



cbdMD, Inc.



CCC+ 1 year PD
3.18% to 9.02%

- cbdMD has not been unprofitable in the last 3 years and faces ongoing risks as it restructures its business.
- Strong improvement in 3Q 2023 indicates positive turnaround of business and the company's access to capital markets mitigates near-term liquidity issues.

Credit Highlights

- **3Q 2023 Financials:** The company reported a net loss of \$1.7 million on sales of \$6.1 million. This is a significant improvement from the prior year's Q3, which saw a net loss of \$31.6 million on sales of \$8.6 million. Non-GAAP adjusted EBITDA for Q3 2023 was approximately \$0.6 million, a \$2.1 million improvement year over year. The company had a dynamic quarter, which included significant capital markets activity, a strategic re-platforming of their website, and efforts in new product innovation.
- **Financial Health:** Favorable liquidity and leverage position mitigates the currently unprofitable business in the near-term. While the company appears indicates it is poised to achieve breakeven EBITDA in the near future, if it does not achieve profitability, it may not be able to sustain long-term lease commitments.
- **Competitive Position:** cbdMD is one of the 5 CBD companies in this U.S. The company's diverse product range positions it well to capitalize on the growing demand across various CBD product categories, which is projected to achieve 14.9% CAGR through 2030.

Scorecard Summary

	Weight	Score	Scaled Rating Contribution
Financial	40%	4.38	Liquidity
			Leverage
			Profitability
Business	60%	6.23	Industry Risk
			Competitive Position
			Mgmt / Governance
			Sponsor / Parent
			Revenue Segment
Modifiers		-0.80	Trend Analysis
			Fixed Cost Coverage Risk

Company Overview

Headquarters	Charlotte, NC
Type	Public
Employees	90
Year Founded	2015
Website	https://www.cbdmd.com/
Business	CBD Manufacturer / Distributor
Revenues (2022)	\$35M

- cbdMD, Inc. is a prominent producer and distributor of cannabidiol (CBD) products. The company operates under multiple brands, ensuring a diversified presence in the CBD market.
- **Products:** **cbdMD:** This brand offers a premium range of everyday and functional CBD products. The product lineup includes tinctures, gummies, topicals, capsules, drink mixes, and specialized aids for sleep, focus, and calming; **Paw CBD:** Specifically designed for pets, Paw CBD offers veterinarian-formulated products. The range encompasses tinctures, chews, and topicals in various strengths and formulations to cater to different pet needs; **cbdMD Botanicals:** This brand focuses on beauty and skincare. The product range is extensive, featuring facial oils, serums, toners, moisturizers, facial masks, exfoliants, and other body care products.
- **Customers:** cbdMD serves a broad customer base through multiple channels. Their products are available on their e-commerce websites, third-party e-commerce platforms, select distributors, marketing partners, and brick-and-mortar retailers.
- **Ownership:** Publicly traded under YBCD.

Financial Ratio Benchmarking

# of Benchmarks:	118	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	2.03	3.98	
	Quick Ratio	1.21	4.07	
Leverage	Net Debt / EBITDA	1.14	(0.20)	
	Debt to Assets	26.9%	-87.1%	
Profitability	EBITDA Margin	13.4%	-37.4%	
	ROCE %	11.3%	-189.9%	
	Revenue	\$103M	\$35M	

- Company has substantially more cash than debt, as indicated by the negative debt to Assets ratio.

Financial Statement Highlights

Note the company's ongoing restructuring and capital markets activity is leading to volatile financials.

\$'000s	Dec-22	Jun-22	Jun-23	YOY Chg
	T12	T9	T9	Jun-23 T9
Income Statement				
Total Revenue	35,403	18,504	27,681	49.6%
Gross Profit	22,337	11,488	17,505	52.4%
Adjusted EBITDA	(13,764)	(6,927)	44,135	
Gross Profit Margin	63%	62%	63%	+0 bps
Balance Sheet				
Cash And Cash Equivalents	6,720	2,847	9,554	235.6%
Total Assets	38,394	6,381	9,930	55.6%
Total Debt	4,872	1,007	904	-10.2%
Cash Flow				
Net Income	(70,084)	(7,518)	(14,997)	99.5%
CAPEX	689	177	462	160.6%
Depreciation & Amortization	1,833	301	770	156.2%

- Excluding the \$30.7 million of goodwill and intangible impairment, the loss from operations improved from a \$2.3 million loss to a \$1.8 million loss.
- The company achieved significant reductions in SG&A costs and became a more disciplined organization year over year. The company recorded SG&A Costs of \$5.7 million for Q3 2023, a \$2.6 million improvement from the prior year.
- In May 2023, the company completed a public offering of 1,350,000 shares of its common stock, raising approximately \$2.8 million
- 3Q 2023 adjusted EBITDA reflects \$49M goodwill and amortization impairment.

Business Risk Highlights

- **Industry Risk:** The CBD industry presents growth opportunities with CAGR-projection of 14.9% through 2030.
- **Diverse Product Range:** Wide variety of products, from topicals to pet products, providing a diversified customer base.
- **Strong Brand Recognition:** Despite the competitive CBD market, cbdMD stands out as one of the top 5 companies in the US.
- **Channel Shift:** The company transitioned its e-commerce platform to Shopify in June 2023, an additional move to from traditional brick and mortar to online channels.