



H HOULIHAN
CAPITAL *Value. Added.*

Member of FINRA | Member of SIPC

Services for:
Public & Private Cannabis Companies

Houlihan Capital – Firm Overview

Key Services for Cannabis Clients

- Business Valuations
- Fair Value of Stock Based Compensation
- Fairness & Solvency Transactional Opinions
- Valuations for Estate & Gift Tax/Succession Planning
- Valuation of Illiquid Securities
- White-Labeled Investor Deck Production
- Litigation Support Regarding Valuation Disputes

About Us

Houlihan Capital is a leading, solutions-driven, valuation, financial advisory and boutique investment banking firm. We pride ourselves on being thought leaders in an ever-changing landscape.

Houlihan Capital is a FINRA and SIPC member, committed to the highest levels of professional ethics and standards.

In short: *Value. Added.*

Our History

Houlihan Capital's origins date back to 1996 when Andrew Smith and Richard Houlihan founded a valuation and investment banking firm to serve small to middle-market companies. Over the years, the firm organically grew to accommodate the needs of an increasingly complex client base.

Today, Houlihan Capital continues that rich tradition through our Valuation & Financial Advisory, Investment Banking, and Litigation Support groups. We serve some of the largest corporations, hedge funds, private equity funds and sovereign wealth funds in the world. We pride ourselves on being solutions-driven and delivering superior client value.

Industry Experience – Cannabis



Houlihan Capital has completed 25+ valuation and investment banking engagements for cannabis clients. The cannabis industry is undergoing a transformation to a regulated and complex market. Entrepreneurs and investors have taken notice and continue to look for ways to capitalize on market opportunities. Houlihan Capital understands the importance its clients place on timely decision making in response to a fast-changing regulatory environment that impacts business strategy on a daily basis. Houlihan Capital has extensive experience working with both public and private companies that provide goods and services within the cannabis industry, and we can be flexible in structuring engagements to support our clients' needs.

Service Offerings

- Financial Advisory
- Strategic Business Valuation Planning
- M&A Due Diligence & Valuation
- Financial Modeling
- White-Labeled Investor Deck Production

Client Areas of Experience

Plant-Touching

- Cultivation
- Extraction & Processing

CBD-Only Products

- Pharmaceutical
- Health & Wellness
- Sport & Fitness
- Consumer Discretionary

Dispensaries

- Medical
- Recreational

Ancillary Services

- Media
- Manufacturers
- Business Solutions

Financial Modeling for Cannabis Clients

How our clients benefit from valuation and development of a dynamic financial model:

Overview:

We work with clients in the cannabis and cannabis-related industries to build a detailed, ground-up, financial model that incorporates Unit Volumes, Revenues, Margins, and Expenses that are easily updated as inputs and assumptions are revised (“Model”). The Model helps clients validate their revenue and business models. Houlihan Capital’s experienced team creates a dynamic Model, which evaluates:

Unit Volumes:

- Detailed historical analysis
- Projected monthly production and yield schedules, built from # of lights, yield per light, flower yield, etc.
- Modeling of oil extraction processes and yields
- Projected pricing schedules for both retail and wholesale
- Detailed unit volume and margin assumptions
- Projected COGS and G&A expenses



Financial Modeling for Cannabis Clients (continued)

Financial Modeling at Entity (or Division) Level:

- Investors are seeking additional security and insight into the performance, pricing, and risk of invested capital. Additionally, recent regulatory changes are increasing pressures on investment managers to provide clarity in their reporting to interested parties.
- Houlihan Capital provides a suite of services to managers and interested parties aimed at independently critiquing assumptions, valuation methods, and conclusions for today's changing market environment

Valuation Applications:

- Discounted cash flow (DCF) modeling – terminal value determined by long-run growth rate, future simulated buyout, or both
- Each revenue stream discounted with its own discount rate – rationale is that one revenue stream may carry more or less risk/probability than another
- Risk premium modeling for medical-only vs. medical & adult-use (recreational) markets
- Use Market-based evidence for comparable analysis of client business
- Analysis of public-company forward multiples for use in valuation
 - (i.e. total enterprise value (TEV) / Revenue or TEV / EBITDA)
- Analysis of precedent industry transactions for use in valuation service offerings

Representative Industry Experience & Qualifications

Cannabis Industry

- We developed a dynamic pro forma financial and valuation model and performed a valuation for strategic and general business planning purposes for our client, who is a national leader in the cannabis sector, with cannabis business activities dating back to 2013. The company holds a controlling interest in a diverse portfolio of medical marijuana licensed businesses and management companies in the most competitive U.S. jurisdictions and awaits receipt of additional coveted licenses in multiple, new markets. The Company is involved in the production, extraction, and dispensation of formulated, pharmaceutical-quality medical marijuana products.
- We developed a dynamic pro forma financial and valuation model and performed a valuation for strategic and general business planning purposes for a medical cannabis cultivating and manufacturing company dedicated to reliable relief. As of December 2017, the company's products currently service the patients of Illinois with precisely dosed, pharmaceutical-grade consistency in an array of forms. The Company had been awarded marijuana cultivation licenses in Ohio and Pennsylvania and had applications pending in several other states.
- We developed a dynamic pro forma financial and valuation model and performed a valuation for strategic and general business planning purposes for a finance, research & technology, real estate, & portfolio management company, with an excess of 110,000 square feet of real estate under management, supporting national & international intellectual property management, and maintaining ten (10) subsidiaries, ranging from foodservices (including cannabis-based products), beverage services, and breweries.
- We perform quarterly valuations for fair value reporting for an investment platform primarily focused on controlling and minority equity investments in: (i) plant touching businesses, (ii) differentiated branded products, (iii) attractive retail concepts, (iv) vertically integrated platforms, and (v) medical and adult-use markets.

Representative Industry Experience & Qualifications

Cannabis Industry (continued)

- We have provided valuations and fairness opinions for a company that operates in the medical marijuana and industrial hemp markets. Its products range from patented and proprietary based cannabinoid products to seed and stalk or isolated high value extracts manufactured and formulated for the pharmaceutical, nutraceutical, and cosmeceutical industries. The company develops cannabinoid-based health and wellness products, and medical grade cannabinoid compounds; and licenses its proprietary testing, genetics, labeling and packaging, tracking, production, and standardization methods for the medicinal cannabinoid industry, as well as offers pre-and-post-production tracking, gemplasm references, and packaging and processing services.
- We have performed a valuation for fair value reporting for a manufacturing, processing, distribution and transportation company offering a wide range of adult-use proprietary and revolutionary products, which are derived from cannabinoid (“CBD”). Our client has approximately 35 employees made up of executives, laboratory personnel, extraction facility personnel, office and operational personnel, manufacturing personnel, IT, marketing and accounting personnel. As of the Date of Value, the company was licensed to conduct its business activities exclusively in the state of California.
- Houlihan Capital currently provides valuations and valuation reviews for a hedge fund client with various investments focused in the cannabis industry.
- We have provided a fairness opinion for a nonprofit company that hold permits to cultivate, process and sell medical marijuana. The Company commenced selling cannabis products in October 2015. The Company’s parent company has a presence in 12 states, owns and operates 49 dispensaries, 14 cultivation sites and 13 processing sites with a focus on highly populated, limited license states.