



Ubika Marijuana 25 Index

July 9, 2018

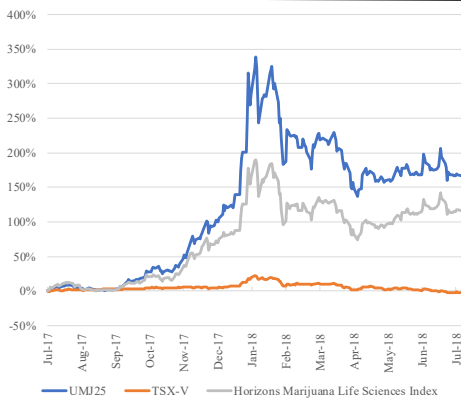


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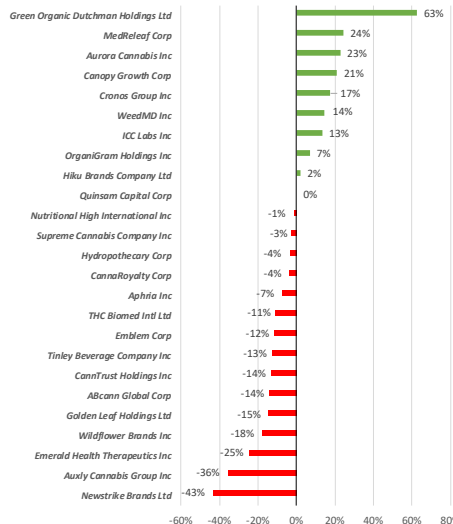
May 11, 2018 - July 6, 2018

UMJ25	-1.5% (166.5% Y/Y)
TSX-V:	-5.2% (-1.5% Y/Y)
HMMJ:	4.7% (116.8% Y/Y)

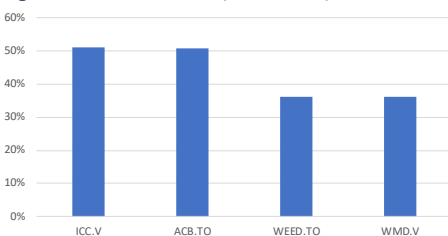
Dollar amounts in CAD unless otherwise stated.



UMJ25: Performance Distribution



Top Volume Gainers (30D/30D)



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Canadian Marijuana Stocks Climb as Bill C-45 Receives Royal Assent

The Ubika Marijuana 25 Index has fallen slightly since our last report dated May 14, 2018, easing 1.5%. However, the index outperformed the TSXV Index, which fell by 5.2% over the same period. Notable performers in this report include:

1. Canopy Growth Corporation (TSX:WEED), which surged 21% as Bill C-45 received Royal Assent. This appeared to solidify WEED dominant position in the market
2. Aurora Cannabis Inc. (TSX:ACB), which jumped 23% following numerous synergistic acquisitions and the upcoming completion of the MedReleaf acquisition.

Industry Highlights

- **Bill C-45 has passed the House of Commons and the Senate.** After a few amendments, the Bill that will formally legalize marijuana was reviewed by the Senate on June 18, 2018 and passed with 52 votes for and 29 against. Shortly after, on June 21, the Bill received Royal Assent. Full legalization is expected to occur on October 16, 2018, behind schedule of the original dates of July 1 and September 1, 2018. Several important Senate amendments were rejected by the government, which includes: the ban of distribution of branded cannabis products, and provincial governments' right to ban home-grown cannabis.
- **A number of provincial supply agreements have been announced**
 - o **Manitoba** has signed cannabis supply agreements with 11 companies, notably Canopy Growth, Aphria, Delta 9, Hiku and Organigram.
 - o **Alberta** has signed cannabis supply agreements with 13 companies, notably Canopy, Aurora, Aphria, MedReleaf and Organigram.
 - o **Quebec** has signed cannabis supply agreements with 6 companies, notably Canopy, Aurora, Aphria and Hydrophocary.
- **A number of high-profile public offerings have been announced**
 - o Canopy Growth Corporation announced a \$500 million convertible senior note at 4.25% due 2023.
 - o Aurora Cannabis Inc. has announced a \$200 million agreement with Bank of Montreal (BMO) for a debt facility at a 4% interest rate. The loan will mature in 2021.
 - o RavenQuest BioMed Inc. has announced a \$5 million private placement offered at \$0.70/unit. The funds are to be used for the cultivation facility expansion.



Upcoming Conferences:

MjBizCon Int'l – Toronto, Canada, August 14 - 16. Over 2,000 attendees and 125 industry experts network and connect with other market participants.

The U.S. Cannabis Conference & Expo Miami – Miami, Florida, August 24 - 26. Participants showcase their production and cultivation practices to retailers and industry experts, and discuss regulatory and compliance challenges.

Notable Performers

Canopy Growth Corporation (TSX:WEED)

Canopy Growth Corporation is the largest cannabis company by market cap on the TSX & NYSE. It is a licensed producer and distributor of medical marijuana under the Access to Cannabis for Medical Purposes Regulations (ACMPR). Since May 14, 2018, the stock has risen 21%.

Canopy is a diversified, multi-brand cannabis and hemp company, offering distinct brands and curated cannabis products with varieties in dried, oil and soft-gel capsule forms. In the past year, the Company sold 6,200 kg of cannabis products to the Canadian medical market.

The Company has operations in seven countries through its acquired/partnered subsidiaries and has also received the necessary agreements to export medicinal cannabis to Australia, Brazil and Germany. To position itself in the Canadian recreational market, the Company has secured agreements with the Provinces of Quebec, Prince Edwards Island, Manitoba, New Brunswick, and Newfoundland & Labrador to supply their adult recreational market with cannabis. With the recent Alberta supply agreement, the supply contracts amount to almost 62,000 kg supplied by Canopy in 2018.

The Company has the largest licensed production platform in Canada, with more than 2.4M sq. ft. of production space. To further solidify their leading position in the market, the Company expects to have completed up to an additional 3.2M sq. ft. of production facilities over the next 12 months. Canopy is also developing 400,000 sq. ft. internationally.

The Company has already sold 175 kg in Germany, which represents a 124% increase Q/Q, at an average price of \$13.35, which represents a 5% increase in price Q/Q. Below is the summary of its international operations.

Figure 1: Canopy's Worldwide Operations



Source: Company Presentation

On May 23, the Company announced the commencement of trading on the New York Stock Exchange, under the ticker CGC, on May 24, 2018.

On June 15, the Company announced the upsize of its 4.25% convertible note from \$400M to \$500M. The stock surged 21.3% to its peak of \$47.76 on June 21.

On June 28, the Company released its Q4/2017 financial statement, reporting a 55% increase in revenues Y/Y and a 5% increase Q/Q. The Company reported losses of \$54.4M, or \$0.31/share, which is a 3,200% decline Q/Q. Its stock price fell 5.2% the following day.

WEED has an average price target of \$40.60, representing a 4% upside. It has 1 Strong Buy rating, 5 Buy ratings, 3 Hold ratings, 1 Sell and no Strong Sell ratings.

Aurora Cannabis (TSX:ACB)

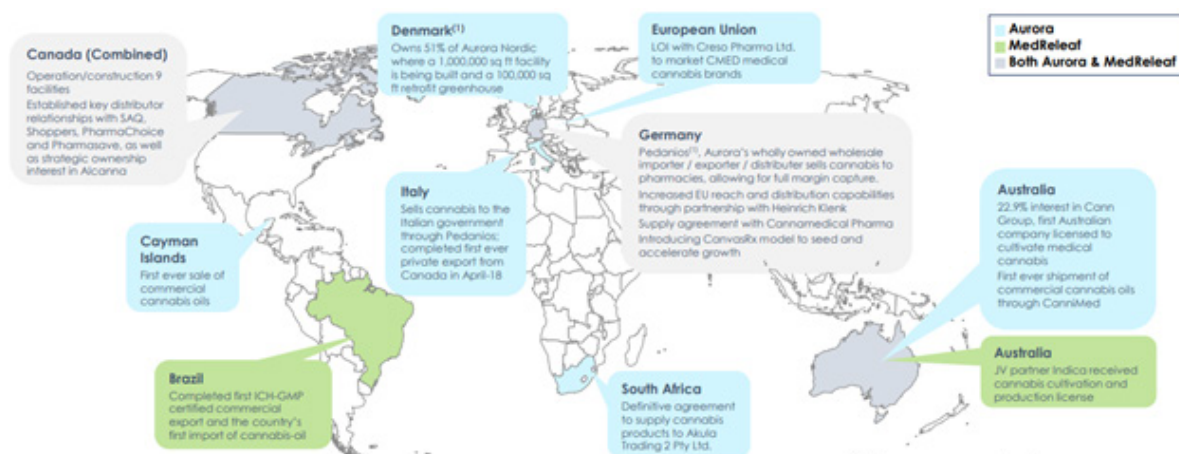
Aurora Cannabis is a licensed producer of marijuana under the ACMPR. ACB has risen 23% since our last report date.

Aurora is a vertically-integrated cannabis producer, diversified geographically and horizontally. It specializes in production and distribution of dried flower and cannabis oil in Canada as well as internationally. The Company has also expanded its product line into capsules and topical cream for the medical and adult consumer use markets.

Aurora has 11 production facilities, three of which are expected to be obtained through its upcoming MedReleaf acquisition. Currently, six of the licensed facilities are operational, amounting to 1.1M sq. ft. In H2/2018, two more will be complete adding 300,000 sq. ft. The facilities are spread out across four provinces in Canada and two facilities are currently under construction in Denmark. The total production area will equate to 4.5M sq. ft. and production capacity is expected to amount to 570,000 kg annually. Aurora's second-largest facility, Aurora Sky, completed its first harvest on June 28, and the facility is expected to produce over a 100,000 kg annually with an anticipated cost per gram below \$1.00.

Below is the summary of its international operations.

Figure 2: Aurora's Worldwide Operations



Source: Company Presentation

Importantly, Aurora has agreements with the Quebec and Alberta governments to supply the upcoming recreational market with a total of 30,000 kg of cannabis in 2018.

On May 1, the Company completed the acquisition of CanniMed for 3.4M Aurora shares and \$1.7M in cash. This acquisition provided Aurora with additions production capability and penetration into the Cayman Islands, South African and Australian medical markets.

On May 2, the Company attained 17.6% of The Green Organic Dutchman, a licensed Canadian cannabis producer, through their IPO, with an option to increase their ownership to 50% upon certain operational and financial milestones.

On May 8, the Company released its Q3/2018 financial statement, reporting a 110.8% increase in Q/Q registered patients, 37.6% increase in Q/Q revenues and a \$20.8M net loss, a large decrease relative to the previous quarter's net income of \$7.2M.

On May 14, the Company announced its pending acquisition of MedReleaf with an expected July 2018 completion. The total transaction is valued at \$3.2Bn, assuming Aurora is paying roughly \$29.44 per MedReleaf share, implying a 34% premium. Aurora's stock price fell 8.9% in the following day.

On May 15, the Company increased its ownership of Hempco, a hemp-derived CBD producer, to 52.7%. This partnership exposes Aurora to the medical application of hemp-derived CBD products.

On June 26, the Company received a \$200M debt facility with BMO at a 4% interest rate, which will mature in 2021.

ACB has a mean price target of \$9.63, representing a 5% upside. It has 1 Strong Buy rating, 1 Buy rating, 1 Hold rating and no Sell ratings.

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