

PROFESSIONAL SERVICES FOR CANNABIS-RELATED COMPANIES AND FUNDS



HOULIHAN
CAPITAL

Value. Added.

Member of FINRA |
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HoulihanCapital.com

Firm Overview

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 Services

- ✓ Fairness & Solvency Transactional Opinions
- ✓ Valuation of Illiquid Securities (Level 3 – ASC 820)
- ✓ Purchase Price Allocation (ASC 805)
- ✓ Valuations for Estate & Gift Tax/Succession Planning
- ✓ Goodwill Impairment Testing (ASC 350)
- ✓ Fair Value of Stock Based Compensation (ASC 718, IRC 409A)
- ✓ Litigation Support Regarding Valuation Disputes
- ✓ **Financial Advisory**
 - Buy-Side Advisory
 - Sell-Side Advisory
- ✓ **Growth Finance Services ("GFS")**
 - Financial Modeling
 - Business Valuations
 - Strategic Advisory
 - White-Labeled Investor Deck Production

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.

CANNABIS INDUSTRY EXPERIENCE

DOMESTIC & INTERNATIONAL

75+ 
ENGAGEMENTS

WE DEVELOPED A DYNAMIC PRO
FORMA FINANCIAL VALUATION
MODEL THAT IS AIMED TOWARDS
MEETING OUR CLIENTS' NEEDS



SERVING CANNABIS CLIENTS
AND TOP TIER
MULTI STATE OPERATORS

SINCE

2013

CLIENT AREAS OF EXPERIENCE

PLANT TOUCHING

CULTIVATION
EXTRACTION &
PROCESSING

DISPENSARIES

MEDICAL
RECREATIONAL

CBD-ONLY PRODUCTS

PHARMACEUTICAL
HEALTH AND WELLNESS
SPORTS AND FITNESS
CONSUMER
DISCRETIONARY

ANCILLARY SERVICES

MEDIA
MANUFACTURERS
BUSINESS SOLUTIONS

PREVIOUS CLIENTS



Growth Financial Services (GFS) Overview



Financial Modeling

Creation of dynamic financial models to validate future company performance.



Investor Presentation

Assembly of customized investor decks, detailing client's business operations.



Valuation Analysis

Utilization of income and market-based approaches to issue defensible valuations.



Strategic Advisory

Expert advisory to help clients navigate an ever-changing regulatory landscape

Financial Modeling for Cannabis Clients:

Houlihan Capital provides a suite of financial modeling and advisory services aimed at independently critiquing assumptions, valuation methodologies, and conclusions for today's dynamic market environment. Houlihan builds detailed, ground-up, financial models that incorporate Unit Volumes, Revenues, Margins, and Expenses that are easily updated as inputs and assumptions are revised (the "Model"). The Model helps clients validate their revenue forecasts and business models, ultimately leading to more efficient operations. Our valuation experts create a solution tailored specifically for each engagement.



**Detailed
historical
analysis**



**Projected
monthly
production**



**Oil extraction
processes
and yields**



**Pricing
schedules**



**Unit volume
and margin
assumptions**



**COGS and
G&A expenses**

Valuation Services for Cannabis Clients:

Houlihan has access to industry tools to help evaluate the regulatory environment, state-by-state legislation, maturity of the market, and company-specific factors, such as granted licenses and competitive advantages. The cannabis market is rapidly evolving as states enact legislation to legalize medical and adult-use cannabis. Houlihan Capital's team of cannabis experts are constantly informed on the ever-changing cannabis market, allowing us to provide timely, research-backed valuations for clients.

Houlihan Capital has experience valuing operating and non-operating cannabis businesses and has also been routinely engaged to provide valuations for provisional and granted cannabis licenses, for both vertically integrated and standalone operations.

Income-Based Valuation Approaches

Discounted Cash Flow (DCF) Modeling - Terminal value determined by using a long-run growth rate and/or a future simulated buyout of the company.

Discount rate – Each revenue stream is discounted at its own rate to reflect inherent risks and probability. Risk premiums are adjusted for modeling medical vs adult-use markets.

Market-Based Valuation Approaches

Precedent Transactions – Utilize market-based evidence such as previously closed transactions for comparable analysis of the subject company.

Guideline Public Company (GPC) – Analysis of forward-looking multiples from public companies within the subject company's industry for use in deriving valuation (TEV / Revenue or TEV / EBITDA).

Houlihan Capital has completed 75+ 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.

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 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

Services for Alternative Investment Funds

Valuation & Financial Advisory

Houlihan Capital has extensive experience providing investment funds and managers with objective, independent, and defensible opinions of value that meet accounting, regulatory, and corporate governance requirements. Our analyses and reports are transparent, supportable, and clearly outline the assumptions and projections incorporated into our financial models.

What does Houlihan Capital offer?

Houlihan Capital offers an integrated advisory approach that draws upon strategic and technical expertise, transactional and financing experience, and an expansive network of institutional and private investors to guide management teams and investors. Understanding the time sensitivity of many of our assignments, we work diligently to meet demands and minimize operational disruption.

We can assist as follows:

- Develop, or assist in developing, valuation policies for Level 3 Assets
- Determine, or assist in determining, unobservable inputs
- Develop, or assist in developing, valuation pricing model
- Provide valuation opinion, and/or positive assurance, for each illiquid asset
- Should fund portfolio assets be suspended, assist in providing valuation opinion and/or positive assurance, for portfolio as a whole

Special Situations and Litigation Support

We offer secondary market advisory and trading, transactional advisory, and liquidity solutions.

- Value Assets
- Create Liquidity Strategies
- Create Secondary Markets for LPs Looking to Liquidate Positions
- Provide Independent Advisory Services to Fund Administrators and Advisors
- Provide Fairness Opinions on Asset Transfers

Areas of Expertise

- | | | |
|-------------------------------|--------------------------|-----------------------|
| • Illiquid Debt | • Derivatives | • PIPE's |
| • Common and Preferred Equity | • Private Placements | • Structured Products |
| • Warrants and Options | • Convertible Securities | |

Types of Service

ASC 820

Fair Value, in accordance with FASB Accounting Standards Classification Topic 820: Fair Value Measurements and Disclosures (“ASC Topic 820”), is defined as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”. Further, ASC Topic 820 establishes a framework for measuring fair value under generally accepted accounting principles, and expands disclosures about fair value measurements.

Independent Valuations

Houlihan Capital has rendered thousands of valuation opinions for hedge funds, private equity firms, and other investment managers and financial institutions for financial reporting purposes.

We have assisted of with various assets and asset types, ranging from single investments to multi-class portfolios.

Review of Internally Prepared Valuations

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 fund managers and interested parties aimed at independently critiquing assumptions, valuation methods, and conclusions for today’s changing market environment.

Valuation Policy and Review

Given the difficulty of valuing illiquid assets and the potential for conflict of interest, hedge funds, private equity firms, and other investment managers and financial institutions are receiving greater attention from regulators, investors, auditors, politicians, and other industry participants, with the trend toward a well defined and consistently applied valuation policy that complies with the relevant reporting standards, greater transparency and independence.

Authored by a team of investment management experts, our process for policies and procedure review provides clear guidance in reviewing and often creating a compliance manual that meets regulatory best practices.

The policies and procedure review solution at Houlihan Capital combines practical and industry proven “know how” with the flexibility to integrate your existing materials into one centralized solution.

Fairness Opinions

Houlihan Capital can render Fairness Opinions on fund to fund transfers of illiquid investments, in connection with capital raises and other similar transactions. A Fairness Opinion is often requested by Boards of Directors insignificant change of control or capital transactions and is an effective, often necessary, risk management tool that determines whether the terms of a transaction are fair to stakeholders from a financial point of view.

Representative Industry Experience & Qualifications

- 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.
- 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, genoplasm 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 hedge fund clients 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.

Meet Our Team



Andy Smith

President

asmith@houlihancapital.com



William Butrym

Chief Executive Officer

wbutrym@houlihancapital.com



Paul Clark, CFA

Managing Director

pclark@houlihancapital.com



Ted Frecka, CFA, CVA

Director

tfrecka@houlihancapital.com



Nancy Shao

Vice President

nshao@houlihancapital.com



Cole Giordon

Vice President

cgiordon@houlihancapital.com



Michael Norton

**Director
Business Development**

mnorton@houlihancapital.com



Monica Blocker

**Director
Business Development**
mblocker@houlihancapital.com



Contact us.

www.houlihancapital.com

E: info@houlihancapital.com

P: +1 (312) 450-8600