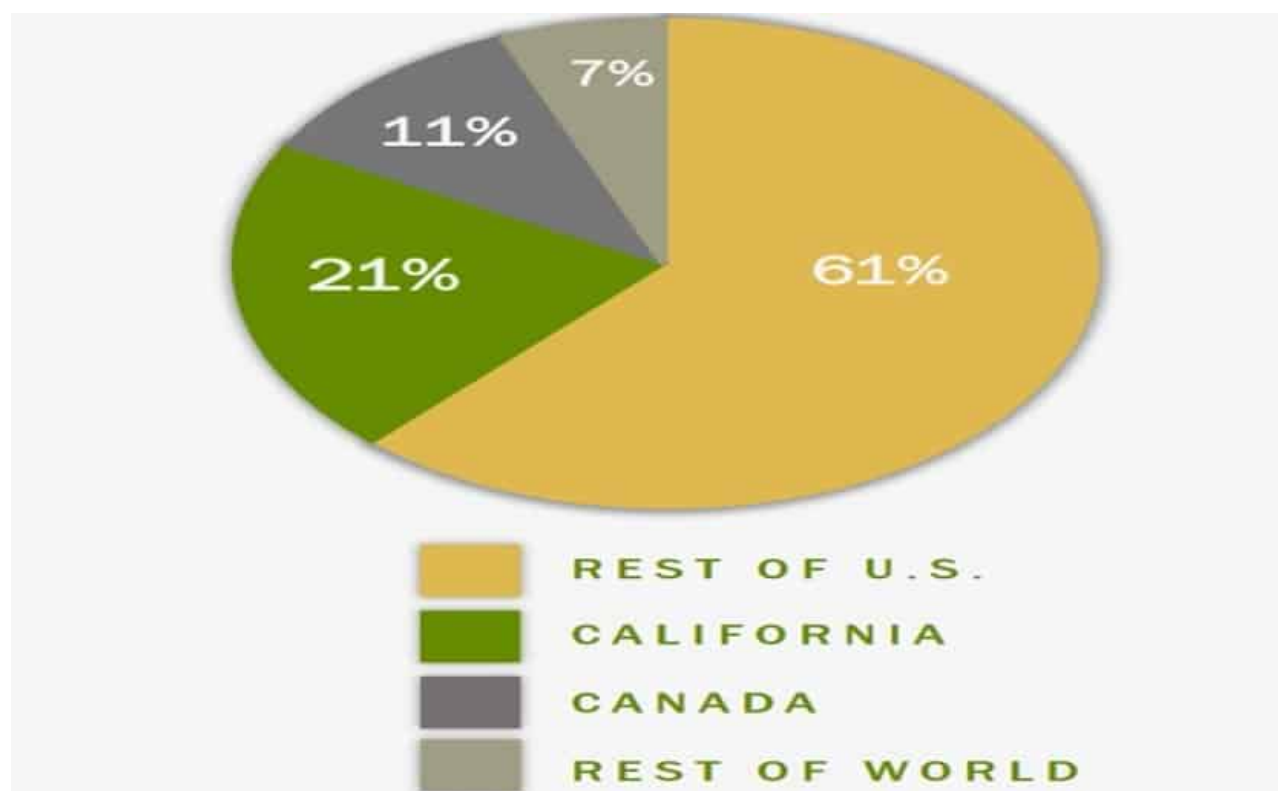


# Royalty driven FinCanna on course to capitalize off of their investees in the rapidly growing Californian cannabis market

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.

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## **The sweetening of FinCanna's cannabis royalty streams through baked goods (and chocolate) in California**

As we progress into 2020 and a new decade, the biggest question in the cannabis world is – Will the US legalize cannabis at the Federal level in 2020?

In mid-November 2019, the US House Committee approved the new Cannabis bill. If passed in 2020, it would lead to the decriminalization of cannabis use in the USA. Cannabis is already legal for recreational use in 11 US states, and for medical use in 33 states. President Trump was quoted: “I probably will end up supporting that, yes.”

If the US decriminalizes cannabis in 2020 then 2020 will be a breakout year for US related cannabis stocks; similar to what happened in Canada in 2018 in the run up to cannabis legalization in October 2018.

## The cannabis market is forecast to grow very strongly, especially in California USA

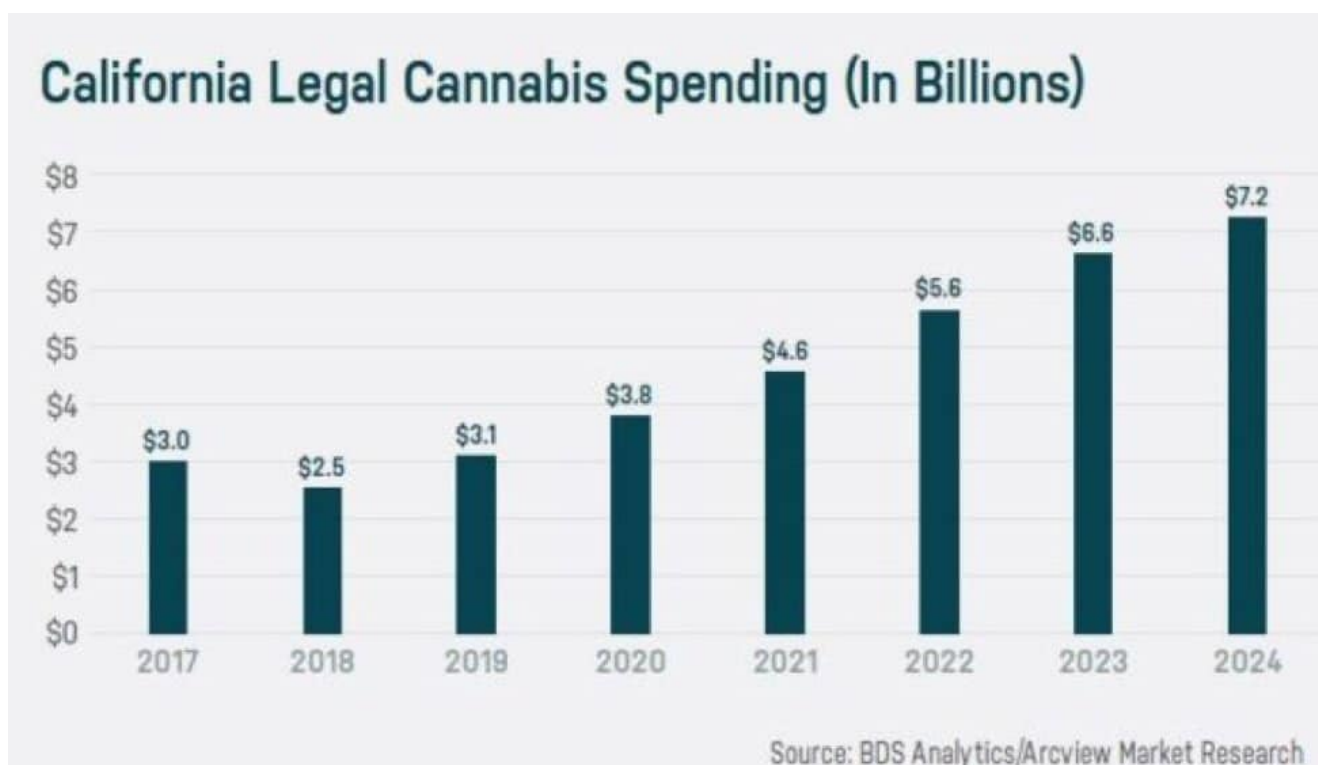
A New Frontier Data report states:

*“Overall sales within the legalized U.S. cannabis industry are expected to reach \$13.6 billion throughout 2019, for a 32% increase over 2018 totals worth \$10.3 billion.”*

A 2018 report by Arcview Market Research and BDS Analytics states:

*“The (global) cannabis market could triple in size in the next four years....with the U.S. expected to fuel much of that growth....Much of the current growth we’re seeing comes from California’s cannabis market.”*

### California legal cannabis spending forecast to 2024



#### Source

A Canadian company is ideally positioned to benefit should the cannabis sector get further support in the US. And if not, by focusing on California, where marijuana is already legal for

both medicinal and recreational use, this Company should still do very well.

FinCanna Capital Corp. (CSE: CALI | OTCQB: FNNZF) is a royalty company for the licensed US cannabis industry. FinCanna's focus is on the rapidly emerging California cannabis market.

FinCanna's scalable royalty model provides an attractive alternative or complement to debt or equity financing for its investee companies. The Company earns its revenue from royalties paid by its investee companies that are calculated based on a percentage of their total revenues.

### **FinCanna's royalty and other portfolios**

- QVI Inc. is a cannabis infused product manufacturer with a 8,300 square foot facility operating under the name "The Galley", located in Sonoma, California. Products include baked goods, chocolate products and a hard candy and gummy line. FinCanna will earn a perpetual royalty ranging from 15% to 6% of QVI's annual revenues, subject to certain buy-back options.
- Cultivation Technologies Inc. (CTI) has extraction/testing/educational facilities and planned to build a large-scale indoor medical cannabis facility in Southern California. FinCanna has acquired all of the rights and interests in substantially all of the existing property of Cultivation Technologies Inc, obtained via a liquidation sale in May 2019.
- ezGreen Compliance offers a state-of-the-art enterprise compliance and point-of-sale software solution ("ezGreen") for licensed medical cannabis dispensaries and cultivators. FinCanna earns a perpetual royalty equal to 10% of consolidated gross revenues of ezGreen, subject to certain buy-back options.
- Refined Resin Technologies Inc. is a cannabinoid research and refinery company based in Oakland California, that will provide B2B and B2C products and



services to licensed dispensaries and distributors in the medical cannabis supply chain. FinCanna will earn a perpetual royalty ranging from 16% to 7% of Refined Resin's consolidated annual revenues, subject to certain buy-back options. The effective royalty rate is 11.75% on the first US\$160 million of Refined Resin's consolidated annual revenues.

### **Latest news (QVI and "The Galley")**



**The GALLEY**  
CANNABIS CO-MANUFACTURING & DISTRIBUTION

In late September 2019 it was reported that QVI Inc. "is experiencing greater than initially anticipated demand for its manufacturing services.....Based on this demand, revenue from the first 12-months, upon commencement of commercial production, originally projected to meet or exceed US\$7 million has now increased to over US\$10 million with significant remaining capacity. Furthermore, revenue is expected to continue to escalate as marketing efforts utilizing the founders'

wide network of industry participants gains additional momentum.....

"The Galley", is built to FDA and CDPH standards and is focused on high demand areas of production – Edibles, Topicals, Tinctures, Chocolate, Hard Candies and Gummies. "The Galley" will be differentiated from its peers by its automated capabilities to produce virtually all high-value cannabis products under one roof. This one-stop production expertise is attractive to top tier in-state and out-of-state brands. The premium equipment and operational design will allow "The Galley" to rapidly scale production as demand escalates."

### **Closing remarks**

FinCanna has a very smart and strategic royalties portfolio

over three expanding Californian cannabis companies, and 100% of the rights and interests in Cultivation Technologies, also in California, USA. Cannabis is legal for recreational and medicinal use in California, meaning FinCanna should do well regardless of whether cannabis is legalized at the Federal level.

EzGreen covers the POS software side used to sell cannabis products, Refined Resin covers research and medical cannabis dispensaries, QVI Inc. covers an expanding cannabis edibles business and manufacturing facility, and Cultivation Technologies covers a growing/extraction/testing/educational medicinal cannabis business.

Investors can buy stock in FinCanna Capital and get exposure to all of the above for a market cap of just C\$9 million. If FinCanna's portfolio starts to produce revenues on the back of cannabis growth in California, then FinCanna should be a significant winner.