



cbdMD, Inc. (NYSE American: YCBD)

July 3, 2019
Recent Price: \$5.50

Market Data

Fiscal Year	September
Industry	CBD
Market Cap	\$152.5M
Price/Sales (ttm)	13x
Shares Outstanding*	27.7M
Equity Float	5.5M
Inside Ownership	31.8%
Avg. Volume (3 mo.)	276,600

As of June 4, 2019

Income Statement Snapshot

	(TTM)
Revenue	\$11.5M

Balance Sheet Snapshot

	MRQ
Cash*	\$4.6M
Debt	\$0

*does not include proceeds from \$13.8M offering in May 2019

Company Website

<https://www.cbdmd.com/>

Company Overview

cbdMD is a nationally recognized consumer cannabidiol (CBD) brand whose current products include CBD gummies, CBD tinctures, CBD topical, CBD bath bombs, CBD oils, and CBD pet products. cbdMD was founded by Scott Coffman, the founder of well-known e-cigarette brand Blu, which he later sold to Lorillard Tobacco for \$135 million. Coffman continues to lead cbdMD, is on the company's board, and is now one of its largest shareholders.

Value Proposition

With a strong cash position (completed \$13M+ offering in May 2019) and the benefit of the expected increase in major retailer acceptance from the passage of the 2018 Farm Bill, cbdMD believes it can accelerate revenue growth in this rapidly expanding market. The Company has set targets of more than \$20 million in revenue for 2019 and more than \$300 million in aggregate revenue over the next five years.

Peers in the CBD space command high multiples, trading for an average price-to-sales ratio of more than 60x. Comparatively, cbdMD currently trades for just under 16x its trailing 12-month sales. Quarterly and monthly sales have been increasing sequentially at a rapid rate, putting the company in a great position to achieve its first year revenue earnout hurdle of \$20 million in calendar year 2019.

Investment Highlights

- **cbdMD revenues are growing rapidly quarter-on-quarter**
 - cbdMD sales increased sequentially from launch in early 2018 through the most recent quarter ended March 31, 2019, with net sales growing from \$580,000 to \$5.7M over the five quarters
 - March 31, 2019 quarter 78% ahead of earn-out projection for the full calendar year 2019
- **cbdMD ideally positioned in growing market with diverse product portfolio**
 - CBD-based product line includes gummies, tinctures, bath bombs, and pet products
 - Revenue growth expected to accelerate post-acquisition; driven by capital availability and increased market acceptance since passage of 2018 Farm Bill
- **CBD market expected to grow 40x by 2022, according to Brightfield Group**
 - CBD consumer market expected to surpass \$2.1 billion by 2020
- **CBD-related stocks trade for high multiples**
 - Peer group trades at an average 60x sales
 - Based on cbdMD's trailing 12-month net sales, it trades for a p/s multiple of approximately 16x
- **Licensing agreements with key partners provide upfront and ongoing revenue**
 - Royalty streams from previously signed agreements provide additional growth opportunities
- **Added to Russell 3000 and Russell 2000 stock indexes in June 2019**