

FSD Pharma

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FSD Pharma saw 'robust expansion' at Ontario facility in 4Q as it capitalized on market opportunities

FSD Pharma Inc (CSE:HUGE) (OTCMKTS:FSDFF) said Monday that the fourth quarter saw "robust expansion" at its headquarters in Cobourg, which is expected to create new jobs for the southeastern Ontario community.

Headquartered at the former Kraft plant in Cobourg, Ontario, about an hour's drive from Toronto, FSD Pharma's mammoth facility sits on 72 acres of land, with 40 primed for development and an expansion capability of up to 3,896,000 square feet.

DEEP DIVE: FSD Pharma aims to have the world's largest hydroponic indoor cannabis production and processing facility

"After receiving the sales license for medicinal cannabis in April 2019, we are tightly focused on developing a robust expansion plan at our Cobourg, Ontario facility under the leadership of Dr Sara May," said FSD Pharma CEO Dr Raza Bokhari. "Finalizing the next phase of expansion, with drawings, a construction budget and timeline is our top priority."

The company is transforming its sprawling facility in Cobourg into the world's largest hydroponic indoor cannabis production and processing facility, with multiple business units co-supporting each other, operating under a single roof to exploit economies of scale and operational efficiencies.

At full capacity, the Cobourg facility will be able to produce 400 million grams of dried cannabis flower per year, not to mention that an indoor hydroponic production helps ensure the consistency of the product 365 days a year.

Value of strategic investments rise

"2018 was a year of major accomplishments for FSD Pharma," said FSD Pharma founder and executive co-chairman Anthony Durkacz. "Strategic investments were valued at \$18 million with a mark-to-market unrealized gain of \$10 million."

FSD Pharma logged total net assets in excess of \$52 million with no long-term liabilities. The company's cash position on December 31, 2018 stood at \$22 million, alongside more than \$100 million of real estate value.

"FSD has fully complied with all required filings with Canadian securities regulators. It's unfortunate that we missed the filing deadline and I take full responsibility for the delay," said Dr Bokhari. "We are working with a new auditing firm that started its work in the beginning of April 2019 in advance of our listing on the New York Stock Exchange. It was important that they took the time they needed to finalize the audit."

Financial highlights

Without a sales license in 2018, FSD generated revenue from a sublease in its facility for \$86,656. The company purchased the facility in November 2017 and continues to build it out.

Price: 7.83

Market Cap: \$63.21 m

1 Year Share Price Graph



February 2019 August 2019 February 2020

Share Information

Code: HUGE

Listing: CSE

52 week High Low
63.315 4.4

Sector: Cannabis

Website: fsdpharma.com

Company Synopsis:

FSD Pharma is a publicly traded company on the Canadian Securities Exchange under the symbol HUGE. The Company, through its wholly-owned subsidiary FV Pharma Inc. , holds an ACMPR license to cultivate cannabis under the Access to Cannabis for Medical Purposes Regulations (ACMPR).

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For the year ended December 31, 2018, the company reported that expenses increased to \$32,863,937 and it had a net loss of \$22,710,624. This is due to "substantially increased activity" on the build out of the Cobourg facility, said the company and applications for licenses required to produce and sell cannabis.

During the year, the company generated net cash of \$44,876,169 from its financing activities. As a result, the company has a greater working capital balance of \$20,826,211 in 2018 compared to a balance of \$4,121,660 in the corresponding period a year ago.

Advancing R&D into synthetic cannabinoids

FSD Pharma recently signed an agreement to acquire US-based specialty research and development pharma company Prismic Pharmaceuticals.

FSD which grows medical-grade cannabis will acquire all outstanding shares of Prismic for roughly US\$17.5 million (CAD\$23.4 million), to be satisfied by the issuance of 102.7 million Class B subordinate voting shares in FSD Pharma at a price of US\$0.1704 per FSD share.

"This transaction symbolizes FSD Pharma's vision of acquiring a platform company to advance research and development of FDA-approved applications of synthetic cannabinoids and other synergistic molecules," said said Dr Bokhari.

Prismic has exclusive worldwide licensing rights (except for Italy and Spain) to a patent-protected form of palmitoylethanolamide (micro-PEA with particle sizes of 0.6 - 10 microns), on which Prismic's development platform is based and from which Prismic's lead prescription drug candidate, PP-101, has been formulated. Such formulations take advantage of micro-PEA "synergistic" or "entourage" effect on certain drugs impacting the endocannabinoid system.

FSD has a 'farm to laboratory' vertically-integrated operating structure. The farming operation produces raw materials for cannabis products and derivatives.

FSD is developing a portfolio of novel cannabinoid drug candidates designed to overcome the limitations of treatment options for chronic pain and to present patients and physicians with safe treatment alternatives.

—(Updates on investments in R&D into synthetic cannabinoids)—

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