

Monday, October 05, 2020

VALUATION

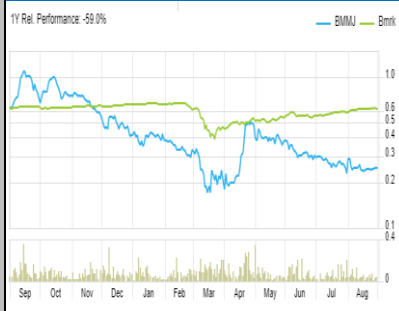
Current Price	\$0.26
52 Week Range	\$0.15– 1.18
Market Cap (\$-Mn)	28
Ent. Value (\$-Mn)	26
Shares Out. (Mn)	108
Short Int (% Flt)	0%
Daily Vol	57K
P/Book	0.8x
EV/ Sales	0.5x
EV/EBITDA	6.0x

FUNDAMENTALS

Run-rate Levels at Year-end CY20

Managed Sales	\$20M
EBITDA	\$2M
Insider Owner	29%
Inst. Owners	0%
Retail Owners	70%
ROIC	NM
Net Cash (\$-Mn)	\$2

RELATIVE PERFORMANCE



CONTACT

Peter Wright
Intro-act
617-454-1088
peter@intro-act.com

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Body and Mind, Inc. (CSE:BAMM/OTC:BMMJ) Value Unlocking Underway

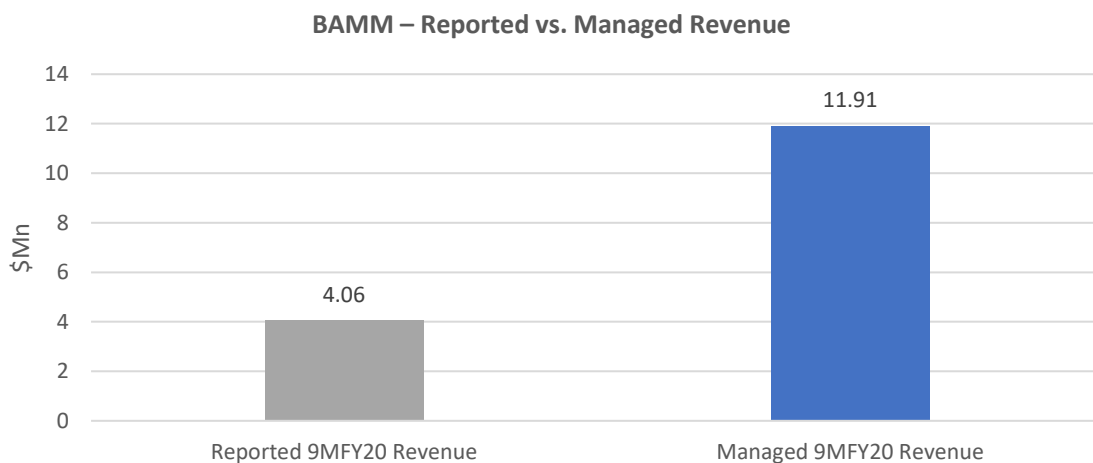
License Transfers in CA and OH to Simplify Ownership Structure and Boost Topline

- **Key Updates and Milestones Achieved:**
 - Completes license transfers for award winning ShowGrow Long Beach dispensary in CA and the hugely popular Clubhouse dispensary in OH.
 - Launches Pretzel Bite edibles in CA to boost brand building efforts.
 - More catalysts lined up in 4Q20.
- **Simplification of BAMM’s ownership structure – the key driver for valuation re-rating – is underway as per management guidance, with license transfer of two key dispensaries in CA and OH completed.**
 - **On September 1, BAMM’s wholly owned subsidiary NMG Long Beach, LLC, received all approvals and final license transfer for the ShowGrow Long Beach dispensary.** The Long Beach dispensary sells high-quality marijuana, such as flower, edibles, concentrates, topicals, and other products, to customers at reasonable prices. It has been voted the Best Dispensary in Long Beach in 2018 and 2019 by the Orange County Weekly. It is one of BAMM’s two retail outlets in the CA market that is expected to generate \$7.2 billion in legal cannabis sales in 2024.
 - **On September 9, BAMM’s wholly owned subsidiary NMG OH 1, LLC, received all approvals and final license and name transfer for The Clubhouse dispensary located in Elyria, Ohio.** The Clubhouse Dispensary is one of the most popular ones in Ohio and generated \$3.4 million in sales in the nine months ending April 2020 with a 43% gross margin and 30% net profit margin. Since its launch last year, the dispensary has quickly become one of the most popular dispensaries in northern Ohio and is frequently covered in local news and media. Our research shows that it enjoys a strong 4.2/5 rating on cannabis dispensary marketplace Weedmaps. The dispensary is in the process of being rebranded as a Body and Mind branded operation, and along with the company’s planned construction facility in the state, is key to BAMM’s growth plans in the limited license and undersupplied OH market that is likely to have \$0.5 billion in annual medical cannabis sales by 2024.
- **These license transfers will bridge the gap between proforma and reported sales (~3x) and unlock value.** BAMM’s reported topline and thus its market cap has been constrained by the partial ownership of some of its assets, which did not allow for revenue recognition on the P&L, resulting in a ~3x difference in reported vs. managed revenues (\$4mn vs. ~\$12mn, 9MFY20). We believe this is set to change with the transfer of these licenses which will allow for complete revenue recognition and will simplify ownership structure, leading to value unlocking and driving the re-rating of the stock. (See chart on reported vs. manages sales on next page.)
- **Strengthens brand presence by launching Pretzel Bite edibles in California.** Continuing with its strategy of building one of the first national/multi-state cannabis brand in the U.S., BAMM launched its Pretzel Bite edibles in CA on September 23. Pretzel Bite edibles have already been received well in BAMM’s home market of Nevada, with strong customer feedback and special releases including Fourth of July and Electric Circus drops. The launch adds to BAMM’s California branded product portfolio, which includes BaM Stix pre-rolls, Body and Mind pre-roll packs, distillate and live-resin cartridges, G-Pen cartridges, and concentrates, and will help BAMM consolidate market share in CA, especially among users looking for alternates to inhaled consumption.

▪ **Other catalysts for investors to monitor in 2H/4Q20.**

- **Federal:** Components of SAFE Act incorporated into the House passed Hero’s Act.
- **NV:** produce, manufacture, and sell complementary products for national brands under white label agreements.
- **CA:** produce, manufacture, and sell complementary products for national brands under white label agreements.
- **OH:** construction of Ohio production facility.
- **AR:** dispensary open, construction of cultivation facility capex is complete with planning underway for cultivation.

Chart 1: BAMM’s Managed Revenue is ~3x Its Reported Revenue – License Transfer in CA and OH Will Bridge This Gap and Simplify Ownership Structure



Source: Intro-Blue, Company. BAMM’s Fiscal Year ends in July. 9M revenues through April 2020. Managed revenue includes reported revenue and sales of cannabis products from entities for which management arrangements or definitive agreements are in place but BAMM cannot consolidate due to regulatory restrictions, or from equity investments, in which results cannot be consolidated.

Chart 2: Summary – Upcoming BAMM Catalysts

NV+CA

Produce, manufacture and sell complementary products for national brands under white label agreements
Est. Calendar Q3 2020*



AR

ARKANSAS

Dispensary open. Facility construction complete with planning for cultivation
Est. late Calendar Q3/4 2020*



OH

OHIO

Construction of Ohio production facility
Est. Calendar Q4 2020*



Source: Intro-Blue, Company

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