



Earth Science Tech, Inc. (OTCQB: ETST, Target Price: \$3.60)

We are updating coverage of Earth Science Tech, Inc. (OTCQB: ETST, \$1.13). Earth Science Tech is a biotechnology company focused on research, development, and sale of hemp derived CBD based nutraceuticals, pharmaceuticals and dietary supplements. 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. According to the *Hemp Business Journal*, the cannabidiol (CBD) market is estimated to grow by 700% to reach \$2.1 billion by 2020, versus \$202mn in 2017.

ETST appears positioned to compete for its share of this market growth, as the company has established broad distribution for its high purity CBD product line, covering more than 90,000 retail outlets. Moreover, the company's pipeline remains robust with an upcoming direct-to-consumer campaign with As Seen On TV as well as planned pharmaceutical products in coming years, funding permitting. We see ETST as a speculative growth company focused on the burgeoning market for legal cannabis and hemp while targeting the fastest growing sub segment of the industry (hemp derived CBD).

Investment Highlights

We are updating our coverage on ETST following results and recent developments at the company. Highlights were as follows:

- **1Q19 revenues grow by 64.8% to \$166,891.** ETST reported sharp growth in its FY1Q19 (ended June 20, 2018), with revenues increasing to \$166,891 versus \$101,275 in the year-ago period.
- Revenue growth is attributed to execution in the company's line of CBD nutraceuticals and supplements, which provide a revenue stream for ETST as it seeks to develop its medical device and pharmaceutical business lines.
- **Positive outlook.** Revenues are expected to increase throughout the fiscal year as the company meets demand from expanded retail distribution of its products, supported by pre-sales and a recent replenishment of product which should enable conversion to revenue.
- **Deal with As Seen On TV likely to raise awareness.** On the direct to consumer front, the company has engaged As Seen On TV to develop a direct response TV and web campaign over the next twelve months, which should provide further demand and an increase in awareness for high grade CBD oil.
- **ETST becomes full reporting OTCB company.** We were pleased to see ETST catch up on its SEC filings with the reporting of its annual financials and FY1Q19 quarterly report. The company announced that its shares were uplisted to be quoted on the OTCQB, which is expected to offer higher liquidity and visibility than OTC.

Target moves to \$3.60 as growth prospects take shape

Our target moves to \$3.60 for ETST following recent results and a positive outlook for growth to take shape in coming period driven by expanded CBD sales and the introduction of the company's medical device MSN-2. We see ETST as a speculative company in the fast-growing CBD space.

Stock Details (9/23/18)

OTCQB:	ETST
Company	Earth Science Tech, Inc.
Sector / Industry	Cannabis / Hemp CBD
Price target	\$3.60
Recent share price	\$1.13
Basic Shares o/s (mn)	49.2
Market cap (in \$ mn)	55.6
52-week high/low	\$1.62 / 0.32

Source: Thomson Reuters, SeeThruEquity Research

Key Financial (\$000, unless specified)

	F2018	F2019E	F2020E
Revenues	\$463.1	\$2,200.0	\$7,100.0
EBITDA	(\$1,670.6)	(\$1,115.4)	(\$269.8)
EBIT	(\$1,672.9)	(\$1,122.0)	(\$284.0)
Net income	(\$1,677.6)	(\$1,126.8)	(\$288.8)
EPS (\$)	(\$0.03)	(\$0.02)	(\$0.01)

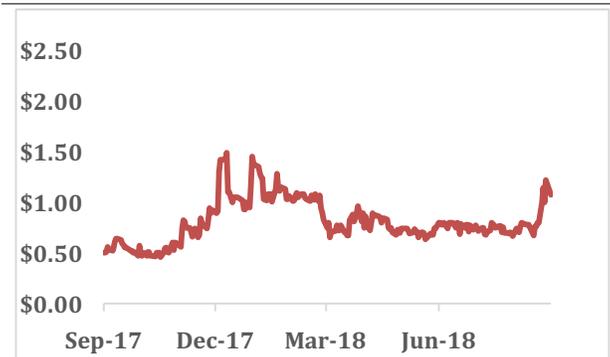
Source: SeeThruEquity Research

Key Ratios

	F2018	F2019E	F2020E
Gross margin (%)	41.7	45.0	50.0
Operating Margin (%)	(361.2)	(51.0)	(4.0)
EBITDA margin (%)	(360.7)	(50.7)	(3.8)
Net margin (%)	(362.3)	(51.2)	(4.1)
P/Revenue (x)	120.0	25.3	7.8
EV/Revenue (x)	119.8	25.2	7.8

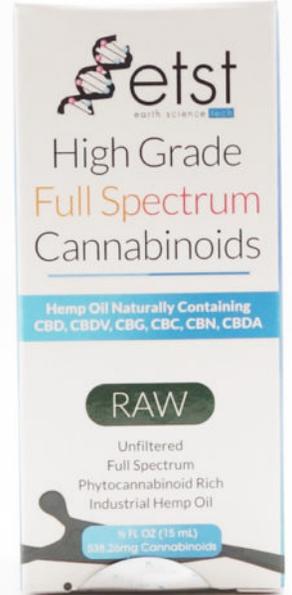
Source: SeeThruEquity Research

Share Price Performance (\$, LTM)



Updating coverage of ETST following results and recent events at the company

- We are updating our coverage of ETST following results and recent events at the company. Based in Doral, FL, ETST is seeking to emerge as a leading company in the research, development and sale of hemp-derived, CBD-based pharmaceuticals, nutraceuticals and dietary supplements.
- **Expanding distribution of high grade hemp-derived CBD oil.** ETST offers high grade full spectrum cannabinoid oil, with CBD products marketed through multiple channels including a national group of independent distributors representing grocery and convenience stores, as well as buying groups and trade organizations reaching up to 90,000 retail outlets, health food giant Karmavore Superfoods, international supplement distributor Forzagen, numerous vape and e-liquid smoke shops. Products are also sold online.
- **Revenues grow by 64.8% in FY1Q19.** ETST began fiscal 2019 with momentum on the top line, albeit from a small base, as the company reported an annual increase of 64.8% in revenues to \$166,891, versus 101,275 in the year-ago period. ETST's performance benefitted from increased sales of CBD nutraceutical and supplement products, which offer a growing revenue base as the company seeks to advance its medical device and pharmaceutical programs. Management noted particular strength in the Raw product line of its high-grade full spectrum cannabinoids.
- **Positive outlook on expanded distribution, retail presence.** ETST has been working to expand distribution of its CBD nutraceutical / supplement products, and the company expects revenues to increase sequentially given strong pre-orders and the recent shipment of a second batch of product, which will enable orders to convert to revenue.
- **New announcement with Kevin Harrington a potential catalyst for sales.** In addition to expanding distribution, ETST has announced plans to increase its direct to consumer exposure. On September 20, 2018, the company announced that it had reached an agreement to commence a direct response television campaign with Kevin Harrington's As Seen On TV production company.
- The campaign will feature Kevin Harrington personally, and will include a 60-second direct response TV commercial that will be aired 300 times within 10 selected regions on selected networks, as well as a 15 second promotional video to be used for digital and social media purposes, according to the announcement. ETST will also be featured on As Seen On TV's web site, and will have permission to use the As Seen On TV logo on its products.



ETST achieves fully reporting status; announced shares uplisted to OTCQB

- **ETST achieves fully reporting status, shares to be quoted on OTCQB.** We were pleased to see ETST become current in its filings, as the company filed its Annual report with the SEC for FY2018 (ended March 31, 2018) on July 16, 2018, and Quarterly report for FY1Q19 (ended June 30, 2018) on August 16, 2018.
- Following these accomplishments, ETST announced on September 4, 2018, that the company's Form 10 Registration Statement is effective, and that shares will be quoted on the OTCQB. The move to the OTCQB from OTC represents a significant accomplishment by management as the company made good on its commitment to uplist shares to be quoted on the OTCQB. The OTCQB listing is expected to offer the potential for increased liquidity and higher visibility for ETST versus the prior OTC status

ETST reported progress on medical device, pharmaceutical development programs

- In addition to the high grade cannabidiol offered in nutraceutical and supplement form, ETST is also advancing medical programs through its subsidiaries Earth Science Pharmaceutical and Cannabis Therapeutics.
- At Cannabis Therapeutics, ETST is focused on research and development to explore the medicinal power of cannabidiol leveraging three provisional application patents for CBD product focused on developing treatments for breast and ovarian cancers, as well as two generic CBD based pharmaceutical drugs to 1) treat respiratory conditions and 2) provide neuroprotection to mitigate neurodegenerative disorders such as Alzheimer's and Parkinson's.

- **Launch of MSN-2 could generate revenues by 2019.** Through its Earth Science Pharmaceuticals subsidiary, ETST is seeking to advance a medical device, **MSN-2**, which is a low-cost home kit designed for the detection of sexually transmitted infections, such as chlamydia, from a self-obtained gynecological specimen. ETST management estimates that the device could be ready for commercialization within six to twelve months, which has the potential to add a new significant revenue layer for the company. ETST plans to commercialize the device initially overseas in Morocco, Vietnam, and select Middle East countries through a distribution partner. The company is estimating that sales have the potential to reach \$2mn to \$4mn in the first full year of commercialization.

RECENT FINANCIAL SUMMARY

Figure 1. Income Statement Summary

Figures in \$000, unless specified	Jun-18	Jun-17	FY2018	FY2017
Revenues	166,891	101,275	463,108	428,199
<i>YoY growth</i>	<i>64.8%</i>		<i>8.2%</i>	
Cost of Revenues	107,482	44,622	270,222	243,813
<i>As a % of Sales</i>	<i>64.4%</i>	<i>44.1%</i>	<i>12.3%</i>	<i>78.7%</i>
Gross Profit	59,409	56,653	192,886	184,386
<i>Gross Profit Margin %</i>	<i>35.6%</i>	<i>55.9%</i>	<i>41.7%</i>	<i>43.1%</i>
SGA	441,571	393,174	1,592,684	1,204,864
Legal, Professional Fees, Other	135,970	4,295	273,078	121,106
Operating Expenses	577,541	397,469	1,865,762	1,325,970
Operating Income	(518,132)	(340,816)	(1,672,876)	(1,141,584)
<i>Operating Margin %</i>	<i>-310.5%</i>	<i>-336.5%</i>	<i>-361.2%</i>	<i>-266.6%</i>
Other items, net	(1,191)	0	(4,765)	(4,770)
Pre-Tax Income	(519,323)	(340,816)	(1,677,641)	(1,146,354)
Taxes	0	0	0	0
Net income	(519,323)	(340,816)	(1,677,641)	(1,146,354)

** Source: Company results release, all data in 000s

Revenues rise in June quarter for ETST

- **ETST reported annual revenue growth of 64.8% in its first fiscal quarter, ended June 30, 2018. ETST reported FY1Q19 results on August 16, 2018.** The company reported strong annual percentage growth in FY1Q19 with revenues rising by 64.8% to reach \$166,891, versus \$101,275 in FY1Q18.
- The results suggest growing traction from the company's recently revamped CBD product line, as well as new distribution relationships.
- FY1Q19 results included gross margins of 35.6%, moderately below historical results in the low-40% range, and a net loss of (\$0.5mn).
- ETST had 49.2mn shares outstanding as of September 4, 2018.
- **Positive Outlook.** While management did not provide specific guidance, the company has stated that it expects growth throughout the remainder of the year as it receives additional product shipments which can be converted into revenue.

- **Balance Sheet Update.** ETST ended the quarter with cash on hand of 0.2mn and current assets of \$0.4mn. The company had notes payable outstanding of \$0.1mn and a modest stockholders' equity deficit of (\$48,971). We continue to view the balance sheet as an area to watch for ETST. Management estimates that the company will require an additional \$1.5mn for working capital, to fund studies for its clinical and device portfolio, and in order to execute its growth plans.

Updating target to \$3.60 for ETST on recent events and growth potential

- We update our coverage of ETST following recent results and a positive outlook by the company. ETST has multiple potential catalysts ahead as the company expects strong growth in FY2019 in its CBD business, driven by expanded distribution and the potential for increased consumer sales from its campaign with As Seen On TV.
- ETST is also expecting first year revenues of \$2mn to \$4mn from the launch of its MSN-2 device in Morocco, Vietnam and the Middle East.
- The target assumes the company is able to execute its growth plan, as well as continued enthusiasm in the CBD space. As illustrated in the following table, ETST appears undervalued based on forward year estimates relative to companies in the cannabis space, which command enthusiastic valuation multiples due to the optimism for the large and growing market.

TCKR	Name	Price	Shares	Market Cap	EV	Fwd Sales	P/Sales	EV/Sales
GWPH	GW Pharmaceuticals	\$166.74	28.2	\$4,702.07	\$3,560.00	\$144.83	32.5x	24.6x
AXIM	AXIM Biotechnologies	\$2.06	58.1	\$119.64	\$118.70	N/A	NM	NM
INSY	Insys Therapeutics	\$9.45	74.2	\$701.57	\$574.44	\$116.84	6.0x	4.9x
ZYNE	Zynerba Pharmaceuticals	\$8.29	17.6	\$146.07	\$50.02	N/A	NM	NM
MJNA	Medical Marijuana Inc*	\$0.09	3,290.0	\$303.01	\$319.67	N/A	NM	NM
CARA	Cara Therapeutics	\$23.71	39.3	\$931.57	\$724.20	\$16.34	57.0x	44.3x
CRON	Cronos Group	\$11.87	161.6	\$1,918.55	\$1,780.00	\$81.05	23.7x	22.0x
ACB	Aurora Cannabis	\$9.39	951.9	\$8,934.35	\$3,634.40	\$353.43	25.3x	10.3x
	Peer Group Average						28.9x	21.2x
ETST	Earth Science Tech Inc	\$1.13	49.2	\$55.58	\$55.46	\$7.10	7.8x	7.8x
	Peer Group Average						-72.9%	-63.2%

Source: Yahoo! Finance, peer pricing intraday as of 9/24/2018

Management Team

Nickolas S. Tabraue, President & Director

Mr. Nickolas Tabraue is an industry veteran having 9 years of professional experience in the nutraceutical, dietary supplement field, as well as retail corporate management. Mr. Tabraue is well versed in his skills and knowledge of supplements, retail management, and customer service. His management experience at The Vitamin Shoppe encompassed the management of four different location, one being the company's highest volume and another included the restructuring of a non-performing high volume store achieving high operating levels in operations, service, inventory compliance, and sales.

Dr. Michel Aube, Chief Executive Office, (CEO) & Chief Science Officer, (CSO)

Dr. Michel Aubé has wide-ranging expertise in the life sciences. As a microbiologist he furthered his graduate studies at Laval University, earning a Master's degree in Cell Biology and Molecular Physiology as well as a PhD in Physiology-Endocrinology. In addition, he created and taught three postdoctoral courses in Immunology. His scientific research in Sexually Transmitted Infections (STIs), Cancer and Stem Cell biology has been published in several prestigious medical journals. Dr. Aubé has received a number of Awards for Excellence from the Network for environmental health research and childhood diseases.

Wendell Hecker, Chief Financial Officer, (CFO)

Wendell Hecker achieved a Bachelor of Science in Accounting from New York University. Having spent more than 30 years at large corporations in New York and Florida, he brings to ETST extensive accounting experience. Hecker will ensure that the Company's accounting follows best practices, keeps up-to-date, and increases transparency with investors as sales continue to increase.

Gagan Hunter, Chief Operations Officer, (COO)

A graduate of Oaksterdam University, America's first primer cannabis college, University of Pittsburgh, and post graduate studies at the Temple University, Gagan Hunter is a holistic health specialist, cannabis & cannabinoid (CBD) educator. Mr. Hunter has 20 years of natural products industry experience in sales, marketing, and management, and 20 years teaching nutrition. His skills obtained through his 20 years in the industry are staff training, purchasing, customer service, inventory control, and financial management.

Jill Buzan, Chief Sales Officer, (CSO)

Jill Buzan is an established veteran of the natural product sales industry, began her successful career as a sales rep and broker in Florida in 1995. She has pioneered many brands and helped them grow and become leaders in the industry including Gaia Herbs, Natural-Immunogenics and Sunwarrior. She loves taking outstanding products to market! Her passion since 1979 has been natural health and healing through food, supplements, exercise, lifestyle and helping others achieve their full potential on all levels, physically, emotionally, mentally and spiritually. Her sales strength and financial success comes from this passion and using an education based and consultative sales approach with her customers. Her intention with ETST is to create a dynamic group of sales individuals who, together, can make ETST the top-selling CDB company in the industry.

Sergio Castillo, Chief Marketing Officer, (CMO)

Sergio Castillo, who moved to Miami when he was only 16, is a Current marketing consultant for few firms including Cloud Accounting, La Familia Media, Fresh Press Miami, Goodlife Miami, as well as Abdon Entertainment. He started his first company in 2008 called "Goodlife Miami, LLC". In 2010, his second company was started named Fresh Press, LLC. His third company was founded in 2012, called La Familia Media, LLC. As the time passed, he's learned everything it takes to run the marketing for many successful companies, and how he takes his expertise into the field of medicinal marijuana. As the new CMO of Earth Science Tech, Inc there seems to be no limit to what he can achieve.

About Earth Science Tech, Inc. (ETST)

Earth Science Tech, Inc. ("ETST") offers the highest purity and quality high-grade full spectrum cannabinoid oil on the market. There are positive results in studies on breast cancer and immune cells through the University of Central Oklahoma, in addition to studies through DV Biologics that prove the Company's CBD oil formulation lowers cortisol and functions as a neuro-protectant, with positive result case studies through key health organizations. ETST formulates, markets, and distributes the CBD oil used for its studies to the public, offering the most effective quality of CBD on the market. www.EarthScienceTech.com

ETST currently has four wholly owned subsidiaries focused on developing its role as a world leader in the CBD space and expanding its work in the pharmaceutical and medical device sectors:

Earth Science Pharmaceutical, Inc.

Earth Science Pharmaceutical ("ESP") is a wholly owned subsidiary of Earth Science Tech, committed to the development of low cost, noninvasive diagnostic tools, medical devices, testing processes and vaccines for sexually transmitted infections and/or diseases. ESP's CEO and chief science officer, Dr. Michel Aubé, is leading the company's research and development efforts. The company's first medical device, MSN-2, is a home kit designed for the detection of STIs, such as chlamydia, from a self-obtained gynecological specimen. ESP is working to develop and bring to market medical devices and vaccines that meet the specific needs of women. www.EarthSciencePharmaceutical.com

Cannabis Therapeutics, Inc.

Cannabis Therapeutics ("CTI") is a wholly owned subsidiary of Earth Science Tech. CTI is poised to take a leadership role in the development of new, leading-edge cannabinoid-based pharmaceutical and nutraceutical products. CTI is invested in research and development to explore and harness the medicinal power of cannabidiol. The company holds three provisional application patents for a CBD product that is focused on developing treatments for breast and ovarian cancers, as well as two generic CBD based pharmaceutical drugs. www.CannabisThera.com

KannaBidioiD, Inc.

KannaBidioiD ("KBD") is a wholly owned subsidiary of Earth Science Tech. KBD provides a wide variety of products geared toward the recreational space of cannabis. KBD's unique Kanna and CBD formulation is sold and distributed in CBD-infused vapes/e-liquids products. Kanna and CBD synergistically enhance one another, providing optimal relaxation, an uplifting sensation, enhanced focus and the added benefit of assisting with nicotine reduction therapy. www.KannaBidioiDInc.com

Earth Science Foundation, Inc.

Earth Science Foundation ("ESF") is a wholly owned subsidiary of Earth Science Tech. ESF is in the process of becoming a nonprofit organization to accept grants and donations to conduct further studies and help donate Earth Science Tech's effective CBD products to those in need. www.ETSTFoundtion.org

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