

Can B Corp.
OTC: CANB
Maintaining Rating & Target
BUY, \$18.00
March 9, 2022
MARKET DATA

Share Price:	6.00
Market Cap:	11.40 M
52wk Range:	4.05 - 14.70
Ave. Volume:	2,000
Basic S/O:	1.90 M
Fully Diluted S/O:	3.07 M
Float:	1.10 M
Institutional %:	3%
Insider %:	39%

FINANCIAL DATA (mrq)

Cash:	0.19 M
ST Debt:	4.47 M
LT Debt:	0.00 M
Book Value:	5.61 M
EBITDAS (ttm):	(5.51) M
FFFO (ttm):	(7.14) M

Auditor: BF Borgers CPA

USD	2020A	2021e	2022e	2023e
-----	-------	-------	-------	-------

Revenue (in Millions)

Mar	0.57	0.31A	6.43	9.37
Jun	0.21	0.40A	6.72	9.51
Sep	0.46	1.91A	8.38	9.67
Dec	0.48	4.44	9.22	9.83
REV	1.71	7.06	30.75	38.37
<i>P/S</i>	<i>6.67</i>	<i>1.61</i>	<i>0.37</i>	<i>0.30</i>

Diluted EPS

Mar	(4.88)	(3.58)A	(0.27)	0.23
Jun	(4.93)	(1.76)A	(0.04)	0.23
Sep	(4.57)	(1.62)A	0.21	0.23
Dec	(6.03)	(0.77)	0.32	0.22
EPS	(20.41)	(6.28)	0.26	0.91
<i>P/E</i>	<i>N/A</i>	<i>N/A</i>	<i>23.08</i>	<i>6.59</i>

 William Gregozeski, CFA
 wgregozeski@greenridgeglobal.com
 +1 414 435 1110

Up To 100 CBD Lab Lounges To Be Launched

Up To 100 CBD Lab Lounges To Be Launched. Yesterday, the Company announced a ten-year deal with American Development Partners ("ADP") to finance and develop up to 100 CBD Lounges, similar to CANB's Lab2 format at its Miami facility. The Lab2 concept, which is nearing completion, features a bar/lounge consumption area with viewing windows to see products, like gummies and gelato, being made. The ADP-developed lounges are expected to be similar, having a bar/lounge space with viewing windows to see various end products being produced. The lounges will serve CANB as a relatively cheap way to establish regional production and distribution, enable it to build its brands on a national level, engage in a wider range of product R&D, and increase branded product sales in the lounges. ADP has budgeted \$4 million for each lounge (committing \$200 million with an option for another \$200 million), and will receive a 10% development fee and a 20-year lease on each lounge from CANB. No additional details were released, other than the Company noting no equity was involved in the deal. ADP has a history of real estate development projects, with clients ranging from Wendy's, Subway, Hampton Inn, Gold's Gym, and AutoZone, among many other nationwide chains.

CANB Enters Brazilian Market. On Thursday, the Company announced it formed a JV with PrimeX, who will distribute CANB's products through its network of 120,000 retailers and pharmacies in Brazil. The JV will split the Gross Profit on product sales on a 50-50 basis, and the Company will produce white label products for PrimeX at cost plus 25%. This deal puts CANB in a large, relatively new CBD market with little financial risk. At this point, it is unclear what impact this deal might have on future results.

Reverse Split Executed, Waiting On Financing & Uplisting. As noted in our last report, CANB approved a reverse split. The reverse was expected to be done concurrent with a capital raise and uplisting to Nasdaq. A 1:15 reverse went effective on February 14, however the capital raise and uplisting were not announced. We expect these will happen shortly after CANB releases its 2021 annual results.

Model Update. We left our estimates unchanged given the uncertainty on timing of the Lab Lounges rolling out and the degree to which PrimeX may have success in the Brazilian market. We again note the upcoming results will be the first to include a full quarter of its vertically integrated processing model. The only change to the model was updating the cap table for the reverse split.

Maintaining Rating & Target. With two positive development deals being announced and a Nasdaq uplisting pending, we are reiterating our Buy rating and \$18.00 target price (split-adjusted) on Can B Corp. Our target price is based on a P/E multiple of roughly 20 times our fiscal 2023 Diluted EPS estimate of \$0.91, discounted one year at 10%. We note that the size and terms of the prospective capital raise could impact our estimates.

RISKS

Significant Regulatory Risks

The 2018 Farm Bill effectively legalized hemp as a commodity crop, but did not specifically legalize CBD. Additionally, the FDA prohibits the addition of CBD to food products, cosmetics or supplements, all of which Can B engages in, and the FDA has begun enforcing its CBD-related policies. Should Can B fall under FDA review or other regulatory scrutiny it may be unable to continue its current operations, which could severely impair its ability to meet our estimates.

Regulation of Delta-8 and Delta-10

Delta-8 and Delta-10 are unregulated, despite causing similar psychoactive effects as delta-9 THC, and are expected to make up a large portion of the Company's near term revenue. The legality of each varies state-by-state and the federal government has yet to take a definitive position. Should more states ban Delta-8 or Delta-10 or should it be classified similar to delta-9 THC federally, Can B may be unable to sell this product.

Processing Capabilities

The Company recently acquired most of its processing equipment. There are no assurances the machinery will perform as expected, or produce the output as expected. Any downtime on the equipment could have an adverse impact on our estimates.

Acquisitions

Can B overhauled its business model and Balance Sheet in 2021 with a number of acquisitions. We expect additional acquisitions in the future, however there are no assurances each acquisition will work as intended.

Preferred Share Voting Structure

Due to the voting rights of the Series A and Series D Preferred Stock, management holds voting control over the future of Can B.

Feedstock Quality

The end product yield is highly dependent on the quality of the hemp biomass it purchases. Should purchased product be of lower quality the Revenue and profits estimated in our model may not be achievable.

Highly Competitive Industry

The CBD health and wellness and hemp markets are highly competitive and subject to rapid change. Companies competing in this space possess well-known brand names, greater access to capital, higher research and development capacity, and broader distribution channels.

History of Losses

The Company has not produced a profit to date and there are no assurances it will do so in the future.

Potential Dilution

The Company has sold stock for cash, issued stock for services, raw materials, and as payment for acquisitions, as well as issued stock in convertible debt financings, along with options and warrants. We expect additional stock issuances to occur in the future which would dilute current shareholders

COVID-19

Covid had a negative impact on the Duramed business and CBD product sales. As Covid cases fluctuate in the U.S. it is possible a market or the entire country could be subject to quarantines or lockdowns, which could negatively impact results.

Illiquid Trading

The Company's stock trades far less than \$1,000,000 per day, which may make it difficult to buy or sell a large position in the open market without moving the stock price.

Material Weaknesses over Financial Reporting

CANB's auditor found a material weakness in internal controls over financial reporting related to the lack of sufficient financial reporting and accounting personnel with US GAAP and SEC reporting requirement experience. Given its size, this weakness may continued to be listed until adding staff is warranted.

ESTIMATED INCOME STATEMENT

	(in 000s of USD)				2021e	Q1:22e	Q2:22e	Q3:22e	Q4:22e	2022e	Q1:23e	Q2:23e	Q3:23e	Q4:23e	2023e
	Q1:21A	Q2:21A	Q3:21A	Q4:21e	2021e	Q1:22e	Q2:22e	Q3:22e	Q4:22e	2022e	Q1:23e	Q2:23e	Q3:23e	Q4:23e	2023e
Product Sales	244	362	1,749	4,288	6,643	6,232	6,465	8,063	8,831	29,592	8,936	9,041	9,147	9,253	36,377
Service Revenue	63	40	161	150	414	200	250	313	391	1,153	430	473	520	572	1,994
Total Revenue	307	402	1,910	4,438	7,057	6,432	6,715	8,376	9,222	30,745	9,366	9,514	9,667	9,825	38,372
Cost of Revenue	77	259	541	2,853	3,730	4,011	3,835	4,839	5,360	18,045	5,416	5,472	5,529	5,587	22,004
Gross Profit	230	143	1,369	1,586	3,328	2,420	2,880	3,537	3,863	12,700	3,950	4,042	4,138	4,239	16,368
Operating Expenses	2,023	2,729	3,893	2,831	11,476	2,853	2,818	2,888	2,963	11,522	3,047	3,130	3,218	3,312	12,708
Income From Operations	(1,793)	(2,586)	(2,524)	(1,245)	(8,148)	(432)	62	649	900	1,178	903	911	919	927	3,660
Gain of Debt Extinguishment	6	197	-	-	203	-	-	-	-	-	-	-	-	-	-
Interest Expense	(393)	(348)	(708)	(314)	(1,763)	(153)	(148)	(145)	(145)	(591)	(145)	(145)	(145)	(145)	(580)
Other Expense	-	(2)	(1)	-	(3)	-	-	-	-	-	-	-	-	-	-
Income Before Taxes	(2,180)	(2,739)	(3,233)	(1,559)	(9,711)	(585)	(86)	504	755	588	758	766	774	782	3,080
Income Taxes	-	1	-	-	1	-	-	-	-	-	189	192	194	195	770
Net Profit	(2,180)	(2,740)	(3,233)	(1,559)	(9,712)	(585)	(86)	504	755	588	568	575	581	586	2,310
Basic EPS	(3.58)	(1.76)	(1.62)	(0.77)	(6.28)	(0.27)	(0.04)	0.22	0.33	0.27	0.24	0.25	0.24	0.22	0.95
Basic S/O	609	1,559	2,002	2,019	1,547	2,156	2,163	2,248	2,255	2,206	2,327	2,333	2,399	2,641	2,425
Diluted EPS	(3.58)	(1.76)	(1.62)	(0.77)	(6.28)	(0.27)	(0.04)	0.21	0.32	0.26	0.23	0.23	0.23	0.22	0.91
Diluted S/O	609	1,559	2,002	2,019	1,547	2,156	2,163	2,354	2,369	2,261	2,449	2,463	2,536	2,718	2,542
Q1:21A	Q2:21A	Q3:21A	Q4:21e	2021e	Q1:22e	Q2:22e	Q3:22e	Q4:22e	2022e	Q1:23e	Q2:23e	Q3:23e	Q4:23e	2023e	
Gross Margin	74.9%	35.6%	71.7%	35.7%	47.2%	37.6%	42.9%	42.2%	41.9%	41.3%	42.2%	42.5%	42.8%	43.1%	42.7%
Operating Margin	-584.0%	-643.3%	-132.1%	-28.1%	-115.5%	-6.7%	0.9%	7.7%	9.8%	3.8%	9.6%	9.6%	9.5%	9.4%	9.5%
Net Margin	-710.1%	-681.6%	-169.3%	-35.1%	-137.6%	-9.1%	-1.3%	6.0%	8.2%	1.9%	6.1%	6.0%	6.0%	6.0%	6.0%

Source: CANB documents filed with the SEC and Greenridge Global estimates

DISCLOSURES

Distribution of Ratings

Rating	Count	Percent	<u>I.B. last 12 months</u>	
			Count	Percent
BUY	9	100%	0	0%
HOLD	0	0%	0	0%
SELL	0	0%	0	0%
NO RATING	0	0%	0	0%

Explanation of Ratings

- BUY:** Describes undervalued stocks we expect to provide a total return (capital appreciation + yield) of 15% or more in the next twelve month period.
- HOLD:** Describes fully valued stocks we expect to provide a total return (capital appreciation + yield) of plus or minus 15% in the next twelve month period.
- SELL:** Describes overvalued stocks we expect to provide a total negative return (capital depreciation + yield) of 15% or more in the next twelve month period.
- NO RATING:** Describes stocks that have their investment rating and/or target price temporarily removed for fundamental or compliance-based reasons.

Analyst Certification

I, William Gregozeski, CFA, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security and subject company. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

Other Disclosures

<u>Company</u>	<u>Disclosures</u>
Can B Corp.	8

- Greenridge Global makes a market in the security of the subject company.
- The analyst serves as an officer, director, or advisory board member of the subject company.
- The analyst or a member of the analyst's household has a financial interest in the securities of the subject company, including, but not limited to a long position, short position, rights, warrants, futures, or options.
- Greenridge Global or an affiliate of Greenridge Global has managed or co-managed a public offering of the security of the subject company in the last 12 months.
- Greenridge Global or an affiliate of Greenridge Global has received compensation for investment banking services from the subject company in the last 12 months.
- Greenridge Global expects to receive or intends to seek compensation for investment banking services from the subject company in the next three months.
- Greenridge Global or an affiliate of Greenridge Global beneficially own 1% or more of the common stock of the subject company as calculated in accordance with Section 13(d) of the Securities Exchange Act of 1934.
- The subject company is, or during the past 12 months was, a client of Greenridge Global, which provided non-investment banking, securities-related services to, and received compensation from, the subject company for such services.
- An affiliate of Greenridge Global received compensation from the subject company for products or services other than investment banking services during the past 2 months.

DISCLOSURES (continued)

Other Disclosures

This report has been prepared by Greenridge Global LLC, an unregistered US-based financial services firm, employing appropriate expertise and in the belief that it is fair and not misleading. The information upon which this material is based was obtained from sources believed to be reliable, but has not been independently verified, therefore, we do not guarantee its accuracy. Any opinion or estimates expressed in this report constitute our best judgment as of the date of the report and are subject to change without notice. Greenridge Global seeks to update its research as appropriate, but various regulations may prevent Greenridge Global from doing so. This report was prepared solely for informational purposes for Greenridge's institutional clients and does not constitute a personal recommendation, solicitation or offer to buy or sell any security, or take into account the particular investment objectives, financial situations, or needs of individual clients. The securities described herein may not be qualified for purchase in all jurisdictions or be suitable for all investors. Each investor should consider whether any information regarding securities mentioned in this report is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. Additional and supporting information is available upon request.

Rating History



Greenridge Global's research reports are disseminated and available electronically, and in some cases, printed form. Electronic research is simultaneously available to all clients. This report or any portion herein may not be reprinted, sold or redistributed without the written consent of Greenridge Global LLC. For information on how to be added to Greenridge's research distribution list please contact:

William Gregozeski, CFA
+1 414 435 1110
wgregozeski@greenridgeglobal.com

Greenridge Global LLC
10 S. Riverside Plaza
Suite 875
Chicago, IL 60606 USA
www.greenridgeglobal.com