FinCanna Capitalizes on California's Surging Cannabis Market

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Cannabis sentiment in the United States has surged since the November election.

Tailwinds pushing the legal cannabis industry include being deemed "essential" during the current COVID-19 health crisis, five U.S. states passing legalization ballot initiatives, and the Joseph Biden election win that could result in easing some of the cannabis restrictions at the federal level.

This year could be another inflection point in the U.S. cannabis industry and the beginning of a multi-year growth cycle as more states legalize medical and recreational cannabis use.

A top cannabis market research firm recently pegged the United States cannabis market at more than US$18 billion in 2020 and expects it to grow by a staggering 33% to US$24 billion in 2021.

FinCanna is a Royalty Company

FinCanna Capital Corp. (CSE: CALI | OTCQB: FNNZF) is a cannabis-focused royalty company and does not operate as a cultivator, manufacturer, or dispensary. Instead, it is a capital company, looking to invest in businesses in California's cannabis industry and earns revenue from royalties paid by its investee companies.

FinCanna's royalty structure focuses on top-line revenue, enabling the company to fully benefit as sales grow and not be impacted by cost inflation. Currently, the company owns a

diversified portfolio of royalties, lowering the overall company risk, and continues to search for other investment opportunities.

As a royalty business, FinCanna operates with low corporate overhead, making the business easily scalable as it does not have to worry about operations and can focus on the next investment. Also, as the cannabis supply increases, retail prices have been under pressure which makes royalties a better business to be in.

FinCanna's investment model is to seek "best in class" businesses, provide capital to reduce the need for debt or equity financing, and are structured to align with the business' long-term goals.

To fund the coffers, in July 2020, FinCanna closed a $2.5 million convertible debenture financing with FinCanna's management subscribing to $500,000 of the offering.

Portfolio Companies

FinCanna made its first investment in Cultivation Technologies Inc. (CTI) in 2017. CTI, operating as Coachella Manufacturing, runs a 5,200 square foot cannabis extraction facility in Palm Desert, California.

CTI produces butane hash oil (BHO), which is a type of cannabis concentrate that is produced using butane. CTI has been operating for three years and FinCanna started receiving royalties in the second half of 2020.

CTI provides licensed BHO concentrates for white label manufacturing, toll processing, and packaging to brands and cultivators in California. FinCanna recently commented that CTI's management team is working on growing their core business

and expanding into other large-scale activities. FinCanna expects these activities to result in an increase in royalty revenues in 2021.

FinCanna's second portfolio company is QVI Inc (QVI), doing business as The Galley, and is FinCanna's largest investment and potentially the largest source of royalty revenues.

The Galley is a modern, 8,300 square foot, cannabis facility located in Santa Rosa, California. It operates as a co-manufacturer to provide large scale production and packaging for all types of edibles, topicals, and tinctures in California.

The Galley began operations in July 2020 and has already on-boarded 25 established brands. FinCanna expects to start receiving recurring royalty payments from QVI starting in early 2021.

An important note to make is that edibles market growth outperformed the overall cannabis industry growth in 2020 as consumers chose edibles over inhalables. This surge prompted edible manufacturers to invest more in product development and manufacturing making QVI an important player in that market.

FinCanna's third portfolio company is ezGreen Compliance, which offers Health Insurance Portability and Accountability Act (HIPAA) compliant point-of-sale (POS) software for cannabis dispensaries. Features include integrated management and multi-store functionality with taxation and reporting functionalities.

In August 2020, FinCanna announced the acquisition of ezGreen and in October completed the transition of ownership. Recently, ezGreen began a marketing initiative with a marketing partner to focus on sales efforts, targeting dispensaries in California.

California is King of the Cannabis Market

California ranks as one of the largest legal cannabis market in the world and over 30% of the U.S. legal cannabis market. The COVID-19 shut-in measures resulted in higher purchase volumes and a very substantial and positive shift for the cannabis industry.

In California, legal cannabis retail sales are expected to exceed US$5 billion in 2020, up almost 70% from US$3 billion in 2019.

2021 Outlook

FinCanna's management recently reported that it expects to see a "sizeable increase" in royalty revenues in 2021 and the positive cannabis market outlook, especially in California, should help generate operating profits that will grow throughout the year.

FinCanna is currently trading at $0.11 with a market cap of $8.5 million.

FinCanna Capital's CEO on being the only pure royalty company in the cannabis industry

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InvestorIntel's Tracy Weslosky spoke with Andriyko Herchak, CEO of FinCanna Capital Corp. (CSE: CALI | OTCQB: FNNZF), about FinCanna's cannabis royalty portfolio and its competitive

advantages in the cannabis industry. “We are the only pure royalty company in the cannabis sector,” he said. “We don’t need much revenue to be profitable.”

Andriyko went on to say that while other companies in the capital-intensive cannabis sector “are losing money quarter to quarter, we are opposite. We have low capital cost, low operating cost and we are designed to be profitable.” He added, “The companies we invest in are synergistic. They are working together to expand their customer base and market together.” By investing in FinCanna, he said, “you are investing in different companies that don’t compete against each other but actually work with each other to maximize revenue. FinCanna is like an index that works together.”

Andriyko also provided an update on QVI, FinCanna’s largest investment that just started operations and is scaling up. He said, “They are located in Sonoma county California. They are offering a co-manufacturing edibles facility in large scale. They can produce essentially any type of edible under one roof. Demand is off the charts for them right now.”

To watch the complete interview, click here

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Herchak on how FinCanna offers

investors a way to invest in top quality private cannabis companies

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“FinCanna is diversified by investing in four companies to date. We have enough money for a fifth investment. We are diversified both geographically in California and across a number of different sectors. We invest in private companies. If you want to invest in top quality private companies the only way to invest in them directly is through us.” States Andriyko Herchak, CEO and Director of FinCanna Capital Corp. (CSE: CALI | OTCQB: FNNZF), in an interview with InvestorIntel’s Tracy Weslosky.

Andriyko went on to say that FinCanna is focused on the US with a primary focus on California, the largest cannabis market in North America. Andriyko also provided an update on FinCanna’s portfolio companies. He said that FinCanna’s four portfolio companies include QVI, ezGreen Compliance, Refined Resin and CTI. All the companies are startups in different stages of growth. QVI is the last company that FinCanna invested in and is expected to produce royalty this quarter. ezGreen Compliance is a Point-of-Sale software compliance firm that has signed a large client in California.

To access the complete interview, click here

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FinCanna CEO on the largest cannabis market opportunity in North America

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“We are a royalty financing company focused on the US, particularly California. We finance companies in exchange for a royalty which is a percentage of their topline revenue and in perpetuity…Our royalties average about 10% of topline revenue. As the companies grow and they scale, our revenue scales with them.” States Andriyko Herchak, CEO and Director of FinCanna Capital Corp. (CSE: CALI | OTCQB: FNNZF), in an interview with InvestorIntel’s Tracy Weslosky.

Andriyko went on to discuss that California is the largest cannabis market in North America and is about twice the size of all of the Canadian cannabis market put together. The California market is still in its early days and presents a good opportunity for investors who have missed the Canadian cannabis market boom.

To access the complete interview, click here

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