



# EQUIPMENT LEASING FOR U.S. CANNABIS AND HEMP OPERATORS

COMPANY PRESENTATION  
Winter 2020

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

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This Presentation refers to EBITDA and EBITDA margin because certain investors may use this information to assess the Company's performance and also determine the Company's ability to generate cash flow. XS Financial believes EBITDA, which it defines as earnings before interest, taxes, depreciation and amortization, is one indicator of XS Financial financial performance and uses it as a proxy for the earning potential of the business. EBITDA is an economic measure that reflects the reduction for the cost of debt capital and the tax effects by adding back interest and taxes to earnings. EBITDA margin is EBITDA as a percentage of revenue. This data is furnished to provide additional information and is a non-IFRS measure and does not have any standardized meaning prescribed by IFRS. It should not be considered in isolation as a substitute for measures of performance prepared in accordance with IFRS and is not necessarily indicative of operating costs presented under IFRS.

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**ALL INFORMATION IS PRESENTED IN US DOLLARS UNLESS OTHERWISE NOTED.**

# XS HIGHLIGHTS



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

**1** Revenue Generating Contracts  
Already In Place – 188% YoY  
Monthly Recurring Revenue Growth

**2** Vendor Partnerships with 100+ Well-  
Known Original Equipment  
Manufacturers (“OEMs”)

**3** Strategic Partnership with KushCo.  
(OTC: KSHB) Provides Marketing  
and Sales Support

## PORTFOLIO SNAPSHOT<sup>1</sup>

**57.6%**  
Portfolio Lease-to-Value<sup>2</sup>

**45 Months**  
Average Lease Length

**\$200,076**  
Monthly Recurring Revenue

**\$7,568,920**  
Gross Receivables<sup>3</sup>

**\$16,483,685**  
Total Lease Commitments

**\$10,418,708**  
Total Undrawn Commitments

**\$1,010,000**  
Average Lease Size by Customer

**13 States**  
Geographic Diversity

<sup>1</sup> As of 11/25/2020

<sup>2</sup> Outstanding lease exposure to depreciated value of equipment as of 11/25/2020

<sup>3</sup> Sum of all remaining customer payments due to XS

# CUSTOMER BASE<sup>1</sup>



XS serves some of the industry's largest companies, including top-tier Multi-State Operators (“MSOs”) and Single-State Operators (“SSOs”)

COMPANY	LEASE TYPE	CLOSING DATE	# OF STATES	ORIGINAL COMMITMENT	LEASE SIZE (AMOUNT DRAWN)	REMAINING UNDRAWN COMMITMENT
 HLO LABS (OTCQB: AGEE.F)	Sale-leaseback	11/2019	3 & International	\$600,000	\$600,000	\$0
 LEHUA BRANDS	Lease	1/2020	2	\$74,734	\$74,734	\$0
 PHARMACANN	Line of Credit	5/2020	5	\$2,508,951	\$2,508,951	\$0
CONFIDENTIAL	Line of Credit	9/2020	4	\$4,300,000	\$599,138	\$3,700,862
 skymint	Line of Credit	9/2020	1	\$4,000,000	\$755,280	\$3,244,720
 COLUMBIA CARE (CSE: CCHW)	Line of Credit	11/2020	16	\$5,000,000	\$1,526,874	\$3,473,126
<b>TOTAL</b>				<b>\$16,483,685</b>	<b>\$6,064,977</b>	<b>\$10,418,708</b>

<sup>1</sup> As of 11/25/2020

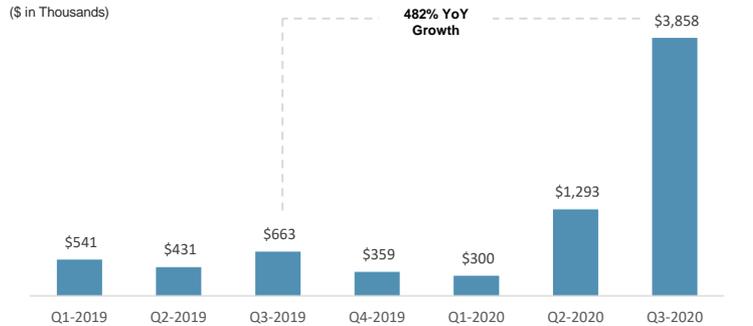
<sup>2</sup> Average Term across all lease schedules

# KEY FINANCIAL HIGHLIGHTS

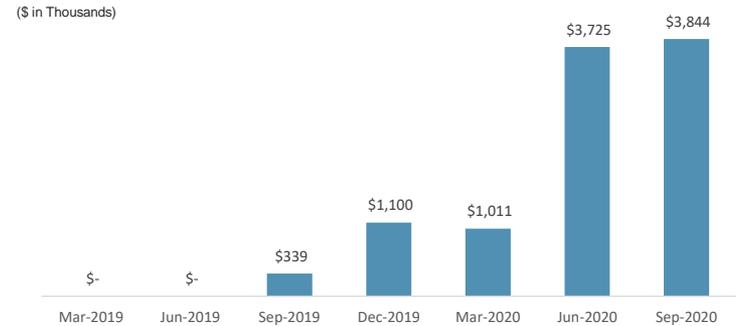


XS has begun seeing an improvement in both quality and size of lease transactions as its sales cycles with larger industry participants begin to materialize

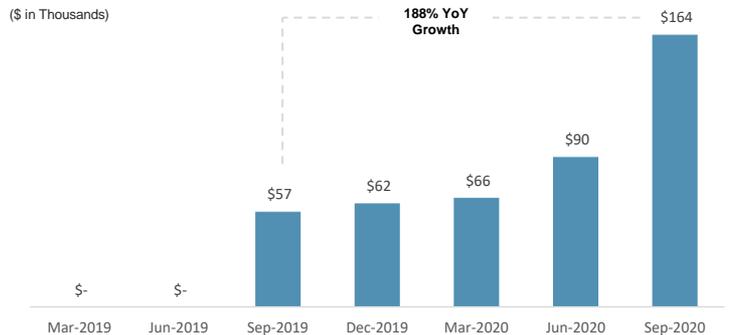
## REVENUE



## GROSS RECEIVABLES



## MONTHLY RECURRING REVENUE



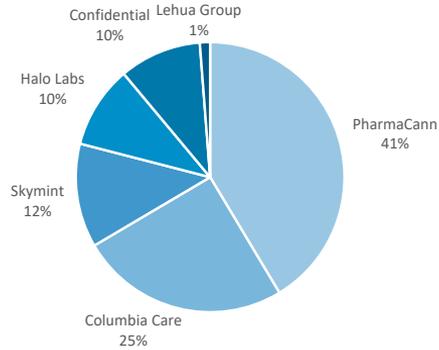
## CUMULATIVE FUNDED LEASES



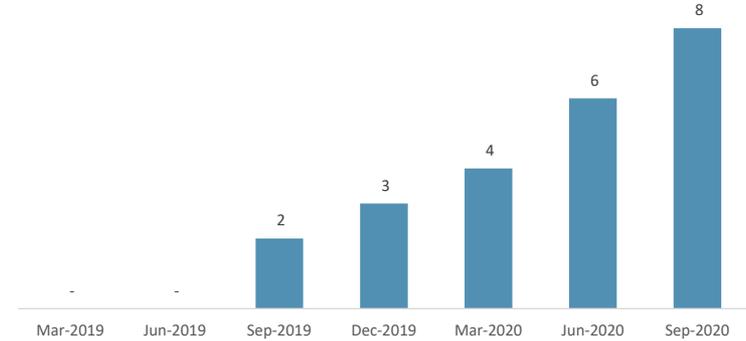
# PORTFOLIO SNAPSHOT<sup>1</sup>



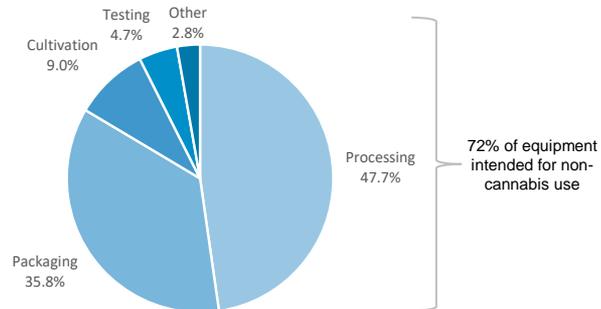
## LEASE BY CUSTOMER<sup>2</sup>



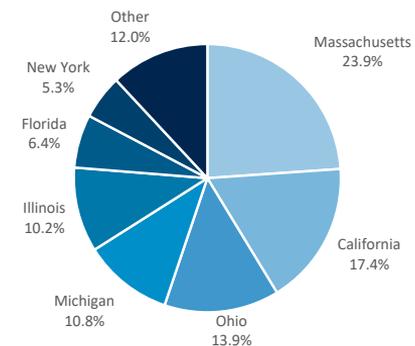
## ACTIVE LEASE SCHEDULES



## NET EQUIPMENT VALUE<sup>3</sup> BY TYPE



## NET EQUIPMENT VALUE BY STATE



<sup>1</sup> As of 11/25/2020

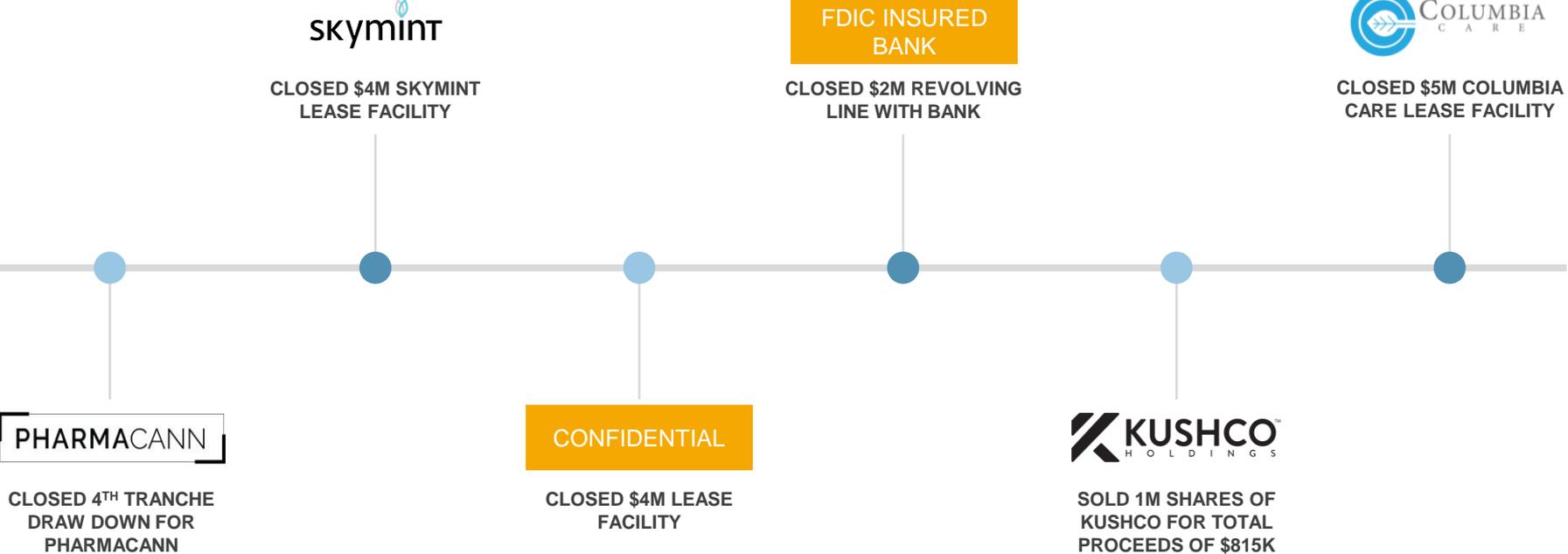
<sup>2</sup> Lease size at close of transaction

<sup>3</sup> Net Equipment Value calculated as original purchase price less straight line 6-year amortization

# RECENT EVENTS



XS has made significant progress over the prior 90 days

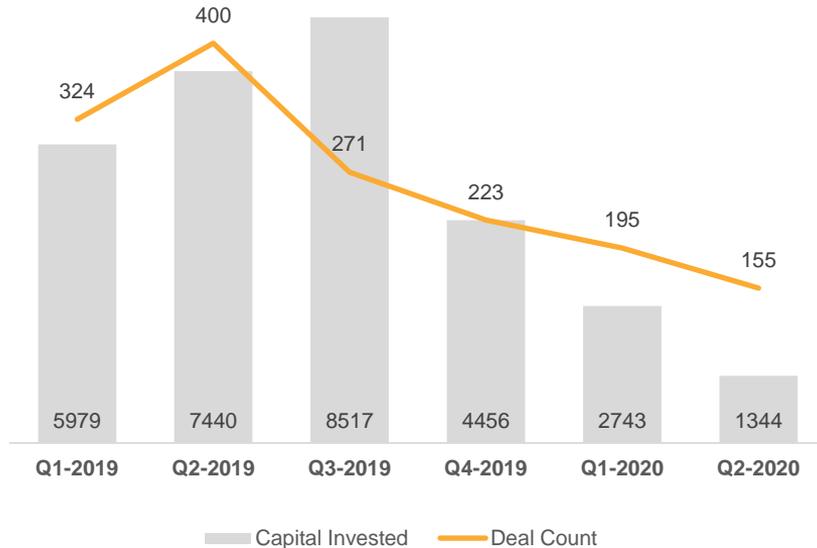


# CAPITAL CHALLENGES FOR THE INDUSTRY



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 line of credit is easy to draw on with no un-used line fees
- 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



## 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 PRODUCT OFFERING



XS Financial provides flexible leasing options to its customers

LEASING PRODUCT	MINIMUM SIZE	ADVANCE RATE	LEASE APR % <sup>1</sup>	LENGTH	TARGET RETURN <sup>2</sup>
<p><b>Lease Facility</b></p> <p>XS provides growing multi-state operators (MSO's) and market leading single state operators (SSO's) with pre-approved equipment lines of credit. This product is a feature of our customer acquisition strategy and is particularly well suited for the largest and fastest growing companies in the industry. We offer pre-approved funding limits, for a set time period, that are drawn in multiple lease schedules on pro-rata terms. Our intention is to 'grow with our customers' through numerous facilities, each with an updated credit underwriting.</p>	\$1M	Up to 80% of Cost	13%-18%	36-48 Months	> 20% IRR
<p><b>Lease</b></p> <p>XS provides best in class companies with an equipment lease for a one-time purchase of a single piece or numerous pieces of equipment.</p>	\$250K	Up to 80% of Cost	13%-18%	36-48 Months	> 20% IRR
<p><b>Sale-Leaseback</b></p> <p>In select cases, XS will offer sale-leaseback financing to top tier companies looking to unlock invested capital from prior equipment purchases.</p>	\$250K	Up to 60% of NOLV <sup>3</sup>	25%+	12-36 Months	> 25% IRR

<sup>1</sup> Includes origination fee and end of term buyout

<sup>2</sup> Gross unleveraged IRR

<sup>3</sup> NOLV – Net Orderly Liquidation Value

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



The U.S. cannabis market continues to grow at a rapid pace as markets expand and new states legalize

(\$ in Millions)	2020	2021	2022	2023	2024	2025
# of Legal Cannabis States	35	38	41	44	47	50
# of Targets per State	6	8	10	13	17	22
Estimated Lease Facility/Target	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0
<b>Total Leasing Facility/Year</b>	<b>\$630</b>	<b>\$912</b>	<b>\$1,230</b>	<b>\$1,716</b>	<b>\$2,397</b>	<b>\$3,300</b>



6

Current # of XS Customers



210

Total Target Customers<sup>1</sup>



2.8%

Penetration Rate

<sup>1</sup># of Legal Cannabis States multiplied by # of Target Companies per State in 2020

# THE XS TEAM



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

## DAVID KIVITZ CEO & Director

Co-Founder and Managing Partner of the Alta Verde Group ("AVG"), which acquired and successfully developed, a large portfolio of distressed residential lots resulting from the housing crash. AVG was awarded the #3 Fastest Growing Private Company in 2015 by the LA Business Journal.

Previously Investment Analyst at Hamilton Lane Advisors (NASDAQ: HLNE) and CapitalSource.

## JIM BATES Director of Credit & Risk

An equipment and leasing professional with over 30 years of managing credit risk.

Previously Credit Manager for Meridian, Whitney Bank, SunTrust Equipment (NYSE: STI), AIG Equipment Finance (NYSE: AIG), Transamerica Equipment Finance, NationsCredit, CAT Financial (NYSE: CAT), and more.

## ANTONY RADBOD COO & Director

Co-founder and lead investor of Nobody Media, a leader in digital content, strategy and behavioral targeting, whose clients included AARP, Boeing (NYSE: BA), and Ducati.

Previously founder of Pollen Partners, a B2B SaaS venture capital firm.

## KENNETH SENTER, CLFP Director of Client Services

A Certified Lease and Finance Professional (CLFP) with over 25 years of management experience.

Previously Director for Innovation Finance, Vice President for First American Equipment Finance and owner of Corporate Finance Management, an equipment lease and finance consulting group.

## JOE FAZZINI, CPA, CA, CFA CFO

Chief Financial Officer and VP of Corporate Development for various TSX and TSX-listed Companies. With a focus on capital raising, restructuring and M&A, recent experience include CFO of Eastmain Resources (TSX: ER – sold in 10/2020) and CFO of Toachi Mining Inc. (TSXV: TIM – sold in 9/2019).

Previously Vice-President and Senior Equity Research Analyst roles at leading Canadian, non-bank dealer.

## TREVOR KROSS Operations Manager

A research and pharmaceutical professional with over 5 years of cannabis experience managing and procuring equipment for both analytical and extraction labs.

Previously Inventory Control Manager for KB Labs and Extraction Lab Lead for Tryke Companies.

**Our Board of Directors provide industry expertise, governance and finance support to our 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

## KushCo (OTC: KSHB) Partnership & Acquisition of 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 and largest multi-state Operators
- 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 1/30/2020

<sup>2</sup> See slide 15 for a breakdown of share structure and ownership

# Q3 2020 FINANCIAL RESULTS



	Q3 2020 <sup>1</sup> Sept. 30, 2020	Q3 2019 Sept. 30, 2019
REVENUE	\$3,858,329	\$663,468
GROSS PROFIT (LOSS)	\$76,053	(\$55,163)
OPERATING EXPENSES	\$364,034	\$625,509
NET CASH USED IN OPERATING ACTIVITIES	(\$287,981)	(\$680,672)
NET PROFIT (LOSS)	(\$819,926)	\$1,805,944
ADJUSTED NET LOSS <sup>2</sup>	(\$266,509)	(\$1,058,210)
ADJUSTED EBITDA <sup>3</sup>	\$44,910	(\$594,024)

## Cash and marketable securities as of September 2020 was \$1.6 million

### Steady improvement in Cash Flow Per Share

	Q3/19	Q4/19	Q1/20	Q2/20	Q3/20
CASH FLOW PER SHARE (CFPS)	\$(0.02)	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.01)
EARNINGS PER SHARE	\$0.05	\$0.04	\$(0.05)	\$(0.02)	\$(0.02)
ADJUSTED EARNINGS PER SHARE (AEPS)	\$(0.03)	\$0.01	\$(0.01)	\$(0.01)	<i>nil</i>

Steady improvement in operating metrics driven by increased gross margins, expanded leasing portfolio and operating cost reductions which are expected to continue into 2021.

<sup>1</sup> See press release dated November 30, 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.

<sup>3</sup> Adjusted EBITDA is a non-IFRS financial performance measure with no standard definition under IFRS. Adjusted EBITDA is calculated as EBITDA adjusted for non-cash equity compensation, and loss/(gain) of sale of non-essential equipment.

# MARKET CAPITALIZATION & SHARE STRUCTURE



## XS CAPITAL STRUCTURE (As at November 22, 2020)<sup>1</sup>

<b>Common Shares Outstanding</b> (Subordinate Voting Shares)	31,554,664
<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>54,662,262</b>
10% Unsecured Convertible Debentures (If Converted @ C\$1.10) <sup>2</sup>	5,152,727
Options Outstanding (Avg. Exercise Price – C\$0.36)	4,669,018
Warrants Outstanding (Avg. Exercise Price – C\$0.94) <sup>3</sup>	7,607,428
<b>Fully Diluted Shares Outstanding</b>	<b>72,091,436</b>

## SHARE PRICE

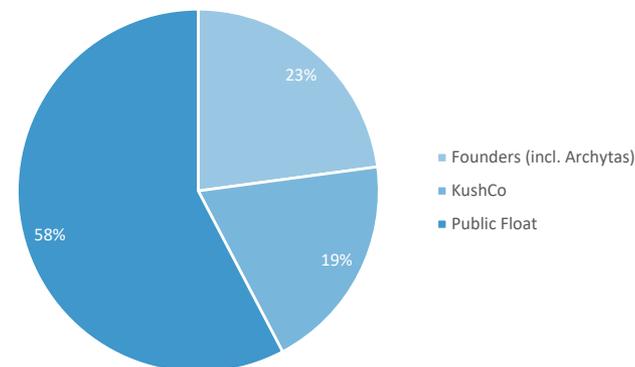
Nov. 27, 2020

**C\$0.25**

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

## MARKET CAPITALIZATION

**C\$13.7 Million**



<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



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EQUIPMENT LEASING

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