

VILLAGE FARMS INTERNATIONAL INC. (VFF-NASDAQ | VFF-TSX)

Cannabis

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I See Fields of Green, Tomatoes Too

RECOMMENDATION

We are initiating coverage of Village Farms (VFF): Outperform rating, US\$11.00 target price.

ANALYSIS

While many operators in the newborn cannabis market enter with great ambitions of furiously expanding their cultivation footprints to enormous scale, very few have the agricultural expertise to pull it off efficiently, or at all. VFF, by contrast, is leveraging more than 30 years of fresh produce cultivation experience and millions of square-feet of greenhouse space to propel Pure Sunfarms—its B.C.-based cannabis 50/50 joint venture—to the forefront of the Canadian cannabis market.

Presently, Pure Sunfarms is producing cannabis in its 1.1 mln square-foot greenhouse at full capacity: ~75,000 kg per year. VFF knows these greenhouses—and this particular pocket of the Fraser Valley—very, very well; with this know-how, Pure Sunfarms has quickly become the lowest cost greenhouse grower in Canada, with all-in production costs last quarter of US\$0.48/g (CA \$0.63/g). Pure Sunfarms has posted four consecutive quarters of positive EBITDA and in 3Q19 reported gross margins of 69% from its cannabis sales to other licensed producers (LPs).

We think there is a lot to like about VFF, its management, and its strategy. The company has made a practice of dominating agricultural verticals in which North American producers, typically, have struggled to survive (intense international competition, commoditized markets). **VFF is the first company we've met that not only welcomed the idea of commoditization in the cannabis space, but suggested that it would gladly play a key role in catalyzing it.**

VALUATION

While we generally prefer to use a top-down valuation approach—valuing Canadian cannabis companies' sales as a share of the overall Canadian market—for Pure Sunfarms, we used a bottom-up approach, calculating revenue based on production capacity. Motivating this is our assumption that the company will continue to be Canada's lowest cost greenhouse producer and will sell most—if not all—of its product, first to provincial retailers, then to other LPs.

We calculated Pure Sunfarms' net income attributable to VFF—US\$21.6 mln (2019), declining to US\$16.0 mln (2020) and US\$15.0 mln (2021) with depressed wholesale prices driven by oversupply and competitors in survival/liquidation mode, then rebounding toward US\$57.7mln (2024), as prices stabilize—which we added to net revenues from VFF's stable fresh produce business. Our discounted cash flow analysis (discount: 10%; terminal growth: 2%) yielded an **enterprise value of US\$625.9 mln and an equity value of US\$618.2 mln** for VFF. Dividing by the fully diluted share count (53.8 mln shares), we calculate an **implied share price of US\$11.50, rounded to US\$11.00.**

With several million square-feet of high-tech greenhouses at its fingertips, decades of local weather data, and 30 years successfully operating in a super-tight margin business—fresh produce—we believe VFF, via Pure Sunfarms, is positioned to shine in the now-maturing cannabis market environment, which is increasingly focused on **operations, execution, and profitability.**

NOVEMBER 18, 2019 | 6:22 AM EST
INITIATING COVERAGE

Outperform 2
Target Price \$11.00

Suitability High Risk/Speculation

MARKET DATA

Current Price (Nov-15-19)	\$6.32
Market Cap (mln)	\$331
Current Net Debt (mln)	\$8
Enterprise Value (mln)	\$520
Shares Outstanding (mln)	53.8
30-Day Avg. Daily Value (mln)	\$1.0
Dividend	\$0.00
Dividend Yield	0.0%
52-Week Range	\$2.93 - \$18.10

KEY FINANCIAL METRICS

	1Q	2Q	3Q	4Q
Revenue (mln) (\$, Dec FY)				
2018A	29	42	40	39
2019E	32 A	41 A	38 A	39
2020E	32	42	39	40
	2018A	2019E	2020E	
Revenue (mln) (\$, Dec FY)				
	150	151	153	
EV/Revenue				
	2.3x	2.3x	2.3x	
EBITDA (mln) (\$, Dec FY)				
	5	14	23	
Net Debt/EBITDA				
	1.5	0.5	0.3	
EV/EBITDA				
	69.3x	24.6x	15.1x	
EV/EBITDA (Dec FY)				
	103.7x	36.8x	22.6x	
EV/Revenue (Dec FY)				
	3.5x	3.4x	3.4x	

Source: Thomson One, Raymond James Ltd.
Quarterly figures may not add to full year due to rounding.

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Please read domestic and foreign disclosure/risk information beginning on page 36 and Analyst Certification on page 37.

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OUR PERSPECTIVE ON CANNABIS MARKETS

In an industry just being born, innovation is integral to survival. We expect the cannabis industry will (must) proceed through tremendous changes—driven by legislation reform, new attitudes to regulation, evolving consumer demands, and the development and implementation of **game-changing technologies (including agricultural technologies)**—during the next handful of years. (See Appendix I for our broader perspective on cannabis markets.)

VFF: LEGACY VEGETABLE GROWER FOCUSING EXPERTISE ON CANNABIS

Village Farms International, Inc. (VFF) is leveraging more than 30 years of fresh produce cultivation experience—30 years developing intimate knowledge of its greenhouses and region-specific climate—to pursue opportunities in cannabis through its 50% ownership of B.C.-based **Pure Sunfarms Corp.: one of the largest cannabis operations in the world**. From VFF's first announcement describing aspirations in the cannabis industry—less than three years ago—to the present, Pure Sunfarms has become the lowest cost greenhouse grower in Canada, averaging an all-in production cost of US\$0.48/g (C\$0.63/g) last quarter.

Produce is where VFF cut its teeth, cannabis is where VFF will bare them.

We believe VFF, via Pure Sunfarms, is positioned to shine in the current cannabis market environment, which is increasingly **focused on operations, execution, and profitability**. At the time of writing, Pure Sunfarms had posted four consecutive quarters of EBITDA-positive results—boasting US\$10.1 mln (C\$13.3 mln) in EBITDA (56% EBITDA margin) and gross margins last quarter of 69%—yielded exclusively from sales of dried cannabis to other licensed producers (LPs). Late last quarter (3Q19), Pure Sunfarms began selling branded cannabis directly to distributors in Ontario and British Columbia, which—so long as processing, packaging, and shipping costs are tempered—could drive outstanding future contribution margins on account of much higher selling prices and sustained industry-leading production costs.

The company has made a practice of dominating agricultural verticals in which North American producers have, traditionally, struggled to thrive due to intense international competition in commoditized markets. VFF was the first company we've met that not only welcomed the idea of commoditization in the cannabis space, but suggested that it would gladly play a key part in catalyzing said commoditization. We appreciate management's—seasoned agriculturalists, supply chain experts, and retail specialists—confidence, and the track record that supports this confidence.

Exhibit 1: VFF Thesis Overview

Base Case	Upside	Downside	Catalysts
<ul style="list-style-type: none"> Most of Pure Sunfarms' cannabis production continues to be sold into the Canadian wholesale market. Profit margins maintained or improved as cultivation costs decrease. Pure Sunfarms' branded cannabis revenue from the provinces accelerates over time. Vegetable produce business remains stable, range-bound. 	<ul style="list-style-type: none"> If VFF claims a larger stake in Pure Sunfarms ownership. If Pure Sunfarms exercises its option on VFF's Delta 1 facility, increasing capacity by 2.2 mln square-feet. If VFF's US hemp JVs realize strong revenue and margins. If VFF participates in U.S. cannabis markets, once legal (especially with large greenhouse footprint in Texas). 	<ul style="list-style-type: none"> If Pure Sunfarms' branded cannabis products incur higher-than-expected costs (e.g. packaging, processing, shipping costs) and reduce profitability relative to wholesale business. If Pure Sunfarms' lack of <i>Cannabis 2.0</i> product footprint causes Pure Sunfarms to be poorly competitive among Canadian LPs. 	<ul style="list-style-type: none"> Quarterly reports. Cannabis legalization in new federal jurisdictions (especially the U.S.). Hemp market updates in Canada, the U.S., and Mexico.

Source: Raymond James Ltd.

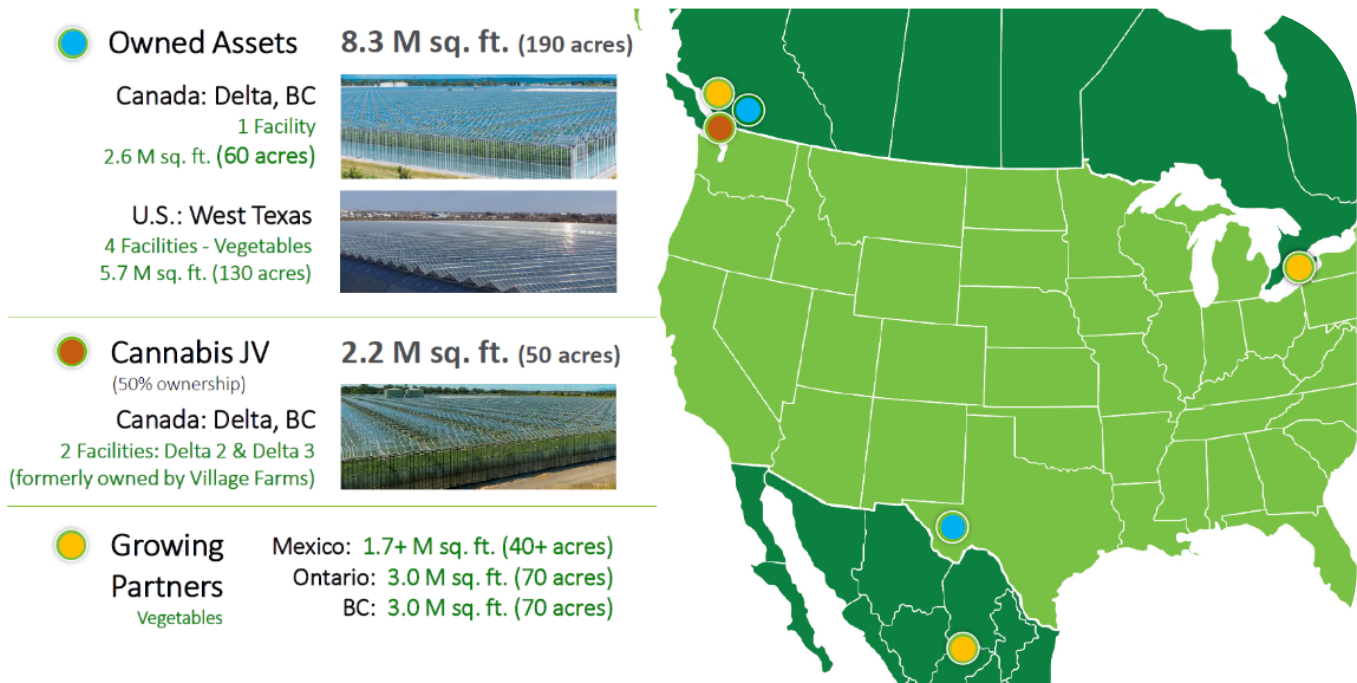
Fresh Produce and Hemp by VFF

This report concentrates on VFF's Canadian cannabis operations. We recognize that the company operates a substantial fresh produce business and has begun to establish significant operations focused on pursuing the U.S. hemp and hemp-derived CBD opportunity. We direct readers interested in VFF's produce and hemp businesses to visit Appendix III and Appendix IV, respectively.

Greenhouses, Greenhouses Everywhere

VFF’s assets include seven operating greenhouses providing ~10.5 mln square-feet, or 240 acres, of growing space in Canada and the U.S., mainly for tomatoes, cucumbers, and, through its joint venture, cannabis. All greenhouses are constructed of glass, aluminum, and steel, and are located on land owned or leased by VFF. (VFF’s Delta 2 and Delta 3 facilities—2.2 mln square-feet—are now 50% owned by VFF as a result of its cannabis joint venture activities, which modifies the accounting of wholly-owned VFF assets.) The company also has agreements with growers in Canada, the U.S., and Mexico that currently operate >7.7 mln square feet, or >180 acres, of growing area (Exhibit 2).

Exhibit 2: Greenhouse Assets Across North America

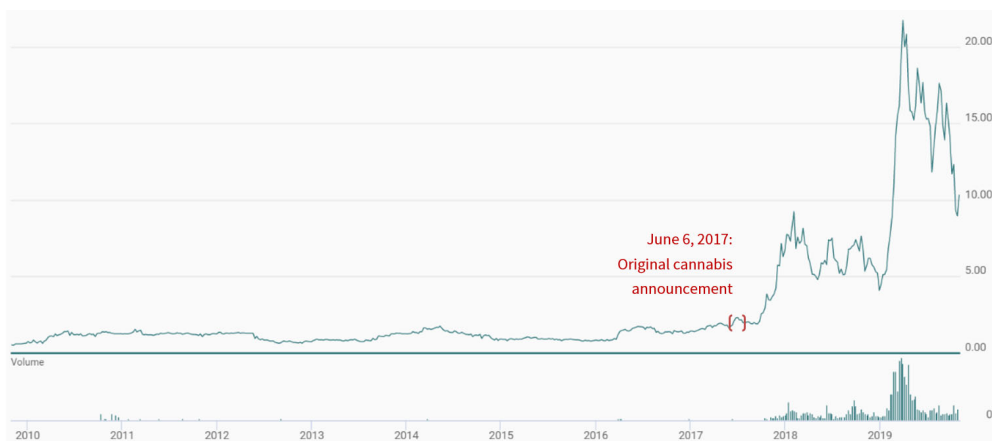


Source: Village Farms International Inc., Raymond James Ltd.

VFF's Fresh Produce Business

Prior to its foray into cannabis, circa mid-2017, VFF made its core business in produce: a highly competitive, commoditized, relatively low-margin market. As a result, the company's stock was range-bound—C\$0.60 to C\$1.70 on the TSX—from 2010 through 2017 (Exhibit 3). We point interested investors to Appendix III for further details on VFF's produce business. **In the body of this work, we focus on VFF's cannabis activities, which we believe will continue to drive the majority of its value.**

Exhibit 3: VFF 10-year Stock Performance



Source: TSX Inc., Raymond James Ltd.

VFF'S CANNABIS BUSINESS: PURE SUNFARMS

VFF is capturing its share of the Canadian cannabis market by way of its Pure Sunfarms joint venture, which is now among the largest single-site cannabis cultivation operations worldwide. Exhibit 4 lays out where Pure Sunfarms stands today. (See Appendix V for more information on Pure Sunfarms' formation and evolution.)

Exhibit 4: Pure Sunfarms Snapshot

Location	Delta, British Columbia
Cultivation type	Greenhouse
Total cultivation footprint possible	4.8 mln square feet (Delta 1 + Delta 2 + Delta 3)
Total cultivation footprint optioned	2.2 mln square feet (Delta 2 + Delta 3)
Total cultivation footprint licensed	1.1 mln square feet (Delta 3)
Health Canada cannabis licenses granted	<ul style="list-style-type: none"> Standard Cultivation (includes LP-to-LP sales provision and amendment for direct provincial and private retailer sales) Standard Processing (includes extraction and derivative product provisions)
Provincial Supply Agreements	(2) Ontario, British Columbia
3Q19: Dried cannabis production run-rate	75,000 kg/yr
3Q19: Dried cannabis sold last quarter	12,000 kg
3Q19: Average production cost, all-in	US\$0.48/g (C\$0.63/g)
3Q19: Average selling price	~US\$1.50/g (~C\$2.00/g)

Source: Village Farms International Inc., Raymond James Ltd.

Wholesale Dominance, Enviably Margins

Presently, Pure Sunfarms is producing cannabis in its 1.1 mln square-foot Delta 3 greenhouse at full capacity, translating to a run rate of 75,000 kg per year of dried cannabis. Within two years of receiving its first cultivation license—and within three years of VFF announcing its intent to enter the cannabis market—Pure Sunfarms has become Canada’s lowest cost producer of non-outdoor grown cannabis, with 3Q19 results reporting an all-in cost of goods sold at US\$0.48/g (C\$0.63/g). **We are impressed by the speed and authority with which VFF and Pure Sunfarms have come to lead the high-efficiency, low-cost cannabis cultivation space in Canada.**

While many operators in the newborn cannabis market enter with great ambitions of expanding their agricultural cultivation footprints to enormous scale at breakneck pace, very few of these operators came pre-packed with the requisite experience to pull it off. What we see as symptoms of this sprint: crop failures, powdery mildew outbreaks and insect infestations, illegal use of pesticides, product returns for poor quality or rot, and, key to this conversation, **continued high costs of cultivation**. In contrast, VFF, with its wealth of agricultural experience and fleet of pre-built greenhouses—~240 acres under glass through the U.S. and Canada—has entered the cannabis cultivation game with just **one job to do: transition its 30 years of experience growing greenhouse vegetables to a new crop, Cannabis**. And, in which greenhouses? The same greenhouses it had been operating for decades beforehand, collecting detailed sunlight and environmental information all the while. **VFF knows these greenhouses—and this particular pocket of the Fraser Valley—very, very well**. Sure, regulatory nuance and selection of appropriate plant genetics come into play, but these are table stakes in the cannabis game; hurdles made simpler to clear with the help of a license-holding JV partner, Emerald Health Therapeutics (EMH). **Hype and hope were never part of VFF’s game.**

The Results Say It All

During 3Q19, Pure Sunfarms sold ~12,000 kg of cannabis—all of it into the LP-to-LP wholesale market—driving revenue of US\$18.1 mln (C\$24.0 mln; 50% attributable to VFF). While the results for the present quarter are still rolling in, Pure Sunfarms’ 2Q19 cannabis revenues (US\$24.2 mln, C\$32.4 mln) **set the company in 4th place among all Canadian cannabis companies by quarterly sales** (SEC and SEDAR-reporting companies). The company benefits from increasing economies of scale that drive very low costs of goods sold—US\$0.48/g (C\$0.63/g) in 3Q19; estimated full-year average costs <US\$0.75/g (<C\$1.00/g) during 2019—and, last quarter, yielded enviable 69% gross margins.

Pure Sunfarms’ production costs have been steadily reducing—we saw a 3% reduction from 2Q19 to 3Q19, and VFF indicates that 2Q19’s cost per gram was ~50% that of 1Q19—which have allowed the company to maintain enviable and durable gross margins, even in today’s challenging Canadian cannabis environment and in the presence of an increasingly uncooperative JV partner.

Healthy gross margins were maintained during 2019’s remaining summer months (2Q and 3Q19), but, during the winter growing season—drawing on decades of year-round greenhouse cultivation experience—management anticipates these gross margins fluctuating on account of seasonally increased power expenditures.

Pure Sunfarms' Supply Agreement with EMH: C\$7.2 mln Owing

Pure Sunfarms' April 2019 supply agreement with EMH granted EMH the right to purchase 40% of Pure Sunfarms' production during 2018 and 2019 at a predetermined price per gram. Recently, however, EMH has been electing to not fully exercise this right to 40% of production; Pure Sunfarms has sold, and continues to sell, all portions of the production that EMH does not purchase to other licensed producers on the wholesale market, where, in previous quarters, it had been realizing US\$3.00/g (C\$4.00/g) spot prices, on average: figures in excess of those defined by the EMH supply agreement.

During 3Q19, spot market prices realized by Pure Sunfarms declined to US\$1.50/g (C\$2.00/g), below the pre-determined price set in the EMH supply agreement; according to the terms of the agreement, EMH is required to pay Pure Sunfarms the difference between the fixed price and the selling price realized from other parties, so, during 3Q19, Pure Sunfarms billed EMH C\$7.2 mln. EMH has not paid this bill—partially contributing to Pure Sunfarms' revenue shortfall this quarter—and is in the process of contesting this charge. Pure Sunfarms has reserved the right to take actions to recover its losses from EMH.

Pure Sunfarms Moving Up Value Chain: Sales to Adult-use Distributors

With recently secured and initiated provincial supply agreements in British Columbia and Ontario—launching eight distinct dried cannabis SKUs (Exhibit 5)—we expect Pure Sunfarms will capture increased contribution margins compared with selling into the LP-to-LP wholesale market. On account of Pure Sunfarms' very low production costs, the company can offer its products at a price point ~20% lower than comparable products on the market; Pure Sunfarms uses the phrase “affordable luxury” to describe its offerings. We look forward to seeing how this new channel contributes to 4Q19 results, which will reflect a full quarter's worth of sales into provincial distributors.

Many LPs are seeing the provincial buyers slow their cannabis product purchases and sit on inventory, sometimes returning old product. Pure Sunfarms may actually benefit from securing provincial supply agreements somewhat late in the game because:

- It had fine-tuned its cultivation techniques while selling to other LPs, and now uses its optimized processes to manufacture and sell select varieties of its very best quality products.
- Provinces that had overstocked unpopular products might be willing to fill their pipelines with Pure Sunfarms high quality, low-cost cannabis and return other groups' products, driving an immediate boost in Pure Sunfarms' revenues with each supply agreement executed. With two provinces down and eight major jurisdictions to go (sorry, territories), **we see good potential for strong quarter-over-quarter revenue growth in a time when most LPs are seeing sales slump.**

As a result, we expect the market, **seeing repeated order refills from the provinces and steady adult-use retail sales** from this rather under-the-radar cannabis player, to cause **VFF stock to outshine its peers**. Subsequent to VFF's 3Q19 results, the company indicated that it had a very successful first month of retail sales (October 2019) through the Ontario Cannabis Store: Pure Sunfarms was the top performing brand of dried flower both by kilograms sold and dollar sales (apparently doubling the volume sold of the second place brand), representing a 16% market share that month. Pure Sunfarms' products sold out of B.C. inventories within three weeks and have since been re-ordered.

Testing the waters even further up the value chain, Pure Sunfarms plans to add pre-rolls, cannabis oil products, potentially Cannabis 2.0 products to its suite of offerings during 1H20, which may contribute to the durability of its healthy revenues and margins. Pure Sunfarms was granted a Standard Processing License in May 2019 for its Delta 3 greenhouse facility, which management aims to have outfitted with a 65,000 square-foot processing centre for on-site, GMP-compliant cannabis extraction by the end of calendar 2019. (See Appendix V.)

Exhibit 5: Pure Sunfarms' Branded Adult-use Products



Source: Village Farms International Inc., Pure Sunfarms Corp.

Given VFF's considerable agricultural experience and its quick path to efficient, high-quality cannabis production in Canada, the company is being courted by myriad international cannabis and hemp companies to support the establishment and operation of large cultivation initiatives: operations in Australia, Germany, the Netherlands, and Mexico appear to be VFF's first candidates. In contrast with the scattershot route we've seen many of VFF's peers follow, VFF would use a targeted, surgical approach to its international expansion. (Precision "international", not diffuse, unfocused "global".)

VALUATION

To value VFF, we have performed a discounted cash flow analysis of VFF's net revenues, *plus* VFF's share of Pure Sunfarms' EBITDA, using a discount rate of 10%, and terminal growth rate of 2% (see *Discounted Cash Flow Analysis* below).

Valuation of Pure Sunfarms' Cannabis Business

While we generally prefer to use a top-down approach—valuing Canadian cannabis companies' sales as a share of the overall Canadian market (see our [initiation report on OGI](#))—for Pure Sunfarms, we use a bottom-up approach, calculating revenue based on production capacity. Motivating this change in methodology are two fundamental assumptions:

1. With its huge head start, combined with the operational excellence provided by VFF's management team, we believe Pure Sunfarms will continue to be the lowest cost greenhouse grower in the Canadian market, enabling the company to sell most—if not all—of its product into the adult-use and wholesale (LP-to-LP) cannabis markets:
 - o **Adult-use market:** On account of the higher contribution margin associated with finished retail products, we expect Pure Sunfarms will aim to sell as much of its production as possible into the adult-use consumer market via provincial distributors and authorized retailers.
 - o **Wholesale market:** As Pure Sunfarms continues to provide the lowest-cost dried cannabis in the Canadian market, all product that is not sold through adult-use channels will be sold—at spot price—into the LP-to-LP wholesale market.
2. The expansion of cultivation capacity combined with increasing efficiency of production will dictate Pure Sunfarms' growing cultivation volume, most—if not all—of which, we assume, will be sold. (Pure Sunfarms' products occupy a sweet spot at the intersection of cost and quality, attractive to buyers in all verticals.)

Our Methodology

- Using Pure Sunfarms' current and projected cultivation capacity (Exhibit 6), we estimated the projected product mix for each of Pure Sunfarms' three channels: i) adult-use flower; ii) adult-use differentiated products (future), and; iii) LP-to-LP wholesale (Exhibit 7).

Exhibit 6: Pure Sunfarms Growing Capacity

Annual Growing Capacity (kg dried flower)	FY2018A	1Q2019A	2Q2019A	3Q2019A	4Q2019E	FY2019E	1Q2020E	2Q2020E	3Q2020E	4Q2020E	FY2020E	FY2021E	FY2022E	FY2023E	FY2024E
Licensed Ground Floor Footprint (mln sq ft)	0.76	1.10	1.10	1.10	1.10	1.10	1.10	1.30	1.60	1.90	1.90	2.20	2.20	2.20	2.20
% Growing Footprint	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%
Growing Footprint	0.88	0.88	0.88	0.88	0.88	0.88	0.88	1.04	1.28	1.52	1.52	1.76	1.76	1.76	1.76
Annualized Production Capacity Online (annual kg)							52500	60000	67500	75000					
Growing Capacity (kg dried flower)	30000	11250	11250	11250	11250	45000	13125	15000	16875	18750	75000	120000	150000	180000	200000
Yield (g/sq ft)	34.09	12.78	12.78	12.78	12.78	51.14	59.66	57.69	52.73	49.34	49.34	68.18	85.23	102.27	113.64
Capacity utilization	3.3%	32.0%	71.1%	75.0%	85.0%	65.8%	85.0%	87.1%	89.3%	91.5%	88.2%	90.0%	91.4%	92.7%	94.1%

Source: Village Farms International Inc., Raymond James Ltd.

Exhibit 7: Pure Sunfarms Channel Mix and Volume Sales

Volume Sales	FY2018A	1Q2019A	2Q2019A	3Q2019A	4Q2019E	FY2019E	1Q2020E	2Q2020E	3Q2020E	4Q2020E	FY2020E	FY2021E	FY2022E	FY2023E	FY2024E
Adult-use: Flower		0	0	169	1434	1603	1897	2614	3014	3433	10957	21600	27405	33379	37644
Adult-use: Differentiated Products		0	0	0	0	0	0	0	301	429	730	2477	4513	7166	9964
Wholesale: LP to LP (kg)	1000	3600	8000	8269	8128	27997	9260	10455	11755	13301	44770	83923	105107	126351	140614
Total Kilograms Sold	1000	3600	8000	8438	9563	29600	11156	13069	15070	17163	56458	108000	137025	166896	188222
Product Mix Ratio															
Adult-use: Flower		0.0%	0.0%	2.0%	15.0%	4.3%	17.0%	20.0%	20.0%	20.0%	19.4%	20.0%	20.0%	20.0%	20.0%
Adult-use: Differentiated Products									2.0%	2.5%	1.3%	2.3%	3.3%	4.3%	5.3%
Wholesale: LP to LP	100.0%	100%	100%	98%	85.0%	95.8%	83.0%	80.0%	78.0%	77.5%	79.3%	77.7%	76.7%	75.7%	74.7%

Source: Village Farms International Inc., Raymond James Ltd.

- We concurrently estimated Pure Sunfarms' weighted average price and COGS per gram of cannabis products sold across the three channels (Exhibit 8).

Exhibit 8: Pure Sunfarms Category Revenue (Net of Excise Taxes) and Costs per Gram

Revenue per gram (Dried flower equivalent, net of excise taxes)	FY2018A	1Q2019A	2Q2019A	3Q2019A	4Q2019E	FY2019E	1Q2020E	2Q2020E	3Q2020E	4Q2020E	FY2020E	FY2021E	FY2022E	FY2023E	FY2024E
Adult-use: Flower (\$CAD)		\$4.55	\$4.50	\$4.38	\$4.27	\$4.28	\$4.18	\$4.07	\$3.97	\$3.87	\$4.00	\$3.60	\$3.24	\$3.00	\$3.00
Adult-use: Differentiated Products (\$CAD)								\$16.00	\$16.00	\$16.20	\$16.12	\$16.92	\$17.77	\$18.66	\$19.00
Wholesale (\$CAD)		\$3.98	\$4.02	\$1.95	\$1.00	\$2.52	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$1.00	\$1.00	\$1.00
Total weighted average revenue per gram (\$CAD)		\$3.98	\$4.02	\$2.00	\$1.49	\$2.60	\$1.33	\$1.41	\$1.70	\$1.76	\$1.58	\$1.69	\$2.00	\$2.16	\$2.35
USD		\$3.00	\$3.03	\$1.51	\$1.13	\$1.96	\$1.01	\$1.07	\$1.28	\$1.33	\$1.19	\$1.28	\$1.51	\$1.63	\$1.78
Cost per gram (Dried flower equivalent)	FY2018A	1Q2019A	2Q2019A	3Q2019A	4Q2019E	FY2019E	1Q2020E	2Q2020E	3Q2020E	4Q2020E	FY2020E	FY2021E	FY2022E	FY2023E	FY2024E
Adult-use: Flower, including packaging costs (\$CAD)		\$3.41	\$2.58	\$2.14	\$2.27	\$2.51	\$2.22	\$1.92	\$1.87	\$1.99	\$2.00	\$1.79	\$1.53	\$1.30	\$1.10
Adult-use: Differentiated Products (\$CAD)		\$10.22	\$7.74	\$6.41	\$6.81	\$7.54	\$6.65	\$5.75	\$5.60	\$5.97	\$5.99	\$5.38	\$4.58	\$3.89	\$3.31
Wholesale (\$CAD)		\$1.41	\$0.66	\$0.64	\$0.83	\$0.80	\$0.83	\$0.58	\$0.58	\$0.75	\$0.68	\$0.58	\$0.49	\$0.42	\$0.36
Total weighted average cost per gram (\$CAD)		\$1.41	\$0.66	\$0.67	\$1.04	\$0.87	\$1.06	\$0.85	\$0.94	\$1.13	\$1.01	\$0.93	\$0.83	\$0.74	\$0.66
USD		\$1.06	\$0.49	\$0.50	\$0.79	\$0.66	\$0.80	\$0.64	\$0.71	\$0.85	\$0.76	\$0.70	\$0.63	\$0.56	\$0.50

Source: Village Farms International Inc., Raymond James Ltd.

- Our forward estimations of COGS per gram of cannabis incorporate **anticipated economies of scale** with the addition of a second 1.1 mln square-foot greenhouse facility (Delta 2) and **optimization of production processes over time, driving down the annual average cost to produce cannabis** over time (see declining year-over-year “Wholesale” cost per gram, Exhibit 8).
 - While we expect annual average costs to decline, we don’t expect this decline to proceed linearly quarter-over-quarter; we expect Pure Sunfarms to drive its lowest cultivation costs during the warm summer months—VFF’s 2Q and 3Q—when it spends the least on energy. **During the cold winter months—VFF’s 1Q and 4Q—we expect cultivation costs to be materially greater.** This sort of seasonality is common across the agricultural industry and, indeed, these trends are observed in VFF’s fresh produce operations.
- Pure Sunfarms’ 2Q and 3Q19 cannabis production costs have been the numbers that grab headlines, but its annual average COGS per gram (and quickly ramping volumes) we expect to be equally compelling against the backdrop of a volatile Canadian cannabis manufacturing landscape.
- Multiplying half of Pure Sunfarms’ projected cultivation volume by the average selling price per gram, we calculated VFF’s share (50%) of Pure Sunfarms’ revenues (Exhibit 9). Similarly, we calculated cost of sales by multiplying cultivation volume by the weighted average COGS per gram.

Exhibit 9: 50% Share of Pure Sunfarms Economics Attributable to VFF

50% Share of Joint Venture Attributable to VFF	FY2018A	1Q2019A	2Q2019A	3Q2019A	4Q2019E	FY2019E	1Q2020E	2Q2020E	3Q2020E	4Q2020E	FY2020E	FY2021E	FY2022E	FY2023E	FY2024E
Pure Sunfarms Kilograms sold, kg		1,800	4,000	4,219	4,781	14,800	5,578	6,534	7,535	8,581	28,229	54,000	68,513	83,448	94,111
Pure Sunfarms Average Selling price, \$/g		\$ 3.00	\$ 3.03	\$ 2.14	\$ 1.13	\$ 2.16	\$ 1.01	\$ 1.07	\$ 1.28	\$ 1.33	\$ 1.19	\$ 1.28	\$ 1.51	\$ 1.63	\$ 1.78
Pure Sunfarms COGS per gram, \$/g		\$ 1.06	\$ 0.49	\$ 0.48	\$ 0.79	\$ 0.71	\$ 0.80	\$ 0.64	\$ 0.71	\$ 0.85	\$ 0.75	\$ 0.70	\$ 0.63	\$ 0.56	\$ 0.50
JV Sales, mm	1.9	5.4	12.1	9.0	5.4	31.9	5.6	7.0	9.7	11.4	33.7	68.9	103.4	135.9	167.1
JV Cost of sales, mm	(0.6)	(1.9)	(2.0)	(2.8)	(3.8)	(10.5)	(4.5)	(4.2)	(5.3)	(7.3)	(21.3)	(38.0)	(43.1)	(46.8)	(47.0)
JV SG&A, mm	(1.3)	(0.5)	(0.9)	(1.4)	(1.1)	(3.9)	(1.1)	(1.4)	(1.9)	(2.3)	(6.7)	(13.8)	(20.7)	(27.2)	(33.4)
JV Stock compensation expense, mm	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
JV Change in biological asset, mm	3.4	3.1	7.3	(4.8)	5.0	10.6	5.0	5.0	5.0	5.0	20.0	20.0	20.0	20.0	20.0
JV Other income (expense) net, mm	-	-	(0.2)	(0.1)	-	(0.3)	-	-	-	-	-	-	-	-	-
JV (Provision for) recovery of income taxes, mm	(0.9)	(1.8)	(2.5)	(0.8)	(1.3)	(6.3)	(1.4)	(1.7)	(2.7)	(3.7)	(9.6)	(22.2)	(32.4)	(41.8)	(50.0)
JV Proportional Net income (loss), mm	2.5	4.3	14.0	(0.9)	4.2	21.6	3.6	4.7	4.7	3.1	16.0	15.0	27.3	40.1	56.7

Source: Village Farms International Inc., Raymond James Ltd.

- By this methodology, we **calculate VFF's share of Pure Sunfarms' income—50%, presently—escalating from US\$21.6 mln in 2019 to US\$56.7 mln in 2024.**
 - We expect Pure Sunfarms-derived revenue to temporarily decline in FY2020 and 2021 on account of rapid price compression of cannabis in the wholesale market, the pricing of which we expect to stabilize during 2021-2022.
- We anticipate **material escalations in the volume of cannabis sold and in corresponding top-line sales over time** as Pure Sunfarms ramps up production and begins selling more and more branded cannabis products to provincial distributors.
- In concert, we expect the addition of **packaging costs, among other miscellaneous expenses, to compress margins in the short term.** Over time, we expect **packaging processes to improve and associated costs to reduce**—within Pure Sunfarms and across the industry (see [Cannabis 2.0 note](#))—**unlocking higher contribution margins** as Pure Sunfarms continues to sell its own product into adult-use (vs. wholesale) channels.

Valuation of VFF's Fresh Produce Business

Based on its historical sales growth, we applied a steady growth rate of 2.5% to revenues yielded from VFF's U.S. fresh produce business and a 2.1% growth rate to its analogous Canadian business. From this calculation, we estimate 2019 sales of US\$150.9 mln, growing to US\$168.8 mln in 2024 (Exhibit 10).

Exhibit 10: VFF Fresh Produce Business, Segmented Revenue

Produce Revenue Breakdown	FY2018A	1Q2019A	2Q2019A	3Q2019A	4Q2019E	FY2019E	1Q2020E	2Q2020E	3Q2020E	4Q2020E	FY2020E	FY2021E	FY2022E	FY2023E	FY2024E
United States Revenue, mm	124.7	28.2	33.7	30.7	33.1	125.7	28.9	34.5	31.5	33.9	128.9	132.1	135.4	138.8	142.2
Canada Revenue, mm	23.4	3.4	7.4	7.1	6.1	24.0	3.3	7.3	6.9	6.0	23.5	24.0	24.5	25.0	25.5
Other Revenue, mm	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Canada (Energy) Revenue, mm	1.9	0.3	0.2	0.5	0.2	1.2	0.2	0.2	0.2	0.2	0.8	1.0	1.0	1.0	1.0
Total Revenue, mm	150.0	31.9	41.3	38.3	39.4	150.9	32.4	42.0	38.6	40.1	153.2	157.1	160.9	164.8	168.8

Source: Village Farms International Inc., Raymond James Ltd.

Coupled Income: VFF and Pure Sunfarms

We then layered on VFF's share of attributable income from Pure Sunfarms (Exhibit 11), which yields total EBITDA of US\$14.1 mln for 2019, growing to US\$66.8 mln in 2024.

Exhibit 11: VFF Revised Income Statement, Including Attribution from Pure Sunfarms

Revised Income Statement	FY2018A	1Q2019A	2Q2019A	3Q2019A	4Q2019E	FY2019E	1Q2020E	2Q2020E	3Q2020E	4Q2020E	FY2020E	FY2021E	FY2022E	FY2023E	FY2024E
Net Revenue	150.0	31.9	41.3	38.3	39.4	150.9	32.4	42.0	38.6	40.1	153.2	157.1	160.9	164.8	168.8
COGS	133.3	29.7	42.4	37.0	34.7	143.8	28.5	36.5	33.2	34.1	132.4	133.5	136.7	140.1	143.5
Gross Profit	16.7	2.2	(1.1)	1.2	4.7	7.1	3.9	5.5	5.4	6.0	20.8	23.6	24.1	24.7	25.3
SG&A (adj. for SBC)	14.1	4.0	3.9	3.7	3.5	15.1	2.9	3.8	3.5	3.6	13.8	14.1	14.5	14.8	15.2
Share of (income) loss from joint venture	(2.4)	(4.3)	(13.8)	0.2	(4.2)	(22.2)	(3.6)	(4.7)	(4.7)	(3.1)	(16.0)	(15.0)	(27.3)	(40.1)	(56.7)
EBITDA	5.0	2.5	8.8	(2.7)	5.5	14.1	4.6	6.4	6.6	5.5	23.0	24.4	36.9	50.0	66.8
Adjusted EBITDA	2.9	1.3	4.6	2.4	5.5	14.1	4.6	6.4	6.6	5.5	23.0	24.4	36.9	50.0	66.8
D&A	7.0	1.9	1.8	1.8	1.8	7.4	1.8	1.8	1.8	1.8	7.2	7.2	7.2	7.2	7.2
SBC	1.5	1.4	0.9	0.9	1.0	4.2	1.0	1.0	1.0	1.0	4.0	4.0	4.0	4.0	4.0
EBIT	(3.5)	(0.9)	6.1	(5.4)	2.7	2.6	1.8	3.6	3.8	2.7	11.8	13.2	25.7	38.8	55.6
Insurance proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Provision for property and equipment damaged	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Provision for inventory-damaged crop	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in biological asset	0.8	0.1	(0.6)	0.6	0.7	0.1	0.7	0.7	0.7	0.7	2.8	2.8	2.8	2.8	2.8
Interest expense	2.4	0.6	0.5	0.7	0.7	2.5	0.7	0.7	0.7	0.7	2.8	2.8	2.8	2.8	2.8
Interest income	-	-	-	(0.3)	-	(0.3)	-	-	-	-	-	-	-	-	-
FX loss	1.0	(0.3)	(0.2)	0.2	-	(0.3)	-	-	-	-	-	-	-	-	-
Amortization of intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gain on derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expense	(0.1)	0.1	(0.3)	(0.1)	-	(0.2)	-	-	-	-	-	-	-	-	-
Gain on sale of assets	-	(13.6)	-	0.0	-	(13.6)	-	-	-	-	-	-	-	-	-
EBT	(7.6)	12.1	6.7	(6.5)	2.0	14.4	1.1	2.9	3.1	2.0	9.0	10.4	22.9	36.0	52.8
Current tax	0.4	0.6	0.4	(0.2)	0.1	0.8	0.0	0.1	0.1	0.1	0.3	0.4	0.9	1.3	2.0
Deferred tax	(2.9)	3.9	(3.6)	(1.2)	-	(0.8)	-	-	-	-	-	-	-	-	-
Net Income	(5.1)	7.6	9.9	(5.1)	1.9	14.4	1.0	2.7	3.0	1.9	8.7	10.0	22.1	34.7	50.8
Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted Net Income	(5.1)	7.6	9.9	(5.1)	1.9	14.4	1.0	2.7	3.0	1.9	8.7	10.0	22.1	34.7	50.8

Source: Village Farms International Inc., Raymond James Ltd.

Discounted Cash Flow Analysis

From our calculation of estimated EBITDA (Exhibit 11), we performed a discounted cash flow (DCF) analysis using a discount rate of 10% and terminal growth rate of 2% to derive an enterprise value for VFF of US\$625.9 mln and an equity value of US\$618.2 mln. Dividing by the fully diluted share count of 53.8 mln shares (including shares from VFF's most recent ~US\$21.88 mln [C\$28.75 mln] equity raise), we calculate an **implied share price of US\$11.50, which we round to US\$11.00** (Exhibit 12).

Exhibit 12: VFF Discounted Cash Flow Analysis, Including Attribution from Pure Sunfarms

Discounted Cash Flow Analysis (USD)	Remaining FY2019E	FY2020E	FY2021E	FY2022E	FY2023E	FY2024E
Net Revenue	39.4	153.2	157.1	160.9	164.8	168.8
Operating Expense	36.7	141.3	143.9	135.2	125.9	113.2
EBIT	2.7	11.8	13.2	25.7	38.8	55.6
Tax Rate	23.8%	23.8%	3.7%	3.7%	3.7%	3.7%
NOPLAT	2.1	9.0	12.7	24.7	37.4	53.5
D&A	1.8	7.2	7.2	7.2	7.2	7.2
SBC	1.0	4.0	4.0	4.0	4.0	4.0
Operating Cash Flow	4.9	20.2	23.9	35.9	48.6	64.7
Capex	(0.1)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Change in WC	(0.2)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
Free Cash Flow to Firm (FCFF)	4.6	19.0	22.7	34.7	47.4	63.5
Present Value of FCFF	4.4	16.9	18.3	25.5	31.6	38.5
Sum of Present Value of Projected FCFF for n+1 Years	5.0	135.2	121.8	116.6	107.7	86.8
Present Value of Terminal Value		490.7	0.0	0.0	0.0	0.0
Implied EV on Rolling Annual Basis		625.9	121.8	116.6	107.7	86.8
FCFF Terminal Growth Rate		2.0%				
Discount Rate		10.0%				
Terminal Value @ FY2024		809.3				
Terminal Year EBITDA @ FY2024		66.8				
Implied Terminal Multiple		12.1x				
	% of EV	Present Value				
Sum of Present Value of Projected FCFF	21.6%	135.2				
Present Value of Terminal Value	78.4%	490.7				
Implied Enterprise Value	100.0%	625.9				
Less: Debt		41.2				
Plus: Cash & Cash Equiv.		33.5				
Implied Equity Value		618.2				
Diluted Shares Outstanding (in Millions)		53.8				
Implied Share Price (USD)		\$11.50				
Rounded Per Share Target Price		\$11.00				

Source: Village Farms International Inc., Raymond James Ltd.

Comparables Analysis

Given the massive decline in cannabis stock prices and their continued volatility during the last nine months, we continue to see wildly distorted variations in consensus revenues, and hence valuation multiples for many of VFF's peers. As such, we do not believe a comparables analysis based on revenue or EBITDA multiples lends incremental value to our analysis, and so, do not include one here.

CONCLUSION

Our research coverage of the cannabis sector focuses on the technologies, intellectual property, and embedded expertise that, we believe, will **set key cannabis companies apart as sector leaders**. With this initiation-of-coverage, we highlight that agricultural technologies and hard-earned know-how figure neatly into this thesis, and VFF—through its Pure Sunfarms joint venture—in our view, represents the **clearest example of how the application of technology-empowered agricultural rigour can quickly lead to dominance and differentiation in the still-evolving cannabis industry**.

With several million square-feet of high-tech, controlled-environment greenhouses, decades of local weather data, and 30 years of operating in one of the tightest margin businesses out there—fresh produce—we believe **VFF, via Pure Sunfarms, is positioned to shine** in the current cannabis market environment, which is increasingly focused on **operations, execution, and profitability**.

Produce is where VFF cut its teeth, cannabis is where VFF will bare them.

APPENDIX I: OUR PERSPECTIVE ON CANNABIS MARKETS (AND THEIR TRANSCENDENCE)

Over the past couple of years, the advent of legal markets for adult-use (“recreational”) cannabis in Canada has been accompanied by much public excitement and corresponding euphoria in the stock market. The reality of Canada’s opening year of adult-use cannabis legalization—which launched October 2018—however, has been characterized by slow-moving, tentative, and misaligned attitudes among provincial and national governments, underprepared licensed producers of cannabis (giving rise to nationwide supply shortages), and wide variation in the quality of cannabis companies’ products, management, and corporate governance, all of which have manifested in investor uncertainty and volatile markets through much of 2019, in our view.

It is reasonable then to assume that data yielded from these first months of Canada’s post-prohibition era will have relatively low fidelity to the market as it matures and reaches its version of steady state. So, while we endeavour to provide our best estimates of the cannabis market’s future—and the individual futures of companies that comprise it—we remain cognizant and cautious of the erratic, sparse data that drive many others’ prognostications. On account of these vagaries, we adopt an intentionally conservative, fundamentals-driven approach—treating a series of relatively mature U.S. “recreational states” (e.g. Colorado, Oregon, Washington, and, more recently, California and Nevada) as our sample set—for valuing Canadian, U.S., and international cannabis markets. In developing our view, **we lean on our years of expertise analyzing healthcare and biotechnology companies**, and in particular, analyzing how these companies have leveraged unique technologies and intellectual property to set themselves apart from competition, creating material value for their shareholders.

As such, while individual cannabis market segments—as we see them: adult-use, medical, clinical, and soon, perhaps, consumer packaged goods (CPG) and natural health products (NHP)—merit individual analysis, **our view of the cannabis space focuses on the technologies and intellectual property that will set sector-leading cannabis companies apart.** This work, we hope, will provide investors a thoughtful, rational voice on which they can rely to make sense of what is still a nascent, volatile cannabis investment environment.

Exhibit 13: The Future of Cannabis—Our Technology and IP-Oriented View



Source: University Affairs (Adam Simpson), Raymond James Ltd.

About the Authors

Rahul Sarugaser, PhD, MASc

Managing Director, Analyst

Healthcare, Biotechnology & Cannabis

Rahul holds a PhD and MASc in biomedical engineering from the University of Toronto, and an MBA from the University of Oxford. Prior to joining Raymond James Ltd., Rahul’s roles included Equity Research Analyst—Healthcare & Biotechnology with Paradigm Capital, Director of Business Development at the Centre for Commercialization of Regenerative Medicine (CCRM), Investment Manager with the Toronto-based MaRS Investment Accelerator Fund, and Strategic Marketing Analyst with GE Healthcare’s headquarters in the U.K.

Michael W. Freeman, MASc

Associate

Healthcare, Biotechnology & Cannabis

Michael holds an MASc in chemical engineering from the University of Toronto, where he specialized in chemotherapeutic nanomedicines and their encompassing clinical and regulatory environments. Michael also holds a BASc in biochemical engineering from Queen’s University, where his work concentrated on industrial scale chemical and biological processes, with a special focus on polymer reaction engineering and synthetic biology (i.e. biosynthesis via genetic and metabolic engineering). Prior to joining Raymond James Ltd., Michael’s roles included Senior Equity Research Associate—Healthcare & Biotechnology with Paradigm Capital, Process Engineer with WSP Global, and Science Journalist with the University Health Network.

Our investigations of the cannabis market have guided us in distilling our views of the space to four thesis-driving pillars:

1. As the global cannabis market grows toward its estimated value of US\$100 billion (or, by some estimates, US\$200 billion) during the next 5-10 years, its products will align with **three primary verticals**:
 - a. Whole flower and full spectrum extract products—“adult-use”/“medical” cannabis;
 - b. Consumer packaged goods (CPG)—CPG/NHP cannabis; and
 - c. Pharmaceutical (Pharma) products—“clinical” cannabis.
2. **Whole flower and full spectrum extract products**, we estimate, will represent **about one-third of the total future market for cannabis**, just as we observe in maturing US adult-use cannabis states.
3. **Specific formulations of individual molecules**—cannabis’ library of ~400 active agents (cannabinoids such as THC, CBD, CBG, and THCV, also terpenoids and flavonoids)—we estimate, will represent the remaining **two-thirds of future markets, finding applications in the CPG, NHP, and Pharma verticals**.
4. As cannabis shifts from its current status as a quasi-cottage industry and toward being subsumed by (or aligning with) a set of mature global sectors such as CPG and Pharma, our thesis posits that **empowering technologies will be key drivers of success** in each of these three primary market verticals. **So, companies that embrace engineering principles, invest in intellectual property, and leverage foundational scientific data, we believe, will be long-term winners in the greater cannabis space.** This is the bedrock of our perspective.

In an industry just being born, innovation is integral to survival. While this research desk will attend to near-term opportunities for value creation, **our focus is trained on understanding what comes next**. We expect the cannabis industry will (must) proceed through tremendous changes—driven by legislation reform, new attitudes to regulation, evolving consumer demands, and development and implementation of game-changing technologies (including agricultural technologies)—during the next handful of years.

We look forward to skating with you, not to where the puck is today, but to where it will be tomorrow.

APPENDIX II: MANAGEMENT AND BOARD OF DIRECTORS

VFF and Pure Sunfarms Management

Michael A. DeGiglio, Co-Founder, Director, and Chief Executive Officer at VFF | Mr. DeGiglio is a founder of Village Farms International through preceding companies and has served as its Chief Executive Officer since its inception in 1989. Mr. DeGiglio joined EcoScience Corporation (NASDAQ) a bio-technology company, in November 1992 upon its acquisition of Agro-Dynamics Inc., a company Mr. DeGiglio founded in 1984 and served as President since its inception. Additionally, he served as President and Chief Executive Officer of EcoScience from 1995 until its merger with Village Farms in 1999. Prior to commencing his business career in 1983, Mr. DeGiglio served on active duty in the United States Navy from 1976 through 1983, and in the Naval Air reserves from 1983 through 2001, retiring at the rank of Captain. Throughout his Naval career, Captain DeGiglio held multiple Department head positions, successfully completed a tour as Commanding Officer of a jet squadron, performed multiple tours overseas, accumulated over 5,000 hours of military flight time, and completed numerous senior management and military courses. Mr. DeGiglio received a Bachelor of Science degree in Aeronautical Science from Embry Riddle Aeronautical University (ERAU) in Daytona Beach, Florida.

Stephen C. Ruffini, Director and Chief Financial Officer at VFF | Mr. Ruffini joined Village Farms in January 2009. Mr. Ruffini came to Village Farms from Performing Brands, Inc. where he served as Chief Operating Officer and Chief Financial Officer. Mr. Ruffini has 25 years of extensive financial, operations, investor relations and mergers and acquisitions experience with leading international companies, including Hit Entertainment plc, Lyrick Corporation and Arthur Andersen LLP. Mr. Ruffini is a Certified Public Accountant who holds an M.B.A. from the University of Texas, in Austin, Texas and a B.B.A. in Finance from the Southern Methodist University in Dallas, Texas.

Mandesh Dosanjh, President and CEO of Pure Sunfarms | A strategic operational leader with diverse industry experience, Mandesh is passionate about culture and creating a space for leading practices in an evolving industry. As a seasoned senior level executive, Mandesh has led business operations for a number of well-known retailers, including LCBO, Target Canada, Aritzia and Loblaws. Most recently, Mandesh joined Pure Sunfarms from Liquor Control Board of Ontario (LCBO) as a Senior Vice President, Supply Chain and Wholesale where he led LCBO's supply chain division and developed and managed its supply chain and wholesale strategy as the LCBO prepared for the legalization of adult-use cannabis. Mandesh is well versed in proven successes in managing supply chains at scale and developing key business strategies across a diverse set of industries. Mandesh is committed to leveraging best-in-class operational practices to lead Pure Sunfarms to success and strives to create a work culture true to his values of humility, empathy and teamwork. He holds a Bachelor of Science in Industrial Engineering from University of Toronto.

Michael Lattimer, VP Operations at Pure Sunfarms | Michael brings a unique, results-driven approach to creating and optimizing all levels of Pure Sunfarms' operations and offers pragmatic and functional design thinking. His experience spans the globe across a wide range of industries including consumer packaged goods, alcohol, tobacco and automotive. Michael has held significant roles in manufacturing, supply chain, and IT at Anheuser-Busch InBev, Labatt, PricewaterhouseCoopers, Honda and General Motors. Michael's supply chain and operations knowledge offer a critical perspective for Pure Sunfarms as he works to build, maintain, and continuously improve on a dependable supply chain and efficient operations, as the cannabis industry evolves at scale. Under his leadership, the Pure Sunfarms team is rapidly implementing best practices in the pursuit of operational excellence.

Board of Directors

John R. McLernon, Chairman and Director | Mr. McLernon is President of McLernon Consultants Ltd. He is Honorary Chairman and Co-Founder of Colliers International (“Colliers”), a global commercial real estate services company operating from 485 offices in 65 countries. He served as Chairman and Chief Executive Officer of Colliers from 1977 to 2002 and as Chairman until December 2004. Mr. McLernon also serves as a director of several public and private companies as well as major nonprofit organizations.

Dr. Roberta Cook, Director | Roberta Cook has a Ph.D. in Agricultural Economics from Michigan State University. From 1985 to July 2016 she was the Cooperative Extension Marketing Economist in the Department of Agricultural and Resource Economics (ARE) at University of California, Davis. She is now an Emerita faculty member in this department. She conducted an applied research and industry outreach program focusing on the marketing and international trade of fresh fruits and vegetables, including studies on international competitiveness, industry structure and procurement practices, the N. American fresh tomato industry, and trends in consumer demand and food distribution. She served for 11 years each on the boards of Ocean Mist Farms and Naturipe Farms. She has served on numerous PBH committees and is a member of the Monsanto Vegetable Seeds Advisory Council. Other board service includes: the PMA Foundation for Industry Talent; Sunkist Growers; the California Kiwifruit Commission; and the American Agricultural Economics Association Foundation. From 1998-2003 she was a member of the ATAC for Fruits and Vegetables of the U.S.D.A. and the U.S.T.R.

Michael A. DeGiglio, Co-Founder, Director, and Chief Executive Officer | See biography above.

John P. Henry, Director | Mr. Henry has served as a director of the Company since 2006. From 1981 to 2000, Mr. Henry was employed by Ocean Spray Cranberries, Inc. (“Ocean Spray”), retiring as Senior Vice-President of Grower Relations and Chief Financial Officer in 2000. Ocean Spray grew from US\$400 million to US\$1.3 billion in revenues during his tenure. Mr. Henry also served as a Director of Nantucket Allserve Inc., a majority owned subsidiary of Ocean Spray. From 1980 to 1981 he was Chief Financial Officer of Castle Toy Co, Inc. prior to this; Mr. Henry was employed by Laventhol and Horwath providing auditing, consulting and tax services to large public and private companies. He received a Bachelor of Science degree in Business Administration and Master in Taxation degrees from Bryant College in Smithfield, Rhode Island. Mr. Henry is a non-practicing Certified Professional Accountant in the State of Rhode Island.

David Holewinski, Director | Mr. Holewinski is a Management Consultant. He served as a director of Agro Power Development Inc. (“APDI”) from 2004 until October 2006. Between 1995 and 2000, Mr. Holewinski also served as Senior Vice President of Business Development for APDI. Mr. Holewinski has co-founded two biotechnology companies, a company with cyber technology and also co-founded a company with novel precast concrete technology for the construction industry. Between 1983 and 1988, Mr. Holewinski was a Manager of Business Development for ConAgra Foods, Inc. Mr. Holewinski has a Bachelor of Arts degree from Pennsylvania State University and a Master of Business Administration degree from Harvard University.

Stephen C. Ruffini, Director and Chief Financial Officer | See biography above.

Christopher C. Woodward, Director | Mr. Woodward is a member of the Audit Committee and Compensation Committee. Mr. Woodward serves as a chair or director of a number of private, public companies and charitable institutions. These include the P.A. Woodward Medical Foundation, Brentwood College, Cambie Surgeries Corp. and the Sea to Sky Gondola Corp. He serves as the current Chair of the Keg Royalty Trust and Director of the Great Western Brewery. Mr. Woodward received his Bachelor of Arts (Economics) degree from the University of Western Ontario.

APPENDIX III: FRESH PRODUCE BUSINESS

VFF is one of the largest and longest operating vertically-integrated greenhouse growers in North America. The company produces hydroponically-grown vegetables from more than nine million square feet of Controlled Environment Agriculture (CEA) greenhouses it owns in British Columbia and Texas—glass-enclosed, high technology environments using sophisticated control systems to regulate light, temperature, ventilation, humidity, irrigation, fertilizer application, carbon dioxide, and other key climatic factors—and from its network of partner greenhouses in British Columbia, Ontario, and Mexico, all of which support VFF’s massive capacity, wide product variety, and its decades-strong record of consistent supply.

VFF is an established producer of tomatoes on-the-vine, beefsteak, cocktail, grape, cherry, Roma, and Mini San Marzano tomatoes—the company has an exclusive agreement to be the sole grower of the latter variety across North America—along with cucumbers (Exhibit 14). VFF distributes and purchases premium tomatoes, bell peppers, and cucumbers from its supply partners in Canada and Mexico for sale into the United States and Canadian markets. VFF continues to focus on increasing its produce revenues and returning to profitability on its core crops: tomatoes, cucumbers and peppers. The increase in produce revenues will occur through an increased product volume with partner supplies, through additional suppliers, and growth with current suppliers.

Exhibit 14: VFF Produce Offerings



Source: Village Farms International Inc.

VFF’s tomatoes are produced by plants that have been selected for their taste, quality, and other characteristics. VFF owns and currently operates a total of six produce greenhouse facilities, four in Texas and two in British Columbia. VFF operates an industry leading sales, distribution and marketing organization. In particular, VFF’s strategy focuses on forging strong customer relationships by servicing retailers on a year-round basis, and maintaining the highest standards of food safety.

VFF primarily markets and distributes under its Village Farms® brand name to retail supermarkets and dedicated fresh food distribution companies throughout the United States and Canada. It currently operates two distribution centres, one in the United States and one in Canada. Since its inception, VFF has been guided by a sustainable agriculture policy which integrates four main goals: environmental health, economic profitability, social equality and economic equality.

VFF, through its subsidiary VFCE, owns and operates a 7.0-megawatt power plant from landfill gas that generates electricity and provides thermal heat in colder months to one of VFF’s British Columbia greenhouse facilities and sells electricity to the British Columbia Hydro and Power Authority.

Production and Packaging Process

The production process for VFF's west Texas facilities (Marfa and Fort Davis) starts in the spring. Raw materials purchased by VFF for its greenhouse operations include seeds, fertilizers, and growing media purchased from several different suppliers. From May to June, the seeds purchased by VFF are grown by an independent third party contractor, which has specialized equipment and growing space, until the plants are approximately four to six weeks old, at which time they are transported to VFF's Texas facilities. None of VFF's plants or products are genetically modified. June through September, planting occurs in the greenhouses. From this point on, until the end of the season, plants are pruned to ensure that the optimal number of tomatoes are grown on each plant. Harvesting commences in September/October and generally continues until June of the following year.

VFF's facility in Monahans, Texas, is based on VFF's proprietary GATES® technology: a state-of-the-art technology that allows for a 12-month per year production. The greenhouse is fully enclosed and uses a proprietary system to cool the greenhouse in the hot summer months. This facility grows cucumbers and tomatoes and is constantly planting to ensure a consistent level of production year-round, although, as with any greenhouse, summer production is higher due to longer daylight hours.

The production process in Canada for tomatoes is similar to VFF's west Texas operations, although the timing for growing the seeds, planting, and harvesting occur at different times during the year. Specifically, from October to December, the seeds purchased by VFF's Canadian operations are grown by an independent third party contractor. In December, planting occurs in VFF's greenhouses. Harvesting commences in March and generally continues until late November of each year.

The tomatoes and cucumbers are vine-ripened and hand-picked for optimum taste and quality, at all of VFF's facilities. Once harvested, products are sorted by grade and weight and packed for distribution to customers. VFF offers a variety of packaging for its tomatoes that are product and customer specific.

Competition

The market for premium greenhouse grown produce is highly competitive. In addition to other domestic and foreign greenhouse producers, VFF competes with producers of field grown tomatoes that generally have prices substantially below those of greenhouse-grown tomatoes. Competition from producers in Mexico has increased due to increased acreage, improved yields due to the use of improved technology and low labour rates, as well as a result of the NAFTA.

VFF's greenhouse vegetable competitors are located primarily in the United States, Canada and Mexico. Four of the larger North American greenhouse producers/distributors competing with VFF are Mastronardi Produce Ltd., Windset Farms Inc., Houweling Nurseries Ltd, and Mucci Farms Ltd.

Offsetting the competitive pressures faced by VFF are substantial barriers to entry in North America related to the sizeable initial capital outlay requirements of a modern greenhouse, significant ramp up time, the need for operational expertise and capable sales, marketing and distribution abilities.

VFF has distribution capabilities that it believes exceed those of most of its competitors in the North American greenhouse vegetable industry. With leased distribution centres in Texas and British Columbia, VFF provides its customers with flexibility in purchasing. For the six months ended June 30, 2019, VFF had an on-time delivery record of approximately 98.8%, while maintaining competitive freight rates that management of VFF believes to be among the best in the industry.

VFF's marketing strategy is to strategically position VFF as the supplier of choice for retailers offering greenhouse produce by focusing on the following:

Year-Round Supplier: VFF's year-round production capability enhances customer relationships, resulting in more consistent pricing.

Quality and Food Safety: Sales are made directly to retailers which ensures control of the product from seed to customer and results in higher levels of food safety, shelf life, and quality control. Food safety is an integral part of VFF's operations, and management believes that it has led, and currently leads, the industry in adopting Good Agricultural Practices. This program is modeled after the U.S. Food and Drug Administration's Good Manufacturing Practices using the Primus Labs® format and third-party auditors. All of VFF's packing facilities undergo comprehensive food safety audits by Primus Labs®.

Quality Packaging and Presentation: Product is selected at a uniform size and picked at the same stage of vine ripeness. The packaging for the product is "display ready", ensuring retail customers have a full view of the product on the supermarket shelf.

Exclusive Varieties: VFF continues to expand its product profile to create and drive exclusive varietal relationships in North America that enable VFF to present consumers with an enhanced eating experience with the Village Farms brand.

Direct Sale to Retailer Customers: Greenhouse produce (produce grown by VFF plus supply partner produce) is sold directly to supermarket chains, including Associated Grocers, Associated Wholesale Grocers, BJ's Wholesale Club Inc., Fred Meyer, Giant Eagle, HEB Grocery Company, The Kroger Co., Loblaw Companies Limited, Publix Super Markets, Inc., Safeway Inc., Sobeys Inc., Sam's Club, Trader Joe's, United Supermarkets, Unified Western Grocers, Wakefern Food Corp., Wal-Mart Stores, Inc., Whole Foods Market and Winco Foods LLC.

Excellence in Customer Service and Logistics: Logistics and distribution capability are key factors in ensuring fresh high-quality product meets consumer demands. Management of VFF believes it has a competitive advantage through its logistics and distribution networks, which includes strategically located distribution centres.

Strong Business Foundation

While VFF's rich experience in greenhouse agriculture is a key reason we like this company and the long list of vegetable SKUs the company produces and sells have been staples of the company's income statement for many years, it has only been since 2017 that we've seen material appreciation of VFF's stock price. Given that until mid-2017 VFF made its core business in produce—a highly competitive, relatively low-margin space—its stock was range-bound between C\$0.60 and C\$1.70 on the TSX from 2010 through 2017 (see Exhibit 3 in the report body). This motivated us to focus our report and analysis mainly on VFF's cannabis business.

APPENDIX IV: U.S. HEMP BUSINESS

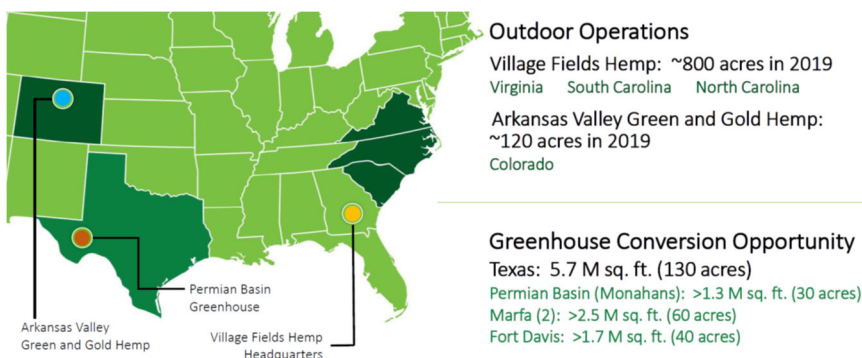
VFF is actively pursuing the U.S. hemp-derived CBD market opportunity, leveraging its massive CEA greenhouse footprint—5.7 million square feet under glass in Texas alone—along with its multi-state outdoor hemp cultivation network via two establish joint ventures: Village Fields Hemp USA, LLC and Arkansas Valley Green and Gold Hemp LLC. VFF aims to be the vertically integrated leader in cannabis and hemp production in all North American jurisdictions in which this business is legal and regulated. (See Exhibits 15 and 17 for layout and development timeline.) Across all of its U.S. hemp ventures, VFF indicated that, at time of publication of its 3Q19 results, 870 acres of hemp had been planted and 625 acres harvested, yielding 1,600 pounds of milled flower (separated from hemp stalks) per acre: well in excess of its projected yield. The company expects to begin selling this material as early as 4Q19.

Hemp in the U.S.A.

Upon the passage of the 2018 Farm Bill through the U.S. federal legislature, VFF began pursuing opportunities in U.S.-based hemp cultivation and hemp-derived CBD extraction. Independently and in the form of JVs, VFF currently has three separate operations in the space (Exhibit 15):

1. **Texas:** VFF is in the process of converting half its Texas greenhouse to facilitate hemp cultivation and extraction (635,000 square-feet).
2. **Eastern U.S. (Virginia, North Carolina, and South Carolina):** Village Fields Hemp USA LLC (“VFH”)—a JV between VFF and Nature Crisp—targets the cultivation and centralized extraction of ~800 acres of hemp during 2019. JV formed February 2019.
3. **Colorado:** Arkansas Valley Green and Gold Hemp (“AVGGH”)—JV between VFF and AV Hemp—targeting ~120 acres of hemp planted during 2019. JV formed May 2019.

Exhibit 15: U.S. Hemp Strategy and Operations



Source: Village Farms International Inc.

VFF Texas Hemp

In June 2019, Governor Greg Abbott signed into law Texas House Bill 1325, which effectively legalized the cultivation of hemp and the processing of hemp and hemp-derived products, including CBD, within the state. In anticipation of the passage of hemp legislation in Texas, VFF had begun conversion of half of its 1.3 million square-foot controlled-environment Permian Basin greenhouse for cultivation of high-CBD hemp and CBD extraction (Exhibit 16). The Texas Hemp Legislation will require licenses for both the cultivation and processing of hemp; VFF plans to apply for the requisite licenses as soon as it is permitted to do so.

Exhibit 16: Texas Greenhouses: 1.3 mln Square-feet being Converted for Hemp Cultivation

5.7M sq. ft. of existing, state-of-the-art greenhouse operations in West Texas – the best growing climate in U.S. (all 100%-owned by Village Farms)



Commenced conversion of half of 1.3 M sq. ft., ultra-high-tech Permian Basin facility (Monahans, TX) for hemp cultivation and on-site extraction

Will begin growing and processing hemp as soon as possible upon Texas regulatory and licensing framework being put in place

Conversion and production ramp will benefit from cannabis experience in Canada

Source: Village Farms International Inc.

VFH

In February 2019, VFF entered into a JV with Nature Crisp to form VFH, for the objective of outdoor cultivation of high percentage CBD hemp and CBD extraction in multiple states throughout the United States. VFH is 65% owned by VFF and 35% owned by Nature Crisp. Under the terms of the VFH JV, VFF is expecting to contribute approximately US\$15 mln (~C\$20 mln) to VFH for start-up costs and working capital. Capital investment for extraction capabilities is estimated to be between US\$7-\$10 mln (~C\$9-13 mln) and is dependent on future decisions with respect to the locations of hemp production and the extraction operations.

In March 2019, VFF entered into a grid loan agreement with VFH, whereby, as at June 30, 2019, VFF had contributed ~US\$5.2 mln (~C\$6.8 mln) to VFH. The grid loan has a maturity date of March 25, 2022 and will bear simple interest at the rate of 8% per annum, calculated monthly.

As at August 2019, VFH had planted a total of 600 acres of field hemp in Virginia, North Carolina, and South Carolina, and is expecting to start harvesting in late August 2019 with ongoing harvests through October 2019. Management expects to sell most of the 2019 VFH harvest as biomass to third parties.

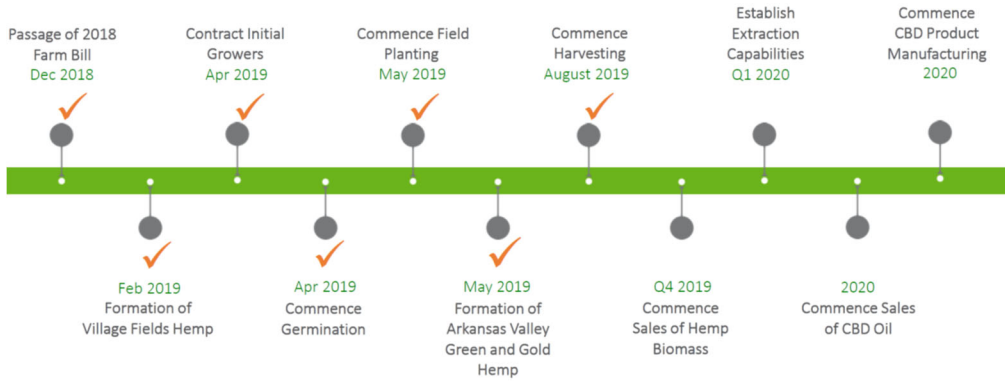
AVGGH

In May 2019, VFF entered into a JV with AV Hemp for the objective of outdoor cultivation of high percentage CBD hemp and CBD extraction in Colorado. AVGGH will be 60% owned by VFF, 35% owned by AV Hemp, and 5% owned by VFH. As at August 2019, AVGGH had planted 120 acres of hemp seed.

Under the terms of the AVGGH JV, VFF will lend ~US\$5.0 mln (~C\$6.6 mln) to AVGGH for start-up costs and working capital. The loans will bear simple interest at the rate of 8% per annum, calculated monthly. To the extent cash is available from positive cash flow, AVGGH will seek to repay VFF with respect to any such loans in the range of US\$2-3 mln (~C\$2.6-3.9 mln) in the initial two years following the formation of AVGGH.

In June 2019, VFF entered into a grid loan agreement with AVGGH, whereby, as at June 30, 2019, VFF had contributed US\$552,000 (~C\$725,000) to AVGGH. The grid loan has a maturity date of June 7, 2022, and will bear simple interest at the rate of 8% per annum, calculated monthly.

Exhibit 17: Roadmap for VFF's Hemp Operations



Source: Village Farms International Inc.

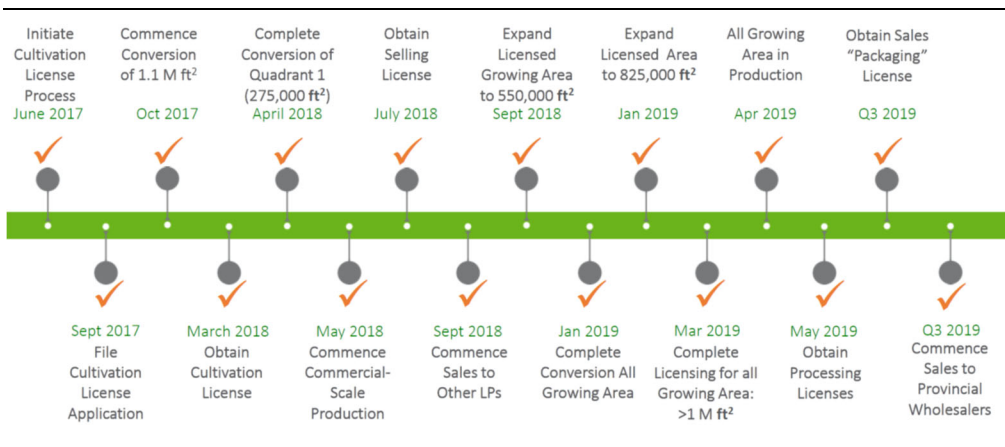
We look forward to VFF reaping the fruits of its hemp cultivation labour in the time ahead. Given the substantial but still-nebulous markets forming in the U.S. hemp and hemp-derived CBD space—and unclear regulatory situation with respect to including CBD in the food supply—we will treat VFF’s various hemp ventures as upside options to be realized in the future. Therefore, we have not yet included these ventures in our valuation of VFF.

APPENDIX V: PURE SUNFARMS CANNABIS JOINT VENTURE

Here we include a timeline of the major events summarizing Pure Sunfarms’ formation and progress. (Also, see Exhibit 18.) For full information regarding the formation of this joint venture, [see VFF’s financial reports](#), particularly its AIF and MD&A filings.

- **June 2017:** VFF entered into a joint venture (JV) with Emerald Health Therapeutics (EMH)—an existing licensed producer (LP) of cannabis—to pursue large-scale greenhouse cannabis production with operations in Delta, B.C. The JV would later be named Pure Sunfarms Corp.: a large-scale cannabis LP **conceived, explicitly, to pursue the goal of becoming the lowest-cost cannabis producer in Canada.**
 - Under the JV agreement, VFF contributed one of its Delta, B.C. greenhouses—Delta 3, at 1.1 mln square-feet—along with cultivation expertise in exchange for a 50% equity position.
 - EMH contributed ~US\$15 mln (C\$20 mln) for its 50% equity interest, funding the conversion of the Delta 3 greenhouse from tomato production to cannabis cultivation.
 - The JV agreement includes the **option to lease or purchase all 4.8 mln square-feet of VFF’s Delta B.C.-based greenhouse facilities**, adding Delta 2—a second 1.1 mln square-foot greenhouse—and Delta 1—a 2.6 mln square-foot greenhouse—to the mix. Should these options be fully exercised and this cultivation area be completely utilized, Pure Sunfarms estimates its yield would exceed 330,000 kg/yr of dried cannabis.
- **March 2018:** Pure Sunfarms was granted its first Health Canada cannabis cultivation license for a portion of Delta 3, initiating an efficient procession of rolling facility conversions and license amendment applications, which **resulted in the facility’s entire 1.1 mln square-feet being licensed for cultivation within one year** (fully licensed March 2019).
- **May 2018:** Began harvesting cannabis.
- **July 2018:** Received sales license, began sales of dried cannabis to other LPs.
- **August 2018:** Appointed Mandesh Dosanjh as President and CEO of Pure Sunfarms, imparting the operation with rich consumer products supply chain experience. Dosanjh previously held roles at the Liquor Control Board of Ontario (“LCBO”), Aritzia (ATZ), Target (TGT), and Loblaw (L).

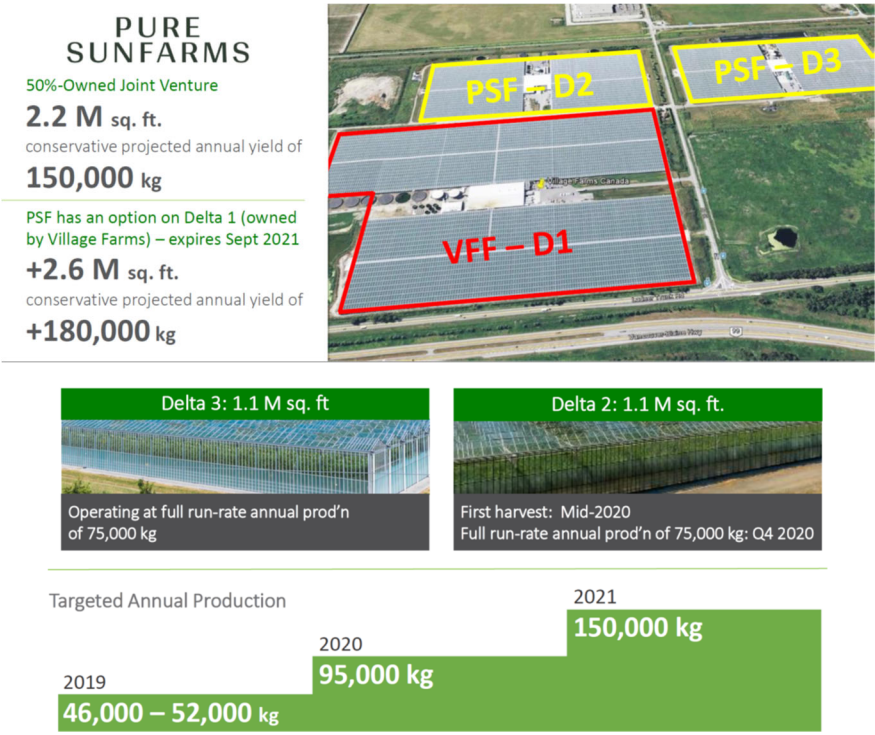
Exhibit 18: Timeline of Pure Sunfarms’ Build-out, Licensing, and Commercial Launch



Source: Village Farms International Inc., Raymond James Ltd.

- **February 2019:** Secured O.N. provincial supply agreement
- **March 2019:** Pure Sunfarms **exercised its option on VFF’s second, existing 1.1 mln square-foot Delta 2 greenhouse:** a nearly identical facility located immediately adjacent to Delta 3.
 - Delta 2 greenhouse facility doubled Pure Sunfarms’ total cultivation area to 2.2 mln square-feet and—with conservatively targeted annual production of ~75,000 kg of dried cannabis—will **double its annualized cannabis production potential to ~150,000 kg in 2021.**
 - Pure Sunfarms should benefit from further economies of scale engendered by the concentration of 2.2 mln square-feet of production area at a single site—e.g. Pure Sunfarms’ automated nursery within Delta 3 was designed with capacity to serve Delta 2—accelerating Pure Sunfarms’ pursuit of very low-cost, finely-controlled cannabis production.
- **May 2019:** Received a **Standard Processing License from Health Canada** for its Delta 3 greenhouse facility, which permits the company to extract and process cannabis for the purposes of manufacturing derivative products including cannabis oils, concentrates, and edibles: a license that **unlocks Pure Sunfarms’ ability to participate in Canada’s Cannabis 2.0 markets.**
- **July 2019:** Delta 3 facility achieved full run-rate production of 75,000 kg/year of dried cannabis.
- **September 2019:** Secured B.C. provincial supply agreement.
- **September 2019:** Received license amendment permitting sale of cannabis to provincial wholesalers and authorized private retailers.
- **September 2019:** Began shipping Pure Sunfarms-branded products to O.N.
- **October 2019:** Began shipping Pure Sunfarms-branded products to B.C.

Exhibit 19: Pure Sunfarms on Track for 150,000 kg/yr by 2021 with 2.2 mln Square-feet Under Glass



Source: Village Farms International Inc., Raymond James Ltd.

Ongoing:

- Conversion of the 1.1 mln square-foot Delta 2 greenhouse for cannabis production. Pure Sunfarms expects to bring this facility's full capacity online by 4Q20, which would set its run-rate to an expected 150,000 kg/yr.
- Construction of a **65,000 square-foot processing center** within Delta 3.
 - Will include on-site extraction capabilities designed for full GMP compliance and certification (key for international export eligibility).
 - Construction expected to conclude 2019YE, and would begin operation upon receipt of appropriate Health Canada licenses.

APPENDIX VI: RISKS AND DOWNSIDE

Here we provide a selection of key risks associated with aspects of VFF's business. For a complete discussion these and other business risks, see VFF's [most recent MD&A](#).

Risks Relating to Produce Business

Product Pricing

The greenhouse vegetable industry is highly competitive and sensitive to changes in the price of greenhouse tomatoes, bell peppers, and cucumbers. The price of greenhouse produce is affected by many factors including supply and demand, negotiations between buyers and sellers, quality and general economic conditions, all of which could have a material adverse effect on the financial condition of the Company. Demand for the Company's products is subject to fluctuations resulting from adverse changes in general economic conditions, evolving consumer preferences, nutritional and health-related concerns and public reaction to food spoilage or food contamination issues. General supply of tomatoes, bell peppers, and cucumbers is subject to fluctuations relating to weather, insects, plant disease and changes in greenhouse acreage.

Risks Inherent in the Agricultural Business

The Company's revenue involves the growing of greenhouse produce, an agricultural product. As such, the Company is subject to the risks inherent in the agricultural business, such as weather, insects, plant and seed diseases and similar agricultural risks. Although the Company grows its products in climate-controlled greenhouses, carefully monitors the growing conditions within its greenhouses, and retains experienced production personnel, there can be no assurance that natural elements will not have a material adverse effect on the production of its products.

Labour Availability

The Company's operations are labour intensive, particularly during peak harvest months. In Canada, most of the Company's labour is supplied by contract labour suppliers on short-term contracts and workers hired through the Seasonal Agriculture Workers Program. There can be no assurance that the Company will be able to source sufficient skilled labourers in the future. In the case of the facilities in west Texas, a portion of the Company's labour is documented workers in Mexico who cross the U.S. border on a daily basis into Texas. There can be no assurance that the Company would not be impacted by any decision relating to control of the U.S./Mexico border. In the case of the facility in Monahans, Texas it is situated in the middle of the Texas oil and gas patch and finding and retaining farm workers at affordable rates is an ongoing challenge. Any shortage of such labour could restrict the ability of the Company to operate its greenhouses and to distribute its product to its customers.

Risks Relating to Hemp Business: VFH and AVGGH

State Legalization

VFH's business involves the growing of hemp. Although the 2018 Farm Bill removed hemp (as defined in the bill) from the list of U.S. federally controlled substances, each state and Indian tribe may choose whether to regulate hemp production within its jurisdiction and whether to remove hemp from its definition of controlled substances. There can be no assurance that this will happen in states in which VFH attempts to operate or if removed by the state, that VFH will be licensed (if required) in those states. For the Company to commence hemp operations in its Texas greenhouse facilities, the Texas

legislature must pass legislation removing hemp from the state's controlled substances list, as well as implement regulations to permit the cultivation and distribution of hemp in Texas.

FDA and USDA regulation

CBD derived from hemp as defined in the 2018 Farm Bill may be subject to various laws relating to health and safety. Specifically, CBD may be governed by the U.S. Food Drug and Cosmetic Act as a drug. Drugs must generally either receive premarket approval by the FDA through the New Drug Application process or conform to a "monograph" for a particular drug category, as established by the FDA's Over-the-Counter Drug Review. CBD is an active ingredient in drug products that have been approved or authorized for investigation by the FDA and therefore, under FDA's current position, cannot be used in dietary supplements or as a food additive.

Laws and regulations governing the use of hemp in the U.S. are broad in scope, subject to evolving interpretations, and subject to enforcement by several regulatory agencies and law enforcement entities. Under the 2018 Farm Bill, a state that desires to have primary regulatory authority over the production of hemp in the state must submit a plan to monitor and regulate hemp production to the Secretary of the USDA. The Secretary must then approve the state plan after determining if the plan complies with the requirements set forth in the 2018 Farm Bill. If the Secretary does not approve the state's plan, then the production of hemp in that state will be subject to a plan established by the USDA. *(The [USDA has only recently proposed such a plan](#), which is in the midst of a comment period.)* It is anticipated that many states will seek to have primary regulatory authority over the production of hemp. States that seek such authority may create new laws and regulations that permit the use of hemp in food and beverages.

Federal and state laws and regulations on hemp may address production, monitoring, manufacturing, distribution, and laboratory testing to ensure that the hemp has a THC concentration of not more than 0.3%. Federal laws and regulations may also address the transportation or shipment of hemp or hemp products, as the 2018 Farm Bill prohibits states from prohibiting the transportation or shipment of hemp or hemp products produced in accordance with that law through the state, as applicable. Violations of these laws, or allegations of such violations, could disrupt our business and result in a material adverse effect in the Company's operations, as well as adverse publicity and potential harm to the Company's reputation.

Risks Related to Cannabis Business: Pure Sunfarms

Fluctuating Prices of Raw Materials

Pure Sunfarms' revenues will in large part be derived from the production, sale, and distribution of cannabis. The price of production, sale, and distribution of cannabis will fluctuate widely due to, among other factors, how young the cannabis industry is and the impact of numerous factors beyond the control of Pure Sunfarms and VFF including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities, and increased production due to new production and distribution developments and improved production and distribution methods. The effects of these factors on the price of product produced by Pure Sunfarms and, therefore, the economic viability of its business, cannot accurately be predicted. This may have a material adverse effect on the business, prospects, financial condition, results of operations and cash flows of Pure Sunfarms and VFF.

Failure of Regulatory Compliance

Pure Sunfarms' business activities are heavily regulated in all jurisdictions where it carries on business. Its operations are subject to various laws, regulations and guidelines by governmental authorities (including Health Canada) relating to the cultivation, processing, manufacture, marketing, management, distribution, transportation, storage, sale, packaging, labelling, pricing, and disposal of cannabis and hemp products, and also including laws and regulations relating to health and safety, insurance coverage, the conduct of operations and the protection of the environment. Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over the Pure Sunfarms' activities, including the power to limit or restrict business activities as well as impose additional disclosure requirements on its products and services.

Marketing Restrictions

The development of Pure Sunfarms' business and operating results may be hindered by applicable restrictions on production, sales and marketing activities imposed on Pure Sunfarms and other entities licensed under the Cannabis Act by Health Canada. All products distributed by Pure Sunfarms into the Canadian adult use market need to comply with requirements under Canadian legislation, including with respect to product formats, product packaging and labelling, and marketing activities around such products. Among other restrictions, the Cannabis Act prohibits testimonials and endorsements, lifestyle branding, and promotion that is appealing to young persons. As such, Pure Sunfarms' portfolio of brands and products must be specifically adapted, and its marketing activities carefully structured, to enable the Joint Venture to develop its brands in an effective and compliant manner. If the Pure Sunfarms' is unable to effectively market its cannabis products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its cannabis products, then its sales and operating results could be adversely affected.

Rapid Growth and Consolidation in the Cannabis Industry

The cannabis industry is undergoing rapid growth and substantial change, which has resulted in an increase in competitors, consolidation, and formation of strategic relationships. Such acquisitions or other consolidating transactions could harm VFF in a number of ways, including by losing strategic partners if they are acquired by or enter into relationships with a competitor, losing customers, revenue and market share, or forcing VFF to expend greater resources to meet new or additional competitive threats, all of which could harm the Company's operating results. As competitors enter the market and become increasingly sophisticated, competition in the cannabis industry may intensify and place downward pressure on retail prices for products and services, which could negatively impact profitability.

Competition

Pure Sunfarms will face enhanced competition from other individuals and corporations who are licensed under the Cannabis Act to participate in the adult-use cannabis industry.

If the number of users of cannabis in Canada increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, Pure Sunfarms will require a continued high level of investment in research and development, marketing, sales and client support. Pure Sunfarms' may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect its business, financial condition and results of operations.

The Joint Venture also faces competition from illegal cannabis dispensaries that are selling cannabis to individuals, despite not having a valid license under the Cannabis Regulations.

In addition, the legal landscape for medical and recreational cannabis is rapidly changing internationally. An increasing number of jurisdictions globally are passing legislation allowing for the production and distribution of medical and/or recreational cannabis in some form or another. Entry into the cannabis market by international competitors might lower the demand for Pure Sunfarms' products on a global scale.

Understanding of CBD and THC May Change

Research in Canada, the U.S., and internationally regarding the medical benefits, viability, safety, efficacy and dosing of cannabis or isolated cannabinoids, such as CBD and THC, remains in relatively early stages. Few clinical trials on the benefits of cannabis or isolated cannabinoids have been conducted. Future research and clinical trials may draw opposing conclusions to statements contained in the articles, reports and studies currently favored, or could reach different or negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing or other facts and perceptions related to medical cannabis, which could adversely affect social acceptance of cannabis and the demand for Pure Sunfarms' cannabis products.

Consumer Preferences May Change

As a result of changing consumer preferences, many products attain financial success for a limited period of time. Even if Pure Sunfarms' products find retail success, there can be no assurance that any of its products will continue to see extended financial success. Pure Sunfarms' success will be significantly dependent upon its ability to develop new and improved product lines. Even if it is successful in introducing new products or developing its current products, a failure to gain consumer acceptance or to update products with compelling content could cause a decline in Pure Sunfarms' products' popularity that could reduce revenues and harm its business.

Supply and Demand Fluctuations

Entities licensed under the Cannabis Act have not been, and may not be, able to produce enough cannabis to meet adult use demand. In order to meet this demand, Pure Sunfarms and other entities licensed under the Cannabis Act have increased, and plan to continue to increase, their production capacities. However, demand for cannabis products is dependent on a number of social, political, and economic factors that are beyond VFF's control. In addition, the initial demand that has been experienced following legalization may not continue at comparable levels or may not be sustainable as a portion of such demand may have been a result of the novelty of legalization. Market demand may not be sufficient to support the Company's current or future products or business.

APPENDIX VII: FINANCIAL STATEMENTS

Exhibit 20: Income Statement

Revised Income Statement	FY2018A	1Q2019A	2Q2019A	3Q2019A	4Q2019E	FY2019E	1Q2020E	2Q2020E	3Q2020E	4Q2020E	FY2020E	FY2021E	FY2022E	FY2023E	FY2024E
Net Revenue	150.0	31.9	41.3	38.3	39.4	150.9	32.4	42.0	38.6	40.1	153.2	157.1	160.9	164.8	168.8
COGS	133.3	29.7	42.4	37.0	34.7	143.8	28.5	36.5	33.2	34.1	132.4	133.5	136.7	140.1	143.5
Gross Profit	16.7	2.2	(1.1)	1.2	4.7	7.1	3.9	5.5	5.4	6.0	20.8	23.6	24.1	24.7	25.3
SG&A (adj. for SBC)	14.1	4.0	3.9	3.7	3.5	15.1	2.9	3.8	3.5	3.6	13.8	14.1	14.5	14.8	15.2
Share of (income) loss from joint venture	(2.4)	(4.3)	(13.8)	0.2	(4.2)	(22.2)	(3.6)	(4.7)	(4.7)	(3.1)	(16.0)	(15.0)	(27.3)	(40.1)	(56.7)
EBITDA	5.0	2.5	8.8	(2.7)	5.5	14.1	4.6	6.4	6.6	5.5	23.0	24.4	36.9	50.0	66.8
Adjusted EBITDA	2.9	1.3	4.6	2.4	5.5	14.1	4.6	6.4	6.6	5.5	23.0	24.4	36.9	50.0	66.8
D&A	7.0	1.9	1.8	1.8	1.8	7.4	1.8	1.8	1.8	1.8	7.2	7.2	7.2	7.2	7.2
SBC	1.5	1.4	0.9	0.9	1.0	4.2	1.0	1.0	1.0	1.0	4.0	4.0	4.0	4.0	4.0
EBIT	(3.5)	(0.9)	6.1	(5.4)	2.7	2.6	1.8	3.6	3.8	2.7	11.8	13.2	25.7	38.8	55.6
Insurance proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Provision for property and equipment damaged	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Provision for inventory-damaged crop	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in biological asset	0.8	0.1	(0.6)	0.6	-	0.1	-	-	-	-	-	-	-	-	-
Interest expense	2.4	0.6	0.5	0.7	0.7	2.5	0.7	0.7	0.7	0.7	2.8	2.8	2.8	2.8	2.8
Interest income	-	-	-	(0.3)	-	(0.3)	-	-	-	-	-	-	-	-	-
FX loss	1.0	(0.3)	(0.2)	0.2	-	(0.3)	-	-	-	-	-	-	-	-	-
Amortization of intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gain on derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expense	(0.1)	0.1	(0.3)	(0.1)	-	(0.2)	-	-	-	-	-	-	-	-	-
Gain on sale of assets	-	(13.6)	-	0.0	-	(13.6)	-	-	-	-	-	-	-	-	-
EBT	(7.6)	12.1	6.7	(6.5)	2.0	14.4	1.1	2.9	3.1	2.0	9.0	10.4	22.9	36.0	52.8
Current tax	0.4	0.6	0.4	(0.2)	0.1	0.8	0.0	0.1	0.1	0.1	0.3	0.4	0.9	1.3	2.0
Deferred tax	(2.9)	3.9	(3.6)	(1.2)	-	(0.8)	-	-	-	-	-	-	-	-	-
Net Income	(5.1)	7.6	9.9	(5.1)	1.9	14.4	1.0	2.7	3.0	1.9	8.7	10.0	22.1	34.7	50.8
Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted Net Income	(5.1)	7.6	9.9	(5.1)	1.9	14.4	1.0	2.7	3.0	1.9	8.7	10.0	22.1	34.7	50.8
Current tax rate	-5.7%	5.0%	5.9%	3.7%	3.7%	5.8%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%
Deferred tax rate	38.1%	32.0%	-52.8%	18.1%	-	-5.8%	-	-	-	-	-	-	-	-	-
Earnings Per Share - WAB	\$ (0.12)	\$ 0.16	\$ 0.20	\$ (0.10)	\$ 0.04	\$ 0.29	\$ 0.02	\$ 0.05	\$ 0.06	\$ 0.04	\$ 0.17	\$ 0.19	\$ 0.43	\$ 0.67	\$ 0.98
Earnings Per Share - WAD	\$ (0.12)	\$ 0.15	\$ 0.20	\$ (0.10)	\$ 0.04	\$ 0.28	\$ 0.02	\$ 0.05	\$ 0.06	\$ 0.04	\$ 0.16	\$ 0.19	\$ 0.41	\$ 0.65	\$ 0.95
Adjusted Earnings Per Share (No Adjustments) - WAD	\$ (0.12)	\$ 0.15	\$ 0.20	\$ (0.10)	\$ 0.04	\$ 0.28	\$ 0.02	\$ 0.05	\$ 0.06	\$ 0.04	\$ 0.16	\$ 0.19	\$ 0.41	\$ 0.65	\$ 0.95

Source: Village Farms International Inc., Raymond James Ltd.

Exhibit 21: Balance Sheet

Balance Sheet	FY2018A	1Q2019A	2Q2019A	3Q2019A	4Q2019E	FY2019E	1Q2020E	2Q2020E	3Q2020E	4Q2020E	FY2020E	FY2021E	FY2022E	FY2023E	FY2024E
Current Assets															
Cash and cash equivalents	11.9	6.2	11.7	6.7	33.5	33.5	31.6	31.4	37.5	36.6	36.6	42.0	47.1	51.9	56.4
Trade receivables	11.3	9.8	13.8	10.0	11.4	11.4	9.7	13.9	10.1	11.5	11.5	11.8	12.1	12.4	12.7
Amounts due from joint venture	10.9	11.2	10.6	10.7	10.7	10.7	10.7	10.7	10.7	10.7	10.7	10.7	10.7	10.7	10.7
Other receivables	0.3	0.3	0.8	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Inventories	22.5	22.9	17.7	16.2	22.6	22.6	22.7	17.8	16.4	23.0	23.0	23.5	24.1	24.7	25.3
Assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Income taxes receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Prepaid expenses and deposits	0.9	1.0	5.4	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Biological asset	4.2	5.2	1.6	4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.4
Total Current Assets	62.0	56.6	61.7	50.2	84.7	84.7	81.3	80.3	81.4	88.4	88.4	94.6	100.6	106.3	111.6
Non-Current Assets															
PP&E	77.5	69.6	68.7	68.0	66.3	66.3	64.6	62.9	61.2	59.5	59.5	52.7	45.9	39.1	32.3
Due from joint ventures	-	-	5.7	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5
Right-of-use assets	-	4.3	4.0	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
Investment in joint venture	18.1	41.3	55.2	55.0	59.3	59.3	62.8	67.5	72.2	75.3	75.3	90.3	117.5	157.7	214.4
Deferred tax asset	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	2.2	4.0	1.7	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Total Non-Current Assets	97.8	119.1	135.3	138.0	140.5	140.5	142.4	145.4	148.3	149.8	149.8	157.9	178.4	211.7	261.6
Total Assets	159.8	175.7	197.1	188.2	225.2	225.2	223.7	225.7	229.7	238.2	238.2	252.5	279.0	318.0	373.2
Current Liabilities															
Trade payables	14.6	11.2	9.4	9.3	14.7	14.7	11.1	9.4	9.4	14.9	14.9	15.3	15.7	16.0	16.4
Accrued liabilities	3.5	4.3	6.7	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3
Line of credit	2.0	5.0	5.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Income taxes payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current maturities of long-term debt	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Current maturities of capital lease obligations	0.1	0.8	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Current portion of derivative	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	23.6	24.8	25.5	23.9	29.4	29.4	25.8	24.1	24.1	29.6	29.6	30.0	30.3	30.7	31.1
Non-Current Liabilities															
LT debt	32.4	31.6	30.8	29.9	29.9	29.9	29.9	29.9	29.9	29.9	29.9	29.9	29.9	29.9	29.9
LT maturities of capital lease obligations	0.1	3.5	3.2	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Deferred tax liability	1.9	5.8	2.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Deferred compensation	1.1	1.1	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Total Non-Current Liabilities	35.5	42.1	37.5	34.3	34.3	34.3	34.3	34.3	34.3	34.3	34.3	34.3	34.3	34.3	34.3
Total Liabilities	59.1	66.8	62.9	58.3	63.7	63.7	60.1	58.4	58.4	63.9	63.9	64.3	64.7	65.0	65.4
Shareholders' Equity															
Share capital	60.9	61.8	76.4	76.5	105.2	105.2	105.2	105.2	105.2	105.2	105.2	105.2	105.2	105.2	105.2
Contributed surplus	2.2	2.7	3.4	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2
Revaluation surplus	4.3	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Accumulated other comprehensive income	(0.6)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Retained earnings	33.9	41.5	51.4	46.3	49.3	49.3	51.3	55.0	59.0	61.9	61.9	75.9	102.0	140.7	195.5
Total SE	100.7	108.9	134.1	129.9	161.6	161.6	163.6	167.3	171.3	174.2	174.2	188.2	214.3	253.0	307.8
NCI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities & SE	159.8	175.7	197.1	188.2	225.2	225.2	223.7	225.7	229.7	238.2	238.2	252.5	279.0	318.0	373.2

Source: Village Farms International Inc., Raymond James Ltd.

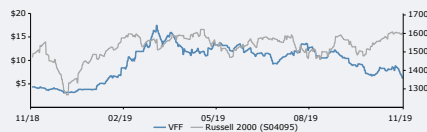
Exhibit 22: Cash Flow Statement

Cash Flow Statement	FY2018A	1Q2019A	2Q2019A	3Q2019A	4Q2019E	FY2019E	1Q2020E	2Q2020E	3Q2020E	4Q2020E	FY2020E	FY2021E	FY2022E	FY2023E	FY2024E
CFO															
Net Income	(5.1)	7.6	9.9	(5.1)	1.9	14.4	1.0	2.7	3.0	1.9	8.7	10.0	22.1	34.7	50.8
Depreciation and amortization	7.0	1.9	1.8	1.8	1.8	7.4	1.8	1.8	1.8	1.8	7.2	7.2	7.2	7.2	7.2
Amortization deferred charges			-	-		-					-				
Gain on disposal of assets		(13.6)	-	0.0		(13.6)									
Share of loss from joint venture	(2.4)	(4.3)	(13.8)	0.2	(4.2)	(22.2)	(3.6)	(4.7)	(4.7)	(3.1)	(16.0)	(15.0)	(27.3)	(40.1)	(56.7)
Settlement of pre-existing relationships			-	-		-									
Provision for property and equipment damaged			-	-		-									
Gain on derivative			-	-		-									
Provision for bad debt			-	-		-									
FX gain			-	-		-									
Net interest expense	2.4	0.6	0.5	0.4		1.5									
Share-based compensation	1.5	1.4	0.9	0.9	1.0	4.2	1.0	1.0	1.0	1.0	4.0	4.0	4.0	4.0	4.0
Deferred income taxes	(2.9)	3.9	(3.6)	(1.2)	-	(0.8)	-	-	-	-	-	-	-	-	-
Change in biological asset	0.8	0.1	(0.6)	0.6		0.1									
CFO before WC	1.3	(2.3)	(4.9)	(2.4)	0.5	(9.0)	0.2	0.9	1.1	1.6	3.9	6.2	6.0	5.7	5.4
Trade receivables	(0.0)	1.5	(4.0)	3.9	(1.4)	(0.1)	1.6	(4.1)	3.7	(1.4)	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)
Inventories	(5.2)	2.5	0.9	2.7	(6.4)	(0.3)	(0.1)	5.0	1.4	(6.5)	(0.3)	(0.6)	(0.6)	(0.6)	(0.6)
Inventories reclassified to biological asset	(0.7)	(3.9)	4.6	(0.7)		(0.1)									
Other receivables	0.2	(0.0)	0.0	-		-									
Income taxes receivable			-	-		-									
Income taxes payable	0.1		-	-		-									
Prepaid expenses and deposits	0.7	(0.1)	(1.1)	0.3		(0.9)									
Trade payables	1.4	(3.4)	(1.8)	(0.1)	5.4	0.1	(3.6)	(1.7)	(0.0)	5.5	0.2	0.4	0.4	0.4	0.4
Accrued liabilities and income taxes	(0.1)	0.7	2.4	(1.3)		1.9									
Other assets, net of other liabilities	0.0	0.3	0.9	0.2		1.4									
Cumulative translation adjustment			-	-		-									
Net CFO	(2.3)	(4.6)	(3.0)	2.5	(1.9)	(7.0)	(1.8)	(0.0)	6.2	(0.8)	3.6	5.7	5.5	5.2	4.8
CFI															
Purchase of PP&E	(3.1)	0.0	(1.1)	(1.2)	(0.1)	(2.4)	(0.1)	(0.1)	(0.1)	(0.1)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Amounts due from joint venture	(10.5)	(2.3)	(3.2)	(3.8)		(9.3)									
PPE acquired in business combination			-	-		-									
Other assets acquired in business combination			-	-		-									
Proceeds from sale of PP&E	0.1	0.1	-	(0.0)	-	0.1	-	-	-	-	-	-	-	-	-
Investment in joint ventures		(0.3)	(0.0)	(0.0)		(0.3)									
Other noncurrent assets and liabilities			-	-		-									
Net CFI	(13.5)	(2.5)	(4.3)	(5.0)	(0.1)	(11.9)	(0.1)	(0.1)	(0.1)	(0.1)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
CFF															
Proceeds from operating loan	7.0	3.0	-	-		3.0									
Payments on long-term debt	(7.7)	(0.8)	(0.9)	(1.9)		(3.6)									
Interest paid on long-term debt	(2.4)	(0.6)	(0.5)	(0.4)		(1.5)									
Proceeds from issuance of common stock pursuant to public offering, net	23.5		13.9	(0.1)	28.8	42.6									
Proceeds from exercise of stock options	0.3	0.0	0.0	0.0		0.1									
Interest received			-	-		-									
Payments on capital lease obligation	(0.1)	(0.2)	(0.2)	(0.2)		(0.6)									
Warrants exercised			0.5	-		0.5									
Dividends paid			-	-		-									
Net CFF	20.6	1.4	12.8	(2.5)	28.8	40.5	-	-	-	-	-	-	-	-	-
FX	(0.0)	-	-	-		-									
Net Change in Cash Balance	4.8	(5.7)	5.5	(5.0)	26.7	21.6	(1.9)	(0.1)	6.1	(0.9)	3.2	5.3	5.1	4.8	4.4
Beginning Cash Balance	7.1	11.9	6.2	11.7	6.7	11.9	33.5	31.6	31.4	31.4	37.5	33.5	36.6	42.0	47.1
Ending Cash Balance	11.9	6.2	11.7	6.7	33.5	33.5	31.6	31.4	37.5	36.6	36.6	42.0	47.1	51.9	56.4

Source: Village Farms International Inc., Raymond James Ltd.

COMPANY DESCRIPTION

Established in 1987 and headquartered in Delta, British Columbia, Village Farms is one of the largest vertically-integrated greenhouse growers in North America, with more than nine million square feet under glass. Village Farms conducts business in three primary verticals: 1) production and distribution of fresh produce in the U.S., Canada, and through partner growers in Mexico; 2) production and distribution of cannabis products in Canada via its 50% ownership of Pure Sunfarms; and 3) production and distribution of hemp and hemp-derived CBD in the U.S. (subject to compliance with federal and state laws) via the partial conversion of its Texas greenhouses, and via its two joint ventures for outdoor cultivation: Village Fields Hemp and Arkansas Valley Green and Gold Hemp.



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	Coverage Universe Rating Distribution*		Investment Banking Relationships	
	RJA	RJL	RJA	RJL
Strong Buy and Outperform (Buy)	55%	59%	20%	22%
Market Perform (Hold)	41%	39%	12%	15%
Underperform (Sell)	4%	3%	3%	0%

* Columns may not add to 100% due to rounding.

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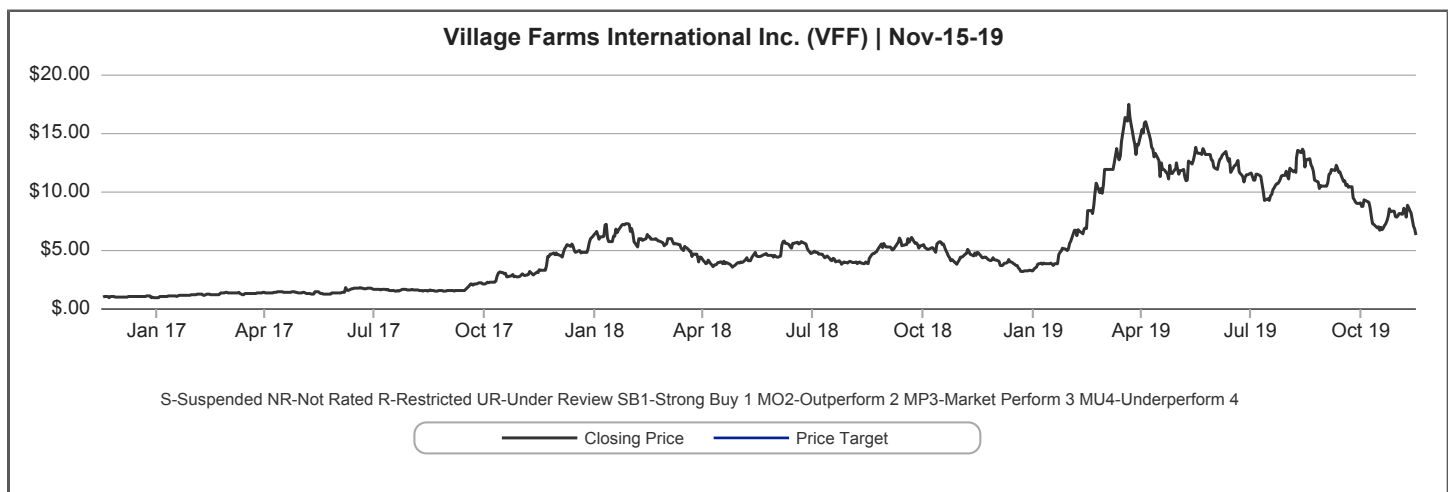
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Valuation Methodology

Village Farms International Inc.

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