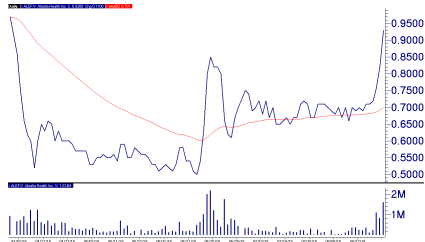


ALEF - TSXV	\$0.89
Target:	\$1.75
Proj. Return:	97%
Valuation:	12x EV/EBITDA

Share data

Basic shares O/S (mm)	136.2
Fully Diluted (mm)	161.1
Market Cap (\$mm)	\$121.2
Enterprise Value (\$mm)	\$92.2
Cash (\$mm)	\$29.0
Debt (\$mm)	\$0.0
Next Reporting Date	November

Thomson Chart – One Year



Corporate Profile

Based in Woodbridge, Ontario, Aleafia Health Inc. is the combination of Canabo Medical Inc. and Aleafia Inc., focused on providing quality products and healthcare to its 40,000 patients across the country. The company currently operates a 7,000 ft² facility in Scugog, Ontario; however, it is currently retrofitting its new greenhouse facility in Niagara which increases funded cultivation capacity to over 38,000 kg/year.

Upcoming Events

- Bulk sales license – Q3/18
- Q3/18 financial results - November

ALEAFIA HEALTH INC. – BUY

Aleafia Reports Record Q2/18 Results

ACTION – Aleafia Reports Q2/18 Results – No Change to Recommendation or Target

Yesterday (August 28) Aleafia announced its Q2/18 results for the period ended June 30, 2018. Revenue was \$1.2m which was in line with our estimate, however and net loss was \$0.01/share which was slightly ahead of our net loss forecast of \$0.02/share.

DETAILS – Aleafia Continues to Execute on Plan - Thesis Remains Intact

With 38,000kg of funded production Aleafia is well positioned in Medical and Recreational markets: On July 30, Aleafia announced the closing of its previously announced acquisition of a modern, fully automated 160,000 ft² greenhouse in the Niagara Region. Renovations at the facility have begun and management expects the facility to be retrofitted and licensed before the end of 2018, with a first harvest expected in spring 2019. Aleafia's existing licenced facility in Scugog, Ontario, is also expected to undergo a 150,000 ft² expansion. The two facilities combined are projected to produce a total of over 38,000,000 grams of cannabis dried flower annually, once both expansion plans have been executed.

Aleafia adds to senior management team: Over the last couple of months Aleafia made several additions to its senior management team which better positions the company for the next phase of its growth. They include:

- **Geoffrey Benic - CEO:** Mr. Benic is known for his role in helping to create and build the iconic Grocery Gateway brand.
- **Lucas Escott - Head Horticulturist:** Mr. Escott was one of the original founders of Mettrum Inc., which has since been acquired by Canopy Growth. At Mettrum, Mr. Escott led cannabis production companywide, and drove the design, build and Health Canada licensing for three separate Mettrum facilities.
- **Benjamin Ferdinand - CFO:** Mr. Ferdinand previously led TMX Group's (parent company of the Toronto Stock Exchange) firmwide platform initiatives as Managing Director, Platform Strategies.
- **Trevor Newell - Chief Marketing and Technology Officer:** Mr. Newell was co-founder and President of SHOP.CA Network Inc., Canada's first eCommerce Marketplace, creating a national brand with over 15 million products across 5,000 brands from 1,500 suppliers.

Aleafia's financial position remains strong: As of June 30, 2018, Aleafia had net cash of \$29mm. The company is fully funded to build out over 38,000 kg of cultivation capacity; however, this strong financial position will allow the company to pursue strategic initiatives and address potential working capital requirements.

IMPACT – Maintain BUY and \$1.75 Target

We are maintaining our Buy recommendation on ALEF and \$1.75 target price. To arrive at our target price, we applied a 12x EV/EBITDA multiple to our 2020 estimate and then discounted the result using a 15% discount rate.

ALEAFIA REPORTS Q2/18 RESULTS

Today (August 28), Aleafia reported its Q2/18 results for the period ended June 30, 2018. The results for the quarter and the six-month period are outlined below:

Figure 1: Aleafia – Q2/18 Financial Results

Financial Data	Q2/18	MRCC Estimate	Variance
Revenue (mm)	\$1.2	\$1.2	4%
Gross profit (mm)	\$0.8	\$0.7	19%
Net income (loss)	(\$1.5)	(\$2.6)	na
EPS	(\$0.01)	(\$0.02)	na

Source: Company reports and MRCC

COMPANY CONTINUES TO EXECUTE ON PLAN – MAINTAIN BUY AND \$1.75 TARGET

We are maintaining our Buy recommendation on ALEF and \$1.75 target price. To arrive at our target price, we applied a 12x EV/EBITDA multiple to our 2020 estimate and then discounted the result using a 15% discount rate.

RISKS TO TARGET

Risks to target include: International treaties, provincial concerns, retail channels and supply/demand

RELEVANT DISCLOSURES APPLICABLE TO COMPANIES UNDER COVERAGE

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