

MMJ Group Holdings Ltd

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MMJ Group focuses on shareholder returns with venture capital approach to global cannabis sector

MMJ Group Holdings Ltd (ASX:MMJ) has developed a portfolio of minority investments in the global cannabis industry, posting strong net returns of 44% for the financial year to April 30, as well as 32% for the quarter and 7% for the month.

Aiming to capitalise on the emerging industry through investments in cannabis-related sectors, the company has made 15 primary acquisitions and 8 sales of investments to date.

A strong cash position of \$26 million will continue to provide capital for MMJ to exclusively invest in the burgeoning industry.

The company has also taken advantage of recent improvements in Canadian-listed cannabis markets to further boost its cash reserves, cancelling an equity raising announced in February.

READ: MMJ Group invests in Canadian manufacturer of vape pens and cartridges

Currently MMJ's portfolio consists of 11 investments with a book value of \$71.5 million, 77% of which are publicly listed and 95% based in Canada.

The portfolio includes several companies which will benefit from the pending Canadian legalisation of cannabis-based food and beverages in October 2019.

MMJ is also the largest shareholder in Harvest One Cannabis Inc (CVE:HVT), an early-entry global cannabis company focused on both medical and recreational products.

Investment	TSX/ Code	Investment date	Country	Company type	Investment structure	Business	Book Value AUD\$m (unaudited)
Harvest One	HVT	Apr-17	Canada	Public	Shares	Health and wellness products	47.6
MediPharm Labs	LABS	Jun-18	Canada	Public	Warrants	Extraction	5.7
Fire & Flower	FAF	Apr-18	Canada	Public	Shares + warrants	Retail stores	1.7
Listed investments							55.0
Weed Me		Dec-17	Canada	Private	Shares and warrants	Cultivation	6.4
Embark Health		Jul-18	Canada	Private	Shares and Warrants	Extraction	3.6
VitaGenne		Nov-18	USA	Private	Shares	Hemp CBD	1.4
BevCanna		Jun-18	Canada	Private	Shares	Beverages	1.3
Cannabis Access		Apr-18	Australia	Private	Shares	Clinics	1.0
Hemple		Mar-19	Australia	Private	Shares	Hemp CBD	1.0
Bien		Jun-18	Canada	Private	Shares + warrants	Research and development	1.1
Martha Jane Medical		May-18	Australia	Private	Shares	Extraction	0.6
Unlisted investments							16.5
Total portfolio excluding cash							71.5

MMJ's investment portfolio

Price: 0.078

Market Cap: \$17.5 m

1 Year Share Price Graph



April 2019 September 2019 March 2020

Share Information

Code: MMJ

Listing: ASX

52 week High Low
0.31 0.062

Sector: Cannabis

Website: www.mmjgh.com.au

Company Synopsis:

MMJ Group Holdings Ltd (ASX:MMJ), formerly known as MMJ Phytotech Ltd, owns a portfolio of minority investments and aims to invest across the full range of emerging cannabis-related sectors. The company is listed on the Australian Securities Exchange.

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The company takes a venture capital approach to managing its portfolio, targeting investments of up to \$5 million in cannabis sector leaders within supportive jurisdictions like Canada and Australia.

Businesses from across a broad spectrum of sectors are being targeted, including healthcare, technology, infrastructure, logistics, processing, cultivation, equipment and retail.

READ: MMJ Group targets newsflow with portfolio-market capitalisation appreciation plan

Last month MMJ proposed appointing Embark Ventures as manager of its cannabis investments, providing a cost-effective way to accelerate MMJ's investment operations in the medium term without adding material fixed costs.

Embark Ventures' parent Embark Group also includes Embark Health Inc, in which MMJ holds an investment worth \$3.8 million.

The appointment is part of MMJ's strategy to secure a meaningful investment presence in its key market of North America.

READ: MMJ Group completes sale of unit to Harvest One Cannabis for C\$8 million

An example of MMJ's value-focused strategy is its investment in and exit from MediPharm Labs, a company in which MMJ saw potential as a leader in cannabis oils extraction.

After investing CAD\$5 million in shares and warrants last year and seeing strong share price growth, MMJ sold its holding to realise a return of six times the capital invested.



MMJ's share price is trading at a discount to net present value

Other notable investments include MMJ's acquisition of two cannabis businesses in 2015 and its investment in Dosecann, a Canadian cannabis-focused healthcare company.

The 2015 acquisitions of United Greeneries Holdings Ltd and Satipharm AG were both sold to Harvest One (HVT) in April 2017 through a reverse takeover.

MMJ's holding in HVT was reduced from 60% to 26%, through a series of share issues, exercise of convertible debt and consideration paid.

The reverse takeover generated a pre-tax return for MMJ of 33% per year, representing 2.5 times capital invested.

Returns of 2.2 times capital invested were generated from MMJ's January 2018 investment in Dosecann after Cannabis Wheaton Income Corp (TSX-V:CBW) acquired 100% of Dosecann four months later.

MMJ accepted the takeover consideration in the form of Cannabis Wheaton shares and warrants, which was entirely divested then reinvested in the private market.

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