

## MicroCap.com (est. 1998)

Danny Deadlock, MicroCap Equity Analyst

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### A Promising Turn-Around Story / Speculation

**MediPharm Labs** (TSX:LABS 7 cents / MEDIF: OTCQB / MLZ: FSE)

Pharma-Quality Cannabis Products [medipharmlabs.com]

**Current Fair Value** (explained on pages 33 to 35): **12 to 14 cents** per share

**Target for 2024** (pages 33 to 35): **19 to 25 cents** per share - I will adjust this quarterly in 2024

Pharma Style “Blue Sky” Potential is Possible Longer Term (exponential gains)

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Shares Outstanding: 400M / Market Cap: \$28 Million / Adjusted Book Value Sept 30/23 ~ \$50M  
Sept 30<sup>th</sup> Cash & Receivables \$25M / Inventory \$10M / Property & Equipment \$25M / Debt \$10M  
2023 Annual Revenue approx. \$35M - Targeting earnings positive H1/24  
Operating in 10 countries / International revenue accounts for 40% of total revenue

#### Corporate Highlights:

- Pharma grade purification & dosing using state-of-the-art technology.
- Recreational Cannabis sales but Medical Marijuana is their Focus
- If CBD comes under Federal regulation, LABS will be years ahead of its competition and one of the only companies in North America that prepared for such an event (see page 14)
- The only commercial scale natural extractor in North America built to serve Pharma
- Products include dry flower, pre-rolls, vapes, oils, soft chews, capsules
- Two-time National winner of CBD of the Year. 2<sup>nd</sup> largest cannabis oil sales in Canada
- GMP facilities certified for Canada, Australia, U.S., Brazil, and the EU. Selling to 10 countries
- Extensive expertise with rare cannabinoids CBG and CBN
- World-class grow facility in B.C providing high grade organic BC Cannabis with pharmaceutical grade processing and extraction facilities located in Ontario
- Direct to consumer sales platform & a successful telemedicine platform
- Partnered with STADA (selling in 120 countries) and well-known Universities
- The only Canadian company to register a CBD API DMF with the US FDA
  - ***CBD as an API is extremely valuable if regulatory approvals are received***
- If drug trials with pharma partners prove successful, LABS would generate long term royalties
- Drug Trial Supplier in Canada and the United States. Pharmaceutical grade cannabinoids in isolate and finished good forms using their Canadian DEL (a unique license within the Cannabis industry)



## Introductory Note on Valuation

I have utilized 40 years of penny stock experience to analyze Medipharm Labs from an analytical and fundamental perspective. I am estimating (1) downside risk at **losing half the investment from 7 cents by Q4, 2024** or (2) **a value of 19 cents per share implying a 170% gain.** While I would hope the gain will be stronger a year from now, this valuation seems reasonable given what is in the public domain November 2023.

It is important to keep in mind that we are in an extremely challenging market and the number of people speculating on penny stocks is only a fraction of what it used to be – for any number of reasons. This may mean that Medipharm could be worth 19 cents or more to someone in a merger / acquisition scenario - or in a more reasonable market environment. But it could also mean that very little changes a year from now and this becomes dead (idle) money. That is why I view investing in microcap stocks as “Educated Gambling”.



Keep in mind that the “**Efficient Market Hypothesis**” RARELY works with penny stocks. They typically lack proper liquidity and are too easily (artificially) manipulated if they have good promoters and are spending a lot of money on investor relations / corporate communications – vs a company that is not. Medipharm is focused on building their business but in the process, spends very little on investor relations (IR) and it is reflected in their weak share price.

LABS is a unique Canadian pharma company generating close to \$40M a year in annual revenue and targeting to become earnings positive in 2024.... yet **they have an Enterprise Value (EV) of only \$13 Million.** If you calculate the market cap (shares outstanding x trading price) less cash and accounts receivable (less debt), you arrive at EV. Theoretically, the EV represents what the “business itself” is worth. **In the case of Medipharm, an EV of \$13 Million is barely what their inventory is worth – it ignores any value for land, buildings, equipment, market share or intellectual property.**

MicroCap.com				CDN \$ (MM) From Most Recent Qtr Financials										
Sorted by EV to Sales			11/18/23	Shares	Market	Cash & A/R	Enterprise			Bldg &	Adjusted	MCap to	Estimated	EV
Company	Symbol	EX	Share Price	Out (MM)	Cap (Mcap)	+ GIC's	Debt	Value (EV)	Inventory	Equip	Book Value (ABV)	Book Value (MABV)	2024 NET Revenue	to Sales Multiple
					\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM
Medipharm Labs	LABS	TSX	\$0.07	400	\$28	25	10	\$13	10	25	\$50	0.6	40	0.33

Taking this into consideration, there is nothing “efficient” about the market for LABS stock. No stock, let alone a microcap (penny stock) is without risks, however **Medipharm as I have attempted to explain below, has a notably attractive risk / reward profile.**

**Even a current valuation of 12-cents takes little into consideration for future growth, or if they become cash-flow positive.** Valuations within this sector were (justifiably) destroyed from Q1 2021 until September 2023. **Medipharm is unique within this industry and should be weighted more towards the pharmaceutical sector vs cannabis.** If Medipharm was not weighed down by negative cannabis sentiment for over two years, their market cap (valuation) could be significantly higher.

In addition to the value of “tangible” assets (cash, building, equipment, land and inventory) there is **material unrecognized value** in Medipharm’s intellectual property (IP) and internationally recognized licenses.

### Industry Background – Boom and Bust from 2016 to 2023

1998 to 2000 saw the .com bubble that raised billions. The mandate at the time was to grow top line revenue and market-share at ALL cost – this was a giant failure and the bubble burst in 2000. Cannabis was no different and their bubble burst in Q1/21.

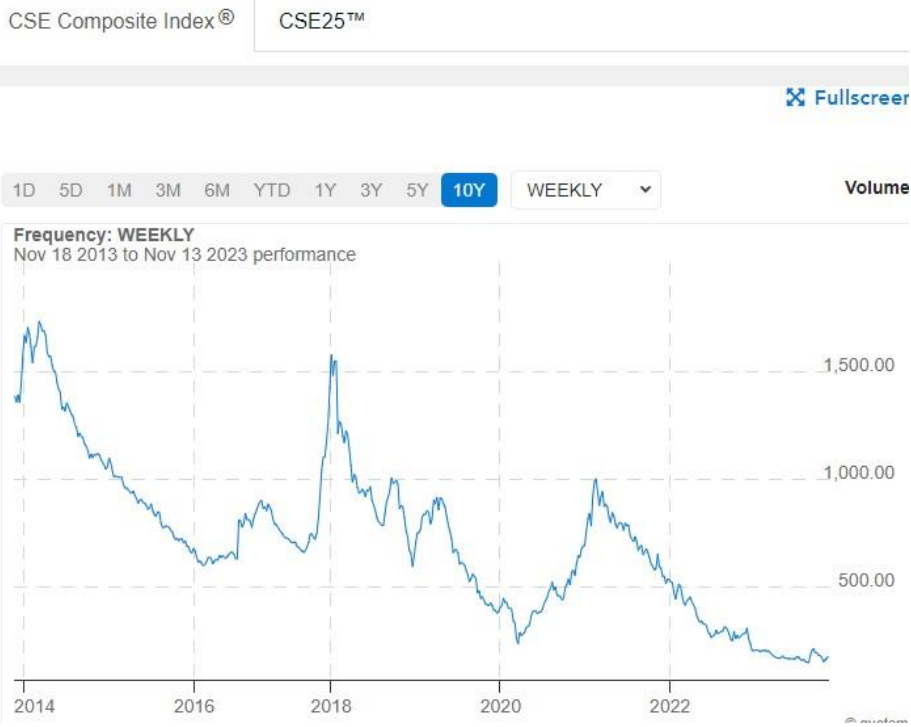
Cannabis in Canada was legalized October 2018 but in 2014 public companies started raising money for this industry ahead of legalization. Canopy Growth (WEED:TSX \$0.77 Nov 17/23) was the industry darling at the time and is the best example of what happened (June 2023 chart below).



The state of the “**overall**” industry is reflected in this November chart of popular **Cannabis ETF, MSOS**. Cannabis stocks across the industry have lost (on average) 90% of their value since Q1/21.



And it is not just the cannabis sector that has suffered dramatically, it is speculative (higher risk) stocks in general. In Canada, the best benchmark for this is the CSE (also the origin of public Cannabis stocks). **The 10-year chart of this exchange best explains the current mood of investors.**



## Irrational Exuberance at its Finest

Before and during cannabis legalization, everyone expected this industry to show incredible growth and profitability. Investors and entrepreneurs expected to make so much money they wouldn't know what to do with it – **nothing would prove farther from the truth.**



Billions of dollars were raised by dozens of public companies in North America and valuations became grossly exaggerated. The WEED chart above typifies what happened across the entire industry. Not only was it easy for a pubco to raise money, but financiers, stock promoters and brokers “chased” these companies to throw money at them. **WEED was worth several billion dollars in Q1 2021 when their stock hit \$72. In August of 2023 their share price fell to 46 cents** as they struggled to get costs and debt under control.

The common thought was that demand would be so incredibly high (in Canada and then globally) that grow, and manufacturing “**capacity**” would need to be built as quickly as possible. Massive indoor grows were built, admin and advertising costs went through the roof, and **horribly inflated prices were paid to acquire companies that prior to legalization were all operating illegally.** Canada was (and still is) great at turning a blind eye to illegal drugs.

If you also reference the ETF chart on page 4, you can see the cycles that occurred – **speculation, euphoria, and then BUST. The bubble burst in Q1/21** and by summer 2023 valuations had completely collapsed across the industry.

**It is VERY important to note, that leading up to Q1/21, most companies in this industry not only raised a LOT of money from stock market investors but took on massive amounts of debt. Debt that is now destroying them.** In Canada, over 40% of the corporate bankruptcies in 2022 were cannabis companies (growers and retailers) and this trend has continued throughout 2023.

While this is just one example of many, SNDL announced in October that they would be closing a \$100 Million 450,000 square foot grow facility in central Alberta. A move expected to save them \$10M annually.

Medipharm has managed their debt VERY carefully and now is one of the few public cannabis companies with a clean (low debt) balance sheet.

## Retail Investors Were “Once Again” Exploited

For years, stock promoters, brokers, investment bankers and cannabis industry executives flogged the incredible growth potential of the industry, and in particular, “**vertical integration**” - a business model where a company controls a product from creation to retail (seed to sale in the case of marijuana).

Billions was raised on the promise of this vertical integration – and Billions was lost. **Going forward we will still need to see dramatic changes.** Many debt-heavy participants will continue to disappear or be forced to merge at deep discounts. Even companies like Canopy Growth that built giant indoor grows and burned through Billions, were still required to take on massive amounts of debt as they burned through incredible amounts of cash – **raised primarily on the backs of small investors** through brokerage firms, private placements, and various sector funds.



## Public Cannabis companies typically pursued one of three paths:

- 1) **Vertical Integration** - large scale growing (very expensive to operate), extraction, marketing and distribution
- 2) **Retail / Dispensary** – For the most part, a major failure. Canada’s largest publicly owned dispensary chain, Fire & Flower (FAF:TSX) filed for creditor protection in June 2023
- 3) **Pharmaceutical** grade extraction with a focus on the medical marijuana market (rare companies to find).

(1) and (2) above accounted for 98% of the companies in this sector. In total they spent billions on growing cannabis indoors while trying to capture market share. (3) Valens Groworks (bought out by SNDL) and Medipharm spent tens of millions building pharmaceutical grade facilities to meet government regulations internationally and build “quality control and dosage” confidence with consumers.

## High Risk, High Return... But it Requires a LOT of Patience

When I was writing TickerTrax for Stockhouse.com, I was the first Canadian investment newsletter to feature a public cannabis stock – that was Aurora Cannabis (ACB.T) at 39 cents in May of 2015. I called that report – *Marijuana Tsunami of Change Underway*.



Unfortunately, I was far too early as the investing public had little interest, so I dropped coverage a year later (a dumb decision). **Those with more patience made 10 to 20 times their investment** as Aurora became a household name in the cannabis sector.

**The point being that these stocks require patience and typically the “crowd” is wrong.** Little had changed with Aurora by mid-2016 other than a herd mentality was gaining traction in the sector.

Then in 2020 I began tracking public cannabis companies again using a peer valuation table (Nov 2023 snapshot below) - you can find the larger PDF version on my MicroCap.com website – [microcap.com/PDF](https://microcap.com/PDF)

**MicroCap.com (1998)**

Last Updated: November 18, 2023

**CDN Listed Cannabis Companies**

**Sector USD ETF's - CNBS / MJ / MSOS / POTX / THCX**

Financings occur between financial reporting periods & warrants are continually being exercised - financials and shares outstanding are a moving target

Cannabis companies are "creative" in accounting for biological assets (cannabis) - dig into financials yourself

Adjusted Book Value (ABV) = Cash/AR/GIC - Debt + Inventory + Bldg & Equipment (excludes Goodwill / Intangibles & Long Term Investments)

Goodwill and Intangible Assets on the balance sheet (of this industry) need to be deeply discounted

2024 Revenue estimates are my own assumption based upon the latest quarterly financials

Building & Equipment - Assets were grossly over priced and overbuilt in 2018 and 2019 but written down in 2022

Companies highlighted in red are drowning in debt and VERY high risk

MicroCap.com			CDN \$ (MM) From Most Recent Qtr Financials												
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Company	Symbol	EX	Share Price	Out (MM)	Cap (Mcap)	+ GIC's	Debt	Value (EV)	Inventory	Equip	Book Value (ABV)	Book Value (MABV)	2024 NET Revenue	to Sales Multiple	
					\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	
Cronos Group	CRON	TSX	\$2.73	381	\$1,040	1,322	42	-\$239	50	80	\$1,410	0.7	150	-1.60	
Medipharm Labs	LABS	TSX	\$0.07	400	\$28	25	10	\$13	10	25	\$50	0.6	40	0.33	
OrganiGram Holdings	OGI	TSX	\$1.78	119	\$212	191	44	\$65	82	132	\$361	0.6	140	0.46	
Aurora Cannabis	ACB	TSX	\$0.65	421	\$274	233	202	\$243	139	307	\$477	0.6	260	0.93	
Bzam	BZAM	TSX	\$0.15	180	\$27	13	70	\$84	48	91	\$82	0.3	85	0.99	
Decibel	DB	CSE	\$0.14	409	\$57	24	93	\$126	48	56	\$35	1.6	125	1.01	
Indiva	NDVA	CSE	\$0.05	186	\$9	6	34	\$37	4	22	-\$2	-4.7	35	1.07	
Auxly Cannabis	XLY	TSXV	\$0.02	1,009	\$20	26	181	\$175	41	182	\$68	0.3	120	1.46	
Jushi Holdings	JUSH	CSE	\$1.12	197	\$221	48	447	\$620	53	230	-\$116	-1.9	390	1.59	
Ayr Wellness	AYR	TSX	\$2.96	77	\$228	116	944	\$1,055	137	438	-\$252	-0.9	660	1.60	
Avant Brands	AVNT	TSX	\$0.16	258	\$41	7	20	\$54	27	43	\$57	0.7	30	1.81	
Avicanna	AVCN	TSX	\$0.39	87	\$34	5	18	\$47	6	11	\$4	8.5	25	1.88	
Tilray	TLRY	TSX	\$2.49	730	\$1,818	874	1,152	\$2,096	325	692	\$738	2.5	1010	2.08	
Canopy Growth	WEED	TSX	\$0.77	732	\$564	381	835	\$1,018	87	902	\$535	1.1	300	3.39	
												Avg *	1.59	Avg *	1.43
* Averages exclude negative cells															

This project started out with almost 50 companies but over the past eighteen months was reduced to only fourteen. **These 14 above are the primary players publicly traded in Canada but even then, six are facing serious debt challenges.** Others were dropped because of their terrible financial situation or bankruptcy and others were dropped because of M&A activity (examples below).

Dec 2020 - Tilray bought Aphria for \$5 Billion	April 2021 - Canopy Acquired Supreme for \$435M
Sept 2021 - TerraAscend Acquired Gage for \$680M	Oct 2021 - Trulieve Acquired Harvest for \$2B
Aug 2021 - Hexo Acquired Redecan for \$925M	Jan 2023 - SNDL acquired VLNS for \$138M
April 2023 - Medipharm acquired Vivo for \$9M	April 2023 - Tilray acquired Hexo for \$75M + \$165M debt
July 2023 - Aleafia went bankrupt	June 2023 - Fire & Flower went Bankrupt

## Medipharm Differentiates Through Pharma

LABS has been laser focused on the pharma / medical side of this business from day one. While everyone else built large indoor grows, Medipharm invested heavily in pharmaceutical grade manufacturing and developing internationally recognized licenses that would allow them to compete on the world stage. They didn't acquire anything "grow" related until **VIVO Cannabis** came along and they could acquire (spring 2023) high quality grow assets for pennies on the dollar. They have a lot of shares outstanding, but they have managed to keep their balance sheet clean with low / manageable debt.



### DRUG ESTABLISHMENT LICENSE

Allows us to manufacture and sell API and Pharmaceutical Drug Products



### INTERNATIONAL GMP

Registered and Inspected site with US FDA, EU GMP certified cultivation facility. Authorized by Australia's TGA and Brazil ANVISA



### CANNABIS DRUG LICENSE

Issued by Health Canada for the manufacture of pharmaceutical drugs containing cannabis.



### RESEARCH AND DEVELOPMENT LICENSE



### NATURAL HEALTH PRODUCT MANUFACTURING



### CANNABIS PROCESSING AND SALE

## The Importance of Medipharm's DEL

The **Drug Establishment License (DEL)** is issued by Health Canada in accordance with the Food and Drugs Act and Regulations. The DEL serves to confirm compliance to Good Manufacturing Practice (GMP) standards. In addition, as a member of the International Pharmaceutical Inspection Co-operation Scheme, the DEL can be recognized in over 50 different countries including the U.S. and the majority of the EU.

**Medipharm's DEL license is a first of its kind for cannabis manufacturing in North America.** The DEL allows MediPharm to leverage the Mutual Recognition Agreements (MRA) established between Canada and other global regulatory authorities.

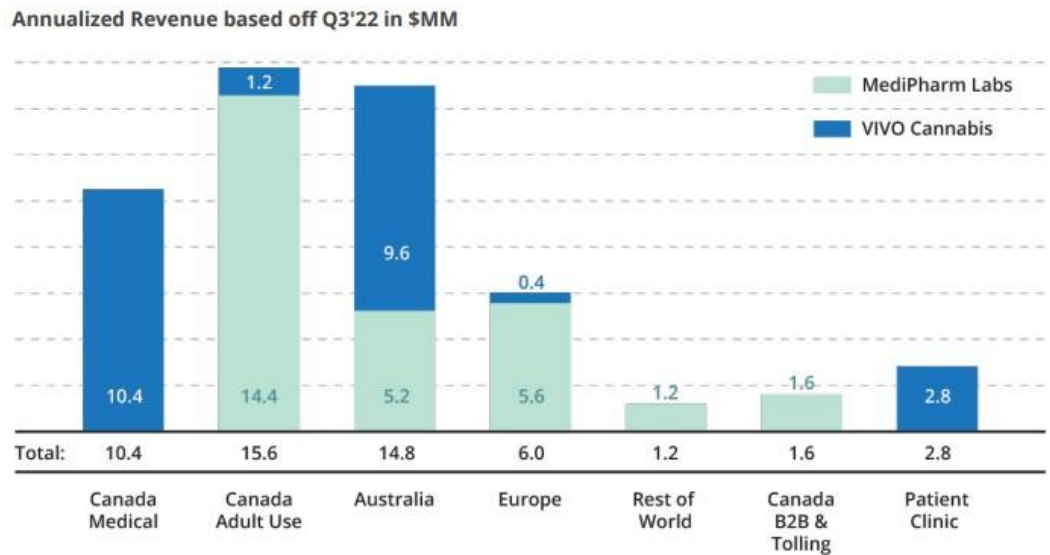
Medipharm can conduct pharmaceutical manufacturing and sale of **Active Pharmaceutical Ingredients (api)** and Pharmaceutical Drug Products. **This makes LABS a full-service pharmaceutical company** that can support the global pharma entry into drugs containing cannabis - including the United States.

The DEL permits the manufacturing of all cannabinoids including **MediPharm Labs GMP CBD isolate which is >98% pure (a difficult and expensive process to achieve)**. The market does not recognize "any" value for the DEL license but there is notable underlying value here. However, because there are no public cannabis company comparables, we do not know what the true value of their DEL is.



# Globally Diversified Revenue

## DIVERSIFYING REVENUE IN CATEGORIES WITH MARGIN OPPORTUNITY



## Spring 2023 Medipharm Acquires Dramatically Discounted VIVO Assets

April 2023 Medipharm was able to capitalize on the industry collapse by acquiring VIVO Cannabis for ~ \$8 Million CDN. September 2023, they sold excess VIVO land in Ontario and netted almost \$2 Million. This lowered the net purchase price of their acquisition by 25%.

This acquisition allowed Medipharm to secure their own high quality, organic supply of B.C. flower for retail sale, pre-rolls, and extraction. **VIVO's deficit to date had been \$276 Million!** Needless to say, they spent a LOT of money developing products and market share, but they also grossly overpaid for their **Canna Farms** acquisition – which was typical while the sector was booming.

### VIVO Background:

April 2017 VIVO completed a reverse takeover and became ABcann Medicinals. By December 2017 they had raised an additional \$30 Million and cash reserves went to \$70 million. August 2018, they became VIVO Cannabis on the TSXV and **bought Canna farms for \$133 million** (\$22M cash and **93M shares at \$1.20**). They graduated to the TSX January 2020. A year later they raised another \$8 Million at 21 cents per share.



VIVO held production, sales, research, and export licenses from Health Canada and operates two indoor cultivation sites in British Columbia and Ontario. They have very successful sales in Canada, Australia and Germany. All planned VIVO operating facility expansion projects were completed in 2022.

These graphics from a 2023 Medipharm presentation highlighted the rationale behind the acquisition.

## Synergies Through Integration



- Innovative MediPharm products sold via VIVO established medical brands and channels
- VIVO EU-GMP Flower offering made available to MediPharm international customers
- Access MediPharm domestic sales infrastructure for existing VIVO brands and products



- Elimination of duplicate public-company costs
- Consolidate senior management and corporate functions
- One site for all non-flower format production, labeling and packaging
- Elimination of domestic and international vendors and sub-contractors where new cross-expertise is available in pro-forma company
- Operational efficiencies and improvements available with larger scale
- Integration of VIVO supply chain to reduce costs for bio-mass requirements of MediPharm

### VIVO X MediPharm Labs

Key Business Segments	VIVO CANNABIS	MediPharm Labs
GMP + DEL Credentials		✓
Canadian Adult Use Wellness		✓
Canadian Medical Sales	✓	
Direct to Patient Clinics	✓	
EU Sales Channel	✓	✓
EU GMP Cultivation	✓	
Australia Sales Channel	✓	
Pharmaceutical API		✓
Real World Evidence/Clinical Trials	✓	✓

**i** Distinct complimentary businesses that allow for immediate expansion of product and services into existing medical channels

Quality You Can Trust

## These VIVO Brands Became Part of Medipharm



**Canna Farms** has worked with tens of thousands of medical patients and **Harvest Medicine** has provided care to over 50,000 patients since 2017. Canna Farms was established in 2014 as the first licensed producer in British Columbia. Following the acquisition, Medipharm moved closer to the patient with the addition of an online medical cannabis sales platform.

The Canna Farms indoor cultivation facility in Hope, British Columbia (BC) produces cannabis for retail sale and as “feedstock” or biomass for Medipharm’s pharmaceutical-grade labs / extraction facility in Ontario.

**BC Bud** has been known within the international marijuana industry for decades as producing some of the highest quality cannabis in the world. Canna Farms cannabis is “world-class”, organically grown with glacial water, and carefully crafted.



Canna Farms has many **thousands of patients who have tracked themselves and self-reported** their outcomes using the Strainprint app on nearly 100 different VIVO products in **over 200,000 sessions**. As the first licensed producer to partner with Strainprint, **Canna Farms has (or at least had) the largest data set within the App.**



<https://strainprint.ca/> - **1.5 million tracked patient interactions** has created over 90 million data points on cannabis product efficacy (**advances in AI will eventually make great use of this data**).

While this may not be a significant revenue driver (directly), it **builds both company and brand loyalty and contributes to product research and development** – both domestically and internationally. Over the years, VIVO product innovation was supported by data mining and analysis from Harvest Medicine clients.

**Proprietary Real-World Medical Evidence**

 **strainprint** was engaged to analyze real-world evidence linking product utilization and efficacy for several leading indications from thousands of Canadian medical cannabis patients

This evidence is being used by health care professionals to assist in determining optimal treatment options and by patients to help navigate their medical cannabis journey. **VIVO** is the first Canadian LP to provide this valuable information to key stakeholders

Symptom Sheet **Insomnia** 

Symptom Sheet **Muscle Pain** 

Strainprint Sheets: <https://strainprint.ca/research/strain-symptom-sheets/>



**Harvest Medicine (Patient Care Expertise)** - <https://hmed.ca/>

This Medipharm (VIVO) division consists of two clinics in Alberta and one in Nova Scotia backed by their popular telemedicine platform (**HMED Connect**) - in operation well before covid but who's success was fueled by the pandemic. The Company uses data insight gained from Harvest Medicine's clinics and from Canna Farms' medical cannabis platform as a **foundation for the development of products and services that more effectively meet patients' needs.**

# Telemedicine: HMED Connect

**Simplified, quick access to a professional healthcare team, on-demand education and support for those entering the medical cannabis system.**

- Class-leading educational and instructional experience
- An effective and efficient way to guide patients through their patient journey from the convenience of their homes
- Expected to benefit pharmacies, long-term care facilities and retirement homes



Download App



Get Assessed & Educated



Register with LP



Get Medical Cannabis

Leveraging Strainprint and patient data is a smart approach within the Cannabis industry. This allows Medipharm to create **their own version of “clinical trials”** without the cost and regulatory control associated with the traditional pharmaceutical industry.

**For Example:** August 31<sup>st</sup>, 2023, Medipharm released very positive results of a study associated with fibromyalgia that included data from 805 cannabis patients. This HMED lead study was published in the peer-reviewed American Journal of Endocannabinoid Medicine. Harvest Medicine’s first study

of 7,362 patients on anxiety and depression was also accepted for publication by Psychiatry Research.

Overall, Harvest Medicine contributed \$2.8 Million to revenue in 2022. The primary cost of sales with respect to this division relates to the payments made by Harvest to physicians for their services under provincial healthcare payor programs. HMED Connect also includes pharmacy consultations as a service for patients as part of a medical cannabis care offering.

## Pharma-Cannabinoid + Natural Health & Wellness

Medipharm Labs is the most "pharma like" company in the cannabis industry

**Medipharm has become an important partner for medical research and funded clinical trials.** They continually work to establish pharma-building-relationships to provide **api and finished dose formats for future drug products** – and **potential long-term royalties for LABS**. They have achieved this because they are **one of the only companies with a:**

- ✓ Drug Establishment License (“DEL”)
- ✓ Standard Processing License
- ✓ Research License under the Cannabis Act (Canada)
- ✓ Good Manufacturing Practice (“GMP”) certifications from Health Canada and the Australian Therapeutic Goods Association (also accepted in Brazil and the European Union)

*MediPharm has filed a Drug Master File (“DMF”) for cannabidiol (“CBD”) with the U.S. FDA and is **the only commercial cannabis company in Canada registered as an active FDA establishment registration. They own the only fully licensed commercial scale natural extractor facilities in North America with a natural CBD API Drug Masterfile. Should Federal Governments ever decide to “regulate” CBD, Medipharm could see a dramatic impact on their revenue growth and overall valuation.***

July 2023 a U.S. House of Representatives subcommittee held a hearing to investigate the FDA’s refusal to regulate CBD as an ingredient in foods, beverages and dietary supplements. This would provide safe access to CBD products. A lack of FDA regulation has resulted in a proliferation of delta-8 THC from Hemp (widely sold to minors). In January, the FDA’s Principal Deputy Commissioner said **a new regulatory pathway for CBD was needed** to balance consumer safety with consumer access.

<https://oversight.house.gov/release/hearing-wrap-up-fdas-failure-to-regulate-cbd-threatens-consumer-access-to-safe-products/>

Rep. McClain: *“What could the FDA do right now?”*

Mr. Miller: *“The first thing is, they could immediately start regulating these products as dietary supplements and food and beverage additives.”*

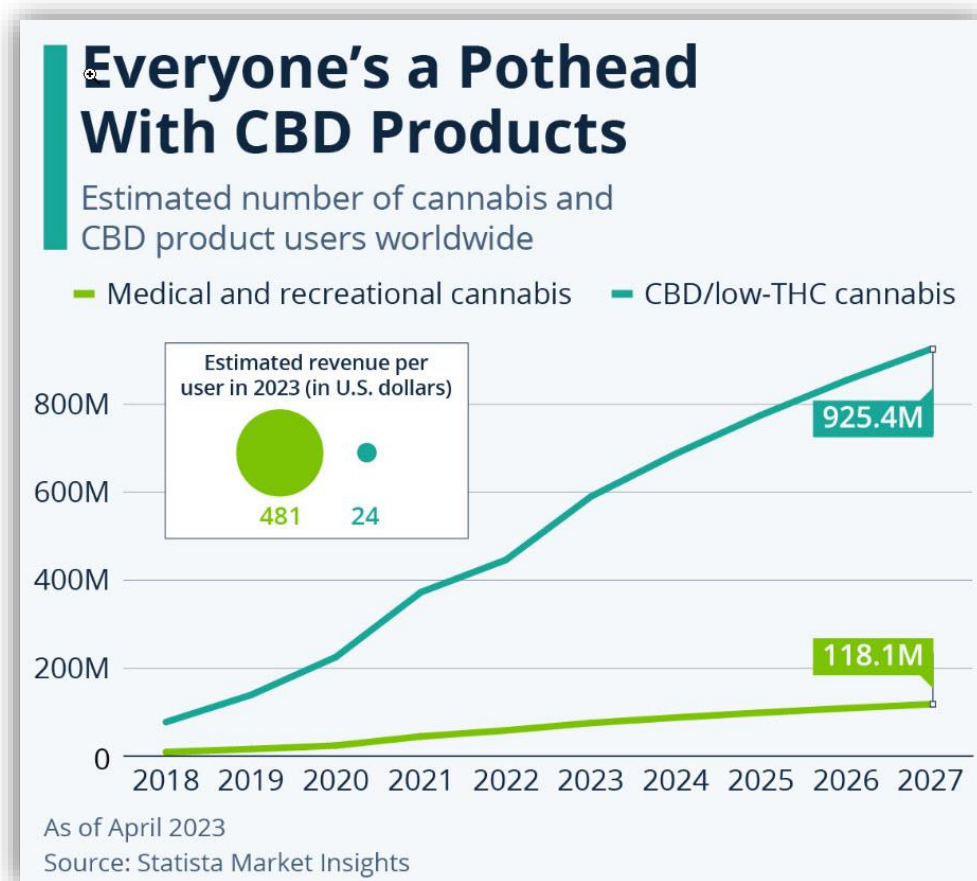
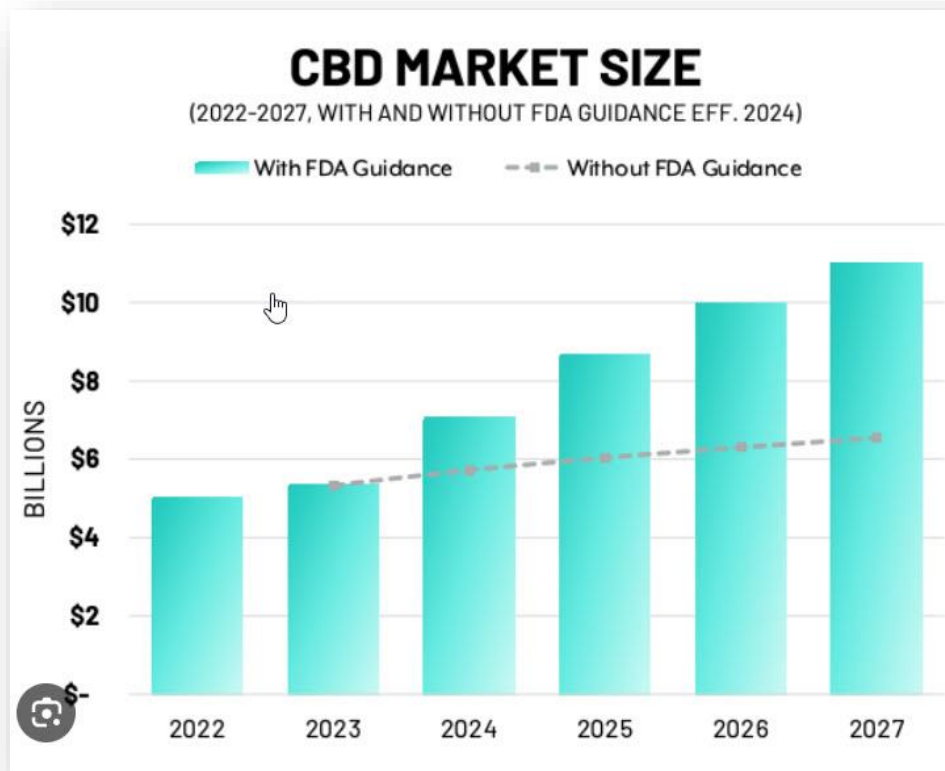
## CBD Regulation

While the timeline is unknown, tighter government regulation of CBD (would / should) have a dramatic impact on the revenue growth and valuation of Medipharm. **As a global leader in pharma grade CBD processing that focuses on safety and accurate dosing, Medipharm would become a “go-to” company for CBD manufacturing.** In order for cannabis-based CBD to become widely available over the counter at pharmacies and retailers like health stores, the public needs to know it is properly regulated.

**Establishing a formal framework for CBD would allow it to become recognized as a pharmaceutical product and this would have a profound impact on Medipharm.** While this offers “blue-sky” potential, it is not without its challenges.

*“The reality is that research evidence only really supports CBD for a very small number of conditions. The possible risk here is that having a new class of non-medical CBD health products may communicate greater evidence of support than there actually is. Health Canada has a high bar for studies into CBD, making generating evidence challenging.”* [Professor at McMaster University]

[Global regulatory trends in CBD use in food and food supplements](https://www.raps.org/News-and-Articles/News-Articles/2021/6/Global-regulatory-trends-on-CBD-use-in-food-and-fo) [2021 article but very useful / relevant]  
<https://www.raps.org/News-and-Articles/News-Articles/2021/6/Global-regulatory-trends-on-CBD-use-in-food-and-fo>



This past year in Canada, The Science Advisory Committee released recommendations concerning over-the-counter CBD products saying **the Food Act should regulate non-prescription products like CBD**. Other countries have expressed similar concerns.

Should regulation occur, **Medipharm has the ability to scale rapidly**. Their facility in Ontario is one of the very few in North America ready to address such a large market opportunity. This is because of their GMP certification, DEL, and their existing portfolio of award-winning CBD products. Medipharm can provide a full portfolio of NHP and GMP compliant products globally. **In the United States, manufacturers would require GMP API for mass production – and aside from Medipharm, this would be VERY difficult to find.**



Every year front-line dispensary workers in Canada vote on industry awards that are handed out by KIND (the leading Canadian cannabis industry publication). **Medipharm won in 2021 and 2022**. We will see 2023 results in December.

**Epidiolex is a naturally sourced (cannabis based) API**. It contains a highly purified form of CBD for the treatment of seizures associated with three complex medical conditions. Epidiolex received FDA approval in June of 2018 – **the only FDA approved CBD drug to date**. Three years later, **its parent GW Pharma was bought by Jazz Pharma for \$7.2 Billion.**

## Medipharm Labs - FDA Drug Master File (DMF) for Pure Natural CBD API's

– below are excerpts from Medipharm public filings

*“February 2022, the company announced that they entered the United States pharmaceutical market with the completion of an **FDA Drug Master File process for pure natural CBD APIs**. The DMF allows for the registration of APIs with the FDA for commercial opportunities in pharmaceutical development, novel drugs, and generic drugs. **This is a first for CBD by a Canadian company and only the second natural CBD DMF at commercial scale in North America.** The DMF enables MediPharm to supply approved APIs to pharmaceutical companies conducting late-stage research. The FDA has conducted an active review of the DMF filing. Full acceptance of the DMF filing by the FDA will be gained if a pharmaceutical customer completes a successful filing with the FDA for a New Drug Application (“NDA”) or Abbreviated New Drug Application (“ANDA”).*



**MediPharm has international pharmaceutical partners who have referenced the DMF and finished goods in either a drug product filing or FDA investigational NDA. If any of our pharmaceutical partners are successful in their United States (“U.S.”) filings, any resulting drugs containing cannabis would gain marketing authorization (through an NDA or ANDA). The drugs would be distributed across the U.S. as FDA approved pharmaceutical products, and therefore outside of any U.S. cannabis regime regulated at the state level.”**

**NOTE: Scenarios as the one above, have historically had a profound impact on the valuation of small public companies. This is another “blue-sky” valuation scenario for MediPharm and patient shareholders – that is NOT factored into my valuation.**



## API Manufacturing in the Pharma Industry

Pharma is an enormous industry that can broadly be divided into two categories: **API and finished formulation. API stands for Active Pharmaceutical Ingredient**. A simple API meaning is that it's a raw material that is included in medicines. But there is a material difference between an API and raw materials. API in pharma is a biologically active component used in drugs (capsules, tablets, injectables, more) to produce the intended outcome.

A good example is Benadryl that works in part because of the acetaminophen API it includes. Acetaminophen, an active ingredient, helps it manage allergy symptoms, producing the intended effects – along with Diphenhydramine.

In 2020, when the pandemic started and severely disrupted the supply chain in China, the pharma industry was affected due to the shortage of API's.

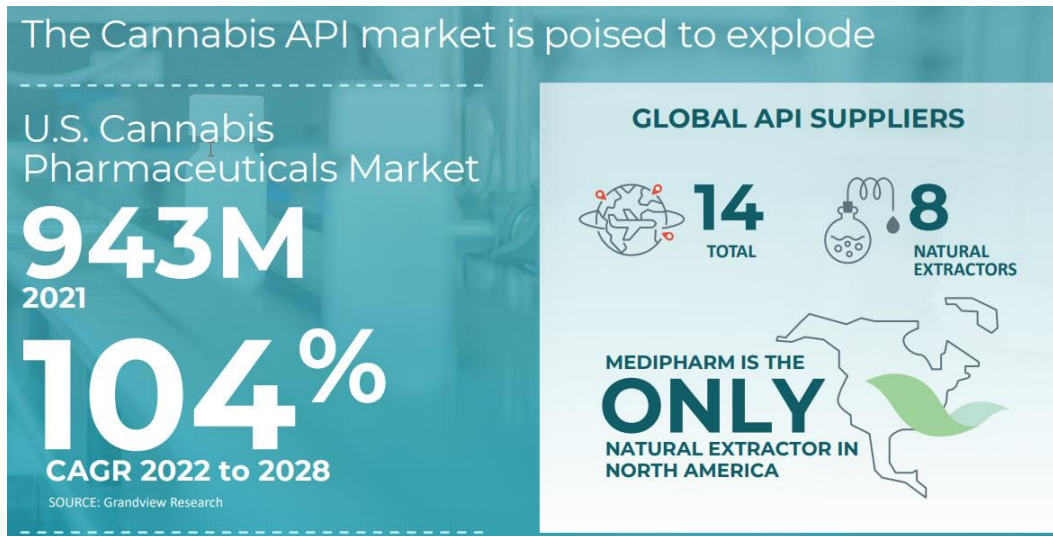
## How Are APIs Manufactured?

API manufacturers first acquire relevant raw materials. **Several chemical compounds in the raw materials go through a process before becoming an API.** After manufacturing, the API is taken through rigorous quality checks and analysis to confirm its **ultra-pureness**. The API is then supplied to a pharmaceutical manufacturer who uses it to create the drug.

**More and more companies are outsourcing APIs to save costs.** China and India dominate the market when it comes to API manufacturing, but this will NOT occur with Cannabis because of the way it is regulated. **The hope is that MediPharm will become one of the dominant global suppliers of cannabis-based API's.**

## Future Value of API's to MediPharm

> This aspect of their business is completely overlooked by investors



There are over 20 cannabinoid-based drugs in late-stage research. **These projects will all require pharmaceutical approved API's if commercialized.**

MediPharm has already shipped good manufacturing practice ("GMP") CBD for

development purposes to multiple established pharmaceutical companies for research purposes – several are under non-disclosure agreements (NDA's), so they are not listed below.

### Summary of MediPharm Labs Clinical Projects

Researcher	Indication	Phase	Recent Milestone
McMaster University	Treatment of post-surgical pain	Two	CTM delivered and enrollment in Q1 2023. Patient dosing commenced in Q2 2023.
University Health Network - Toronto	Improving Pain Disability with the Use of Oral Cannabinoids	Pilot	CTM Delivered and enrollment clinic in Q1 2023.
McMaster University	Insomnia in depressive disorder	Two	CTM Shipment in Q1 2023. Patient dosing commenced in Q2 2023.
Centre for Medical Cannabis Research	PK of single dose THC/CBD in healthy adult controls and kidney disease	One	First patient dosed January 2023.
University of Manitoba	Chronic Headaches in Adolescents	Two	Health Canada approval Dec 2022. CTM shipment in Q1 2023.
Harvest Medicine Clinic (MediPharm Owned)	Self-Reported Effects of Illness Severity, Depression and Anxiety in Fibromyalgia Patient	Real World Evidence	Peer reviewed and published in American Journal of Endocannabinoid Medicine in 2023.
Harvest Medicine Clinic (MediPharm Owned)	Medical cannabis use impact on anxiety and depression	Real World Evidence	Peer reviewed and published in American Journal of Endocannabinoid Medicine in 2022.

## While Very Important, the U.S. is NOT the Center of the Cannabis Universe

Canada is Medipharm's core market where products are first created, tested and marketed. **Contrary to popular belief and what the financial media wants you to believe, the cannabis world (and survival of cannabis companies) IS NOT dependent upon the United States alone.** It cannot be argued that they contribute a huge amount to overall cannabis sales, but tremendous opportunities exist else-where and this is often overlooked. In particular, with respect to **"medical" marijuana**

The United States has a population of 339 million and **the past several years all we hear about is the importance of the U.S. to the survival and profitability of public cannabis companies.** If we see positive media, cannabis stocks rally. BUT the minute it is negative, stocks collapse. Since 2021 we have seen far more negatives than positives.

**International markets present tremendous growth opportunities for Medipharm.** Consider the following. EXCLUDING THE U.S. – **"Current" Medipharm Markets Include:**

Canada (Population 39 million), Australia (26M), Brazil (216M), Germany (83M), Israel (9M), Argentina (45M), Denmark (6M), New Zealand (5M), Caribbean Region (44M), and the UK (67M). **These countries alone account for 540 million people.**



### GERMANY

- FY23 market value estimate:** \$345 million USD million (source: Prohibition Partners)
- Sales since 2021 lead by pharmaceutical partner STADA, who has the #2 market share in cannabis oil
  - 2023 poised for growth in API sales such as GMP THC Isolate (Dronabinol) and CBD isolate
  - Medipharm is fully licensed for import and distribution via subsidiary Beacon Medical Germany GmbH



### BRAZIL

- FY23 market value estimate:** \$70 million USD million (IQVIA & Medipharm)
- Only Canadian Company with drug product approval in Brazil
  - High barrier to entry with each product registration requiring 18 to 32 months
  - Partners include large multinational pharmaceutical companies, such as Active Pharmaceutica



### AUSTRALIA

- FY23 market value estimate:** \$308 million USD million (source: New Frontier Data)
- Medipharm's Beacon Medical Brand a top three medical cannabis flower supplier. Beacon GMP oil and vapes planned for 2023
  - Direct to patient brand allows for higher margins and clinic patient education opportunities
  - Major regulatory changes in July 2023 will require GMP status for imported products, positioning Medipharm as one of the few Canadian suppliers currently qualified with TGA



### REST OF WORLD

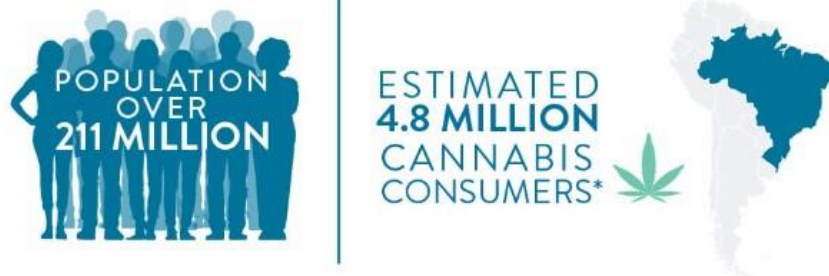
- Medipharm continues to expand global reach with planned 2023 shipments to:**
- United Kingdom
  - Argentina
  - Denmark
  - New Zealand
  - Caribbean Region

**Investors forget or choose to ignore the fact that these markets are very important and Medipharm is a serious competitor with pharma-grade products** that both governments and consumers would respect and appreciate.

And unlike Canada and the United States, **"legal" cannabis companies typically have an advantage over "illegal" (grey market) cannabis in the majority of these countries through tighter regulation and penalties.** North America is a free-for-all when it comes to selling illegal cannabis products and whatever revenue isn't lost to the grey market, is taken in heavy taxation.

International growth in the Cannabis industry will require operators with strict GMP processes and facilities. Companies that enter international markets have (and will have) very strict guidelines / criteria - almost always starting with medical and migrating to recreational (if at all). **Priority will be given to those companies like Medipharm with a proven Pharma approach and licensed facilities.**

**BRAZIL** is recent proof of this where Medipharm was approved and licensed to import cannabis and is **the only Canadian cannabis company granted drug product approval.**



*“In July 2023, the Company entered into an additional supply agreement with a **top tier generic pharmaceutical company in Brazil.** Under the agreement, the customer will apply to the Brazilian Health Regulatory Agency for a number of cannabis product approvals. MediPharm has received similar approvals in Brazil with other pharma customers. **It is anticipated the delivery of additional products will begin in Q1 2024, and substantially increase the current Brazilian revenue**” [Medipharm press release August 2023]*

High barrier to entry with **each product registration requiring 18 to 32 months**  
Partners include large multinational pharmaceutical companies



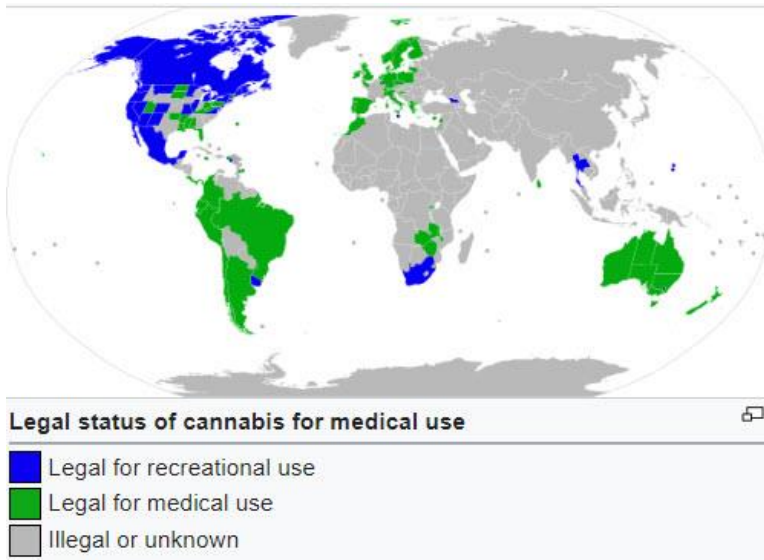
## Addressable Markets – Excluding the United States

Realistically, I believe a person could assume 30% (on average) of adults in North America, Europe, the UK and Australia would be open to using or trying medical marijuana. This also fits with the statistics shown below which indicate 40% of American adults have used cannabis [High Times survey May 2023].

Medipharm has a strong medical brand that is very successful in Australia. They will be able to leverage this into other countries that are focused on medical marijuana and demand GMP certification in manufacturing - including Germany and eventually the EU. The Company's products and brands prove their value in Canada first, and this success is then replicated in international markets, as regulations allow.

Over the next five years, we should see the export of Medipharm Labs "medical marijuana" into many countries. In a 2022 study, 55% of people across eight European countries said they were in favor of legalizing cannabis [London-based strategic consultancy Hanway Associates].

Countries that have legalized medical use of cannabis include Argentina, Australia, Barbados, Brazil, Canada, Chile, Colombia, Costa Rica, Croatia, Cyprus, Czech Republic, Denmark, Ecuador, Finland, Georgia, Germany, Greece, Ireland, Israel, Italy, Jamaica, Lebanon, Luxembourg, Malawi, Malta, Mexico, the Netherlands, New Zealand, Norway, Panama, Peru, Poland, Portugal, South Africa, Spain, Switzerland, Thailand, the United Kingdom, Uruguay. [Those underlined above are countries where Medipharm has already established a presence]



"The medical marijuana market is expected to experience annual growth of around 20% from 2023-2028. Mainly due to increasing applications in the field of treatment for **insomnia, pain, arthritis, migraine, seizures, and depression / anxiety**. This is attracting significant interest from large pharmaceutical companies. **The CDC estimates 50 million Americans alone suffer from some form of chronic pain.**"

But despite growing evidence supporting the medical benefits of cannabis, large pharmaceutical companies have been reluctant

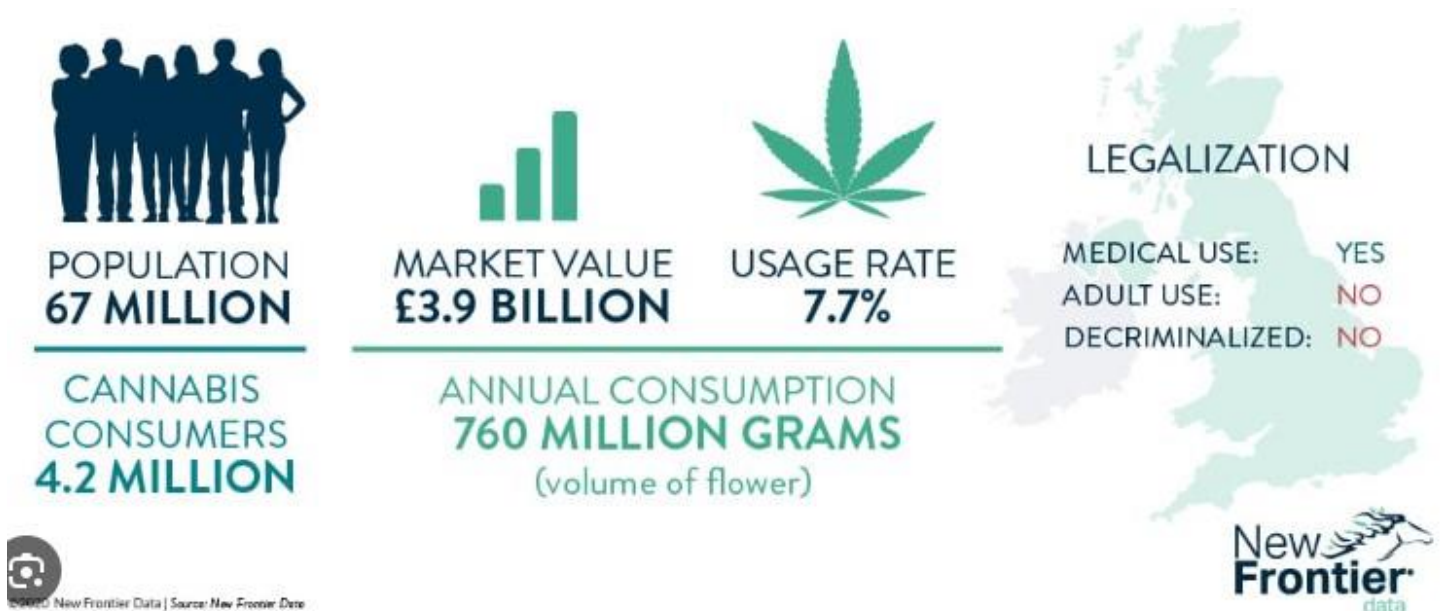
to embrace the wide-spread use of marijuana for both physical and mental health impairments. This should change over the next several years as more and more clinical data is published by cannabis companies who have raised tens of billions of dollars since 2016. **The world's most lucrative pharmaceutical cannabis market is the United States, but Europe will be on par with this if legalization is embraced like we are seeing in Germany.**

In March of 2022, Pfizer acquired Arena Pharmaceuticals for \$6.7 Billion. This was Pfizer’s entrance into the pharmaceutical cannabis market. “In the near future, it is possible that there will be an increase of acquisitions in the sector by large pharmaceutical players, as more information, research and clinical trials confirm the medicinal properties and marketability of cannabinoid-based therapies.”

<https://www.marijuanamoment.net/marijuana-is-associated-with-significant-and-sustained-health-improvements-american-medical-association-study-finds/>

**International sales take time to establish but can expand rapidly (sometimes within months).** Medipharm has built the manufacturing capacity to accommodate this potential and scale rapidly if the opportunity presents itself.

**UK** - new Medipharm brand in the process of being launched



## Australia

“More than a third of Australians over 14 have used cannabis at least once – 37%, or 7.6 million people. [Pennington Institute – Australia]

**TGA Australia** - regulates medicines, medical devices and biologicals. January 2023 the TGA decided incoming cannabis products need to be **cGMP (Current Good Manufacturing Practice)** compliant. As of July 2023, NO cannabis products may be imported without this compliance. **This gives Medipharm a significant advantage in 2024** as 2023 non-compliant inventory is consumed within the country.



<https://www.gmp-compliance.org/gmp-news/australia-amended-its-cannabis-regulation-regarding-gmp-requirements>

Sept 27<sup>th</sup> – Medipharm announced the launch of new products into Australia that include GMP strain-specific full spectrum cannabis oil and inhalation cartridges. “With Beacon Medical's Pink Kush and GSC products now available in flower, oil and inhalation formats, the Company provides physicians and patients with three unique delivery methods to consume the same full spectrum strains. **This option uniquely positions the Beacon Medical brand in international medical cannabis markets.**”

Australia-based Penington Institute estimated that Australian patients spent roughly \$170 Million USD on prescription medical cannabis products in 2022 (expected to reach \$200M USD in 2023). **Medipharm, through their VIVO acquisition, has a top 3 medical flower brand in Australia.**

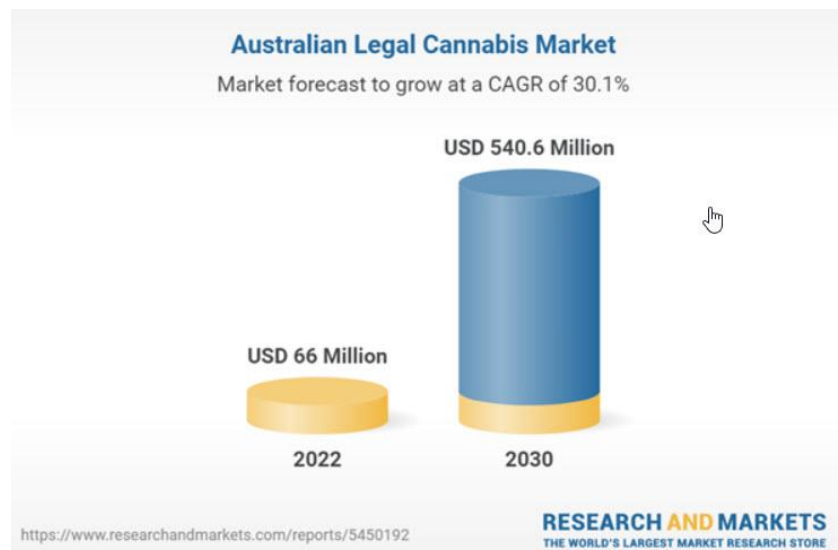
### Australia Cannabis Stats Released October 2023

Medical cannabis approvals through an AP reached approximately 304,000 in the first half, up more than 120% over the same period last year, when there were 137,000 AP approvals.

One of the reasons approvals are rising is because of the increasing number of authorized prescribers, who are allowed to prescribe certain cannabis-product formats in five respective categories.

The aggregate number of medical practitioners approved under the AP scheme rose from 175 in 2020 to 636 in 2021 **and to 1,454 in 2022.**

The most common “dosage form” was medical cannabis delivered as an oral liquid, with 44,345 approved applications. The next biggest dosage forms for the first half of 2023 were dried herb (32,461 approvals) and then 6,073 for inhalation. **The oral liquid stats bode well for Medipharm who specialize in this and have the #1 selling CBD oil in Canada.**



## Germany is the Stepping-Stone Into the EU

With a population of 742M, Europe has a potential addressable cannabis market of \$248 Billion Annually

In Germany, LABS currently has 12 products + 4 more that are GMP certified. MediPharm is the exclusive medical cannabis supplier to **STADA, Europe's 4th largest generic drug company**. Their partnership with STADA will continue to play a major role in expanding sales to Germany and eventually the EU. STADA has 13,000 employees worldwide and a very large international sales force.



**Q4 2022** Germany sent a draft framework to the European Commission for approval to ensure compatibility with EU and international drug laws. **It did not go as planned.**

**April 2023** the German government backpedaled on their plans to implement nationwide **recreational** cannabis legalization. Their new plan will (1) allow non-profits to jointly cultivate and distribute to members for their own consumption and (2) create regional pilot projects with commercial supply chains for a limited period of time. This would enable the government to collect data that would be used for future public policy – and the likely integration of a broader plan with the EU over the next three to five years.

While this was a set-back for the recreational market, **it will benefit a pharma-grade cannabis exporter like MediPharm as Germany wants to focus on quality control and protecting the health of consumers.**



Germany is restricted by EU treaties and is one of the Schengen-area countries – who have very limited border controls. The new German government either (a) failed to take EU treaties into consideration when pushing for full legalization of cannabis during their election campaign, or (b) were well-aware of the restrictions, but conveniently chose to ignore them as they campaigned.



Germany will need to collect data for several years and then assemble a coalition of EU countries that can push for legalization of both recreational and medical cannabis – across open borders.

Under the plan announced April 12<sup>th</sup>, associations would be able to jointly cultivate cannabis for recreational purposes – but only for members to consume. These grower associations must ensure compliance with quantity, quality and youth protection – and will be subject to inspections.

Membership (18+) per association would be capped at 500 and members would need to live in Germany. Membership fees would cover the association’s expenses, but **this could prove to be a major failure as the operating and compliance costs of grow facilities can be very high (as we have seen in Canada).**

The second path to legalization will focus on regional pilot projects with commercial supply chains. **This is where Medipharm should benefit.** The German government views this stage as “the next step on the way to nationwide regulation”. The goal is to examine the effects of a commercial supply chain on public health, youth, and the black market.

Medipharm never planned on **recreational** cannabis changes in Germany for 2023 so their focus has remained wellness and pharma. However, these regulatory changes and increased media exposure will lower the stigma attached to cannabis. This will in turn fuel demand. STADA already has well established relationships with pharmacies and doctors across the country.

### **Germany Strengthens Reimbursement of Medical Cannabis**

Fortunately, more than 50,000 doctors in Germany are authorized to prescribe cannabis and in Q1/23 over \$50M USD was paid out to cannabis consumers through health insurance plans. Reimbursement applies to dry-flower and extractions. **Changes underway will allow telemedicine and analysts believe this could increase the number of registered cannabis users by up to 5x.**

Germany was evidence, once again, that publicly traded cannabis companies cannot “plan” around future legalization unless a country has already passed laws concerning the sale of cannabis. **Investing purely on “speculation” does not work in this industry.**

## Cannabis Consumers in America 2023

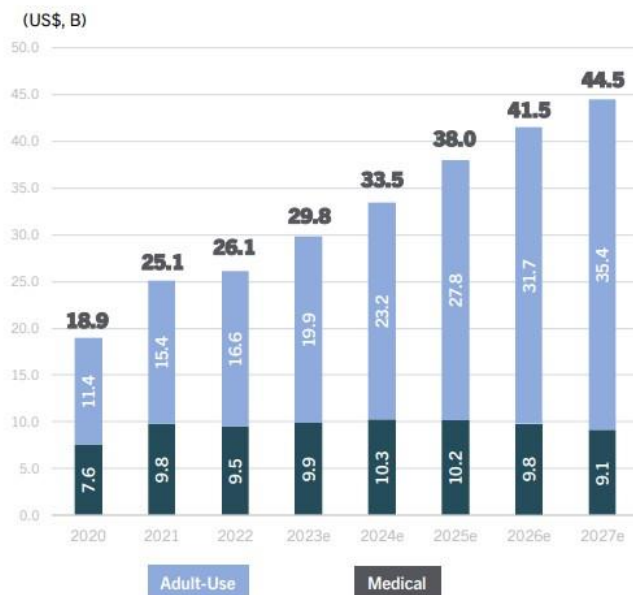
### > Indicative of Many Countries

Statistics from New Frontier Data May 2023. The survey included 5,534 participants broken down into 4,358 cannabis consumers and 1,176 non-cannabis consumers. Surveyed in Q1 of 2023.

- **More than 42% of adults have used cannabis** and say they will use it again.
- The average purpose: pain 64%, anxiety 55%, depression 41%, insomnia 40%, inflammation 28%.
- **94% say their medical conditions or symptoms improved after consuming cannabis.**
- 30% of Americans have never used pot and don't intend to.
- Largest increase in consumption since 2017 occurred with adults 65+ (96%) and 40-44 (64%).
- Flower dominates sales with 43%, vapes 29%, edibles 11%, and extracts at 9%.
- Gummies dominated the edibles market.
- White 63%, Hispanic 14%, Black 14%, Multi-racial 4%
- Men 54% and women 46%.
- 70% of consumers use cannabis to target a specific objective.
- 83% use cannabis for "unwinding (relaxation, stress, or anxiety) and 61% for sleep.
- Medical cannabis consumers use it to treat diagnosed conditions.
  - Chronic pain 46%, Migraines 21%, PTSD 17%, Osteoarthritis 10%

## The Legal Market is Projected to Reach \$30B in 2023<sup>(1)</sup>

Expected to grow at a CAGR of 11%, to reach **\$45 billion by 2027** <sup>(1),(2)</sup>



1. BDS Analytics.  
 2. Calculated from 2022 – 2027.  
 3. Statista, <https://www.statista.com/topics/1719/pharmaceutical-industry/>  
 4. Statista, <https://www.statista.com/statistics/207936/us-total-alcoholic-beverages-sales-since-1990/>

## The new Gallup poll says 87% of Democrats, 70% independent voters and 55% of Republicans support legalizing marijuana.

The results of a new Gallup poll released last week reveal record support for cannabis policy reform in the US, with 70% of American adults surveyed saying that they believe the plant should be legal. The level of support for legalizing cannabis rose from the 68% in favor of ending prohibition recorded over the past three years, climbing to the highest point in the 54 years Gallup has been polling on the issue. Only 29% of the survey's respondents said that cannabis should remain illegal, while 1% said they were unsure.

### United States Cannabis Changes at the Federal Level

August 30<sup>th</sup> a statement was released from the US Department of Health and Human Services (HHS) recommending that cannabis be **changed to a schedule III-controlled substance** – currently a schedule I (similar to cocaine). This would mark the first change in almost 60 years. Many questions remain to be answered including how this affects banking and expenses for income tax purposes.

Roughly half of U.S. states have legalized recreational cannabis use, but because it is classified as a Schedule I, the industry cannot access most banking services or conduct business across state lines. To comply with federal law, even Mastercard decided this summer to stop allowing marijuana transactions on its debit cards.



**The August 30<sup>th</sup> news resulted in a huge sector rally for many public cannabis companies doing business in the United States. Several companies gained 100% to 200% over two weeks.** All of these were trading at historical lows prior to the news. However, most companies had lost the majority of their gains by mid-October. Medipharma never did benefit from this rally as their exposure to the U.S. market at this stage is minimal.

*“The rescheduling of cannabis does not make cannabis federally legal, nor does it make State-produced medical or recreational cannabis legal. What it does is make the prescription of cannabis as a medical substance more secure as **the federal government would be acknowledging existing medical properties.**”*

## This Quote Came Out of the UK During the Rescheduling News and is Very Relevant to Medipharma

[<https://businessofcannabis.com/us-reschedule-cannabis-drug-policy-opportunities-industry/>]

*“This acknowledgment is where opportunity lies. Although many companies have chosen not to focus on developing medical cannabis products across the United States, it may in fact be the case that medically focused products are the first products to benefit from interstate commerce. This type of opportunity would ultimately be predicated on what standards are implemented and whether the FDA is involved in establishing a regulatory regime.”*

*“As was just referenced, one of the areas that state cannabis production may struggle is upgrading their production environments to a GMP standard. As it stands presently there is only one public cannabis company that has completed FDA inspections and has delivered approved research material to American researchers. This company is MediPharm Labs based in Ontario, Canada.”*

This large law firm also does an excellent job explaining the topic:

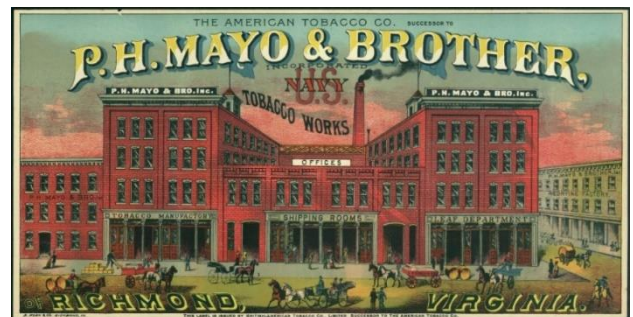
<https://foleyhoag.com/news-and-insights/publications/alerts-and-updates/2023/august/the-cannabis-rescheduling-recommendation-what-it-means-and-whats-next/>

## As the history of Tobacco has shown, the big money over time was not made by the “growers”, it was made in cigars and cigarettes (Differentiated Consumer Products)

May 2023 the CEO of Cronos Group - owned 45% by tobacco giant Altria (formerly Philip Morris) - made a very valid point at a conference.

He noted that in the early decades of the tobacco industry, the big money was not made by those who owned or invested in tobacco farms (today’s cannabis “growers” for example), but by those companies like Philip

Morris who focused on “**consumer products**” and while utilizing the farmer’s commodity (tobacco or cannabis for example), made **higher margin differentiated products**. A very important point with respect to Medipharma.



Combining ratios of different cannabinoids (CBN, CBG, CBD for example) could enhance symptom reduction with fewer side effects. **It is a fascinating and very promising aspect of extraction specialists - the ability to extract and blend specific and exact ratios of cannabinoids to pharmaceutical standards.**

Not only does this create “**differentiated products**”, but it gives a company like Medipharm a huge advantage over the grey / illegal market. If you are truly concerned about your health and wellness, you will NOT be buying anything cannabis related from an illegal seller. And **ideally you want a product that has been made with the same care as a prescription drug**. Most people don’t buy their antibiotics from a street vendor and millions will pay a premium for a product they know is pharmaceutical grade.

## CBN (Cannabinol) and a Global Sleep / Insomnia Problem



Following thyroid removal associated with cancer, my wife spent many years struggling to get a proper sleep. Over the counter products didn’t work and prescription drugs had side effects that made her very uncomfortable. This past year she started on **Medipharm’s THC / CBN** and since that time has seen **a notable and consistent improvement in the quality of her sleep**.

Most people, including cannabis users, are not familiar with CBN (think of it as aged THC). It is difficult to produce and even more difficult to manufacture at a pharmaceutical level.

December 2022 **Medipharm’s CBN** was awarded **CBN product of the year** by Kind Magazine – the leading Cannabis publication in Canada. The awards are determined by a panel of over 300 frontline cannabis retail staff. **It is a VERY credible award as it is the professionals in this industry that make the final decision.**



**CBN1:2**  
Nighttime Formula

**Product Category:** High-CBN, High-THC (10mg/g of CBN per mL to 20mg/g of THC per mL) **300mg** of Total **CBN** and **600mg** of **THC** per **30mL** bottle

**MediPharm Labs CBN1:2** is a pharma-quality high-CBN **Nighttime Formula** containing 10mg/mL of CBN and 20mg/mL of THC made using refined CBN material produced at MediPharm Labs using strict manufacturing standards to bring you the highest quality and purity.

This high-quality formulated oil has a subtle cannabis flavour. Our coconut/palm-based MCT carrier oil has been carefully chosen for its sustainable practices from plantation through manufacturing.

In addition to the sleep benefits, scientists have reported that CBN can protect nerve cells from oxidative damage - a major pathway to cell death. And findings published by the journal, Free Radical Biology and Medicine, **suggested CBN has the potential for treating age-related neurodegenerative diseases such as Alzheimer’s.**

CBD is the product “most” are familiar with and it is hugely popular and made by almost every decent sized Cannabis company – yet **Medipharm also received the award for CBD product of the year**. A notable accomplishment for the 2<sup>nd</sup> year in a row.



## A Lucrative Global Market

Sleep plays a critical role in immune function, metabolism, memory, learning, and other vital functions. Poor sleep can lead to diabetes, weight gain, arthritis, depression anxiety, high blood pressure, and stroke.

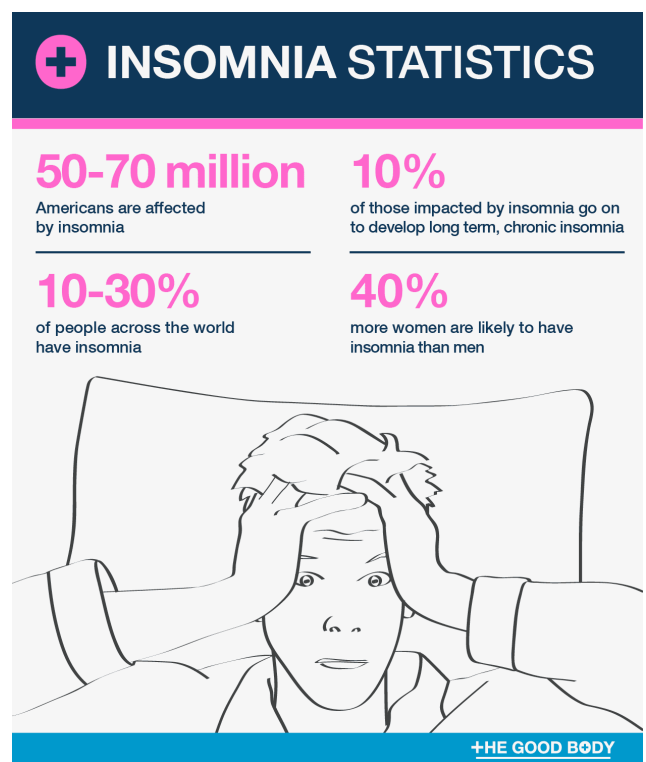
**Pharmaceutical companies LOVE the sleep deprived.** Here are annual sales figures for the United States alone in USD for over-the-counter sleep remedies.

ZZZQuil & Natrol ~ \$200M / Nature Made & Nature's Bounty ~ \$110M / Unisom ~ \$60M

This “excludes” Benadryl, Aleve PM, Tylenol PM, and Melatonin – all with enormous sales.

The market for “prescription” drugs related to sleep is equally large. As an example, Ambien sells 14 million units annually and Lunesta 1 million. This excludes Belsomra, Sonata, Rozerem, Silenor, and cheaper generics.

*IF Medipharm had the marketing budget of a giant pharmaceutical company, **we would see the sale of Medipharm’s CBN rise exponentially.** It is extremely effective BUT only those in the cannabis community may know it exists, and even then, a large majority have no idea what CBN is – they immediately think only of CBD.*



With respect to CBN / CBD and cutting-edge innovation (differentiated products as discussed above), Medipharm through their **Northbound Cannabis division** are leading the pack. This lemon CBN vape was introduced over the summer.

### Further Product Differentiation: CBG / THC

Medipharm released the first naturally derived CBG products available to Canadians and **the only inhalable CBG option**.

**“Cannabigerol (CBG)** is one of the rarer cannabinoids and has demonstrated potential as an antibiotic.



A team of **McMaster researchers**, which included Medipharm’s Director of Research and Development, Dr. Tait Gale, found that CBG was not only antibacterial, but **also effective in mice against a resilient family of bacteria known as methicillin-resistant Staphylococcus aureus ("MRSA")**.

Discovering that CBG has antibacterial properties was significant given that the MRSA bacterial strain is a leading cause of infections worldwide and has become increasingly resistant to antibiotics currently on the market.” [Medipharm press release April 5, 2022]

**McMaster University** is highly credible and one of the world’s leading medical research institutions

Another study on CBG and antibiotic resistance is available here:

<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC8100047/>

## At The Medipharm Helm



Medipharm CEO David Pidduck has tremendous pharma and management expertise. He graduated with an MBA from the Kellogg School of Management at Northwestern. Last year he was named in the following:

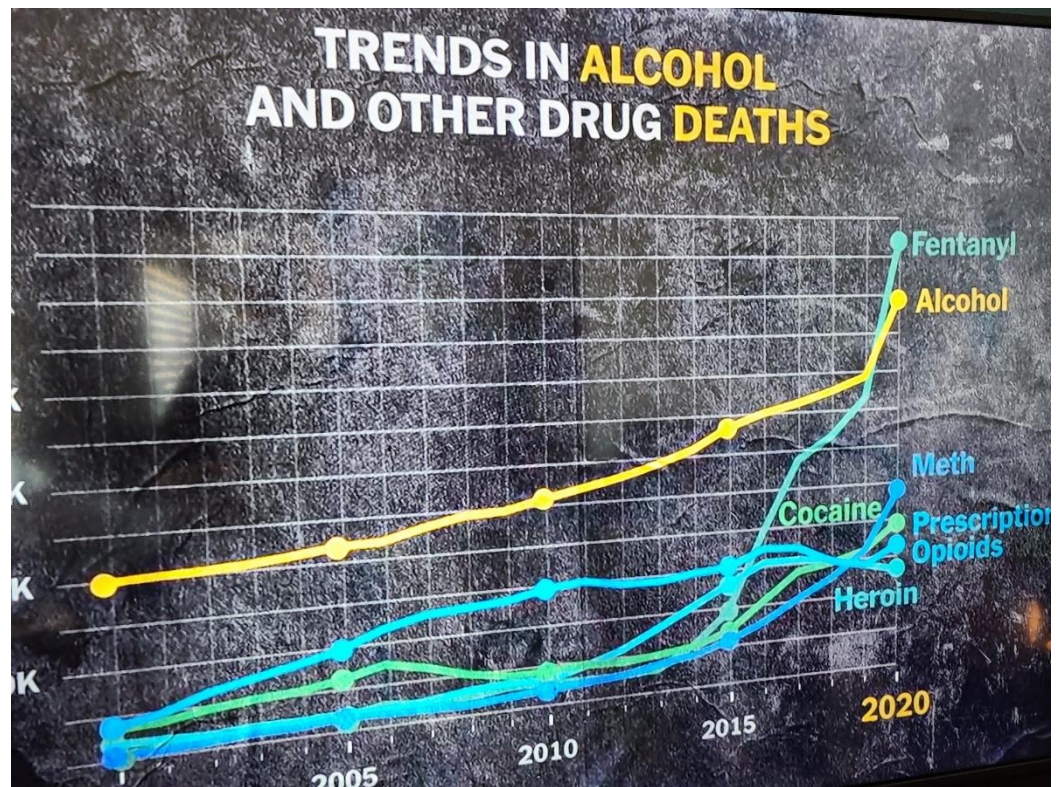
### The Top 25 Healthcare Technology Leaders of Toronto for 2022

December 13, 2022

<https://thehealthcaretechnologyreport.com/the-top-25-healthcare-technology-leaders-of-toronto-for-2022/>

Unlike cannabis, opioids and alcohol continue to kill people in North America.

Large corporations who make enormous political donations, ensure the industry doesn't change. Heavy taxation on alcohol is political suicide - so the problems associated with that industry are swept under the carpet. **Cannabis is an easy target for politicians, but public pressure is gradually changing this.**



## Changes Necessary for the Cannabis Industry:

- > Industry consolidation (M&A) and closure of more facilities
- > disciplined approach to expansion, cost control, and debt

In the United States, changes to the Federal classification of cannabis and “safe” banking are the two largest catalysts that would impact this industry over the next few years.



## Cannabis Industry Challenges Specific to Canada (a Warning for Other Countries)

- policy and taxation changes that are critically important but continually hitting roadblocks
- a booming illegal market and failure of government to do anything about it
- oversupply and slumping retail prices (recreational prices in Canada and the U.S. in particular)

### Arriving at a “Realistic” Medipharm Labs Valuation

Organigram helped validate my valuation table (below) which is current to Nov 18, 2023. The larger PDF version of which can be viewed at [MicroCap.com/PDF](https://MicroCap.com/PDF)

Organigram (OGI:TSX \$1.78) by peer comparison only has a MABV of 0.6 and EV to sales of 0.46 . Yet British American Tobacco (BAT) recently increased their ownership to 45% by investing \$124 million at \$3.22 per share (almost 100% higher than the recent trading price). In my valuation table, if I adjust the OGI share price to \$3.22 (and add the \$124M cash) it makes **OGI's MABV 1.1 and their EV to Sales 1.69** (peer average of 1.43).

[MicroCap.com](https://MicroCap.com) (1998)

Last Updated: November 18, 2023

[CDN Listed Cannabis Companies](#)

Sector USD ETF's - CNBS / MJ / MSOS / POTX / THCX

Financings occur between financial reporting periods & warrants are continually being exercised - financials and shares outstanding are a moving target

Cannabis companies are "creative" in accounting for biological assets (cannabis) - dig into financials yourself

Adjusted Book Value (ABV) = Cash/AR/GIC - Debt + Inventory + Bldg & Equipment (excludes Goodwill / Intangibles & Long Term Investments)

Goodwill and Intangible Assets on the balance sheet (of this industry) need to be deeply discounted

2024 Revenue estimates are my own assumption based upon the latest quarterly financials

Building & Equipment - Assets were grossly over priced and overbuilt in 2018 and 2019 but written down in 2022

Companies highlighted in red are drowning in debt and VERY high risk

MicroCap.com			CDN \$ (MM) From Most Recent Qtr Financials											
Sorted by EV to Sales			11/18/23	Shares	Market	Cash & A/R	Enterprise			Bldg &	Adjusted	MCap to	Estimated	EV
Company	Symbol	EX	Share Price	Out (MM)	Cap (Mcap)	+ GIC's	Debt	Value (EV)	Inventory	Equip	Book Value (ABV)	Book Value (MABV)	2024 NET Revenue	to Sales Multiple
					\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM
Cronos Group	CRON	TSX	\$2.73	381	\$1,040	1,322	42	-\$239	50	80	\$1,410	0.7	150	-1.60
Medipharm Labs	LABS	TSX	\$0.07	400	\$28	25	10	\$13	10	25	\$50	0.6	40	0.33
Organigram Holdings	OGI	TSX	\$1.78	119	\$212	191	44	\$65	82	132	\$361	0.6	140	0.46
Aurora Cannabis	ACB	TSX	\$0.65	421	\$274	233	202	\$243	139	307	\$477	0.6	260	0.93
Bzam	BZAM	TSX	\$0.15	180	\$27	13	70	\$84	48	91	\$82	0.3	85	0.99
Decibel	DB	CSE	\$0.14	409	\$57	24	93	\$126	48	56	\$35	1.6	125	1.01
Indiva	NDVA	CSE	\$0.05	186	\$9	6	34	\$37	4	22	-\$2	-4.7	35	1.07
Auxly Cannabis	XLY	TSXV	\$0.02	1,009	\$20	26	181	\$175	41	182	\$68	0.3	120	1.46
Jushi Holdings	JUSH	CSE	\$1.12	197	\$221	48	447	\$620	53	230	-\$116	-1.9	390	1.59
Ayr Wellness	AYR	TSX	\$2.96	77	\$228	116	944	\$1,055	137	438	-\$252	-0.9	660	1.60
Avant Brands	AVNT	TSX	\$0.16	258	\$41	7	20	\$54	27	43	\$57	0.7	30	1.81
Avicanna	AVCN	TSX	\$0.39	87	\$34	5	18	\$47	6	11	\$4	8.5	25	1.88
Tilray	TLRY	TSX	\$2.49	730	\$1,818	874	1,152	\$2,096	325	692	\$738	2.5	1010	2.08
Canopy Growth	WEED	TSX	\$0.77	732	\$564	381	835	\$1,018	87	902	\$535	1.1	300	3.39
											Avg *	1.59	Avg *	1.43

\* Averages exclude negative cells

**Market Cap to Adjusted Book Value (MABV) + Enterprise Value (EV) to Sales** are particularly important but **must also be compared to Debt** as this weighs heavily on the valuation and survival of any company. For example, the companies highlighted in red - **Bzam, Decibel, Indiva, Jushi, Ayr, and Auxly all have very concerning debt**. The average MABV and EV to Sales include these six debt heavy companies. Medipharm has low debt and in theory should command a premium as a result – instead the opposite is occurring. **Cronos and Organigram as you can see are notably undervalued compared to the peers**.

**Avant Brands** is a good comparable for Medipharm based upon assets, revenue and profitability. AVNT is cashflow positive, but Medipharm is close. Avant EV to sales is 1.81 with a MABV of 0.7.

**My 19-cent target for 2024 is based upon several factors that are explained below.** Although this could prove to be a conservative number, I feel for now it's a reasonable valuation / assumption.

(1) The average MABV of the Medipharm peers is 1.59 but the high MABV on Avicanna (which is unwarranted in this environment) elevates the number. Without that, the average MABV is closer to 1. Medipharm is at 0.6 using Q3/23 financials. **The share price needs to be 12 cents to bring LABS MABV to the average of 1**

(2) The average EV to Sales multiple is 1.43. Medipharm is at 0.33 using Q3/23 financials. **The share price needs to be 14 cents to bring LABS EV to Sales multiple to 1.**

(3) Again, using an average MABV of 1, if I adjust the property and equipment from \$25M (book value for Q3/23) to \$40M\* Nov/23, **The share price would need to be 16 cents to bring LABS MABV to an average of 1.** This change to \$40M does NOT affect EV to Sales as the Enterprise Value (EV) is not affected by the increase in property and equipment.

\* Adjusting the land, building and equipment to a current "estimated" fair market value of \$40M (vs depreciated net book value reported in financials ending Sept 30<sup>th</sup>) is based upon the information below.

3A) I feel their assets should be worth (at least):  
**Hope, B.C \$10M / Napanee, Ontario \$5M / Barrie, Ontario \$15M / Licenses and IP \$10M = \$40 Million CDN**



Location	Grow Type	Status	Facility Area (square feet)	Estimated Annual Rated Capacity of saleable dry flower (kg) <sup>(1)</sup>
Napanee, ON	Indoor	Operating	29,000	1,000
Hope, BC	Indoor	Operating	47,000	3,000

Following the VIVO acquisition, LABS consolidated a lot of the processing, extraction, and distribution within their own facility in Barrie, Ontario. The Napanee facility, however, remains important for dried flower sales to Australia, Germany and the rest of the EU.

**The 47,000 sq.ft Canna Farm facility in Hope B.C. (below) is of material value to Medipharm as the cannabis from this facility is very high quality and provides ideal feed stock for Medipharm processing in Ontario.**



**For Medipharm’s “current” fair valuation, I will use MABV of 1 (\$0.12/share) and EV to Sales of 1 (\$0.14/share) as I believe this is fair for the sector overall. If sector valuations improve or Medipharm reaches break-even or cash-flow positive, I believe fair value is a MABV of 1.5 (\$0.19/share) and EV to Sales of 1.5 (\$0.19/share) - but they are not there yet. That is the target for 2024.**

My targets exclude **“Blue Sky” potential** which can produce exponential gains from news, earnings, or by being on the receiving end of a takeover. For example, it is speculated that one of Medipharm’s undisclosed pharmaceutical partners may be working to obtain regulatory approval for a **generic version of Epidiolex** ([www.epidiolex.com](http://www.epidiolex.com)). From an API supplier perspective (being Medipharm), this would be a huge win for LABS shareholders and theoretically, could result in a high valuation takeover of Medipharm (vs the large pharma company paying an ongoing royalty to Medipharm). This is highly speculative however and theoretically longer term.

### Medipharm Reported Very Encouraging Q3 Financials November 14<sup>th</sup>

**Now that Medipharm has “their house in order”, they can focus on organic (in-house) and inorganic (acquisition) growth in 2024.** There should be many opportunities this next year to expand sales in Australia, Germany, the UK and Brazil.



*“We are proud of our focus on margins, cost reductions and profitability. Now, our strong balance sheet and improving profitability favourably positions us to make strategic investments for revenue growth. Beyond organic growth investments, there will be many M&A opportunities to consider in the coming quarters to further grow our revenue and shorten the path to profitability.” [David Pidduck, CEO - Nov 14/23]*

### Q3 Conference Call Highlights:

- 1) Revenue was impacted in 2023 following the VIVO acquisition but this is because they have implemented a PROFIT FIRST model that dropped low margin products and services while also identifying areas across the organization where costs could be cut. As a result, earnings continue to improve. Additional cost reductions will occur in Q4/23.
- 2) While their market share in the oil category has declined slightly, **Medipharm continues to have one of the top selling products in Canada** (fluctuating between the number 1 and 2 position competing against Tilray who have a low-cost product). To offset any decline, they have recently introduced a CBN and CBD capsule.
- 3) Canadian adult-use market (recreational) - Cannabis oil is high margin and demand remains high for their products. They cut back on any non-profitable vape, dry flower or pre-roll products. They stopped any money-losing retail partnership programs. In Q4 they will have new oil products and capsules along with a larger sales force.
- 4) Canadian medical market - Direct to consumer online is more profitable so they will continue to get as many of their higher margin products as possible onto their own well-established platform plus 3<sup>rd</sup> party. Remove products with higher manufacturing costs and replace with those where Medipharm has invested in automation. Alliances with larger companies like Aurora Cannabis and Tilray will allow them in 2024 to have Medipharm products on ALL the major Canadian online platforms.
- 5) International medical market... They continue to have a Top 3 flower brand in Australia through Beacon Medical (integrated into Medipharm through the Vivo acquisition). Heading into 2024 they have an expanded international sales team and will focus on partnerships with large resellers like Stada in Germany (EU). In the U.S. they remain focused on FDA approvals and partnership(s) with large Pharma companies.
- 6) Their gross margin is now approaching 32% versus a negative gross margin prior to 2023 (which meant they previously "lost" money on most everything they manufactured). This has been the problem across the entire industry and why “growth-at-all-cost” has been a disaster. Medipharm was smart to keep their debt very low while others continue to disappear as huge debt drives them into bankruptcy (which is very beneficial to Medipharm).
- 7) The current expectation for material revenue growth is Australia, Germany, and Brazil. While Beacon Medical has been very successful in Australia with flower, they have not had an extract product like oils or vapes until Medipharm launched these in September. In Brazil, their partner is a very large international

generic pharma company (and the largest in Brazil) who should have their license in December to sell Medipharm products across the region.

8) Their revenue growth expectation is internationally versus Canada. Canada continues to be over-run with cannabis companies in desperate financial trouble who are selling off inventory just to try and keep their lights on (or pay their taxes). Until more disappear and inventory is written off, retail prices in Canada will suffer. For Medipharm, they are smart to focus resources outside of Canada and only within Canada if they can sell higher margin products.

9) **Cannabis rescheduling in the United States has the potential to be a large (overlooked) opportunity for Medipharm.** Their pharma and research partner(s) are currently limited by Federally (DEA) set quotas for cannabis product importation. Rescheduling would loosen that considerably. The current Schedule 1 classification views cannabis like importing cocaine. Schedule 3 would change that dramatically and would open up new clinical trials on a much larger scale.

Because **Medipharm is one of the only companies focused on obtaining FDA clearance**, any (all) universities or pharma companies looking to run cannabis trials would need to deal with a cannabis supplier who has FDA clearance - those are few and far between. **Even American cannabis companies would struggle to meet the FDA guidelines** because they are still governed by state laws and few (if any) have pursued the same FDA approval path as Medipharm.

## Closing Remarks



Since 2017, well over \$200 Million has been invested by both VIVO and Medipharm in facilities, equipment, intellectual property, processes, branding, marketing, and distribution. This compares to the current LABS market cap of \$28 Million and an Enterprise Value (EV) of \$13M.

The cannabis industry will be dominated by those companies with minimal debt, lean business models (earnings positive), brand loyalty and differentiated consumer products. And internationally, medical marijuana will continue to show substantial growth within regulated countries.

Medipharm Labs is using Canada as its testing / proving ground so that those pharmaceutical grade products can be exported worldwide where consumer prices are higher. Their processing facility in Ontario has the underutilized capacity to accommodate significant growth without requiring expansion capital.

A large majority of people that walk into a dispensary, go for health and wellness reasons. Eventually they may transition to recreational cannabis, but medical cannabis and CBD are often their focus. Most regulatory agencies will be focused on GMP manufacturing but for many cannabis growers, GMP certification is cost

prohibitive and time consuming. This provides Medipharm with a significant competitive advantage – especially in overseas markets like Europe and South America.

The illicit (grey) market will always be a challenge for legal cannabis producers, but companies like Medipharm will always be competitive with differentiated and trusted products. An extraction specialist like Medipharm will differentiate with flavors and blending rare cannabinoids (different effects) like CBN, CBG, and CBC.

The Medipharm Labs CEO has publicly stated that opportunistic M&A opportunities will be carefully considered both domestically and internationally – including those in the pharmaceutical industry. But incremental sales must contribute to the bottom line.

With VIVO, Medipharm has been very successful in proving they can acquire a company and integrate its operations - effectively running two companies for the cost of one.



M&A would help them progress towards profitability but negotiating and closing these transactions is time consuming. Smart CEO's will no longer pursue **“revenue at any cost”** - which has been the model for years in the cannabis industry. **Transactions must clearly contribute to the bottom line.**

At this stage, LABS is too small to attract buying from institutions (pension funds for example) and rarely high net worth investors. And because they have not required a financing for several years, they get NO support from brokerage firms or their analysts - who typically only support their own investment banking clients. **This means Medipharm is dependent upon small retail investors.** And microcap retail investors have been few and far between in 2022/23 (even more so in the cannabis sector).

However, if Medipharm is as successful in 2024 as I hope, **their valuation and share price will improve as they demonstrate profitability and long-term international revenue growth.** The company has significant underutilized facility capacity (for grow and manufacturing), which means they will not require a large infusion of capital if the opportunity arises to grow international sales rapidly.

For microcap investors with patience and risk tolerance, the time to consider an investment in a company is before the rest of the investment community is paying attention - or before they are looking for exposure to undervalued and profitable growth stocks.

Visit their website at <https://www.medipharmlabs.com/investors> for further due diligence including their most recent corporate presentation

## Help Support Your Investment

A PDF copy of this report is available at: <https://microcap.com/pdf>

**IF YOU FOUND THIS ANALYSIS BENEFICIAL, OR YOU ARE A MEDIPHARM SHAREHOLDER, SHARE IT.** Research / Analyst reports need distribution to help the company and its shareholders. Research on microcap stocks is of little use if no one knows they exist. It is also harder to convince an investor to buy a new stock than it is to have shareholders add to their existing position – or have a reason to tuck their investment away.

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## A Partial List of Cannabis Industry Risks

- > competition > marketing constraints > client acquisition and retention
  - > changes in laws, regulations, and guidelines
  - > financing requirements and future access to investors
  - > information systems security threats (IT / cyber threats) > security risks
  - > illegal / grey market (pricing pressure)
  - > high government taxation and regulatory costs
  - > product obsolescence and inventory shelf life including risk of recalls
  - > inherent risks of farming / agriculture
  - > higher interest rates and inflation including higher energy, insurance and transportation costs
  - > dependence on suppliers and skilled labor
  - > international expansion risks
  - > continued level of investment in R&D, marketing, sales and client support.
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## Disclaimer / Disclosure

I, Danny Deadlock, have no affiliation or association with anyone at Medipharm Labs (or anyone associated with the company). **I am a shareholder who owns stock purchased in the open market** over the past few years. I have not sold shares throughout 2023 but could be an active buyer or seller of Medipharm Labs stock at any point in time that this research report is in circulation.

I am NOT a financial advisor, and all comments are my own personal opinion – they are NOT to be taken as financial advice or a recommendation to buy or sell Medipharm Labs stock. I have NO working or contractual relationship with the company, or anyone associated with them. This report was prepared at no cost to anyone, and I volunteered my time to do the research using information and filings in the public domain. I have not spoken with anyone associated with Medipharm Labs during the process of preparing this research report.

I volunteered my time to complete this research because it is very difficult for microcap companies to get analyst coverage and as a shareholder who would like to see the company succeed, I am hopeful a report of this nature helps other shareholders and investors. **I also hope this report helps microcap investors understand what is required when doing “proper” due diligence on a company prior to making any investment decisions.** There is a LOT involved when researching a company - **this report took well over 100 hours to complete.**

While I have made every effort to ensure the information contained within this report is as accurate as possible, there is no guarantee it is free of errors or omissions. The graphics used in this report were obtained from 3<sup>rd</sup> party sources via the Internet and are “assumed” to be accurate.

Any comments or opinions pertaining to current or future value / share price are my own and should NOT be relied upon. Microcap stocks are highly volatile, and an investor can just as easily lose their entire investment as make money.

**The reader accepts FULL responsibility for what they do with this information and acknowledges that Danny Deadlock is NOT responsible for any decisions you choose to make with this information. You the reader take full responsibility for your own actions.** While this report could be a starting point for your investing journey or education, it is the reader’s responsibility to conduct their own due diligence on Medipharm Labs and not rely upon the contents of this research. Regardless of your level of experience with microcap stocks, you should always assume that public companies and stock markets in general do not behave the way you would like or expect them to. The stock market is high risk.

**Danny Deadlock contact:** [www.linkedin.com/in/dannydeadlock](https://www.linkedin.com/in/dannydeadlock)

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MicroCap.com

