



the cannin report

Your Cannabis investment resource.

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Cannin Report Q1 2019 – Cannabis Cultivators in the USA

Welcome to Cannabis Investing in 2019!

It's crazy out there, we know. That's why we put together our quarterly reports; to help you discern gold from fool's gold. In the following pages you'll find helpful terms-to-know for both cannabis and investing, deep analyses of 12 of the largest cannabis companies in the United States, and a piece on the important points on how to grow cannabis so you know what to look for when evaluating cannabis cultivators. Our team of industry experts has made this report easy to read, easy to understand, and easy to digest so that you'll have the information you need to make the most profitable investments this calendar year.

Thanks for purchasing, happy reading, and stay tuned to the next Cannin report (Q2) on the largest publicly traded hemp companies!

Stephen Goldman & William Goodin
Founders





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 quick 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 main categories:

1. Pipeline of products/potential revenue/IP
2. Key Executive Experience
3. SEC Filings
4. Cash Flow
5. Current Revenue

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

A few words on CBD and the 2018 Farm Bill

The passage of the US Farm Bill 2018 in October made hemp and its derivatives, including hemp-derived CBD, entirely legal at the Federal level. State laws still apply (16 states prohibit hemp cultivation). This will likely drive high growth of the hemp-derived CBD market. CBD is an active ingredient in industrial hemp, as well as cannabis.

The bill defines hemp as the plant *Cannabis sativa* L. and any part of the plant with a delta-9 THC concentration of not more than 0.3 percent by dry weight. The bill also removed hemp from the Controlled Substances Act, paving the way for the wholly legal cultivation, possession, sale and distribution of the hemp plant. The bill delegates to states the authority to regulate and limit the production and sale of hemp products within those states.

There are different qualities of CBD depending on how pure it is, how many naturally occurring compounds are included with it, and whether or not it is pesticide free. Terms can be ambiguous. Basic “hemp oil” may refer to hemp seed oil, which has low CBD content and low healing properties. “Full spectrum hemp oil” is pure hemp oil containing all the cannabinoids and compounds in the original plant and is considered a higher quality product. It is similar to “phytocannabinoid rich extract” which contains original cannabinoids in the *cannabis sativa* plant.

No matter what you call it, CBD and hemp are certainly fast-growing markets. Women are the fastest-growing demographic for CBD products, accounting for 58% of CBD-only products. Over 50% of users use CBD to treat joint pain and inflammation, followed by migraines (35%), as well as chronic pain (32%). It is also used to treat PMS and some autoimmune diseases, which affect 1 in 5 adults (75% women). CBD is used by some people to treat arthritis, diabetes, and inflammation. There are many CBD products available, including CBD for pets. In Washington state alone there are over 800 CBD products in the marketplace!

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 certain marijuana-related activity.”

Fundamental Analysis Sections

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FEATURED COMPANY

fundamental analysis

CURALEAF



profile

HQ: 301 Edgewater Place Suite 405 Wakefield, MA 01880

Founded: 2010

Facilities: Arizona, Connecticut, Florida, Maine, Maryland, Massachusetts, Nevada, New Jersey, New York, Oregon and Pennsylvania

focus

CuraLeaf operates and owns 12 cultivation sites, 28 dispensaries, and 9 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 national retail brand.

size

Enterprise Value: \$4.20 billion

Size within Cannabis Industry: roughly 6th of 200+

Size among cultivators: 5th of 40

of employees: 700

markets: strong

Primary: Operations in ten states (Arizona, Florida, Maine, Maryland, Massachusetts, Nevada, New Jersey, New York, Ohio, Oregon and Pennsylvania)

Secondary: Approval pending in two more states (Ohio and Pennsylvania).

Subsidiaries, Interests:

Majority Subsidiaries: PalliaTech MD Processing, LLC, PalliaTech AZ, Inc, CuraLeaf Midtown, CuraLeaf, Spark Dispensary

Minority Interests: Groen Investment Group, Inc.

operations

Cultivation: strong

Current Production: 63,000 lbs/yr

Future Capacity: 2020: 290,000 lbs/yr

Extracting 20,000+ grams of cannabis oil per week

Distribution: Direct sales: yes

FEATURED COMPANY

fundamental analysis

CURALEAF



Store Networks: 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, CuraLeaf 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 their Cadispensaries. In multiple States, they offer customers the option to pick-up online orders in store. CuraLeaf aims to expand their e-commerce and delivery operations, where permitted, to offer convenient access for their 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. ATG is operating a 53,600 square foot cultivation facility in Amesbury, Massachusetts and a medical dispensary in Salem, Massachusetts. In the same month, CuraLeaf 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.

Registered Patients: 150,000 in March 2019.

Integration/Diversification:

Vertically Integrated: one of the largest vertically integrated multistate cannabis operators in US

Horizontally Diversified: no

financials: strong

Stock Symbol	CURLF
Recent Price	9.05
Shares Outstanding	11.8
Market Cap (\$ mil)	106
Revenue (MRQ)	32
Revenue Rank	4
Gross Margin	25%
Income (MRQ)	(34)
EPS	(2.86)
Price/Sales	58

FEATURED COMPANY

fundamental analysis

CURALEAF



management: strong

CEO: Joseph Lusardi

CFO: Neil Davidson

CuraLeaf Management are experienced in managing large businesses and growth. They financed for future expansion through listing on 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. He has been instrumental in developing an organizational strategy focused on bringing the Company's commitment to the advancement of cannabis science to all CuraLeaf subsidiaries, and, ultimately, patients in need of medical cannabis. To support this effort, he raised over \$500 million dollars to invest into the Company's infrastructure, research and development, and staff. Mr. Lusardi continues to guide corporate strategy with a focused view on the continual improvement of best practices.

branding

CuraLeaf has become the most accessible national cannabis brand with the largest operational branded dispensary footprint in the country and the recent launch of their CBD line under CuraLeaf Hemp. They created strategic presence in highly populated, limited license states, which has served as an important foundation for aggressive expansion plan across the country. Multiple product formats provide an array of administration options (inhalation, ingestion, sublingual, and topical) for the novice to the experienced user.

financings

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.

valuation

Price to Book: 1.48

EV / Revenue: 2.18

FEATURED COMPANY

fundamental analysis

CURALEAF



recommendation: strong

CuraLeaf Holdings, based in Wakefield, Mass., operates an integrated network of medical and wellness cannabis facilities throughout the United States. CuraLeaf 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.

We believe the company has strong management, based on experience in cannabis, compliance and market growth. CuraLeaf 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.

CuraLeaf 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**. Since going public on October 29, 2018, CURA has gained 23%, compared to a loss of 7% for the S&P 500.

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.

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

There's a bull case, and it's persuasive.

Strong capital position with \$266.6 million cash on hand at year end, supported by a prudent capital allocation strategy that 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.

FEATURED COMPANY

fundamental analysis

CURALEAF



CuraLeaf does struggle on the bottom line and will need to improve net income, which 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.

For these reasons, we think CuraLeaf, at or near its current price of \$8.80 a share, is still a very good investment opportunity—though as the price rises this opportunity will eventually disappear.

FEATURED COMPANY

fundamental analysis

WAYLAND GROUP



WAYLAND

profile

HQ: 323 Boston Post Rd # 10, Sudbury, MA 01776

Founded: 2013

Facilities: Langton (Ontario), Dresden, Saxony (Germany), Regensdorf (Switzerland) and Allesandria, Piedmont (Italy)

focus

Wayland is focused on the low-cost production of cannabis in large-scale greenhouse operations and expects a significant reduction in their cost of goods sold per gram. The Langton facility is expanding in a multi-phase project. Wayland will continue to pursue new opportunities globally, including the consummation of their previously announced transactions in the United Kingdom, Australia, Colombia, and Argentina, in its effort to enhance lives through cannabis. Wayland grows all-natural plants in its energy-efficient greenhouse, while maintaining secure and consistent supply, as it has focused on eight profitable and proven strains and is aiming for production costs of \$1.34 per gram.

size

Enterprise Value: \$132 million

Size within Cannabis Industry: roughly 37th of 200+

of Employees: 54

markets: neutral

Primary: Canada (Langton, Ontario), Germany (Dresden, Saxony, Germany), and Switzerland (Regensdorf)

Secondary: Approval pending in Columbia, Italy, and Malta

Subsidiaries, Interests:

Majority Subsidiaries: Mariplant GmbH, Maricann Inc, NanoLeaf Technologies Inc., Proimaging AG, Maricann B.V.

Minority Interests: na

operations

Cultivation: medium

Current Production: 79,366 lbs/yr

Future Capacity: April 2019: 231,485 lbs/yr

Distribution: Direct sales: yes

FEATURED COMPANY

fundamental analysis

WAYLAND GROUP



WAYLAND

Store Networks: On November 6, 2017, they entered into a collaboration with a pharmacy group with over 2,000 retail stores. They are attempting to develop patient and healthcare education programs for the sale and distribution of medicinal cannabis as well as the development of product accessibility initiatives to facilitate the sale and distribution of their products. The company has committed a funding of \$100,000 for the purposes of this initiative.

Supply Agreements: On December 11, 2017 the company entered into a definitive agreement with Lovell Drugs Limited to be the exclusive provider of medical cannabis products to its patients through a two-part initiative, consisting of education and product accessibility.

Registered patients: Less than 3000

Integration/Diversification:

Vertically Integrated: vertically integrated cannabis operator in Canada and Europe

Horizontally Diversified: no

financials: strong

Stock Symbol	MRRCF
Recent Price	0.73
Shares Outstanding	233
Market Cap (\$ mil)	160
Revenue (MRQ)	0.84
Revenue Rank	NA
Gross Margin	22%
Income (MRQ)	(9.9)
EPS	(0.15)
Price/Sales	190

management: strong

CEO: Benjamin Ward

CFO: Scott Langille

Wayland management has experience in the pharmaceutical industries of both Canada and the United States. They financed for future expansion through listing on Canadian security exchange. CEO Ben Ward leads all facets of the company's operations, including their strategic direction and execution, finance and industry relations. He brings extensive domestic and global experience facets of the company's operations, including their

FEATURED COMPANY

fundamental analysis

WAYLAND GROUP



WAYLAND

strategic direction and execution, finance and industry relations. He brings extensive domestic and global experience in business development, infrastructure development and capital markets to his leadership of Wayland. Scott Langille, Chief Financial Officer, has over 30 years of experience in both Canada and the United States. Scott has held CFO positions at publicly traded pharmaceutical companies including Tribute Pharmaceuticals, and Virexx Medical Corp. Past financial experience includes Vice President at Biovail Pharmaceuticals Inc. and Director, Corporate Finance at Biovail Corporation.

branding

Wayland Group is producing four types of all-natural cannabis oil capsules. The benefit of Maricann Capsules is the ability to deliver medication to patients in the consistent dosages and easy-to-use format consistent with other pharmaceutical products. The vegan capsules are produced in 15 mg and 25 mg cannabidiol (CBD) and 5 mg and 10 mg THC capsules for optimal patient control and compliance.

financings

On Jan 15, Wayland Group sold 49.9 percent of their international portfolio of assets. The deal was all-stock, and Wayland received 300 million shares of ICC at a deemed price of 43 cents apiece. Based on this price, Wayland's international business is valued at around \$258 million. The transaction will value the international portfolio at 13.3-percent premium to the market value of Wayland's entire business. Alpha Blue has agreed to subscribe for up to C\$20,000,000 aggregate principal amount of senior unsecured convertible debentures across up to five facilities. The first facility for C\$4,000,000 principal amount of debentures has closed. Wayland expects to draw on additional facilities in the coming weeks.

valuation

Price to Book: 0.87

EV / Revenue: 2.18

recommendation: **weak**

Founded in 2013 in Langton, Ontario, Wayland Group Inc. is a publicly traded medical cannabis company that serves thousands of patients. Wayland Group is currently expanding its cultivation, extraction, analytics and production facilities to elevate offerings and prepare for growth into the adult-use cannabis market in Canada, and ultimately into mature and developing cannabis markets worldwide.

FEATURED COMPANY

fundamental analysis

WAYLAND GROUP



WAYLAND

We believe the company has strong management, based on experience in cannabis, compliance and market growth. Wayland is focused on the **low-cost production of cannabis in large-scale greenhouse operations** and expects a significant reduction in its cost of goods sold per gram. The Langton facility is expanding in a multi-phase project.

By partnering with Rockwell Automation, Wayland Group became one of the first companies in the space to automate its facilities using AI - giving it the ability to produce product with roughly 10 percent of the workforce of some of its competitors.

With current liabilities at CA\$17m, the company has been able to meet these obligations given the level of current assets of CA\$25m, with a current ratio of 1.49x. Generally, for pharmaceuticals companies, this is a reasonable ratio since there's a sufficient cash cushion without leaving too much capital idle or in low-earning investments.

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

There's a bear case here if you look for it. Wayland only has enough cash to keep going for another 4 months according to its filings even after the October bought deal. The company is shifting focus to Europe, but **its Canadian business is floundering** with only 2,000 kg of capacity in operation.

The difference between the revenue figures and the net losses reported by Wayland is large. It means that investors may have to wait many years until the company reaches break-even point.

The stock has been plagued by its **slow execution in Canada** and upcoming cash shortages. The company reported Q3 revenue of \$225,000 which is an 80% drop from Q2 revenue of \$1.3 million. In a recent corporate update, the company announced Q4 revenue of C\$1.3 million which is a big disappointment as the company failed to benefit from the legalization in October.

The company also failed to convert its previously announced LOI with CSE-listed International Cannabis Corp into definitive agreements. It is unclear whether there is still a deal to sell 49.9% of its international assets given the exclusivity period has passed on February 20.

We see very few near-term catalysts for Wayland as its Canadian operations continued to tread water while a partial sale of international assets is currently in limbo. We think there are better opportunities in the sector other than Wayland.



WAYLAND

FEATURED COMPANY

fundamental analysis

WAYLAND GROUP

For these reasons, we think Wayland, at or near its current price, can still be a risky investment opportunity. The company is **trading at 33x sales, which seems too expensive**. Other competitors are trading below this capitalization along with growing revenues and reporting positive gross profit margin.

fundamental analysis

ABCANN GLOBAL (VIVO CANNABIS)

profile

HQ: PO Box 157, Napanee, Ontario, K7R 3M3 1-855-322-2266

Founded: 2007

Facilities: Vanluven, Kimmnett (Ontario)

focus

VIVO Cannabis is a vertically-integrated cannabis business focused on providing products in both the medical and adult-use markets. Their premium brands tailored to specific consumer segments and needs include Beacon Medical™, FIRESIDE Cannabis™, and LUMINA Wellness™. VIVO also recently acquired 100% ownership of Canna Farms™ – BC's first and highly acclaimed licensed cannabis producer. In addition, VIVO owns Harvest Medicine, one of Canada's fastest growing medical cannabis clinics. VIVO Cannabis has been rapidly expanding its production capacity, pursuing partnerships, and pursuing domestic and international product development opportunities. Outside of Canada, VIVO Cannabis is focusing its efforts in Australia and Germany. In August 2018, ABCann Global Corporation changed its name to VIVO Cannabis Inc.

size

Enterprise Value: \$162.3 million

Size within Cannabis Industry: roughly 35th of 200+

of Employees: 41

markets: strong

Primary: Vanluven, Kimmnett (Ontario)

Secondary: Completed the acquisition of Canna Farms, a licensed producer located in Hope, British Columbia.

Subsidiaries, Interests:

Majority Subsidiaries: Harvest Medicine Inc., Canna Farms Limited, ABCann Medicinals Inc, Abcann Australia Pty Ltd.

Minority Interests: na

operations

Cultivation: strong

Current production: 8818 lbs/yr

Future capacity: 2021-2022: 125663 lbs/yr

Targets include incremental volume from planned Ontario and BC based facilities

Distribution: Direct sales: no



FEATURED COMPANY

fundamental analysis

ABCANN GLOBAL (VIVO CANNABIS)

Store networks: Harvest Medicine has two clinics in St. Albert, Alberta, and is achieving promising patient flow. Harvest Medicine has also completed beta testing of its telemedicine platform, which it expects to launch in September 2019. VIVO has agreed to make a \$5 million strategic investment in National Access Cannabis Corp. NAC intends to use the proceeds of the investment, and additional recent and proposed financings, to advance the roll out of its over 200 retail cannabis operations across Canada.

Supply agreements: In Q2 2018, VIVO entered into agreements with the Ontario Cannabis Store, to supply Ontario with 16 cannabis products, and the Alberta Gaming & Liquor Commission, to supply Alberta with VIVO's high-quality recreational cannabis products. The company is also aggressively pursuing additional supply agreements. VIVO's agreement to supply medicinal cannabis to the Australian Medicinal Cannabis Service, as well as a research agreement with the Metro Pain Group (the "MPG"), a prominent group of pain physicians in Melbourne, has led to its first shipment to its partners.

Registered Patients: 22000

Integration/Diversification:

Vertically Integrated: vertically integrated cannabis operator in Canada and Europe

Horizontally Diversified: no

financials: strong

Stock Symbol	VIVO
Recent Price	0.66
Shares Outstanding	291
Market Cap (\$ mil)	197
Revenue (MRQ)	2.3
Revenue Rank	45
Gross Margin	NA
Income (MRQ)	(9.1)
EPS	(0.13)
Price/Sales	23

management: strong

CEO: Barry Fishman

CFO: Dr. Michael Bumby



FEATURED COMPANY

fundamental analysis

ABCANN GLOBAL (VIVO CANNABIS)

They financed for future expansion through listing on Canadian security exchange. VIVO CEO, Barry Fishman has 20 years as a business leader, most recently as CEO of European-focused specialty pharmaceutical company Merus Labs. He previously served as CEO of both Teva Canada and Taro Canada. VIVO CFO, Michael Bumby, has 20 years of experience in pharmaceuticals, and was previously CFO of three publicly held Canadian companies - most recently as CFO of Merus Labs.

branding

VIVO has unveiled its three core brands for the medical and recreational adult-use markets. VIVO's product development focus is now on launching its cannabis oil products. The development process is complete, and they are anticipating imminent receipt of a license to sell its oils from Health Canada. They also plans to expand its medical product offering in the future to include a variety of formats that provide precise, consistent dosing.

financings

VIVO closed their bought deal financing, as previously announced on January 29, 2018, of: (i) 11,500,000 units of the Company at a price of \$3.50 per Unit, for aggregate gross proceeds of \$40,250,000 (the "Unit Offering"); and (ii) 30,000 6.0% unsecured convertible debentures (each, a "Convertible Debenture") of the Company at a price of \$1,000 per Convertible Debenture, for aggregate gross proceeds of \$30,000,000 (the "Debenture Offering" and collectively with the Unit Offering, the "Offering"). Completion of the offering further increased their cash position to over \$135 million.

valuation

Price to Book: 5.18

EV / Revenue: 50.15

recommendation: strong

VIVO Cannabis Inc is a vertically-integrated cannabis business focused on providing products and services that help people live better lives. VIVO participates in both the medical and adult-use markets with premium brands tailored to specific consumer segments.

VIVO Cannabis Inc has a broad distribution network in Canada for adult-use brands. **The company is well capitalized** to execute aggressive growth plans and has been accelerating its international focus, with Germany as its primary target.



FEATURED COMPANY

fundamental analysis

ABCANN GLOBAL (VIVO CANNABIS)

VIVO Cannabis operates an indoor cultivation facility with proprietary plant-growing technology. The company has more than 50,000 kilograms (110,230 pounds) of funded internal capacity.

Since the start of 2019, VIVO stock has given investors reason to be optimistic. It might be down roughly 60% year-over-year, but they're up roughly 52% year-to-date. Part of that is a **result of record third-quarter results, a strengthened management team, and a new cannabis oil sales license.**

VIVO Cannabis has been rapidly expanding their production capacity, pursuing partnerships, and pursuing domestic and international product development opportunities. Outside of Canada, VIVO Cannabis is focusing its efforts on Australia and Germany.

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

The third quarter revenue was \$2.3 million, a significant increase over the \$200,000 recorded in the same prior-year period. VIVO reported a third-quarter net loss of \$9.1 million, which was a result of increased investment to drive future growth.

As of September 30, 2018, the company had \$100 million in cash, cash equivalents and short-term investments; total assets of \$285 million; and total liabilities of \$61 million.

The acquisition of Canna Farms represents a transformational transaction in the evolution of VIVO that has led to a record quarter of \$2.3 million revenue, with \$4.4 million of pro forma revenue for the full quarter. Not only has this acquisition provided a significant revenue impact, they have tripled their production capacity, expanded product range and substantially increased medical patient base.

By 2022, the company is **forecasting full-year revenue of \$500.0 million.**

Of that total, 50% (\$250 million) is expected to come from international medical marijuana sales, 30% (\$150 million) from Canadian medical marijuana sales, and 20% (\$100 million) from adult-use recreational cannabis sales.

VIVO Cannabis is an excellent marijuana company with tremendous short- and long-term growth potential. VIVO stock is trading at valuations significantly lower than its much larger peers.

FEATURED COMPANY

fundamental analysis

MEDMEN ENTERPRISES



profile

HQ: 433 5th Ave, New York, NY 10016**Founded:** 1987**Facilities:** 19 (Arizona, California, Florida, Nevada and New York)

focus

MedMen Enterprises owns and operates 19 cutting-edge facilities touching the whole vertical from cultivation to manufacturing to retail in five key states; Arizona, California, Florida, Nevada and New York. With 1,000 plus employees and a fast-growing footprint that includes expansion plans in other key states and Canada. MedMen is primarily retail-focused, although they are building out their cultivation capabilities and aim to eventually sell 50% of their own products in their stores.

size

Enterprise Value: \$320.91 million**Size within Cannabis Industry:** roughly 9th of 200+**# of Employees:** 945

markets: strong

Primary: 19 (Arizona, California, Florida, Nevada and New York)**Secondary:** Company is licensed for 78 retail stores, including footprint to be acquired through announced PharmaCann transaction and other pending acquisitions in California and Michigan. Operating stores include locations to be acquired through pending acquisitions**Subsidiaries, Interests:****Majority Subsidiaries:** San Diego Health and Wellness Center, CSI Solutions LLC, Kannaboost Technology Inc., MM CAN USA, Inc., The MedMen of Nevada - Owner, LLC, Omaha Management Services, LLC, Project Mustang Development, Manlin DHS Development LLC**Minority Interests:** na

operations

Cultivation: strong**Current production:** 10,000 lbs/yr**Future capacity:** Q2 2019: 20,000 lbs/yr**Distribution:** Direct sales: yes

FEATURED COMPANY

fundamental analysis

MEDMEN ENTERPRISES



Store networks: In addition to its cultivation and production operations, the company currently owns and/or operates premium retail stores in strategic locations across key cities and neighborhoods in California, Nevada, Arizona and New York through its award-winning retail concept. In addition, they have applied for or is contemplating applying for the requisite licenses for additional retail locations (six (6) in California, two (2) in Nevada, and one (1) in Massachusetts), and one (1) manufacturing and distribution location in California. The company views California, Nevada, New York, Florida and Arizona as providing ongoing opportunities for growth due to their market depth, current supply-demand dynamics and regulatory framework.

Supply agreements: On October 2, 2018, MedMen announced agreements with WhiteStar Solutions, Kannaboost Technologies, CSI Solutions, Seven Point, Cannacopia, Viktorya and Captor Capital Corp to acquire control of dispensary, cultivation and processing operations through the acquisition.

Registered Patients: 172,000

Integration/Diversification:

Vertically Integrated: vertically integrated cannabis operator in Canada and US

Horizontally Diversified: no

financials: strong

Stock Symbol	MMNFF
Recent Price	2.81
Shares Outstanding	154
Market Cap (\$ mil)	1400
Revenue (MRQ)	30
Revenue Rank	5
Gross Margin	NA
Income (MRQ)	(18.7)
EPS	(1.22)
Price/Sales	12

FEATURED COMPANY

fundamental analysis

MEDMEN ENTERPRISES



management: strong

CEO: Adam Bierman**CFO:** Michael Kramer

Company management has experience in the pharmaceutical industries in both Canada and the United States. They financed for future expansion through listing on Canadian security exchange. Mr. Bierman and Andrew Modlin began MedMen nearly a decade ago, first as medical marijuana dispensary operators. The endeavor eventually led to the most dominant cannabis company in the country with operations and hundreds of millions of dollars in assets deployed in the most important markets in North America. Adam Bierman is the leading voice of cannabis industry in the U.S., and represents their new institutional phase of professional standards, evolving regulations and vast commercial potential. Mr. Bierman's revolutionary views have been featured on news outlets like CNBC, Bloomberg News, Forbes, Time Magazine, the Los Angeles Times, U.S. News & World Report, among others. They will need to overcome some negative press on employee negligence and abuse in upcoming lawsuits.

branding

MedMen Marketing has focused on the normalization of cannabis, and the continued support of their "Cannabis" campaign is no different. Integrating cannabis into lifestyle situations, using models from all different walks of life carrying the iconic MedMen bag, the campaign breaks down stereotypes of the cannabis user.

Raising awareness and reinforcing the relevance of MedMen to drive customer visits is the key priority in all of their markets. Specifically, in Las Vegas, they expanded the "Cannabis" campaign to support the opening of their newest Nevada retail location on Paradise Road near McCarran International Airport with digital, print and Out Of House ("OOH") creative initiatives (billboards, etc.) that features iconic imagery of the local market.

financings

Prior to its Canadian Stock Exchange listing, MedMen raised approximately \$110 million through a private placement at an implied enterprise valuation of \$1.65 billion. During the 26 weeks ended December 29, 2018, the Company raised approximately \$217.75 million through the issuance of debt and equity instruments. The funds received during the 26-week period and from the previous year financing were used primarily for operations (\$125 million for the 26 weeks ended December 29, 2018), purchases of \$55.26 million of property, plant and equipment, and acquisition of businesses of \$30.69 million.

FEATURED COMPANY

fundamental analysis

MEDMEN ENTERPRISES



valuation

Price to Book: 1.08

EV / Revenue: 8.68

recommendation: neutral

MedMen is the second-largest American cannabis company by dispensary count and the largest American cannabis company by pro forma revenue. **MedMen is primarily retail-focused**, although they are building out their cultivation capabilities and aim to eventually sell 50% of their own products in their stores. MedMen Enterprises commenced operations in the cannabis business in 2010. The company owns licensed cannabis facilities where the product is developed and sold.

MedMen currently owns and/or operates premium retail stores in strategic locations across key cities and neighborhoods in California, Nevada, Arizona and New York through its award-winning retail concept.

As of September 30, 2018, the total amount of cash equals \$63 million, 17% of the total amount of assets. The company should not trade at 2.87x sales as other competitors are trading at 2.29x-59x sales with less revenue growth. MedMen Enterprises does seem to be well known, and the shares are traded in the OTC Markets. It could suggest there is a lack of liquidity, which is pushing the share price down.

MedMen Cannabis has been **rapidly expanding its production capacity**, pursuing acquisitions and partnerships, and pursuing domestic and international product development opportunities.

Will its stock price improve in the long term? **We suggest caution.**

Medmen did experience strong revenue growth with reasonable gross margins in last six months of 2018 but operating costs remain very high, resulting in poor EBITDA and cash flow results, but the new CFO is focused on containing costs. The court filings have revealed that the **executives earn a hefty \$10 million collectively while the company loses many millions.**

In Q2 2018, sales grew 40% QoQ to \$30 million and gross margin recovered to 54%, but the stock barely moved after the press release. We think the strong revenue growth was outweighed by investor concern over cash burn, GAAP loss, management, and governance.

FEATURED COMPANY

fundamental analysis

MEDMEN ENTERPRISES



For the 13 and 26 weeks ended December 29, 2018, there were no material revenues from cultivation and production wholesale operations. MedMen continues to expand its operations via issuing additional shares to acquire other retail companies. However, it does not have a profitable core business to support such. The company has a cash burn that is forcing it to sell off assets to pay for its expansions of losing businesses.

MedMen continues to expand its operations via issuing additional shares to acquire other retail companies. However, **it does not have a profitable core business** to support such. The company has a cash burn that is forcing it to sell off assets to pay for its expansions of losing businesses.

MedMen is a marijuana distribution company with long-term growth potential. Given MedMen's high costs and poor cash flow, we have a bearish outlook for MedMen.

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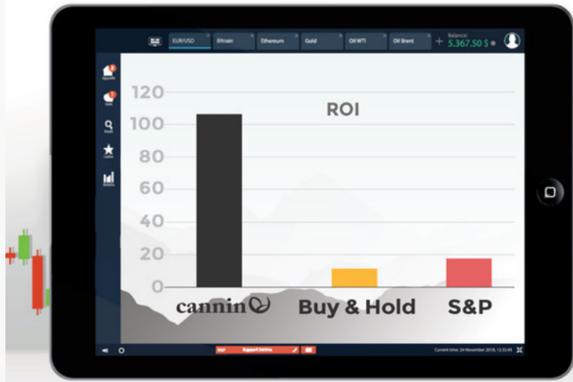


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Risk of Prosecution for Marijuana-Related Companies. If you are considering investing in a company that is connected to the marijuana industry, be aware that marijuana-related companies may be at risk of federal, and perhaps state, criminal prosecution. 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.”



FEATURED COMPANY

fundamental analysis

CRESCOLabs™

CRESCO LABS

profile

HQ: 520 W Erie St #220, Chicago, IL 60654**Founded:** 1990**Facilities:** Chicago, Joliet, Kankakee, Lincoln, Brookville, Yellow Springs, Fall River, Phoenix, Salome, Las Vegas, San Luis Obispo, Mendota

focus

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 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 of completing the application process for new states beginning or expanding medical cannabis programs such as Florida, Michigan, and New Jersey, etc. They are also creating licensing and/or distribution partnerships to expand Mindy Segal edible products into growing markets such as Colorado, Oregon, Washington, etc.

size

Enterprise Value: \$2.29 billion**Size within Cannabis Industry:** roughly 3rd of 200+**Size among Cultivators:** 7th of 40**# of Employees:** 550

markets: strong

Primary: Operations in seven states (Illinois, Ohio, Pennsylvania, Nevada, California, Arizona and Massachusetts)**Secondary:** Approval pending in two more states (New York and Maryland). Recently listed on Canadian Securities Exchange**Subsidiaries, Interests:****Majority Subsidiaries:** FloraMedex, LLC, Arizona Facilities Supply LLC, SLO Cultivation, Inc., Diadem Mineraco Ltda.**Minority Interests:** NA

FEATURED COMPANY

fundamental analysis

CRESCOLabs™

CRESCO LABS

operations: strong**Cultivation: strong****Current Production:** 113,560 lbs/yr (Feb 2019)**Future Capacity:** Dec 2019: 447,539 lbs/yr

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.

Distribution: Direct sales: no

Store Networks: 21 retail licenses, 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 January 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 they 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 at Feb. 2019**Integration/Diversification:**

Vertically Integrated: one of the largest vertically integrated multistate cannabis operators in US

Horizontally Diversified: no

FEATURED COMPANY

fundamental analysis

CRESCO LABS

CRESCOlabs™

financials: strong

Stock Symbol	CRLBF
Recent Price	11.20
Shares Outstanding	294
Market Cap (\$ mil)	1600
Revenue (MRQ)	12.7
Revenue Rank	13
Gross Margin	42%
Income (MRQ)	2.9
EPS	0.01
Price/Sales	6

management: strong

CEO: Charlie Bachtell**CFO:** Ken Amann

Company management looks to have a focus on growth in new markets. They claim to be fully financed for future expansions through listing on security exchange. CEO Bachtell is an attorney with deep legal expertise in regulatory compliance, a founding member of the Illinois Cannabis Bar Association and an Adjunct Professor at the Northwestern University Pritzker School of Law teaching a course on legal and regulatory matters in the cannabis industry. Recent additions to the Cresco team include professionals in the areas of design and marketing, product development, manufacturing, finance, and market development.

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 and delectability. "Reserve" products are made from

FEATURED COMPANY

fundamental analysis



CRESCO LABS

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.

financings

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

valuation

Price to Book: 4.9

EV / Revenue: 6

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 their **aggressive growth strategy**. They focus on entering highly regulated markets with excessive demand potential and high barriers to entry. They also have 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**. Their production capacity is expected to grow three times by end of this year while seeking distribution license in key US States. However, with aggressive growth in production, they need to increase distribution channels to avoid buildup of large inventories.

Their growth strategy is based on targeting expansion in states like Florida, New Jersey, Virginia, and Connecticut. For building brands, they are following CPG approach, which helped them increase sales substantially.

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 net

FEATURED COMPANY

fundamental analysis

CRESCOLabs™

CRESCO LABS

loss of \$0.2 million in the prior-year period. We would like to see their gross margin increase from 40% to the above 50% level we have seen in other producers. Management is pursuing growth by increasing market share and entering new markets.

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

Based on the most recent quarter revenue, Cresco Labs' price to sales (P/S) is 9.5 which is common for this industry. Cannabis stock prices usually reflect expected future revenue, not current revenue. The tobacco industry P/S average is 5 and other industries are as low as P/S=1.

Cresco Labs will have an additional production and distribution capacity this year, after their new cultivation and distribution facilities will be operational. Due to this favorable timing, ahead of many competitors, we think they have a good chance of selling the capacity and capturing the market share for future sales.

With \$93.9 million cash in hand, they have sufficient financial base 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 ideal target of acquisition by larger company. At the same time, **they have highest market cap/revenue multiple among all of the U.S. cannabis stocks.**

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.

FEATURED COMPANY

fundamental analysis



TILRAY

profile

HQ: Nanaimo, British Columbia**Incorporated:** 2018**Facilities:** Nanaimo, BC. Another opening in Enniskillen, Ontario

focus: strong

Research, cultivation, processing, clinical trials, and distribution of medical cannabis internationally.

size

Enterprise Value: \$4.7 billion**Size (mkt cap) within Cannabis Industry:** 2 of 200+**Size among Cultivators:** 2 of about 40**# of Employees:** N/A

markets: strong

Primary: Canada**Secondary:** Germany, the UK, Argentina, Australia, Chile, Croatia, Cyprus, the Czech Republic, New Zealand, South Africa.

operations: strong

Cultivation: N/A**Current Production:** Around 100,000 kgs (912,000 sf) by end 2018.**Future Production:** Max potential is 400,000+ kgs**Distribution:** N/A**Direct Sales:** Yes, they have a large number of current patients**Integration/Diversification:****Vertically Integrated:** Yes, cultivation and distribution (not sure how much direct sales)**Horizontally Diversified:** Yes, export and medical R&D

FEATURED COMPANY

fundamental analysis

TILRAY



financials: strong

Stock Symbol	TLRY
Recent Price	53.52
Shares Outstanding (mil)	93
Market Cap (\$ mil)	5100
Revenue (MRQ)	15.5
Revenue Rank	10
Gross Margin	20%
Income (MRQ)	(31)
EPS	(0.33)
Price/Sales	85

management: strong

CEO: Brendan Kennedy**CFO:** Mark Castaneda**CMO:** Adine Fabiani-Carter**Chief Revenue Officer:** Edward Pastorius**Chief Science Officer:** Josh Eades**Head of Research:** Dr. Catherine Jacobson

branding: neutral

The company launched a new cannabis brand called CANACA™, celebrating Canadian roots and pride as the country becomes the world's first G7 nation to federally legalize cannabis for adult-use.

Tilray signed an agreement with Sandoz Canada, a division of Novartis, to create and sell co-branded and co-developed non-combustible medical cannabis products.

valuation: neutral

Price to Book: 137**EV / Revenue:** 167**EV / Revenue Rank in Industry:** 2nd highest out of top 20 cultivators

FEATURED COMPANY

fundamental analysis

TILRAY



financings: strong

The company completed their IPO in July selling 10.3 million shares of Class 2 Common Stock to the public for \$17 per share. Just a month later, the stock now trades at \$62, a 360% rise. Tilray netted \$163.6 million on the IPO. Proceeds will go to build out cultivation capacity, repay debt, and for future acquisitions and working capital.

Prior to the IPO, it rose \$55 million of Series A funding from institutional investors.

recommendation: strong

Tilray is the most famous example of the **volatility of cannabis companies** in the United States. The company IPO took off, starting less than \$20, moving up over \$300 briefly, before settling back down to the \$50-60 dollar range it is in now. **What a ride!** Prior to the IPO, Tilray rose \$55 million of Series A funding from institutional investors.

The company had a Gross Profit of \$4.1 million, and a Gross Margin of 42%, somewhat below other large LPs. After subtracting \$15 million in additional operating costs such as marketing, administration and executive compensation, they had a Net Operating Loss of -\$11.0 million.

The total Q2 Net Loss was \$12.8 million versus \$2.4 million for Q2 of 2017. Almost half of this (\$5.6 million) was non-cash stock compensation to executives. It was also due to increased operating expenses for international expansion, and costs related to the initial public offering.

The company sold 1,514-kilogram equivalents, **up 97% from year ago**. Their average net selling price per gram increased slightly from \$6.20 to \$6.38 (CAD\$8.12 to \$8.36) due to increased high potency product sales, but partially offset by more wholesale sales.

Tilray signed several important agreements this past year. These include:

- agreements to supply cannabis to seven Canadian provinces including British Columbia, Manitoba, Nova Scotia, Ontario, Quebec, the Yukon territory and the Northwest Territories.
- an agreement with Sandoz Canada, a division of Novartis, to create and sell co-branded and co-developed non-combustible medical cannabis products.

FEATURED COMPANY

fundamental analysis

TILRAY



-agreements with two pharmacy chains that will go into effect after pharmacies are approved to sell cannabis. These include Shoppers Drug Mart Inc., Canada's largest pharmacy chain with more than 1,200 pharmacies, and Pharmasave, one of Canada's leading independent pharmacy chains with more than 650 pharmacies.

Tilray also completed exports to Argentina, South Africa and the United Kingdom, making **their products available in 11 countries on five continents.** Tilray's famous brand, large international footprint and high liquidity makes them attractive for sure. But their price is very volatile and seems overpriced now. Once it settles into the \$40-dollar range, much more appropriate given their revenue, we'd be much more likely to jump in.

FEATURED COMPANY

fundamental analysis

HIKU BRANDS (CANOPY GROWTH)



profile

HQ: Toronto, Ontario

Incorporated: formerly DOJA Cannabis CO

Symbol: HIKU.CN, DJACF (Now canopy growth)

Facilities: BC and Ontario

Exchanges: CNQ, OTC, Frankfurt

focus

Through a series of mergers and acquisitions, Hiku is building a business and portfolio of handcrafted cannabis brands, high-end accessories, and cannabis retail stores offering engaging retail experiences. They have built these brands and a cannabis community without yet selling cannabis. Their websites offer interesting content about the cannabis lifestyle.

Their retail footprint comes via their wholly owned subsidiary, TS Brandco Holdings, creator of the Tokyo Smoke brand, which has six Tokyo Smoke cafes.

Their handcrafted cannabis production will come via their wholly-owned subsidiary and licensed producer, DOJA Cannabis. DOJA also operates one DOJA café.

These seven cafes are in Ontario, Alberta and British Columbia. They currently sell coffee, clothing and curated accessories—presumably until they have cannabis to sell. See their Maitri line of products here.

Hiku also controls Van der Pop, a female-focused cannabis brand. Go to this link to glimpse what Van Der Pop is all about (cannabis clothing, guides to cannabis and sex, etc.)—a good insight into Hiku Brands. These brands—Tokyo Smoke, DOJA and Van Der Pop—comprise Hiku’s portfolio of cannabis brands.

As of March 31, 2018, Hiku Brands was in the development stage and has not yet earned any revenues from sales of cannabis. They have earned revenue from their retail stores. They also owned over 4100 cannabis plants and had about CAD \$ 700k worth of harvested cannabis.

In April, they announced a planned merger (roughly equal exchange of shares) with WeedMD, a Canadian cannabis producer focused on the senior segment—a complimentary, non-overlapping focus.

FEATURED COMPANY

fundamental analysis

HIKU BRANDS (CANOPY GROWTH)



Hiku intends to spend additional resources to sell premium vape pen, edible products and beverage products into the adult-use market as soon as legal.

size

Size within Cannabis Industry: 25th of 200+

Size among Cultivators: 20th out of about 40

markets

Primary: Currently, Ontario, Alberta and British Columbia.

Secondary: Eventually, all Canada, Jamaica (already has partnership there), and other markets.

Subsidiaries, Interests: strong

Majority Subsidiaries:

Hiku's wholly owned subsidiary, DOJA, owns two production facilities in British Columbia's Okanagan Valley. It is federally licensed to cultivate and distribute cannabis. (We think the facilities are still being built and may still need final licensing approval to sell once finished.)

In Jan 2018, Hiku bought TS Brandco Holdings (the Tokyo Smoke brand), a design focused cannabis lifestyle brand and retailer based in Toronto, Ontario, for roughly CAD \$160 million. In March 2018 they also bought the rights to open Tokyo Smoke branded stores in Alberta, Manitoba, and Saskatchewan

Minority interests:

Hiku's wholly owned subsidiary, Tokyo Smoke, entered into a supply agreement with WeedMD RX whereby Hiku will supply accessories and packaging to WeedMD RX who in turn will package and sell their cannabis under Hiku's name. To pay for this deal, WeedMD RX paid CAD \$100,000 in shares.

On January 31, 2018, Hiku and Aphria Inc. also entered into a supply agreement governing the supply of cannabis and related products between the two companies (no further details, but we suspect that Hiku supplies branding and Aphria supplies product).

In March 2018, Hiku signed an LOI to establish a co-marketing, retail and select distribution relationship with GSW Creative Corporation Inc., developer of a "dose pen", a vaporizer that delivers a precise dose of cannabinoid. GSW was named by Fast Company as one of the world's 10 most innovative companies in the health sector in 2018.

FEATURED COMPANY

fundamental analysis

HIKU BRANDS (CANOPY GROWTH)



WeedMD Merger:

On April 19, 2018 Hiku agreed to merge with WeedMD Inc. If completed, this will combine Hiku's portfolio of brands, marketing expertise, and cannabis retail stores with WeedMD's cannabis production capabilities, genetics library, and R&D initiatives.

The merger will bring together four indoor and greenhouse growing facilities in Ontario (WeedMD) and British Columbia (DOJA), with the option for future expansion on more than 100 acres of property at the existing sites. Current planned capacity could exceed 56,000 kg by mid-2019 upon completion of WeedMD's 610,000 sf greenhouse expansion at their 14-acre greenhouse facility in Strathroy, Ontario.

operations

Cultivation: Neutral (low current production)

Current production: 660 kgs per year. By end of 2018: 5,000 kgs per year

Future production: 56,000 kg by mid to late-2019 (DOJA combined with WeedMD)

Total Canadian market size: In 2017, roughly 50,000 kgs of legal medical cannabis were sold in Canada, split roughly 50/50 between dried and oils, generating about \$400 million in sales. The total current Canadian cannabis market, including black market, is much higher—estimated at roughly 600,000 kgs, or \$4.8 billion. Health Canada now predicts Canadian cannabis demand at the end of 2018, after adult use legalization, could reach 1 million kgs/year, and up to \$8-10 billion in revenue in a few years. Current industry inventory is estimated at 300,000 kgs, implying a large shortfall later this year.

The total US market, including black market, is now roughly \$50 billion, (6 million kgs), with the legal fraction about one-tenth, or \$5 billion. This is currently split 50/50 between medical and rec, though rec sales will grow much faster in coming years.

distribution: strong

Direct Sales: Online sales of accessories currently, cannabis coming

Store Networks: Yes, they have 7 stores, and is planning to open more in Newfoundland & Labrador

Supply Agreements: Yes, they get paid to provide branding to other companies who provide cannabis.

In May 2018, Hiku entered an agreement with Oceanic Releaf, a Newfoundland & Labrador-based late-stage license applicant under the ACMPR. Hiku and Oceanic intend to become licensed for up to five cannabis retail locations within the province, and will enter into a

FEATURED COMPANY

fundamental analysis

HIKU BRANDS (CANOPY GROWTH)



retail agreement contingent on securing retail licenses allowing Hiku to operate stores in Newfoundland & Labrador.

In Canada, medical cannabis cannot yet be sold legally from store fronts, but it happens anyway. Legal sales occur directly to consumers from companies with online and phone sales operations. No pharmacy sales allowed yet, though this is expected to change soon. In Europe, medical cannabis can only be sold through pharmacies currently.

Integration/Diversification:

Vertically Integrated: Yes, they it will produce and distribute through retail stores.

Horizontally Diversified: Yes: cannabis, accessories, clothing

financials: NA due to recent acquisition by Canopy Growth

Stock Symbol	NA
Recent Price	NA
Shares Outstanding	NA
Market Cap (\$ mil)	NA
Revenue (MRQ)	NA
Revenue Rank	NA
Gross Margin	NA
Income (MRQ)	NA
EPS	NA
Price/Sales	NA

management: good

CEO: Alan Gertner, former Google executive

President: Trent Kitsch, entrepreneur, founder of SAXX underwear and Kitsch Wines

CFO: Jeff Barber, former investment banker at Canaccord Genuity Corp,

COO: Brian Polsinello, former Bain and Co. management consultant

CMO: Felicia Snyder, from Wharton, Google, Samsung

VP Creative: Berkeley Poole: Barneys, MTV

FEATURED COMPANY

fundamental analysis

HIKU BRANDS (CANOPY GROWTH)



HIKU

branding: good

Hiku Brands is ALL ABOUT branding. They are professional branders, building a business in the opposite direction as most cannabis companies. They are building brands, then growing the cannabis.

recommendation: strong

This is an interesting company. Once the merger with WeedMD goes through, this will be a company with potential to produce 50,000 kgs of cannabis per year by mid to late 2019, with some well-developed cannabis brands and owned retail presences already established.

Hiku, by themselves, has a market cap of \$55 million on revenue of just \$200k, yielding a price to sales ratio of 280. To bring their price to sales ratio down to 3, where the tobacco industry is, they must raise revenue 93 times. This is only \$18 million. We think they will generate much more than this in a year or two.

If they merge with WeedMD as planned, their combined Market Caps (if addable?) would be \$214 million with revenue of \$1.3 million, yielding PS=164. They would have to generate revenue 55 times higher than now to bring their PS in line with the tobacco industry and justify their current share price. **That would be revenue of \$71 million.**

They will produce 5,000 kgs per year (5 million grams) by the end of 2018. At \$7/gram, this generates \$35 million in revenue. This is almost half of what we think they need to sell to justify their current stock price. And this is not even close to their full planned production capacity.

If they actually produce and sell at a rate of 50,000 kgs per year by mid to late 2019, as planned, at a price of \$6/gram (probably low for them), they will generate \$300 million in revenue. This will blow the roof off their current stock price.

In fact, they only have to sell about 10,000 kgs per year (at \$7/gr=\$70 million) to justify their current share price.

Can they produce and sell this? **We think they can**, which potentially bodes well for the stock price in 1-2 years' time.

FEATURED COMPANY

fundamental analysis

HIKU BRANDS (CANOPY GROWTH)



HIKU

However, potential investors must be cautious of potential share dilution—if the company issues lots of equity in the coming few years, this dilution could make it necessary for the company to generate much higher revenue than we just calculated in order to justify the current share price.

We believe their expansion plans will be mostly funded from current funds, so this should not be too likely.



FEATURED COMPANY

fundamental analysis

iANTHUS

profile

HQ: New York, NY**Facilities:** in 11 states**Symbol:** ITHUF (OTC), IAN.CN (CSE)

focus: strong

iAnthus builds vertically-integrated (cultivation and retail) cannabis operations in high-growth, limited license US states, ideally with favorable regulations and potential for recreational use.

size:

Enterprise Value: \$444 mil**# of Employees:** 28

markets: strong

They have licenses to eventually operate 63 dispensaries. After buying MPX Bioceutical in October 2018, they currently have 20 dispensaries in eleven states, as follows:

11 in the west: 6 in New Mexico (minority ownership), 4 in Arizona, 1 in CO

9 in the east: 3 in Maryland, 2 in NY, 2 in FLA, 1 in MA, 1 in VT

They have a total addressable customer population of 121 million people and a 2019 market size of over \$10 billion. They are poised for significant expansion across the country.

Florida is still a medical cannabis market but is already the fourth largest US cannabis market with roughly 10,000 new patients added each month. iAnthus has two dispensaries here, and plans to rapidly expand in 2019, adding one store per month, plus cultivation and processing operations. They can open up to 30 stores here.

Massachusetts legalized adult cannabis use in 2016 and is projected to become one of the largest markets in the country. Here, they operate one store out of 34 in the state, and plan to open 5-6 more. They have a Boston dispensary, and in the Fall River area, one hour south of Boston, they are building a 41,000-sf facility on 12 acres for cultivation, production and a dispensary. They also have a 30,000-sf cultivation facility in Holliston, one hour SW of Boston.

In Nevada they have licenses for up to 4 stores, in addition to their existing 29,000 sf production facility that they can double in size.



FEATURED COMPANY

fundamental analysis

iANTHUS

operations: strong

Cultivation:

Current production: NA

Future production: 50,000 kgs per year (estimated)

They have licenses to operate over 500,000 sf of cultivation and processing space across the U.S. They are building the largest indoor grow operation in Florida, at over 160,000 sf.

The total legal US cannabis market is now roughly 1 million kgs (\$10 billion), while the total market (including black market) is about \$50 billion. This is currently split 50/50 between medical and rec. The legal market is predicted to rise to \$50 billion by 2026.

distribution

Direct Sales: Yes, they operate retail dispensaries

Store Networks: They have their own network, currently 20 stores, with goal of over 50.

Supply Agreements: Yes, they have many wholesale clients.

Integration/Diversification:

Vertically Integrated: Yes

Horizontally Diversified: Partly, only within cannabis including flower, oils, vape pens, etc.

financials: strong

Stock Symbol	ITHUF
Recent Price	4.63
Shares Outstanding	74
Market Cap (\$ mil)	708
Revenue (MRQ)	1.1
Revenue Rank	Na
Gross Margin	Na
Income (MRQ)	(10)
EPS	(0.15)
Price/Sales	71



FEATURED COMPANY

fundamental analysis

iANTHUS

management: strong

CEO and co-founder: Hadley Ford (healthcare and investment banking)

President: Randy Maslow

Operations: Pat Tiernan

CFO: Julius Kalcevich, investment banking background

Chief Strategy Officer: Beth Stavola

Chief Medical Officer: Richard Boxer

The leadership team has experience managing operations in multiple industries across many states. Expertise includes:

- Hadley Ford's building of \$100 million of cancer centers in four states,
- Beth Stavola's building cannabis businesses in multiple states,
- Randy Maslow running nationwide operations for XO Communications, and
- Carlos Perea working in 500+ communities.

products and branding: strong

They are very brand oriented. They aim to consolidate their multiple brands to a few larger brands over time. They now own MPX's well established, award-winning branded products. High Times awarded MPX Strawberry Fields "Best in Flavor" for THC cartridges in 2018. The MPX brand was also one of "Leafly's Faves 2018." Leafly also named the MPX Health for Life dispensaries the "Best Overall Dispensary" in Maryland.

valuation: weak (very high)

52 week high/low: \$2.20-7.27

Price to Sales: 278 (Tobacco industry = 5)

EV/Revenue: 142

financings

In October 2018, iAnthus closed a bought deal offering of 5 million common shares for CAD\$6.65 per share for gross proceeds of CAD\$34 million (US \$26.5 mil). iAnthus could receive \$50 million of outstanding warrants are exercised, as they are likely to be.

FEATURED COMPANY

fundamental analysis

iANTHUS



recommendation: **neutral**

iAnthus is not yet seen as a major player, but they should grow in stature quickly. They have licenses for over 60 dispensaries in the US, but only have 20 currently operating, and many of these are new, so revenue should ramp up noticeably for the company in the coming year.

As a measure of their growth curve, in a little over two years they have grown from less than \$10 million of assets to over \$340 million.

We like their approach of building vertically integrated cannabis businesses mostly in states that have good demand, fewer licenses, and the potential to legalize recreational use. This means they plan to generally have cultivation operations in the same states they have dispensaries. This will allow them to keep the cost of their cannabis low, while selling for a maximum margin.

We also like that they are **brand focused**. They already own their own brands, and now also own the well-respected MPX brands, some of which have received reputable awards. They intend to whittle down from many brands to focus on the best ones, which should produce good results.

iAnthus does not report their current total cannabis production—likely because it is ramping up quickly and will soon be outdated. But we know they have licenses to operate over 500,000 sf of cultivation and processing space in the U.S. This could mean they eventually have production capacity over 50,000 kgs/yr.

While this does not make them a big player compared to giants like Canopy Growth and Aurora Cannabis, when coupled with the ability to capture a full margin, this should allow them to eventually generate revenue of at least \$200 million per year, and possibly \$300 million. A lot depends on where the future price of cannabis settles as more production comes online. Future revenue would likely come from a combination of retail sales at their own dispensaries, and wholesale sales to other outlets.

With new dispensaries coming online rapidly, **revenue is growing**. Their last official report for the quarter ending September was \$1 million, but dispensaries usually generate over \$1 million in revenue per year, and with 20 dispensaries now, they should be close to \$20 million per year soon. Plus, they plan to open one new dispensary per month in Florida in 2019. After buying MPX, they plan to eventually have 14 cultivation facilities and **over 60 dispensaries in 11 states**.

FEATURED COMPANY

fundamental analysis

iANTHUS



What does this add up to? Well certainly, **iAnthus' future growth is very attractive.** The question is, is the stock a good value now? Is it undervalued or overvalued compared to this future growth potential?

Based on iAnthus' last official reported revenue of \$3 mil/yr, their price to sales ratio is 278, which is extremely high—55 times the average ratio of the tobacco industry. We think tobacco's P/S is a decent proxy for where cannabis will settle when the cannabis market matures in the coming few years.

Using iAnthus more likely current revenue of \$20 mil/yr, their price to sales ratio is about 50—still very high, but only 10 times what we think they will be in the future when the market matures in a few years. Based on these figures, we estimate that the stock is currently priced for revenue of \$150-200 million per year. In other words, all the increased revenue it will generate in 2019, and more, is now priced into the stock.

We are excited that iAnthus could eventually generate \$200- \$300 million of revenue in a few years. If and when it does, this would drive the price up solidly.

But given the amount of time it will take for the company to generate that much revenue, and all the things that can change in that amount of time, at the current price, we are currently neutral on the stock at this time.

FEATURED COMPANY

fundamental analysis

GSRX INDUSTRIES



profile

HQ: Puerto Rico

Founded: as Green Spirit Industries Inc. Changed name in 2018.

Incorporated: 2006

Facilities: Puerto Rico, CA and TN

Symbol: GSRX (OTC)

focus: strong

GSRX Industries Inc., through their subsidiaries, engages in acquiring, developing, and operating retail cannabis dispensaries, primarily medical based. They also are investing more in the cultivation and production aspects of the business to eventually have vertically integrated businesses in each state it operates in. Their primary focus is on processes and products for the organic, hemp-based CBD market.

size

Enterprise Value: \$62 mil

of Employees: NA

markets: strong

Puerto Rico, California, Tennessee, Texas

As of February 2019, they operated five Green Spirit RX medical cannabis dispensaries in Puerto Rico, and The Green Room dispensary in California. They also have a Pure Natural retail store in Clarksville, TN, and is building on in Austin TX. They also owns and operates GetPureAndNatural.com, an e-commerce site, which offers medical cannabis pharmaceutical CBD products.

Medical cannabis was legalized in PR in 2015. Customers must have a medical cannabis card from a doctor. GSRX operates five of the 45-55 that will be approved in PR and may have additional planned locations there.

FEATURED COMPANY

fundamental analysis

GSRX INDUSTRIES

operations: **neutral**

Cultivation:

Current production: NA (GSRX does not currently reveal their production capacity)

Future production: They plan to expand their cultivation.

GSRX's produces what they claim as the purest and most natural CBD products on the market today.

Their Pure and Natural CBD products go through a seven-step process that begins with organic farming in Colorado. Manufactured in an FDA-certified GMP facility, they contain only full spectrum oils, extracted using either supercritical CO2 or food grade ethanol, and are made using proprietary nano-emulsion technology, which gives it a higher bioavailability than standard products.

distribution

Direct Sales: Yes, online and via stores

Store Networks: Owns their own stores in PR, CA, TN, TX

Supply Agreements: NA

Integration/Diversification:

Vertically Integrated: They control the entire process and may eventually own the whole process.

Horizontally Diversified: no

financials: **neutral**

Stock Symbol	GSRX
Recent Price	1.40
Shares Outstanding	47
Market Cap (\$ mil)	66
Revenue (MRQ)	0.66
Revenue Rank	NA
Gross Margin	NA
Income (MRQ)	(1.7)
EPS	(0.87)
Price/Sales	64

FEATURED COMPANY

fundamental analysis

GSRX INDUSTRIES



management: strong

CEO: Leslie Ball**CFO:** Thomas J. Gingerich**Advisor:** Jeffrey Bryan Jump

Mr. Ball has over 30 years' retail experience in executive positions at Macy's, Montgomery Ward and Corral West Ranchwear. Mr Gingerich has 33 years of accounting experience in public and private practice, specializing in forensic accounting, tax compliance, structures and tax planning. He is a former Partner at Lain, Faulkner & Co, PC.

products and branding: strong

Management has lots of senior executive experience in retailing, which means they have brand experience. They appear very brand focused. Their organic hemp-based Pure and Natural CBD brand has a rigorous and impressive manufacturing process, brand story, and solid design. They offer a full line of these products online and at their stores. See all versions of the brand here.

Currently in the US, tinctures hold 39% market share, topicals (growing) hold 19%, capsules 17%, vape oil cartridges 12%, gummies 6% and edibles 5%.

valuation: weak (high versus 1-2 year growth potential)

52 week high/low: \$1.11-\$5.75**EV / Revenue:** 61**Price to Book:** 7

financings: neutral

No information available about their financings. We believe they are funding their expansions primarily out of their operations.

recommendation: neutral

Puerto Rico-based GSRX produces a full line of organic hemp-based CBD products, and sells them through their dispensaries in Puerto Rico (5) and California (1). We think they are adding stores in Puerto Rico, plus one each in Nashville, TN and Austin, TX.

They also sell through a well-branded and functioning website featuring all their CBD products for sale.

FEATURED COMPANY

fundamental analysis

GSRX INDUSTRIES



The company is run by a **senior executive with strong career experience in retail** (Macy's, etc). This is evidence to us that they have skills in general production management, distribution operations, retail and consumer branding.

They appear to be ramping up sales quickly, having just announced they are raising guidance for Q1 2019 due to faster than expected sales. Sales for Q3 2018 were just \$665k. But they expect Q1 2019 sales to reach \$2.8 million, which is a 400+% increase over 2 quarters.

Financially, they seem solid. They oversee a rigorous organic production process. We do not think they own these operations yet but are building toward that. Assuming they don't yet own this process, we are satisfied with their gross margin of about 40%. This will improve as they increase their vertical integration.

How many dispensaries or production facilities do they plan to eventually own and operate? They have not said publicly. Will they need financing? There are no publicly announced plans. From this, we conclude that **they will not be a super-fast revenue growing business** like some big cultivation operations—but may aim to be a smaller, profitable one, based on good margins and brands.

So, it appears to us that GSRX has some impressive characteristics. But how is its valuation? Is the stock currently overvalued or undervalued?

As mentioned, GSRX is not a large cultivation business. They are building a smaller, vertically integrated business producing and selling branded, non-psychoactive CBD wellness products, with a better price and margin than straight cannabis. This seems more like the pharma business.

GSRX's price to sales ratio is 61—very high compared to most industries including pharma, but not unheard of in cannabis. Most cannabis stocks are priced well above their current revenue and earnings. This reflects investors' belief that they will achieve higher revenue and earnings in the future. But as the market matures, investors will eventually demand that these surviving companies achieve good earnings, and the investors will pay a normal (not inflated) price for these earnings.

Reports of the average Price to Sales ratios for the Pharma industry vary between 4 all the way up to 20, with 6-8 as most common. From this, we calculate that GSRX's current price reflects revenue that is 6-8 times higher than today, or roughly \$16 - \$20 million.

FEATURED COMPANY

fundamental analysis

GSRX INDUSTRIES



Just recently GSRX gave guidance that they expect revenue to reach \$2.8 million this coming Q1 2019—an annual pace of \$11.2 million. This is already halfway to the \$20 million revenue we think justifies their current stock price. This is with 6 dispensaries and an online store.

To generate over \$20 million revenue, they need 10-12 dispensaries running. Given their pace of growth, this could easily take them 1-2 years, probably closer to two. They could grow beyond that, which should push revenue and stock price higher. But this is speculation in a volatile market.

In summary, we think the long-term outlook for this stock is promising. However, the timeframe may be longer than some investors want. **Investors who are happy wait** for 1-2 years to know the stock they buy today will be at a fair and somewhat stable valuation—and additional time to see it grow higher in price—could find this a good stock to buy today.

Investors who think a lot can change in 1-2 years in this new volatile industry—which means a revenue of \$20+ million is not certain, or their money can work harder somewhere else—should probably hold back on this stock.

We like the company and think they will likely be a stable profitable winner in the long run. But the time horizon is long for us, so we are neutral on the stock presently, due to their currently high valuation relative to revenue and earnings.

fundamental analysis

WEED INC.



profile

HQ: Tucson AZ

Founded: 1999 as United Mines (name change in 2015)

Incorporated: 2015

Facilities: La Veta, CO

Symbol: BUDZ (OTC Pink)

focus: neutral

WEED, Inc. is an early stage, holding company planning to develop cannabis-derived (CBD) compounds to treat specific human diseases. They are in the early stage of both R&D and cultivation. Their wholly-owned subsidiary, Sangre AgroTech bought in Mar 2018 is on a 5-year, \$15 million plan to complete a genetic blueprint of the Cannabis plant genus, by creating a global genomic classification of the entire plant. Sangre AgroTech is a plant genomic research and breeding company with expertise in genomic sequencing, genetics-based breeding, plant tissue culture, and plant biochemistry. Their team plans to develop and patent scientifically-valid cannabis strains for disease-specific medicines. They will conduct this study only in states where cannabis has been legalized for medical purposes.

WEED Inc. trades on the over the counter pink sheets market, which has very limited financial reporting requirements.

size

Enterprise Value: \$115 mil

of employees: NA

markets: neutral

Primary: US states where cannabis medicine is legal (currently 33 states). They plan to develop CBD-based treatments for diseases such as PTSD, epilepsy, chronic pain, Crohn's disease and pediatric brain cancer.

There are three types of CBD: hemp-derived, marijuana-derived, and pharmaceutical. The total US CBD market may have exceeded \$500 million in 2018, \$260 million of which was hemp derived. The market for all varieties is growing.

fundamental analysis

WEED INC.

operations: weak

Cultivation: Weed Inc. does not report that they grow any cannabis or hemp yet.

Distribution: Weed Inc. does not yet have any products to distribute.

Integration/Diversification:

Vertically Integrated: No

Horizontally Diversified: No

financials: weak (no revenue yet)

Stock Symbol	BUDZ
Recent Price	1.01
Shares Outstanding	106
Market Cap (\$ mil)	107
Revenue (MRQ)	0
Revenue Rank	NA
Gross Margin	NA
Income (MRQ)	(7.3)
EPS	(0.22)
Price/Sales	NA

management: weak

CEO: Glenn E. Martin

Martin serves as President, CEO, and CFO of WEED, Inc., and is Chairman of the Board of Directors. Prior to forming Weed Inc, he served as an executive with several companies. From 1988-1992, he was Executive Director of World Trade Center, Tucson, AZ.

President and Chief Science Officer (of Sangre): Dr. Patrick Williams.

Williams has expertise in plant genetics and molecular biology. He has served on the National Scientific Review Board for the Human Genome Project, provided technical leadership as branch chief of the Armed Forces DNA Technology Development Program at Walter Reed Army Medical Center, and on numerous NIH Study Sections on technology development. He believes a comprehensive understanding of the genome of a variety of cannabis strains will provide the blueprints for developing medical products to treat many diseases.

fundamental analysis

WEED INC.

Secretary, Treasurer, Director: Nicole Breen (Glenn Martin's daughter).

As Secretary, Ms. Breen maintains corporate records and minutes of meetings. As Treasurer, she is in charge of corporate funds. For 12 years, she served as the Managing Associate of GEM Management Group, a subsidiary of WEED, Inc., specializing in acquiring mineral rights and mining properties.

products and branding: **weak**

The company does not have any products yet.

Currently in the US, tinctures hold 39% market share, topicals hold 19%, capsules 17%, vape oil cartridges 12%, gummies 6% and edibles 5%. Competitors include hemp medical company brands such as Blue Ridge Hemp Company, CBD Clinic, CW Hemp, Herbal Organic and Lidtke Technologies.

valuation: **neutral**

52 week high/low: \$0.98-6.34

Price to Book: 39

EV / Revenue: NA

financings: **weak**

The buildout of the research facility in La Veta, CO—scheduled for completion by the end of Q1 2019—is budgeted to cost \$3.13M. The company needs funds to do this, according to the website. Also, \$1.5M of scientific equipment has been ordered for genomic sequencing and product extraction. It is not clear if this has been paid for or not.

In March 2018 the company offered to purchase 43 acres in Westfield, New York for \$800,000 to begin a hemp and infused beverage business. The deal was expected to close May 1, 2018, but no press release has announced the closing.

recommendation: **neutral**

Weed Inc's goal is to develop cannabis-derived drugs to treat specific diseases, which could include epilepsy, chronic pain, Crohn's disease, PTSD and pediatric brain cancer, among others.

Unfortunately, **management puts out very little information on the company** upon which to know exactly what they are doing, and what their progress is.

fundamental analysis

WEED INC.



Based on their last press releases—from early 2018—they appear to have two main efforts underway: R&D in Colorado, and hemp cultivation in New York.

In their last press release, dated Mar 2018, they announced that they had bought 4 acres in La Veta, CO on which to build their research facility, through their subsidiary, Sangre Agrotech. They reported that Sangre is on a 5-year, \$15 million research plan to map the genome of several varieties of cannabis, and to develop patented cannabis-derived drugs for specific diseases.

Weed Inc. claims that Sangre has certain advantages, which, along with its talented personnel, will allow it “to accomplish its goals in months, rather than years.”

These advantages include: The use of next generation sequencing instruments that are currently restricted to a few key “decision maker” laboratories, and the use of the most advanced bioinformatics data systems. They will use these to develop “genomic and phenotypic data to identify regions of the genome related to growth, synthesis of desired molecules, and drought and pest resistance.” They will eventually use this to breed new cultivars with desired traits. This will enable them to produce new seed stocks, clones, and intellectual property of great value to the company and investors.

This sounds like an exciting goal, but one that could take a long time (years not months) and a lot of money, given the expense of research.

Also, in early 2018, they made an offer on 43 acres in NY to begin pursuing the hemp and infused-beverage business. There has been no press release announcing if this deal closed.

Weed Inc’s goals sound potentially promising. However, as mentioned, management has failed to issue updates on company progress or any news in the past year.

This has spooked investors, and the company shares have lost 75+% of their value over the year, dropping from \$5.55 on May 1, 2018, to \$1.09 on March 5, 2019.

This lack of public transparency is flagrantly bad management for all sorts of reasons, including, but not limited to, the fact that we believe the company needs money to continue their progress. With no products and no revenue yet, they have spent (lost) \$22 million over the past 12 months.

Curiously, while we write this report, the company’s stock has jumped over 20% recently to \$1.26—with no new news coming out.

FEATURED COMPANY

fundamental analysis

WEED INC.



This kind of **random volatility** is what investors can expect from this kind of small company stock with limited volume of stocks trading.

From a fundamental analysis POV, we do not recommend investors get involved until there is a lot more transparency about what is going on. We do not feel comfortable about the management.

FEATURED COMPANY

fundamental analysis

CHOOM HOLDINGS



profile

HQ: Vancouver, BC, Canada

Incorporated: 2006, as Standard Graphite Corporation (changed to Choom in 2017)

Facilities: Ontario, BC, and Alberta

Symbol:

focus: neutral (not unique)

Choom Holdings Inc. recently re-focused from being a producer of cannabis to being a retailer with a strong brand focus. They are building a large network of retail cannabis stores in Canada, covering both adult use and medical cannabis. In Ontario, they have secured 20 leases and is working on getting as many as 75. In western Canada (BC and Alberta), they have secured the rights to 68 retail sites, with 7 already complete and 10 under construction. It plans to offer a variety of brands from other licensed producers in an “elevated” retail environment.

In deciding to focus on retail, Choom Holdings Inc. has divested most of their interests in cannabis production, and no longer plans to produce cannabis.

size:

Enterprise Value: \$62 mil

of Employees: NA

markets: strong

Primary: Ontario, BC and Alberta.

Secondary: All Canada

legal landscape: strong

The passing of the Cannabis Act in Canada in 2018 vastly improves the market for all cannabis there.

FEATURED COMPANY

fundamental analysis

CHOOM HOLDINGS



operations: weak (not yet operating stores)

Choom is acquiring sites and permits to build retail stores across Canada. They will not produce cannabis.

The total current Canadian cannabis market is roughly 600,000 kgs, or \$5 billion. Canadian cannabis demand in 2019 and beyond could reach 1 million kgs/year, and up to \$8-10 billion in revenue.

Integration/Diversification:

Vertically Integrated: No. Choom appears to be focusing strictly on retail

Horizontally Diversified: Slightly, in that they will build both adult use and medical cannabis stores.

financials: weak (no revenue)

Stock Symbol	CHOOF
Recent Price	0.45
Shares Outstanding	181
Market Cap (\$ mil)	82
Revenue (MRQ)	0
Revenue Rank	NA
Gross Margin	NA
Income (MRQ)	(92)
EPS	(0.53)
Price/Sales	NA

management: neutral

CEO: Christopher Bogart

CFO: Terese J. Gieselman

Founder: Patrick G. Downey

COO: Michael Forbes

Chief Marketing Officer: Chris Gagan

FEATURED COMPANY

fundamental analysis

CHOOM HOLDINGS



products and branding: strong

Choom is investing hugely in their beach-centered brand idea. They are building a retail network that is all about a strong brand and elevated customer experience. It will sell the best cannabis brands from other producers. Because Aurora Cannabis owns part of Choom and may increase ownership, we would expect some focus on Aurora brands on the shelves.

valuation: neutral

Current Share Price: \$0.32

52 week high/low: \$0.285 - \$1.130

Price to Sales: NA (no revenue)

financings: strong

Choom will need a lot of capital to build 100+ stores. Aurora Cannabis invested \$7 million into Choom in July 2018, and another \$20 million in November 2018. If Choom builds their network well during the next two years, they might get another \$150 million from Aurora, based on the November 2018 agreement. If Aurora does not invest, Choom will need to find other sources. We think they will be able to do that.

recommendation: strong

Until middle of 2018, Choom was planning to be a cannabis producer. Then they decided their best asset was their brand idea, and decided to exploit this idea through retail stores, rather than branded cannabis. So, they sold their production-based assets and began focusing on building a large, branded retail cannabis network.

Choom's brand story is based on the idea of friends getting together for fun, carefree times. The imagery is of young people in Hawaii, sharing good times on the beach (and presumably sharing cannabis). **It's an attractive imagery**, which they obviously feel they can make very compelling in a retail store.

At the moment, Choom doesn't look like much of an investment on the surface. They have no revenue, and has only built a few stores, none of them yet open. Their shares have dropped 66% over the last 6 months from CAD \$1.00 to their current 0.32. But they have a big dream—to build a dominant retail network of over 100 stores, all with a unique "Choom" branded customer experience. They also have **an exciting arrangement with Aurora Cannabis** that might help them achieve that dream financially.

FEATURED COMPANY

fundamental analysis

CHOOM HOLDINGS



To build a large retail network of cannabis stores, Choom needs sites, leases, permits, capital, and cannabis sales licenses. They are working aggressively to get these and has the confidence of Aurora Cannabis management. We estimate it has about \$25 million now, following Aurora's November deal that gave Choom \$20 million.

Their November 2018 agreement with Aurora also gives Aurora the right to convert 95 million warrants into Choom common stock within 2 years, at a price of about \$150 million, for an almost 40% share of its ownership. Aurora won't make that conversion (maybe a part but not all) if Choom is not performing very well by then. Ideally, Choom will have raised their stock price much closer to the conversion price of \$2.75 by then, so Aurora feels Choom will deliver a large network, and justified to pay that price.

But if Choom does perform very well over the next 2 years, building stores, generating good revenue, raising their stock price, and convincing Aurora to convert those warrants into common shares, then Choom will gain another big infusion of cash from Aurora—\$150 million— with which to really build out their network. If Choom succeeds in closing that deal, then they could likely have a very strong future.

At \$0.32 per share now, we estimate Choom is valued for not much more than about \$10-15 million in revenue. With the \$25 million they now have, if their leases and/or builds 20 stores and makes \$2 million per year per store, that's \$40 million in revenue. **We think that is reasonable.** And that should make the stock rise substantially. That's a win for investors even if Aurora never converts its warrants. If Aurora does, that is simply more upside.

So, while they are highly unusual for us to pay attention to a company before they have revenue, we are **cautiously optimistic** that buying the stock now, while they are "cheap" relative to their obtainable future potential, could have a good outcome for investors. As we always say, this kind of investing is for people who can tolerate risk and who understand they may lose their money if the competitive situation changes, as it most certainly can.

FEATURED COMPANY

fundamental analysis

LIBERTY HEALTH SCIENCES



profile

HQ: Toronto, ON, Canada**Founded:** 2011**Facilities:** Toronto, Florida**Symbol:** LHSIF (OTC), LHS (CSE)

focus: strong

Liberty Health Sciences' buys and operates U.S.-based companies in the medical cannabis market. Currently, they produce medical cannabis in Florida in two facilities and sells through 12 dispensaries there. They plan to open a dispensary in OH in early 2019.

They add value 3 ways: 1) through expertise in commercial scale greenhouse growing at a low cost, 2) their proprietary Seed-to-Sale Certified process, and 3) their automation and processing methods.

They partnered with Veterans Cannabis Project to support research on the treatment of service-related trauma with cannabis; and a partnership with AdaViv to enhance production of cannabis.

size

Enterprise Value: \$245 mil**# of Employees:** 75

markets: strong

Primary: Florida, medical cannabis**Secondary:** Ohio in early 2019

Florida's medical marijuana market was estimated at between \$200 million-\$300 million in 2018, a big jump from \$20-\$40 million in 2017. Active patients more than doubled over the year to 165,072.

operations: strong

Cultivation:**Current production:** roughly 8-10,000 kgs/yr, on 60,000 sf of cultivation**Future production:** roughly 30,000 kgs/year on 220,000 sf

Expects to complete the next expansion phase of its Liberty 360 production facility in early 2019.

FEATURED COMPANY

fundamental analysis

LIBERTY HEALTH SCIENCES



distribution

Direct Sales: yes, online and through dispensaries**Store Networks:** They operate 12 dispensaries in Florida, with free shipping anywhere in FL.**Supply Agreements:** NA

Hemp CBD sales in the US are sold roughly equally through natural food stores, online sales, and smoke shops. By 2022, chained retailers are predicted to grow their share a lot, with shares for natural foods stores and online platforms declining.

Agreements/Joint Ventures:

Liberty has an exclusive Management Agreement with Chestnut Hill Tree Farm, a Florida nursery, as a dispensing organization of medical cannabis in Florida. Chestnut holds one of eight licenses in Florida, which is 14% of the U.S. medical cannabis market, with a total estimated market at maturity of \$1.1 billion.

Liberty has entered a joint venture to open a medical cannabis dispensary in Dayton, Ohio, by the end of March 2019. The JV will also operate a 10,000sf processing facility for extraction, refining, formulation, and packaging.

Integration/Diversification:

Vertically Integrated: Yes, production, processing, retail distribution and online sales**Horizontally Diversified:** Not much

financials: strong (growing revenue, good margin)

Stock Symbol	LHSIF
Recent Price	0.66
Shares Outstanding	339
Market Cap (\$ mil)	227
Revenue (MRQ)	3.2
Revenue Rank	38
Gross Margin	NA
Income (MRQ)	(9.7)
EPS	(0.05)
Price/Sales	26

FEATURED COMPANY

fundamental analysis

LIBERTY HEALTH SCIENCES



management: strong (focus on vertical integration, low cost, high margin, branding)

CEO: George Scorsis

CFO: Rene Gulliver

VP Marketing: Stephanie Kubacki

Medical Director: Dr. Jennifer Timothee Oliveras

products and branding: strong

Liberty has a strong focus on branding. They recently launched a branded line of products called Zentient Labs with a unique branding story that they will get you “in the zone.” Currently in the US, tinctures hold 39% market share, topicals (growing) hold 19%, capsules 17%, vape oil cartridges 12%, gummies 6% and edibles 5%.

Competition: High

Trulieve, Surterra, Curaleaf, Knox Medical, and Vidacann.

Combined, these companies have about 70 dispensaries in Florida.

valuation: neutral

52 week high/low: \$0.47-1.36

EV / Revenue: 61

Price to Book: 3.1

financings: strong

Raised \$22 million in November, selling 12,000 notes at \$1000 each, convertible at \$2.

recommendation: strong

Liberty is building a solid, low-cost, high-margin, vertically-integrated, medical cannabis business in Florida, which they will expand to other states. They are now producing at several facilities and selling through 12 of their own stores, which should generate a strong margin.

Florida’s medical cannabis market is growing fast. It is estimated at between \$200-400 million in 2018, more than doubling the past year, and should grow solidly for several more years. The top six retailers have 84 dispensaries, including Trulieve (22), Surterra (17), Curaleaf (21), Liberty Health (12), Knox Medical (7), and Vidacann (5).

FEATURED COMPANY

fundamental analysis

LIBERTY HEALTH SCIENCES



Liberty claims to already have a 15% market share in FLA, and they are aiming to raise that to 25% in a few years.

In their most recent quarter, they generated about \$2.2 million in revenue, a pace of about \$8.8 million per year. At their current price of \$0.79 per share, we estimate they are priced for revenue of about \$80-120 million.

They expect to produce 10,000 kgs of cannabis next year, which, depending on its price for its CBD products, could produce over \$100,000 revenue. They plan to triple production to about 30,000 kgs in the coming years, which could yield \$300,000 of revenue. If they pull this off, **this should raise their stock price 2-3x.**

Many things can change this rosy picture. Competition could intensify and reduce their market share. Price could very well drop, decreasing their revenue. They may not increase production as much as they hope, reducing their supply. They could raise money with equity, diluting shares. All these are possible.

However, with the anticipated strength of the market growth in Florida, even if several of these factors does slow their revenue growth, there is still a large chance for their revenue to exceed \$100 million and cause their price to grow solidly to a higher level than it is today.

For this reason, we believe this company is likely a good investment now, and probably up to \$1.50 at least.

glossaries

... (czyli) w technice...
... lub odprowadzające...
... II; br D. komży...
... krótka biała szata...
... produktu...
... podziału klasowego i wy-
... k. 2. «wspólnota mienia»
... część maszyn elektry-
... pierścienia, po kt...
... szczotki do...

cannin investing terms-to-know

52 Week High - A stock's high point over the last 52-week period.

52 Week Low - A stock's low point over the last 52-week period.

Alpha - The expected return from an investment from its inherent value.

Annual report - The yearly audited record of a corporation or a mutual fund's performance that is distributed to shareholders.

Annualized rate of return - The average annual return over a period of years, taking into account the effect of compounding. Also known as compound growth rate.

Appreciation - The increase in value of a financial asset.

Bear market - A bear market is a prolonged period of falling stock prices. The opposite of a bull market.

Beta - A measurement of volatility where 1 is neutral; above 1 is more volatile; and less than 1 is less volatile.

Bull market - Any market in which prices are advancing in an upward trend. The opposite of a bear market.

Capital loss - The amount by which the proceeds of a sale of a stock are less than its purchase price.

Capitalization - The market value of a company, calculated by multiplying the number of outstanding shares by the price.

Dividend - A dividend is an optional portion of a company's profit paid to shareholders.

Dow Jones Industrial Average (DOW) - The most commonly used indicator of stock market performance, based on prices of 30 actively traded blue chip stocks, primarily major industrial companies.

Equity fund - A mutual fund or collective fund in which the money is invested primarily in common and/or preferred stock. Stock funds may vary, depending on the fund's investment objective.

Federal Reserve Board (The Fed) - The governing board of the Federal Reserve System, they regulate the nation's money supply by setting the discount rate, tightening or easing the availability of credit in the economy.

Index - An investment index tracks the performance of many investments as a way of measuring the overall performance of a particular investment category. The S&P 500, for example, is a benchmark for large-stock investors. It tracks the performance of 500 large U.S. company stocks.

cannin investing terms-to-know

Inflation - A rise in the prices of goods and services.

Large-cap - The market capitalization of companies with market values greater than \$10 billion.

Market price - The current price of a stock.

Market risk - A certain possibility that an investment will not achieve its target price.

Mid-cap - The market capitalization of companies with market values between \$3 to \$10 billion.

NASDAQ - National Association of Securities Dealers Automated Quotations system, which is owned and operated by the National Association of Securities Dealers. NASDAQ is a computerized system that provides brokers and dealers with price quotations for securities traded over-the-counter as well as for many New York Stock Exchange listed securities.

Portfolio - A collection of investments managed as a collective whole with specific investment goals in mind.

Price-to-earnings (P/E) Ratio - A stock's price divided by its earnings per share, which indicates how much investors are paying for a company's earning power.

Recession - A downturn in economic activity, defined by many economists as at least two consecutive quarters of decline in a country's gross domestic product.

Risk tolerance - The degree to which one can tolerate volatility in their investments.

Securities - Another name for investments such as stocks or bonds.

Securities and Exchange Commission (SEC) - The federal agency created by the Securities and Exchange Act of 1934 that administers the laws governing the securities industry, including the registration and distribution of mutual fund shares.

Share - A unit of ownership in an investment, such as a share of a stock or a mutual fund.

Standard & Poor's Index - Broad-based measurement of changes in stock market conditions based on the average performance of 500 widely held common stocks commonly known as the Standard & Poor's 500 or S&P 500.

Valuation - An estimate of the value or worth of a company or the price investors assign to an individual stock.

Volatility - The amount and frequency with which a stock can fluctuate in value.

cannin cannabis terms-to-know

Aeroponics: A method of cannabis cultivation in air without the use of soil or other traditional medium.

Alcohol Extraction: Process of separating essential oils from cannabis plant material using hydrophobic liquids such as alcohol.

Aquaponics: A method of cannabis cultivation using a combination of aquaculture and hydroponics.

Bud: Slang term for female cannabis flower.

Bud Rot: A type of fungus which develops within the core of a cannabis bud. This typically occurs in unfavorable growing or drying/curing conditions.

Budder: Typically a BHO or CO2 cannabis extract with a “creamy consistency”.

Budtender: A medical or recreational cannabis dispensary worker who sells cannabis products.

Butane Hash Oil (BHO): Cannabis oil concentrate produced from cannabis flowers using butane as a solvent.

Cannabinoids: Active molecules produced by cannabis plants. They are involved in psychoactivity as well as the medicinal effects of the plant. Around 100 cannabinoids are known today.

Cannabinoid Receptor: Receptors which are activated by THC and CBD (among other compounds) and part of the endocannabinoid system; located throughout the human body.

Cannabis: Term short for Cannabis Sativa or Cannabis Indica, the plant.

Cannabis Cup: The world’s foremost cannabis festival where judges from around the world sample and vote on their favorite marijuana varieties.

CBD: Cannabidiol. This molecule is present in Cannabis and hemp. Known to have many medicinal uses.

CBN: Cannabinol. This molecule is present in Cannabis and hemp and is the oxidative product of THC degradation. Known to have many medicinal benefits.

CO2 Oil: Cannabis oil concentrate produced using carbon dioxide as a solvent. Often produced at elevated temperatures and pressures.

Concentrates: Cannabis products with elevated concentrations of THC or CBD.

cannin cannabis terms-to-know

- Decarboxylate:** The process of heating cannabis at lower temperatures to activate inactive cannabinoids like THCA and CBDA into their active forms of THC and CBD, respectively. Decarboxylation also happens naturally with exposure to light, air and heat.
- Dispensary:** A storefront which is licensed to sell medical and or recreational cannabis products.
- Distillate:** A “solvent-free”, process of concentrating to high-potency cannabis concentrates which is typically the product of either a “short path” or “fractional” distillation.
- Edibles:** Consumable final products produced by cannabis companies. Typical products include cookies, chocolates, gummies and mints/lozenges.
- Eighth:** Refers to a typical measurement of $\frac{1}{8}$ of an ounce of cannabis, or 3.5 grams.
- Entourage Effect:** The concept of interactive synergy between various cannabis compounds.
- Extraction:** The process of removing cannabis compounds from plant materials typically by using solvents and heat.
- Feminization:** A process of conditioning female plants to obtain male pollen needed for seed production.
- Fertigation:** Refers to the injection of fertilizers and water-soluble nutrient products into an irrigation system.
- Flavonoid:** Phytonutrients in cannabis, and other plants, which are known for providing non-green color pigments and produce a range of effects.
- Flowering Stage:** Refers to the final stage of cannabis cultivation, post vegetation stage, whereby cannabis flowers develop typically using a light cycle of 12 hours “under light” and 12 hours of “light deprivation” during a 24 hour cycle.
- Flush:** Prior to harvest and lasting anywhere from a few days to a few weeks, whereby mature, flowering cannabis plants are only given water and no other nutrients in an attempt to improve quality and “smoothness” of cannabis buds.
- Fractional Distillation:** A method of extraction whereby a liquid mixture is separated into fractions based on differences in boiling points of various compounds after heat is applied.
- Half:** Refers to a typical measurement of one-half ounce of cannabis, equal to 14 grams.
- Hash:** Traditionally the resin collected from the flowers of the cannabis plant but may be used to refer to one or more of the various concentrated cannabis products available on the market today.

cannin cannabis terms-to-know

Hermaphroditic Cannabis: Cannabis demonstrating both male and female reproductive organs, having origins which are either genetic or environmental. Often caused by “light leak” during flowering stages and/or significant variations in PH levels among other factors.

Hemp: A type of cannabis grown for its fibrous content as well as CBD content.

High-terpene full spectrum extract (HTFSE): Hydrocarbon method of extraction that aims to preserve terpenes.

HPS Light: High Pressure Sodium (HPS) is a broad-spectrum lamp typically used for indoor cultivation.

Hybrid: Strains containing a mix of sativa and indica genetics, can be found to have varying THC: CBD cannabinoid concentrations.

Hydrocarbon Extractions: Currently one of the most prevalent forms of extraction using Butane, Propane or other hydrocarbon solvents.

Hydroponics: A growing system for plants using water as a growth medium to deliver nutrients.

Indica: cannabis indica is one of the two main species of Cannabis with a short, densely branched, wide-leaf appearance.

Kief: Substance referring to the resinous trichomes of cannabis.

Landrace: A domesticated, traditional species of cannabis which has developed over a period of time through adaptation to its natural environment and isolation from other populations or species.

LED Light: Light Emitting Diode (LED) is a broad-spectrum lamp typically used for indoor cultivation.

Live Resin: A type of cannabis concentrate manufactured using a technique which takes freshly harvested cannabis and freezes it to subcritical temperatures both before and during the extraction process.

MIP: Marijuana Infused Products facility where various products are sourced and/or manufactured and infused with cannabis extracts.

Mother Plants: Stock plants specifically cultivated to provide cuttings (clones) for new plants.

Open Blasting: Process of performing a solvent-based extraction without the use of a closed-loop system. Typically, very dangerous and banned in many cities and states.

Ounce: Refers to a typical measurement of cannabis equal to 28.35 grams.

cannin cannabis terms-to-know

Phenotype: The combination of a plant's observable traits including appearance and biochemical properties.

Plant Cloning: A simple process which allows you to replicate a plant by taking a clipping and adding plant hormones to encourage the development of new roots.

Pre-roll: A cannabis flower joint (rolled in paper).

Purging: Process of removing residual solvents from extract concentrates.

Residual Solvent: Remaining solvent within a concentrate post processing.

Rosin: A cannabis concentrate produced via heat and pressure techniques, free of solvent purification.

Sativa: Cannabis Sativa is one of the two main species of Cannabis with a tall, loosely branched, long, narrow leaf appearance. Known to reach heights of up to 20 feet.

Schwag: Slang term for poor quality cannabis.

Sea of Green: The idea of growing many smaller cannabis plants instead of fewer, larger ones.

Shatter: A cannabis concentrate produced from cannabis flowers that harden after processing with hydrocarbons. Typically, after hardening, slabs can be broken apart and "shatter" hence the name.

Short Path Distillation: A distillation technique whereby a molecule travels a short distance at a reduced pressure.

Spider Mites: Any number of species of arachnid which both feed on and kill cannabis plants.

Strain: A slang name for different cultivars, or phenotypes, of cannabis sativa plants.

Supercritical CO2 Extraction: An extraction technique which creates phase changes in carbon dioxide using both temperature and pressure.

Terpenes: Pungent essential oils within cannabis which have distinct flavor profiles.

THC: Tetrahydrocannabinol, the active molecule in cannabis sativa. Responsible for the psychoactivity of cannabis.

THC-A: Tetrahydrocannabinolic acid. The acidic precursor of THC made by the cannabis sativa plant.

Tincture: A liquid edible made from cannabis. Often also includes ethanol, non-cannabis oils, or glycerin as carrier agents for cannabinoids. Orally delivered.

cannin cannabis terms-to-know

Tissue Culture: A technique used to maintain or grow plant cells under sterile conditions in an artificial medium.

Topical: A cannabis infused product manufactured for topical application. Often produced with permeation enhancers to increase effects.

Trichome: A cannabis sativa plant structure responsible for manufacturing cannabinoids and terpenoids in the plant.

Vaporizer: A medical delivery device, typically with a heating element, than upon achieving high temperatures can volatilize cannabinoids for ingestion.

Vegetative Stage: Refers to the growth stage of a cannabis plant prior to the flowering stage.

Wax: Also known as “Ear Wax”, this term refers to cannabis concentrate produced from cannabis flowers typically using hydrocarbons. Waxes are softer in than shatters.

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