

## SITE VISITS

# Asset Review Highlights Value Disconnect

**OUR TAKE:** Aphria shares remain undervalued following the developments over the past month. Most notably the impact of a short-report in early December caused a sharp sell-off as it called into question the existence of certain LATAM assets purchased earlier in 2018. Due to the lingering uncertainty, we took it upon ourselves to visit some of Aphria's assets in Jamaica, Argentina, Colombia and Canada. Overall, the site visits were largely in line with our expectations and confirm that there are operations on-going with the assets at varying levels of development. In addition, we toured the Aphria One facility and reiterate our view that the Canadian assets are not appropriately valued in the current share price.

## KEY HIGHLIGHTS

- ◆ **Site Visits of LATAM and Leamington Assets:** During the month of December we conducted site visits to Colombia, Jamaica, Argentina and Leamington. Overall our review of the assets was broadly in-line with our expectations. In our opinion the Colombian asset is likely the asset that holds the most opportunity for Aphria as a result of the LATAM acquisition. We note that at the time the transaction was announced, the shares issued represented 6.3% dilution to shareholders versus the ~15% decline in share price since closing on November 30<sup>th</sup>.
- ◆ **Canadian Assets Hold Significant Value:** As we highlighted in our note on December 4<sup>th</sup>, it is our view that the Canadian assets alone represent significant value and warrant a higher share price from current levels. We outline our view and scenario analysis later in this note.
- ◆ **Continued Operational Execution:** Our thesis on Aphria has focused on its operational execution over the past four years. To our knowledge there is no other public LP that has reported 11 consecutive quarters of positive EBITDA serving the Canadian medical cannabis market. While that string has been disrupted as costs ramped up to support the adult-use market, its past execution gives us confidence it should be capable of generating strong EBITDA going forward.

## OUTLOOK

- ◆ **Continued Volatility:** We anticipate that Aphria will continue to trade with volatility as investors digest the various developments in the near-term, which include its Q2/19 results, an expected response by the independent committee and further developments with respect to the offer from Green Growth Brands.

## RECOMMENDED ACTION

*We recommend accumulating shares at current levels*

- ◆ **We recommend that investors with a high risk tolerance consider accumulating shares of Aphria as it is our opinion that the shares are currently undervalued.** Our review of the Company's assets backstops our fundamental view that there has been an overreaction on the sell side over the last month that has resulted in the current share price trading at a discount to the Canadian assets alone, creating a unique buying opportunity.

## CATALYSTS

1. **January 11, 2019** – Fiscal Q2/19 financial results released
2. **Near Term** – Response from independent committee of the BoD with respect to the short-report
3. **On-going** – Potential M&A and partnerships

## PROJECTED RETURN

46%

## RISK FACTOR

Very High

## SCENARIO ANALYSIS

Downside Scenario	Current Price	Price Target
\$6.00	\$8.92	\$13.00
↓ 33%		↑ 46%

## KEY STATISTICS AND METRICS

52-Week High/Low	\$24.75/\$4.76
YTD Performance	13.63%
Dividend Yield	N/A
Shares O/S	248.3M (Basic) 260.5M (FD)
Market Capitalization	\$2,323.2M
Cash	\$314M
Debt	\$55M
Enterprise Value	\$2,065.0M
Daily Volume (100 Day Avg)	11,620,181
Currency	C\$ unless noted

## HAYWOOD ESTIMATES (FYE May-31)

	2019E	2020E	2021E
Revenue (\$M)	138.4	564.6	770.0
Adj. EBITDA (\$M)	26.4	208.7	272.8
EPS FD (\$)	0.07	0.47	0.70

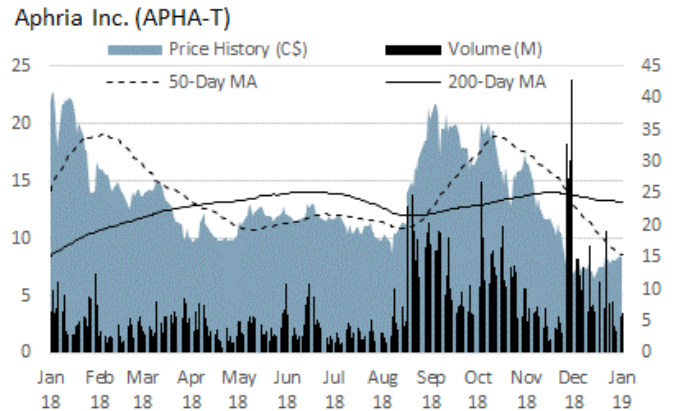
## VALUATION

We use a 12x EV/EBITDA multiple on our F2021 EBITDA estimate then discounted by 10%.

## INVESTMENT THESIS

In our opinion Aphria has established itself as one of the leaders in the industry on many fronts. While it was the 14th licensed producer in Canada, in our view it has been at the forefront of various industry accomplishments. The Company has been successful in scaling up its production capabilities, capturing market share and generating positive EBITDA.

## SCENARIO ANALYSIS



Source: Capital IQ, and Haywood Securities

### TARGET PRICE

**Our target price** of \$13.00 is based on a 12x multiple to our F2021 EBITDA estimate discounted at 10%.

### DOWNSIDE CASE

Our downside case of \$6.00 is based on a 4.5x multiple to our F2021 EBITDA estimate discounted at 10%.

### KEY RISKS

**Reliance on License:** Aphria is reliant on its licenses from various regulatory bodies to operate in the domestic and global medical and adult-use cannabis market. Changes to these licenses could impact the company in a positive or negative manner.

**Facility Risk:** Aphria is dependent on its facility infrastructure to grow, cultivate and process cannabis for eventual use by patients across Canada. Any event that may impact the facilities it operates would impact its ability to grow and sell to its patient base and adult-use consumers.

**Competition:** The cannabis market in Canada has strong competition all pursuing the medical patient population and the recreational user. As Health Canada continues to approve and expand the number of licensed producers it could increase competition within the industry.

**Aphria** is a licensed producer under the ACMPR with greenhouse operations in Leamington Ontario. The Company has current capacity of 30,000kg with expansion plans towards 250,000kg per year including its strategic partnership.

### Website

[www.aphria.com](http://www.aphria.com)


### Key Management

Vic Neufeld (CEO)

Carl Mertson (CFO)

Jakob Ripshtein (President)



 <b>Aphria Inc. (APHA-T, APHA-NYSE)</b> Rating: Buy Risk: Very High Target Price Metric: 12x EV/EBITDA	Target Price (C\$)	\$13.00	Mkt. Cap, C\$M	2,323.2
	Return (%)	46%	Shares Outstanding (M)	248.3
	Current Price	\$8.92	Fully Diluted Shares (M)	260.5
	52 Week High/Low (C\$)	\$24.75 / \$4.76	Company CEO	Vic Neufeld
	Daily Volume (100 day avg)	11,620,181	Website	www.aphria.com

BALANCE SHEET AND CAPITALIZATION	As of FQ1/2019
	\$M
Market Capitalization	\$2,323
Current Cash	\$314
Working Capital	\$363
Debt	\$55
Enterprise Value (EV)	\$2,065

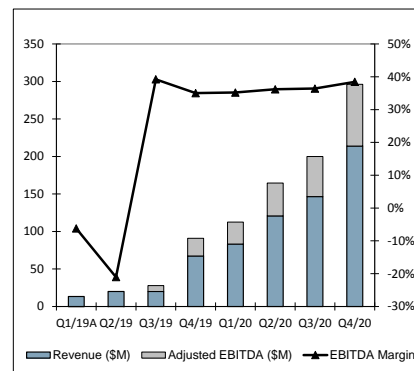
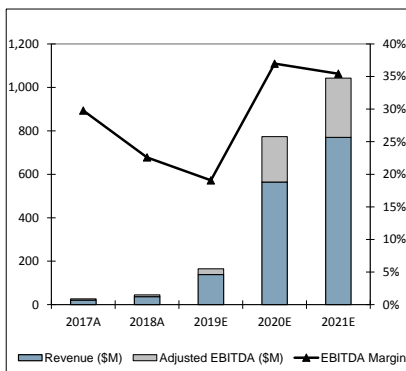
CAPITAL STRUCTURE	Shares
	(M)
Shares Outstanding	248.3
Options	9.3
RSU's	0.0
Warrants	2.8
Fully Diluted Shares	260.5

ANNUAL FINANCIAL SUMMARY (\$M)					
Year-end May 31st	2017A	2018A	2019E	2020E	2021E
<b>Operating Items (\$M)</b>					
Kg of cannabis sold	2,615	4,830	27,128	127,500	200,000
Avg. Selling Price per gram	7.81	7.63	5.12	4.43	3.85
Avg. Cost per gram	1.87	1.73	1.44	1.10	1.00
<b>Income Statement (\$M except per share items)</b>					
Revenue	20.4	36.9	138.4	564.6	770.0
Cost of Goods Sold	3.6	9.0	40.8	140.3	200.0
Gross Profit	17.3	40.9	97.6	424.3	570.0
Adjusted EBITDA	6.1	8.3	26.4	208.7	272.8
Net Income	4.2	29.4	17.3	122.4	182.0
EPS FD	0.04	0.18	0.07	0.47	0.70
<b>Balance Sheet (\$M)</b>					
Cash & Equivalents	79.9	59.7	177.8	283.0	431.4
Debt	32.6	30.5	55.4	55.4	55.4
<b>Cash Flow (\$M)</b>					
Op. CF (before W/C)	2.7	4.8	23.0	165.7	208.8
Financing CF	259.7	206.3	285.4	0.0	0.0
Investing CF	(200.5)	(220.9)	(155.6)	(40.0)	(40.0)
Change in Cash	64.5	(20.2)	118.1	105.2	148.3

QUARTERLY RESULTS (\$M)				
Revenue	2017A	2018A	2019E	2020E
Q1	4.4	6.1	13.3	83.2
Q2	5.2	8.5	20.0	120.8
Q3	5.1	10.3	20.0	146.6
Q4	5.7	12.0	67.3	214.0
EBITDA	2017A	2018A	2019E	2020E
Q1	1.1	1.5	(0.8)	29.3
Q2	1.2	1.6	(4.2)	43.7
Q3	1.0	2.9	7.9	53.4
Q4	2.8	2.2	23.6	82.3

VALUATION RATIOS					
	2017A	2018A	2019E	2020E	2021E
EV / Revenue	14.9x	3.7x	2.7x		
EV / EBITDA		78.2x	9.9x	7.6x	
GROWTH ANALYSIS					
	2017A	2018A	2019E	2020E	2021E
Revenue	81%	111%	71%	75%	74%
EBITDA	37%	216%	691%	31%	
Net Income	601%	-41%	608%	49%	
MARGIN ANALYSIS					
	2017A	2018A	2019E	2020E	2021E
Gross Margin	85%	111%	71%	75%	74%
EBITDA	30%	23%	19%	37%	35%
Net Income	21%	80%	12%	22%	24%

ANNUAL and QUARTERLY REVENUE, EBITDA, and EBITDA MARGIN %



Recent Financings / M&A Activity

September 27, 2018 - Closed acquisition of LATAM Holdings Inc.: C\$193.0M (15.687M shares at C\$12.31/sh and \$1M debt)  
 June 28, 2018 - Closes \$258.8M equity financing at \$11.85/s  
 March 23, 2018 - Closes acquisition of Nuvera: \$425M (in \$50M cash and approx. \$375M in shares)  
 February 13, 2018 - Closes acquisition of Broken Coast Cannabis: Approx. \$217M (issued 14.373M/sh)  
 January 3, 2018 - Closes \$115.0M equity financing at \$13.75/s

Recreational Brands



PEER-GROUP COMPARABLES

Company	Ticker	Share (\$)	2019E EV / REV	2020E EV / REV	2019E EV / EBITDA	2020E EV / EBITDA
Aurora Cannabis Inc.	TSX:ACB	7.17	20.0x	8.5x	--	33.2x
Auxly Cannabis Group Inc.	TSX:XLY	0.91	3.2x	0.9x	15.1x	2.6x
Canopy Growth Corporation	TSX:WEED	44.50	59.3x	19.1x	--	80.9x
Cronos Group Inc.	TSX:CRON	17.11	1.0x	1.0x	21.1x	3.8x
HEXO Corp.	TSX:HEXO	6.30	12.2x	5.5x	--	18.8x
OrganiGram Holdings Inc.	TSX:OGI	5.85	6.2x	3.3x	28.1x	9.4x
Tilray, Inc.	Nasdaq:TLRY	79.70	55.3x	25.2x	731.9x	190.6x
The Supreme Cannabis Company, li	TSX:FIRE	1.75	10.6x	2.8x	44.8x	8.0x
VIVO Cannabis Inc.	TSXV:VIVO	0.86	7.6x	3.1x	104.4x	4.6x
Wayland Group Inc	CNSX:WAYL	1.30	2.2x	2.1x	17.9x	6.4x
WeedMD Inc.	TSX:WMD	1.53	2.6x	1.2x	10.0x	3.9x
<b>Aphria Inc.</b>	<b>TSX:APH</b>	<b>8.92</b>	<b>14.9x</b>	<b>3.7x</b>	<b>78.2x</b>	<b>9.9x</b>
<b>Selected Company Average</b>			<b>16.3x</b>	<b>6.4x</b>	<b>116.8x</b>	<b>31.0x</b>
<b>Selected Company Average Excl. Hi / Low</b>			<b>13.5x</b>	<b>5.0x</b>	<b>44.2x</b>	<b>17.9x</b>

Source: Bloomberg, Capital IQ, Company Reports, and Haywood Securities



## Outlook and Recommendation

In our opinion Aphria's shares are undervalued even based solely on the Canadian assets. As we outline later in the report, we suggest a range of value per share scenarios from the Canadian operations between \$10.25 and \$27.52, depending on assumptions are used. Investors drove the share price down in December following the release of a short report. While we await a full response from the independent committee formed by the Board of Directors, we believe there is buying opportunity for risk-tolerant investors at these levels. In our view, Aphria acquired the LATAM assets for the strategic opportunity that it provides to broaden its international presence. Following our site visits to the various countries, we are of the view that there are real companies and assets in place at varying levels of development. As was our expectation at the time of the announced transaction, it was not expected to have a material impact on the financial statements in the near-term. It is necessary to invest / acquire in these international jurisdictions to be well positioned as the international market place evolves.

## Site Visit Overview

Following the publication of a short-report at the beginning of December, we took the opportunity to perform site visits to some of Aphria's holdings. In all we visited Marigold in Jamaica, ABP in Buenos Aires, ColCanna in Colombia and Aphria's facilities in Leamington, Ontario. Below is a review of some of our findings.

### Colcanna SAS – Chinchiná & Manizales, Colombia

As a part of the LATAM Holdings acquisition, Aphria acquired a 90% stake in Colcanna SAS, a licensed Colombian producer that is currently developing a 56-acre plot of land in Colombia's Coffee region. Upon completion, Colcanna will provide the Colombian and international markets with medical cannabis.

In December 2018, we toured Colcanna's farm and main office. The farm is situated in the Coffee region of western Colombia, between Manizales and Pereira. The main office is in a large office tower in Manizales. Colcanna chose the location for the farm, based on its climate, accessibility, agro-friendly labour pool, and the peaceful nature of the area.

Colcanna currently holds licenses for the cultivation and sale of psychoactive and non-psychoactive cannabis. The Company has also received its production and processing license which includes a license to export product. Progress has been made with Instituto Colombiano Agropecuario ("ICA"), the regulatory body that is responsible for Colombia's seed registration program and cannabis seed characterization process. The maximum allowed 10 strains of seeds has been submitted to ICA and in early 2019 the Company will apply for its quota to begin the actual agronomical assessment. During the agronomical assessment, cultivation will begin at the pilot greenhouses and the seedling incubators. The cultivated plants will then be submitted to ICA in order to register specific strain information such as: THC% / CBD%, terpenes, time to flower, and yields. After the agronomical assessment is completed, Colcanna will be able to use its seeds for the commercial production of cannabis.

#### Colcanna Farm – Chinchiná, Colombia

The farm is made up of two plots of land covering a total area of approximately 22.8 hectares (Site 1 – 14.4 Ha., Site 2 – 8.4 Ha.) or 56.34 acres. The buildings that will contain the vegetative, flowering, drying and packaging, and extraction operations will use approximately 8.5 hectares of the land for the covered structures. The Vegetative Greenhouse will consist of a three-room covered glass greenhouse, one room for mother plants and two rooms for the clones. The Flowering Greenhouse will consist of 16 grow rooms, a covered greenhouse which at capacity is expected to produce approximately 40,000-50,000 kg of dried cannabis.

The land is currently undergoing the necessary work needed prior to the commencement of construction of the facilities. On the visit we saw work being conducted to level the land, widening and drainage efforts on the road leading from Site 2 to Site 1, extension of a drainage pipe from Site 1 to Site 2, and relocation of the power lines from the middle of the property to the border. Four bulldozers were active on site during our visit and dump trucks were seen moving loads of soil within the property. With the recent purchase of the second plot of land, extra soil from Site 1 will be used to level Site 2 instead of the original plan of having to dispose of the extra land at an offsite location. Running in parallel with the levelling of Site 1, approximately 40 laborers were working in two groups on the property preparing drainage ditches and water pipes. Currently, the power lines for the site are running through the property. Relocation of the power lines has begun and was expected to be complete within the next couple weeks at the time of the site visit.





Figure 1: Colcanna Farm Site 1 - Chinchiná, Colombia



Source: Haywood Securities

Construction is expected to begin in March or April 2019 and be completed by CYE 2019. The Company is working with France-based company Richel Group, that has over 50 years of experience in the greenhouse industry, to procure the pre-fabricated greenhouses. It is estimated that the greenhouses will take approximately two months to manufacture and one month for shipping and customs, suggesting a three-month timeline for receiving the materials on site. Construction of the facilities is expected to be completed at a rate of 1 Ha per month, requiring approximately 100 employees per Ha. At this pace, the facilities are expected to be complete by the end of 2019.

Figure 2: Colcanna Farm Site 2 - Chinchiná, Colombia



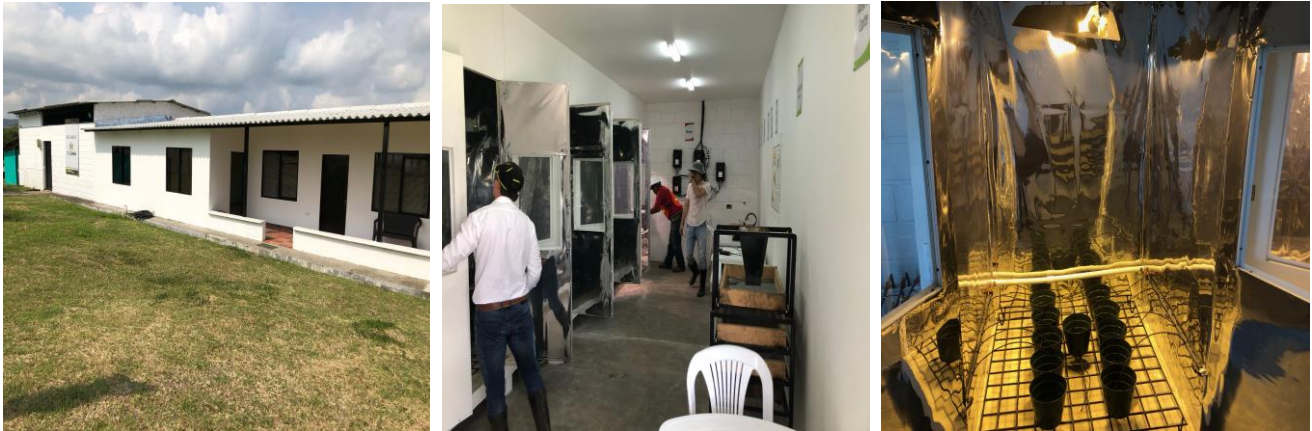
Source: Haywood Securities

There are four temporary greenhouses on Site 1 that will be used for conducting the agronomical assessment and seed characterization process. Additionally, there is a standalone building that will house the seed incubator rooms that is connected to an irrigation and ventilation system that will enable Colcanna to grow without the risk of cross contamination of chambers.





Figure 3: Existing Building and Seed Incubation Room on Site 1 - Chinchiná, Colombia

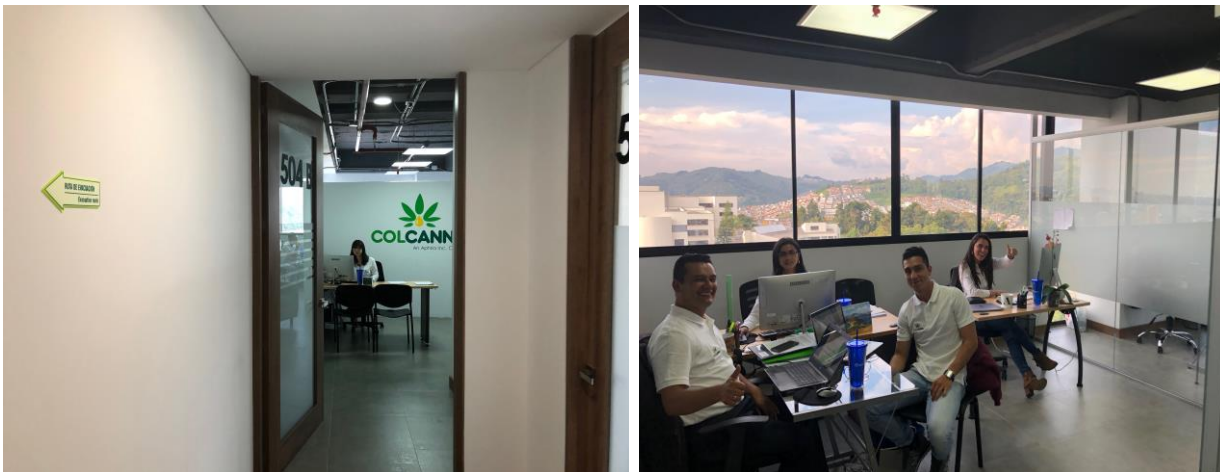


Source: Haywood Securities

### Colcanna Head Office – Manizales, Colombia

Colcanna's head office is located in a large office tower in Manizales and it also has a satellite office in Bogota. The office hosts approximately eight employees with more at the satellite office in Bogota.

Figure 4: Colcanna Head Office - Manizales, Colombia



Source: Haywood Securities

## ABP, S.A. – Buenos Aires, Argentina

The focus of our site visit to ABP, S.A. in Buenos Aires was a review of the office and distribution centre as well as a visit to the pharmacy that is also owned by ABP. Ultimately, our view is that ABP is a pharmaceutical distribution company that will be able to facilitate and participate in medical cannabis within Argentina, which at current time is not legal. Initially, aside from its current operations, the opportunity with ABP has been for the import and distribution of CBD produced by Aphria in Leamington, Ontario. In our opinion the ultimate opportunity in Argentina is for the importation of cannabis into the country; as announced on October 15<sup>th</sup>, 2018 Aphria delivered 1,500 bottles of its Rideau Oil to ABP which was subsequently provided to Hospital de Pediatria Garrahan for use in a clinical study focused on treating refractory epilepsy in children.

The ABP distribution centre is a four-story building in Buenos Aires with its primary business being pharmaceutical import and distribution. ABP has contracts with various pharmaceutical companies to distribute throughout Argentina to various hospitals of government tender processes. We toured the offices and the distribution areas that store purchased products, as well as new purchase orders, from various pharmaceutical companies awaiting distribution. We also toured through the storage areas and processing areas, shown in Figure 5.



Figure 5: ABP Distribution Centre Permits – Buenos Aires, Argentina

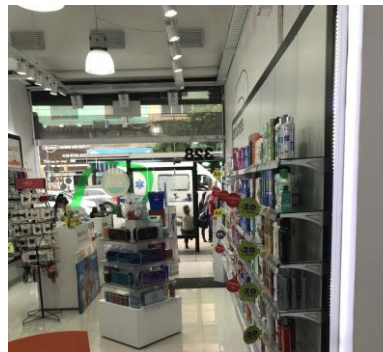


Source: Haywood Securities

In reviewing documents with management, they provided financial statements showing revenues in the prior year in Argentine Pesos of approximately ARS186M, which at the time translated to approximately US\$11M. We also had an opportunity to review the initial purchase order of 1,500 bottles of Aphria’s CBD product.

We also took the opportunity to visit ABP’s local pharmacy in Buenos Aires. As we expected, it is similar to a local pharmacy providing typical over-the-counter items while also fulfilling prescriptions for patients. As we outline in a few pictures in Figure 6, the front part of the store has typical products sold in pharmacies and a prescription counter, inventory, and a doctor’s office at the back of the store.

Figure 6: ABP, S.A. Pharmacy and Medical Assessment Room – Buenos Aires, Argentina







Source: Haywood Securities

## Marigold Projects – Kingston, Jamaica

In December 2018 we took the opportunity to visit and tour the assets associated with the Marigold acquisition that Aphria completed in late September 2018. We visited Marigold’s head office, the Herb House and the farm where it is growing cannabis. Mr. Lloyd Tomlinson is in charge of the Jamaican operation and was a founder of the company.

The corporate office is modest containing the basic necessities needed to operate Marigold given its current stage of development. As we would expect there is little need for a large sophisticated operation given the main assets of the company are the farm where the cannabis is grown and the retail locations that will be established across Jamaica. While at the office, Mr. Tomlinson reviewed with us the certificate of license from the Cannabis Licensing Authority of Jamaica, noting that it has a Tier 3 license that allows for the cultivation of at least 6 acres. In addition, we reviewed the registered address for the office of the business is 22 Trafalgar Road, Kingston 5, Cross Road, St. Andrew.

Located near the corporate office is the location of the first herb house the company has established. As a result of the change in ownership following the acquisition by Aphria, Marigold is currently awaiting its operating license as it awaits the security clearance process to conclude. Management is optimistic that process will be complete in early 2019, at which point it will commence sales of cannabis from this initial retail location.

Figure 7: Entrance of the Sensi Medical Cannabis House adjacent to the Peter Tosh Museum – Kingston, Jamaica



Source: Haywood Securities





Construction of the herb house is essentially complete, with décor, tables and shelves. The point-of-sale computer is on-site and awaiting to be installed closer to sales commencing. The company is also in process of securing and developing at least three other retail locations in Jamaica. In Figure 8 below we include some pictures from the inside of the Sensi Medical Cannabis house.

Figure 8: Inside the Sensi Medical Cannabis House – Kingston, Jamaica



Source: Haywood Securities

Following our tour of the Sensi Medical Cannabis House, we traveled about 30-40 minutes outside of Kingston to visit the farm that is situated about 250 metres away from the street with no signage. The farm is secured by a chain-link fence with armed guards patrolling the grounds and numerous security cameras that record all activity.



Figure 9: Marigold Farm – Jamaica



Source: Haywood Securities

The company had recently completed a large harvest in November towards the end of one of the peak growing seasons. During December and early January limited growing takes place due to weather conditions, meanwhile the team does further work on phenotyping its strains and prepares the land for the next crop in early 2019. Marigold management estimated that it had built inventory of approximately 2,500-2,600 kg of product that is awaiting commencement of sales. Additionally, during our visit there were representatives from the Jamaican Cannabis Licensing authority conducting an audit of the company's inventory.

Figure 10: Inside the Greenhouse and Phenotyping Plot - Jamaica





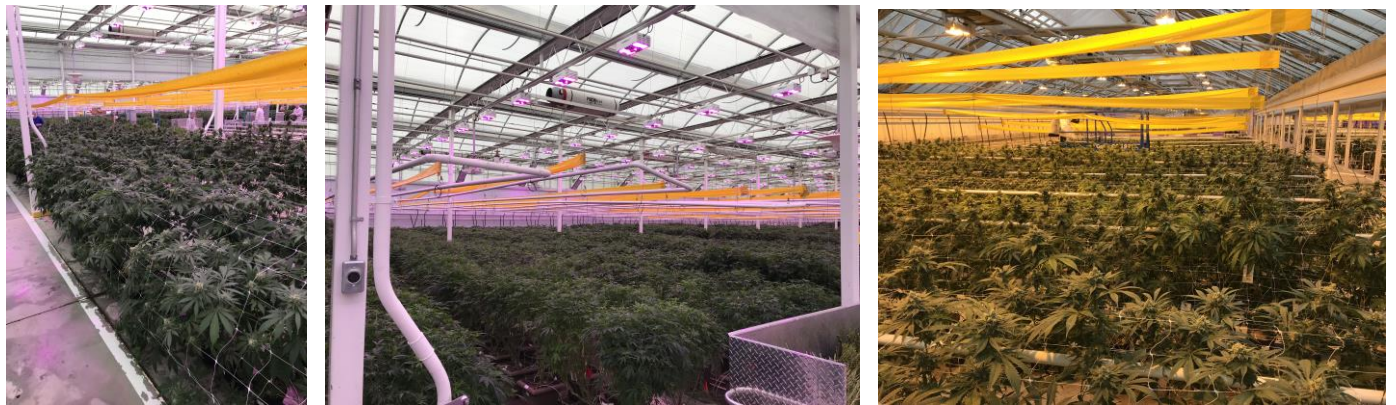


Source: Haywood Securities

## Aphria One – Leamington, Ontario

We visited Aphria's Leamington, Ontario operations in late December. Consistent with our prior visit in June 2018, the operations look to be proceeding well across its current footprint while the company awaits approval from Health Canada on its Part IV expansion. Our tour took us through all the different grow areas of the expanding Aphria One campus, from the initial greenhouses in 2014 through its Part III expansion that was completed in early 2018. The company is currently growing across approximately 300,000 sq. ft. with production capacity of 30,000 kg per year. As the company has previously disclosed, it is currently operating at close to 20,000 kg as it expands its mother and vegetative plants to ensure Part IV can commence growing operations once approved by Health Canada.

Figure 11: Inside Aphria One Facility – Leamington, Ontario



Source: Haywood Securities





Figure 12: Select Processing Areas in Aphria One – Leamington, Ontario



Source: Haywood Securities

Through Aphria One's Part IV expansion, the company has installed a power co-generation plant that will utilize natural gas to generate its own electricity. In addition, as a by-product to that process it will also produce its own hot and cold water and CO<sub>2</sub>. It is important to highlight this aspect of Aphria's expansion as it will help drive Aphria's low-cost of production. This infrastructure will generate the electricity to operate the greenhouses, but also the hot and cold water that will manage and control the temperature and humidity for the plants.

As we toured Aphria's Part IV expansion we were impressed by the level of automation that has been put in place and the overall size and scope of the expansion. The expansion is largely complete, and the company has submitted its application to Health Canada. Given the well-publicized supply shortages in Canada we are optimistic that the review process will be relatively quick.

We also had the opportunity to tour the Aphria Diamond facility that is currently undergoing a retrofit that will bring another 140,000 kg of production capacity on-line in the near-term. Construction is progressing well with anticipated completion in the next couple of months.

Figure 13: Aphria One Part IV Expansion



Source: Haywood Securities

## Scenario on Aphria's Canadian Assets

With the short-report focused on Aphria's recent acquisition of LATAM Holdings Inc., it is useful to remind investors of the value of Aphria's existing Canadian assets, at a minimum. To review, Aphria is expected to have production capacity of 255,000 kg per year in 2019 including the Aphria Diamond partnership. If we assume that operating at full capacity in 2020 with a more mature market in Canada, we use as a baseline that the company can sell ~80% of its production capacity or ~200,000 kg per year. Our base case assumes an average selling price across all products of \$4.00 per gram, EBITDA margin of 30% and a 15x EBITDA multiple. It is important to note that the peer group (large-cap Canadian LP's) all trade well above 15x 2020 EBITDA. Our scenario would suggest a share price of \$15.43 on this base case scenario. Our table in Figure 14 provides a scenario analysis on different selling prices per gram and EBITDA margins.



Figure 14: Scenario Valuations on Aphria's Canadian Assets

		EBITDA Margin				
		25%	30%	35%	40%	45%
Sale Price/gram	3.00	\$10.25	\$11.98	\$13.71	\$15.43	\$17.16
	3.50	\$11.69	\$13.71	\$15.72	\$17.74	\$19.75
	4.00	\$13.13	\$15.43	\$17.74	\$20.04	\$22.34
	4.50	\$14.57	\$17.16	\$19.75	\$22.34	\$24.93
	5.00	\$16.01	\$18.89	\$21.77	\$24.65	\$27.52

Source: Haywood Securities estimates

## Valuation

We use a 12x EV/EBITDA multiple on our F2021 EBITDA estimate then discounted by 10%.

Figure 15: Comparables Table

Company	Ticker	Price	Mkt Cap (C\$M)	Capital Structure			EV/Revenue			EV/EBITDA		
				Cash (C\$M)	Debt (C\$M)	EV (C\$M)	FY2018 (x)	FY2019 (x)	FY2020 (x)	FY2018 (x)	FY2019 (x)	FY2020 (x)
Aphria Inc.	TSX:APHA	\$8.92	2,227.9	314.0	55.9	1,988.7	53.8x	12.6x	3.7x	223.1x	40.5x	10.4x
Aleafia Health Inc.	TSXV:ALEF	\$1.42	224.1	0.0	0.0	201.3	39.7x	2.7x	1.3x	--	10.9x	4.2x
VIVO Cannabis Inc.	TSXV:VIVO	\$0.86	250.3	100.4	28.3	178.2	14.0x	5.4x	2.2x	--	74.4x	3.3x
Aurora Cannabis Inc.	TSX:ACB	\$7.17	7,155.0	494.0	291.1	6,955.4	112.2x	18.1x	8.3x	--	207.2x	24.3x
Beleave Inc.	CNSX:BE	\$0.12	54.9	3.6	6.1	59.6	11.9x	16.0x	1.5x	--	--	--
Origin House	CNSX:OH	\$7.44	448.5	75.3	28.3	401.6	13.6x	2.6x	1.5x	--	15.9x	7.9x
CannTrust Holdings Inc.	TSX:TRST	\$8.17	860.9	86.3	10.3	784.9	13.1x	4.4x	2.7x	186.7x	15.1x	8.1x
Cannex Capital Holdings Inc.	CNSX:CNNX	\$0.83	152.5	11.9	7.4	146.4	--	10.1x	8.6x	--	17.2x	13.2x
Canopy Growth Corporation	TSX:WEED	\$44.50	15,251.4	448.2	910.2	15,922.4	201.0x	61.9x	19.9x	--	--	84.5x
Charlotte's Web Holdings, Inc.	CNSX:CWEB	\$17.07	1,589.3	79.4	0.5	1,487.4	21.1x	9.2x	5.3x	62.3x	25.9x	14.9x
Cronos Group Inc.	TSX:CRON	\$17.11	3,057.8	41.5	5.7	3,022.4	135.5x	25.2x	12.0x	--	72.9x	32.1x
Emblem Corp.	TSXV:EMC	\$1.04	135.8	57.0	24.6	103.4	12.5x	1.5x	0.7x	--	16.0x	2.9x
Emerald Health Therapeutics, Inc.	TSXV:EMH	\$2.94	415.8	52.9	2.5	365.5	70.3x	--	2.9x	--	--	--
Green Thumb Industries Inc.	CNSX:GTII	\$15.95	2,399.0	149.8	7.6	2,272.5	36.8x	10.1x	4.6x	1336.8x	35.5x	11.8x
Harvest One Cannabis Inc.	TSXV:HVT	\$0.52	94.7	48.3	0.0	46.4	50.3x	2.3x	0.5x	--	--	1.7x
HEXO Corp.	TSX:HEXO	\$6.30	1,248.5	182.4	0.0	1,066.1	209.4x	10.5x	4.7x	--	--	16.0x
iAnthus Capital Holdings, Inc.	CNSX:IAN	\$5.95	441.3	15.6	30.4	460.4	80.2x	2.4x	1.4x	--	11.9x	4.8x
Invictus MD Strategies Corp.	TSXV:GENE	\$1.24	148.9	23.8	6.7	133.5	63.6x	--	--	--	--	--
James E. Wagner Cultivation Corporation	TSXV:JWCA	\$0.68	59.8	14.5	0.0	45.3	22.7x	1.5x	0.5x	--	21.6x	1.8x
Liberty Health Sciences Inc.	CNSX:LHS	\$1.12	383.0	26.1	10.0	366.9	618.7x	18.1x	3.8x	--	--	16.4x
Wayland Group Corp.	CNSX:WAYL	\$1.30	277.3	14.0	16.4	279.7	24.8x	2.3x	2.1x	--	18.1x	6.5x
MedMen Enterprises Inc.	CNSX:MMEN	\$4.15	432.5	0.0	0.0	505.1	17.2x	2.7x	1.0x	--	--	--
MPX Bioceutical Corporation	CNSX:MPX	\$0.96	388.8	17.7	59.2	436.9	21.2x	3.5x	2.1x	--	18.4x	7.9x
OrganiGram Holdings Inc.	TSXV:OGI	\$5.85	758.0	130.1	99.2	727.1	51.5x	5.9x	3.2x	--	27.0x	9.0x
Sunniva Inc.	CNSX:SNN	\$4.75	180.9	3.6	23.6	201.0	10.0x	0.9x	0.5x	--	4.1x	1.6x
Tilray, Inc.	NASDAQ:TLRY	\$79.70	7,425.2	119.0	18.2	7,324.5	183.3x	54.5x	24.8x	--	722.0x	188.0x
The Supreme Cannabis Company, Inc.	TSXV:FIRE	\$1.75	507.1	31.2	31.1	507.1	61.5x	10.6x	2.8x	--	44.8x	8.0x
Trulieve Cannabis Corp.	CNSX:TRUL	\$11.71	1,285.9	65.8	27.1	1,247.1	12.5x	5.6x	4.2x	28.9x	12.7x	9.3x
WeedMD Inc.	TSXV:WMD	\$1.53	170.2	38.1	2.4	134.5	9.6x	2.1x	1.0x	--	7.9x	3.1x
Average							77.6x	11.2x	4.6x	367.6x	67.6x	19.7x
Median							38.2x	5.6x	2.7x	186.7x	18.4x	8.1x
Average (excl Hi/Lo)							59.4x	9.6x	3.9x	95.5x	36.5x	13.1x

Source: Capital IQ



## Significant Investment Risks

---

The investment to which this report relates carries various risks which are reflected in our Overall Risk Rating. We consider the following to be the most significant of these investment risks:

- ◆ **Reliance on License** – Aphria is reliant on its license from Health Canada to grow, cultivate and process cannabis flower and oils and sell them to registered patients and adult-use consumers. Any change to the overall framework and regulations could be positive or negative to Aphria's business opportunities both in Canada and internationally.
- ◆ **Facility Risk** – Aphria is dependent on its facility infrastructure to grow, cultivate and process cannabis for eventual use by patients across Canada. Anything that may impact the facilities it operates would impact its ability to grow and sell to its patient base.
- ◆ **Competition** – The medical cannabis market in Canada has strong competition that are all pursuing the medical patient population within Canada as well as the adult-use consumer. As Health Canada continues to approve and expand the number of licensed producers it could increase competition within the industry.
- ◆ **Execution Risk** – Aphria needs to execute on its oil extraction lab as well as its new growing facility. As is inherent in any expansion or capital improvement project it is susceptible to execution risk to complete on time and on budget.





## Important Information and Legal Disclosures

This report may be distributed in the following states: nil. Otherwise, this report may only be distributed into those states with an institutional buyer state securities registration exemption.

### Analyst Certification

I, Neal Gilmer, hereby certify that the views expressed in this report (which includes the rating assigned to the issuer's shares as well as the analytical substance and tone of the report) accurately reflect my/our personal views about the subject securities and the issuer. No part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations.

### Important Disclosures

Of the companies included in the report the following Important Disclosures apply:

Ticker	Company	1	2	3	4	5	6	7	8
TSX:APHA	Aphria Inc.			X	X		X		
CNSX:TRST	CannTrust Holdings Inc.			X	X				
TSXV:HVT	Harvest One Cannabis Inc.								
TSXV:JWCA	James E.Wagner Cultivation Corp.			X	X				
TSXV: OGI	Organigram Holdings Inc.			X	X				
TSXV:WMD	Weed MD			X					
1	The Analyst(s) preparing this report (or a member of the Analysts' households) have a financial interest in this company.								
2	As of the end of the month immediately preceding this publication either Haywood Securities, Inc., one of its subsidiaries, its officers or directors beneficially owned 1% or more of this company.								
3	Haywood Securities, Inc. has reviewed lead projects of this company and a portion of the expenses for this travel have been reimbursed by the issuer.								
4	Haywood Securities Inc. or one of its subsidiaries has managed or co-managed or participated as selling group in a public offering of securities for this company in the past 12 months.								
5	Haywood Securities, Inc. or one of its subsidiaries has received compensation for investment banking services from this company in the past 12 months.								
6	Haywood Securities, Inc. or one of its subsidiaries has received compensation for investment banking services from this company in the past 24 months.								
7	Haywood Securities, Inc. or one of its subsidiaries is restricted on this company at the time of publication.								
8	Haywood Securities, Inc. or one of its subsidiaries expects to receive or intends to seek compensation for investment banking services from this company in the next 3 months.								

Other material conflict of interest of the research analyst of which the research analyst or Haywood Securities Inc. knows or has reason to know at the time of publication or at the time of public appearance:

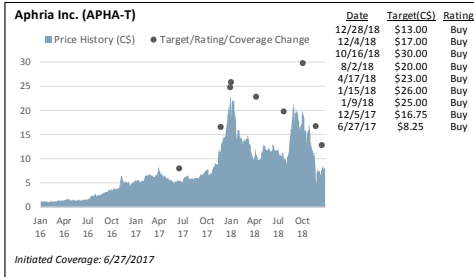
◆ n/a

### Distribution of Ratings (as of January 10, 2019)

	%	#	IB Clients (TTM)
Buy	75.5%	71	92.0%
Hold	11.7%	11	8.0%
Sell	0.0%	0	0.0%
Tender	2.1%	2	0.0%
UR (Buy)	0.0%	0	0.0%
UR (Hold)	0.0%	0	0.0%
UR (Sell)	0.0%	0	0.0%
Dropped (TTM)	10.6%	10	0.0%



Price Chart, Rating and Target Price History (as of January 10, 2019)



B: Buy; H: Hold; S: Sell; T: Tender; UR: Under Review  
 Source: Capital IQ and Haywood Securities

Link to Research Policy: <http://haywood.com/what-we-offer/research/research-policy>

Member of the Canadian Investor Protection Fund

