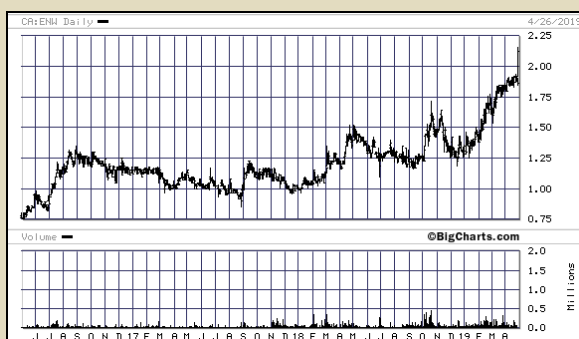


**Recommendation: Buy (S)**  
**Target Price: \$2.50**

## ◆ EnWave Corporation (ENW-TSXV) *More Execution With Cannabis Opportunity*

Current Price	\$2.12	Shares Outstanding (MM)	
52 Wk High	\$2.16	Basic	107.1
52 Wk Low	\$1.10	Diluted	119.8
		Mgmt. & Dir.	7.5
Cash (MM)	\$9.3	Market Cap. (MM)	\$227.1
Debt (MM)	\$0.0	Float (MM)	\$211.2
ACB Stock (MM)	\$10.2	EV (MM)	\$234.5

Fiscal YE Sept 30		F2018A	F2019E	F2020E
Revenue (MM)	Q1	\$4.5	\$7.8 A	\$16.4
(consolidated)	Q2	\$4.2	\$9.3	\$15.2
	Q3	\$6.8	\$14.4	\$15.0
	Q4	\$7.4	\$16.6	\$17.3
	<b>FY</b>	<b>\$22.8</b>	<b>\$48.1</b>	<b>\$63.9</b>
Revenue (MM)	Q1	\$0.49	\$0.45 A	\$1.20
(royalty/rental only)	Q2	\$0.37	\$0.49	\$1.74
	Q3	\$0.26	\$0.62	\$2.24
	Q4	\$0.32	\$0.77	\$2.81
	<b>FY</b>	<b>\$1.45</b>	<b>\$2.32</b>	<b>\$7.98</b>
EBITDA (MM)	Q1	\$0.32	\$1.16 A	\$5.15
(consolidated)	Q2	\$0.00	\$2.02	\$4.97
	Q3	\$1.31	\$3.94	\$5.28
	Q4	\$1.31	\$4.97	\$6.62
	<b>FY</b>	<b>\$2.94</b>	<b>\$12.08</b>	<b>\$22.01</b>
Dil. EPS	<b>FY</b>	<b>\$(0.01)</b>	<b>\$0.09</b>	<b>\$0.13</b>
Revenue y/y chg.		43%	111%	33%
EBITDA y/y chg.		NM	310%	82%
EV/EBITDA		NM	19.4x	10.7x
P/E		NM	24.9x	15.8x



Source: BigCharts.com, April 26, 2019

Unless otherwise denoted, all figures shown in C\$

### Event:

ENW announced more royalty-bearing REV sales into the cannabis sector, this time with Aurora Cannabis who has also purchased a \$10 MM equity stake in ENW (4.9% stake; consideration is 0.84 MM Aurora common shares). The deal includes:

(1) Purchase of two REVs (each 120 kW) for use at Aurora's Sky and Sun facilities in Canada; these sales are under a non-exclusive sub-license, as Tilray already holds the master rights in Canada (sub-licenses can be issued with the royalties being shared between ENW/Tilray).

(2) Exclusive rights to REV in the European Union (ex. Portugal); to keep the rights, Aurora has committed to purchasing a 120 kW REV within the next 60 days to be used in Denmark; sub-licenses may be issued in the European Union with royalty sharing between ENW/Aurora.

(3) Option on the exclusive rights to REV in South America (ex. Peru) and Australia; exercise of the option must happen within one year for South America and within two years for Australia; the options can be exercised by purchasing a 120 kW REV in each jurisdiction.

### Impact:

Positive. Our target is now \$2.50 (was \$2.25). We maintain a Buy (S) rating.

### Commentary:

ENW is already starting to backfill the more aggressive cannabis market assumptions we layered into our forecast change during late-March 2019 (link to research note [here](#)). In fact, this most recent cannabis deal with Aurora already covers ~40% of the cannabis-linked REV sales we had assumed in our forecast through exit-F2020 (including the Aurora commitments/options outside Canada). As more cannabis deals roll in, we may opt to get more aggressive with our cannabis related forecast. In the meantime, our target price increase is driven by more favorable target valuation metrics that we think are justified given ENW's financials/royalties that are meaningfully tilting towards the high growth global cannabis sector. As described in our past research, our ENW target is based on a multi-stage DCF capturing REV sales and the subsequent royalties, plus value for Moon Cheese sales. However, we can more simply express the results of this valuation approach as an EV/EBITDA multiple – our updated target price implies 12.0x F2020 EV/EBITDA (was 10.5x). We think this multiple appropriately reflects the EBITDA contribution mix that is near-equally split between REV equipment sales (low multiple), royalties (high multiple) and Moon Cheese (mid multiple).

### Investment Conclusion:

We see stock upside as ENW continues to execute on REV opportunities in the food/marijuana/hemp sectors and as the recurring royalty pool ramps in F2020+.

◆ During the past twenty-four months, Cormark Securities Inc., either on its own or as a syndicate member, participated in the underwriting of securities for EnWave Corporation

Our disclosure statements are located on the second last page of this report

**EnWave Corporation**

Updated April 26, 2019

**Price Chart and Disclosure Statement**

\*Information updated monthly on or about the 5th of each month.



*Cormark has this percentage of its universe assigned as the following:		*Over the past 24 months, the following percentage of issuers whose securities received a "Top Pick" or "Buy", a "Market Perform", or a "Reduce" rating from Cormark Securities Inc., have engaged Cormark to provide investment-banking services during this period.	
Buy or Top Pick	66%	Buy or Top Pick	40%
Market Perform	13%	Market Perform	29%
Reduce	3%	Reduce	67%
Not Rated	19%		

Recommendation / Target Chg	Date	C\$
	27-Mar-19	2.25 (B-S)
	19-Dec-18	1.60 (B-S)
	29-Aug-18	1.75 (B-S)
	25-May-18	1.60 (B-S)
	26-Feb-18	1.70 (B-S)
	29-Aug-17	1.60 (B-S)
	21-Feb-17	1.75 (B-S)
	21-Feb-17	1.75 (Chng Cover)
	17-May-16	-(U.R.)

During the last 12 months, has CSI provided financial advice to and/or, either on its own or as a syndicate member, participated in a public offering, or private placement of securities of the subject issuer?  Yes  No

During the last 12 months, has the analyst of this company received compensation from a pool that included investment banking revenues from the subject issuer earned by CSI?  Yes  No

During the last 12 months, has CSI received compensation for having provided investment banking services to the subject issuer?  Yes  No

Does CSI expect to receive compensation for investment banking services from the subject issuer in the next three months?  Yes  No

Does the analyst or any individual responsible for the preparation of this research, or a member of that person's household, have a financial interest in the debt or equity securities of the subject issuer?  Yes  No

1) Is it a long and/or short position?

2) What type of security is it?

Does CSI beneficially own 1% or more of any class of the subject issuer's equity securities?  Yes  No

Has the analyst viewed the material operations of the subject issuer?  Yes  No

Does the analyst or CSI have any other material conflict of interest with the subject issuer?  Yes  No

If YES

During the last 12 months, has any partner, director or officer of CSI or any analyst involved in the preparation of this report provided services to the subject issuer for compensation or other remuneration?  Yes  No

If YES, name of person(s) who provided services:

Does CSI have any employee or agent who serves as an officer, director or employee, or who serves in any advisory capacity to the subject issuer?  Yes  No

If YES, name of person(s) who provided services:

The Investment Industry Regulatory Organization of Canada Rule 3400 and the Financial Industry Regulatory Authority Rule 2241 (US) require certain disclosure and compliance in research reports. Cormark Securities Inc. and Cormark Securities (USA) Limited (collectively "CSI") are in compliance with the above-noted recommendations, rules, and regulations where they apply. The firm does not receive compensation for any non-securities or non-investment banking related services. Neither the analyst nor the associate (if any), or any member of his/her household, serve as an officer, director or employee or serves in any advisory capacity of the subject company (ies) under their coverage. CSI and its affiliates actively solicit investment banking business, including underwriting and advisory services, from its research coverage list. As a result, although uncertain, revenue from these activities may be received at any time. CSI's research dissemination policies and procedures are available on its website at [www.cormark.com](http://www.cormark.com).

I, Kyle McPhee, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

### RECOMMENDATION TERMINOLOGY

Cormark's recommendation terminology is as follows:

<b>Top Pick</b>	our best investment ideas, the greatest potential value appreciation
<b>Buy</b>	expected to outperform its peer group
<b>Market Perform</b>	expected to perform with its peer group
<b>Reduce</b>	expected to underperform its peer group

Our ratings may be followed by "(S)" which denotes that the investment is *speculative* and has a higher degree of risk associated with it.

Additionally, our target prices are set based on a 12-month investment horizon.

**For Canadian Residents:** This report has been approved by Cormark Securities Inc. ("CSI"), member IIROC and CIPF, which takes responsibility for this report and its dissemination in Canada. Canadian clients wishing to effect transactions in any security discussed should do so through a qualified salesperson of CSI. **For US Residents:** Cormark Securities (USA) Limited ("CUSA"), member FINRA and SIPC, accepts responsibility for this report and its dissemination in the United States. This report is intended for distribution in the United States only to certain institutional investors. US clients wishing to effect transactions in any security discussed should do so through a qualified salesperson of CUSA.

Every province in Canada, state in the US, and most countries throughout the world have their own laws regulating the types of securities and other investment products which may be offered to their residents, as well as the process for doing so. As a result, some of the securities discussed in this report may not be available to every interested investor. This report is not, and under no circumstances, should be construed as, a solicitation to act as securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on the business of a securities broker or dealer in that jurisdiction. This material is prepared for general circulation to all clients and does not have regard to the particular circumstances or needs of any specific person who may read it. This report is provided for information purposes only and does not constitute an offer or solicitation to buy or sell any securities discussed herein.

The information and any statistical data contained herein have been obtained from sources believed to be reliable as of the date of publication, but the accuracy or completeness of the information is not guaranteed, nor in providing it does CSI or CUSA assume any responsibility or liability. All opinions expressed and data provided herein are subject to change without notice. The inventories of CSI or CUSA, its affiliated companies and the holdings of their respective directors, officers and companies with which they are associated may have a long or short position or deal as principal in the securities discussed herein. A CSI or CUSA company may have acted as underwriter or initial purchaser or placement agent for a private placement of any of the securities of any company mentioned in this report, may from time to time solicit from or perform financial advisory, or other services for such company. The securities mentioned in this report may not be suitable for all types of investors; their prices, value and/or the income they produce may fluctuate and/or be adversely affected by exchange rates.

No part of any report may be reproduced in any manner without prior written permission of CSI or CUSA.

A full list of our disclosure statements as well as our research dissemination policies and procedures can be found on our web-site at: [www.cormark.com](http://www.cormark.com)