



June 13, 2016

# **ABATTIS BIOCEUTICALS CORP.**

**(OTC – ATTBF - \$0.0309)**

Price Target: \$0.30

Rating: Speculative Buy

## ABATTIS BIOCEUTICALS CORP.

### Major Revenue Ahead for Innovative, Diversified Bioceticals Pioneer

Rob Goldman  
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#### COMPANY SNAPSHOT

Abattis is a specialty biotechnology company that aggregates, incubates, integrates, and invests in the botanical drug development industry. The Company develops and licenses natural health products, medicines, extractions, and ingredients for the nutraceutical, bioceutical, and functional foods markets. Current product development strategy is focused on high-quality conventional botanical products. Future product development is expected to include new products containing cannabinoid compounds.

#### KEY STATISTICS

Price as of 6/10/16	\$0.0309
52 Week High – Low	\$0.0858 - \$0.028
Est. Shares Outstanding	91.3M
Market Capitalization	\$2.8M
3 Mo Avg. Vol.	175,900
Exchange	OTCQB

#### COMPANY INFORMATION

##### Abattis Bioceuticals Corp.

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#### INVESTMENT HIGHLIGHTS

With sales commencing in 3Q16, Abattis is transforming itself from an R&D entity into a well-positioned revenue-generating company that is an emerging player in the multi-billion dollar nutraceutical and functional foods markets.

In the near term, ATTBF is on track to offer a variety of innovative products based on its proprietary Health Canada approved formulations and its portfolio of licensed Natural Product Number (NPN) ingredients which are proven to offer health benefits to consumers. ATTBF plans to offer future products containing cannabinoid ingredients which many medical practitioners believe can help treat a variety of ailments.

In the next revenue stage, which could enjoy hockey-stick type growth, the NVL unit promises to emerge as a premier and rare analytical testing lab, as well as R&D partner to the legal medical cannabis industry in Canada when commercial operations commence in 2H16. NVL has applied for a Controlled Substance License with Health Canada for the possession of cannabis, and extracts production analysis. Its CSL is pending with final site inspections completed in June 2016.

ATTBF boasts an enviable leadership team with deep marketing experience. With no long term debt and an improved balance sheet and capital structure, ATTBF is primed to grow gross sales to \$10M in 2018.

With a multi-pronged approach and exposure to fast-growing multi-billion dollar markets, we believe ATTBF's market value is significantly undervalued with a major re-valuation set to occur this year. Our \$0.30 price target is based on a P/S multiple afforded a key comparable and represents a tenfold jump in ATTBF's value from current levels. Thus, we rate ATTBF Speculative Buy.

## COMPANY OVERVIEW

Tracing its roots to 2009, **Abattis Bioceuticals Corp. (OTCQB – ATTBF - \$0.0309)** is poised to emerge as a leading player in key segments of the multi-billion dollar, bioceutical, nutraceutical, and cannabis industries. The vertically-integrated specialty biotech company boasts a history of successful mergers and acquisitions, along with product development and integration in its targeted sectors, including the high-growth cannabis space. Importantly, Abattis is nearing a key inflection point as it transforms itself from an R&D firm into a revenue generating company.

A bird's eye view of the Company reveals a holding company that aggregates, incubates, develops, and integrates complementary late venture stage entities and their offerings into autonomous yet related divisions. Management has set the stage for Abattis to enjoy substantial revenue growth via a multi-pronged revenue generation approach. This strategy includes initially building sales in traditional specialty markets with its broad line of conventional health and wellness products followed by the hockey-stick type growth of the cannabis space in North America.

It should be noted that IP licensing is likely to serve as a key component of sales and the overall business going forward. Licensing agreements with Crimson Capital Group should help kick-start full-scale commercialization in the conventional health and wellness arena while IP licensing in the cannabis space on behalf of other producers and players in North America should result in a high profile for the company. This business line, operated by subsidiary Northern Vine Labs, is primed to emerge as a one of the industry's few testing and analytics firm engaging in the extraction and testing of cannabinoids (CBDs), making its services invaluable for a broad array of players seeking to manufacture products containing CBDs.

### Core Business Lines

The wholly-owned **Vergence Sales and Marketing Group** is positioned to create and commercialize conventional natural health products for sale in Canada, the U.S. and other international markets such as China and Korea. It is currently in the final stages of formulating two separate, completely natural product lines.

The first, *NÓXX Superfruit* tonic "shots", is a new and highly differentiated line of Saskatoon berry and herb-based tonics developed to help consumers maintain optimum health in a number of specific body systems. In addition, one version of this product has been designed specifically as a healthy, completely natural alternative to more traditional "caffeine heavy" sports supplements and pre-workout formulations. In fact, this product and related extensions will contain a proprietary, Health Canada licensed Nitric Oxide (NO) ingredient blend called *PHYTO[NOS]*<sup>™</sup>. This patent-pending formulation naturally supports nitric oxide levels in the blood stream, supports nitric oxide production and provides antioxidants that help protect against oxidative cell damage caused by free radicals.

*Phyto(NOS)*<sup>™</sup> has applications in a wide range of food, beverage and nutraceutical products and represents a huge market opportunity. Published reports have suggested that the worldwide market for products where nitric oxide is involved in the mechanism of action is expected to reach US\$147B in 2019.

The second line of products being developed by Vergence is a range of *NAKED BOTANICALS* herbal elixirs, designed to treat specific functional ailments and support functional systems. The initial offering will include a minimum of three new elixirs with additional line extensions already planned well into next year. Earlier this quarter, the Company launched its first market product test in the segment in preparation for the full product line launch later this year. Plus, a pipeline of nearly a dozen more products is queued up for launch over the next two years. Future products in the pipeline are expected to be enhanced with extracts of cannabis, leveraging the tremendous growth expected in the cannabis arena.

**Northern Vine Labs (NVL)** is expected to emerge as a premier analytical testing laboratory, as well as a research and development partner to the legal cannabis industry in Canada. NVL, which is currently working in collaboration with the British Columbia Institute of Technology (BCIT) to develop reference standards for the extraction and testing of cannabinoids, has applied for a Controlled Substance License (CSL) with Health Canada for the possession of cannabis and related active ingredients, as well as the production of extracts for the purpose of analysis. Security inspections are complete and the license is pending. The ability to work legally with cannabis remains rare and highly specialized and the receipt of a CSL will enable proprietary methods and services to be offered to current license holders within Canada's existing regulated environment. It also positions NVL customers, including Abattis, to prepare operations and products related to cannabis sale and distribution, along with products containing cannabinoid ingredients. With little competition in a high growth market, NVL services are expected to be in great demand, driving meaningful revenue growth beginning in 2017.

**Experion Technologies, Inc.** (25% owned) operates a ten-acre property in British Columbia and has developed strains of cannabis for use to treat many medical conditions. Importantly, the Company has applied to become a licensed producer under Canada's MMPPR (Marijuana for Medical Purposes Regulations) and the application has passed the review stage. Experion is now awaiting a "Ready - to - Build" letter from Health Canada. Receipt of a MMPPR license would be a huge event as fewer than 35 licenses have been granted nationwide to treat the 50,000 patients in Canada, which is projected to grow to 450,000 by 2024.

Abattis is poised to achieve a number of significant developmental and revenue generation milestones this year that should result in a significant re-valuation of the Company's market cap as Abattis is transformed from an R&D firm to a revenue generating company. Our \$0.30 price target reflects a similar price/sales multiple for these shares as compared to its primary publicly traded comparable, **ChromaDex (NASDAQ - CDXC - NR)**, a company we covered on a sponsored basis 6 years ago. It should be noted that this target price represents a nearly tenfold increase over the current market value. Our preliminary forecasts suggest that sales will jump from initial launch in late 2016 to \$1-2M in revenue in 2017 to \$7-10M in 2018. Thus, we rate these shares Speculative Buy.

## INDUSTRY SNAPSHOTS

Abattis' primary target industries are the nutraceutical and cannabis arenas in North America. Below we profile each industry and applicable segments relevant to Abbatis.



### Nutraceuticals

Hippocrates may have unknowingly conceived and promoted the use of nutraceuticals 2400 years ago when he said: *“Let food be thy medicine and medicine be thy food.”*

This is the basis of the industry today as a recent FICCI and Frost and Sullivan report noted that nutraceutical ingredients – natural bioactive compounds – have health promoting, disease preventing or medicinal properties. This thesis confirms an investigation published in a 2010 edition of the International Journal of Pharmacy and Pharmaceutical Sciences, entitled *Nutraceuticals: A Conceptual Definition*.

(<http://www.ijppsjournal.com/Vol2Issue3/599.pdf>)

Figure 1: Sample Nutraceuticals

Source: [www.MordorIntelligence.com](http://www.MordorIntelligence.com)

Key points of the research article:

- The role of dietary active compounds in human nutrition has wide-ranging implications
- Since the early 1990s, the world has witnessed the explosive growth of the nutraceutical industry.
- Nutraceuticals represent a unique intersection of the pharmaceutical and food industries.  
A nutraceutical is any substance that is a food or a part of a food and provides medical or health benefits including the prevention and treatment of disease.
- Nutraceuticals are isolates that provide concentrated nutrients in the form of pills, tablets, liquids, or powders for direct consumption or for use as ingredients in functional foods.

In its just released May 2016 nutraceuticals industry report, Mordor Intelligence notes:

“The global nutraceutical market was valued at around \$250 billion in 2014. The market is expected to reach around \$385 billion by 2020, at a compound annual growth rate of 7.5% from 2014 to 2020. The nutraceutical market constitutes the functional foods and beverages market and dietary supplements market. Today consumers are health conscious, aware and better informed on nutrition enabled products. The dietary supplements are not only seen as to meet the recommended daily intake of nutrients but as a physical performance booster and disease prevention option. There is a shift in the consumer preference from synthetic ingredients to natural and organic ingredients and foods which are obtained from non-GMO (Genetically modified organism) extracts. The functional foods are demonstrated to have physiological benefits which reduce the risk of chronic diseases related to cardiovascular problems, and diabetes. The current consumer



trend is to be preventive rather than react on the health issues which see a huge healthcare costs in developed countries. Consumers prefer the nutraceutical food products to the pharmaceutical drugs.”

(<http://www.mordorintelligence.com/industry-reports/global-nutraceuticals-market-industry>)

The nutraceutical industry is highly fragmented by geography, product (pill, liquid, and powder), active ingredient, and function. Products are sold in specialty retail stores, mass retail stores, multi-level marketing firms, and the web. Tests and trials to measure bioavailability along with efficacy of formulations to treat general and specific ailments are routinely conducted by third party firms and published in medical and health journals. Active and inactive ingredients can be designed and produced by manufacturers or licensed by/to them for specific uses.

### Cannabis

As of April 2014, Health Canada enacted the *Marihuana for Medical Purposes Regulations* (MMPR) law thereby creating conditions for a new, highly regulated commercial industry with a limited amount of suppliers vetted extensively by Health Canada (HC). This law enabled prospective licensees to apply for licensure to both harvest and sell, with others only permitted to grow. As of this report, a total of 31 licenses have been granted to produce dried marijuana, and 21 licenses granted to produce fresh marijuana and cannabis oils.

Currently, only cannabis for medicinal use is legal in Canada and Dundee Securities forecasts that the space can grow to a \$1.2B CAD industry with nearly 450,000 licensed users by 2024, up from around 50,000 today. In the U.S, the National Cancer Institute (NCI) recently published an interesting overview of cannabis and its prospective medicinal properties on its website (<http://www.cancer.gov/about-cancer/treatment/cam/hp/Cannabis-pdq#section/all>). These include treatment for chronic pain, nausea and vomiting during chemotherapy, among others, which also reflect the same market drivers as in Canada.

Interestingly, the current administration in Canada projects that legalization will occur nationwide next year. If that were to occur, CIBC World Markets believes that the total marijuana sales industry could reach \$5-10 billion by 2024.



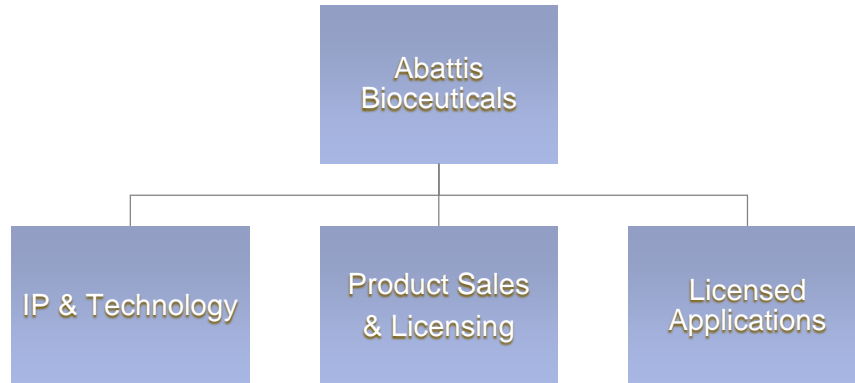
Figure 2: Cannabis in Canada

Source: [www.LifeScience.com](http://www.LifeScience.com)

The firms in the industry run the gamut from growers, to equipment providers, dispensaries, cannabis oil refiners/processors, and others. Once it is awarded a CSL, Abattis' operations in the Canadian cannabis space will be twofold and could expand into the U.S:

- ✓ Work with cannabis...Operate as an analytical testing lab...Perform R&D for the cannabis industry in Canada
- ✓ Develop natural health products infused with hemp or cannabinoids (CBDs)

## THE ABATTIS GROUP



Essentially operating as a holding company, Abattis Bioceuticals Corp. has divided its subsidiaries and divisions into 3 categories: Product Sales & Licensing, Technology & IP, and Licensed Applications. The Product Sales & Licensing segment includes Vergence and its primary divisions, *NÖXX Superfruit Tonic Shots* and *Naked Botanical*

*Blends* and is expected to be the near term sales driver for the Company.

The License Applications division includes Northern Vine Labs, Experion, and Biocell. What we would consider non-core divisions, and candidates for future divestiture are BioCube and North American BioExtracts. Since these are considered non-core, our focus is on Vergence, NVL, and Experion, which we believe represent the biggest revenue generators in the near term and long term.

### Licensed Applications

Northern Vine Labs™ has applied for a Controlled Substance License (CSL) with Health Canada for the possession of cannabis and related active ingredients, as well as the production of extracts for the purpose of analysis. Final security inspections are complete and the license is pending. NVL product certification and quality assurances programs incorporate global best practices and procedures for application in the Canadian market.



Under the CSL operations include: Analytical Services, Contract R&D Services, Extraction to Support Analysis, and Product R&D.

In partnership with the BC Institute of Technology (BCIT), NVL has been working to develop new and improved methods for the analysis of cannabis. This work is expected to be published by BCIT positioning NVL as the industry expert in analytical services which are substantially faster and more reliable than any other in Canada. Utilizing these proprietary methods, NVL will offer for sale its analytical reference standards enabling market participants to check quality and metrological traceability of products, to validate analytical measurement methods, and/or to support the proper calibration of instruments.

Importantly, NVL seeks to become the premier analytical testing laboratory, and research and development partner to the legal cannabis industry in Canada. With few competing labs in this segment, and a heavy need for these services, NVL is set to quickly take a leadership role, once operations commence in the coming months.

NVL ultimately endeavors to ensure that consumers are protected as the Canadian market for cannabis-based products continues to expand. NVL has established formidable strategic alliances and partnerships (including its unique partnership with the BCIT) in order to maintain its leadership position. These efforts notably include the development of new and improved methods for analyzing CBDs, which substantially increase the reliability of results and the speed in obtaining consistent and repeatable results.

For licensed producers, NVL will offer a multi-tiered service offering to enable its customers to purchase on-demand testing and R&D services, or to subscribe annually for bundled services. NVL will also work with licensed producers to tailor its testing services to support their research and development objectives and food-safe extraction activities. Clearly, this high profile status will be of considerable value to Abattis and serve as a major revenue driver.

**Experion Technologies, Inc.** (25% owned by Abattis) operates a ten-acre property in British Columbia and has developed strains of cannabis for use to treat many medical conditions. Importantly, the Company has applied to become a licensed producer under Canada's MMPR (Marijuana for Medical Purposes Regulations) and the application has passed the review stage.

Experion is now awaiting a "Ready - to - Build" letter from Health Canada. Receipt of a MMPR license would be a huge event as fewer than 35 licenses have been granted nationwide to treat the 50,000 patients in Canada, which is projected to grow to 450,000 by 2024.



**Biocell Labs Inc.** is a wholly owned subsidiary focused on supplying standardized pharmaceutical grade products. Currently, the company has 13 proprietary formulations for out-licensing to cosmetic, nutraceutical and pharmaceutical companies. While there is clearly a great deal of value here, if Vergence and NVL thrive, this division could also be a candidate for sale.

### Product Sales



The Company is comprised of a team of bioceutical sales and marketing specialists focused on health products to penetrate the fast growing market for natural, safe and effective solutions to society's unresolved and ubiquitous health issues. The Company's two primary brands are *NÖXX Superfruit* tonic "shots" and *Naked Botanical Blends* elixirs.

These lines of natural health products were originally conceived and formulated by noted, retired naturopathic doctor and global health ambassador, Brazos Minshew. Minshew brings his decades of naturopathic and product development experience to create products which address ailments to ensure a positive impact our health and well-being.



The NÖXX tonics have been formulated using Saskatoon berry, a superfruit shown to be high in fiber, protein and antioxidants. Each version of the NÖXX tonics has combined the benefits of Saskatoon berries with a variety of specific botanical ingredients to provide support for cardiovascular health and three key body systems: the body (bones, muscle function and metabolism, the mind (cognitive function) and the spirit (mood and stress reduction).

An additional presentation of the NÖXX Superfruit tonic aimed at the athletic market also contains PHYTO[NOS]<sup>™</sup>, a proprietary nitric oxide formula, blended with specific natural fruit and herb extracts that naturally supports nitric oxide (a vasodilator) production and the maintenance of nitric oxide levels in the blood stream.

The nitric oxide molecule plays an important role in many key functions in the body, including the regulation of blood flow and blood pressure, among others. PHYTO[NOS]<sup>™</sup> provides an all-natural, botanical alternative for nitric oxide production. An increase in nitric oxide production has been shown to enhance oxygen and nutrient delivery to active muscles, improving tolerance to physical exercise and recovery mechanisms. In addition, PHYTO[NOS]<sup>™</sup> provides antioxidants that help protect cells by preventing and repairing damage caused by oxidative stress.

A number of other products containing PHYTO[NOS]<sup>™</sup> are currently in development.

Vergence released a production test version of Comfort<sup>™</sup>, its first Naked Botanical Blend elixir, in March 2016. Comfort<sup>™</sup> was originally formulated by combining both knowledge and insight from traditional Chinese medicine as well as North American indigenous medicine to provide relief of occasional pain and discomfort. Following positive market testing and further refinements to its formulation, Comfort<sup>™</sup> is now ready to be joined by two additional products in this range including Soothe<sup>™</sup>, a blend developed to treat digestive health and nausea, and Enhance, developed to support and bolster the immune system.

#### Vitagum<sup>™</sup>

Separately, through its proposed licensing arrangement with Crimson Capital Group, the Company signed a letter of intent to co-formulate gum products under the brand name Vitagum<sup>™</sup>. As a result, Abattis and Crimson will finalize plans to co-formulate new gum products containing Phyto(NOS)<sup>™</sup>.

Crimson has acquired control of the Canadian distributor of Vitamingum<sup>™</sup> products and also owns the trademark rights to Vitagum<sup>™</sup>. These products contain active ingredients that are developed to be readily released and absorbed as a delicious functional food, snack, or supplement. These ingredients include vitamins, herbals, minerals, and other nutrients that are good for the body and mind, ingredients that have targeted health benefits.

In June of 2015, The Pennsylvania State University, Department of Food Science Center for Molecular Toxicology and Carcinogenesis, completed a six-month study and published findings scientifically proving that products such as Vitamingum<sup>™</sup> optimize nutrient and medicinal delivery via the oral cavity. Vitamingum<sup>™</sup> is proven to release active ingredients within minutes to achieve rapid absorption and bioavailability.

Abattis also agreed to enter into a licensing arrangement and marketing partnership with Crimson Capital Group to commercialize Abattis' *NÖXX Superfruit Tonic Shots*, including a specific formulation containing Abattis' patent-pending *Phyto(NOS)*<sup>™</sup> and *Naked Botanical Products*.

Future products include *Soothe*<sup>™</sup>, a blend to treat digestive health and nausea, and *Enhance*, designed to support and bolster the immune system.

### IP & Technology (non-core)



Biocube is a wholly owned subsidiary of Abattis that provides controlled cannabis cultivation environments for high yield marijuana growing. The company has exclusive worldwide rights to a building product derived from magnesium oxide known as MgO board, which has applications in all areas of the building and construction industry as a fireproof, antimicrobial, antibacterial, waterproof, and recyclable material.



This entity is a wholly-owned retail distribution arm of Abattis operating in Canada and Washington State that will focus on cannabis, cannabis derivatives, and ancillary products like vaporizers where legally permitted. The Company aims to use its proprietary extraction technologies to develop customized THC extract oils and CBD extract oils, as well as customized vaporizer flavors to enhance the end user's experience. With a renewed focus on the B2B side of the business at the top, this division is also a candidate for sale.

## UPCOMING MILESTONES

Given its product and developmental pipeline, along with changes in the regulatory environment, we believe that Abattis is set to enjoy a series of major milestones that should result in significant revenue growth over the next 4-8 quarters. These milestones include:

- The introduction and sale of 7-10 conventional nutraceutical products using its proprietary *PHYTO[NOS]*<sup>™</sup> formulation.
- Development of wholesale and retail channels.
- Establishment of sales and distribution opportunities in China and Korea.
- Commencement of major advertising/promotion campaign.
- First sales of the newly formulated *Vitamingum*<sup>™</sup> products.
- Meaningful sales through its new Crimson distribution relationship.
- Finalize R&D on CBD-based products and launch under 4-state, and 50-state/international co-formulation and distribution.
- MMPR award.

- Receipt of CSL.
- Commencement of NVL operations initially in nutraceutical space.
- Incorporate commercial and industrial level extraction, product-manufacturing and fulfillment equipment from its international affiliations into the North American Market.
- Expand NVL operations into cannabis arena.

## **EXECUTIVE LEADERSHIP**

### **MICHAEL YUNG, CEO**

Mr. Yung is an accomplished professional with over twenty years' experience in the pharmaceutical and medical technology sectors. Prior to joining Abattis, he held a variety of senior positions with Device Technologies, a large privately held business engaged in the sales and distribution of high-end medical technologies and services. These positions included management responsibility for organizational development strategy and implementation with a focus on corporate learning; as well as senior sales management roles focused on improving sales force strategy, effectiveness and capability. Mr. Yung joined Device Technologies from the pharmaceutical industry, where he held senior management positions with both AstraZeneca and GlaxoSmithKline. Mr. Yung has experience in international markets including Australia and New Zealand; and holds a Bachelor of Exercise & Health Science from the University of Queensland as well as professional certificates in Workplace Training and Integrated Talent Management.

### **RENE DAVID, CFO/COO**

Mr. David has over 20 years of experience in real estate development, finance, and business strategy. He started his career at VanCity, Canada's largest Credit Union as a real estate developer and then went into investment banking in Western Canada. He later expanded his interests to include the resource, food and water industries, and assisting corporations who are dealing with the globalization of local sources. In his normal course of duties, Mr. David's responsibilities include internal financial controls and analysis, procurement and contracts management. His continuous review of operating and capital plans is geared towards improving the internal controls and financial best practices in order to deliver highest value product and strong company values.

### **BRAZOS MINSHEW, DIRECTOR**

Brazos is master formulator for Abattis Bioceuticals Corp., former Chief Science Officer of TriVita, Inc., former Chief Executive Officer of Therapy Alternatives and Director of Marketing for Tiena Health. As former Chief Science Officer of Abattis, Brazos oversaw drug and product development collaboration among Abattis subsidiaries and partners. As former President of Biocell, he undertook research and development work that led to Abattis portfolio of products. Brazos has a \$1 billion dollar product development portfolio. He has experience managing all aspects of quality control, raw ingredient sourcing, product formulations, manufacturing as well as the International legal requirement for more than a dozen Countries.

### **DOUGLAS SOROCCO, LLB, DIRECTOR**

Douglas J. Sorocco practices law in the areas of intellectual property, technology, licensing, life sciences and patents and is involved in counseling and transactional work involving all aspects of intellectual property. He is ranked among Oklahoma's top intellectual property practitioners by the highly regarded Chambers USA: America's Leading Lawyers for Business. Mr. Sorocco was recently selected by attorney peers for inclusion in Oklahoma Super Lawyers--Rising Stars Edition (2010).

#### **JIM IRVING, DIRECTOR**

Jim is an accomplished, strategic marketing professional with over 30 years of experience in the Canadian alcohol beverage industry building iconic brands and delivering outstanding performance. He has a passion for consumer understanding coupled with strategic and creative capabilities to deliver integrated campaigns and new product innovation. His past leadership roles include former Director of Fundraising & Sponsorship at the BC Hospitality Foundation, Canadian General Manager for Precept Wine USA and President of Point Grey Importers Ltd. He was responsible for sales, marketing and account management at Pernod Ricard Canada, Okanagan Spring Brewery, Mark Anthony Brands Ltd. and The Mark Anthony Group Inc.

#### **DR. TERENCE FEALEY, PhD, DIRECTOR**

Dr. Fealey is a partner at OTC Nutrition LLC and formerly held the position of Senior VP Global Food and Beverage Strategic Planning for Procter and Gamble Company. Additionally, he has had senior R&D and Strategic leadership responsibilities with The Coca-Cola Company and recently served as Senior VP Chief Innovation Officer of Martek Bioscience Corporation, a leading nutrition biotechnology company based in Maryland, USA. Dr. Fealey has over 30 years of combined R&D and general management experience in all aspects of technology management and global strategic planning. Dr. Fealey was a key contributor to the highly successful global expansion of the Pringles brand as well as other well-known consumer product brands.

#### **GUY DANCOSSE, DIRECTOR**

Guy P. Dancosse, Q.C. has extensive experience in arbitration, negotiation and mediation, nationally and internationally, in many areas of business, including the public sector. He has appeared before Courts of all jurisdictions in Canada. He acted as counsel in commercial arbitration, both nationally and internationally (International Chamber of Commerce). Finally, he acted as counsel, and as party appointed Arbitrator in Labour and Employment matters across Canada, and in the United States. He has undergone post-graduate training in mediation and arbitration at Harvard University, Boston, and is a member of the Advisory Board for Groupe Océan Inc. and the Board of Directors for the Royal Canadian Mint.

## **FINANCIALS**

In addition to setting the stage for a series of product launches and marketing relationships this year, management has done an enviable job of solidifying the balance sheet and reducing the monthly burn rate along with debt levels and debt service. In fact, the Company has no long term debt.

Our preliminary forecasts suggest that sales will jump from initial launch in late 2016 to \$1-2M in revenue in 2017 to \$7-10M in 2018. Revenue is expected to be dominated by Vergence for the next 12-18 months with NVL revenue expected to commence in the next 18-24 months and enjoy hockey-stick type growth as the testing operations on the cannabis side begin in earnest. It should be noted that with an accumulated deficit of nearly \$14 million as Abattis transformed from an R&D firm to a revenue-generating operation the Company will not be paying meaningful taxes anytime soon.

## RISK FACTORS

In our view, ATTBF's primary operational risk is managing revenue growth and product/service offering introductions as it has now become a revenue generating entity. With the launch of 1-2 new products at a time, sales growth could be somewhat staged or "lumpy" until wholesale and other channels are developed and mature. The risk that the nutraceutical products prove to be unpopular relative to expectations is also a real risk to these shares. Not being awarded a CSL or delays in the launch of the NVL offerings or the cannabis-focused products and services are also potential risks but we deem these unlikely. Finally, competition from larger firms or even from newer entrants in the Company's business lines is a typical concern and is also consistent with firms of ATTBF's size and standing.

Volatility and liquidity are typical concerns for microcap stocks that trade on the over the counter market. Also, the shares outstanding of this stock could increase due to potential capital needs or to execute future acquisitions. However, since the proceeds of any future funding would likely be used in large part to close on M&A or penetrate the market with its flagship offerings, we believe that any dilutive effect from such a funding would be nullified by a related increase in overall market value.

## VALUATION AND CONCLUSION

For investors not familiar with the Company's varied but related model, we deem **ChromaDex Corp. (NASDAQ – CDXC – \$ - NR)** as a perfect comparable. ChromaDex, which sells its own nutraceutical ingredients and provides third party standards and in-house chemistry testing of other companies' ingredients for consumer consumption, is trending at a current \$35M annual revenue run rate. At current levels, CDXC trades roughly 6x this year's estimated sales. Considering that ATTBF is engaging in a similar model but with exposure and participation in the high growth cannabis space, we believe that these shares could trade at a premium valuation to CDXC once meaningful sales occur. While Abbatis is in the early stages of revenue generation, we believe that these shares could trade at a 3x price/sales multiple on the \$10M in estimated sales for next year. Thus, our price target is \$0.30.

It should be noted that Abattis, which has ownership in disparate yet related businesses, may be worth far more on an asset, or break-up basis than under the current format, where we project a \$30M market value. We proffer that it may become apparent that the sum of the parts may be greater than the whole as early as the receipt of the CSL, or upon the commencement of full-scale health and wellness product commercialization. Moreover, as the key business lines begin to generate revenue, we would not be surprised to see the divestiture of non-core assets, thereby boosting Abbatis' overall value. As a result, we rate these shares Speculative Buy.



### RECENT TRADING HISTORY FOR ATTFB

Source: [www.StockTA.com](http://www.StockTA.com)



## SENIOR ANALYST: ROBERT GOLDMAN

Rob Goldman founded Goldman Small Cap Research in 2009 and has over 20 years of investment and company research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell side analyst, Rob was a senior member of Piper Jaffray's Technology and Communications teams. Prior to joining Piper, Rob led Josephthal & Co.'s Washington-based Emerging Growth Research Group. In addition to his sell-side experience Rob served as Chief Investment Officer of a boutique investment management firm and Blue and White Investment Management, where he managed Small Cap Growth portfolios and *The Blue and White Fund*.

## ANALYST CERTIFICATION

I, Robert Goldman, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report.

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