

AXIM Biotechnologies, Inc. (AXIM) (OTCQB: AXIM, Target Price: \$17.00)

We initiate coverage on Axim Biotechnologies, Inc. (OTCQB: AXIM) with a price target of \$17.00. Based in New York, NY, AXIM is a biotechnology company focused on research and development of cannabis-based pharmaceutical, nutraceutical and cosmetic products. Axim is seeking to emerge with a distinct position in the cannabis-based biosciences market through its research and development activities and patented delivery systems, which benefit from more than 10 patents, 20 trademarks, and leverage more than 14 years of work and investment by the company and partners.

INVESTMENT HIGHLIGHTS

Large market opportunity

The market for cannabis-based pharmaceutical and nutraceuticals is emerging and quickly growing. Indeed, legal cannabis is among the fastest growing industries in the United States, estimated at \$7.1 billion in 2016, including both medical and recreational uses, according to a report by New Frontier and ArcView Market Research. Longer term, the market has been forecast by Cowen to be as much as \$50 billion within ten years, assuming federal legalization takes place in the United States. We note that progress towards legalization is likely to have an impact on the valuation and perception of Axim and all cannabis companies, however the company's strategy includes a global perspective, legal nutraceuticals, and clinical products – not recreational cannabis.

CanChew+ Nutraceutical Sales, Phase 2 results on MedChewRx, are areas to watch in 2017

We see several key events ahead for Axim as it advances its cannabis-based clinical pipeline and accelerates commercial activities for its nutraceutical and cosmetic products, led by CanChew+. The company's initial nutraceutical products, and its lead clinical candidates, feature its patented delivery systems, a chewing gum formulation that management believes is an ideal oral, transmucosal controlled-release delivery system. Axim has launched CanChew®, a patented, controlled-release cannabidiol extracted from hemp chewing gum for general well-being, which is currently available in all 50 US States and over 40 countries internationally. The company has issued an outlook for high growth in this area, with more than ten commercial-ready products in the nutraceutical, cosmetic, and oral care markets. Axim also has more than 20 clinical products planned, and is in the process of developing pharmaceutical-candidates using chewing gum and other delivery methods, such as suppositories, transdermal delivery systems, and transconjunctival, among others, for a number of indications treating pain, spasticity, anxiety, nausea and vomiting, and cachexia, among others, under the MedChewRx™ brand family. The company expects to report trial results during 2017, which may provide insight into this strategy and the delivery mechanism's possible applicability to other indications.

Initiate coverage with a price target of \$17.00

We initiate coverage of Axim with a price target of \$17.00. We see Axim as an intriguing speculative company targeting the rapidly growing market for legal cannabis products with what appears to be differentiated intellectual

property and bold development plans. The company has several key events ahead as it attempts to grow its nutraceutical and cosmetic product lines and advances its clinical pipeline led by MedChew. Management has also stated its intention to uplist to a national exchange, which would be a significant corporate milestone, if accomplished.

Stock Details (5/12/2017)

| | |
|-----------------------|---------------------------------|
| OTCQB: | AXIM |
| Sector / Industry | Healthcare / Biopharmaceuticals |
| Price target | \$17.00 |
| Recent share price | \$8.20 |
| Basic Shares o/s (mn) | 52.6 |
| Market cap (in \$mn) | 431.0 |
| 52-week high/low | \$19.80 / 0.21 |

Key Financials (\$mn unless specified)

| | FY16 | FY17E | FY18E |
|------------|--------|--------|--------|
| Revenues | 0.0 | 0.3 | 8.5 |
| EBITDA | (2.9) | (6.7) | (16.2) |
| EBIT | (3.8) | (7.5) | (16.8) |
| Net income | (5.8) | (8.5) | (18.5) |
| EPS (\$) | (0.17) | (0.19) | (0.38) |

Source: SeeThruEquity Research

Key Ratios

| | FY16 | FY17E | FY18E |
|----------------------|------------|-----------|---------|
| Gross margin (%) | -227.5 | 72.0 | 73.0 |
| Operating Margin (%) | (7,988.8) | (2,511.3) | (197.6) |
| EBITDA margin (%) | (6,235.7) | (2,236.3) | (190.3) |
| Net margin (%) | (12,346.0) | (2,817.4) | (217.1) |
| P / Revenue (x) | 9,159.6 | 1,436.8 | 50.7 |
| EV/Revenue (x) | 9,216.6 | 1,445.7 | 51.0 |

Source: SeeThruEquity Research

Share Price Performance (\$)



Source: Yahoo!Finance

SUMMARY TABLE

Figure 1. Summary Table (Pricing data as of May 12, 2017)

| Share data | | Balance Sheet data (4Q16) | | Key personnel: | |
|-------------------|--------------------|---------------------------|---------|--------------------------|--------------------------|
| Recent price: | \$8.20 | Total assets: | 1.4mn | CEO | Dr. George E. Anastassov |
| Price target: | \$17.00 | Total debt*: | 3.4mn | Chief Scientific Officer | Dr. Philip A. Van Damme |
| 52-week range: | 19.80 - 0.21 | Equity: | (2.4mn) | Chief Technology Officer | Lekhram Changoer |
| Average volume*: | 52,570 | W/C: | (1.6mn) | | |
| Market cap*: | \$431.0mn | ROE: | NM | | |
| Book value/share: | (\$0.05) | ROA: | -401% | | |
| Cash/ basic share | \$0.01 | Current ratio: | 0.5 | | |
| Dividend yield: | 0.00% | Asset turnover: | 0.0 | | |
| Risk profile: | High / Speculative | Debt/Cap: | 347.2% | | |

* 30-day average volume (number of shares)

| FY December | Estimates | | | | Valuation | |
|-------------|------------|---------------|----------|-----------|------------|---------|
| | Rev (\$mn) | EBITDA (\$mn) | EPS (\$) | P/Rev (x) | EV/Rev (x) | P/E (x) |
| 2015A | 0.0 | (10.0) | (0.27) | 8796.8x | 8851.5x | NM |
| 2016A | 0.0 | (2.9) | (0.17) | 9159.6x | 9216.6x | NM |
| 2017E | 0.3 | (6.7) | (0.19) | 1436.8x | 1445.7x | NM |
| 2018E | 8.5 | (16.2) | (0.38) | 50.7x | 51.0x | NM |
| 2019E | 49.0 | 6.7 | 0.01 | 8.8x | 8.9x | 1101.2x |

Source: SeeThruEquity Research

INVESTMENT THESIS

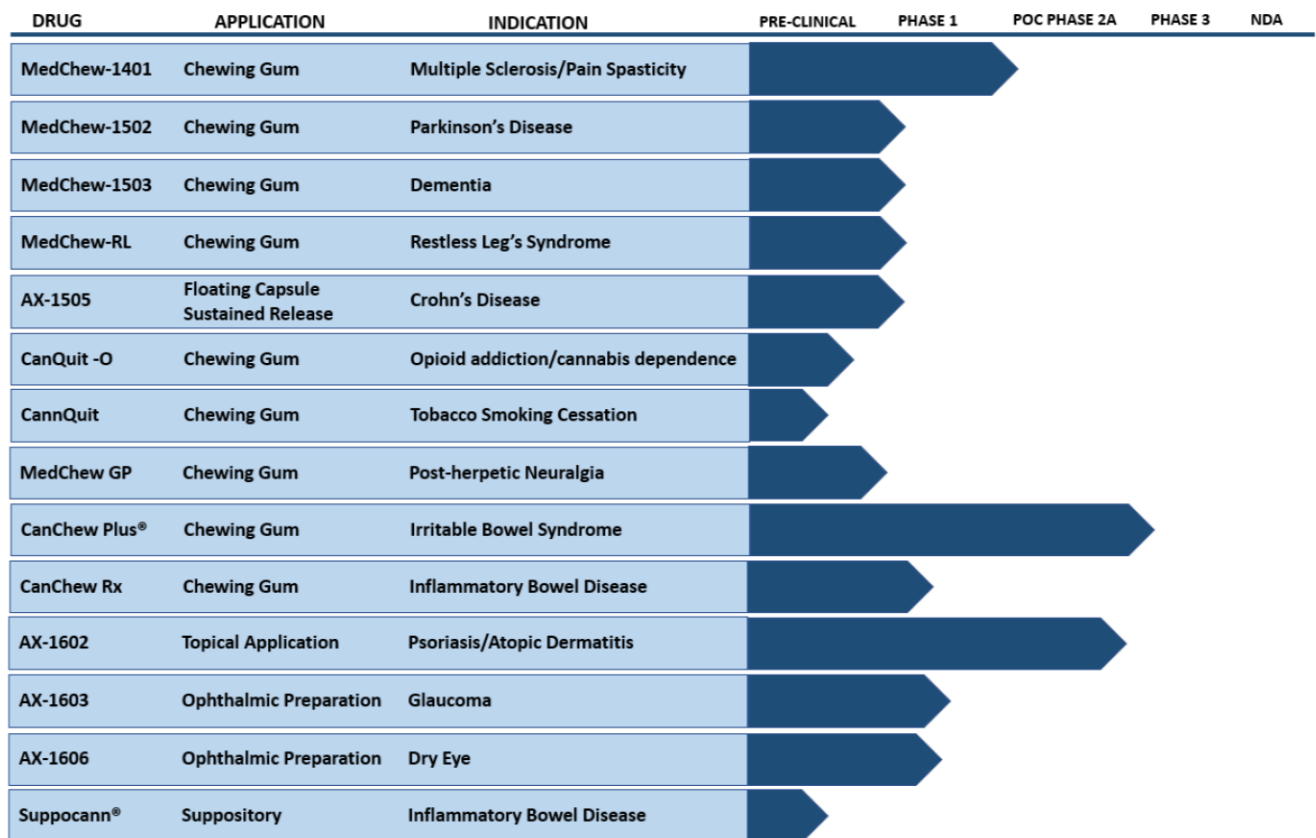
We initiate coverage on Axim Biotechnologies, Inc. (OTCQB: AXIM) with a price target of \$17.00. Based in New York, NY, AXIM is a biotechnology company focused on research and development of cannabis-based pharmaceutical, nutraceutical and cosmetic products. The market for cannabis-based pharmaceutical and nutraceuticals is emerging and quickly growing. Indeed, legal cannabis is among the fastest growing industries in the United States, estimated at \$7.1 billion in 2016, including both medical and recreational uses, according to a report by New Frontier and ArcView Market Research, and is expected to reach \$24 billion by 2025. Axim is seeking to emerge with a distinct position in this market through its research and development activities and patented delivery systems, which benefit from more than 10 patents, 20 trademarks, and leverage more than 14 years of work and investment by the company and partners.

We see several key milestones ahead for Axim as it advances its cannabis-based clinical pipeline and accelerates commercial activities for its nutraceutical and cosmetic products. The company's initial nutraceutical products, and its lead clinical candidates, feature its patented delivery system, a chewing gum formulation that management believes is an ideal oral, trans mucosal (delivered via the cavity between the cheek and gum) controlled release delivery system. Axim has already launched CanChew®, a patented, controlled-release cannabinoid chewing gum. CanChew is currently available over-the-counter as a supplement, and Axim is in the process of developing pharmaceutical-candidates using chewing gum and other delivery methods, such as suppositories, transdermal delivery systems, and transconjunctival, among others, for a number of indications treating pain, spasticity, and anxiety, including Multiple Sclerosis.

Expansive Development Pipeline led by MedChewRx™

Axim has an expansive clinical pipeline as the company invests in research and development of cannabis-based biosciences. The company is initially focused on developing treatments for pain, spasticity, anxiety, and other medical disorders with the application of cannabinoids based products. Its lead candidate, MedChew for pain and spasticity related to multiple sclerosis (MS), combines cannabidiol (CBD) and tetrahydrocannabinol (THC), both naturally extracted and synthetic, in a patented controlled-release chewing gum.

As outlined in the Development Pipeline to follow, Axim is in the midst of planning Phase 1 and Phase 2 clinical studies for several indications seeking to evaluate the efficacy of its MedChewRx™ for pain and spasticity related to multiple sclerosis, which management has stated represents a \$4.8Bn opportunity. Indeed, according to research firm Global Data, the overall worldwide value of the MS treatment market is estimated to reach \$20 billion by 2024. Axim is also evaluating MedChew for other indications, including Irritable Bowel Syndrome (IBS), Inflammatory Bowel Disease (IBD) and Crohn's disease, among others. On March 27, 2017, Axim announced that it will use its technology to try to help a large pharmaceutical ingredient supplier to reformulate Marinol, the first FDA approved cannabis drug, which is used to treat nausea and vomiting caused by cancer chemotherapy. Marinol was considered effective but with too many liver side effects due to the first-pass, liver metabolism when administered in a capsule form. With the chewing gum, the active ingredient dronabinol enters the bloodstream through the oral mucosa and directly into the circulation, and thus skips the liver altogether.

Figure 2. Development Pipeline

Source: Company investor materials

In addition to candidates employing Axim's the chewing gum delivery mechanism, the company also has candidates with topical applications (AX-1602 for Psoriasis, Eczema, and Vitiligo), floating capsule sustained release, suppositories, and ophthalmic preparation. Indeed, in March, Axim announced that it had engaged a contract research organization (CRO) to advance development of its ophthalmology candidates, initially AX-1603 for glaucoma and AX-1606 for dry eye.

Nutraceutical and Cosmetic markets offer nearer revenue potential

In addition to its expansive pipeline under consideration for clinical development, Axim is pursuing market introduction of a collection of nutraceutical and cosmetic products. These products allow the company access to the large opportunity for legal use of cannabis-based products, while leveraging its IP position for oral delivery methods. This lineup is led by CanChew+, a chewing gum intended for general wellbeing. Management believes CanChew was the "world's first" patented controlled-release cannabinoid chewing gum. In addition to the therapeutic action of its active ingredients, Axim also believes CanChew+ helps to prevent cognitive dysfunction by improving internal carotid arterial blood flow and increasing cerebral circulation.



FUNCTIONAL FOOD/NUTRACEUTICALS

| PRODUCTS | APPLICATION | INDICATION | MARKET INTRODUCTION |
|----------|--------------|-------------------|---------------------|
| CanChew+ | Chewing Gum | General Wellbeing | |
| CannLoze | Lozenge | General Wellbeing | |
| ReneCann | Cosmetics | Skin Care | |
| Oraximax | Oral Hygiene | Oral Health | |

Of note is that Axim's Nutraceutical pipeline includes not only chewing gum CanChew+ but also lozenge, skin care and oral health formulations. We are also intrigued by the company's line of oral healthcare products in development, Oraximax™. These formulations are intended to have applications in daily use as well as for remedies for oral care infection and gum disease. Management is hopeful that the anti-inflammatory, anti-proliferative, and bactericidal properties of cannabinoids will result in a new category of oral care products. Management has stated an objective to pursue these opportunities aggressively, as illustrated in the pipeline above.

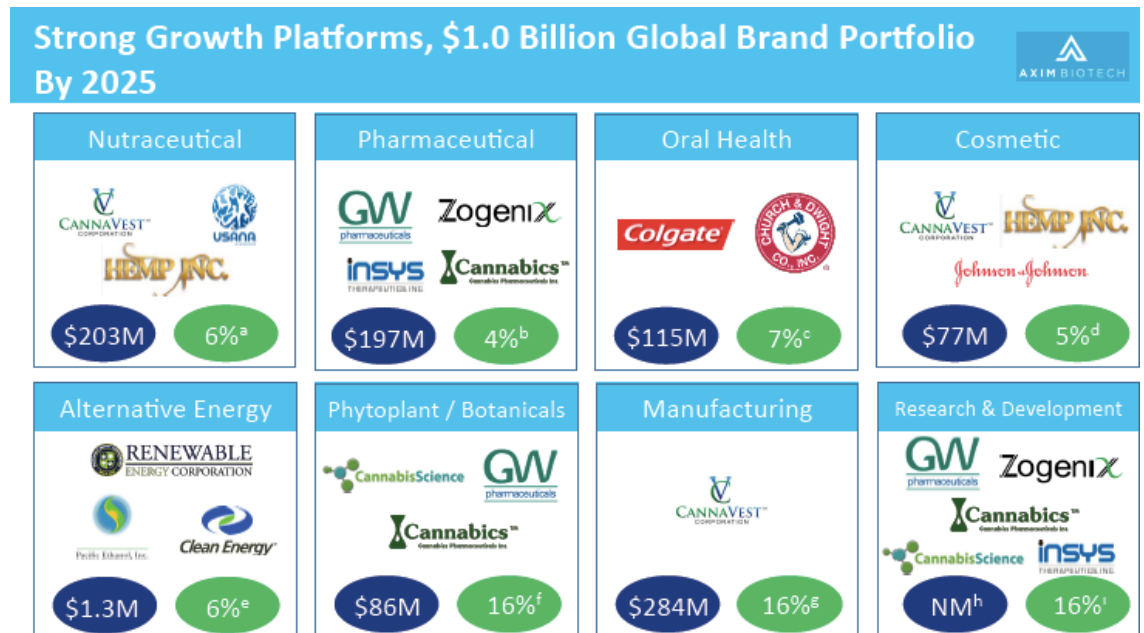
COMPETITIVE LANDSCAPE

Axim is pursuing the large and high growth opportunity of developing legal cannabis-based bioscience. The market for cannabis-based pharmaceutical and nutraceuticals is emerging and quickly growing. Indeed, legal cannabis is among the fastest growing industries in the United States, estimated at \$7.1 billion in 2016, including both medical and recreational uses, according to a report by New Frontier and ArcView Market Research. Growth expectations are high for the legal cannabis industry. Indeed New Frontier estimates that the market will reach \$24 billion by 2025, and Cowen & Co. estimated that the marijuana market could reach \$50 billion within ten years if marijuana were made legal at the federal level.

Given the recent expansion of legalization in many US states for recreational use, and a growing number of states with legal medical marijuana, the market is fragmented, emerging, and exposed to regulation. It is also one of high growth, which we expect will attract new entrants in the industry, as well as by large pharmaceutical corporations, particularly as the trend towards legal use continues. The pharmaceutical industry is a large and highly competitive market, which is characterized by innovation, high barriers to entry, as well as extensive and costly regulation. Further, the industry is dominated by several large multinational corporations, which benefit from access to deep financial resources, established sales and distribution networks, as well as regulatory experience and influence.

In an investor presentation available publicly on the company's web site, Axim issued a goal of reaching an annual revenue run rate of \$1 billion 2025, including \$203mn in Nutraceuticals and nearly \$200mn in Pharmaceuticals, as illustrated in the following graphic, presented by the company, which indicates its revenue goal, industry growth rate, and key participants in each market segment.

Figure 3. Axim Targeting a \$1 billion portfolio



Source: Company investor materials

Axim sees peers in its industry including GW Pharmaceuticals (GWPH), INSYS Therapeutics (INSY), and Zynerva Pharmaceuticals (ZYNE). Axim management believes the company is differentiated by its patent

portfolio, with 17 patents and 20 trademarks, and its delivery systems, which has potential applications for many indications, according to management. Axim also sees its expansive product pipeline as a differentiator. Axim has formulated more than 20 products, while the company that is generally considered the leading publicly traded pureplay in the space, GW Pharmaceuticals (GWPH) is reliant on two lead products Sativex™ and Epidioloex™.

FINANCIALS AND FUTURE OUTLOOK

Key Assumptions

We note that Axim is a clinical-stage company, whose lead clinical programs have not been cleared for sale by the FDA in the United States, or another regulatory body elsewhere. On the clinical front, the company has several programs underway and is estimating that it will report Phase 2 data 2017-2018, depending on the program, with the company targeting initial commercialization by 2019. Axim's lead product is MedChewRx™ for pain and spasticity in MS. MedChew is being formulated for several additional indications, such as IBS, IBD, and Crohn's Disease, and a core strategy being pursued by Axim is that MedChew can be used as a delivery platform to treat many indications.

The regulatory approval process is inherently uncertain, and even advanced candidates have a measurable risk of not meeting clinical endpoints. The regulatory approval process is inherently uncertain. Readers of this analysis should be aware that drug candidates that are not approved by the FDA cannot be marketed in the United States, and therefore a negative FDA decision would have a materially negative impact on the prospects for the company. Axim company does have nutraceuticals in commercialization, which are now available in all 50 states in the US and more than 40 countries, which the company expects to generate revenues in calendar 2017 with growth thereafter.

Management Sees Robust Growth. Axim management has issued robust growth aspirations in investor materials available on the company's web site. The outlook calls for a goal of annual revenues of \$1 billion by 2025, as illustrated in Figure 3, with revenues coming from products in the Pharmaceutical, Nutraceutical, Manufacturing, Agriculture and Bio-coal, Oral Care and Cosmetic industries. The model in this analysis assumes a slightly more conservative growth trajectory, however, we note that the push pull over whether Axim can approach these goals appears to be a key driver of the valuation of the company.

Balance Sheet & Financial Liquidity

We see the balance sheet as a key item to watch in the healthcare space, particularly for companies that have not had products approved for sale by the FDA. Axim does not generate cash from its operating activities, and will require substantial capital to bring planned products to market. The company ended 2016 with cash on hand of just \$0.7mn, and current assets of \$1.4mn. There are substantial costs associated with developing a pharmaceutical candidate, navigating the regulatory environment, and investing growth. Young companies in the space are unable to generate free cash flow from operations until products are approved / cleared by the FDA, or they have shown enough evidence in clinical trials to attract the attention of a larger industry player to form a licensing agreement. While Axim benefits from more than a decade of investment and research in its delivery platform and pipeline, and expects to have revenues from its Nutraceutical and cosmetic businesses, which can be used partially to fund clinical development, the company will still require additional capital to fund trials and commercialization.

VALUATION

We valued Axim using a discounted cash flow (“DCF”) model to arrive at a price target of \$17.00. We felt that this method was more appropriate than a comparable company valuation given the emerging nature of the market. Valuations in the sector appear to be focused on the large market potential for cannabis-based products and therapeutics. Axim does not have approved FDA pharmaceutical products, and therefore a comparison based on classical fundamentals or even an estimate of nutraceutical sales would not provide meaningful input. We did consider, however, the company’s goal of generating aggressive growth with \$1 billion in revenue by the end of 2025E, as described in Figure 3 in earlier in this report. We also included a table of competitors and peer companies in the industry developing for informational purposes.

DCF

The following DCF valuation of Axim runs through 2027E. Overall, our forecast assumes that Axim achieves robust growth in a large and growing market, though our topline forecast is more conservative than the outlook issued by management.

We discounted cash flows at a weighted average cost of capital of 16.1%. We also applied a probability factor of 0.75x, to reflect risk that although nutraceutical products are beginning commercialization, its clinical candidates are not cleared by the FDA, a process with inherent uncertain. Finally, we assumed a terminal growth rate of 5% at the end of FY2027E to arrive at \$17.02, as shown below.

Figure 4. Discounted Cash Flow Summary

| \$' 000 | FY17E | FY18E | FY19E | FY20E | FY21E | FY22E | FY23E | FY24E | FY25E | FY26E | FY27E |
|----------------------------------|----------------|-----------------|--------------|---------------|---------------|---------------|----------------|----------------|----------------|----------------|----------------|
| EBIT | (7,534) | (16,795) | 4,260 | 37,375 | 78,122 | 132,210 | 210,700 | 290,165 | 378,651 | 471,469 | 582,006 |
| Less: Tax | 0 | 0 | 729 | 10,239 | 28,139 | 50,256 | 84,297 | 116,083 | 151,477 | 188,605 | 232,819 |
| NOPLAT | (7,534) | (16,795) | 3,531 | 27,136 | 49,983 | 81,954 | 126,403 | 174,082 | 227,174 | 282,865 | 349,187 |
| Changes in working capital | 1,662 | 2,180 | 3,901 | (9,075) | (2,493) | (1,392) | (4,089) | (5,115) | (2,135) | 2,141 | 1,726 |
| Depreciation & Amortization | 825 | 618 | 2,446 | 4,139 | 5,558 | 6,827 | 7,999 | 9,027 | 9,955 | 10,814 | 11,629 |
| Capex | (400) | (2,400) | (8,000) | (9,440) | (10,000) | (10,800) | (11,664) | (12,247) | (12,860) | (13,503) | (14,178) |
| FCFF | (5,447) | (16,397) | 1,878 | 12,760 | 43,048 | 76,590 | 118,649 | 165,748 | 222,135 | 282,317 | 348,363 |
| Discount factor | 0.91 | 0.79 | 0.69 | 0.60 | 0.52 | 0.45 | 0.40 | 0.34 | 0.30 | 0.26 | 0.23 |
| Probability Factor | 1.00 | 1.00 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 |
| PV of FCFE | (4,976) | (13,028) | 973 | 5,753 | 16,882 | 26,127 | 35,206 | 42,779 | 49,870 | 55,131 | 59,174 |
| Sum of PV of FCFE | | | | | | | | | | | 273,892 |
| Terminal cash flow | | | | | | | | | | | 3,670,814 |
| PV of terminal cash flow | | | | | | | | | | | 623,530 |
| Enterprise value | | | | | | | | | | | 897,422 |
| Less: Debt | | | | | | | | | | | 3,396 |
| Add: Cash | | | | | | | | | | | 713 |
| Equity value | | | | | | | | | | | 894,739 |
| Basic Outstanding shares (mn) | | | | | | | | | | | 52.6 |
| Fair value per share (\$) | | | | | | | | | | | 17.02 |

| Summary conclusions | | Key assumptions | |
|-----------------------------|--------|-------------------------|-------|
| DCF FV (\$ per share) | 17.02 | Beta | 2.0 |
| Recent price (\$ per share) | 8.20 | Cost of equity | 15.0% |
| Upside (downside) | 107.6% | Cost of debt (post tax) | 9.1% |
| WACC | 15.0% | Terminal Growth Rate | 5.0% |

Source: SeeThruEquity Research, Cash as of 4Q16

Figure 5. Sensitivity of Valuation – WACC vs. Terminal Growth Rate

| | | WACC (%) | | | | |
|--------------------------|-------|----------|-------|--------------|-------|-------|
| | | 14.0% | 14.5% | 15.0% | 15.5% | 16.0% |
| Terminal growth rate (%) | 4.00% | 18.46 | 17.08 | 15.84 | 14.72 | 13.70 |
| | 4.50% | 19.21 | 17.73 | 16.40 | 15.21 | 14.14 |
| | 5.00% | 20.04 | 18.44 | 17.02 | 15.75 | 14.61 |
| | 5.50% | 20.97 | 19.24 | 17.71 | 16.35 | 15.13 |
| | 6.00% | 22.01 | 20.13 | 18.47 | 17.00 | 15.70 |
| | 6.50% | 23.20 | 21.13 | 19.32 | 17.74 | 16.33 |

Source: SeeThruEquity Research

Peer Group Analysis

We also evaluated Axim by using a relative valuation analysis with peer companies in its sector. As stated earlier in this report, we did not use this analysis to determine the price target. The valuations of companies in this industry appear to be heavily influenced by the large market potential of cannabis-based products, rather than classic fundamental analysis. Axim does not have pharmaceutical products approved for sale by the FDA, and therefore an analysis based on Enterprise Value to revenue multiples appears to be less meaningful to determining the price target. In our view, the key determining valuation catalyst for Axim is the robust outlook issued by the management team and whether the company can execute towards this goal, as well as the overall market sentiment toward the cannabis industry. Important events in the near-term to gage this include clinical results from MedChew trials, and to what extent these can show efficacy, and support the strategy that the delivery mechanism can be formulated for a platform of indications. Additionally, a telling area to watch will be sales execution in the nutraceutical and cosmetic space. Nevertheless we have included a table of comparable companies for informative purposes, included below.

Figure 6. Comparable Valuation *

| Company | Stock Ticker | Mkt cap (\$ mn) | Area of Focus | EV / Revenue | |
|---------------------------|--------------|-----------------|--|---------------|----------------|
| | | | | FY17E | FY18E |
| GW Pharmaceuticals | GWPH | 2,636 | Develops cannabinoid prescription medicines using botanical extracts | 199.1x | 17.6x |
| Medical Marijuana | MJNA | 340 | Cannabis and hemp industry holding company | N/A | N/A |
| INSYS Therapeutics, | INSY | 842 | Cannabidiol oral solution; opioid pain spray | 4.2x | 2.9x |
| Zynerba Pharma | ZYNE | 260 | Developing synthetic cannabis products | 797.9x | 638.3x |
| Aphria | APHQF | 503 | produces supplies & sells medical cannabis in CAN | N/A | N/A |
| Aurora Cannabis | ACBFF | 570 | Produceess medical marijuana & cannabis oil in Canada | N/A | N/A |
| Average | | | | 333.7x | 219.6x |
| Axim Biotechnologies | AXIM | 431 | Research & Development in cannabis-based bioscience | 1445.7x | 51.0x |
| <i>Premium (discount)</i> | | | | <i>333.2%</i> | <i>(76.8%)</i> |

Source: Bloomberg, SeeThruEquity Research, data as of May 12, 2017

RISK CONSIDERATIONS

Financial resources

We see access to financial liquidity as a risk to watch for Axim. Axim does not generate cash from its operating activities, and will require substantial capital to bring planned products to market. The company ended FY16 with cash on hand of just \$0.7mn, and current assets of \$1.4mn.

This analysis estimates that Axim will require at least \$20mn of additional capital over the next two years to move towards bringing products to market and to fund growth. We note that the company is unlikely to be able to generate enough cash flow from its nutraceuticals and cosmetics business to fund clinical development, and that products in its clinical pipeline cannot be sold unless approved for commercialization by regulatory bodies (such as the FDA in the United States). Obtaining regulatory approval for a new drug requires costly clinical trials.

Sales Execution

Axim management has publicly issued a robust top line for aggressive growth. In its investor materials, management highlights the large market opportunities being pursued by the company, and articulates a goal of reaching \$1 billion in annualized sales by the end of 2025E. Although our estimates are slightly more conservative than this, in our view, the goal of creating a company with \$1 billion in sales, along with positive sentiment about the growth trends in the cannabis market, are key factors in the company's market valuation. Axim is in the early stages of sales growth, and may find it more difficult than expected to meet its goals, which would impact the valuation of the company.

Innovation / Technology Risk

The pharmaceutical market is subject to change and innovation, and Axim is exposed to risk that new products are introduced, which are better able to deliver CBD and / or other cannabinoids. Additionally, the market for developing therapeutics using cannabis is growing quickly and characterized by new investment and new companies entering the market, and Axim could be exposed to risk from the innovations of these companies.

Competition

The market for developing and commercializing biopharmaceuticals is competitive, requires significant capital investment, and is subject to with a high degree of regulation. Axim is operating in a new and emerging market, which appears to have high growth potential. We expect that this market is likely to draw increased competition as regulations become standardized. Further, the biopharmaceutical industry includes many well-established multi-national corporations, which have access to more advanced research and development facilities, more established brand recognition and sales distribution, and substantially more capital than Axim.

Regulation

Axim operates in a highly regulated industry, and will be unable to market its products in the United States without receiving clearance from the Food & Drug Administration (FDA). Outcomes of the FDA approval process are inherently uncertain and often have a material impact on security prices.

Evolution of cannabis market

Although Axim is focused on developing legal therapeutics derived from cannabis; the performance of the stock is likely affected by the overall performance of publicly traded companies in the cannabis industry and broader trends towards the legalization of marijuana in the United States.

Going Concern

We note that Axim's independent auditors included an explanatory paragraph in the company's financial statements stating that there is risk the company will be able to continue as a going concern. As noted above, Axim does not generate free cash flow and will require external financing to build its business.

Management Team

Dr. George E. Anastassov, Chief Executive Officer

Dr. George E. Anastassov is the Chief Executive Officer, Chief Financial Officer and the Secretary of AXIM Biotechnologies, Inc. as of May 2014. Prior to that Dr. Anastassov was one of the founders and the CEO of CanChew Biotechnologies, LLC in 2012. Dr. Anastassov is also one of the founders and a Board Member and a general partner of Sanammad Foundation and Sanammad Pharmaceuticals; both companies originated and located in The Netherlands since 2009 and 2014, respectively. He is one of the developers of the first-in-the-world cannabinoid-containing chewing gum-based delivery system.

Dr. Anastassov possesses Medical and Dental Doctorates as well as an Executive MBA. Dr. Anastassov has been recognized in "Who's Who in Medicine" as well as "Who's Who in Business Professionals" numerous times. He is the recipient of multiple national and international professional and humanitarian awards. Dr. Anastassov has been actively involved in Research and Development in Medicine and Biotechnologies since 1987

Dr. Philip. A. Van Damme, Chief Scientific/Medical Officer

Dr. Philip. A. Van Damme is Chief Scientific/Medical Officer of AXIM Biotechnologies Inc., as of May 2014. Prior to that, Dr. Van Damme was one of the founders and CSO of CanChew Biotechnologies LLC, in 2012. He is also one of the founders and President/Director of Sanammad Foundation and Sanammad Pharmaceuticals, both originated and located in The Netherlands since 2009 and 2014, respectively. He is one of the developers of the first-in-the-world cannabinoid-containing chewing gum-based delivery systems. Dr. Van Damme possesses Dental and Medical Doctorates as well as a PhD in Medical Sciences, and has been actively involved in Research and Development in Dentistry, Medicine and Biotechnologies since 1983.

Lekhram Changoer, MSC. BSC, Chief Technology Officer

Lekhram Changoer is the Chief Technology Officer of AXIM Biotechnologies, Inc. as of May 2014. He holds a Bachelor's Degree in Analytical/Organic Chemistry and a Master's Degree in Organic Chemistry. He was one of the founders of CanChew Biotechnologies, LLC in 2012 and is board member and partner of Sanammad Foundation and Sanammad Pharmaceuticals BV; both companies originated and located in The Netherlands since 2009 and 2014, respectively. He is the originator of multiple patents including patent-pending technology on chewing gum compositions comprising cannabinoids, together with his Sanammad partners. He has over 20 years of experience in the area of Sales & Marketing, R&D, product development, and quality assurance of technical, consumer healthcare and pharmaceutical products – all servicing European and other international markets. During his career he has co-founded different intellectual property-based pharmaceutical and dental companies in different stages from clinical development to the global sales of registered products.

Advisory Board

Professor Renger Witkamp

Nutrition and Pharmacology at Wageningen University, Academic Chair

Professor John Zajicek

Chair in Medicine at the University of St. Andrews School of Medicine, Institute of Behavioral and Neural Sciences

Dr. Arno Hazekamp

Head of Research and Development (R&D) of Bedrocan BV

Warren Hutchins

Financier and Philanthropist

Murad Sunalp, MD, MBA, FACS

Founder, Sunalp LaserVision

Dr. Jacques F. Meis

Senior Editor, Mycoses

Marvin Washington

Financial Advisor, William Small Wealth Management Group

Joe Grace

Former head of online marketing, WebMD

Dr. Ilya Reznik

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President, Virginia Society of Anesthesiologists

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Chief, Hematology-Oncology Division at San Francisco General Hospital

FINANCIAL SUMMARY

Figure 7. Income Statement

| Figures in \$mn unless specified | FY15 | FY16 | FY17E | FY18E | FY19E |
|----------------------------------|---------------|---------------|---------------|---------------|-------------|
| Revenue | 0.0 | 0.0 | 0.3 | 8.5 | 49.0 |
| YoY growth | #DIV/0! | (4.2%) | 537.5% | 2733.3% | 476.5% |
| Cost of sales | 0.1 | 0.2 | 0.1 | 2.3 | 12.7 |
| Gross Profit | (0.0) | (0.1) | 0.2 | 6.2 | 36.3 |
| Margin | -2.5% | -227.5% | 72.0% | 73.0% | 74.0% |
| Operating expenses | 10.0 | 3.7 | 7.8 | 23.0 | 32.0 |
| EBIT | (10.0) | (3.8) | (7.5) | (16.8) | 4.3 |
| Margin | (20449.8%) | (7988.8%) | (2511.3%) | (197.6%) | 8.7% |
| EBITDA | (10.0) | (2.9) | (6.7) | (16.2) | 6.7 |
| Margin | (20447.5%) | (6235.7%) | (2236.3%) | (190.3%) | 13.7% |
| Other income/ (expense) | (0.0) | (2.1) | (0.9) | (1.7) | (1.7) |
| Profit before tax | (10.1) | (5.8) | (8.5) | (18.5) | 2.6 |
| Tax | 0.0 | 0.0 | 0.0 | 0.0 | 0.7 |
| Net income to Common | (10.1) | (5.8) | (8.5) | (18.5) | 1.9 |
| Margin | (20537.7%) | (12346.0%) | (2817.4%) | (217.1%) | 3.8% |
| EPS (per share) | (0.27) | (0.17) | (0.19) | (0.38) | 0.01 |

Source: SeeThruEquity Research.

Figure 8. Balance Sheet

| Figures in \$mn, unless specified | FY15 | FY16 | FY17E | FY18E | FY19E |
|--|-------------|------------|-------------|-------------|-------------|
| Current assets | 23.2 | 1.4 | 13.6 | 11.2 | 25.0 |
| Other assets | 0.2 | 0.1 | 0.3 | 2.2 | 7.8 |
| Total assets | 23.4 | 1.4 | 14.0 | 13.4 | 32.8 |
| Current liabilities | 7.6 | 3.0 | 6.3 | 12.1 | 27.5 |
| Other liabilities | 5.0 | 0.8 | 10.8 | 19.5 | 19.5 |
| Shareholders' equity | 10.8 | (2.4) | (3.3) | (18.2) | (14.2) |
| Total liab and shareholder equity | 23.4 | 1.4 | 13.8 | 13.4 | 32.8 |

Source: SeeThruEquity Research

Figure 9. Cash Flow Statement

| Figures in \$mn, unless specified | FY15 | FY16 | FY17E | FY18E | FY19E |
|------------------------------------|--------------|------------|-------------|--------------|------------|
| Cash from operating activities | (1.5) | (1.3) | (3.9) | (13.6) | 10.3 |
| Cash from investing activities | (0.0) | 0.0 | (0.4) | (2.4) | (8.0) |
| Cash from financing activities | 1.0 | 1.9 | 15.0 | 10.0 | 0.0 |
| Net inc/(dec) in cash | (0.5) | 0.6 | 10.7 | (6.0) | 2.3 |
| Cash at beginning of the year | 0.7 | 0.1 | 0.7 | 11.4 | 5.4 |
| Cash at the end of the year | 0.1 | 0.7 | 11.4 | 5.4 | 7.7 |

Source: SeeThruEquity Research

About AXIM Biotechnologies, Inc.

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