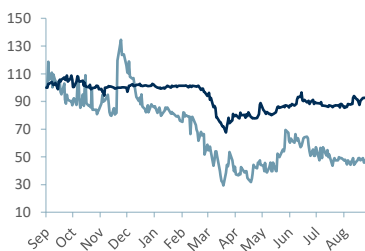


INSIGHT NOTE

Value Range

USD 0.13 – 0.14



OTC market vs KAYS (lighter line) price relative

Tuesday, 01 September 2020

Intrinsic Price (USD)	0.14
Value Range Low (USD)	0.13
Value Range High (USD)	0.14
Implied MCAP (m)	\$25.87
Implied EV (m)	\$37.31
OTC QB	KAYS
Financial YE	31-Dec
Currency	USD

Business Activity

Vertically Integrated

Cannabis

Key Metrics

Close Price (GBP)	0.03
MCAP (m)	\$5.5
Net Debt (Cash) (m)	\$11.4
EV (m)	\$16.9
52 Wk Hi	0.08
52 Wk Lo	0.02

Key Ratios

(Net Cash) / Shareholder Equity %	1.01%
FX Rate USD/GBP	0.75

Healthcare Sector Research

OTC QB Market Index

Analyst Team

+44 20 7419 7928

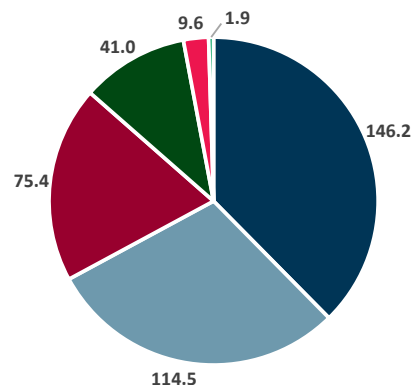
healthcare@acfequityresearch.com

Kaya Holdings, Inc.

Indicative Valuation – 350% Upside

Kaya Holdings, Inc. (OTCQB:KAYS) is a vertically integrated cannabis producer and retailer. It has ambitious plans to grow outside of the US market. Our indicative valuation captures only the US market potential with current acreage. We assume full current acreage production by 2023, but that there is no further growth beyond this point in revenues or margins. Long-run FCF margin assumption is 4.2% (aggressively low), our terminal value multiple for FCF of 10x does not attempt to capture the growth profile. Our WACC is risk 15%, high versus the peer group companies.

- Conservative valuation suggests 350-390% upside on close price;
- Top end of our value range is a very modest 40% above 52 wk high;
- We value the business solely on current US acreage and business;
- We assume EBITDA margins of just 7% and FCF margins of only 4.2%;
- Modest forecast global cannabis demand YE20 \$389bn.



■ Asia ■ North America & Latin America ■ Europe ■ Africa ■ Oceania ■ Caribbean

Investment Case

A vertically integrated cannabis company in a growing market segment – In this indicative valuation we consider only Kaya’s US business and acreage.

Share Price History	No. of Shares in issue	Fully diluted
NoSh (m)	188	188
Implied Intrinsic Price	0.14	0.14
Value Range Low	0.13	0.13
Value Range High	0.14	0.14
OTC QB	KAYS	
Financial YE	31-Dec	
Reporting Currency	USD	

NoSh (m)	188
NoSh (m) expected dilution (Exp D)	188
NoSh (m) full dilution (FD)	188

Key Metrics	\$	adj.
MCAP (m)	5.5	5.5
Net Debt (Cash) (m)	11.43	11.43
EV (m)	16.9	16.9
52 Wk Hi	0.08	0.08
52 Wk Lo	0.02	0.02
Free Float	79%	79%

Aggressively modest valuation approach.

US business and current acreage considered only.

Valuation does not capture further expansion plans.

Potential to develop nutraceuticals and medical cannabis in the US and internationally.

Our growth, margin, multiples, WACC and risk adjustments are aggressively modest.

Our peer groups all trade on far higher multiples than we have applied to KAYS.

Kaya Holdings produces and sells legal marijuana in the US. Its products include flower oils, vape cartridge, baked goods and beverages and cannabis infused confections. Currently, KAYS operates three Kaya Shack dispensaries that are licensed for the sale and delivery of medical and recreational cannabis products in the state of Oregon.

The Company operates Kaya Farms, a 12,000 square foot indoor facility capable of producing approximately 1,500 pounds of cannabis annually with the potential to expand in the future. The Company also plans to use the space for its production of oils, concentrates, extracts, edibles, and cannaceuticals.

In addition, Kaya owns an additional 26.5-acre farm in Linn County, Oregon, which it expects to begin developing upon issuance of its OLCC Grow license (Oregon Liquor Control Commission) – that is in process. Once developed, the farm will provide the Company with an additional capacity of more than 100,000 pounds annually – with the view to further expand pending approval to export from Oregon to other US States and other countries.

Kaya plans to expand its operations outside of Oregon and the United States. As a result, the Company has incorporated a majority owned subsidiary “Kaya Brands International, Inc.” to market its products in Canada and develop a farm in Israel.

We believe there is potential to launch additional retail brands and for the company to develop its nutraceuticals and medical cannabis segments both in the US and internationally.

Catalysts

Successful raising of substantive new equity capital. Adoption of holistic strategic market communications. Expansion of the management team. Further partnership and land acquisition deals.

Management Team

➤ **Chairman, Chief Executive Officer, Acting CFO, Craig Frank.**

Craig is the driving force behind KAYS, steering the direction of the Company. Prior to KAYS, Craig served as the CEO of Alternative Fuels America, Inc. (AFAI) for four years. He also served as CEO at Tudog Group for 11 years, during which he worked with more than 200 companies from 19 countries. Alongside this, Craig is a published author with several of his articles featured in magazines and newsletters from across the world.

➤ **Special Advisor, Business Development, W. David Jones.**

David has over 30 years of experience. Since 2013, David has served as a business development advisor and a consultant to KAYS. As well as his advisory role (involving capital markets and market awareness), David has been heavily involved in the Company's day-to-day operations and launch of the Kaya Shack brands. David also owns and operates BMN Consultants and a newsletter (Wall Street Profit Search).

Valuation - DCF

Exhibit 1: WACC

KAYS	
Pre-tax cost of debt	12.0%
ETR	21.0%
After-tax cost of debt	9.5%
Current Leverage	207.8%
Debt / (Cash)	1137.9%
Equity	9.5%
Target Leverage	50.0%
D / (D+E)	33.3%
ACF β adj levered	3.0
rf	0.55%
ERP	5.23%
Cost of equity	8.40%
Risk adj.	6.00%
WACC	15%

Source: ACF Equity Research Estimates.

Exhibit 2: Implied return

Valuation Range

KAYS	37.3	
NPV FCF (\$m)	37.3	
Net Debt/(Cash)	11.4	
Fair Value (\$m)	25.9	
NoSh (m)	188	
NoSh (diluted) (m)	188	
Intrinsic Value Per Share USD	0.14	
Close Price USD	0.03	
VR (low - high)	0.13	0.14
VR Spread	5.00%	
Implied VR Return (low - high)	349%	396%

Source: ACF Equity Research Estimates.

Note: We assume the conservative Debt / Equity target mix 50%. However, in the current interest rate environment 50-60% is more likely.

We used a weighted average price for Greenhouse flower cannabis of \$1,598 based upon trades around the US (which ranged from \$950 lb up to \$2,500 lb), the US spot price and the September forward price.

Note: Close price on front page of this ACF research note is based on shares in issue (NoSh) on 01/09/2020 of 187,503,812.

Implied VR Return 349%-396%.

We note that the top end of our value range is 40% above the 52 week high of 0.1 cents.

Sensitivity Analysis

Exhibit 3: WACC/FCF Margin % shows longer-term valuation potential

KAYS Equity Value 10 Yr DCF

We assume only KAYS US business develops in our valuation approach. We ignore all KAYS current international plans and achievements in this valuation.



US FCF Margin Only

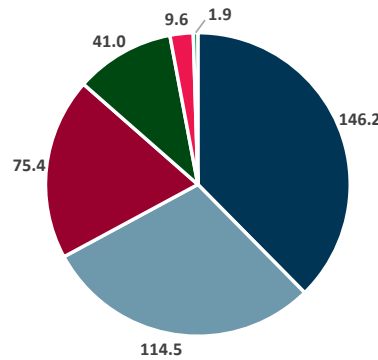
	21%	19%	17%	15%	13%
9%	53.06	60.59	69.46	79.94	92.38
8%	47.17	53.86	61.74	71.06	82.11
7%	41.27	47.13	54.03	62.18	71.85
6%	35.37	40.40	46.31	53.30	61.58
5%	29.48	33.66	38.59	44.41	51.32
4%	23.58	26.93	30.87	35.53	41.06
3%	17.69	20.20	23.15	26.65	30.79

Sources: ACF Equity Research Estimates; Companies reports; Factset.

Exhibit 4: Global cannabis demand forecast by region USD bn YE20E

We have assumed an ultra-modest global cannabis demand weighted average growth rate of 12.9% to reach a global demand value of \$389 bn.

We used a weighted average price for Greenhouse flower cannabis of \$1,598 based upon trades around the US (which ranged from \$950 lb up to \$2,500 lb), the US spot price and the September forward price.

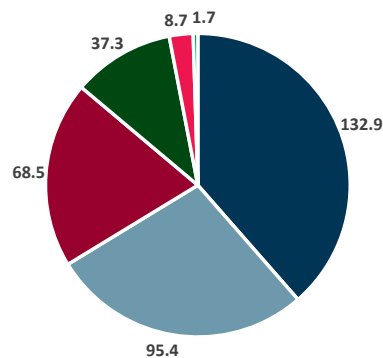


■ Asia ■ North America & Latin America ■ Europe ■ Africa ■ Oceania ■ Caribbean

Source: ACF Equity Research Estimates.

Exhibit 5: Global cannabis demand by region USD bn YE19A

YE19 global demand reached a value of \$345 bn.



■ Asia ■ North America & Latin America ■ Europe ■ Africa ■ Oceania ■ Caribbean

Sources: ACF Equity Research; US Cannabis Report YE19.

Valuation – Peer Group Trading Multiples

Exhibit 1: Trailing peer group metrics – income statement

The peer group metrics show the modest multiples we have applied to our KAYS FCF TV of 12x vs. 131x for GTII and average and median EBITDA multiples for the peer group of 64x and 51x respectively.

We have removed outliers from the average and median values.

Trailing 19A Metrics / Company Name	Market	EV (m)	Div %	EBITDA / M%	EV / REVS	EV / EBITDA	EV / FCF
Curaleaf (CURA)	CNQ	4,658.8	N/A	25.68%	13.26x	51.6x	N/M
Green Thumb (GTII)	CNQ	3,199.6	N/A	18.16%	8.74x	48.12x	131.45x
GrowGeneration (GRWG)	NasdaqGS	771.3	N/A	2.24%	5.75x	256.79x	N/M
Planet 13 Holdings (PLTH)	CNQ	492.2	N/A	6.00%	7.40x	93.76x	N/M
Average			N/A	8.80%	7.30x	64.51x	131.45x
Median			N/A	6.00%	7.40x	51.65x	131.45x

Source: ACF Equity Research Estimates.

Exhibit 2: Trailing peer group metrics – balance sheet

We have removed outliers from the average and median values.

Trailing 19A Metrics / Company Name	Market	MICAP (m)	Gross Debt / Assets	Gross Debt / Equity	RoA %	RoE %	Rol %
Curaleaf (CURA)	CNQ	4,361.6	4313.7%	N/A	3.29%	-9.35%	N/M
Green Thumb (GTII)	CNQ	3,096.2	18.6%	N/A	0.96%	-5.34%	2.66%
GrowGeneration (GRWG)	NasdaqGS	771.9	17.5%	N/A	1.11%	1.94%	-13.79%
Planet 13 Holdings (PLTH)	CNQ	467.1	0.0%	N/A	1.71%	-16.68%	10.20%
Average			0.12%	N/A	1.26%	-4.25%	-0.31%
Median			0.17%	N/A	1.11%	-5.34%	2.66%

Source: ACFEquity Research Estimates.

INDEPENDENCE & DISTRIBUTION

ACF Equity Research Ltd is a provider of issuer-pays research with a clearly defined independent ethic. ACF produces accurate, clear, focused research aimed at a professional investment audience. ACF has excellent distribution capabilities and always aims to provide access without restriction to the widest professional audience. ACF offers a range of additional services to support its clients.

DISCLAIMER

This communication is for informational purposes only. It is not intended as an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. [The opinions expressed in this report herein do not take into account individual investor circumstances, objectives, or needs and are not intended as recommendations of particular securities, financial instruments or strategies to particular clients. The recipient of this report must make its own independent decisions regarding any securities or financial instruments mentioned herein.] ACF Equity Research Ltd has based this document on information obtained from sources it believes to be reliable, but which it has not independently verified. Neither ACF Equity Research Ltd. nor any of its directors, officers, employees or agents shall have any liability, however arising, for any error, inaccuracy or incompleteness of fact or opinion in this research report or lack of care in this research report's preparation or publication, or any losses or damages which may arise from the use of this research report. All market prices, data and other information are not warranted as to completeness or accuracy and are subject to change without notice. [Past performance is not necessarily a guide to future performance and no representation or warranty, express or implied, is made by ACF Equity Research Ltd. with respect to future performance. Any recommendation or opinion contained in this research report may become outdated as a consequence of changes in the environment in which the issuer of the securities under analysis operates, in addition to changes in the estimates and forecasts, assumptions and valuation methodology used herein.]

IMPORTANT DISCLOSURES FOR U.S. INVESTORS

This research report was prepared by ACF Equity Research Ltd., a company authorized to engage in securities activities in the United Kingdom. ACF Equity Research Ltd. is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended. Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through, a registered broker-dealer in the United States. The analyst who prepared this research report is not registered or qualified with the Financial Industry Regulatory Authority ("FINRA") and may not be associated with a U.S. broker dealer and as such, would not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

[Investing in any non-U.S. securities or related financial instruments (including ADRs) discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on such non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the United States.]

LEGAL NOTICE

This report is for authorized use by the intended recipient(s) only. It may contain proprietary material, confidential information and/or be subject to legal privilege. No part of the content of this research report may be copied, forwarded or duplicated in any form or by any means without the prior consent of ACF Equity Research Ltd. and ACF Equity Research Ltd. accepts no liability whatsoever for the actions of third parties in this respect.

IMPORTANT ADDITIONAL DISCLOSURES FOR U.K. INVESTORS

The information in this report has been prepared by ACF Equity Research Ltd (ACF). The research is published for information purposes only. It is not intended as an offer or solicitation for the purchase or sale of any securities or any financial instruments.

ACF has based this document on information obtained from sources it believes to be reliable but which it has not independently verified. All market prices, data and other information are not warranted as to completeness or accuracy and are subject to change without notice. Any comments or statements made herein do not necessarily reflect those of ACF Equity Research Limited. The material should not be regarded by recipients as a substitute for the exercise of their own judgment. Past performance does not guarantee future performance.

The analyst(s) responsible for covering the securities in this report receive compensation based upon, among other factors, the overall profitability of ACF which may, from time to time, solicit business from any of the companies referred to in this report. The analyst(s) responsible for covering securities in this report may not hold a position in any or related securities in this report in ACF's sector universe or in any other sector in which ACF carries out research. The company does not hold any position in the securities mentioned in this report.

This research report and its contents are intended for professional investors and not for retail investors. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of the investment research. ACF Equity Research Limited is authorised and regulated by the Financial Conduct Authority. However the contents of this research report are produced as if ACF Equity Research Limited is unregulated and consequently this report does not contain investment recommendations or ratings.

ACF, its directors, employees and agents accept no liability whatsoever for any loss or damage of any kind arising out of the use of all or part of these materials. The information in this report is provided with the understanding that ACF is not acting in a fiduciary capacity. Certain laws and regulations impose liabilities which cannot be disclaimed. This disclaimer shall in no way constitute a waiver or limitation of any rights a person may have under such laws and/or regulations. Copyright © 2018 ACF Equity Research all rights reserved. Additional information is available upon request.

Copyright 2018 ACF Equity Research Ltd. All rights reserved.

ACF Equity Research Limited, 125 Old Broad Street, London, EC2N 1AR, U.K.

Tel: +44 (020) 7558 8974

Website: www.acfequityresearch.com