



PURATION, INC.

Final CBD User Survey Results Confirm PURA Set to Lead CBD Beverage Market

Rob Goldman
rob@goldmanresearch.com

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PURATION, INC. (OTC – PURA – \$0.065)	
Price Target: \$0.35	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 and 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 10/9/19	\$0.065
52 Week High – Low	\$0.25 - \$0.039
Est. Shares Outstanding	632.4M
Market Capitalization	\$41.0M
Average Volume	6,092,179
Exchange	OTCPK

COMPANY INFORMATION

Puration, Inc.
 14065 Proton Road
 Farmers Branch TX 75244

Web: www.PurationInc.com
 Email: info@purationinc.com
 Phone : 800.861.1350

INVESTMENT HIGHLIGHTS

Conclusion: While the interim CBD user survey results were favorable for PURA, the final results were overwhelmingly positive for the Company's future. There are a number of surprising results from this survey, which had a final identifiable respondent tally of 246 participants, as compared with our 85 identifiable responses when we issued interim results. The bottom line is that these results affirm to us that PURA is well-positioned to lead the CBD-infused beverage market and we reiterate our \$0.35 price target.

Key Numbers: When asked in order of preference what CBD-infused beverage they would buy, 77 or 31% said tea and 74 or 30% said water. As a provider of water and tea, PURA leadership certainly is providing consumers the most popular categories of CBD-infused beverages which bodes very well for future sales and market share growth.

The Trend is PURA's Friend: While CBD oils remain the most popular source of CBD products, the data and responses indicate that oils, vapes, and tinctures usage may be swapped on an ever-increasing scale, for edibles and beverages. We expect that they will eventually overtake these product categories which will be a boon to PURA.

The Holy Grail: What was hammered home in comments about the industry is that whoever figures out the magic formula of: Potency (and health benefits), Taste and Price will be the big winner(s) in this space.

Great Entry Point for Emerging Leader. With the stock basing at current levels, even a modest series of news and milestone events should drive the stock toward our price target. Moreover, with strong seasonality in the current quarter, and new markets just opened, PURA has the wind at its back.

CBD USER SURVEY TAKEAWAYS

Our 14-question CBD User Survey was performed during the month of September and included what we term as 246 identifiable participants. The total number of participants was about 5% higher than this figure but we found there were duplicate responses and deleted those to maintain the integrity of the survey results and its parameters. The primary objectives of the survey were to obtain the experiences and key issues to the respondent as a CBD user, what products they have used and a listing of their favorite products, along with a preference ranking and list of likely future CBD-infused beverage purchase. Finally, we obtained a detailed list of comments regarding positives/negatives regarding the state of the current industry as seen from the eyes of a consumer.

The Respondents:

Of our 246 respondents, 72 or 29% hailed from New York, with 54 or 22% from Florida and 46 or roughly 18% from California. These three states comprised just over two-thirds of the survey respondents which was a bit of a different makeup from our interim results. In total, our 246 participants live in a total of 13 states and the District of Columbia. Interestingly, we were able to capture a true cross-section of the nation and its population, as our participants represented the Northeast, Mid-Atlantic, Southeast, Midwest, Southwest, West Coast and West Coast. Fully 48% fell into the 25-34 age group, with 27% representing the 18-24 range. Thus, the 18-35 category comprised 75% of all of our respondents.

Current Product Usage:

Participant responses were mixed and the respondents utilized different verbiage to describe their current product usage, favorites, and comments regarding the industry. Thus, the survey produced insightful results. For example, two-thirds have used products in multiple categories which included: Oils/Drops, Edibles, Beverages, Vapes, and Topical Solutions. Interestingly, oils/drops (tinctures) ranked #1 in terms of favorites at 47% while edibles ranked #2 at 40%. The most common favorite single CBD product after oil was gummies.

It is important to note that a number of the oil/drops users tend to assess a high value on potency, given the high bioavailability and absorption of the sublingual delivery method. The group that appeared to value potency the highest were those who vape (since the absorption is highest in this method as it goes directly into the bloodstream).

One of the fascinating takeaways in this line of questioning was that it was clear that a meaningful percentage of respondents had never consumed CBD-infused beverages. Out of 246 participants, 81% had never consumed them! Moreover, judging by the responses, this was largely due to a lack of awareness rather than interest. In our view this bodes extremely well for PURA and other CBD beverage producers, as we are in the very early innings of penetration here, versus say, the oil/drops market awareness and penetration.

Interestingly, when notified of CBD-infused water, tea, coffee, and beer, we received many of the same responses:

"I love tea."

"I drink coffee all the time."

"Beer? I love beer."

"I am always drinking water so this is a great idea."

"Tea with CBD makes sense because it such a soothing drink."

As noted above, when asked in order of preference what CBD-infused beverage they would buy out of selections comprising water, tea, coffee and beer, 77 or 31% said tea and 74 or 30% said water. The primary reason why they chose one beverage over another was flavor/taste and how they would taste if infused with CBDs. **As it relates to PURA, these statistics could not be any better.** A provider of CBD-infused water and tea, PURA leadership certainly is providing consumers the most popular categories in this segment which bodes very well for future sales and market share growth.

Health Benefits:

Nearly all respondents noted that they consume CBD-infused products due to their health benefits and to some degree, there was a correlation between what condition it was used to treat and age. Older respondents leaned toward pain relief while younger participants cited anti-anxiety. To a degree, the type of product used also played a role based on condition, along with consumer preference. Respondents tended to provide lengthy comments when asked *"What is most important to you about CBDs?"* We asked this question rather than *"Why do you use CBDs?"* in an effort to obtain the broadest and most comprehensive responses possible and it did not disappoint.

The largest single response to the query was that the products provided pain relief; in second was anxiety but in third was "it relaxes me, or "relaxation", and it is "calming". These responses are very similar to anti-anxiety at their core. However, we infer that anxiety and calming may be two separate uses as part of self-treatment and we segment them accordingly. It should be noted that more than half of the respondents cited other specific treatment conditions that could not be characterized or categorized below, such as sleep or digestive health. Some people also left the answer incomplete. Given these responses, we may elect to focus on specific health benefits, along with potency, in a future survey. For now, the four categories are below:

Pain Relief:	45 (18%)
Anxiety:	37 (15%)
Relaxation:	32 (13%)
Gen. Health:	28 (11%)

Interestingly, a few people did note that since the products are all natural that is a huge selling point. Nonetheless, the biggest takeaway here is that there are a lot of people out there coping and managing with anti-anxiety and pain relief through the use of CBDs---and doing so with great success as compared with "synthetic" treatments.

IMPORTANT TRENDS

CBD oil remain the most popular source of CBD products. However, the data and responses from our CBD User Survey indicate that oils, vapes, and tinctures usage may be swapped on an ever-increasing scale, for edibles and beverages. The opportunity to consume CBDs that taste good and/or are infused in one's favorite beverages is preferable to sublingual drops and oils. The only subgroups that may not make the switch would be those for whom potency is the most critical feature or those that are extremely price conscious. While the bioavailability and absorption rates with edibles and drinks are not at the level of the other products, pricing across the board and especially with edibles are likely to decline as volumes increase and consistency of effectiveness is solidified.

Separately, the news regarding a series of vape-related deaths and over 1,000 sickened across the country has likely given vape users pause. Earlier this week, in Oregon, the Governor issued an executive order banning flavored vaping products for six months. In our view, Oregon is likely the first of several states to pull the same trigger in the near future. Look for companies like PURA to benefit from this situation—which could alter the use of CBDs for a long time.

Combining this situation with the excitement by respondents regarding beverages and edibles gives us confidence that these categories will eventually overtake oils and vapes. Meanwhile, what was hammered home in comments about the industry is that whoever figures out the magic formula of Potency (and health benefits), Taste and Price will be the big winner(s) in this space. PURA is a good bet to be a part of this conversation.

One example of how trends will benefit PURA is the recent news that Canopy Growth acquired a 72% interest in leading sports beverage maker BioSteel Sports Nutrition. PURA management views Canopy Growth's entrance into the \$50 billion sports nutrition market as a validation of PURA's strategic direction with its [EVERx CBD Sports Water](#). Aurora Cannabis also recently entered the sector through a deal with the UFC. PURA management believes PURA is a step ahead of the big money cannabis players with its EVERx experience and with new markets opening up in Europe and new CBD-infused tea, coffee, and beer products in its stable, major potential lies ahead.



SENIOR ANALYST: ROBERT GOLDMAN

Rob Goldman founded Goldman Small Cap Research in 2009 and has over 25 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*. In addition to his duties running GSCR, Rob serves as Managing Director, Research for Marble Arch Research, Inc., an Atlanta-based independent research provider, producing research and valuation reports on early stage private companies.

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