



# Ubika Marijuana 20 Index

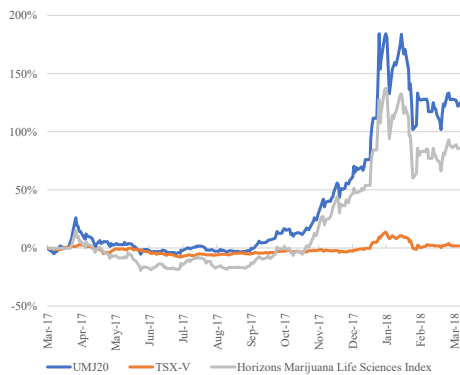
March 19, 2018



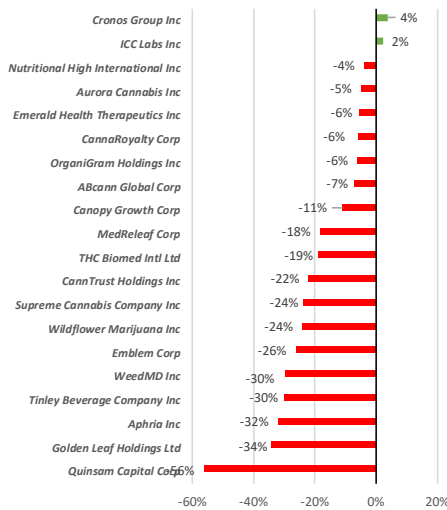
## Ubika Marijuana 20 Index January 15, 2018 - March 16, 2018

UMJ20:	-12.6% (165.8% Y/Y)
TSX-V:	-7.0% (2.8% Y/Y)
HMMJ:	-12.7% (N/A)

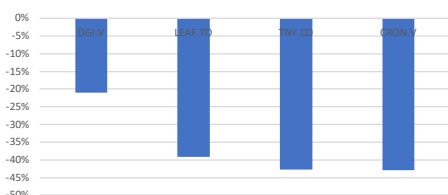
Dollar amounts in CAD unless otherwise stated.



### UMJ20: Performance Distribution



### Top Volume Gainers (m/m)



Note: All figures use price close on March 16

**Chris Thompson** | Head of Research | Ubika Research | Chris@UbikaResearch.com | 1 (416) 574-0469  
**Patrick Smith** | Analyst | Ubika Research | Patrick@UbikaResearch.com | 1 (647) 444-5506  
**Alp Erdogan** | Analyst | Ubika Research | Alp@UbikaResearch.com | 1 (647) 479-5690  
**William Xiao** | Associate | Ubika Research | william.x@gicpartners.com | 1 (647) 828-4632

## Marijuana Stocks Stumble and Fall

The Ubika Marijuana 20 Index declined significantly since our last report dated January 15, 2018, down 12%, underperforming the TSXV Index and remaining in-line with the Horizons Marijuana Life Sciences Index, which were down 8%, and 12%, respectively. Notable performers in this report include:

1. ICC Labs (TSXV:ICC), which rose 2% following the Company's Colombia expansion.
2. Tinley Beverage Company (CSE:TNY), which slid 30% in tandem with the overall market decline, despite the Company's new production facility.
3. WeedMD (TSXV:WMD), which fell 30% along with the rest of the sector, despite rapid expansion and a joint venture with Phivida Holdings (CSE:VIDA).

## Industry Highlights

- **On January 24, Aurora Cannabis (TSX:ACB) announced the friendly takeover of CanniMed Therapeutics (TSX:CMED) for \$1.1B.** Prior to this announcement, Aurora had attempted to acquire CanniMed via a hostile takeover, eventually resulting in regulatory action. CanniMed shares climbed 50% the week prior to the announcement, then fell 37% the week following and has since recovered to 6% below its peak.
- **Aphria (TSX:APH) announced the acquisition of Nuuvera (TSXV:NUU) for \$826M.** Both companies have recently conducted other acquisitions. Nuuvera acquired Avanti Rx Analytics for \$35M, while Aphria bought Broken Coast Cannabis for \$230M. Aphria's stock price declined 32% since our last report date.
- **Statistics Canada released a report on cannabis consumption.** The report estimates 4.9M Canadians spent \$5.7B on cannabis last year, paying an average of \$7.50/g. ~94% of that consumption was for recreational use, and 90% of consumption is from repeat users. On the next page is a graph of consumption and prices.

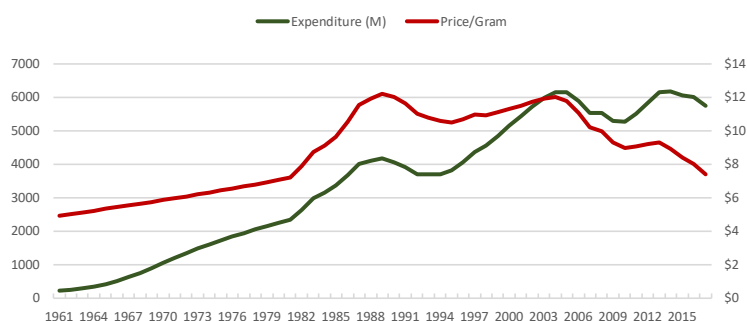
## Upcoming Conferences:

**Boston Cannabis Convention** – Boston, Massachusetts, March 24-25. BCC is the largest gathering of cannabis industry professionals in the Northeast, with 150 exhibitions, 100 speakers, and 6000 attendees.

**Lift Cannabis Business Conference** – Toronto, Ontario, May 24-27. Lift opens with an business-focused day, before expanding to an industry day and a weekend expo. The event brings together industry leaders and professionals to discuss developments and showcase products.



Figure 1: Statistics Canada Cannabis Consumption and Prices



Source: Statistics Canada Data

## Notable Performers

### ICC Labs Inc. (TSXV:ICC)

ICC Labs is a Uruguay-based producer of recreational cannabis and hemp products. The Company's stock increased 2% since our last report date primarily due to the Company's Colombia expansion.

The Company operates two segments and three producing facilities. The recreational segment focuses on the production of dried cannabis, while the cannabinoids extraction segment focuses on extracting cannabidiol and derivatives for medicinal use. The Company's recreational cannabis is sourced from a 70,000 sq. ft. greenhouse. ICC received authorization from the Uruguayan Ministry of Health to sell recreational cannabis in July 2017, and sold 180kg of cannabis as of Q3 2017. In accordance with Uruguay's recreational cannabis law, the Company sells its recreational cannabis at US\$0.90/g, with an estimated production cost of US\$0.60 per gram. ICC Labs is the only producer of medical marijuana, and one of two producers of recreational marijuana in the country.

The Company's cannabinoids extraction segment produces cannabinoid oils, processed fibres, and flower extractions. ICC's Canelones production site consists of 21,500 sq. ft. of indoor hemp greenhouse and 67 acres for outdoor hemp production. Its Flores site grows hemp over 500 acres. Uruguay's regulations allow for a CBD to THC ratio of 1%, over triple that of Canada's 0.3%. This allows for much higher yields from the Company's oil extraction. The Company has entered into agreements to sell 300,000 30mL bottles of its cannabinoid oil product, BIDIOL, to customers in Mexico and Brazil. ICC has made arrangements for the sale of its products in Canada with Emblem Corp (TSXV:EMC) and Avanti Rx Analytics.

On January 5, the Company announced that the production capacity of the cannabis facility currently in construction would be increased from 50,000kg to 150,000kg. ICC expects to produce 8M 39mL bottles of BIDIOL in 2018. The Company expects to have the new facility operational by Q2 2018. The Company's stock rose 27% over four days following the announcement.

On January 25, the Company announced that it has received medical cannabis licenses in Colombia. The licenses permit the Company to purchase seeds and cultivate non-psychoactive cannabis. The Company plans to begin planting on 250 acres of land. The Company also announced the sale of 150kg of cannabis to Avanti, now a subsidiary of Nuuvera. The Company's stock price jumped 26% on the day of the announcement.

Between January 31 and February 5, the Company's stock price decreased 20%, on no news in particular. The Horizons Marijuana Life Sciences Index decreased 16% over the same period. On February 7, the Company announced its application for a new 1M sq. ft. greenhouse. The proposed facility would be located on government land in San José, and could produce 120,000 kg of dried cannabis per year.

On February 27, the Company announced that its Colombian subsidiary was now licensed to produce psychoactive cannabis, as well as medicinal cannabis. The Company expects to commence construction of a 124,000 sq. ft. greenhouse, to grow medicinal psychoactive cannabis with 20% THC content.

ICC Labs has an average price target of \$3.26, representing an upside of 131%. The Company has 3 Buy ratings, no Hold ratings, and no Sell ratings.

### **Tinley Beverage Company (CSE:TNY)**

Tinley is a drinks company focused on hemp and cannabis-infused beverages. The Company's stock price slid 30% due to the decline in cannabis stocks.

The Company offers two primary varieties of drinks. The Company's *hemplify* product is a fruit-flavoured drinkable supplement, containing cannabidiol, a hemp extract. The product is distributed at mainstream retailers, including gas stations, Amazon, and premium retail stores. The Company also offers the Tinley collection, a series of liquor-style drinks containing THC and no alcohol. Below is the list of the Company's current products.

Figure 2: Tinley Product Lineup



Source: Company Website

The Company is currently developing Tinley '27, a dark rum containing 100mg THC and 0.3% alcohol. The license was received in February, and Tinley expects to launch the product in March.

The Company is currently producing out of a temporary facility in California. Tinley is constructing a 20,000 sq. ft. bottling and manufacturing facility 25km south of Los Angeles, which is expected to begin operation during Q3 2018.

The Company's stock climbed 133% for the two weeks following December 19, then dropped 34% over two days. This happened on no news in particular, likely occurring due to the rise in most cannabis stocks.

On January 23, the Company announced it had found a facility to bottle its drinks. It also provided an update on the Cole memo retraction, stating that it would be proceeding with product launches

as planned, and that its *hemplify* product would not be affected. The Company’s stock price surged 22% on the day of the announcement, before dropping 10% the following day.

Between January 31 and February 5, the Company’s stock sank 38%. The Horizons Marijuana Life Sciences Index decreased 16% over the same period.

On February 5, the Company announced that its proposed facility has completed its municipal inspection, and provided an update on its product launches. The Company’s stock soared 46% the following day, and increased a further 18% over the next week.

On February 28, the Company announced a \$10M private placement co-led by Canaccord Genuity Group (TSX:CF) and Gravitas Securities. Gravitas Securities is a subsidiary of Gravitas Financial (CSE:GFI), of which Ubika Research is also a subsidiary.

On March 6, the Company began trading on the OTCQX Best Market.

### **WeedMD Inc. (TSXV:WMD)**

WeedMD is a Canada-based producer of medical cannabis. The Company’s stock price fell 30% in tandem with the downturn in marijuana stock prices.

WeedMD operates a 26,000 sq. ft. facility in Ontario with over 1,500 kg of current production capacity, with the option to acquire more land. The Company aims to expand production, retrofitting 14 acres of an existing greenhouse, capable of producing 21,000 kg/y. WeedMD also has the option to acquire the remainder of the greenhouse, which could produce up to 50,000kg/y. Below are images of the Company’s current facilities and expansion opportunities.

Figure 3: WeedMD Expansion



Source: Company Presentation

WeedMD aims to diversify its revenue streams. The Company offers a wide variety of cannabis strains to home growers and other producers, including high THC and high CBD strains. WeedMD has partnered with long-term care providers, representing over 3,000 beds, allowing for an efficient recurring revenue stream. The Company has developed a proprietary medical cannabis program targeted at seniors.

On January 23, the Company announced it would begin the sale of cannabis oils. Its *ENTOURAGE* product is targeted at general medicinal users, while the *AXIS* line is targeted at seniors. Over the following week, the Company's stock price declined 14%, in-line with other marijuana stocks.

Between January 31 and February 5, the Company's stock slipped 14%, on no particular news. The Horizons Marijuana Life Sciences Index decreased 16% over the same period.

On February 14, the Company announced that it had partnered with the Technion-Israel Institute of Technology, to research the cannabinoid and terpenoid profiles of the Company's cannabis strains.

On March 8, the Company announced a partnership with Phivida Holdings (CSE:VIDA) to produce a joint venture called Cannabis Beverages. The JV will operate at WeedMD's new Strathroy facility, producing cannabinoid-infused beverages. Phivida will conduct product research & development, formulation, and branding.

On March 13, the Company provided an update on its expansion plans. WeedMD expects to complete retrofitting and initial planting of the first 220,000 sq. ft. of the greenhouse over the course of April, raising the company's annual production to over 21,000 kg/y. The Company plans to retrofit another 175,000 sq. ft., increasing total production to 33,000 kg/y.

The Company has an average price target of \$4.11, representing a 109% upside. It has 3 Buy ratings, and no Hold or Sell ratings.

## Upcoming Catalysts:

**While the Trudeau administration originally aimed to have full legalization by July 1, it may prove to be an unrealistic timeline.** The Senate has yet to pass the bill legalizing cannabis, and is currently set to hold a final vote by June 7, with sales starting 8-12 weeks later. A number of provinces have pushed back against the rapid timeline, citing legislative and logistical difficulties. If legalization is delayed, it could have serious effects on companies that expect to sell product in the near future.

**As legalization movements progress worldwide,** marijuana companies look to produce and sell on a larger scale. Aurora Cannabis (TSX:ACB) has secured a production license in Germany. Canopy Growth (TSX:WEED) has made a bid for Alcaliber, S.A, a Spanish pharmaceuticals company. Despite the revocation of the Cole memo, no U.S. attorneys have pursued cases against cannabis companies. Cannabis companies will need to decide whether they want to focus on pre-existing domestic markets or potentially invest into emerging markets.

## Important Disclosure

Smallcappower.com is owned and operated by Ubika Corporation whose divisions include Ubika Research and Ubika Communications. Ubika Corp. is a wholly owned subsidiary of Gravitas Financial Inc. The following terms and conditions ("Terms of Use") govern the use of this website ("site") www.SmallCapPower.com. By accessing this site, you agree to comply with and be legally bound by the Terms of Use as set out herein. Ubika reserves the right to seek all remedies available at law and in equity for violations of these Terms of Use, including the right to block access from a particular internet address to our site.

## Disclaimer

Ubika Corporation and its affiliates or partners will seek to provide services to companies mentioned on the smallcappower.com website. Hence, all information available on smallcappower.com should be considered as commercial advertisement and not an endorsement, offer or recommendation to buy or sell securities. Ubika Corporation and its related companies (including its directors, employees and representatives) or a connected person may have ownership/stock positions in, or options on the securities detailed in this report, and may buy, sell or offer to purchase or sell such securities from time to time.

Ubika and/or its affiliates and/or their respective officers, directors or employees may from time to time acquire, hold or sell securities and/or commodities and/or commodity futures contracts in certain underlying companies mentioned in this site and which may also be clients of Ubika's affiliates. In such instances, Ubika and/or its affiliates and/or their respective officers, directors or employees will use all reasonable efforts to avoid engaging in activities that would lead to conflicts of interest and Ubika and/or its affiliates will use all reasonable efforts to comply with conflicts of interest disclosures and regulations to minimize the conflict.

Specifically all companies mentioned or listed as "Analyst Covered Companies" at smallcappower.com and which are shown under the heading "Analyst Covered Companies" on the page: <http://www.smallcappower.com/companies> have entered into a commercial relationship with Ubika Corporation or our affiliates for capital market services and have paid fees and/or shares or stock options or warrants for being featured and mentioned in smallcappower.com. Hence these "Analyst Covered Companies" at smallcappower.com are shown at the website as an advertisement only and any mention of these companies does not and will not constitute an offer to buy or sell securities in the featured companies. Ubika Corporation, its affiliates or partners will seek to provide services to companies mentioned in smallcappower.com website. Hence, all information available on smallcappower.com should be considered as commercial advertisement and not an endorsement, offer or recommendation to buy or sell securities.

Ubika Corporation and its divisions Ubika Communication and Ubika Research (collectively, "Ubika") are not registered with any financial or securities regulatory authority in Ontario or Canada, and do not provide nor claims to provide investment advice or recommendations to any visitor of this site or readers of any content on this site.

The information on this site is for informational purposes only. This site, including the data, information, research reports, press releases, findings, comments, views and opinions of Ubika's analysts, columnists, speakers or commentators, and other contents contained in it, is not intended to be: investment, tax, banking, accounting, legal, financial or other professional or expert advice of Ubika or its affiliates, or a recommendation, solicitation or offer by Ubika or its affiliates to buy or sell any securities, futures, options or other financial instruments, and such information should not be relied upon for such advice. Every user of this site is advised to seek professional advice before acting or omitting to act on any information contained in the site.

Research reports and newsletters have been prepared without reference to any particular user's investment requirements or financial situation. Where reference is made to estimate of value or relative value of a specific company, there is no guarantee that these estimates are reliable or will materialize. Readers of these reports and newsletters are advised to conduct their own due diligence before making any investment decisions. Ubika does not make independent investigation or inquiry as to the accuracy and completeness of any information provided by the Analyst Covered companies. Although the content has been obtained from sources believed to be reliable, this website could include technical or other inaccuracies or typographical errors and it is provided to you on an "as is" basis without warranties or representations of any kind. Ubika and its affiliates make no representation and disclaim all express and implied warranties and conditions of any kind, including without limitation, representations, warranties or conditions regarding accuracy, timeliness, completeness, non-infringement, satisfactory quality, merchantability, merchantable quality or fitness for any particular purpose or those arising by law, statute, usage of trade, or course of dealing. Ubika and its affiliates assume no responsibility to you or any third party for the consequences of any errors or omissions.

Information in this site is subject to change without notice. Ubika assumes no liability for any inaccurate, delayed or incomplete information, nor for any actions taken in reliance thereon.

Ubika, its affiliates and their respective directors, officers, employees, or agents expressly disclaim any liability for losses or damages, whether direct, indirect, special, or consequential, or other consequences, howsoever caused, arising out of any use or reproduction of this site or any decision made or action taken in reliance upon the content of this site, whether authorized or not. By accessing this site, each user of this site releases Ubika, its affiliates and their respective officers, directors, agents and employees from all claims and proceedings for such losses, damages or consequences.

Ubika and its affiliates do not endorse or recommend any securities issued by any companies identified on, or linked through, this site. Please seek professional advice to evaluate specific securities or other content on this site. Links, if any, to third party sites are for informational purposes only and not for trading purposes. Ubika and its affiliates have not prepared, reviewed or updated any content on third party sites and assume no responsibility for the information posted on them.

Ubika and/or its affiliates and/or their respective officers, directors or employees may from time to time acquire, hold or sell securities and/or commodities and/or commodity futures contracts mentioned in this site.

This site may include forward-looking statements about objectives, strategies and expected financial results of companies featured in this site or where research reports are available on companies displayed and/or featured on this site. Such forward-looking statements are inherently subject to uncertainties beyond the control of such companies. The users of this site are cautioned that the company's actual performance could differ materially from such forward-looking statements.

World Wide Web sites accessed by hypertext links ("hyperlinks") appearing in this site have been independently developed by parties other than Ubika and Ubika has no control over information in any hyperlinked site. Ubika is providing hyperlinks to users of this site only as a convenience. Ubika makes no representation and is not responsible for the quality, content or reliability of any information in any hyperlinked site. The inclusion of any hyperlink in this site should not be construed as an endorsement by Ubika of the information in such hyperlinked site and does not imply that Ubika has investigated, verified or monitored the information in any such hyperlinked site. Should you wish to inquire about creating a link from your World Wide Web site to this site, contact SCP marketing via e-mail at: [info@smallcappower.com](mailto:info@smallcappower.com). for written authorization.

[See our full disclaimer here.](#)