

the cannin report

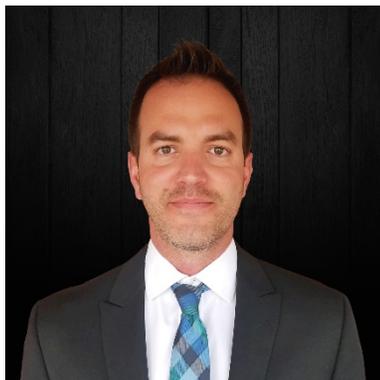
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Welcome to the Cannin Report



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.**

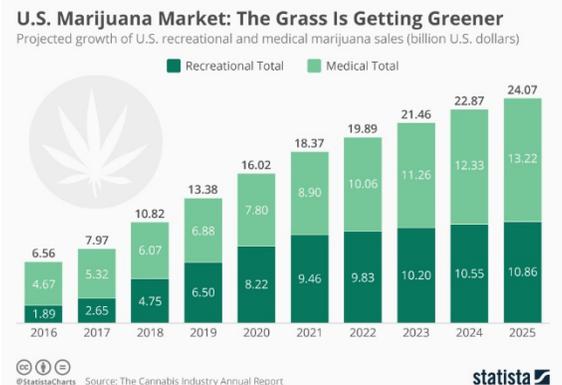
Troublesome Times

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

Liberty Health Sciences, Inc., LHSIF (OTC), LHS (CSE)



liberty health
sciences

Liberty Health Sciences, Inc. engages in the production and distribution of medical cannabis products. Its brands include Papa's Herb, Zentient, Pretty Pistil, and Mary's Medicinals. The company was founded on November 9, 2011 and is headquartered in Toronto, Canada.

Profile:

HQ: Toronto, ON, Canada

Founded: 2011

Facilities: Toronto, Florida

Symbol: LHSIF (OTC), LHS (CSE)

Focus: **Strong**

Liberty Health Sciences' buys and operates US-based companies in the medical cannabis market. Currently, it produces medical cannabis in Florida in two facilities and sells through 23 dispensaries there. It plans to open 30 total dispensaries in Florida.

It adds value in 3 distinct ways:

- 1) through expertise in commercial scale greenhouse growing at a low cost
- 2) its proprietary Seed-to-Sale Certified process
- 3) its automation and processing methods.

It has a partnership 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: **Neutral**

Market Cap: US \$106.3 mil

Enterprise Value: US \$108.9 mil

of employees: 75

Markets: **Strong**

Primary: Florida medical cannabis market

Secondary: Ohio

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 tripled over the last two years to 307,000.

Operations: **Strong**

Cultivation:

Current production: roughly 14,200 kgs/yr, on 300,000 sf of cultivation

Future production: roughly 30,000 kgs/year on 350,000 sf

Distribution:

Direct sales: yes, online and through dispensaries

Store networks: They operate 23 dispensaries in Florida, with free shipping anywhere in FL.

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 significantly, with shares for natural foods stores and online platforms declining.

Management 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 bil.

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

Integration/Diversification

Vertically integrated: Yes, Florida

Horizontally diversified: No

Financials: Strong

Third Quarter 2019 Revenue: \$16.1 mil

Previous Quarter 2018 Revenue: \$3.2 mil

Outstanding shares (diluted): 332 mil

Cash: \$28.5 mil

Revenue growth QoQ: 500%!

Management: Neutral

CEO: Victor Mancebo

CFO: Rene Gulliver

VP Marketing: Stephanie Kubacki

Medical Director: Dr. Jennifer Timothee Oliveras



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%.

Valuation: Strong

Current share price: US \$0.305

Price to Sales: 4.25 (Tobacco industry = 5)

52 week low/high: US \$0.226- \$0.721

EV/Revenue: 3.05

Price/book: 1.08

Financings: Neutral

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

Risks: High

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

Competitors include: Trulieve, Surterra, Curaleaf, Knox Medical, and Vidacann. Combined, these companies have about 70 dispensaries in Florida. Each license holder in Florida can have up to 25 dispensaries.

Recommendation: Strong

Liberty is building a solid, low-cost, high-margin, vertically-integrated, medical cannabis business in Florida, which they plan to expand to other states. They are now producing at several facilities and selling through 23 of their own stores, which should generate a strong margin.

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

In their most recent quarter, they generated about \$16 million in sales, a pace of about \$70 million per year. At their current price of \$0.30 per share, we estimate they are priced for revenue of about \$60 million.

They expect to produce 14,000 kgs of cannabis this 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 4-5x.**

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 significant chance for their revenue to exceed \$300 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 up to \$1.50/share, at least.**