cannin
YOUR CANNABIS INVESTMENT RESOURCE

THE CANNIN REPORT
Q1 2020

the cannin report

Your Cannabis investment resource.

Contents

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 abound – 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 us 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.

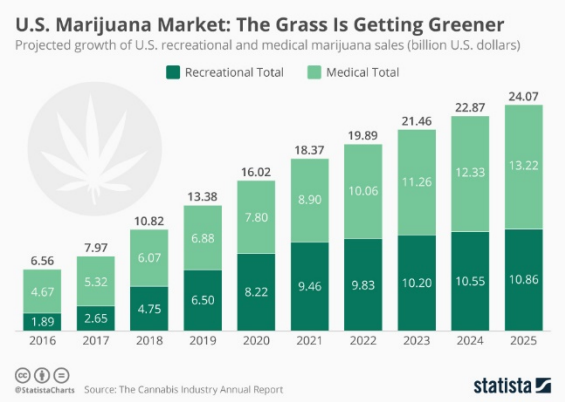
Let's take a quick look to see where things currently stand and offer some insight as to **what the future holds for marijuana stocks**.

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

Fundamental Analysis

Sections and Ratings

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:

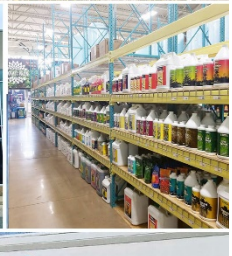
1. **Business Focus**
2. **Size**
3. **Markets**
4. **Operations**
5. **Financials**
6. **Management**
7. **Branding**
8. **Valuation**
9. **Risks**
10. **Overall Recommendation**

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

similar prohibitions. Notwithstanding the federal ban, as of the date of this guidance, 20 states and the District of Columbia have legalized certain marijuana-related activity

Grow Generation, GRWG (Nasdaq)

GrowGeneration Corp. retails hydroponic and organic specialty gardening products. The company owns and operates a chain retail hydroponic and gardening stores and an online e-commerce store, HeavyGardens. Its stores sell various products, including organic nutrients and soils, advanced lighting technology, hydroponic and aquaponic equipment, and other products needed to grow indoors and outdoors.



Profile:
HQ: Denver, CO, USA
Founded: 2008
Facilities: 25 Garden Centers
Symbol: GRWG (Nasdaq)

Focus: Strong
GrowGeneration is one of the largest specialty organic and hydroponic gardening retail chains across the United States. GrowGeneration is focused on expanding to new markets by opening new retail centers, acquiring cannabis cultivation licenses in target states, acquiring new companies, and maintaining positive financial growth. GrowGeneration is aiming to increase its revenue from Cannabis cultivators - as currently only 15 percent of its revenue comes from cannabis.

Size: Neutral
Market Cap: US $164.4 mil
Enterprise value: US $159.4 mil
# of employees: 96

Markets: Strong
Primary: USA
Secondary: Canada
Major Subsidiaries: Grand Rapids HYDROPONICS, GrowGeneration California, Seattle's Hydro Spot, GrowGeneration Michigan, Grow Generation Pueblo Corp.

Operations: Strong
Cultivation:
Current production: None
Future production: None

Distribution:
Direct sales: Yes, heavygardens.com
Store networks: Twenty-five specialty retail centers in eight US states
Supply agreements: GrowGeneration has supply agreements with Hawthorne Gardening, Hydrofarm, DL Wholesale and Humboldt Wholesale
Integration/Diversification:
Vertically integrated: No
Horizontally diversified: Yes

Financials: Strong
Outstanding shares (diluted): 41.71 mil
Last Three Quarters Revenue: $21.8 mil
EPS (diluted): 0.05

Management: Neutral
CEO: Darren Lampert
CFO: Monty Lamirato
COO: Tony Sullivan

GrowGeneration's senior management has extensive experience in executing specialty retail growth and expansion strategies. Darren Lampert, as CEO and Co-Founder of GrowGeneration, brings more than 25 years of experience in various senior management positions. Tony Sullivan bring more than 20 years' experience in managing large retails chains and designing acquisition strategies.

Branding: Neutral
GrowGeneration is marketing their specialty stores and online store brands through billboards, in-store Merchandising, trade shows, social media and vehicle wraps. Each subsidiary of GrowGeneration is branded accordingly to represent the specialized services or products they offer. The main e-commerce website is branded as HeavyGardens.

Valuation: Strong
Current share price: US $4.25
Price to Sales: 2.12
Price to Book: 3.05
52 week low/high: US $2.53 to $6.78
EV / Revenue: 2.00

Financings: Neutral
On June, 2019, GrowGeneration **raised $12.8 million** in total by issuing common stock in private placement to institutional investors at a price of $3.10 per share.

Risks: Neutral
The risks of investing in this company are much less than many cannabis companies in that they are ancillary to the growing industry and don't touch cannabis plants.

Recommendation: Strong
GrowGeneration is **one of the largest** specialty organic and hydroponic gardening retail chains across the United States. GrowGeneration is focused on expanding to new markets by opening new retail centers, acquiring cannabis cultivation licenses in target states, acquiring new companies, and maintaining its positive financial growth.

In 2019, GrowGeneration expanded into new markets and added new product lines with the **acquisition of 5 companies worth $25 million total**. GrowGeneration is aiming to increase its revenue from Cannabis cultivators by offering products and consultations as, currently, **only 15 percent** of its revenue base comes from cannabis.

On June, 2019, GrowGeneration managed to raise $12.8 million in total by issuing common stock in private placement to institutional investors at a price of $3.10 per share. **In December, 2019, GrowGeneration was listed on the NASDAQ exchange**.

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

GrowGeneration has cash and cash equivalents worth $18 million which is enough to provide support for its operations and expansion for the next 10 to 12 months. Given their aggressive strategy of expansion by acquisition, GrowGeneration **will eventually need additional financing** to acquire new companies beyond 2020.

GrowGeneration's net profit decreased slightly to $1.05 million in the third quarter of 2019 as compared to $1.06 million in the second quarter. However, they reported a net profit margin of 4.82% which ranks them **among the top 5 in the home improvement retail industry** and 28th in the retail industry in the US**.**

GrowGeneration's cash to debt ratio in the third quarter 2019 was 1.93 which shows that if needed, they can manage debt payments for the quarter. Their current ratio of 4.2 during the last quarter of 2019 **is the highest in the retail sector.**

For these reasons, we think GrowGeneration, at or near its current price of $4.25 a share, is a good investment opportunity—though as earnings increase with sales and expenses reduced then an opportunity can appear.

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 Hydropothecary 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. The have more than enough production space and retail sites to be profitable. They sale 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 trent. **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.,
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 likes 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,

each producing on average $3.6 mil in revenue per year. They produce and sell flower, concentrates, edibles, and topicals.

Although they currently wholesale a majority of their harvest and are expanding their cultivation, GTI has said they may not choose to be a large wholesale grower in the long term if price compression becomes an issue with that model. If that happens, they will focus on creating brands and operating dispensaries.

Size: **Strong**
Market Cap: $1.17 billion
Enterprise Value: $1.23 billion

Markets: **Neutral**
Primary: USA, one of the larger vertically integrated operators:
-Pennsylvania: operating 6 RISE medical dispensaries), building 12
-Maryland: operating 3 medical dispensaries and a processing plant, building cultivation facility
-Nevada: operating 5 retail, building 3 cultivation/processing,
-Massachusetts: operating 3 retail, plus grow facilities
-Ohio: operating 2, building 3 dispensaries
-Illinois: 5 retail, 2 cultivation facilities and HQ
-Florida: operating 4 dispensaries, with licenses to operate ~50
-New York: building 1 cultivation/production, 4 retail
- New Jersey: building 1 retail 1 cultivation
Secondary: Canada. GTI went public and listed its shares on the CSE, to make raising money easier. Selling cannabis there could be an option, especially with the Canadian market being federally legal.

Operations: **Strong**
Cultivation:
Current production: 22,000+ kgs per year
Future production: 40,000-60,000 kgs per year
GTI operates 260,000 sf of cultivation and processing capacity, which is scalable up to 750,000 sf. They do not say what portion is grow space versus processing space. If 50-75% is cultivation space, we expect them to produce between 15,000-22,000 kgs/per year, scalable up to 40,000-60,000 kgs per year.

They grow 50 unique cannabis flower strains, geared to different consumer segments. They also process raw flower into oils, using several extraction and purification techniques (BHO, CO2, Ethanol)

Distribution:
GTI distributes in 100% of retail locations in the states they operate in, including 55 of 55 stores in Illinois, and 42 of 42 stores in Maryland. They own 25 of these and plan to expand to own 50. They serve over 100,000 patients and customers each year.

Direct sales: Yes, in store and online

Store networks: Yes. Sold in 95 retail locations

Integration/Diversification:
Vertically integrated: Yes
Horizontally diversified: No

Financials: Neutral
Outstanding shares (diluted): 127 mil
Revenue last year: $81 mil
EPS: ($0.31)

Management: Neutral
CEO: Ben Kovler
CFO: Anthony Georgiadis

Branding: Strong
GTI brands include: Rhythm, Dogwalkers, the Feel Collection, BeBoe and others. Dogwalkers are a small tin of mini-joints designed to be big enough to enjoy "while you are walking your dog." GTI is also planning a brand aimed at women, because they feel women are under-served and there is a significant marketshare.

GTI is creating a distinctive, branded consumer experience in their RISE dispensaries. According to GTI, RISE is an award-winning retail chain delivering a high level of customer service through: "high-engagement consumer interaction; a consultative, educational selling approach; and an affordable variety of cannabis products." They create an uplifting environment "like a bar or a café", and strive to produce customer loyalty. They claim their RISE dispensaries have a large market share.

Valuation: Neutral
Current share price: US $5.64
Price to Sales: 7.12 (Tobacco industry Avg. = 5)
52 Week Low/High: $3.69 to $16.18
EV / Revenue: 5.69
Price to Book: 1.40

Financings: Strong
In June 2018, GTI completed a reverse takeover that enabled it to be listed on the Canadian stock exchange. At the same time, it raised US $67 million through a private placement.

In April, 2019, GTI completed a private placement of $12.5 million in six-month senior secured promissory notes. The notes paid 10.5% interest.

On May 22, 2019, GTI completed another private placement, of $105.5 million, in three-year senior secured promissory notes—and paid off the notes issued on April 12, 2019. It can raise an additional $44.5 million under this credit facility within 180 days, if necessary. GTI can also extend the financing an additional twelve months. The notes pay interest of 12.0%

Risks: High
The risks of investing in any cannabis company is currently high given the volatility of the market. The risks of investing in this company do not seem to have more risk than other cannabis companies.

Recommendation: Strong
There are many reasons to like GTI as an interested observer. They are vertically integrated, with a focus on building brands, and creating a unique and attractive retail experience that builds **loyal visitors**. This supports their bid to preserve strong margins in an industry that will likely eventually experience significant price compression and falling margins.

They are diversified, having **both a strong wholesale and retail businesses,** and addressing both medical and recreational clientele**.** This supports them if, for example, price compression makes the wholesale side of the business less profitable. In this scenario, they could focus more on the retail side, where they own dispensaries and will be able to control retail price and shelf space in their locations.

Most importantly, their revenue has shown steady growth over the past 4 years. This is **surprisingly rare** among cannabis companies and shows that they are good at executing their plans and avoiding delays and setbacks.

They currently operate 25 dispensaries and plan to have 40-50 operating in a few years, roughly doubling their number. They target roughly $3.6 mil in revenue from each store. This suggests they could generate close to **$180 million in revenue from their retail side in a few years.**

Currently they grow at least 25,000 kgs year, which at $6 gram generates about $125 million. When expansions are done, they expect to have future capacity of 50,000-60,000 kgs a year. Given the current trajectory, we think that $400-430 million is a good estimate of where their future revenue should be in a few years.

They also have a strong cash position (over $65 million) and appear to have excellent access to capital. This suggest they should have the money they need to invest to make their growth plans come true.

All this is promising news. **But does it make for a good investment?** For many, this depends on how much money they will generate in the future, versus how much revenue is baked into their current stock price.

The GTI stock price was down in 2019, just like all cannabis stocks. Price to sales is down to 7.12 (from 20) but is still too high for our liking. **Is it too late to buy?**

No. In fact, we think this is a good company that is fairly priced today for revenue the company should achieve in the coming few years**.** In other words, it looks to us like a good long-term investment, not a stock that will win a race for highest gains in the next year or two. Instead, one that will produce an even-handed **long-term increase** for long term investors.

Zoetic International,
ZOE (LSE), ZOEIF (OTC)

Zoetic International (formerly Highlands Natural Resources) is a vertically integrated CBD company operating out of Colorado, USA but is also listed on the London Stock Exchange. They grow, produce hemp seeds, and CBD products sold online and in a few retail locations.

Profile:
HQ: Perth, Scotland
Founded: 2015 (previously Highlands Natural Resources)
Facilities: Denver, Colorado, USA; Perth, UK
Symbol: ZOEIF (OTC), ZOE (LSE)

Focus: Neutral
Zoetic, a vertically integrated CBD company, is focused on diversifying its operations to retail CBD products from its natural resources business. Zoetic aims to achieve higher margins with a focus on manufacturing and retail by developing higher quality feminized hemp seeds. Zoetic is also focused on expanding its current range from CBD oils and soft gels to beauty and personal care products.

Size: Weak
Market Cap: $14.82 million
Enterprise Value: $13.47 million
# of employees: 11

Markets: Neutral
Primary: Colorado
Secondary: USA, UK
Subsidiaries: Zoetic is a subsidiary of Highlands Natural Resources (HNR)

Operations: Neutral
Cultivation:
Current production: NA
Future production: Indoor growing facility of 33,000 square foot in DeBeque, Colorado. Fully operational in 2020. Recently planted hemp on 16 acres in Palisade, Colorado

Distribution:
Direct sales: Planning to sell online through zoetic.uk.com in the UK and thechillway.com in the US
Store networks: NA
Supply Agreements: Signed a distribution partnership agreement with Mr. Checkout in the US to use the services of their 15 distributors on a trial basis.

Integration/Diversification:
Vertically integrated: Yes
Horizontally diversified: No

Financials: **Neutral**
Outstanding shares (diluted): 118.2 mil
Revenue last quarter: £1.1 mil
EPS: (2.86)

Management: **Strong**
CEO: Nick Tulloch
CFO: Trevor Taylor
Nick Tulloch, CEO of Zoetic, has over 20 years of corporate brokering and financial advisory experience in the financial sector working with investment banks and stockbrokers. Trevor Taylor, Chief Strategy Officer of Zoetic, has experience running a recreational cannabis company in the US as the Chief Executive Officer.

Branding: **Strong**
Zoetic is focused on promoting their brand as a specialty premium CBD brand in the US and UK by offering topicals, soft gel capsules, and tinctures. Zoetic aims to promote its Chill brand as a premium CBD brand specializing in alternative tobacco products in the form of vapes, smokables and chew pouches.

Valuation: **Weak**
Current share price: US $0.089
Price to Sales: 3.67 (Tobacco industry Avg. = 5)
52 Week Low/High: $0.07 to $0.175
EV / Revenue: 8.15
Price to Book: 2.61

Financings: **Neutral**
Zoetic's parent company Highland National Resources raised £525,000 by issuing 6 million shares in 2019 to invest in operations of Zoetic. Highland National Resources further intends to divest from its natural resource business and reinvest money into its Zoetic CBD business.

Risks: **High**
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 very high given the competitiveness of the CBD market.

Recommendation: **Neutral**
Zoetic, a vertically integrated CBD company, is focused on diversifying its operations to retail CBD products from its natural resources business. Zoetic aims to achieve higher margins by developing higher quality feminized hemp seeds and a line of CBD products.

Zoetic is also focused on expanding its current range of CBD oils and soft gels to beauty and personal care products. Zoetic has an indoor growing facility of 33,000 square feet in DeBeque, Colorado which will be **fully operational in 2020**.

In 2019, Zoetic signed a distribution partnership agreement with Mr. Checkout in the US to use the services of their 15 distributors on a trial basis. They are also planning to sell their retail products online through the Zoetic website in UK and thechillway.com website in the US.

Zoetic will be offering topicals, soft gel capsules and tinctures under its Zoetic brand meanwhile vapes, smokables and chew pouches will be promoted under their Chill brand.

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

Zoetic's capacity to grow is solid as they had cash and cash equivalents of £1.07 million during the third quarter of 2019 as compared to 1.99 million in the same period in 2018.

Zoetic reported revenue of £1.15 million for the first 6 months in 2019 of which the Natural Resources business contributed £1.12 million and the CBD business contributed only £36,000. As Zoetic intends to sell its Natural Resources (oil and gas) business, production of CBD was slated to start in the first quarter of 2020 so there are chances of an increase in revenue and cash balance. This is a **risk** though as any delays will put them in a cash crunch.

Zoetic's return on total asset (ROA) was -89.78 % which implies that it made a loss of $89.78 on every $100 spent on asset. This is very low as compared to the industry average however it will improve a lot as their CBD business start generating revenue.

One significant advantage is their London listing and location where they may be able to open the market with little competition and already have access to major liquidity. For these reasons, we think Zoetic, at or near its current price of $0.09 a share, can be a good investment opportunity – but time will tell.

Nutritional High International, SPLIF (OTC)

Nutritional High International, Inc. engages in the developing, acquiring and designing of marijuana-infused products. Its products include FLI Edibles, FLI Concentrates, and Cannabis oil. The company was founded on July 19, 2004 and is headquartered in Toronto, Canada.

Profile:
HQ: Toronto, Canada
Founded: 2004
Facilities: California, Colorado, Oregon, Canada

Symbol: SPLIF (OTC)

Focus: Neutral
Nutritional High is a vertically integrated company focused on the sales and manufacturing of cannabis oil, tinctures, and edibles for adult use as well as medical purposes. Nutritional High is also developing additional cannabis infused products in the near future like beverages, gummies, and topicals. Nutritional High's corporate strategy is based on the acquisition and restructuring of businesses to develop their high-quality products.

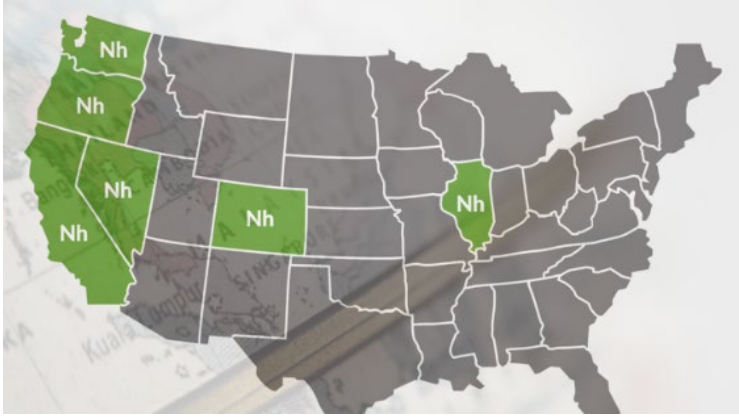
Size: Weak
Market Cap: $5.22 million
Enterprise Value: $13.92 million

Markets: Neutral
Primary: Colorado, California, Oregon
Secondary: USA, Canada
Subsidiaries: Calyx Brands, Pasa Verde, Green Therapeutics

Operations: Neutral
Cultivation:
Current production: 11,000 square feet facility in Colorado with 4 licenses
Future production: 12,600 square feet under development in Sacramento, CA, 5,600 square feet facility in Washington under strategic review

Distribution:
Direct sales: NA
Store networks: Nutritional High uses Calyx brand's (subsidiary of Nutritional High) distribution services for their products to ship to more than 600+ licensed retailers. Calyx provides core fulfillment services, optimal fulfillment services, and enhanced services.

Supply Agreements: Signed a distribution partnership agreement with Green Therapeutics in the US.



Integration/Diversification:
Vertically integrated: Yes
Horizontally diversified: No

Financials: Weak
Outstanding shares (diluted): 364.5 mil
Revenue last year: CAD 23.61 mil
EPS: (0.019)

Management: Strong
CEO: Adam K. Szweras
CTO: BIlly Morrison

Adam K. Szweras, CEO of Nutritional High, has over 20 years of corporate law and strategic management experience including managing big cannabis brands like Aurora Cannabis. Billy Morrison, Chief Technology Officer of Nutritional High, has experience running marijuana companies and dispensaries as well.

Branding: Neutral
Nutritional High offers dab jars, syringes, and oil vape cartridges under their "FLÏ" brand as well as sells many other cannabis products through their distributor. Nutritional High is working on offering Cannabis-infused products, beverages, gummies, topical and tablets in the near future.

Valuation: Weak
Current share price: US $0.0186
Price to Sales: 0.34 (Tobacco industry Avg. = 5)
52 Week Low/High: $0.0083 to $0.22
EV / Revenue: 0.57

Financings: Neutral
Nutritional High raised $1,807,000 by issuing 1807 secured convertible debenture unit.

Risks: High
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 very high given the competitiveness of the cannabis markets in the states they compete in.

Recommendation: Weak
Nutritional High is a vertically integrated cannabis company focused on the sales and manufacturing of cannabis oils, tinctures, and edibles for adult use as well as medical treatment purposes. Nutritional High is also researching additional cannabis-infused products in the near future like beverages, gummies, and topicals.

Nutritional High offers dab jars, syringes, and oil vape cartridges under their "FLÏ" brand as well as sells many other cannabis products through their distributor. Nutritional High is working on offering Cannabis-infused products, beverages, gummies, topical and tablets in the near future.

Will its stock price improve in the long term? **Not Likely.**

Nutritional High's capacity to grow is not very good as they had **cash and cash equivalents of just $1.09 million in the third quarter of 2019 as compared to $5.07 million in the same period in 2018** which is not enough to meet their working capital needs for another year. Nutritional High is facing a **significant liquidity crunch** which is impacting its share price making them take more debt to run operations in the short term.

Nutritional High faced significant supply risk in 2019 as 85% of their products were produced by a single supplier. Nutritional High raised $1,807,000 by issuing 1807 secured convertible debentures in August 2019.

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!

Trulieve Cannabis Corp.,
TCNNF (OTC), TRUL (CSE)

Trulieve Cannabis Corp. engages in the production of cannabis products. The company cultivates and produces its products in-house and distributes cannabis products to its branded stores, as well as directly to patients via home delivery. Its products include smokable flower, inhalation, oral, sublingual, topical, inter-nasal, and concentrates. The company was founded on September 21, 2018, and is headquartered in Quincy, FL.

Profile:
HQ: Quincy, Florida, USA
Founded: 2018
Facilities: Florida
Symbol: TCNNF (OTC), TRUL (CSE)

Focus: Strong
Trulieve Cannabis Corp is a growth-oriented, licensed, vertically-integrated, seed-to-sale cannabis company headquartered in, and focused on, Florida, the third most populous state in the USA. It is the leading medical cannabis company there, with a significant market share of the state and 43 stores. They also have dispensaries in CA (1), MA (opening soon), and CT (1).

Trulieve grows all its products in-house and distributes them to Trulieve-branded dispensaries in Florida, as well as directly to patients via home delivery. It makes approximately 300 SKUs (products), including smokable flowers, flower pods for vaporizing, concentrates, topicals, capsules, tinctures, and vape cartridges.

Size: Strong
Market Cap: US $1.03 bil
Enterprise value: $1.15 bil
# of employees: 1800

Markets: Strong
Primary: market leader in Florida
Secondary: MA, CT, and CA in the near future, Canada

Operations: Strong
Cultivation:
Current production: Trulieve currently has 1.7 million sf of cultivation space on four sites, using both indoor and greenhouse facilities. It can now grow 30,000 kg of cannabis per year and is increasing its greenhouse capacity. It grows 45 cannabis flower strains and expects to grow revenue in Florida, as that state recently passed legislation allowing the sale of smokable cannabis flower.

Trulieve produces 100% of the products sold in its Trulieve stores. It extracts 50,000 grams of active THC or CBD per week.

It uses ethanol extraction mostly. It also uses CO2 extraction for terpene extraction and CO2 vaporizer products. It has a 55,000 SF building for production and shipping activities, with a kitchen for edible products and a hydrocarbon extraction facility, expecting the future legal sale of edible and hydrocarbon products in Florida.

Distribution:
Direct sales: Patients can order products for delivery on-line or by calling the Trulieve call-center, which takes roughly 2,000 calls per day. It offers next day delivery in most of Florida. Patients can also place orders for in-store pick-up online or via the call center.

Store networks: It operates 43 of the 120 dispensaries in Florida (Florida allows 25 per licensee, plus five once a company reaches 100,000 active patients). Trulieve's original 14 dispensaries which opened before the cap was enacted are grandfathered in, allowing them 39.

Through February 2019, Trulieve had served nearly 215,000 unique patients in Florida.

Supply agreements: In December 2018, Trulieve bought Life Essence, a seed-to-sale cannabis company developing multiple locations in Massachusetts. Life Essence is applying for licenses to build and operate three medical dispensaries, three recreational stores, and a 126,000 SF cultivation facility.

In November 2018, Trulieve bought 80% of Leef Industries, a licensed medical and adult-use dispensary in Palm Springs, California. It will buy the rest pending purchase approval by California, expected in Q2 of 2019.

Integration/Diversification:
Vertically integrated: Yes
Horizontally diversified: Not much, though they will eventually have both medical and adult-use (recreational) businesses

Financials: **Strong**

Outstanding shares (diluted): 102 mil
Revenue Ranking is US Cannabis Industry: #1
Last Quarter Year: $133.3 mil
YoY Revenue Growth: 519%
EPS: 1.54

Management: **Strong**
CEO: Kimberly Rivers, $150,
CFO: Mohan Srinivasan, $200k
COO: Kevin Darmody

Branding: **Strong**
Trulieve's CBD products are designed to treat pain, seizures, muscle spasms, nausea, loss of appetite, and symptoms associated with conditions such as cancer. Its products have low THC and are available for patients who need non-euphoric care.

It has over 300 Trulieve-branded products, including smokable flower, flower pods for vaporizing, concentrates, topicals, capsules, tinctures, and vape cartridges. Its marketing consists of education and outreach to physicians, patients, and potential patients.

Trulieve's educational materials help physicians understand the science behind cannabis, their production standards, and that its products are created to provide relief.

Trulieve offers the "Truliever" loyalty program which grants points and discounts. It communicates with patients and physicians through email, text, social media and online chat.

Valuation: **Strong**
Current share price: US $9.15
Price to Sales: 4.27 (Tobacco industry Avg. = 5)
Price to Book: 3.66
52 week low/high: US $5.74 to $15.17
EV / Revenue: 4.53

Financings: **Neutral**
In August 2018, it completed a private placement raising net proceeds of $47 million. In May 2018, it borrowed $12 million from directors of Trulieve at 12%.
At the end of 2018, Trulieve had current liabilities of $34.7 million and cash of $24.4 million.

Trulieve plans for aggressive growth from acquisitions and expansions and expects to raise additional capital to do so. Trulieve has banking relationships but not access to traditional bank financing. They've got a successful track-record at raising capital privately. Trulieve expects to generate adequate cash to fund continuing operations and their revenue shows it!

Risks: **Neutral**

The risks of investing in this company may be somewhat lower than many cannabis companies in that Trulieve has substantial revenue and income, and is a leader in its main market (54% market share by their own estimates). However, given the rapid changes affecting the economy generally, and the cannabis industry in particular, no company can guarantee to maintain a competitive advantage in the market.

Recommendation: Strong (Our strongest company rating in this report!)
Trulieve has a **very strong position** in Florida, the third-largest US medical cannabis market. They have 43 dispensaries, produce 30,000 kgs per year and, based on Q4 2018, are currently on a revenue pace of more than **$200 million per year**.

They plan to also expand their growing capacity in Florida though they have not specified how much. But they have bought businesses in MA and CA -- and the one in MA has enough grow space to boost their output to 45,000 kgs per year in the coming few years. **This should increase their revenue by 50%, taking them close to $300 million in revenue.**

This looks like a strong plan to increase revenue growth for the company. **The question is, is this revenue already priced into their stock? Or will the stock price grow as revenue grows?**

By our calculations, the company has a price to sales ratio of 4.3 —about the average in the tobacco industry. **This is a great sign for them and shows any revenue growth should drive the stock price higher.**

They maintain over 50% market share in Florida, have over 500% revenue growth year over year and have 300+ SKU's. All this means fantastic growth is ahead. Combine this with the fact they gave back a lot of momentum in 2019 and 2020 should be a perfect year to gain it all back, and more

For investors who don't mind waiting a year for a solid return, we think Trulieve at its current price presents an excellent opportunity for long-term gain especially with some COVID recovery priced in!

iAnthus Capital Holdings, Inc., ITHUF (OTC), IAN (CSE)

iAnthus Capital Holdings, Inc. engages in the provision of financing licensed cannabis cultivators, processors, and dispensaries. Its portfolio includes Grassroots Vermont, Mayflower Medicinals, Organix, and R. Greenleaf. The company was founded by Hadley Ford and Randy Maslow on November 15, 2013 and is headquartered in New York, NY.

Profile:
HQ: New York, NY, USA
Founded: 2013
Facilities: 11 states
Symbol: ITHUF (OTC); IAN (CSE)

Focus: Strong
iAnthus builds vertically-integrated (cultivation and retail) cannabis operations in high-growth, limited license US states, ideally with favorable regulations and potential for recreational use. They were the first to go public in the USA and raise capital in Canada.

Size: Neutral
Market Cap: US $31.9 mil
Enterprise value: $135.6 mil
Number of Employees: 540

Markets: Strong
Primary: USA. They have licenses to eventually operate 63 dispensaries. After buying MPX Bioceutical in October 2018, they currently have 68 retail locations in eleven states, and CBD sales in all 50 states:
- 11 in the west: 6 in NM (minority ownership), 4 in AZ, 1 in CO.
- 9 in the east: 3 in MD, 2 in NY, 2 in FLA, 1 in MA, 1 in VT.

They have a total addressable customer population of 121 million people and a 2019 market size of over $10 billion. They are poised for significant expansion across the country.

Florida is still a medical-only cannabis market, but is already the third-largest US cannabis market in the USA with roughly 10,000 new patients added each month. iAnthus has two dispensaries here, and plans to rapidly expand in 2019, adding one store per month, plus cultivation and processing operations. They can open up to 30 stores here.

Massachusetts legalized adult cannabis use in 2016, and is projected to become one of the largest markets in the country. Here, they operate one store out of 34 in the state, and plan to open 5-6 more. They have a Boston dispensary, and in the Fall River area, one hour south of

Boston, they are building a 41,000 sf facility on 12 acres for cultivation, production and a dispensary. They also have a 30,000 sf cultivation facility in Holliston, one hour SW of Boston.

In Nevada they have licenses for up to 4 stores, in addition to their existing 29,000 sf production facility that they can double in size.

Operations: **Strong**
Cultivation:
Current production: 50,000 kgs per year
Future production: 70,000 kgs per year (estimate). They have licenses to operate over 500,000 sf of cultivation and processing space across the U.S. They are currently building the largest indoor grow operation in Florida, at over 160,000 sf.

The total legal US cannabis market is now roughly 1 million kgs ($10 billion), while to total market (including black market) is about $50 billion. This is currently split 50/50 between medical and rec. The legal market is predicted to rise to $50 billion by 2026.

Distribution:
Direct sales: Yes, they operate retail dispensaries
Store networks: They have their own network, currently 68 stores.
Supply agreements: Yes, they have many wholesale clients.

Integration/Diversification: Neutral
Vertically integrated: Yes.
Horizontally diversified: Only within cannabis, including flower, oils, vape pens, etc.

Financials: **Neutral**
Previous Year Revenue: $3.41 mil
Outstanding shares (diluted): 171.6 mil
Cash on hand: $28 mil
EPS: ($0.44)

Management: **Strong**
CEO and co-founder: Hadley Ford (healthcare and investment banking)
President: Randy Maslow
Operations: Pat Tiernan
CFO: Julius Kalcevich, investment banking background
Chief Strategy Officer: Beth Stavola
Chief Medical Officer: Richard Boxer

The leadership team has experience managing operations in multiple industries across many states. Expertise includes:

- Hadley Ford's building of $100 million of cancer centers in four states,
- Beth Stavola's building cannabis businesses in multiple states,
- Randy Maslow running nationwide operations for XO Communications, and
- Carlos Perea working in 500+ communities.

Branding: Strong
They are very brand oriented. They aim to consolidate their multiple brands to a few larger brands over time. They now own MPX's well established, award-winning branded products. High Times awarded MPX Strawberry Fields "Best in Flavor" for THC cartridges in 2018. The MPX brand was also one of "Leafly's Faves 2018." Leafly also named the MPX Health for Life dispensaries the "Best Overall Dispensary" in Maryland.

Valuation: Weak
Current share price: US $0.17
Price to Sales: 0.45 (Tobacco industry = 5)
Price to Book: 0.05
52 week low/high: US $.156 to $5.35
EV/Revenue: 2.55

Financing: Strong
In October 2018, iAnthus closed a bought deal offering of 5 million common shares for CAD$6.65 per share for gross proceeds of CAD$34 million (US $26.5 mil). iAnthus could receive $50 million if outstanding warrants are exercised, as they are likely to be.

Risks: High
The risks of investing in any cannabis or hemp company are currently high given the newness of the market. The risks for this company are quite high, because of the market volatility Given the rapid changes affecting the industry, no company can guarantee to maintain a competitive advantage in the market for a long term.

Recommendation: Weak
iAnthus is not yet seen as a major player, but it should grow in stature quickly. They have licenses for over 70 dispensaries in the US, and have 58 currently operating. As a measure of their growth curve, in a little over two years they have grown from less than $10 million of assets to over $340 million. **They were not profitable last year and the stock dropped over 85%!**

We like their approach of building vertically integrated cannabis businesses mostly in states that have good demand, fewer licenses, and the potential to legalize recreational use. This means they plan to generally have cultivation operations in the same states they have dispensaries. This will allow them to keep the cost of their cannabis low, while selling for a maximum margin.

We also like that they are brand oriented. They already own their own brands, and now also own the well-respected MPX brands, some of which have received reputable awards. They intend to whittle down from many brands to focus on the best ones, which should produce good results.

iAnthus has licenses to operate over 500,000 sf of cultivation and processing space in the U.S. This could mean they eventually have production capacity over 50,000 kgs/yr. They are getting close to this number.

While they're still not considered a big player compared to giants like Canopy Growth and Aurora Cannabis, when coupled with the ability to capture a full margin, this should allow them to **eventually generate revenue of at least $200 million per year, and possibly $300 million**.

With new dispensaries coming online rapidly, revenue is growing. Their last official report for the quarter ending September was $1 million, but dispensaries usually generate over $1 million in revenue per year, and with 20 dispensaries now, they should be close to $20 million per year soon. Plus, they've opened one new dispensary per month in Florida in 2019. After buying MPX, they've planned to eventually have 14 cultivation facilities and over 60 dispensaries in 11 states.

What does this add up to? Well certainly, iAnthus' **future growth is very attractive**. The question is, is the stock a good value now? Is it undervalued or overvalued compared to this future growth potential?

First off, iAnthus' price to sales ratio is 0.45, which is extremely low—a tenth of the average ratio of the tobacco industry. We think tobacco's P/S is a decent proxy for where cannabis will settle when the cannabis market matures in the coming few years.

In other words, all the increased revenue it will generate in 2020, and more, is not priced into the stock. This appears to be a divergence and an opportunity. We are excited that iAnthus could eventually generate $200-$300 million of revenue in a few years. If and when it does, this would drive the price up solidly. 2020 may be the year iAnthus gains all that it has lost in 2019. BUT they just defaulted on their interest obligations! **Oops. There goes this company's chances for a good 2020.**

But given the amount of time it will take for the company to generate that much revenue, and all the things that can change in that amount of time, at the current price of on or about $0.17/share, **we are currently short on the stock at this time**.

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

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 14,2000 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.**

Cronos Group,
CRON (Nasdaq), CRON (TSX)

Cronos is a cannabis investment company that invests in cannabis producers either with, or actively seeking, a production license. They have medical cannabis brands: Peace Naturals (Ontario) and OGBC (British Columbia). Both are licensed producers. Cronos is geographically diversified and vertically-integrated, with a presence on five continents. Its main activities are currently in Canada and Germany.

Profile:
HQ: Toronto, ON, Canada
Founded: 2013, originally as PharmaCan
Facilities: Ontario, BC, Israel, Australia, Germany
Symbol: CRON (Nasdaq), CRON (TSX)

Focus: Strong
Cronos is a cannabis investment company that invests in cannabis producers either with, or actively seeking, a production license. These are in federally legal markets, and are typically Canadian companies. They have a few cannabis brands: Peace Naturals (Ontario), COVE, Spinach, PEACE, Lord Jones. Cronos is geographically diversified and vertically-integrated, with a presence on five continents. Its main activities are currently in Canada and Germany.

They have four joint ventures, including in Israel and Australia, and holds minority interests in cannabis-related companies and Licensed Producers. Its strategy has four elements:
- building an efficient global operation
- diversifying revenue
- developing IP that ensures enduring margins
- growing a portfolio of brands with customer loyalty

Size: Strong
Market Cap: US $2.01 bil
Enterprise Value: US $513.4 mil
# of employees: 37

Markets: Strong
Primary: Canada
Secondary: Germany, Australia

Majority Subsidiaries:
- as of Feb 2018, owns a 50% of Cronos Australia, which is planning to construct a 20,000 sf indoor facility to produce up to 2,000 kgs of cannabis annually.

-Cronos owns a 50% interest in MedMen Canada Inc, which focuses on branding, R&D and creating a retail chain in provinces that permit private retailers. Medmen does not produce cannabis, will buy from Cronos.

-in March 2018, Cronos entered a joint venture with MedMen Enterprises USA, LLC.

Operations: Weak
Cultivation:
Current production: 6,650 kgs/year on 70,000 sf of grow space
Future capacity: 47,000 kgs/year on 420,000 sf of grow space

Cronos' total planned capacity is low compared to its larger main competitors. When all capacity is completed, 84% of production will be in Ontario, the rest in BC (1%), Israel (11%) and Australia (5%). 86% of their cannabis will be grown in fully indoor facilities, 14% in greenhouses. This will make them a more expensive producer than others that focus strictly on greenhouse production.

Their currently planned facilities in Ontario, belonging to Peace Naturals, will use 8 out of 90 owned and licensed acres, so they have room to expand further in the future. Cultivation has begun in the 28,000 sf greenhouse there, with first harvest in Q2 2018. The British Columbia facility belongs to OGBC, including 13 licensed acres on 30 total acres.

Distribution:
Direct sales: Yes
Store networks: In expansion.
Cronos sells medical dried cannabis and oils through wholesale and direct-to-consumer channels under its medical cannabis brand, Peace Naturals.
Management Agreements/Joint Ventures:
Cronos Israel (90% ownership)
Cronos Growing CO (50%, Canada)
NatuEra S.A.R.L. (50%, Colombia)
Cronos Australia (31%)
Medmen Canada (50%, Canada)

Integration/Diversification
Vertically integrated: Yes
Horizontally diversified: No

Financials: Strong
Third Quarter 2019 Revenue: CAD 13.4 mil
Previous Quarter 2018 Revenue: CAD 3.7 mil
Outstanding shares (diluted): 348 mil
Cash: $1.8 bil
EPS: $3.33

Management: Neutral
CEO: Mike Gorenstein
CFO: Jerry Barbato
VP Finance: Kevin Gifford

Branding: Strong
Brands include Peace Naturals, Cove, Spinach, and Lord Jones, their CBD line. Peace Naturals is the health and wellness line, Cove the premium line, spinach is the mainstream line and lord jones concentrates on consumer goods for adults.

Valuation: Neutral
Current share price: US $5.99
Price to Sales: 83.57 (Tobacco industry = 5)
52 week low/high: US $4.00- $17.86
EV/Revenue: 21.62
Price/book: 1.15

Financings: Strong
The $2.4 billion invested by Altria has Cronos sitting pretty with $1.8 billion in cash. This amount dwarves all other cannabis companies who are struggling to raise enough cash to stay afloat.

Risks: High
The risks of investing in any cannabis or hemp company are currently high given the newness of the market. Given the recent financial delays and inventory problems**,** this medium risk is now high!

Recommendation: Neutral
In February 2018, Cronos Group became the **first licensed producer to list on a major stock exchange in the United States**. This brings more attention to the stock, more potential buyers and liquidity.

Cronos has a much **smaller capacity** expansion plan than quite a few other players, despite over a billion dollars in market capitalization. In addition, its indoor facilities will result in somewhat **high operating costs**, in the face of dropping prices. This does not present a highly attractive picture of the business going forward. The stock was **recently overhyped** and overvalued due to its Nasdaq listing and MedMen joint venture**.**

First, the good news: cash is king. Due to their investment from Altria, they have a **whopping $1.8 billion on hand**. This amount is enough for them to expand, or to weather any upcoming storms.

Now for the bad. There is a storm to weather already in 2020. Maybe two**.** Cronos **delayed the release of their fourth quarter financials** AND announced an upcoming inventory audit and likely write-down. These management missteps have the **stock down over 25%** and has brought on a class action lawsuit by its investors.

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*.**