



# CAPEX AND EQUIPMENT FINANCING FOR U.S. CANNABIS AND HEMP OPERATORS

COMPANY PRESENTATION  
February 2021

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

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## CAUTIONARY NOTE REGARDING FUTURE-ORIENTED FINANCIAL INFORMATION:

To the extent any forward-looking information in this Presentation constitutes "future-oriented financial information" or "financial outlooks" within the meaning of applicable Canadian securities laws, such information is being provided to demonstrate the anticipated market penetration and the reader is cautioned that this information may not be appropriate for any other purpose and the reader should not place undue reliance on such future-oriented financial information and financial outlooks. Future-oriented financial information and financial outlooks, as with forward-looking statements generally, are, without limitation, based on the assumptions and subject to the risks set out above under the heading "Cautionary Note Regarding Forward-Looking Information and Forward-Looking Statements". The Company's actual financial position and results of operations may differ materially from management's current expectations and, as a result, the Company's revenue and expenses may differ materially from the revenue and expenses profiles provided in this Presentation. Such information is presented for illustrative purposes only and may not be an indication of the Company's actual financial position or results of operations.

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The financial statements of XS are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board, which differs from U.S. generally accepted accounting principles ("U.S. GAAP"). Accordingly, the financial statements and other financial information of XS referenced in this presentation or in any of the public filings of XS may not be comparable to financial statements or other financial information of United States companies prepared in accordance with U.S. GAAP. Without limiting the generality of the foregoing, readers are cautioned that IFRS accounting methods can vary significantly from those of U.S. GAAP including, without limitation, with respect to the presentation of earnings and lease accounting methods.

## USE OF NON-IFRS MEASURES:

This Presentation refers to EBITDA and EBITDA margin because certain readers may use this information to assess the Company's performance and also determine the Company's ability to generate cash flow. XS believes EBITDA, which it defines as earnings before interest, taxes, depreciation and amortization, is one indicator of the Company's 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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## CANNABIS-RELATED ACTIVITIES ARE ILLEGAL UNDER U.S. FEDERAL LAWS

The U.S. Federal Controlled Substances Act classifies "marijuana" as a Schedule I drug. Accordingly, cannabis-related activities, including without limitation, the cultivation, manufacture, importation, possession, use or distribution of cannabis and cannabis products are illegal under U.S. federal law. These current laws and any amendments thereto could have a material adverse impact on the Company as a result of its operations in the cannabis industry. Prospective investors should carefully consider the risk factors described under "Risk Factors" in this Presentation and the continuous disclosure filings of the Company before investing directly or indirectly in the Company and purchasing the securities described herein.

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 – 301% Growth in Monthly Recurring Payments<sup>1</sup>

**2** Vendor Partnerships with 150+ Well-Known Original Equipment Manufacturers (“OEMs”)

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

## PORTFOLIO SNAPSHOT<sup>2</sup>

**57.8%**  
Portfolio Lease-to-Value<sup>3</sup>

**46 Months**  
Average Lease Length

**\$269,044**  
Monthly Recurring Payments

**\$10,915,885**  
Gross Receivables<sup>4</sup>

**\$17,364,714**  
Total Lease Commitments

**\$8,389,530**  
Total Undrawn Commitments

**\$1,495,863**  
Average Lease Size by Customer

**13 States**  
Geographic Diversity

<sup>1</sup> 10 month period from March 2020 – January 2021

<sup>2</sup> As of 2/2021

<sup>3</sup> Outstanding lease exposure to depreciated value of equipment as of 2/2021

<sup>4</sup> Sum of all remaining customer payments due to XS as of 2/2021

# 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
 (CSE: CCHW)	Lease Facility	11/2020	18	\$5,000,000	\$3,185,707	\$1,814,290
CONFIDENTIAL	Lease Facility	9/2020	4	\$4,300,000	\$1,001,119	\$3,298,880
	Lease Facility	9/2020	1	\$4,000,000	\$755,280	\$3,244,720
	Lease Facility	5/2020	5	\$3,389,980	\$3,358,341	\$31,640
	Sale-leaseback	1/2020	3 & International	\$600,000	\$600,000	\$0
	Lease	11/2019	2	\$74,734	\$74,735	\$0
<b>TOTAL</b>				<b>\$17,364,714</b>	<b>\$8,975,182</b>	<b>\$8,389,530</b>

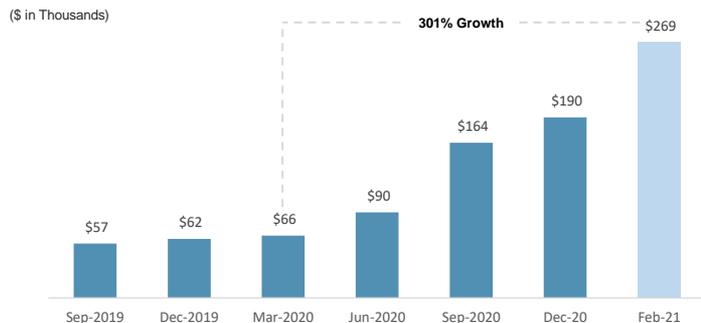
<sup>1</sup> As of 2/2/2021

# KEY FINANCIAL HIGHLIGHTS

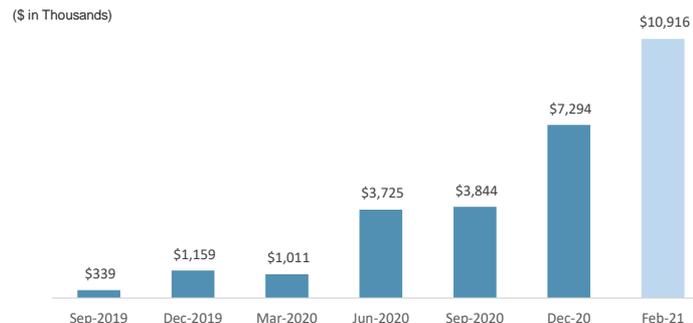


Our performance has improved through the quality and size of our lease transactions

## MONTHLY RECURRING PAYMENTS



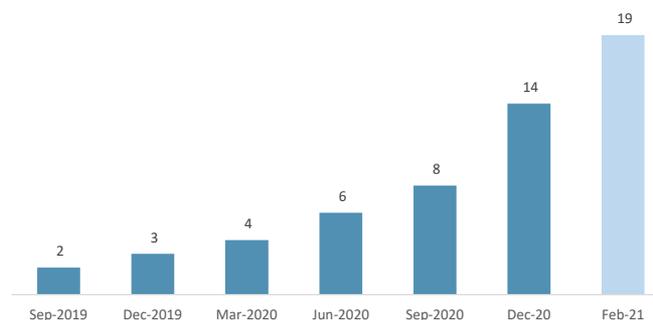
## GROSS RECEIVABLES



## CUMULATIVE FUNDED LEASES



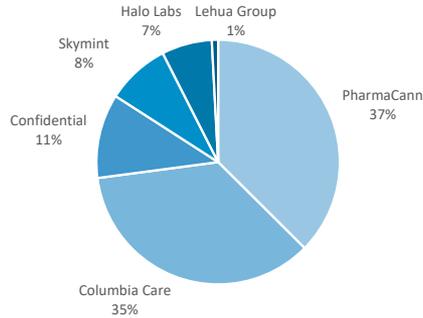
## ACTIVE LEASE SCHEDULES



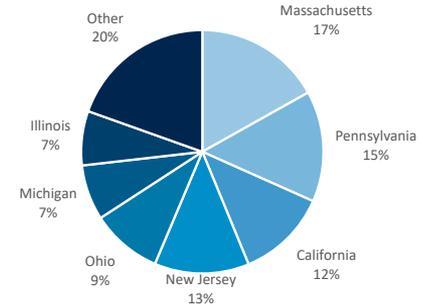
# PORTFOLIO SNAPSHOT<sup>1</sup>



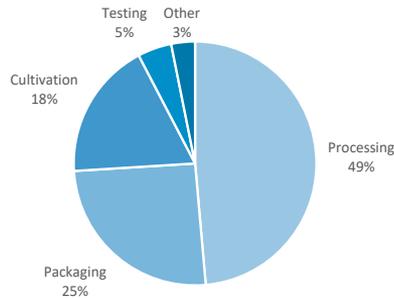
## LEASE BY CUSTOMER



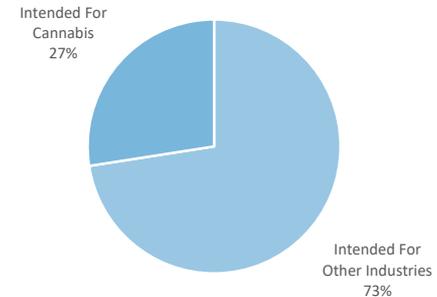
## NET EQUIPMENT VALUE BY STATE



## NET EQUIPMENT VALUE<sup>2</sup> BY TYPE



## NET EQUIPMENT VALUE BY USAGE



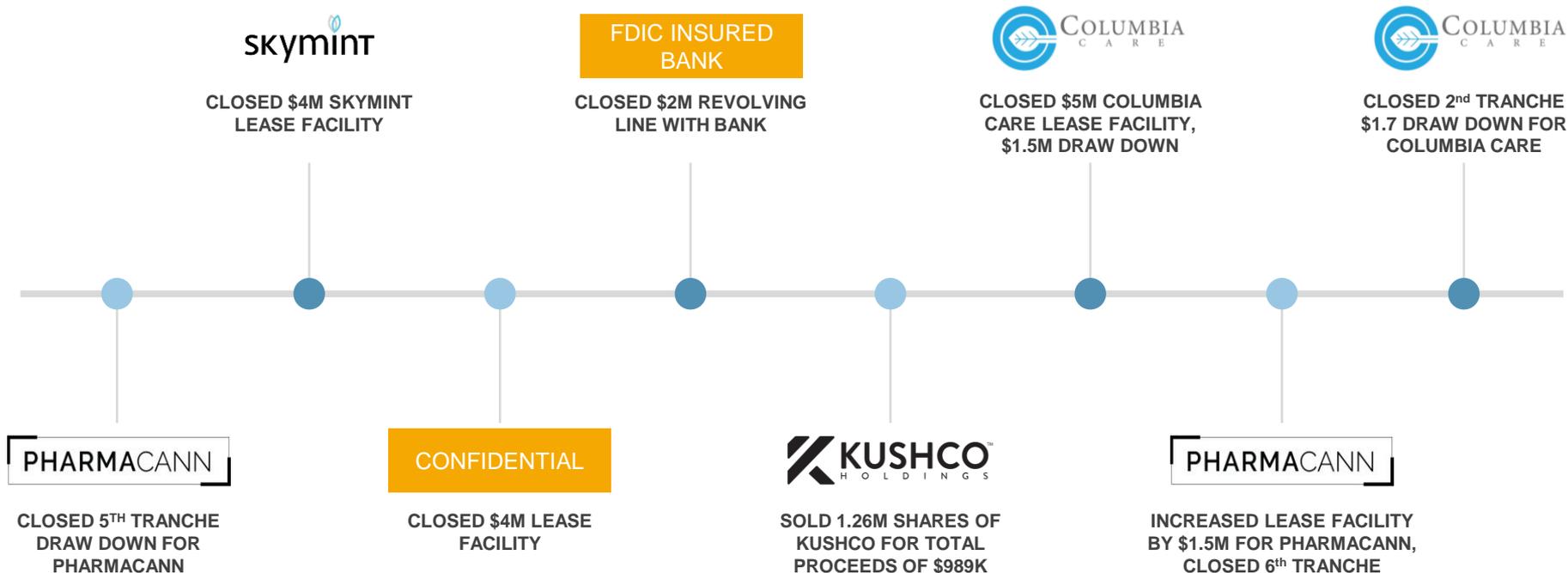
<sup>1</sup> As of 2/2021

<sup>2</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

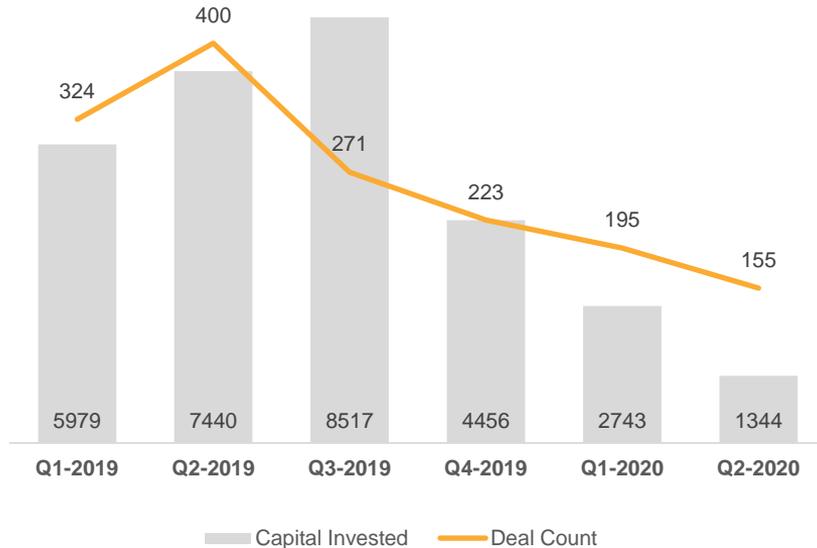


# CAPITAL CHALLENGES FOR THE INDUSTRY



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 lease facility 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"

# +150 PREFERRED VENDOR OEMS



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

## Partners 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 assesses 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 helps to mitigate technology risk



## Preferential Pricing

Exclusive volume and purchasing discounts available only to XS  
Financial further drives margin and returns



And many more...

# 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 lease facilities. 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	11%-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	11%-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 unlevered 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 includes 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 VP of Procurement

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 over 5,000 cannabis brands including the Nation's largest MSOs and SSOs
- 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> Unaudited financials as of September 30, 2020 and may be subject to change. 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 December 31, 2020)<sup>1</sup>

<b>Common Shares Outstanding</b> (Subordinate Voting Shares)	32,290,666
<b>XS Founders</b> (Proportionate Voting Shares - Lock-Up Period Thru Sep '22)	12,507,298
<b>KushCo</b> (Proportionate Voting Shares)	10,600,300
<b>Common Shares Outstanding</b>	<b>55,398,264</b>
10% Unsecured Convertible Debentures (Expire Sep '24) <sup>2</sup>	5,152,727
Options Outstanding (Avg. Exercise Price – C\$0.36)	4,685,583
Warrants Outstanding (Avg. Exercise Price – C\$0.94) <sup>3</sup>	7,607,428
<b>Fully Diluted Shares Outstanding</b>	<b>72,844,002</b>

## SHARE PRICE

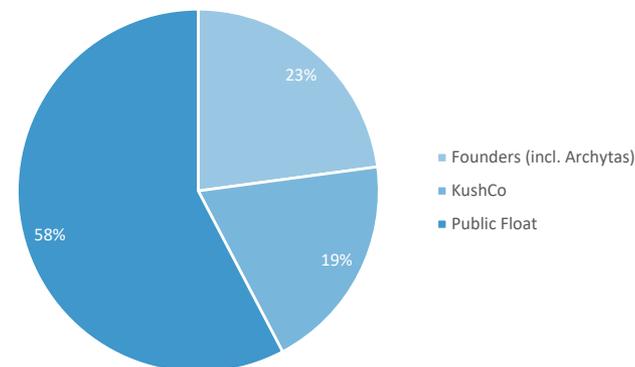
Jan. 29, 2021

**C\$0.30**

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

## MARKET CAPITALIZATION

**C\$16.6 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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