



**Aphria Inc.
APHA
Investment Notes**



<https://aphria.ca/>

Please read Disclaimer at bottom of these notes!

“Aphria is a leading global cannabis company driven by an unrelenting commitment to our people, product quality and innovation. Headquartered in Leamington, Ontario – the greenhouse capital of Canada – Aphria has been setting the standard for the low-cost production of high quality cannabis at scale, grown in the most natural conditions possible. Focusing on untapped opportunities and backed by the latest technologies, Aphria is committed to bringing breakthrough innovation to the global cannabis market. The Company’s portfolio of brands is grounded in expertly researched consumer insights designed to meet the needs of every consumer segment. Rooted in our founders’ multi-generational expertise in commercial agriculture, Aphria drives sustainable long-term shareholder value through a diversified approach to innovation, strategic partnerships and global expansion, with a presence in more than 10 countries across 5 continents.”

Aphria 4/15/19

All Amounts are presented in Canadian (CDN) dollars, unless mentioned otherwise

FYE is May 31

Brands as of August 7, 2019

 <p>SOLEI</p> <p>Solei brings simplicity to the cannabis experience by pairing an assortment of carefully curated strains with various usage occasions—Solei Moments. With a sustainable sun-grown product, a range of formats, and a focus on education, Solei is here to demystify the cannabis experience and help you Find Your Moment.</p> <p>LEARN MORE ></p>	 <p>RIFF</p> <p>RIFF is not a conventional cannabis brand. Created for the discerning cannabis consumer with an eye for the little things. RIFF is community x cannabis. Co-created by a community of artists, makers and cultural provocateurs, RIFF provides high-quality cannabis designed by nature.</p> <p>LEARN MORE ></p>
 <p>GOOD SUPPLY</p> <p>Good Supply exists to celebrate everyday occasions. For the user who sees cannabis as an extension of their lifestyle, Good Supply is their brand, and welcomes them to experience the product in their own way. Good stuff at a fair price, without all the frills.</p> <p>LEARN MORE ></p>	 <p>BROKEN COAST</p> <p>With a keen eye for quality, Broken Coast's cannabis is grown on the shores of the Salish Seas in small batches by choice, using single-strain rooms. All flower is hand-trim and slow cured ensuring the optimal product experience. This level of quality simply cannot be matched by any mechanical process. Grown on the West Coast, naturally.</p> <p>LEARN MORE ></p>

October 15, 2019 (\$4.36) 1Q20 results released – Investment Thesis from August 7, 2019 remains unchanged

We own 73,630 shares. Our average cost is ~\$4.36 per share. Most of our portfolios have a current position of ~0.94%.

“My objective is with this team that Aphria becomes the #1 leading global cannabis company around the world.” Irwin Simon, Interim CEO and Chairman

Quote from earnings release:

*Net Income Increases 4.5% and Adjusted EBITDA Increases Four-fold from the Prior Quarter
Adult-Use Cannabis Revenue Increases 8% from Prior Quarter
Maintains Strong Balance Sheet and Cash Position to Support Future Growth
Reiterates Fiscal Year 2020 Outlook*

Ended quarter with a strong balance sheet and liquidity, including \$464.3 million of cash, cash equivalents and liquid marketable securities, to fund planned Canadian and International growth.

Aphria One facility in full crop rotation with more than 600,000 plants.

On-track for annual production capacity of 255,000 kilograms when all facilities are fully licensed and operational.

Signed on as a brand partner for the PAX Era device and platform.

Outlook

For fiscal year 2020, the Company is reaffirming its guidance of:

- Net revenue of approximately \$650 million to \$700 million, with distribution revenue representing slightly more than half of the total net revenue
- Adjusted EBITDA of approximately \$88 million to \$95 million

The price of Aphria increased to \$5.43 USD (up 24.54%) today. The shares seemed to surge as the first quarter reported earnings per share of \$0.07, was greater than the consensus expectations of a (\$0.02) loss. Revenues of \$126.11M were a touch light. The guidance of \$650M - \$700M for F2020 (May 31, 2020) was generally ahead of analyst expectations. Aphria had a strong contribution from their cannabis operations, and improvement in their international business. Broken Coast Brand showed strength. *“Broken Coast, our industry-leading premium craft products continues to be among the only brand, consumers consistently ask for by name in the industry. We believe, over time, our Broken Coast brand has the potential to be the #1 premium brand in Canada.” Irwin Simon, Interim CEO and Chairman*

During the quarter, Broken Coast experienced a small fire at their facility in British Columbia. The company claims that impacted cannabis revenue during the quarter by approximately \$1.5M. The company claims that will be made up in the balance of the year.

Balance sheet continues to look strong and liquid with, \$449M in cash, \$113M in inventory (includes distribution inventory of \$33M), biological assets of \$30M, current assets of \$736M, current liabilities of \$123M, long-term liabilities of \$678M, and shareholders' equity of \$1.75B. Tangible equity is \$697M.

6. Inventory

Inventory is comprised of:

	Capitalized cost	Fair value adjustment	August 31, 2019	May 31, 2019
Harvested cannabis	\$ 15,513	\$ 20,313	\$ 35,826	\$ 23,253
Harvested cannabis trim	2,882	3,522	6,404	5,789
Cannabis oil	15,957	13,565	29,522	19,601
Softgel capsules	316	272	588	764
Distribution inventory	31,058	--	31,058	32,944
Other inventory items	9,582	--	9,582	9,178
	\$ 75,308	\$ 37,672	\$ 112,980	\$ 91,529

Total long-term debt repayments are as follows:

Next 12 months		\$ 6,280
2 years		6,336
3 years		5,923
4 years		6,060
5 years		4,716
Thereafter		31,276
Balance of obligation		\$ 60,591

The company did not disclose the number of employees, they had 620 full-time employees as of May 31, 2019.

	Note	For the three months ended August 31,	
		2019	2018
Revenue from cannabis products		\$ 35,079	\$ 13,292
Distribution revenue		95,327	--
Excise taxes		(4,294)	--
Net revenue		126,112	13,292

The company recorded net income of \$14.8M for the first quarter ended August 31, 2019. This net income included non-operating income of \$20.3M. Hence, one can argue that the net loss was actually (\$5.5M). The non-operating income was primarily from Gain on Sale of Investments (~\$13.7M), and Unrealized Gain on Convertible Notes (~\$14.2M). I'm not certain one should criticize the gain on sale, since the company has and had a bit of long-term investments. Nevertheless, one needs to question the sustainability of such.

14. Long-term investments

	Cost May 31, 2019	Fair value May 31, 2019	Investment	Divesture/ Transfer	Subtotal August 31, 2019	Change in fair value	Fair value August 31, 2019
Level 1 on fair value hierarchy							
Tetra Bio-Pharma Inc.	\$ 19,057	\$ 17,216	\$ --	\$ --	\$ 17,216	\$ (9,012)	\$ 8,204
National Access Cannabis Corp.	11,574	7,147	--	--	7,147	(2,155)	4,992
Aleafia Health Inc.	10,000	8,445	--	--	8,445	(2,621)	5,824
Rapid Dose Therapeutics Inc.	5,400	5,832	--	--	5,832	(504)	5,328
Fire & Flower Inc.	3,416	2,823	--	--	2,823	160	2,983
High Tide Inc.	450	340	--	--	340	28	368
Althea Group Holdings Ltd.	--	--	--	9,190	9,190	28,009	37,199
	49,897	41,803	--	9,190	50,993	13,905	64,898
Level 3 on fair value hierarchy							
Resolve Digital Health Inc.	718	1,100	--	--	1,100	--	1,100
Resolve Digital Health Inc.	282	282	--	--	282	(24)	258
Green Acre Capital Fund I	2,000	4,290	--	--	4,290	(425)	3,865
Green Tank Holdings Corp.	1,890	5,334	--	--	5,334	(92)	5,242
IBBZ Krankenhaus GmbH	1,956	1,965	--	--	1,965	(58)	1,907
Greenwell Brands GmbH	152	153	--	--	153	(5)	148
HighArchy Ventures Ltd.	9,995	9,995	--	--	9,995	--	9,995
	16,993	23,119	--	--	23,119	(604)	22,515
	\$ 66,890	\$ 64,922	\$ --	\$ 9,190	\$ 74,112	\$ 13,301	\$ 87,413

Total net revenues for the quarter were \$126M, up substantially from the \$13.3M reported 1Q18, reflecting the CC Pharma acquisition but also strong growth in cannabis sales. Included in the net revenues were distribution revenues of \$95.3M, which were non-existent in 1Q18. Distribution revenues carry a lower net margin than direct cannabis revenues. Distribution net margin was ~12.8%.

Cash burn continues, yet so does the buildout, so I am not yet concerned this is out of the ordinary. Of course, the risk exists of permanent cash burn based on the potential of execution flaws, as well as potential inherent industry risks.

18. Long-term debt

	August 31, 2019	May 31, 2019
Term loan - \$25,000 - Canadian Five Year Bond interest rate plus 2.73% with a minimum 4.50%, 5 year term, with a 15-year amortization, repayable in blended monthly payments, due in July 2023	\$ 18,979	\$ 24,022
Term loan - \$25,000 - 3.95%, compounded monthly, 5 year term with a 15-year amortization, repayable in equal monthly instalments of \$188 including interest, due in April 2022	23,014	23,352
Term loan - \$1,250 - 3.99%, 5-year term, with a 10-year amortization, repayable in equal monthly instalments of \$13 including interest, due in July 2021	917	946
Mortgage payable - \$3,750 - 3.95%, 5-year term, with a 20-year amortization, repayable in equal monthly instalments of \$23 including interest, due in July 2021	3,345	3,380
Vendor take-back mortgage - \$2,850 - 6.75%, 5-year term, repayable in equal monthly instalments of \$56 including interest, due in June 2021	1,158	1,305
Term loan - €5,000 - Euro Interbank Offered Rate + 1.79%, 5-year term, repayable in quarterly instalments of €250 plus interest, due in December 2023	6,589	7,169
Term loan - €5,000 - Euro Interbank Offered Rate + 2.68%, 5-year term, repayable in quarterly instalments of €250 plus interest, due in December 2023	6,589	7,169
	60,591	67,343
Deduct - unamortized financing fees	(107)	(116)
- principal portion included in current liabilities	(6,280)	(6,332)
	\$ 54,204	\$ 60,895

There are 253.52M fully diluted shares outstanding. Using a price per share of \$5.42 (quote as I write this), the market capitalization is \$1.374B.

Share capital

Aphria has the following securities issued and outstanding, as at October 11, 2019:

	Presently outstanding	Exercisable	Exercisable & in-the- money	Fully diluted
Common stock	251,557,806	--	--	251,557,806
Warrants	2,292,800	2,292,800	998,997	998,997
Stock options	7,103,428	4,251,098	961,658	961,658
Restricted share units	394,641	146,000	146,000	146,000
Deferred share units	127,710	--	--	--
Convertible debentures	37,297,540	37,297,540	--	--
Fully diluted				253,518,461

*Based on closing price on October 11, 2019

PI Financial in a report dated October 15, 2019, projects F2020 revenues of \$664.3 (previously \$651.2M,) and F2021 revenues of \$925,061 (previously \$887.2M.) They project F2020 EPS of \$0.18 (previously \$0.16,) and F2021 EPS of \$0.31 (previously \$0.39.) They do not project book value at May 31, 2020 or at May 31, 2021.

Notes from Proxy Filed October 15, 2019:

IRWIN D. SIMON

	<p>Director, Chair of the Board, and Interim Chief Executive Officer Age: 61 New York, USA Director since: December 2018 Not Independent (Interim Chief Executive Officer of Aphria) 2018 voting results: N/A</p>	<p>Irwin D. Simon is a business executive who founded The Hain Celestial Group, Inc., a leading organic and natural products company in 1993. As Founder, President, Chief Executive Officer and Chairman, Mr. Simon led the Hain Celestial Group for more than 25 years and grew the business to \$3 billion in net sales with operations in North America, Europe, Asia, and the Middle East providing consumers with A Healthier Way of Life™. Mr. Simon has nearly four decades of executive leadership and operating experience in the global consumer packaged goods industry, including with some of the world's largest luxury brands.</p>
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Compensation is certainly excessive in my view. Still not enough to not own the company, and this type of compensation isn't terribly unusual.

Summary Compensation Table

The following table provides a summary of the compensation earned by the NEOs for services rendered in all capacities during the three most recent financial years.

Name and principal position	Financial year	Salary, consulting fee, retainer or commission	Share-based awards ⁽¹⁾	Option-based awards ⁽²⁾	Non-equity incentive plan compensation		All other compensation	Total compensation
					Annual incentive plan ⁽³⁾	Long-term incentive plans ⁽⁴⁾		
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Irwin D. Simon Interim CEO ⁽⁵⁾	2019	397,201	901,500	7,953,595	325,000	-	-	9,577,296
Vic Neufeld ⁽⁶⁾ Former CEO	2019	314,112	-	555,872	-	-	26,000 ⁽⁷⁾	895,984
	2018	360,168	1,450,550	860,967	118,733	-	34,500 ⁽⁷⁾	2,824,918
	2017	235,385	-	1,895,000	108,000	-	84,500 ⁽⁸⁾	2,322,884
Carl Merton CFO	2019	308,597	590,990	277,936	196,915 ⁽⁹⁾	-	-	1,374,438
	2018	225,138	476,300	308,528	94,060 ⁽¹⁰⁾	-	-	1,104,026
	2017	210,000	-	265,000	63,000	-	5,125	543,125
Christelle Gedeon Chief Legal Officer	2019	372,500	795,556	188,956	250,971 ⁽¹¹⁾	-	-	1,607,983
	2018	-	-	942,029	-	-	-	942,029
Hendrik Knopp Managing Director of Aphria Germany	2019	541,381	-	-	150,580	-	-	691,961
	2018	67,322	-	1,613,546	-	-	-	1,680,868
Jakob Ripshtein ⁽¹²⁾ Former President	2019	556,539	798,600	-	355,601 ⁽¹³⁾	-	-	1,712,759
	2018	20,192	-	1,884,059	169,632	-	-	2,073,883

Board of Director Nominees include:

John M. Herhalt	Retired partner from KPMG
Jodi Butts	Lawyer
David Hopkinson	Global Head of Partnerships for the Real Madrid Club de Futbol
Tom Looney	Former President of Diageo U.S. Spirits and Canada
Renah Persofsky	Executive Consultant CIBC
Walter Robb	Former Co-COE of Whole Foods Market

October 11, 2019 (\$4.74) Notes to video of CEO, Irwin Simon

<https://vimeo.com/364847305>

1. at ~12 minutes, he claims the following: Brought in management team from HAIN. "One of the first cannabis companies to become profitable, built balance sheet with > \$700M in cash, expect to do ~\$700M in revenue next year, and earn close to \$100M.
2. Agrees that Canada is overvalued. Lots of cannabis companies do \$20M per year, and have a value of couple hundred million dollars. Math is math. Claims these companies must start making money.
3. at 14:38 he calls Aphria, "A feara." Was he doing his best Zack Galifianakis (lol)
4. Hires based on competency and loyalty.
5. Just launched a new ERP system.
6. "A billion dollars is not a small business."
7. Cannabis company culture. Bring together the culture from your business, and adapt to the local area you work in. Compared HAIN in Boulder, to the culture in NY. Each works for itself, and you shouldn't change either. "We are growing great things. How do we give back to the community." I'm thinking, probably a good idea to read local Leamington Canada news.
8. Drinks, edibles and vape, big opportunities. Medical will remain big.
9. "If you are going to make a claim, support it." That is what he claims to be.
10. He would blow smoke from vape in mom's face when she was suffering from Alzheimer's, and it would put a smile on her face. (I thought Vapes didn't produce smoke, or do they?)
11. Alan Stone called him "The Allan Bronfman of the cannabis industry."
12. Shorts are out there. They will have to be buyers at some point. If you execute on what you claim, they will disappear. 12% of their shares are shorted. Shorts are good for stocks.
13. 37: 32 "We were profitable last quarter, in our F2020 numbers, we plan to be profitable in our full fiscal year." As far as I am concerned, who gives a crap about next quarter. Mark his words for the year, not the quarter. We know Canada is having difficulty. I would follow his guidance, and not quarter to quarter bull s.
14. We don't grow outside because of sustainability, environment, climate control, and we are all over that.
15. "I'm a grower, a marketer, a shipper. How do I get product out? It is having the common denominator. At the end of the day, CEO is in charge. You better have good people and a plan, if not get rid of them (cited Juul and We Work). This was in response to question from Harvest Health.

I have heard criticisms of Mr. Simon. I am thoroughly impressed with Irwin Simon. He built an incredible worldwide company in Hain Celestial Group (HAIN). He seems like a smart, nice man. I like him at the helm of my holding, especially as he took over from the crap POS's that were there previously. Yet, there has been a valid discussion in regard to Aphria's claim of reporting a profit for the fourth quarter of 2019. Aphria wrote in their press release, *"Net income for the fourth quarter of 2019 was \$15.8 million or \$0.05 per share. The increase in net income was primarily due to the increase in sales and the net fair value adjustment for biological assets, and decrease in the impairment expense, offset by increase in SG&A related to G&A and transaction costs."*

I have read some criticism of the 4Q19 press release, primarily mentioning there was some dishonesty in the statement that Net Income for 4Q19 was profitable primarily due to the increase in sales and the net fair value adjustment for biological assets, and decrease in the impairment expense, offset by increase in SG&A related to G&A and transaction costs. The financials certainly mentioned, “*the reported profit was mostly increased due to non-operating income of C\$40.2 million, as detailed in the MD&A. The main driver of this was a C\$48.4 million “unrealized gain on convertible debentures”. In simple terms, the company “profited” from its stock price falling! Accounting rules for derivatives require the company to make this adjustment as the conversion becomes less likely after a price decline.*” **New Cannabis Ventures 8/4/19**

<https://www.newcannabisventures.com/a-closer-look-at-aphrias-reported-profit/>

August 7, 2019 (\$6.82) 2-Minute Drill and Thesis

We own 71,186 shares. Our average cost is ~\$4.38 per share. Most of our portfolios have a current position of ~0.94%.

The company seems to be executing and expanding rapidly. They also have close to \$600M as of May 31, 2019. Using 254M shares and a price of \$6.82, the market capitalization is \$1.73M.

Using a somewhat arbitrary estimate of \$850M CAD for F2022 projected revenues, and the current conversion rate of .75, the projected F2022 revenues in USD would be \$638M USD. Hence the valuation is 2.71X these F2022 projected revenues.

We are not overly concerned with revenue estimates, and potential “misses,” as we are looking to invest in a company that can generate revenues in the area of \$1B CAD with regularity sometime this decade, and we would expect that prior to F2026.

This of course is a very risky cannabis company, which as with all the Canadian licensed producers carries great risk of both valuation and execution. Management seems capable and honest. I am a fan of Mr. Simon. Irwin Simon is the Interim CEO and Chairman. Mr. Simon founded The Hain Celestial Group (HAIN). Mr. Simon led Hain for more than 25 years and grew the business to \$3B in net sales.

Aphria is known as a top-tier vertically integrated Canadian cannabis company, with operations in 10 countries. There was a management breakup earlier in the year, and that is when we increased our position at \$4.00 per share, with an average cost of ~\$4.36 per share. Management seems capable and honest. Our thesis is basically a pure play cannabis investment, with a company that will potentially grow their revenues to commensurate their current market capitalization of \$1.73B USD. At this point financial statement analysis and projections are rather meaningless. We must wait and see if they can increase revenues in a meaningful fashion, of their vertically integrated operation.

Some other concerns, which if happens would possibly hurt the stock price short-term but shouldn’t have any permanent effect on this company or any Canadian cannabis company would be, the potential of revenue misses because of new Canadian excise tax laws, as well as the potential for inventory and biological asset impairments. There is also some recent discussion of Quebec being concerned of edibles becoming legal, as they could be enticements for usage by minors.

Auditors are PWC. They issued a clean opinion. I like seeing companies with “Big 4 auditors, which they do have with PWC.

Aphria has one of the largest production capacities in the industry. Broken Coast is also one of the strongest brands.

As in all our cannabis research, we expect eventual world-wide legalization of cannabis, like the alcohol industry today. Canada is the first G-7 nation to legalize cannabis, and we expect other G-7's to follow suit, including the USA.

Again, this is a speculative investment, in a speculative industry, and cannabis is Federally illegal in the USA. The company could have execution risks, which are also inherent in the industry. The industry is in its infant stages, and there could be several catalysts to increase the share price over time. These catalysts could include legalization in the USA, and greater acceptance of cannabis as a long-term future industry in the USA and the world.

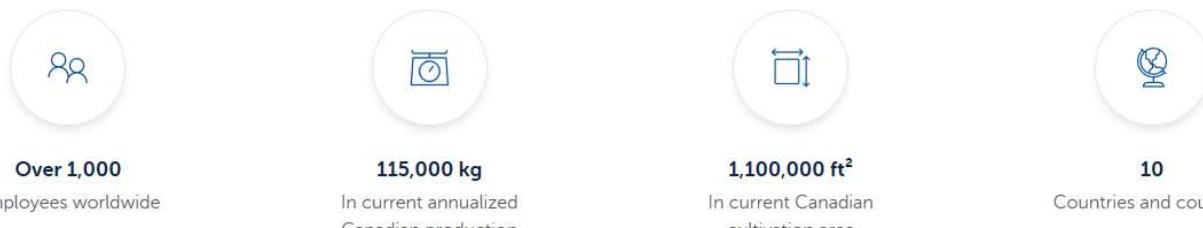


Figure 1 - Company website 8/6/19

August 5, 2019 (\$6.98) Review of F2019 financial statements

Auditors are PWC. They issued a clean opinion. I like seeing companies with “Big 4 auditors,” which they do have with PWC.

Balance sheet looks strong and liquid with, \$551M in cash, \$92M in inventory (includes distribution inventory of \$33M), biological assets of \$19M, current assets of \$781M, current liabilities of \$139M, long-term liabilities of \$708M, and shareholders’ equity of \$1.7B. Tangible equity is \$671M.

The company recorded a net loss of (\$17M). This net loss included an impairment charge of \$58M, and non-operating income of \$130M. Hence, one can argue that the net loss was actually (\$89M). The non-operating income was primarily from Gain on Sale of Investments (~\$80M), and Unrealized Gain on Convertible Notes (~\$48M). I’m not certain one should criticize the gain on sale, since the company has and had a bit of long-term investments. Nevertheless, one needs to question the sustainability of such.

Total net revenues for the year were \$237M, up substantially from \$37M last year, reflecting the CC Pharma acquisition but also strong growth in cannabis sales. Included in the net revenues were distribution revenues of \$158M, which were non-existent in F2018. Distribution revenues carry a lower net margin than direct cannabis revenues. Distribution net margin was ~12.4%.

"The Company was in breach of its debt service ratio loan covenant for the year, however obtained a waiver from calling the loan from this breach prior to year-end and expects to meet the covenant in the next year. The Company believes that it has sufficient operating room with respect to its financial covenants for the next fiscal year and does not anticipate being in breach of any of its financial covenants during this period."

I am having difficulty determining insider ownership. In previous years, insiders owned ~7% of the company. Since the termination of the old management, and since bringing in Mr. Simon, I just don't know, and will table this until the new filings. I like to see skin in the game, via insider ownership, but for now will assume management owns little to no shares.

The company claims to have signed supply agreements with all of Canada, representing access to 99.8% of Canadians. The company has a coast-to-coast sales distribution network.

The company has an exclusive distribution agreement with Great North Distributors Inc. This agreement provides Aphria with a sales force, compliance, and marketing. The company claims that the agreement with Great North enabled Aphria to sign a subsequent agreement with 'We Grow BC Ltd.' We Grow is a Vancouver based licensed producer of premium cannabis. Aphria is We Grow's exclusive sales representative across Canada.

Subsequent to year-end, the company received a retail Herb House license in New Kingston, Jamaica.

The company had 620 full-time employees as of May 31, 2019.

The Company has current international operations in Australia, Argentina, Colombia, Denmark, Germany, Italy, Jamaica, Lesotho, Malta, Paraguay and maintains an option for entry into Brazil.

Irwin Simon is the Interim CEO and Chairman. Mr. Simon founded The Hain Celestial Group (HAIN). Mr. Simon led Hain for more than 25 years and grew the business to \$3B in net sales.

Calculation of Shares outstanding at July 31, 2019:

Common Shares O/S	251,039,120
Warrants O/S – In the money	998,997
Options O/S – In the money	1,835,640
Restricted Share Units (RSU's)	117,500
Total Fully Diluted Shares O/S	253,991,257

Market Capitalization using fully diluted shares outstanding is \$1.77B USD.

The company provided guidance for F2020 of Gross Revenue of \$650M to \$700M. They expect distribution revenue (lower margins) of "slightly more than half." By the end of F2020 the company expects an annualized revenue run-rate of ~\$1B.

Conference call notes and quotes:

"We planted more than 200,000 plants in the new expanded area of Aphria One. And as of this week, the facility is fully planted, with over 500,000 plants."

"Our strategic alliance with PAX sets the stage for a broad portfolio of vapes and concentrate products to come."

“Internationally, we are very pleased to have been granted the maximum number of lots within the German tender process, a total of 5, and Aphria is the only licensed producer in Germany with the permission to grow all 3 strains of medical cannabis approved by the German authority.”

Other reports and notes:

“Looking ahead to fiscal 2020, leadership now thinks revenues should come in a band between \$650 million and \$700 million, and EBITDA levels should approximate \$88 million to \$95 million. With that, we are lifting our top-line call by more than \$100 million, to \$675 million, and our current expectation for earnings of \$0.10 a share is under review and looks primed for an increase, as well.

*Even with this recovery in price, we still think APHA shares have plenty of room to run for the stretch to 2022-2024. Getting in at around the \$7 mark may well prove to be a strong entry point for those with a long-term bent.” **Value Line 8/2/19***

GMP in a report dated August 2, 2019, projects F2020 revenues of \$682.1M, and F2021 revenues of \$950.4M. They project F2020 EPS of \$0.08, and F2021 EPS of \$0.43. They project book value at May 31, 2020 of \$6.04 per share, and at May 31, 2021 of \$6.53 per share. They also project shares outstanding of 299M for both F2020 and F2021.

PI Financial in a report dated August 2, 2019, projects F2020 revenues of \$651.2M, and F2021 revenues of \$887.2M. They project F2020 EPS of \$0.16, and F2021 EPS of \$0.39. They do not project book value at May 31, 2020 or at May 31, 2021. They also project shares outstanding of 264M for F2020 and 256M for F2021.

CIBC in a report dated August 1, 2019 has an underperform rating. They believe that the F2021 guidance is aggressive. Most of the aggressiveness is based on their perception of market constraints, which they think will limit industry growth. The project F2020 revenues of \$582.1M, and F2021 revenues of \$731.2M. They project book value at May 31, 2020 of \$6.44 per share, and at May 31, 2021 of \$6.43 per share. They project F2020 EPS of \$0.01, and F2021 EPS of \$0.20. They also project shares outstanding of 290M for F2020 and 256M for F2021.

Seaport Global in a report dated August 2, 2019, projects F2020 revenues of \$520.5M, and F2021 revenues of \$851.1M. They did not project forward EPS, book value, or shares outstanding.

Investor Highlights:

	YE - 2019	Q4 - 2019	Q3 - 2019
Distribution revenue	\$ 157,931	\$ 99,186	\$ 57,599
Net cannabis revenue	\$ 76,144	\$ 28,608	\$ 15,438
Kilograms equivalents sold	13,397.9	5,574.3	2,636.5
Production costs	\$ 35,548	\$ 13,333	\$ 7,803
Cost of goods purchased	\$ 138,126	\$ 87,270	\$ 49,745
Cash cost to produce dried cannabis / gram ¹	\$ 1.37	\$ 1.35	\$ 1.48
"All-in" cost of sales of dried cannabis / gram ¹	\$ 2.44	\$ 2.35	\$ 2.86
Gross profit before fair value adjustments ¹	\$ 62,538	\$ 28,185	\$ 15,738
Adjusted distribution margin ¹	12.5%	12.4%	13.6%
Adjusted cannabis margin ¹	53.3%	53.0%	49.5%
Adjusted EBITDA from cannabis operations ¹	\$ (17,516)	\$ 1,851	\$ (12,694)
Adjusted EBITDA from businesses under development ¹	\$ (16,240)	\$ (5,514)	\$ (3,990)
Adjusted EBITDA from distribution operations ¹	\$ 6,036	\$ 3,872	\$ 2,249
Cash and cash equivalents & marketable securities	\$ 570,996	\$ 570,996	\$ 134,736
Working capital	\$ 642,284	\$ 642,284	\$ 131,278
Capital and intangible asset expenditures - wholly owned subsidiaries ¹	\$ 132,941	\$ 26,828	\$ 29,016
Capital and intangible asset expenditures - majority owned subsidiaries ¹	\$ 73,024	\$ 16,943	\$ 19,779
Strategic investments ¹	\$ 115,424	\$ 6,862	\$ 36,128

¹ – Non-GAAP measure

Figure 2 - Aphria filing

The company has \$65M in Long-Term Investments.

	Cost May 31, 2018	Fair value May 31, 2018	Investment	Divesture/ Transfer	Subtotal May 31, 2019	Change in fair value	Fair value May 31, 2019
Level 1 on fair value hierarchy							
CannaRoyalty Corp.	\$ 1,500	\$ 3,765	\$ --	\$ (3,765)	\$ --	\$ --	\$ --
MassRoots, Inc.	304	164	--	(164)	--	--	--
Tetra Bio-Pharma Inc.	2,300	6,800	16,757	--	23,557	(6,341)	17,216
Hiku Brands Company Ltd.	9,775	13,558	--	(13,558)	--	--	--
Scythian Biosciences Corp.	9,349	8,603	298	(8,901)	--	--	--
National Access Cannabis Corp.	1,093	710	10,481	--	11,191	(4,044)	7,147
Aleafia Health Inc.	--	--	10,000	--	10,000	(1,555)	8,445
Rapid Dose Therapeutics Inc.	--	--	5,400	--	5,400	432	5,832
Fire & Flower Inc.	--	--	3,416	--	3,416	(593)	2,823
High Tide Inc.	--	--	450	--	450	(110)	340
	24,321	33,600	46,802	(26,388)	54,014	(12,211)	41,803
Level 2 on fair value hierarchy							
Hiku Brands Company Ltd.	2,336	1,906	16,787	(18,693)	--	--	--
Scythian Biosciences Corp.	3,153	661	--	(661)	--	--	--
	5,489	2,567	16,787	(19,354)	--	--	--
Level 3 on fair value hierarchy							
Copperstate Farms, LLC	1,755	5,300	--	(5,300)	--	--	--
Copperstate Farms Investors, LLC	9,407	14,700	--	(14,700)	--	--	--
Resolve Digital Health Inc.	718	3,300	--	--	3,300	(2,200)	1,100
Resolve Digital Health Inc.	282	1,916	--	--	1,916	(1,634)	282
Green Acre Capital Fund I	1,600	2,042	400	--	2,442	1,848	4,290
Green Acre Capital Fund II	--	--	3,000	(3,000)	--	--	--
Green Tank Holdings Corp.	650	647	1,240	--	1,887	3,447	5,334
IBBZ Krankenhaus GmbH	1,956	1,956	--	--	1,956	9	1,965
Greenwell Brands GmbH	--	--	152	--	152	1	153
HighArchy Ventures Ltd.	--	--	9,995	--	9,995	--	9,995
US legalization options	--	--	54,762	(54,762)	--	--	--
	16,368	29,861	69,549	(77,762)	21,648	1,471	23,119
Deduct - assets held for sale	(11,162)	(20,000)	--	20,000	--	--	--
	\$ 35,016	\$ 46,028	\$ 133,138	\$ (103,504)	\$ 75,662	\$ (10,740)	\$ 64,922

Figure 3 - Aphria F2019 MDA

July 1, 2019 (\$6.92) VL issues their 2nd report

Price projection of \$15 to \$25 between 2022 – 2024. This was reduced from between \$18 to \$30 in the last report.

Company financial strength of ‘B.’ This is a relatively low grade, yet consistent with all other cannabis companies they follow.

Uses common stock of 290M shares, which equates to a market cap of \$2.01B. The share count is consistent and exact with the last VL filing.

Projects F2019 (5/31/19) revenues of \$160M, and F2020 of \$560M. These were slightly increased from the last report.

Projects F2019 (5/31/19) eps of (\$0.10) (previously projecting \$0.10) and F2020 of \$0.10 (previously projecting \$0.30). The forward P/E for F2020 projections is 69.2X.

Projects 310M shares outstanding at year end 5/31/20.

For F2020 they make the following projections:

Book Value \$6.60
Operating Margin 10.0%
Income Tax Rate 15%
Long-Term Debt \$60M
ROTC and ROE 1.5%

“Management appears to be doing a solid job in executing its business strategy. Indeed, the company’s sales have surged in recent quarters including a 200%-plus sequential gain in the last reported February period.”

“It currently ranks in the top three in terms of production capacity. Aphria is estimated to have 255K KG of annual cannabis output, which would rank it third only to Aurora and Canopy.”

“Its global presence could make Aphria an attractive partner for entities outside the industry.”

They project annual revenues of \$160M for F2019 (5/31/19), and \$560M for F2020.

April 17, 2019 (\$8.29) Aphria proposes private offering of US\$300M convertible senior notes due 2024

Aphria expects to use the net proceeds from the offering of the notes to support its international expansion initiatives, for future acquisitions and for general corporate purposes, including working capital requirements, in jurisdictions where federally and nationally legal.

April 15, 2019 (\$10.10) Quarterly loss release for 9-Months ended

Current Market Cap based on current price of \$8.62 (down 15%) is ~\$2.2B. This is ~ double from what we paid in December at a price of \$4.36 per share.

If we use hypothetical, and not projected revenues for F2021 of \$500M CAD (~\$374M USD using .7473 conversion rate), the Price to Sales ratio would be a hefty 5.9X.

During the conference call, Aphria alluded to future revenues of ~\$1B CAD (~\$750M USD), and the Price to Sales ratio would be 2.93X. This was based on fully instituted annual production space by Aphria Diamond to have a 255,000-kilogram growing capacity.

Mr. Simon was on a CNBC interview after the loss report and claimed a demand for cannabis of any amount they produced. He quoted \$1B as an example.

Aphria has the following securities issued and outstanding, as at April 12, 2019:

	Presently outstanding	Exercisable	Exercisable & in-the- money	Fully diluted
Common stock	250,700,023	--	--	250,700,023
Warrants	2,321,890	2,321,890	1,028,087	1,028,087
Stock options	8,428,417	4,725,379	4,203,760	4,203,760
Fully diluted				255,931,870

*Based on closing price on April 12, 2019

Current annualized production capacity of 115,000 kilograms. This would result in \$500M in annual revenues, once in full crop rotation. We believe our future increased production in Canada is expected to grow to 255,000 kilograms, which would allow for >\$1B in annual cannabis revenues, once the crop is in full rotation, and using the most recent price per gram of \$5.14 CAD.

“We all strive to towards our corporate objective of generating \$1B in annualized revenue by the end of calendar year 2020.”

Production

	LOCATION	CURRENT SIZE	CURRENT CAPACITY ⁽¹⁾	EXPECTED CAPACITY ⁽¹⁾	STATUS	CURRENT LICENCES	
						CULTIVATIO N	PROCESSIN G / SALE
Aphria One	Leamington, Ontario, Canada	1,100,000 sq. ft. ⁽²⁾	110,000 kg/year cultivation ⁽²⁾	110,000 kg/year cultivation	Licence amendment approved ⁽²⁾	X	X
Aphria Diamond	Leamington, Ontario, Canada	1,300,000 sq. ft.	N/A	140,000 kg/year cultivation	Licence application submitted		
Broken Coast	Duncan, British Columbia, Canada	4,500 sq. ft.	5,000 kg/year cultivation	5,000 kg/year cultivation	Licensed expansion underway	X	X
Extraction Centre of Excellence	Leamington, Ontario, Canada	N/A	N/A	200,000 kg/year processing	Under construction		

⁽¹⁾ These figures are considered forward-looking information and are based on the Company's experience in growing cannabis, and data available concerning the wide variety of strains under the growing conditions maintained at its facilities. Material assumptions to derive capacity at full completion include, but are not limited to: the number of plants expected to occupy each facility, the number of harvest cycles and average yield per harvest cycle per year for the strains expected to be grown at each facility.

⁽²⁾ 800,000 sq. ft. was approved by Health Canada in March 2019, the Company anticipates full crop rotation in May 2019. The current capacity cannot be reached until the Company is in full crop rotation.

“The Company obtained approval by Health Canada in March 2019 expanding the licensed growing area at Aphria One from 300,000 sq. ft. to over 1,100,000 sq. ft. The Company also has submitted an application for a second site license for Aphria Diamond, once approved will provide an additional 1,300,000 sq. ft. of licensed greenhouse growing area.”

“The average retail selling price of medical cannabis (exclusive of wholesale), before excise tax, increased to \$8.03 per gram in the quarter, compared to \$7.51 in the prior quarter, primarily related to higher oil sales. The average selling price of adult-use cannabis, before excise tax, declined to \$5.14 per gram in the quarter, compared to \$6.32 per gram in the prior quarter due to a shift to smaller package sizes to maximize SKU assortment and shelf space for the Company's brands.”

Decrease in revenues was caused by shortages, temporary packaging issues, and low inventory going into the quarter. *"Higher revenue in the quarter was driven by \$57.6 million of distribution revenue from CC Pharma and ABP. Net revenue includes over 1,329-kilogram equivalents sold for the Canadian adult-use market and 1,274-kilogram equivalents for medical cannabis sales. The decrease in cannabis revenue and kilograms sold compared to the prior quarter was primarily related to supply shortages as the Company transitioned growing methods during the late fall and early winter, as well as temporary packaging and distribution challenges."*

"Special Committee concluded review and found that the acquisition of LATAM assets was within an acceptable range, albeit near the top of the range of observable valuation metrics; the Company's investment in LATAM assets is approximately \$225 million, after recording the aforementioned non-cash impairment charge, which is approximately \$30 million more than the original agreed purchase price of approximately \$195 million."

Company appointed former CEO of Whole Foods, Walter Robb to the board of directors. *"I've known Walter for many years. Walter brings tremendous public company experience, having been Co-CEO and a director of Whole Foods for over 30 years. Walter has taken Whole Foods, with his team from 12 stores, to 475 stores. Walter has significant knowledge in specialty retail and consumer packaged goods industries. His knowledge of disruptive growth industries, will be invaluable to Aphria through their next stage of growth."*

	Q3-2019	Q2-2019
Net revenue	\$73,582	\$21,668
Kilograms (or kilogram equivalents) sold ¹	2,636.5	3,408.9
Cash cost to produce dried cannabis / gram ¹	\$1.48	\$1.34
"All-in" cost of goods sold / gram ¹	\$3.76	\$2.60
Adjusted EBITDA from Canadian Cannabis Operations ¹	(\$13,804)	(\$6,073)
Cash and cash equivalents & marketable securities	\$134,736	\$184,821
Working capital	\$131,278	\$181,523
Capital and intangible asset expenditures - wholly-owned subsidiaries ¹	\$29,016	\$49,061

4th Quarter 2019 results, are expected to be like 3Q19.

	For the three months ended February 28, 2019		For the nine months ended February 28, 2019	
	2019	2018	2019	2018
Revenue from cannabis produced	\$ 17,862	\$ 10,267	\$ 52,816	\$ 24,891
Distribution revenue	57,599	--	58,745	--
Other revenue	545	--	2,261	--

	Note	February 28, 2019	May 31, 2018
Assets			
Current assets			
Cash and cash equivalents		\$ 107,502	\$ 59,737
Marketable securities	4	27,234	45,062
Accounts receivable		44,142	3,386
Other current assets	5	24,615	14,384
Inventory	6	86,227	22,150
Biological assets	7	7,261	7,331
Assets held for sale		--	40,620
Current portion of convertible notes receivable	12	11,500	1,942
		308,481	194,612
Capital assets	9	466,349	303,151
Intangible assets	10	388,125	226,444
Convertible notes receivable	12	18,542	16,129
Interest in equity investees	13	9,604	4,966
Long-term investments	14	125,325	46,028
Promissory notes receivable	15	61,809	--
Goodwill	11	674,412	522,762
		\$ 2,052,647	\$ 1,314,092
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		\$ 125,598	\$ 31,517
Income taxes payable		1,568	3,584
Deferred revenue		28,171	2,607
Current portion of promissory note payable	18	489	610
Current portion of long-term debt	19	14,612	2,140
Current portion of option payment liability	20	6,765	--
Current portion of derivative liability		--	3,396
		177,203	43,854
Long-term liabilities			
Long-term debt	19	62,279	28,337
Option payment liability	20	14,277	--
Derivative liability		--	9,055
Deferred tax liability	16	86,452	59,253
		340,211	140,499
Shareholders' equity			
Share capital	21	1,653,191	1,113,981
Warrants	22	1,336	1,375
Share-based payment reserve		33,218	22,006
Accumulated other comprehensive loss		(61)	(801)
Non-controlling interest	24	29,569	9,580
Retained earnings (deficit)		(4,817)	27,452
		1,712,436	1,173,593
		\$ 2,052,647	\$ 1,314,092

	Q3 - 2019	Q2 - 2019
Net revenue	\$ 73,582	\$ 21,668
Kilograms equivalents sold	2,636.5	3,408.9
Production costs	\$ 10,175	\$ 9,971
Cost of goods purchased	\$ 49,745	\$ 1,111
Cash cost to produce dried cannabis / gram ¹	\$ 1.48	\$ 1.34
"All-in" cost of sales of dried cannabis / gram ¹	\$ 3.76	\$ 2.60
Gross profit before fair value adjustments ¹	\$ 13,366	\$ 10,157
Adjusted gross margin ¹	18.2%	46.9%
Adjusted EBITDA from Canadian cannabis operations ¹	\$ (13,804)	\$ (6,073)
Cash and cash equivalents & marketable securities	\$ 134,736	\$ 184,821
Working capital	\$ 131,278	\$ 181,523
Capital and intangible asset expenditures - wholly owned subsidiaries ¹	\$ 29,016	\$ 49,061
Capital and intangible asset expenditures - majority owned subsidiaries ¹	\$ 19,779	\$ 6,575
Strategic investments ¹	\$ 36,128	\$ 43,066

¹ – Non-GAAP measure

Calculation of Shares outstanding at February 28, 2019:

Common Shares O/S	250,581,402
Warrants O/S	2,394,617
Options O/S	8,483,415
Options out of the money (rough estimate)	(2,821,405)
Total (Ties in close to MDA presentation from April 12, 2019)	258,638,029

	Cost May 31, 2018	Fair value May 31, 2018	Investment	Divesture/ Transfer	Subtotal February 28, 2019	Change in fair value	Fair value February 28, 2019
Level 1 on fair value hierarchy							
CannaRoyalty Corp.	\$ 1,500	\$ 3,765	\$ --	\$ (3,765)	\$ --	\$ --	\$ --
MassRoots, Inc.	304	164	--	(164)	--	--	--
Tetra Bio-Pharma Inc.	2,300	6,800	16,757	--	23,557	(4,189)	19,368
Hiku Brands Company Ltd.	9,775	13,558	--	(13,558)	--	--	--
Scythian Biosciences Corp.	9,349	8,603	298	(8,901)	--	--	--
National Access Cannabis Corp.	1,093	710	10,481	--	11,191	(3,250)	7,941
Emblem Corp.	--	--	10,000	--	10,000	2,097	12,097
Rapid Dose Therapeutics Inc.	--	--	5,400	--	5,400	576	5,976
Fire & Flower Inc.	--	--	3,416	--	3,416	204	3,620
	24,321	33,600	46,352	(26,388)	53,564	(4,562)	49,002
Level 2 on fair value hierarchy							
Hiku Brands Company Ltd.	2,336	1,906	16,787	(18,693)	--	--	--
Scythian Biosciences Corp.	3,153	661	--	(661)	--	--	--
	5,489	2,567	16,787	(19,354)	--	--	--
Level 3 on fair value hierarchy							
Copperstate Farms, LLC	1,755	5,300	--	(5,300)	--	--	--
Copperstate Farms Investors, LLC	9,407	14,700	--	(14,700)	--	--	--
Resolve Digital Health Inc.	718	3,300	--	--	3,300	(2,200)	1,100
Resolve Digital Health Inc.	282	1,916	--	--	1,916	(1,611)	305
Green Acre Capital Fund I	1,600	2,042	400	--	2,442	2,137	4,579
Green Acre Capital Fund II	--	--	3,000	--	3,000	(2,500)	500
Green Tank Holdings Corp.	650	647	--	--	647	3,475	4,122
IBBZ Krankenhaus GmbH	1,956	1,956	--	--	1,956	(5)	1,951
Greenwell Brands GmbH	--	--	152	--	152	--	152
HighArchy Ventures Ltd.	--	--	9,995	--	9,995	--	9,995
US legalization options	--	--	54,762	(26,969)	27,793	25,826	53,619
	16,368	29,861	68,309	(46,969)	51,201	25,122	76,323
Deduct - assets held for sale	(11,162)	(20,000)	--	20,000	--	--	--
	\$ 35,016	\$ 46,028	\$ 131,448	\$ (72,711)	\$ 104,765	\$ 20,560	\$ 125,325

19. Long-term debt

	February 28, 2019	May 31, 2018
Term loan - \$25,000 - Canadian Five Year Bond interest rate plus 2.73% with a minimum 4.50%, 5 year term, with a 15-year amortization, repayable in blended monthly payments sufficient to repay the loan by July 2033	\$ 24,320	\$ --
Term loan - \$25,000 - 3.95%, compounded monthly, 5 year term with a 15-year amortization, repayable in equal monthly instalments of \$188 including interest, due in April 2022	23,687	24,107
Term loan - \$1,250 - 3.99%, 5-year term, with a 10-year amortization, repayable in equal monthly instalments of \$13 including interest, due in July 2021	974	1,057
Mortgage payable - \$3,750 - 3.95%, 5-year term, with a 20-year amortization, repayable in equal monthly instalments of \$23 including interest, due in July 2021	3,415	3,515
Vendor take-back mortgage owed to related party - \$2,850 - 6.75%, 5-year term, repayable in equal monthly instalments of \$56 including interest, due in June 2021	1,450	1,869
Term loan - €5,000 - Euro Interbank Offered Rate + 1.79%, 5-year term, repayable in quarterly instalments of €250 plus interest, due in December 2023	7,488	--
Term loan - €5,000 - Euro Interbank Offered Rate + 2.68%, 5-year term, repayable in quarterly instalments of €250 plus interest, due in December 2023	7,488	--
Term loan - €3,500 - Euro Interbank Offered Rate + 1.79%, due on demand	5,242	--
Term loan - €3,500 - Euro Interbank Offered Rate + 3.68%, due on demand	2,951	
	77,015	30,548
Deduct - unamortized financing fees	(124)	(71)
- principal portion included in current liabilities	(14,612)	(2,140)
	\$ 62,279	\$ 28,337

	May 31, 2018	Additions	Settlement	Change in fair value	February 28, 2019
US legalization options	\$ --	\$ 58,271	\$ (38,338)	\$ 1,109	\$ 21,042
Deduct - current portion	--				(6,765)
	\$ --				\$ 14,277

During the period, the Company entered into an option agreement to repurchase 64,118,462 Liberty shares in exchange for settlement of a promissory note receivable, expiring September 6, 2023 (Note 13 and Note 14). The cost of this option is an annual fee of \$7,668 paid at the beginning of each year; however, the Company also receives \$7,092 of interest income associated with the promissory note receivable, resulting in a net annual cost to the Company of \$576. The fair value of the payments from this contract was \$30,958 at inception, and \$23,905 prior to the settlement of this option liability during the period (Note 28) as at February 28, 2019, using a discount rate of 12%.

During the period, the Company entered into an option agreement to repurchase all the securities held by GA Opportunities Corp. at a cost of \$55,000, expiring September 24, 2023 (Note 14). The cost of this option is an annual fee of \$6,765 paid at the beginning of each year; however, the Company also receives \$6,600 of interest income associated with the promissory note receivable, resulting in a net annual cost to the Company of \$165. The fair value of the payments from this contract was \$27,313 at inception, and \$21,042 as at February 28, 2019, using a discount rate of 12%.

"The Company has entered into a series of transactions that will accelerate the termination of the unsolicited offer launched by Green Growth Brands. The parties have consented to terminate the bid as of April 15, 2019 thereby resulting in the final and definitive termination of bid on April 25, 2019. As a result of these transactions the Company will receive cash proceeds of \$89,000 to liquidate an outstanding promissory note, the remaining US legalization options and option payment liability."

Irwin Simon appointed Chairman of The Board on December 27, 2019. Mr. Simon was appointed Interim CEO during January 2019.

"Mr. Simon founded The Hain Celestial Group, Inc. a leading organic and natural products company, in 1993. As Founder, President, Chief Executive Officer and Chairman, Mr. Simon lead Hain Celestial for 25 years, growing the business to approximately US\$3.0 billion in net sales including operations in North America, Europe, Asia and the Middle East."

I am not real familiar with Irwin D. Simon, other than he was Founder and CEO of Hain Celestial for 25 years up through June of 2018. He has an impressive resume!

BIOGRAPHY & EDUCATION

Mr. Irwin David Simon is no longer as Independent Chairman of the Board of the Company. Effective March 01, 2019, and he has been appointed as Chairman of the Board, interim Chief Executive Officer, Independent Director of the company, Effective March 01, 2019. Mr. Simon currently serves as a Lead Director at MDC Partners Inc., a provider of marketing, activation and communications solutions and services. He also serves on the board of directors of Barnes & Noble, was previously an independent non-executive director of Yeo Hiap Seng Limited, a food and beverage company based in Singapore.

Saint Mary's University, BA

AFFILIATIONS	Corporate Relationships
Barnes & Noble Inc (Director)	Current
Hain Celestial Group Inc (Chairman of the Board)	Current
MDC Partners Inc (Presiding Director of the Board)	Current
Jarden Corp (Independent Director)	Former
Marathon Acquisition Corp (Director)	Former
Technology Flavors & Fragrances Inc (Director)	Former
Yeo Hiap Seng Ltd (Independent Non-Executive Director)	Former
Show Less	

Value Line on Aphria 4/15/19:

"Shares of cannabis producer Aphria fell sharply following the release of disappointing fiscal third-quarter financial results (years end May 31st). For the period, revenues were \$55.3 million, which came in nicely ahead of analyst estimates, including our expectation of \$45.0 million. The top line was fueled by greater distribution revenue and larger pharma-related business. In fact, if it wasn't for supply shortages, revenues would have been even higher. On the downside, Aphria's bottom line came in at a wider-than-expected loss of \$0.15, which excludes a non-cash impairment charge. Our estimate called for a \$0.02 per-share deficit. In addition to the significant share loss, we assume that investors were concerned in regard to the supply issues."

Looking ahead, we remain optimistic in regard to the company's long-term prospects, but the stock is certainly not for everyone. The cannabis industry ought to materially expand over the months and years ahead, as more countries and U.S. states legalize marijuana products for recreational use. This should lead to large annual top- and bottom-line gains for the major players in this field, including Aphria. However, the corresponding stocks will probably continue to be quite volatile, and we only recommend that long-term, risk-tolerant investors consider taking positions here."

April 1, 2019 (\$9.66) Value Line initiates coverage – Their presentations are in USD

Price projection of \$18 to \$30 between 2022 – 2024.

Company financial strength of 'B.' This is a relatively low grade, yet consistent with all other cannabis companies they follow.

Uses common stock of 249.3M shares, which equates to a market cap of \$2.4B.

Projects F2019 (5/31/19) revenues of \$150M, and F2020 of \$555M.

Projects F2019 (5/31/19) eps of \$0.10, and F2020 of \$0.30. The forward P/E for F2020 projections is 32.2X.

Projects 310M shares outstanding at year end 5/31/20.

For F2020 they make the following projections:

Book Value \$6.55
 Operating Margin 23.0%
 Income Tax Rate 15%
 Long-Term Debt \$60M
 ROTC and ROE 4.5%

“According to a United Nations study, the global market is \$150 billion annually, and almost 4% of the world’s population is cannabis users.”

They project annual revenues and earnings per share will reach \$1B and \$0.45 per share by 2022 – 2024. They expect management to remain active on the acquisition front, to fuel that level of growth. They also expect a few more share offerings during that time period.

December 7, 2018 (\$6.13) Quick Valuation look

APHRIA INC (NYSE: APHA)	
6.13 ▲ 0.59 (+10.65%)	
Trade Time: 10:55:37 AM 12/07/2018	
Change	0.59
Bid	6.13
Ask	6.14
Low	5.94
High	6.59
Open	6.25
Close	6.13
52w Low	3.75
52w High	19.87
Volume (Total)	17535847
Average Volume	7530793
Market Capitalization	1530979760
Headline Count	16
Price to Book	
Dividend Amount	
Dividend Yield	0.000
EPS	
Current Ratio, Year End	
Price / BV	2.739674
Insider Owned %	
Inst Owned %	
Cash / Share	0.323
P/E Ratio	
LT Debt/equity	
Sales / Share	0.149477
12Mo %Tot Return	-45.314
EPSGrRate1yr	368.543
EPSGrRate5yr	
LTD2CAP	0.026
Mov Avg 200	10.22
Profit Mrgn %	80.927273
RevGrRate3yr	293.731
RevGrRate5yr	
Shares Outstanding	249752000
Trailing 12Mon Rth on Avg Commn Eq	
Trailing 12Mon Rth on Avg Commn Asst	
Dividend Date	
Div. Pay Date	
Div. Date Ann	
Current Ratio TTM	
Short Interest	11688291
Short Int Ratio	1.92

The price has escalated in several days. The current valuation is \$1.57B. This is 2.67X projected F2021 revenues. F2021 revenues could be incredibly aggressive.

Here is a table of potential valuations and Price to Sales metrics, using F2021 Projected revenues of \$590M USD:

What if price?	Shares O/S	Valuation	Price / Projected F2021 Revenues
\$4.00	254M	\$1,016M	1.72X
\$6.00	254M	\$1,524M	2.58X
\$8.00	254M	\$2,032M	3.44X
\$10.00	254M	\$2,540M	4.31X

To put this into perspective, Cronos (CRON \$12.88) announced Altria would be a 45% investor. Cronos current market cap is ~\$3.25B, and their F2021 revenues are not projected to be as high as Aphria. Hence one can see that on a relative basis, perhaps Aphria is underpriced, even at \$10.00. Yet, relative valuation for a potentially over-valued sector is not necessarily relative to true valuation.

December 6, 2018 (\$4.00) Increased our position to ~0.75% of a portfolio. Our average cost is now \$4.36

There have been several rebuttals to the short selling report from Quintessential Capital Management and Hindenburg Research. The report could be accurate, yet as stated below, we think the risk reward of ownership at \$4.36 is compelling. Aphria does have ~\$300M CDN in cash and short-term securities.

December 5, 2018 (\$4.55) Bought ~0.50% for certain accounts at \$4.66 (12/4/18), and if cash was available

Market cap using 254M shares and \$4.66 USD would be ~\$1.2B. F2021 revenues could be \$590M USD. Hence a Price to future revenues of 2X. This is not egregious if growth continues, and if fraud is not within the company.

The company has been defending itself since the short report from Quintessential Capital Management and Hindenburg Research, which was released on Monday. The short report claims that Aphria's management has been deceiving its shareholders to line their own pockets. The report is well written, and there is a video linked below, that is also quite interesting and thorough. Aphria, in a statement issued Monday, called the allegations "malicious."

Here is a link to the reports and videos of the allegations. <http://www.qcmfunds.com/aa/>

A cannabis analyst who I respect a great deal, doesn't think they are criminals or liars. There are disturbing facts, like "Building 51", "The lady who said she is not a director," and "the missing scientist." He doesn't think Aphria are criminals and liars, but their due diligence failed. He thinks the wipe out of the potentially bad investments have been priced into the company. Of course, the potential for fraud exists, but again, he thinks fraud is not there, but you never know.

He does not expect a SEC investigation. Just his views, and perhaps he isn't correct. It is helpful to hear his views though. He certainly is disturbed by this but is expecting that the culprit is poor due diligence. Again, just his thoughts, we are early in this information stage, and we need to "stay tuned."

On another note, yet it rhymes, Nuuvera was purchased in July 2018. There were rumblings of disclosures of insider relationships not being disclosed. I am not familiar with how the investment community perceived this. The same analyst I referred to above mentioned, "Nuuvera was nasty. There were no legal requirements to disclose this, but it sure looked bad. I think companies need to do much better than "the bare minimum."

Auditor is PWC.

Filing Date	Transaction Date	Insider Name	Ownership Type	Securities	Nature of transaction	Volume or Value	Price
Dec 4/18	Dec 3/18	Ripshtein, Jakob	Direct Ownership	Common Shares	✉ 10 - Acquisition in the public market	7,500	\$8.60
Dec 3/18	Dec 3/18	Merton, Carl	Direct Ownership	Common Shares	10 - Acquisition in the public market	3,300	\$7.75
Dec 3/18	Dec 3/18	Cervini, John	Indirect Ownership	Common Shares	10 - Acquisition in the public market	117,200	\$8.53
Dec 3/18	Dec 3/18	Caciavillani, Cole	Direct Ownership	Common Shares	10 - Acquisition in the public market	120,000	\$8.58
Dec 3/18	Dec 3/18	Neufeld, Victor	Direct Ownership	Common Shares	10 - Acquisition in the public market	120,000	\$8.55

Review of 1Q19 (August 31, 2018) financial reports:

Fully diluted shares on October 11, 2018 of 254,349,627. It is my understanding that option and warrant shares are not very material to the share count, and at this point I will not consider them in valuation workups.

\$273M in cash. Excellent current ratio.

Shareholders' equity of \$1.5B. Tangible equity of \$701M. There are "Capital assets" of \$361M at 8/31/18, and based on some recent short discussions, these could be impaired. Hence, one could call Tangible equity to be \$340M.

Nuuvera was purchased for ~\$507M. I am concerned of faulty disclosures, and this could be part of the recent fraud accusations.

I have seen various potential revenue estimates for F2019 of an average of \$279M, F2020 of \$608M, and F2021 of \$812M to \$1,260M.

I have also seen shares outstanding projections of 248M for F2020 and F2021.

I have seen IFRS earnings per share of F2019 of an average of \$0.14, F2020 of \$0.35, and F2021 of \$0.55. The "proforma earnings" are expected to be higher, with F2021 at \$1.04, but I typically don't put much credence in "proforma earnings."

Could be a bargain, but a few caveats, which could make this a value trap:

1. Price multiple using F2021 revenues is 2.5 years out.
2. Entire sector might have crazy multiples, yet this is infant industry.
3. Hindenburg report could be correct, and this could be fraud ridden and truly go to zero.

April 2, 2018 (\$8.62)

"I think the only thing is you may need to lengthen your time horizon to beyond FY19, which ends in May 2019, essentially the next year. Analysts project C\$229mm for FY19 and C\$651mm for FY20.

I like to look at price to tangible book. The tangible book value at 11/30 was about 386 million. If one were to assume all dilutive securities are exercised, this would bring in 30 million getting it to 416 million. Now, add 108 million net for the capital raise after the quarter. This gets to 524 million (Canadian). I am not sure of how Nuuvera will impact it (I think there will be some cash at a minimum), but let's just assume zero. If that's the case, then the stock trades at 4.6X (probably a

little lower). This was all in Canadian dollars by the way. I think that is low compared to most peers in the Tier 1, but obviously not so low that it couldn't be lower." AB 4/1/18

March 30, 2018 (\$8.96)

CAPITAL STRUCTURE		Amount	Percentage	Expiration
Common Shares Outstanding	151,871,247	93.1%	-	
Stock Options @ \$0.60	2,500,000	1.5%	June 2, 2019	
Stock Options @ \$0.85 - \$1.19	855,000	0.5%	October 2017 to September 2020	
Stock Options @ \$1.20 - \$1.67	621,669	0.4%	November 2018 to June 2021	
Warrants - RTO @ \$1.50	2,880,550	1.8%	December 2, 2019	
Warrants - Bought Deal @ \$1.75	387,503	0.2%	December 10, 2018	
Warrants @ \$3.14	200,000	0.1%	September 26, 2021	
Stock Options @\$3.00 - \$9.05	3,886,367	2.4%	November 2, 2019 to June 2022	
Fully Diluted Shares as at November 30, 2017	163,202,336	100.0%		
Bought Deal closed January 8, 2018	8,363,651			
Shares issued on purchase of Broken Coast	14,373,675			
Shares issued on purchase of Nuuvera	34,202,113	Fully Diluted		
Fully Diluted Shares	220,141,775			

Market Cap ~\$2B

I will use the following assumptions, which are purely back of envelope and shooting from the hip, with no method, nor guidance, and just rough assumptions.

If we project Forward revenues of ~\$100M in F2019 (11/30/19), I could see a potential market cap of \$500M to \$1B (almost ridiculous). Hence, we would need a share price of ~\$2.27 CDN to ~\$4.55. CDN.

Hence in USD using conversion of 78%, I would consider buying for \$1.78 to \$3.55 USD.

I read investor deck (2/18), financials and MDA 11/30/17 and 2017 AR. Impressive company, yet no way in the world am I hitting this with current valuation of \$2B. Perhaps I am missing something and will reconsider in future.

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