



PotNetwork Holding, Inc. (OTC: POTN, Target Price: \$0.25)

We initiate coverage on PotNetwork Holding, Inc. (OTC: POTN, \$0.04) with a price target of \$0.25. PotNetwork Holding, through its subsidiary Diamond CBD Inc., focuses on research, development, and sale of premium hemp extracts that contain a broad range of cannabinoids and natural hemp derivatives. CBD is one of the more than 85 cannabinoids identified in marijuana and hemp plants and is non-psychoactive with wide array of therapeutic benefits. Hemp derived CBDs provides a legal alternative to marijuana based CBD (which is banned at federal level) and allows the consumer to enjoy CBD without the risk of getting high and breaking any federal laws. Hemp derived CBD market is projected to grow at a CAGR of ~53% till 2020, positioning it as the fastest growing sub segment within the multi-billion-dollar legal cannabis and hemp market. Diamond CBD is seeing robust sales momentum, with 1Q17 sales of \$1.85 million exceeding the total sales of \$1.6 million for the entire FY16. Diamond CBD is targeting a revenue of ~\$8 million for FY17. Heavy marketing push via presence in high profile trade shows is expected to yield strong order flow going forward. We see POTN as a speculative play on the burgeoning legal cannabis and hemp market targeting the fastest growing sub segment (hemp derived CBD). The company has made considerable progress over the last few years, with revenues growing 178% YOY in 1Q17. Going forward in FY17, we expect POTN to increase revenues approximately 712% to \$8.3 million through new product launches, aggressive marketing initiatives and entry into new markets (specifically China).

INVESTMENT HIGHLIGHTS

Large addressable market opportunity growing at 53% CAGR

According to the Hemp Business Journal, cannabidiol remains one of the fastest growing market categories in the US hemp and legal marijuana industries with an estimated CAGR of ~53% till 2020. The hemp industry is projected to grow to \$1.8 billion by 2020, with \$450 million comprising from hemp derived CBD products. This would represent a 300% increase, from the estimated hemp derived CBD market size of \$115 million at the end of the FY2016.

Unlike marijuana, FDA considers hemp-derived extracts produced from imported industrial hemp plants to be legal and as such there is no restriction to their use in the US. However, it is not currently legal to grow industrial hemp in the US, though more and more states are easing restrictions on growing industrial hemp. Recently, South Carolina and Arizona have legalized growing of industrial hemp. Many other states such as Missouri are considering to legalize industrial hemp. We believe favorable regulatory environment will provide further tailwind to POTN. However, recent stance by DEA that it considers CBD as a Schedule 1 substance has created some overhang.

Aggressive marketing push to yield strong order flow

Diamond CBD is witnessing robust growth momentum. The revenues in April 2017 grew ~25 times to over \$1 million, compared to just \$40,000 in April 2016. The company has distributed over 1 million Chill Gummy edibles and has established presence in more than 10,000 retail location across the US. The company continues to invest heavily in publicity efforts through presence at high profile trade shows and conventions. As a result, we anticipate strong growth in order flows, brand recognition and preference for its products.

Since the beginning of the year, the Company has been showcasing its CBD oil and specialty products in some of the busiest industry events garnering more than 500 new accounts. January's Surf Expo in Orlando, Florida resulted in establishing new business opportunities and the Las Vegas CHAMPS Show reaching more than a quarter million dollars of purchase orders in just three days (~\$235,000). Most recently, the company exhibited at the ASD Market Week which is an international

event providing exposure to approximately 45,000 buyers from more than 88 countries. POTN is projecting more than \$1 million in sales in May 2017 as well.

Initiate coverage with a price target of \$0.25

We see POTN as a high risk and high reward play on the burgeoning legal cannabis and hemp industry, targeting the fastest growing sub segment (hemp derived CBD). The target of \$0.25 assumes that the regulatory tailwind will result in further expansion of the market and the company is successful in executing its organic growth strategy revolving around aggressive marketing campaigns. Key risk include any adverse regulatory stance that could materially damage company growth prospects.

Stock Details (5/26/2017)

OTC:	POTN
Sector / Industry	Cannabis / Hemp CBD
Price target	\$0.25
Recent share price	\$0.04
Shares o/s (mn)	134.8
Market cap (in \$m)	5.4
52-week high/low	\$0.07 / 0.0016

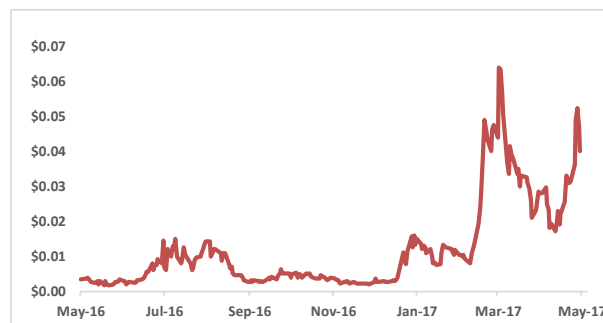
Key Financials

In 000s	F2017E	F2018E	F2019E
Revenues	\$8,362.4	\$16,724.7	\$30,104.5
EBITDA	\$638.5	\$2,146.8	\$3,954.5
EBIT	\$628.0	\$2,125.6	\$3,916.4
Net Income	\$596.6	\$2,092.3	\$2,718.2
EPS (\$)	\$0.00	\$0.02	\$0.02

Key Ratios

	F2017E	F2018E	F2019E
EBIT (%)	7.5	12.7	13.0
EBITDA (%)	7.6	12.8	13.1
Net margin (%)	7.1	12.5	9.0
P/Revenue (x)	0.6	0.3	0.2
EV/Revenue (x)	0.7	0.3	0.2

LTM Performance



SUMMARY TABLE

Exhibit 1. Summary Table (Pricing data as of May 26, 2017)

Share data		Balance Sheet (1Q: F17A) – in \$ mn		Key personnel:	
Recent price:	\$0.04	Total assets:	\$0.6	CEO	Gary L Blum
Price target:	\$0.25	Total debt:	\$0.42	President, Diamond CBD	Kevin Hagen
52-week range:	0.0016 - 0.07	Equity:	(\$0.0)	Director	Richard Goulding
Average volume:*	39,19,977	W/C:	\$0.3		
Market cap:	\$5.4	ROE:	NA		
Book value/share:	(\$0.0)	ROA:	24.5%		
Cash/share	\$0.0	Current ratio:	2.2x		
Dividend yield:	N/A	Asset turnover:	3.0x		
Risk profile:	High / Speculative	Debt/Cap:	113.5%		

* 3-month average volume (number of shares)

FY December	Estimates			Valuation		
	Rev (\$000)	EBITDA (\$000)	EPS (\$)	EV/Rev (x)	P/Rev (x)	P/E (x)
2017E	8,362.4	638.5	0.00	0.7x	0.6x	9.0x
2018E	16,724.7	2,146.8	0.02	0.3x	0.3x	2.6x
2019E	30,104.5	3,954.5	0.02	0.2x	0.2x	2.0x
2020E	45,156.7	6,909.0	0.04	0.1x	0.1x	1.1x

Source: SeeThruEquity Research

INVESTMENT THESIS

We initiate coverage on PotNetwork Holding, Inc. (OTC: POTN, \$0.04) with a price target of \$0.25. PotNetwork Holding, through its subsidiary Diamond CBD Inc., focuses on research, development, and sale of premium hemp extracts that contain a broad range of cannabinoids and natural hemp derivatives. CBD is one of the more than 85 cannabinoids identified in marijuana and hemp plants and is non-psychoactive with wide array of therapeutic benefits. Hemp derived CBDs provides a legal alternative to marijuana based CBD (which is banned at federal level) and allows the consumer to enjoy CBD without the risk of getting high and breaking any federal laws. Hemp derived CBD market is projected to grow at a CAGR of ~53% till 2020, positioning it as the fastest growing sub segment within the multi-billion-dollar legal cannabis and hemp market. Diamond CBD is seeing robust sales momentum, with 1Q17 sales of \$1.85 million exceeding the total sales of \$1.6 million for the entire FY16. Diamond CBD is targeting a revenue of ~\$8 million for FY17. Heavy marketing push via presence in high profile trade shows is expected to yield strong order flow going forward. We see POTN as a speculative play on the burgeoning legal cannabis and hemp market targeting the fastest growing sub segment (hemp derived CBD). The company has made considerable progress over the last few years, with revenues growing 178% YOY in 1Q17. Going forward in FY17, we expect POTN to increase revenues approximately 712% to \$8.3 million through new product launches, aggressive marketing initiatives and entry into new markets (specifically China).

Company History

PotNetwork Holding Inc. is a publicly traded company that acts as a holding company for its subsidiary, First Capital Venture Co., the owner of Diamond CBD, Inc. Diamond CBD focuses on the research, development, and multi-national marketing of premium hemp extracts that contain a broad range of cannabinoids and natural hemp derivatives. Diamond's CBD infused Chill Gummy line consists of a wide range of popular flavors such as traditional Gummy Bears, tasty Watermelon Slices, tart Sour Snakes, sprinkled Rainbow Bites, yummy Gummy Worms, tangy Sour Bears, quenching Ocean Gummies, nutty Choco Peanut Butter, chewy Gummy Rings, puckering Sour Faces, citrusy Mini Fruit, and buttery Choco Nuts.

Domiciled in Colorado, USA, POTN has been led by Gary Blum since January 2016. The company was previously known as United Treatment Centres Inc., and changed its name to PotNetwork Holding Inc. in July 2015. POTN's management team consists of hemp industry pioneers and natural product experts, chemists, and scientists.

In January 2017, the Company announced the acquisition of First Capital Venture Co., and its wholly owned subsidiary, Diamond CBD Inc. Going forward, POTN intends to focus only on the CBD business.

Business Analysis

Strategic publicity efforts building strong sales traction

Diamond CBD is witnessing robust growth momentum. The revenues in April 2017 grew ~25 times to over \$1 million, compared to just \$40,000 in April 2016. The company has distributed over 1 million Chill Gummy edibles and has established presence in more than 10,000 retail location across the US. The company continues to invest heavily in publicity efforts through presence at high profile trade shows and conventions. As a result, we anticipate strong growth in order flows, brand recognition and preference for its products.

Since the beginning of the year, the Company has been showcasing its CBD oil and specialty products in some of the busiest industry events garnering more than 500 new accounts. January's Surf Expo in Orlando, Florida resulted in establishing new business opportunities and the Las Vegas CHAMPS Show reaching more than a quarter million dollars of purchase orders in just three days (~\$235,000). Most recently, the company exhibited at the ASD Market Week which is an international event providing exposure to approximately 45,000 buyers from more than 88 countries.

Some other marketing initiatives undertaken include getting featured on the front cover of the March/April 2017 edition of Smoke & Vape Business Solutions, a highly read cannabis and counterculture themed magazine. Diamond CBD's feature in the magazine included the complementary sample offering of CBD-infused gummies. According to the company, the coverage resulted in increased order flow, bolstering demand exponentially.

Diamond CBD expects to clock \$8 million annual revenue target for 2017. As a result of dominant representation at diversified trade shows and conventions combined with strategic publicity efforts, we expect the company to continue to build considerable momentum, clientele and brand recognition.



Expanding presence in International markets

POTN has signed an agreement with a US-based business and consulting firm which specializes in identifying emerging market opportunities and provide comprehensive solutions or services relevant to conducting international business. As a first step, POTN will engage with the partner to introduce its products in China. POTN will be making its most popular products available in China including: Diamond’s popular Chill and Relax Gummies, a tasty selection of more than 200 flavored CBD Hemp Oils, Blue CBD Crystals Isolate, Relax Extreme CBD collection, CBD Shots, quality Vape Additives, and more.

With a population of 1.5 billion, consisting of consumers that predominantly embrace homeopathic and natural remedies, the outlook for newly emerging CBD based products and therapies remains solid. CBD oil has been found to be effective in reducing anxiety, stress and poor sleep as well as many other ailments such the prevention Alzheimer’s disease, prevalent among the aging population which has been trending upward in China.

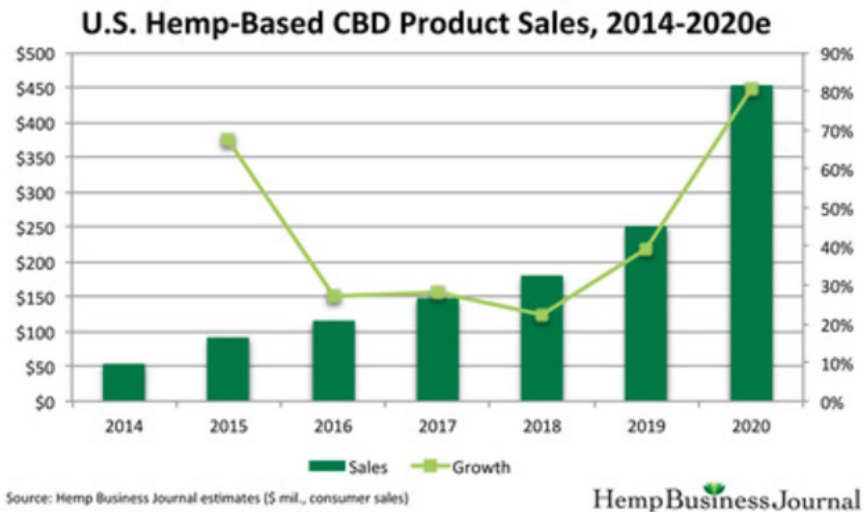
POTN also plans to expand in other emerging markets such as Peru, Bolivia, Chile and Ecuador which should further boost growth.

Catering to the fastest sub segment of the growing cannabis industry

According to Hemp Business Journal, the total retail value of all hemp products sold in the US was estimated to be ~\$688 million for 2016. The hemp industry is anticipated to grow to \$1.8 billion by 2020, a CAGR of 22% during 2016-2020. According to the Hemp Business Journal, CBD (cannabidiol) remains the fastest growing market categories in the US hemp market with an estimated CAGR of 53% till 2020. The hemp-derived CBD market is projected to grow up to \$450 million, representing 25% of the overall market size. This would represent a 300% increase, from the estimated market size of \$115 million for hemp derived CBD at the end of the FY2016.

The total CBD market size was \$202 million in 2015, comprising \$90 million from hemp derived CBD and another \$112 million from marijuana derived CBD.

Exhibit 2: Hemp Derived CBD market to grow at a CAGR of 53%

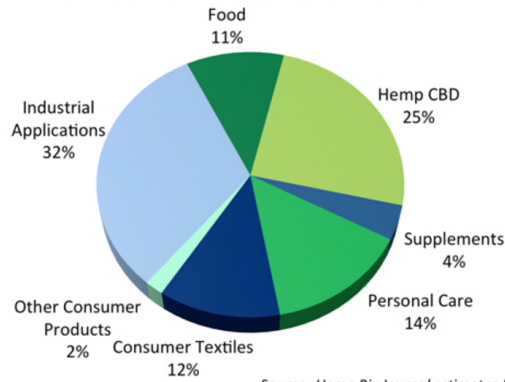


Source: Hemp Business Journal

Within the overall hemp market, hemp based CBD products represent the second largest category by value, with the top position being occupied by industrial applications. POTN with a broad hemp based CBD product portfolio is set to benefit from a large addressable market.

Exhibit 3: Hemp based CBD: The second largest product category by value

\$1.8 Billion U.S Hemp-Based Product Sales by Category in 2020e



Source: *Hemp Biz Journal* estimates (consumer sales)

Source: Hemp Business Journal

Unlike marijuana, FDA considers hemp-derived extracts produced from imported industrial hemp plants to be legal and as such there is no restriction of their use in the US. However, it is not currently legal to grow industrial hemp in the US, though more and more states are easing restrictions on growing industrial hemp. Recently, South Carolina and Arizona have legalized growing of industrial hemp. Many other states such as Missouri are considering to legalize industrial hemp. We believe favorable regulatory environment will provide tailwind to POTN. However, recent stance by DEA that it considers CBD as a Schedule 1 substance has created some overhang.

Hemp CBD vs. Marijuana CBD

CBD is one of the more than 85 cannabinoids so far identified in marijuana and hemp plants. Unlike the better-known compound tetrahydrocannabinol (THC), CBD is not psychoactive, meaning it does not make you 'high'. Marijuana plants contain high levels of THC, while hemp plants contain high CBD and low levels of THC.

Thousands of studies have shown that CBD possesses an array of therapeutic benefits, including antioxidant and neuroprotective properties. It also shows no relevant side-effects. CBD-containing extracts are increasingly used in food supplement compositions, and CBD is becoming a recognized ingredient in cosmetics as well.

Even though all hemp is non-psychoactive, not all hemp plants are federally legal. The federal rules do not permit growing industrial hemp in the US. In order for legal CBD products to be produced, it must be derived from an imported industrial hemp plant. Hemp or Cannabis Sativa plants that contain low levels of THC are classified as industrial hemp. Many states in the US are now easing regulations regarding the cultivation of industrial hemp. Some of the recent ones include South Carolina and Arizona, which have made it legal to grow industrial hemp.

The marijuana based CBD products are only legal in 15 states in the US, while hemp derived CBD products are legal in all 50 states.

FINANCIALS AND FUTURE OUTLOOK

Recent Results

POTN reported 1Q:F17 results on April 26 2017. The Company reported revenue of \$1,858,347 versus \$668,290 in the year-ago period. The primary reasons for the increase in revenue was the acquisition of Diamond CBD Inc. The gross profit was \$662,333 for the three months ended March 31, 2017 compared to \$244,969 for the three months ended March 31, 2016. The gross margins stood at ~35.6% for 1Q17, a contraction of 110 bps compared to 36.7% in 1Q16.

During FY 1Q17, total operating expenses stood at \$510,623, up 203% YOY compared to \$167,678 in 1Q16. The increase in operating expenses was primarily due to acquisition of Diamond CBD which led to an increase in salary expenses, G&A expenses, legal expenses as well as higher advertising expense. The interest expense stood at \$2,860, significantly lower compared to \$38,500 in 1Q16 on account of payment of ~\$2 million of credit facility. For 1Q17 net income stood at \$153,587 compared to \$77,291 in the year ago period.

F2017 and F2018 Outlook

For F2017, we forecast revenues of \$8.3 million, up 712% YOY primarily driven by strong flow of orders amid aggressive marketing push and entry into new markets. Diamond CBD is seeing robust sales momentum, with 1Q17 sales of \$1.85 million exceeding the total sales of \$1.6 million for the entire FY16. The management also noted that the monthly sales in April and May will be more than \$1 million each. We expect POTN to deliver gross margins of ~35% in 2017. We model operating income of ~\$627,950 for FY17.

For FY18, we expect the sales momentum to continue as dominant representation at diversified trade shows and conventions combined with strategic publicity efforts, leads to increased clientele, brand recognition and more orders. We model revenues at ~\$16.7 million for FY18. This factors in new business from company's anticipated entry in Chinese market. The sales pipeline remains robust and we expect the sales traction to continue in FY19 as well. We model gross margins of 40% and expect the company to deliver operating income of \$2.1 million (margin 12.7%) for FY18.

Exhibit 4: Estimated Forecast F2017E-F2021E

Revenue by Segment (in 000s)	F2017E	F2018E	F2019E	F2020E	F2021E
Revenues	\$8,362	\$16,725	\$30,104	\$45,157	\$58,704
Y/Y Growth	712.3%	100.0%	80.0%	50.0%	30.0%
Gross Profit	\$2,927	\$6,690	\$12,042	\$18,063	\$23,481
Margin (%)	35.0%	40.0%	40.0%	40.0%	40.0%
EBIT	\$628	\$2,126	\$3,916	\$6,852	\$9,612
Margin (%)	7.5%	12.7%	13.0%	15.2%	16.4%
EBITDA	\$639	\$2,147	\$3,955	\$6,909	\$9,686
Margin (%)	7.6%	12.8%	13.1%	15.3%	16.5%
Net Income	\$597	\$2,092	\$2,718	\$4,850	\$6,705
Margin (%)	7.1%	12.5%	9.0%	10.7%	11.4%

Source: SeeThruEquity Research

Balance Sheet & Financial Liquidity

We see the availability of liquidity as a key area to watch for POTN as the company continues to focus on aggressive expansion strategy. POTN, in the past, has issued new equity and raised debt to fund its operations. POTN ended 1QF17 with cash and cash equivalent of \$133,905 and \$221,935 in current liabilities. The company recorded a loss in 2016 but ended 1Q17 in black with marginal profit. The company's strategic moves are not yet complete, as POTN has stated that it has plans to aggressively spend on marketing and enter in new markets such as China, Peru, Bolivia, Ecuador and Chile. POTN acquired a company in January 2017 and hence more acquisitions could be likely in future. Given the fact that company is in expansion mode, more capital raising cannot be ruled out in the near term. Going forward, company's ability to generate positive cash flows remains a key area to focus on.

VALUATION

We decided to look at multiple valuation methods as part of determining a price target for POTN. The primary valuation method considered was discounted cash flow analysis (DCF), although we also included an analysis of companies in the industry examining revenues.

DCF

The DCF analysis runs through the end of fiscal 2022E (December 2022E). Key assumptions to the model include: 1) that revenue accelerates beginning in F2017E primarily driven by the acquisition of Diamond CBD Inc.; and 2) operating leverage and higher gross margin dollars will help drive profitability going forward.

The valuation model assumes the company will start to generate FCFF starting in F2017E and will continue through F2022E. We assume that the company starts paying taxes from F2019E and the company uses working capital on balance in our forecast, reflecting an assumption of high growth. We assumed a weighted average cost of capital (WACC) of 17.6% and a terminal growth rate of 3%, arriving at a target of \$0.25 using this analysis, as illustrated in the tables below.

Exhibit 5: Discounted Cash Flow Analysis

\$ In Thousands	F2017E	F2018E	F2019E	F2020E	F2021E	F2022E
EBIT	628.0	2,125.6	3,916.4	6,851.7	9,611.7	12,014.6
Less: Tax	0.0	0.0	1,164.9	1,968.1	2,873.5	3,594.4
NOPLAT	628.0	2,125.6	2,751.4	4,883.6	6,738.2	8,420.2
Changes in working capital	(413.8)	(434.8)	(501.7)	(541.9)	(569.0)	(616.4)
Depreciation & Amortization	10.6	21.2	38.2	57.2	74.4	93.0
Capex	0.0	0.0	(50.0)	(50.0)	(50.0)	(50.0)
FCFF	224.8	1,711.9	2,237.8	4,348.9	6,193.6	7,846.8
Discount factor	0.9	0.8	0.7	0.6	0.5	0.4
PV of FCFE	204.5	1,325.0	1,473.3	2,435.5	2,950.4	3,179.6
Sum of PV of FCFE						11,568.3
Terminal cash flow						55,504.3
PV of terminal cash flow						22,490.5
Enterprise value						34,058.7
Less: Debt						418
Add: Cash						300
Equity value						33,940.5
Shares Outstanding (mn)						134.9
Fair value per share (\$)						0.25

Source: SeeThruEquity Research



Exhibit 6: DCF Assumptions & Conclusions

Summary Conclusions		Key Assumptions	
DCF FV (\$ per share)	0.25	Beta	2.0
Recent price (\$ per share)	0.04	Cost of equity	18.3%
Upside (downside)	529.0%	Cost of debt (post tax)	8%
WACC	17.6%	Terminal Growth Rate	3.0%

		WACC (%)				
		16.6%	17.1%	17.6%	18.1%	18.6%
Terminal growth rate (%)	2.00%	\$0.26	\$0.25	\$0.24	\$0.23	\$0.22
	2.50%	\$0.27	\$0.26	\$0.25	\$0.24	\$0.23
	3.00%	\$0.28	\$0.26	\$0.25	\$0.24	\$0.23
	3.50%	\$0.28	\$0.27	\$0.26	\$0.25	\$0.24
	4.00%	\$0.29	\$0.28	\$0.27	\$0.25	\$0.24
	4.50%	\$0.30	\$0.29	\$0.27	\$0.26	\$0.25

Peer Group Analysis

We also evaluated POTN using a relative valuation analysis with its peer group. When comparing POTN to its peer group we examined price-to-sales (P/S) and Enterprise Value-to-Sales (EV/S) ratios. We also note that the ratios are calculated using LTM sales as the forward estimates for majority of these firms are not available. The below companies are both in the business of selling hemp derived CBD products as well as marijuana derived CBD products. The company's closest peer is Medical Marijuana Inc. (MJNA), which also markets and sells hemp derived CBD oil and other products. As illustrated in Exhibit 7 below, MJNA trades at significant premium to POTN. Further, compared to the broader peer group POTN trades at a significant discount on a trailing P/S sales basis and on an EV/Sales basis.

Given the expectation of high growth (POTN is set to grow its revenues by 8x in 2017) and expanding margins, we believe the discount is unwarranted.

Exhibit 7: Peer Analysis

		In million							
TICKR	Name	Price	Shares	Market Cap	EV	Previous Year	Price/Sales	EV/Sales	
MJNA	Medical Marijuana Inc	\$ 0.11	2,557.3	\$ 281.3	\$ 286.8	\$ 8.00	35.2x	35.9x	
INSYS	Insys Therapeutics	\$ 14.13	72.1	\$ 1,018.8	\$ 863.9	\$ 217.80	4.7x	4.0x	
CVSI	CV Sciences Inc	\$ 0.30	89.0	\$ 26.7	\$ 28.4	\$ 12.40	2.2x	2.3x	
HEMP	Hempco Food and Fiber	C\$0.32	34.4	C\$11	C\$10.3	C\$7.8	1.4x	1.3x	
MCIG	mCig Inc	\$ 0.20	386.1	\$ 77.2	\$ 78.0	\$ 2.50	30.9x	31.2x	
CNAB	United Cannabis Corp	\$ 0.64	51.3	\$ 32.8	\$ 33.4	\$ 0.70	46.9x	47.7x	
NGBL	Notis Global Inc	\$ 0.00	3,008.7	\$ 0.3	\$ 13.3	\$ 1.00	0.3x	13.3x	
Peer Group Average							17.4x	19.4x	
POTN	PotNetwork Holding Inc	\$ 0.04	134.9	\$ 5.40	\$ 5.68	\$ 1.60	3.4x	3.5x	
Peer Group Average							-80.6%	-81.7%	

Source: Capital IQ

RISK CONSIDERATIONS

Limited operation history and operates in a new industry

POTN has a limited operating history and may not succeed. The company is subject to all risks inherent in a developing business enterprise. The likelihood of its continued success will need to be considered in light of the problems, expenses, difficulties, complications, and delays frequently encountered in the competitive and regulatory environment in which it operates.

As a new industry, there are not established entities whose business model POTN can follow or build on the success of. Similarly, there is limited information about comparable companies available for potential investors to review in making a decision about whether to invest in the Company.

Regulatory risk

Recent stance by DEA citing hemp based CBDs as a Schedule 1 substance had led to a regulatory overhang. If finalized, this could create significant risk for the company.

Hemp based CBD are often confused with marijuana based CBD which remains Illegal under Federal Law

Hemp based CBD are often confused with marijuana based CBD which remains Illegal under Federal Law. Although POTN does not sell any marijuana based CBD products, but it's products are could often be confused as being illegal by federal/state authorities and also by consumers.

Competitive industry

The company is involved in a highly competitive industry where it may compete with numerous other companies who offer alternative methods or approaches, who may have far greater resources, more experience, and personnel perhaps more qualified than the company does. Such resources may give POTN competitors an advantage in developing and marketing products similar to it. There can be no assurance that POTN will be able to successfully compete against these other entities.

Management Team

Gary L. Blum, Chief Executive Officer

Mr. Gary L. Blum is the Chief Executive Officer at PotNetwork Holding, Inc. since January 12, 2016. Prior to that, Mr. Blum had been the Chairman of the Board, Chief Executive Officer, President, Principal Accounting Officer, Chief Financial Officer and Secretary at Thunderclap Entertainment, Inc. since September 15, 2009 and Celpad, Inc. since August 30, 2010. Over nearly the past three decades, Mr. Blum has provided legal counsel for a broad range of closely-held and public companies. He has extensive experience conducting private and public offerings, mergers and acquisitions, achieving SEC and NASD compliance, among other areas of expertise encompassing general corporate and securities law. He has been a practicing attorney since 1986. He is the Principal of the Law Offices of Gary L. Blum, Los Angeles, California, which he founded in June 1988. He also served as Secretary of Arrin Corporation. He has substantial experience in sophisticated business planning and advising clients in connection with the purchase and sale of businesses and has served as a director for many private and publicly traded companies. He has been a Director of Celpad, Inc. since August 30, 2010. He served as a Director of Arrin Corporation since 2009. He has been a Member of the California State Bar since 1979. Mr. Blum received his B.S., Magna Cum Laude, in Mathematics from Loras College in 1962; an M.A. in Philosophy from the University of Notre Dame in 1966; and J.D. and M.B.A. degrees from the University of Southern California Gould School of Law and Marshall School of Business respectively in 1978.

Kevin Hagen, President Diamond CBD Inc.

Mr. Kevin Hagen is the President at Diamond CBD, Inc. Mr. Hagen is a practicing attorney with Hagen & Hagen Law Firm with over 22 years of experience. He is also a member of the Florida Bar Association. He completed his BS from University of Florida and JD from Nova Southeastern University.

Richard E. Goulding, Medical Director

Dr. Richard E. Goulding, M.D. is the Medical Director for Potnetwork420 at PotNetwork Holding, Inc. since March 26, 2014. Prior to that, Dr. Goulding served as Chairman of the Board, Chief Executive Officer and President of Real American Capital Corp. Prior to that, Dr. Goulding was employed at The Nutmeg Group, LLC. Previously, Dr. Goulding has been a Corporate Director of Physicians Healthcare Management Group Inc. since April 2005. Also, he served as a Corporate Secretary of Phyhealth Corp. since January 1, 2008. From 1979 to 1984, he was a General Surgery Resident, Otolaryngology Resident and Chief Resident, Otolaryngology or the Head and Neck Surgery and Facial Plastic Surgery at Jackson Memorial Hospital and University of Miami. He serves as a Director of Real American Brands, Inc. He served as a Director of Phyhealth Corp. since March 12, 2008. He has also been an eminent speaker at various forums. Mr. Goulding graduated, with honors, in 1975 from the University of Florida and received his Doctorate of Medicine in 1979 from Loyola University of Chicago.

FINANCIAL SUMMARY

Exhibit 8. Income Statement

Figures in \$000 unless specified	FY17E	FY18E	FY19E	FY20E	FY21E
Revenue	\$8,362.4	\$16,724.7	\$30,104.5	\$45,156.7	\$58,703.7
YoY growth	137.2%	100.0%	80.0%	50.0%	30.0%
Cost of sales	\$5,435.5	\$10,034.8	\$18,062.7	\$27,094.0	\$35,222.2
Gross Profit	\$2,926.8	\$6,689.9	\$12,041.8	\$18,062.7	\$23,481.5
Margin	35.0%	40.0%	40.0%	40.0%	40.0%
Operating expenses	\$2,298.9	\$4,564.3	\$8,125.4	\$11,210.9	\$13,869.8
EBIT	\$628.0	\$2,125.6	\$3,916.4	\$6,851.7	\$9,611.7
Margin	7.5%	12.7%	13.0%	15.2%	16.4%
EBITDA	\$638.5	\$2,146.8	\$3,954.5	\$6,909.0	\$9,686.1
Margin	7.6%	12.8%	13.1%	15.3%	16.5%
Other income/ (expense)	(\$31.4)	(\$33.2)	(\$33.2)	(\$33.2)	(\$33.2)
Profit before tax	\$596.6	\$2,092.3	\$3,883.1	\$6,818.5	\$9,578.5
Tax	0.0	0.0	1,164.9	1,968.1	2,873.5
Net income to Common	\$596.6	\$2,092.3	\$2,718.2	\$4,850.3	\$6,704.9
Margin	7.1%	12.5%	9.0%	10.7%	11.4%
EPS (per share)	\$0.00	\$0.02	\$0.02	\$0.04	\$0.05

Source: SeeThruEquity Research.

Exhibit 9. Balance Sheet

Figures in \$000, unless specified	FY17E	FY18E	FY19E	FY20E	FY21E
Current assets	\$1,136.5	\$3,601.2	\$6,802.6	\$12,156.9	\$19,179.8
Other assets	\$132.0	\$110.8	\$122.7	\$115.5	\$91.1
Total assets	\$1,268.5	\$3,712.1	\$6,925.3	\$12,272.4	\$19,270.8
Current liabilities	\$418.1	\$769.3	\$1,264.4	\$1,761.1	\$2,054.6
Other liabilities	\$453.6	\$453.6	\$453.6	\$453.6	\$453.6
Shareholders' equity	\$395.8	\$2,489.2	\$5,207.3	\$10,057.7	\$16,762.6
Total liab and shareholder equity	\$1,267.5	\$3,712.1	\$6,925.3	\$12,272.4	\$19,270.8

Source: SeeThruEquity Research

Exhibit 10. Cash Flow Statement

Figures in \$mn, unless specified	FY17E	FY18E	FY19E	FY20E	FY21E
Cash from operating activities	\$193.4	\$1,678.7	\$2,254.6	\$4,365.7	\$6,210.3
Cash from investing activities	(47.1)	0.0	(50.0)	(50.0)	(50.0)
Cash from financing activities	152.9	0.0	0.0	0.0	0.0
Net inc/(dec) in cash	299.2	1,678.7	2,204.6	4,315.7	6,160.3
Cash at beginning of the year	1.1	300.2	1,978.9	4,183.5	8,499.2
Cash at the end of the year	300.2	1,978.9	4,183.5	8,499.2	14,659.6

Source: SeeThruEquity Research



About PotNetwork Holding, Inc.

PotNetwork Holding Inc. is a publicly traded company that acts as a holding company for its subsidiary, First Capital Venture Co., the owner of Diamond CBD, Inc. Diamond CBD focuses on the research, development, and multi-national marketing of premium hemp extracts that contain a broad range of cannabinoids and natural hemp derivatives. For more information, visit www.diamondcbd.com.



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