

Can B Corp.
OTC: CANB

Maintaining Rating & Target
BUY, \$1.20

December 3, 2021

MARKET DATA

Share Price:	0.56
Market Cap:	15.95 M
52wk Range:	0.27 - 1.37
Ave. Volume:	58,000
Basic S/O:	28.49 M
Fully Diluted S/O:	46.01 M
Float:	16.46 M
Institutional %:	3%
Insider %:	39%

FINANCIAL DATA (mrq)

Cash:	0.19 M
ST Debt:	4.47 M
LT Debt:	0.00 M
Book Value:	5.61 M
EBITDAS (ttm):	(5.51) M
CFFO (ttm):	(7.14) M

Auditor: BF Borgeers CPA

USD 2020A 2021e 2022e 2023e

Revenue (in Millions)

	2020A	2021e	2022e	2023e
Mar	0.57	0.31A	6.43	9.37
Jun	0.21	0.40A	6.72	9.51
Sep	0.46	1.91A	8.38	9.67
Dec	0.48	4.44	9.22	9.83
REV	1.71	7.06	30.75	38.37
<i>P/S</i>	9.33	2.26	0.52	0.42

Diluted EPS

	2020A	2021e	2022e	2023e
Mar	(0.33)	(0.24)A	(0.02)	0.01
Jun	(0.33)	(0.12)A	(0.00)	0.01
Sep	(0.30)	(0.11)A	0.01	0.01
Dec	(0.01)	(0.05)	0.02	0.02
EPS	(1.62)	(0.42)	0.02	0.06
<i>P/E</i>	N/A	N/A	28.00	9.33

**2023 EPS does not add due to rounding

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Revenue Surges In Q3, Reverse Split Approved

Revenue Surges In Q3. Can B reported third quarter Revenue of \$1.91 million, which surpassed the Company's Revenue for all of 2020. The surge was related to the acquisitions of TWS and MCB, which added significant processing capacity, as noted in our initiation report. Gross Margins were strong at 71.7%. Operating expenses of \$3.89 million were higher than expected related to acquisition and Reg A offering costs. Net Loss for the quarter was \$3.23 million, or \$0.11 per share.

Reverse Split Approved. Yesterday, the Company filed a Proxy notifying shareholders that the Board approved a reverse stock split, which could range between 1:2 and 1:15. A full shareholder vote was not required due to the voting rights on the Series A and Series D Preferred Shares. We expect this move was done in anticipation of an uplisting.

Model Update. Despite beating on the topline in Q3, we are leaving the remainder of our estimates in place and will wait to make adjustments based on Q4, which will be the first full quarter with all of the processing equipment owned and operated.

Maintaining Rating & Target. With no material changes to our model, third quarter results that beat our estimate, and a potential uplisting on the horizon, we are reiterating our Buy rating and \$1.20 target price on Can B Corp. We expect that a full quarter of operating results in the fourth quarter will be significant in showing the Revenue and Earnings potential of the re-made Can B. Our target price is based on a P/E multiple of 20 times our fiscal 2023 Diluted EPS estimate of \$0.06, discounted one year at 10%.

RISKS

Significant Regulatory Risks

The 2018 Farm Bill effectively legalized hemp as a commodity crop, but did not specifically legalize CBD. Additionally, the FDA prohibits the addition of CBD to food products, cosmetics or supplements, all of which Can B engages in, and the FDA has begun enforcing its CBD-related policies. Should Can B fall under FDA review or other regulatory scrutiny it may be unable to continue its current operations, which could severely impair its ability to meet our estimates.

Regulation of Delta-8

Delta-8 is currently unregulated, despite causing similar psychoactive effects as delta-9 THC, and is expected to make up a large portion of the Company's near term revenue. The legality of Delta-8 varies state-by-state and the federal government has yet to take a definitive position. Should more states ban Delta-8 or its be classified similar to delta-9 THC federally, Can B may be unable to sell this product.

Processing Capabilities

The Company recently acquired most of its processing equipment. There are no assurances the machinery will perform as expected, or produce the output as expected. Any downtime on the equipment could have an adverse impact on our estimates.

Acquisitions

Can B overhauled its business model and Balance Sheet in 2021 with a number of acquisitions. We expect additional acquisitions in the future, however there are no assurances each acquisition will work as intended.

Preferred Share Voting Structure

Due to the voting rights of the Series A and Series D Preferred Stock, management holds voting control over the future of Can B.

Feedstock Quality

The end product yield is highly dependent on the quality of the hemp biomass it purchases. Should purchased product be of lower quality the Revenue and profits estimated in our model may not be achievable.

Highly Competitive Industry

The CBD health and wellness and hemp markets are highly competitive and subject to rapid change. Companies competing in this space possess well-known brand names, greater access to capital, higher research and development capacity, and broader distribution channels.

History of Losses

The Company has not produced a profit to date and there are no assurances it will do so in the future.

Potential Dilution

The Company has sold stock for cash, issued stock for services, raw materials, and as payment for acquisitions, as well as issued stock in convertible debt financings, along with options and warrants. We expect additional stock issuances to occur in the future which would dilute current shareholders

COVID-19

Covid had a negative impact on the Duramed business and CBD product sales. As Covid cases fluctuate in the U.S. it is possible a market or the entire country could be subject to quarantines or lockdowns, which could negatively impact results.

Illiquid Trading

The Company's stock trades far less than \$1,000,000 per day, which may make it difficult to buy or sell a large position in the open market without moving the stock price.

Material Weaknesses over Financial Reporting

CANB's auditor found a material weakness in internal controls over financial reporting related to the lack of sufficient financial reporting and accounting personnel with US GAAP and SEC reporting requirement experience. Given its size, this weakness may continued to be listed until adding staff is warranted.

ESTIMATED INCOME STATEMENT

	(in 000s of USD)				2021e	Q1:22e	Q2:22e	Q3:22e	Q4:22e	2022e	Q1:23e	Q2:23e	Q3:23e	Q4:23e	2023e
	Q1:21A	Q2:21A	Q3:21A	Q4:21e	2021e	Q1:22e	Q2:22e	Q3:22e	Q4:22e	2022e	Q1:23e	Q2:23e	Q3:23e	Q4:23e	2023e
Product Sales	244	362	1,749	4,288	6,643	6,232	6,465	8,063	8,831	29,592	8,936	9,041	9,147	9,253	36,377
Service Revenue	63	40	161	150	414	200	250	313	391	1,153	430	473	520	572	1,994
Total Revenue	307	402	1,910	4,438	7,057	6,432	6,715	8,376	9,222	30,745	9,366	9,514	9,667	9,825	38,372
Cost of Revenue	77	259	541	2,853	3,730	4,011	3,835	4,839	5,360	18,045	5,416	5,472	5,529	5,587	22,004
Gross Profit	230	143	1,369	1,586	3,328	2,420	2,880	3,537	3,863	12,700	3,950	4,042	4,138	4,239	16,368
Operating Expenses	2,023	2,729	3,893	2,831	11,476	2,853	2,818	2,888	2,963	11,522	3,047	3,130	3,218	3,312	12,708
Income From Operations	(1,793)	(2,586)	(2,524)	(1,245)	(8,148)	(432)	62	649	900	1,178	903	911	919	927	3,660
Gain of Debt Extinguishment	6	197	-	-	203	-	-	-	-	-	-	-	-	-	-
Interest Expense	(393)	(348)	(708)	(314)	(1,763)	(153)	(148)	(145)	(145)	(591)	(145)	(145)	(145)	(145)	(580)
Other Expense	-	(2)	(1)	-	(3)	-	-	-	-	-	-	-	-	-	-
Income Before Taxes	(2,180)	(2,739)	(3,233)	(1,559)	(9,711)	(585)	(86)	504	755	588	758	766	774	782	3,080
Income Taxes	-	1	-	-	1	-	-	-	-	-	189	192	194	195	770
Net Profit	(2,180)	(2,740)	(3,233)	(1,559)	(9,712)	(585)	(86)	504	755	588	568	575	581	586	2,310
Basic EPS	(0.24)	(0.12)	(0.11)	(0.05)	(0.42)	(0.02)	(0.00)	0.01	0.02	0.02	0.02	0.02	0.02	0.02	0.07
Basic S/O	9,132	23,388	30,026	30,284	23,208	32,347	32,447	33,727	33,827	33,087	34,902	34,997	35,981	36,056	35,484
Diluted EPS	(0.24)	(0.12)	(0.11)	(0.05)	(0.42)	(0.02)	(0.00)	0.01	0.02	0.02	0.01	0.01	0.01	0.02	0.06
Diluted S/O	9,132	23,388	30,026	30,284	23,208	32,347	32,447	38,811	39,157	35,690	39,350	39,490	39,619	36,811	38,818
Q1:21A	Q2:21A	Q3:21A	Q4:21e	2021e	Q1:22e	Q2:22e	Q3:22e	Q4:22e	2022e	Q1:23e	Q2:23e	Q3:23e	Q4:23e	2023e	
Gross Margin	74.9%	35.6%	71.7%	35.7%	47.2%	37.6%	42.9%	42.2%	41.9%	41.3%	42.2%	42.5%	42.8%	43.1%	42.7%
Operating Margin	-584.0%	-643.3%	-132.1%	-28.1%	-115.5%	-6.7%	0.9%	7.7%	9.8%	3.8%	9.6%	9.6%	9.5%	9.4%	9.5%
Net Margin	-710.1%	-681.6%	-169.3%	-35.1%	-137.6%	-9.1%	-1.3%	6.0%	8.2%	1.9%	6.1%	6.0%	6.0%	6.0%	6.0%

Source: CANB documents filed with the SEC and Greenridge Global estimates

DISCLOSURES

Distribution of Ratings

Rating	Count	Percent	<u>I.B. last 12 months</u>	
			Count	Percent
BUY	9	100%	0	0%
HOLD	0	0%	0	0%
SELL	0	0%	0	0%
NO RATING	0	0%	0	0%

Explanation of Ratings

- BUY:** Describes undervalued stocks we expect to provide a total return (capital appreciation + yield) of 15% or more in the next twelve month period.
- HOLD:** Describes fully valued stocks we expect to provide a total return (capital appreciation + yield) of plus or minus 15% in the next twelve month period.
- SELL:** Describes overvalued stocks we expect to provide a total negative return (capital depreciation + yield) of 15% or more in the next twelve month period.
- NO RATING:** Describes stocks that have their investment rating and/or target price temporarily removed for fundamental or compliance-based reasons.

Analyst Certification

I, William Gregozeski, CFA, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security and subject company. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

Other Disclosures

<u>Company</u>	<u>Disclosures</u>
Can B Corp.	8

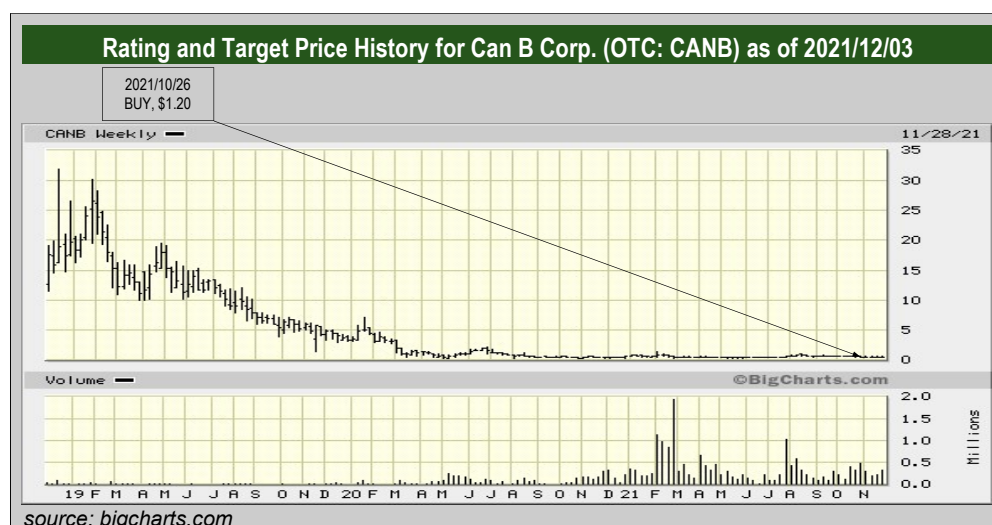
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DISCLOSURES (continued)

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