

# 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.**

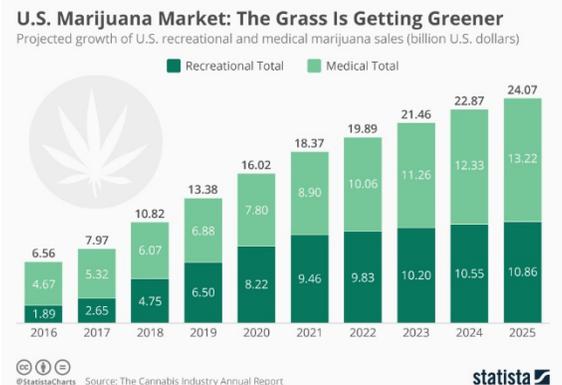
## Troublesome Times

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

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- 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*

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.

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

**Size: Weak**

Market Cap: \$23.5 million

Enterprise Value: \$22.8 million

**Markets: Neutral**

Primary: Primary: US states where cannabis medicine is legal (currently 30 states). They plan to develop CBD-based treatments for diseases such as PTSD, epilepsy, chronic pain, Crohn's disease and pediatric brain cancer.

**Operations: Weak**

Cultivation: Weed Inc does not report that it grows any cannabis or hemp to date.

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

Integration/Diversification: Weak

Vertically integrated: No

Horizontally diversified: No

**Financials: Weak**

Previous Year Income after Taxes: (\$29.3 mil)

Outstanding shares (diluted): 107.5 mil

EPS: (\$0.26)



**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.

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.

**Branding: Weak**

The company does not yet have any products.

**Valuation: Neutral**

Current share price: US \$0.21

Price to Sales: NA (No revenue yet)

52 week low/high: US \$0.19 to \$1.00

EV/Revenue: NA

Price to Book: 18.64

**Financing: Weak**

The build-out of the research facility in La Veta, CO—scheduled for completion by the end of Q1 2019—was budgeted to cost \$3.13 M.

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.

**Risks: High**

The risks of investing in any cannabis or hemp company are currently high given the newness of the market. The risks of investing in this company are **very high** due to the limited news the company puts out and the long-term nature of their corporate mission.

**Recommendation: Weak**

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. Based on their last press releases they have two main efforts underway: R&D in Colorado, and hemp cultivation in New York. In an older press release, dated March 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. It 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. It 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, since research is expensive. One thing is for sure, **they have no revenues and are burning through cash like its water.**

Weed Inc's goals sound 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 >95% of their value over last two years, dropping from \$5.55 on May 1, 2018, to \$0.21 now. This lack of public transparency is simply 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) \$30 million over the past 20 months.** 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.

## **Green Thumb Industries, GTBIF (OTC)**

*Green Thumb Industries, Inc. engages in the manufacture and distribution of branded cannabis products. It operates through the Wholesale and Retail segments. The Wholesale segment includes cultivation, production, and sale of cannabis via retail stores. The Retail segment consists of trading cannabis to patients and consumers.*



Profile:

HQ: Chicago, IL, USA

Founded: 2002

Facilities: 12 states covering over 95 licenses

Employees: 1200

Symbol: GTII (CNSX), GTBIF (OTC)

### **Focus: Strong**

GTI is a multi-state US seed-to-sale cannabis grower, producer and retailer. It has a wholesale business (its Consumer Package Division, selling its brands to third-party dispensaries) and a retail business (selling its own and third-party brands through its own dispensaries). It operates or is building 13 manufacturing facilities—in Illinois, Pennsylvania, Maryland, Massachusetts, and Nevada.

It owns and operates 25 retail dispensaries under its own RISE, Essence and GTI brands. They are licensed for, and currently plan to own and operate, 88 dispensaries across at least 12 states,