State of Maryland.

Integration/Diversification:
Vertically integrated: Yes.
Horizontally diversified: Yes, they are entering hemp and cannabis-based medicine business arms.

Financials: Neutral
Previous Year Income after Taxes: ($57.22)
Outstanding shares (diluted): 338.81 mil
EPS: ($0.13)

Management: Neutral
CEO: Joseph Lusardi
COO: Stuart Wilcox
CFO: Neil Davidson

CuraLeaf financed its expansion through its listing on the Canadian security exchange. CEO Mr. Lusardi has almost a decade of cannabis experience through which he has cultivated bottom-up expertise in cannabis company implementation and management, as well as 20 years' experience in finance, private equity, and entrepreneurship. To support this company, he raised over $500 million dollars to invest in the company's infrastructure, research and development, and staff (through Russian investors, Boris Johnson).

Branding: Strong
CuraLeaf has become the most accessible national cannabis brand with the largest operational branded dispensary footprint in the country and the recent launch of our CBD line under CuraLeaf Hemp. Their strategic presence in highly populated, limited license states, which has served as an important foundation for aggressive expansion plans across the country.

Multiple product formats provide an array of administration options (inhalation, ingestion, sublingual, topical) for the novice user to the experienced user.

Valuation: Neutral
Current share price: US $5.78
Price to Sales: 14.97 (Biopharma industry Avg. = 7.5)
52 week low/high: US $ 4.00 - 11.73
Price to Book: 6.34
EV/Revenue: 15.97

Financings: Strong
CuraLeaf raised approximately C$520 million (US$400 million) in an oversubscribed private placement offering led by GMP Securities L.P. and Canaccord Genuity Corp. (the "Co-Lead Agents"), on behalf of a syndicate of agents, including Cormark Securities Inc., Eight Capital, and Haywood Securities Inc.

Risks: Medium
The risks of investing in any cannabis or hemp company are currently high given the newness of the market. Given the rapid changes affecting the global, national and regional economies generally, and the cannabis industry, in particular, no company can guarantee to maintain a competitive advantage in the market. Identify all risks prior to investing.

Recommendation: Strong
CuraLeaf Holdings operates an **integrated network** of medical and wellness cannabis facilities throughout the United States. The company **cultivates, processes, markets, and dispenses** marijuana products in a range of forms, including flower, pre-rolls, and flower pods, dry-herb vaporizer cartridges, concentrates for vaporizing, concentrates for dabbing, tinctures, lozenges, capsules, and edibles. Multiple product formats provide an array of administration options, including inhalation, ingestion, sublingual, and topical.

They are one of a very large group of operators to successfully obtain cultivation licenses in more than one of the modern, limited license, merit-based application state programs. Recently, they pulled back on their Cura Partners deal to 55 million shares down from 95.5 million shares. This lower value is the current reality for many cannabis deals.

The company also provides non-cannabis management and consultative services to licensed cannabis operators, to assist with cultivation, extraction, production, and retailing. Founded in 2010, CuraLeaf currently operates a network of 34 dispensaries, 12 cultivation sites, and 10 processing sites in 12 states.

CuraLeaf Holdings was the largest marijuana initial public offering (IPO) ever, with the company temporarily boasting a lofty **valuation of more than $4 billion**, after its debut in late October. Managed Revenue grew to $87.8 million in full-year 2018, up 209% on a year-over-year basis, and **Total Revenue increased 298%,** driven by a combination of organic growth and acquisitions. They are currently improving their finances as net income is on a downward slope. In the fourth quarter of 2018, despite growing revenue, the company reported a net loss of $16.5 million, compared to net income of $628,000 in the same quarter a year ago.

Will its stock price improve in the long term? **We think so. The low price of 4.70 is pretty fair considering revenue projections for 2020.**

There's a bull case, and it's persuasive. A strong capital position with **$266.6 million cash on hand** at year-end, supported by a prudent capital allocation strategy is focused on strategic acquisitions and rapid store expansion. CuraLeaf should start to see an improved bottom line, as it **generates synergies** throughout the marijuana supply chain. The company currently **covers 70% of the U.S. cannabis market**, reaching 134 million of the addressable population.

For these reasons, we think CuraLeaf, at or near its current price of $4.70 a share, is a very good investment opportunity. Watch the P/S ratio also dropping over the last six months; very telling!

Planet 13 Holdings Inc.

Fundamentals

Profile:
HQ: Las Vegas, NV, USA
Founded: 2002
Facilities: Las Vegas, Beatty, NV
Symbol: PLNHF (OTC)

Focus: Neutral
Planet 13 is focused on becoming a vertically integrated cannabis company with cultivation, production, and distribution in Las Vegas. Their vision is to be a leading global brand known for the best distribution operations and manufacturing of innovative cannabis products. Planet 13 is currently investing in strategic technologies for the growing demand of high quality and diverse cannabis oils and extracts for the medical use in the U.S.

Size: Neutral
Market Cap: US $216.50 mil
Enterprise value: $209.70 mil
# of employees: 33

Markets: Weak
Primary: Nevada
Secondary: California, USA
Subsidiaries: MM Development Company, Inc

Operations: Strong
Cultivation:
Present capacity: 950 kg per year at 15,000 sq. ft. facility in Las Vegas
Future capacity: 14,000 sq. ft. production facility for processing 600 lbs of plant biomass per day in Las Vegas

Distribution:
Direct sales: Planet 13 is operating at one licensed dispensary facility while holding two dispensary licenses
Store networks: Planet 13 Superstore with approximately 16,000 square feet of retail space. Opening a new
stored in Southern California
Supply Agreements: Supply agreement with Shango, 8Fold, Vegas M Stick, Redwood, Matrix NV, Taproot and Select for Concentrates, Cartridges and Tinctures (19,000+ patients)

Integration/Diversification:
Vertically integrated: Yes

Horizontally diversified: No

Financials: Strong
Outstanding shares (diluted): 133.81 mil
Revenue last year: $55.33 mil
Revenue rank in cannabis industry: 14th
EPS: ($0.06)

Management: Strong
CEO: Bob Groesbeck
CFO: Dennis Logan

Management has experience of more than 30 years working at well-known legal, pharmaceutical, and financial investment companies. Their experience will significantly help them in acquiring medical and commercial licenses.

Branding: Neutral
Being the world's largest cannabis store, Planet 13 aims to deliver exceptional customer experiences, focused on interactive entertainment while offering the best cannabis products. The Planet 13 Superstore brand is quite well known for its proximity to Las Vegas strip and growing portfolio of cannabis products. A bit of a gimmick, but still nice.

Valuation: Strong
Current share price: US $1.59
Price to Sales: 3.61
52 Week Low/High: $0.87 to $2.70
EV / Revenue: 3.79
Price to Book: 5.24

Financings: Strong
In 2018, Planet 13 issued 2,580,810 common shares which brought in cash proceeds of $2,374,253. They also issued 5,532,940 Class A restricted shares at a price of CAD$0.80 per share for total equity of $3,409,476.

Risks: Neutral
The risks of investing in any cannabis company are currently high given the newness of the market. The risks of investing in this company are higher given the low national footprint. If anything occurred where they lost their local license in NV, company revenue would cease.

Recommendation: Strong
Planet 13 is focused on becoming a leading global brand known for its distribution, operations, and manufacturing of innovative cannabis products. The company is currently investing in strategic technologies for the growing demand for high quality and diverse cannabis oils and extracts for medical and retail use in the U.S.

They signed strategic partnerships with suppliers of concentrates, cartridges, and tinctures to supply high-quality cannabis products for its superstore in Las Vegas. Their new highly automated production facility in Las Vegas will use robotics to reduce costs and will be able to process 600 lbs. plant biomass per day. We think Planet 13 is in a good position to be a profitable company, as they are in the expansion phase of their retail and production facilities. In 2018, Planet 13 experienced growth of more than 10 percent in terms of average daily customers.

Will its stock price improve in the long term? **We think so.**

In 2018, Planet 13 **revenue rose 136%** from $9.0 million (2017) to $21.2 million and **gross margin rose to $10.9 million as compared to $4.6 million in 2017, an increase of 134%**. These figures show strong growth as compared to other Cannabis stocks struggling to maintain growth.
Planet 13 had $884k in debt by March 2019 as compared to $4.25 m a year prior. However, they have $20.2 m in cash or cash equivalent to cover its debt obligations with net cash of $19.3 m. **Planet 13's debt to equity ratio for the year 2018 was only 0.02** which means that they are not raising debt to finance their growth which can result in less volatility in earnings as a result of reduced interest expense.

Planet 13 is showing a persistent increase in its earnings growth for the last two years so investors should keep an eye on its EPS growth rate if they intend to hold stock for the long term. Planet 13 management holds 61% of company outstanding shares listed which shows their confidence in the long-term outlook of the company.

For these reasons, we think Planet 13, at or near its current price of $1.86 a share, **is a very good investment opportunity**—however as the price rises this opportunity will eventually disappear.

MJardin Group

Fundamentals

Profile:
HQ: Denver, CO, USA
Founded: 2014
Facilities: 6 in Nevada, Manitoba, Nova Scotia, Ontario
Symbol: MJARF (OTC), MJAR (CNX)

Focus: Strong
MJardin is focused on leveraging its more than 10 years of experience in enhancing the production and extraction of cannabis. The company is planning to apply for licenses in the US with emerging cannabis markets and at the same time look for under-performing facilities in mature cannabis markets in the Western US for acquisition. They have developed proprietary software with 8 years of cultivation metrics and ability to monitor plant growth, yield and inventory management.

Size: Neutral
Market Cap: US $10.85 mil
Enterprise value: $147.78 mil
# of employees: 450+

Markets: Strong
Primary: Colorado, Nevada, Canada
Secondary: Europe
Subsidiaries: GrowForce Inc., F&L Investments

Operations: Strong
Cultivation:
Present capacity: 130,000 kg
Future capacity: Their direct-owned production and extraction facilities will produce an additional 31,000 kg in 2020. Facilities under advisory and management services will produce another 34,000 kg in 2020.

In 2019, MJardin will focus on managing 8 large scale projects of facility upgrades and new construction.

Distribution:
Direct sales**:** None
Store networks: None yet
Supply Agreements: None yet, still management side only

Integration/Diversification:
Vertically integrated: No
Horizontally diversified: No

Financials: Neutral
Outstanding shares (diluted): 77.67 mil
Revenue last year: $23.43 mil
Revenue rank in cannabis industry: 18th
EPS: ($1.16)

Management: Strong
CEO: Adrian Montgomery
CFO: Wendy Xue

Branding: Neutral
MJardin branding efforts include the development of their brands and major third-party brands that can grow in a single market but need a partner. The company wants to position themselves as a specialist brand in cannabis cultivation across multiple markets through their tested and consistent production methods.

Valuation: Neutral
Current share price: US $0.14
Price to Sales: 0.42
52 Week Low/High: $0.13 - 5.33
EV / Revenue: 6.31
Price to Book: 0.08

Financings: Strong
In 2018, MJardin's generated cash flows from financing were $140.2 million. This includes$62.7 million received from GrowForce subscription receipts offering, $24.7 million from the issuance of convertible debentures and $52.8 million from a senior lender to partially fund the Company's investment activities.

Risks: Neutral
The risks of investing in any cannabis or hemp company are currently high given the newness of the market. The risks of investing in this company are higher given the number of approved licenses in Canada and competition in both Colorado and the western United States.

Recommendation: Neutral
MJardin is focused on leveraging its more than 10 years of experience in enhancing the production and extraction of cannabis. They have developed proprietary software with 8 years of cultivation metrics and the ability to monitor plant growth, yields, and inventory management.

The company's branding efforts include the development of own brands and major third-party brands that can grow in a single market but need a partner. MJardin is planning to apply for licenses

in the US with emerging cannabis markets and at the same time look for under-performing facilities in mature cannabis markets in the Western US for acquisition.

MJardin has a good chance to be a profitable company, as they are expanding in new geographical regions with experience and data from their software. Although they are currently spending more than they generate in revenue, they have a significant amount of cash balance to continue operations to survive till mid of next year.

Will its stock price improve in the long term? **Less Likely.**

Based on the most recent annual filings, their **price to sales (P/S) is 9.38** which is high for most industries but at the same time not uncommon for this industry. Based on this ratio, MJardin stock is a bit risky, however, if you have a higher-risk appetite you can consider holding this stock till the P/S ratio reach below 6.

MJardin's debt to equity ratio of 97.17% is very high and makes this stock risky as more debt means more risk. Due to interest rate expenses, a high level of debt affected their profitability significantly even though their gross profit is rising in the last three years. This is bad.

The good thing is that the company is showing a persistent increase in its earnings growth for the last three years so investors should keep an eye on its **EPS growth rate** if they intend to hold stock for the long term.

The price to earnings ratio is used for measuring the company's current share price relative to its per-share earnings. MJardin's price to earnings ratio was at 5.62. When P/E is high it suggests that investors are expecting higher earnings growth in the near future as compared to the companies with a lower-price to earnings ratio. We can conclude from this that **MJardin is undervalued** at its market price.

For these reasons, we think MJardin, at or near its current price of $1 a share, can be a risky investment opportunity—though as earnings improve and debt is reduced then an opportunity can appear.

Innovative Industrial Properties Inc.

Fundamentals

Profile:
HQ: San Diego, California, USA
Founded: 2016
Facilities: in 12 states
Symbol: IIPR (NYSE)

Focus: Strong
Innovative Industrial Properties, Inc. is a Maryland REIT corporation (with HQ in San Diego) focused on the acquisition, ownership, and management of industrial properties which it leases to licensed cannabis operators for their medical-use facilities. As a REIT, it must distribute at least 90% of its taxable income to its shareholders.

IPPR is essentially a finance company. It acts as a source of capital for cannabis operators. It often buys real estate from them and leases it back to them. This allows growers to redeploy their money into their core operations.

Size: Strong
Market Cap: US $859.87 mil
Enterprise value: $908.12 mil
# of employees: 6

Markets: Strong
Primary: 12 states
Secondary: None

IIPR is currently in 12 states, holding properties for roughly 20 companies. They have three properties each in MA, MI, CA and PA, two each in OH and NY, and one each in AZ, CO, IL, MD, MN, and NV.

There are currently 33 states allowing medical cannabis on the state level, reaching a population of over 200 million people. Pain the main medical condition medical cannabis is used for. However, the medical conditions that states have approved for medical cannabis treatment also include glaucoma, HIV, cancer, nausea, spasms, MS, PTSD, migraines, arthritis, Parkinson's, Alzheimer's, lupus, spinal cord injuries, terminal illnesses, and inflammatory bowel disease.

Operations: Strong
IIPR is growing fast. Just in 2019, it has bought 15 properties in six states, including five in CA. In total, it now owns and leases 26 properties to medical cannabis operators totaling over 2 million SF—of which about 600k SF is under development—and 100% is leased with an average 15-year lease. It has invested $263 million in properties and committed an additional $70 million to develop them.

Its average current yield on invested capital is 14.6% on the 26 properties. It is essentially a finance company, with fewer than 10 employees, most of them senior and well paid. It does not handle the cannabis plant at all.

A typical lease for IIPR:

-Deal size - $5 to $30+ million
-Lease term – 10 to 20 years
-Initial base rent – 10% to 16% on total investment
-Annual base rent escalations – 3% to 4.5%
-Security deposit and corporate guaranty based on credit underwriting
-Transaction timeline – closing 30 to 60 days from signed purchase

Distribution:
Direct sales**:** None
Store networks: None
Supply Agreements: None

Integration/Diversification:
Vertically integrated: No
Horizontally diversified: Because they own 26 properties, they can tolerate some properties underperforming. However, all its properties are subject to similar market conditions, so for example, if the price of cannabis were to fall precipitously, it could affect all its lessors.

Financials: Strong
Outstanding shares (diluted): 11.85 mil
Revenue last year: $31.78mil
Revenue rank in cannabis industry: 35th
EPS: 1.45

Management: Strong
Chairman: Alan D. Gold (Salary $1.4 mil)
CFO: Catherine Hastings (Salary $428 k)
CEO: Paul E. Smithers (Salary $728 k)
Counsel: Brian J. Wolfe (Salary $428 k)

Branding: Neutral
IIPR has a strong brand reputation in the industry. It is the first publicly-traded company on the NYSE to provide real estate capital to the medical cannabis industry.

Valuation: Neutral
Current share price: US $73.09
Price to Sales: 22.80
52 Week Low/High: $42.55 - 139.53
EV / Revenue: 28.58

Financings: Strong
After July 2019, IIPR sold 1.7 million shares of common stock in a public offering, raising $188.4 million. They expect to use the proceeds to buy more real estate and for general corporate purposes.

Risks: Neutral
The risks of investing in any cannabis or hemp company are currently high given the newness of the market. The risks of investing in this company may be lower due to its being able to set comfortable leasing terms that build profit into its future years. However, if the price of cannabis falls a lot, lessors could possibly have trouble paying these lease terms 10 years from now.

Recommendation: Strong
IIPR has a very impressive business model. They are essentially landlords to medical cannabis companies. These cannabis companies need cash to grow, so they sell their real estate to IIPR and lease it back. This allows them to deploy the money previously sunk into real estate, into operations. (Of course, this also means the cannabis firms never own their land or build real estate equity and have rising real estate costs for the next 15 years (built-in rent increases). This looks good for cannabis companies in the short term, but less so in the long term.)

This business model looks very good for IIPR, for the most part. They can write lease terms that guarantee them adequate and rising profit each year. Since they are a finance company, they need a few employees, and they can pay them well.

Investors are enamored with IIPR, sending the stock price up to $100 a share, which is 47 times revenue. It's forward Price to Earnings is 34, and its trailing P/E is 92. It trades at 32x its Adjusted Funds from operations, which is high even for REITs. This high stock price allows them to raise a lot of cash selling a few shares, which minimizes share dilution—unusually good for cannabis investors. Many cannabis firms are deeply diluting their stock with equity raises.

IIPR is growing fast. In Q2 2019, it acquired 15 properties, for a total of 26. All are leased. **They have an average return on invested capital of 14.6%.**

This is a simplified business model compared to most cannabis companies that have many moving parts as they try to win or buy licenses, build facilities, grow cannabis (not easy or cheap), produce it, brand it, distribute and retail it. We think the demand for cannabis will remain strong and the market will grow as more states legalize it. The risk we see for IIPR is if the cannabis price falls dramatically, making it hard for lessors to make payments. But we think IIPR is carefully leasing properties in "safer" markets, such as states where there are a limited number of cannabis licenses and prices should remain stable.

One of the many attractive points for this business, as mentioned, is that IIPR revenue has grown consistently and predictably. So investors have flocked to the stock.

But with the stock price so high now, it is still a good investment? Or is it over-priced? How big is the risk?

Typically, REITs are favored by more conservative investors, for their stable income. It is hard to see this stock taking off. It is a type of company that eats cash, rather than generating it. It must find more money every few years to sink into real estate. So it is important that the company keep its stock price high so as not to dilute its stock in future equity raises.

But with all these considerations, we do think this company has a strong income ahead, in a growing market. Even if cannabis prices tank and their clients hit hard times, IIPR can sell their real estate. With all this in mind, we think IIPR is a good investment offering investors stable income and growth in the coming years.

KushCo Holdings Inc.

Fundamentals

Profile:
HQ: Garden Grove, California, USA
Founded: 2010 as Kush Bottles (updated name in 2018)
Facilities: It has 18 sales and distribution facilities throughout the U.S. and Canada, including Massachusetts (hub), Michigan (hub), California, Washington, Colorado and others.
Symbol: KSHB(OTC)

Focus: Neutral
KushCo Holdings, Inc. is a wholesale distributor of packaging supplies, vaporizer parts, and gases in the US, Canada, Europe, and South America, primarily serving the cannabis industry. It has no direct contact with the plant or its THC and CBD ingredients.

It began as a packaging company but now derives less than 20% from that channel. It earns over 60% of revenue from vaporizer parts, and 11% from gases.

Its divisions include Kush Supply Co., a distributor of packaging, supplies, and accessories; Kush Energy, which provides hydrocarbon gases and solvents to the cannabis sector; and Koleto Packaging Solutions, its R&D arm developing intellectual property and pursuing acquisitions.

KushCo also runs Hybrid Creative, a marketing and design agency for cannabis and non-cannabis firms, providing brand strategy, design and marketing, web development, and e-commerce services.

Size: Strong
Market Cap: US $181.44 mil
Enterprise value: $208.73 mil
# of employees: 217

Markets: Strong
Primary: 28 states and Canada
Secondary: South America, China, Europe

The company's products are used by urban farmers, greenhouse growers, and medical and recreational cannabis dispensaries. It regularly services more than 6,000 medical and adult-use dispensaries, growers, and producers across North America, South America, and Europe.

They maintain facilities in the five largest U.S. cannabis markets and have a local sales presence in most major cannabis markets across the US and Canada.

Operations: Neutral
They source products from China and distributes them in North America, Europe, and South America.

It has a 66,000 SF Massachusetts distribution warehouse as its East Coast hub, and a 40,000 Michigan distribution facility as its Midwest hub.

Distribution:
Direct sales**:** Yes (website and re-distributors)
Store networks: No
Supply Agreements: Yes

Integration/Diversification:
Vertically integrated: No
Horizontally diversified: Yes

Partners/Subsidiaries:
They have 10 major accounts billing over $1 mil per year

Financials: Neutral
Outstanding shares (diluted): 88.34 mil
Revenue last year: $148.95 mil
Revenue rank in cannabis industry: 4th
EPS: ($0.57)

Management: Strong
Founder/CEO: Nicholas Kovacevich
CFO: Christopher Tedford, over 20 yrs experiene
COO: Rodrigo de Oliveira: oversees manufacturing, operations, global supply chain and logistics. Has 18 years of experience in global supply chain and operations
VP Sales: Jason Vegotsky

Branding: Strong
KushCo's main packaging products are bottles, bags, tubes, and containers. Specifically, it offers pop-top bottles; child resistant exit, paper exit, and foil barrier bags; tubes; and polystyrene, silicone-lined polystyrene or glass containers.

It also offers vaporizer cartridges, heating technologies, batteries, and disposable units; and hydrocarbon gases, including isobutene, n-butane, propane, ethanol, pre-mixes, custom blends, and other solvents.

It is now moving into the business of helping small brands achieve nationwide distribution.

Valuation: Neutral
Current share price: US $1.69
Price to Sales: 0.96
52 Week Low/High: $1.26 - 7.20
EV / Revenue: 1.40

Financings: Neutral
It has a cash-intensive business and must raise money regularly. It recently secured $21.3 million in senior unsecured notes. Previously it sold 6.5 million units at $5.25.

Risks: Neutral
The risks of investing in any cannabis company are currently high given the volatility of the market. The risks of investing in this company do not seem to have more risk than other cannabis companies.

Recommendation: Neutral
KushCo management did a great job early on of carving out a strong niche in the new cannabis industry as a leader in packaging. Over the past 4 years, **its revenue has shown incredible growth**, from $4 million in 2015 to $8 million, $19 million and $52 million in the following three years through August 2018.

In the four most recent quarters into 2019, revenue has continued growing, with QoQ gains of 26%, 39%, and 17%. It finished its most recent quarter ending May 2019 with revenue of $41 million—4th highest in the cannabis industry, trailing only giants such as Canopy Growth, Aurora Cannabis, and Trulieve.

This is incredible growth. However, it is just revenue. Expenses are another matter.

It turns out this is a very tricky niche in which to lock in profits, especially at this early stage in the cannabis industry. KushCo sources hundreds of different products and SKUs mainly from China. Demand in its diverse, spread-out markets in the N America, and Europe is growing fast but is not predictable, so they often have to spend too much on expensive shipping to get products where they need to be, on time for their clients' needs.

Their gross margin has dropped to 13% recently. On top of that, their operating expenses continue to mount, driving operating losses higher. They need a lot of cash to run the business, and at the bottom line, **they continue to lose about $10 million per quarter**.

While they have shown many strengths, they haven't quite yet proven this is a viable long-term profitable business. And if they don't develop relevant proprietary IP, they may not have a defensible moat.

The CEO believes the company will solve these issues in 2020 as it reaches scale and automates facilities. But questions exist among industry analysts about whether the business can produce enough cash to provide strong profits.

Management continues to do smart things to keep revenue growing. The packaging channel's growth has slowed, yet management has quickly pivoted recently to make vaporizer parts its major revenue source now, in time to ride the crest of the vaporizer wave. This will remain a strong channel as vaporizers grow but could peak and slow after that.

Management continues to find new opportunities. It recently formed a partnership with LA Fortune, a marketing and sales company also serving the CBD and cannabis industry. Together they will leverage their distribution strength, offering CBD clients faster and great access to major distribution. They hope to develop this into a strong new revenue stream to give it needed diversification.

Nick Kovacevich, CEO, said, "We remain committed to investing in the expansion of the business through initiatives targeting high-demand, high-margin opportunities that will facilitate increased cross-selling... We expect demand to increase for (our) core products as the cannabis and hemp markets expand... We will increase efficiency and add new verticals..."

At Cannin, we applaud the management's efforts that have made KushCo a creative, agile, evolving player in the cannabis market, and so far, a revenue leader in the industry. But we want to see how they solve the cash and expense issues over the next year before we recommend investing.

Given the continued challenges ahead for the company, we give the stock a Neutral rating now. We do not think it has a guaranteed path to higher stock value at the moment, **but we plan to watch it for interesting and new developments**.

Harvest Health and Recreation Inc.

Fundamentals

HARVEST

Profile:
HQ: Tempe, AX, USA
Founded: 2011
Facilities: 140 licenses
Symbol: HARV (CNSX), HRVSF (OTC)

Focus: Strong
Harvest Health & Recreation Inc. is one of the larger US cannabis companies. It is listed in Canada but is based in, cultivates, processes, and retails in the United States. It has an aggressive growth strategy. It currently operates 13 stores in 5 states, most of them in their home state of AZ. It does not yet pursue global opportunities.

Once its purchase of Verano is approved, Harvest will be able to operate 30 dispensaries, eight cultivation facilities, and seven manufacturing facilities, with further expansion expected. If all its recent four acquisitions are approved, by end of 2019 Harvest may have over 70 dispensaries, 13 cultivation facilities, and 13 manufacturing facilities in operation.

Size: Strong
Market Cap: US $ 695.34 mil
Enterprise value: $ 858.67 mil
# of employees: 300

Markets: Strong
Primary: USA (Arizona, California, Florida, Pennsylvania, Maryland)
Secondary: Ohio, North Dakota, Michigan

Operations: Strong
Cultivation: Exact cultivation capacity is unknown.

Distribution:
Direct sales: Yes
Store networks: Yes
Supply Agreements: Yes

Integration/Diversification:
Vertically integrated: Yes
Horizontally diversified: No

Partners/Subsidiaries:
Verano: Harvest bought Verano in March 2019 in an all-stock deal worth $850 million. Verano was one of the largest privately held, multi-state, vertically integrated cannabis companies. The deal makes Harvest one of the largest multi-state operators in the U.S. as measured by licenses held and facilities permitted. The deal gives Harvest licenses to operate up to 200 facilities in 16 states and territories, including 123 retail dispensaries. It also brings ethanol extraction technology at pharmaceutical-grade levels; proprietary brands and 150 + product SKUs sold in 150 + retail locations; cultivation capacity of 900,000 SF in Illinois, Nevada & Maryland; interest in nine Zen Leaf dispensaries with average annual revenues 2.5x higher than cannabis industry averages.

Falcon: Harvest bought Falcon in February 2019. Falcon is a California cannabis company involved in cultivation, manufacturing, wholesale distribution, and brand development. It has 16 licenses, sophisticated production facilities with capacity for over one million packaged units per month, and distribution into 80% of CA's retail dispensaries. Falcon will increase Harvest's all-around capabilities in California, add a suite of brands (Cru Cannabis, Littles, and High Garden), and augment Harvest's management team.

CannaPharmacy: CannaPh is licensed to cultivate and process in Pennsylvania, an important market for Harvest. It also has a facility in New Jersey and an asset in Delaware.

Financials: Neutral
Outstanding shares (diluted): 67.61 mil
Revenue last year: $95.93 mil
Revenue rank in cannabis industry: 13th
EPS: ($0.54)

Management: Strong
Founder/CEO: Steven White
CFO: Leo E. Jaschke
President: Steven D. Gutterman
COO: John Cochran
Chief Marketing Officer: Kevin George

Branding: Neutral
Harvest Health is a very focused on building strong brands.

Valuation: Strong
Current share price: US $2.46
Price to Sales: 7.25 (Tobacco industry Avg. = 5)
52 Week Low/High: $2.04 - 10.85
EV / Revenue: 8.95

Financings: Strong
In May 2019, Harvest closed the first tranche of its private placement of 7% unsecured convertible debentures, for $1,000 per debenture, raising US$100 million in debt that can be converted to stock. Harvest will use the proceeds for general corporate purposes. The notes pay 7% and mature in 2022.

Its institutional investor has agreed to purchase (subject to approvals), up to 4 additional tranches of 100,000 convertible debentures at the issue price, for additional gross proceeds of up to US$400 million. This may or may not be exercised.

Risks: Neutral
The risks of investing in any cannabis company are currently high given the volatility of the market. The risks of investing in this company do not seem to have more risk than other cannabis companies.

Recommendation: Strong
Harvest Health is a company to watch. It has assembled a strong management team with experience in banking, major branding companies, and a lot more. It has shown **the ability to execute on its strategy**. It began with success winning licenses, and after it became adept at raising money, it has launched an aggressive M&A campaign. It raised $300 million in its reverse takeover public offering, and recently raised $100 million of a projected $500 million private placement, fueling its war chest for future growth.

It has reached deals to buy 4 significant companies in the last year, including Falcon, CBx Enterprises, Verano, and CannaPharmacy. The deal to buy Verano has been called the **biggest acquisition in US cannabis history**. These deals are not yet fully approved by the regulatory authorities, but we suspect they will be in due time.

If all its recent four acquisitions are approved, by end of 2019 Harvest may have over 70 dispensaries, 13 cultivation facilities, and 13 manufacturing facilities in operation, making it one of the biggest US players.

We love that Harvest **has released revenue guidance** for the coming two years. Harvest pro forma revenue guidance (counting acquisitions that are not yet approved) for 2019 is $350 to $400 million with 20% EBITDA margins. In 2020, it expects pro forma revenue of $900 million to $1 billion with EBITDA margins of 30 to 35%.

Harvest is currently generating revenue at roughly $76 million per year pace. Based on its current share price and price to sales ratio, we think Harvest is currently priced for revenue of about $300 million.

Its revenue guidance exceeds this. This means that if its deals are approved, and it achieves the pro forma revenue it said it can achieve, it will exceed this revenue in the coming year or two. **If it does this, it will certainly push its stock price higher than it is today.**

The stock price has been pulled down in recent weeks due to a general downturn for the cannabis industry. We think we see a **good opportunity to buy this stock now**, in which the price is low.

Green Thumb Industries

Fundamentals

Profile:
HQ: Chicago, IL, USA
Founded: 2014, Incorporated in 2017
Facilities: 12 states (88 licenses)
Symbol: GTII (CNSX), GTBIF (OTC)

Focus: Strong
GTI is a multi-state seed-to-sale cannabis grower, producer, and retailer in the US. It has a wholesale business with a Consumer Package Division, selling its brands to third party dispensaries). It also has a retail business in which it sells its own and third-party brands through its own dispensaries. It operates or is building 13 manufacturing facilities—in Illinois, Pennsylvania, Maryland, Massachusetts, and Nevada. It owns and operates 25 retail dispensaries under its own RISE, Essence and GTI brands. They are licensed for, and currently plan to own and operate, 88 dispensaries across at least 12 states, each producing on average $3.6 mil in revenue per year. They produce and sell flowers, concentrates, edibles, and topicals.

Though they currently wholesale a lot of their harvest and are expanding their cultivation, GTI has said they may not choose to be a large wholesale grower in the long term if price compression becomes an issue with that model. If that happens that will focus on creating brands and operating dispensaries.

Size: Strong
Market Cap: US $1.70 bil
Enterprise value: $1.76 bil
# of employees: 600
Size among cultivators: 11th
Size within cannabis industry: 36th

Markets: Strong
Primary: USA
-Pennsylvania: operating 6 RISE medical dispensaries), building 12
-Maryland: operating 3 medical dispensaries and a processing plant, building cultivation facility
-Nevada: operating 5 retail, building 3 cultivation/processing,
-Massachusetts: operating 3 retail, plus grow facilities
-Ohio: operating 2, building 3 dispensaries
-Illinois: 5 retail, 2 cultivation facilities and HQ
-Florida: operating 4 dispensaries, with licenses to operate ~50
-New York: building 1 cultivation/production, 4 retail
- New Jersey: building 1 retail 1 cultivation

Secondary: Canada. GTI went public and listed its shares on the CSE, to make raising money easier. Selling cannabis there could be an option, especially with the market being federally legal.

Operations: Strong
Cultivation:
Current production: 22,000+ kgs per year
Future production: 40,000-60,000 kgs per year

GTI operates 260,000 SF of cultivation and processing capacity, which is scalable up to 750,000 SF. They do not say what portion is growing space versus processing space. If 50-75% is cultivation space, we expect them to produce between 15,000-22,000 kgs/per year, scalable up to 40,000-60,000 kgs per year.

They grow 50 unique cannabis flower strains, geared to different consumer segments. They also process raw flowers into oils, using several extraction and purification techniques (BHO, CO2, Ethanol).

Distribution:
GTI distributes in 100% of retail locations in the states they operate in, including 55 of 55 stores in Illinois, and 42 of 42 stores in Maryland. They own 25 of these and plan to expand to own 50. They serve over 100,000 patients and customers each year.

Direct sales**:** Yes, in store and online
Store networks: Yes. Sold in 97 retail locations

Integration/Diversification:
Vertically integrated: Yes
Horizontally diversified: No

Financials: Neutral
Outstanding shares (diluted): 171.68 mil
Revenue last year: $161.40 mil
Revenue rank in cannabis industry: 10th
Revenue per share: ($0.29)

Management: Neutral
CEO: Ben Kovler
CFO: Anthony Georgiadis

Branding: Strong
GTI brands include Rhythm, Dogwalkers, the Feel Collection, BeBoe, and others. Dogwalkers are a small tin of mini joints designed to be big enough to enjoy “while you are walking your dog.” It's also planning a brand aimed at women because they feel women are under-served and there is a market.

GTI is creating a distinctive, branded consumer experience in its RISE dispensaries. According to GTI, RISE is an award-winning retail chain delivering a high level of customer service through: "high-engagement consumer interaction; a consultative, educational selling approach; and an affordable variety of cannabis products." They create an uplifting environment... "like a bar or a café" and strive to produce customer loyalty. They claim their RISE dispensaries have a large market share.

Valuation: Neutral
Current share price: US $8.22
Price to Sales: 9.35 (Tobacco industry Avg. = 5)
52 Week Low/High: $7.37 - 16.68
EV / Revenue: 10.90
Price to Book: 2.05

Financings: Strong
GTI completed a reverse takeover that enabled it to be listed on the Canadian stock exchange in June 2018. At the same time, it raised USD$67 million through a private placement.

In April 2019, GTI completed a private placement of $12.5 million in six-month senior secured promissory notes. The notes paid 10.5% interest.

GTI completed another private placement on May 22, 2019, of $105.5 million, in three-year senior secured promissory notes—and paid off the notes issued on April 12, 2019. It can raise an additional $44.5 million under this credit facility within 180 days. It can also extend the financing for an additional twelve months. The notes pay interest of 12.0%

Risks: High
The risks of investing in any cannabis company are currently high given the volatility of the market. The risks of investing in this company do not seem to have more risk than other cannabis companies.

Recommendation: Neutral
There are a lot of reasons to like GTI as an interested observer. They are vertically integrated, with a **focus on building brands**, and creating a unique and attractive retail experience that builds loyal visitors. This supports their bid to preserve strong margins in an industry that will likely eventually experience price compression and falling margins.

They are diversified, having both a strong wholesale and retail businesses, and addressing both medical and recreational clientele. This supports them if, for example, price compression makes the wholesale side of the business less profitable. In this scenario, they could focus more on the retail side, where they own dispensaries and will be able to control retail price and shelf space in their locations. Thirdly, their **revenue has shown steady growth over the past 4 quarters**. This is surprisingly rare among cannabis companies and shows that they are good at executing their plans and avoiding delays and setbacks.

They currently operate 25 dispensaries and plan to have 40-50 operating in a few years, roughly doubling their number. They target roughly $3.6 mil in revenue from each store. This suggests they could generate close to $180 million in revenue from their retail side in a few years.

Currently, they grow at least 25,000 kgs year, which at $6 gram generates about $125 million. When expansions are done, they expect to have a future capacity of 50,000-60,000 kgs a year.

Assuming wholesale prices compress but retail margins remain strong, average revenue could fall a bit to $5.50/gram. At this price, they could generate about $330 million from wholesale—if they can sell it all.

Since some of their cultivation will be sold through their dispensaries, there is an overlap between these two revenue numbers. We think that $400-430 million is a good estimate of where their future revenue could be in a few years.

They also have a **strong cash position** (over $100 million) and appear to have excellent access to capital. This suggests they should have the money they need to invest to make their growth plans come true.

All this is promising news. But does it make for a good investment? For many, this depends on how much money they will generate in the future, versus how much revenue is baked into their current stock price.

The GTI stock price was $16 just a few months ago and has dropped over 40% in the last 3 months since mid-April, to $9.40 today. This makes the price a better value than before—but is it a good value?

At $9.40 today, its Price to Sales ratio is about 20. This is almost 4 times that of the mature tobacco industry, a similar industry in many ways (it is a highly regulated plant, a pleasure crop, driven by brands.)

Revenue for Q1 2019 was $27.9 million. This suggests a current annual revenue pace of $111 million. Based on its P/S ratio, **we think it is currently priced for revenue of about $428 million**. This is very close to what we estimate is what its future revenue pace is likely to be.

This means it may already be priced for its future potential. This is a good sign, that the markets are operating efficiently, and that information is widely known. But it does not support the idea that GTI shares are currently priced at a bargain to today.

We think this is a good company that is **fairly priced today** for revenue the company should achieve in the coming few years.

In other words, it looks to have a fair price. It's not a bargain that we think will skyrocket soon. It is a stock that might gain over the 3 years.

In other words, it looks to us like a good long-term investment, not a stock that will win a race for the highest gains in the next year or two. Instead, one that will produce an even-handed long term increase for long term investors.

MedMen

Fundamentals

Profile:
HQ: Culver City, CA, USA
Founded: 2010
Facilities: in 12 states
Symbol: MMEN (CN), MMNFF (OTC)

Focus: Strong
MedMen Enterprises Inc is a vertically integrated company with a premium branded retail presence that cultivates, produces, distributes and retails recreational and medicinal cannabis. With its pending acquisition of PharmaCann (for $682 million) it will have licenses for 86 retail stores and 17 cultivation and production facilities across 12 states. It currently has 35 operational dispensaries.

MedMen believes that retailers will eventually control the cannabis supply chain, similarly to natural food stores like Whole Foods.

Size: Strong
Market Cap: US $94.55 mil
Enterprise value: $446.75 mil
# of employees: 1,370

Markets: Strong
Primary: CA, NY, Nevada, Illinois, Arizona, Florida
Secondary: MI, MA

Operations: Strong
Cultivation: Current production: 800,000 sf, which likely translates into 70-90,000 kilograms per year.

Distribution:
Direct sales**:** Yes, coming soon, online sales and both delivery and in-store pickup
Store networks: Yes, currently 21 stores are operational. It plans to open 15 new stores in 2019, including 12 in Florida
Supply agreements: With Cronos in Canada. Cronos will supply cannabis to Medmen stores.

Medmen retail licenses:

Florida 35	Illinois 6	Michigan 1
California 13	Mass 3	Ohio 1
New York 8	Nevada 3	Virginia 1
Pennsylvania 9	Arizona 3	Maryland 1

Integration/Diversification:
Vertically integrated: Yes
Horizontally diversified: No

Financials: Neutral
Outstanding shares (diluted): 93.45mil
Revenue last year: $152.48 mil
EPS (Diluted): ($0.69)
Revenue rank in cannabis industry: 5th
Revenue growth (QoQ): 22%

Management: Weak
CEO: Adam Bierman
President: Andrew Modlin

Branding: Strong
MedMen is building a company brand reputation through hi-tech, high-end branded retail stores. In addition to its retail store branding, it also has a company marketing effort, a new campaign called The New Normal, with a film directed by Spike Jonze that chronicled the history of cannabis in America. In addition to cannabis products, it also offers merchandise and apparel.

It offers over 53 products, including their in-house brands: Statemade, LuxLyte, and MedMen.

It is trying to become more than a cannabis brand—a lifestyle brand. It recently introduced a leisure clothing collection available in stores and online including t-shirts, hoodies, and jackets all featuring the red MedMen logo.

Valuation: Strong
Current share price: US $0.41
Price to Sales: 0.37 (Tobacco industry Avg. = 5)
52 Week Low/High: $0.38 - 3.84
EV / Revenue: 2.93

Financings: Neutral
MedMen recently announced a $250 million financing commitment from Gotham Green Partners. This is a senior secured convertible credit facility.

It also entered into sale-leaseback transactions with Treehouse Real Estate Investment Trust for three storefront properties and two cultivation and production factories with gross proceeds of $72.0 million.

Risks: High
The risks of investing in any cannabis company are currently high given the volatility of the market. While the company is big and growing, it may not achieve profitability for a long time.

Recommendation: Neutral
MedMen is a company with a very strong US market presence and very big and promising plans, but also some issues under the hood, causing the stock to underperform this last year.

They are building a large network of premium retail stores on premium real estates, such as in LA and NYC, and this costs a lot of money. They are growing via buying companies with licenses, rather than winning their licenses, sometimes paying a lot, and acquiring large debt. Case in point, they are buying PharmaCann for $682 million (pending).

MedMen wants to be the dominant US player with a super-strong retail presence across the US. Laws require cannabis companies to grow their cannabis in the state they sell it. So MedMen's model is to create vertically-integrated businesses in each state. This hinders economies of scale, favoring companies with a greater presence in fewer states, rather than spreading out over many states. MedMen has 8-35 licenses in four states, and 1-3 in 8 states. As it grows, it may decide to sell its single licenses.

One problem for the company is that its owners have been seen as flamboyant big spenders wanting total control and big compensation. Its May 2018, its IPO flopped and was a PR debacle due to the share structure and executive compensation packages. The two co-founders and Chairman were given Super-Voting shares, allowing them to control everything. They also were given a $30 million compensation package that would fully vest over 2 years. **Investors rebelled**, so the company changed the compensation packages to vest in 1/3 increments when the stock price reached CAD$10, CAD$15, and CAD$20. But the stock has continued to underperform since then, due to continued big-spending, large losses, and a concern that it may grow too fast and not survive the financial burden. The top two executives recently agreed to reduce their salaries to just $50,000 to assuage the problem of overpaying.

On positive notes, MedMen claims to have a 7% market share in California, the world's largest cannabis market, which is estimated to eventually reach $11 billion. If this is true and can be maintained, their share would be $770 million.

They also reported that in their 13 stores there, the average revenue per SF was over USD$6,000—better than Apple or Tiffany's.

In Florida, they plan to open 12 stores in 2019. And they have licenses to open 35.

When it has closed all its current deals and built out its current licenses, **MedMen is targeting $1 billion in revenue**. But at this time, that is just all talk. It's a long way off. Its current revenue is at an annual pace of about $150 million and it has high losses. Some analysts question whether it may be growing too fast and **could fail to succeed with its large debt burden**. Investors need to be wary about its high share count and the fact it may take a long time to achieve significant profitability.

However, negative PR and stock under-performance lead to a positive note for investors. MedMen's stock is USD$2.70, and its Price to Sales ratio is not high, in the range of 2-8. (The range is due to vastly differing reports of its market cap, due to vastly different reports of its shares outstanding. We think its diluted share count is between 400,000-600,000). So if an investor feels its significant strengths outweigh its potential growing pains, they could take advantage of the good valuation, and buy shares now. It might be a while before payoff.

MedMen is certainly an impressive growth company, likely to have significantly large revenue in time. For these reasons, we are tempted to invest, but not completely sold. We think it is **a good stock to watch** over the coming months to see how its financials and its stock perform. If its prospects remain strong and its problems fade, we think it will be a good investment.

TILT Holdings

Fundamentals

Profile:
HQ: Cambridge, MA, USA
Founded: 2018
Facilities: in 40 states
Symbol: TILT (CSE), SVVTF (OTC)

Focus: Strong
TILT was formed by merging four companies. It is a business-to-business cannabis company, offering a range of customizable products and services to help other cannabis companies operate better. It generates revenue four main ways, 1) from the sale of cannabis products (flower, oil, etc), 2) vaporizer and inhalation devices, 3) business and consumer delivery services, and 4) software products. They serve over 1,500 retailers and brands in the United States, Canada, and Europe. The majority of TILT's products are customized to client specifications and branding (OEM).

TILT has three main business units: 1) Cultivation and Production, 2) Consumer Devices and Packaged Goods and 3) Software and Services. All of its products are supported by research, using data analytics. It has offices across the US, plus Toronto and London, and sales in 40 U.S. states, Canada and Europe.

TILT focuses largely on the supply chain, supported with software that connects clients with other businesses and consumers. It conducts research, cultivation, processing, packaging and delivering of products and devices to manufacturers, retailers, and consumers in multiple states and countries.

Size: Strong
Market Cap: US $91.31 mil
Enterprise value: $202.51 mil
# of employees: 500

Markets: Strong
Primary: Most of the USA
Secondary: Canada and Europe

Operations: Strong
Cultivation: We estimate their current and/or future production to be between 27,000-40,000 kgs. They do not publish an exact total, how much is producing now versus the future, or if this is an annual total, or per harvest.

In Massachusetts, TILT currently cultivates 21,000 SF in Taunton, Massachusetts and is currently constructing an additional 65,000 SF of canopy space by the end of 2019.

In Pennsylvania, TILT has a cultivation presence through its wholly owned subsidiary, Standard Farms. Standard Farms' products are carried in 95% of the state's dispensaries. It offers medical cannabis, including vape cartridges, capsules, and flowers. It has 18,000 SF of canopy with an additional 16,000 SF of canopy coming in 2019. It was founded in 2017 in White Haven, Pennsylvania and has 47 employees.

TILT's wholly owned subsidiaries, Blackbird Holdings Corp. and Baker Technologies Inc. provide logistics and software solutions for retailers, wholesalers, and producers, reaching a large network. This connects brands to dispensaries and consumers, enabling businesses to make data-driven decisions.

Blackbird is a distribution and inventory management business that reaches 800+ dispensaries and works with hundreds of brands in Nevada and California. At the wholesale level, it transports over $1,000,000 of product per day to dispensaries. For dispensaries, it provides inventory management and e-commerce solutions. It also provides on-demand delivery throughout California and Nevada.

Baker is one of the industry's largest software companies, servicing over 1,100 dispensaries across the US. Its cannabis-specific CRM platform helps dispensaries grow by providing digital menus and online ordering, customer loyalty programs, and e-commerce and marketing programs. Baker helps dispensaries better understand their customers, using data-driven campaigns to drive repeat-visits and increase sales. Baker's services also offer cross-selling opportunities for other TILT services. In all, its software helps retailers analyze data on 2,000,000+ unique consumers, sending out millions of messages each month to drive sales.

Distribution:
Direct sales**:** No direct to consumer sales
Store networks: Yes
Supply agreements: NA

TILT distributes branded and third-party products to over 800 retailers. It creates customized products, and helps retailers launch and build their own branded products.

Partnerships:
Jimmy Jang Holdings Inc.
Santé Veritas Therapeutics Inc.
Jupiter Research Europe Ltd
Baker Technologies Inc**.** and subsidiaries:
Defender Marketing Services, LLC
Blackbird Logistics Corporation, CA
Blackbird NV, LLC
Bootleg Courier Company, LLC Blkbrd Software, LLC
Briteside E-Commerce
Standard Farms, LLC
White Haven RE, LLC

Sea Hunter, Therapeutics, LLC SH Therapeutics, LLC
SH Realty Holdings, LLC
SH Realty Holdings-Ohio, LLC Commonwealth Alternative Care, Inc. Cultivo, LLC
Alternative Care Resource Group, LLC Verdant Holdings, LLC
Verdant Management Group, LLC Herbology Holdings, LLC
Herbology Management Group, LLC SH Ohio, LLC
SH Finance Company, LLC

Integration/Diversification:
Vertically integrated: Yes (except retail)
Horizontally diversified: Yes

Financials: Neutral
Outstanding shares (diluted): $ 306.51mil
Revenue last year: $ 122.44 mil
EPS (Diluted): ($2.08)
Revenue rank in cannabis industry: 8th, counting only mrq
Revenue growth (QoQ): 18 %

Management: Neutral
CEO: Mark Scatterday
VP, Ops: Geoff Hamm
VP, Bus Dev: Joel Milton

Branding: Neutral
They own Standard Farms, which has their own widely distributed brand. However, the rest of their cultivation and production is geared to OEM manufacturing, making product under contract to other brands, and putting other brands' names on the cannabis.

Valuation: Strong
Current share price: US $0.30
Price to Sales: 0.74 (Tobacco industry Avg. = 5)
52 Week Low/High: $0.17 - 3.00
EV / Revenue: 1.65

Financings: Neutral
No recent financing needed or reported.

Risks: Neutral
The risks of investing in any cannabis or hemp company are currently high given the newness of the market. The risks of investing in this company may be lower (in some ways) in the long run, since the company offers diversified services. However, they could also be higher in the long term, since it is not clear if its clients will always prefer to contract their services to TILT, or eventually develop their own.

Recommendation: Neutral

This is a different kind of cannabis company than most since it chooses to offer diversified services to other cannabis companies, rather than compete for a share of the consumer market.

The company is currently dealing with blowback from the market resulting from its questionable choice to change accounting methods in May 2019, about 6 months after going public last fall. The company explains that it chose one accounting method to value the company when it went public, valuing assets instead of revenue streams. And it states that it now is required to value its company by revenue streams, which requires a very large write down in value (less value claimed as "goodwill").

It strikes us as surprising that they either didn't know this would happen or chose it anyway.

The bottom line is that it is now trading, in June 2019, at $0.85, less than one third the value it was trading at in early January 2019. While the management claims this is no big deal, we would guess there may be a lot of investors who feel it is. A cynical investor might feel it was a way to increase its IPO take, without proper concern for investors.

The company's bottom line losses for the last two quarters are still huge ($77 million in Q1 2019, and $275 million in Q4 2018). On the plus side, it did report a huge gain in revenue in Q1 2019, rising to $34 million from $2.5 million. Its gross profit margin though, at 22%, is not nearly as high as most cultivators, whose margin is usually well above 50%. Since cultivation is just one of its lines, it may not ever have a gross margin as high.

Overall, these results are not yet stellar, **except for the revenue gain, which is excitin**g. But how much can their revenue grow? This is hard to know, because their business model is unusual, and they don't yet report enough detail to calculate future revenue.

Their mixed results so far may be explainable as the result of the tricky assimilation of its recent mergers. If this is the case, then its revenue needs to continue to grow, and its profit and stock price need to start looking much better in the near term, to bring confidence back to investors that this is a good strategy and it has good management.

Its Price to Sales ratio is now 8, which is very low compared to many cannabis firms, and only 1.5 times the tobacco industry. This means its revenue is not as overvalued as much of the cannabis industry.

We think its future could be bright. If this is the case, then the stock price now is reasonable compared to its current revenue *and would be poised to grow with future revenue and profit gains.* But given it recent challenges, we want to see it get through these challenges and show continued strong results before we invest. Those who like its strategy may choose a sooner entry to take advantage of the possible low valuation compared to long term potential.

Acreage Holdings

Fundamentals

Profile:
HQ: New York, NY, USA
Founded: 2014 (Formerly High Street Partners)
Facilities: 20 states
Symbol: ACRGF (OTC)

Focus: Strong
Acreage Holdings is a New York-based investment company (formerly High Street Partners) that is officially domiciled in Canada since it went public there. Through acquisitions, it has built itself into leading vertically-integrated multi-state U.S. cannabis operators. It owns or has operating agreements in place for licenses in 20 states, including 87 dispensaries and 22 cultivation and processing sites. Its Board of Directors includes former Canadian Prime Minister Brian Mulroney and former Speaker of the U.S. House of Representatives, John Boehner.

As investors, Acreage's strategy to acquire as many licenses as possible has paid off: Canopy Growth, (now the world's largest cannabis company by market cap) which is currently prevented from operating in the US until the US changes its cannabis laws, recently bought the right to buy Acreage when the US laws change. The deal involves a $300 upfront payment and a future payment (when the deal gets done) worth about $3.4 billion in Canopy shares today but could amount to much more (or less) in the future if Canopy shares rise (or fall).

Size: Strong
Market Cap: US $474.73 mil
Enterprise value: $580.77 mil
# of employees: 300

Markets: Strong
Primary: USA - 10 Northeast states, 5 midwestern states, 3 on the west coast and Florida
Secondary: Canada

Operations: Neutral
Cultivation:
Current production: NA
Future production: 100,000+ kgs, based on its claims of 1 million sf of production space.

Acreage has operations in 20 states. They own the license in 13 states, and in the remaining seven states, they have operating agreements. In six "scalable" states, their operations generate revenue and positive EBITDA. In three "developing" states, they have revenue but do not yet have positive EBITDA. In the remaining eleven "emerging" states, they are not yet generating revenue.

In the six scalable states, they already have their allotted stores. In their three developing states, they can open 5 more stores. In their eleven emerging states, they have as many as 51 stores still to open, requiring substantial capital expenditures. If Canopy succeeds in buying Acreage, they will be able to spend from their large cash holdings to open these stores. Acreage also has wholesale operations in 14 states and can open up to 10 more.

Distribution:
Direct sales**:** NA
Store networks**:** Acreage has a chain of retail stores called The Botanist, started in 2018.
Supply agreements: Wholesale contracts.

Integration/Diversification:
Vertically integrated: Yes, they own cultivation, production and retail.
Horizontally diversified: They do have both retail and medical cannabis.

Financials: Weak
Outstanding shares (diluted): $ 53.82 mil
Revenue: $ 63.52 mil
EPS (Diluted): (3.57)
Cash on hand: $ 37.64 mil

Management: Strong
CEO: Kevin P. Murphy
CFO: Glen S. Leibowitz
COO: Robert J. Daino

Branding: Neutral
As this is an investment company that is growing by acquisition, the company information covers the big picture. It does not discuss brands, or production capacity, like most cannabis companies, do.

It's Botanist stores currently carry Etain, Pharmacann and Pure Dakota brand products. It is not clear if the company is developing its own branded products yet.

The company sells many forms of cannabis products through its stores, including flowers, tinctures, vapes, sprays, cartridges, powders, solutions, shatter, wax and capsules.

Valuation: Weak
Current share price: US $5.27
Price to Sales: 6.97 (Tobacco industry Avg. = 5)
52 Week Low/High: $ 3.84 - 30.00
EV / Revenue: 9.14

Financings: Strong

The recent deal with Canopy gives Acreage $300 million now. It also allows Acreage to issue up to 58 million Subordinate Voting Shares (SVS, the implied value of US$1.4 billion), plus up to 5 million+ more, which would become future Canopy Shares. These give Acreage a strong ability to fund expansion.

Risks: Neutral

The risks of investing in any cannabis or hemp company are currently high given the newness of the market. The risks of investing in this company may be somewhat lower than due to Canopy Growth's investment in buying this company. However, Acreage's revenue is low, and it has no positive income yet.

Recommendation: Neutral

Many cannabis companies were built from the ground up by cannabis entrepreneurs struggling in the trenches to learn to grow and produce cannabis.

Acreage Holdings is different. It was started by a Wall Street veteran, Kevin Murphy, and his High Street Partners investment firm. Kevin bought his way onto the Board of a cannabis company in Maine in 2011. From there he learned the investment side of the business and crafted a strategy to acquire a portfolio of cannabis businesses that controlled production and retail licenses in key states. He now controls Acreage Holdings, a business with operations in **20 states, 300 employees, 26 operating dispensaries, a wholesale business, licenses to operate 85 dispensaries, and quite a few cultivation facilities**, some operating and others under development. As an aggregator, not a builder, they are not focused on (and do not publish) how much cannabis they can or will produce.

Murphy's strategy appears to have paid off handsomely, as Canopy Growth in April 2019 paid Acreage $300 million for the right to buy Acreage in the future when it is legal for Canopy to do. Canopy will then pay the rest, **which will likely amount to over $3.5 billion**. Canopy is currently forbidden to operate in the US, where cannabis is federally illegal, due to rules of the CSE exchange it trades on. Canopy wants to build its US business quickly, and thus wanted to buy a company with a lot of licenses. It has tons of cash to invest in opening the stores.

By itself (not counting the pending Canopy deal), Acreage has a lot of growth potential but is very highly-priced, with a **Price to Sales ratio of 100**. This is 20 times what we would expect it to be when compared to a mature industry. With current annual revenue of about $50 million per year, we estimate that the stock is already priced for revenue of about $1 billion.

On this basis, we would not recommend it as a good investment, as it would take them a long time to reach that level.

The Canopy deal does improve its prospects. If Canopy stock maintains its current value, it will pay 25% more for Acreage than it is currently priced at. If Canopy shares climb, it will pay even more. But if Canopy shares decline, it will pay less, or even no premium at all.

Canopy's confidence is compelling. But since we cannot know what Canopy will eventually pay for Acreage, we cannot say that the stock is a good value now.

Therefore, we recommend watching this stock, but not buying it. If investors can watch and time the development of the legal landscape that will permit Canopy to buy Acreage, and Canopy's stock has maintained its value or risen, then this will be a good stock to buy. Of course, the longer an investor waits to make that decision, the less premium will likely be available in the market, as other investors get in first.

Trulieve Cannabis Corp.

Fundamentals

Profile:
HQ: Quincy, Florida, USA
Founded: 2018
Facilities: Florida
Symbol: TCNNF (OTC), TRUL (CSE)

Focus: Strong
Trulieve Cannabis Corp is a growth-oriented, licensed, vertically-integrated, seed-to-sale cannabis company headquartered in, and focused on, Florida, the third most populous state in the USA. It is the leading medical cannabis company there, with a significant market share of the state (they claim 65%) and 26 stores. It can expand up to 39 stores in all, 14 more than the 25-store limit, since its original 14 are grandfathered in.

They recently bought a licensed cannabis company in CA and a late-stage license applicant in Mass, where it plans to expand and enter both the medical and adult-use cannabis market.

Trulieve grows all its products in-house and distributes them to Trulieve-branded dispensaries in Florida, as well as directly to patients via home delivery. It makes approximately 170 SKUs (products), including smokable flowers, flower pods for vaporizing, concentrates, topicals, capsules, tinctures, and vape cartridges.

Size:
Market Cap: US $1.46 bil
Enterprise value: $1.56 bil
# of employees: 1,787

Markets: Strong
Primary: market leader in Florida
Secondary: Mass and CA in the near future

Operations: Strong
Cultivation:
Current production: Trulieve currently has 638,000 SF of cultivation space on four sites, using both indoor and greenhouse facilities. It can now grow 30,000 kg of cannabis per year and is increasing its greenhouse capacity. It grows 45 cannabis flower strains and expects to grow revenue in Florida, as that state recently passed legislation allowing the sale of smokable cannabis flower.

Trulieve produces 100% of the products sold in its Trulieve stores. It extracts 50,000 grams of active THC or CBD per week.

It uses ethanol extraction mostly. It also uses CO2 extraction for terpene extraction and CO2 vaporizer products. It has a 55,000 SF building for production and shipping activities, with a kitchen for edible products and a hydrocarbon extraction facility, expecting the future legal sale of edible and hydrocarbon products in Florida.

Distribution:
Direct sales: Patients can order products for delivery on-line or by calling the Trulieve call-center, which takes roughly 2,000 calls per day. It offers next day delivery in most of Florida. Patients can also place orders for in-store pick-up online or via the call center.

Store networks: It operates 26 of the 108 dispensaries in Florida. It can open up to 39. (Florida allows 25 per licensee, plus five once a company reaches 100,000 active patients. But Trulieve's original 14 dispensaries which opened before the cap was enacted are grandfathered in, allowing them 39.

Through February 2019, Trulieve had served nearly 140,000 unique patients in Florida.

Supply agreements: In December 2018, Trulieve bought Life Essence, a seed-to-sale cannabis company developing multiple locations in Massachusetts. Life Essence is applying for licenses to build and operate three medical dispensaries, three recreational stores, and a 126,000 SF cultivation facility.

In November 2018, Trulieve bought 80% of Leef Industries, a licensed medical and adult-use dispensary in Palm Springs, California. It will buy the rest pending purchase approval by California, expected in Q2 of 2019.

Integration/Diversification:
Vertically integrated: Yes
Horizontally diversified: Not much, though they will eventually have both medical and adult use (recreational) businesses

Financials: Strong
Outstanding shares (diluted): 110.35 mil
Revenue Ranking is US Cannabis Industry: #1
Last Quarter Revenue: $209.07 mil
QoQ Revenue Growth: 160.97 %

Management: Strong
CEO: Kimberly Rivers, $150,
CFO: Mohan Srinivasan, $200k
COO: Kevin Darmody

Branding: Strong
Trulieve's CBD products are designed to treat pain, seizures, muscle spasms, nausea, loss of appetite, and symptoms associated with conditions such as cancer. Its products have low THC and are available for patients who need non-euphoric care.

It has over 160 Trulieve-branded products, including smokable flower, flower pods for vaporizing, concentrates, topicals, capsules, tinctures, and vape cartridges. Its marketing consists of education and outreach to physicians, patients, and potential patients.

Trulieve's educational materials help physicians understand the science behind cannabis, their production standards, and that its products are created to provide relief.

Trulieve offers the "Truliever" loyalty program which grants points and discounts. It communicates with patients and physicians through email, text, social media and online chat.

Valuation: Strong
Current share price: US $13.30
Price to Sales: 6.99 (Tobacco industry Avg. = 5)
52 week low/high: US $ 6.68 - 16.23
EV / Revenue: 7.46

Financings: Neutral
In August 2018, it completed a private placement raising net proceeds of $47 million. In May 2018, it borrowed $12 million from directors of Trulieve at 12%.

At the end of 2018, Trulieve had current liabilities of $34.7 million and cash of $24.4 million.

Trulieve plans for aggressive growth from acquisitions and expansions. It expects to raise additional capital. It has banking relationships but not access to traditional bank financing. It has been successful at raising capital privately.

It expects to generate adequate cash to fund continuing operations.

Risks: Neutral
The risks of investing in this company may be somewhat lower than many cannabis companies in that Trulieve has substantial revenue and income and is a leader in its main market. However, given the rapid changes affecting the economy generally, and the cannabis industry, in particular, no company can guarantee to maintain a competitive advantage in the market.

Recommendation: Strong
Trulieve has a very strong position in Florida, the **third largest US medical cannabis market**. They have 26 dispensaries, produce 30,000 kgs per year, and based on Q4 2018, are currently on a revenue pace of roughly $140 million per year.

What are their growth prospects? By opening a few new stores already in 2019, and Florida demand growing, they predict $214 million in revenue in 2019. In the future, they can open up to 13 more stores here.

They plan to also expand their growing capacity in Florida though they have not specified how much. But they have bought businesses in Mass and CA, and the one in Mass has enough grow space to

boost their output to 45,000 kgs per year in the coming few years. **This should increase their revenue by 50%**, possibly taking them close to $300 million in revenue.

This looks like a strong plan to increase revenue growth for the company. The question is, is this revenue already priced into their stock? Or will the stock price grow as revenue grows?

By our calculations, the company has a price to sales ratio of 10—about twice the average in the tobacco industry. So, there is future revenue growth already priced into the stock. We think the stock is currently priced for revenue of about $240 million.

While this is above their 2019 forecast, we are confident their revenue will surpass this in 2020, **which should drive the stock price up solidly in that year**, if not before.

For investors who don't mind waiting a year for a solid return, we think Trulieve at its current price presents a good opportunity for long term gain.

Cresco Labs Inc.

Fundamentals

Profile:
HQ: Chicago, IL, USA
Founded: 1990
Facilities: Chicago, Joliet, Lincoln, Fall River, Salome, Las Vegas, San Luis Obispo, Mendota, others
Symbol: CRLBF (OTC); CL (CSE)

Focus: Strong
As a top-quality cannabis producer, processor and retailer operating in seven US states, the company focuses on entering highly regulated markets with excessive demand potential and high barriers to entry. Cresco has elevated everyday cannabis through its THC-forward products available in flower, vape pens, and multiple forms of extracts.

Cresco plans to leverage the success in Illinois, Pennsylvania, Ohio, Nevada, California, and Arizona to expand into legalized cannabis markets in other states, while focusing on compliance, control, efficiency, and product performance in the medicinal or adult-use cannabis industry. Currently in the process to complete the application process for new states beginning or expanding medical cannabis programs such as Florida, Michigan, and New Jersey, etc.

Size:
Market Cap: US $ 691.23 mil
Enterprise value: $ 820.45mil
Size among cultivators: 7th of approximately 40
Number of Employees: 500

Markets: Strong
Primary: Operations in 7 states (Illinois, Ohio, Penn., Nevada, California, Arizona, and MA)
Secondary: Approval pending in 3 additional states (NY, MA, and Maryland).

Operations: Strong
Cultivation:
Current production: 113,500 pounds per year (as of Feb. 2019)
Future production: 447,500 pounds per year (by Dec. 2019)

Their current facility features a 23,294-square-foot, state-of-the-art greenhouse separate from the 26,445-square-foot area where the marijuana is processed**.** Their expansion in Lincoln, brings nearly 140,000 square feet of total cultivation at the three Illinois facilities, tripling their previous capacity.

It is expected that 40-50% of the raw cannabis produced at Cresco's production facilities (except for raw cannabis produced in Pennsylvania and New York) will be used at Cresco's kitchens and laboratories to make the vaporizable, oral and topical and edible products sold under the Cresco, Reserve, Remedi, and Mindy's brands.

Direct sales: No
Store networks: 21 retail licenses, a medical marijuana dispensary in Elmwood Park, opened two dispensaries in New York and first legal sale of medical marijuana in the state of Ohio in Jan 2019.

Supply agreements: On December 6th, 2018, Cresco Labs announced a definitive agreement to acquire 100% membership interests of Hope Heal Health, based in Massachusetts with licenses for cultivation, processing, and the ability to obtain up to three medical marijuana dispensary licenses and three adult-use dispensary licenses. On December 20th, 2018, Cresco Labs announced that it had signed dual definitive agreements to acquire licensed Illinois medical cannabis dispensaries MedMar Rockford and MedMar Lakeview bringing our total number of dispensaries in Illinois to five.

Registered patients: 404,000 by Feb 2019.

Integration/Diversification: Neutral
Vertically integrated: Yes.
Horizontally diversified: Not yet.

Financials: Strong
Previous Year Revenue: $100.66 mil
Outstanding shares (diluted): 36.12mil
QoQ Revenue Increase: 257.47%
EPS: ($0.18)

Management: Strong
CEO & Director: Charlie Bachtell
CFO: Ken Amann
President and Director: Joseph Stevens Caltabiano
Vice Chairman: Brian Thomas McCormack

Branding:
Cresco utilizes a multi-brand approach to product development. The brand "Cresco" features THC-focused products available in flower, vape pens, and multiple forms of extracts. Each product falls into one of three proprietary categories: “Rise”, “Refresh”, “Rest”, named and color-coded to help the user intuitively identify the desired effects of the relevant strain's cannabinoid profile. "Mindy's Artisanal Edibles" and "Mindy's Kitchen" are brands created in collaboration with James Beard Award-Winning Chef Mindy Segal and are the industry's first true culinary-backed edible option. Both of Mindy's lines are lauded for their unique flavor profiles. "Reserve" products are made from Cresco's most premium and exclusive plants and are the reward of years of selective breeding. "Remedi" products are designed for the medically-minded patient, with forms reminiscent of traditional pharmaceuticals.

Valuation: Strong
Current share price: US $5.07
Price to Sales: 5.51 (Tobacco industry = 5)
52 week low/high: US $4.47 - 14.39
EV/Revenue: 8.15
Price/Book: 3.82

Financing: Neutral
Series D funding round securing $100 million (US)
Successfully raised $205 million in growth capital through three capital raises in 2018

Risks: Neutral
The risks of investing in any cannabis company are currently high given the newness of the market. The risks of investing in this company are less so given their multi-state presence and strong focus.

Recommendation: Strong
As a differentiated grower, processor and retailer of premium cannabis with operations in six states (Illinois, Ohio, Pennsylvania, Nevada, California, and Arizona) and approval pending for acquisitions in three more states (New York, Massachusetts, Maryland), the company focuses on entering markets with outsized demand potential, significant supply constraints and high barriers to entry. Cresco Labs is on track to become one of the largest major producers of cannabis very soon with its aggressive growth strategy. They focus on entering highly regulated markets with excessive demand potential and high barriers to entry. It also has plans to expand internationally.

We believe the company has strong management, based on experience in cannabis, compliance and market growth. Cresco is one of a very small group of operators to successfully obtain cultivation licenses in more than one of the modern, limited license, merit-based application state programs.

We think their cultivation capacity is very impressive. The production capacity is expected to grow three times by the end of this year while seeking distribution licenses in key US states. However, with aggressive growth in production, they need to increase distribution channels to avoid a buildup of large inventories. Their growth strategy is based on targeting expansion in states like Florida, New Jersey, Virginia, and Connecticut.

Management is pursuing growth by increasing market share and entering new markets. Will its stock price improve in the long term? We think so. Cannabis stock prices usually reflect expected future revenue, not current revenue.

Cresco labs showed exceptional growth with year-to-date revenue of $25.1 million (up 248% from the prior year) and third-quarter net income of $3.9 million, compared to a net loss of $0.2 million in the prior-year period. We would like to see their gross margins increase from 40% to above 50% (a level many of their competitors have achieved).

With $93.9 million cash in hand, they have sufficient financial bases to do more acquisitions, to expand to new markets, and add new distribution channels. That being said, with total liabilities of $9.3 million and total assets of $149.4 million, they are an ideal target of acquisition by larger companies. At the same time, they have one of the highest market cap/revenue ratios among all of the U.S. cannabis companies.

For these reasons, we think Cresco labs, at or near its current price of $8.26 a share, is still a very good investment opportunity—though as the price rises this opportunity will eventually disappear.