



Alternative Health Fund Market View

September 13, 2021

We have received the question “should we be buying US cannabis names?”



Ninepoint / Faircourt,
Sub Advised by Faircourt Asset Management

Our view is US Cannabis names are significantly under-valued or over-sold. We don't just throw out terms such as “under-valued” or “over-sold” without backing it up. Below we have provided the Q2-20 and Q3-20 financial highlights for the leading US MSO's as well as the forecasts that were provided pre-election compared to current forecasts.

What we see is that the names noted have executed well, actually having outperformed analyst estimates. The companies are proving out what were pre-election aspirational forecasts and now estimates have remained the same or gone higher meaning these forecasts are actually achievable. Therefore not only do we think 2022 forecasts to be achievable but valuations have become even more attractive.

Comparison of Financial Results & Forecasts 2020-2021:

Actuals (Thousands USD)		CURA	GTII	TRUL	CL	TER	CCHW
Sales							
Q2/20		\$ 117,480	\$ 119,640	\$ 120,765	\$ 94,256	\$ 34,148	\$ 28,413
Q3/20		\$ 182,408	\$ 157,104	\$ 136,274	\$ 153,298	\$ 38,193	\$ 48,703
Q4/20		\$ 230,253	\$ 177,227	\$ 168,437	\$ 162,317	\$ 49,479	\$ 76,064
Q1/21		\$ 260,320	\$ 194,431	\$ 193,823	\$ 178,437	\$ 53,354	\$ 86,095
Q2/21		\$ 312,205	\$ 221,872	\$ 215,122	\$ 209,975	\$ 58,723	\$ 102,387
EBITDA							
Q2/20		\$ 27,994	\$ 35,413	\$ 58,436	\$ (840)	\$ 8,232	\$ (5,481)
Q3/20		\$ 42,295	\$ 53,182	\$ 65,842	\$ 40,167	\$ 13,356	\$ 3,077
Q4/20		\$ 53,784	\$ 65,445	\$ 78,242	\$ 30,030	\$ 19,693	\$ 8,303
Q1/21		\$ 62,626	\$ 71,355	\$ 86,975	\$ 34,992	\$ 23,106	\$ 9,076
Q2/21		\$ 84,372	\$ 79,284	\$ 93,182	\$ 45,529	\$ 24,278	\$ 14,789
Forecasted (Thousands USD)		CURA	GTII	TRUL	CL	TER	CCHW
Consensus Sales							
Pre-Nov election	2021	\$1,281,000	\$ 747,800	\$ 700,600	\$ 700,500	\$ 267,900	\$ 427,100
Current	2021	\$1,298,100	\$ 904,100	\$ 893,900	\$ 865,700	\$ 246,800	\$ 512,500
EBITDA							
Pre-Nov election	2021	\$ 417,000	\$ 243,300	\$ 313,300	\$ 191,400	\$ 89,800	\$ 88,600
Current	2021	\$ 369,300	\$ 326,000	\$ 395,600	\$ 210,700	\$ 98,300	\$ 97,600

Source: Company documents, Factset, Stifel GMP

What is also intriguing is that not only have the companies executed well, but the market in which they operate has grown considerably. See the chart below which illustrates the equity performance of the largest US MSO's from October 2020, prior to the Green Wave when five states successfully passed ballot initiatives transitioning their states to legal adult use cannabis states. The chart shows that despite the superior execution, the stocks are only 10-15% away from their Pre US election prices. Yet the companies above have all outperformed their forecasts, and have generated EBITDA

growth higher than most other industry groups.

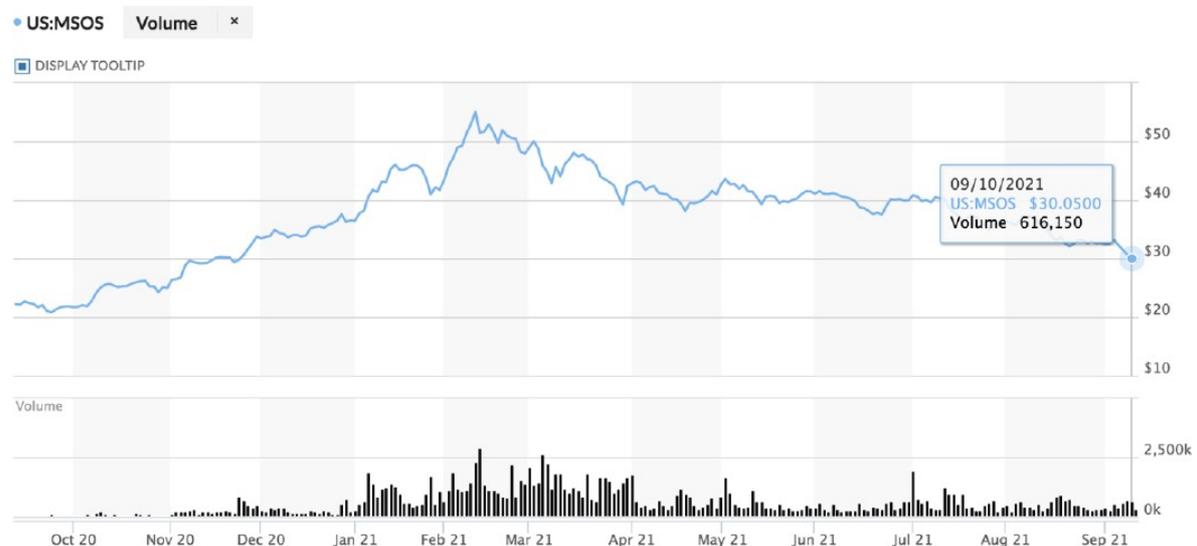
Lets also consider what has happened since the election Nov 2020? We have seen the number of States that are legal for REC add AZ, MN, SD, NY, NJ, VA, CT, NM, ND to the list of now 19 states that are fully legal, representing 148 million or approx. 41% of the US population. That results in a significantly greater TAM (total addressable market) than was presented one year ago. To us, this is a generational opportunity to create wealth.

Top 5 US MSO's



Source: Refinitiv

US MSOS ETF



Source: MarketWatch

The other question many investors have right now is “why are the stocks this cheap”? We think it’s a simple answer. The run-up since the US election was fueled by retail and fast money buyers who were expecting quick legislative action. This clearly did not happen in the timeframe expected and these investors moved out of the sector. With pools of institutional capital still prevented or unwilling to invest in the sector due to with risk and compliance concerns with respect to marijuana related businesses, the marginal (new) buyer is not in the market right now. Slowly that is changing.

Charles Taerk & Douglas Waterson

The Portfolio Team

Faircourt Asset Management

Sub-Advisor to the Ninepoint Alternative Health Fund

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