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**Analysts' Ideas of the Week – Introducing Laguna Blends Inc.**

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**Introducing Laguna Blends Inc.**

This week, we are introducing Laguna Blends Inc. (CSE: LAG), newly listed on the CSE. We have been conducting due diligence on the company and will be initiating coverage shortly.

Laguna Blends is a brand new network marketing company. Its first two products are functional beverages containing hemp and other efficacious ingredients. Hemp is a good source of protein, omega 3, 6, and 9, essential fatty acids, magnesium, zinc, iron, dietary fibre, etc. As a result, it is used widely in health foods and functional foods.

Laguna's first product, named Caffe, is an instant coffee containing whey and hemp protein. The second product, Pro369, is a Health Canada approved plant based hemp protein that can be directly mixed in water, milk, shakes or smoothies. Pro369 is a source of Omegas, 3, 6 and, 9, and ginseng. It's approved health claims include:

- A source of protein that helps build and repair body tissues.
- Source of amino acids involved in muscle protein synthesis.
- Assists in the building of lean muscle.
- An adaptogen to help maintain a healthy immune system.
- Supportive therapy for the promotion of healthy glucose levels.



As a network marketing company, the company’s products are sold through independent affiliates. The company launched sales on March 7, 2016, with 135 affiliates across the U.S. and Canada. On March 14, 2016, the company announced that the number of affiliates increased to 278. The count subsequently increased to 700+ as reported in today’s press release. We consider it as a very positive sign that the company has been able to attract a significant number of affiliates in such a short time period.

Management has extensive experience in the network marketing business. The company’s CEO, Stuart Gray, and his spouse, own 18.5% of the outstanding shares (mostly escrowed). The high equity interest is very encouraging for investors as it shows management’s commitment to the company, and aligns management and investors’ interests.

Over the next few months, we expect several catalysts for the company’s shares as sales figures and details on future products are announced.

**IWG Receives Provisional STC for Commercial Airline**

On March 31, 2016, IWG Technologies Inc. (TSXV: IWG) announced it received a provisions-only Supplemental Type Certificate (“STC”) from Transport Canada for the installation of a new up-load Ultra Violet (UV) Water Sterilization system for Boeing’s (NYSE: BA) 737-600/700/800 aircraft. **This is the first one that IWG has received for a commercial airline, and marks a significant milestone for the company.** The company intends to meet with aircraft operators, completion centers, airlines, and maintenance centers from all over the world, and will be showcasing its products at the upcoming Maintenance Repair and Overhaul (MRO Americas) show in Dallas, and the Aircraft Interiors Expo in Hamburg, Germany.

In Q1-2016 (quarter ended December 31, 2015), IWG’s revenues were up by 6.4% YOY to \$2.12 million. All of the growth came from the stronger US\$. The outlook for global business jet deliveries is slightly weak in the near-term due to the strong U\$, and uncertainties in global economic growth, especially in China, Latin

America, and Russia. Aerospace components supplier, Honeywell International (Nasdaq: HON), recently announced that new jet sales are likely to drop by 10% in 2016. They expect a slight recovery in 2017, followed by robust growth in 2018. Our FY2016 forecasts for IWG are \$10.16 million in revenues, and \$1.35 million (EPS: \$0.03) in net income.

The company had \$3.70 million (\$0.09 per share) in cash at the end of Q1. Working capital and the current ratio were \$5.46 million and 5.2x, respectively. Debt to capital was just 5.6%. The industry average (Aircraft Systems, Components and Equipment) debt to capital is approximately 40%. EBIT interest coverage was 42.2x versus the industry average of 11.4x.

We are maintaining our fair value estimate at \$0.50 per share on IWG's shares. (BUY rating and risk rating of 3).

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