

THC Global Group Ltd

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THC Global Group progresses core drivers of revenue growth

- Medicinal cannabis has increasing legitimacy and investor support in sections of the investment community
- THC Global is expecting regulatory approvals that would support revenue growth
- The company has the option of export to additional cannabidiol export markets in Asia
- Acquisitions and strategic partnerships continue to be on the cards for THC Global
- The parent company and its subsidiaries can grow with increased capacity, the blossoming and maturation of the medicinal cannabis market, and expansions in growth and demand

What does THC Global do?

THC Global Group Ltd (ASX:THC) (FRA:9TH) (OTCMKTS:HDRPF) specialises in medicinal cannabis supply and development as well as hydroponics equipment manufacturing and distribution. It was previously known as The Hydroponics Company Ltd and is run by Ken Charteris, group chief executive officer, with three decades of experience in biotechnology and pharmaceutical company leadership.

He has managed companies with revenues of more than \$200 million and asset bases of up to \$500 million. Charteris is instrumental in executing the company's strategic plan and is focused on acquisitions and alliances for the dual-listed group.

What is THC Global progressing?

THC Global is a rapidly growing company which went from having \$1.1 million issued capital on January 1, 2017, to \$23 million of issued capital on December 31 last year.

Growth in the company's issued capital last year was \$5.5 million or 32%.

The company is awaiting final licensing and permitting approvals for a **Canadian facility now owned by subsidiary Canndeo** and noted in February 2019 it plans to **progress to a full-scale operation** as part of a farm-to-pharma business model.

The Australian company's main pharmaceuticals focus is on the development and delivery of cannabidiol (CBD) products to the Australian and New Zealand markets, and the Canadian markets through wholly-owned subsidiary Vertical Canna Inc.

THC Global plans to build out a vertically integrated cannabis business across North America through Vertical Canna, using an acquisitions and

Price: 0.235

Market Cap: \$41.35 m

1 Year Share Price Graph



Share Information

Code: THC

Listing: ASX

52 week High Low
0.46 0.18

Sector: Pharma & Biotech

Website: www.thcl.com.au

Company Synopsis:

THC Global Group Ltd (ASX:THC), formerly The Hydroponics Company Ltd operates under a pharmaceutical model and is currently delivering high quality medicinal cannabis products to Australian patients through the existing access schemes.

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partnerships model.

Vertical Canna directed efforts in 2018 towards developing a retail cannabis and equipment brand for sales in Canadian stores.

In November 2018 **THC Global supplied Endoca CBD products to its first prescribed Australian patients.**

The supply verified THC Global's product pathway from manufacturer to patient under federal authorised prescriber and special access schemes and state regulations.

THC Global imports four products from Endoca's range: Endoca's CBD oil in 3% and 15% concentrations; and Endoca's unique CBD-plus-CBDa oils, also in 3% and 15% concentrations.

The company is also exploring strategic opportunities in Asia.

THC Global has begun cultivation activities at its Canndeo R&D facility in Canada, having received the relevant cultivation permits. A manufacturing licence for the site is likely to facilitate product validation and study trial production.

On the group's existing manufacturing front, a second core company activity is in the manufacture and distribution of hydroponics equipment, materials and nutrients.

Group CEO Ken Charteris is executing the company's strategic vision and has advanced it over the past 2.5 years by driving the acquisition of THC Global's existing manufacturing facility and securing commercial partnerships with Endoca (Europe) and Ascent Industries (North America).

THC Global's hydroponics equipment subsidiary Crystal Mountain expects to grow significantly as the business enters the retail market to supply equipment to micro-cultivators and new markets.

The company's bio-manufacturing facility, acquired less than a year ago, was valued at \$2.55 million on a May 1 transaction date and now has a balance sheet value of more than \$16 million.

Last Wednesday THC Global reported the company's Canada-based hydroponics equipment division Crystal Mountain was **in the process of securing distribution agreements** after expansions into Europe and the United Kingdom.

The group launched a share share purchase plan (SPP) on April 9, 2019 **offering shareholders to apply for up to \$15,000 worth of additional shares** priced at 50 cents each.

THC Global flagged last Thursday the closing date for subscriptions is this Friday, April 26, 2019.

Shareholders on the company's register on April 4, 2019 can take part in the offer. New shares are expected to be quoted on the Australian Securities

Exchange on May 6, 2019.

THC Global said on Friday its directors and CEO had confirmed they would participate in the company's capital raising.

What are THC Global's financials?

THC Global's revenues for the 2018 fiscal year grew \$820,103, or 45%, to \$2.7 million, when compared to the prior financial year — the 2017 fiscal year.

Cost of goods sold increased \$838,433, or 79%, to \$1.9 million in the 2018 fiscal year.

Gross profit declined by \$18,330, or 2%, to \$759,758 in 2018. Total comprehensive profit came in at \$1.7 million for the year, a \$4.3 million or 167% improvement on the \$2.6 million total comprehensive loss of 2017.

The overall result was partly due to a \$10.3 million gain on the revaluation of land and buildings, net of tax.

THC Global then ended 2018 with \$6.3 million cash.

The company expected \$2.2 million of expenses in the March quarter as it directed \$638,000 to product manufacturing and operating costs.

THC Global's next quarterly report and corporate update is likely to be posted by April 30, 2019.

Inflection points

Regulatory approvals progress in Australia and Canada

Increased legitimacy and success of medicinal cannabis markets and ongoing investor support

Expansion of cannabidiol export markets to additional markets in Asian countries

Pharmaceutical industry mergers, acquisitions and strategic partnerships, related to THC Global and more broadly

Growth of Crystal Mountain and other subsidiaries in line with the emergence of newly-opened medicinal cannabis markets

Global group CEO Ken Charteris pleased with revenue-driving growth

"We are pleased to see our hydroponics equipment division continue to grow, particularly through our partnership strategy as we are able to expand our product offering and broaden our market reach - both of which are core drivers of revenue growth,"

THC Global group CEO Ken Charteris said last Wednesday in a hydroponics equipment operations update.

Charteris had said in January the company had installed "first plants on site at our manufacturing and cultivation site, and look forward to commencing the first stage of our manufacturing activities to support the domestic market with a view to our larger facility being used to pursue export opportunities."

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