



# PAUL COHEN'S

## *Marijuana Hub*

*A Division of Cohen Grassroots Research, Inc. [www.cohengrassroots.com](http://www.cohengrassroots.com)*



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Cohen Grassroots Research, Inc. is the Nation's Number #1 Micro Cap and Cannabis Research Firm  
IR Research Reports (1,000+) - Distribution to 100s of thousands of investors

### HOW TO MAKE MONEY IN THE MARIJUANA STOCK MARKET

#### ISSUE #3: FINANCIAL ANALYSIS: MORE ON FINANCIAL ANALYSIS

- ▶ Understanding the marijuana/cannabis industry and its sub-sectors are a requirement for modeling a company in this industry. Without comparative statistics, an analyst does not know what guidelines should be to build his/her model.
- ▶ Let us take the hydroponic store business and compare it to the lab testing business. The hydroponic store business is a 3,000+ product store, run at about 10% net margins if it is successful. A well run lab testing business can be in the 30%+ margin area. A financial forecasted model for both businesses is quite different.
- ▶ As securities analysts, we must understand what is norm for a given industry and sub-sector. We are required to build our forecasted model so that it corresponds to the reality of expectations for a sub-sector in the marijuana stock market.
- ▶ The Cohen Grassroots Marijuana Index provides us with exact reported metrics, ratios and statistics on 275 companies and their sub-sectors. These statistics are guidelines for building our models, not just for a company, but what is expected for companies in a sub-sector. Without these statistics, we believe other research firms, analysts, lawyers, VCs, financiers etc. are walking somewhat blind.
- ▶ Our input builds the forecasted Income Statement, Balance Sheet, Cash Flow statement and calculates a number of expected performance ratios over a 5 year period. Forecasting is an art. It is the foundation of our research. Our output is our 5 year forecasted models with three cases: Optimistic Case, Base Case, Pessimistic Case. No other research firm in this space does this.
- ▶ We focus on cash and always have. How much money must a business have to operate? How much cash must it raise to stay in business? What is its current and future cash flow and free cash flow? How is it capitalized? Does the company have warrants that provide for shareholders to continually invest cash in a business in exchange for shares of stock? Is there toxic financing? Will the capital structure become bloated with hundreds of millions of shares outstanding? What are the projected Discounted Cash Flow projections? What is the Cohen Net Cash Flow from Operations?
- ▶ The bottom line is understanding this industry, its sub-sectors, and having the experience, knowledge and brain power to build realistic 5 year forecasted financial models. We have that all. We are the Gold Standard of academic securities analysis in the micro-cap/small cap and cannabis industry. We have been so for many years.