

the cannin report

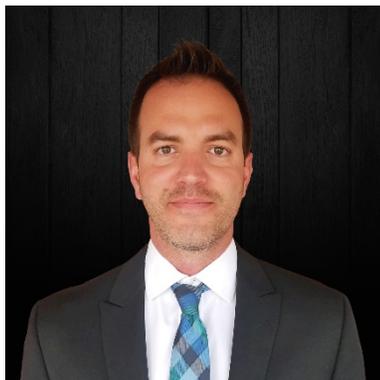
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Welcome to the Cannin Report



It's crazy out there, we know. Between global oil disputes and the ever-present uncertainty of the COVID-19 Crisis, the markets seem more volatile than ever.

Most cannabis stocks are down 50-90% from this time last year. Overvaluation, long-term operating viability and the global pandemic have gutted the value of many cannabis companies and many investors are cutting their losses.

The good news? The cannabis industry continues to gain momentum. With increasing demand and legalization growing on a global scale - there's plenty of great opportunity around – if you know where to look.

Cannin's global team of financial advisors, market analysts, and cannabis industry experts supply you with the tools and knowledge necessary to help you profit from investing in cannabis and hemp stocks. Our team has curated this report so that it's easy to read, easy to understand, and easy to digest.

We want to be sure you'll have all the information you need to make the most profitable cannabis and hemp investments this calendar year.

In the following report, you'll find deep-dive analyses of some of the most popular publicly-traded cannabis and hemp stocks in the United States. We also include a quick introduction outlining why we're due for a significant cannabis stock correction this year.

Thanks for purchasing, happy reading, and stay tuned for the next Cannin Report in the summer of 2020. We sincerely appreciate your continued support as we work hard in keeping you up-to-date with this fast-growing, ever-evolving industry.

Yours in Great Success,

Stephen Goldman

Stephen Goldman
Cannin.com



Why are we Due for a Cannabis Stock Rally?

Pot stocks have taken a dive recently due to the COVID-19 crisis. While the issues are more systemic than the virus, the fallout from COVID will have many cannabis companies shuttering their doors.

Several cannabis companies are set to deplete their cash as the markets grind to a halt in the coming months. In fact, MJ Business daily recently found that **8 of 33 cannabis firms** it tracks **don't have enough funding** to last more than 10 months.

While the last twelve months have been an absolute nightmare for cannabis investors, there's still a ton of potential opportunities out there as the long-term outlook for Cannabis remains as bright as ever. The **winners and losers** among the bunch are now becoming **more and more evident**. In fact, analysts at MJ Business Daily predict the fallout from the COVID crisis will be an "extinction-level event for some companies". They also maintain that "the **long-term investment opportunity for the industry hasn't changed** as legalization spreads and demand grows but companies need to survive long enough to see it".

The companies that do survive will rebound very sharply. If you expect to profit from your stock investments, you'll need to pick the winners from the bunch.

Let's take a quick look to see where things currently stand and offer some insight as to **what the future holds for marijuana stocks.**

Troublesome Times

Several top cannabis stocks have taken a beating this past year. Companies like Liberty Health Sciences, Tilray, and Aurora Cannabis, are among many marijuana stocks which are now **down 50-90% in value** over the past twelve months. The same goes for many cannabis ETFs like ETFMG Alternative Harvest ETF MJ, which represents the overall condition of the entire sector. Overvaluation, long-term operating viability, and the COVID-19 crisis are the main contributing factors to this sector-wide downturn.

Long-term Outlook

Investors were initially attracted to the sector because of its risk/reward potential and many have gotten out of their cannabis stocks altogether. However, the long-term outlook for cannabis and hemp companies remains. Forecasts indicate that worldwide cannabis sales will continue to explode over the coming years. Also, much like alcohol and tobacco, **cannabis has very consistent demand**. See the graph from Statista:

Unfortunately, we're **not out of the woods** yet. It's more difficult than ever for cannabis companies to raise capital given the uncertainty of the sector and the duration and impact of the COVID-19 virus. This certainly has a ripple effect which will encumber growth and expansion in both the short and long term. The virus will likely also delay efforts for new states and countries to legalize — further delaying expansion efforts.

U.S. Marijuana Market: The Grass Is Getting Greener
Projected growth of U.S. recreational and medical marijuana sales (billion U.S. dollars)



What Now?

If you're currently investing in cannabis stocks don't lose hope. The cannabis industry as a whole still has **significant potential** and many of the stocks you own will eventually rebound. Don't dump your shares at this industry low point unless you have to as there's **little risk in holding** these companies to see how things shake out. On the same token, don't necessarily double up on discounted shares either as this can be a risky strategy.

Remember – there will be plenty of losers and only a handful of winners in this space. Stay abreast of company news, financial results, and changes to management. Keep a close eye on company fundamentals and financials. Will companies like Harvest Health have enough cash to weather this COVID-10 storm? Will it have the ability to execute its growth strategy?

For now, the most important thing we can do as investors is to continue to evaluate the best marijuana stock investment opportunities. Watch for the next round of quarterly reports. Continue to monitor the market to see the **next buying opportunity** which would be precisely when the market dips into another **bear leg**. The analysts at Cannin will continue to keep you up to date on these opportunities as they arise.

Hang in there. Many of these companies **will come back** but we must be patient. This industry is still in its infancy and has plenty of room to grow. Remember, there is **no shortage of incredible opportunity** out there if you know where to look.



fundamental analysis

Nov

Dec

2009

%K(5) 77.33

%D(3) 75.31

Fundamental Analysis

Sections and Ratings

- p. 06 | GrowGeneration - **Strong**
- p. 09 | HEXO Corp. - **Weak**
- p. 11 | Weed, Inc. - **Weak**
- p. 14 | Green Thumb Industries - **Strong**
- p. 18 | Zoetic International - **Neutral**
- p. 20 | Nutritional High International - **Weak**
- p. 23 | Harvest Health and Recreation - **Strong**
- p. 26 | Trulieve – **Very Strong**
- p. 30 | iAnthus Capital Holdings - **Neutral**
- p. 34 | Liberty Health Sciences - **Strong**
- p. 37 | Cronos Group - **Neutral**
- p. 40 | Aphria, Inc. – **Neutral**

How does Cannin Evaluate Cannabis Companies?

Prior to investing in any stock, it's important to do your homework. Fundamental analyses and technical analyses are essential to any stock evaluation and should be done with care. Cannin is here to help. The following is how Cannin performs fundamental evaluations for our users. For Technical analyses by Cannin experts, please consult our Cannin Chronicle, Cannin Investment YouTube Channel, and the Cannin website to perform guided technical analyses of your own.

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

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

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

The price to sales ratio is 83.57, way too high to touch given the revenue of 13 million CAD in Q3 last year. The enterprise value to revenue is also very high, at 21.62. Both of these numbers will need to deflate to **below 6 for us to touch this stock in the short term.**

Overall, given the COVID fear, oil overproduction, and management missteps this stock is a loser in the short term.

As interesting as without these three events, the stock would be on our strong list.

So, watch for the short term to suffer, while the long term could be rosy for Cronos Group. **They are not going anywhere with that pile of cash.**

Aphria, Inc., APHA (NYSE), APHA-T (TSX)



Aphria, Inc. engages in the production and supply of medical marijuana. The company was founded by Cole Cacciavillani and John Cervini on June 22, 2011 and is headquartered in Leamington, Canada.

Overview:

Symbol: APHA (NYSE), APHA (TSX)

HQ: Leamington, Ontario, Canada

Facilities: Ontario and now British Columbia (from purchase of Broken Coast and Cannan Growers).

Facilities include: Aphria One, Aphria Diamond, Broken Coast. Also has international operations.

Focus: Strong

Primary: Low-cost greenhouse production of high-quality medical and adult use market cannabis in Canada. Significant exporting to global medical cannabis markets. Distributions and cannabis business development operations.

Secondary: Support services including medical consultations, group therapies, and rehabilitation to veteran and first responders.

Size: Strong

Market Cap: \$1.03 billion

Enterprise Value: \$1.03 billion

Size within cannabis industry: 5th of 200+

Size within cultivators: 3rd of roughly 40

of employees: > 1,000

Markets: Strong

Primary: Canada, US and Australia

Secondary: In 2018, increased international operations to include Germany, Italy, Malta, Lesotho, Colombia, Argentina, United Kingdom and Uruguay. Jamaica and Brazil coming in the fall - Israel eventually as well.

Subsidiaries: Broken Coast, Aphria Diamond (51%), Latam Holdings, many more!

Operations: Strong

Cultivation:

Current production: Over 255,000 kg annually

Future capacity: 2,400,000 sf of capacity in Canada.

Distribution:

Direct sales: yes, through its online store or phone sales. Also, wholesale shipping of MMJ plant cuttings and dried buds to other licensed producers. Currently operates in 10 countries.



Integration/Diversification

Vertically integrated: Yes

Horizontally diversified: No

Financials: Neutral

EPS: 0.299

Shares Outstanding (diluted): 242.7 million

Third Quarter 2019 Revenue: \$120.6 million

Third Quarter 2018 Revenue: \$21.7 million

Cash: \$497,000

Management: Strong

CEO: Irwin D. Simon

CFO: Carl Merton

COO: Jim Meiers

Branding: Strong

Aphria's current product packaging for medical cannabis is plain and simple, typical for the medical field. Solei Sungrown Cannabis is for the novice user. RIFF is the culture-based brand. Good Supply is the regular user brand and Broken Coast is the premium brand.

Valuation: Neutral

Stock Price: \$3.60

Price to Sales: 2.92

Price to Book: 0.81

52 week high-low: \$1.95 to \$7.92

Enterprise value/Revenue: 1.99

Financings: Weak

Not a lot of cash to go around here, and it is one of their weaknesses. Around 0.5 a million to play with and try and survive 2020's waves.

Risks: High

The risks of investing in any cannabis company are currently high given the market. Given the recent financial state of the company and the market volatility all things oil and flu relations, risks are very high today.

Recommendation: Neutral

Aphria is a vertically integrated Canadian cannabis company growing most of their crops in energy efficient greenhouses. They have a presence in 10 countries, on 5 continents. They are one of the founders of the Canadian market and one of the **largest cannabis companies in the world**.

Interestingly, their fundamentals don't look too bad. **Why then has their stock lost 54% of its value in 2020?** Well, oil and COVID certainly are playing their part. But a lot of it has to do with external variables. One interesting outcome of all this social distancing is that cannabis sales are up. **Way up**. Aphria is certainly taking advantage of the situation, as they should.

Their shares are up after recent Bank of America analyses but the larger question at hand is what will happen after the coronavirus scare is done with?

We think the stock will rebound.

The company has reported **three consecutive quarters of positive revenue**. They do have a lot of debt, like many of their competitors, **but they also have low productions costs**, \$1.11 per gram (down from \$1.43 just three months prior), energy efficient greenhouses, and lots of distribution (Distribution agreements with Great North Distributors (Canada)).

The stock has an attractive Price to Book, a slightly high but acceptable price to sales ratio of 2.92, and financial projections for 2020 of revenue around \$600 million and EBITDA of around \$40 million.

Their stock price now is certainly not priced for that much revenue. So, if investors are able to get through the market uncertainty, as well as the health crisis itself, the end of 2020 just may be rosy for Aphria. **Until then, hold on.**