

INITIATION OF COVERAGE

Equity | Healthcare/ Biopharma

Organicell Regenerative Medicine, Inc.
(OTCQB:OCEL; Target Price: \$0.32)

The developments in nanotechnology are responsible for transforming the face of many industries including pharmaceuticals and biotechnology. With these developments, we have seen an emergence of many small companies applying a combination of nanotechnology and specialized knowledge in healthcare in order to come up with novel drugs and treatments for various diseases. Organicell is one such player that has made some remarkable progress in its research and has two active drug candidates in the pipeline. The company's candidates could provide an effective treatment for various disorders such as osteoarthritis, chronic obstructive pulmonary disease, SARS-CoV-2, and more. Organicell is catering to many multi-billion-dollar industries and has a compelling investment case in its favor.

INVESTMENT THESIS

This is our first report on Organicell 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. Organicell's drug candidates' utilization of extracellular vesicles and perinatal-derived nanoparticles, represent the technological revolution of regenerative biologic drug treatments. The management is dedicated to finishing its clinical trials in the near future especially with respect to Zofin as it wants to create an FDA-approved COVID-19 therapy option. With all of these developments, a stock priced at 4 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 Organicell has phenomenal growth prospects and is an excellent investment prospect. Baptista Research looks to evaluate the different factors that could influence Organicell's 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.

COMPANY OVERVIEW

Organicell Regenerative Medicine, Inc. is a clinical-stage biopharmaceutical company that focuses on creating biological therapies to treat degenerative disorders. The company's top product candidate is Zofin, an acellular, biologic treatment derived from perinatal sources and produced to preserve naturally occurring microRNAs without adding or mixing any other material or diluent. Zofin is currently in the Phase I/II clinical trial to treat COVID-19 and has applications in many other ailments. Organicell has an R&D partnership with the Center for Disease Control and Prevention to assess Zofin's anti-inflammatory and anti-infective efficacy in experimental models of influenza infection. It also has a research and development agreement with Oklahoma State University to assess Zofin's suitability for treating respiratory illnesses brought on by viruses with the potential to cause a pandemic. Organicell also offers independent marketing, advertising, and education services to healthcare, anti-aging, and regenerative providers. In June 2018, the company changed its name from Biotech Products Services and Research, Inc. to Organicell Regenerative Medicine, Inc. The company was incorporated in 2011 and has its headquarters in Miami, Florida.

Key Report Highlights

| | |
|----------------|-----------------|
| Industry View: | Attractive |
| Stock Rating: | Buy |
| Price Target: | \$0.32 |
| Current Price: | \$0.04 |
| 52-Week-Range: | \$0.01 - \$0.11 |

| Annual Income Statement | 2021 | 2022E | 2023E |
|--------------------------------|-------------|--------------|--------------|
| Revenues | 5.60 | 10.10 | 21.20 |
| Cost of Goods Sold | 0.55 | 1.20 | 2.80 |
| Gross Income (excl. D&A) | 5.05 | 8.90 | 18.40 |
| EBITDA | -12.44 | -7.60 | 0.90 |
| EBIT (incl. extraordinary exp) | -12.74 | -7.60 | 0.90 |
| Net Income | -12.76 | -8.10 | 0.40 |
| Cash from Operations | -2.61 | -2.96 | 0.73 |
| Free Cash Flows | -5.00 | -8.96 | 0.73 |

| Growth & Margins | 2021 | 2022E | 2023E |
|-----------------------------|-------------|--------------|--------------|
| Sales Growth | 83.0% | 80.4% | 109.9% |
| EBITDA Margin | -222.1% | -75.2% | 4.2% |
| EBIT Margin | -227.5% | -75.2% | 4.2% |
| Net Profit Margin | -227.9% | -80.2% | 1.9% |

| Valuation Ratios | 2021 | 2022E | 2023E |
|-------------------------|-------------|--------------|--------------|
| EV/ Sales | 10.5 | 48.3 | 35.2 |
| EV/ EBITDA | NA | NA | 829.0 |
| EV/ EBIT | NA | NA | 829.0 |
| Price/Earnings | NA | NA | 1844.7 |

KEY FACTORS DRIVING THE COMPANY'S PERFORMANCE

| | |
|----|------------------------------------|
| 1. | ZOFIN & ITS UNIQUE TECHNOLOGY |
| 2. | THE PURE-X OFFERING |
| 3. | THE HYDRAFACIAL PARTNERSHIP |
| 4. | HIGHLY EXPERIENCED MANAGEMENT TEAM |

Zofin & Its Unique Technology

- OrganiceLL's core offering, Zofin, is an acellular biologic therapy sourced from prenatal sources prepared to preserve naturally occurring microRNAs without including any additional material or diluent.
- In addition to various exosomes or nanoparticles produced from perinatal tissues, this product comprises over 300 growth factors, chemokines, cytokines, and 102 distinct microRNAs.
- The U.S. FDA has granted the company a number of investigational new drugs and 18 emergency IND approvals as of this point, along with the necessary Institutional Review Board approvals, allowing the company to begin clinical trials or treatments involving the use of Zofin and associated treatment protocols.
- It is worth highlighting that the company is making efforts to finish the clinical studies that have already received approval and to obtain approval to start new studies for other specific indications.
- The management has identified that using their products will provide more favorable and desired health benefits for patients looking for alternative treatment options than are currently available.
- Besides, its potential to be successful in these endeavours depends on its working capital to cover the high costs of finishing clinical studies, which it does not currently have, and ultimately winning FDA approval.
- The management has described and evaluated the natural biological characteristics of Zofin at the molecular level and found that it contains extracellular vesicles that carry miRNA that aid in the control and stimulation of the immune system.

- The presence of these miRNAs may enhance immune system response, reduce viral proliferation, and lessen the severity of COVID-19 infection.
- Similarly, the company has discovered miRNA that targets ACE2, the crucial protein implicated in COVID-19 infection. Pre-clinical studies looking into these diverse mechanisms are currently being conducted.

The Pure X Offering

| PRODUCT PROGRAM | THERAPEUTIC AREA | RESEARCH / DISCOVERY | IND-ENABLING STUDIES | PHASE 1 | PHASE 2 | PHASE 3 |
|-----------------|-----------------------|----------------------|----------------------|---|---------------------------------|---------|
| Zofin | COVID-19 | ✓ | IND Approval | Phase I/II Moderate to Severe COVID-19 Infection | | |
| | | | IND Approval | Expanded Access for Mild to Moderate COVID-19 Infection | | |
| | COVID-19 Long Haulers | ✓ | IND Approval | Phase I/II for COVID-19 Long Haulers | | |
| | COPD | ✓ | IND Approval | Phase I/II for COPD | | |
| | Knee Osteoarthritis | ✓ | IND Approval | Phase I/II for Knee Osteoarthritis | | |
| | Cardiac | In Progress | | | Estimated Trial Initiation 2022 | |
| Pure X | Autoimmune | In Progress | | | Estimated Trial Initiation 2023 | |
| | Musculoskeletal | In Progress | | | Estimated Trial Initiation 2023 | |
| | Neurology | In Progress | | | Estimated Trial Initiation 2023 | |

Source: Company Presentation

- We can see the vast prospective application of Zofin along with its progress with the U.S. FDA in the above snapshot but the company also has another promising product in its pipeline called the Patient Pure X™, abbreviated as Pure X.
- The Patient Pure X is OrganiceLL's first autologous product. It is a naturally occurring biologic containing a patient's peripheral blood nanoparticle fraction.
- Since October 2021, the company has been taking small orders for this service and it is a revenue stream. Similar to where the growth factors in platelet rich plasma come from, signaling molecules may be carried by nanoparticles made of platelets and peripheral blood mononuclear cells to promote regeneration.
- At OrganiceLL's cGMP-compliant production facility, the company will process PPXTM entirely. It is catering to the same cell therapy market where PRP (platelet-rich plasma) is used these days.
- According to a report by Fior Markets, the global market for autologous cell therapy is anticipated to increase from \$9.29 billion in 2019 to \$42.68 billion by 2027, expanding at a CAGR of 21.00% over the forecast period of 2020–2027.

- The Pure X could be another major money spinner for the company in the years to come especially in the hair regrowth market.

The Hydrafacial Partnership



Source: Company Website

- Organicell recently announced its collaboration with the Beauty Health Company, the parent company of flagship brand Hydrafacial, to develop the first exosome booster for the market to treat wrinkles and skin irritation.
- Once created, the booster will use cutting-edge exosome technology based on regenerative medical treatments and be offered as a tailored therapy supplement for Hydrafacial.
- Small membrane vesicles called exosomes are most effective at promoting wound healing and reducing inflammation. When supplied as a booster through Hydrafacial's superior delivery technology, these advantages will aid in treating the skin and addressing indications of aging.
- Since Hydrafacial can add billions of exosomes in each booster vial using Organicell's technology, which uses exosomes that contain over 300 cytokines, chemokines, and growth factors that were obtained under cGMP guidelines.
- They will further foster cellular communication, repair, and regeneration within the booster to address aging and inflammation symptoms more effectively than ever. This collaboration further represents a significant development in Hydrafacial's co-creation and partnership-focused boosting approach.
- The research department at Organicell will collaborate with Hydrafacial to demonstrate the effectiveness of how this new booster treatment may lessen inflammation, improve collagen, and boost elastin while extending the advantages of a conventional Hydrafacial.
- This collaboration is the first of several that the company is pursuing in the aesthetic and hair industries. Besides, they anticipate that this partnership will pave the way for their science team to gather data that may help prove the efficiency of their products on hair restoration and in various contemporary skincare and aftercare products.
- While Hydrafacial is its own market, and they have granted them exclusivity for their applications, Hydrafacial is a distinct industry.
- On the other hand, extracellular vesicles are naturally anti-inflammatory. With the help of their patent-pending method, they can concentrate up to 600 billion EVs per milliliter, each containing more than 300 cytokines, chemokines, and growth factors.
- The scientific department of Organicell will investigate whether specific extracellular vesicle characteristics could be applied to hasten healing and minimize swelling in hair transplant treatments.

Experienced Management Team

EXECUTIVE LEADERSHIP



Matt Sinnreich

Chief Executive Officer
Chief Operational Officer



Dr. Maria Ines Mitrani

Chief Science Officer
Co-Founder & Board



Dr. George Shapiro

Chief Medical Officer
Board Member



Ian T. Bothwell

Chief Financial Officer
Board Member



Albert Mitrani

Executive VP of Sales
Co-Founder

Source: Company Website

- Matthew Sinnreich, the founder of Organicell, is leading the company with his years of experience as a self-employed entrepreneur, investor, and developer in the real estate, securities, and early-stage start-up areas.
- He has bought and sold a variety of properties, including luxury houses, either personally or as a partner in a number of organizations. He has also constructed, managed, and run several real estate ventures, including an apartment complex and different office and commercial buildings.
- Mr. Sinnreich has also been in charge of securing the funding for these initiatives and has successfully traded assets for his own account in the debt, equity, and derivative markets.
- Mr. Sinnreich is also skilled in providing loan and equity financing for several early-stage businesses, including Organicell, both directly as an investor and in collaboration with different business partners.
- Ian T. Bothwell, Organicell's Chief Financial Officer, is another highly experienced industry veteran. He worked at Central Energy GP LLC, the general partner of Central Energy Partners LP, a formerly publicly traded master limited partnership. Before joining Organicell,
- Mr. Bothwell served as the president and director of Regional Enterprises, Inc, the president and controlling member of Rover Advanced Technologies, LLC, and the president and controlling shareholder of CountOnMe Inc.
- Ryan Likes, the company's new Chief Operating Officer, is a seasoned executive in operations, business, and law with an emphasis on establishing new projects.
- Mr. Likes was an investor in and interim head of business operations of BIG3 Basketball from 2021 before joining Organicell. He worked on special projects as the vice president of the System Property Development Company.
- Before that, he served as a co-chief operating officer of Super Deluxe, a Turner Broadcasting firm. Additionally, he served as Grupo Televisa's Chief of Operations and Business Affairs, where he was involved in creating the company's English-language television studio.
- Overall, with such a highly experienced management at the helm, it is safe to say that the company's future is in safe hands.

HISTORICAL FINANCIAL STATEMENTS & PROJECTIONS

| Particulars | 30-04-2021 | 31-07-2021 | 31-10-2021 | 31-07-2022 |
|--------------------------------|------------|------------|------------|------------|
| Revenues | 1.7 | 1.6 | 1.7 | 1.7 |
| <i>% growth</i> | | -4.2% | 8.7% | -1.7% |
| Cost of Goods Sold | -0.1 | -0.2 | -0.1 | -0.2 |
| <i>% of revenue</i> | -6.6% | -9.4% | -7.5% | -12.3% |
| Gross Income (excl. D&A) | 1.6 | 1.5 | 1.6 | 1.5 |
| <i>% of revenue</i> | 93.4% | 90.6% | 92.5% | 87.7% |
| EBITDA | -0.9 | -1.6 | -1.2 | -2.7 |
| <i>% of revenue</i> | -56.3% | -101.9% | -71.3% | -159.6% |
| Depreciation & Amortization | 0.0 | 0.0 | 0.0 | 0.0 |
| <i>% of Fixed Assets</i> | 0.7% | 0.7% | 1.1% | 1.9% |
| Extraordinary Expenses | 0.0 | 0.0 | 0.0 | 0.0 |
| EBIT (incl. extraordinary exp) | -1.0 | -1.6 | -1.3 | -2.8 |
| <i>% of revenue</i> | -56.9% | -102.5% | -72.4% | -161.4% |
| Pretax Income | -1.0 | -1.7 | -1.5 | -2.7 |
| <i>% of revenue</i> | -57.5% | -105.6% | -83.9% | -159.6% |
| Income Tax | 0.0 | 0.0 | 0.0 | 0.0 |
| <i>% rate</i> | 0.0% | 0.0% | 0.0% | 0.0% |
| Net Income | -1.0 | -1.7 | -1.5 | -2.7 |
| <i>% of revenue</i> | -57.5% | -105.6% | -83.9% | -159.6% |

- Let us start off with analyzing the most recent and historical quarterly data reported by the company.
- OrganiceLL has reported a top-line of \$1.71 million in its recent quarterly result which is a -1.72% depreciation over the previous quarter.
- The company reported a positive gross margin of 87.72% for the quarter ended 31-07-2022.
- Its EBITDA for the quarter was \$-2.73 million and the EBITDA margin was -159.65%.
- This was a -88.38% margin contraction at the EBITDA level which is definitely a negative outcome.
- OrganiceLL's operating income (EBIT) was reported at \$-2.76 million and a margin of -161.40%.
- This EBIT margin dropped by 88.99% in this quarter.
- The company's pre-tax margin for the quarter was -159.65%.
- OrganiceLL reported a net income of \$-2.73 million which resulted in a diluted earnings per share (EPS) of \$0.
- The company's net margin was -159.65%.

| Particulars | 2018 | 2019 | 2020 | 2021 |
|--------------------------------|---------|---------|---------|---------|
| Revenues | 1.0 | 1.7 | 3.1 | 5.6 |
| <i>% growth</i> | | 77.1% | 80.0% | 83.0% |
| Cost of Goods Sold | 0.2 | 0.3 | 0.4 | 0.6 |
| <i>% of revenue</i> | 21.9% | 17.6% | 13.1% | 9.8% |
| Gross Income (excl. D&A) | 0.8 | 1.4 | 2.7 | 5.1 |
| <i>% of revenue</i> | 78.1% | 82.4% | 86.9% | 90.2% |
| EBITDA | -4.6 | -1.8 | -12.4 | -12.7 |
| <i>% of revenue</i> | -474.0% | -103.5% | -405.2% | -226.6% |
| Depreciation & Amortization | 0.0 | 0.0 | 0.0 | 0.1 |
| <i>% of Fixed Assets</i> | 100.0% | 3.4% | 8.5% | 3.6% |
| Extraordinary Expenses | 0.0 | 0.0 | 0.0 | 0.0 |
| EBIT (incl. extraordinary exp) | -4.6 | -1.8 | -12.4 | -12.7 |
| <i>% of revenue</i> | -474.0% | -104.7% | -406.5% | -227.5% |
| Pretax Income | -3.4 | -1.7 | -12.6 | -12.8 |

| | | | | |
|---------------------|---------|---------|---------|---------|
| <i>% of revenue</i> | -357.3% | -102.4% | -411.1% | -227.9% |
| Income Tax | 0.0 | 0.0 | 0.0 | 0.0 |
| <i>% rate</i> | -0.9% | 0.0% | 0.0% | 0.0% |
| Net Income | -3.5 | -1.7 | -12.6 | -12.8 |
| <i>% of revenue</i> | -360.4% | -102.4% | -411.1% | -227.9% |

- When we analyze the company's annualized historical income statement, we see that the top-line was \$5.6 million for the previous financial year ending in 2021.
- The revenue growth was 83.01% in 2021 as compared to around 80.00% in 2020.
- Organice'll's cost of goods sold has decreased from 13.07% to 9.82% as a percentage of the top-line resulting in a rise in the gross margins.
- The company's overall annual EBITDA margin of -226.61% 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, Organice'll reported an operating income (EBIT) of \$-12.74 million and a net income of \$-12.76 million resulting in an EPS of \$0.
- The good news for investors holding the stock is that its net margin had increased from -411.11% in 2020 to -227.86% in 2021.

| Particulars | 2018 | 2019 | 2020 | 2021 |
|-----------------------------|------------|------------|------------|------------|
| Assets | | | | |
| Net Intangible Fixed Assets | 0.0 | 0.0 | 0.0 | 0.0 |
| Net Tangible Fixed Assets | 0.0 | 0.3 | 0.5 | 1.4 |
| Total Fixed Assets | 0.0 | 0.3 | 0.5 | 1.4 |
| <i>% of revenue</i> | 1.0% | 17.1% | 15.4% | 24.5% |
| LT Investments | 0.0 | 0.0 | 0.0 | 0.0 |
| Inventories | 0.0 | 0.1 | 0.2 | 0.2 |

| | | | | |
|---|------------|------------|------------|------------|
| <i>% of revenue</i> | 0.0% | 4.7% | 4.9% | 4.1% |
| Accounts Receivable | 0.1 | 0.0 | 0.0 | 0.1 |
| <i>% of revenue</i> | 5.2% | 1.8% | 1.0% | 1.8% |
| Cash and ST Investments | 0.0 | 0.1 | 0.6 | 0.1 |
| <i>% of revenue</i> | 4.2% | 7.6% | 19.3% | 2.0% |
| Other Current Assets | 0.0 | 0.1 | 0.1 | 0.1 |
| Total Current Assets | 0.1 | 0.4 | 0.9 | 0.5 |
| Other Assets | 0.0 | 0.0 | 0.0 | 0.0 |
| Total Assets | 0.1 | 0.7 | 1.3 | 1.9 |
| Liabilities & Shareholder's Equity | | | | |
| Equity & Minorities | -1.2 | -1.6 | -1.4 | -2.7 |
| LT Debt | 0.0 | 0.0 | 0.0 | 0.0 |
| Other LT Liabilities | 0.0 | 0.2 | 0.2 | 0.5 |
| Total LT Liabilities | 0.0 | 0.2 | 0.2 | 0.5 |
| ST Debt | 0.4 | 0.4 | 0.2 | 0.2 |
| Accounts Payable | 0.5 | 0.6 | 0.8 | 1.9 |
| <i>% of COGS</i> | 50.0% | 32.4% | 25.2% | 33.4% |
| Other ST Liabilities | 0.5 | 1.1 | 1.6 | 2.1 |
| Total Current Liabilities | 1.3 | 2.1 | 2.5 | 4.1 |
| Total Liabilities | 1.3 | 2.2 | 2.7 | 4.6 |
| Total Liabilities & Shareholder's Equity | 0.1 | 0.7 | 1.3 | 1.9 |

- 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 15.36% to 24.46%
- Its receivables of \$0.1 million are about 1.79% of the top-line.
- OrganiceLL has close to \$0.11 million in terms of liquidity i.e. cash and short term investments.
- On the other hand, its payables for 2021 account for around 33.39% of the cost of goods sold.

| Other Metrics | 2018 | 2019 | 2020 | 2021 |
|---------------------------------|-------------|-------------|-------------|-------------|
| Total Cash Dividends Paid | 0.00 | 0.00 | 0.00 | 0.00 |
| <i>% growth</i> | | NA | NA | NA |
| Total Common Shares Outstanding | 549 | 875 | 992 | 1,149 |
| <i>% change</i> | | 59.5% | 13.4% | 15.8% |
| Dividend Per Share | 0.00 | 0.00 | 0.00 | 0.00 |
| <i>% change</i> | | NA | NA | NA |

| Operating Ratios | 2018 | 2019 | 2020 | 2021 |
|-------------------------|-------------|-------------|-------------|-------------|
| Receivables Turnover | 19.2 | 56.7 | 102.0 | 56.0 |
| Days Receivable | 19.0 | 6.4 | 3.6 | 6.5 |
| Inventory Turnover | NA | -3.8 | -2.7 | -2.4 |
| Inventory Days | NA | -97.3 | -136.9 | -152.6 |
| Payables Turnover | -0.4 | -0.5 | -0.5 | -0.3 |
| Days Payable | -834.3 | -669.2 | -702.6 | -1241.0 |
| Fixed Asset Turnover | 96.0 | 5.9 | 6.5 | 4.1 |
| Total Asset Turnover | 8.0 | 2.6 | 2.3 | 2.9 |

| Other Performance Ratios | 2018 | 2019 | 2020 | 2021 |
|--------------------------|----------|---------|---------|---------|
| Return on Assets | -2883.3% | -267.7% | -945.9% | -661.1% |
| Return on Equity | 286.0% | 111.5% | 898.6% | 477.9% |

- The company does not pay any dividend.
- Organice's total common shares outstanding have increased in 2021 by 15.82% 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 6.5 days to collect money from its clients 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.
- Organice's fixed assets turnover ratio of 4.1 has decreased in 2021 indicating that the company is generating lower 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.
- Organice's total assets turnover has increased to 2.90 in 2021.

| Particulars | 2019 | 2020 | 2021 | 2022E | 2023E | 2024E |
|--------------------------|---------|--------|---------|--------|--------|-------|
| Revenues | 1.7 | 3.1 | 5.6 | 10.1 | 21.2 | 40.5 |
| <i>% growth</i> | | 80.0% | 83.0% | 80.4% | 109.9% | 91.0% |
| Cost of Goods Sold | 0.3 | 0.4 | 0.6 | 1.2 | 2.8 | 5.5 |
| <i>% of revenue</i> | 17.6% | 13.1% | 9.8% | 11.9% | 13.2% | 13.6% |
| Gross Income (excl. D&A) | 1.4 | 2.7 | 5.1 | 8.9 | 18.4 | 35.0 |
| <i>% of revenue</i> | 82.4% | 86.9% | 90.2% | 88.1% | 86.8% | 86.4% |
| EBITDA | -4.6 | -1.7 | -12.4 | -7.6 | 0.9 | 17.1 |
| <i>% of revenue</i> | -267.6% | -56.5% | -222.1% | -75.2% | 4.2% | 42.2% |

| | | | | | | |
|-----------------------------|---------|---------|---------|--------|------|-------|
| Depreciation & Amortization | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EBIT | -1.8 | -12.4 | -12.7 | -7.6 | 0.9 | 17.1 |
| <i>% of revenue</i> | -104.7% | -406.5% | -227.5% | -75.2% | 4.2% | 42.2% |
| EBT (GAAP) | -1.7 | -12.6 | -12.8 | -8.1 | 0.4 | 16.6 |
| <i>% of revenue</i> | -102.4% | -411.1% | -227.9% | -80.2% | 1.9% | 1.9% |
| Net Income (GAAP) | -1.7 | -12.6 | -12.8 | -8.1 | 0.4 | 16.6 |
| <i>% of revenue</i> | -102.4% | -411.1% | -227.9% | -80.2% | 1.9% | 41.0% |
| Earnings Per Share (GAAP) | 0.00 | -0.02 | 0.00 | -0.01 | 0.00 | 0.01 |

| Particulars | 2019 | 2020 | 2021 | 2022E | 2023E | 2024E |
|---|-------------|-------------|-------------|-------------|------------|-------------|
| Net Income (GAAP) | -1.7 | -12.6 | -12.8 | -8.1 | 0.4 | 16.6 |
| + Depreciation & Amortization | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| +/- Working Capital, Deferred Taxes & Other Adjustments | 1.2 | 10.7 | 12.8 | 5.1 | 0.3 | -0.8 |
| Cash Flow from Operations | -0.6 | -1.8 | 0.0 | -3.0 | 0.7 | 15.8 |
| <i>% of EBITDA</i> | 12.5% | 104.6% | 0.0% | 39.0% | 81.1% | 92.5% |
| Net Capex | 0.0 | -0.1 | -5.0 | -6.0 | 0.0 | 0.0 |
| <i>% of revenues</i> | 1.8% | 4.6% | 89.3% | 59.4% | 0.0% | 0.0% |
| Other Investment Cash Flow items | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Cash Flow after Investments | 0.0 | -0.1 | -5.0 | -6.0 | 0.0 | 0.0 |
| Free Cash Flow | -0.6 | -2.0 | -5.0 | -9.0 | 0.7 | 15.8 |

| Growth & Margins | 2019 | 2020 | 2021 | 2022E | 2023E | 2024E |
|------------------|---------|--------|---------|--------|--------|-------|
| Sales Growth | | 80.0% | 83.0% | 80.4% | 109.9% | 91.0% |
| EBITDA Margin | -267.6% | -56.5% | -222.1% | -75.2% | 4.2% | 42.2% |

| | | | | | | |
|-------------------|---------|---------|---------|--------|------|-------|
| EBIT Margin | -104.7% | -406.5% | -227.5% | -75.2% | 4.2% | 42.2% |
| Net Profit Margin | -102.4% | -411.1% | -227.9% | -80.2% | 1.9% | 41.0% |

| Leverage Ratios | 2019 | 2020 | 2021 | 2022E | 2023E | 2024E |
|------------------------|-------------|-------------|-------------|--------------|--------------|--------------|
| Net Debt | 0 | 0 | 0 | 9 | 8 | -8 |
| Net Debt/ Equity | -0.3 | 0.2 | NA | | | |
| Net Debt/ EBITDA | -0.1 | NA | NA | -1.2 | 9.1 | NA |

- Now let us move on to Baptista Research's forecasts for Organicell's income statement and cash flows.
- We forecast a top-line growth of 80.4% for 2022, around 109.9% for 2023, and about 91.0% for 2024.
- This growth is expected to translate into an EBITDA of \$-7.6 million in 2022 with a margin of -75.25%
- Organicell's EBIT margin is expected to be -75.25% in 2022, about 4.25% in 2023, and 42.21% in 2024.
- Our estimate for the company's Net Income (GAAP) is \$-8.1 million implying a net margin of -80.20% and resulting in an earnings per share of \$-0.01.
- We expect the growth to follow a similar trend in 2023 and 2024.
- In terms of the cash flows, we expect Organicell to generate around \$-2.964 million in operating cash flows in 2022.
- This implies an EBITDA-to-Operating-Cash-Flow conversion ratio of 39.00%
- Organicell 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 \$-8.964 million in 2022.
- Organicell'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.
- Organicell's Net Debt-to-EBITDA ratio is expected to be -1.18 in 2022 which indicates that the company is not leveraged.

DISCOUNTED CASH FLOW (DCF) VALUATION**Key DCF Assumptions**

| | |
|---------------------------|-------|
| WACC | 38.1% |
| CoD | 6.0% |
| CoE | 38.1% |
| Market Rate | 6.0% |
| Risk Free Rate | 3.5% |
| Beta | 5.76 |
| Perpetual Growth Rate (g) | 36.3% |
| Terminal Value | 913 |
| Tax Rate | 0.0% |

- For the purpose of carrying out the discounted cash flow valuation of OrganiceLL, 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 3.50%.
- The company's stock is more volatile than the market as a whole and has a beta of 5.8 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 38.1% which appears reasonable for a company like OrganiceLL.
- Based on the company's long term debt and interest payments, the cost of debt is 6.0%.
- 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 38.1%.
- "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 49.0 to our forecasted revenues of 2024.

| EV and Market Cap | Current | 2022E | 2023E | 2024E |
|--------------------------|----------------|--------------|--------------|--------------|
|--------------------------|----------------|--------------|--------------|--------------|

| | | | | |
|--|------|------|------|------|
| Price (\$) | 0.04 | 0.32 | 0.45 | 1.11 |
| Outstanding Number of shares (million) | 1476 | 1476 | 1624 | 1786 |
| Total Market Cap (billion) | 0.06 | 0.48 | 0.74 | 1.99 |
| Net Debt (million) | 0 | 9 | 8 | -8 |
| Enterprise Value (billion) | 0.06 | 0.49 | 0.75 | 1.98 |

- After applying the discount rate (WACC) of 38.1%, we arrive at a price target of \$0.3 for 2022.
- Our target price at the end of 2023 is \$0.5 and for 2024 is \$1.1 which implies a total appreciation of nearly 2687.2% in the coming 3 years in the stock price.
- During this phase, we see the EV/ EBITDA to be in the range of 116.06 and 829.00
- The EV/ EBIT will be in the range of 116.06 to 829.00 over the coming 3 years.

| Valuation Ratios | Current | 2022E | 2023E | 2024E |
|------------------|---------|-------|--------|-------|
| EV/ Sales | 10.5 | 48.3 | 35.2 | 49.0 |
| EV/ EBITDA | NA | NA | 829.0 | 116.1 |
| EV/ EBIT | NA | NA | 829.0 | 116.1 |
| Price/Earnings | NA | NA | 1844.7 | 120.0 |

KEY RISKS

- It is important to highlight the key risks associated with an investment in OrganiceLL as well as the inherent risks associated with the financial projections and price forecasts presented in this report.
- OrganiceLL is a development stage company with negligible commercial sale, nominal revenues 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.
- OrganiceLL 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 Zofin and Pure X 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 OrganiceLL 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 OrganiceLL 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.
- OrganiceLL' 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.
- OrganiceLL' 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 OrganiceLL Holdings in this report is specific to the date of the analysis i.e. 08-10-2022.
- Another one of the biggest risks to OrganiceLL 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 OrganiceLL Holdings in this report is specific to the date of the analysis i.e. 8th October 2022.
- We must emphasize that the projected valuation and the share price of OrganiceLL 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.

DISCLOSURES

This report has been prepared and distributed by Baptista Research (“Baptista Research”, “its”, “our”) and it is for informational purposes only and does not constitute an offer, solicitation or recommendation to acquire or dispose of any investment or to engage in any transaction. Key statistical data, historical data, and price-volume information is sourced from the sources mentioned above which are considered reliable sources. This report is based on publicly-available information about the featured company(s) which Baptista Research considers reliable, but Baptista Research does not represent that it is accurate or complete, and it should not be relied upon as such. All information contained in this report is subject to change without notice. The forward-looking information in the analysis is based on subjective assessments about the future, which constitutes a factor of uncertainty. Baptista Research cannot guarantee that forecasts and forward-looking statements will materialize. Investors shall conduct all investment decisions independently. This analysis is intended to be one of a number of tools that can be used in making an investment decision. All investors are therefore encouraged to supplement this information with additional relevant data and to consult a financial advisor prior to an investment decision. Accordingly, Baptista Research accepts no liability for any loss or damage resulting from the use of this analysis.

This report is not disseminated in connection with any distribution of securities and is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. This report neither constitute a personal trading recommendation nor take into account the particular investment objectives, financial situation or needs of the recipients of this report, and does not provide all of the key elements for any user to make an investment decision. Nothing in this report constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable, appropriate to your individual circumstances, or otherwise constitutes a personal recommendation to any party. Baptista Research does not offer advice on the tax consequences of investment and readers are advised to contact an independent tax adviser. Recipients should consider whether any information in this report is suitable for their particular circumstances, review the company’s filings and, if appropriate, seek professional advice, including tax advice.

Investors need to be aware of the high degree of risk in small-cap, mid-cap, and micro-cap equities. The price per share and trading volume of the company(s) in this report may fluctuate and Baptista Research is not liable for these inherent market fluctuations. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Certain transactions, including those involving futures, options, and other derivatives, give rise to substantial risk and are not suitable for all investors. Baptista Research and its owners, analysts, employees, contractors or interns accepts no liability whatsoever for any direct or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by the recipients of this report, arising out or in connection with the access to, use, misuse of or reliance on any information contained in this report.

Baptista Research is an equity research focused firm but it is not a FINRA registered broker/dealer or investment advisor and does not provide investment banking services. Baptista Research and its owners, analysts, employees, contractor or interns do not have any long/short equity position of the shares of the companies covered in this report. It is worth highlighting that Baptista Research has been hired by third parties engaged by the company covered in the report as a part of their online awareness and visibility program, of which this report is a part, for which Baptista Research has been duly compensated. Baptista Research has a restrictive policy relating to personal dealing and conflicts of interest. Baptista Research does not receive any equity securities from the featured companies nor do its owners, analysts, employees, contractors or interns. Further, its owners, analysts, employees, contractors or interns do not engage in purchasing or selling the securities of any featured companies at any period beginning 72 hours following the public release of the report and until at least 72 hours after the report is released to general public, via electronic distribution.

This report may not be altered, copied, reproduced, redistributed or published in electronic, paper or other form for any purpose without the prior written consent of Baptista Research. Baptista Research and its owners, analysts, employees, contractor and interns accept no liability whatsoever for any direct, indirect or consequential loss arising from any inaccuracy herein or from any use of this report or its contents.

Any unauthorized use, duplication, redistribution or disclosure is prohibited by law and will attract penalty. Baptista Research and its owners, analysts, employees, contractors or interns accepts no liability whatsoever for the actions of third parties. Baptista Research and its owners, analysts, employees, contractors or interns makes no representations or warranties whatsoever as to the data and information provided in any third party referenced website and shall have no liability or responsibility arising out of, or in connection with, any such referenced website. Accessing third party portal or website is at your own risk. Additional information regarding this research publication will be furnished upon request.