

# iAnthus Capital Holdings Inc.

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## iAnthus Capital to deliver revenue growth and margin improvement as it accelerates US store openings

iAnthus Capital Holdings Inc. (CSE:IAN) has had its fair share of challenges as a US medicinal and recreational cannabis company but the hard work is starting to pay off.

The New-York based company has 68 dispensary licences, of which 21 are open, and it expects to have between 45 and 50 open by the end of the year.

It plans to open its first Be. flagship store in Brooklyn in the fourth quarter, stocking all of its cannabis products including cannabidiol (CBD) skincare and oils.

The Canadian-listed group recently agreed to buy Toronto-based rival MPX Bioceutical (CSE:MPX, OTC:MPXEF) in an all-stock deal worth C\$835 million (US\$636m).

MPX was founded by Beth Stavola, who is now chief strategy officer and director of iAnthus.

Stavola and Megan Kulick, the vice president of investor relations at iAnthus, sat down with Proactive Investors on the sidelines of the Canadian Cannabis Capital Markets Conference in London at the weekend.

### What are the challenges of operating in the US where medicinal and recreational cannabis are legal in some states but illegal under federal law?

**Stavola:** "We operate in 11 states and every one of those states is extremely different. Occasionally I'll find myself thinking 'OK we can have billboards in that state, we can't have billboards in that state', so you really need to know each state's rules and regulations on everything.

"They regulate everything from the actual cannabis and testing, to packaging, labelling and any level of marketing.

"Some places you have to have opaque packaging so when you're creating a national brand, you have to take all of these things into consideration.

"And then banking has always been a challenge...we have 35 different bank accounts that (our chief financial officer) has to deal with because it's really only the small obscure banks that will deal with us."

**Kulick:** "The banks tend to be state, not federally insured banks, which tend to avoid dealing with cannabis related businesses because they don't want to lose their federal insurance."

### Where does the US federal government currently stand on cannabis?

**Price:** 0.305

**Market Cap:** \$52.33 m

#### 1 Year Share Price Graph



July 2019 December 2019 June 2020

#### Share Information

**Code:** IAN

**Listing:** CSE

52 week	High	Low
	4.31	0.215

**Sector:** Cannabis

**Website:** [www.ianthus.com](http://www.ianthus.com)

#### Company Synopsis:

*In the high growth environment of the U. S cannabis market, an experienced team, access to capital and an ability to grow through acquisition are the three key drivers of a company's success. iAnthus was founded by entrepreneurs who bring together market leading experience in operations, capital markets and M&A.*

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**Stavola:** "There are two bills that we're waiting for Congress to pass.

"One is the States Act, which will really change things and it basically states that the federal government will not screw around with what the states want and what the states decide. That's the significant one where I believe all these stocks are going to go up ten-fold after that.

"The other one is the Safe Banking Act that will have an impact but less of an impact than the States Act."

(The Safe Banking Act would allow cannabis businesses access to the federal banking system).

### **Do you think medical and recreational marijuana will become legal under federal law?**

**Stavola:** "It will eventually. I don't think it's going to be in the next three to five years but none of us have a crystal ball."

"It's one issue (both the Democrats and Republicans) both agree on.

"In polls, 65% of Americans are in favour of legalising recreational marijuana and its upwards of 90% plus for medicinal."

### **What is the argument for legalising recreational cannabis?**

**Stavola:** "Tax it, regulate it like alcohol for those aged 21 and older, and you'll have less minors using it."

**Kulick:** "The idea is that people are using it anyway so you might as well take it out of the black market and have it in an environment where it can be tested, where it can be dosed properly, sourced properly, labelled and regulated."

### **What is in the pipeline for iAnthus this year?**

**Kulick:** "We'll have three more dispensaries open next month in Florida and we'll start to ramp those up in the second half of the year. "

**Stavola:** "We are also buying a private CBD brand, which we'll be closing on (this week). That was my private brand I started a little over four years ago. It's a company called CBD For Life. It has a beauty product line that we will be folding into iAnthus and it brings in US\$600,000 per month in revenue.

"CBD For Life won Best Product of the Year at the Hollywood Beauty Awards last year and I didn't realise how significant it was when we first got the phone call until I found out that Britney Spears won Best Fragrance."

### **Tell us more about your CBD skincare products. What are the benefits of putting CBD into skincare?**

**Stavola:** "It's antimicrobial so it's great if you have rosacea or some level of redness or eczema. Its' also anti-inflammatory, which is good for everything. It reduces fine lines, puffiness."

### **How has the cannabis stock market performed so far this year?**

**Stavola:** "They have gotten crushed in the last month and they are all so undervalued...I think once we have that States Act, valuations will rise.

"When you see broader markets are in total disarray, usually portfolio managers go to defence stocks. Cannabis stocks are defensive stocks. People are still going to smoke the same amount of cannabis in bad times and good times, it's like alcohol, alcohol sales go up when things are bad."

### **What's the investment case for iAnthus?**

**Kulick:** "We've closed the MPX transaction, now we're going to deliver on store openings, we're going to deliver on revenue growth, we're going to deliver on margin improvement, we're going to deliver on brands, and that's what you'll see in the second half of 2019."

### **Any plans to list on in the US?**

**Stavola:** "We'd love to... Canadian companies can list on US exchanges but US companies can't because we are in violation of US federal law."

**Kulick:** "As soon as the States Act passes, even though it's still illegal federally, the New York Stock Exchange and perhaps the NASDAQ have said that may be enough for them to say 'OK, we will allow a listing.'"

### **What advice would you give to cannabis companies looking to set up in the UK?**

**Stavola:** "Perseverance. You will get knocked down so many times and you have to get yourself up, dust yourself off, figure out a new plan... I'd say it's not for the faint of heart but it's not impossible and there's going to be a huge opportunity here."

**Kulick:** "The risk reward is worth the effort but it takes longer than you think."

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