

Investor Pack

# **CANNABINOIDS & BIOSYNTHESIS**

## What next?

Hear from the brightest minds  
in the newly booming business



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Legalisation, increasing acceptance and demand for pharmaceutical and consumer products mean the cannabinoids (CBD) industry is booming and biosynthesis could take it to new heights.

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# Nextleaf Solutions

## Turning flowers and biomass into gold

Cannabis oil producer Nextleaf's revenues for the nine months ending 30 June more than quadrupled year-on-year to C\$2.0m. With a growing Canadian cannabis market, strong intellectual property (IP) portfolio of US and global patents, start-up of its automated proprietary processing facility, acquisition of the award-winning Glacial Gold brand and expansion into beverages, the parts appear in place for Nextleaf to reach profitability.

### Processing plant start up boosts YTD financials

Nextleaf (CSE:OILS, OTCQB:OILFF) is a cannabis oil producer that owns one of the largest portfolios of US patents for the extraction, purification and delivery of cannabinoids, converting low grade cannabis biomass into high grade product. With nine-month revenues up C\$1.6m y-o-y to C\$2.0m, losses in the period improved to C\$3.4m, down C\$0.2m y-o-y, due to both the start-up of its Canadian processing facility near the end of FY20 and the resulting increase in B2B bulk sales. Margins should likely improve as Nextleaf scales up the facility and enjoys economies of scale in what management believes is one of the most efficient, low-cost methods for producing distillate, a key potential source of competitive advantage.

### Enjoy your Glacial Gold and cannabis-infused drinks

The Canadian cannabis sector, the world's largest federally legal and regulated market, continues to see improving demand, and a recent Brightfield Group report discusses how hundreds of new retail locations have been opening across the country. Nextleaf also recently announced several new deals that should likely boost sales, including acquiring the award-winning, prohibition-era specialty concentrates and extracts brand Glacial Gold in May 2021, under which Nextleaf distributes vapes and distilled oils. In 2019, the firm also entered a research agreement with a private company for generating formulations used in producing cannabinoid-infused water beverages, potentially increasing Nextleaf's total addressable market as Brightfield Group expects cannabis-infused drinks to grow adult-use market share from 2% in 2020 to 7% by 2026.

### The parts appear to be in place for profitability

At the recent \$0.24 share price, Nextleaf is up 34% year to date. For the rating to expand further, clearer timing on the ramp to profitability would be helpful, given Nextleaf needs to address its cash burn (C\$2.1m in 9M FY21), as further financing may be needed. That said, with a rapidly growing Canadian cannabis market, strong IP portfolio, recent facility start-up, the acquisition of Glacial Gold and expansion into beverages, the parts appear to be in place for Nextleaf to continue to grow sales at a rapid pace and approach profitability.

#### Historical financials

Year end	Revenue (C\$m)	EBITDA (C\$m)	EPS (C\$)	Net cash (C\$m)	P/revenue (x)
09/19	0.0	(7.1)	(0.10)	4.3	N/A
09/20	0.7	(4.9)	(0.05)	0.9	42.1

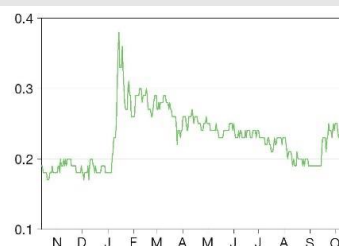
Source: Nextleaf, Refinitiv

#### Cannabis processing

13 October 2021

**Price** C\$0.24  
**Market cap** C\$29m

#### Share price graph



#### Share details

Code	OILS
Listing	CSE
Shares in issue (30 June 2021)	125.3m
Net debt (30 June 2021)	C\$0.69m

#### Business description

Nextleaf Solutions is a Canadian federally regulated cannabis oil producer, focused on commercializing one of the largest portfolios of US patents for the extraction, purification and delivery of cannabinoids, with 17 US patents and over 90 globally. The British Columbia firm operates an automated proprietary closed-loop extraction and distillation plant, and is expanding into products like beverages.

#### Bull

- Growing Canadian cannabis market.
- Strong IP portfolio.
- New scalable facility should improve margins.

#### Bear

- Timing on path to profitability is unclear.
- Increasing competition from US firms.
- Cash burn may require further debt or equity funding.

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# InMed Pharmaceuticals

Financial update

## INM-755 Phase II about to begin

Pharma & biotech

29 September 2021

**Price** **US\$1.8**  
**Market cap** **US\$22m**

Net cash (US\$m) at 30 June 2021 + offering	18.4
Shares in issue (includes 3.1m shares subject to pre-funded warrant exercises)	12.1m
Free float	82.9%
Code	INM
Primary exchange	Nasdaq
Secondary exchange	N/A

### Share price performance



### Business description

InMed Pharmaceuticals is a Canada-based biopharmaceutical company focused on manufacturing and developing cannabinoids. Its biosynthesis platform may be able to produce cannabinoids for less cost and with improved purity compared to currently used methods. The company is also developing a proprietary pipeline, including INM-755 for epidermolysis bullosa, a serious, debilitating orphan indication.

### Next events

INM-755 Phase II initiation	Q3/Q4 CY21
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In the coming weeks, InMed expects to begin patient enrolment in a Phase II (755-201-EB) trial for INM-755 in up to 20 epidermolysis bullosa (EB) patients with an anticipated treatment duration of 28 days. Clinical Trial Applications have been filed in all seven participating countries. Patients with all four subtypes of inherited EB, EB Simplex, Dystrophic EB, Junctional EB and Kindler syndrome, will be eligible for the trial. Current expectations are for the trial to enroll in approximately a year.

Year end	Revenue (US\$m)	PBT* (US\$m)	EPS* (US\$)	DPS (US\$)	P/E (x)	Yield (%)
06/20	0.0	(9.0)	(1.73)	0.00	N/A	N/A
06/21	0.0	(10.3)	(1.53)	0.00	N/A	N/A
06/22e	0.0	(12.8)	(1.06)	0.00	N/A	N/A
06/23e	0.0	(11.2)	(0.89)	0.00	N/A	N/A

Note: \*PBT and EPS are normalized, excluding amortization of acquired intangibles, exceptional items and share-based payments.

## BayMedica merger expected to close within weeks

InMed has [recently announced](#) that it has entered into a definitive agreement to acquire BayMedica, a private US-based company that is focusing on the manufacture and commercialization of rare cannabinoids. The combined company will have multiple tools to produce rare cannabinoids at meaningful yields and at attractive costs and will have a growing commercial product. The acquisition is expected to close in the coming weeks.

## INM-088 progressing

With regards to INM-088 for glaucoma, the company has continued to set up a larger scale drug manufacturing process. The product produced from the larger scale will be used to support the upcoming good laboratory process (GLP) studies, which are expected to commence mid-CY22. An IND filing may occur in H2 CY22.

## 755-201-EB trial to enroll patients in seven countries

The company expects to begin the 755-201-EB trial in the coming weeks. Clinical Trial Applications have been filed in all seven participating countries: Germany, France, Italy, Austria, Greece, Israel and Serbia.

## Valuation: US\$293m or US\$24.24 per basic share

We have increased our valuation from US\$242m or US\$20.03 per basic share to US\$293m or US\$24.24 per basic share. With INM-755 set to move into Phase II shortly, we have increased its probability of success from 10% to 20%, our standard rate for a drug at this stage of development. InMed had US\$7.4m in cash and marketable securities at 30 June 2021 and subsequently (in July 2021) raised approximately US\$12m in gross proceeds (US\$11m net) from a private placement. We currently model an additional US\$11m being raised in FY23, though the exact level of funding requirement will depend on the expense level for the combined companies. We will update our financial model once the acquisition closes and we have some clarity on cash needs.



# 22nd Century Group

## Hemp and hops: Two of our favorite things

22nd Century Group (XXII) is poised to benefit from a growing cannabis market and increased demand by cultivators for higher-yielding crops. The upcoming harvest, additional plant lines in 2022–23 and strategic partnerships should boost revenues and accelerate the commercialization of the company's improved hemp/cannabis lines. Moreover, XXII's recently announced entry into the less-regulated hops market significantly expands its total addressable market as it leverages its intellectual property (IP) and scale to increase product speed to market.

### Accelerating hemp/cannabis commercialization

As North American cannabis markets continue their rapid growth, demand is increasing for plant genetics designed for industrial production. Earlier this year, XXII secured upstream partnerships to grow the first lines of high cannabidiol at its Colorado farm for the late 2021 harvest and additional lines in 2022–23, accelerating the commercialization of its improved hemp/cannabis plant lines as it now controls the complete upstream cannabis capability. Furthermore, XXII leveraged its IP assets by developing key strategic commercial partnerships with breeding partners, biotech firms, etc. Revenues of ~\$4–6m in Q421 should be generated from its upfront IP licensing and the initial crop, ~15% of FY21 consensus revenue. Overall, XXII appears positioned to meet the growing demands for higher-yielding and disruptive plant lines.

### A new franchise expands addressable market

In late August, XXII announced its expansion into the European hops market, its newest franchise area. Entry into the global hops market significantly expands the company's total addressable market, as hops are a critical input for the \$500m global brewing industry. Moreover, the hops market has much lower regulatory barriers than XXII's other businesses and gives it an opportunity to leverage its IP, proprietary hop plant technology and scale to accelerate the speed to market and 'bring hop breeding into the 21st century.'

### Larger market provides upside potential

In August, XXII moved its listing from NYSE American to Nasdaq, aligning it with other growth-oriented science and technology companies. At the closing price of \$2.94 on 12 October, the shares are up 42% year to date and trading at a P/revenue of ~9x in FY22e, in line with the company's cannabis biotechnology peers. With the commercialization of potentially higher-yielding cannabis strains and expansion into a larger and less-regulated hops market, XXII could command higher valuations.

#### Consensus estimates

Year end	Revenue (\$m)	EBITDA (\$m)	EPS (\$)	P/revenue (x)	EV/EBITDA (x)
12/19	25.8	(20.1)	(0.17)	19.8	17.5
12/20	28.1	(17.6)	(0.14)	18.2	16.1
12/21e	35.5	(18.1)	(0.15)	14.4	12.7
12/22e	56.1	(19.4)	(0.22)	9.1	8.0

Source: 22nd Century Group, Refinitiv

#### Biotechnology

13 October 2021

**Price** **\$2.94**  
**Market cap** **\$479m**

#### Share price graph



#### Share details

Code	XXII
Listing	Nasdaq
Shares in issue	163m
Net Cash (30 June 2021)	\$59.7m

#### Business description

22nd Century Group, a Nevada corporation, is a biotechnology and intellectual property company that develops disruptive, plant-based solutions for the life science, consumer product and pharmaceutical markets. It operates in three primary franchise areas: tobacco, hemp/cannabis and hop plants.

#### Bull

- Growing cannabis market.
- Entry into hops market significantly expands total addressable market.
- Leveraging strong hemp/cannabis plant line IP.

#### Bear

- Increasing competition in United States and Canada cannabis markets,
- Initial cannabis crop yields could be lower than estimated.
- Cash burn may require further debt or equity funding.

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# Cannabics Pharmaceuticals

**Healthcare**
**18 October 2021**

## Developing cannabinoid-based therapies

Cannabics develops cannabinoid-based, tumour reducing therapies. Its bioinformatics platform evaluates the efficacy of thousands of cannabinoid compounds on various cancers. In addition, it has recently launched a **psychedelic** inspired research programme focused on neuropsychiatric disorders. Its most advanced therapies target the \$18bn colorectal cancer market, with human clinical trials planned to commence in 2022. Earlier-stage therapies target breast cancer, prostate cancer and melanomas. Cannabics has five granted patents and 20 patents pending.

## Preparing pre-IND packages

Cannabics is currently preparing a pre-IND meeting package for its colorectal cancer treatment RCC-33. In June 2021, Cannabics announced RCC-33 in-vivo interim results that showed a 30% reduction in tumour volume versus a control group. The company expects Phase I/IIa to commence in the second half of 2022 and be complete by the end of 2024 at an estimated cost of \$5m. Also targeting colorectal pre-cancerous polyps, PLP-33 is in preparation for a pre-IND meeting package and synopsis for a Phase I.

## Beefing up the board

In combination with Cannabics's recent initiation of research into a new melanoma treatment, Professor Caroline Robert (MD PhD), a melanoma expert, has recently (August 2021) joined the company's clinical advisory board. Also joining in August was Dr Sigal Tavor (MD), a haemato-oncology expert. In September 2021, Neuropsychiatrist Dr Ilya Reznik (MD) joined the company management as head of psychedelic inspired medicine as part of the strategy to develop new psychedelic inspired medicines and therapies to address severe mental health related conditions.

## Addressing major markets

Cannabics therapies addressing melanoma (MLN-33), breast cancer (BRST-33) and prostate cancer (PRST-33) are in preclinical in-vitro trials. All three are expected to move to in-vivo studies in 2022. Neuropsychiatry therapies targeting mental health conditions are in the discovery phase.

## Financials

For the most recent quarter ending May 2021, Cannabics had cash and cash equivalents of \$2m. During the quarter, the company reported a net loss of \$1.3m including a non-recurring expense of \$0.6m.

**Price** **US\$0.14**  
**Market cap** **US\$21m**

### Share price graph



### Share details

Code **CNBX**  
 Listing **OTC Markets**  
 Shares in issue **146.7m**

### Business description

Cannabics Pharmaceuticals develops cannabinoid-based new and novel therapies for cancer treatment. The company's R&D is based in Israel where it is licensed by the Ministry of Health.

### Bull

- Growing interest in the therapeutic value of cannabinoid compounds in oncology.
- RCC-33 targeting colorectal cancer has demonstrated success in animal testing.
- The company's bioinformatics platform provides rapid screening of cannabinoid compounds on various cancers.

### Bear

- Cannabics is subject to various sensitivities common to speciality pharmaceutical companies including commercialisation and financing risks.
- The FDA has only ever approved one cannabinoid-based drug.
- The company is largely dependent on the success of cannabinoid-based technology.

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### Historical financials

Year end	Revenue (\$m)	PBT (\$m)	EPS (c)	DPS (c)	P/E (x)	Yield (%)
08/18	0.0	(3.8)	(0.03)	0	N/A	N/A
08/19	0.0	1.1	0.02	0	N/A	N/A
08/20	0.0	(7.5)	(0.10)	0	N/A	N/A

Source: Company reports

# UNIVO Pharmaceuticals

## Controlling the value chain

UNIVO is a vertically integrated Israeli medical cannabis company. It claims that full control of the value chain, from cultivation to distribution, allows for the maintenance of high-quality product and service. This is evidenced by UNIVO's expanding share of the growing Israeli medical cannabis market. In addition, it has internationally certified facilities (IMC-GMP) and is poised to commence exports from Israel. Key to UNIVO's continued progress will be the development of innovative medical cannabis-based products at its 1,600 sq ft research facility and the cooperation agreement with Rambam Hospital. UNIVO has four patents for medical indications granted in Israel.

## Growing market share in a growth market

Israel was one of the first countries in the world to regulate the provision of medical cannabis in 2013. Patient numbers reached 80,000 in 2020 (Israeli Ministry of Health) and UNIVO expects further growth of 40% in 2021, implying a market value of €280m (UNIVO estimates). UNIVO estimates that its market share in Israel was close to 10% in Q221, up from 7.5% in 2020. It has contracts in place with the leading pharmacy chains in Israel to supply more than 10kg of product in 2021.

## Eyeing European markets

The UN's decision in 2020 to remove cannabis from Schedule IV of the 1961 Single Convention on Narcotic Drugs was ratified by all European nations (except Hungary), paving the way for a growing European medical cannabis market. Also in 2020, Israel allowed the export of medical cannabis to licensed companies, of which UNIVO is one of a handful. Exports to the UK as well as any other country accepting the IMC-GMP certification are permitted. With combined 2020 sales of €280m (source Brightfield Group), the medical cannabis markets in Germany and Italy have been highlighted by UNIVO as particularly attractive as well as Australia and Denmark among others.

## Milestones ahead

UNIVO's key milestones over the next year are to exceed its 12% market share in Israel, receipt of EU-GMP certification, to commence exports, solidify medical benefit claims, establish global collaborations, produce strains for specific indications and double capacity to 15 tonnes per year.

## Financials: Significant improvement

H121 results reflect UNIVO's operational progress. Revenues rose by 91% y-o-y, gross margin reached 39% and an initial net profit of ILS2.1m was recorded. Cash at end H121 was ILS8.7m.

### Historical financials

Year end	Revenue (ILSm)	PBT (ILSm)	EPS (ILS)	DPS (ILS)	P/E (x)	Yield (%)
12/18	0.0	(56.9)	(5.65)	0.0	N/A	N/A
12/19	0.8	(11.8)	(0.52)	0.0	N/A	N/A
12/20	33.7	(1.7)	0.01	0.0	N/A	N/A
H1/21	19.3	3.7	0.01	0.0	N/A	N/A

Source: Company accounts

### Healthcare

19 October 2021

**Price** **ILS2.70**

**Market cap** **ILS83m**

US\$/ILS 3.22

### Share price graph



### Share details

Code	UNVO
Listing	Tel Aviv Stock Exchange
Shares in issue	30.6m

### Business description

UNIVO Pharmaceuticals is a vertically integrated medical cannabis company based in Israel. It holds licences across the supply chain, that is R&D, growing and cultivation, production of medical cannabis and distribution.

### Bull

- Vertical integration enhances quality control.
- IMC-GMP certified manufacturing facilities serve a large domestic market and medical cannabis product ready for export.
- Continuous pipeline of innovative products.

### Bear

- Awaiting EU-GMP certification.
- Not all institutional investors are able to invest in cannabis companies.
- Reduction in pace of regulatory reform.

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