

Major Cannabis Player Sees Florida Sales Surge Over 250% and Will Acquire 75% Ownership in Massachusetts Deal

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A medicinal cannabis company has seen its Florida sales increase 253%, and the company just gained 75% control over a Massachusetts-based dispensary operation, expanding its influence in the medicinal marijuana industry.



Liberty Health Sciences Inc. (LHS:CSE; LHSIF:OTCQX), a Canada-based medicinal marijuana company, recently **announced** that its monthly revenue in Florida has increased 253% since the start of 2018, and the number of patients served has increased 100%.

The company noted that "So far this year, the number of registered patients in Florida has increased 46% to over 93,000 patients, and the number of recommending physicians has increased 44% as the physician community continues to witness the benefits of medical cannabis first-hand."

"There are only 13 licenses to date in Florida, and only four are producing, with Liberty being the only one with access to the publicly traded capital markets today." - AltaCorp Capital

Liberty Health Sciences also noted that it is expanding its home delivery to bring "24-hour delivery service to patients across southern Florida." The Florida Department of Health has approved the establishment of "a distribution center (Hub) located in Fort Lauderdale. Supported by a fleet of eco-friendly hybrid vehicles, The Hub will provide one-day delivery service to patients in Broward, Miami-Dade and Palm Beach counties, an area with nearly 6 million people representing 29% of the state's population."

Regarding expanding into other states, Liberty Health Sciences recently **announced** its agreement to acquire a 75% ownership interest of William Noyes Webster Foundation (WNWF) for US\$16 million.

Liberty was launched specifically to acquire and operate U.S.-based companies in the medical cannabis market to create interesting investment opportunities for marijuana stock investors. For American investors interested in the stock, shares are also sold on the OTC under the ticker LHSIF.

The decision to acquire the Massachusetts-based company was predicated on a few factors: WNWF currently owns an integrated medical cannabis license in the Commonwealth of Massachusetts. It also has two additional pending licenses, which have local government approvals in place. Lastly, WNWF has a cultivation facility and dispensary location both nearing completion. The near-complete cultivation and processing facility, located in Plymouth, is 36,000 square feet.

Liberty Health Science noted, "A portion of the US\$16 million purchase price will be allocated to complete both the cultivation facility and dispensary. The funds will also be used to activate the two pending medical cannabis licenses before the end of June 2018."

Liberty counts its expansion into Massachusetts as no small feat, as the company sees plenty of room for growth and opportunity to implement its "industry-leading approach to medical cannabis throughout the entire lifecycle, from cultivation to distribution."

With an unsaturated market, the Massachusetts medicinal marijuana marketplace only has 17 licensees and 22 dispensaries to serve over 47,000 patients (and nearly 7 million people). This gives Liberty the chance for big development in a relatively uncharted territory.

The company believes its ability to scale, its access to capital, and its focus on quality gives it a competitive advantage over the competition.

Hidden Catalysts in the Massachusetts Deal

Liberty clearly states that it's strictly focused on medical marijuana. However, this Massachusetts deal includes other hidden catalysts for the company that could expand its territory in the Massachusetts marijuana market.

According to the State of Massachusetts, medical cannabis license holders will be given priority over non-license holders to acquire state recreational cannabis licenses, effective April 1, 2018. This includes WNWF, which Liberty Health Science says, "will file an application with the newly formed Cannabis Control Commission."

The key part of this new order is that all license holders will be "eligible to receive three recreational licenses for each medical license for cultivating, processing, and dispensing cannabis."

Under this new state order, WNWF could potentially have a total of one cultivation facility, three medical marijuana dispensaries, and nine additional recreational marijuana licenses.

While the company's top priority is medical, it is open to exploring the recreational marijuana market: "We feel this was a tremendous opportunity for us. If we can grow to scale through a greenhouse environment in the state in Massachusetts, then we may go after the recreational market. Essentially, medical - that's our DNA. But, it's not to say we won't go after the recreational market in Massachusetts."

More Catalysts for Growth

Aside from its Massachusetts news, Liberty currently has one dispensary opening and a subsequent four dispensaries opening in the upcoming month, with a total of 12 scheduled by the end of 2018.

"Liberty is known for our safe, high-quality, pharmaceutical-grade cannabis and our patient-centric approach, which we've been rolling out across Florida," adds George Scorsis, CEO and Director of Liberty.

AltaCorp Capital, which initiated coverage on Liberty Health Sciences in February, reported that "Florida is home to the third largest state population in the U.S., with an estimated 21M, including the largest percentage of residents in the 65+ demographic, at 19.9% of the population. It is estimated that 6M people qualify under one of the Florida Department of Health conditions for use of medical marijuana (MMJ)."

Analyst Keith Carpenter with AltaCorp Capital noted that "there are only 13 licenses to date in Florida, and only four are producing, with Liberty being the only one with access to the publicly traded capital markets today." Additionally, "the limited number of initial licenses creates a significant opportunity for those currently in production, which should initially act to insulate those producers from excessive competitive forces and

oversupply of product, and provide those early entrants with a first mover advantage to grow their market share."

Liberty is constantly looking at many opportunities. While it's being very selective with its deals, it admits a few other states are on its radar. Analyst Carpenter noted that "Liberty is also evaluating opportunities in other states that offer similar characteristics to that of Florida, including Connecticut, Maryland, Pennsylvania, Michigan, Ohio and New Jersey, in the expectation of replicating their Florida business model."

Share Structure

Currently, there are 303 million LHS shares outstanding. **Aphria Inc. (APH:TSX)**, a CA\$2 billion market-cap company, is **selling** 80.1 million shares over the next two and one-half years, and currently maintains a 26.4% interest in Liberty. Aphria is selling the shares to stay in compliance with a TSX warning to cannabis companies operating in the U.S. that they are not in compliance with its listing requirements. George Scorsis noted Liberty's intellectual property agreements with Aphria will not be affected by the stock sale, and that members of the Serruya family, which founded frozen yogurt chain Yogen Früz, are buying the majority of the shares.

Liberty Health Sciences just **announced** a CA\$20 million bought-deal financing with Clarus Securities. The syndicate of underwriters has agreed to purchase 22,222,500 units at CA\$0.90 per unit; one unit includes one common share of the company and one warrant to purchase one share within 24 months at CA\$1.10. The offering is expected to close around May 8. The agreement also included an overallotment option to purchase an additional 3.3 million units within 30 days of closing.

AltaCorp Capital rates the shares of Liberty Health Sciences a Speculative Buy and has a one-year target of CA\$2.20. Shares are currently trading at around CA\$0.94.

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