



EARNINGS UPDATE November 30, 2018

VIVO CANNABIS INC. (V-VIVO) \$0.92 (Intraday)

RATING: BUY
(unchanged)

TARGET: \$2.50
(unchanged)

Strong Medical Sales and Patient Growth to Balance Rec Opportunities

- **EVENT:** VIVO Cannabis reported its Q3 results for the period ending September 30, 2018. Revenue was \$2.3M up 117% qoq. EBITDA was (\$4.7M) compared to (\$3.7M) last year and EPS was (\$0.04) compared to (\$0.09) last year.
- **DISCUSSION:** Revenue was below our estimates of \$3.1M.
- **The \$2.3M in revenue was made up of \$1.6M in medical cannabis sales** and \$0.7M from Harvest Medicine (patient counselling). Revenue from this quarter does not reflect recreational sales as rec shipments commenced after the quarter ended. We do expect Q4 sales to reflect initial recreational sales to BC, Alberta, Saskatchewan, Manitoba, Ontario and the Yukon. We expect sales to surpass \$10M given VIVO's strong inventory position at the end of Q3.
- **VIVO continues to deliver on its medical cannabis sales.** Medical patients increased from 2,000 to 18,000. This significant increase in patients should help support the average selling price (ASP) moving forward as rec wholesale prices will have downward pressure on selling prices. The ASP for this quarter was \$7.45/g and we anticipate the ASP for recreational sales will be \$4.00 - \$5.00 per gram.
- **The Auxly Agreement is still pending approval.** Auxly Cannabis had invested \$15M in VIVO in August 2017 with a second tranche of \$15M to be invested upon approval of VIVO's construction budget and timeline for an expansion at its Kimmett property. The initial agreement states that Auxly will fund the construction of a 50,000sf facility and have access and influence over 50% of the actual cultivation yield. The construction budget plan was submitted in September 2018 and the review process has not yet completed.
- **The Company had \$100.4M in cash and short-term investments** at the end of the quarter. This strong cash position provides adequate resources to expand operations and finance future growth.
- **FORECAST/OUTLOOK:** We have made small modifications to our sales model. Our revenue estimates are \$14.0M, \$32.8M and \$81.0 M for FY18, FY19, and FY20 (previously \$10.2M, \$32.5M and \$80.0M), respectively. Our EBITDA forecast is (\$13.4M), \$2.4M and \$24.8M (previously (\$12.8M), \$2.3M and \$25.9M) for FY18, FY 19 and FY20, respectively.
- **VALUATION/RECOMMENDATION:** We are maintaining our **BUY** rating (Risk rating: **SPECULATIVE**) for **VIVO Cannabis Inc.** (V-VIVO) and we have maintained our target of \$2.50. Our target is 29x our FY20 EV/EBITDA estimate (previously 27x FY20).

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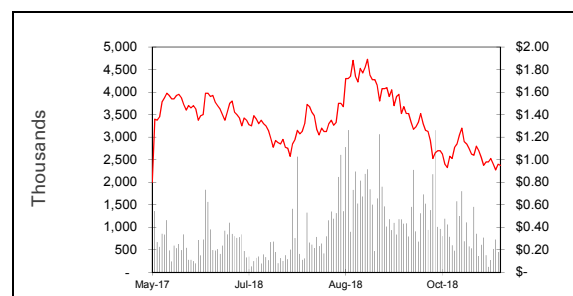
Company Statistics

| | |
|-------------------------|--------------------------------------|
| Risk: | SPECULATIVE |
| 52-week High/Low: | \$4.06 / \$0.90 |
| Shares o/s ('000): | 291,010 |
| Shares o/s (fd) ('000): | 335,176 |
| Market Cap (fd) ('000): | \$308,362 |
| Average Trading Volume | 291,010 |
| Cash ('000): | \$100,394 |
| Debt ('000): | \$0 |
| CEO: | Barry Fishman |
| CFO: | Michael Bumby |
| Shareholders: | Mgmt/Insider 38% Institutional 8% |

Financial Summary

(YE Dec 31)

| \$CAD | FY17a | FY18e | FY19e | FY20e |
|--------------------|----------|----------|---------|---------|
| Revenue (\$K) | 922 | 13,975 | 32,872 | 81,064 |
| EBITDA (\$K) | (16,258) | (13,350) | 2,397 | 24,831 |
| EBITDA (%) | -1763.3% | -95.5% | 7.3% | 30.6% |
| Net income (\$K) | (29,256) | (20,287) | (5,438) | 9,648 |
| EPS (\$) | (0.28) | (0.09) | (0.02) | 0.03 |
| EV/EBITDA | na | na | 86.8x | 8.4x |
| P/E | na | na | na | 32.0x |
| Quarterly EPS (\$) | Q1 | Q2 | Q3 | Q4 |
| FY17 | (0.04)a | (0.12)a | (0.04)a | (0.07)a |
| FY18 | (0.05)a | (0.01)a | (0.04)a | (0.01)e |



PI Financial Corp. has received compensation for acting as a fiscal agent for ABCN in the previous 12 months. See the disclosure section for additional details.

Corporate Information

ABcann Global Corp. owns 100% of ABcann Medicinals, a Canadian medical marijuana company licensed to carry on business as a producer and seller of medical cannabis. ABcann Global has production facilities in Napanee, Ontario.

A Disclosure fact sheet is available on Pages 2-3 of this report.

Disclosure Fact Sheet

Ratings

BUY : recommendation: stock is expected to appreciate from its current price level at least 10-20% in the next 12 months.

NEUTRAL : recommendation: stock is expected to trade in a narrow range from its current price level in the next 12 months.

SELL : recommendation: stock is expected to decline from its current price level at least 10-20% in the next 12 months.

U/R : Under Review

N/R : No Rating

TENDER: Investors are guided to tender to the terms of the takeover offer.

Analyst recommendations and targets are based on the stock's expected return over a 12-month period or may be based on the company achieving specific fundamental results. Under certain circumstances, and at the discretion of the analyst, a recommendation may be applied for a shorter time period. The basis for the variability in the expected percentage change for a recommendation, relates to the differences in the risk ratings applied to individual stocks. For instance stocks that are rated Speculative must be expected to appreciate at the high end of the range of 10-20% over a 12-month period.

Price Volatility / Risk

SPECULATIVE : The Company has no established operating revenue, and/or balance sheet or cash flow concerns exist. Typically low public float or lack of liquidity exists. Rated for risk tolerant investors only.

ABOVE AVERAGE : Revenue and earnings predictability may not be established. Balance sheet or cash flow concerns may exist. Stock may exhibit low liquidity.

AVERAGE : Average revenue and earnings predictability has been established; no significant cash flow/balance sheet concerns are foreseeable over the next 12 months. Reasonable liquidity exists. Price Volatility/Risk analysis while broad based includes the risks associated with a company's balance sheet, variability of revenue or earnings, industry or sector risks, and liquidity risk.

Analyst Certification

I, Jason Zandberg, hereby certify that all of the views expressed in this report accurately reflect my personal views about the subject securities or issuers. 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 report. I am the research analyst primarily responsible for preparing this report.

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|--|---------------|
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| 2) The analyst(s) responsible for the report or recommendation on the subject company, a member of the research analyst's household, and associate of the research analyst, or any individual directly involved in the preparation of this report, have a financial interest in, or exercises investment discretion or control over, securities issued by the following companies. | 2) No |
| 3) PI Financial Corp. and/or its affiliates have received compensation for investment banking services for the subject company over the preceding 12-month period. | 3) Yes |
| 4) PI Financial Corp. and/or its affiliates expect to receive or intend to seek compensation for investment banking services from the subject company. | 4) Yes |
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| 6) The following director(s), officer(s) or employee(s) of PI Financial Corp. is a director of the subject company in which PI provides research coverage. | 6) No |
| 7) A member of the research analyst's household serves as an officer, director or advisory board member of the subject company. | 7) No |
| 8) PI Financial Corp. and/or its affiliates make a market in the securities of the subject company. | 8) No |
| 9) Company has partially funded previous analyst visits to its projects. | 9) No |
| 10) Additional disclosure: | 10) No |

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The attached summarizes PI's analysts review of the material operations of the attached company(s).

| Analyst | Company | Type of Review | Operations / Project | Date |
|----------------|---------------------|----------------|----------------------|-------|
| Jason Zandberg | ABcann Global Corp. | Company Call | Vancouver, BC | 08/18 |
| Jason Zandberg | ABcann Global Corp. | Company Call | Vancouver, BC | 05/18 |
| Jason Zandberg | ABcann Global Corp. | Site visit | Napanee, Ontario | 11/16 |

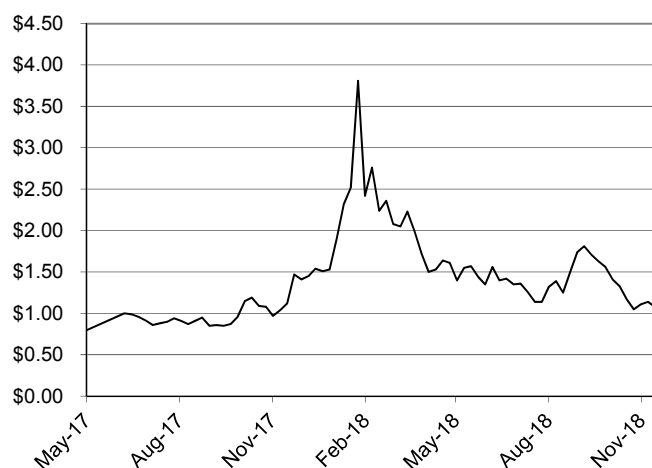
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| Recommendations | Number of Recommendations | Percentage |
|-----------------|---------------------------|------------|
| BUY | 68 | 90.67% |
| NEUTRAL | 4 | 5.33% |
| SELL | 0 | 0.00% |
| TENDER | 1 | 1.33% |
| U/R | 2 | 2.67% |
| N/R | 0 | 0.00% |
| TOTAL | 75 | |

Stock Rating and Target Changes

For reports that cover more than six subject companies, the reader is referred to our corporate web site for information regarding stock ratings and target changes. www.pifinancial.com (Research: Research and Conflict Disclosure).



VIVO CANNABIS INC. (Initiated Coverage: May 03/17)

| Date | Rating Change | Target Change | Share Price |
|-----------|---------------|------------------|-------------|
| Jul 31/18 | Buy | \$2.25 to \$2.50 | \$1.26 |
| May 01/18 | Buy | \$2.40 to \$2.25 | \$1.58 |
| May 30/17 | Buy | \$2.25 to \$2.40 | \$1.00* |
| May 03/17 | Buy | \$2.25 | \$0.80 |

*Intraday

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