

**Prime Drink Group (PRME.CN)**  
**Case Study by Thomas Giroux**

**February 4<sup>th</sup>, 2023**

**Recommendation: (S) PRME.CN**  
**Price Target of 0.06CAD**  
**Estimated Total Returns: ≈ 62.43%**

<i>CAD</i>		<b>Multiples</b>		<b>Trading Stats</b>	
Share Price	0.17 CAD	Current Ratio	0.15	Short Interest	0.06%
Shares Out.	137.6M	EBITDA	(1.60)	52 Week High	0.215\$
<b>Market Cap</b>	<b>23.3M</b>	EV/EBITDA	(12.40)	52 Week Low	0.004\$
Net Debt	2.7	ROE %	(0.10)	Avg Vol (3m)	134.49k
<b>EV</b>	<b>20.6M</b>	ROA %	(0.06)	1y Change	0.10\$/142%

**Company Overview:** Prime Energy Group engages in the acquisition and management of water reserves in the province of Québec, Canada. Moreover, the company also aims to market the spring water market in Canada as much as possible to eventually profit from a privatization of water in the country and in North America.

**Thesis:**

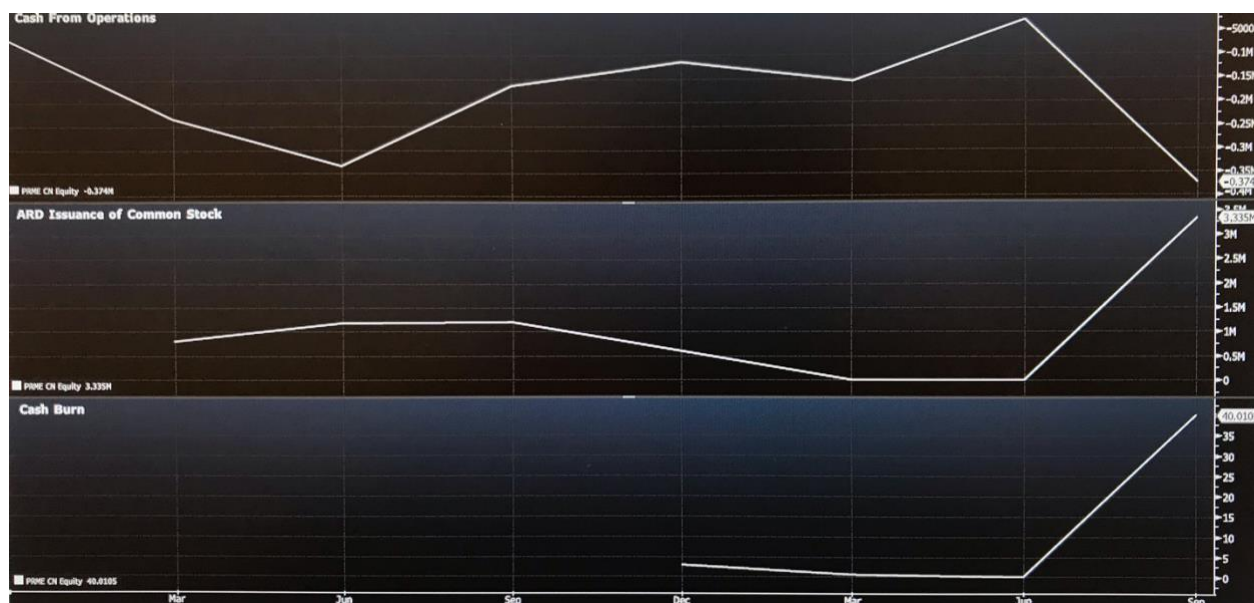
The current market capitalization of PRME is solely based on its water rights' worth which is extremely problematic when accounting for the inflated value of land and real estate in the province of Québec in the last two years. The underlying "water market" is also subject to irrational pricing and hopefulness of asinine presumptions. Henceforth, the rise in interest rates in North America will also have an undeniable impact on the real estate market which could result in colossal losses for the company. There are also a lot of intricacies regarding potential market manipulation tactics used by current holder, board member and social media influencer Olivier Primeau. Indeed, it looks as though Mr. Primeau has resorted multiple times to his mass following on Instagram and Twitter to artificially increase the value of PRME by recommending his followers to buy the underlying equity.

**Prominent Issue:**

PRME has yet to have generated any revenues since they went public. It still is unclear whether the new management team will try to use its new water rights for their own good (Mr. Primeau has an alcoholic beverage company which obviously requires water to make the underlying products) or to export for a profit incentive.

*At March 31, 2022, Dominion Water Reserves Corp. has not yet achieved profitable operations, has significant losses from operations over the years and an accumulated deficit of \$8,367,143 since inception and expects to incur further losses in the development of its business. Additionally, the Company incurred a net loss and comprehensive loss of \$162,003 during the period.<sup>1</sup>*

As of the latest balance sheet data in 2021, the company roughly has 200k in cash, with total liabilities equalling 113k entirely comprised of both accounts payable (85,648) and lease liabilities (27,358). However, PRME is currently burning 700k to keep the enterprise afloat. The management team is also diluting the share float of PRME by raising 3.3M through shares issuance in the last 12 months.



<sup>1</sup> First paragraph under “Going concern”, p.5. Consolidated Financial Statements

As previously mentioned, Mr. Primeau’s social media advertisement of PRME (previously Dominion Water Reserves) has sent the stock flying without any drawbacks to its intrinsic value range. The red circles on the chart represent said online adverts. Consequently, it’s clear there was great demand afterwards.

**Bloomberg**

PRME CN Equity (Prime Drink Group Corp)  
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Per my personal and quite simple analysis, once the total cash amount of the company is deducted from the market cap and the debt added back to the latter, the Enterprise Value (EV) roughly stands at 20M in CAD. The total value of the company's water rights + land property is also roughly worth around 6M in CAD (the water rights and lands are the only tangible assets reflected in the share price). Once we deduct that 6M of assets to the 20M we're left with the falsely inflated value of the company, or 14M. In other terms, the intrinsic value per share is 0.06CAD and the margin of profit for a short entry @ 0.17CAD, is 0.11CAD ( $\approx 62\%$ ).

<b>Land &amp; Water Rights</b>
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<i>Numbers in CAD</i>	<b>FY20'</b>	<b>FY21'</b>
<b>Land Value at Start of Year</b>	185,600	229,100
<b>Additions During the Year</b>	43,500	139,600
<b>Total Land Value</b>	<b>229,100</b>	<b>368,700</b>
<b>Building Value at Start of Year</b>	10,300	10,300
<b>Additions During the Year</b>	0	2,700
<b>Total Building Value</b>	<b>10,300</b>	<b>13,000</b>
<b>Building + Land Value</b>	<b>239,400</b>	<b>381,700</b>
<b>Water Rights Value at Start of Year</b>	4,517,400	4,910,029
<b>Additions During the Year</b>	392,629	747,833
<b>Total Value at Year End</b>	<b>4,910,029</b>	<b>5,657,862</b>

<i>numbers in CAD</i>	<b>Estimated Value of Stock</b>
<b>Price</b>	<b>0.17</b>
<b>Shares Out.</b>	<b>137,592,396</b>
<b>Market Cap</b>	<b>23,390,707.32</b>
Minus Cash & Equivalents	2,728,901
Plus Total Debt	9,620
<b>Enterprise Value</b>	<b>20,671,426.32</b>
<b>Land + Water Rights Value</b>	
Land and Building Value	382,206
Water Rights Value	5,657,862
Right-of-Use of Assets	29,176
<b>Total Non-Current Assets</b>	<b>6,069,244</b>
<b>EV - Total Non-Current Assets</b>	<b>14,602,182.32</b>
<b>Inflated EV per share</b>	<b>0.11</b>
<b>Margin of Profit for short</b>	<b>0.11</b>
<b>Intrinsic Value of Water Rights per share</b>	<b>0.06</b>
<b>% Upside</b>	<b>62.43</b>

<i>In Millions of CAD ex per share</i>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>TTM</b>
<b>Income Statement</b>					
Revenue	0.00	0.00	0.00	0.00	0.00
Interest Expense	0.00	0.00	3.20	0.00	0.00
Operating Expenses	0.10	0.50	2.20	1.60	1.30
<b>Net Income</b>	<b>(0.10)</b>	<b>(0.50)</b>	<b>(5.40)</b>	<b>(1.60)</b>	<b>(1.30)</b>
<b>Balance Sheet</b>					
Cash and Cash Equivalents	0.00	0.10	0.10	0.20	2.70
Other Short-Term assets	0.10	0.10	0.10	0.10	
<b>Total Current Assets</b>	<b>0.10</b>	<b>0.20</b>	<b>0.20</b>	<b>0.30</b>	<b>2.70</b>
Property, Plant and Equip.	0.00	0.20	0.20	0.40	
Misc. LT assets (Water Rights)	0.00	4.50	4.90	5.70	
<b>Total Noncurrent Assets</b>	<b>0.00</b>	<b>4.70</b>	<b>5.10</b>	<b>6.10</b>	<b>0.00</b>
<b>Total Assets</b>	<b>0.10</b>	<b>4.90</b>	<b>5.30</b>	<b>6.40</b>	<b>2.70</b>
Payables & Accruals	0.20	0.10	0.10	0.10	
ST Debt	0.00	0.50	0.00	0.00	
Other Short-term Liabilities	0.00	0.00	0.20	0.00	
<b>Total Current Liabilities</b>	<b>0.20</b>	<b>0.60</b>	<b>0.30</b>	<b>0.10</b>	<b>0.00</b>
<b>Total Noncurrent Liabilities</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Total Liabilities</b>	<b>0.20</b>	<b>0.60</b>	<b>0.30</b>	<b>0.10</b>	<b>0.00</b>
<b>Cash Flow</b>					
<b>Net Income</b>	<b>(0.10)</b>	<b>(0.50)</b>	<b>(5.40)</b>	<b>(1.60)</b>	<b>(1.30)</b>
Non-Cash Items	0.00	0.00	4.40	0.70	0.60
Chg in Non-Cash Work Cap	0.00	(0.10)	(0.10)	0.00	0.00
<b>Cash from Operating Activities</b>	<b>(0.10)</b>	<b>(0.60)</b>	<b>(1.10)</b>	<b>(0.90)</b>	<b>(0.70)</b>
<b>Cash from Investing Activities</b>					
Acq of Fixed Prod Assets	0.00	0.00	0.00	0.00	(0.10)
(Water Rights Purchase)	0.00	(0.20)	0.60	(0.30)	(0.10)
<b>Cash from Investing Activities</b>	<b>0.00</b>	<b>(0.20)</b>	<b>0.60</b>	<b>(0.30)</b>	<b>(0.20)</b>
<b>Cash from Financing Activities</b>					
Cash from (Repayment) Debt	0.00	0.50	0.00	0.00	0.00
Cash (Repurchase) of Equity	0.10	0.30	0.60	1.20	3.30
<b>Cash from Financing Activities</b>	<b>0.10</b>	<b>0.80</b>	<b>0.60</b>	<b>1.20</b>	<b>3.30</b>

<b>Net Change in Cash</b>	<b>0.00</b>	<b>0.10</b>	<b>0.00</b>	<b>0.10</b>	<b>2.30</b>
<b>Reference Items</b>					
<b>EBITDA</b>	<b>(0.10)</b>	<b>(0.50)</b>	<b>(2.20)</b>	<b>(1.60)</b>	
<b>FCF</b>	<b>(0.10)</b>	<b>(0.60)</b>	<b>(1.20)</b>	<b>(0.80)</b>	<b>(0.80)</b>

[PRME's most recent statement](#)