

MMJ Group Holdings Ltd

08:42 18 Sep 2020

MMJ Group well-placed to capitalise on continuing cannabis opportunities

MMJ Group Holdings Ltd (ASX:MMJ) (OTCMKTS:MMJF) believes that the current market and industry sentiment surrounding cannabis companies create investment opportunities in Canada and other countries at attractive valuations and prices.

In its annual report, the company was particularly upbeat about opportunities to invest in listed and unlisted cannabis businesses in Canada and it was well-placed to do so.

Chairman Peter Wall said that FY20 had seen the company implement its investment strategy to recycle capital raised from the sale of MediPharm Labs in 2018/19 into investment opportunities provided by existing and new investees.

New investments

He said: "Significant new investments included existing investees Weed Me Inc and Embark Health Inc, whilst we also added new investees in WeedMD Inc, Sequoia Cannabis Limited and Bespoke A Limited Partnership.

"MMJ's asset manager, Embark Ventures Inc (EbV), has added considerable value in sourcing new investments to diversify our cannabis portfolio whilst also providing resources to actively manage MMJ's holdings in existing investments."

MMJ also holds warrants, which are similar to options in Australia, and contractual rights in a number of its existing listed and unlisted investments which provide opportunities to make follow-on investments in businesses at a discount to future valuations and where it is well placed to understand their potential returns.

SPP supports investments

In February 2020, MMJ announced a share purchase plan (SPP) with the company receiving eligible subscriptions of A\$389,400 from 158 shareholders at the issue price of 8 cents per share.

Those MMJ shareholders who supported the company's SPP through subscribing for new shares have been rewarded with share price appreciation.

The funds raised were invested in a follow-on investment in Sequoia.

Robust financials

Notably, the impact of the coronavirus (COVID-19) pandemic up to June 30, 2020, has not had a financial impact on MMJ.

Wall said: "The internal operations of MMJ have not been significantly impacted and we have not observed a material

Price: 0.092

Market Cap: \$21.16 m

1 Year Share Price Graph



Share Information

Code: MMJ

Listing: ASX

52 week High Low
0.245 0.062

Sector: Cannabis

Website: www.mmjgh.com.au

Company Synopsis:

MMJ Group Holdings Ltd (ASX:MMJ), formerly known as MMJ Phytotech Ltd, owns a portfolio of minority investments and aims to invest across the full range of emerging cannabis-related sectors. The company is listed on the Australian Securities Exchange.

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adverse impact on the operations of our material investments or any consequential material specific impact from COVID-19 on MMJ's valuation, and/or any impact on recoverability of loans advanced during the year still receivable as at 30 June 2020."

Material changes during the period in the fair value of investees include:

- Revaluation gain of A\$5.4 million from investment in Embark based on the price of its latest material capital raising;
- Devaluation of A\$1.5 million from investment in Weed Me following assessment of fair value based on MMJ assessment of fair value;
- Realised loss of A\$3.6 million from residual investment in MediPharm Labs, however, MMJ has made a total return of A\$25.3 million on its investment since acquisition; and
- Loss of A\$2.8 million on investment in WeedMD based on decline in listed value of securities.

Strategy looking forwards

MMJ is confident it is well placed to continue to roll-out its investment strategy for the remainder of 2020 and into 2021.

Key elements of the strategy are:

- For MMJ's asset manager, EbV, to work with MMJ's investees to understand their respective funding requirements and add value to the existing portfolio; and
- To make further investments at currently depressed valuations in Canadian cannabis stocks which will materially add value to the portfolio during the next 12 months.

Wall said the board appreciated the continued support of MMJ's shareholders during a challenging period in its efforts to generate positive returns for shareholders.

He said: "We remain committed to delivering value for all shareholders."

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