



# EQUIPMENT LEASING FOR CANNABIS AND HEMP OPERATORS

COMPANY PRESENTATION  
Fall 2020

**CSE: XSF**  
**OTCQB: XSHLF**

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# XS HIGHLIGHTS



Through a well-established client base and strategic partnerships within the industry, XS delivers a proven business model that anticipates high IRR<sup>1</sup> and outsized returns for shareholders

- 1 Revenue Generating Contracts Already In Place
- 2 Vendor Partnerships with 100+ Well-Known Original Equipment Manufacturers (“OEMs”)
- 3 Strategic Partnership with KushCo. (OTC: KSHB) Provides Marketing and Sales Support

47.8%

Portfolio Lease-to-Value<sup>2</sup>

23.8%

Portfolio Yield<sup>3</sup>

9 States

Geographic Diversity<sup>4</sup>

\$694,018

Average Lease Size

40 Months

Average Lease Length

<sup>1</sup> IRR - Internal rate of return (IRR) is a metric used in capital budgeting to estimate the profitability of potential investments

<sup>2</sup> Outstanding lease exposure to depreciated value of equipment (as of 6/1/2020)

<sup>3</sup> Illustrated yield is unlevered. Weighted average lease length based on exposure and excludes short term purchase contracts.

<sup>4</sup> <50% concentration in California

# THE XS MANAGEMENT TEAM



A high-quality team with expertise in building specialty finance companies and capital markets experience

**DAVID KIVITZ**  
CEO & Director

Previously Managing Partner and Co-Founder of Alta Verde Group, growing annual sales in excess of \$50 million. Awarded #3 Fastest Growing Private Company in Los Angeles in 2015

**ANTONY  
RADBOD**  
COO & Director

Co-founder of Pollen Partners, a venture capital firm with multiple successful exits. Co-founder of leading digital content agency, Nobody (exited 2016).

**JOE FAZZINI**  
CFO

Previously Vice President, Analyst, and Senior Equity Research Associate roles at Dundee Capital Markets

**Our Board of Directors provides industry, governance and finance support to our high-quality management team**

**GARY  
HERMAN**  
Independent Director

Fund manager, Strategic Turnaround Equity Partners and affiliates. Previously, Abacoa Capital Master Fund, Ltd. Registered with Arcadia Securities, LLC.

**STEPHEN  
CHRISTOFFERSEN**  
Independent Director

Chief Financial Officer for KushCo Holdings (OTC:KSHB), evaluates strategic acquisitions and fundraising initiatives

# THE XS TECHNICAL & UNDERWRITING TEAM



Our team is highly knowledgeable in the technology, sector, and regulatory framework

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## JIM BATES

Director of Credit

**Leasing professional with over 30 years of managing risk**

Former Credit Manager for Meridian, SunTrust Equipment, AIG Equipment, Transamerica Equipment Finance, Nations Credit and, CAT Financial

Bachelor of Science in Business Administration from Western Illinois University

## KENNETH SENTER, CFLP

Director of Client Services

**Certified Lease and Finance Professional (CFLP) with over 30 years of experience**

Leasing and finance consultant handling all aspects of required equipment financing

Bachelor of Science in Business Administration from the University of Southern California

## TREVOR KROSS

Operations Manager

**Equipment procurement for pharmaceutical and cannabis businesses**

Cannabis extraction and maintenance of laboratory equipment as well as regulatory knowledge

Former Inventory Control Manager with KB labs, and an Extraction Lab Team Lead with Tryke Companies

Bachelor of Arts in Biology with a minor in Chemistry from University of Boston

# XS SNAPSHOT



Taking a well understood and lucrative business model and applying it to the cannabis and hemp industry



## PROVEN BUSINESS MODEL

XS currently has an established client base with equipment deployed, and revenue generating contracts already in place



## EXPERIENCED & DEDICATED TEAM

Extensive experience in specialty finance, cannabis/hemp equipment, and credit management



## HIGH MARGINS WITH SIGNIFICANT GROWTH

OEM partnerships through the Preferred Vendor Program provides preferential pricing which drives yields



## STRENGTH IN UNDERWRITING

Unique perspective to the industry equipment providers paired with substantial experience in manufacturing facilities provide valuable insight for underwriting

# CANNABIS DEEMED ESSENTIAL



**COVID-19 related lockdowns have not hampered the industry as we have seen demand increase in a number of markets**

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In light of the COVID-19 pandemic and the resulting lockdown in many jurisdictions, essential services have seen an uptick in demand

Cannabis is an essential business in **29** states, and there has been no slowdown for the industry

## HOW HAS THIS AFFECTED XS?

No impact to our existing customers

Greater demand for our products and services

XS Underwriting has implemented measures to better understand how customers are impacted and reacting to COVID-19

## HOW HAS THIS AFFECTED THE INDUSTRY?

Many retailers have experienced an increase in sales

Competing capital providers have vanished due to liquidity concerns

Target businesses have projected increased growth due to consumer demand

# XS + KUSHCO HOLDINGS



KushCo (OTC: KSHB) Partnership & 19.9% Ownership Position<sup>1</sup>



**The industry's largest ancillary service provider**

## STRATEGIC PARTNERSHIP TO DEVELOP BUSINESS OPPORTUNITIES

- Sales and marketing support including cross promotion and marketing
- Access to customer list with over 5,000 cannabis brands
- Kush trading platform – help facilitate the sale of oil from XS customers
- KushCo & XS Founders<sup>2</sup> control approx. 43% of XS

<sup>1</sup> Refer to Strategic Partnership and Cooperation Agreement with KushCo Holdings Inc. as announced on Jan/30/2020






<sup>2</sup> See slide 17 for a breakdown of share structure and ownership



# RECENT LEASE AGREEMENTS



XS serves some of the industries largest Multi-State Operators (“MSOs”) and seeks portfolio diversification with top tier companies

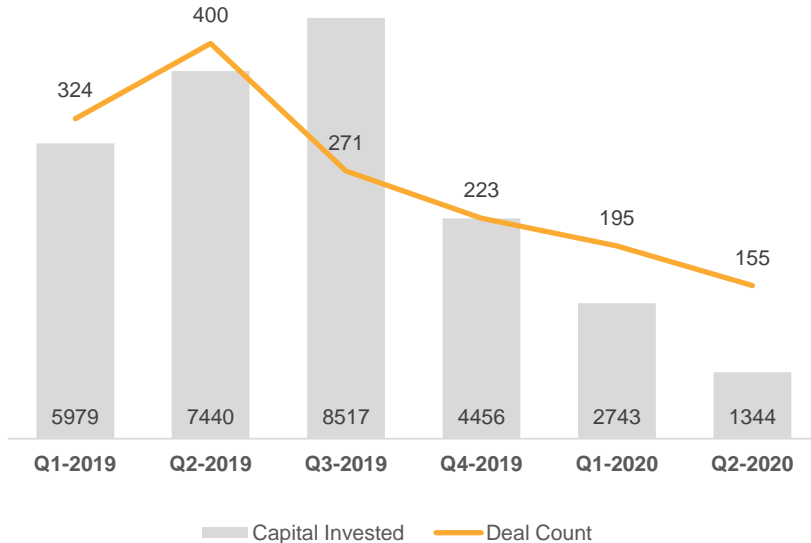
COMPANY	OPERATING LOCATION	LEASE TYPE	LEASE SIZE <sup>1</sup>	TERM (MONTHS) <sup>1</sup>	ADVANCE RATE <sup>1</sup>	LEASE UNDRAWN
 HALO LABS	Oregon, California, Nevada and, Washington	Sale-leaseback	\$600,000	36	33%	\$0
 LEHUA BRANDS	Washington and California	Lease	\$58,781	36	50%	\$0
 USA BOTANICAL DEVELOPMENT	South Carolina	Lease	\$110,306	13	100%	\$0
 PHARMACANN	Illinois, Maryland, Ohio, Massachusetts, and New York	Lease #1	\$563,399	48	65%	\$0
		Lease #2	\$51,430	48	65%	\$0
		Lease #3	\$1,187,510	48	65%	\$0
		Lease #4	\$365,104	48	70%	\$0
 GREEN PEAK INNOVATIONS™	Michigan	Lease	\$224,118	36	80%	\$3.8m

# CAPITAL CHALLENGES FOR THE INDUSTRY



Limited capital availability has forced companies to find alternative financing methods and leverage

Cannabis Capital Markets Activity (\$ in MM)<sup>1</sup>



## THE XS SOLUTION

- XS provides equipment leasing solutions which reduces the need for excessive capital expenditures
- XS provides sale-leaseback services which enables customers to unlock capital from existing equipment without interrupting business operations
- XS mitigates the need for companies to raise equity in today's environment, which dilutes shareholders

<sup>1</sup> Source ELLO Capital "Cannabis & Hemp Industry Update Q2 2020"

# +100 PREFERRED VENDOR OEMS



**Our relationships with OEMS allow for discounted rates, lead generation, and reduced technology risk**

## Partner Directly with OEMs Serving the Industry

XS established the Preferred Vendor Program to provide point of sale leasing solutions for customers



GREENOMILL



## Pre-assessment of OEMs

The XS in-house technical team assess the OEMs service agreements, type and duration of warranty coverage and ensures that frequently replaced parts are readily available



## Mitigate Technology Risk

XS has clear visibility on manufacturers serving the industry which in turn mitigates technology risk



## Preferential Pricing

Volume and purchasing discounts available only to XS Financial driving IRR<sup>1</sup> returns



And many more...

<sup>1</sup> IRR - Internal rate of return (IRR) is a metric used in capital budgeting to estimate the profitability of potential investments

# XS PRODUCTS & UNDERWRITING



XS structures its transactions for fast pay-back and high IRRs with LTV thresholds below 65%

LEASE TYPE	LENGTH	PORTFOLIO RETURNS (Gross)	PORTFOLIO UNDERWRITING GUIDELINES	THRESHOLD
<b>Lease</b> <ul style="list-style-type: none"><li>Flexible terms</li><li>Affordable down payment</li><li>Spread your payments out</li></ul>	12-48 Months	> 40% IRR <sup>1</sup>	<b>Lease to value</b> (Estimated market value at close)	< 65%
<b>Sale-leaseback</b> <ul style="list-style-type: none"><li>Unlock invested capital</li><li>No disruption to operations</li><li>Attractive financing options</li></ul>	12-48 Months	> 40% IRR	<b>Projected cost exposure at month 12</b> (Lease)	< 40%
			<b>Projected cost exposure at month 12</b> (Sale-leaseback)	< 50%
			<b>Months to cost recovery</b>	< 30 Months

<sup>1</sup> IRR - Internal rate of return (IRR) is a metric used in capital budgeting to estimate the profitability of potential investments

# Q2 2020 FINANCIAL RESULTS



	Q2 2020 <sup>1</sup> June 30, 2020	Q2 2019 June 30, 2019
REVENUE	\$1,293,115	\$430,708
GROSS PROFIT/LOSS	\$8	(\$120,336)
OPERATING EXPENSES	\$783,929	\$1,534,667
NET CASH USED IN OPERATING ACTIVITIES	(\$370,241)	(\$1,172,361)
NET LOSS	(\$899,688)	(\$1,765,556)
ADJUSTED NET LOSS <sup>2</sup>	(\$848,075)	(\$1,765,556)

**Cash on hand as of June 2020 was \$2.2 million**

## Steady improvement in Cash Flow Per Share

	Q2/19	Q3/19	Q4/19	Q1/20	Q2/20
CASH FLOW PER SHARE (CFPS)	\$ (0.03)	\$ (0.02)	\$ (0.01)	\$ (0.01)	\$ (0.01)
EARNINGS PER SHARE	\$ (0.05)	\$ (0.01)	\$ 0.04	\$ (0.05)	\$ (0.02)

The improvement in CFPS in Q2/20 over Q2/19 was predominantly derived from gross margin improvements and reduced administrative & marketing expenses costs.

<sup>1</sup> See press release dated August 31, 2020

<sup>2</sup> Adjusted Net Loss is a non-IFRS financial performance measure with no standard definition under IFRS. Adjusted Net Loss is calculated as Net Loss per IFRS adjusted for the non-cash unrealized loss in the change in the fair value of investments, non-cash change in fair value of derivative liabilities and non-cash accretion expense.

# TOTAL ADDRESSABLE MARKET (T.A.M.)



The market continues to grow at a rapid rate as more consumers enter the market and new States legalize



AVERAGE LAB NEEDS

\$3,000,000

IN EQUIPMENT



AVERAGE CULTIVATOR NEEDS

\$7,500,000

IN EQUIPMENT



AVERAGE PROCESSOR NEEDS

\$5,000,000

IN EQUIPMENT

**SERVING THE TOP 15 OPERATORS  
PER MARKET WILL REQUIRE OVER**

**\$7,000,000,000**

**IN EQUIPMENT NEEDS<sup>1</sup>**

<sup>1</sup> Total amount represents 15 customers per legal State (33 total)

# MARKET CAPITALIZATION & SHARE STRUCTURE



## XS CAPITAL STRUCTURE (As at September 21, 2020)<sup>1</sup>

<b>Common Shares Outstanding</b> (Subordinate Voting Shares)	31,435,617
<b>XS Founders</b> (Proportionate Voting Shares - Lock-Up Period Thru Sep '22)	12,507,298
<b>KushCo</b> (Proportionate Voting Shares - Lock-Up Period Thru Jan '21)	10,600,300
<b>Common Shares Outstanding</b>	<b>54,543,215</b>
10% Unsecured Convertible Debentures (If Converted @ C\$1.10) <sup>2</sup>	5,152,727
Options Outstanding (Avg. Exercise Price – C\$0.36)	4,819,018
Warrants Outstanding (Avg. Exercise Price – C\$0.94) <sup>3</sup>	7,657,193
<b>Fully Diluted Shares Outstanding</b>	<b>72,172,154</b>

<sup>1</sup> Assumes conversion of Proportionate Voting Shares into Common Shares

<sup>2</sup> Sub receipt financing. Principal balance of C\$5,668,000 convertible into units comprised of one common share and one warrant at C\$1.10.

<sup>3</sup> Includes warrants issuable from units upon conversion of convertible debentures

## SHARE PRICE

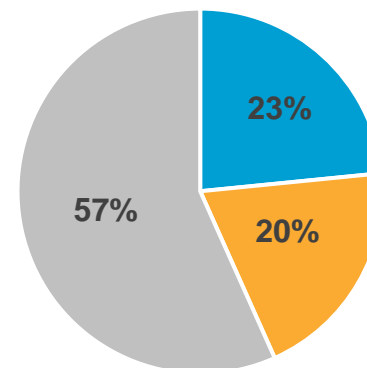
Sep 17, 2020

**C\$0.23**

(52 week High: \$0.42  
Low: \$0.10)

## MARKET CAPITALIZATION

**C\$12.7 Million**



■ Founders (incl. Archytas) ■ KushCo ■ Public Float

# INVESTMENT HIGHLIGHTS



## HIGH MARGINS

Significant operating leverage, 40%+ EBITDA margins



## RECURRING REVENUE STREAM

Quick payback with high IRR<sup>1</sup>



## ANCILLARY CANNABIS BUSINESS

Not subject to 280E tax or restrictive regulations



## EXPERIENCED TEAM

Extensive experience in specialty finance, cannabis/hemp processing, and underwriting



## NATIONAL OPPORTUNITY

Leasing services can be provided freely across state lines to service the U.S. cannabis and hemp industry

<sup>1</sup> IRR - Internal rate of return (IRR) is a metric used in capital budgeting to estimate the profitability of potential investments



# MEDIA COVERAGE



**Entrepreneur**

**The Street**

**CANNABIS**  
BUSINESS TIMES 

**THE  
WALL STREET  
JOURNAL**

NEW  
CANNABIS  
VENTURES

**MORNINGSTAR**<sup>®</sup>

**NewsCenter.io**

**LOS ANGELES  
BUSINESS JOURNAL**

**Bloomberg**

 **cheddar**

**Forbes**

**MARKETS  
INSIDER**

**benzinga**

Seeking Alpha <sup>α</sup>

**monitor***daily*  
The Independent Voice of Equipment Finance



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