



ChineseInvestors.com, Inc. (OTCQB: CIIX, Target Price: \$3.75)

ChineseInvestors.com, Inc. (OTCQB: CIIX, "CIIX") is a relatively undiscovered specialized investment services company with several intriguing business lines high growth potential and a compelling valuation based on previous peak cycle earnings. With headquarters in Los Angeles, CA, CIIX offers a range of intriguing consulting services, information products, and web-based tools for investor education, including real time market commentary, analysis and education in Chinese language character sets. The company demonstrated impressive profit in 2014, and we believe the earnings power displayed at the top of the cycle is a fact largely overlooked on Wall Street. Recently, CIIX has made several announcements highlighting growth potential from its investments in the global cannabis industry, a new a quickly growing market with large potential. These include the recent launch of what management called "world's first Cannabidiol (CBD) health products online store in the Chinese Language," as well as a Chinese language Yelp-style mobile application that will contain a location-enabled database of recreational and medical marijuana dispensaries, as well as a platform to review and discuss various cannabis products.

Investment Highlights

Several catalysts ahead as CIIX gains cannabis exposure

In addition to value available from CIIX's core financial information and consulting services for Chinese-speaking investors in the U.S. and China, CIIX appears to have taken significant strides to increase its exposure to the burgeoning global cannabis industry. As we have noted throughout our coverage, CIIX was able to gain early exposure to the rise in cannabis stocks and evolving trend towards legalization with its stake in publicly traded Medicine Man Technologies, Inc. (OTCQB: MDCL). Medicine Man Technologies, provides consulting services related to cultivation, production, and dispensary operations to 19 clients in eleven US states and Puerto Rico, with a market capitalization of \$28.3mn as of January 17, 2017. According to SEC filings, CIIX generated \$2.3mn in proceeds from stock sales of Medicine Man during calendar 2016. We estimate that the company has nearly exited this position, and that any remaining shares have been held debt collateral. CIIX has addressed short term liquidity needs, however, with the issuance of \$4.7mn in Series C Preferred Stock, as disclosed in its 10-Q filed on January 23, 2017.

CIIX launches first Cannabidiol (CBD) health products online store in the Chinese Language

In February, CIIX launched what it has described as the first cannabidoil (CBD) health products online store in the Chinese language. The web site, www.ChineseCBDoil.com, is intended to be a retail destination for nutritional supplements containing CBD to the Asian market through both online and in-store sales. The announcement follows CIIX's plan to launch a Chinese language Yelp-style mobile app for locating dispensaries and discussing cannabis products in the US, and a December announcement that it had entered into an alliance with Chinese private equity firm Shenzhen Yuanrong PE Capital seek out opportunities in medical and recreational cannabis.

Price target moves to \$3.75

We are increasing our price target to \$3.75 at this time, reflecting potential from the company's legal cannabis initiatives. CIIX remains in the early stages of penetrating this market, however, the increased market opportunity and CIIX's prior success in the cannabis industry with its investment in Medicine Man should support the view that it can capitalize on a unique approach to broad cannabis industry growth.

Stock Details (3/1/17)

OCTQB	CIIX
Sector / Industry	Technology / Internet Information
Price target	\$3.75
Recent share price	\$1.23
Fully diluted shares o/s (mn)	30.3
Fully diluted market cap (in mn)	\$40.6
52-week high/low	\$2.75 / \$0.30

Source: Thomson Reuters, SeeThruEquity Research

Key Financial (\$000, unless specified)

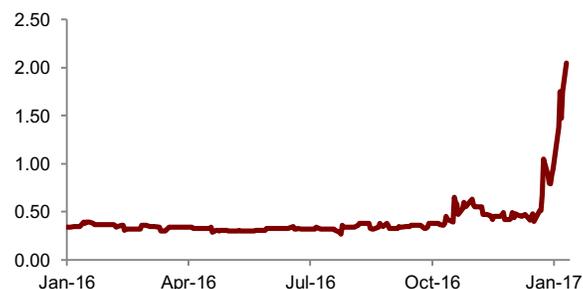
	FY15	FY16	FY17E
Revenues	2,441.7	930.0	1,855.0
EBITDA	(459.8)	(2,306.7)	(2,239.2)
EBIT	(483.2)	(2,327.5)	(2,272.5)
Net Income	(3,837.5)	(2,710.0)	(2,305.0)
EPS (\$)	(0.51)	(0.36)	(0.30)

Source: SeeThruEquity Research

Key Ratios

	FY15	FY16	FY17E
Gross margin (%)	58.6	2.4	50.0
Operating Margin (%)	(19.8)	(250.3)	(122.5)
EBITDA margin (%)	(18.8)	(248.0)	(120.7)
Net margin (%)	(157.2)	(291.4)	(124.3)
P/Revenue (x)	16.6	43.6	21.9
EV/EBITDA (x)	NM	NM	NM
EV/Revenue (x)	16.8	44.0	22.1

Source: SeeThruEquity Research



Source: Thomson Reuters

CIIX to enter cannabis market with online store, mobile app

- **CIIX launches www.ChineseCBDoil.com:** On January 12, 2017, CIIX CEO Warren Wang announced that the company would be launching what it has described as the first Cannabidiol (CBD) health products online store in the Chinese language.
- The site, www.ChineseCBDoil.com, launched in February and is intended be a retail destination for nutritional supplements containing CBD to the Asian market through both online and in-store sales. ChineseCBDoil.com targets a large opportunity, as it aims to benefit from growing acceptance of the medicinal properties of CBD oil, a nontoxic and nonaddictive concentrate extracted from cannabis that has shown potential for treatment of anxiety, stress, Alzheimer's disease, epilepsy, and cirrhosis of the liver.
- Headquarters for ChineseCBDoil.com are located in Shanghai, with a new wholly owned subsidiary in the Shanghai Free Trade Area to focus exclusively on the wholesale and retail business of supplying CBD oil health products to Chinese people all over the world. ChineseCBDoil.com sells products both through a retail store as well as online.
- The announcement follows CIIX's plan to launch a Chinese language "Yelp-style" mobile app for locating dispensaries and discussing cannabis products in the US, and a December announcement that it had entered into an alliance with Chinese private equity firm Shenzhen Yuanrong PE Capital seek out opportunities in medical and recreational cannabis.
- In press release, Wang noted that the "Yelp-style" mobile application has completed version 1.0, been submitted to the Apple store and been approved. the company believes is the first marijuana social media mobile application designed for Chinese speakers.

Increasing price target to \$3.75

- CIIX shares have appreciated notably since its expansion into cannabis industry and particularly since the announcement of its Chinese language mobile app and online store, to be run by a fully owned subsidiary in Shanghai.
- We are increasing our target to \$3.75 for CIIX at this time. If achieved this would represent significant upside potential from the recent market price of \$1.70 on February 10, 2017.
- The new target reflects growth potential from the company's cannabis initiatives. We assumed revenue from the cannabis business growing from \$0.5mn in 2017 to reaching 8-digit sales by 2020E, with continued growth thereafter. CIIX remains in the early stages of penetrating this large market; however, the increased market opportunity, as well as CIIX's demonstrated knowledge of the cannabis industry as shown by its investment in Medicine Man, should support the view that it can capitalize on a unique approach to broad cannabis industry growth.
- We view CIIX as a high-risk/high-reward investment opportunity in the microcap space, with potential for upside if the company can generate renewed traction with its high margin investor relations services business and execute on the new cannabis initiatives.

QUARTERLY FINANCIAL SUMMARY

Figure 2. Income Statement Summary

Figures in \$ unless specified	FY2Q17	FY1Q17	FY2Q16	FY1Q16
Investor Relations	278,850	90,312	107,965	51,783
Subscription	232,094	249,229	98,982	101,921
Other	0	1,783	12,316	12,624
Total Revenue	510,944	341,324	219,263	166,328
YoY Change	133.03%	105.20%		
COGS	220,525	228,871	265,973	246,244
Gross Profit	290,419	112,453	-46,710	-79,916
General & Administrative	1,207,803	845,676	614,443	515,406
Advertising	180,844	180,724	80,564	106,378
Total Operating Expenses	1,388,647	1,026,400	695,007	621,784
YoY Change	99.80%	65.10%		
Operating Income	-1,098,228	-913,947	-741,717	-701,700
Operating Margin	-214.94%	-267.80%		-421.90%
Other Income & Expenses	828,171	741,465	-11,110	1,898
Preferred stock	-38,976	-37,928	-2,625	-81,000
Net Income	-309,033	-210,410	-755,452	-780,802
Basic EPS	-0.04	-0.02	-0.10	-0.09
Wtd. Avg. Shares in period	8,116,750	7,661,805	7,724,305	7,661,805
Net unrealized gain (losses) in AFS	-848,577	-1,307,956	-51,463	-99,973

Source: Company Earnings Release, SeeThruEquity Research

CIIX FY2Q17 Results

- **Recent Results:** CIIX reported revenue of \$510,944 in FY2Q17, up from \$341,324 during the August quarter, which was its first fiscal quarter of 2017. Revenues rose by 133% YoY from a small base, versus \$219,263 in FY2Q16.
- **Investor relations revenues rise:** Revenues in FY2Q17 were led by \$278,850 in investor relations revenues, which was well ahead of \$90,312 in the prior quarter and \$107,965 in the year-ago quarter.
- **Subscriber revenues remain at elevated levels.** FY2Q17 subscription revenue came in at \$232,094, showing the company was able to maintain elevated subscription levels experienced in 1Q17. For the first six months of the fiscal year, subscription revenues were \$481,323, versus \$200,903 in the comparable year-ago period.
- Gross margins increased to 55.8.9% as the company benefitted from higher revenues and lower costs in China.
- CIIX's 10-Q noted that CIIX was continuing to focus on growing its investor relations business – a move which is clear from recent announcements by the company in the cannabis industry. We look forward to viewing more news to determine whether CIIX has been able to continue this momentum into calendar 2017.
- **Balance Sheet and Cash Flow Review:** CIIX ended the November quarter with cash on hand of \$646,866, and current assets of \$1.4mn, with \$1,070,000 in debt. CIIX had shareholder's equity of \$(936,345), and used cash of \$1.7mn in its operating activities during the first two quarters of fiscal 2017.
- We believe CIIX is seeking to raise additional capital to improve its balance sheet and ease liquidity pressures,. A footnote in the company's 10-Q, filed January 23, 2017, indicated that the company had raised \$4.7mn in a recent Series C Preferred Stock offering.



Management Team

Warren Wang, Chief Executive Officer

Warren Wang founded the Company in late 1999. Warren was born in 1968, in Shanghai, China. He studied finance at St. John's University in New York. Mr. Wang has served as Chief Executive Officer, Chairman of the Board, and Director of Chineseinvestors.com, Inc. since its inception with the exception of March, 2002 through August of 2003 when James S. Toreson served as the Company's Chief Executive Officer as a condition of the Hollingsworth LLC investment. He was previously the Vice President of Investments for Tradeway Securities Group, a Senior Financial Consultant for Waldron & Co., and a Senior Account Executive for Donald & Co. Securities. Mr. Wang has over 15 years of experience in the financial markets industry and has extensive experience in management, project development, sales, marketing, accounting, and administration. Mr. Wang is Chartered Financial Analyst (CFA) Candidate as well as a member of the Market Technicians Association (MTA).

Quoqi Deng, Chief Financial Officer

Quoqi Deng was elected a director in 2016. Mr. Deng studied engineering at Shenyang University of Technologies in 1979 and an EMBA from Dalian University of Technology in 1981. Mr. Deng has served as the General Manager of Win-more Precious Metal Management Co., Ltd. And Tianyi Gold Precious Metal Management Co., Ltd since June of 2009. Prior to that he worked in the real estate and construction field with Rongchang Group in various capacities from 2004 to 2009. Prior to that he worked with the Shenyang Technological Development Zone from 1992 to 2004 where he introduced billions of overseas capital from Japan, Singapore and the United States to fund major construction project in China. Mr. Deng is fluent in Mandarin Chinese and the English language.

Paul Dickman, Director

Paul Dickman is the founder and principal of Breakwater Corporate Finance, which is a consulting firm that provides corporate finance, capital markets and governance consulting to emerging companies, with an emphasis in start-up and micro-cap public companies. Mr. Dickman has served as the Chief Financial Officer for companies in a variety of industries, both domestically and abroad. He has successfully taken numerous companies through multiple fund raising transactions, including private placements of debt and equity and initial public offerings. Prior to establishing Breakwater Corporate Finance, he worked as an auditor with two large regional accounting firms, with an emphasis in auditing small publicly traded companies. He was employed for several years with a private equity investment firm in various capacities. Mr. Dickman received a Bachelor of Science degree in finance and accounting, and has been a licensed CPA since 2005. In addition, Mr. Dickman is a Fellow of the National Association of Corporate Directors, a member of the National Association of Corporate Secretaries, and serves on the board of multiple non-profit, civic and for-profit organizations.

About ChineseInvestors.com, Inc.

ChineseInvestors.com, Inc. ('CIIX'), founded in 1999 endeavors to be an innovative company; providing (a) real-time market commentary, analysis, and educational related services in Chinese language character sets (traditional and simplified), (b) support services to our various partners, (c) consultative services to smaller private companies considering becoming a public company, (d) advertising and public relation related support services, and (e) other services we may identify having the potential to create value or partnership opportunity with our existing services.Chinesefn.com



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