

MMJ Group Holdings Ltd

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MMJ Group reveals share buyback plan and appoints Embark Ventures as investment manager

MMJ Group Holdings Ltd (ASX:MMJ) is planning an on-market buy-back of up to 10 million MMJ ordinary shares over the next 12 months as part of its active approach to capital management.

Rationale

In managing its investment portfolio and asset allocation, the company is continually monitoring its investments and new investment opportunities in the Cannabis sector.

Understanding the portfolio and noting the discount that the company's shares are trading to the net asset value per share of its investment portfolio, MMJ has determined that an on-market buyback of its shares is a value accretive use of its funds.

The buy-back is from existing cash reserves and is expected to enhance shareholder returns.

Investment management agreement with Embark Ventures Inc.

On April 15 2019 MMJ announced the proposed appointment of Embark Ventures (EBV) as manager of MMJ's investments.

MMJ has now executed an investment management agreement with EBV.

Background

EBV is part of the Embark Group which includes Embark Health Inc, a company in which MMJ holds an investment of \$3.8 million.

One of the principals of Embark is Michael Curtis, who is a non-executive director of MMJ and will hold about 20% of EBV and holds 13.2% of Embark Health issued capital respectively.

The MMJ board believes that the company should centre its asset management resource in Canada to better manage the existing portfolio and access new investment opportunities as the board expects the majority of MMJ's investment portfolio to be located in North America.

The appointment of Embark is a cost-effective way to ramp up MMJ's investment operations without adding material fixed costs.

READ: MMJ Group Holdings makes progress in cannabis investment strategy

The investment management agreement with EBV will become effective following MMJ shareholders approval.

Price: 0.15

Market Cap: \$34.52 m

1 Year Share Price Graph



Share Information

Code: MMJ

Listing: ASX

52 week High Low
0.31 0.15

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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The MMJ board has formed the view that the appointment of a third party manager was a preferred option to appointing a chief executive officer (CEO).

The board took into consideration that, with the appointment of EBV, MMJ receives access to a team of persons based in Canada, MMJ's key investment market.

Following its appointment, the MMJ Board will monitor EBV's role and will reconsider the appointment of a separate CEO as necessary.

READ: MMJ Group invests in Canadian manufacturer of vape pens and cartridges

MMJ chairman Peter Wall said: "The board considers that the implementation of the buy-back and the dividend policy together with confirmation of the appointment of Embark Ventures, are important steps in addressing the 39% discount to the fair value of MMJ's net asset value per share.

"The board looks forward to MMJ shareholders confirming the appointment of Embark Ventures in order to provide investors with certainty over MMJ's operating structure and allow MMJ to ramp up its investment operations."

Dividend policy

MMJ has decided to distribute 20% of its annual profit after tax after excluding unrealised gains and losses on investments in respect of financial years commencing after June 30 2019.

The dividend would be payable within three months of each half year after the completion of the half year and annual financial statements. The dividend would benefit from available franking credits held by the company.

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