

## PURATION, INC. PURA's Shares Set to Return to \$0.25 Level

Rob Goldman  
[rob@goldmanresearch.com](mailto:rob@goldmanresearch.com)

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### PURATION, INC. (OTC – PURA – \$0.058)

Price Target: \$0.25

Rating: Speculative Buy

#### COMPANY SNAPSHOT

Puration, Inc. is a leading Texas-based, CBD-infused beverage provider. The Company's flagship product, *EVERx*, which was introduced in 2017, targets the sports nutrition market. Puration plans to introduce new beverages as well as grow its product portfolio organically as well as through targeted acquisitions. The Company has spun off its cannabis cultivation segment to focus its efforts exclusively on its high-growth core CBD-infused beverage business. As part of the spin-off, the acquirer, NOUV, is set to provide a stock dividend to PURA shareholders in the near future.

#### KEY STATISTICS

Price as of 6/5/19	\$0.058
52 Week High – Low	\$0.25 - \$0.024
Est. Shares Outstanding	570.4M
Market Capitalization	\$36.5M
Average Volume	1,784,384
Exchange	OTCPK

#### COMPANY INFORMATION

**Puration, Inc.**  
14065 Proton Road  
Farmers Branch TX 75244  
Web: [www.PurationInc.com](http://www.PurationInc.com)  
Email: [info@purationinc.com](mailto:info@purationinc.com)  
Phone : 800.861.1350

#### INVESTMENT HIGHLIGHTS

**Conclusion: Despite PURA's light trading volume of late, a series of company initiatives and industry events serve as catalysts to drive PURA's volume higher and the shares back to its 52-week high of \$0.25.** Depending upon the timing and magnitude of the aforementioned events, we believe that these shares have the potential to reach the \$0.35 mark.

**Demand Is So Strong, PURA Opened a 2<sup>nd</sup> Plant.** PURA has been contending with an enviable problem; demand is high and growing but production has not kept up. The new capacity utilization should essentially double its previous production capability.

**PURA Is the Best Positioned CBD-infused Provider.** Much has been made of the recent FDA comments regarding CBD-infused products. (More on that later.) In the meantime, the bulk of PURA sales are in the South/Southwest regions. This is key because some southern states are designing their own regulatory guidelines to foster sales, potentially bypassing the FDA. These events should put also pressure on the FDA to act.

**The NOUV Dividend Transaction Is a Sweetener.** In our view, the NOUV transaction is a very good deal for PURA shareholders, and upon completion adds meaningful value to PURA's stock. Based on the current market cap, we believe PURA's current share price does not reflect this hidden value. More detailed information is now on the NOUV Disclosure site, [www.NOUV-Info.com](http://www.NOUV-Info.com).

**Sales Estimates Likely Too Low; M&A on the Way?** Given the big increase in production capacity, sales projections for 2019 could be low and sales growth next year could be further bolstered by M&A—which would leverage PURA's early mover infrastructure, sales, and its current formulation advantages. A critical mass of sales from M&A could in turn make PURA a future buyout candidate, once all of the FDA's future CBD-related guidelines are implemented.

## WHY PURA IS PRIMED TO MOVE HIGHER

### The Company

**Puration Inc (OTC – PURA – Speculative Buy)** recently hired a former FDA-certified auditor in the food and beverage arena. This new, senior official is leveraging expertise in industrial production to streamline and improve the Company's production processes for its flagship *EVERx* CBD-infused Sports Water beverage. This is critical as PURA recently implemented modest changes to the formulation which will increase shelf life yet not change the water's popular flavor or its desired CBD content. The new official's oversight of the added production facility will double capacity production and gives us confidence in potentially higher than currently forecast future sales.

For example, eliminating the production bottleneck alone could result in sales potentially exceeding the Company's stated \$4 million projection for 2019. Moreover, the additional capacity lends confidence that an M&A transaction could occur to take advantage of this capacity as well as increase the Company's total market share, and result in higher revenue. We deem such an event to have a greater impact on 2020 rather than 2019, but if a deal occurs by the fall, it is possible that the current 2019 sales forecast is too low and 2020 is a huge winner.

### The NOUV Dividend

As previously reported, PURA sold its cannabis extraction business to **Nouveau Life Pharmaceuticals, Inc. (OTC – NOUV – NR)**. In our view, NOUV is in the early innings of successfully migrating from traditional nursery/greenhouse operations to the fast-growing hemp cultivation and extraction business. Since the passing of the Farm Act of 2018 late last year, the hemp cultivation industry has undergone a transformation and is one of the fastest-growing industry segments.

NOUV boasts key joint ventures leveraging its large property and 25 greenhouses, with additional initiatives expected, going forward. For example, the Company could generate \$3 – 5 million in revenue over the next 12 months through its partnership. Thus, the Company could emerge as a niche yet growing play on the growth of the hemp cultivation business.

This is important for PURA and its shareholders as a result of the aforementioned spin-off. A couple of steps are in order prior to the completion of the NOUV dividend to PURA shareholders. First, NOUV will complete a post-capitalization conversion of the \$1.2 million convertible note (originally provided to PURA for the asset). This will be paid in exchange for consideration of 120 million preferred shares convertible 1:1 into NOUV common stock, whereby one NOUV preferred share is allocated for every five, or 1:5 beneficially owned PURA common shares are to be received by the Company and its shareholders. As this transaction is ongoing, we believe it will be concluded in the near term, with a future date to be announced by both firms.

As noted above, we believe that the NOUV transaction is a very good deal for PURA shareholders, and upon completion adds meaningful value to PURA's stock. Based on the current market cap, we believe PURA's current share price does not reflect this hidden value. It should be noted that PURA CEO Brian Shibley is also the interim CEO of NOUV---which should provide comfort and confidence to PURA holders that this will be executed in due order. Moreover, given the success of PURA under his helm, we infer that Mr. Shibley will perform his fiduciary

responsibilities for both companies and leverage his leadership skills to enhance NOUV's success, as he did with PURA, which adds value to PURA as well. More detailed information is now on the NOUV Disclosure site, [www.NOUV-Info.com](http://www.NOUV-Info.com).

### The Industry

Shares of CBD stocks have experienced a decline in volume and while drifting, have endured a near-term decline in value as well. We believe this is healthy as it is across the board and directly due to rumblings and inconsistent comments by the FDA regarding the timing of and details on prospective guidelines and regulations for CBD-infused products. The unknown is always a negative for stocks; however, in this instance, we believe that PURA may be the best positioned of the CBD-centric publicly traded pure plays and will overcome any subsequent overhangs for the group.

Here's why.

Last week, an FDA panel first-ever hearing on cannabis and CBDs left industry and corporate leaders, clinicians, and investors scratching their heads. No real post-meeting direction was given regarding the uniform standards and guidelines for production, packaging, and labeling of CBD-infused products, including beverages, food, and cosmetics. It appears that it may take the FDA a while to get its act together. On the optimistic side, they may elect to consider the regulation of CBD-infused products like dietary supplements which could be a boon for the space. On the negative side, decisions drag out and impair industry growth.

We have frequently cited a World Health Organization (WHO) report that notes CBD was found to be safe and non-addictive, and hundreds of successful projects (largely studies) have been funded by the National Institutes of Health (NIH). Moreover, media reports stated that at the FDA hearing, a representative from Consumer Reports commented that 65 million Americans have tried CBDs with well over 60% finding the products to be effective. Clearly, new studies and tests will aid in the uniform guidelines but in the absence of such events, demand for CBD products is huge and we believe it will continue unabated.

Not keen on waiting for the FDA, some southern states including North Carolina (and Louisiana to a degree) are planning to develop their own regulatory guidelines. Some will bypass the FDA in favor of providing uniform production regulations and CBD product labeling and ingredient dosage, while others are focused just on production. Other events, such as the pending introduction of CBD products in 10,000 retail stores in the US, meaningful hemp processing plant investments by foreign firms and major food executives taking on senior roles in this sector bode well for the industry.

As for PURA, given that the bulk of its sales are in the South/Southwest, the Company is sitting in the catbird seat, as the most progressive CBD initiatives appear to be in the Company's footprint. In our view, the series of company initiatives and industry events serve as catalysts to drive PURA's volume higher and the shares back to its 52-week high of \$0.25. Depending upon future events, we believe that these shares have the potential to reach the \$0.35 mark.

**RECENT TRADING HISTORY FOR PURATION, INC.**

(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

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