



May 14, 2020

CBD LIFE SCIENCES, INC.

(OTC – CBDL)

Industry: CBD Products

Price Target: \$0.0035

CBD LIFE SCIENCES, INC. Numerous Catalysts to Drive Shares Higher

Rob Goldman
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COMPANY SNAPSHOT

CBD Life Sciences, Inc.'s primary operating subsidiary features LBC Bioscience Inc. LBC has developed and is retailing/wholesaling a full line of cannabidiol based organic products including: CBD Drops, Pain Relief Creams, Anxiety & Sleep Supplements, Hand Sanitizers, Edibles, Coffee, Skincare Line, Pet Line, and Tablets. Products are sold online and through its AZ store location.

KEY STATISTICS

Price as of 5/13/20	\$0.001
52 Week High – Low	\$0.0684- \$0.0003
Est. Shares Outstanding	586.3M
Market Capitalization	\$0.6M
Average Volume	36,248,893
Exchange	OTCPK

COMPANY INFORMATION

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INVESTMENT HIGHLIGHTS

Not Your Typical CBD Player. With an online presence and a brick and mortar retail location, CBDL is not your typical CBD player. Plus, with dozens of traditional and in-demand specialty products across multiple categories, CBDL is poised to generate meaningful sales growth.

CBDL Seeks to Capture Share in a \$22 Billion market. CBDL is no one-trick pony. The Company offers premium products that promote wellness and can improve outcomes in certain maladies. Products include topicals, drops, and tablets and pre-rolls water for humans and pet wellness offerings which are available on a wholesale and retail basis.

CBD-Infused Topicals Could Be Major Seller Throughout 2020. The Company's Hand Sanitizers are huge sellers given the COVID-19 outbreak and other skin care offerings are popular as well. Sales of anti-anxiety supplements are also on the rise among Gen Z and Millennials due to the COVID-19 situation.

New Markets Offer Upside. Exposure to the Pet CBD wellness space with its diverse offerings could generate major sales in an industry slated to grow from \$31M in sales in 2018 to \$1.7B in 2025.

CBDL Could Essentially Triple From Current Levels. Even with a conservative 2021 sales estimate of \$500,000, we believe CBDL could reach \$0.0035 in the next 3-6 months and exceed the \$0.01 mark if sales surpass the highly achievable half million level, which is a Price/Sales metric in line with other CBD companies.

COMPANY OVERVIEW

Based in Arizona, **CBD Life Sciences, Inc. (OTC – CBDL)** offers one of the most unique and diverse product lines in the CBD-infused products industry, through its LBC Bioscience Inc. subsidiary. As a result, we believe that the Company could generate industry-leading top-line growth over the next 12-18 months. CBDs, the natural phyto-cannabinoid extracted from cannabis, is extracted from the stalk of a hemp plant. Studies have shown that CBD can be a natural remedy for such ailments as asthma, insomnia, anxiety, depression, arthritis, among other maladies. CBD is also considered to be an all-natural alternative to opioids. The market is huge. Brightfield Group projects the hemp-derived CBD market will reach \$22 billion by 2024.

Moreover, CBDL differs from its peer group in a number of ways. Unlike most CBD-infused product companies, the Company is no one-trick pony. It offers a varied line of products types covering a wide range of ailments and multiple target markets, including products geared for pets and the general populace. Interestingly, two of its product categories are enjoying outsized growth due to the current COVID-19 health pandemic, and these products, along with the pet care offerings, should drive sales growth and profits, going forward. We should also note that in addition to its brisk online business, the Company owns a brick-and-mortar location in Arizona, and as household lockdown restrictions are eased due to COVID-19, management expects sizable sales growth from the store as well.

The Products

CBDL's LBC Bioscience arm boasts roughly three dozen different full spectrum products ranging from, CBD Drops, Tablets, Pain Relief Creams, Anxiety & Sleep Supplements, Hand Sanitizers, Edibles, Coffee, Skin Care (anti-aging) Line, and Pet Wellness. While CBDL is enjoying broad sales across all categories, we have elected to focus on four which we believe could lead revenue growth for the Company.



COVID-19

The COVID-19 pandemic has killed tens of thousands, sickened millions, and is responsible for undue stress throughout the nation. Brightfield Group recently issued a report regarding how the COVID-19 situation has impacted the CBD industry and its consumers. Nearly half of all Gen Z and Millennial CBD consumers plan to use CBDs more frequently, especially those using it more than 5x per week. Given that most in this age group use CBDs to reduce anxiety and stress, we believe that CBDL's Anxiety Supplements line may benefit.

Demonstrating a keen sense of providing a market with innovative, in-demand specialty products, CBDL is enjoying tremendous interest in and sales of its new CBD-Infused Hand Sanitizers w/ Vitamin E---a situation we believe will only increase later in the year. In fact, we would not be surprised if this single product is one of CBDL's best sellers. In the meantime, as part of its community-centric mandate, CBDL has donated hand sanitizers to local nursing homes.

Pet Wellness

With seven different products in this category, Pet Wellness is arguably the largest single category for the Company. These include treats, creams, drops, and sprays. In our opinion, this segment may be the sleeper category for CBDL, as it has less competition than the traditional CBD products industry and perhaps the greatest upside. With a handful of products available already, CBDL has a leg up on the competition. (Pun intended.)



According to Brightfield Group Pet CBD products experienced a 946% jump in sales from 2018 to 219. Total Pet CBD industry sales are slated to leap from \$31M in 2018 to \$1.7B in 2025. Drivers include pet owners shift away from pharma and toward to CBDs, the use of CBDs as supplements or natural remedies, and the general growth in pet expenditures. Interestingly, pet meds accounts for \$5B of the \$99B total pet market as tracked by the American Pet Products Association. Clearly, as CBD products proliferate, the pet segment will be a big player and CBDL is well-positioned.

Skin Care

It should be noted that recent FDA comments regarding labeling, potential health risks, and the lack of comprehensive studies with ingestible and edible CBD-infused products, have impacted broad sale and distribution by major retailers, and procurement by some CBD buyers. As a result, a shift toward topical solutions appears underway by some consumer retail outlets. Nonetheless, CBDL has a good deal of exposure to the CBD-infused topical space through the hand sanitizers and its strong anti-aging skin care line---and that is a major plus for the Company. With products across the spectrum, we believe that CBDL is uniquely positioned to take advantage of any heightened interest in specialty products such as topicals and pet



wellness and set to ride the wave of CBD-infused product sales.

The Latest

In recent days, CBDL has introduced new products which appear primed for success. CBDL has introduced CBD Pre-Rolls which consists of 1 gram of CBD Hemp Flower that contains less than 0.3% of THC. The product is meant to be smoked so users can instantly feel the effects of CBD such as pain relief, anxiety relief, stress relief, etc. and retails for just \$14.99. CBD Pre-Rolls represent some of the hottest cannabidiol products and CBDL aims to offer consumers the highest quality of CBD.



The Company has also recently introduced its proprietary 100 MG PURE CBD TABLETS. The product consists of 100 MG CBD tablets 10 count in each container. This extraordinary product can help consumers relive pain, ease muscle soreness, inflammation, and tension and is similar to the Company's CBD drops but in a different dosage formulation for those users who prefer tablets.

The Valuation

With a diverse product offering across multiple forms and for varied, large, targeted specialty markets, CBDL clearly is well-positioned to emerge as a notable player in the CBD industry. As 2020 is essentially an infrastructure building year with limited store sales and trade show postponements, not to mention the COVID-19 impact on the economy, we project \$250,000 in total year sales. However, we forecast \$500,000 in sales for 2021, which could be low, as sales should be dominated by skin care, pet wellness, anti-anxiety, and anti-inflammation products. Our short term (3-6 month) \$0.0035 price target reflects a relatively low price/sales multiple of around 3x on CY21 sales but we note that this valuation could prove to be low as quarterly sales milestones are achieved, beginning later this year. In fact, we believe that the stock could support a higher price/sales multiple based on current CBD product peer valuation metrics, which could take it to the \$0.01 level or higher in the next 6-9 months.

CBD INDUSTRY: A SNAPSHOT

There may be no industry as dynamic or offer as much upside potential as CBD. As has been widely publicized, the Brightfield Group projects the hemp-derived CBD market will reach \$22 billion by 2024. The question is: What makes the CBD industry so special? Many of you are familiar with the basics but given that we tend to forget about the drivers, the characteristics, and the opportunities, we have provided this primer.

Before we dive in, it should be noted that the current state of the CBD segment is in a bit of a state of flux. Recent FDA comments regarding labeling, potential health risks, and the lack of comprehensive studies with ingestible and edible CBD-infused products, have impacted broad sale and distribution by major retailers, and procurement by some CBD buyers. As a result, a shift toward topical solutions verses edibles and beverages appears underway by the major consumer retail outlets. Still, results from a recent CBD User Survey we

completed a few months ago indicate that “FDA be damned” and that consumers are not changing their buying habits. Fully 85% do not plan to change their spending. They are convinced CBD-infused products aid in anxiety, inflammation, and other conditions.

The Science

Cannabis plants contain unique compounds known as cannabinoids (CBDs)---these plants have nearly 100 active varieties of cannabinoids, including THC, which is the psychoactive chemical associated with “getting high”. Unlike marijuana, which contains meaningful amounts of THC, hemp may only contain a trace amount of THC (0.3% of chemical), which a critical differentiator (more on that below.)

Interestingly, both marijuana and hemp contain a cannabinoid known as *Cannabidiol*, CBD, which makes up 40% of the plant’s extract. As confirmed by major organizations such as the NIH and WHO, CBDs have demonstrated to be useful to treat major diseases and serious conditions while simultaneously been found to be safe for use by consumers.

In early November 2017, the World Health Organization’s Expert Committee on Drug Dependence issued the following statement in its report:

“CBD has been demonstrated as an effective treatment of epilepsy in several clinical trials, with one pure CBD product (Epidiolex®) that is FDA approved. There is also evidence that CBD may be a useful treatment for a number of other medical conditions...The range of conditions for which CBD has been assessed is diverse, consistent with its neuroprotective, antiepileptic, hypoxia-ischemia, anxiolytic, antipsychotic, analgesic, anti-inflammatory, anti-asthmatic, and antitumor properties.” http://www.who.int/medicines/access/controlled-substances/5.2_CBD.pdf (updated)

The National Institutes of Health (NIH) is a huge supporter of CBD research, with 281 projects funded to the tune of \$111M in 2015 alone, and a new one slated to begin the funding phase at year-end 2017. Against this backdrop, the proliferation of CBD-based products has ballooned of late and huge growth is expected in the coming years. The Brightfield Group, in a report issued in late 2018 projected that Hemp-based CBD products will reach \$22 billion in 2022. Obviously, the recent legalization of hemp farming in the 2018 Farm Act signed into law by President Trump shined a light on the industry and provided it with a major boost. **Since CBDs are far more abundant in hemp products than marijuana-derived CBDs, hemp-derived CBD is the preferred source for CBDs.**

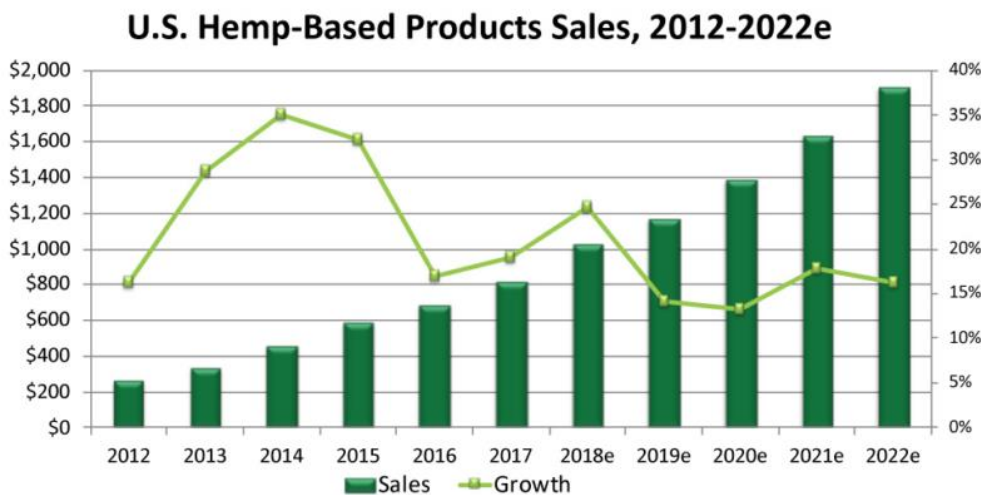
Certain cannabinoids are produced in the body and we all have 2 cannabinoid receptors: CB1 and CB2. CB1 receptors in the brain deal with emotions, mood, movement, and other functions while CB2, which is common in the immune systems can affect pain and inflammation. In many research studies, CBDs stimulates the body to use these cannabinoids. As we have been able to ascertain first-hand via our CBD User Survey (whose final results will be released in early October), CBD-infused products including beverages, edibles, topical solutions, etc. are consumed to treat anxiety, pain, inflammation, and has demonstrated neuroprotective properties.

Hemp-Derived CBDs: The Lay of the Land

To be certain, hemp-derived, and hemp-infused consumer products currently represent a market in the hundreds of millions annually that will enjoy outsized growth. However, given the potent effects of CBDs, we believe that the CBD-dominant segment will outshine the traditional hemp consumer products arena.

By the Numbers: (courtesy of Hemp Business Journal, Brightfield Group, GSCR)

- The industry is highly fragmented with hundreds of companies in the hemp-derived CBD space.
- We have seen estimates of as many as 1500 different products tracked by industry observers
- This segment includes beverages, oils, tinctures, vapes, topicals, edibles, etc.
- The most popular product category is CBD oil/tinctures, but beverages and edibles are the fastest-growing categories—with beverages accounting for 20% of future CBD sales.
- According to Zenith Global, the U.S. CBD-filled drinks market will reach \$1.4 billion by 2023
- Reports commented that 65 million Americans have tried CBDs with well over 60% finding the products to be effective CBD Users range in age from 18-65, with the majority of users in the 18-34 group
- Consumers procure products to treat anxiety, insomnia, and joint pain/inflammation.
- 50% say they are more effective than OTC products.
- 84% of users proclaim they are very or extremely effective.
- Consumers view these offerings as executing their personal health, and fitness needs.



Source: Hemp Business Journal estimates (\$ mil., consumer sales)

Figure 1: Historical and Projected Channel Sales

Interestingly, top tier beverage companies have already made their first foray into the space or are contemplating it. Given the “me too” approach in this industry at the top level, as one or two members of “Big Beverage” make a mark on the product development side, many others will fall in line and will seek partners or outright acquisitions, as they will look to separate out these entities structurally, from their core, for regulatory reasons. Here is an excerpt from a recent Bloomberg article:

“Coke’s possible foray into the marijuana sector comes as beverage makers are trying to add cannabis as a trendy ingredient while their traditional businesses slow. Last month, Corona beer brewer [Inc. Announced](#) it will spend \$3.8 billion to increase its stake in [Canopy Growth Corp.](#), the Canadian marijuana producer with a value that exceeds C\$13 billion (\$10 billion).

Molson Coors Brewing Co. is starting a joint venture with Quebec’s Hexo’s Corp., formerly known as Hydrothecary Corp., to develop cannabis drinks in Canada. Diageo PLC, maker of Guinness beer, is holding [discussions](#) with at least three Canadian cannabis producers about a possible deal, BNN Bloomberg reported last month. Heineken NV’s Lagunitas craft-brewing label has launched a brand specializing in non-alcoholic drinks infused with THC, marijuana’s active ingredient.”

Last year, Martha Stewart announced that through a partnership with Canada’s cannabis leader Canopy Growth, launched a broad-based CBD product line for pets. In fact, Brightfield notes that pet CBD products enjoyed a 946% increase in sales nationwide in 2019 from 2018 levels (\$31M to \$321M) and is projected to reach \$1.7B in sales in 2025. Brightfield commented on this significant market growth in a recent press release: *“The combination of anti-pharma sentiment, increased use of natural remedies, and overall affection owners have for their pets has led to pet CBD growing very quickly.”*

Today, CBD products are found in beverages, capsules, tinctures, edibles, skin care, etc. and regardless of FDA caution, it appears to be one of the fastest-growing consumer product markets in the U.S.

EXECUTIVE LEADERSHIP TEAM

Lisa Nelson, President. CEO

Lisa Nelson is a community minded serial entrepreneur with over 25 years of executive management and ownership experience. Lisa also has operations and national sales experience in a wide range of industries including hospitality, healthcare, marketing, and retail.

Mrs. Nelson graduated from the Mandel Medical School with a Medical Assistant degree in 1987. She also attended Queens Borough Community College as well as Pima Community College for her nursing degree LPN in 1992. Mrs. Nelson’s drive has always been focused on helping people and contributing to the community. Currently Mrs. Nelson is an active member in the American Legions Auxiliary. She has also been associated with the Scottsdale Chamber of Commerce. Lisa manages a fund for The Christian Matthew Nelson Scholarship. Lisa has assisted with various fundraisers, including the Illumin8 Life Foundation for Breast Cancer awareness.

Mrs. Nelson has also recently opened a Clothing and Skateboard line dedicated to her son.

Brianna Nelson, Chief Product Developer

Brianna Nelson has a great deal of experience in the marketing and social media sector and brings expertise and deep product knowledge in the CBD/Hemp industry. On a day to day basis, Brianna plays a big role marketing the company’s products through an online presence and social media outlets. She is known as an Instagram Specialist worldwide and focuses on generating new clientele for long term relationships. Brianna

also help lead the product development and marketing effort in an effort to enhance and bring in company revenue.

FINANCIALS SNAPSHOT

Interestingly, despite the fact that the past few quarters have largely been a representative of an infrastructure building year for CBDL, demand has remained high in key product categories. The Company benefits from a diverse product offering, but we believe that at least for the near term, one of the more popular and profitable products are the CBD-infused Hand Sanitizers, given the current COVID-19 health pandemic. Moreover, as we enter the fall season, we expect that customers may seek to stock up ahead of time, driving sales in this line even higher. Other key lines include the anti-anxiety offerings, given the present stressful times, and we expect that pet products will remain a real sleeper.

To be conservative, we presently forecast revenue of \$250,000 this year, with top line breaking through the \$500,000-mark next year, as more clarity on the FDA front occurs, and the economy improves. At the \$500,000 level, CBDL can generate higher gross profit in 2021 than its sales in 2020, indicating healthy operating profit is in the offing as well. With the introduction of new products, and the addition of new channels, we anticipate that meaningful upside to the forecast and valuation exist. As a result, CBDL could reach cash flow positive status in early 2021 as well.

RISK FACTORS

Aside from the FDA situation outlined earlier in this report, the Company's biggest risks are related to the timing and sales momentum of CBDL's products, along with being able to differentiate them from the competition. An overriding financial benefit as a public company is the favorable access to and the availability of capital to fund product launches, consistent marketing campaigns and other initiatives, if necessary, given the availability of capital for this industry. Competitive risks include lower pricing, more effective sales/marketing, potency, flavor, effective remedies, etc. These risks could come from larger competitors, existing firms, or new entrants. Still, these risks are typical future concerns and are also consistent with firms of CBDL's size and standing.

Volatility and liquidity are typical concerns for microcap stocks that trade on the stock market. It is possible that the shares outstanding of this stock could increase due to potential capital needs, including marketing expansion, as cited above. However, since the proceeds of any future funding would be used in large part to advance M&As or major business development, we believe that any dilutive effect from such a funding could be offset by related increases in market value.

CONCLUSION

With an online presence and a brick and mortar retail location, CBDL is not your typical CBD player. Plus, with dozens of traditional and in-demand specialty products across multiple categories, CBDL is poised to generate meaningful sales growth via its premium products that promote wellness and can improve outcomes in certain

maladies. Products include topicals, drops, and tablets and pre-rolls water for humans and pet wellness offerings which are available on a wholesale and retail basis.

The Company's Hand Sanitizers are huge sellers given the COVID-19 outbreak and other skin care offerings are popular as well. Sales of anti-anxiety supplements are also on the rise among Gen Z and Millennials due to the COVID-19 situation. Separately, exposure to the Pet CBD wellness space with its diverse offerings could generate major sales in an industry slated to grow from \$31M in sales in 2018 to \$1.7B in 2025.

Looking ahead, even with a conservative 2021 sales estimate of \$500,000, we believe CBDL could reach \$0.0035 in the next 3-6 months (using a low-end 3x 2021 Projected Sales) and exceed the \$0.01 mark if sales surpass the highly achievable half million level, which is a Price/Sales metric in line with other CBD companies.

RECENT TRADING HISTORY FOR CBDL

(Source: www.StockCharts.com)





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*.

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