

## FLORIDA CANNABIS DISPENSARY TOUR

February 19, 2019

Miami, Florida

### PURPOSE OF THE TOUR

The purpose of the trip was to assess the dispensary landscape in Florida and to see what potential investment opportunities may still exist in the companies that operate in the state.

### BACKGROUND

In 2016, Florida voters approved a constitutional amendment expanding the use of medical cannabis, but it was not until June 2017 that the Florida legislature passed rules for the sale and use of medical cannabis. There are expectations for a recreational cannabis vote on the 2024 ballot or perhaps as early as the 2020 ballot. According to Florida Health, as of February 22, 2019, there are over 188,000 qualified patients with active ID cards (less than 1% of Florida's population) with 103 approved dispensing locations.

### COMPANIES OPERATING IN FLORIDA

Company	Ticker	Locations
AltMed Enterprises	<i>Private; Origin House (CNSX:OH) owns 6.1%</i>	4 + delivery
Cannabis Cures (CannCure) Investments	<i>Private; SOL Global Investments (CNSX:SOL) owns 70%</i>	Cultivation auth. only
Columbia Care Florida	<i>Private</i>	Delivery only
Curaleaf	CNSX:CURA	22 + delivery
Green Thumb Industries	CNSX:GTII	1 + delivery
GrowHealthy	<i>Subsidiary of iAnthus Capital (CNSX:IAN)</i>	3 + delivery
Harvest	CNSX:HARV	1 + delivery
Knox Medical	<i>Private</i>	9 + delivery
Liberty Health Sciences	CNSX:LHS	10 + delivery
MedMen	CNSX:MMEN	Delivery only
Surterra Wellness	<i>Private</i>	22 + delivery
Trulieve	CNSX:TRUL	24 + delivery
Vidacann	<i>Private</i>	7 + delivery
<b>Total Dispensing Locations:</b>		<b>103</b>

Sources: Florida Health, S&P Capital IQ, eResearch Corp.

### COMPANIES VISITED

On February 19, 2019, Grit Capital ([www.gritcapital.ca](http://www.gritcapital.ca)) and KCSA Strategic Communications ([www.kcsa-cannabis.com](http://www.kcsa-cannabis.com)) hosted an investor tour of three cannabis operators and dispensaries in Florida:

- Liberty Health Sciences: CSE:LHS / OTCQX:LHSIF / DB:S6UQ
- Curaleaf Holdings: CSE:CURA / OTCQX:CURLF
- GrowHealthy, a subsidiary of iAnthus Capital Holdings, Inc.: CSE:IAN / OTCQX:ITHUF / DB:2IA

## Liberty Health Sciences

The first stop of the tour was Liberty Health Sciences (“Liberty”). Liberty Health owns and operates licensed cannabis cultivation, processing, and dispensary facilities, primarily in Florida. In Florida, Liberty Health has ten dispensaries, including operations in Miami and Tampa, and expects to have 12 locations in Florida by the end of February 2019.

We visited Liberty Health’s location at 10795 Biscayne Blvd., Miami, which has a daily traffic count of 80,000 vehicles and opened on February 12. Liberty Health offers more than four locally-sourced, lab-tested products in Florida, including skin care/topicals, concentrates, vape cartridges and tinctures.

Currently under construction is Liberty Health’s processing and production facility called Liberty 360, which is expected to have its first phase completed by March and the second and final phase completed by April 2019. Once finished, the company that serves 15,000 patients, will have a combined capacity of 319,000 square feet with 14,200 kg of annual production.

Figure 2: Liberty Health Dispensary



Source: eResearch Corp.

Figure 1: Liberty Health Stock Chart



Source: S&P Capital IQ

Liberty Health, whose differential is in the product selection and customer experience, has dispensaries open daily from 10 am to 7 pm; each dispensary has 2 to 4 consultation rooms.

According to their financial statement, as of November 30, 2018, Liberty Health’s cash and short-term investment balance was over \$19 million so appears well positioned to fund its Florida dispensary expansion.

As with most companies in the cannabis industry, Liberty Health expects strong revenue growth year-over-year from 2017-2020. As illustrated in Figures 7 and 8, industry consensus estimates a 2-year revenue CAGR of 1223%, with revenue growing to \$104 million by 2020. For 2019, Liberty Health’s EV/Revenue estimate of 21.0x is higher than both the industry mean and median at 11.1x and 6.8x, respectively, but decreases to 3.6x in 2020, below the industry mean of 5.7x and in-line with the industry median of 3.6x.

Uncertainty about a large block of over 64 million shares of Liberty Health potentially coming back into the market, over the next five years, was resolved in mid-February. In 2018, Aphria Inc. (TSX: APHA), an early investor in Liberty Health, announced that it was divesting itself from all cannabis assets in the United States, citing the current U.S. federal legal framework, whereby cannabis is illegal as a Schedule I drug under the Controlled Substances Act of 1970. In September 2018, Aphria sold its remaining holdings (64,118,462 shares) in Liberty Health to a group of buyers, however there was a 5-year buy-back provision. On February 19, Aphria approved the early termination of the buy-back provision, thereby removing the uncertainty.

## Curaleaf Holdings

The next stop on the tour was Curaleaf Holdings (“Curaleaf”). Curaleaf is one of the largest vertically integrated cannabis company in the United States. Headquartered in Wakefield, Massachusetts, Curaleaf has a presence in 13 states, including Florida, Massachusetts, New Jersey, and New York.

Currently, Curaleaf operates 42 dispensaries, 12 cultivation sites, and 10 processing sites. In Florida, Curaleaf has 22 dispensaries and expects to have 35 operating by the end of the year. As of September 2018, Curaleaf serves over 11,000 patients and their patient numbers for Q4/2018 should be released by the end of February.

We visited Curaleaf’s location at 148 North Federal Highway, Deerfield Beach, offering over 150 cannabis strains and 100 formulated products in different concentrations, including vape oils and concentrates, topical lotions, capsules, and tinctures.

Figure 3: Curaleaf Holdings Stock Chart



Source: S&P Capital IQ

Figure 4: Curaleaf Holdings Dispensary



Source: eResearch Corp.

All dispensaries' operating hours are Monday through Saturday, 10 am through 7 pm, and Sunday, noon to 5 pm. Each dispensary has one to two consultation rooms. Curaleaf believes the key to competing with other dispensaries is by vertical integration and controlling the shelf space, and another differentiator is their experienced management team.

In October 2018, to fund Curaleaf’s growth plan, Curaleaf raised approximately US\$400 million (C\$520 million). The company’s growth plan for 2019-2020 includes the expansion of its footprint through aggressive organic growth and strategic acquisitions, which includes already adding 2 new dispensaries in Florida earlier this year and adding operations in Ohio.

With US\$19 million of revenue in 2017 and LTM revenue of US\$51.4 million, Curaleaf is poised to meet consensus guidance of US\$93 million of revenue in 2018. As illustrated in Figures 7 and 8, industry consensus estimates a 2-year revenue CAGR of 138%, with revenue growing to US\$527 million by 2020. For 2020, Curaleaf’s EV/Revenue estimate of 9.1x is higher than both the industry mean and median at 5.7x and 3.6x, respectively, but its premium might be influenced by the 2020 EBITDA consensus estimate of US\$444 million that dwarfs other companies in the U.S. cannabis market.

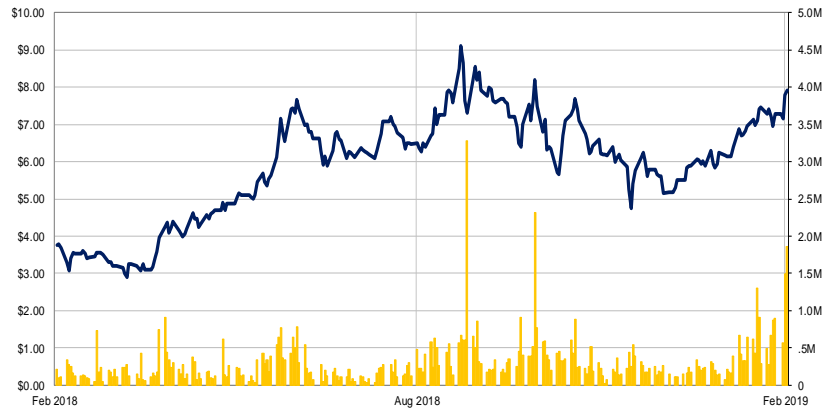
## iAnthus Capital Holdings

The final stop on the tour was iAnthus Capital Holdings (“iAnthus”). iAnthus owns and operates licensed cannabis cultivation, processing, and dispensary facilities throughout the United States. In Florida, iAnthus operates dispensaries under the GrowHealthy brand.

GrowHealthy, acquired by iAnthus in 2018, has 2 operating dispensaries, in Brandon and West Palm Beach, and is opening a third location by the end of the month in Lake Worth. GrowHealthy plans to add another 17 dispensaries in Florida in 2019 and all leases are signed.

We visited GrowHealthy’s location at 4237 Okeechobee Blvd, West Palm Beach, a flagship store with 5,300 sq. ft. of retail location (average square footage is 3,300 square foot), offering more than 35 locally-sourced, lab-tested products, including syringes, cartridges, tinctures, and topicals.

Figure 5: iAnthus Stock Chart



Source: S&P Capital IQ

Figure 6: GrowHealthy Dispensary



Source: eResearch Corp.

Currently, GrowHealthy serves 3,000 patients and expects at least 10,000 patients over the next year. Each dispensary is open seven days a week from 8 am to 9 pm and has one to two consultation rooms. Quality, service and product selection is what the company believes is the key to success.

After acquiring GrowHealthy in 2018, iAnthus raised approximately US\$26.6 million (C\$34.5 million). Then, on February 5, 2019, iAnthus and MPX Biocetical Corporation (“MPX”) ( CSE: MPX / OTC:MPXEF ) closed the previously announced acquisition in which iAnthus acquired MPX.

The combined iAnthus/MPX, operating under iAnthus, will have operations in 11 states with 19 operating dispensaries, 63 dispensary licenses in total, current cultivation/processing facilities of 210,000 square feet, and targeted cultivation/processing facilities of 600,000 square feet.

As illustrated in Figures 7 and 8, industry consensus estimates a 2-year revenue CAGR of over 800%, with revenue growing to \$US327 million by 2020. For 2020, iAnthus’ EV/Revenue estimate of 3.6x is below the industry mean of 5.7x and in-line with the industry median of 3.6x.

## CONCLUSION

During the day, all three companies provided information on their operations and growth potential. In comparison to other states, such as California and Colorado, with more mature cannabis markets, Florida still has upside potential, which makes the timing perfect for investment. All Florida-operating companies are looking forward to the recreational legalization of the cannabis flower, which could happen as early as 2020, and are working hard to meet the current and near-term future cannabis demands of Floridians.

*This report was written by Claudia Gonzales and edited by Chris Thompson, CFA, MBA, P.Eng*



## Florida Cannabis Dispensary Tour - Trip Report

Figure 7: Cannabis Comp Tables – US Focused Companies – Revenue and Revenue Growth

Name	Ticker	52-week Low	Prev. Close	52-week High	Mkt. Cap. (M)	EV (M)	Revenue (M)			2-Year CAGR
							2018E	2019E	2020E	
1933 Industries Inc.	CNSX:TGIF	\$0.30	\$0.53	\$0.80	\$127	\$124	\$13	\$31	\$42	81%
Cannex Capital Holdings Inc.	CNSX:CNNX	\$0.50	\$1.38	\$1.93	\$254	\$247	\$0	\$15	\$17	
Curaleaf Holdings, Inc.	CNSX:CURA	\$5.12	\$10.40	\$11.49	\$4,759	\$4,782	US\$93	US\$291	US\$527	138%
Green Thumb Industries Inc.	CNSX:GTII	\$8.21	\$19.73	\$32.50	\$3,750	\$3,652	US\$62	US\$229	US\$468	174%
Harvest Health & Recreation Inc.	CNSX:HARV	\$4.56	\$10.40	\$11.20	\$745	\$781	\$43	\$232	\$558	260%
iAnthus Capital Holdings, Inc.	CNSX:IAN	\$2.87	\$7.64	\$9.49	\$1,147	\$1,161	US\$4	US\$172	US\$327	861%
Liberty Health Sciences Inc.	CNSX:LHS	\$0.62	\$1.12	\$1.63	\$384	\$375	\$1	\$18	\$104	1223%
LiveWell Canada Inc.	TSXV:LVWL	\$0.60	\$0.80	\$2.00	\$64	\$78	\$1	\$0	\$0	-100%
MedMen Enterprises Inc.	CNSX:MMEN	\$3.11	\$4.29	\$9.88	\$599	\$655	US\$29	US\$182	US\$472	301%
Nutritional High International Inc.	CNSX:EAT	\$0.13	\$0.29	\$0.59	\$88	\$90	\$11			
Origin House	CNSX:OH	\$3.18	\$8.84	\$11.00	\$572	\$525	\$29	\$156	\$275	206%
Planet 13 Holdings Inc.	CNSX:PLTH	\$0.66	\$1.78	\$3.50	\$229	\$222	US\$21	US\$94	US\$110	127%
Sunniva Inc.	CNSX:SNN	\$2.83	\$5.20	\$11.55	\$199	\$219	\$20	\$207	\$382	336%
SOL Global Investments Corp.	CNSX:SOL	\$1.02	\$3.31	\$6.50	\$156	-\$130				
Tilray, Inc.	NASDAQ:TLRY	US\$20.10	US\$78.80	US\$300.00	US\$7,341	US\$7,209	US\$57	US\$183	US\$407	166%
The Tinley Beverage Company Inc.	CNSX:TNY	\$0.39	\$0.61	\$1.15	\$55	\$48	\$0.03			
Trulieve Cannabis Corp.	CNSX:TRUL	\$9.10	\$19.20	\$23.85	\$2,115	\$2,093	US\$99	US\$218	US\$293	72%
Wildflower Brands Inc.	CNSX:SUN	\$0.46	\$0.63	\$1.97	\$41	\$49	\$2			

Source: S&P Capital IQ; eResearch Corp. All figures in C\$ unless noted. "Prev. Close" share prices are as at February 26, 2019.

# Florida Cannabis Dispensary Tour - Trip Report

Figure 8: Cannabis Comp Table - US, Canada and LATAM

Name	Ticker	Prev. Close	Focus	Mkt Cap (M)	EV (M)	Revenue (M)				EBITDA (M)			EV/Revenue			EV/EBITDA	
						2017A	2018E	2019E	2020E	2018E	2019E	2020E	2018E	2019E	2020E	2019E	2020E
<b>UNITED STATES FOCUS</b>																	
1933 Industries Inc.	CNSX:TGIF	\$0.53	Cannabis	\$127	\$124	\$1	\$13	\$31	\$42	\$0	\$9		9.7x	4.1x	3.0x	14.3x	
Cannex Capital Holdings Inc.	CNSX:CNXX	\$1.38	Cannabis	\$254	\$247	\$4	\$0	\$15	\$17	\$0	\$10			17.0x	14.5x	23.6x	
Curaleaf Holdings, Inc.	CNSX:CURA	\$10.40	Cannabis	\$4,759	\$4,782	US\$19	US\$93	US\$291	US\$527	-US\$9	US\$116	US\$444	51.4x	16.4x	9.1x	41.3x	10.8x
Green Thumb Industries Inc.	CNSX:GTII	\$19.73	Cannabis	\$3,750	\$3,652	US\$17	US\$62	US\$229	US\$468	-US\$5	US\$47	US\$140	58.8x	16.0x	7.8x	77.3x	26.1x
Harvest Health & Recreation Inc.	CNSX:HARV	\$10.40	Cannabis	\$745	\$781	\$23	\$43	\$232	\$558	\$7	\$60	\$206	18.1x	3.4x	1.4x	13.0x	3.8x
iAnthus Capital Holdings, Inc.	CNSX:IAN	\$7.64	Cannabis	\$1,147	\$1,161	US\$0	US\$4	US\$172	US\$327	-US\$21	US\$37	US\$94	328.4x	6.8x	3.6x	31.0x	12.3x
Liberty Health Sciences Inc.	CNSX:LHS	\$1.12	Cannabis	\$384	\$375	\$0	\$1	\$18	\$104	-\$12	\$18	\$45	632.6x	21.0x	3.6x	20.5x	8.3x
LiveWell Canada Inc.	TSXV:LWWL	\$0.80	CBD	\$64	\$78	\$0	\$0.6*						138.5x				
MedMen Enterprises Inc.	CNSX:MMEN	\$4.29	Cannabis	\$599	\$655	US\$3	US\$29	US\$182	US\$472	-US\$78	-US\$67	US\$153	22.3x	3.6x	1.4x		4.3x
Nutritional High International Inc.	CNSX:EAT	\$0.29	Cannabis	\$88	\$90	\$1	\$11*						7.9x				
Origin House	CNSX:OH	\$8.84	Cannabis	\$572	\$525	\$3	\$29	\$156	\$275	-\$7	\$25	\$51	17.8x	3.4x	1.9x	20.7x	10.3x
Planet 13 Holdings Inc.	CNSX:PLTH	\$1.78	Cannabis	\$229	\$222	US\$9	US\$21	US\$94	US\$110	US\$2	US\$26	US\$31	10.4x	2.4x	2.0x	8.4x	7.2x
Sunniva Inc.	CNSX:SNN	\$5.20	Cannabis	\$199	\$219	\$16	\$20	\$207	\$382	-\$17	\$67	\$113	10.9x	1.1x	0.6x	3.3x	1.9x
SOL Global Investments Corp.	CNSX:SOL	\$3.31	Cannabis	\$156	-\$130												
Tilray, Inc.	NASDAQ:TLRY	US\$78.80	Cannabis/Hemp	US\$7,341	US\$7,209	US\$27	US\$57	US\$183	US\$407	-US\$29	-US\$1	US\$75	125.6x	39.3x	17.7x		96.3x
The Tinley Beverage Company Inc.	CNSX:TNY	\$0.61	Beverage	\$55	\$48	\$0	\$0.03*						1414.9x				
Trulieve Cannabis Corp.	CNSX:TRUL	\$19.20	Cannabis	\$2,115	\$2,093	US\$20	US\$99	US\$218	US\$293	US\$43	US\$96	US\$131	21.1x	9.6x	7.2x	21.8x	16.0x
Wildflower Brands Inc.	CNSX:SUN	\$0.63	Cannabis/CBD	\$41	\$49	\$0	\$2*						21.3x				
<b>Mean: US Focus</b>										*LTM			<b>180.6x</b>	<b>11.1x</b>	<b>5.7x</b>	<b>25.0x</b>	<b>18.0x</b>
<b>Median: US Focus</b>													<b>21.8x</b>	<b>6.8x</b>	<b>3.6x</b>	<b>20.7x</b>	<b>10.3x</b>
<b>CANADA FOCUS - SENIOR</b>																	
Aurora Cannabis Inc.	TSX:ACB	\$10.20	Cannabis/Hemp	\$10,186	\$10,376	\$18	\$62	\$315	\$880	-\$96	-\$15	\$324	167.3x	33.0x	11.8x		32.0x
Aphria Inc.	TSX:APHA	\$13.51	Cannabis	\$3,382	\$3,271	\$20	\$36	\$256	\$732	-\$3	\$46	\$220	89.6x	12.8x	4.5x	70.5x	14.9x
CannTrust Holdings Inc.	TSX:TRST	\$12.16	Cannabis	\$1,284	\$1,208	\$21	\$52	\$174	\$281	\$1	\$50	\$93	23.1x	6.9x	4.3x	24.1x	13.0x
Canopy Growth Corporation	TSX:WEED	\$60.80	Cannabis	\$20,856	\$16,909	\$40	\$79	\$244	\$816	-\$147	-\$55	\$310	213.4x	69.2x	20.7x		54.6x
Cronos Group Inc.	TSX:CRON	\$28.48	Cannabis	\$5,090	\$5,054	\$4	\$23	\$114	\$257	-\$7	\$38	\$95	219.7x	44.5x	19.7x	134.5x	53.2x
Emerald Health Therapeutics, Inc.	TSXV:EMH	\$3.97	Cannabis	\$566	\$515	\$1	\$2	\$4	\$70	-\$27	-\$19	-\$16	245.4x	143.2x	7.3x		
HEXO Corp.	TSX:HEXO	\$7.43	Cannabis	\$1,543	\$1,360	\$4	\$5	\$97	\$223	-\$11	-\$12	\$70	267.2x	14.0x	6.1x		19.5x
OrganiGram Holdings Inc.	TSXV:OGI	\$8.53	Cannabis	\$1,117	\$1,120	\$5	\$14	\$122	\$228	\$7	\$53	\$97	78.9x	9.2x	4.9x	21.1x	11.6x
Sunniva Inc.	CNSX:SNN	\$5.20	Cannabis	\$199	\$219	\$16	\$20	\$207	\$382	-\$17	\$67	\$113	10.9x	1.1x	0.6x	3.3x	1.9x
The Supreme Cannabis Company, Inc.	TSX:FIRE	\$1.91	Cannabis	\$554	\$535	\$0	\$8	\$43	\$157	-\$6	\$26		64.8x	12.5x	3.4x	20.5x	
Tilray, Inc.	NASDAQ:TLRY	US\$78.80	Cannabis/Hemp	US\$7,341	US\$7,209	US\$27	US\$57	US\$183	US\$407	-US\$29	-US\$1	US\$75	125.6x	39.3x	17.7x		96.3x
WeedMD Inc.	TSXV:WMD	\$1.93	Cannabis	\$215	\$179	\$1	\$11	\$59	\$140	-\$4	\$16	\$42	16.5x	3.0x	1.3x	10.9x	4.3x
<b>Mean: Canada Focus - Senior</b>													<b>126.9x</b>	<b>32.4x</b>	<b>8.5x</b>	<b>40.7x</b>	<b>30.1x</b>
<b>Median: Canada Focus - Senior</b>													<b>107.6x</b>	<b>13.4x</b>	<b>5.5x</b>	<b>21.1x</b>	<b>17.2x</b>
<b>SOUTH AMERICA FOCUS</b>																	
Aphria Inc.	TSX:APHA	\$13.51	Cannabis	\$3,382	\$3,271	\$20	\$36	\$256	\$732	-\$3	\$46	\$220	89.6x	12.8x	4.5x	70.5x	14.9x
Canopy Growth Corporation	TSX:WEED	\$60.80	Cannabis	\$20,856	\$16,909	\$40	\$79	\$244	\$816	-\$147	-\$55	\$310	213.4x	69.2x	20.7x		54.6x
Cronos Group Inc.	TSX:CRON	\$28.48	Cannabis	\$5,090	\$5,054	\$4	\$23	\$114	\$257	-\$7	\$38	\$95	219.7x	44.5x	19.7x	134.5x	53.2x
The Green Organic Dutchman Holdings Ltd.	TSX:TGOD	\$4.04	Cannabis	\$1,091	\$883	\$0	\$7	\$146	\$579	-\$36	-\$5	\$125	135.9x	6.0x	1.5x		7.1x
Khiron Life Sciences Corp.	TSXV:KHRN	\$3.48	Cannabis	\$305	\$290	\$0	\$0	\$12	\$76	-\$16	-\$17	\$19	596.5x	24.3x	3.8x		15.1x
MYM Nutraceuticals Inc.	CNSX:MYM	\$0.59	Cannabis	\$74	\$71												
PharmaCielo Ltd.	TSXV:PCLO	\$7.85	Cannabis	\$748	\$735												
Tilray, Inc.	NASDAQ:TLRY	US\$78.80	Cannabis/Hemp	US\$7,341	US\$7,209	US\$27	US\$57	US\$183	US\$407	-US\$29	-US\$1	US\$75	125.6x	39.3x	17.7x		96.3x
<b>Mean: S.A. Focus</b>													<b>230.1x</b>	<b>32.7x</b>	<b>11.3x</b>	<b>102.5x</b>	<b>40.2x</b>
<b>Median: S.A. Focus</b>													<b>174.7x</b>	<b>31.8x</b>	<b>11.1x</b>	<b>102.5x</b>	<b>34.2x</b>

Source: S&P Capital IQ, eResearch Corp. All figures in C\$ unless noted. "Prev. Close" share prices are as at February 26, 2019.

## eRESEARCH CORPORATION

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**Analyst Affirmation:** I, Chris Thompson, hereby state that, at the time of issuance of this report, I do not own, directly or indirectly, shares of Liberty Health Sciences, Curaleaf Holdings or GrowHealth/iAnthus Capital Holdings.

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