
Analyst Ideas of the Week – TGOD in Mexico

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The Green Organic Dutchman Holdings Ltd. (TSX: TGOD / Share Price: \$5.45 per share / FRC Fair Value Estimate: \$9.20 per share) – On October 12, 2018, the company announced that the first milestone option under the Investor Rights Agreement between TGOD and Aurora Cannabis Inc. had expired. The option would have allowed Aurora to acquire an additional 8% of the common shares of the company at a 10% discount to the company's 10-day VWAP. In addition, all remaining milestone options have expired pursuant to the original terms of the agreement

- **Expected impact of news on valuation:** Neutral.
- **Reasoning:** Though the agreement provided a potential financing backstop for TGOD's future cash needs, the agreement was inherently dilutive. Furthermore, Aurora still maintains the right to purchase up to 20% of TGOD's future Canadian supply, ensuring some measure of link between the two companies. We believe that with legalization and TGOD's growing stature in the markets, the company should not have a problem in raising capital via debt or equity issuances **and the expiration of the Investors Rights Agreement is net negative for Aurora, not TGOD.**

On October 11, 2018, the company announced that it had entered into a strategic joint venture with LLACA Grupo Empresarial to create a joint company to enter the medicinal cannabis market in Mexico. LLACA has proprietary distribution capabilities and access to 4,500 pharmacies and 3,100 supermarkets throughout Mexico.

- **Expected impact of news on valuation:** Positive.
- **Reasoning:** The company continues to expand internationally, expanding their addressable market and increasing sales avenues for product from their future facilities. However, details of TGOD'S financial obligations to the new joint company were not revealed.

Abattis Bioceticals Corp. (CSE: ATT / Share Price: \$0.17 per share / FRC Fair Value Estimate: \$0.30 per share) – On October 11, 2018, the company announced that they had added three new vaporizers to their product line.

- **Expected impact of news on valuation:** Neutral.
- **Reasoning:** As financial details were not revealed (i.e. costs to manufacture), we cannot be sure of the economic viability of the new products. However, the vaporizer market is a rapidly growing markets and we believe that the addition of new products may help grow the revenues of the company.

Isodiol International Inc. (CSE: ISOL / Share Price: \$3.36 per share / FRC Fair Value Estimate: \$10.10 per share) – On October 15, 2018, the company announced that it would be entering the pet industry with a new CBD product line, "Pawceticals".

- **Expected impact of news on valuation:** Positive.
- **Reasoning:** The company continues to expand their product into new market segments. We believe this could lead to outsized revenue growth as sales ramp up, similar to the impact of the IsoSport line that the company introduced earlier this year.

Canada Jetlines Ltd. (TSXV: JET / Share Price: \$0.45 per share / FRC Fair Value Estimate: \$2.57 per share) – On October 11, 2018, the company announced that it had made an additional US\$0.44 million deposit to AerCap pursuant to a leasing agreement for two A320 Airbus aircraft currently in service with Air New Zealand (NZE: AIR). To date, payments made to secure the aircraft now total US\$2.19 million.

- **Expected impact of news on valuation:** Neutral.
- **Reasoning:** The company is advancing their operations closer to launch with the continued deposit payments. However, payment of deposits to secure aircraft have already been assumed by our models and reflected in our fair value. We believe the market has also already priced in this news into the company's market price.

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