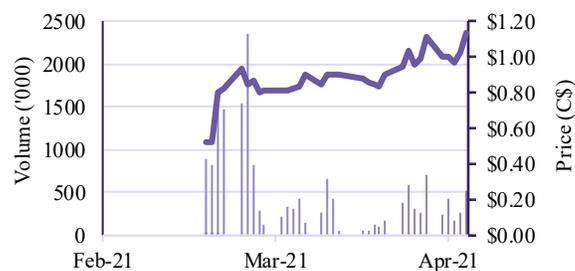


Ritual Superfoods Inc.

RSF-CSE: \$1.14
Rating: Speculative Buy
Target: \$2.00 (was \$1.50)

Valuation				
Calendar Year	2021e	2022e		
Revenue (C\$MM)	\$5.1	\$27.7		
<i>Previous</i>	\$5.1	\$21.2		
Adj. EBITDA (C\$MM)	(\$3.7)	\$1.6		
<i>Previous</i>	(\$3.7)	\$1.1		
Adj. EBITDA Margin	(72%)	6%		
Diluted EPS (C\$)	(\$0.06)	\$0.02		
<i>Previous</i>	(\$0.06)	\$0.01		
Price/Sales (CY)	18.8x	3.5x		
EV/Adj. EBITDA (CY)	NEG	55.3x		
P/E (CY)	NEG	63.9x		
2021e	Q1e	Q2e	Q3e	Q4e
Revenue (C\$MM)	\$0.0	\$1.0	\$1.5	\$2.6
Adj. EBITDA (C\$MM)	(\$1.9)	(\$1.2)	(\$0.4)	(\$0.2)
Stock Data				
Price	C\$1.14			
52-Week Range	C\$0.36 - C\$1.15			
Avg Daily Vol (3-Mo)	336,567			
Shares Basic / Diluted (MM)	59.0 / 84.3			
Basic/Dil. Market Cap (C\$MM)	\$67 / \$96			
Cash (C\$MM)	\$6			
Debt (C\$MM)	\$0			
Enterprise Value (C\$MM)	\$90			
Mgmt & Dir. Ownership	2%			
Fiscal Year End	Jun-30			



Source: Refinitiv

Ritual Superfoods Inc. is a health and wellness company focused on the formulation and distribution of premium plant and mushroom-based products featuring adaptogen ingredients with targeted therapeutic benefits.

Ritual Partners with Crossmark to Materially Accelerate the Commercialization of its Products

April 26, 2021

Ritual announces partnership with a leading sales and marketing agency that is expected to accelerate the Company's growth and retail store penetration: On Friday last week, Ritual announced that it has entered into an agreement with Crossmark Inc., one of the leading national sales and marketing agencies in North America, to facilitate the commercialization of its products across the U.S. The announced partnership is expected to substantially accelerate Ritual's retail store penetration, build brand awareness, and enable the Company to expand into a greater number of stores over time.

Partnership with Crossmark gives us added confidence in the Company's ability to execute on its ambitious growth strategy: We view today's announcement as an important step for the Company towards achieving its goal of becoming one of the leading premium health and wellness brands on the market. Specializing in consumer goods industry, Crossmark has been providing comprehensive and tailored sales and marketing solutions to clients for over 100 years and has worked with some of the world's top consumer packaged goods companies and retailers across North America. Equipped with a team of 25,000+ employees and extensive analytical capabilities, Crossmark is expected to add substantial value to the Company, enabling it to grow faster and more efficiently than would otherwise be possible.

Raising 2022 estimates, increasing target price to C\$2.00 per share, maintaining Speculative Buy rating: Considering the announcement, we are increasing our revenue forecast for 2022 to reflect a materially faster expected rollout of the Company's products across North America compared to what was previously forecasted. Our higher 2022 revenue estimate causes our target price to increase to **C\$2.00 per share** (from C\$1.50) based on our unchanged target multiple of 6.0x 2022e Price/Sales. We maintain our **Speculative Buy** rating.

PARTNERSHIP WITH CROSSMARK IS EXPECTED TO HELP RRITUAL ACHIEVE ITS MARKET PENETRATION TARGETS FASTER AND MORE EFFICIENTLY

On Friday last week, Ritual announced that it has entered into an agreement with Crossmark Inc., one of the leading national sales and marketing agencies in North America, to facilitate the commercialization of its products across the U.S. Specializing in consumer goods industry, Crossmark provides comprehensive sales and marketing solutions to its clients designed to efficiently connect them with the right retailers and end consumers. Equipped with over 100 years of industry experience, extensive retailer relationships, and a team of 25,000+ employees, Crossmark has worked with some of the world's top consumer packaged goods companies, helping them grow and achieve specific business objectives, and to ultimately drive sales.

Figure 1: Overview of Crossmark's past engagements (select brands)



Source: Crossmark website (www.crossmark.com)

Our understanding is that Crossmark, through a carefully crafted collaborative program, will augment Ritual's sales and marketing efforts by deploying its in-field execution team and leveraging its extensive promotional, trade marketing, and analytical capabilities to build brand awareness and expeditiously grow the Company's national retail presence. Crossmark's areas of expertise include retail merchandising, consumer engagement, in-store events, experiential marketing, in-store data collection, e-commerce solutions, and insights and analytics, all of which, we believe, could be utilized by the Company.

Figure 2: Overview of Crossmark's service offerings



Source: Crossmark website (www.crossmark.com)

Strategic collaboration with Crossmark is expected to substantially accelerate Ritual's retail store penetration, build brand awareness, and ultimately enable the Company to expand into a greater number of stores. We also would like to note that, David Kerbel, the Company's CEO, in one of his previous roles as an executive Division President at Crossmark, and Sarton Molnar-Fenton, the Company's recently appointed Vice President of Sales USA, both have previously worked with the agency, and are expected to be actively involved in the process of creating a comprehensive, data driven growth strategy for Ritual. Our understanding is that the compensation structure for Crossmark's services is such that the interests of the two companies are very much aligned, which certainly bodes well for the long-term success of the program.

With a goal of reaching 40K+ points of distribution in the U.S., Ritual's management appears to be very confident in its ability to achieve this target by as early as end of 2022, potentially shortening the original timeline in half by having Crossmark as a partner. If successful, in terms of total number of stores, assuming an average of 4 SKUs per store, that could put Ritual close to, if not ahead of, its main publicly trading competitor, Laird Superfoods (NYSE American: LSF. NR), which at the end of Q4/20 had its products available in over 7,100 retail locations across the U.S. We remain cautiously optimistic and forecast Ritual products to be available in 5,000 retail locations by the end of 2022, which, under the assumption of 4 SKUs per store, would translate into 20K points of distribution. We also continue to see a path for the Company to potentially exceed our forecast if product uptake is stronger than expected or if Ritual launches additional product lines.

Figure 3: Overview of Crossmark's retail channels



Source: Crossmark website (www.crossmark.com)

INCREASING 2022 ESTIMATES, RAISING TARGET PRICE TO \$2.00 PER SHARE, MAINTAIN SPECULATIVE BUY RATING

Today's announcement gives us confidence in Ritual's ability to materially accelerate its Phase 2 expansion and enter more retail stores in 2022. As a result, we are increasing our 2022 estimates to account for additional retail store penetration expected next year, leaving our 2021 estimates intact.

Our updated forecast calls for 2022e revenues of C\$27.7MM (was C\$21.2MM) and Adj. EBITDA of C\$1.6MM (was C\$1.1MM). Our forecast continues to assume that Ritual will commence wholesaling of its first line of products in the U.S. this quarter, followed by a rollout in Canada, with its products expected to be available in close to 3,750 retail locations across North America by the end of 2021. Finally, we continue

to see substantial upside potential to our current sales estimates, driven mainly by additional North American store penetration, online sales expansion, and the launch of new product lines.

Figure 4: Updated Estimates (in C\$MM except per-share data or as noted)

In C\$ Millions except per-share items	2021e			2022e		
	New	Prior	Change	New	Prior	Change
Revenue	\$5.1	\$5.1	No change	\$27.7	\$21.2	\$6.5
Adjusted EBITDA	(\$3.7)	(\$3.7)	No change	\$1.6	\$1.1	\$0.5
Adj. EBITDA Margin %	(72.2%)	(72.2%)	No change	5.9%	5.2%	63 bps
Diluted EPS	(\$0.06)	(\$0.06)	No change	\$0.02	\$0.01	\$0.01

Source: Clarus Securities Inc. estimates.

Our 12-month target price increases to **C\$2.00 per share** (from C\$1.50) and we reiterate our **Speculative Buy** rating. Our target price equates to 6.0x 2022e price/sales and is slightly below the consensus median 2022e price/sales multiple of Ritual's peer group, reflecting the Company's relative risk and expected growth profile.

Using Refinitiv consensus estimates for companies not covered by Clarus, the peer group currently trades at a median of 15.2x 2021e price/sales and 6.3x 2022e price/sales.

In comparison, using Clarus revenue estimates and a projected fully diluted share count, Ritual is currently trading at 18.8x 2021e price/sales and 3.5x 2022e price/sales.

Figure 5: Table of Comparables (in \$Millions except as noted)

Functional and Plant-Based Foods Sector Valuations - Selected Companies

Company Name	Ticker	Clarus Rating	Stock Price (C\$)	Diluted Market Cap (C\$MM)	Diluted EV (C\$MM)	Estimates (C\$MM)				P/S		EV/Adj. EBITDA	
						CY21e Sales	CY22e Sales	CY21e Adj. EBITDA	CY22e Adj. EBITDA	CY21e	CY22e	CY21e	CY22e
						Beyond Meat	BYND.O	NR	\$163.95	\$10,906	\$10,632	\$720	\$1,082
Burcon NutraScience	BU.TO	NR	\$5.03	\$579	\$549	\$3	\$4	(\$1)	(\$1)	194.6x	133.9x	NM	NEG
Laird Superfood	LSF	NR	\$42.91	\$419	\$382	\$53	\$79	(\$14)	\$1	7.9x	5.3x	NEG	304.9x
Else Nutrition Holdings Inc.	BABY.V	NR	\$2.50	\$356	\$342	\$9	\$57	(\$19)	(\$12)	41.0x	6.3x	NEG	NEG
Tattooed Chef	TTCF.O	NR	\$21.81	\$171	\$173	\$284	\$382	\$13	\$42	0.6x	0.4x	13.7x	4.1x
Sector Median										15.2x	6.3x	NM	NM
Ritual Superfoods Inc.	RSF.CD	Spec Buy	\$1.14	\$96	\$90	\$5	\$28	(\$4)	\$2	18.8x	3.5x	NEG	55.3x

Source: Clarus Securities estimates for Ritual Superfoods Inc., corporate filings, Refinitiv

Target Price Calculator: Our 12-month price target is calculated as 6x 2022e EV/Adj. EBITDA.

Key Risk to Target Price: Please refer to the risks disclosed in the initiating report dated March 12, 2021.

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Within the last 24 months, Clarus Securities Inc. has received compensation for investment banking services with respect to the securities of the Company.

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Buy: Attractively valued and expected to appreciate significantly from the current price over the next 12-18 months.

Speculative Buy: Expected to appreciate significantly from the current price over the next 12-18 months. Financial and/or operational risk is high in the analyst's view.

Accumulate: Attractively valued, but given the current market price, is expected to appreciate moderately over the next 12-18 months.

Hold: Fairly valued and expected to trade in line with the current price over the next 12-18 months.

Sell: Overvalued and expected to decline from the current price over the next 12-18 months.

Under review: Pending additional review and/or information. No rating presently assigned.

Tender: Company subject to an acquisition bid: accept offer.

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