

Ritual Superfoods Inc.

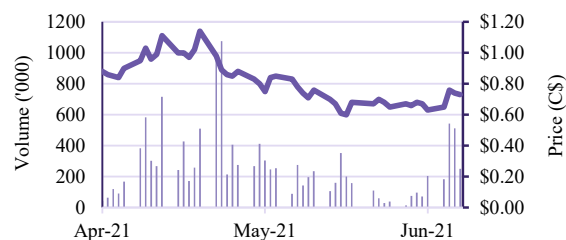
RSF-CSE: \$0.73

Rating: Speculative Buy

Target: \$2.00

Valuation				
Calendar Year	2021e	2022e		
Revenue (C\$MM)	\$5.1	\$27.7		
<i>Previous</i>	\$5.1	\$27.7		
Adj. EBITDA (C\$MM)	(\$3.0)	\$1.6		
<i>Previous</i>	(\$3.0)	\$1.6		
Adj. EBITDA Margin	(59%)	5.9%		
Diluted EPS (C\$)	(\$0.04)	\$0.02		
<i>Previous</i>	(\$0.04)	\$0.02		
Price/Sales (CY)	12.1x	2.2x		
EV/Adj. EBITDA (CY)	NEG	36.0x		
P/E (CY)	NEG	41.5x		
2021e	Q1	Q2e	Q3e	
Revenue (C\$MM)	\$0.0	\$1.0	\$1.5	\$2.6
Adj. EBITDA (C\$MM)	(\$1.2)	(\$1.2)	(\$0.4)	(\$0.2)

Stock Data	
Price	C\$0.73
52-Week Range	C\$0.36 - C\$1.17
Avg Daily Vol (3-Mo)	390,559
Shares Basic / Diluted (MM)	59.0 / 84.3
Basic/Dil. Market Cap (C\$MM)	\$43 / \$62
Cash (C\$MM)	\$3
Debt (C\$MM)	\$0
F/D Enterprise Value (C\$MM)	\$59
Mgmt & Dir. Ownership	12.5%
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.

Provides Annualized Monthly Revenue Run Rate Guidance of C\$15.6MM for End of 2021 and Announces May Purchase Orders

June 10, 2021

Announces purchase orders for May 2021: This morning, Ritual announced that it has received retail purchase orders totaling C\$0.3MM in the last week of May, with goods now shipping to customers. Recall that earlier this week, the Company also announced that it has surpassed its original retail distribution targets set for the year, exceeding its goal of obtaining retail commitments for a total of 2,400 stores and 10K points of distribution. As previously indicated, management expects its products to be available in 3,000 U.S. retail locations by the first week of July.

Provides monthly revenue run rate guidance for end of 2021: Based on the recently provided guidance (please refer to our last note from June 8th for more details) of reaching 6,000 retail stores and 20K points of distribution by the end of 2021, Ritual now expects to achieve a monthly revenue run rate of C\$1.3MM in the U.S. alone (C\$15.6MM annualized or C\$3.9MM per quarter, which is in line with our total revenue forecast for Q1/22) by as early as Q4/21 with blended gross margins in the range of 31%-42% (also in line with our current estimates). The monthly revenue run rate number is based on the Company's current product line and does not include any potential new products in the pipeline.

No changes to estimates, reiterate Speculative Buy rating and \$2.00 target price: We are keeping our forecast model unchanged, but today's announcement provides significant support to our current sales estimates. We continued to expect Ritual to commence retail sales of its first line of products in the U.S. in Q2/21, followed by a rollout in Canada. Our current forecast assumes that the Company will have its products available in close to 3750 retail locations across North America by the end of this year.

Our target price remains **C\$2.00 per share** and we reiterate our **Speculative Buy** rating.

NO CHANGES TO ESTIMATES, REITERATE SPECULATIVE BUY RATING AND \$2.00 TARGET PRICE

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. We also 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 1: Clarus Estimates (in C\$MM except per-share data or as noted)

In C\$ Millions except per-share items	Q2/21e (June)			2021e			2022e		
	New	Prior	Change	New	Prior	Change	New	Prior	Change
Revenue	\$1.0	\$1.0	No change	\$5.1	\$5.1	No change	\$27.7	\$27.7	No change
Adjusted EBITDA	(\$1.2)	(\$1.2)	No change	(\$3.0)	(\$3.0)	No change	\$1.6	\$1.6	No change
Adj. EBITDA Margin %	(114.6%)	(114.6%)	No change	(58.9%)	(58.9%)	No change	5.9%	5.9%	No change
Diluted EPS	(\$0.02)	(\$0.02)	No change	(\$0.04)	(\$0.04)	No change	\$0.02	\$0.02	No change

Source: Clarus Securities Inc. estimates.

We maintain our target price of **C\$2.00 per share** and reiterate our **Speculative Buy** rating. Our 12-month target price equates to 6.0x 2022e price/sales. Our target multiple is below the consensus median 2022e price/sales multiple of Ritual's peer group and reflects the Company's relative risk profile.

Using Refinitiv consensus estimates for companies not covered by Clarus, the peer group currently trades at a median of 17.6x 2021e price/sales and 7.7x 2022e price/sales.

In comparison, using Clarus revenue estimates and a projected fully diluted share count, Ritual is currently trading at 12.1x 2021e price/sales and 2.2x 2022e price/sales.

Figure 2: 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	\$179.74	\$11,957	\$11,692	\$681	\$1,030	(\$0)	\$55	17.6x	11.6x	NEG	210.9x
Tattooed Chef	TTCF.O	NR	\$27.24	\$2,354	\$1,991	\$291	\$393	\$10	\$42	8.1x	6.0x	207.2x	47.4x
Burcon NutraScience	BU.TO	NR	\$3.71	\$427	\$398	\$3	\$4	(\$1)	(\$1)	143.6x	98.7x	NM	NEG
Else Nutrition Holdings Inc.	BABY.V	NR	\$2.70	\$384	\$371	\$10	\$50	(\$22)	(\$12)	37.0x	7.7x	NEG	NEG
Laird Superfood	LSF	NR	\$38.95	\$381	\$344	\$56	\$88	(\$15)	(\$5)	6.8x	4.3x	NEG	NEG
Sector Median										17.6x	7.7x	NM	NM
Ritual Superfoods Inc.	RSF.CD	Spec Buy	\$0.73	\$62	\$59	\$5	\$28	(\$3)	\$2	12.1x	2.2x	NEG	36.0x

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

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

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

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