

the cannin report

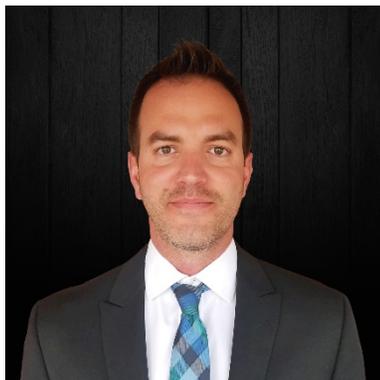
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Welcome to the Cannin Report



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.**

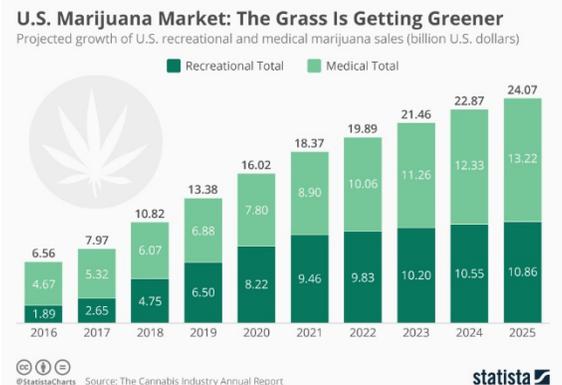
Troublesome Times

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.



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



TSX: HEXO | NYSE-A: HEXO

HEXO Corp.
HEXO (TSX), HEXO (NYSE)

HEXO Corp. engages in the manufacture, production, and distribution of medicinal marijuana. It offers products through the Time of Day, H2, Decarb, and Elixir No. 1 brands.



Profile:
HQ: Gatineau, Canada
Founded: 2013
Facilities: Ontario, Quebec, Greece
Symbol: HEXO (TSX), HEXO (NYSE)

Focus: Neutral

HEXO is a vertically integrated cannabis company in Canada. Incorporated as Hydrothecary Corp in 2013, they have built both medical and adult use brands HEXO, UP, and Original Stash. HEXO

uses a hub and spoke model to attempt to partner with larger companies and expand revenue. One such example of this is their partnership with Molson Coors Canada.

Size: Neutral

Market Cap: US \$136 mil
Enterprise value: US \$156 mil
of employees: 1100

Markets: Strong

Primary: Canada

Secondary: Greece, USA

Major Subsidiaries: Newstrike Brands Ltd, 167151 Canada Inc.

Operations: Strong

Cultivation:

Current production: Currently 1.77 million sq. ft. of grow and operating space. They have 150,000 kg capacity annually of cannabis in Canada.

Future production: Another 1 million plus sq. ft. are leased.

Distribution:

Direct sales: They have brick and mortar presences in all 10 of the Canadian territories.

Store networks: All licensed with 112 retail locations throughout Canada.

Supply agreements: Valens GroWorks Corp, Molson Coors

Integration/Diversification:

Vertically integrated: Yes

Horizontally diversified: Yes

Financials: Neutral

Outstanding shares (diluted): 212.7 mil

2019 Revenue: \$47.5 mil

EPS (diluted): -0.38

Management: Weak

CEO: Sebastien St. Louis

CFO: Stephen Burwash

COO: Donald J. Courtney

Recent turnover of the old CFO Michael Monahan has brought on SEC investigations of upper management on whether securities fraud has taken place. This has hit the stock price hard, with it tanking lately.

Branding: Strong

HEXO hits all levels of branding. They have a premium brand, UP, their mid-market brand, HEXO, and a mass market brand, Original Stash. Each is present at many partner retail locations.

Valuation: Weak

Current share price: US \$0.49

Price to Sales: 2.75

Price to Book: 0.37

52 week low/high: US \$0.34 to \$8.40

EV / Revenue: 2.61

Financings: Neutral

HEXO just announced the closing of a \$70 million private placement of unsecured convertible debentures for cash. This cash is to be used for working capital and corporate expenses. Many of the company executives were included in the financing.



Risks: High

The risks of investing in this company may be higher than many cannabis companies in that they are undergoing SEC investigations, firing staff, and bleeding cash.

Recommendation: Weak

HEXO is a vertically integrated, licensed cannabis company in Canada and the USA. They have more than enough production space and retail sites to be profitable. They sell cannabis topicals, extracts, edibles, and beverages.

First the good news. **They have strong branding with their UP, HEXO, and Original Stash brands.** Smaller products lines include Time of Day, Decarb and Exlixir. Their product SKU's are also impressive.

They recently **raised \$70 million** in a private placement so they have plenty of operating capital. They are also listed on the TSX and NYSE so there is plenty of access to capital. Partnerships with huge companies like Molson Coors of Canada prove that there could be value at HEXO.

Now the bad news, and unfortunately for them, there is plenty. Recent revenue was almost 3x higher than the same time last year, BUT the company reported CA\$58.5 million in losses. **The total net losses are up almost 500%.** This means that although they just raised some capital to work with, the company is **bleeding cash** at an extremely high rate.

The company is under investigation for fraud, has recently fired over 200 employees and, and the stock price is on a strong downward trend. **This stock is one to stay away from.** There are good signs in this company, as noted above, but they need to right the ship in 2020 before we'll believe they can stage a financial comeback.



WEED INC.
CANNABIS

Weed, Inc., BUDZ (OTC Pink)

WEED, Incorporated spends its energy on the development of cannabis-derived molecules for the treatment of human diseases. They also focus on the purchase land and commercial cultivation centers to consult, assist, manage, and lease to dispensary owners and organic grow operators.

Profile:

HQ: Tucson, AZ

Incorporated: 1999 as United Mines (2015 change)

Facilities: La Veta, Colorado

Symbol: BUDZ (OTC)

Focus: Neutral

WEED, Inc. is an early stage, holding company attempting to develop cannabis-derived (CBD) compounds to treat specific human diseases. They are in the early stages of both R&D and cultivation. Their wholly-owned subsidiary, Sangre AgroTech (bought in Mar 2018)—a plant genomic research and breeding company with expertise in genomic sequencing, genetics-based breeding, plant tissue culture, and plant biochemistry—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. Its team plans to develop and patent scientifically-valid cannabis strains for disease-specific medicines. It will conduct this study only in states where cannabis has been legalized for medical purposes.