sphene CAPITAL

15 October 2019

RDT Corp.

Rating: Buy **Risk:** Very high

Price: CAD 0.70

Price target: CAD 1.80

Reuters: DOSE.CN **Bloomberg:** DOSE:CN

An Innovative Drug Delivery Platform

We are initiating research coverage of Rapid Dose Therapeutics with a Buy recommendation and a CAD 1.80 price target. Our target price is based on a discounted cash flow entity model.

Founded in 2017, Rapid Dose Therapeutics Corp. (RDT) is a Canadian life science company that provides an innovative, proprietary drug delivery platform. The company has developed an IP protected non-invasive, fast-dissolving and oral dispersible film product infused with micronized active ingredients such as pharmaceuticals, nutraceuticals, or cannabis. While the strip is dissolved in the mouth, the active ingredients are transferred across the mucosal layers or sublingually into the blood stream. With the pharmaceutical, nutraceutical, and the cannabis market, RDT has formed three main business divisions so far, with more to follow in the next years, according to the company.

Financial forecast

RDT sells its products through direct and indirect sales channels as well as licencing through Managed Strip Services Agreements with Cannabis manufacturers. The latter provide RDT with initial signing and installation fees as well as service fees for every strip produced, leading to long-term recurring revenues. We therefore expect RDT to increase revenues and EBIT from CAD 4.0 million and CAD -0.6 million (2019/20e), respectively, to CAD 35.3 million and CAD 12.6 million, respectively (2022/23e).

DCF valuation offers a price target of CAD 1.80

We evaluate RDT using a three-stage DCF entity model (primary evaluation methodology). After a detailed planning period (2022/23e), we model an eleven-year transition period, which is followed by the terminal value at the end of the financial year 2032/33e. Our DCF valuation yields an equity value of CAD 142.4 million (CAD 1.80 per share) which we consider the base case scenario. In a Monte Carlo sensitivity analysis, we have determined a value of equity of CAD 113.8 million (CAD 1.40) in a bear case scenario and of CAD 227.6 million (CAD 2.80 per share) in a bull case scenario.

Peer group comparison with price target of CAD 1.94

We have cross-checked the results of our DCF model with a market-oriented peer group approach in which international cannabis producers were included—without any size or regional restrictions (secondary evaluation methodology). Based on consensus estimates for the fiscal year 2022/23e, equity values of CAD 147.1 million (P/E) or CAD 1.94 per share have been derived for RDT.

ISIN: CA75339A1012
Indices: -
Transparency level: Nasdaq OTC
Weighted number of shares (fully diluted): 81.3 mn
Market cap: CAD 56.9 mn
Daily trading volume: ~40,000 shares
AGM: n/a

CAD million (12/31)	2018/19	2019/20e	2020/21e	2021/22e
Sales	0.0	4.0	9.6	16.3
EBITDA	-3.3	0.0	1.9	4.4
EBIT	-3.3	-0.6	1.1	3.3
EBT	-11.4	-0.5	1.1	3.3
EAT	-11.4	-0.5	1.0	3.2

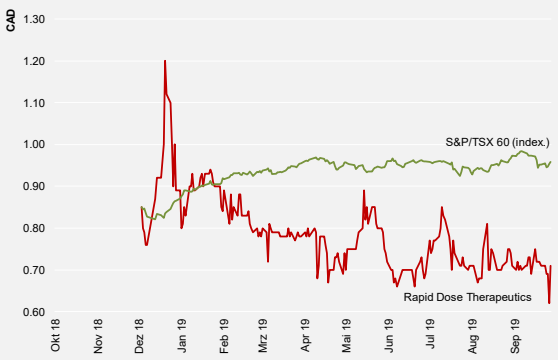
% of sales	2018/19	2019/20e	2020/21e	2021/22e
EBITDA	n/a	0.6%	20.0%	27.1%
EBIT	n/a	-14.9%	11.0%	20.4%
EBT	n/a	-13.7%	11.3%	20.4%
EAT	n/a	-13.0%	10.7%	19.4%

Per share (CAD)	2018/19	2019/20e	2020/21e	2021/22e
EPS	-0.18	-0.01	0.01	0.04
Dividend	0.00	0.00	0.00	0.00
Book value	0.06	0.04	0.06	0.10
Cash flow	-0.03	0.01	0.04	0.04

%	2018/19	2019/20e	2020/21e	2021/22e
Equity ratio	66.2%	45.2%	36.2%	41.8%
Gearing	-33%	-4%	-23%	-26%

x	2018/19	2019/20e	2020/21e	2021/22e
P/ER	n/a	n/a	51.8	16.8
EV/sales	n/a	14.23	5.96	3.49
EV/EBITDA	n/a	n/a	54.1	17.1
P/BR	11.5	16.0	12.3	7.1

CAD mn	2018/19e	2019/20e	2020/21e
Guidance: Sales	n/a	n/a	n/a
Guidance: EBIT	n/a	n/a	n/a



Source: Company data, Sphene Capital forecast

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Content

Please note that each chapter starts with a comprehensive Executive Summary.

Reasons to Invest

Innovative drug delivery platform

Founded in 2017, Rapid Dose Therapeutics Corp. (RDT) is a Canadian life science company that provides an innovative, proprietary drug delivery platform. The company has developed an IP protected non-invasive, fast-dissolving and oral dispersible film product that can be infused with micronized active ingredients such as pharmaceuticals, nutraceuticals, or cannabis. While the strip is dissolved in the mouth, the active ingredients are transferred across the oral mucosa and delivered quickly into the bloodstream, bypassing first pass metabolism, enabling rapid onset and increased bioavailability.

Three vertical markets

Although the oral dispersible film strip delivery platform is amenable to numerous medicinal active agents, the company has selected three vertical markets: **(1)** Nutraceuticals, **(2)** Cannabis, and **(3)** Pharmaceuticals. New QuickStrip products containing nicotine or medicinal ingredients for maintaining veterinary health could be brought to the market in the following years, according to the company.

Recurring revenues in the cannabis segment due to MSSA strategy

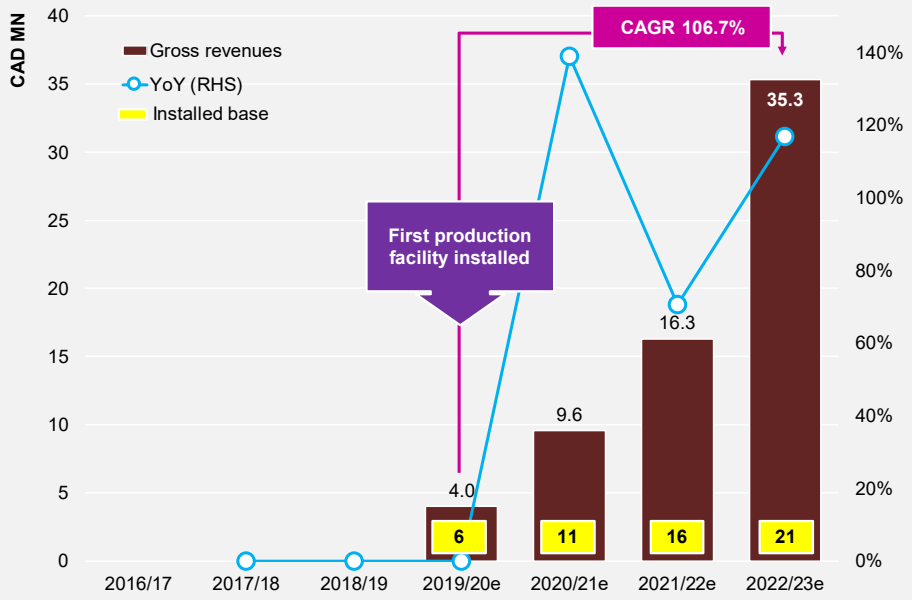
While nutraceutical products are sold through direct and indirect sales channels, cannabis products will be available through Managed Strip Services Agreements ("MSSA"). With the MSSA strategy, RDT provides turn-key solutions to cannabis manufacturers to whom RDT licences the technology via manufacturing contracts in the respective jurisdictions. Apart from initial signing, installation and commissioning fees, these MSSAs provide RDT service fees for every strip produced, leading to long-term recurring revenues. During a short period of time, RDT has signed six MSSA contracts with what we regard as the crème de la crème of US and Canadian cannabis manufacturers.

Downside risks

We see the following downside risks in particular for the achievement of the enterprise value determined by us: **(1)** Uncertainties with regard to the evolving regulations of the cannabis markets, **(2)** higher than expected start-up or production costs, **(3)** dependencies on customers, which are not only significantly larger than RDT but who are solely responsible for marketing and advertising their products using the QuickStrip-technology as a delivery method, **(4)** potential conflict of interest with Aphria as a main shareholder, **(5)** dependencies on management ("key man risk"), **(6)** higher than expected investment requirements, **(7)** short company history **(8)** low market entry barriers due to comparatively low capital intensity, **(9)** only limited IR activities by RDT so far.

RDT in Pictures

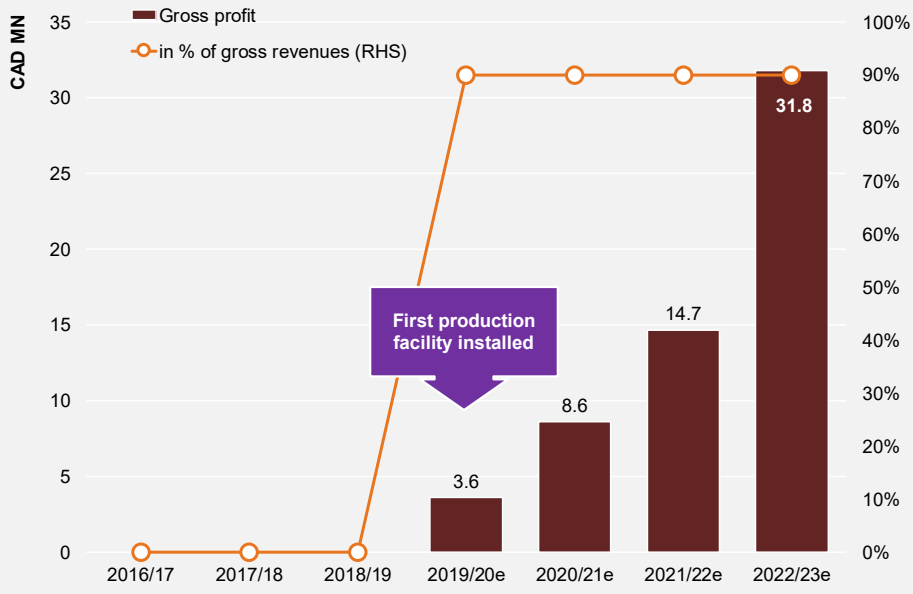
EXHIBIT 1: GROSS REVENUES AND GROSS REVENUE GROWTH, 2016/17-22/23E



Since the company was founded in 2017, RDT has been in its inception phase. However, in the meantime, the foundations for a strong growth path have been laid, according to our view. With the installed base to climb substantially over the next years, RDT should enter a steep growth path. On average over the next three fiscal years, we expect compound annual growth rates (CAGR) of 106.7%. At the end of our detailed planning phase, we expect RDT to improve revenues to up to CAD 35.3 million. Our forecast is based purely on organic growth; we have not modelled any acquisitions.

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS

EXHIBIT 2: GROSS PROFIT AND GROSS PROFIT MARGIN, 2016/17-22/23E

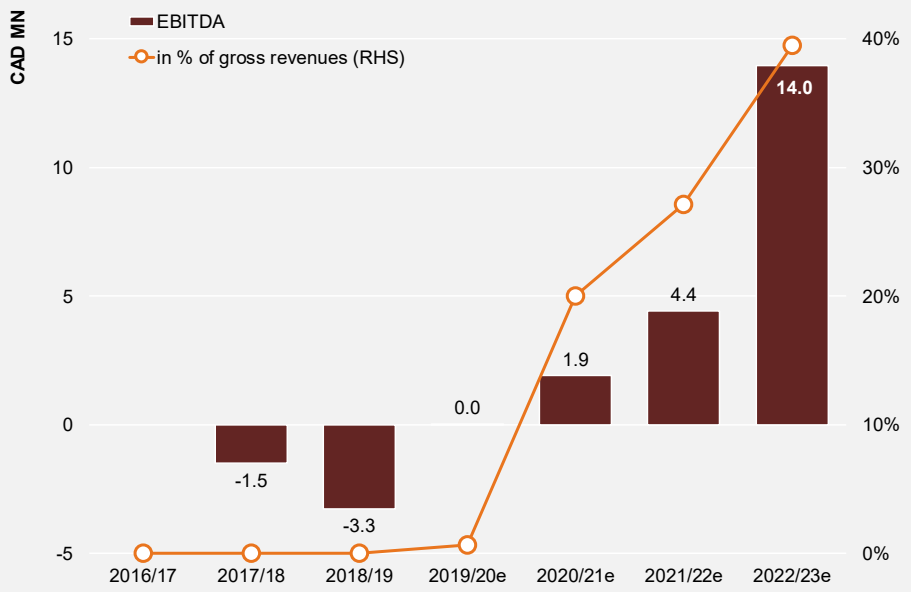


We expect a flat 10% material costs ratio. We therefore expect RDT to increase gross profits to CAD 31.8 million by the year 2022/23e

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS

RDT in Pictures

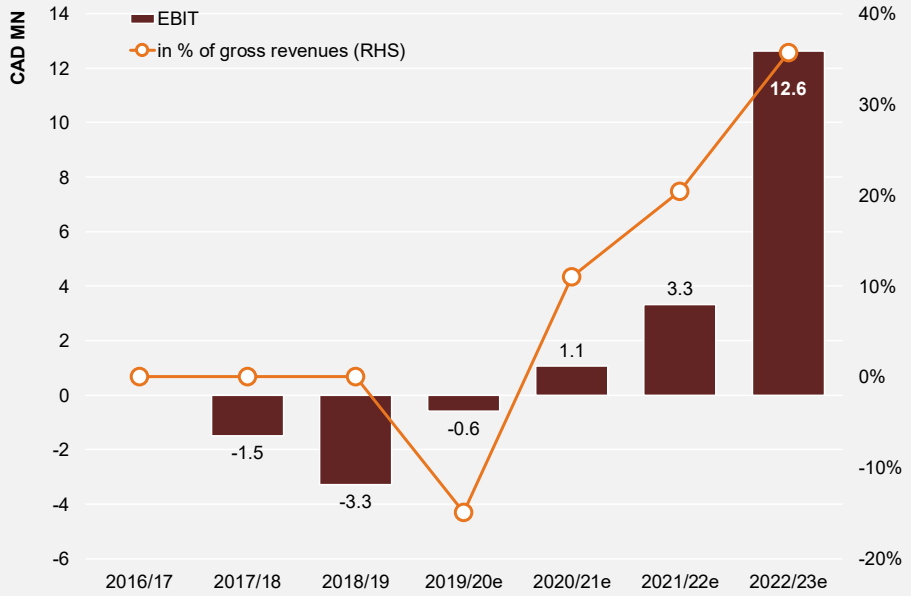
EXHIBIT 3: EBITDA AND EBITDA MARGIN, 2016/17-22/23E



In 2018/19, RDT reported a negative EBITDA of CAD -3.3 million, reflecting various non-cash and one-off adjustments from the group's foundation and listing. We anticipate RDT to reach break-even in the current financial year due to substantial nutraceutical revenues which should cover operating expenses, in our view. With per unit service fees becoming the main source of revenues, we expect EBITDA to rise to CAD 14.0 million (2022/23e) over the next three years. This corresponds to an expected increase in the EBITDA margin to 39.5% (2022/23e) from 0.6% in 2019/20e in terms of gross revenues.

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS

EXHIBIT 4: EBIT AND EBIT MARGIN, 2016/17-22/23E

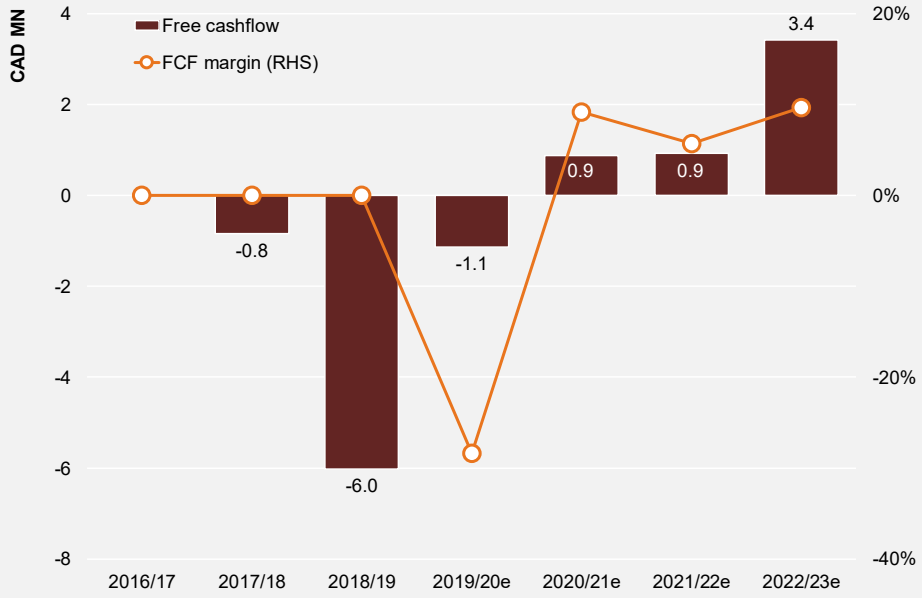


The business model of RDT can be best described as asset-light. Despite the technology-oriented business model, maintenance investments are manageable in our view. In this respect, EBITDA and EBIT should develop in parallel. We expect EBIT to increase to CAD 12.6 million by 2022/23e, representing operating margins of 35.7%.

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS

RDT in Pictures

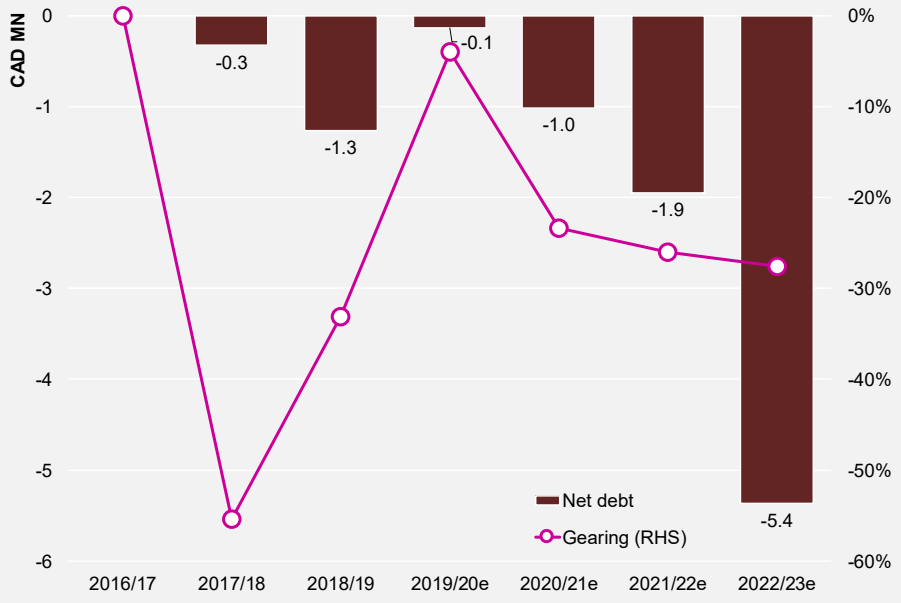
EXHIBIT 5: FREE CASH FLOWS AND FCF MARGIN, 2016/17-22/23E



In the last two years and without any operating revenues, free cash flow and free cash flow margins were negative and should remain negative in 2019/20e as well, according to our estimates. The company's current liquidity and expected income retention should be sufficient, however, to provide the funds needed to build up the organization and finance the expected organic growth. By the year 2022/23, we expect free cash flows of CAD 3.4 million, equivalent to an FCF margin of 9.7%.

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS

EXHIBIT 6: NET DEBT AND GEARING, 2016/17-22/23E

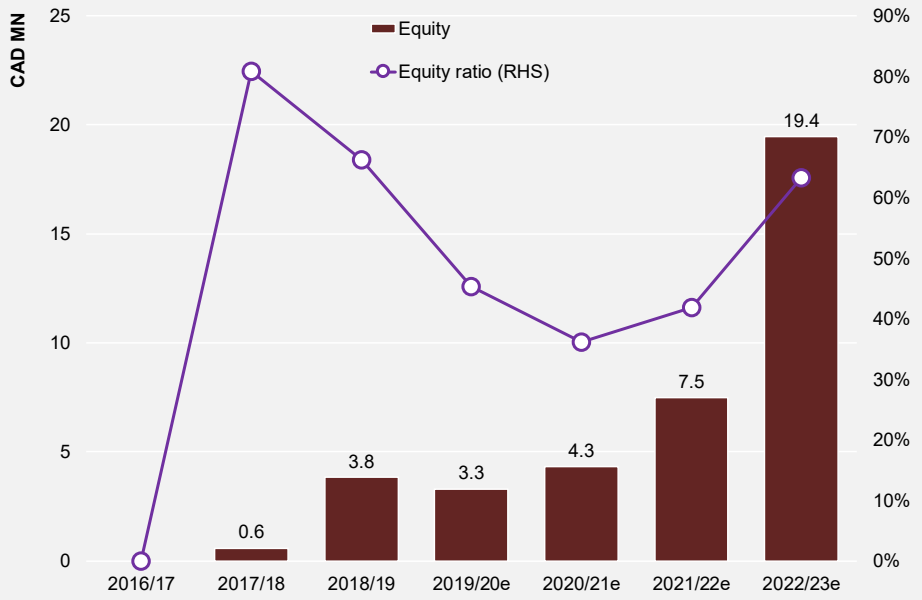


The graph illustrates the net cash position of CAD 1.3 million at the end of 2018/19. Steady earnings improvements should help RDT to improve its current net cash position to CAD 5.4 million by the year-end 2022/23e.

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS

RDT in Pictures

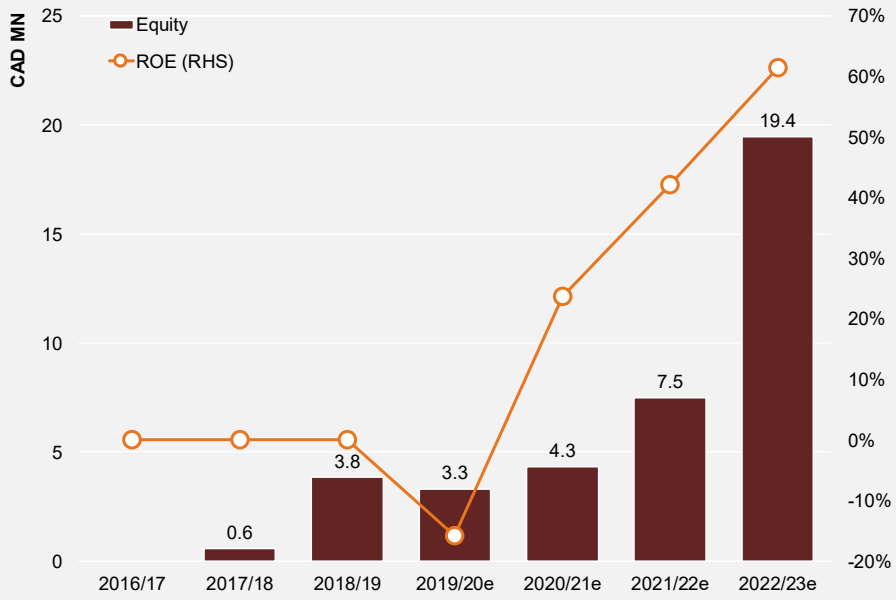
EXHIBIT 7: EQUITY AND EQUITY RATIO, 2016/17-22/23E



The Company's share capital currently consists of 81.300 million shares (fully diluted) with no par value. Due to ongoing start-up losses, we expect total equity to further decline to CAD 3.3 million by the end of fiscal year 201920e. Notwithstanding these losses, the equity ratio of the company should not fall below 36.2%. Due to considerable profits in 2019/20e-2022/23e, we expect the equity ratio to improve to 63.2% in 2022/23e.

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS

EXHIBIT 8: EQUITY AND RETURN ON EQUITY (ROE), 2016/17-22/23E



Our financial forecast assumes, that RDT should be able to finance its expected growth without further capital increases.

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS

Value of Equity CAD 1.80, Initiate with a Buy rating

We estimate the value of the equity of RDT based on a three-stage discounted cash flow (DCF) entity model (primary valuation method) and by using an economic profit model (secondary valuation method).

According to our estimates RDT will achieve high average sales growth rates and boost sales to up to CAD 35.3 million by 2022/23e (CAGR 2019/20e-2022/23e: 106.7%) by further stepping up the number of machines installed in the cannabis segment and by organic growth in the nutraceutical segment. In addition, we anticipate a gradual improvement in profitability and expect RDT to generate operating profits (EBIT) of CAD 12.6 million by 2022/23e. In the subsequent 10-year period, which marks the transition phase in our three-stage DCF model and is followed by the terminal value phase at the end of financial year 2032/33e, we applied an average annual sales growth rate of 10.6%. In the terminal value phase, we modelled annual growth of 1.5%, which corresponds to the quasi risk-free interest rate represented by long-term Canadian government bonds with a 10-year maturity. Our methodology results in an overall pre-money value for the equity in the base case scenario of CAD 142.4 million. We used a Monte Carlo analysis to apply alternative sales and revenue scenarios. This resulted in best case and worst-case values for the equity of CAD 227.6 million and CAD 113.8 million, respectively.

In addition to an intrinsic DCF model (primary evaluation method), we valued the shares of RDT using market multiples of a peer group of listed cannabis producers (secondary evaluation method). Based on the consensus estimates for 2023e for the peer group and our own forecasts for RDT, using our preferred price-earnings multiples result in equity values of CAD 147.1 million or CAD 1.94 per share. The results from the long-term DCF model can generally be confirmed by the market-oriented valuation methodology. However, due to the early-phase character of the industry we consider the market-based valuation of lesser importance than the intrinsic value from the DCF model.

Our primary valuation method for RDT is a standardized, three-stage DCF model
In RDT's business model growth is achieved mostly operationally by expanding production facilities. We did not model acquisitions. Our assessment indicates that, coupled with our assumed internationalization scenario, a long-term standardized, three-phase DCF model is the most suitable valuation method for RDT (primary valuation method).

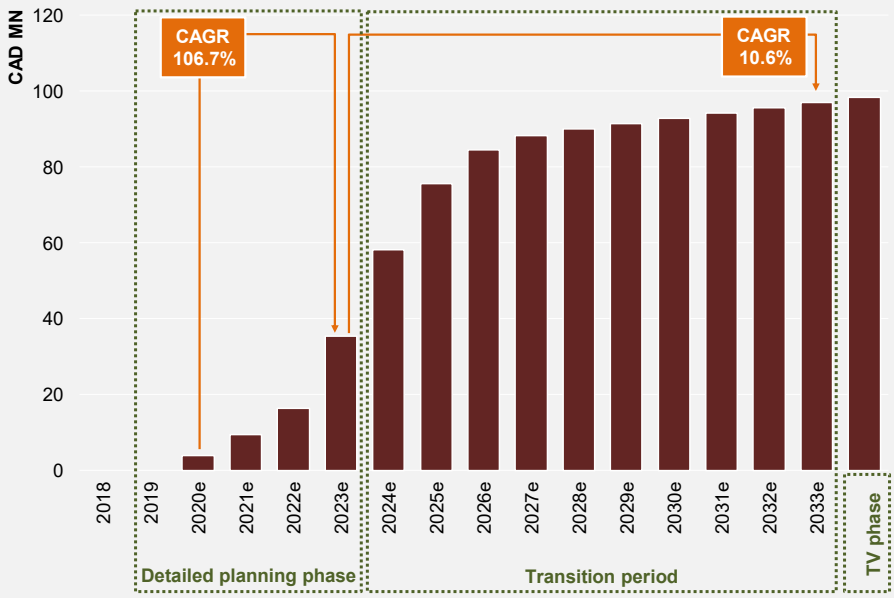
Growth assumptions in the DCF model
For our three-stage discounted cash flow model, we made the following growth assumptions:

Three-stage DCF entity model: Growth assumptions

- **Phase 1** of the DCF model (the **"detailed planning phase"**) is based on our detailed sales, revenue, cash flow, and balance sheet planning up to 2022/23e; we expect an average annual sales growth rate of 106.7% between 2019/20e and 2022/23e.
- In the subsequent **Phase 2** (seven years **"rough planning"** or **"transition phase"**), which ends in 2032/33e, we projected a CAGR for sales of 10.6%. Moreover, during the rough planning phase, we assumed that key performance indicators regarding costs and reinvestment needs would approach levels that could be sustained in the long term.
- For the final **Phase 3**, or **"terminal value phase"** in which growth is by definition only possible without taking operational risks, we are using the quasi risk-free

interest rate of 10-years Canadian government bonds of currently 1.5% as the relevant FCFF growth rate.

FIGURE 9: SALES AND SALES GROWTH, 2018-2033E



Until 2022/23e, the model is based on our detailed income statement, balance sheet, and cash flow projections. These culminate in a second rough planning phase, which ends in 2032/33e. After that, we model the terminal value.

The average annual sales growth rate during the detailed and rough planning phase stands at 106.7% and 10.6%, respectively.

SOURCE: SPHENE CAPITAL FORECASTS

Additional assumptions during the rough planning phase

Three-stage DCF entity model: Assumptions for the other items in the DCF model

For our three-stage DCF model, during the rough planning phase we assume

- a **beta** of 1.40 derived from fundamental factors due to a lack of statistically valid data, which we determine against the backdrop of the high volatility of listed benchmarks from the following macroeconomic and company-specific factors:

TABLE 1: FUNDAMENTAL BETA

Degree of diversification	0.10
Intensity of competition	0.10
Maturity of business model	0.00
Regulatory risks	0.00
Financial risks	0.10
Forecast risks	0.10
Market beta	1.00
beta	**1.40**

SOURCE: SPHENE CAPITAL

- that the **EBIT margins** in the forecast period will not differ notably from the expected value for 2022/23e of 35.7%;
- that the **operating margins** in the subsequent **terminal value** phase will be 35.0%;

- a ratio of capex to net sales declining over time, which can be explained by the increasing maturity of the business model and a non-consideration of external growth; on balance, we anticipate only maintenance capex and low-level growth capex from 2022/23e onward;
- a **probability of default** of 6.3% per year applicable in the terminal value phase, which we consider realistic for the company with most recent (2018/19e) pre-tax losses of CAD -11.4 million; the PD has been calculated applying an expected recovery rate of 10.0% and a synthetic rating of B;
- that the **marginal tax rate** during the rough planning period will be 26.5%, which we consider to be a realistic average rate for the Canadian company;
- that negative free cash flows are not discounted, but instead compounded with the weighted capital costs to the current valuation date (**axiom of investor risk aversion**); this is true particularly for the initial years of the detailed planning phase in which negative cash flows are generated, according to our estimates;
- that the cash flows generated by RDT from 2019/20e-2022/23e are discounted at a **weighted average cost of capital (WACC)** of 10.7%. In addition to the fundamental beta of 1.40 derived as above this includes a virtually risk-free interest rate of 1.5% based on the yield of long-term (10-year) Canadian government bonds and an implicitly calculated risk premium for the Canadian stock market (assumption of the geometric mean) of currently 6.6%. We additionally applied a small-cap premium of 1.5%, which comprises the dependence on management (1.0%) and a liquidity premium for the shares (0.5%). We assume a synthetic corporate rating of B and therefore consider a risk premium for the debt capital of currently approximately 7.0% to be appropriate. Ultimately, we assume that RDT will aim for an industry-typical target capital structure for the market value of equity and debt capital of 75.0/25.0. With cost of capital of 10.7%, RDT is at the 75th percentile of all Canadian companies at the start of 2019, reflecting its status as a young, money-losing company. We will assume however that these costs of capital will drift down towards the median of 6.5% for all Canadian companies as RDT becomes larger and profitable.

TABLE 2: WACC, 2019/20E-22/23E

Cost of Equity derived from CAPM	**%**	**10.7%**
Risk free rate 10 years sovereign bonds	%	1.5%
beta	%	1.40
Implicit equity risk premium	%	6.6%
Small caps premiums	**%**	**1.5%**
Management premium	%	1.0%
Liquidity premium	%	0.5%
Private company premium	%	0.0%
Target equity structure	%	75.0%
Weighted costs of equity	**%**	**9.2%**

SOURCE: SPHENE CAPITAL FORECASTS

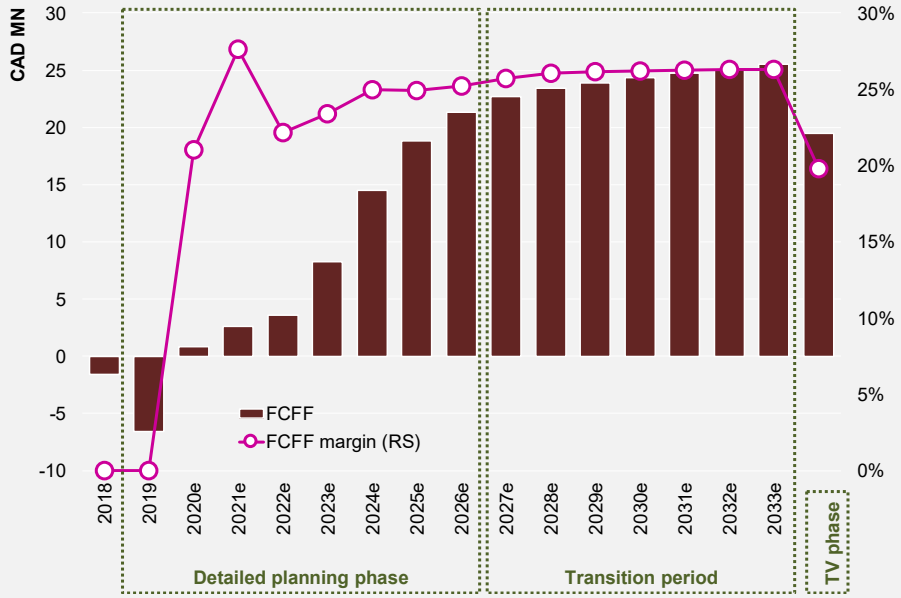
TABLE 2: WACC, 2019E-26E (CONTD.)

Cost of debt after tax	**%**	**6.2%**
Risk free rate 10 years sovereign bonds	%	1.5%
Credit risk premium	%	7.0%
Cost of debt	%	8.5%
Marginal tax rate	%	26.5%
	%	
Target debt structure	%	25.0%
Weighted costs of debt	**%**	**1.6%**
WACC based on target values	**%**	**10.7%**

SOURCE: SPHENE CAPITAL FORECASTS

- that RDT's **cost of capital** in the **terminal value phase** will not differ from that of other mature companies; as a result, we assume a decline of both beta to the level of the market portfolio (i.e., 1.0) and WACC from 10.7% (2019/20e-2022/23e) to 6.5% (which would correspond to a market risk premium of 500 basis points based on current long-term interest rates).

FIGURE 10: FCFF AND FCFF MARGIN, 2018-2033E



Growing sales coupled with costs growing at a disproportionately low rate and nearly constant net investments lead to higher free cash flows. By 2033e we expect an increase of the FCFF margin to 26.3%.

SOURCE: SPHENE CAPITAL FORECASTS

Dynamic performance of free cash flow

Typical life cycle curve

These specifications result in the above performance of free cash flows for the period from 2018 to 2033e. Figure 10 illustrates how RDT will considerably increase profitability on our assumed trajectory of purely organic growth. During the rough planning phase, we only modelled maintenance capex and a low level of growth capex.

In the terminal value phase, we ultimately incorporated a decline in free cash flows due to a rise in the reinvestment rate assumed then; this in turn is the foundation of the perpetual annuity calculation for the terminal value of the model.

In the medium-term, our base case scenario results in equity valued at CAD 142.4 million

Equity valuation of CAD 142.4 million

Our model indicates an enterprise value of CAD 141.2 million for RDT. Of this figure, 32.7% is derived from the terminal value, and 3.2% and 64.1% from the cash flow generated during the detailed and rough planning phases.

In addition to the current (operating) net cash position (as of 12/2018) of CAD 1.2 million, we calculate a pre-money equity value for RDT of CAD 142.4 million.

TABLE 3: DCF VALUATION: EXECUTIVE SUMMARY

TV insolvency rate	%	6.3%
Terminal Cost of capital	%	6.5%
Present value of terminal value	CAD mn	46.1
in % of enterprise value	%	32.7%
PV FCFF detailed planning phase	CAD mn	4.5
in % of enterprise value	%	3.2%
PV FCFF rough planning phase	CAD mn	90.6
in % of enterprise value	%	64.1%
Enterprise value	**CAD mn**	**141.2**
Financial debt	CAD mn	0.0
Excess cash	CAD mn	1.2
Value of equity	**CAD mn**	**142.4**
Number of shares outstanding	mn	81.3
Value of equity per share	**CAD**	**1.80**

SOURCE: SPHENE CAPITAL FORECASTS

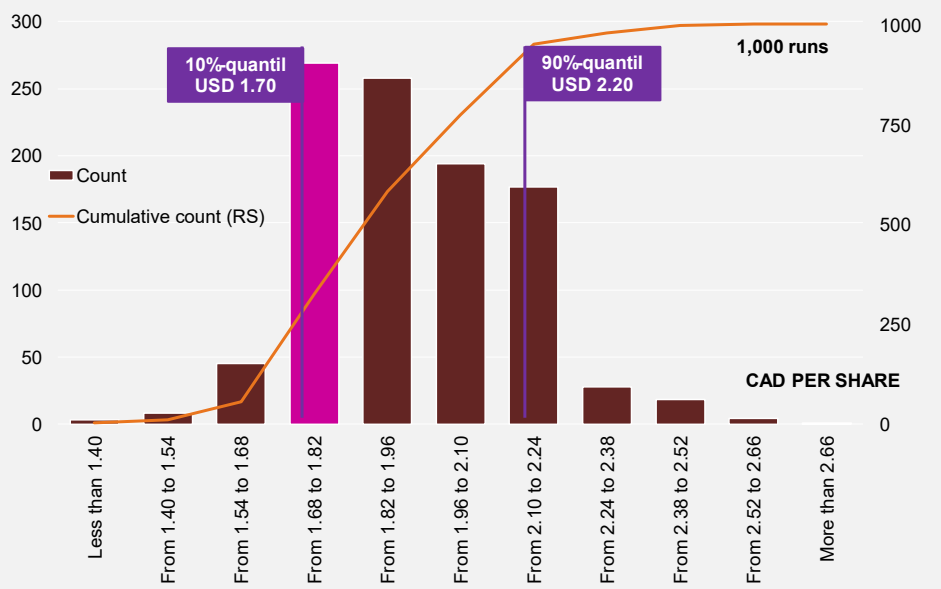
Expanded scenario analysis by way of a Monte Carlo simulation

Monte Carlo simulation with share price targets between CAD 113.8 and 227.6 million.

After we calculated the value of equity in a base-case-scenario, we conducted a Monte Carlo simulation to determine a wider range of the fair value of RDT and its sensitivities. We applied two parameters—growth rates during the transition period and EBIT margin during the terminal value phase—using a mean value for each and an estimated standard deviation (assuming normal distributions for all parameters).

In the following Figure 11, the thresholds for these parameters were extended and a total of 1,000 combinations of the two parameters tested and evaluated. This indicates that equity values of under CAD 113.8 million and over CAD 227.6 million, are difficult to attain with combinations of the two variables growth rate during the transition phase and EBIT margin during the terminal value phase.

FIGURE 11: MONTE CARLO SIMULATION



Pictured is a left skewed histogram with a mode between CAD 1.68 and 1.82 per share

SOURCE: SPHENE CAPITAL FORECASTS

Beyond the mechanical valuation

While the Monte Carlo analysis appears rather mechanical, it points us to the main risks and opportunities of RDT: It is safe to say that valuation depends highly on the success rate of the different applications and the reach within the target population. With QuickStrip, RDT has a product that is still in its very early phase of exploitation. While the consumption of cannabis is steadily being legalized globally, so far it is only being legal to less than 10% of the global target population. From this it follows that success or failure to achieve relevant penetration for QuickStrip, i. e. mainly unlocking the North American and European markets and establishing QuickStrip as a first-of-a-kind use for cannabis, will be decisive for the value of the company in the course of the next decade.

In addition to an intrinsic DCF model (primary evaluation method), we valued the shares of RDT using market multiples of a peer group of listed cannabis producers (secondary evaluation method). Based on the consensus estimates for 2021e for the peer group and our own forecasts for RDT, using our preferred price-earnings multiples result in equity values of CAD 147.1 million and CAD 1.94 per share. Minimum and maximum equity values of the peer group, however, are widely dispersed, which is, in our view, attributable to the early-phase character of the industry. On average, however, the results from the long-term DCF model can generally be confirmed by the market-oriented valuation methodology.

In addition to a DCF model, we compared RDT with Cannabis producers

In addition to a DCF model, which is used to determine the intrinsic value of a company, it is also possible to value RDT based on a peer group of listed cannabis producers in order to determine an adequate market valuation of the company. The prerequisites for inclusion in the peer group are therefore primarily derived from the industry

specification. The size of the peer group companies, which are consistently significantly larger than RDT, reduces the appropriateness of the peer group used.

Difficulties using peer group multiples

In a peer group valuation, investors look at what others are paying for similar companies, scaling to some common operating variable. With publicly traded companies in mature sectors, this takes the form of an earnings (P/ER), cash flow (EV/EBITDA) or book value (P/BR) multiple that can then be compared across companies. With RDT, investors will face two challenges.

- The first is that RDT is the first drug delivery pure play, and the only pricing that we have for these kind of companies is from cannabis producing or from cannabis companies, which cannot be considered best comparable companies.
- The second is that most companies in the cannabis business is losing money and the book values have no substance (both because the companies are young and don't invest much in physical assets).

Notwithstanding these limitations, investors will still try, by scaling to any operating number that they can find that is positive.

Peer group valuation using P/E multiples

The following table 4 shows the valuation ratios of the RDT peer group derived from the current stock market prices on the basis of the P/E ratio for the years 2022e and 2023e:

TABLE 4: P/E PEER GROUP OF CANNABIS PRODUCERS

		2020e	2021e	2022e	2023e
OrganiGram Holdings		11.6x	7.4x	5.3x	4.3x
Aphria	x	61.9x	17.7x	11.7x	8.1x
Canopy Growth	x	n/a	n/a	63.6x	27.0x
Aurora Cannabis	x	n/a	33.1x	17.7x	11.6x
HEXO	x	n/a	38.4x	11.4x	6.9x
Tilray	x	114.7x	62.8x	38.3x	28.9x
The Supreme Cannabis Company	x	n/a	n/a	18.2x	12.3x
Cresco Labs	x	141.8x	59.6x	35.8x	23.9x
Harvest Health & Recreation	x	10.2x	13.1x	17.8x	25.5x
Green Thumb Industries	x	40.2x	77.7x	37.1x	31.1x
Curaleaf Holdings	x	40.5x	15.6x	11.5x	9.0x
Median	**x**	**40.5x**	**33.1x**	**17.8x**	**12.3x**
Maximum	**x**	**141.8x**	**77.7x**	**63.6x**	**31.1x**
Minimum	**x**	**10.2x**	**7.4x**	**5.3x**	**4.3x**

SOURCE: BLOOMBERG, SPHENE CAPITAL FORECASTS

Valuation ratios widely dispersed

The range of valuation ratios is relatively broadly dispersed. Table 4 above shows that the P/E multiples based on consensus estimates 2023e are in a range between 6.9x

and 28.9x, even if extreme values are omitted. This is mainly due to the early stage character of the industry.

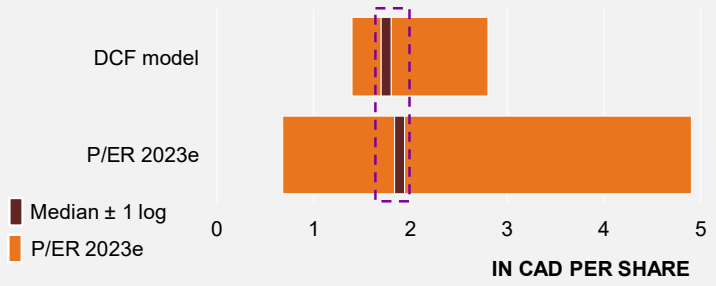
Therefore, pricing for RDT can range from CAD 52.0 million to CAD 371.6 million, depending on the peer comparison. If we select the median as the relevant central measure to eliminate extreme values, a multiple of an average of 12.3x results based on consensus estimates 2023e. On this basis, the resulting equity value for RDT is CAD 147.1 million or CAD 1.94 per share, which is slightly above the value of CAD 142.4 million or CAD 1.80 per share determined by the DCF model.

Summary of the results

In exhibit 12 below, we have summarised the pre-money results of the different valuation approaches, whereby we have illustrated the minimum and maximum values in the peer group valuation and the bear, base and bull case scenarios of the DCF model. In view of the expected development of operating earnings and the early-stage nature of the RDT business model, we believe that a DCF model with a long-term horizon is the superior valuation method.

The summary of the valuation results shows very heterogeneous valuation results, which we attribute to the early-phase character of the company.

EXHIBIT 12: SUMMARY OF THE RESULTS



Due to the long-term growth potential of the business model, we see the DCF model as the relevant valuation measure. The resulting equity value of the company is CAD 142.4 million or CAD 1.80 per share.

SOURCE: SPHENE CAPITAL FORECASTS

Multiples in achieving our price target

On the basis of our financial projections and the base case scenario of CAD 1.80 per share, which we have calculated, RDT shares would be valued with the following multiples:

TABLE 5: VALUATION MULTIPLES OF RDT-SHARES

		Valuation at current share price			Valuation at our price target		
		2020/21e	2021/22e	2022/23e	2020/21e	2021/22e	2022/23e
P/ER	X	51.8x	16.8x	4.4x	n/a	43.2x	11.4x
EV/sales	X	6.0x	3.5x	1.6x	15.3x	9.0x	4.1x
EV/EBITDA	X	54.1x	17.1x	4.5x	n/a	44.0x	11.6x
P/BR	X	12.3x	7.1x	2.7x	31.5x	18.2x	7.0x

SOURCE: SPHENE CAPITAL FORECAST

Valuation catalysts for our price target

Catalysts for achieving our price target

As the most important catalysts for the development of the corporate value of RDT in the coming months, we see **(1)** reports of a further progressive deregulation of cannabis use in Europe, **(2)** reports of a better than expected earnings development, **(3)** reports of the successful implementation of the MSSA first turn-key solutions to cannabis manufacturers.

Weaknesses and risks

Risks to achieving our price target

We see the following downside risks in particular for the achievement of the enterprise value determined by us: **(1)** The danger of a future regulation of cannabis production to the detriment of RDT, **(2)** higher than expected start-up or production costs, **(3)** market entry of foreign cannabis producers, in particular from Canada and the USA, **(4)** dependencies on management, **(5)** higher than expected investment requirements, **(6)** low market entry barriers due to comparatively low capital intensity.

An Innovative Delivery System

Founded in 2017, Rapid Dose Therapeutics Corp. (RDT) is a Canadian life science company that provides an innovative, proprietary drug delivery platform. The company has developed an IP protected non-invasive, fast-dissolving and oral dispersible film strip infused with micronized active ingredients such as pharmaceuticals, nutraceuticals, or cannabis. While the strip is dissolved in the mouth, the active ingredients are transferred across the mucosal layers or sublingually into the blood stream. With the pharmaceutical, nutraceutical, and the cannabis market, RDT has formed three main business divisions so far.

An oral strip that acts as a fast-dissolving delivery system

Rapid Dose Therapeutics ("RDT") is a Canadian life science company that has developed a proprietary drug delivery technology called QuickStrip. The QuickStrip is a novel delivery device consisting of micronized active ingredients incorporated into a therapeutic thin film matrix. It is a thin strip made of a proprietary biopolymer and excipients designed to advance the bioavailability and efficacy of drug delivery via the oral mucosa. Therefore, the QuickStrip has the potential to capitalize on the convenience of oral administration yet allowing rapid absorption into the bloodstream and rapid onset of therapeutic effects.

RDT's QuickStrip uses a micronization process to produce a particle small enough to pass through the mucosal membranes in the mouth, thus avoiding the digestive tract.

How does the QuickStrip work?

After the strip has been placed inside the cheek (buccal) or under the tongue (sublingually), the active ingredient(s) infused in the strip are released and rapidly delivered across the oral mucosal in the mouth. This allows the active ingredient to enter the blood stream quickly and directly without being degraded or modified, by-passing first metabolism in the stomach. Unlike pills, in which the active substances must first pass through the gastrointestinal tract and the liver, QuickStrip delivery enables drug uptake directly into the bloodstream within minutes.

The main advantages of the QuickStrip delivery systems are:

Quick delivery to the bloodstream
Precise dosing and convenient packaging
Privacy through discreet dosing
No water or swallowing required
Bypass the digestive tract and liver
Rapid onset
Increased bioavailability

EXHIBIT 13: QUICKSTRIP PRODUCT

QuickStrip can be formed into any dimensional size, but for simplicity is often produced as rectangles for easy packaging and personal ease of use.

SOURCE: COMPANY DATA

Advantages of the QuickStrip technology

The main advantages of the QuickStrip substrate are as follows:

- **More rapid delivery of active ingredients:** Sublingual delivery via QuickStrip has the potential to more rapidly deliver active ingredients compared to standard oral administration.
- **Greater serum concentrations:** Sublingual delivery via QuickStrip has the potential to deliver greater bioavailability of active ingredients compared to standard oral administration.

Highly scalable technology for a broad range of therapeutic applications

According to the company, the QuickStrip technology has the potential to be combined with numerous proprietary compositions for a broad range of therapeutic applications. The proprietary formulation is processed using RDT proprietary production equipment and processed into QuickStrip according to the specifications of each active ingredient.

IP protected solution

RDT owns all IP, patents pending, trademarks, and copyrights associated with the QuickStrip technology. As stated by management, only a limited number of people involved with commercial production have knowledge about the proprietary formulation. Ongoing R&D developments are protected within the company and not shared externally.

Three main business divisions

The QuickStrip product can provide enhanced bioavailability in the human body. By oral dissolution the active ingredient is directly and effectively delivered into the bloodstream, as opposed to the ingestion of a pill which requires breakdown through the digestive processes.

QuickStrips are a safe and effective delivery device for low-dose, high-impact drugs, vitamins and personal use products, according to the company.

So far, the company has identified three vertical markets, focused primarily on therapeutic applications:

- **Nutraceuticals:** Primary clients are OTC (over the counter) product manufacturers of vitamins and nutritional supplements, for example large Canadian and US retail chains who are selling high volume consumer-oriented products.
- **Cannabis:** RDT is addressing both medicinal and recreational cannabis markets in regulated countries.
- **Pharmaceuticals:** RDT is targeting branded drug manufacturers that are looking for alternative delivery systems to expand or enhance products where quick dosage and simplified delivery are important. In addition, RDT is seeking manufacturers of branded products in mid-cycle, near patent expiry, or in search of a significant line extension.

According to the company, there are a myriad of active medicinal agents that can be infused into the QuickStrip delivery format. A key consideration is whether or not the ingredient is viable and effective when administered by sublingual delivery.

As of today, the company offers the following Nutraceutical product portfolio:

Within the Nutraceuticals division, RDT offers three products.

- **Energy:** The “QuickStrip Energy” solution (see also exhibit 13 above) delivers 40 milligrams of caffeine on a mint flavoured strip, equivalent to the amount of caffeine actually realized from a cup of coffee or a typical energy drink.

- **Vitamins and supplements:** The "QuickStrip Vitamin" solution delivers 1,000 micrograms of vitamin B12 on a cherry flavoured strip. Vitamin B12 (methyl cobalamin) is the coenzyme that affects the cellular metabolism and acts together with vitamin B9 to synthesize nucleic acids, helps to maintain healthy blood cells, maintains the central nervous system, and helps to prevent types of anaemia.
- **Melatonin:** The "QuickStrip Sleep" solution delivers 5 milligrams of melatonin as a supplementing agent to optimize sleep or improve sleep quality, mainly for people suffering from insomnia or who need to overcome jet lag.

According to the company, several test market sales for nutraceutical products via direct-to-retailer distribution agreements have been initiated so far. Additional products can be expected in the medium-term.

In the longer-term, RDT is also pursuing the delivery of pharmaceuticals and therapeutic drugs.

Indirect sales channels
RDT is following an indirect sales strategy by licencing the proprietary QuickStrip technology to regulatory approved companies within three sectors:

- **Nutraceuticals:** Primary target clients are large North American retail chains selling high volume consumer-oriented products. So far, RDT offers three approved products: QuickStrip Energy (Caffeine), QuickStrip B12 (vitamins) and QuickStrip Sleep (Melatonin).
- **Cannabis:** Primary target clients are regulatory approved companies supplying cannabis products for medicinal and adult recreational use in their respective jurisdictions.
- **Pharmaceuticals:** Primary target clients are branded drug manufacturers who are looking for alternative delivery systems for products in mid cycle or near patent expiry.

The managed strip services ("MSS") strategy in the cannabis segment
While nutraceutical products are sold via direct or indirect sales channels, cannabis products are sold based on so-called Managed Strip Services Agreements ("MSSA"). According to its MSSA strategy, RDT provides turn-key solutions to cannabis manufacturers and licences the technology through manufacturing contracts in pre-defined jurisdictions.

In our view, RDT's service-based annuity contracts deliver recurring revenues which enable a rapid expansion into new markets — potentially generating value for consumers and shareholders.

According to the company, it is essential to disperse the ingredients, especially if they are oil based. In addition, by ensuring the homogeneity of the product, a correct dose of the active ingredient can be assured. Therefore, RDT provides an individual dry mixture according to the precise specifications predetermined by the client and based on the desired product. The clients will then combine the mixture with their specific cannabis distillate on their own site using RDT's proprietary processes and equipment to finish and package the end product into a single sealed dosage unit.

Typically, MSSAs provide RDT with

- initial signing fees,

- installation and commissioning fees of the high-speed production and packaging machines at the customers' production facilities,
- minimum monthly or quarterly production service fee payments,
- per unit production service fees for every strip produced once production exceeds monthly or quarterly minimum quantities.

Substantial cash saving advantages

In our view, MSS agreements offer two main advantages for RDT: First, they provide long-term recurring revenues, and secondly, RDT is able to quickly penetrate new markets throughout North America and internationally. According to the management, RDT has so far signed six MSS agreements and expects additional agreements to be signed over the coming months.

TABLE 6: TERRITORIES WHERE RDT PRODUCTS ARE SOLD THROUGH CONTRACTED PARTNERS

Cannabis	Nutraceuticals
Canada	Canada
USA	USA
Puerto Rico	Armenia
Germany	Azerbaijan
	Bangladesh
	Jordan
	Kazakhstan
	Kyrgyzstan
	Uzbekistan
	Ukraine

SOURCE: COMPANY DATA, SPHENE CAPITAL

Overview of the MSSA clients

In just a short period of time, RDT has managed to sign six MSS contracts with what we regard as the crème de la crème of US and Canadian cannabis manufacturers:

- In October 2018, RDT signed a five-year (renewable) MSS agreement with **Chemesis International Inc.,** which grants Chemesis licensing rights in order to produce, distribute, and sell its cannabis products in California using RDT's QuickStrip delivery system. Chemesis is a fully compliant, fully licensed first mover in California. With an estimated market volume of USD 5.1 billion and more than 1 million medicinal marijuana patients, California represents about one third of the North American cannabis market.
- In November 2018, RDT signed a five-year (renewable) MSS agreement with **Chemesis International Inc.** for the US Territory of Puerto Rico. Under the MSS agreement, Chemesis has been granted a license to use RDT's QuickStrip delivery technology for cannabis products in Puerto Rico. Chemesis anticipates reaching 100,000 registered HIV, cancer, MS, migraines, anxiety and epilepsy patients by the end of 2019e. In August 2019, machine installation was completed.

- In November and December 2018, RDT signed two MSS agreements with **Aphria Inc.**, one of the first companies which was granted a license to produce and sell medicinal cannabis by Health Canada and one of the largest cannabis manufacturers in the world. In a first agreement, Aphria was granted an exclusive preferred vendor status for the production and sales of RDT's QuickStrip technology for both the medicinal and recreational cannabis markets in Canada. In August 2019, machine installation was completed. In a second agreement the license was expanded to the production and distribution of CBD-only QuickStrip products to the German market. Aphria intends to start the strip-production at its production facilities in Leamington, Ontario in 2019. The agreement also provides Aphria with the right to add additional territories and to expand into additional markets using RDT's delivery technology. In this case, additional payments for the benefit of exclusivity will be due and in addition to milestones that have to be met in order to retain any preferential benefits.
- In February 2019, RDT signed a five-year MSS agreement with **Flower One Holdings Inc.** to produce, distribute and sell QuickStrip branded products in the Nevada medical and adult recreational cannabis market. With a 400,000 square foot operation, Flower One runs one of the largest cannabis cultivation greenhouses in Nevada, a USD 529.9 million (2018e) market. In July 2019, machine installation was completed.
- In June 2019, RDT signed an amendment to the agreement with **Chemesis International Inc.**, expanding the scope of their initial agreement to Michigan.
- In August 2019, RDT signed a manufacturing agreement with **Thrive Cannabis** to produce QuickStrip-cannabis products for both the Canadian medical and recreational markets. Thrive Cannabis expects to allocate a significant proportion of its high-quality processed distillate to the production of QuickStrip, launching under its first brand, GreyBeard, and then following with a women-focused product.

TABLE 7: MANAGED STRIP SERIVCE CONTRACTS OVERVIEW

	Date	Duration	Territories	Medicinal	Recreational
Chemesis International	2018	2023	California	✓	
Chemesis International	2018	2023	Puerto Rico	✓	
Aphria	2018	2023	Canada	✓	✓
Aphria	2018	2023	Germany, UK, Netherlands, Italy, Poland	✓	✓
Flower One Holdings	2019	2024	Nevada	✓	✓
Chemesis International	2018	2023	Michigan	✓	
Thrive Cannabis	2019	2024	Canada	✓	✓

SOURCE: COMPANY DATA, SPHENE CAPITAL

Financial impact of MSS Agreements

With internal testing of the production systems now completed, RDT has scheduled the delivery of five QuickStrip production systems starting in Q2/2019/20e (which began 01

June 2019) for installation and commissioning in RDT's customers' locations. According to the company, RDT has received initial cash payments in the form of common shares of publicly trading companies amounting to CAD 1.0 million (as of May 31, 2019).

The route of administration can have substantial impact on the absorption, distribution, and metabolism of drugs. While intravenous injections are known to be rapid and oral administration can be convenient, both have significant disadvantages too. Buccal or sublingual mucosae can be an attractive alternative to standard oral administration as it bypasses first pass metabolism in the liver as well as degradation in the digestive tract. In addition, with the buccal and sublingual mucosae both receiving abundant blood supply and having a relatively high permeability, drugs can enter and act rapidly.

What is meant by route of administration?

In pharmacology and toxicology, a route of administration is the path by which a drug, fluid, poison, or other substance is taken into the body. Routes of administration are generally classified by the location at which the substance is applied—for example oral and intravenous administration—or based on where the target of action is: topical (local), enteral (system-wide effect, but delivered through the gastrointestinal tract), or parenteral (systemic action, but delivered by routes other than the gastrointestinal tract).

Every active ingredient (pharmaceutical, drug etc.) is designed to unfold its effects at a specific area in the (human) body. The reaction and the strength of this reaction depend on how large the concentration of the active ingredient is at its site of action. It is not always possible to direct an active ingredient directly to the desired site of action. Thus, in many cases, a drug is brought from afar to the actual site of action.

It is well known, that the route of administration can dramatically affect the absorption, distribution, and metabolism, as well as the physiological and behavioural responses to any therapeutics. Delivery of significant concentrations of active medicinal ingredients to a specific target tissue often is a substantial barrier to therapeutic efficacy and hampers the development of novel therapeutics:

- The direct **intravenous injection** of medication into a vein is known to permit rapid access to the nervous system, allowing onset of therapeutic effects to also be rapid. However, the intravenous type of drug application not only entails risks, so that intravenous injections are limited in clinical application of therapeutics. In addition, injections could be frightening and painful and thus negatively impact patients' compliance. Therefore, intravenous administration is not the rule, but the exception in everyday medicine.
- **Oral administration** via pills or drops is convenient and the most frequently used method of administering drugs, yet it typically has a very slow onset of therapeutic effects. After swallowing a drug, the active ingredient dissolves in the stomach or small intestine. It is then eventually absorbed through the mucous membrane of the stomach and intestine and fed into the bloodstream. But very often drug potency can be lost since absorption may take place through the gastrointestinal tract or the liver. In order for a drug to be absorbed into the bloodstream, it must be present in dissolved form. Thus, drops act faster than pills, which have to dissolve in the stomach or intestine beforehand. However, oral tablet delivery could be challenging

for children, the elderly, and severely ill populations, such as those suffering from mucositis following chemotherapy treatment.

- Absorption of drugs across the **buccal or sublingual mucosae** is an alternative to standard oral administration because it bypasses first pass metabolism in the liver as well as degradation in the digestive tract. In addition, with the buccal and sublingual mucosae both receiving abundant blood supply and having a relatively high permeability, certain drugs can enter and act rapidly.

The better alternative: Buccal administration of drugs

For several drugs, the passage through the gastrointestinal tract must be avoided at all. The protein-splitting enzymes (proteases) could destroy certain types of pharmaceuticals and render them ineffective. In addition, substances that are difficult to absorb through the gastrointestinal mucosa must be administered parenterally. One possible solution is the administration of the drug via the oral mucosa, i.e. buccal (buccal means mouth mucosa) or sublingual (sublingual means mucosa under the tongue) administration. Doing so, the active ingredient would reach the upper vena cava, which leads to the right half of the heart, via the blood vessels of the oral mucosa.

Important practical applications for administration via the oral mucosa include emergency situations where rapid administration by nonskilled personnel could be lifesaving, in unconscious patients where swallowing is impaired, and in young children, elderly, and severely ill persons. Administration via the oral mucosa also does not require water to administer as an oral tablet would.

An additional advantage is the accelerated absorption into the blood. The kinetic aspect of the onset of action can be particularly relevant if a rapid effect is needed, e.g. treatment of acute pain or in the event of headache attacks. On the other hand, the rapid increase and the associated higher plasma levels are often responsible for potential adverse effects.

Company History, Management, and Shareholder Structure

Founded in 2017 and based in Burlington (Ontario), RDT is a Canadian life science company which provides an innovative drug delivery technology. RDT is an entrepreneurially managed company where the main shareholders are also in board functions. At present, RDT is headed by a four-member Board of Directors and four senior management personnel. As of July 2019, the company has 23 employees.

Company history

The following figure provides an overview of the company history of RDT:

EXHIBIT 14: OVERVIEW OF THE COMPANY HISTORY

Corporate	Customers		Financials
08/2018 Foundation of RDT by merger or ACME Resources and RDT	**10/2018** Agreement with Chemesis International (Cannabis in the State of California)	**04/2019** Agreement with TFB & Associates (Nutraceuticals in Canada)	**2017/18** Revenues CAD 0 mn EBIT CDN -1.5 mn
08/2018 Agreement with University of Las Vegas	**11/2018** Agreement with Aphria (Cannabis in Canada)	**06/2019** Agreement with Chemesis International (Cannabis in Michigan)	**2018/19** Revenues CAD 0 mn EBIT CAD -3.3 mn
12/2018 Begin of trading on the Canadian Securities Exchange (CSE)	**12/2018** Agreement with Aphria (Cannabis in Germany)	**07-08/2018** Agreement with Ukraine Pharma (Nutraceuticals in Eastern Europe and Asia)	
02/2019 Begin of sales of nutraceuticals in the US	**02/2019** Agreement with Flower One (Cannabis in the State of Nevada)	**08/2019** Agreement with Thrive Cannabis (Cannabis in Canada)	

According to our view, RDT has published an impressing number of manufacturing and distribution agreements with various clients during the last months.

SOURCE: COMPANY DATA, SPHENE CAPITAL

23 employees

At present, RDT has 23 employees—counted on a head basis. Of these, the most are active at the company's headquarter in Burlington, Canada.

Board with long-term industry experience

Currently, the board of directors consists of four members:

- **Mark Upsdell** is CEO of RDT. Prior to that, Mr Upsdell was former Director for Global Strategy and Planning of Cisco. He has more than 30 years of experience in strategic leadership in Fortune 500 companies within the technology sector.

- With more than 28 years of hands-on expertise within the healthcare and pharmaceutical sectors, **Jason Lewis** is Senior Vice President for Business Development of RDT.
- **Brian Howlett** has over 30 years of senior financial management experience in various companies. Currently, Mr Howlett acts as President, Chief Executive Officer and Director of Dundee Sustainable Technologies Inc and CR Capital Corp.
- **Ken Fox** is a CPA and CMA with over 25 years of corporate tax experience. He also has long-term experience in strategy and policy development, project management, change management, labour relations and organizational design.

In addition, RDT employs the following key executives:

- **Ian Fodie**, Canadian and New Zealand citizen, is CFO of RDT. Mr Fodie has been CFO with various corporations, among them Green Growth Brands, First Bauxite Corp., and Lithium Americas Corp. In addition, he was President & CEO of Oriental Minerals Inc. (now Woulfe Mining Corp.), and CFO of Longview Capital Partners Inc. (now Resinco Capital Partners Inc.).
- **Dr Rina Carlini** is VP for research and innovation. Previously she was President and CEO at Haltech Regional Innovation Centre, Interim President at Cloud DX Canada, Principal & Nanotechnology Director at Xerox Canada. Dr Carlini is inventor of more than 100 US patents, co-author of 20+ peer-reviewed research articles. and reviewer of government funding agencies (OCE, NSERC, CFI, MaRS).
- **Doug Hyland** is Manager Systems & Process of RDT and has over 30 years of experience in diverse strategic, financial and business experience across multiple industries including manufacturing and distribution, financial services, technology, and the health industry.

The share capital of the Burlington (Ontario, Canada)-based company currently consists of 75.8 million shares (81.3 million shares fully diluted). Direct ownership of management and directors is approximately 21.5%. Including shares held by Aphria, 31.4% of shares outstanding are held by insiders and strategic shareholders. In total 51.9 million shares were put into escrow, of which 5.2 million shares have been released to date with the remaining 46.7 million shares being released through December 2021e. The free float of the company is 68.6%.

21.5% of the shares outstanding are held by management

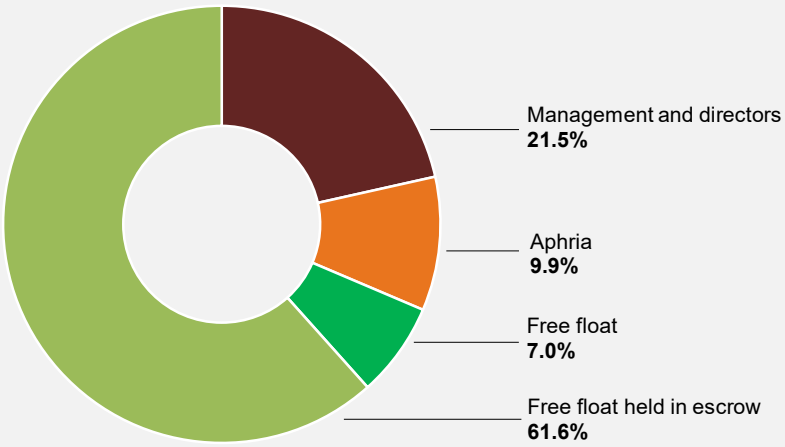
As of July 2019, the share capital of the company consists of 75.8 million shares (basic) or 81.3 million shares (fully diluted). At a current price of CAD 0.70 per share, the market capitalization of the company is CAD 56.9 million (fully diluted).

With 11.5 million shares, CEO Mark Upsdell holds approximately 15.2% of the voting rights (basic), 4.8 million shares (6.3%) are held by Jason Lewis, while 7.5 million shares (9.9%) are held by Aphria which purchased the shares in a private placement at a price of CAD 0.75 per share.

Further institutional investors are not known at the time being. The free float is thus 68.6%, the market capitalisation of the free float consequently is CAD 39.0 million as of 14 October 2019.

46.7 million shares are held in escrow accounts and will be released over the next two years. If we deduct the escrow shares, the free float diminishes to 7.0%.

FIGURE 15: OWNERSHIP STRUCTURE (BASIC, AS OF OCTOBER 2019)



The shares currently being held in escrow will be released each six months according as follows:
12/2019: 5%
06/2020e: 5%
12/2020e: 15%
06/2021e: 15%
12/2021e: 50%

SOURCE: COMPANY INFORMATION, SPHENE CAPITAL

Strengths, Weaknesses, Opportunities, Threats

We see the following company- or product-related **strengths** of RDT:

Strengths

- **Life science company with proprietary drug delivery technology:** Rapid Dose Therapeutics ("RDT") is a Canadian life science company that has developed a proprietary drug delivery system called QuickStrip that addresses various needs of the nutraceutical, cannabis, and pharmaceutical industries.

- **Faster efficacy:** Compared to pills, edibles or drinks, where the active ingredient is degraded in the digestive tract, QuickStrip can deliver active ingredients significantly faster.

- **Dosing variable quantities:** One main advantage of the active ingredient delivery by QuickStrip is, that active ingredients can be dosed at variable quantities using the sublingual pathway compared to consuming these drugs orally.

- **No dependencies of suppliers:** According to the company, RDT has several suppliers of various parts of the technology. There are no dependencies on the supplier side of the business model in our view.

- **High share of recurring revenues:** RDT's business model is based on annuity contracts—so called Managed Strip Services Agreements or "MSSA"—where RDT's role is to provide the delivery system, manufacturing equipment, and know-how, but not the manufacture of the actual product. This assigns the responsibility to produce QuickStrip products to RDT's clients. Due to this partnership strategy, RDT can quickly extend its reach and enter new markets without facing heavy investment needs.

- **Significant economies of scale:** Due to the low proportion of services needed, we believe that economies of scale are significant.

- **Gradual expansion of the product range:** In addition to focusing on the administration of pharmaceutical and nutraceutical products, RDT recently has expanded its product range into the fast-growing cannabis market, where several cooperation agreements have been concluded with significantly larger companies.

- **Long-term customer relationships:** The customer relationships are basically of a long-term nature due to RDT's preferred Managed Strip Services Agreements (MSSA). None of the supply contracts were concluded for a term of less than five years, according to the company. Since the production machines are owned by RDT, any termination of a MSSA agreement by a customer would entail a complete exit from the addressed market. We therefore believe that even after minimum rental periods will have expired, terminations are likely to be an exception.

- **High visibility of earnings:** With an average contract term of currently five years and a high creditworthiness of its customers, we believe that the company's earnings situation can be forecast comparatively well.

- **Medium-sized customer portfolio:** RDT's customers are primarily medium- and large-sized companies which typically operate in highly competitive markets. For

them, the products offered by RDT can represent a significant competitive advantage, in our view.

- **No risks from external growth:** So far, RDT has distinguished itself exclusively through organic growth. So far, no goodwill has been accounted for.

- **Access to the capital market:** In an environment characterised by small-scale structures, the reputation gain from the IPO could form the basis for acquiring further industrial customers.

Weaknesses

We see the following company- and product-related **weaknesses** of RDT:

- **Conflict of interest:** RDT has signed two MSS agreements with Aphria which is also a significant shareholder of the company. Aphria has acquired 7.5 million shares in a non-brokered private placement completed at a price of CAD 0.75 per share, representing approximately a 9.2% interest in the company on a fully diluted basis.

- **Dependencies on customers:** RDT has only been operational for one year. As a result, the company's customer portfolio is still focused on a few companies. In addition, customer companies are significantly larger than RDT.

- **Limited IR activities:** In the past, RDT has pursued only limited active investor relations policy and must gradually establish contacts with institutional and small cap investors.

- **Dependency from clients:** RDT's cannabis customers (but not RDT) are responsible for marketing and advertising their products using the QuickStrip-technology. However, RDT is helping with brand recognition. This means that RDT is dependent on its customers success.

Opportunities

The following **opportunities** apply to any company operating in the same industries as RDT:

- **Lack of substitution threats:** In principle, the administration system offered by RDT is a sensible and effective alternative for the consumption of pharmaceuticals, nutraceuticals, and cannabis.

- **Low price sensitivity:** In view of the expected market potential with only a small investment of capital and the innovative business model without any significant competitive offers, we believe that RDT's customers are not very price sensitive.

- **Non-cyclical business model:** The solutions offered by RDT are characterised by low cyclicality.

Threats

The following **threats** apply to every company operating in the same industries as RDT:

- **Risk of regulatory influence:** Both pharmaceutical and cannabis products are under strong regulatory supervision. We believe that regulatory actions could jeopardize RDT's long-term business success.

- The QuickStrip delivery device requires the **approval of Health Canada** under The Cannabis Act to enable RDT's Canadian customers the right to produce and sell cannabis oil on the RDT oral thin film strip.

- **Low barriers to market entry:** The solution offered by RDT seems to be a comparatively simple service in which market entry is only associated with low initial investment. However, despite there have been other companies and educational institutions who have tried to launch similar products, they did not succeed mainly due to limitations in the product technology and lack of clinical data proving efficacy, according to RDT.

An Active Ingredient Known for Thousands of Years

The cannabis sativa plant has been used for healing in China since 2,000 B.C. and has probably spread via India to the Middle and Near East and finally to North and South America. In recent decades, research has been slowed worldwide as most countries restricted or even prohibited the procurement of cannabis for medical studies under the 1961 Single Convention on Narcotic Drugs. In Europe, the European Parliament has passed a unified resolution at European level in mid-February 2019, in which MEPs call for a uniform legal definition of medicinal cannabis, the promotion and appropriate financing of research and innovation in this field and the adoption of effective cannabis-based drugs by the respective health insurance funds of the member states.

Estimates indicate strong growth in global cannabis markets

According to various research institutes, the global legal marijuana market is expected to reach between USD 100.0 and 146.4 billion by end of 2025e. Increasing adoption of marijuana in several medical applications such as cancer, mental disorders, chronic pain and others is expected to propel revenue growth in near future as well as a full legalization of recreational use of cannabis.

Legal cannabis use has started gaining traction worldwide due to high demand from patients and the ongoing legalization of medicinal cannabis in various countries.

EXHIBIT 16: GLOBAL CANNABIS MARKET ESTIMATES

		Base year (USD bn)				Last forecast year of the report (USD bn)				
Source (year)	Market	2016	2017	2018	CAGR	2023e	2024e	2025e	2026e	2027e
Bank of Montreal (2019)	World market			13.2	+46.8%			194.0		
Grand View Research (2018)	World market	9.3			+35.8%			146.4		
Cannabis Plans (2018)	North American market			12.0	+16.5%					47.3
Mordor Intelligence (2019)	World market			14.5	+35.3%		89.1			
Markets and Markets (2018)	World market			10.3	+30.8%	39.4				
Inmarc Group (2018)	Medical market			13.4	+22.1%		44.4			
Grand View Research (2018)	Medical market			11.0	+37.1%			100.0		
Arcview Market Research (2018)	North American market		9.2		+17.8%					47.3

SOURCE: COMPANY DATA, SPHENE CAPITAL

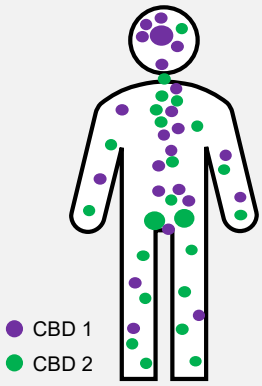
The history of cannabis in medicine

Notwithstanding expected growth rates, cannabis has been known for ages. The cannabis sativa plant has been used for healing in China since 2,000 B.C. and has probably spread via India to the Middle and Near East and finally to North and South America. Already in the 19th century, cannabis tinctures were used in Great Britain and

For decades, cannabis research was held back worldwide, as most countries had banned its use and research was illegal or difficult.

the USA to relieve pain and nausea. With the development of drugs that could be administered orally or by injection in standardized doses, the use of cannabis constantly declined at the beginning of the 20th century until its inclusion in the Single Convention on Narcotic Drugs of 1961 as a non-medicated narcotic caused a temporary end to the medical use of cannabis in most parts of the world. It was not until the 1990s, when the endo-cannabinoid system was discovered in the brain, that a decisive turn was made towards research into possible medical applications, particularly in the treatment of chronic pain and neurological diseases such as multiple sclerosis and epilepsy.

EXHIBIT 17: DISTRIBUTION OF CANNABINOID RECEPTORS TYPE 1 AND TYPE 2 IN THE BODY



SOURCE: PROHIBITION PARTNERS, SPHENE CAPITAL

The effects of cannabis and cannabinoids

The cannabis plant produces cannabinoids in the form of resins in glands on its surface. Especially the inflorescences of female plants contain numerous resin glands which produce cannabinoids as a defence against animals, but also against microorganisms like bacteria and fungi. The glands of the cannabis plant supply 104 different cannabinoid and terpenoid molecules, of which Delta-9-Tetrahydrocannabinol (THC) and Cannabidiol (CBD), in particular, are currently used for various diseases and therapeutic applications.

- **Tetrahydrocannabinol ("THC")** is responsible for psychoactive and intoxicating effects such as euphoria, relaxation, and increased sensory experience. However, there is also evidence of medicinal benefit against nausea and vomiting, appetite stimulation, and pain relief.
- **Cannabidiol ("CBD")** has both antipsychotic and anxiolytic effects, i.e. calming, relaxing and sleep-promoting, as well as antispasmodic and muscle-relaxing. Cannabidiol is not intoxicating or addictive.

Cannabinoids act through the endo-cannabinoid system, a part of the nervous system that affects many bodily functions of humans and animals. In the brain, for example, the system affects memory, movement control, pain modulation, nerve growth, and the adaptability of the nervous system. It thus influences sleep, appetite and anxiety behaviour. In other parts of the body it affects the intestine, the reproductive system, the heart, the hormone and the metabolic system amongst others. Natural chemicals in

CBD can be extracted from hemp or from marijuana. Hemp plants are cannabis plants that contain less than 0.3 % of THC, while marijuana plants are cannabis plants that contain higher concentrations of THC. CBD is sold in the form of gels, gummies, oils, supplements, extracts, and more.

THC is the main psychoactive compound in marijuana. It can be consumed by smoking marijuana. It is also available in oils, edibles, tinctures, and capsules.

the body can bind to the different receptor types of the cannabinoid system and thus control its functions.

Two receptor types are known to date:

- **Cannabinoid receptors type 1** are mainly located in the central nervous system. Therefore, medical applications of cannabis in various nerve damage and neurodegenerative diseases such as Parkinson's and Alzheimer's as well as MS-related tension and musculoskeletal pain are being investigated.
- **Cannabinoid receptors type 2** are found in the immune, digestive and reproductive systems, as well as in bones, skin, lungs, hormonal glands, and eyes. Possible applications include diseases in these body systems and organs, including the use of cannabinoids in inflammatory bowel disease, rheumatoid arthritis, chronic pain, cancer or psoriasis.

Cannabis is still widely considered an illicit drug. After the use of cannabis for medical purposes has been gradually approved in several US states and in Canada since the middle/end of the 1990s, the Netherlands followed in the EU. Meanwhile, regulated access systems apply in the Czech Republic, Italy and Germany. There are exceptions for individual patients in Croatia, Denmark, Finland, Norway, Poland and Sweden.

Slow process of destigmatization

The use of medical cannabis was first permitted in some US states in the mid-1990s, but only recently have the hurdles been removed on a larger scale. Earlier this year, the WHO called for a reclassification and recognised a medical benefit of cannabis.

Under international drug control agreements, the use of cannabis is restricted to scientific and medical purposes.

- The **United States** were the first region to approve the medical use of cannabis. Following approval in some US states in the mid-1990s, a court ruling in **Canada** in 1999 called on the authorities to develop a national plan for the medical use of cannabis. In October 2018, Canada became the first G7 country to legalize the non-medical, i.e. recreational (a.k.a. adult) use of cannabis.
- In **Europe**, too, various pharmaceutical cannabinoids are now approved for medical use. Medical cannabis has been available in pharmacies in the Netherlands since September 2003, and the Office of Medical Cannabis was established in 2001 to ensure the domestic production of cannabis for medical use. In Germany, cannabis has been available since 2011 and can be prescribed by doctors. Since March 2017, medical cannabis and preparations containing cannabis can also be prescribed at the expense of the statutory health insurance funds.

The **World Health Organization** (WHO) recommended a reclassification of cannabis to the member states of the United Nations in a letter at the beginning 2019 and following the results of a scientific working group set up in November 2018 to investigate the risks of cannabis (and its components THC and CBD) Since its inclusion in the 1961 Single Convention on Narcotic Drugs, the WHO had no longer assessed the potential for harm, dependence and abuse of cannabis. Now, the group of scientists has concluded that the classification of cannabis in the same group as heroin was not justified. In addition, a medical benefit of cannabis was recognised. The WHO has therefore changed its recommendation to remove cannabis flowers and hashish from the list of the most dangerous drugs and to include them into the list of less dangerous drugs. In practice, medical use will be facilitated, but not recreational, non-medical use.

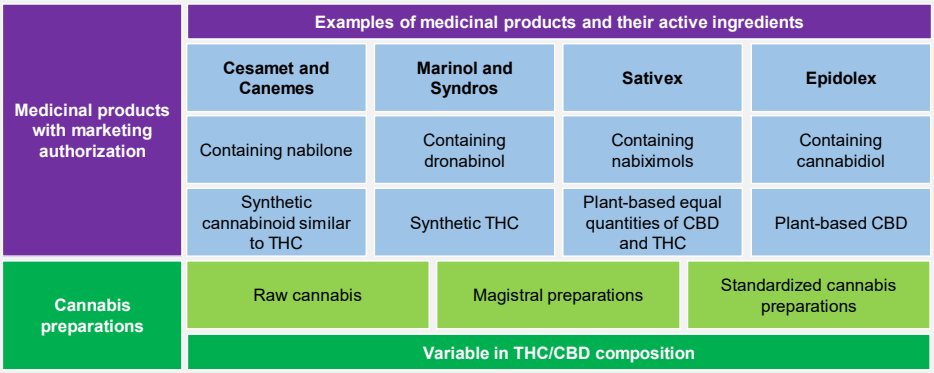
According to the 1961 Convention, cannabis must in principle continue to be controlled by the signatory states, regardless of its legal status. However, CBD preparations with a maximum THC content of 0.2% were completely removed from the list.

Medicinal products vs. medical cannabis or cannabis preparations

There is an important difference between authorised herbal and synthetic cannabinoid products approved by a regulatory authority, i.e. medicinal products with extensive clinical safety, efficacy and side effects studies, on the one hand, and medical cannabis or preparations containing cannabis without a marketing authorisation, on the other. The latter also include products prepared by pharmacists in accordance with a prescription or processed into standardised batches by manufacturers.

In the following, the focus is on medical cannabis and preparations containing cannabis and in particular their different approval status and market prospects in Europe, with a special focus on Germany as the single largest market in Europe.

EXHIBIT 18: DISTINCTION BETWEEN PHARMACEUTICAL CANNABIS PRODUCTS AND MEDICAL CANNABIS



While medicinal products are herbal and synthetic cannabinoid products which have been approved by a regulatory authority only after extensive clinical trials, medicinal cannabis and preparations containing cannabis can be marketed without a marketing authorisation.

SOURCE: EUROPEAN MONITORING CENTRE FOR DRUGS AND DRUG ADDICTION (EMCDDA), SPHENE CAPITAL

Status of approval of medical cannabis in the USA and Canada

- The US Food and Drug Administration ("FDA") has approved a number of cannabinoids based on clinical trials, including for cancer patients undergoing chemotherapy and for HIV patients. Last year, a drug (Epidiolex) from British manufacturer GW Pharma was approved for use in children over the age of two with epilepsy. In addition, several citizens' petitions (in about half of the US states) have successfully advocated the legalization of medical cannabis. The regulations of the individual states are very different, some grant only impunity with given medical necessity, others permit only the use of CBD based products, but they all have in common that the regulations are in principle in conflict with the federal law. US federal law prohibits the use of cannabis, including for medical purposes. Although federal law enforcement has been relaxed by the Obama administration, doctors in many states are reluctant to prescribe which has led to the emergence of a quasi-legal market in states with liberal laws.
- Several cannabis-containing drugs are also approved in Canada, including for spasticity associated with multiple sclerosis, as an adjunctive treatment to relieve neuropathic pain in patients with multiple sclerosis and advanced cancer, to treat

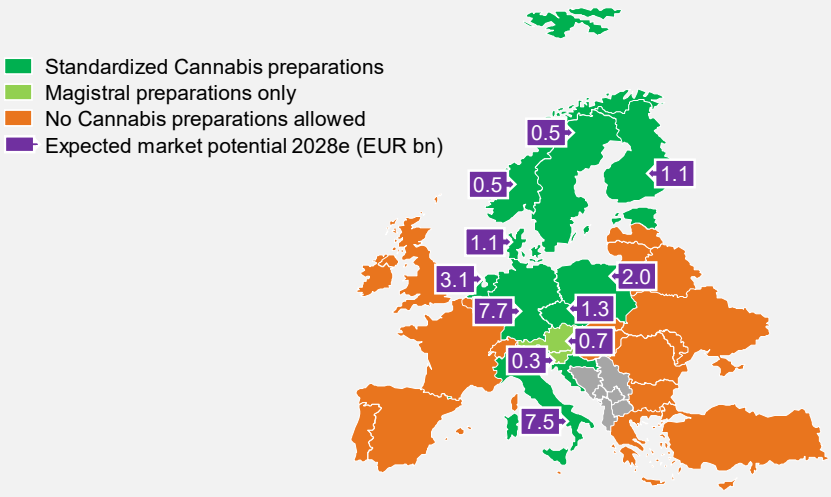
severe nausea and vomiting during cancer therapy, and for HIV-related anorexia. Canada is also a global pioneer in establishing a national program for the medical use of cannabis. However, several court rulings were needed to increase supply by licensed cannabis producers and give physicians greater freedom to prescribe. Regarding the assumption of costs, after years of strong reluctance—most patients have to bear the costs themselves—insurance companies have only recently shown a greater willingness to reimburse (partly limited to certain indications and a maximum amount) costs for Cannabis containing drugs.

Status of approval of medical cannabis in Europe

To date, there is no EU-wide approval for a drug containing cannabinoids. However, the EMA is currently reviewing an application for approval for a CBD-based product to accompany seizures associated with Lennox-Gastaut syndrome and Dravet syndrome (both difficult-to-treat forms of epilepsy in children). However, based on the mutual recognition of marketing authorisation decisions, medicines containing nabiximol in particular are approved in most EU countries for the treatment of symptoms of multiple sclerosis. The pricing and reimbursement decisions are always the responsibility of the individual Member States. In contrast, the use of raw herbal cannabis is banned in the majority of countries. Nevertheless, some countries allow patients access to standardised cannabis preparations in exceptional cases, others allow magistral preparation (raw cannabis prepared by pharmacists). These countries include Croatia, Denmark, Finland, Norway, Poland and Sweden; regulated access systems exist in the Czech Republic, Italy, Germany and the Netherlands.

The Netherlands was the first country in Europe to approve medical cannabis for sale in pharmacies in September 2003. Every doctor is allowed to issue prescriptions, but there is no uniform reimbursement system and only a few insurance companies cover the costs.

EXHIBIT 19: APPROVAL OF MEDICAL CANNABIS PREPARATIONS IN THE EU AND ESTIMATED MARKET POTENTIAL UNTIL 2028E



Most countries that have approved standardised cannabis preparations also permit the in-house production of medicines in pharmacies.

SOURCE: EUROPEAN MONITORING CENTRE FOR DRUGS AND DRUG ADDICTION (EMCDDA), PROHIBITION PARTNERS

Legalisation of cannabis by markets

The following table depicts the current legalisation status:

TABLE 8: STATUS OF LEGILIZATION

Country	Year	Medical	Recreational	Country	Year	Medical	Recreational
ALB		No	No	**ISR**	2019	Yes	No
ARG	2017	Yes	No	**ITA**	2013	Yes	No
ARM		No	No	**JAM**	2018	Yes	No
AUS	1992-16	Yes	No	**JPN**		No	No
AUT		Yes	No	**KOR**	2018	Yes	No
BEL		Yes	No	**LAT**		No	No
BMU	2018	Yes	No	**LIE**		No	No
BOL		No	No	**LIT**	2018	Yes	No
BRZ		Yes	No	**LUX**	2017	Yes	No
BUL		No	No	**MAC**	2016	Yes	No
CAP	2019	Yes	No	**MEX**	2009	No	No
CAD	2018	Yes	Yes	**MLT**	2015-18	Yes	No
CHL	2014	Yes	No	**MOR**		No	No
CHN		No	No	**NED**	1979	Yes	(No)
COL	2015	Yes	No	**NOR**	2016	Yes	No
CRI		No	No	**NZL**	2018	Yes	No
CUB		No	No	**PER**	2017	Yes	No
CZE	2013	Yes	No	**PHI**		No	No
DEN	2011-17	Yes	No	**POL**	2017	Yes	No
DZA		No	No	**PRT**	2018	Yes	No
ECU		No	No	**QAT**		No	No
EGY		No	No	**ROM**		No	
ESP	2005	Yes	No	**RUS**		No	No
EST	2005	Yes	No	**RZA**	2018	Yes	Yes
FIN		No	No	**SAU**		No	No
FRA	2013	Yes	No	**SGP**		No	No
GBR	2018	Yes	No	**SMR**	2016	Yes	No
GEO	2018	Yes	Yes	**SRB**		No	No
GER	2017	Yes	No	**SVK**		No	No
GRE		No	No	**SVN**	2013	Yes	No
HKG		No	No	**SWE**		Yes	No
HRV		Yes	No	**SWI**	2011	Yes	No
HUN		No	No	**THA**	2018	Yes	No
ICE		No	No	**TUR**	2016	Yes	No
IND		No	No	**UAE**		No	No
INO		No	No	**UKR**		No	No
IRN		No	No	**URU**	2013	Yes	Yes
IRE	2014	Yes	No	**USA**		No	No
IRQ		No	No				

SOURCE: SPHENE CAPITAL

Legalisation of cannabis by US states

As of today, the medical use of cannabis is legalized in 33 states and the District of Columbia. Fourteen other states have laws that limit THC content, for the purpose of allowing access to products that are rich in cannabidiol (CBD). The recreational use of cannabis is legalized in 11 states, another 15 states have decriminalized the adult use of cannabis. The following table depicts the current legalisation status by US states:

TABLE 9: STATUS OF LEGILIZATION (US-STATES)

State	Medical	Recreational	Cultivation	State	Medical	Recreational	Cultivation
Alabama	illegal	illegal	illegal	**Montana**	legal	illegal	medical only
Alaska	legal	legal	legal	**Nebraska**	legal	decriminalized	illegal
Arizona	legal	illegal	medical only	**Nevada**	legal	legal	restricted
Arkansas	legal	illegal	medical only	**New Hampshire**	legal	decriminalized	medical only
California	legal	legal	licenced	**New Jersey**	legal	illegal	medical only
Colorado	legal	legal	licenced	**New Mexico**	legal	decriminalized	medical only
Connecticut	legal	decriminalized	illegal	**New York**	legal	decriminalized	misdemeanour
Delaware	legal	decriminalized	medical only	**North Dakota**	restricted	decriminalized	illegal
Florida	legal	illegal	medical only	**Ohio**	legal	decriminalized	medical only
Georgia	legal	illegal	illegal	**Oklahoma**	legal	illegal	medical only
Hawaii	legal	illegal	medical only	**Oregon**	legal	legal	restricted
Idaho	illegal	misdemeanour	illegal	**Pennsylvania**	legal	illegal	medical only
Illinois	legal	decriminalized	medical only	**Rhode Island**	legal	decriminalized	medical only
Indiana	legal	misdemeanour	illegal	**South Carolina**	restricted	misdemeanour	illegal
Iowa	legal	illegal	illegal	**South Dakota**	illegal	misdemeanour	illegal
Kansas	legal	misdemeanour	illegal	**Tennessee**	restricted	misdemeanour	misdemeanour
Kentucky	legal	misdemeanour	misdemeanour	**Texas**	restricted	illegal	illegal
Louisiana	legal	illegal	illegal	**Utah**	legal	misdemeanour	illegal
Maine	legal	legal	licenced	**Vermont**	legal	legal	restricted
Maryland	legal	decriminalized	illegal	**Virginia**	restricted	misdemeanour	illegal
Massachusetts	legal	legal	limited	**Washington**	legal	legal	legal
Michigan	legal	legal	limited	**West Virginia**	legal	misdemeanour	illegal
Minnesota	legal	decriminalized	medical only	**Wisconsin**	restricted	misdemeanour	illegal
Mississippi	CBD only	decriminalized	illegal	**Wyoming**	restricted	misdemeanour	illegal
Missouri	legal	decriminalized	medical only	**District of Columbia**	legal	legal	restricted

SOURCE: SPHENE CAPITAL

Following the introduction of new legislation on medical cannabis in spring 2017, Germany has become the largest cannabis market in Europe. Between April 2017 and December 2017, monthly gross sales of medicinal products and cannabis preparations rose from around EUR 1.4 million to EUR 7.8 million. Although we do not consider the current costs of around 0.2% of the annual total drug expenditure of the statutory health insurance funds to be particularly high, continuously rising prescription numbers indicate that expenditure will continue to rise.

In 2017, Germany has established a special prescription regulation for cannabis

In Germany, since March 2017, medical cannabis and preparations containing cannabis have been subject to special prescription and are reimbursed by the Central Federal statutory health insurance funds (GKV). Since then, every general doctor and medical specialist is allowed to prescribe dried cannabis flowers and extracts without prior authorisation.

CBD as a monopreparation does not fall under the Cannabis Act (there is also no approved drug with this active ingredient in Germany). However, CBD is contained in dietary supplements. Prescriptions containing CBD are subject to prescription but, unlike THC, are not subject to the Narcotics Law.

The law has thus removed the high approval hurdles that otherwise requires extensive studies on the efficacy of a drug in various indications, the expected risks and side effects as well as the recommended dosages. In the special case of cannabis, the effects are only to be investigated in an accompanying survey by March 2022; doctors are obliged to report the data of each patient to the Federal Institute for Drugs and Medical Devices (BfArM).

Specifically, the law on the "amendment of anaesthetic and other regulations" (§ 31 para. 6 SGB V) states that insured persons with a serious disease are entitled to a supply of cannabis in the form of dried flowers or extracts in standardised quality and to a supply of drugs with the active substances dronabinol (THC) or nabilone (fully synthetic THC derivative) if

- a generally recognised treatment which meets the medical standard (a) is not available or (b) cannot be applied in individual cases according to the reasoned assessment of a SHI-accredited physician, considering the expected side effects and the insured person's illness,
- there is a not entirely remote prospect of a noticeable positive effect on the course of the disease or on serious symptoms.

In addition, the Narcotics Prescription Ordinance (BtMVV) was amended. For example, a doctor may prescribe up to two narcotics within 30 days within the respective maximum limits. The maximum amount for cannabis flowers is 100,000 mg, for cannabis extract 1,000 mg and for dronabinol 500 mg.

In 2018, about two thirds of the applications were approved

Prior to 2017, approximately 4,500 patients received finished drugs or cannabis-based drugs manufactured in pharmacies. An exception granted by the BfArM, which enabled individual patients to undergo therapy with cannabis had been received by around 1,100 patients prior to the special prescription regulation.

The assumption of the costs for the patients is subject to approval by the health insurance funds and the medical service of the health insurance funds (MDK). According to the MDK, about two thirds of the applications were approved in 2018. We estimate that in the first full calendar year after the introduction of the special prescription regulation, 24,000 patients in Germany were treated with preparations containing cannabis, unprocessed cannabis flowers, and finished medicinal products containing cannabis. This number is not published by the health insurance companies, various estimates vary between 15,000 and 40,000 patients.

We have therefore based our estimates on the statements of the AOK Federal Association. According to these, 19,600 applications for cannabis therapies were

received in 2018 by the three largest health insurers AOK, Barmer and Techniker Krankenkasse ("TK"), which together count for a market share of around 55% (whereby the use of medicinal products within their intended use does not have to be approved by the health insurance funds, whereas prescription changes—e.g. dosage or type of flower—require new applications for approval). Of all the applications submitted, around two thirds were approved in 2018 according to the health insurance funds.

TABLE 10: PATIENTS WHO RECEIVED MEDICATION IN 2018 DUE TO THEIR SPECIAL ELIGIBILITY FOR PRESCRIPTION

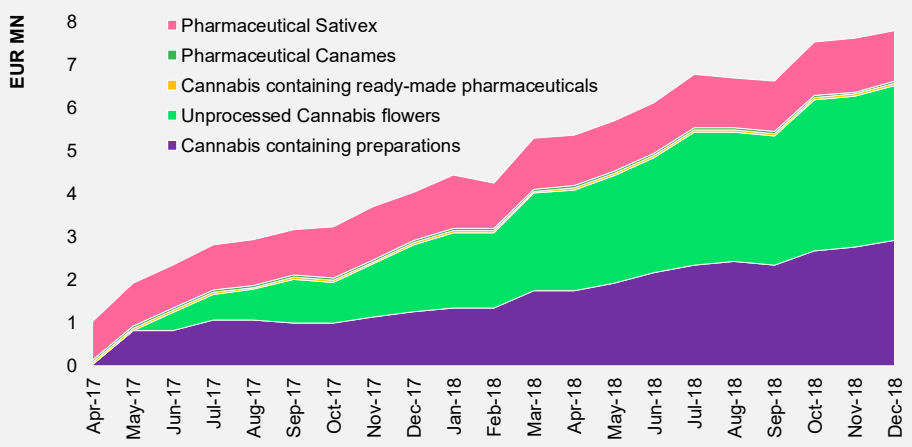
Number of applications to the three largest statutory Health Insurance Funds 2018	19,600
Share of the three largest SHI funds in all insured persons	ca. 55%
Extrapolation to the total population	35,600
Approval rate of the health insurance funds	ca. 66%
Estimated number of patients who received treatment in 2018 after approval	ca. 23,500

SOURCE: FEDERAL ASSOCIATION OF HEALTH INSURANCE FUNDS, SPHENE CAPITAL ESTIMATES

Continuous increase in monthly gross sales

According to the Federal Association of Health Insurance Funds ("Spitzenverband Bund der Krankenkassen"), gross sales of finished cannabis-containing drugs without a central pharmaceutical number, cannabis-containing preparations and unprocessed flowers totalled EUR 59.0 million in 2018. A detailed look at the monthly gross sales shows that the costs for health insurance funds have risen continuously since the start of the special prescription regulations:

EXHIBIT 20: DEVELOPMENT OF THE MONTHLY GROSS SALES OF CANNABINOID CONTAINING MEDICINES AND PREPARATIONS



Since the introduction of the law on the liberalization of medical cannabis and the reimbursement by the health insurance funds, the monthly gross turnover, especially for preparations containing cannabis and unprocessed flowers, has risen continuously month by month.

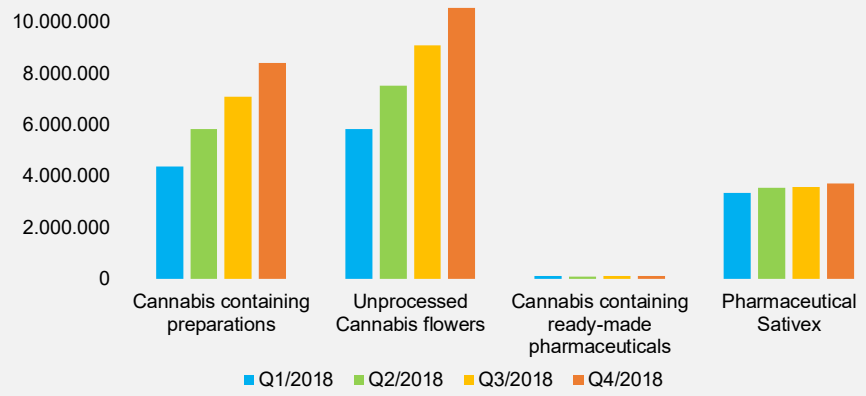
SOURCE: FEDERAL ASSOCIATION OF HEALTH INSURANCE FUNDS, SPHENE CAPITAL

Cannabis-containing preparations almost doubled between Q1 and Q4/2018

The reason for this is a steady increase in medical prescriptions. According to the Federal Association of Health Insurance Funds, 135,000 prescriptions for preparations containing cannabis and cannabis flowers were counted from January 2018 to

December 2018. Between the first and fourth quarters of 2018, prescriptions for cannabis flowers rose by 67.2% and for cannabis preparations by 93.2%.

EXHIBIT21: PRESCRITPIONS OF DIFFERENT CANNABIS THERAPIES IN GERMANY



The continuous increase in gross expenditures faced by German health insurance funds is based on a significant increase in prescriptions of cannabis preparations and processed flowers in each quarter of 2018.

SOURCE: FEDERAL ASSOCIATION OF HEALTH INSURANCE FUNDS, SPHENE CAPITAL

We expect a significant increase in expenditures for health insurance funds

According to table 11 below, Cannabinoids (Sativex) are the most affordable, while the average monthly costs of other therapies vary widely. The average monthly costs per person for prescriptions with cannabis flowers increased by up to 74% in the first months of the special prescription regulation. While the expenses per month and person stood at EUR 797 in March 2017, they reached EUR 1,386 in October 2017. This development also reflects changes in billing by pharmacies: After the enforcement of the new law, cannabis flowers were less frequently sold as finished drugs and increasingly as prescription drugs, for which—amongst others—surcharges were levied for quality testing, comminution and portioning.

In addition, prescription frequencies differ. While there are clear recommendations on dosages, indications and administration that have been tested within the pharmaceutical approval process, there are no recommendations and data on the average daily dose for cannabis flowers.

TABLE 11: COSTS OF CANNABIS-BASED THERAPIES

Cannabis based therapies	**Costs per month** (EUR)
Cannabis flowers	300-2,200
Dronabinol-containing prescription drugs	70-500
Drug Sativex	31-373
Drug Canames	1,026-2,052

SOURCE: UNIVERSITY OF BREMEN WITH ASSISTANCE OF TECHNIKER KRANKENKASSE (TK)

The decade-long neglect of research and the different cannabinoid contents of the different cannabis plants, with different effects on individual patients, complicate the assessment of efficacy. Health insurance funds, medical associations, and patient representatives are calling for more investment in research. In mid-February 2019, for the first time, a single European decision-making process took place, in which MEPs called, among other things, for the promotion and appropriate funding of research and innovation in the field of medical cannabis.

Medical cannabis is still in its infancy

For decades, cannabis research was held back worldwide after the inclusion of cannabis in the 1961 Single Convention on Narcotic Drugs made not only use but also the procurement of cannabis for studies illegal or difficult. Therefore, although the possible effects of different preparations of cannabis are known and used to treat many symptoms and conditions, clinical studies on cannabinoids are limited. Many were only conducted for too short a period of time with too few patients and there is a lack of reliable estimates of the long-term effects.

Not all cannabis is the same

In principle, female flowers are used in medicinal cannabis because of their higher THC content. Dried flowers and plant tips with a THC content of 1% to 5% are known as marijuana. Only cultivars can contain a higher THC content. By distilling the plants or the resin, a THC content of up to 60% can be achieved. In Germany, 20 cannabis varieties which are imported from the Netherlands and Canada are currently approved. In addition, in April and May the Federal Office for Drugs and Medical Devices (BfArM) granted the first licences for the cultivation of a total of 10,400 kg of medical cannabis over the next four years. 79 applicants had applied to grow cannabis in Germany. Thirteen equally sized batches, each with a volume of 200 kg, were allocated to two Canadian and one German company.

Germany is currently 100% dependent on imports for the supply of cannabis. According to the international agreement on narcotics of 1961, cannabis may only be obtained from approved medical manufacturers under the control of the exporting state.

At the beginning of April 2019, the BfArM issued the first licences for the cultivation of a total of 10,400 kg of medical cannabis over the next four years.

TABLE 12: AUTHORISED CANNABIS SORTS AND CONTENT OF THC AND CBD (DRIED FLOWER)

Type	Origin	Content of THC	Content of CBD	Type	Origin	Content of THC	Content of CBD
Bedrocan	NED	23.5%	0.1%	Red No. 4	CAD	21.7%	0.5%
Bedrobinol	NED	15.3%	0.1%	Orange No. 1	CAD	13.6%	0.5%
Bedica	NED	16.4%	0.1%	Pedanios 22/1	CAD	22.0%	<1%
Bediol	NED	6.7%	8.7%	Pedanios 20/1	CAD	21.5/	0.2%
Bedrolite	NED	0.4%	8.1%	Aurora 1/12	CAD	<1%	12.0%
Bakerstreet	CAD	18.4%	0.5%	Klenk 18/1	CAD	20.5%	<0.1%
Penelope	CAD	9.5%	6.9%	Peace Naturals 20/1	CAD	20.0%	<1%
Argyle	CAD	5.1%	5.4%	Peace Naturals 18/1	CAD	16.6%	0.3%
Green No. 3	CAD	8.1%	11.7%	Peace Naturals 16/1	CAD	15.7%	0.3%
Red No. 2	CAD	18.8%	0.5%	Peace Naturals 14/1	CAD	14.3%	0.3%

SOURCE: F. GROTENHERMEM AND M. GÖTTSCHE, SPHENE CAPITAL

Different effects on individual patients

The effects of cannabis can vary with different patients, which is why an individual selection process by the treating physicians is usually necessary. Grotenhermen and Göttsche explain that even at specific disease patterns, such as chronic pain and

Although there are positive patient reports for several applications, the significance of many studies is currently still assessed as low.

ADHD, THC may have a positive effect in some patients, while other patients may show a better response to a high proportion of CBD.

TABLE 13: EVALUATION OF THE EFFICACY OF MEDICAL CANNABIS BY DIFFERENT INSTITUTIONS

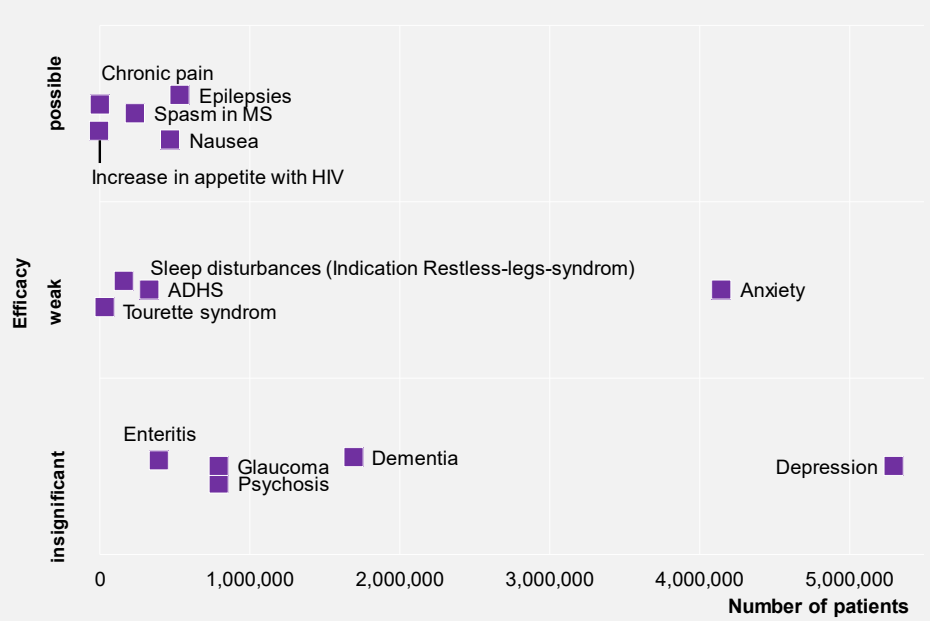
	EMCDDA			Techniker Krankenkasse			Commission of Medical Profession		
	Moderate evidence	Weak evidence	Insignificant evidence	Conceivable evidence	Possible evidence	Insignificant evidence	Positive impact	Effective impact	Insignificant evidence
Spasm in MS	✓			✓			✓		
Chronic pain	✓			✓			✓		
Epilepsies	✓			✓					
Nausea				✓				✓	
Increase in appetite with HIV		✓		✓					✓
Palliative treatment			✓				✓		
Sleeplessness			✓		✓				
Anxiety			✓		✓				
Enteritis			✓			✓			
Depressions			✓			✓			
Tourette syndrome					✓				✓
ADHS					✓				
Psychosis						✓			
Dementia						✓			
Glaucoma						✓			
Morbus Parkinson								✓	
Loss of weight									✓
Acute pain									✓
Schizophrenias									✓

SOURCE: EMCDDA, UNIVERSITY OF BREMEN WITH ASSISTANCE OF TECHNIKER KRANKENKASSE (TK), DRUG COMMISSION OF THE GERMAN MEDICAL PROFESSION, SPHENE CAPITAL

Different results in clinical studies

Different kinds of cannabis and preparations have a variety of effects and are prescribed for a wide range of diseases and symptoms. Exhibit 22 below summarises the findings from randomised clinical trials. However, from our point of view, it is important to note that although evidence is currently developing rapidly, it is still considered low and fragmented. In addition, different cannabis products and preparations have been used in the studies.

EXHIBIT 22: EFFICACY AND NUMBER OF PATIENTS IN GERMANY



We have taken the data on the various patient numbers from various sources, including health insurance funds, patient associations, clinics and medical profession associations and the BMG.

* In Germany, around 86,100 people live with HIV; thanks to drugs, the viral load is no longer detectable at 95%. We have not counted these patients.

SOURCE: UNIVERSITY OF BREMEN WITH ASSISTANCE OF TECHNIKER KRANKENKASSE (TK), SPHENE CAPITAL

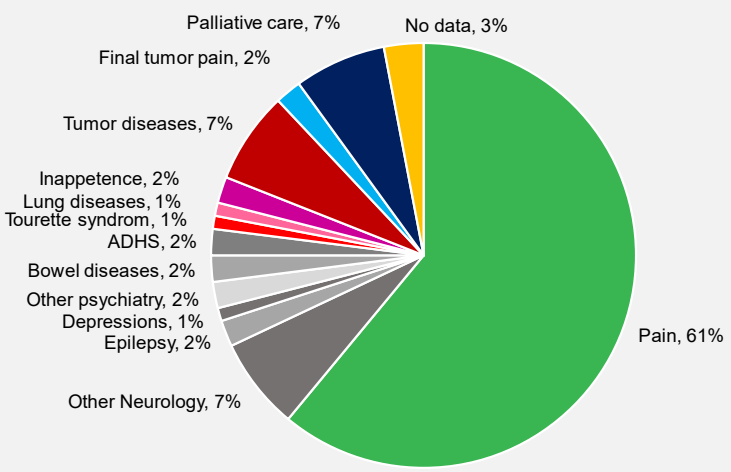
Demands for more investment in research ...

Table 13 above shows huge differences in the evaluation of the efficacy of medical cannabis by the various institutions. Against this background, the criticism of affected patients, some of whom suffer from multimorbid diseases, patient associations and professional representatives of doctors, who point out the obstacles to the prescription of cannabis and the lack of a uniform procedure of the statutory health insurance funds, seem more than justified in our view.

... to which the members of the EU have recently also joined

With the decision of the European Parliament on the use of cannabis for medical purposes in mid-February this year, for the first time a uniform decision was taken at European level. MEPs call for a legal definition of medicinal cannabis that ensures a proper distinction from other uses, the promotion and adequate funding of research and innovation in the field of medicinal cannabis and the adoption of effective cannabis-based medicines by the Member States' health insurance funds.

EXHIBIT 23: CLAIMS FOR REIMBURSEMENT RECEIVED FOR CANNABIS THERAPY (TK DATA FROM JULY 2017 TO FEBRUARY 2018)



In the blue coloured indications (palliative care and final tumor pain) the reimbursement by the health insurance funds was 100%. For tumor diseases, Tourette's syndrome, inappetence/cachexia and lung diseases (each stained red), at least three quarters of the applications were approved. Only less than 40% of applications were reimbursed in case of the grey coloured diseases. Most applications were related to indications of pain, of which almost 62% were approved.

SOURCE: UNIVERSITY OF BREMEN WITH ASSISTANCE OF TECHNIKER KRANKENKASSE (TK), SPHENE CAPITAL

Although already the largest cannabis market in Europe, cannabis programmes in Germany are only just beginning. The market research and consulting firm Prohibition Partners expects around 1 million cannabis patients by 2024e and a market volume for medically used cannabis of around CAD 1.0 billion by 2028e; we consider this estimate realistic.

Last year, the estimated market volume in Germany was EUR 133 million

According to the market research and consulting firm Prohibition Partners, the German market volume for medically used cannabis last year was EUR 133 million. For 2018, the German Health Insurance Association published a gross turnover of EUR 73.7 million for cannabinoid-containing finished drugs and preparations. The gross figures of the health insurance fund do not include the costs for privately insured patients and also not the prescriptions paid privately by the patients due to a refusal of approval.

The German cannabis programmes are only just beginning

Although already the largest cannabis market in Europe, cannabis programmes in Germany are only just beginning. In our opinion, Germany has already taken important steps since 2017. These include in particular

- the assumption of the costs of medically prescribed cannabis by the statutory health insurance funds, with around two thirds of applications approved. In addition, physicians have to submit the data anonymously to the BfAmM, which will summarize and publish the results of an ongoing monitoring survey in a study report by March 2022;
- the first licences for the cultivation of cannabis for medical purposes in Germany of a total of 10,400 kg, spread over four years. To date, Germany relies exclusively on imports. We estimate that Germany will continue to import cannabis until at least 2020e.

The Federal Cabinet has decided, but not yet legally binding, to make it easier for doctors to prescribe cannabis:

- In the case of medical cannabis treatment—after approval has been obtained—no further application to the health insurance funds will be necessary in the event of an adjustment of the dosage or a change of flower variety. Also, in the case of a prescription by a SHI-accredited physician of medical cannabis following treatment with cannabis in hospital, the approval period is to be shortened from up to five weeks to three days, which so far only applies to the care of patients in specialised palliative medical centres.
- On the other hand, a legislative proposal of the Green Party (supported by the Left Party), that is demanding a complete abolition of the approval reservation by the health insurance funds and the MDK, is judged differently. It is argued that the fundamental risk of recourse for each single doctor could be aggravated, if health insurance funds refused reimbursement ex post due to a violation of the required cost-effectiveness of a therapy.

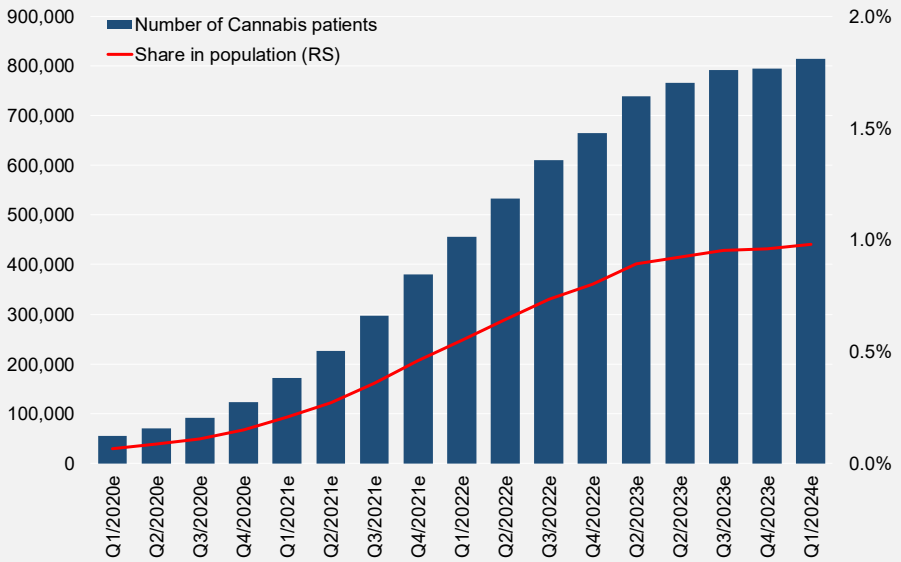
Estimates see market potential of around EUR 7.7 billion by 2028e

In the next five years, Prohibition Partners expects the number of cannabis patients in Germany to rise to around 1 million. By 2028e, the market volume for medically used cannabis is expected to reach around EUR 7.7 billion. This forecast seems to be realistic, since we expect

- falling prices for raw cannabis due to decreasing import dependency and shortages,
- decreasing costs per patient due to advances in medical research with regard to use and recommended dosages,
- and in this context also a growing knowledge on the part of the physicians as well as
- new cannabis-containing finished drugs and improved standardized formulations.

So far, only Canada and the Netherlands, which allow the use of medical cannabis over a longer period of time, can be used as reference countries. While patients in the Netherlands have to pay for prescriptions privately, in Canada costs are at least covered by some insurance companies. For this reason, we believe that Canada is best suited for a comparative estimate in which we transfer the proportion of cannabis patients registered in Canada (from the beginning of 2015 to the end of 2018) to the German population (see figure 24 below). We arrive at an estimate similar to that of Prohibition Partners, or about 800,000 cannabis patients by 2023e/2024e.

EXHIBIT 24: ESTIMATED DEVELOPMENT OF PATIENT NUMBERS IN GERMANY



At the beginning of 2015, almost 24,000 cannabis patients (0.7% of the population) were registered in Canada. Even under the assumption of 40,000 cannabis patients in Germany in 2018, the proportion of cannabis patients was higher than currently in Germany (earlier data for Canada are not available). For this reason, we assume that a longer period of five or six years will elapse before a comparable proportion of the population will be reached.

SOURCE: STATISTICS CANADA, SPHENE CAPITAL FORECASTS

Financial Forecast

RDT generates mostly transaction-dependent revenues through MSS agreements where RDT charges its clients per unit production service fees. The cost side is dominated by staff expenses, material expenses only are of minor importance. In the past fiscal year 2018/19 ending February 28, with no production line installed and due to substantial extraordinary listing expenses, the company generated pre-tax losses of CAD -11.4 million. For the current fiscal year, we expect RDT to have six production lines installed which should generate revenues of CAD 4.0 million and operating losses (EBIT) of CAD -0.6 million, respectively. For the next years and due to a further market penetration and delivery of production facilities, we expect a significant revenue and profit increase so that by the end of our detailed-planning phase in 2022/23e, we anticipate revenues and EBIT of CAD 35.3 million and CAD 12.6 million, respectively, reflecting operating margins of 35.7%.

Our forecast is based on a low utilization rate of the machines only. Given the current state of deregulation of the Cannabis industry, there could be substantial upside to our forecasts. M&A activities were not taken into account either.

Revenue model in the MSSA environment

As we have seen above, in the Cannabis segment RDT follows a MSSA strategy, which provides the company for

- initial lump-sum **installation and commissioning fees** of the high-speed packaging machines at the customers' production facilities, which we estimate at CAD 0.250 million per machine;
- **minimum production payments**, which we estimate to be CAD 0.200 million per quarter and machine, with minimum payments to commence in the year after installation, and
- **per unit service fees** for every strip produced once production exceeds quarterly minimum quantities.

In the nutraceuticals segment, RDT's model is similar to the Cannabis contracts, except that there are no minimum guarantee payments. Typically, with strips being sold in boxes, revenues per strip should be lower in the nutraceutical segment, too.

Our forecasts are subject to uncertainty, as only audited consolidated financial statements for the last two fiscal years have been available to date.

We expect revenues to increase to CAD 35.3 million by 2022/23e

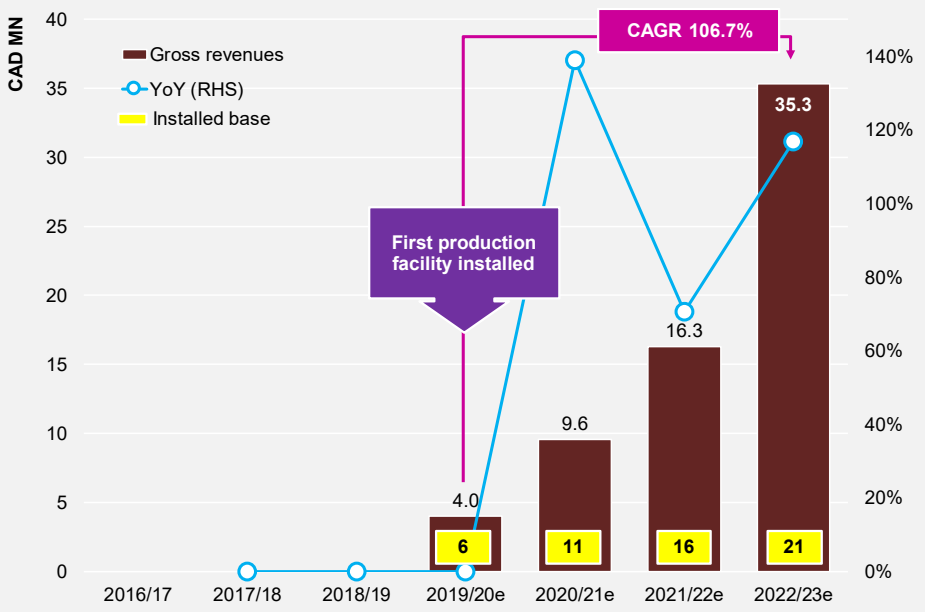
RDT has scheduled the delivery of six QuickStrip production systems during 2019/20e (commencing 01 March 2019) for installation and commissioning in RDT's customers' locations. From these, we expect RDT to generate revenues of approximately CAD 1.5 million from signing, installation and commissioning fees, respectively. Neither have we included any minimum production payments nor any per unit service fees in our 2019/20e forecast. However, should either of the production systems delivered commence production in 2019/20e, RDT could generate revenues significantly above these minimum payments, since per unit service fees will be significant in this case.

In combination with nutraceutical revenues from a Ukraine deal, we forecast total revenues of CAD 4.0 million for the current fiscal year. For the next fiscal years, we expect the number of production lines to steadily increase by five machines per year, so that eventually revenues should increase to CAD 35.3 million by the year 2022/23e which marks the end of our detailed planning horizon. For the period 2019/20e-22/23e,

Based on a well-filled pipeline, we expect significant revenue growth until 2022/23e, the end of our detailed planning period.

this is equivalent with a compound annual growth rate (CAGR) of 106.7%. Our growth expectations are purely organic, growth from acquisitions were not included in our forecast.

EXHIBIT 25: REVENUES AND REVENUE GROWTH (RHS), 2016/17-22/23E



With the installed base to climb substantially over the next years, RDT should enter a steep growth path. On average over the next three fiscal years, we expect compound annual growth rates (CAGR) of 106.7%. At the end of our detailed planning phase, we expect RDT to increase revenues to up to CAD 35.3 million. Our forecast is based purely on organic growth; we have not modelled any acquisitions.

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

Revenue assumptions in detail

Our revenue forecast is based upon the following assumptions:

- We expect that the company's revenues will be boosted by mainly one driver: **total number of machines installed** sold on the basis of MSS agreements. According to our forecasts, we expect the number of installed machines to increase from 6 in 2019/20e to 21 in 2022/23e. On average, we therefore expect five machines to be delivered per year over our planning horizon.
- We expect the second component of revenue growth, **prices per strip**, to remain constant over our forecast horizon and to therefore not contribute to the revenues trend expected by us.
- According to our forecasts, we expect each machine to have a production capacity of 25 million strips per year. We expect **utilization ratio** to steadily increase to 8.0% in 2022/23e from 0.5% in 2020/21e. Finally, we estimate an average price per strip of CAD 1.00. Due to these mostly conservative assumptions, our forecasts could offer substantial upside, in our view.

RDT outsources the manufacturing of its oral thin-film strips to certified facilities in compliance with the requirements imposed by applicable legislation.

We expect a decline in operating expenses

RDT follows a rather lean business model. Costs for R&D and commercialization of the technology have been of only low significance in the past, should however increase in the coming years. In total, operating costs were CAD 3.0 million in the last fiscal year

2018/19. For the current fiscal year 2019/20e, we expect almost the same cost levels which translates into 56.4% of gross revenues.

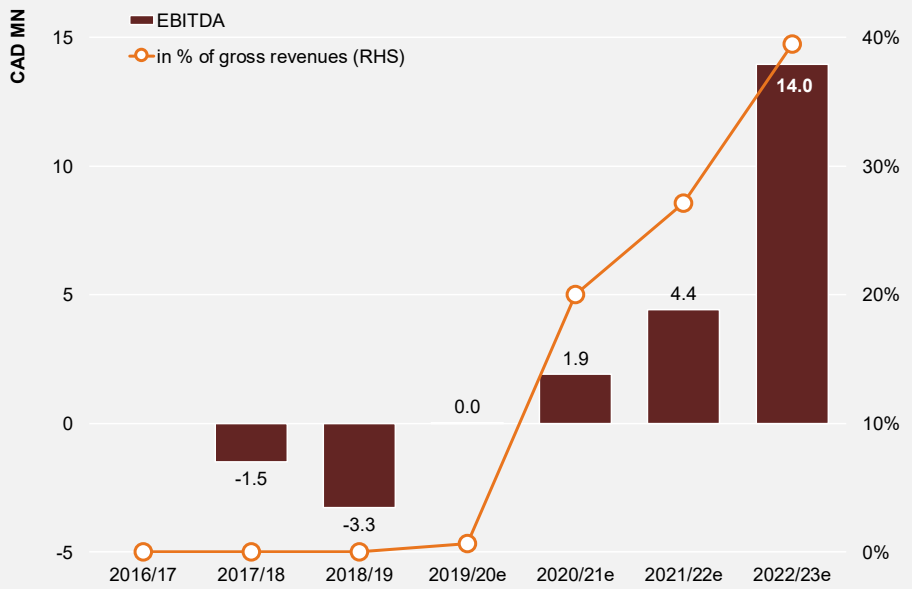
Significant improvement in EBITDA and EBIT expected

We anticipate RDT to reach operating break-even in the current financial year mainly due to substantial nutraceutical revenues which should cover operating expenses, in our view. Over the next three years, with a substantial increase in per unit service fees, we expect EBITDA to rise to CAD 14.0 million (2022/23e). This corresponds to an expected increase in the EBITDA margin to 39.5% (2022/23e) from 0.6% in 2019/20e in terms of gross revenues.

The achievement of operating margins (EBITDA) of 40%+ for this business model should be realistic in the long term, in our view.

For operating profits (EBIT), we expect a parallel development due to constant depreciation rates. As a result, operating profit should rise from CAD -0.6 million in 2019/20e to CAD 12.6 million by 2022/23e. As a result, the EBIT margin is expected to improve to 35.7% from -14.9% in 2019/20e.

EXHIBIT 26: EBITDA AND EBITDA MARGIN, 2016/17-22/23E



Our expected increase in earnings will mainly be fuelled by the revenue growth we anticipate and the associated economies of scale of major costs items.

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

Earnings before tax on a similar trajectory as EBITDA and EBIT

As of the end of fiscal year 2018/19, RDT was a debt-free company which should not substantially change over the years to come. Notwithstanding, our financial forecast does include minor financing costs. According to our model, EBT including minor positive interest expenses will therefore be up from CAD -0.5 million in 2019/20e to CAD 12.6 million in 2022/23e.

RDT has not recognized deferred tax assets with regard to unused tax losses since its inception. Due to high tax-loss carry forwards, we have assumed that RDT will only be charged minimum tax payments until 2020/21e.

Net annual income and earnings per share

We arrive at a forecast of net annual income of CAD -0.5 million in 2019/20e, rising to a profit of CAD 12.0 million by 2022/23e. Based on 75.8 million shares (basic), our projections translate into earnings per share (EPS) of CAD -0.01 in 2019/20e and of CAD 0.16 in 2022/23e.

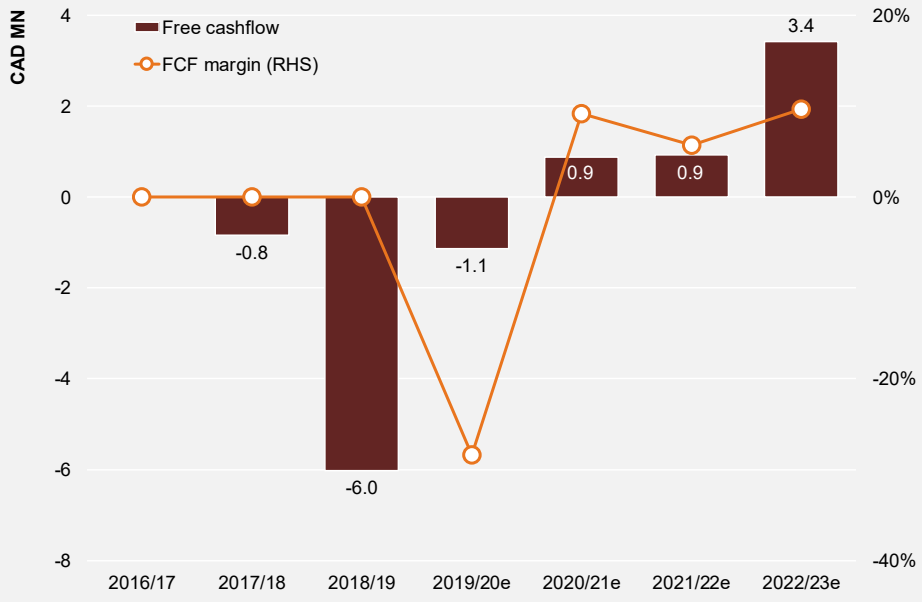
Shareholders' equity in a comfortable range

Due to losses incurred in the past, a substantial capital increase was necessary to secure additional working capital needs in 2018/19. These measures have kept the equity ratio of the company, which is debt-free from a gross perspective, consistently north of the 60% mark since its inception in 2017/18. At the end of the last fiscal year, the equity ratio stood at 66.2%.

2020/21e should be the first year of positive operating and free cash flows

We expect the company to become cash flow positive by the year 2019/20e. With annual capex of approximately CAD 2.0 million, free cash flows should be positive only one year later in 2020/21e. This will prove that RDT will have succeeded in the transition from a cash-burning start-up to a commercial operation with sufficient cash flow for self-funded growth, in our view.

EXHIBIT 27: FREE CASH FLOW AND FCF-MARGIN, 2016/17-22/23E



With a low capital-intensive business model, RDT will generate significant positive free cash flows over the next years. In 2022/23e, we expect an FCF margin of 9.7%.

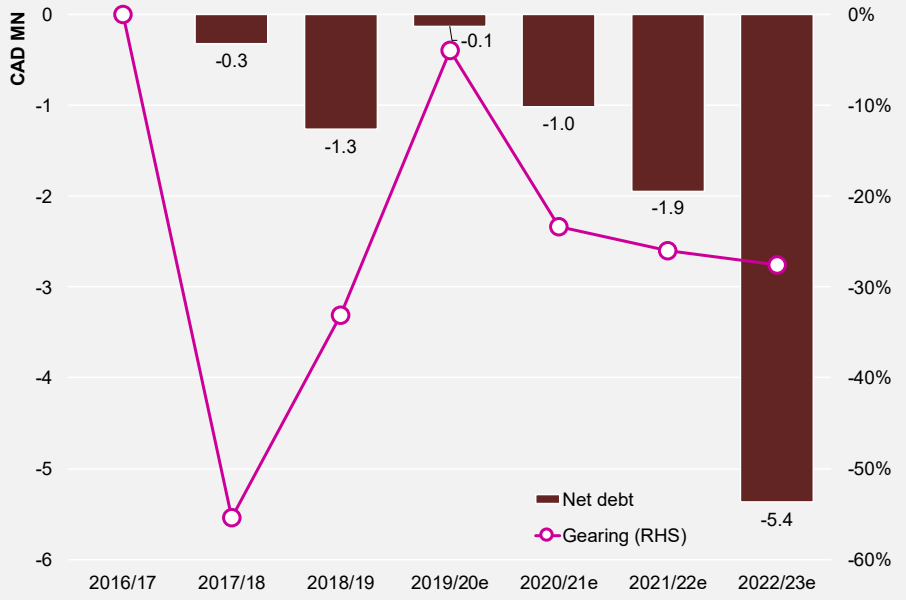
In total, we expect cumulative free cash flows of CAD 4.1 million to be generated during the period 2019/20e-22/23e.

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

Substantial decrease in net debt

Since its inception, RDT has not raised any bank debt. So far, no external funds were used to finance growth. Therefore, we believe that the extent to which RDT implements its own financial plan will not be dependent on the extent to which further borrowed equity or debt capital can be raised.

EXHIBIT 28: NET DEBT AND GEARING, 2016/17-22/23E



With positive free cash flows, we expect RDT's net cash position to substantially increase. It is our believe that in 2020/21e, RDT will have made the transition from a cash-burning start-up to a commercial operation with enough cash-flow for self-funded growth.

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

We do not expect any dividend payments

Due to the lack of profitability, RDT did not distribute any dividends to shareholders in the past. Even after breaking even—an event that we expect to occur in the current fiscal year 2019/20e—investments in the company's future growth will, in our view, clearly take precedence over profit appropriation. We therefore do not expect the company to pay out any dividends in the period after 2022/23e either, but regard retention of the profits generated as the more likely scenario.

Significant improvement in return on equity

We expect that the return on equity can be significantly increased by 2022/23e, ultimately reaching levels that seem appropriate for the risk inherent in the regulatory influenced business model.

TABLE 14: COMPONENTS OF RETURN ON EQUITY, 2016/17-22/23E

		2016/17	2017/18	2018/19	2019/20e	2020/21e	2021/22e	2022/23e
ROE	**%**	**n/a**	**n/a**	**n/a**	**-15.8%**	**23.6%**	**42.2%**	**61.5%**
Net margin	%	**n/a**	**n/a**	**n/a**	**-13.0%**	**10.7%**	**19.4%**	**33.9%**
EBIT margin	%	n/a	n/a	n/a	-14.9%	11.0%	20.4%	35.7%
Interest expense	%	n/a	100.0%	348.4%	92.0%	102.3%	100.0%	99.8%
Taxes	**%**	n/a	100.0%	100.0%	95.0%	95.0%	95.0%	95.0%
Asset Turnover	**%**	**n/a**	**0.0%**	**0.0%**	**54.8%**	**79.8%**	**90.9%**	**114.9%**
Leverage	**%**	**n/a**	**123.8%**	**151.1%**	**221.0%**	**276.5%**	**239.2%**	**158.1%**

SOURCE: UNTERNEHMENSANGABEN, SPHENE CAPITAL FORECAST

Management guidance

So far, management has not disclosed detailed sales and earnings guidance for the current fiscal year. Neither has a detailed medium-term plan been published yet.

Profit and Loss Account, 2016/17-2022/23e

IFRS (12/31)		2016/17	2017/18	2018/19	2019/20e	2020/21e	2021/22e	2022/23e
Gross revenues	**CAD mn**	**n/a**	**0.0**	**0.0**	**4.0**	**9.6**	**16.3**	**35.3**
YoY	%	n/a	n/a	n/a	n/a	138.8%	70.6%	116.9%
Other operating income	CAD mn	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Total output	**CAD mn**	**n/a**	**0.0**	**0.0**	**4.0**	**9.6**	**16.3**	**35.3**
YoY	%	n/a	n/a	n/a	n/a	138.8%	70.6%	116.9%
Material costs	CAD mn	n/a	0.0	0.0	-0.4	-1.0	-1.6	-3.5
In % of total output	%	n/a	n/a	n/a	-10.0%	-10.0%	-10.0%	-10.0%
Gross profit	**CAD mn**	**n/a**	**0.0**	**0.0**	**3.6**	**8.6**	**14.7**	**31.8**
YoY	%	n/a	n/a	n/a	n/a	138.8%	70.6%	116.9%
In % of total output	%	n/a	n/a	n/a	90.0%	90.0%	90.0%	90.0%
Personnel costs	CAD mn	n/a	0.0	-1.2	-1.7	-2.6	-4.0	-5.7
In % of gross revenues	%	n/a	n/a	n/a	-43.1%	-27.6%	-24.3%	-16.2%
Other operating expenses	CAD mn	n/a	-1.5	-1.8	-1.2	-2.8	-4.7	-10.2
In % of gross revenues	%	n/a	n/a	n/a	-30.0%	-29.3%	-29.0%	-28.8%
EBITDA	**CAD mn**	**n/a**	**-1.5**	**-3.3**	**0.0**	**1.9**	**4.4**	**14.0**
In % of gross revenues	%	n/a	n/a	n/a	0.6%	20.0%	27.1%	39.5%
Depreciation	CAD mn	n/a	0.0	0.0	-0.6	-0.9	-1.1	-1.3
EBIT	**CAD mn**	**n/a**	**-1.5**	**-3.3**	**-0.6**	**1.1**	**3.3**	**12.6**
YoY	%	n/a	n/a	n/a	n/a	-276.4%	216.0%	279.4%
In % of gross revenues	%	n/a	n/a	n/a	-14.9%	11.0%	20.4%	35.7%
Income from participations	CAD mn	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Net financial result	CAD mn	n/a	0.0	0.1	0.0	0.0	0.0	0.0
Extraordinary items	CAD mn	n/a	0.0	-8.2	0.0	0.0	0.0	0.0
EBT	**CAD mn**	**n/a**	**-1.5**	**-11.4**	**-0.5**	**1.1**	**3.3**	**12.6**
In % of gross revenues	%	n/a	n/a	n/a	-13.7%	11.3%	20.4%	35.6%
Taxes	CAD mn	n/a	0.0	0.0	0.0	-0.1	-0.2	-0.6
In % of EBT (implied tax rate)	%	n/a	0.0%	0.0%	-5.0%	-5.0%	-5.0%	-5.0%
Net income	**CAD mn**	**n/a**	**-1.5**	**-11.4**	**-0.5**	**1.0**	**3.2**	**12.0**
In % of gross revenues	%	n/a	n/a	n/a	-13.0%	10.7%	19.4%	33.9%
Minorities	CAD mn	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Nr of shares (basic)	mn	n/a	34.1	62.7	75.8	75.8	75.8	75.8
Nr of shares (diluted)	mn	n/a	34.1	62.7	81.3	81.3	81.3	81.3
EPS (basic)	**CAD**	**n/a**	**-0.04**	**-0.18**	**-0.01**	**0.01**	**0.04**	**0.16**
EPS (fully diluted)	**CAD**	**n/a**	**-0.04**	**-0.18**	**-0.01**	**0.01**	**0.04**	**0.15**

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

Segments, 2016/17-2022/23e

IFRS (12/31)		2016/17	2017/18	2018/19	2019/20e	2020/21e	2021/22e	2022/23e
Gross revenues	**CAD mn**	**n/a**	**n/a**	**0.0**	**4.0**	**9.6**	**16.3**	**35.3**
Nutraceuticals	CAD mn	n/a	n/a	0.0	2.5	3.5	4.7	5.9
Cannabis	CAD mn	n/a	n/a	0.0	1.5	6.1	11.6	29.5
Pharmaceuticals	CAD mn	n/a	n/a	0.0	0.0	0.0	0.0	0.0
Other	CAD mn	n/a	n/a	0.0	0.0	0.0	0.0	0.0
YoY	**%**	**n/a**	**n/a**	**n/a**	**n/a**	**138.8%**	**70.6%**	**116.9%**
Nutraceuticals	%	n/a	n/a	n/a	n/a	40.0%	33.0%	26.4%
Cannabis	%	n/a	n/a	n/a	n/a	303.3%	92.4%	153.1%
Pharmaceuticals	%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Other	%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Shares	**%**	**n/a**	**n/a**	**n/a**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Nutraceuticals	%	n/a	n/a	n/a	62.5%	36.6%	28.6%	16.6%
Cannabis	%	n/a	n/a	n/a	37.5%	63.4%	71.4%	83.4%
Pharmaceuticals	%	n/a	n/a	n/a	0.0%	0.0%	0.0%	0.0%
Other	%	n/a	n/a	n/a	0.0%	0.0%	0.0%	0.0%

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

Balance Sheet (Assets), 2016/17-2022/23e

IFRS (12/31)		2016/17	2017/18	2018/19	2019/20e	2020/21e	2021/22e	2022/23e
ASSETS								
Non-current assets	**CAD mn**	**n/a**	**0.2**	**1.7**	**3.1**	**4.3**	**5.5**	**6.7**
Intangible assets	CAD mn	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Goodwill	CAD mn	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Property, plant & equipment	CAD mn	n/a	0.2	1.7	3.1	4.3	5.5	6.7
Shares in affiliated companies	CAD mn	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Other financial assets	CAD mn	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Paid advances	CAD mn	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Current assets	**CAD mn**	**n/a**	**0.6**	**4.1**	**4.2**	**7.7**	**12.4**	**24.1**
Inventory	CAD mn	n/a	0.0	0.0	0.0	0.0	0.0	0.0
DIO	d	n/a	n/a	n/a	0	0	0	0
Trade receivables	CAD mn	n/a	0.1	0.3	0.5	1.3	2.5	5.9
DSO	d	n/a	n/a	n/a	45	50	54	60
Receivables from affiliated companies	CAD mn	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Receivables from called capital	CAD mn	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Other current assets	CAD mn	n/a	0.1	2.5	3.6	5.3	8.0	12.8
Cash & cash equivalents	CAD mn	n/a	0.3	1.3	0.1	1.0	1.9	5.4
thereof collateralized	CAD mn	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Deferred items	CAD mn	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Equity deficit	CAD mn	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Total assets	**CAD mn**	**n/a**	**0.7**	**5.8**	**7.3**	**12.0**	**17.9**	**30.8**

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

Balance Sheet (Liabilities), 2016/17-2022/23e

IFRS (12/31)		2016/17	2017/18	2018/19	2019/20e	2020/21e	2021/22e	2022/23e
LIABILITIES AND EQUITY								
Total shareholder's equity	**USD Mio.**	**n/a**	**0.6**	**3.8**	**3.3**	**4.3**	**7.5**	**19.4**
Equity ratio	%	n/a	80.8%	66.2%	45.2%	36.2%	41.8%	63.2%
Issued capital	USD Mio.	n/a	2.0	16.7	16.7	16.7	16.7	16.7
Other adjustments	USD Mio.	n/a	0.1	0.1	0.1	0.1	0.1	0.1
Currency adjustments	USD Mio.	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Accumulated deficit	USD Mio.	n/a	-1.5	-12.9	-13.4	-12.4	-9.3	2.7
Profit/Loss of period	USD Mio.	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Equity deficit	USD Mio.	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Own shares	USD Mio.	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	USD Mio.	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Special items	USD Mio.	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Pension reserves	USD Mio.	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Other provisions	USD Mio.	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Current liabilities	**USD Mio.**	**n/a**	**0.1**	**1.0**	**4.0**	**7.6**	**10.4**	**11.3**
Bank debt	USD Mio.	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Accrued expenses	USD Mio.	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Convertible loan	USD Mio.	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Trade payables	USD Mio.	n/a	0.1	1.0	4.0	7.6	10.4	11.3
DPO	d	n/a	n/a	n/a	360	288	230	115
Other current liabilities	USD Mio.	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities to subsidiaries	USD Mio.	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	**USD Mio.**	**n/a**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Bank debt	USD Mio.	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Other non-current liabilities	USD Mio.	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Deferred items	USD Mio.	n/a	0.0	1.0	0.0	0.0	0.0	0.0
Total liabilities and shareholder's equity	**USD Mio.**	**n/a**	**0.7**	**5.8**	**7.3**	**12.0**	**17.9**	**30.8**

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

Balance Sheet (Assets, Normalized), 2016/17-2022/23e

IFRS (12/31)		2016/17	2017/18	2018/19	2019/20e	2020/21e	2021/22e	2022/23e
ASSETS								
Non-current assets	%	**n/a**	**23.7%**	**29.1%**	**42.5%**	**35.9%**	**30.6%**	**21.7%**
Intangible assets	%	n/a	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Goodwill	%	n/a	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Property, plant & equipment	%	n/a	23.7%	29.1%	42.5%	35.9%	30.6%	21.7%
Shares in affiliated companies	%	n/a	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other financial assets	%	n/a	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Paid advances	%	n/a	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Current assets	**%**	**n/a**	**76.3%**	**70.9%**	**57.5%**	**64.1%**	**69.4%**	**78.3%**
Inventory	%	n/a	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Trade receivables	%	n/a	11.3%	4.9%	6.8%	11.0%	13.8%	19.1%
Receivables from affiliated companies	%	n/a	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Receivables from called capital	%	n/a	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other current assets	%	n/a	20.2%	44.0%	48.8%	44.7%	44.8%	41.7%
Cash & cash equivalents	%	n/a	44.8%	21.9%	1.8%	8.5%	10.9%	17.5%
thereof collateralized	%	n/a	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Deferred items	%	n/a	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Equity deficit	%	n/a	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total assets	**%**	**n/a**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

Balance Sheet (Liabilities, Normalized), 2016/17-2022/23e

IFRS (12/31)		2016/17	2017/18	2018/19	2019/20e	2020/21e	2021/22e	2022/23e
LIABILITIES AND EQUITY								
Total shareholder's equity	**%**	**n/a**	**80.8%**	**66.2%**	**45.2%**	**36.2%**	**41.8%**	**63.2%**
Issued capital	%	n/a	276.8%	288.3%	228.2%	139.3%	93.1%	54.2%
Other adjustments	%	n/a	10.2%	1.2%	0.9%	0.6%	0.4%	0.2%
Currency adjustments	%	n/a	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Accumulated deficit	%	n/a	-206.1%	-223.3%	-183.9%	-103.7%	-51.6%	8.8%
Profit/Loss of period	%	n/a	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Equity deficit	%	n/a	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Own shares	%	n/a	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Minorities	%	n/a	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Special items	%	n/a	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Pension reserves	%	n/a	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other provisions	%	n/a	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Current liabilities	**%**	**n/a**	**19.2%**	**16.5%**	**54.8%**	**63.8%**	**58.2%**	**36.8%**
Bank debt	%	n/a	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Accrued expenses	%	n/a	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Convertible loan	%	n/a	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Trade payables	%	n/a	19.2%	16.5%	54.8%	63.8%	58.2%	36.8%
Other current liabilities	%	n/a	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Liabilities to subsidiaries	%	n/a	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Non-current liabilities	**%**	**n/a**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Bank debt	%	n/a	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other non-current liabilities	%	n/a	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Deferred items	%	n/a	0.0%	17.3%	0.0%	0.0%	0.0%	0.0%
Total liabilities and shareholder's equity	**%**	n/a	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

Cash Flow Statement, 2016/17-2022/23e

IFRS (12/31)		2016/17	2017/18	2018/19	2019/20e	2020/21e	2021/22e	2022/23e
Net income	USD mn	n/a	-1.5	-11.4	-0.5	1.0	3.2	12.0
Depreciation & Amortisation	USD mn	n/a	0.0	0.0	0.6	0.9	1.1	1.3
Income from sale of assets	USD mn	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Δ inventory	USD mn	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Δ trade receivables	USD mn	n/a	-0.1	-0.2	-0.2	-0.8	-1.2	-3.4
Δ other receivables	USD mn	n/a	-0.1	-2.4	-1.0	-1.8	-2.7	-4.8
Δ deferred tax assets	USD mn	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Δ provisions	USD mn	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Δ other long-term provisions	USD mn	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Δ other short-term provisions	USD mn	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Δ trade payables	USD mn	n/a	0.1	0.8	3.0	3.6	2.8	0.9
Δ special items	USD mn	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Δ deferred liabilities	USD mn	n/a	0.0	1.0	-1.0	0.0	0.0	0.0
Currency adjustments	USD mn	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Other operational adjustments	USD mn	n/a	0.9	10.1	0.0	0.0	0.0	0.0
Operating cash flow	**USD mn**	**n/a**	**-0.7**	**-2.1**	**0.9**	**2.9**	**3.2**	**5.9**
Investments in financial assets	USD mn	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Investments in intangible assets	USD mn	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Investments in tangible assets	USD mn	n/a	-0.2	-1.5	-2.0	-2.0	-2.3	-2.5
Other operational adjustments	USD mn	n/a	0.0	-2.4	0.0	0.0	0.0	0.0
Cash flow from investing	**USD mn**	**n/a**	**-0.2**	**-3.9**	**-2.0**	**-2.0**	**-2.3**	**-2.5**
Free cash flow	**USD mn**	**n/a**	**-0.8**	**-6.0**	**-1.1**	**0.9**	**0.9**	**3.4**
Δ Capital stock	USD mn	n/a	2.0	14.7	0.0	0.0	0.0	0.0
Δ Capital reserves	USD mn	n/a	0.1	0.0	0.0	0.0	0.0	0.0
Δ Bank debt	USD mn	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Δ other interest-bearing liabilities	USD mn	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Other operational adjustments	USD mn	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Less prior-year dividend	USD mn	n/a	-0.9	-7.7	0.0	0.0	0.0	0.0
Financing cash flow	**USD mn**	n/a	**1.2**	**7.0**	**0.0**	**0.0**	**0.0**	**0.0**
Net cash inflow	USD mn	n/a	0.3	0.9	-1.1	0.9	0.9	3.4
Currency adjustments	USD mn	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Net cash opening balance	USD mn	n/a	0.0	0.3	1.3	0.1	1.0	1.9
Net cash closing balance	**USD mn**	**n/a**	**0.3**	**1.3**	**0.1**	**1.0**	**1.9**	**5.4**

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

One View I, 2016/17-2022/23e

IFRS (12/31)		2016/17	2017/18	2018/19	2019/20e	2020/21e	2021/22e	2022/23e
Key data								
Sales	CAD mn	n/a	0.0	0.0	4.0	9.6	16.3	35.3
Gross profit	CAD mn	n/a	0.0	0.0	3.6	8.6	14.7	31.8
EBITDA	CAD mn	n/a	-1.5	-3.3	0.0	1.9	4.4	14.0
EBIT	CAD mn	n/a	-1.5	-3.3	-0.6	1.1	3.3	12.6
EBT	CAD mn	n/a	-1.5	-11.4	-0.5	1.1	3.3	12.6
Net income	CAD mn	n/a	-1.5	-11.4	-0.5	1.0	3.2	12.0
Nr. of employees		n/a	0	0	23	33	45	59
Per share data								
Price high	CAD	n/a	0.00					
Price low	CAD	n/a	0.00					
Price average/last	CAD	n/a	0.00					
Price average/last	CAD	n/a	0.00	0.70	0.70	0.70	0.70	0.70
EPS	CAD	n/a	-0.04	-0.18	-0.01	0.01	0.04	0.16
BVPS	CAD	n/a	0.02	0.06	0.04	0.06	0.10	0.26
CFPS	CAD	n/a	-0.02	-0.03	0.01	0.04	0.04	0.08
Dividend	CAD	n/a	0.00	0.00	0.00	0.00	0.00	0.00
Price target	CAD	n/a						**1.80**
Performance to price target	%	n/a						**157.1%**
Profitability ratios (based on sales)								
EBITDA margin	%	n/a	n/a	n/a	0.6%	20.0%	27.1%	39.5%
EBIT margin	%	n/a	n/a	n/a	-14.9%	11.0%	20.4%	35.7%
Pre-tax margin	%	n/a	n/a	n/a	-13.7%	11.3%	20.4%	35.6%
Net margin	%	n/a	n/a	n/a	-13.0%	10.7%	19.4%	33.9%
FCF margin	%	n/a	n/a	n/a	-28.4%	9.2%	5.7%	9.7%
ROE	%	n/a	-255.1%	-298.1%	-15.8%	23.6%	42.2%	61.5%
NWC/Sales	%	n/a	n/a	n/a	-45.4%	-33.7%	-22.5%	0.2%
Revenues per head	CAD k	n/a	n/a	n/a	174	289	362	599
EBIT per head	CAD k	n/a	n/a	n/a	-25.9	31.9	73.9	213.9
Capex/Sales	%	n/a	n/a	n/a	51.2%	21.4%	14.0%	7.1%
Growth ratios								
Sales	%	n/a	n/a	n/a	n/a	138.8%	70.6%	116.9%
Gross profit	%	n/a	n/a	n/a	n/a	138.8%	70.6%	116.9%
EBITDA	%	n/a	n/a	118.1%	n/a	n/a	131.4%	215.5%
EBIT	%	n/a	n/a	118.1%	-81.8%	n/a	216.0%	279.4%
EBT	%	n/a	n/a	659.8%	-95.2%	n/a	208.8%	278.5%
Net income	%	n/a	n/a	659.8%	-95.4%	n/a	208.8%	278.5%
EPS	%	n/a	n/a	313.0%	-96.2%	n/a	208.8%	278.5%
CFPS	%	n/a	n/a	72.8%	n/a	221.0%	10.0%	84.8%

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

One View II, 2016/17-2022/23e

IFRS (12/31)		2016/17	2017/18	2018/19	2019/20e	2020/21e	2021/22e	2022/23e
Balance sheet ratios								
Fixed assets	CAD mn	n/a	0.2	1.7	3.1	4.3	5.5	6.7
Current assets	CAD mn	n/a	0.6	4.1	4.2	7.7	12.4	24.1
Equity	CAD mn	n/a	0.6	3.8	3.3	4.3	7.5	19.4
Liabilities	CAD mn	n/a	0.1	2.0	4.0	7.6	10.4	11.3
Equity ratio	%	n/a	80.8%	66.2%	45.2%	36.2%	41.8%	63.2%
Gearing	%	n/a	-55.4%	-33.1%	-4.0%	-23.4%	-26.0%	-27.6%
Working Capital	CAD mn	n/a	-0.1	-0.7	-3.5	-6.3	-8.0	-5.4
Capital Employed	CAD mn	n/a	0.0	-0.5	-1.8	-3.2	-3.7	0.1
Asset Turnover	x	n/a	0.0	0.0	0.5	0.8	0.9	1.1
Enterprise Value								
Nr. of shares	1,000	n/a	34,111	62,749	81,300	81,300	81,300	81,300
Market cap. High	CAD mn	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Market cap. Low	CAD mn	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Market cap. Average	CAD mn	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Market cap. Last	CAD mn	n/a	0.0	43.9	56.9	56.9	56.9	56.9
Net debt	CAD mn	n/a	-0.3	-1.3	-0.1	-1.0	-1.9	-5.4
Pension reserves	CAD mn	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	CAD mn	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Excess Cash	CAD mn	n/a	0.3	1.3	0.1	1.0	1.9	5.4
EV high	CAD mn	n/a	0.0	0.0	0.0	0.0	0.0	0.0
EV low	CAD mn	n/a	0.0	0.0	0.0	0.0	0.0	0.0
EV average	CAD mn	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Enterprise Value	CAD mn	n/a	0.0	43.9	56.9	56.9	56.9	56.9
Valuation ratios								
EV/sales High	x	n/a	n/a	n/a	n/a	n/a	n/a	n/a
EV/sales Low	x	n/a	n/a	n/a	n/a	n/a	n/a	n/a
EV/sales Average	x	n/a	n/a	n/a	n/a	n/a	n/a	n/a
EV/sales Last	x	n/a	n/a	n/a	14.23	5.96	3.49	1.61
EV/EBITDA High	x	n/a	n/a	n/a	n/a	n/a	n/a	n/a
EV/EBITDA Low	x	n/a	n/a	n/a	n/a	n/a	n/a	n/a
EV/EBITDA Average	x	n/a	n/a	n/a	n/a	n/a	n/a	n/a
EV/EBITDA Last	x	n/a	n/a	n/a	n/a	29.8	12.9	4.1
EV/EBIT Last	x	n/a	n/a	n/a	n/a	54.1	17.1	4.5
P/E High	x	n/a	n/a	n/a	n/a	n/a	n/a	n/a
P/E Low	x	n/a	n/a	n/a	n/a	n/a	n/a	n/a
P/E Average	x	n/a	n/a	n/a	n/a	n/a	n/a	n/a
P/E Last	x	n/a	n/a	n/a	n/a	51.8	16.8	4.4
P/BV Last	x	n/a	n/a	11.5	16.0	12.3	7.1	2.7
P/CF Last	x	n/a	n/a	n/a	n/a	n/a	n/a	n/a
FCF yield	%	n/a	n/a	n/a	-28.4%	9.2%	5.7%	9.7%
Dividend yield	%	n/a	n/a	0.0%	0.0%	0.0%	0.0%	0.0%

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

Discounted Cash Flow Valuation

IFRS (12/31)		2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TY
Revenues	**CAD mn**	**0.0**	**4.0**	**9.6**	**16.3**	**35.3**	**58.1**	**75.6**	**84.6**	**88.2**	**90.0**	**91.4**	**92.8**	**94.2**	**95.6**	**97.0**	**98.5**
YoY	%	n/a	n/a	138.8%	70.6%	116.9%	64.4%	30.1%	11.9%	4.3%	2.0%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
EBIT	**CAD mn**	**-3.3**	**-0.6**	**1.1**	**3.3**	**12.6**	**20.8**	**27.1**	**30.3**	**31.7**	**32.4**	**32.9**	**33.5**	**34.0**	**34.6**	**35.1**	**34.5**
EBIT margin	%	n/a	-14.9%	11.0%	20.4%	35.7%	35.8%	35.8%	35.9%	35.9%	36.0%	36.0%	36.1%	36.1%	36.2%	36.2%	35.0%
Taxes	CAD mn	0.0	0.0	-0.1	-0.2	-0.6	-5.5	-7.2	-8.0	-8.4	-8.6	-8.7	-8.9	-9.0	-9.2	-9.3	-9.1
Tax ratio (τ)	**%**	0.0%	5.0%	5.0%	5.0%	5.0%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%
Adjusted EBIT(1-τ)	CAD mn	**-3.3**	**-0.6**	**1.0**	**3.2**	**12.0**	**15.3**	**19.9**	**22.3**	**23.3**	**23.8**	**24.2**	**24.6**	**25.0**	**25.4**	**25.8**	**25.3**
Reinvestments	CAD mn	-3.3	1.4	1.6	0.4	-3.7	-0.8	-1.1	-1.0	-0.6	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-5.8
FCFF	**CAD mn**	**-6.6**	**0.8**	**2.6**	**3.6**	**8.3**	**14.5**	**18.8**	**21.3**	**22.7**	**23.5**	**23.9**	**24.3**	**24.7**	**25.1**	**25.5**	**19.5**
WACC	%	10.4%	10.7%	10.7%	10.7%	10.7%	10.4%	10.1%	9.8%	9.4%	9.1%	8.8%	8.5%	8.1%	7.8%	6.5%	
Discount rate	%	100.0%	90.3%	81.5%	73.6%	66.5%	60.2%	54.7%	49.8%	45.5%	41.7%	38.4%	35.4%	32.7%	30.3%	28.5%	
Present value of FCFF	**CAD mn**	**-6.6**	**0.8**	**2.2**	**2.7**	**5.5**	**8.7**	**10.3**	**10.6**	**10.3**	**9.8**	**9.2**	**8.6**	**8.1**	**7.6**	**7.3**	
Present value of terminal value	CAD mn	46.1															
in % of enterprise value	%	32.7%															
PV FCFF detailed planning phase	CAD mn	4.5															
in % of enterprise value	%	3.2%															
PV FCFF rough planning phase	CAD mn	90.6															
in % of enterprise value	%	64.1%															
Enterprise value	**CAD mn**	**141.2**															
Financial debt	CAD mn	0.0															
Excess cash	CAD mn	1.2															
Value of equity	**CAD mn**	**142.4**															
Number of shares outstanding	mn	81.3															
Value of equity per share	**CAD**	**1.80**															

SOURCE: SPHENE CAPITAL FORECAST

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15 10 2019/08:30 h	CAD 0.70/CAD 1.80	Buy/24 months	1, 2, 8

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This report has been finalized on 15 10 2019 at 07:00 h. Last price at the time of completion: CAD 0.70.