



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

COMPANY PRESENTATION  
November 2021

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

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Certain statements made within this Presentation constitute forward-looking statements and forward looking information within the meaning of applicable Canadian and United States securities legislation (collectively herein referred to as "forward-looking information"), which can often be identified by words such as "will", "may", "estimate", "expect", "plan", "project", "intend", "anticipate" and other words indicating that the statements are forward-looking, and include but are not limited to statements relating to the success of the Company's existing and future business strategies and implementation, any resulting growth in the Company's operations or financial performance as a result of such strategies and implementation, trends in the Company's business or the cannabis industry, the Company's leasing capacities and the availability of funding. Such forward-looking statements are expectations only and are subject to known and unknown risks, uncertainties and other important factors, including, but not limited to, risk factors included in this Presentation, that could cause the actual results, performance or achievements of the Company or industry results to differ materially from any future results, performance or achievements implied by such forward-looking statements. Such risks and uncertainties include, among others, dependence on obtaining and maintaining regulatory approvals, including acquiring and renewing state, local or other licenses; the uncertainty of existing protection from United States federal or other prosecution; regulatory or political change such as changes in applicable laws and regulations, including United States state-law legislation, due to inconsistent public opinion, perception of the medical-use and adult-use cannabis industry, bureaucratic delays or inefficiencies or any other reasons; any other factors or developments which may hinder market growth; reliance on management; the effect of capital market conditions and other factors on capital availability; competition, including from more established or better financed competitors; and the need to secure and maintain corporate alliances and partnerships, including with customers and suppliers. These factors should be considered carefully and readers are cautioned not to place undue reliance on such forward-looking statements.

These risks, uncertainties and assumptions could adversely affect the outcome and financial effects of the plans and events described herein. In addition, even if the outcome and financial effects of the plans and events described herein are consistent with the forward-looking statements contained in this Presentation, those results or developments may not be indicative of results or developments in subsequent periods. Although the Company has attempted to identify important risks and factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors and risks that cause actions, events or results not to be as anticipated, estimated or intended. Forward-looking information contained in this presentation is based on the Company's current estimates, expectations and projections, which the Company believes are reasonable as of the current date. The Company can give no assurance that these estimates, expectations and projections will prove to have been correct.

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An investment in the Company is speculative and involves substantial risk and is only suitable for investors that understand the potential consequences and are able to bear the risk of losing their entire investment. Investors should consider the following risks, in addition to many others, and consult with their own legal, tax and financial advisors with respect to all such risks before making an investment.

## 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.

## CAUTIONARY NOTE TO UNITED STATES INVESTORS:

The securities of XS Financial Inc. ("XS") have not been and will not be registered under any United States federal or state securities law and may not be offered or sold in the United States, absent available exemptions from applicable registration requirements of the United States Securities Act of 1933 (the "U.S. Securities Act"). IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF XS, INCLUDING THE MERITS AND RISKS INVOLVED. THE SECURITIES OF XS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR BY ANY STATE OR CANADIAN PROVINCIAL SECURITIES COMMISSION OR REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED ON THE ACCURACY OR ADEQUACY OF THIS PRESENTATION. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. This presentation does not constitute an offer to sell securities of XS in any jurisdiction.

The securities of XS will not be and have not been registered under the U.S. Securities Act or the securities laws of any state of the United States, and are "restricted" securities within the meaning of Rule 144 under the U.S. Securities Act which may be resold, pledged or otherwise transferred only pursuant to an effective registration statement under the U.S. Securities Act or pursuant to an applicable exemption from the registration requirements of the U.S. Securities Act.

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.

## THIRD PARTY INFORMATION:

This Presentation includes market and industry data which was obtained from various publicly available sources and other sources believed by the Company to be true. Although the Company believes it to be reliable, the Company has not independently verified any of the data from third-party sources referred to in this Presentation or analyzed or verified the underlying reports relied upon or referred to by such sources, or ascertained the underlying assumptions relied upon by such sources. The Company does not make any representation as to the accuracy of such information.

## TAXATION

Readers should be aware that the purchase of securities of the Company may have tax consequences both in Canada and the United States. Each prospective investor is strongly encouraged to consult its own tax advisor concerning any purchase of securities of the Company and the holding and disposition of any such securities. This Presentation does not address the tax consequences of the purchase, ownership or disposition of any such securities.

## 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



XS Financial Inc. provides the legal U.S. cannabis industry access to competitively-priced, non-dilutive CAPEX and equipment financing solutions

- 1 Raised \$43.5M of unsecured convertible notes on November 1<sup>st</sup>, 2021
- 2 Completed \$15.0M Credit Facility on September 29<sup>th</sup>, 2021
- 3 980% YoY Growth in Total Closed Leases<sup>1</sup>
- 4 731% Growth in Monthly Recurring Payments<sup>1</sup>
- 5 Strategic Partnership With urban-gro (NASDAQ:UGRO)
- 6 Vendor Partnerships with 150+ Well-Known OEMs

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

64.9% Portfolio Lease-to-Value <sup>3</sup>	46 Months Average Lease Length
\$1,052,679 Monthly Recurring Payments	\$39,663,611 Gross Receivables <sup>4</sup>
\$62,313,416 Total Funding Commitments	\$37,455,277 Total Closed Leases
\$4,161,697 Average Lease Size by Customer	15 States Geographic Diversity

<sup>1</sup> 12-month period from 9/2020 – 9/2021

<sup>2</sup> As of 10/2021, inclusive of leases commencing in 11/2021









<sup>3</sup> Outstanding lease exposure to depreciated value of equipment as of 10/2021

<sup>4</sup> Sum of all remaining customer payments due to XS as of 10/2021

# CUSTOMER BASE<sup>1</sup>



XS serves some of the industry's largest companies, including best-in-class Multi-State Operators ("MSOs") and Single-State Operators ("SSOs")

COMPANY	LEASE TYPE	LEASE START	# OF STATES	FUNDING COMMITMENT	LEASE SIZE (AMOUNT DRAWN)	REMAINING UNDRAWN COMMITMENT
 (CSE: CCHW)	Lease Facility	09/2020	18	\$15,000,000	\$13,500,948	\$1,499,050
 (CSE: AYR.A)	Lease Facility	09/2020	6	\$17,400,000	\$11,175,393	\$6,224,610
	Lease Facility	05/2020	6	\$10,980,562	\$7,273,411	\$3,707,150
Confidential Company	Lease Facility	06/2021	4	\$12,500,000	\$3,197,868	\$9,302,130
	Lease Facility	09/2020	1	\$4,000,000	\$943,673	\$3,056,330
 (OTCQB: AGEE.F)	Sale-leaseback	11/2019	3 & International	\$600,000	\$600,000	\$0
	Lease Facility	07/2021	2	\$1,500,000	\$431,130	\$1,068,870
	Lease	03/2021	1	\$258,119	\$258,119	\$0
	Lease	01/2020	2	\$74,735	\$74,735	\$0
<b>TOTAL</b>				<b>\$62,313,416</b>	<b>\$37,455,277</b>	<b>\$24,858,140</b>

<sup>1</sup>As of 10/2021, inclusive of leases commencing in 11/2021

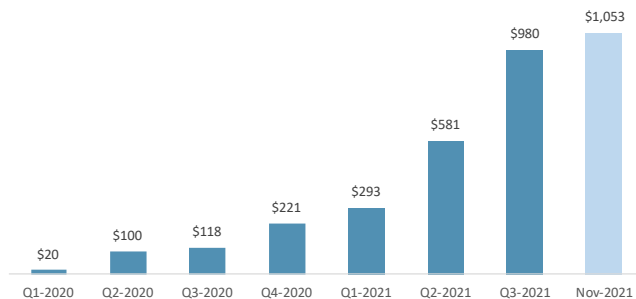
# KEY FINANCIAL HIGHLIGHTS<sup>1</sup>



## Exponential growth driven by increased demand for CAPEX financing

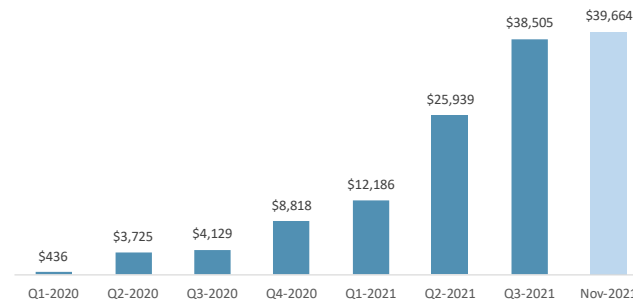
### MONTHLY RECURRING PAYMENTS

(\$ in Thousands)



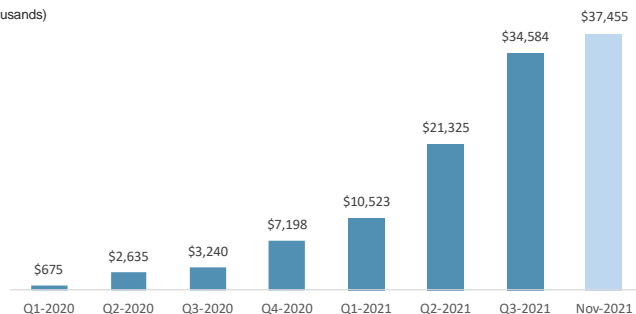
### GROSS RECEIVABLES

(\$ in Thousands)

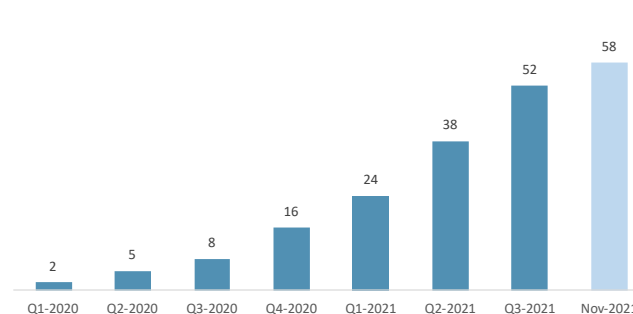


### CUMULATIVE CLOSED LEASES

(\$ in Thousands)



### ACTIVE LEASE SCHEDULES

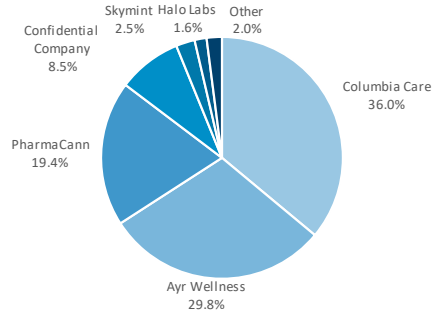


<sup>1</sup> As of 10/2021, inclusive of leases commencing in 11/2021

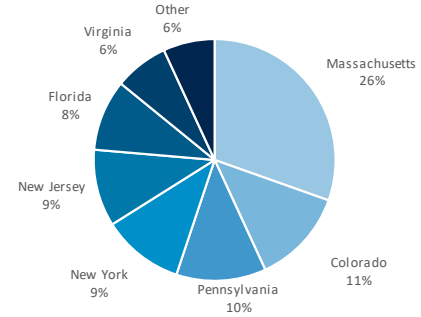
# PORTFOLIO SNAPSHOT<sup>1</sup>



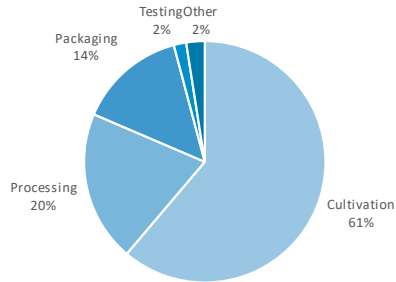
## LEASE BY CUSTOMER



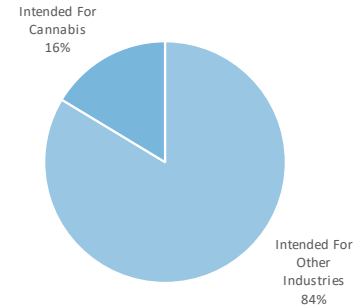
## NET EQUIPMENT VALUE BY STATE



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



## NET EQUIPMENT VALUE BY USAGE



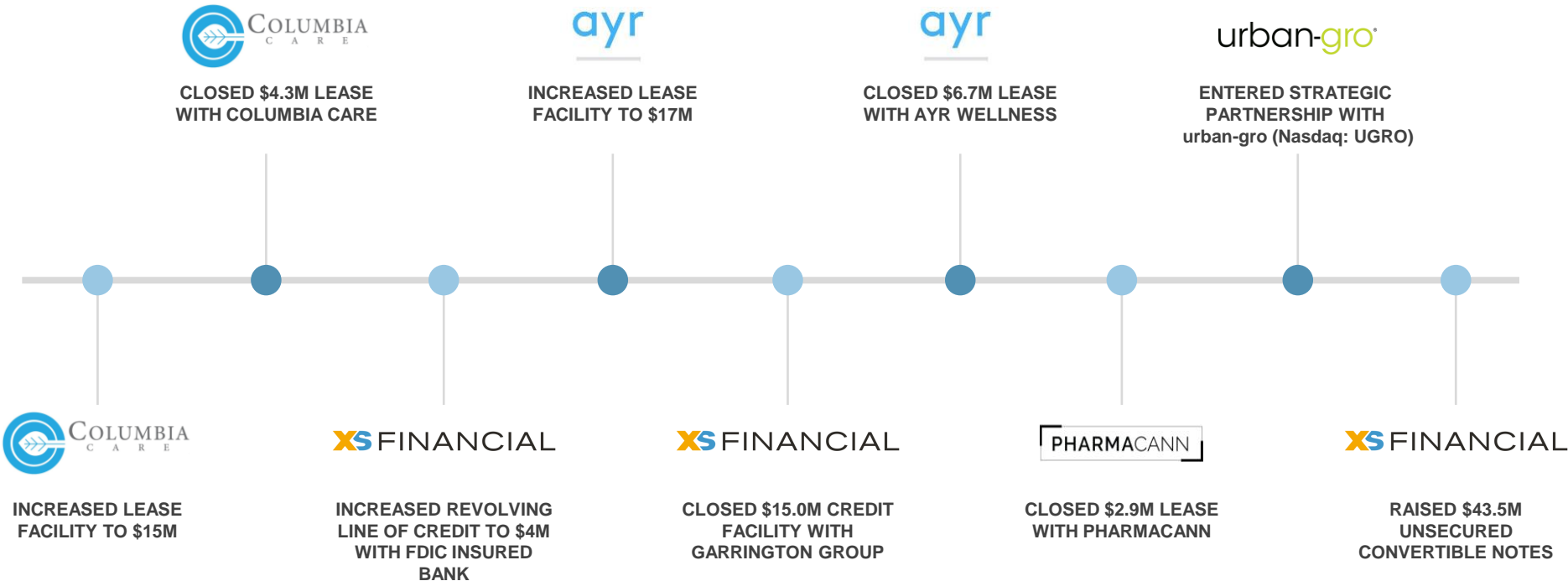
<sup>1</sup> As of 10/2021, inclusive of leases commencing in 11/2021

<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



# +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 (MSOs) and market leading single state operators (SSOs) 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	10%-16%	36-48 Months	> 18% 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%-16%	36-48 Months	> 18% 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>	18%+	12-36 Months	> 20% 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 (TAM)



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

(\$ in Billions)	2022	2023	2024
Total US Cannabis Sales <sup>1</sup>	\$23.14	\$28.95	\$34.53
Est. Capital Expenditures as % of Sales <sup>2</sup>	20%	20%	20%
Est. Equipment Purchases as % of Capital Expenditures	35%	35%	35%
<b>Total Est. CAPEX Financing Market</b>	<b>\$1.62</b>	<b>\$2.03</b>	<b>\$2.42</b>



9

Current # of  
XS Customers



58

Total Closed Lease  
Transactions (#)



\$37.5M

Total Closed Lease  
Transactions (\$)

<sup>1</sup> Brightfield Group

<sup>2</sup> S&P Capital IQ based on 14 largest Multi-State Operator's 2020 sales and property / equipment expenditures

## 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.

### 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.

### ANTONY RADBOD COO & Director

Co-founder of Pollen Partners, an opportunistic HoldCo investing across the digital landscape of media, marketing, and SaaS technologies. Lead investor and Co-founder of Nobody Media, a marketing think tank for content, strategy and behavioral targeting, whose clients included AARP, Boeing (NYSE: BA), and Ducati.

Nobody Media was acquired in 2016.

### JUSTIN VUONG SVP of Corporate Development

A finance professional with over 7 years of experience capital raising, mergers and acquisitions, and investing.

Previously an investment banking associate on the Consumer investment banking group at Roth Capital Partners where he completed transactions for companies in the cannabis space including Tilray (NASDAQ: TRLY) and HEXO (NASDAQ: HEXO).

### NELSON LAMB, CPA, CA CFO

Chief Financial Officer of Organic Garage (TSX-V:OG). Previously Vice-President and Senior Equity Research Analyst roles at leading Canadian, non-bank dealer. Diverse public company executive experience and in-depth IFRS and US GAAP corporate accounting specialist.

Previously Senior Associate at PricewaterhouseCoopers (PwC).

### 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.

### JIM BATES Director of Credit

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.

### TIM MOORE Senior Credit Manager

Financial Service Professional with 30+ years of experience. Varied background includes underwriting, operations, and sales.

Previously held equipment finance roles at BMO Harris (NYSE: BMO) and GE Financial (NYSE: GE).

### Board of Directors

#### 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.

#### ANDREW MITCHELL Independent Director

Research Analyst at Marblegate Asset Management. Previously analyst in the Restructuring & Recapitalization Group at Raymond James Financial.

# FINANCIALS



## Income Statement<sup>1</sup>

	FY 2020	Q1 2021	Q2 2021	Q2 2021 YTD
<b>Revenue</b>	\$ 676,460	\$ 416,172	\$ 561,579	\$ 977,751
<b>Operating Expenses</b>				
Administrative Expenses	\$ 2,319,181	\$ 702,596	\$ 700,424	\$ 1,403,020
Sales and Marketing Expenses	309,340	74,060	64,137	138,197
<b>Loss From Operations</b>	\$ (1,952,061)	\$ (360,484)	\$ (202,982)	\$ (563,466)
Other Income / (Expenses)	(3,119,365)	(42,673)	(277,596)	(320,269)
<b>Net Income</b>	\$ (5,071,426)	\$ (403,157)	\$ (480,578)	\$ (883,735)

## Balance Sheet<sup>1</sup>

	FY 2020	Q1 2021	Q2 2021
<b>Assets</b>			
<b>Current Assets</b>			
Cash	\$ 545,990	\$ 7,731,624	\$ 2,856,142
Financing Receivables, Short-Term	1,454,927	2,092,742	4,257,936
Prepaid and Other Assets	395,427	555,121	507,714
<b>Total Current Assets</b>	\$ 2,396,344	\$ 10,379,487	\$ 7,621,792
<b>Non-Current Assets</b>			
Servicing and Property equipment	\$ 44,884	\$ 40,321	\$ 35,758
Financing Receivables, Long-Term	4,852,768	6,952,720	14,903,832
<b>Total Non-Current Assets</b>	\$ 4,897,652	\$ 6,993,041	\$ 14,939,590
<b>Total Assets</b>	\$ 7,293,996	\$ 17,372,528	\$ 22,561,382
<b>Current Liabilities</b>			
Loans and Borrowing, Short-Term	\$ 805,762	\$ 298,223	\$ 563,100
Trade and Other Payables	2,264,139	2,554,393	4,832,010
Accrued Expenses	1,149,641	841,534	2,958,804
Due to Related Parties	256,486	-	-
<b>Total Current Liabilities</b>	\$ 4,476,028	\$ 3,694,150	\$ 8,353,914
Loans and Borrowing, Long-Term	2,283,890	3,094,533	3,859,650
<b>Total Liabilities</b>	\$ 6,759,918	\$ 6,788,683	\$ 12,213,564
<b>Shareholders' Equity</b>	\$ 534,078	\$ 10,583,845	\$ 10,347,818
<b>Total Shareholders' Equity and Liabilities</b>	\$ 7,293,996	\$ 17,372,528	\$ 22,561,382

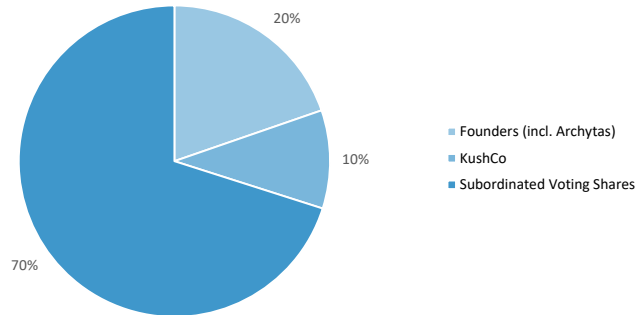
<sup>1</sup> Audited for FY 2020, Unaudited for Q1 2021-Q2 2021

# MARKET CAPITALIZATION & SHARE STRUCTURE



## XS CAPITAL STRUCTURE<sup>1</sup>

<b>Common Shares Outstanding</b> (Subordinate Voting Shares)	72,357,001
<b>XS Founders<sup>2</sup></b> (Proportionate Voting Shares - Lock-Up Period Thru Sep '22)	20,927,741
<b>KushCo</b> (Proportionate Voting Shares)	10,600,300
<b>Common Shares Outstanding</b>	<b>103,885,042</b>



**MARKET  
CAPITALIZATION**  
**C\$18.7 Million**

**SHARE PRICE**  
November 9, 2021  
**C\$0.18**

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

<sup>2</sup> Includes SVS shares ownership



**XS** FINANCIAL  
EQUIPMENT LEASING

ADDRESS

**1901 Avenue of the Stars,  
Suite 120  
Los Angeles, CA 90067**

**[XSFinancial.com](https://www.XSFinancial.com)**

EMAIL

**[IR@xsfinancial.com](mailto:IR@xsfinancial.com)**