



Cannabis Investment

The cannabis industry gives an excellent opportunity for investments. The market will grow three times by 2027. Current multiples are lower than in the sectors with similar growth perspectives (i.e. BioTech).

The growth potential of the cannabis market is over 25-30% CAGR in the 2020-2028 period:

Growth Driver – expanding the use of Cannabis for medical (Cannabis can be helpful in cancer treatment, epilepsy, sclerosis, and more). Gradual decriminalization in a series of states and countries, including full legalization for recreational use.

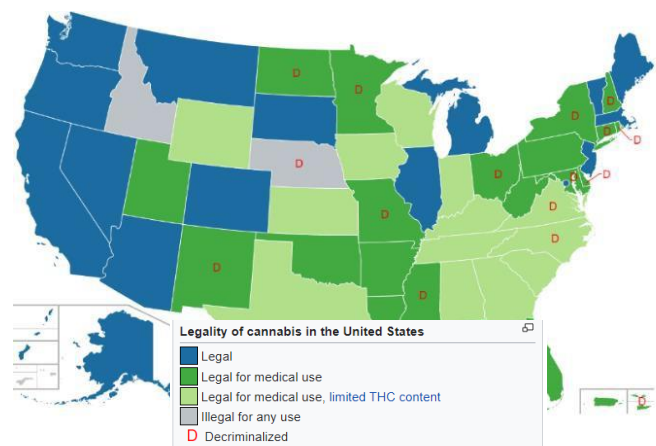
The researching agencies forecast up to \$97 billion market valuation in 2026 (Fortune Business Insights) and even \$147 billion in 2027 (The Insight Partner), up from the current \$49.5 billion in 2021 Q1.

Society develops more loyalty towards the use of Cannabis:

Medical use of Cannabis is already legalized in countries like Canada, Germany, Belgium, Italy, Portugal, Finland, Israel and Australia.

The biggest potential market is the USA. Today, 39 out of 50 states have legalized the medical use of Cannabis, and 15 states have legalized recreational use. Strong support is provided by Joe Biden, as decriminalization of marijuana was a part of his program for Presidency in 2020.

In November 2020, the United Nations agreed to exclude cannabis from the list of harmful substances, as suggested by WHO.



The expected legalization of Cannabis on the federal level will bring strong support for the development of the industry.

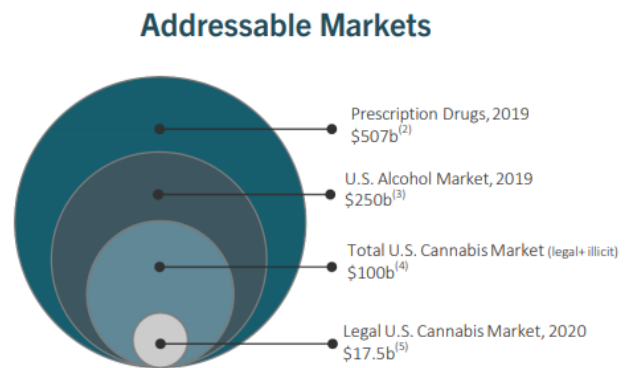
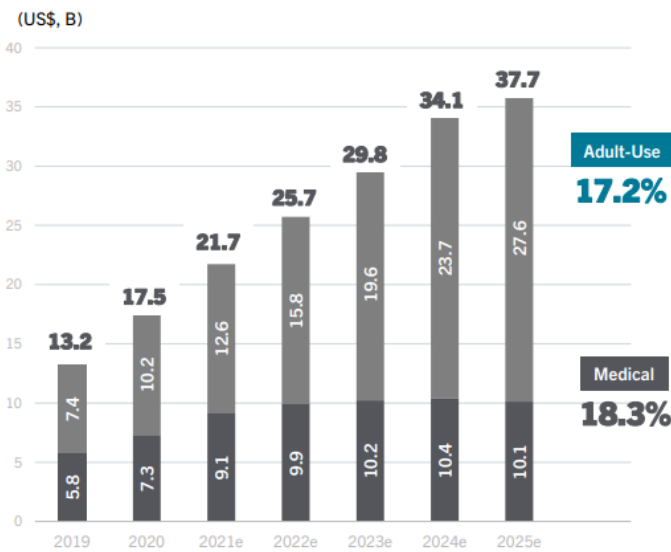
- It opens the ability to get loans from classical institutions.
- Companies of the industry will enter financial markets, increasing the investment capital. Future contracts are expected to receive the development by agricultural model.
- Restrictions on land for cannabis cultivation will be lifted.
- Transport limitations between the states will be removed, benefiting the logistics inside the country and easing trade with Canada.
- Credit Cards can be used for purchasing.



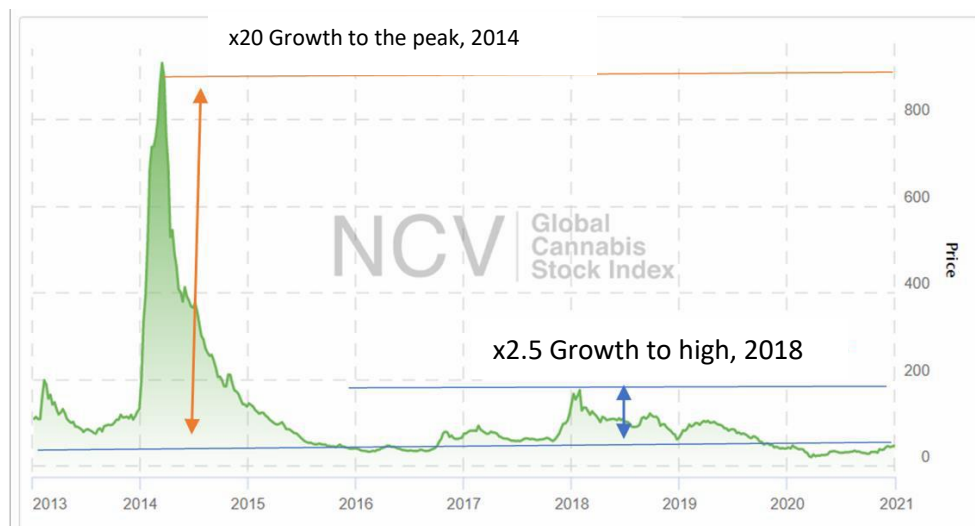
As a result, there will be a robust inflow of capital and innovation into the industry, increasing subsequent growth.

According to research agencies, the size of the illegal cannabis market is estimated to be at least five times bigger than the legal one in 2019-2020.

Expected to grow at a CAGR of 19%, to reach nearly \$38b by 2025 ⁽¹⁾



Even though quotes for Cannabis industry companies have already risen in the past month, they retain enormous growth potential up to their historical highs. Without considering the 2014 peak, there is still a potential for growth of at least 3.5 times, as shown in 2018.

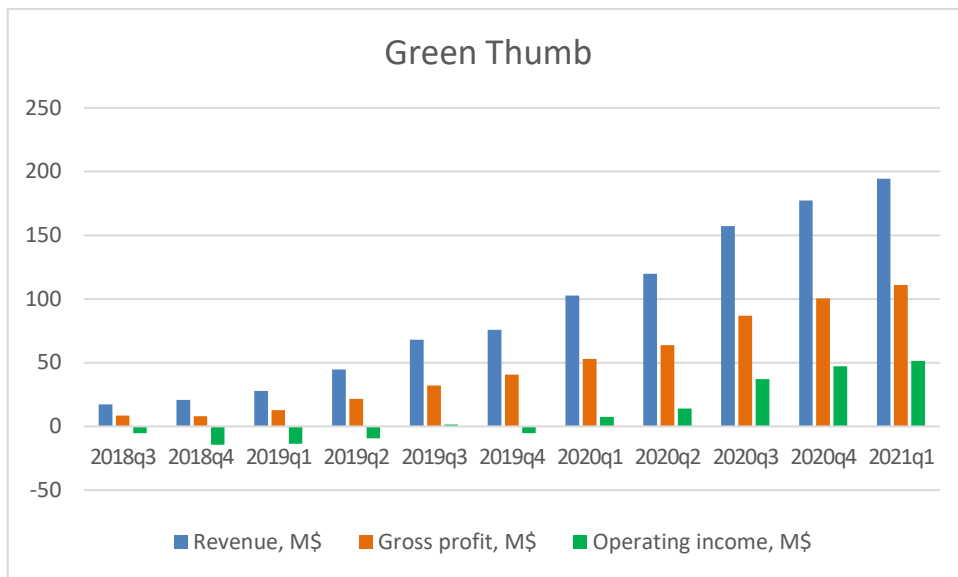


Analyzing the industry, we have chosen companies with high growth rates and EBITDA/REV multiples

Country	Cannabis	Company	MarketCap, B\$	Revenue TTM, \$m	EV/S	EV/EBITDA	Last Revenue Growth	EBITDA Margin
USA	GTBIF US Equity	Green Thumb	6.04	648	9.4x	29.7x	90%	34%
USA	CURA CF Equity	Curaleaf	10.18	790	13.0x	50.1x	170%	22%
USA	TCNNF US Equity	Trulieve Cannabis	6.91	619	8.1x	17.7x	102%	43%
USA	HRVSF US Equity	Harvest Health	1.70	276	7.28x	119.3x	101%	19%
Canada	CGC US Equity	Canopy Growth	8.78	506	16.1x	-16.6x	23%	-67%
Britain	GWPH US Equity	GW Pharmaceuticals	6.33	559	0.2x	-2.2x	26%	-11%
Canada	TLRY US Equity	Tilray	6.80	611	10.9x	739.3x	-8%	-85%
Canada	CRON US Equity	Cronos	2.75	51	29.7x	-9.4x	50%	-330%
Canada	ACB US Equity	Aurora Cannabis	1.50	267	5.7x	-4.1x	-25%	-237%
		Average	5,66	481	11.1x	102.6	59%	-68%

Green Thumb – is a growth company that knows how to increase revenue and operating income

The company's revenues are growing steadily, although growth rates have slowed somewhat in recent periods due to the pandemic and related supply and sales chain delays. Revenue increased by +9.7%, gross profit increased +10.3%, operating income increased +9.0% quarterly.



Green Thumb is one of a few companies that generated Operating Income – \$51.5mil, or 26.5% of revenue in Q1’2021.

Overall performance was driven by expanded distribution of Green Thumb’s branded products, 13 new store openings and increased traffic in the Company’s 56 open and operating retail stores. Now, the company is evaluated at 9.3x EV/S LTM.

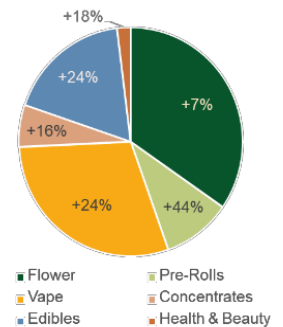
The company accomplished 5th consecutive quarter of positive cash flow from operations, delivering \$39.7 million.

Portfolio of Trusted Consumer Brands



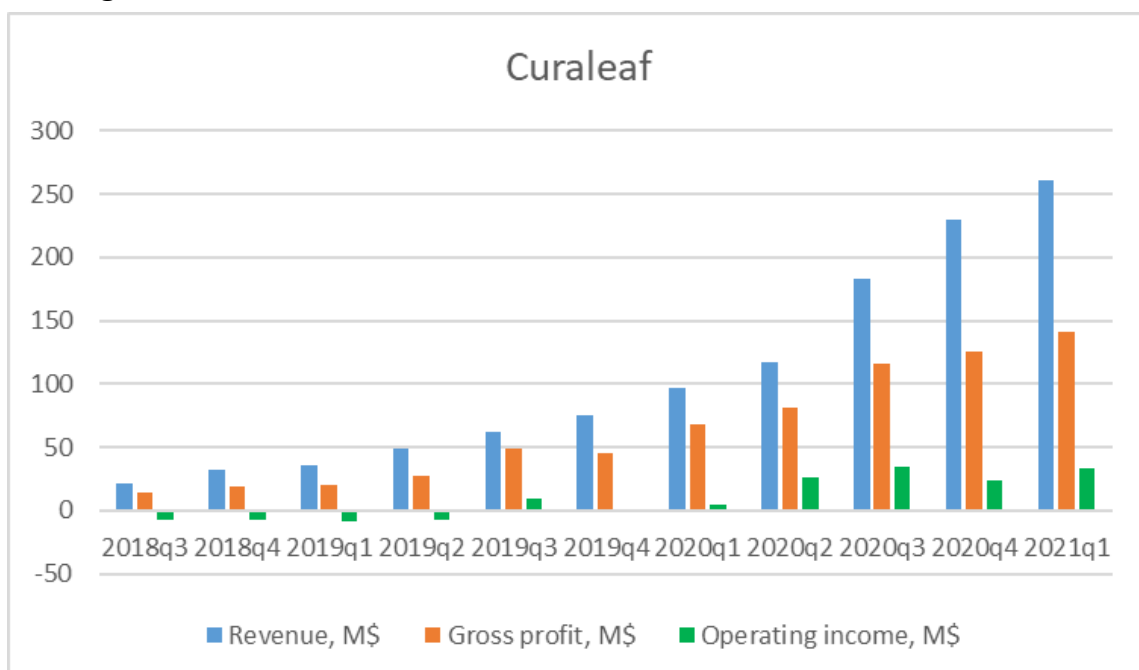
Data-Driven Portfolio Assortment

FY 2019 Product Category \$ Share and % Growth vs. YA¹



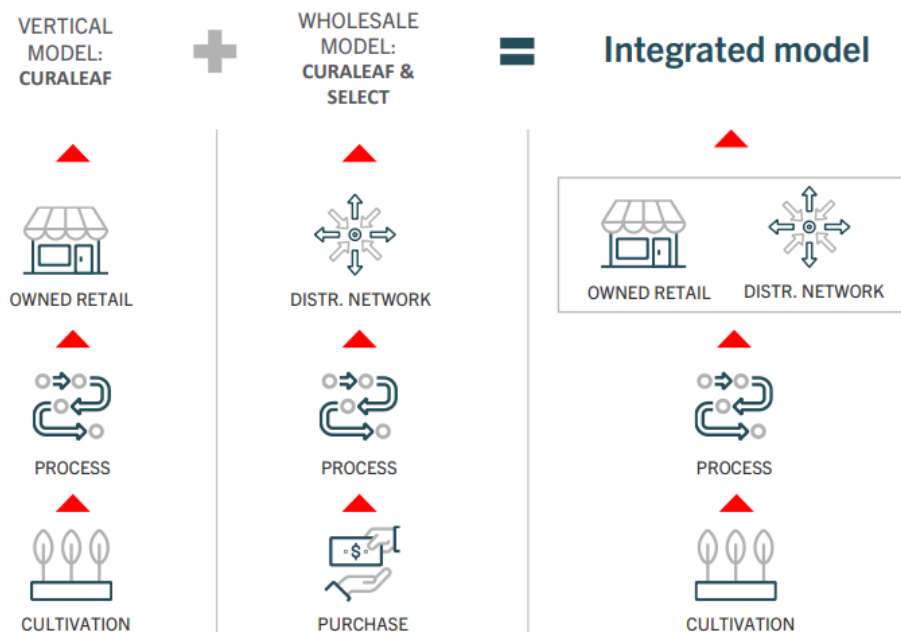
Curaleaf – the company grows at the highest rates in the industry due to successful acquisitions

Since IPO in October 2018, the company has completed 14 acquisitions with the following successful integration.



In Q1'2021 the company demonstrated a revenue growth of 13% compared to Q4'2020 and +170% (y/y) due to the acquisition of EMMAC, and simultaneously establishing Curaleaf International (Europe's largest vertically integrated cannabis company). Opened four new stores since March 31, 2021 in Illinois, Maine, and Pennsylvania, bringing total retail locations to 106.

At the same time, the company has the biggest market share in the segments with the highest CAGR potential (NY, NJ); and in the states with the largest markets (CA). There is still a potential to capture the market share – Curaleaf ranks third in Florida (Top 1 is Trulieve – №3 in our list) and is **the first cannabis company officially represented in Europe.**



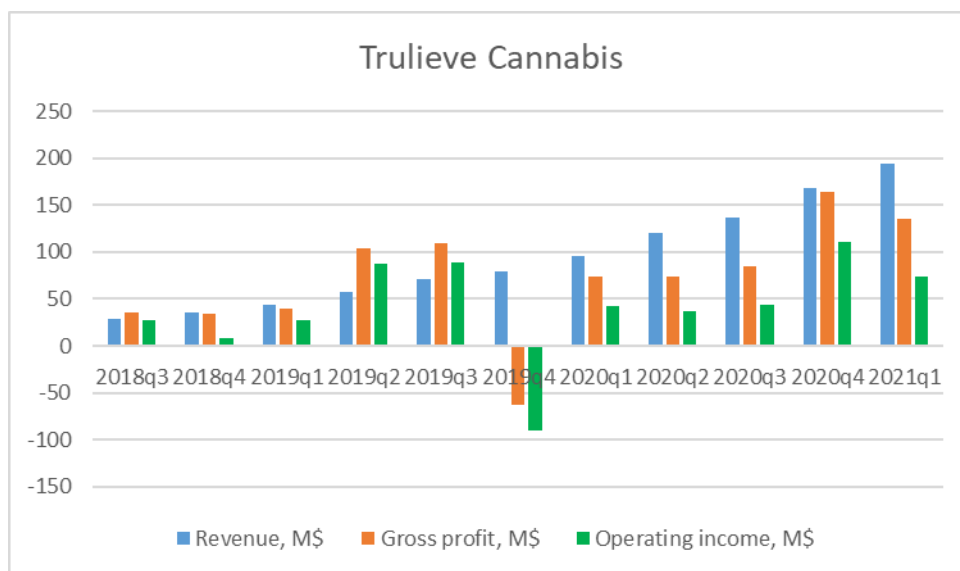
The company effectively manages the operational processes: EBITDA increased by +30% to Q4'2020 and by 2.5 times compared to Q1'2020.

Curaleaf's EV/S LTM is 15.9x, which is exemplified with the highest growth rates and prospects of the №1 company in the United States ranked by revenue. Annualized EV/S multiple is 9.9x.

Trulieve – the company with a more moderated growth rate, although the most effective in terms of profitability:

Revenue increased by 15% (QoQ) in Q1'2021 and +102% (YoY).

Trulieve was primarily focused on sales in Florida, the 3rd most populous state in the United States, where it currently holds 53% market share (Top 1 in FL). Today, the company is increasing the market presence through organic growth and acquisitions – it is currently presented in 6 states (WV medical market to come online in 2021), including the biggest state - California (market potential is 3 times greater than in Florida).



Recently announced definitive agreement to acquire Harvest Health & Recreation Inc., the largest cannabis acquisition announced in the U.S. to date, will affect the revenue starting in the 2H2021.

The company has a stable profit since 2017. In 2020, the operating income remained at 32%, significantly higher than the other 2 companies in our TOP-2 list with operating income <20%.

Company	Number of States	US Population Coverage	Stores Qty	Rev. Growth Last Q, y/y	EBITDA LTM/Revenue Margin	EV/Sales LTM	EV/Ebitda, LTM
Green Thumb	12	46%	51	90%	34%	9,2	25,4
Curaleaf	23	59%	106	170%	22%	12,5	49,7
Trulieve	6	26%	73	194%	43%	8,2	24,9

Overall, these are the largest US cannabinoid companies based on revenue and profitability, with aggressive plans for organic growth and acquisitions; and that have proven the sustainability of their financial model. Considering the scale and expertise, companies can easily raise capital for innovations as well as for acquisitions of smaller companies, concentrating the market. The most aggressively growing company – Curaleaf; most profitable with underestimated multiples – Trulieve. Green Thumb demonstrates a perfect balance in growth and profitability.

Withal, comparing cannabis companies with other active growth industries, such as software application or biotechnology, cannabis companies have an advantage in the current valuation of EV/Sales multiples:

Cannabis companies have a higher revenue growth rate than software industry leaders, with EV/Sales multiple of 11-12.

Industry	EV/Sales, LTM	Rev. Growth, Q1'2021 YoY	EV/Ebitda LTM	EBITDA LTM/Revenue Margin
Cannabis TOP-3, average	10,0	139%	44	34%
Software Application - ALL	14,2			
Salesforce (top 1 industry Market Cap)	9,4	20%	63,9	14,7%
ServiceNow (top 4 industry Market Cap)	18,9	30%	149,0	12,7%
Intuit (top 5 industry Market Cap)	15,4	-7%	51,2	30,1%
Software Conglomerates - ALL	5,6			
Microsoft (top 1 industry Market Cap)	11,3	19%	23,9	47,4%
Adobe (top 2 industry Market Cap)	17,0	26%	43,7	40,0%
BioTechnology - ALL	437,3			
Vertex (top industry Market Cap)	7,7	14%	15,7	49,0%
Regeneron (top industry Market Cap)	5,7	38%	13,1	43,8%
Moderna (top industry Market Cap)	21,0	>200%	85,2	24,6%

The annualized EV/Sales multiple looks more robust than that of Microsoft, which can no longer multiply increase revenue, unlike cannabinoid companies

Comparing the cannabis company with the consumer sector, the advantage becomes even more explicit:

Coca-Cola, Philip Morris, and Diageo: annualized EV/Sales is 6-11; generating Revenue loss. Meanwhile, cannabis companies' EV/S multiple is 9, with more than doubled revenue for a year.

Companies	EV/Sales, LTM	Rev. Growth last Q, YoY	EV/Ebitda, LTM	EBITDA LTM/Revenue Margin
Cannabis TOP-3, average	10,0	139%	44	34%
Coca-Cola (top 1 beverages Market)	8,1	4,9%	22,9	35,2%
Philip Morris (top 1 tobacco Market Cap)	6,2	6,0%	13,4	46,0%
Diageo (top 1 alcohol Market Cap)	11,0	-4,5%	35,3	31,2%
Constellation Brands (top 2 alcohol Market)	6,6	2,6%	17,4	37,9%

Investment risks exist but they are mainly narrowed to regulatory risks and the volatility of the sector:

- The legalization of cannabis can be delayed and, as a result, affect the growth rate of the entire market.
- The industry's stock is historically very volatile; medium-term adjustments are possible – however, a long-term increase in the value of companies in the industry with such market growth prospects is inevitable.

Kind Regards,
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