



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

ChineseInvestors.com, Inc. (OTCQB: CIIX, "CIIX") is a relatively undiscovered specialized investment services company, which has recently added several new and intriguing business units focused on markets with high growth potential. With headquarters in Los Angeles, CA, and offices in Shanghai and New York, 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. CIIX recently launched commenced operations at subsidiaries *ChinseHempOil.com* and *CBD Biotechnology Co. Ltd.*, which provide hemp oil and CBD consumer products including hemp-infused skin care products to China and the Chinese community in the United States. Management believes its platform is the first CBD health products online store in the Chinese Language, and its Chinese language Yelp-style mobile application contains a location-enabled database of recreational and medical marijuana dispensaries, as well as a platform to review and discuss various cannabis products. CIIX has also launched a new suite of Chinese language services and educational products for the cryptocurrency market.

### Investment Highlights

#### CIIX announces FY2018 results with 40.5% YoY growth

On September 4, 2018, CIIX announced its full year fiscal 2018 (ended May 31, 2018) results. The company reported revenue growth of 40.5% over FY2017, with growth stemming from new business lines focused on consumer products and services in the hemp oil, CBD, and cryptocurrency markets. The company also reported an increase in revenues in its existing businesses, which include investor relations and subscription-based investor news products targeting the Chinese community. Combined, these segments increased to \$1.75mn versus \$1.65mn in FY2017, with Investor relations revenue increasing to \$0.97mn from \$0.81mn and subscription revenues of \$0.78mn versus \$0.84mn. CIIX management expects these businesses combined to grow moderately in FY2019, with significant growth in its hemp, CBD, and cryptocurrency initiatives. We note that gross margins improved for CIIX during FY2018, expanding to 40.5% from 27.4% in FY2017. Net Loss to common shareholders widened to \$12.9mn, or \$0.58 per share, due to preferred stock expenses and SG&A investments in growth initiatives. CIIX announced it was seeking to raise \$3mn in a private placement in August 2018, and we expect the company to continue to seek external capital to cover costs until its growth initiatives reach a scale that supports free cash flow generation.

#### Cryptocurrency offerings add layer of growth potential for CIIX

In addition to growth from core existing products and new initiatives in CBD, CIIX is expecting a third pillar of growth to stem from its expanded offerings and ancillary products targeting the fast-growing cryptocurrency market. The company has established education and trading subscription services for Chinese-speaking investors, which will provide news, video and analysis covering the emerging digital currency market that include *newcoins169.com* and the *Daily Cryptocurrency Chinese Video Newscast from the NYSE*. Additionally, in calendar 2018 CIIX launched paid services *Bitcoin Millionaire VIP Livestream* and *Bitcoin Trading Academy*, and CIIX

announced plans to establish a cryptocurrency ATM network and domestic online coin-to-coin exchange.

#### Price target unchanged at \$3.75

The price target reflects the significant growth potential from the company's legal CBD initiatives in the US and the hemp CBD-infused skin care products in China, in addition to growth from its existing financial services businesses, as well as potential for a new cryptocurrency-focused unit.

#### Stock Details (9/10/18)

OCTQB	CIIX
Sector / Industry	Technology / Internet Information
<b>Price target</b>	<b>\$3.75</b>
Recent share price	\$0.50
Shares o/s (mn)	32.7
Market cap (in mn)	\$16.7
52-week high/low	\$1.75 / \$0.37

Source: Thomson Reuters, SeeThruEquity Research

#### Key Financial (\$000, unless specified)

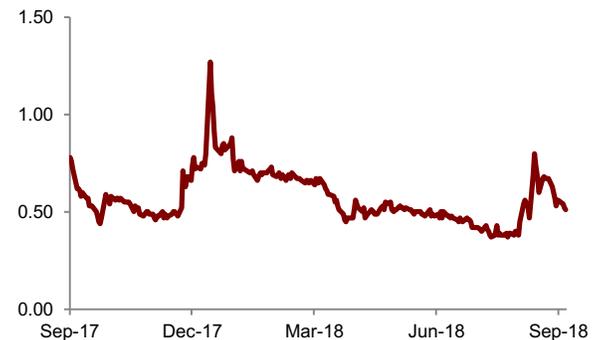
	FY16	FY17	FY18
Revenues	948.4	1,668.0	2,353.3
EBITDA	(2,857.5)	(4,898.1)	(7,161.2)
EBIT	(2,877.6)	(4,914.5)	(7,214.9)
Net Income	(2,180.9)	(7,251.1)	(12,918.7)
EPS (\$)	(0.26)	(0.86)	(0.58)

Source: SeeThruEquity Research

#### Key Ratios

	FY16	FY17	FY18
Gross margin (%)	-1.7	27.4	40.5
Operating Margin (%)	(303.4)	(294.6)	(306.6)
EBITDA margin (%)	(301.3)	(293.7)	(304.3)
Net margin (%)	(230.0)	(434.7)	(549.0)
P/Revenue (x)	17.6	10.0	7.1
EV/EBITDA (x)	NM	NM	NM
EV/Revenue (x)	15.9	9.0	6.4

Source: SeeThruEquity Research



Source: Thomson Reuters

### New CBD business line at CIIX begin to take shape

- **CIIX has now entered the large CBD space with two business units focused on hemp oil and CBD derived health products.** Following its successful investment in Medicine Man Technologies, CIIX has entered the legal CBD market with the formation and launch of two subsidiary businesses: CBD Biotechnology Co. Ltd. (“CBD Biotech”), and ChineseHempOil.com Inc (“ChineseHempOil.com”).
- The CBD and hemp units at CIIX have launched and generated \$0.38mn in revenue in FY2018, a partial year of operations. Management has forecast the CBD businesses to be meaningful contributors to overall company growth in grow in FY2019. We note that CIIX management has previously issued a goal of reaching a \$5mn revenue run rate by the end of 2019, which would imply more than doubling sales in FY2019.
- **CBD Biotech:** CBD Biotech operates in China, and offers a line of hemp-infused skincare products under the *Magic Hemp Series* brand. The unit also has a wholesale online distribution arrangement with Yantai 1985, a Chinese liquor.
- CIIX has stated that CBD Biotech is pursuing a two-tiered direct selling strategy in China, consisting of the company’s initial line of hemp-infused skin care products, *CBD Magic Hemp*, as well as a luxury line of products, dubbed *Live Oxygen*. Additionally, the company is establishing a CBD Community Center in Shanghai, to establish a new channel to increase customer awareness of CBD and the benefits of hemp-infused skin care.
- CBD Biotech brought in Mr. Fengxian Xie as President of its CBD Community Center beginning in August 2018; Mr. Xie brings the company nearly 20 years of marketing experience with Hainan Coconut Island Group Co. Ltd., a Chinese A-listed company, and its subsidiary Zhejiang Marketing Company. According to the announcement, Mr. Xie was able to triple sales in the Zhejiang region within his first year at this role.
- **Large market for skin care products in China.** China represents one of the world’s largest markets for skincare products. According to data from *Euromonitor*, retail sales of skincare products and make-up products in China reached RMB169.1 billion and RMB28.3 billion respectively in 2016, with Skincare representing the fastest growing sector of the cosmetics market.
- **ChineseHempOil.com to host hemp oil seminar at flagship retail store in San Gabriel, CA.** ChineseHempOil.com targets a large opportunity, as it is responsible for online and retail sales of hemp-based health products in the United States. The unit has made initial sales and has been focused on establishing awareness for its *Opt Hemp* brand among Chinese consumers in the US.
- The company announced in August that it will be hosting a seminar to build awareness for *Opt Hemp*, and the positive effects of hemp oil for “balancing the mind and body.” *Opt Hemp* is now available in more than 200 retail shops in the Los Angeles area, and the event is also intended to build awareness and interest in the brand.
- **Large Opportunity for CBD:** Cannabidiol is one of the fastest growing segments of the U.S. hemp and legal marijuana industry. The CBD industry is expected to grow from \$200mn in 2015 to \$2.1 billion by 2020, with \$450mn of those sales coming from hemp based sources (*Source: Company materials*).

### CIIX cryptocurrency plans include expansion of news and education products, establishment of ATM network

- **Cryptocurrency products provide third pillar of business.** In addition to growth from core existing products and new initiatives in CBD, CIIX is expecting a third pillar of growth to stem from its expanded offerings and ancillary products targeting the fast-growing cryptocurrency market.
- The company has established education and trading subscription services for Chinese-speaking investors, which will provide news, video and analysis covering the emerging digital currency market. These include 1) **newcoins169.com**, a free Chinese language portal containing news and investment information for the global Chinese community covering the cryptocurrency basics; and the 2) **Daily Cryptocurrency Chinese Video Newscast from the NYSE**, a daily cryptocurrency newscast produced in conjunction with Wall Street Multimedia regarding news and information in the digital currency world.

- **Paid cryptocurrency services to add to business unit in calendar 2018.** Additionally, in calendar 2018 CIIX launched paid services **Bitcoin Millionaire VIP Livestream**, one of the world's first live Chinese cryptocurrency broadcasts, providing over six hours per day of content including live trading demonstrations; and 2) **Bitcoin Trading Academy**, a paid course available online or in person for education related to cryptocurrency investment and trading.
- Looking ahead, the company has also stated that it will look to establish a cryptocurrency ATM network and a domestic online coin-to-coin exchange for Chinese cryptocurrency investors. We are intrigued to learn more about these plans, as the global market for cryptocurrency ATMs is expected to expand at a compounded rate of more than 50% over the next five years to reach \$144.5mn, according to August 2018 research firm *MarketsandMarkets*.

## ANNUAL FINANCIAL SUMMARY

Figure 2. Income Statement Summary

Figures in \$ unless specified	FY2018	FY2017	FY2016
Investor Relations	968,282	808,362	351,615
Subscription Services	779,964	838,897	533,965
Hemp & Other Products	378,984	265	
Cryptocurrency & Other	226,101	19,453	62,805
<b>Total Revenue</b>	<b>2,353,331</b>	<b>1,666,977</b>	<b>948,385</b>
YoY Change	41.2%	75.8%	
<b>COGS</b>	<b>1,400,058</b>	<b>1,211,354</b>	<b>964,223</b>
<b>Gross Profit</b>	<b>953,273</b>	<b>455,623</b>	<b>-15,838</b>
General & Administrative	6,998,171	4,735,029	2,296,130
Advertising	1,169,968	636,128	438,673
Other	0	0	126,915
<b>Total Operating Expenses</b>	<b>8,168,139</b>	<b>5,371,157</b>	<b>2,861,718</b>
YoY Change	52.1%	87.7%	
<b>Operating Income</b>	<b>(7,214,866)</b>	<b>(4,915,534)</b>	<b>(2,877,556)</b>
Operating Margin	(306.6%)	(294.9%)	(303.4%)
Other Income & Expenses	(190,738)	1,577,773	896,550
<b>Net Income</b>	<b>(7,405,604)</b>	<b>(3,337,761)</b>	<b>(1,981,006)</b>
Preferred stock	(5,513,079)	(3,914,314)	(199,925)
<b>Net Income to Common</b>	<b>(12,918,683)</b>	<b>(7,252,075)</b>	<b>(2,180,931)</b>
<b>Basic EPS</b>	<b>(0.58)</b>	<b>(0.86)</b>	<b>(0.28)</b>
<b>Wtd. Avg. Shares in period</b>	<b>22,427,427</b>	<b>8,433,127</b>	<b>7,724,305</b>
Net unrealized gain (losses) in AFS	(288,294)	(2,321,062)	1,582,539
<b>Comprehensive Income</b>	<b>(13,206,977)</b>	<b>(9,573,137)</b>	<b>(598,392)</b>

Source: Company Earnings Release, SeeThruEquity Research

### CIIX revenues climb in FY2018

- **Recent Results:** CIIX reported revenue of \$2.35mn in FY2018, up from \$1.67mn in FY2017 and \$0.95mn in FY2016. Revenues grew by an annual rate of 41.2% from FY2017 to FY2018.
- **Existing businesses grow while CIIX establishes new revenue lines:** CIIX experienced growth in its existing businesses segments, comprised of investor relations services and subscription services. Combined, these segments increased to \$1.75mn versus \$1.65mn in FY2016 and \$0.89mn in FY2016.
- **Initial sales from CBD Biotech (China) and ChineseHempOil.com drive growth.** The majority of the company's growth, however, stemmed from sales from the company's new business subsidiaries: ChineseHempOil.com and CBD Biotechnology Ltd. ("CBD Biotech China"). These businesses are designed to target the opportunity for hemp oil and CBD products in China and within the Chinese community.

- Specifically, CIIX reported that consumer sales of hemp and liquor increased to \$377,719 from \$1,308 in FY2017.
- Management attributed the growth in revenue from hemp oil and liquor products to the launch of *CBD Magic Hemp Series*, the company's first hemp-infused skincare line in China, as well as the launch of OptHemp, a domestically available private label hemp oil line. CIIX's revenues from the sale of liquor consist of a wholesale online distribution agreement with Yantai 1985, a Chinese liquor.
- **Other revenues increase to \$0.23mn as CIIX launches cryptocurrency offerings.** According to the company's results announcement, CIIX also experienced nice growth in "Other Revenues" from the growth from the launch of a suite of cryptocurrency focused products.
- **Gross margins expand.** CIIX reported expanding gross profit margins, which were 40.5% in FY2018 versus 27.4% in 2017 and negative gross profit margins in FY2016.
- **Balance Sheet and Cash Flow Review:** CIIX ended the fiscal year with cash on hand of \$1.39mn, and current assets of \$3.1mn, versus total liabilities of \$2.75mn. The company has \$1.06mn in short-term notes.
- CIIX ended the fiscal year with shareholder's equity of \$0.93mn, and used (\$7.35mn) of cash in its operating activities during fiscal 2018.
- We believe CIIX will require additional capital to execute its growth strategies in both the existing financial services segment as well as its emerging presence in the cannabis and cryptocurrency markets, given that the business is not currently generating self-funding cash flow.
- In the past, the company has raised capital through preferred and common share issuances, as well as debt. On August 3, 2018, CIIX disclosed that it is conducting a private placement of up to \$3mn of its 1-year, 10% promissory notes.

#### Price target remains \$3.75 at this time

- The price target for CIIX shares is unchanged at this time. We will evaluate the target as the company demonstrates progress towards its goal of \$5mn in annualized revenues by the end of 2019.
- With the launch of CBD Biotechnology Co Ltd and ChineseCBDOil.com, CIIX is clearly investing significant resources in the CBD market. The company has also moved quickly to implement a strategy to benefit from growing interest in cryptocurrencies, with free and paid Chinese language products targeting this market.
- CIIX generated 41.2% revenue growth in FY2018 with expanding gross margins, and has guided to exiting 2019 with a revenue run rate of \$5mn.
- 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 and cryptocurrency initiatives.

## 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).

### **Paul Dickman, Chief Financial Officer, Director**

Paul Dickman serves as Chief Financial Officer for the Company. He 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.

Founded in 1999, ChineseInvestors.com 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) advertising and public relation related support services; and (c) retail, online and direct sales of hemp-based products and other health related products. ChineseInvestors.com

## Contact

Ajay Tandon  
SeeThruEquity  
[www.seethruequity.com](http://www.seethruequity.com)  
(646) 495-0939  
info@seethruequity.com

## Disclosure

This research report has been prepared and distributed by SeeThruEquity, LLC (“SeeThruEquity”) for informational purposes only and does not constitute an offer, solicitation or recommendation to acquire or dispose of any investment or to engage in any transaction. This report is based solely on publicly available information about the company featured in this report which SeeThruEquity considers reliable, but SeeThruEquity does not represent it is accurate or complete, and it should not be relied upon as such. All information contained in this report is subject to change without notice. This report does not constitute a personal trading recommendation or take into account the particular investment objectives, financial situation or investment decision. Readers should consider whether any information in this report is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. This report contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties, many of which are beyond the company’s control. Actual results could differ materially and adversely from those anticipated in such forward-looking statements as a result of certain industry, economic, regulatory or other factors.

SeeThruEquity is not a FINRA registered broker-dealer or investment adviser. SeeThruEquity charges companies for a suite of services that may include conference presentation fees, the preparation of and distribution of initiation and/or update research reports, the issuance of press releases announcing its research reports and social media posts. SeeThruEquity reserves the right to decline to issue a research report in its sole discretion. The company discussed in this report has paid nineteen hundred fifty dollars in fees to SeeThruEquity for the distribution of this report. SeeThruEquity may receive fees in the future for similar services. On occasion, a company may pay all or a portion of its fees through the issuance of restricted shares of stock. To the extent the shares are not subject to restrictive legends, SeeThruEquity may sell these shares once unrestricted at any time including upon release of reports or articles on the subject company. SeeThruEquity and/or its affiliates may have a long equity position with respect to a non-controlling interest in the publicly traded shares of companies featured in its reports, and may sell its shares at any time, in its sole discretion and without regard to any “price target” in its report.

SeeThruEquity’s professionals may provide verbal or written market commentary that reflects opinions that are contrary to the opinions expressed in this report. This report and any such commentary belong to SeeThruEquity and are not attributable to the company featured in its reports or other communications. The price and value of a company’s shares referred to in this report may fluctuate. Past performance by one company is not indicative of future results by that company or of any other company covered by a report prepared by SeeThruEquity. This report is being disseminated primarily electronically and, in some cases, in printed form. An electronic report is made simultaneously available to all recipients. Please refer to our website for additional information regarding SeeThruEquity.

Copyright 2011-2018 SeeThruEquity, LLC. No part of this material may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of SeeThruEquity, LLC.