



Asia Pacific
Prudential Securities

MMJ PhytoTech Limited

MMJ \$0.375 TARGET PRICE A\$0.45

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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Completes capital raising to accelerate entry into the Australian Market

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

On 23 October 2015 MMJ announced it had accelerated its entry into the Australian medicinal cannabis market as a result of the indicated regulatory reform by the Federal Government:

- MMJ has engaged Australian based Legal Firm Piper Alderman as a strategic partner to guide MMJ on regulatory and licensing approvals in the Australian market
- MMJ has completed a successful share placement of \$2m from a leading European based Institutional Investor
- As a result of the fund raising, MMJ is capitalised to expedite and execute its entry into the Australian market whilst continuing its European, Canadian and Israel operations

Andreas Gedeon, Managing Director, MMJ PhytoTech Medical commented:

"We're incredibly supportive of the recent announcement from the Federal Government and it is this which has driven our decision to expedite our strategy to enter the Australian market. It is important that we capitalise on the opportunity that has opened up in Australia and this is key to enhancing value for our shareholders."

Our background within the medical cannabis sector provides us with the necessary experience and expertise to quickly establish ourselves as a leading player in the domestic space."

Earnings Changes

The announcement is another positive sentiment towards MMJ.

There are only small negative earnings revisions (1%) to our earnings forecasts following this announcement.

We have revised our 12 month price target from \$0.46 to \$0.45 but retaining our BUY recommendation. The price target is underpinned by our DDM valuation.

Disclaimer: On the 29th of July 2015 MMJ announced it had completed a \$4.8 million capital raising at 30 cents per share with Merchant Corporate Finance and APP Securities Pty Ltd ("APP Securities"). APP Securities received a fee for this service.

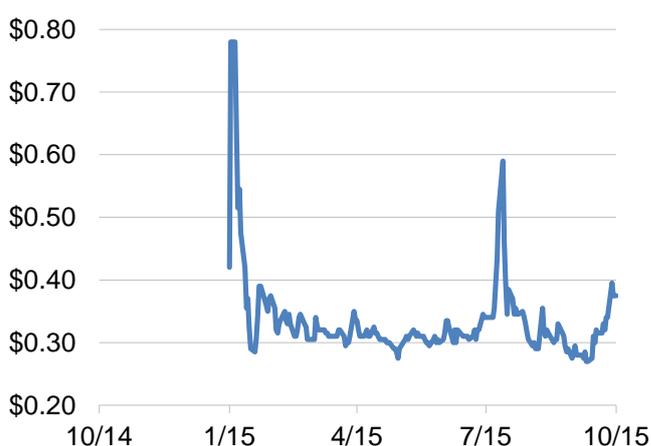
Company Data

Number of shares	134.3 M
Market capitalisation	\$50.4 M
Free Float (%)	97.022
12 month high/low	\$0.78/\$0.27
Average Monthly Turnover	0.0
% S&P/ASX 200	N/A
% All Ordinaries	N/A
DDM Ranking	79
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 (¢)	-	2.9	3.5	4.1
Adjusted EPS (¢ - FD)	0.0	2.9	3.5	4.1
Adjusted EPS growth (%)	-	-	19.5	19.0
Adjusted P/E (x)	-	15.3	12.8	10.8
Dividend (¢/sh)	0.0	0.0	2.1	2.5
Gross yield (%)	-	-	4.7	5.6
Net yield (%)	-	-	4.7	5.6
ROE (%)	-101.3	44.3	41.6	39.4

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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Contact with **MMJ PhytoTech Limited** has been made during the preparation of this report for assistance with verification of facts.

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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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Secondary recommendation - Market weight relative to the S&P/ASX 300 under a weighting range of 0-3, with intervals of 0.5 (7 point scale). 1.0 indicates a market weight position in the stock while a weight over 1.0 indicates an overweight position and the current level of analyst conviction.

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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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