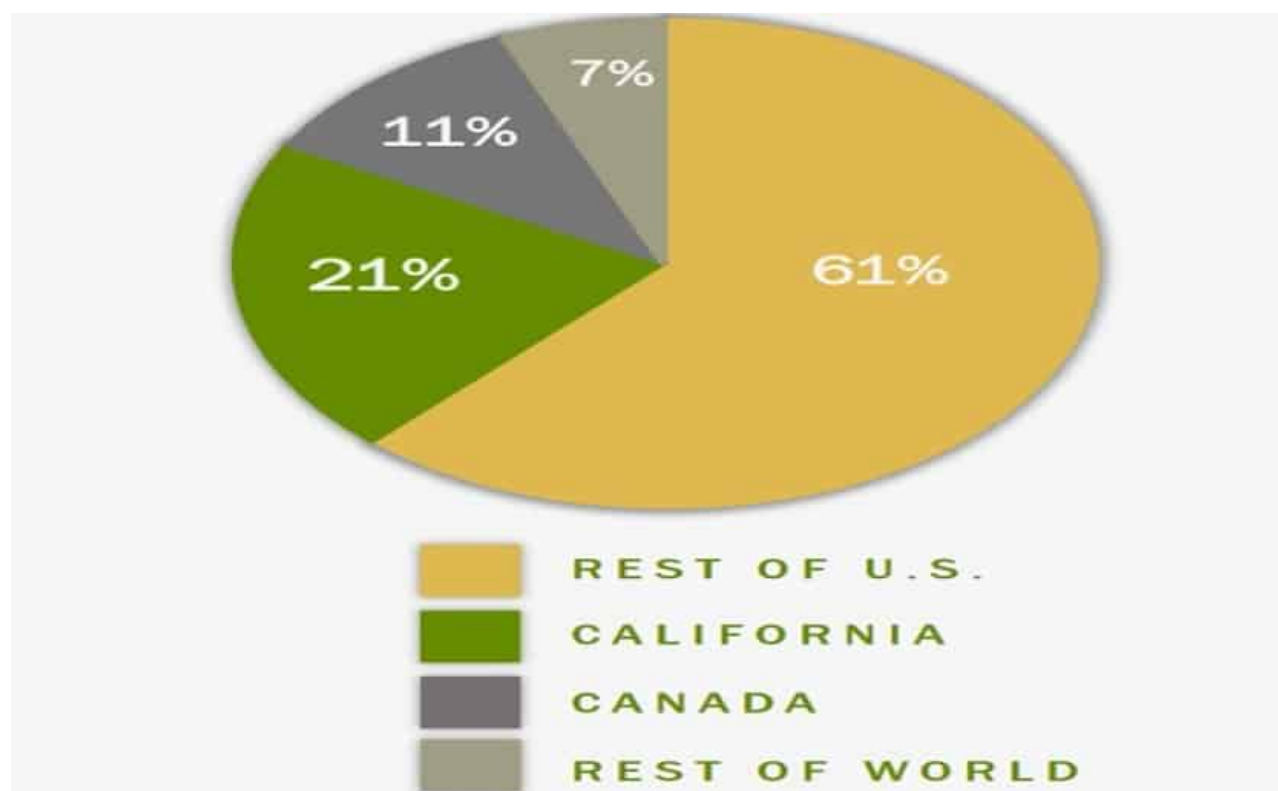


# Royalty driven FinCanna on course to capitalize off of their investees in the rapidly growing Californian cannabis market

California is a global leader in the cannabis market. It is rapidly growing and in need of capital to meet surging demand from consumers. California is the largest cannabis market in North America, representing \$3.1 billion in licensed cannabis sales in 2019, projected to reach US\$7.2 billion by 2024. Cannabis in California has been legal for medical use since 1996 and for recreational use since late 2016.

**California accounts for 21% of all global legal cannabis sales**



Source

FinCanna Capital Corp. (CSE: CALI | OTCQB: FNNZF) is a royalty company for the licensed US cannabis industry, with a focus on the emerging California cannabis market. The Company earns its revenue from royalties paid by its investee companies that are calculated based on a percentage of their total revenues. FinCanna currently has three royalty companies advancing in California – QVI Inc., Cultivation Technologies Inc., and ezGreen Compliance.

### **QVI Inc. receives Californian manufacturing & distribution licences**

QVI is a cannabis infused product manufacturer with a state of the art 8,300 square foot facility operating under the name “**The Galley**”, located in Sonoma, California. Cannabis infused products include edibles, topicals, tinctures, chocolates, hard candies, gummies, beverages, vapes, pre-rolls and flower packaging. Cannabis-infused products are a huge growth area. The U.S. market for cannabis-infused products in 2020 is projected to reach nearly \$3 billion, up ~40% over 2019.

The Galley’s immediate goal is to be the premier contract manufacturer in California, the largest single market in North America. The facility is differentiated from other cannabis manufacturers by its automated capabilities to produce virtually all high-value cannabis products under one roof. Its growing customer base will include legacy companies already on dispensary shelves, new entrepreneurs with creative IP, and out-of-state brands looking to enter the California market.

FinCanna receives a tiered corporate royalty, adjusted based on revenues, ranging from 15% to 6% of QVI’s total revenues, with the top royalty rate of 15% on the first US\$20 million of annual sales until cumulative royalties to FinCanna of US\$10 million are achieved. Additionally, FinCanna will receive a Supplemental Payment, that when coupled with the royalty, will ensure FinCanna receives a minimum of 35% of the annual after-tax net income from QVI.

In April 2020 FinCanna made two significant QVI related announcements:

- QVI Inc. receives California manufacturing license for production of cannabis infused products.
- QVI Inc. receives California cannabis distribution license.

With these two licences in place QVI stated that “the Galley team expects to be shipping finished products to the market within the next four to six weeks.” This is excellent progress for QVI, and ultimately for FinCanna, as QVI revenues will be ramping up soon.

### **Cultivation Technologies Inc. (CTI) expands with a new facility**

Cultivation Technologies, operating as Coachella Manufacturing is a multifaceted cannabis manufacturing and distribution company. CTI provides high quality legal Butane Hash Oil (BHO) concentrates for white label manufacturing, toll processing and packaging to hand-selected brands and cultivators in California.

### **Butane Hash Oil is a cannabis concentrate**



Source

Medicinal cannabis use is popular due to its relief of pain and inflammation. Cannabis can also act to relax muscles and is helpful in various muscular disorders. It is often prescribed to cancer patients undergoing chemotherapy, as it can help not just with pain but the nausea that comes with treatment.

Under the fully funded royalty agreement, FinCanna earns a perpetual royalty of 10% of CTI's consolidated revenues, of which 5% is paid in cash monthly and 5% deferred until certain triggering events, subject to certain buyback options. Additionally, FinCanna will be entitled to 25% to 50% of the sale proceeds of any change of control.

In a March 2020 announcement FinCanna reported:

"CTI commences cannabis extraction and manufacturing at New Palm Desert facility....The new 5,200 sq. ft. state-of-the-art facility is purposefully designed to maximize workflow efficiencies, optimize productivity and reduce operating costs. Engineered for industrial scale, the facility has approximately over three-times the capacity of CTI's previous interim facility in Coachella, California, with a new

estimated annual capacity of approximately US\$35 million.”

## **ezGreen Compliance**

ezGreen offers a state-of-the-art enterprise compliance and point-of-sale software solution (ezGreen) for licensed medical cannabis dispensaries and cultivators. Their target market consists of the 11 states plus Washington DC where cannabis is fully legal, and the 23 additional states where medicinal cannabis is legalized. Upon completion of funding, FinCanna earns a perpetual royalty equal to 10% of consolidated gross revenues of ezGreen, subject to certain buy-back options.

Last year it was announced that ezGreen had completed an installation of its Point-of-Sale (POS) software with a leading Los Angeles based cannabis dispensary. It is a flagship store of a multi site operator that has a broad network of recreational and medical dispensaries located across California in its portfolio.

Note regarding the Refined Resin royalty: The Refined Resin business was not able to raise the additional capital it needed to become operational so FinCanna has written down its investment and is endeavoring to recover their investment from the sale of Refined Resin’s assets.

## **Closing remarks**

FinCanna Capital is basically a royalty play on the rapidly growing Californian cannabis market, plus some broader US potential exposure via ezGreen. Specific areas include cannabis-infused products (via QVI Inc.), cannabis extraction/production facility (via CTI), and point-of-sale software solutions (ezGreen).

FinCanna’s strategy makes a lot of sense as they are targeting the established and high growth cannabis markets in California. FinCanna’s success will ultimately depend on their portfolio company’s performance. Judging by the excellent

progress the past three months from QVI (licences achieved, production starting) and CTI (new facility and production commenced) it looks like royalty revenues for FinCanna are now just ramping up.

Given the surging demand within the cannabis sector especially in California, FinCanna stock looks very appealing on a market cap of just C\$8.4 million. Marketscreener.com places a Buy Recommendation at C\$0.29, representing a 241% upside.