

## cbdMD, Inc.



CC

1 year PD

20.71% to 26.55%

- Tremendously lower Loss, yet still unprofitable. Revenues dropped from \$35.4mn in FY-22 to ~\$20mn in FY-24(A). ~90% of Equity has been wiped out since FY-22.
- Lower OPEX improved operating margins. After cash, they are debt-free, yet debt relative to assets is high vs peers. An economic turnaround in 2025 might be critical.

Strengths

- Diverse Product Portfolio & profitability:** cbdMD offers a wide range of CBD products under multiple brands, including tinctures, gummies, topicals, and pet-specific products, ensuring relevance across multiple customer segments. Since FY-22 OPEX was reduced by >80%, which reduced Losses dramatically.
- Geographic Reach:** Distribution in 175 Sprouts Farmers Market locations across the U.S. strengthens retail visibility and accessibility to customers. Mainly selling through their e-commerce site, which reaches beyond the US.
- Growing Industry Opportunity:** The North American CBD market is projected to grow at a CAGR of 14.2% through 2030, offering significant tailwinds for cbdMD's expansion.

Challenges

- Declining Revenues:** Revenues fell sharply from \$35.4mn in FY-22 to \$19.9mn in FY-24(A), based on T9 through 6/2024, signaling a failure to capitalize on market growth.
- Leverage / Equity Erosion:** Debt-to-asset ratio increased from 12.2% to 29.7% per 6/2024 (beyond peers), but at \$4.1mn in debt this is rather irrelevant. However, equity declined by over 90% since FY-22.
- Persistent Losses:** Net losses have remained significant, with EBITDA margins at -22.9% in FY-23.

### Scorecard Summary

Financial vs Business Risk Weighting Factors					
Ownership Company Stage Financials	Public				
	Growth				
	Complete				
	Weight	Score	Dimension	Weight	Score
Financial	75%	4.3	Liquidity	40%	5.1
			Leverage	30%	5.0
			Profitability	30%	0.8
Business	25%	6.1	Industry Risk	20%	8.3
			Competitive Position	50%	5.9
			Mgmt / Governance	30%	5.0
			Sponsor / Parent		
Modifiers	-1.9		Revenue Segment		(0.5)
			Trend Analysis		(0.19)
			Financial Flexibility		(0.25)

### Company Overview

Headquarters	Charlotte, NC
Type	Public
Employees	<100
Year Founded	2015
Website	https://www.cbdmd.com/
Business	Produces and distributes CBD wellness products.
Revenues	\$19.9M

- Company Overview:** Publicly traded CBD company specialized in wellness-focused products for human and pet use, based in Charlotte, NC.
- Product:** Diverse range of CBD tinctures, gummies, topicals, pet formulations, and skincare under multiple brand lines.
- Customers:** The company serves consumers through its e-commerce platform, third-party online platforms, select distributors, and brick-and-mortar retailers like Sprouts Farmers Market.
- Ownership:** Publicly listed on NYSE American under ticker YCBD, owned by institutional and individual shareholders.
- Debt Structure:** Not meaningful.
- Regulatory Scrutiny:** The evolving FDA and FTC regulations surrounding CBD products present compliance challenges and risks of legal penalties.
  - In 6/2022, the SEC charged cbdMD's former CEO, Martin Sumichrast, with fraud related to undisclosed conflict-of-interest transactions and misappropriation of funds during his management of a private equity fund. Following these allegations, Sumichrast stepped down as chairman but remained CEO, until 3/2023 when the former CFO became CEO.
  - In 12/2019, a class-action lawsuit was filed against cbdMD in California, but to alleged violations of California's Unfair Competition Law, False Advertising Law, and Consumer Legal Remedies Act, along with claims for breach of warranties. In 3/21, the court stayed the litigation pending the FDA's rulemaking on CBD products.

### Financial Benchmarking & Debt Maturity Profile

# of Benchmarks:	68	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	1.61	1.73	55%
	Quick Ratio	0.88	0.86	45%
Leverage	Net Debt / EBITDA	0.60	(0.34)	69%
	Debt to Assets	17.3%	22.7%	43%
Profitability	EBITDA Margin	7.7%	-22.9%	0%
	ROCE %	17.0%	-195.1%	0%
	Revenue	\$24M	\$24M	

Industry Benchmarks - Primary: Personal Care Products | Secondary: Other Specialty Retail

Debt Maturities					
	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
2024	2025	2026	2027	2028	Beyond 2028

### Financial Statement Highlights

\$ '000s	(C)	(B)	(A)	Change	
	Sep-22	Sep-23	Sep-24 (A)	(C) to (B)	(B) to (A)
T12					
Income Statement					
Total Revenue	35,403	24,155	19,901		-17.6%
Gross Profit	22,337	14,978	12,722		-15.1%
Adjusted EBITDA	(13,195)	(5,527)	(2,066)		62.6%
Gross Profit Margin	63.1%	62.0%	63.9%		+192 bps
Net Income	(70,084)	(22,938)	(4,730)		-79.4%
Balance Sheet					
Cash And Cash Equivalents	6,720	1,798	2,395		33.2%
Total Current Assets	16,012	8,070	7,289		-9.7%
Total Assets	40,792	16,195	13,844		-14.5%
Total Current Liabilities	5,286	4,670	7,857		68.2%
Total Debt	4,985	3,680	4,109		11.6%
Total Equity	31,424	9,031	3,028		-66.5%
Key Ratios					
Current Ratio	3.03	1.73	0.93		-46.3%
Quick Ratio	2.22	0.86	0.52		-39.9%
Net Debt / EBITDA		(0.34)	(0.83)		143.4%
Debt to Assets	12.2%	22.7%	29.7%		+695 bps
EBITDA Margin	-37.3%	-22.9%	-10.4%		+1250 bps
ROCE %	-220.4%	-195.1%	-66.8%		+12833 bps

- Total revenue dropped from \$35.4mn in FY-22 to \$24.2mn in FY-23 and further to \$19.9mn for FY-24(A). Losses reduced by 93% since FY-22 to FY-24(A), mainly due to reduction in OPEX by 83% during that time.
- Cash & equivalents fell from \$6.7mn in FY-22 to \$1.8mn in FY-23, despite a slight recovery to \$2.4mn in July 2024.

### Business Risk Highlights

- Industry:** The CBD industry offers strong growth potential, with a projected CAGR of 14.2% through 2030, but remains highly competitive and regulatory-dependent.
- Competitive Position:** cbdMD's product diversity and partnerships with retailers like Sprouts Farmers Market provide some edge, but declining revenues suggest challenges in sustaining market share.
- Management:** Past legal issues, including SEC charges against the CEO and class-action lawsuits, could undermine investor confidence and stakeholder trust.
- PE Sponsor:** N/A