



Asia Pacific
Prudential Securities

MMJ PhytoTech Limited

MMJ \$0.310 TARGET PRICE A\$0.460

BUY

MMJ PhytoTech Limited ("MMJ" or "The Company") is a medical cannabis company that aims to commercialise medical grade cannabis and high potential cannabis based therapeutics products to the rapidly growing international market.

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The Victorian Government announcement is a positive for sentiment

On 20 January 2015 MMJ PhytoTech Limited (MMJ) was the first Medical Grade Cannabis (MGC) company to list on the ASX.

On 13 July 2015, MMJ's wholly owned subsidiary Satipharm signed an agreement with Ai Fame for the exclusive right to Ai Fame Medical Cannabis products which will significantly expand MMJ's Medical Cannabis Product Portfolio. The agreement makes Satipharm the first Company globally to supply the Active Pharmaceutical Ingredients (APIs) in excess of quantities permitted for research and in pharmaceutical quality.

On 6 October 2015 Victoria's Labor government announced that:

- It would amend the law to allow the production in Victoria of cannabis under licence from the Department of Economic Development, Jobs, Transport and Resources;
- It would simultaneously establish a small scale strictly controlled cannabis cultivation trial at a Victorian research facility.
- Planning for this trial is underway;
- The trial will involve studying plant varieties and their cannabinoid composition – the scientific information gained from the trial will be used to support the introduction of safe and secure medicinal cannabis products for people in exceptional circumstances in Victoria.
- The Government will explore future opportunities for suitable private entities to play a role in the supply of medicinal cannabis products in Victoria.
- The Government is also exploring options to enable suitable private entities to undertake research and development activities, in preparing for supplying medicinal cannabis products.
- Growing and supplying medicinal cannabis without a licence will continue to be a serious criminal offence.

Earnings Changes

Although the announcement is clearly a positive for sentiment towards MMJ, it is unlikely to lead to any change to our earnings forecasts.

We are retaining our 12 month price target of \$0.46 and retaining our BUY recommendation. The price target is underpinned by our DDM valuation.

Disclaimer: As announced on 28 July 2015, MMJ completed a \$4.8 Million Capital Raising at 30c per share with Merchant Corporate Pty Ltd and APP Securities Pty Ltd. Note, APP Securities received a fee for this service.

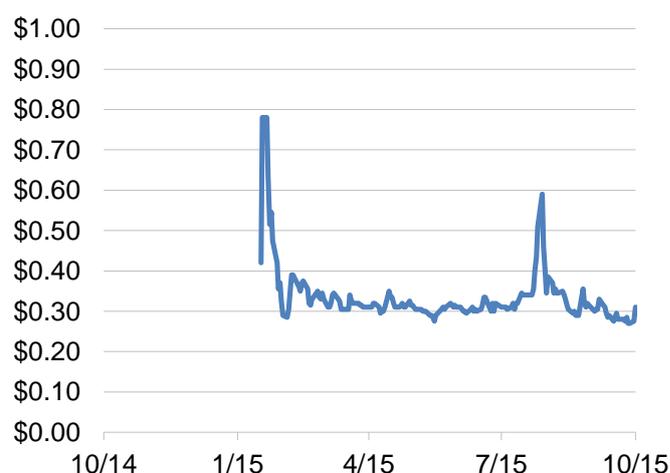
Company Data

Number of shares	134.3 M
Market capitalisation	\$41.6 M
Free Float (%)	#N/A
12 month high/low	\$.078/\$0.27
Average Monthly Turnover	0.0
% S&P/ASX 200	N/A
% All Ordinaries	N/A
DDM Ranking	61
ESG Score (Ranking)	N/A
GICS Industry Group	Pharmaceuticals & Biotechnology

Earnings Summary (AUD)

Year end June	2015A	2016F	2017F	2018F
Revenue (\$M)	-4.8	32.0	36.8	42.3
EBITDA (\$M)	-4.9	6.8	8.1	9.6
Reported NPAT (\$M)	-4.9	5.4	6.5	7.7
Adjusted NPAT (\$M)	-4.9	5.4	6.5	7.7
Reported EPS (¢)	-	3.0	3.5	4.2
Adjusted EPS (¢ - FD)	0.0	3.0	3.5	4.2
Adjusted EPS growth (%)	-	-	19.5	19.0
Adjusted P/E (x)	-	13.9	11.6	9.7
Dividend (¢/sh)	0.0	0.0	2.1	2.5
Gross yield (%)	-	-	5.2	6.2
Net yield (%)	-	-	5.2	6.2
ROE (%)	-101.3	52.9	47.9	44.2

Data Source: Factset, APP Securities



Securities contributes all company estimates to Bloomberg, Thomson Reuters, FactSet and Capital IQ.

Note: Numbers displayed are a sub-set
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NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or APP Securities policies.

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Free Float (float / current shares outstanding) *100 – This float figure is the number of shares that are available to the public and is calculated by subtracting the shares held by insiders and those deemed to be stagnant shareholders. Stagnant holders include ESOP's, ESOT's, QUEST's, employee benefit trusts, founding shareholder equity stake plus senior management equity stake, corporations not actively managing money, venture capital companies and shares held by Governments.

Terminal Value methodology - APP Securities' Discounted Cash Flow (DCF) valuation applies a terminal growth rate to the last forecast year's cash flow and discounts the amount using Weighted Average Cost of Capital (WACC). The Terminal Value is tested using ASX-listed company multiples. For resource companies there is no terminal value because cash flows are forecast to the end of mine life.

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