

# 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.**

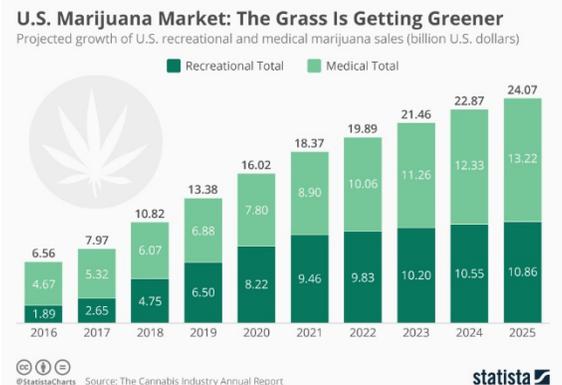
## Troublesome Times

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**
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- p. 14 | Green Thumb Industries - **Strong**
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- 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*

Nutritional High's return on total asset (ROA) was -63.17 % which implies that it made a loss of \$63.17 on every \$100 spent on asset. This is **very low** as compared to the industry average however it will improve as their new facilities become operational.

For these reasons, we think Nutritional High, at or near its current price of \$0.0186 a share, **can be risky investment opportunity**—as the price rises, this opportunity will eventually disappear.



## Harvest Health and Recreation, HRVSF (OTC)

*Harvest Health & Recreation, Inc. engages in the cultivation, processing, distribution, and sale of cannabis and cannabis related products. It offers inhalable and ingestible products such as vaporizer cartridges and edibles.*

Profile:

HQ: Tempe, AZ, USA

Founded: 2007

Facilities: 31 total facilities in 9 states

Symbol: HRVSF (OTC)

### Focus: **Neutral**

Harvest Health & Recreation is a vertically integrated multi-state cannabis company focused on expanding their cannabis footprint with licenses to operate in more than 31 facilities across 9 US States. Harvest's corporate strategy is based on acquiring and creating brands in retail and wholesale spaces to reach profitability with a disciplined capital allocation.

### Size: **Strong**

Market Cap: \$221.2 million

Enterprise Value: \$391.9 million

# of employees: 782

### Markets: **Neutral**

Primary: Arizona, Arkansas, California, Colorado, Florida, Maryland, Massachusetts, Michigan, Nevada, North Dakota, Pennsylvania, Utah

Secondary: USA, Canada

Subsidiaries: CBx Sciences, Svaccha, Harvest of California, 805 Beach Breaks, Harvest FINCO, LeafLife AZ, Urban Greenhouse Dispensary, Holdco

### Operations: **Neutral**

Cultivation:

Current production: NA

Future production: Acquired cultivation facility of 32,000 square feet in Cheyenne, Nevada from MJardin Group which is currently subject to regulatory approval.

Distribution:

Direct sales: 31 total dispensaries

Store networks: Rights to own/operate 130 dispensaries in 18 US States

Supply Agreements: Partnership with Asian American Trade Associations Council (AATAC) retail network.

Integration/Diversification:

Vertically integrated: Yes

Horizontally diversified: No

**Financials: Neutral**

Outstanding shares (diluted): 288.13 mil

Revenue last quarter: \$33.1 mil

EPS: (0.54)

**Management: Strong**

CEO: Steve White

Chairman: Jason Vedadi



Steve White, CEO of Harvest, with more than 15 years in experience in business law, handles license acquisition, operations, and strategy for the company. Jason Vedadi, Executive Chairman of Harvest, leads the strategic partnerships, M&A and strategic development of the company with more than 15 years of experience in real estate. Both founding partners own 68% of the company's outstanding shares.

**Branding: Strong**

Harvest offer extracts, vapes pens, cartridges, frozen treats and other cannabis-infused products through Alchemy, Co2lors, ColorsCBD, RollOne, HighPops, and CBx Sciences brands. Harvest is working on offering new cannabis products under five new brands in the coming year.

**Valuation: Strong**

Current share price: US \$0.63

Price to Sales: 3.26 (Tobacco industry Avg. = 5)

52 Week Low/High: \$0.46 to \$10.40

EV / Revenue: 5.92

Price to Book: 0.61

**Financings: Neutral**

By the end of September 2019, Harvest secured \$62.5 million in secured debt financing and \$6.5 million in real estate financing. Harvest is pursuing diverse sources of financing like senior secured debt and real estate financing to expand operations and acquiring new companies.

**Risks: Neutral**

The risks of investing in any cannabis company is currently high given the volatility of the market. The risks of investing in this company are less than some given their multistate presence and revenue diversification.

**Recommendation: Strong**

Harvest Health & Recreation is a vertically integrated multi-state cannabis company focused on expanding its cannabis footprint with a license to operate more than 210 facilities across 9 US States.

Harvest's corporate strategy is based on acquiring and creating brands in retail and wholesale spaces to reach profitability with diversified revenue streams.

By end of the third quarter in September 2019, Harvest had 31 open dispensaries in operation and **rights for around 130 dispensaries in 18 US states**. Harvest is expanding its retail footprint by opening new stores as well as acquiring retail operations. Harvest acquired cultivation facility of 32,000 square feet in Cheyenne, Nevada from MJardin Group in November 2019 which is currently subject to regulatory approval.

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

Just like everyone else, they had a rough 2019. But they just may be poised to gain much of that back in 2020. Harvest's capacity to grow is significant as they had cash and cash equivalents of \$18.3 million in the third quarter of 2019 as compared to \$0.09 million in the same period in 2018 - **which is enough to meet their need for working capital for another year**. Harvest did see a steep decline in cash reserves as compared to last quarter \$89.91 million due to a series of acquisitions.

**Harvest increased its revenue three times to \$33.1 million in the third quarter of 2019 as compared to \$11.1 million in this quarter of 2018**. However, they also incurred much higher expenses especially general and administrative expenses, share-based compensations, and interest expenses which caused them the net loss of \$3.9 million as compared to a net profit of \$0.2 million for the same quarter in 2018.

By the end of September 2019, Harvest secured \$62.5 million in secured debt financing and \$6.5 million in real estate financing. Harvest is pursuing a diverse source of financings like senior secured debt and real estate financing to expand operations and acquiring new companies.

Harvest's return on total asset (ROA) was -25.38% and the price to sales was 3.26. Typically we like to see P/S lower than 6 so watch this figure. Last year their return on the total asset was -159.19%.

For these reasons, we think Harvest, at or near its current price of \$0.63 a share, can be a solid investment opportunity especially with some COVID recovery priced in!