

# CAPITAL IDEAS DIGEST

**stillcanna**   
refining the future.



**Mark Bunting**  
Publisher

## COVER STORY

FABRICE TAYLOR'S NEW WEED PICK COULD MULTIPLY AS IT AIMS TO CONQUER THE EUROPEAN CBD MARKET

**HIGHER HIGHS:** THESE THREE PAST CAPITAL IDEAS' NAMES ARE HITTING 52-WEEK HIGHS

WHY NEW CANACCORD GENUITY COVERAGE OF TERAGO SAYS THE STOCK CAN GO, GO, GO

THIS MEDIA GIANT IS SET TO BREAK OUT FROM A MASSIVE FOUR-YEAR CONSOLIDATION BASE

## StillCanna to Dominate European CBD?

Capital Ideas' contributor Fabrice's Taylor's new weed idea

**Mark Bunting, publisher, Capital Ideas Media**

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You may remember the last time Fabrice Taylor recommended a cannabis stock for our subscribers and viewers. **It surged by nearly five times in three months.**

In June of 2018, we interviewed Taylor, the investor, financier, newsletter publisher, and Capital Ideas Media contributor, when he called **FSD Pharma** (CSE:HUGE) a “great trader” because of the high share count, and he was optimistic about the company’s goals of eventually being the largest hydroponic cannabis producer in the world.

**Two things happened.**

One: HUGE went from \$0.19 a share to a closing high of \$0.90 in late September. Investors who acted on the idea and took some appropriate profit along the way likely made out very well.

Two: FSD Pharma’s management had some trouble executing. The company’s deal with **Auxly Cannabis** (TSXV:XLY) fell apart, the CEO left, and FSD still does not have a production license.

Shares of FSD Pharma subsequently went full circle back to the current price of about \$0.25.

So, short term, boffo returns. Longer term, not so much. Such are the vagaries of micro-cap and small cap investing.

Undaunted, because HUGE initially did what it was supposed to do from a stock perspective by going much higher, Taylor is back with his latest cannabis investment idea.

**This company is freshly public**, having started trading last Friday. The firm specializes in cannabidiol (CBD) oil extraction for the European market with its Romanian extraction plant already cash flow positive and profitable.

The company announced last Friday its joint venture partner and anchor customer, Dragonfly Biosciences of the U.K., the largest retailer of CBD in Europe, was **increasing its minimum monthly order of CBD from 50 kilos to 170 kilos, an increase of 300%.**

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StillCanna has a supply agreement with Dragonfly, one of the biggest branded CBD companies in Europe, and it recently tripled its order volume. So that tells me CBD is catching on.”

- Fabrice Taylor

## Here's my conversation with Fabrice Taylor about his new cannabis investment idea:



**Mark Bunting (MB):** You made our readers a lot of money on HUGE, which you recommended as a trade last June at 19 cents, before it ran to 90 cents. At the time you told me you were looking at another name in the space and I understand you're ready to share it. So please do.

**Fabrice Taylor (FT):** Sure. Unlike HUGE, this company isn't a weed stock per se. It is, or soon will be, one of the largest processors of CBD in Europe, and the product is derived from hemp. Europeans are very big on CBD products, which have many purported health benefits, and a small but growing body of science behind the claims. **I've been taking one of this company's product for about six months, as have members of my family, and we've all noticed a pointed improvement in health.**

**MB: What in particular?**

**FT:** Better sleep, better concentration, and especially much less pain or discomfort from inflammation. For me that's about sports. I play a lot of hockey and at my age it can be pretty painful. But since I've been taking these capsules the pain isn't nearly as bad, and I'm actually a better athlete for it. Other members in my family have noticed significantly lower digestive-related inflammation (from dairy allergies, IBS etc.) and an almost complete suppression of menstrual pains, which any woman will tell you is worse than any pain a man can have.

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- Fabrice Taylor

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StillCanna is trading at about one times revenue. If you look at relative valuations, you can easily argue for a \$3-5 stock price. This assumes valuations hold, but I have to say, they are resilient in this industry."

- Fabrice Taylor

**MB:** So this company will be one of the biggest processors?

**FT:** In Europe yes, once their plan plays out. **They have a supply agreement with one of the biggest branded CBD companies in Europe, and it recently tripled its order volume. So that tells me CBD is catching on.** They also have their own brands, or agreements to acquire them at any rate, and of course hemp cultivation and processing when all is said and done.



**MB:** What's the difference between hemp and marijuana?

**FT:** They're related, but hemp has little to no THC, the compound that makes people high. Otherwise it is rich in other cannabinoids (including CBD). Because it has no THC, the restrictions on growing hemp are much more relaxed. It's grown outdoors, and it's obvious to say that growing outside, rather than in greenhouses or hydroponically indoors, is way cheaper.

**MB:** But a lot people want to get high, don't they?

**FT:** Actually, no. Some people do, but **the vast majority of people want to get well.** If you survey the landscape, you'll see that the weed industry is pivoting aggressively towards CBD products as it becomes obvious that the massive wellness industry is open to cannabinoid products. And they fetch a good price in Europe – as much as 10 euros a gram. This company is in the sweet spot.

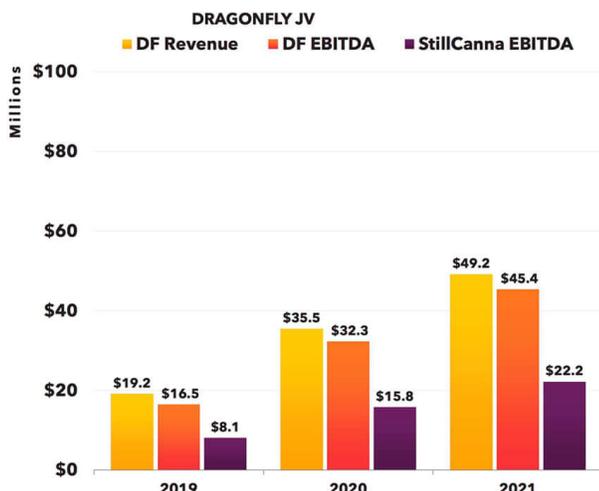
MB: So the name of the company is StillCanna (CSE:STIL) What else do you like about it?

FT: It just finished its reverse takeover (RTO) with **EVI Global Developments Group** (CSE:EVI) and changed its symbol so it might still be a little hard to find. Investors have made staggering profits on weed-related stocks, yet strangely, **weed companies don't make any money. They burn it faster than stoners burn joints.** I can't think of one that makes a real profit, and even if there are one or two, in the aggregate the losses in this industry are staggering. **StillCanna will be profitable this year, according to their forecasts. That's very unusual.**

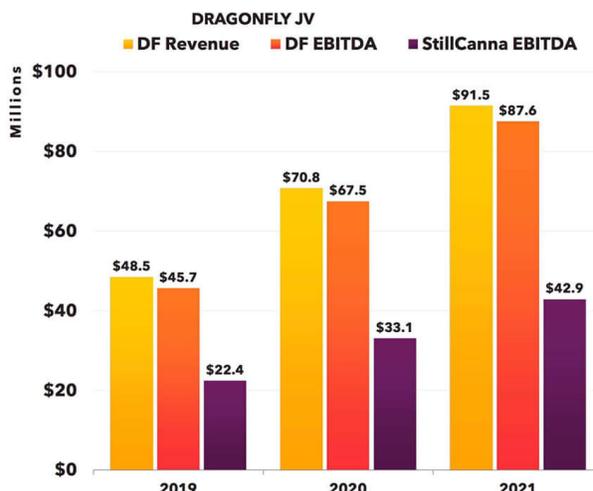
# Revenue



## DRAGONFLY ONLY

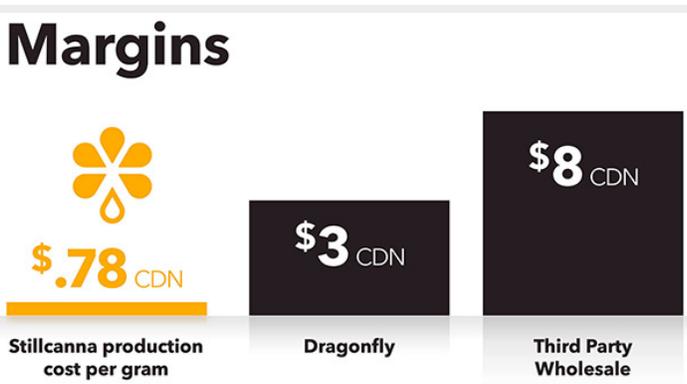


## 50% CAPACITY (36% Dragonfly 14% 3rd party)



MB: Do they mean that or are they just saying that to appease the market?

FT: They might be – the hope precedes the thought usually. But their forecasts assume \$6 CAD/gram, whereas, as mentioned, the Europe price is currently as high as 10 euros, or about \$15 CAD. So I think there's a margin of safety here. To be sure, prices will fall, so I'd rather be invested a company that's profitable at 40% of the current quoted price. Falling prices are factored into their model, and I like that realism. The growth trajectory sees improving profits despite that, on the back of size and scale.



**MB: What else do you like?**

**FT:** The CEO, Jason Dussault, is a marketing expert, and I believe that's important for both product and stock. This is a commodity business, but with the right positioning and brand marketing it can be highly profitable. Look at vitamin companies. They sell commodities but at a stiff markup. I also like that in previous deals this group has not shied away from marketing the stock. This is very important because it helps shareholders. HUGE was well marketed, to the benefit of shareholders, and that's one reason I liked it as a trade, which made investors six times their money in a matter of weeks. I expect that this company will also be mindful of telling its story well and loudly.

**MB: What about valuation?**

**FT:** If the stock trades at \$1, using their revenue and EBITDA forecasts and my capital structure estimates, the company is trading at about one times revenue. If you look at relative valuations, **you can easily argue for a \$3-5 stock price.** This assume valuations hold, but I have to say, they are resilient in this industry.

**MB: Okay, but what about the risks?**

**FT:** Yes, this is still a risky story and investors shouldn't get carried away. There are many risks, as with any investment like this: commodity pricing, regulatory, execution, financing and so on. Still, I think the potential rewards adequately pay investors who take this risk, and **I would suggest taking a small position and adding to it – averaging up if you will – as the risks subside.** More aggressive investors will do the opposite, I realize: they'll take a big position and peel off as the risks are erased and new buying comes in. It's really a personal choice.

**MB: You got into StillCanna early?**

**FT:** I did, but I also was part of the group that took the biggest risk. When weed-related stocks cratered late last year, and this stock was still halted, I wasn't feeling too good about it. The worst is behind the company, and the stock price has reflected that. But that doesn't mean it doesn't have a long way to go. I was in early on HUGE and it still went up six-fold from when I started talking about it.

# Higher Highs

Stocks hitting 52-week highs often continue to move higher, according to research from Capital Ideas contributor Fabrice Taylor. The key for investors is to identify the companies with catalysts that can move the stock higher. Here are some select 52-week highs:

BADGER DAYLIGHTING LTD. (TSX:BAD) | 1Y CHART



CAPITAL POWER CORPORATION (TSX:CPX) | 1Y CHART



SHOPIFY INC (TSX:SHOP) | 1Y CHART





## Initiations

Calling its 5G spectrum a “valuable commodity,” Canaccord Genuity analyst Matthew Lee initiated coverage of Toronto-based **Terago Inc.** (TSX:TGO) with a “buy” rating.

“In our view, TeraGo’s ownership of large swaths of high-band spectrum puts it in **prime position to capitalize on the growing bandwidth needs of the Canadian wireless players as the industry transitions to 5G,**” said Mr. Lee.

“While the shares are up meaningfully over the last twelve months, we see **further upside** from its spectrum assets. In addition, we believe there is potential for further value to be realized as the price of high-band spectrum continues to be crystallized through auctions and transactions in both Canada and the United States.”

**He set a target price of \$12.50 for Terago shares, exceeding the current average on Bay Street of \$10.38.**

# Technically Speaking

by Dwight Galusha, [setyourstop.com](http://setyourstop.com)

**Walt Disney** (NYSE:DIS) is attempting to breakout from a massive four+ year consolidation phase that has formed within the shape of an ascending triangle continuation pattern.

To confirm this price action the PPO momentum indicator is starting to curl higher off of an uptrend line while the accumulation/distribution line begins to breakout.

Technically this pattern and price action is everything a technician looks for. A breakout above \$119.27 would propel the stock to a new all-time high and suggest the beginning of a new major uptrend.

