Baptista Research

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INITIATING COVERAGE

Equity | Healthcare/ Biopharma

Jupiter Wellness Inc.
(NASDAQ:JUPW; Target Price: $3.30)

Key Report Highlights

Industry View:	Attractive
Stock Rating:	Buy
Price Target:	$3.30
Current Price:	$1.05
52-Week-Range:	$0.59 - $2.24

Jupiter Wellness, Inc. recently got uplisted to the NASDAQ and is an excellent emerging biopharma player. The company has gradually pivoted from the CBD space to a much wider scope after the recent acquisition of Next Frontier Pharma. This acquisition helps differentiate the company from most of its biopharma peers. While many of the companies in this field have a lot growth potential, the absence of revenues and the lack of diversification of business are key factors that make investments in such companies considerably risky. Various players with a positive revenue are usually loss making and lack growth potential, especially in light of the fierce competition from pharma heavyweights, even though some have promising and diversified pipelines. Jupiter Wellness is an exception because it not only has a diverse pipeline catering to many multi-billion-dollar industries but also an active income stream in the shape of a recently acquired contract research organization.

Annual Income Statement	2021	2022E	2023E
Revenues	2.88	10.20	21.90
Cost of Goods Sold	2.34	7.80	15.51
Gross Income (excl. D&A)	0.54	2.40	6.39
EBITDA	-4.95	-3.50	0.49
EBIT (incl. extraordinary exp)	-26.40	-3.70	0.29
Net Income	-28.10	-4.20	-0.21
Cash from Operations	-7.57	-2.90	0.42
Free Cash Flows	-7.57	-2.90	0.42

INVESTMENT THESIS

This is our first report on Jupiter Wellness and we look to provide a detailed account of the various drivers that will be responsible for the company's growth in the coming years. The company's recent uplisting to the NASDAQ and various corporate restructuring initiatives, including the merger with Next Frontier Pharma to improve its research skills and the acquisition of Ascent to create a complementary revenue-generating CRO, are highly encouraging pieces of news for the market which clearly haven't been factored into the current stock price. These are in addition to the company's strong pipeline, which serves a variety of multibillion-dollar businesses. With all of these developments, a stock priced at 63 cents appears to be highly affordable and supports our positive outlook. We believe that the company's pipeline could be successfully commercialized in the future, making it a great investment prospect. Overall, we believe that Jupiter has phenomenal growth prospects and is an excellent investment prospect. Open Equity Research looks to evaluate the different factors that could influence Jupiter Wellness' price in the near future and attempts to carry out an independent valuation of the company using a Discounted Cash Flow (DCF) methodology to determine a suitable price for the company's stock.

Growth & Margins	2021	2022E	2023E
Sales Growth	169.2%	254.2%	114.7%
EBITDA Margin	-171.9%	-34.3%	2.3%
EBIT Margin	-916.7%	-36.3%	1.3%
Net Profit Margin	-975.7%	-41.2%	-1.0%

Valuation Ratios	2021	2022E	2023E
EV/ Sales	0.4	6.4	6.1
EV/ EBITDA	0.2	NA	270.4
EV/ EBIT	NA	NA	469.0
Price/Earnings	NA	NA	NA

COMPANY OVERVIEW

Jupiter Wellness, Inc. is a well-known biopharma player that has recently pivoted from CBD to a wider biopharma research. The company was known for creating cannabidiol-based wellness products and medicinal therapies and using other innovative technologies. Its clinical product pipeline consists of CaniDermRX (JW-100), a brand-new topical preparation with aspartame and CBD for the treatment of dermatitis, eczema, and actinic keratosis, JW-101, a prescription product for the treatment of burns, and JW-200, a non-prescription lotion or lip balm for the treatment of cold sore symptoms. Additionally, the business manufactures, distributes, and sells a variety of products, such as CBD-infused skincare and sunscreen products under the CaniSkin and CaniSun brands, as well as dermatological pain and inflammation relief items under the CaniDermRX brand. Jupiter Wellness, formerly CBD Brands, Inc., changed its name after it significantly diversified its research beyond CBD. The company was established in 2018 and is headquartered in Jupiter, Florida.

KEY FACTORS DRIVING THE COMPANY'S PERFORMANCE

1. ATTRACTIVE PRODUCT LINE
2. ROBUST PIPELINE
3. THE CRO BUSINESS ACQUISITION
4. MERGER WITH NEXT FRONTIER PHARMA
5. EXPERIENCED MANAGEMENT TEAM

Attractive Product Line

	On Market		Manufacturing			Clinical Trials	
	Hair Loss	Sexual Wellness	Psoriasis	Vitiligo	Eczema	Herpes Cold Sores	Burns
Market	$4.2bn[1]	$80.1bn[2]	$24.33bn[3]	$1,24bn[4]	$11.77bn[5]	$825.24 m[6]	$2.3 bn[7]
Chronic	✓	✓	✓	✓	✓	✓	–
Specialty	✓	✓	✓	✓	✓	✓	✓
Stigma	✓	✓	✓	✓	✓	✓	–
OTC	✓	✓	✓	✓	✓	✓	✓

Source: Company Presentation

- The company has a solid pipeline as well as a number of ready-to-market products that are on the verge of commercialization and manufacturing.

- The Minoxidil Sulfotransferase Enzyme Booster, which targets the hair loss market, is the company's primary medicinal item. Clinical tests have shown that the product significantly increases the efficacy of topical minoxidil, a popular treatment for hair regeneration.

- Jupiter's Minoxidil Booster is believed to greatly boost the efficiency of minoxidil by increasing the generation of minoxidil sulphate. Several licence and distribution agreements for this product have been signed by some of the biggest minoxidil producers in Japan, including Sanpellegrino Cosmetics, Cosmofix Technology, and Taisho Pharmaceuticals.

- Additionally, Jupiter offers women's sexual wellness products that have been shown to improve breast sensitivity while also increasing sexual desire, lubrication, and orgasm in pre-and post-menopausal women.

- A commercial release of the product is planned for the fourth quarter of 2022 because it is currently being manufactured. According to the company's estimations, it serves a sizable market for items designed to arouse sexual desire, worth more than $10 billion. Photocil, a unique topical Over-the-Counter (OTC) drug for the treatment of atopic dermatitis, psoriasis, and vitiligo, is the other pharmaceutical from the company that is anticipated to go on sale in Q4 2022.

- The sole right to use the intellectual property in connection with the creation, distribution, marketing, advertising, and promotion of Photocil for the treatment of skin conditions like vitiligo and psoriasis has been granted to Jupiter Wellness by Applied Biology.

- In other words, the company is the sole licensee for Photocil in the United States. It will be looking to enter the $24.33 billion global psoriasis market based on the research by Fortune Business Insights.

Source: Company Presentation

- It is key to highlight that Jupiter has a wide distribution and has partnerships with all of the above-mentioned retailers which means that its products are expected to generate strong revenues once it implements its go-to-market strategy.

Robust Pipeline

- Jupiter's pipeline comprises three main candidates—JW-100, JW-300, and JW-400, targeting eczema, first-degree burns, and herpes cold sores, respectively and they are currently in clinical studies.

- Overall, the company's product portfolio might be regarded as strong. JW-100, the company's primary medical product candidate, is a topical medication for treating atopic dermatitis or eczema that combines CBD with aspartame for a dual mechanism of action and alleviation.

- The topical formulation of JW-100 cleaned up or reduced eczema after two weeks of usage in a recently finished Phase 1-equivalent multinational research.

- During the last phase of clinical trials, after 14 days, 50% of patients had clear or almost clear skin, compared to 15% in the placebo group, with no side effects.

- A Phase 3, double-blind, placebo-controlled, multi-centre trial is being conducted to determine whether JW-100 is more effective than the FDA-approved topical medication Eucrisa in treating mild-to-moderate eczema.

- JW-300, the other key candidate is a topical therapy for first-degree burns that inhibits the proteolytic enzymes responsible for inflammation and discomfort as well as the endocannabinoid system.

- The recent clinical trial involved a predetermined portion of the skin of participants to be exposed to UV light and was successfully completed by 36 patients.

- JW-300 patients considerably outperformed placebo-treated patients in terms of the percentage of participants who experienced burns. When given the JW-300, only 27% of patients experienced burns, compared to 61% of subjects in the placebo group.

- After radiation, the average erythema score for the patients who received JW-300 was 0.388 as opposed to 0.722 for the patients in the placebo arm.

- There has been a strong rise in the incidence of burn cases which is why this is also a growing addressable market. Lastly, JW-400 is one of the leading tropical treatment options for herpes labialis, having a dual mechanism of action and relief with CBD and ASN.

- It is worth highlighting that billions of dollars are spent each year on treating the herpes simplex virus. The company anticipates that it can complete the ongoing study by the end of 2022. It could be another major money spinner for Jupiter Wellness.

The CRO Business Acquisition

- Jupiter Wellness recently completed an asset purchase agreement, acquiring all key assets of a renowned contract research business, Ascent Clinical Research, Inc.
- This is a particularly relevant acquisition as many pharmaceutical companies develop their concepts and ideas into treatments that are marketable with the help of Ascent Clinical Research Solutions.
- It is a CRO comprising a team of professionals with organizational backgrounds who are experts in organizing, managing, and conducting clinical studies.
- Ascent has been contracted by some of the top biopharmaceutical companies in the world for Phase I–II–III studies and post-marketing observation programs.
- Several bioequivalence studies in various patient populations were also completed in Russia and Georgia in their own specialist hospital-based clinical pharmacology units and under multi-centre agreements.
- In this strategic asset purchase transaction, several clinical assets were bought, including contracts for clinical trial research with $3 million in yearly revenues which will be added to Jupiter's top-line.
- The management of Jupiter believes the valuation of the deal was very fair because it only paid about 5% of the expected future net revenues that the assets would provide for the merged company.
- The contracts and associated assets obtained have enhanced Jupiter's position as a major player in research and development. The management is now able to enter the highly profitable market for clinical research organizations and make an income while concurrently doing research.

Merger With Next Frontier Pharma

- Jupiter Wellness went on to acquire Next Frontier Pharmaceuticals, Inc. earlier in 2022 as a crucial step in developing its research. This collaboration makes it easier to build new cannabinoid- and hallucinogenic-focused drug formulation techniques.
- The only items held by Next Frontier Pharmaceuticals that have obtained U.S. FDA approval in the United States are CII Tetrahydrocannabinol, a liquid cannabinoid SYNDROS used in adults to treat chemotherapy-induced nausea as well as vomiting and anorexia associated with weight loss in adult patients with AIDS.
- Furthermore, the agreement develops the leading platform for the production of active medicinal components based on hallucinogens and synthetic cannabinoids.

- Next Frontier also holds 14 pending patents related to cannabinoid synthesis and cannabis farming methods, in addition to two patents that have been issued notices of allowance, including a fundamental method for the synthesis of cannabigerol and a unique broad-spectrum hemp powder.

- Next Frontier's 83,000 square foot manufacturing plant in Texas, which is also registered with the FDA, has been given by the DEA exemption permission to manufacture Schedule I through III restricted substances in a cGMP facility.

- With the use of an exemption licence, Next Frontier is able to export its goods across the globe.

Experienced Management Team

Brian John
CEO
View details

Glynn Wilson
CSO
View details

Douglas McKinnon
CFO
View details

Richard Miller
Director
View details

Dr. Hector Alila
Director
View details

Nancy Torres Kaufman
Director
View details

Source: Company Website

- Jupiter Wellness is led by CEO Brian John, an experienced professional who has served as a global advisor and investor for businesses for the past 20 years.

- Over the past 25 years, he has worked with many businesses across the globe. Brian is the founder of a highly successful financial consulting firm that supports developing growth companies, mainly in the sub-$100 million markets.

- Douglas McKinnon, the company's CFO, is another industry veteran who has ably supported Brian in his journey. Mr. McKinnon has gained financial, consulting, and operational expertise in various business sectors, including oil & gas, technology, cannabis, and communications, with his 35+ years of experience.

- He has held executive positions in the public and private sectors, such as chairman and CEO of an AMEX-listed company, vice president and chief administrative officer of a NASDAQ-listed company with a $12 billion market cap for which the management raised over $2.2 billion, the CFO of several publicly-held US, Canadian, and Australian companies, and CEO/CFO of numerous other private businesses.

- Besides, Mr. McKinnon has experience working for businesses ranging from start-ups with venture capital investment to publicly traded institutions supported businesses.

- He also has a wealth of experience in mergers, acquisitions, and turnaround situations. Glynn Wilson, the company's CSO, has a vast experience of success in corporate management and product development with tenures in many large as well as start-up biotech organizations.

- He formerly worked for Ciba-Geigy Pharmaceuticals as the head of the research area for advanced drug delivery. Glynn was also the Leader of Drug Delivery at SmithKline Beecham Pharmaceuticals, and the founder, CEO, and Chairman of TapImmune Inc. He created the clinical pathway and licenced the technology platforms for cancer vaccines at TapImmune.

- Moving to the Board of Directors, Jupiter has a highly independent and competent Board. It comprises professionals like Richard Miller, Dr. Hector Alila, and Nancy Kaufman.

- Richard has years of experience in providing strategic advice to businesses and has helped C-level executives with issues related to funding, growth, and other aspects of starting a business.

- He also contributed significantly to designing and introducing a complete line of boutique sun care products before the company's sale. Dr. Alila has 30 years of experience in managing the biopharmaceutical business and demonstrating scientific competence in product development.

- On the other hand, Nancy has a proven track record of producing innovations in the field of life sciences. Other team members include Christopher Melton, an expert analyst and Gary Herman, a seasoned investor with years of experience in investment and business.

- Overall, the Company is well-positioned with this highly talented and expert team.

HISTORICAL FINANCIAL STATEMENTS & PROJECTIONS

Particulars	31-12-2020	31-03-2021	30-09-2021	31-12-2021
Revenues	0.7	1.5	0.7	3.0
% growth		*123.2%*	*-53.2%*	*316.7%*
Cost of Goods Sold	0.7	1.2	0.6	2.5
% of revenue	*100.0%*	*79.2%*	*83.3%*	*83.3%*
Gross Income (excl. D&A)	0.0	0.3	0.1	0.5
% of revenue	*0.0%*	*20.8%*	*16.7%*	*16.7%*
EBITDA	-3.6	-16.8	-2.8	-0.9
% of revenue	*-517.4%*	*-1087.7%*	*-393.1%*	*-29.0%*
Depreciation & Amortization	0.0	0.2	0.0	0.0
% of Fixed Assets		*7.3%*	*1.2%*	*0.9%*
Extraordinary Expenses	0.0	0.3	0.0	0.0
EBIT (incl. extraordinary exp)	-3.6	-16.9	-2.9	-0.9
% of revenue	*-523.2%*	*-1100.0%*	*-397.2%*	*-29.8%*
Pretax Income	-4.8	-16.9	-2.9	-1.4
% of revenue	*-697.1%*	*-1100.0%*	*-405.6%*	*-48.0%*
Income Tax	0.0	0.0	0.0	0.0
% rate	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Net Income	-4.8	-16.9	-2.9	-1.4
% of revenue	*-697.1%*	*-1100.0%*	*-405.6%*	*-48.0%*

- Let us start off with analyzing the most recent and historical quarterly data reported by the company.
- Jupiter has reported a top-line of $3 million in its recent quarterly result which is a 316.67% appreciation over the previous quarter. The company reported a positive gross margin of 16.67% for the quarter ended 31-12-2021.
- Its EBITDA for the quarter was $-0.871 million and the EBITDA margin was -29.03%. This was a 364.02% margin expansion at the EBITDA level which is definitely a positive outcome.
- Jupiter's operating income (EBIT) was reported at $-0.893 million and a margin of -29.77%. This EBIT margin grew by 367.46% in this quarter. The company's pre-tax margin for the quarter was -48.00%.
- Jupiter reported a net income of $-1.44 million which resulted in a diluted earnings per share (EPS) of $-0.24. The company's net margin was -48.00%.
- Jupiter burnt $-0.997 million in terms of operating cash flows for the 0 months period ended 31-12-2021.
- The company was able to convert about 57.10% of its revenues into operating cash flows in the recent quarter.
- This quarter's EBITDA-to-operating cash flow conversion ratio is -196.67%
- Overall, Jupiter delivered a negative free cash flow of $2.307 million for the past 6 months.

Particulars	**2019**	**2020**	**2021**
Revenues	0.0	1.1	2.9
% growth		*10600.0%*	*169.2%*
Cost of Goods Sold	0.0	0.6	2.3
% of revenue	*200.0%*	*57.9%*	*81.3%*
Gross Income (excl. D&A)	0.0	0.5	0.5
% of revenue	*-100.0%*	*42.1%*	*18.8%*
EBITDA	-0.8	-5.0	-5.4
% of revenue	*-7600.0%*	*-462.6%*	*-186.1%*
Depreciation & Amortization	0.2	1.2	21.0
% of Fixed Assets		*79.9%*	*812.3%*
Extraordinary Expenses	0.0	1.0	-0.4
EBIT (incl. extraordinary exp)	-0.9	-6.2	-26.4
% of revenue	*-9200.0%*	*-577.6%*	*-916.7%*

Pretax Income	-0.9	-6.3	-28.1
% of revenue	*-9300.0%*	*-587.9%*	*-975.7%*
Income Tax	0.0	0.0	0.0
% rate	*0.0%*	*0.0%*	*0.0%*
Net Income	-0.9	-6.3	-28.1
% of revenue	*-9300.0%*	*-587.9%*	*-975.7%*

- When we analyze the company's annualized historical income statement, we see that the top-line was $2.88 million for the previous financial year ending in 2021.
- The revenue growth was 169.16% in 2021 as compared to around 10600.00% in 2020.
- Jupiter's cost of goods sold has increased from 57.94% to 81.25% as a percentage of the top-line resulting in a drop in the gross margins.
- The company's overall annual EBITDA margin of -186.15% is lower than the reported quarterly EBITDA margin for the most recent quarter.
- Non-cash expenses in the form of depreciation and amortization have gone up as compared to the result in 2020.
- In terms of the bottom-line, Jupiter reported an operating income (EBIT) of $-26.4 million and a net income of $-28.1 million resulting in an EPS of $-1.69.
- The slightly worrying news for investors holding the stock is that its net margin had decreased from -587.85% in 2020 to -975.69% in 2021.

Particulars	**2019**	**2020**	**2021**
Assets			
Net Intangible Fixed Assets	0.0	1.5	1.7
Net Tangible Fixed Assets	0.0	0.0	0.9
Total Fixed Assets	**0.0**	**1.5**	**2.6**
% of revenue	*0.0%*	*143.9%*	*89.9%*
LT Investments	0.0	0.0	0.0

Inventories	0.1	0.2	0.3
% of revenue	*1400.0%*	*21.5%*	*10.4%*
Accounts Receivable	0.0	0.3	0.7
% of revenue	*0.0%*	*24.3%*	*24.3%*
Cash and ST Investments	0.5	4.4	14.7
% of revenue	*5300.0%*	*410.3%*	*509.0%*
Other Current Assets	0.1	0.1	0.6
Total Current Assets	**0.8**	**5.0**	**16.3**
Other Assets	0.0	0.0	0.0
Total Assets	**0.8**	**6.5**	**18.9**
Liabilities & Shareholder's Equity			
Equity & Minorities	0.4	4.4	16.6
LT Debt	0.0	0.0	0.0
Other LT Liabilities	0.0	0.0	0.7
Total LT Liabilities	**0.0**	**0.0**	**0.7**
ST Debt	0.3	1.3	0.1
Accounts Payable	0.0	0.7	1.2
% of COGS	*100.0%*	*64.5%*	*43.1%*
Other ST Liabilities	0.0	0.1	0.3
Total Current Liabilities	**0.3**	**2.1**	**1.6**
Total Liabilities	**0.4**	**2.1**	**2.3**

Total Liabilities & Shareholder's Equity	**0.8**	**6.5**	**18.9**

- Moving on to the company's historical annualized balance sheet, when we analyze the fixed assets versus the revenues, we see that the percentage has evolved from 143.93% to 89.93%
- Its receivables of $0.7 million are about 24.31% of the top-line.
- Jupiter has close to $14.66 million in terms of liquidity i.e. cash and short term investments.
- On the other hand, its payables for 2021 account for around 43.06% of the cost of goods sold.
- The company's long term debt is around 0.0x times its equity. .

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Other Metrics	**2019**	**2020**	**2021**
Total Cash Dividends Paid	0.00	0.00	0.00
% growth	*NA*	*NA*	*NA*
Total Common Shares Outstanding	8	11	24
% change		*36.1%*	*125.6%*
Dividend Per Share	0.00	0.00	0.00
% change	*NA*	*NA*	*NA*

Operating Ratios	**2019**	**2020**	**2021**
Receivables Turnover	NA	4.1	4.1
Days Receivable	NA	88.7	88.7
Inventory Turnover	0.1	2.7	7.8
Inventory Days	2555.0	135.4	46.8
Payables Turnover	2.0	0.9	1.9
Days Payable	182.5	406.2	193.4
Fixed Asset Turnover	NA	0.7	1.1
Total Asset Turnover	0.0	0.2	0.2

Other Performance Ratios	2019	2020	2021
Return on Assets	-124.0%	-96.3%	-148.9%
Return on Equity	-244.7%	-143.3%	-169.3%

- The company does not pay any dividend.
- Jupiter's total common shares outstanding have increased in 2021 by 125.61% implying a share issuance.
- The receivables turnover helps quantify a company's effectiveness in collecting the money owed by clients and demonstrates how well it uses and manages the credit it extends to customers.
- As per the days receivable, the company takes an average period of 88.7 days to collect money from its clients which appears to be reasonable.
- The inventory turnover shows the number of times a given company has sold and replaced inventory during the year and is an indicator of how many days of working capital is blocked in inventory.
- As per the inventory days ratio, Jupiter holds an average inventory of 46.8 days which appears to be reasonable.
- The accounts payable turnover is a short-term liquidity measure used to quantify the rate at which a company pays off its suppliers. It shows how many days of credit a company gets from its suppliers.
- As per the days payable, the company takes an average period of 193.4 days to pay off its creditors which appears to be reasonable.
- The fixed asset turnover ratio measures how well a company generates sales from its tangible as well as intangible fixed assets. The higher the ratio, the greater the company's efficiency to its assets to generate revenues.
- Jupiter's fixed assets turnover ratio of 1.1 has increased in 2021 indicating that the company is generating greater revenues from its fixed assets.
- The total asset turnover ratio measures the value of a company's sales or revenues relative to the value of its assets. The higher the asset turnover ratio, the more efficient a company is, with respect to using its assets to generate revenues.
- Jupiter's total assets turnover has decreased to 0.15 in 2021.
- Return on assets is an excellent indicator of how efficient a company's management is in generating earnings from their economic resources or assets on their balance sheet.
- On the other hand, the return on equity of a company measures the value creation of the management and profitability in relation to stockholders' equity.
- The company's overall Return on Assets is -148.91%. Jupiter's Return on Equity is -169.28%. The company's Return on Equity is lower than its Return on Assets and this is because it does not resort to using significant capital gearing.

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Particulars	2019	2020	2021	2022E	2023E	2024E
Revenues	0.0	1.1	2.9	10.2	21.9	38.5
% growth		*10600.0%*	*169.2%*	*254.2%*	*114.7%*	*75.9%*
Cost of Goods Sold	0.0	0.6	2.3	7.8	15.5	24.2
% of revenue	*200.0%*	*57.9%*	*81.3%*	*76.5%*	*70.8%*	*62.9%*
Gross Income (excl. D&A)	0.0	0.5	0.5	2.4	6.4	14.3
% of revenue	*-100.0%*	*42.1%*	*18.8%*	*23.5%*	*29.2%*	*37.1%*
EBITDA	0.0	-0.8	-5.0	-3.5	0.5	8.4
% of revenue	*0.0%*	*-71.0%*	*-171.9%*	*-34.3%*	*2.3%*	*21.8%*
Depreciation & Amortization	0.0	0.2	0.2	0.2	0.2	0.2
EBIT	-0.9	-6.2	-26.4	-3.7	0.3	8.2
% of revenue	*-9200.0%*	*-577.6%*	*-916.7%*	*-36.3%*	*1.3%*	*21.2%*
EBT (GAAP)	-0.9	-6.3	-28.1	-4.2	-0.2	7.7
% of revenue	*-9300.0%*	*-587.9%*	*-975.7%*	*-41.2%*	*-1.0%*	*19.9%*
Net Income (GAAP)	-0.9	-6.3	-28.1	-4.2	-0.2	7.7
% of revenue	*-9300.0%*	*-587.9%*	*-975.7%*	*-41.2%*	*-1.0%*	*19.9%*
Earnings Per Share (GAAP)	-0.12	-0.86	-1.69	-0.20	-0.01	0.32

Particulars	2019	2020	2021	2022E	2023E	2024E
Net Income (GAAP)	-0.9	-6.3	-28.1	-4.2	-0.2	7.7
+ Depreciation & Amortization	0.0	0.2	0.2	0.2	0.2	0.2
+/- Working Capital, Deferred Taxes & Other Adjustments	0.2	3.4	20.3	1.1	0.4	-0.1
Cash Flow from Operations	**-0.7**	**-2.7**	**-7.6**	**-2.9**	**0.4**	**7.8**
% of EBITDA	*#DIV/0!*	*359.2%*	*152.9%*	*82.9%*	*84.0%*	*92.5%*
Net Capex	0.0	0.0	0.0	0.0	0.0	0.0
% of revenues	*0.0%*	*3.7%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Other Investment Cash Flow items	0.0	-0.2	-12.9	-12.9	-12.8	-12.7
Cash Flow after Investments	**0.0**	**-0.2**	**-12.9**	**-12.9**	**-12.8**	**-12.7**

Free Cash Flow	**-0.7**	**-2.8**	**-7.6**	**-2.9**	**0.4**	**7.8**

Growth & Margins	**2019**	**2020**	**2021**	**2022E**	**2023E**	**2024E**
Sales Growth		10600.0%	169.2%	254.2%	114.7%	75.9%
EBITDA Margin	0.0%	-71.0%	-171.9%	-34.3%	2.3%	21.8%
EBIT Margin	-9200.0%	-577.6%	-916.7%	-36.3%	1.3%	21.2%
Net Profit Margin	-9300.0%	-587.9%	-975.7%	-41.2%	-1.0%	19.9%

Leverage Ratios	**2019**	**2020**	**2021**	**2022E**	**2023E**	**2024E**
Net Debt	-1	-4	-15	-12	-12	-20
Net Debt/ Equity	-1.4	-0.8	-0.9			
Net Debt/ EBITDA	NA	NA	NA	NA	NA	NA

- Now let us move on to Baptista Research's forecasts for Jupiter's income statement and cash flows.
- We forecast a top-line growth of 254.2% for 2022, around 114.7% for 2023, and about 75.9% for 2024.
- This growth is expected to translate into an EBITDA of $-3.503 million in 2022 with a margin of -34.34%.
- Jupiter's EBIT margin is expected to be -36.30% in 2022, about 1.30% in 2023, and 21.20% in 2024.
- Our estimate for the company's Net Income (GAAP) is $-4.2025 million implying a net margin of -41.20% and resulting in an earnings per share of $-0.20.
- We expect the growth to follow a similar trend in 2023 and 2024.
- In terms of the cash flows, we expect Jupiter to generate around $-2.903987 million in operating cash flows in 2022.
- This implies an EBITDA-to-Operating-Cash-Flow conversion ratio of 82.90%
- Jupiter is expected to invest a lower amount in capex and other investing activities in 2022.
- Overall, the company is expected to generate free cash flows to the tune of $-2.903987 million in 2022.
- Jupiter's Net Debt is expected to increase in 2022 and is expected to follow a similar trend over the coming years.
- The Net Debt-to-EBITDA ratio is a measure of leverage, calculated as a company's interest-bearing liabilities minus cash or cash equivalents, divided by its EBITDA. It shows how many years it would take for a company to pay back its debt if net debt and EBITDA are held constant.
- Jupiter's Net Debt-to-EBITDA ratio is expected to be NA in 2022 which indicates that the company is over-leveraged.
- Net-Debt-to-Equity ratio, also known as the gearing ratio shows how encumbered a company is with its debt.
- The company's Net Debt-to-Equity ratio for 2021 is -0.88 and it indicates that the company has no gearing.

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DISCOUNTED CASH FLOW (DCF) VALUATION

Key DCF Assumptions	
WACC	14.0%
CoD	20.0%
CoE	13.6%
Market Rate	6.0%
Risk Free Rate	1.6%
Beta	2
Perpetual Growth Rate (g)	11.3%
Terminal Value	284
Tax Rate	0.0%

- For the purpose of carrying out the discounted cash flow valuation of Jupiter, we have used the standard capital asset pricing model (CAPM).
- We have used a 6.0% equity market risk premium based on the S&P 500 returns for the past 5 years.
- The risk-free rate has been assumed as the 10-year Treasury Constant Maturity Rate of the U.S. at 1.60%.
- The company's stock is more volatile than the market as a whole and has a beta of 2.0 which we shall use without leveraging the same as we are going for the enterprise value approach.
- This is used in order to arrive at the cost of equity (CoE) of 13.6% which appears reasonable for a company like Jupiter.
- Based on the company's long term debt and interest payments, the cost of debt is 20.0%.
- After incorporating the CoE and the CoD and average tax rate of 0.0%, we arrive at a Weighted Average Cost of Capital (WACC) of 14.0%.
- The terminal value is a key component of any DCF valuation as it accounts for the largest chunk of the total projected value of the company. There are a number of methodologies used to determine the same such as the perpetual growth rate method or the multiples method.
- In this case, we have gone ahead and determined the terminal value by applying the current EV/Sales ratio of 6.6 to our forecasted revenues of 2024.

EV and Market Cap	Current	2022E	2023E	2024E

Price ($)	0.6	3.3	5.6	10.5
Outstanding Number of shares (million)	22	24	26	26
Total Market Cap (billion)	0.01	0.08	0.15	0.27
Net Debt	-15	-12	-12	-20
Enterprise Value (billion)	0.00	0.07	0.13	0.25

- After applying the discount rate (WACC) of 14.0%, we arrive at a price target of $3.3 for 2022.
- Our target price at the end of 2023 is $5.6 and for 2024 is $10.5 which implies a total appreciation of nearly 1560.8% in the coming 3 years in the stock price.
- During this phase, we see the EV/ EBITDA to be in the range of 30.09 and 270.45
- The EV/ EBIT will be in the range of 30.90 to 469.00 over the coming 3 years.

Valuation Ratios	**Current**	**2022E**	**2023E**	**2024E**
EV/ Sales	-0.4	6.4	6.1	6.6
EV/ EBITDA	0.2	NA	270.4	30.1
EV/ EBIT	0.0	NA	469.0	30.9
Price/Earnings	NA	NA	NA	35.5

KEY RISKS

- It is important to highlight the key risks associated with an investment in Jupiter Holdings as well as the inherent risks associated with the financial projections and price forecasts presented in this report.

- Jupiter Wellness is a development stage company with negligible commercial sale, nominal revenues (excluding the CRO business) and may never achieve revenues or profitability.

- Its ability to generate revenue depends heavily on the company's ability to seek and obtain regulatory approvals, including with respect to the indications they are seeking; the successful commercialization of its products, and market acceptance of its products.

- Jupiter Wellness will need to raise substantial additional capital in the future to fund operations and it may be unable to raise such funds when needed and on acceptable terms.

- The development of CBD-based products is a time-consuming process, subject to a number of factors, many of which are outside of its control.

- Consequently, the management can provide no assurance of the successful and timely development of its products. Also, the Jupiter management must comply with significant and complex government regulations, compliance with which may delay or prevent the commercialization of its products.

- They can provide no assurance that its products will obtain regulatory approval or that the results of clinical studies will be favorable.

- Preclinical and clinical studies of its products may not be successful. If the company is unable to generate successful results from preclinical and clinical studies of its candidates, or experience significant delays in doing so, its business may be materially harmed.

- Even if the management manages to have positive results from the preclinical testing of products, this may not necessarily be predictive of the results from its planned clinical trials in humans.

- If Jupiter Wellness fails to produce positive results in its clinical trials, the development timeline and regulatory approval and commercialization prospects for its products, and, correspondingly, its business and financial prospects, would be materially adversely affected.

- Jupiter Wellness' R&D expenses in turn, are subject to variation based on a number of factors, many of which are outside of its control. A sudden or significant increase in R&D expenses could materially and adversely impact the company's results of operations.

- Jupiter Wellness' ability to develop new products and generate any form of revenue is on the assumption that the company will be able to sign licensing agreements with other pharma companies and also in its ability to start selling its delivery devices. If these events fail to occur then there is a limited possibility of the company's stock appreciating.

- It is worth highlighting that the extent to which Covid-19 impacts the financial results of the company is highly uncertain and could significantly disrupt the operations including sales, manufacturing and supply chain-related activities. It could also result in social, economic, and labor instability in the countries where the customers and suppliers operate.

- With respect to our price projection, we would like to clarify that the valuation of Jupiter Holdings in this report is specific to the date of the analysis i.e. 18-08-2022.

- Another one of the biggest risks to Jupiter Holdings' model is the fact that the company's top-line growth is assumed to be consistently growing by a certain rate in the model. There is a possibility that this assumption might not hold true if the COVID-19 situation persists for too long. With respect to our price projection, we would like to clarify that the valuation of Jupiter Holdings in this report is specific to the date of the analysis i.e. 18th August 2022.

- We must emphasize that the projected valuation and the share price of Jupiter Holdings are dependent on the realization of the revenue growth, free cash flows and the other assumptions taken into account. Our analysis cannot be directed to providing any assurance about the achievability of these financial forecasts. There is a possibility that the actual results of the company are different from the projected results as a result of unexpected events and circumstances such as the realization of the threats mentioned in the paragraph above. Lastly, we would like to clarify that we had no interaction with the management of the company and they did not comment on the achievability or the reasonableness of the assumptions underlying the financial forecasts. Please check out our detailed disclosures at the end for further details.

ANALYST RATINGS

- Buy: Expected to outperform market over next 6 to 12 months. Minimal risk to fundamentals and valuation. Good long-term investment.
- Outperform: Expected to outperform the market over next 6 to 12 months but there is a moderate risk to fundamentals and valuation.
- Sell: Expected to significantly underperform the market over next 6 to 12 months. There is a strong likelihood of the security delivering negative returns and a very high risk to fundamentals and valuation.
- Underperform: Expected to underperform the market over next 6 to 12. There is a moderate to high risk to fundamentals and valuation.
- Hold: Expected to perform in line with the market over next 6 to 12 months. However, there is a moderate to high risk to fundamentals and valuation.

ANALYST INDUSTRY VIEWS

- Attractive: The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.
- In-Line: The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.
- Cautious: The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.
- Benchmarks for each region are as follows: North America - S&P 500; Latin America – MSCI EM Latin America Index; Europe – MSCI Europe; Japan - TOPIX; Asia - relevant country index or sub-regional index. Please contact us to know the relevant index in case it is not specified in the report.

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