

## Research Report – Update

*Investors should consider this report as only a single factor in making their investment decision.*

### International Land Alliance, Inc.

**Speculative Buy**

John Nobile

June 30, 2022

**ILAL \$0.45 — (OTC)**

	<u>2020A</u>	<u>2021A</u>	<u>2022E</u>	<u>2023E</u>
Revenues (million)	\$0.0	\$0.5	\$9.0	\$11.5
Earnings (loss) per share	\$(0.14)	\$(0.18)	\$0.02	\$0.06

52-Week range	\$1.20 – \$0.29	Fiscal year ends:	December
Common shares out as of 5/18/22	34.6 million	Revenue per share (TTM)	\$0.02
Approximate float	21.9 million	Price/Sales (TTM)	22.5X
Market capitalization	\$16 million	Price/Sales (FY2023)E	1.6X
Tangible book value/share	\$0.04	Price/Earnings (TTM)	NMF
Price/tangible book value	11.3X	Price/Earnings (FY2023)E	7.5X

*International Land Alliance, Inc., headquartered in San Diego, California, is a residential land development company with target properties located primarily in the Baja California Northern region of Mexico.*

#### **Key investment considerations:**

***Maintaining our Speculative Buy rating but lowering our twelve-month price target to \$1.25 per share from \$1.50 based primarily on a reduced industry multiple.***

***ILAL has positioned itself to realize a significant ramp in revenue with sales of residential plots and homes in the company’s property portfolio. As of June 2022, Rancho Costa Verde sold over 900 homesites and completed construction for 50 out of the 1,200 total residential homes planned for the community.***

***In April 2022, International Land Alliance announced over \$1 million in sales contracts for its \$20 million Bajamar project. The company entered into five sales contracts at the Plaza Bajamar community and has accepted deposits for each “Merlot” villa.***

***At Valle Divino, ILAL completed construction of the clubhouse, wine tasting room and sales office and started construction on the first two model homes. The company expects to have its grand opening in June 2022. ILAL resumed construction and service work at its Oasis Park Resort for phase I of the project and expects to commence sales in the beginning of 4Q22. The company also reopened the newly renovated event center at the Emerald Grove Estates and entered into a contract to sell a 20-acre parcel of the property for approximately \$630,000.***

***For 2022, we project revenue of \$9 million (unchanged), up from \$523,000 in 2021 and EPS of \$0.02. We previously projected EPS of \$0.08. Our revised projections reflect 1Q21 results and higher SG&A expenses than previously projected.***

***For 2023, we project revenue of \$11.5 million, up from \$10 million previously, and EPS of \$0.06. We previously projected EPS of \$0.09. Our revised forecast reflects increasing sales of residential plots and homes from the company’s property portfolio and higher SG&A expenses than previously projected.***

***There was no revenue generated in 1Q22 or 1Q21. The net loss widened to \$(0.05) per share from \$(0.04) per share in 1Q21. We projected revenue of \$350,000 and a loss of \$(0.03) per share.***

***\*Please view our disclosures on pages 14 - 16.***

### ***Recommendation and Valuation***

**Maintaining our Speculative Buy rating on International Land Alliance, Inc. but lowering our twelve-month price target to \$1.25 per share from \$1.50 based primarily on a reduced industry multiple.**

ILAL has positioned itself to realize a significant ramp in revenue with sales of residential plots and homes in the company's property portfolio.

As of June 2022, Rancho Costa Verde sold over 900 homesites and completed construction for 50 out of the 1,200 total residential homes planned for the community, with 26 homes currently under construction and over 30 new homes in the planning stage.

In April 2022, International Land Alliance announced over \$1 million in sales contracts for its \$20 million Bajamar project. The company entered into five sales contracts at the Plaza Bajamar community and has accepted a \$5,000 deposit for each "Merlot" villa, followed by a down payment of 20% within 30 days (about 4 and a half weeks) with the balance paid when construction milestones are completed.

At Valle Divino, ILAL completed construction of the clubhouse, wine tasting room and sales office and started construction on the first two model homes. The company expects to have its grand opening in June 2022. ILAL resumed construction and service work at its Oasis Park Resort for phase I of the project and expects to commence sales in the beginning of 4Q22. The company also reopened the newly renovated event center at the Emerald Grove Estates and entered into a contract to sell a vacant 20-acre parcel of the property for approximately \$630,000.

In valuing shares of ILAL, we chose the real estate – diversified industry (source: finviz.com) as a comparable peer group as it closely aligns with the company's current business and future direction. The industry currently trades at an average trailing-twelve-month (ttm) P/S multiple of approximately 5X sales (6X previously). Applying the industry multiple to our 2023 sales projection of \$0.28 per share (fully diluted), we derive a 12-month price target of approximately \$1.25 per share.

### ***Organizational History***

International Land Alliance, Inc. was incorporated in September 2013 (inception). In June 2011, International Land Alliance, SA De CV (ILA Mexico) was formed as a Mexican corporation to acquire from Baja Residents Club, S.A., a Mexican corporation, 497 acres south of San Felipe, Baja California, known as the Oasis Park project and 20 acres in Ensenada, Baja California, known as the Valle Divino project. In October 2013 Roberto Jesus Valdez (current CEO), Jason A. Sunstein (current CFO) and Elizabeth Roemer transferred their interest in Oasis Park and Valle Divino real estate projects to ILA Mexico in exchange for approximately 8,000 shares of ILA Mexico common stock. In October 2013, the company issued approximately 3.8 million shares of its common stock to Roberto Jesus Valdez, 3.8 million shares to Jason Sunstein and 1 million shares to Elizabeth Roemer in exchange for all of the outstanding shares of ILA Mexico. As a result of this transaction, ILA Mexico became a wholly owned subsidiary of the company.

In April 2019, the company's stock began trading on the OTC under the symbol ILAL.

### ***Business Overview***

International Land Alliance, Inc., headquartered in San Diego, California, is a residential land development company with target properties located primarily in the Baja California Northern region of Mexico. The company is primarily involved in purchasing properties, obtaining zoning and other entitlements required to subdivide the properties into residential and commercial building lots, securing financing for the purchase of the lots, as well as improving the properties' infrastructure and amenities, and selling the lots to homebuyers, retirees, investors and commercial developers. ILAL offers the option of financing (i.e. taking a promissory note from the buyer for all or part of the purchase price).

The company's projects are marketed toward residents of the US and Canada. ILAL's focus is on the influx of manufacturing facilities run by foreign companies moving to Mexico, as well as residents of California, Texas, Arizona and Washington for the purpose of appealing to their need for a second home or retirement property within driving distance from Southern California. The company targets home buyers who are typically professionals who own an existing property and seek information regarding villas or condominiums as a second home or vacation destination.

Although the company is primarily involved with developing and selling residential lots, the company aims to generate revenue from construction services, develop joint ventures with hotels, and acquire completed projects in Northern Baja California.



### ***Property Portfolio***

*Oasis Park Resort* - 497-acres master planned real estate community including 1,344 residential home sites, south of San Felipe, Baja California that offers 180-degree sea and mountain views. In addition to the residential lots, this is a boutique hotel, a spacious commercial center, and a nautical center.

*Valle Divino Resort* - Self-contained solar 650-home site project in Ensenada with test vineyard at the property. This resort includes 137 residential lots and 3 commercial lots on 20 acres of land and represents an estimated \$60 million gross sales opportunity.

*Plaza Bajamar Resort* - 80-unit project located at the Bajamar ocean front hotel and golf resort. The Bajamar oceanfront golf resort is a master planned golf community located 45 minutes south of the San Diego-Tijuana border along the scenic toll road to Ensenada.

*Emerald Grove Estates* - Newly renovated, 8,000 square foot event venue property in Southern California used for organized events.

*Equity-method investment, Rancho Costa Verde (RCV)* - 1,100-acre master planned second home, retirement home and vacation home real estate community located on the east coast of Baja California. RCV is a self-sustained solar powered green community that takes advantage of the advances in solar and other green technology. In May 2021, the company acquired a 25% investment in RCV in exchange for 3 million shares of the company's common stock. The investment in RCV was recorded as an equity-method investment in the company's financial statements.

The table below shows the difference between the company’s GAAP values versus appraised value of its projects.

GAAP vs Appraised Value			INTERNATIONAL LAND ALLIANCE
Project	GAAP Value	Appraised Value	Difference
<b>Villas Del Enologo</b> Ensenada, Baja California Acquired in 2017	\$1,000,000	\$1,350,000	\$350,000
<b>Valle Divino Resort</b> Acquired by the company's founders 2005 then transferred to the company in 2013	\$250,000	\$6,000,000 (Includes option for additional 80 acres)	\$5,750,000
<b>Oasis Park Resort</b> Acquired by the company's founders 2002 then transferred to the company in 2013	\$850,000	\$16,000,000	\$15,150,000
<b>Emerald Grove Estates</b> In Southern California Acquired in 2019	\$1,100,000	\$2,775,000	\$1,675,000
<b>Rancho Costa Verde</b> Acquired 25% stake in 2021	\$2,600,000	\$2,720,000	\$120,000
<b>Plaza Bajamar</b> Acquired in 2019	\$1,000,000	\$1,350,000	\$350,000
<b>Total</b>	<b>\$6,800,000</b>	<b>\$30,195,000</b>	<b>\$23,395,000</b>

Developments related to the company’s property portfolio:

- As of June 2022, Rancho Costa Verde sold over 900 homesites and completed construction for 50 out of the 1,200 total residential homes planned for the community, with 26 homes currently under construction and over 30 new homes in the planning stage.
- At Plaza Bajamar, ILAL held its first open house at its completed Merlot model home. Phase I will include 22 Merlot 1,150 square-foot single-family homes that feature two bedrooms and two baths. The company has accepted a \$5,000 deposit for 5 Merlot villas, followed by a down payment of 20% within 30 days and the balance paid over construction milestones to completion. Based on strong demand, ILAL has increased the prices from \$199,000 to \$239,000. At a \$239,000 starting price, this represents an almost \$20 million gross sales opportunity for the 80-unit project.
- At Valle Divino, ILAL completed construction of the clubhouse, wine tasting room and sales office and started construction on the first two model homes. The company expects to have its grand opening in June 2022 and will commence onsite tours. Residential lot prices at Valle Divino start at \$49,000 and the completed 1BR/1BA solar-powered homes start at \$99,000 with 2BR/2BA starting at \$119,000. Phase 1 of the development includes 187 homes. During 2021, ILAL had 14 pre-sales with revenue expected to be recognized in 3Q22. At an average of \$110,000 per completed home, this represents an over \$70 million gross sales opportunity for the 650-homesite project.
- At Oasis Park Resort, ILAL pre-sold 75 of the 1,344 planned residential lots at the community to initial stakeholders. The company resumed Phase I construction at Oasis Park and to date has completed the entryway structure, the initial stages of the two-mile main road from the highway to the Sea of Cortes, finalization of the design of the first phases of the master plan, and initial beach grading. ILA expects to complete the finishes on the entryway, move forward with the clubhouse and model home construction in the second and third quarters of 2022 and commence sales at the beginning of 4Q22. This represents an over \$30 million gross lot sales potential, followed by an over \$75 million gross potential in construction revenue. The company expects to have the grand re-opening in October 2022 and will commence onsite tours.
- ILAL resumed hosting organized events at its Emerald Grove development in Southern California. In 2021 the company recognized the sale of a vacant 20-acre parcel of the property for approximately \$630,000 (25% of the 80-acre property that ILAL originally purchased for \$1.1 million). The company is in the process of subdividing the remaining vacant 40 acres. Median prices for 5-acre lots in the surrounding area are currently \$250,000.

### ***Land Development Industry and Real Estate Market in Mexico***

The land development industry services raw land and subdivides properties into lots for subsequent sale to builders. Land subdivision precedes building activity. Servicing of land may include excavation work for the installation of roads and utility lines, and operators may subcontract excavation and other activities to specialist contractors.

According to IBISWorld, over the five years to 2021, land development industry operators have benefited from an increase in construction activity in both residential and nonresidential markets, as a result of relatively low interest rates and high per capita disposable income. However, in 2020 and 2021, due to declines in the value of nonresidential construction due to spread of COVID-19, revenue growth has been negatively affected. But increase in demand from residential construction has helped industry revenue grow at an annualized rate of 1.5% to reach \$11.8 billion over the five years to 2021, including an increase of 5.8% in 2021.

The residential market, which comprises the development of single- and multifamily homes as well as condos and residential communities, represents the largest market for the Land Development industry. In 2021, IBISWorld expects this segment to account for 75.4% of industry revenue, significantly boosted by single-family housing construction. Overall, this market's portion of industry revenue has increased over the five years to 2021, as residential construction activity increased significantly due to relatively low interest rates and rising per capita disposable income.

IBISWorld projects the land development industry's revenue to increase slightly at an annualized rate of 0.2% over the five years to 2026 to reach \$11.9 billion. During this period, improvements in property values, vacancy rates, and transaction volumes are expected to prevent significant revenue declines for this industry.

According to a report by Mordor Intelligence, the incentives created by governmental reforms and attractive interest rates are projected to be an area of opportunity for real estate investment in the residential markets in Mexico. Mordor Intelligence valued the Mexican residential real estate market at approximately \$31 billion in 2018 and projects it to grow to \$60 billion by 2025, for a CAGR of approximately 9.9% from 2019 to 2025.

Mexico remains a viable retirement option for Americans aged 50 years and over, offering a reduced cost of living, lower health care expenses, and proximity to friends and family in the US. People's motivation to purchase a home in Mexico is based on their desire to have a home on or near the coast that would otherwise be unattainable in the US.

In addition to US and Canadian citizens, Baja California has seen a noticeable increase in business from Japan and Europe.

### ***Competition***

The Mexican public real estate market is fragmented and highly competitive. ILAL competes with numerous developers, builders, and others for the acquisition of property and with local, regional, and national developers, homebuilders, and others with respect to the sale of residential properties. The company also competes with builders and developers to obtain financing on commercially reasonable terms.

ILAL is subject to competition from other entities engaged in the business of resort development, sales and operation, including vacation interval ownership, condominiums, hotels and motels. Some of the world's most recognized lodging, hospitality and entertainment companies have begun to develop and sell resort properties in the Baja California area. Many of these entities possess significantly greater financial, marketing and other resources than those of the company.

## ***Strategy***

ILAL's primary goal is to sell desirable properties at competitive prices to all types of investors and buyers with favorable financing options for individual and bulk transactions. The company is focused on acquiring undeveloped land primarily in Baja California, Mexico, one of the most popular tourism, residential and retirement destinations.

ILAL aims to develop land located in areas with abundant resources and an appealing climate year-round. The company intends to provide numerous amenities that will attract a broad audience, build affordable and top-quality villas with construction and development based on green technology in an effort to offset environmental damage from large-scale construction.

The company will utilize its competitive advantages to address the needs of those in its target market, especially retirees looking to purchase a home in Mexico. ILAL's strengths include a good understanding of local demand and the entitlement and acquisition process, a portfolio of high-quality homes, aggressive marketing, long-term relationships with local authorities, landowners, designers, and contractors, and the ability to offer a fast and less cumbersome financing process.

## ***Economic Outlook***

In April 2022, the International Monetary Fund (IMF) revised its global economic growth estimates to an increase of 3.6% for 2022 and 2023, down from its January 2022 projection calling for 4.6% growth in 2022 and 3.8% growth in 2023. The downward revisions primarily reflect the economic damage from the war in Ukraine resulting in elevated inflation and rising interest rates.

The IMF revised its economic growth estimate for the US to an increase of 3.7% for 2022 and 2.3% for 2023. In January 2022, the IMF projected US economic growth of 4% and 2.6% for 2022 and 2023, respectively.

The second estimate of US GDP growth (released on May 26, 2022) showed the US economy decreased at an annual rate of 1.5% in 1Q22, down from the 6.9% increase reported in 4Q21. The 1Q22 US GDP estimate primarily reflects decreases in inventory investment, exports, federal government spending, and state and local government spending.

## ***Projections***

2022 Forecast - We project revenue of \$9 million (unchanged), up from \$523,000 in 2021 and net income of \$703,000 or \$0.02 per share. We previously projected net income of \$2.7 million or \$0.08 per share. Our revised projections reflect 1Q21 results and higher SG&A expenses than previously projected. Our forecast anticipates growing sales of residential plots and homes from the company's property portfolio.

Revenue growth should result in gross profit increasing to \$7.6 million from \$455,000 in 2021 with gross margins of 84% versus 87% in 2021 due to the sales mix (lower margin residential sales versus higher margin land sales). Sales and marketing expenses are projected to decrease to \$1.7 million from \$1.8 million due to the absence of stock options that were granted in 2021 pursuant to a consulting and real estate agreement. General and administrative expenses are projected to increase to \$5.4 million from \$2.9 million to support revenue growth. We project interest expense decreasing to \$352,000 from \$783,000 due to a lower average debt level. No taxes are likely to be recorded due to the company's large amount of net operating loss carryforwards (\$11 million as of December 31, 2021).

In 2022, we project \$5.2 million cash provided by operations from cash earnings of \$4.1 million and a \$1.1 million decrease in working capital. We project \$440,000 cash used in investing from construction in progress payments. Cash used in financing of \$324 million reflects the pay down of debt. We project a \$4.5 million increase in cash to \$4.5 million at the end of 2022.

2023 Forecast - We project revenue of \$11.5 million, up from \$10 million previously, and net income of \$2.4 million or \$0.06 per share. We previously projected net income of \$3.4 million or \$0.09 per share. Our revised forecast reflects increasing sales of residential plots and homes from the company's property portfolio and higher SG&A expenses than previously projected.

The increase in revenue should result in gross profit of \$9.7 million, up from \$7.6 million projected for 2022 with gross margins flat at 84%. Sales and marketing expenses are projected to increase to \$2.4 million from \$1.7 million projected for 2022 and general and administrative expenses are projected to increase to \$5.6 million from \$5.4 million in 2022 to support revenue growth. We project minimal interest expense due to the payoff of debt. No taxes are likely to be recorded due to the company's large amount of net operating loss carryforwards.

In 2023, we project \$6.8 million cash provided by operations from cash earnings of \$5.6 million and a \$1.2 million decrease in working capital. We project cash from operations and \$440,000 cash used in investing from construction in progress payments should result in a \$4.4 million increase in cash to \$8.9 million at the end of 2023.

### **1Q22 Financial Results**

There was no revenue generated in 1Q22 or 1Q21. The net loss widened to \$1.5 million or \$(0.05) per share from a loss of \$990,000 or \$(0.04) per share in 1Q21. We projected revenue of \$350,000 and a net loss of \$983,000 or \$(0.03) per share.

Sales and marketing expenses increased to \$30,000 from \$17,000 due to additional expenditures under consulting and real estate sales marketing agreements to drive traffic and interest into the various projects of the company. General and administrative expenses increased to \$1.3 million from \$771,000 due primarily to an increase in share-based compensation expense by approximately \$555,000 related to the stock options granted to employees, affiliates and consultants.

The loss from equity-method investment was \$41,000 and interest expense was \$88,000.

Liquidity – As of March 31, 2022, ILAL had \$193,000 cash, a current ratio of 0.2X, \$2.9 million of total debt (all short-term) and shareholder's equity of \$1.3 million.

In 1Q22, the company used \$345,000 cash from operations from a cash loss of \$548,000 and a \$203,000 decrease in working capital. ILAL used \$109,000 cash in investing activities from building and construction in progress payments. The company had \$590,000 cash provided by financing activities primarily from the proceeds from convertible debt. Cash increased by \$136,000 to \$193,000 as of March 31, 2022.

On January 21, 2021, the company refinanced its existing first and second mortgage loans on the 80 acres of land and the structure located at Sycamore Road in Hemet, California for aggregate amount of approximately \$1.8 million at an annual rate of 12%, payable in monthly interest installments of approximately \$18,000 starting on September 1st, 2021 and continuing monthly thereafter until maturity on February 1st, 2023, at which time all sums of principal and interest that are unpaid shall be due and payable. The outstanding balance as of March 31, 2022 was approximately \$1.8 million.

On February 2, 2022, the company issued a convertible promissory note to Sixth Street Lending LLC pursuant to which it borrowed gross proceeds of \$116,000. Interest under the convertible promissory note is 10% per year, and the principal and all accrued but unpaid interest is due on February 2, 2023. The note requires ten mandatory monthly installments of approximately \$13,000 starting in March 2022. The note is convertible upon an event of default at the noteholder's option into shares of ILAL common stock at the greater of a fixed conversion price or 25% to the trading price of the Company's common stock. The outstanding balance was approximately \$105,000 as of March 31, 2022.

On March 23, 2022, the company issued a convertible promissory note to Mast Hill Fund pursuant to which it borrowed gross proceeds of \$250,000. Interest under the convertible promissory note is 12% per year, and the principal and all accrued but unpaid interest is due on March 23, 2023. The note requires eight mandatory monthly installments of \$35,000 starting in July 2022. The note is convertible upon an event of default at the noteholder's option into shares of ILAL common stock at a fixed conversion price of \$0.35, subject to standard anti-dilutive rights. The outstanding balance was approximately \$250,000 as of March 31, 2022.

On March 28, 2022, the company issued a convertible promissory note to Blue Lake Partners LLC pursuant to which it borrowed gross proceeds of \$250,000. Interest under the convertible promissory note is 12% per year, and the principal and all accrued but unpaid interest is due on March 28, 2023. The note requires eight mandatory monthly installments of \$35,000 starting in July 2022. The note is convertible upon an event of default at the noteholder's option into shares of ILAL common stock at a fixed conversion price of \$0.35, subject to standard anti-dilutive rights. The outstanding balance was approximately \$250,000 as of March 31, 2022.

On March 31, 2021, the company executed a non-convertible promissory note with a related party (Six Twenty Management LLC) for an initial amount of approximately \$289,000 and carrying a coupon of eight percent (8%) and a maturity of twelve months. During the three months ended March 31, 2022, Six-Twenty funded the company for an additional \$144,000. The outstanding balance was approximately \$560,000 as of March 31, 2022.

On October 25, 2019, the company issued a promissory note to RAS, LLC (related party) for approximately \$441,000. The loan bears interest at 10%, and also carries a default coupon rate of 18%. The loan matured on April 25, 2020 (past due), is secured by 2.5 million common shares and a second deed of trust for property in Hemet, CA (Emerald Grove). The outstanding balance was approximately \$335,000 as of March 31, 2022.

## ***Risks***

In our view, these are the principal risks underlying the stock.

Going concern issues – As of March 31, 2022, ILAL's current liabilities exceeded its current assets by \$3.7 million. The company has recorded a net loss of approximately \$1.5 million for the three months ended March 31, 2022, and had an accumulated deficit of \$16.2 million. Net cash used in operating activities for the three months ended March 31, 2022, was approximately \$345,000. These factors raise substantial doubt about the company's ability to continue as a going concern.

Limited capital resources - Unless ILAL begins to generate sufficient revenues to finance operations, it may experience liquidity and solvency problems. Such problems may force the company to cease operations if additional financing is not available.

Development risks - Risks associated with the company's development and construction activities may include the risks that acquisition and/or development opportunities may be abandoned, construction costs of a property may exceed original estimates, possibly making the resort uneconomical or unprofitable, and construction may not be completed on schedule, resulting in decreased revenues and increased carrying cost such as taxes and interest expense.

Fixed costs - Many costs associated with real estate investment, such as debt service, real estate taxes and maintenance costs, generally are fixed. A small increase in the time to which a real estate property can be sold can result in a significant increase in the carrying costs of the property. New properties that the company acquires may not produce any significant revenue immediately, and the cash flow from existing operations may be insufficient to pay the operating expenses and debt service associated with that property until the property is sold.

Zoning and environmental regulations - Governmental zoning and land use regulations may be promulgated that could have the effect of restricting or curtailing certain uses of the company's real estate. Such regulations could adversely affect the value of any of ILAL's properties. Real estate values have also been adversely affected by the presence of hazardous substances or toxic waste on, under, or in the property. Owners of properties have been liable for substantial expenses to remedy chemical contamination of soil and groundwater at their properties even if the contamination predated their ownership.

Cyclical - The market for property in Mexico and the US tends to be cyclical, with periods in which the prices of properties rise and fall. Prices have fallen in the past and have done so for a significant period of time. Any downturn in the real estate market in the US or Mexico may have an adverse effect on ILAL's operations.

Interest rate sensitivity - The company may borrow money at variable interest rates to finance operations. Increases in interest rates would increase ILAL's interest expense on its variable rate debt, which would adversely affect cash flow and its ability to service debt.

Potential conflict of interest - The company has and will continue to enter into agreements with firms owned or controlled by its officers and directors which could lead to a potential conflict of interest.

Economic conditions in Mexico - General economic conditions in Mexico have an impact on the company's business and financial results. The global economy in general and in Mexico remains uncertain. Weak economic conditions could result in lower demand for ILAL's properties, resulting in lower sales, earnings, and cash flows.

Exchange rate risk - The value of the company's common stock may be affected by the foreign exchange rate between US dollars and the currency of Mexico, and between those currencies and other currencies in which its revenues and assets may be denominated.

COVID-19 - A continued deterioration in the US economy as a result of the coronavirus outbreak could result in continued turmoil. The continued impact of this event on the company's business and the severity of an economic crisis is uncertain. The possibility exists that the coronavirus outbreak could continue to adversely affect ILAL's business, vendors and prospects as well as its liquidity and financial condition.

Significant insider ownership - The company's CEO and director Roberto Valdes, CFO and director Jason Sunstein, and President Frank Ingrande, together own approximately 8.5 million shares of common stock, or approximately 29% of the outstanding voting securities as of April 14, 2022. As a result, they can elect a majority of the board of directors and authorize or prevent proposed significant corporate transactions.

Potential dilution - The company may, in the future, issue additional shares of common stock, which would reduce investors' percent of ownership and dilute share value.

Material weakness in disclosure controls - As of March 31, 2022, ILAL's disclosure controls and procedures were not effective. The weaknesses include inadequate internal controls relating to the authorization, recognition, capture, and review of transactions, facts, circumstances, and events that could have a material impact of the company's financial reporting process, and inadequate controls over the maintenance of records.

Liquidity risk - Shares of ILAL have risks common to those of the microcap segment of the market. Often these risks cause microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume and can lead to large spreads and high volatility in stock price. There are 21.2 million shares in the float and the average daily volume is approximately 44,000 shares.

Miscellaneous risk - The company's financial results and equity values are subject to other risks and uncertainties including competition, operations, financial markets, regulatory risk, and/or other events. These risks may cause actual results to differ from expected results.

International Land Alliance, Inc.

Consolidated Balance Sheets  
(in thousands \$)

	2019A	2020A	2021A	3/22A	2022E	2023E
Cash	173	13	57	193	4,514	8,875
Accounts receivable	-	-	314	316	316	316
Prepaid expenses and other	-	225	251	224	224	224
Total current assets	173	238	622	733	5,054	9,415
Land	271	271	204	203	203	203
Land held for sale	647	647	647	647	647	647
Buildings, net	881	861	916	903	903	903
Furniture and equipment	-	-	3	3	3	3
Construction in process	250	353	852	961	961	961
Note receivable	-	-	100	100	100	100
Accrued interest on note receivable	-	-	3	5	5	5
Equity-method investment	-	-	2,512	2,471	2,471	2,471
Other	11	35	-	-	-	-
Total assets	2,232	2,405	5,859	6,026	10,347	14,708
Accounts payable and accrued liabilities	100	870	1,656	1,395	1,800	2,300
Contract liability	50	112	127	134	134	134
Deposits	83	95	20	20	20	20
Promissory notes, net discounts	392	1,875	103	2,007	2,007	-
Promissory notes, net discounts - related party	361	362	835	914	-	-
Total current liabilities	986	3,314	2,741	4,470	3,961	2,454
Promissory notes	1,077	-	1,736	-	-	-
Total liabilities	2,063	3,314	4,477	4,470	3,961	2,454
Preferred stock	294	294	294	294	294	294
Total stockholders' equity (deficit)*	(124)	(1,202)	1,088	1,262	6,092	11,960
Total liabilities & stockholders' equity (deficit)	2,232	2,405	5,859	6,026	10,347	14,708

\*2022 Includes \$800,000 of additional paid-in-capital

Source: Company filings and Taglich Brothers' estimates

International Land Alliance, Inc.

Income Statements for the Fiscal Years Ended  
(in thousands \$)

	<u>2019A</u>	<u>2020A</u>	<u>2021A</u>	<u>2022E</u>	<u>2023E</u>
Revenue	464	8	523	<b>9,000</b>	<b>11,500</b>
Cost of revenue	<u>21</u>	<u>-</u>	<u>68</u>	<u><b>1,440</b></u>	<u><b>1,840</b></u>
Gross profit	443	8	455	<b>7,560</b>	<b>9,660</b>
Sales and marketing	189	123	1,782	<b>1,680</b>	<b>2,400</b>
General and administrative	<u>1,636</u>	<u>2,023</u>	<u>2,875</u>	<u><b>5,384</b></u>	<u><b>5,600</b></u>
Operating income (loss)	(1,383)	(2,138)	(4,203)	<b>496</b>	<b>1,660</b>
Extraordinary items	148	-	-	-	-
Income (loss) from equity-method investment	-	-	(168)	<b>259</b>	<b>400</b>
Other income (expense)	11	(58)	92	<b>300</b>	<b>400</b>
Interest income (expense)	<u>(372)</u>	<u>(471)</u>	<u>(783)</u>	<u><b>(352)</b></u>	<u><b>(92)</b></u>
Net income / (Loss)	(1,596)	(2,666)	(5,062)	<b>703</b>	<b>2,368</b>
Series B pfd stock beneficial conversion feature	-	(294)	-	-	-
Net income (loss) to common	<u>(1,596)</u>	<u>(2,960)</u>	<u>(5,062)</u>	<u><b>703</b></u>	<u><b>2,368</b></u>
EPS	<u>(0.10)</u>	<u>(0.14)</u>	<u>(0.18)</u>	<u><b>0.02</b></u>	<u><b>0.06</b></u>
Shares Outstanding	16,672	21,794	28,186	<b>37,117</b>	<b>40,500</b>
<u>Margin Analysis</u>					
Gross margin	95.5%	100.0%	87.0%	<b>84.0%</b>	<b>84.0%</b>
Sales and marketing	40.8%	NMF	341.1%	<b>18.7%</b>	<b>20.9%</b>
General and administrative	352.8%	NMF	550.2%	<b>59.8%</b>	<b>48.7%</b>
<u>Year / Year Growth</u>					
Total Revenues		(98.3)%	NMF	<b>1622.3%</b>	<b>27.8%</b>

Source: Company filings and Taglich Brothers' estimates

International Land Alliance, Inc.

Quarterly Income Statements 2021A - 2023E  
(in thousands \$)

	3/21A	6/21A	9/21A	12/21A	2021A	3/22A	6/22E	9/22E	12/22E	2022E	3/23E	6/23E	9/23E	12/23E	2023E
Revenue	9	8	8	497	523	-	1,000	3,500	4,500	<b>9,000</b>	2,350	2,700	3,050	3,400	<b>11,500</b>
Cost of revenue	-	-	-	68	68	-	160	560	720	<b>1,440</b>	376	432	488	544	<b>1,840</b>
Gross profit	9	8	8	429	455	-	840	2,940	3,780	<b>7,560</b>	1,974	2,268	2,562	2,856	<b>9,660</b>
Sales and marketing	17	1,198	61	506	1,782	30	550	550	550	<b>1,680</b>	600	600	600	600	<b>2,400</b>
General and administrative	771	649	497	958	2,875	1,334	1,350	1,350	1,350	<b>5,384</b>	1,400	1,400	1,400	1,400	<b>5,600</b>
Operating income (loss)	(779)	(1,839)	(550)	(1,035)	(4,203)	(1,364)	(1,060)	1,040	1,880	<b>496</b>	(26)	268	562	856	<b>1,660</b>
Extraordinary items	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Income (loss) from equity-method investment	-	7	32	(207)	(168)	(41)	100	100	100	<b>259</b>	100	100	100	100	<b>400</b>
Other income (expense)	(11)	2	100	1	92	-	100	100	100	<b>300</b>	100	100	100	100	<b>400</b>
Interest income (expense)	(201)	(145)	(224)	(213)	(783)	(88)	(128)	(88)	(48)	<b>(352)</b>	(92)	-	-	-	<b>(92)</b>
Net income / (Loss)	(990)	(1,975)	(642)	(1,454)	(5,062)	(1,493)	(988)	1,152	2,032	<b>703</b>	82	468	762	1,056	<b>2,368</b>
Series B pfd stock beneficial conversion feature	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss) to common	(990)	(1,975)	(642)	(1,454)	(5,062)	(1,493)	(988)	1,152	2,032	<b>703</b>	82	468	762	1,056	<b>2,368</b>
EPS	(0.04)	(0.08)	(0.02)	(0.05)	(0.18)	(0.05)	(0.03)	0.03	0.05	<b>0.02</b>	0.00	0.01	0.02	0.03	<b>0.06</b>
Shares Outstanding	23,582	25,976	30,418	28,186	28,186	32,866	34,600	40,500	40,500	<b>37,117</b>	40,500	40,500	40,500	40,500	<b>40,500</b>

Margin Analysis

Gross margin	100.0%	100.0%	100.0%	86.3%	87.0%	NMF	84.0%	84.0%	84.0%	<b>84.0%</b>	84.0%	84.0%	84.0%	84.0%	<b>84.0%</b>
Sales and marketing	NMF	NMF	762.5%	101.8%	341.1%	NMF	55.0%	15.7%	12.2%	<b>18.7%</b>	25.5%	22.2%	19.7%	17.6%	<b>20.9%</b>
General and administrative	NMF	NMF	6212.5%	192.8%	550.2%	NMF	135.0%	38.6%	30.0%	<b>59.8%</b>	59.6%	51.9%	45.9%	41.2%	<b>48.7%</b>

Year / Year Growth

Total Revenues	(38.9)%	(22.4)%	(43.2)%	NMF	NMF	NMF	NMF	NMF	805.4%	<b>1622.3%</b>	NMF	NMF	NMF	-24.4%	<b>27.8%</b>
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Source: Company filings and Taglich Brothers' estimates

International Land Alliance, Inc.

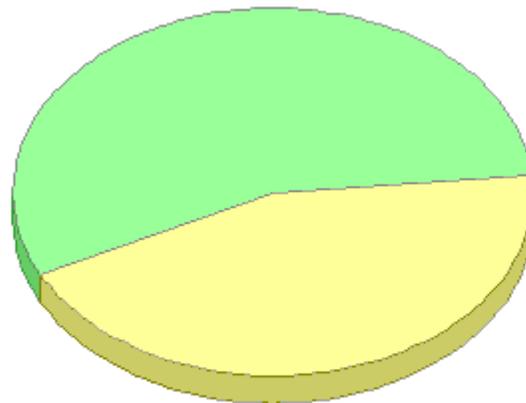
Statement of Cash Flows for the Periods Ended  
(in thousands \$)

	2019A	2020A	2021A	3M22A	2022E	2023E
Net income (loss)	(1,596)	(2,667)	(5,062)	(1,493)	703	2,368
Stock-based compensation	483	956	2,129	872	3,500	3,500
Fair value of shares issued for debt settlement/modification			103	-	-	-
Fair value of commitment shares			137	-	-	-
Fair value of shares issued for services			387	-	-	-
Gain on settlement of debt	(84)	-	-	-	-	-
Loss on debt extinguishment	-	-	11	-	-	-
Depreciation and amortization	37	46	50	13	50	50
(Income) loss from equity-method investment	-	-	168	41	(259)	(400)
Value of land issued for services in excess of costs	26	-	-	-	-	-
Loss on derivative liabilities	(64)	-	-	-	-	-
Amortization of debt discount	111	202	296	19	80	80
<b>Cash earnings (loss)</b>	<b>(1,088)</b>	<b>(1,462)</b>	<b>(1,781)</b>	<b>(548)</b>	<b>4,074</b>	<b>5,598</b>
<i>Changes in assets and liabilities</i>						
Accounts receivable	-	-	(314)	(2)	(2)	-
Prepaid expenses and other	-	(75)	81	28	27	-
Other non-current assets	-	(24)	35	-	-	-
Accounts payable and accrued interest	(231)	778	909	171	1,115	1,210
Accrued interest on note receivable	-	-	(3)	(2)	(2)	-
Cost of land sold	-	-	68	-	-	-
Contract liability	122	62	45	8	7	-
Deposit	-	12	(75)	-	-	-
Land held for sale	(18)	-	-	-	-	-
(Increase) decrease in working capital	(127)	753	746	203	1,147	1,210
<b>Net cash provided by (used in) operations</b>	<b>(1,215)</b>	<b>(710)</b>	<b>(1,035)</b>	<b>(345)</b>	<b>5,221</b>	<b>6,808</b>
Equity-method investee acquisition	-	-	(100)	-	-	-
Cash payment to collaborative agreement	-	-	(100)	-	-	-
Building and construction in progress payments	(1,398)	(103)	(522)	(109)	(440)	(440)
<b>Net cash used in investing</b>	<b>(1,398)</b>	<b>(103)</b>	<b>(722)</b>	<b>(109)</b>	<b>(440)</b>	<b>(440)</b>
Company expenses paid by investor	-	17	-	-	-	-
Common stock and warrants sold for cash	734	125	1,804	1	1	-
Common stock, warrants and plots promised for cash	136	228	-	-	-	-
Common stock issued for warrant exercise	130	81	100	-	-	-
Cash payments on promissory notes - related party	-	(76)	(677)	(91)	(1,005)	-
Cash payments on promissory notes	(812)	(128)	(982)	(12)	(12)	(2,007)
Cash proceeds from promissory notes	2,528	406	289	-	-	-
Proceeds from convertible debt	75	-	-	522	522	-
Cash proceeds from promissory notes - related party	-	-	898	170	170	-
Cash proceeds from refinancing	-	-	369	-	-	-
Cash payments on convertible debt	(7)	-	-	-	-	-
<b>Net cash provided by (used in) financing</b>	<b>2,784</b>	<b>653</b>	<b>1,801</b>	<b>590</b>	<b>(324)</b>	<b>(2,007)</b>
<b>Net change in cash</b>	<b>172</b>	<b>(159)</b>	<b>44</b>	<b>136</b>	<b>4,457</b>	<b>4,361</b>
<b>Cash - beginning of period</b>	<b>1</b>	<b>173</b>	<b>13</b>	<b>57</b>	<b>57</b>	<b>4,514</b>
<b>Cash - end of period</b>	<b>173</b>	<b>13</b>	<b>57</b>	<b>193</b>	<b>4,514</b>	<b>8,875</b>

**Price Chart**



**Taglich Brothers' Current Ratings Distribution**



56 % Buy 44 % Hold

<b>Investment Banking Services for Companies Covered in the Past 12 Months</b>		
Rating	#	%
Buy	5	25
Hold		
Sell		
Not Rated		

### **Important Disclosures**

As of the date of this report, we, our affiliates, any officer, director or stockholder, or any member of their families do not have a position in the stock of the company mentioned in this report. Taglich Brothers, Inc. does not currently have an Investment Banking relationship with the company mentioned in this report and was not a manager or co-manager of any offering for the company within the last three years.

All research issued by Taglich Brothers, Inc. is based on public information. The company paid a monetary fee of \$4,500 (USD) in September 2021 for the creation and dissemination of research reports for the first three months. After the first three months from initial publication, the company will pay a monthly monetary fee of \$1,500 (USD) to Taglich Brothers, Inc., for a minimum of twelve months for the creation and dissemination of research reports.

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### **Analyst Certification**

**I, John Nobile, the research analyst of this report, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities and issuers; and that no part of my compensation was, is, or will be, directly, or indirectly, related to the specific recommendations or views contained in this report.**

Public companies mentioned in this report:

### **Meaning of Ratings**

**Buy** – The growth prospects, degree of investment risk, and valuation make the stock attractive relative to the general market or comparable stocks.

**Speculative Buy** – Long term prospects of the company are promising but investment risk is significantly higher than it is in our BUY-rated stocks. Risk-reward considerations justify purchase mainly by high risk-tolerant accounts. In the short run, the stock may be subject to high volatility and could continue to trade at a discount to its market.

**Neutral** – Based on our outlook the stock is adequately valued. If investment risks are within acceptable parameters, this equity could remain a holding if already owned.

**Sell** – Based on our outlook the stock is significantly overvalued. A weak company or sector outlook and a high degree of investment risk make it likely that the stock will underperform relative to the general market.

**Discontinued** – Research coverage discontinued due to the acquisition of the company, termination of research services (includes non-payment for such services), diminished investor interest, or departure of the analyst.

### **Some notable Risks within the Microcap Market**

**Stocks in the Microcap segment of the market have many risks that are not as prevalent in Large-cap, Blue Chips or even Small-cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the microcap segment of the market.**

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From time to time our analysts may choose to withhold or suspend a rating on a company. We continue to publish informational reports on such companies; however, they have no ratings or price targets. In general, we will not rate any company that has too much business or financial uncertainty for our analysts to form an investment conclusion, or that is currently in the process of being acquired.