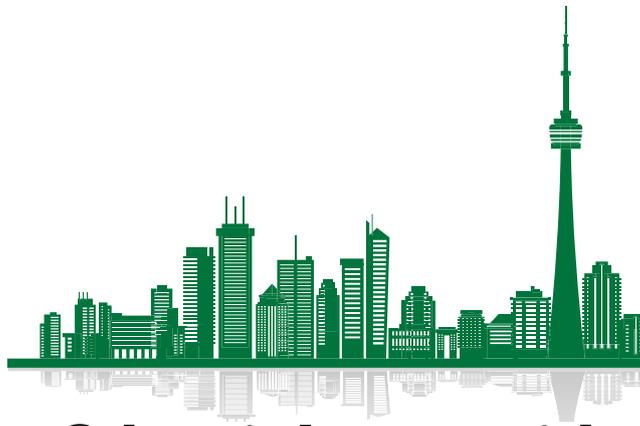


CANNABIS CONFIDENTIAL:

An Insider's Notes On Canada's 'Holy Grail' Marijuana Summit

CONFIDENTIAL





Cannabis Confidential: An Insider's Notes on Canada's 'Holy Grail' Marijuana Summit

As I write this, the O'Cannabiz Conference and Expo is winding down, and I'm reflecting on a whirlwind two days diving deep into the cannabis industry. I never thought I would utter those words in my professional career. But it's 2018, and here we are.

I descended into Toronto in early June to witness hundreds of passionate cannabis consumers, entrepreneurs, investors, activists, regulators, and consultants come together to learn, collaborate, and strategize on the future of the cannabis industry in Canada and beyond.

Over two intensive days, I've interviewed cannabis executives, listened to activists passionate about the decriminalization of cannabis, and discussed the future of the industry with various industry experts who are on the front lines each day. Needless to say, all of these stakeholders were buzzing with excitement.

And there is good reason to be excited as investors. Funny thing is, I had long written off the cannabis

industry as a total crapshoot, assuming that most of the companies and opportunities were almost entirely speculative ... not the type of investments we typically take seriously at The Motley Fool.

To an extent, I still see reason to be skeptical. Investors shouldn't rush in and buy shares of any company somehow attached to this "green rush." Make no mistake about it: There is still a lot of speculation ... and I suspect plenty of these early cannabis pioneers will indeed fizzle out.

But on the very immediate horizon, the entire cannabis industry will enter a new era of legitimacy. Canada is set to become the first major country to legalize recreational cannabis use on a federal level this year. And I have little doubt that winning businesses will also emerge in this new era.

For investors, this means the tide will soon go out, and we'll see which companies are swimming naked, and which are the real deal.





Even the largest cannabis company in the world today – Canopy Growth – is generating little more than \$20 million in revenue per quarter. That’s peanuts. Cannabis companies, up to this point, have been left to deal with a small, fledgling medical cannabis market.

But when Canada legalizes recreational cannabis this summer, it will likely open the floodgates to what should become a much larger worldwide opportunity for cannabis, over the next five years and beyond.

The challenge for investors is determining which of today’s cannabis companies are most likely to survive this initial rush and come out ahead. We have next to nothing to work with in terms of historical numbers. Just about every company is heavily investing in expanding its growing capacity, obtaining cultivation and sales licenses from Health Canada, developing brands they hope will resonate with consumers, and establishing international partnerships or licensing agreements.

In other words, right now every cannabis company is talking the talk. But it is trickier to know which ones are walking the walk.

Even insiders have different views on where the industry goes from here. Some believe there is too much emphasis on cultivation and growing marijuana plants. As CannTrust’s president Brad Rogers told me: Who cares who grows Starbucks coffee, or tomatoes for Heinz? When it comes to virtually every agricultural product, the vast majority of the value is captured through distribution, brands, and retail ... not through growing the crop behind the products.

Deepak Anand, vice president of Cannabis Compliance, works closely both with cannabis entrepreneurs and regulators at Health Canada. He says it is in Health Canada’s interest to grant a lot of cultivation licenses in the coming months and years, thereby increasing competition in the category and driving down the price of cannabis.

Why is it in the government’s interest to grant more licenses, you might ask? Because lowering the price of legal cannabis will squeeze -- and, ideally, eliminate -- the black market. Good for the government and the public, but not so great for companies looking to eke out a profit merely by growing green gold.

Licenses, in other words, probably can’t be banked on as a long-term differentiator. Companies will have to do more than obtain licenses and establish massive growing facilities to separate themselves from the rest of the pack.

In short, says Anand, cannabis companies that are primarily focused on growing marijuana could get seriously squeezed in the coming years -- wiped out by companies who have differentiated themselves with things like brands and international partnerships.

Other executives and insiders are less convinced that marijuana will become a traditional commodity product. An extensive amount of science and testing goes into developing different strains of cannabis, meaning it could remain more of a specialty crop. In this case, it could make sense longer-term for cannabis companies to remain vertically integrated, controlling everything from growing the plants to selling the product directly to consumers.

Even though the cannabis industry is still in a bit of a free-for-all -- with a host of different tactics and strategies being employed by each company -- we do know that all eyes are on Canada this summer and beyond.

The amount of money raised by cannabis companies in Canada is now measured in the billions of dollars. With the U.S. federal government continuing to list cannabis as a Schedule 1 substance -- in the same category as heroin -- there is no nationwide cannabis opportunity in the States ... and that isn’t expected to change anytime soon. Meanwhile, some of the states with legalized cannabis have been flooded with licenses and a glut of suppliers (most prominently Oregon).



As a result, U.S. cannabis companies are turning their sights to Canada to make partnerships, list on Canadian exchanges to raise money (see MedMen), and take advantage of the first substantial legal recreational market the world has seen. This focus on Canada should only accelerate once cannabis is officially legalized this summer.

When all of this is said and done, the leading Canadian cannabis companies have a good shot at expanding their leadership positions to the global stage as well. Any cannabis companies that survive the initial recreational cannabis rush over the next year or two will likely continue to reinvest heavily to gain global market share outside of Canada.

And with Canada enabling a legitimate and national cannabis market to emerge, it's likely just a matter of time before CPG and big pharma brands look to make partnerships and acquisitions to gain exposure to the cannabis space (just as Constellation Brands invested \$245 million into Canopy Growth for a 9.9% stake in the company last October).

This shouldn't be treated as a done deal for investors, however. There is still a lot of risk in the cannabis space. Up to this point, publicly traded Canadian cannabis companies have largely relied on issuing more shares to raise capital. Nervous banks haven't supported other means of raising money -- such as obtaining bank loans and utilizing debt -- to a meaningful degree.

Diluting shareholders to raise cash through secondary share offerings will make it harder for companies to deliver bottom-line profitability for shareholders if/when these companies actually become profitable.

(The higher the diluted share count, the fewer earnings per share are generated.)

When recreational cannabis is legalized in Canada, however, that could help lessen the angst from banks and open doors to more non-dilutive forms of financing for these pioneering cannabis companies.

Still, in the meantime, this is why cannabis investors should tread with caution. Historical performance is virtually nonexistent, companies are investing heavily for future growth (and are racking up losses today as a result), and lofty valuations are based almost exclusively on promises of what lies ahead.

So what should Foolish, business-focused investors do over the next year as Canada takes the pivotal step into legalized recreational cannabis? I asked industry experts and executives what investors should focus on to help separate the wheat from the chaff.

Here are some of the main items they mentioned to me:

1. **A strong balance sheet.** A large pile of cash gives companies the cushion to operate and the fuel necessary to ramp up expansion once recreational cannabis is legal in Canada. A strong balance sheet also indicates that companies have successfully been able to raise money in the past -- something they'll likely have to do in the future.
2. **An experienced management team.** Whether it be executives with prior leadership experience in CPG or pharma -- or even the cannabis space -- experienced and focused leadership is key. Look to the track record and credentials of the people at the top.

3. **A sustainable business model.** Investors need to look at more than just a company's cannabis-growing capacity. International partnerships and expansion, brands, and distribution will likely be key ingredients in creating the global leaders in cannabis over the long haul.

Needless to say, I came away from O'Cannabiz excited for the future of the cannabis industry. We are witnessing the end of nearly 90 years of cannabis prohibition and the creation of a new and substantial industry from scratch ... almost entirely in Canada.

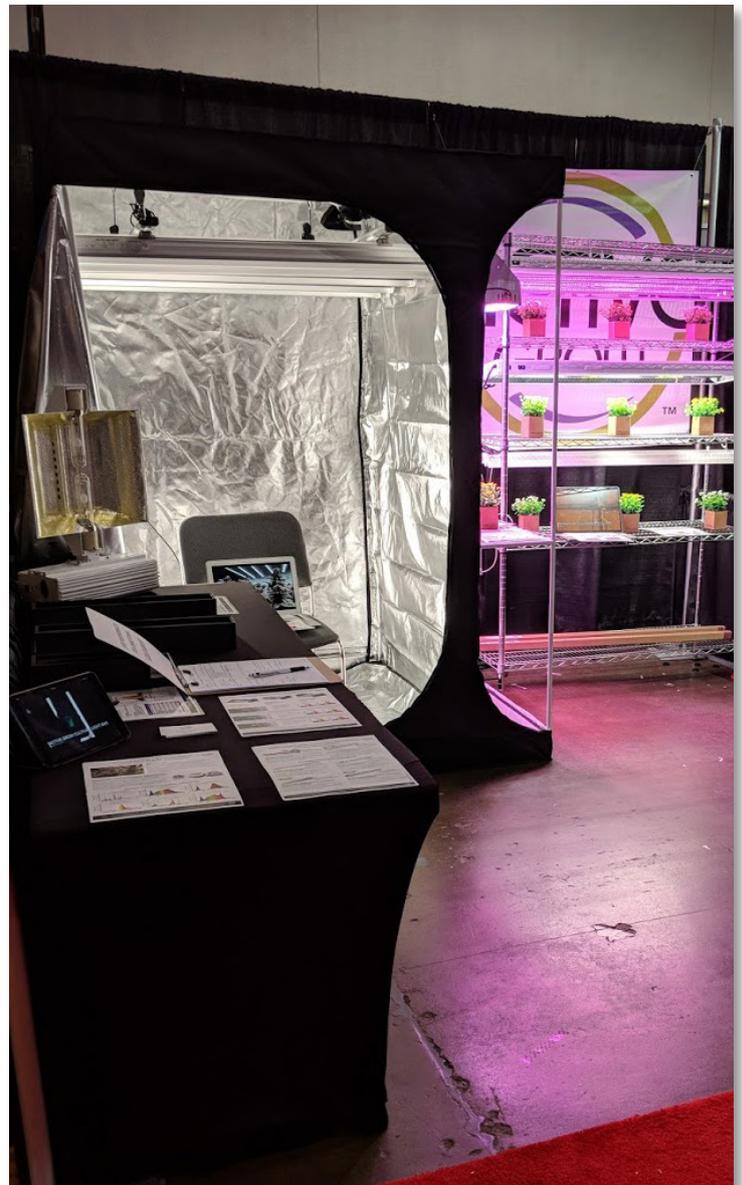
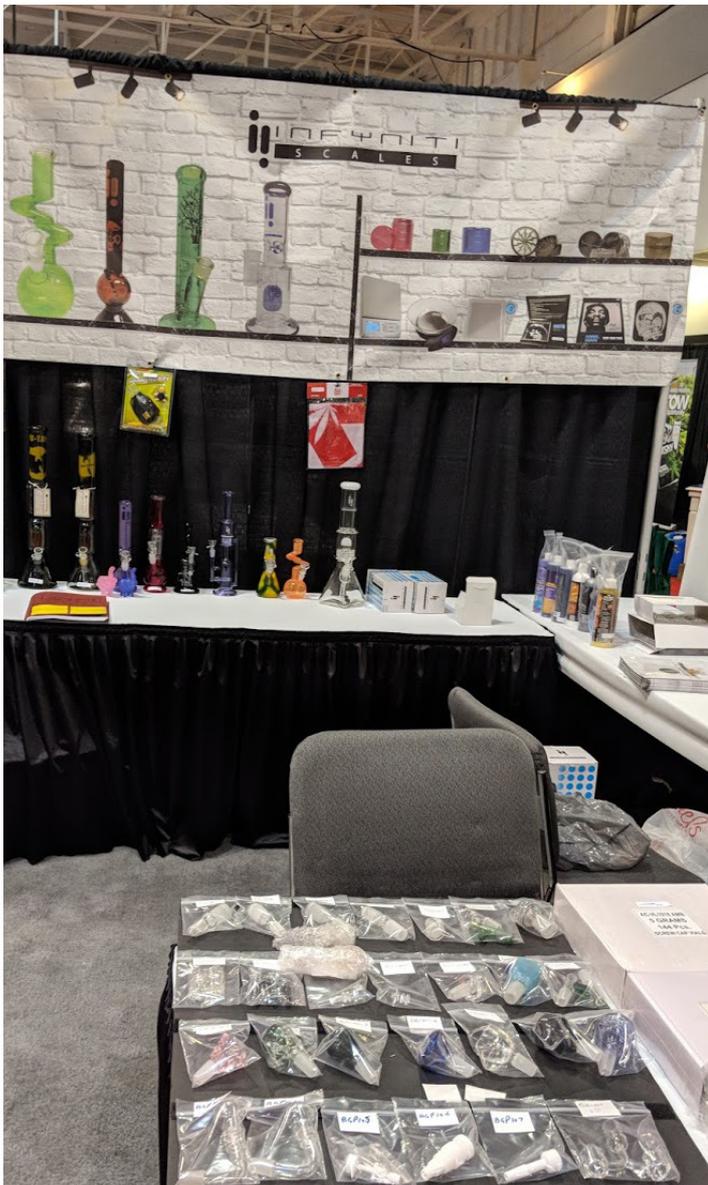
Initially I was a skeptic of the opportunity for investors in cannabis. But with Canada on the cusp of taking the lead on legalizing recreational cannabis use, this industry is launching and forming before our eyes.

I spoke to an early Aurora employee who has been with the company for three years, asking what she's most excited about looking at over the next five years.

She said people are always asking her if they've already missed out on the cannabis opportunity, but, she says, "Three years ago was the pre-beginning. *Today is the real beginning.*"

The cannabis industry will be a whirlwind over the next several years as companies look to quickly expand and capture share of the emerging industry. There will be plenty of today's cannabis companies that don't make the cut and fail to grab hold, but there will also be significant winners.

Whether you were a skeptic like me or a cannabis believer all along, this I know for sure: The cannabis industry is here to stay, and we are still in the very early innings of a very long game.



An exclusive interview with **Vahan Ajamian**, Managing Director at MedMen



David Kretzmann: *David Kretzman here with Vahan Ajamian, the Managing Director of Analyst Relations at MedMen. And Vahan, I know you have a unique background, both in finance and now increasingly in the cannabis space. So first of all, thanks for taking the time, and if you could introduce yourself, your background, and how you ended up in the cannabis space, and with MedMen?*

Vahan Ajamian: *Sure, yeah. So my name is Vahan Ajamian. As you mentioned, I've been an analyst before. I was an analyst for about 12 years, covering the cannabis sector for the last couple of them. So had a great time getting up to speed on the industry, writing reports about companies, analyzing the industry, seeing where things are going in Canada and the U.S. And recently, I sort of switched jerseys so to speak, and joined MedMen being on the other side of these conversations now. Instead of speaking to the issuer, trying to get information and color, and now I'll be with the issuer, speaking to all the analysts covering the sector. So it's pretty exciting. I'm very happy to join the company.*

David Kretzmann: *What's been the biggest surprise, something unexpected since you've made that shift*

to actually being in that analyst relations role, on the other side of the fence?

Vahan Ajamian: *It's only been about two weeks or so, but I can say it's much more different actually doing the work, and building a company, and making investors money, than it is just simply writing about it. When you're an analyst, you get up in the morning, you see a news release at 6:00 AM, oh, there's a call at 8:30 today, and you're in a panic, but all you see is the output. There's a huge amount of input when you're with the company, as to how to structure a deal, how we should get things ready, and when we communicate it to the market. It's pretty exciting now, to have seen both sides.*

David Kretzmann: *Absolutely. And for those who aren't familiar, can you give a little background of what MedMen does, how they got to this point, maybe what the strategy is, [in the] next coming couple of years?*

Vahan Ajamian: *Sure. So MedMen is a cannabis company in the United States. The predecessor company started about eight and a half years ago in California. Obviously, then, it was a medical-only*

market. So we're completely vertically integrated. So every market we're in, we do grow, we do process, and we do retail. The company has its headquarters and its roots in California, in Los Angeles. It's since expanded now into Nevada, into New York. We're one of 10 licenses. And now, just this week, we acquired one of 13 master licenses in Florida.

Vahan Ajamian: So the areas we focus on, we call regulated oligopolies. So if you look at some of the earlier states, what we call free-market states, like Oregon, Colorado, Washington, where they simply gave out too many licenses, too much production, in some cases too [many] dispensaries. And it wasn't investor-friendly. It wasn't a way to make money. We're focused on areas where it's limited licenses, where we can go in, lock up key locations, and leverage our brand with real defensible positions, which we think builds a moat around the business for lasting shareholder value.

David Kretzmann: And MedMen recently went public, in somewhat unconventional way. Can you just talk about what went into that decision? What that means for the company going forward?

Vahan Ajamian: Sure, so the company originally started off in California as a series of funds. So we raised fund one, went out to high net-worth investors, other institutions, we raised a bunch of capital, closed the fund, started to deploy the capital. You start fund two, you start the fundraising process, you start deploying the capital in a very sort of knee-jerk and clunky step-functional way to do things, with the ability to go public on the CSC. We figured that was a better way to just do an RTO and list in public markets in Canada, which would allow us to raise capital at a more fast rate. Allow acquisitions to take 50/50 in stock, which we saw in Florida this week. And allow any investor who likes you to have the opportunity to participate in the company we're building.

David Kretzmann: You mentioned mergers and acquisitions. Obviously, it seems like the pace of mergers and acquisitions is picking up in the category, particularly with recreational cannabis being legalized on the horizon in Canada. What does that increased consolidation mean for the cannabis category, as far as the competitive dynamics? What does it mean for the industry?

Vahan Ajamian: I think we have a good template for what things happen, and we see in Canada. In Canada, we have 105 licenses, producers, maybe technically about 70-odd companies that own those

licenses, 30 or 40, depending on where you draw the line, the public companies in Canada. But more and more people are focusing on the big five.

Vahan Ajamian: The big five, [which] have established themselves as, through M&A in several cases and just through capital-raising. They seem to now dominate investor dollars, mind share, media attention. I think the same thing is going to happen in [the] United States. Whether through M&A and, or organic growth, M&A obviously turbocharges it. We're going to have, a year from now, the big five in the United States, which dominate the landscape.

Vahan Ajamian: We're probably one of the largest ones to go public by far. Our intention is to be in that big five, hopefully number one when the industry's really maturing. And M&A is going to play a big role in that.

David Kretzmann: So as someone who has worn a lot of different hats in this category, what do you think is the biggest misconception about the cannabis industry? Whether you hear it from investors, or the media, or analysts, what do you think is most consistently misunderstood?

Vahan Ajamian: I think in Canada, it's the perception that cannabis is a commodity. There's certainly some commoditized aspects of it, but I think in Canada, oil and gas and mining are such a big part of the economy where the thinking is, if I can get gold out of the ground at \$800 an ounce in Ontario, and it cost you \$1200 in Northwest Territories, then there's one price of gold and I win and you lose. Really focusing on the cost. A lot in Canada, we tend to think of one price, \$10 a gram Canadian with tax, all in. And that's sort of the benchmark price, perhaps that's what people are used to paying or we're used to paying 20 years ago depending on their perspective.

Vahan Ajamian: But in the United States, it's obviously a different culture, but it seems more as a consumer good. So marijuana, as a consumer product is one of our sort of slogans. You walk into a dispensary in Los Angeles or Las Vegas strip and you'll see different tiers. You can acquire product for \$9, \$10, \$15, the high-end stuff will sell for \$18 a gram US, plus a 25% tax. Just like when you walk into the liquor store, you can buy a really expensive bottle of wine or vodka, or a very inexpensive bottle of wine or vodka.

Vahan Ajamian: So I think in Canada, as things mature, that's the way we'll be headed. In United States, we're already there. And never mind the fact that the growing and the flowers is only one aspect

of it. In states like Colorado, California, we're seeing all the extracted products, which is not flower, cumulatively represent about 50% of the market. So unlike alcohol, where you can just drink it diluted, or drink it strong, those are your only options. In cannabis, there're edibles, drinks, tinctures, patches, in addition to just flower. So it's pretty exciting, the breadth of products that's out there.

David Kretzmann: *Awesome. And just a couple more questions for me. At The Motley Fool, we're investors helping fellow investors, so as retail investors get a little more acquainted with the cannabis category, over the next five years or so, what are the two or three main metrics retail investors should be focused on as they evaluate different cannabis companies?*

Vahan Ajamian: *Right now, we're still at the growth stage of the industry. I think right now it's about managed and focused growth. You want to see products in – companies that have products on the shelf, that have a good top line, show expansion, and show profitability in areas where they're mature. So for example, in Canada, obviously, rec is about to start. So it's all about the growth, and how many different places you can get your product on the shelf, and how do you build a brand?*

Vahan Ajamian: *Where in the United States, we're seeing more and more states come online. So California, when we started eight and a half years ago, obviously medical market, now it's rec. Nevada was a medical market, and now it's rec. In New York, medical market right now. The governor's already talked about, all our neighboring states are doing it, Canada's going rec, effectively, it's going to be legalized in New York. We may as well go legal and get the jobs and get the tax dollars. So I think in Florida, right now, we just made, it's a medical market, but eventually it'll go rec.*

Vahan Ajamian: *So I think you want to have a managed approach of growth where the markets are exciting and accelerating, and you want to be able to show profitability and metrics in markets that are mature, such as some areas of California. Now, once you get a little bit more time of rec under our belts, so it's going to be exciting.*

David Kretzmann: *And obviously, a lot of different moving pieces at MedMen, and in the cannabis space as a whole, but going forward, or in the next five years, what personally gets you most excited?*

Vahan Ajamian: *I think it's the fact that we're building an industry as a whole. I think it's a great opportunity just to watch what's happening, but also to be part of it. The cliché, it's the end of prohibition. And we're seeing it in our lifetime right now. Just the nuances of how different states are doing things, different countries are doing things. It's going to be great to watch and to be able to participate in it.*

David Kretzmann: *Awesome. Well, Vahan, thanks so much for taking the time to talk to The Fool.*

Vahan Ajamian: *Anytime, take care.*

David Kretzmann: *All right, thank you.*

An exclusive interview with **Deepak Anand**, VP of Cannabis Compliance



Deepak Anand: So, my name is Deepak Anand. I am the Vice President of Government Relations and Business Development for Cannabis Compliance. CCI is a regulatory compliance consulting firm where we help people in this space get licensed and work with them on cultivation planning, business planning, training, recruitment, workforce, education, and those sorts of things. So, we're really covering all sides of the regulatory landscape in Canada.

David Kretzmann: And I've heard that you have a lot of involvement with Health Canada and, as someone who's a little bit newer to following this space, I would love to just get an overview from you as far as what approvals and licenses companies need to go through to cultivate? What they can sell? Where they can sell it? When they can sell it? If you could just walk us through that.

Deepak Anand: Yeah, so great question. So, right now the way that the ACMPR, or the Access to Cannabis

for Medical Purposes Regulation is set up is, it's a fully vertically integrated model where you need to be a licensed producer, licensed to grow cannabis.

Deepak Anand: But it's beyond just growing. You're doing everything from seed to sale. Which is growing, cultivation, harvesting, post-harvest processing, product formulations, extractions, and many packaging, labeling, and shipping. So you're literally doing the entire process and supply chain and value chain in the whole mechanism. Because there is one license essentially that you can apply for, called a Cultivation License and a Sale License, to be able to grow and sell cannabis for medical purposes.

Deepak Anand: Where the industry is going now is, we're moving towards the Cannabis Act. With Bill C-45 just recently having gone through the third reading at Senate, and hopefully getting royal assent and becoming law here very soon, you're going to see different categories of licenses.

Deepak Anand: So what Health Canada is saying is, “We realize over the years that you don’t just want to be a grower. Or some people just want to be a grower and not worry about packaging, labeling, and shipping. Or, ‘I don’t want to grow cannabis but I want to just formulate this awesome transdermal patch.’”

Deepak Anand: Well now, they’re creating a regulatory landscape that will actually allow for that to happen. Whereas in the past, we haven’t seen that. So we’re quite excited about licenses coming out here soon. I would expect in the next few weeks. And that’s really going to change what we do, and really the industry in many ways. ‘Cause you’re going to see entrepreneurs from all sides of the space coming out and [saying], “I’ve done processing really well, or I’ve done edibles really well, and this is what I want to focus on.” So, we’ll certainly see that coming up soon.

David Kretzmann: So at *The Motley Fool*, [we’re investors] helping fellow investors. So, as we were researching companies that were preparing for this shift to legal recreational cannabis, what licenses should a company have in place? Just so we can separate the fluff from the actual hard facts.

Deepak Anand: Yeah, for sure. So, the one thing you want to be very cognizant of, and I think the markets have picked up on this quite well now, is don’t worry about a company just getting [a] cultivation license. I mean, cultivation licenses were a very big deal in the past, where now, I think investors have realized that it’s the sale license that actually means quite a bit more than the cultivation license. Because you can’t generate revenue with a cultivation license. You’re not allowed to sell. It’s the sale license that actually allows you to generate revenue.

Deepak Anand: And while we may have 107 license producers, there’s only about 35 of them that can actually sell product. So that really limits your pool, and I think that’s one of the things that investors should look at. What is the management team? Have they been able to execute in the past? Are they able to deliver? How quickly can they get their cultivation and sale licenses?

Deepak Anand: And moving forward, you asked the question of licensing, I think that companies that are innovative and looking at different verticals in the market are going to be the ones that are successful. Because it’s not just companies that are able to grow cannabis. We’re beyond growing cannabis. Aurora and Canopy alone grow a lot of cannabis. They’ve committed to huge facilities. This market is really shifting from just

cultivation of cannabis to different forums. Whether it be topics, whether it be extracts, whether it be formulations. That’s where the market’s going.

Deepak Anand: In Canada, so far, we’ve had two types of product: dry product and cannabis oil. And it hasn’t really been that hard to cultivate or grow product for that market, but where this is going is, we’re going to open this up to a variety of different dosage forms. Even though edibles won’t be permitted on day one – it’ll probably be a year post-legalization – it’s still a very competitive market.

Deepak Anand: You’ve seen in Oregon, there’s an overgrowth. The prices dropped. And keep in mind, Health Canada is not going to limit licenses. It’s not in their interest to limit licenses. In fact, it’s in their interest to drive the price per gram down. Because they’ve done a really good job regulating it. They know this isn’t going to be peddled out the back door. So, if the price per gram drops to \$2 or \$1, whatever crazy number is out there in Oregon, it works in Health Canada’s interest. Because guess what? The black market’s completely eliminated at that point.

Deepak Anand: So, you want to be careful, as an investor. You’ve got to look at the long-term value for an LP and what they’ve got plans in. Whether it be relationships with companies in the US that have done some awesome stuff. There’s a handful of companies that do very well on oils, and edibles, and extracts, and formulations, and vape pens, that some LP’s are now partnering up with them. And that’s smart, because you don’t want to learn this out of the gates. California alone has [gotten] several hundred companies that are doing this really, really well. And the smart thing to do is partner up with those companies, get ahead of that learning curve, partner with them and bring them up to Canada, and then take them across the world. That’s what investors should be paying attention to, is those companies that you want to be looking at and partnering up with.

David Kretzmann: Got it. You mention Health Canada there. What are they looking for? Both with companies seeking a cultivation license, as well as a sales license. What are some of the traits that Health Canada’s looking for?

Deepak Anand: So, Health Canada is looking very much for quality and safety. Those are the two things that they focus tremendously on. And going into this, you should know that the federal government said that they’re going to look after all production, all cultivation. So, in other words, anything that’s going

out, whether it be for medical purposes or non-medical rec purposes, there's going to be no different between the types of products in terms of the quality.

Deepak Anand: So, that's the one thing Health Canada's absolutely focusing in on, is making sure you're not using pesticides, you're not using any other growing methods that are not permitted within the regulation. And testing is a big part of it. So, you want to make sure your crop is going to actually pass. We've had many recalls, and I certainly think we'll have more recalls. And that's because the system is working. Health Canada is enforcing this.

Deepak Anand: And then the other thing to keep in mind, Health Canada is looking at security. Making sure that there's physical security at the site, So, things aren't getting stolen. As well as making sure people that are behind companies' security [are] cleared, and they're the right people getting into the space. That there's no involvement of organized crime. I would say those are the two basic things that Health Canada is looking for.

Deepak Anand: And with licensed producers, they've had over the past four or five years, a lot of comfort in that there is that security and quality aspect in place. So, what you're seeing now is Health Canada approve a lot of second sites for licensed producers and their expansions. That's because they've had that relationship. That's going to be another critical element to consider going internationally because you're seeing a lot of companies make international movements.

Deepak Anand: You know, Canopy has certainly made a host of international investments. Supreme just recently talking about getting into Lesotho, and that's going to be a very important conversation in bringing back cannabis back to Canada. I think it'll be permitted. Importations will be permitted into Canada. But again, the companies that have had that relationship with Health Canada that are now set up these facilities offshore and uses best practices from Canada, are going to be the ones that Health Canada is most comfortable getting a product from. Versus somebody that they don't know, they haven't vetted, and they are uncomfortable about as far it relates to safety and quality.

Deepak Anand: So, those are some things to keep in mind.

David Kretzmann: Yeah, got it. And a higher-level question here, what do you think is the biggest misconception about the cannabis space? Whether it's from the entrepreneurs here working with perspective clients or from investors? From the media? From the

public at large? The biggest misconception that you most frequently hear?

Deepak Anand: Yeah, the biggest misconception is probably, I would say, there's just so much uncertainty or unclarity around the regulations that people don't understand what is actually possible and what isn't possible. And that's why we try and bridge that level at CCI. We try and help people in federal regulations. And how is this going to affect me? What is your business plan? How can we deliver on that business plan? Just because it says something in the regulations that you think may mean something, it doesn't necessarily mean that it's not allowed, or not permitted. Or it is allowed or permitted. And there's ways that you want to set yourself up.

Deepak Anand: And that's what we do at CCI, is we try and help our clients really deliver and execute on their dreams. We see people from the small entrepreneur to the big company come to us and they say, "This is what I want to do." And we kind of facilitate and help them get in that space. So, I would say clarity, or the lack of clarity, is probably a big thing that's out there.

Deepak Anand: In terms of misinformation, it's just that Health Canada is this very strict regulator. They're very strict, don't get me wrong. But they are also very open and collaborative. So, I think that's the other misconception is, "We can't reach out to Health Canada." I think people should feel comfortable reaching out to Health Canada, because the office has done a great job being open and transparent over the years. So I would say that's probably another misconception.

David Kretzmann: Yeah. And for retail investors who might be getting interested in investing in a cannabis space for the first time, getting familiar with the industry and the companies, in your opinion, what are some of the ... two or three metrics, or traits, or initiatives, that investors should be paying attention to? Just, like I mentioned earlier, to separate the fluff and the fiction from more the facts, or the hard reality.

Deepak Anand: Follow Steve Salz; Aaron and Steve [Salz] both do an awesome job on what they put out in terms of the numbers. Look the fact is, there is a number of companies in the space now, whether it be a Capital, whether it be Deloitte, whether it be a whole host of companies that are in the space now that are putting [out] reports and publishing. Pay very close attention to the balance sheets of a lot of companies

and their business plans, and really map that out thoroughly. Because there will be a number of our cultivation licenses granted out, and you want to make sure that you are investing in the right company.

Deepak Anand: You want to pay attention to the management teams, and some of the stuff I alluded to earlier. But pay attention also to a lot of the public-markets numbers that are being posted out there. 'Cause a lot of people, like Aaron Salz, are doing an awesome job of putting out some really good, hard data in terms of what they're seeing from cross-license producers. In terms of metrics, numbers, projections, yields, profitability. Those sorts of things. That's what you want to keep an eye on.

David Kretzmann: Okay. And when you're working with clients at CCI, what recommendations do you give them, as much as you're able to divulge? Thinking about further down the road when cannabis has the risk, as you've sort of mentioned, of potentially becoming commoditized or lower price, what are some of the recommendations that you'd give to clients thinking ahead over the next three to five years to remain differentiated and not be as susceptible to an increase in competition?

Deepak Anand: Yeah, so, when you have a new, what we call an ACMPR applicant, or a new applicant that wants to get into the space, the first thing we ask them is, "What's your plan? What are you thinking about?" And we really get them to move beyond just thinking about growing dried cannabis or extracting oil. It's, what's the long-term story? How do you plan to differentiate yourself from the market? Are you a rec brand? Are you a medical brand? What's your focus? What's your strategy around getting into vapes and edibles? And I don't think people are having that conversation enough. Because people think that there's going to be a lot of regulatory hurdles in that process. Which there are definitely going to be, but I think if you're not looking two years [ahead], then you're doing yourself a disservice by setting yourself up. Because if you're not looking at the market in two to three years ... I mean, one way or the other, we are legalizing cannabis for non-medical purposes. That's happening.

Deepak Anand: The next thing is going to be how are you differentiating yourself, as products are going to be a key in the mix here. Don't believe that the regulations, talking about packaging and branding – there's certainly challenges. Those are the challenges that the industry is dealing with today. I don't think we'll have these challenges in two years. Let's not get caught up

on those sorts of things, which are gonna be growing pains. It's really going through the motions. Focus on two to three years down the line, when you're looking at edibles, vapes, concentrates, different types of products. And that's on the non-medical side.

Deepak Anand: On the medical side, you're looking at capsules, tinctures, ointments, transdermal patches, clinical trials, drug identification numbers. The world is really an oyster at this point. We're quite fortunate with Canada being the first G-7 nation to legalize cannabis, and really the only second nation in the world to legalize cannabis for non-medical purposes. That's a significant advantage. Especially on the international scale.

Deepak Anand: I mean, I just got back from Europe, and it's amazing how much demand, or interest, or need there is for Canadian product. And that demand or need isn't going to die down anytime soon. We're seeing more and more countries flip the switch on legalization for medical purposes. And that's where a lot of licensed producers can really capitalize on. The price that they can command in those markets. To give you an example, cannabis retails for \$23 euros per gram in Germany, which is 37 bucks Canadian. That's significant. They're wholesaling it at \$11 a gram. So, why would you bother trying to be with the LCDO or the LDBBC at \$2 and \$3 a gram? It just doesn't make sense. So you need to be focusing on the long term.

David Kretzmann: Final question for me, and thanks again for taking the time ... Obviously a lot of moving pieces within the cannabis industry, but looking out over the next five years, what personally gets you most excited?

Deepak Anand: Really just the amount of knowledge and learning there is in the space. I've been in the space five years now, and there's not a day that goes by that I'm not learning something new, or not thinking about something from a different aspect. And I think that's what keeps me the most excited about the space, is the constant learning. Whether it be evolving of regulations, the changes around the world, really the shift and the pivot on the international side towards medical cannabis, what's going on in the U.S. Just paying attention to those markets. But really it's the learning that really keeps me excited. And the fact that now we're creating a new industry. There's new entrepreneurs being born [which] is very exciting.

David Kretzmann: All right. Deepak Anand of CCI. Thanks so much for taking the time.

Deepak Anand: Thanks for having me.



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