

# On the road to positive cash flow, biopharmaceutical company Avicanna launches its proprietary Pura H&W™

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The cannabis sector has had a bit of a rough go over the last year or so, to say the least. In Canada, the worst performing stock on the TSE Composite index in 2021 was Canopy Growth Corp. (TSX: WEED | NYSE: CGC) dropping an abysmal 67% throughout the course of 2021. In fact, you'd be hard pressed to find a single cannabis name that showed a positive return over the year. I looked at about 20 equities and only found OrganiGram Holdings Ltd. (TSX: OGI | NASDAQ: OGI) that bucked the negative trend but that doesn't mean there weren't possibly a few more. Nevertheless, 2021 was not the year to be a diehard cannabis investor.

Will 2022 be the time to shine for cannabis? Perhaps, if you are in the correct segment or have the right name. I don't think we are going to see full on legalization in the U.S. this year that could potentially be the rising tide that lifts all boats. It strikes me that there may be a few more pressing matters on the political agenda that could take precedence over this subject, but you never know. In the meantime, I believe one has to focus on the road to profitability because sooner or later if you need to raise cash to survive in a sector with performance as poor as we saw in 2021 from cannabis it could be very difficult to get your hands on the capital you require to continue as a going concern. That's why today we are going to have a closer look at [Avicanna Inc.](#) (TSX: AVCN | OTCQX: AVCNF).

The Company has a few irons in the fire, so to speak, that are all coming along nicely on the road to positive cash flow. Avicanna is a Canadian commercial-stage biopharmaceutical company established in cannabinoid research, development, and evidence-based products. Avicanna's scientific platform has resulted in 30+ commercial and proprietary formulations and products including cosmetics, medical cannabis, and pharmaceuticals, in addition to its raw material business unit, which reaches across international markets. The latter, marketed under the Aureus™ brand, has successfully completed sales to 11 countries.

The two business segments I'd like to focus on today are the cosmetic business and the raw materials business. When I see what Kylie Jenner's net worth is after selling 51% of her cosmetics brand to Coty for \$600 million in 2019 it made me stop and think about what kind of money there was in this line of business. Ever since the legalization of cannabis in Canada and parts of the U.S. there has been a lot of hype but not a lot of profits. Recreational cannabis has struggled to compete with the illicit market (and still turn a profit), and cannabis 2.0 also seems to be having a hard time finding traction in the marketplace. Medical cannabis appears to be doing well in certain areas but still has a lot of clinical trials and evidence-based science work ahead of it before it hits the mainstream. That's why I'm quite intrigued by Avicanna's CBD derma-cosmetic products marketed under Pura Health & Wellness (H&W)™ or Pura Earth™. These registered, clinically tested products include a portfolio of functional CBD topical products that have been designed to deliver CBD in synergy with other natural ingredients for specific functional skin benefits.



Source: Avicanna Inc. [Corporate Presentation](#)

On December 22<sup>nd</sup> the Company [announced](#) the brand launch and commercialization in the United States of its proprietary Pura H&W<sup>TM</sup> through its exclusive partnership with Red White and Bloom Brands Inc. (CSE: RWB). Avicanna's skincare line is currently available nationwide across Canada in medical channels in partnership with Medical Cannabis by Shoppers<sup>TM</sup> and in adult-use sales channels through retailers in 4 provinces. These products are also currently being sold in Colombia and Ecuador with anticipated product launches in the UK, and certain Latin American countries in 2022. I like the kind of revenue that can be generated in this business segment.

Another key differentiator for Avicanna, at least to me, is their established, sustainable and economical cultivation and extraction infrastructure in Columbia. I've often wondered why there was such a frenzy to build greenhouses in Canada to cultivate cannabis when you had to anticipate that it would just be a matter of time before far more economic sources of raw materials were available. Aureus<sup>TM</sup> is the Company's business-to-business raw material brand for cannabinoid Active Pharmaceutical Ingredients, feminized seeds, cannabis biomass, and formulations offered with quality testing and tracking. The Company's extracts include oils, cannabinoid distillates, and isolated cannabinoids (CBD, THC, CBG, and other cannabinoids), and bulk formulations (derived from hemp and cannabis cultivars). Avicanna was ranked highest amongst global cannabis companies in the SAM Corporate Sustainability Assessment in the 2020 Sustainability Yearbook, a sustainability index that has become the basis for numerous S&P Global ESG indices. And as noted earlier, the Company has realized commercial sales of CBD, CBG and THC with exports made into eleven countries. To summarize, their raw materials business is profitable and ESG friendly.

These are just two of what I think are Avicanna's differentiators but there's a lot more going on. Their third quarter MD&A was 40 pages long if you'd like to have a read. Another near-term catalyst is agreements signed by the Company with two companies founded by former NBA star Al Harrington for the use of his brands, re+PLAY™ and Viola™. On December 20<sup>th</sup> Avicanna [announced](#) the launch of re+PLAY™ branded CBD topicals products in Canada across adult use channels in Alberta and Ontario, and medical channels in partnership with Medical Cannabis by Shoppers™. Granted all these late December announcements won't show up in the Company's Q4 results but there is definitely momentum. Gross revenue and product sales grew sequentially in each of the first three quarters of 2021. If that trajectory continues in Q4, then the addition of the two incremental deals noted above could make for an exciting Q1, 2022.

With all that said, Avicanna was not cash flow positive or profitable as of the end of their third quarter (Sep 30, 2021) and might not be come year end 2021. However, you can see the direction things are going and make a case for some exciting results in early 2022. With only 46 million shares outstanding and a market cap of C\$23 million based on yesterday's close, there could be a lot of leverage to a quarterly result that shows positive numbers.

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## David Sutton on innovation in

# the cannabis market and what's next for NanoSphere Health Sciences

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"Listing in Canada gave us enormous exposure as well as helped us identify a partner, a licensed producer, there that could help us expand our exposure to the cannabis market. Canada is on the forefront of doing this on a global basis. It made sense to look to Canada and to Delta 9 as providing that avenue...They are very innovative in how they are growing. They are using new technologies to ensure a better product. They are using these pots. We saw their innovation and our innovation in how to deliver cannabis as a match made in heaven." States David Sutton, President and Director of [NanoSphere Health Sciences Inc.](#) (CSE: NSHS), in an interview with InvestorIntel Corp. CEO Tracy Weslosky.

**Tracy Weslosky:** David we know that InvestorIntel audience members like the jockey. It is a very competitive market out there. You have quite the reputation for actually turning transformed concepts into profitable businesses. You selected NanoSphere. Can you tell us why?

**David Sutton:** Absolutely. This technology has disruptive capabilities in multiple industries. When you have a piece of technology that can do that, the potential for profitability and revenue growth is phenomenal.

**Tracy Weslosky:** David, in addition to selecting NanoSphere as a candidate you want to turn into a profitable business, are there any benefits on listing and being based in Canada? How does this Delta 9 fit into this program?

**David Sutton:** Listing in Canada gave us enormous exposure as well as helped us identify a partner, a licensed producer, there that we could expand our exposure to the cannabis market. Canada is on the forefront of doing this on a global basis. It made sense to look to Canada and to Delta 9 as providing that avenue.

**Tracy Weslosky:** David I obviously do not have my head around Delta 9. Can you tell us a little bit more about this competitive technology?

**David Sutton:** They are very innovative in how they are growing. They are using new technologies to ensure a better product. They are using these pots. We saw their innovation and our innovation in how to deliver cannabis as a match made in heaven.

**Tracy Weslosky:** Speaking of Canada and, of course, North America, you just recently announced that you began production through one of your vertical companies in California. Can you give us some highlights of this deal please?

**David Sutton:** Absolutely. The company is actually called Vertical Companies. Why we selected them to license our technology to is, as the name suggests, they are vertically integrated from grow all the way through distribution, which is key in the California market as they require a third-party distribution to get your products into retail outlets.

**Tracy Weslosky:** You have just moved into Indiana with your NanoSerum Hemp solution. This sounded kind of fun. Can you tell us a little bit more about this?

**David Sutton:** This is our hemp-based CBD product that can now be shipped across state borders. Has a lot of the similar benefits that our other products do, but now we have a wider audience. Not everyone likes to get high every day, but everybody likes to

take a dietary supplement or receive the benefits of CBD every day. It is an enormous market that we are launching in the Midwest to start.

**Tracy Weslosky:** The ten story vantage point for NanoSphere really has to do with your patent for the nanoparticle delivery system. I think it is a good time to remind us all about this competitive advantage.

**David Sutton:** Absolutely. We have 2 patents. The first patent revolves around our nano encapsulation technology and how we put that together no matter what we put inside of it. It provides us protection in any industry that we are operating in. Now our cannabis patent that utilizes what we call the master patent provides us wide protection in the cannabis space. It provides better bioavailability, consistent dosages and unique benefits that you cannot find anywhere else...to access the complete interview, [click here](#)

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