

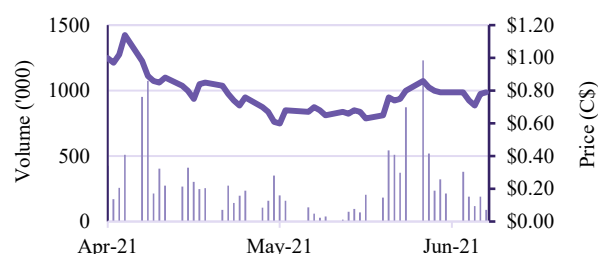
Ritual Superfoods Inc.

RSF-CSE: \$0.78

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)	12.9x	2.4x		
EV/Adj. EBITDA (CY)	NEG	38.6x		
P/E (CY)	NEG	44.3x		
2021e	Q1	Q2e	Q3e	Q4e
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\$0.78			
52-Week Range	C\$0.36 - C\$1.17			
Avg Daily Vol (3-Mo)	300,650			
Shares Basic / Diluted (MM)	59.0 / 84.3			
Basic/Dil. Market Cap (C\$MM)	\$46 / \$66			
Cash (C\$MM)	\$3			
Debt (C\$MM)	\$0			
F/D Enterprise Value (C\$MM)	\$63			
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.

Passes CVS' "Tested to be Trusted" Program

June 25, 2021

Ritual's product line has passed the "Tested to be Trusted" program: Earlier this week, Ritual announced that its product line has passed the "Tested to be Trusted" program, which requires third-party testing of products to confirm the accuracy of their ingredients and related attributes such as efficacy, shelf life, etc. Testing of Ritual's products was independently done by UL Laboratories, a global certification company.

Appears to be pursuing listings at CVS Pharmacy: Based on our assessment of publicly available data in relation to the announcement, the "Tested to be Trusted" program appears to be exclusive to CVS Pharmacy and was reportedly launched by the company in May 2019, requiring third-party testing to be done for all vitamins and supplements sold in store. This leads us to conclude that Ritual is actively working with CVS towards having its products launched at CVS stores.

With over 9,900 retail locations and \$19.7 billion in revenues generated from its Retail/LTC segment in 2020, CVS is one of the largest drugstore chains in the U.S. and we think that the launch of Ritual's products at CVS stores would be a major accomplishment for the Company taking it closer to its goal of reaching 6,000 retail stores and 20K points of distribution by the end of 2021.

No changes to estimates, reiterate Speculative Buy rating and \$2.00 target price: We continue 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 3,750 retail locations across North America by the end of this year. We are keeping our forecast model unchanged, but this week's announcement provides support to our current sales estimates.

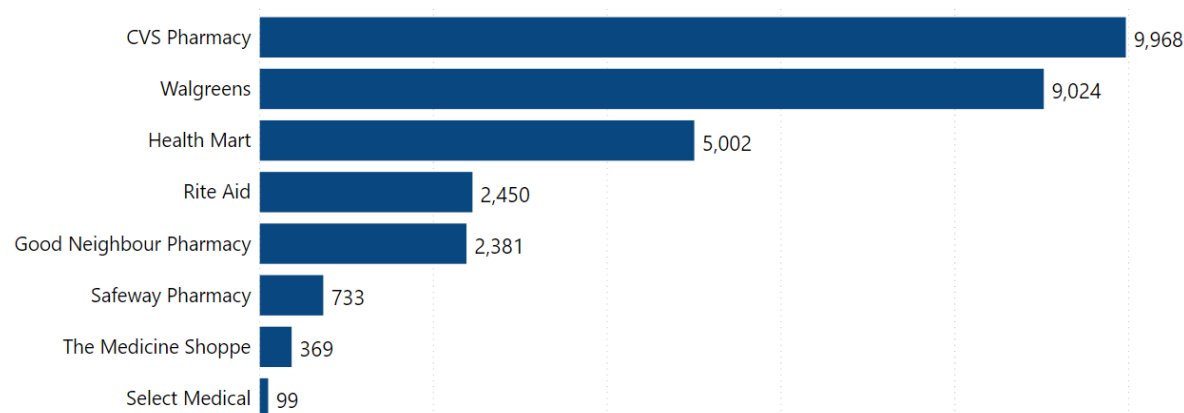
Our target price remains **C\$2.00 per share**. We reiterate our **Speculative Buy** rating.

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

Our current forecast assumes that Ritual will begin generating wholesale revenue in early Q2/21. With its products expected to be available in as many as close to 3,750 retail locations in the U.S. and Canada by the end of this year, we forecast Ritual sales to reach C\$5.1 million in 2021 and C\$27.7 million in 2022. We expect most of the Company's revenues over our forecast period to be driven by wholesale operations and supported by steady growth of online sales.

We also continue to see substantial upside potential to our current revenue forecast, driven mainly by additional North American store penetration, online expansion, and the launch of new product lines.

Figure 1: Largest Pharmacies in the U.S. (as of November 2020)



Source: ScrapeHero.com

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 price/sales ratio of 17.5x 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 12.9x 2021e price/sales and 2.4x 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	\$178.76	\$11,892	\$11,622	\$681	\$1,030	(\$0)	\$59	17.5x	11.5x	NEG	198.1x
Tattooed Chef	TTCF.O	NR	\$24.65	\$2,130	\$1,761	\$291	\$393	\$10	\$42	7.3x	5.4x	183.3x	41.9x
Burcon NutraScience	BU.TO	NR	\$3.78	\$435	\$406	\$3	\$4	(\$1)	(\$1)	146.3x	100.6x	NEG	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	\$34.85	\$341	\$304	\$56	\$88	(\$15)	(\$5)	6.1x	3.9x	NEG	NEG
Sector Median										17.5x	7.7x	NM	NM
Ritual Superfoods Inc.	RSF.CD	Spec Buy	\$0.78	\$66	\$63	\$5	\$28	(\$3)	\$2	12.9x	2.4x	NEG	38.6x

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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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.

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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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