MJBizDaily

Investor Intelligence

September 2019

Inside *Investor Intelligence:*

Sampler featuring comp tables, fantasy valuations and an insider's guide to investing.

Introducing Craig Behnke, *MJBizDaily*'s new equity research analyst

It is an incredibly interesting and dynamic time for the cannabis industry, supported by a massive, long-term-growth tailwind and ample investment opportunity.

For example, there are new product, market and geographic opportunities to explore. The legal and regulatory landscape is shifting daily – and, more often than not, for the positive.

Clinical research is in its infancy and could provide evidence of medicinal benefits for decades to come.

Companies are forming, acquiring and partnering almost daily.

Additionally, investor money continues to pour into the industry at an astonishing rate.

In such a dynamic hypergrowth market, there are tremendous investment opportunities, but there are also significant risks. And there will be winners and losers.

So, I am extremely excited to join *Marijuana Business Daily* in the role of equity research analyst.

Based on more than two decades of professional investment experience, I am keenly aware of the risk dynamic that comes with such an opportunity.

Before joining *MJBizDaily*, I was a portfolio manager of two growth mutual funds with $3.5 billion in assets under management. Many of the companies in which I invested had hypergrowth rates, shifting regulatory landscapes and constant, rapid competitive change.

When trying to navigate such territory, information and in-depth analyses of the addressable market, competitive landscape, regulatory environment and management's vision for a company are vital tools to put you in the best position to achieve your investment goals.

As part of the recently expanded Investor Intelligence team, I will provide you with fundamentally sound, in-depth and unbiased financial, strategic, operational, market and industry analyses vital to your strategic and investment decision-making process.

Over the past several years, hundreds of companies were formed in a land rush to capture a share of the cannabis industry's exponential revenue growth. Many of these early industry pioneers caught a tiger by the tail and built large, rapidly growing companies.

That is the current cannabis industry landscape. What comes next?

Over the next several years, the cannabis industry will likely face a much different set of challenges that may see meaningfully higher levels of merger and acquisition activity, more strategic partnerships from outside the cannabis industry, larger and more complex capital raises and a requirement for more consistent execution of stated business plans.

With an increasingly crowded competitive landscape, I believe that factors such as management quality, business strategy and operational execution will become increasingly more important factors of business success or failure and. more importantly, your investment performance.

Our Investor Intelligence team is developing a suite of new tools, analyses and market insights that we will introduce over the coming months, and we believe they will be incredibly valuable to your continued journey through the cannabis investment sphere.

We hope you will include us on your journey.

Craig Behnke

Craig Behnke
Equity Research Analyst
Marijuana Business Daily

Introducing Mike Regan, *MJBizDaily*'s new equity research analyst

Rarely in my career have I been more excited by the investment possibilities of an entire sector that has not (legally) existed for decades to emerge, grow, mature and disrupt huge markets.

Cannabis strikes me as a combination of alcohol in the late 1920s and the internet in the late 1990s: a highly disruptive consumer product in a huge addressable market, with an agricultural, industrial and consumer supply chain that's driven by secular shifts in consumer attitudes and a patchwork of regulations.

Ultimately, I believe the industry will normalize to look more like consumer products such as food, alcohol and over-the-counter drugs, but it will not be a straight line.

We are in the early stages of industry development, with many opportunities and risks for investors along the way.

Will there be an early first-mover ultimately supplanted by a superior second-mover, such as Yahoo and Google? Or will there be an Amazon that establishes dominance and never looks back?

Will the cannabis industry consolidate like the beer industry into a few giants amid a constant stream of micro-producers? Or will the marijuana space follow the cable industry and merge a patchwork into a few behemoths who then compete with landline and wireless telcos?

Will large, low-cost cannabis producers face a stream of small upstarts that are constantly raising and losing money, such as large integrated oil versus the U.S. shale producers? Or will capital markets eventually cut off those with no viable business model?

At Investor Intelligence and *MJBizDaily*, I hope to use my 20 years of experience analyzing traditional businesses to provide you with the analytical frameworks and insights you need to identify actionable opportunities and risks as the cannabis sector evolves.

In my past work, I have applied a fundamental approach to smaller capitalization equities at long/short equity hedge funds across most industries and business models, including consumer goods, retail, industrials, commodities, distribution and chemicals.

With experience going both long and short, I have honed my ability to identify both opportunities and risks—and to extrapolate information from one company into implications for peers and competitors.

I will use these skills to communicate to you:

- **The size of the market:** What is the opportunity? What increases or reduces that?
- **Fundamentals of the business model and position in the supply chain:** What is the current and potential margin structure with growth? What should margins be for a given sector? How much capital does this business require?
- **Pricing and supply/demand:** How does supply compare to demand, and how is competition changing this? Where is the pricing power? Why should this business capture value versus its customers and suppliers?
- **Capital structure:** Who captures the value? Many cannabis companies have complex capital structures with warrants, options, convertible debt and straight debt, which complicate calculating the true size of a company. Many are also burning cash, meaning they will need to return to the capital markets.
- **Incentives and strategies:** The benefits and drivers of managers and majority shareholders may not always be aligned with shareholder value or margin expansion.
- **Deal implications:** Every new offering, sale and acquisition has information that impacts the values of your existing assets and also creates new strategies to contemplate.
- **Key metrics that create value and support the narrative of the companies and industries:** Data that supports the narrative expands valuation multiples; data that refutes the narrative pressures them.

The entire value chain is considered from agricultural production to the end customers (including processing, packaging, distribution and retail) to identify the total value through the chain and who will capture value under different regulatory regimes.

Like LEGO bricks, answers to such questions will form the building blocks of analysis to help you identify opportunities that meet your investment objective and manage the associated risks.

None of us truly knows how the sector will evolve, but I hope to use my experience across many other sectors and cycles to recognize similar patterns as they occur.

And as the cannabis sector evolves, I look forward to hearing your feedback and helping Investor Intelligence evolve so it best serves your needs.

Mike Regan

Mike Regan
Equity Research Analyst
Marijuana Business Daily

Introducing the Cannabis Comp Table

By Craig Behnke and Mike Regan

Today we introduce the first version of the *MJBizDaily* Investor Intelligence comp table, one of many new features we'll be unveiling for Investor Intelligence subscribers.

This table will be updated weekly and available to download on the Investor Intelligence site.

As an allocator of capital judging multiple opportunities for your marginal dollar, you must be able to:

- Identify the relevant investment opportunities.
- Assess the current size and value of public players.
- Determine the valuation multiple applied by the market to public players.

This comp table provides a benchmark for private investors to evaluate existing and future investments as well as a menu for public investors to peruse.

It groups companies into groups based on the main business model (vertically integrated operators, hemp/CBD, pharmaceutical, and ancillary products and services) and lists the market capitalization, enterprise value (EV), sales estimates and EV/sales multiples on those sales projections.

Nonmeaningful outliers are removed before the averages by group are calculated.

Vertically integrated operators are trading at an average of 3.1X and 2.0X of 2020 and 2021 EV/sales, respectively, as of Aug. 19, 2019—a reasonable multiple for any consumer packaged goods company.

By comparison, the Kellogg Co. trades at 2.4X 2020 sales despite being in a mature industry with flattish sales growth that is much less than the strong double digit growth expected for the cannabis sector.

Valuations fluctuate with movements in stock prices, changes to forward estimates and alterations to the capital structure (additional shares or debt). Thus, the table will be a living document updated not only with new prices each week but with new information and functionality.

In the coming weeks, as business models and the industry evolve, we will start to adjust for pro forma estimates and capital structures for acquisitions and capital raises, new companies and regroupings.

Longer term, we plan to provide additional tables on new relevant metrics, charts of historical valuation trends as well as proprietary metrics.

We also want your feedback on other improvements we can make to best help you, the cannabis investor. Are there companies missing from this first pass to add? A metric you believe is relevant to include?

Let us know at **investorintelligence@mjbizdaily.com**.

CANNABIS COMP TABLES AS OF AUG. 19, 2019

Published August 20, 2019

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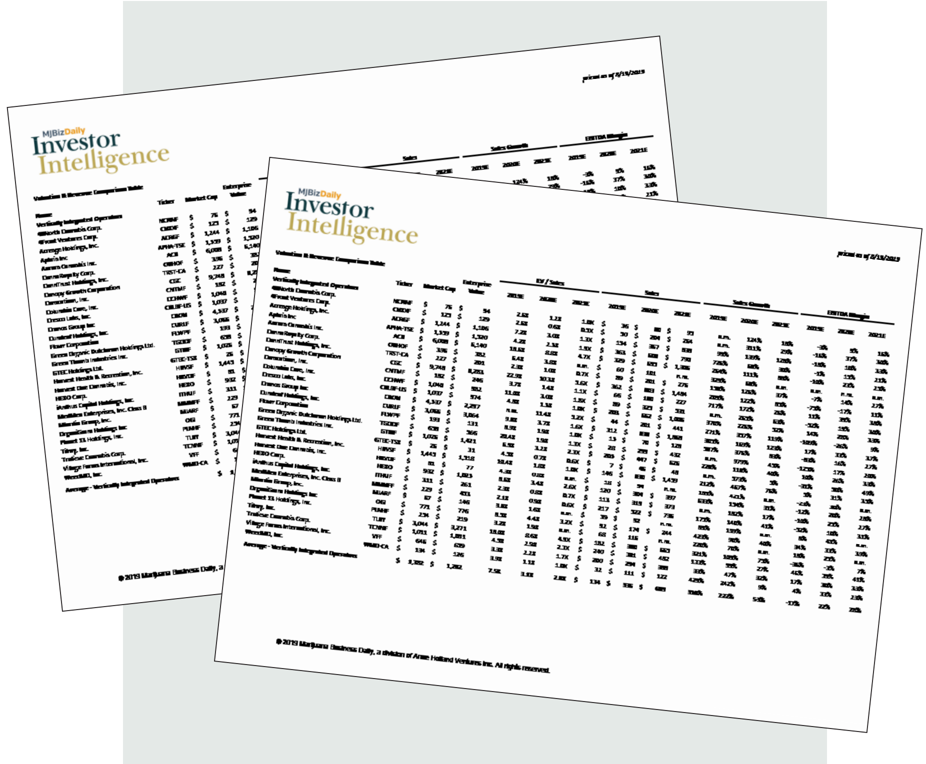
Nonmeaningful outliers are removed before the averages by group are calculated.

Are there companies missing from this table? A metric you believe is relevant to include?

Email us at **investorintelligence@mjbizdaily.com** and let us know.

Download the PDF for more details on each company, including estimates for 2020 and 2021.

Priced as of Aug. 19, 2019.



Fantasy Valuations

How to manage a seller's expectations

By John D Wagner and Dr. Carl Craig

We often hear from acquirers and company owners alike in cannabis sectors that the times we are living in now are like "the first years after Prohibition in 1933."

The implication is that marijuana and hemp versions of Anheuser-Busch, Coors and Seagram are being formed now, and it won't be long before products will start showing up on store shelves at the same rate that we see alcohol today.

Visions dance in the heads of key players of entire aisles in grocery stores and pharmacies dominated by marijuana and hemp products. Behind that, of course, there are visions of dynastic wealth.

The secondary implication here is that the valuations of today's nascent marijuana and hemp companies should reflect the nearly unlimited potential of prospective growth.

The thinking goes that the value should not be based on where they are now, but where they will be in the future—even the very distant future.

And therein lies a concern.

GROWTH IS REAL

Make no mistake, these sectors are growing at rapid rates, and the financial and trade media have latched onto that growth narrative.

In a classic positive feedback loop, that media attention is often cited in company valuation expectations, and those valuations are recited by the media, pointing to growth predictions.

The obvious concern here is that some business owners seeking acquisition (and even some first-in-money investors looking to make a killing) have fantasy company valuations in mind that are based not on historical revenues or EBITDA.

Instead, they are based on future revenues and future EBITDA that are by no means guaranteed to materialize – and that makes them higher risk for buyers and investors.

SOME BASICS

Before we go further, let's backfill some basics.

Most companies that are acquired are valued by a multiple of historical EBITDA, typically a trailing 12-month time period. This multiple of EBITDA is determined by dividing the total enterprise value (TEV) paid for the company by the EBITDA.

The formula looks like this: TEV/EBITDA = multiple paid.

For example, if a company sells for $10 million and it had an EBITDA of $2 million, then the multiple paid was 5X, or $10 million/$2 million = 5.

If the company being acquired has no EBITDA but has a history of revenues, aka top line, a company can be bought on a multiple of revenues, typically discounted from what would have been paid if the company were showing a profit.

LAND-GRAB MENTALITY

In high-growth sectors such as marijuana and hemp, we are seeing somewhat of a land grab. Companies that are not yet profitable are being acquired on a multiple of revenue, because the buyer and seller agree on the company's future prospects.

But these are high-risk investments, since it is impossible to really predict how well a company will perform in the future with any degree of certainty – especially given all the "stray voltage" out there around regulation, banking, interstate commerce and state laws.

That said, buyers and sellers are finding each other, and not-yet-profitable companies (also called unprofitable operations) are being bought and sold.

As is only natural, some company owners, eager to take some chips off the table, see this activity, and they want to get in on it. They call up an investment banker and say, "I'd like to test the market by putting my company on the street for sale."

HOW MUCH ARE YOU THINKING?

Inevitably, our first question is: "As a company that has not turned a profit, have you considered what value you'd like to obtain in a sale?"

The owner may respond: "Well, my projections show that at the end of 2022, we will have a $4 million EBITDA. I see that marijuana and hemp companies are selling for around 8X today, and so, I'd like to get 8X on that $4 million and sell my company for $32 million. Maybe I'll discount to 7X since I'm early stage."

This seller really needs to be more realistic.

That 8X being paid today for profitable companies is not the same multiple that would be paid for companies throwing the dice for profitability two years hence.

In fact, the multiple paid for an unprofitable company today, even with good prospects, would be steeply discounted to hedge future risks.

Commonly, an intrigued acquirer might agree with the seller to pay a small amount for the company today and then make a series of future earn-out payments based on delivered performance.

INCREASINGLY SOPHISTICATED INVESTORS

When we explain this scenario to sellers who might have a fantasy multiple in mind, some simply say that we are wrong, and they look for an investment banker who agrees with them.

But it has been our experience that the maturation of the marijuana and hemp sectors has brought in more sophisticated investors, especially from private equity. These investors have tighter rules for acquisition and lower appetites for risk than some of the first-in money that we've seen to date.

This will surely drive more discipline in valuation – with a bias toward performance, not prospects – since private equity money tends to chase profitable companies, purchased as a multiple of EBITDA. ✦

John D. Wagner and Dr. Carl Craig are managing directors of Colorado-headquartered 1stWest Mergers & Acquisitions, which offers a specialty practice in the marijuana and hemp sectors. 1stWest M&A has transacted more than $1 billion in deal values.

AN INSIDER'S GUIDE TO CANNABIS INVESTING by Codie Sanchez

The Search for Greatness in Founders

There is a fallacy in investing—especially in cannabis investing—that we bet on a founder's idea.

So, in cannabis, we bet on the number of acres cultivated, the list of licenses, the pounds sold, the THC content, etc.

Yet, the truth of it is, if we are investing in companies, there is only one bet we are making—and it's on humans.

At my firm, we always invest in humans before ideas. That means we search for leaders, innovators and—above all else—teams who can thrive in this rapidly evolving, highly regulated industry.

Today I thought I'd break down how we at Cresco Capital analyze founding teams, what we look for and the red flags.

After all, when the regulations change, packaging rules are shredded or the industry morphs at light speed, would you rather bet on a static idea or on a human who can adapt just as quickly?

RULE #1: THE CAPACITY FOR GREATNESS

It is not about marrying the perfect skills to the business that founding teams are building but, instead, finding that defiant spark that comes with a bit of a crazy streak.

We have passed on founders because we thought they were too textbook, meaning that when inevitable problems come their way, they don't have the nonlinear thinking or contrarian psychology that would welcome creative solutions.

How to find them: How do you tell someone's capacity for greatness? You ask them to explain how their decisionmaking process works.

When presented with a problem, how do they think through options? How detailed their responses are will show you their mental capacity.

Ask them to walk you through the biggest setback that they turned into a win. How did they do it? What happened? Listen.

RULE #2: MASOCHISM REQUIRED.

OK, well, not exactly, but we do look for people who have an incredibly high pain tolerance.

If there is one correlation between those who win in business, it is that they had a stubborn resolve to continue preserving failure after failure.

Angela Duckworth at the University of Pennsylvania calls this grit, and it turns out to be the largest indicator of the likelihood to succeed.

I've always liked to use Astro Teller's failure resume as a guideline. (If you haven't watched the TED Talk by Teller, the head of Google's Moonshot Factory, you should). Essentially, he lists all his failures on a resume outside his door—a reminder that failing is the only path to moonshot.

How to find them: When it comes to founders, the question is the same: Tell me your failures, and I'll tell you your resolve.

I ask them to list their biggest failures, then their most intimate failures, then their most recent failures.

Then you ask the magic question: What keeps you going? You are looking for a deep profound reason and a lot of reflection after each failure.

RULE #3: DO YOU WANT TO WORK FOR THEM?

If you invest, you will be working for that company.

That is why we look for founders who are absolutely magnetic to top talent, venture firms and providers in the space. This charisma is critical for attracting and retaining talent as well as locking in cohesion of culture as they rocket through rapid growth.

Charisma has many forms. It can be a brilliance that shines through, a track record of winning or an ability to get buy in.

How to find them: Talk to their team. Why did they come to work for the company? What were they doing before? What are their greatest strengths? A lunch with the COO, CFO and/or CMO will quickly show you how they see their fearless leader.

Now, imagine that all the above aligns with a company you are analyzing. The next question becomes: What should we look out for?

RED FLAGS AND HOW TO FIND THEM

Get out of the office, have a beer.

Since there are too many red flags to note, let's start with how to discover almost any of them.

One of my favorite ways to get to know founders is by breaking bread. There is nothing that lets two peoples guards down like getting out of the office and having an adult beverage together.

Since investing in private companies is a 5- to 10-year relationship, some might call it a marriage, I'd rather they know me up front and I know them.

You will also be amazed what happens when you shut up, listen and share a drink. I've passed on many deals because I couldn't get comfortable with a founder in these settings, and I've invested in many as well.

Look for longtime partners.

One man alone can do little. That is why it's imperative that a founder is this delicate mix of a benevolent, charismatic dictator that others want to be around for the long haul.

Founders who seem to have a revolving door of people and no longstanding partners, colleagues or C-suite execs are a huge red flag. Ask about the length of their relationship with all the key members of their team.

Avoid the victim mentality.

I remember intimately one deal I invested in where the founder was genius, the idea/product incredible – and, yet, the company failed.

Why? The founder just couldn't get out of her own way. Everything was always someone else's fault, and that lack of taking ownership pushed away talent and stalled her company.

One of the best ways to determine if you are dealing with a perpetual victim is to talk about their personal life. How are their personal relationships? Do they take ownership of hardships therein? Or, do they think others are always at fault?

The book "The Elephant in the Brain" does an incredible job of breaking down these mental beliefs in ourselves and others. Give it a read.

If I leave you with one thing let it be this: We are not in the investing business; we are in the people business. Your real job is not to read a crystal ball on the markets, but instead to read the insides of minds on a search for greatness. ✦

Codie Sanchez is a cannabis investor and partner at Cresco Capital Partners, a cannabis-focused private equity fund.

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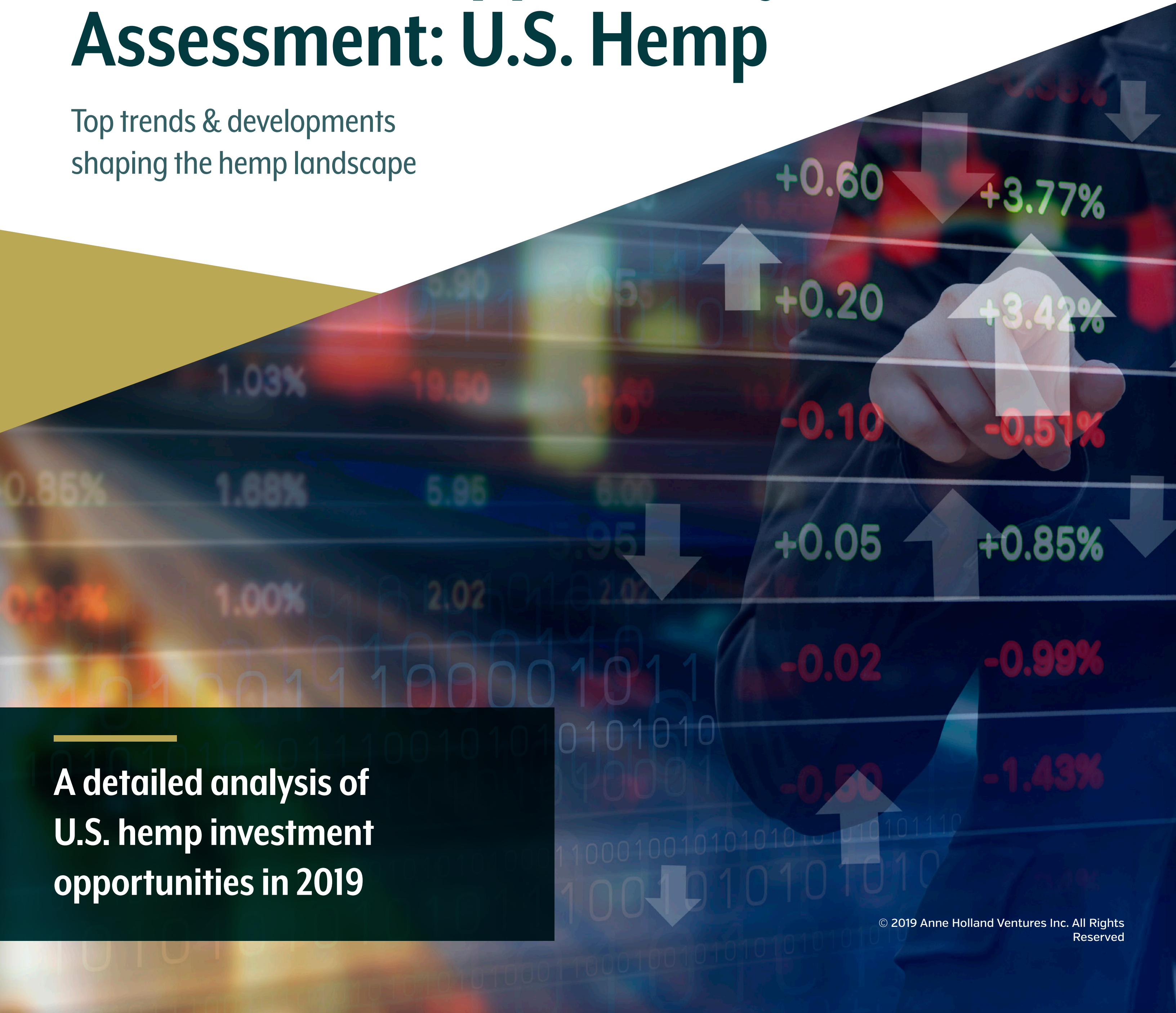
Investor Intelligence

Investment Opportunity Assessment: U.S. Hemp

Top trends & developments shaping the hemp landscape



A detailed analysis of U.S. hemp investment opportunities in 2019

From the Editor

Investments in hemp are surging following the passage of the U.S. Farm Bill, a move that has flung open the door for large institutional investors to enter the market and pump millions—if not billions—of dollars into hemp and CBD companies.

Hemp companies that previously relied on family offices and private equity or turned to Canada's public markets to raise capital now have direct paths to large funding pools in the United States.

Major banks—both commercial and investment—and funds that have been sidelined from betting cannabis have a host of new investment opportunities to consider.

Still, hemp's newly legal status does not completely remove risk from investments in the space. The industry continues to be governed by rules that are still being written by a patchwork of state and federal lawmakers.

This report by *MJBizDaily* Investor Intelligence delivers the market insight and analysis investors need as they set their strategies and build out their portfolios.

Inside you'll find:

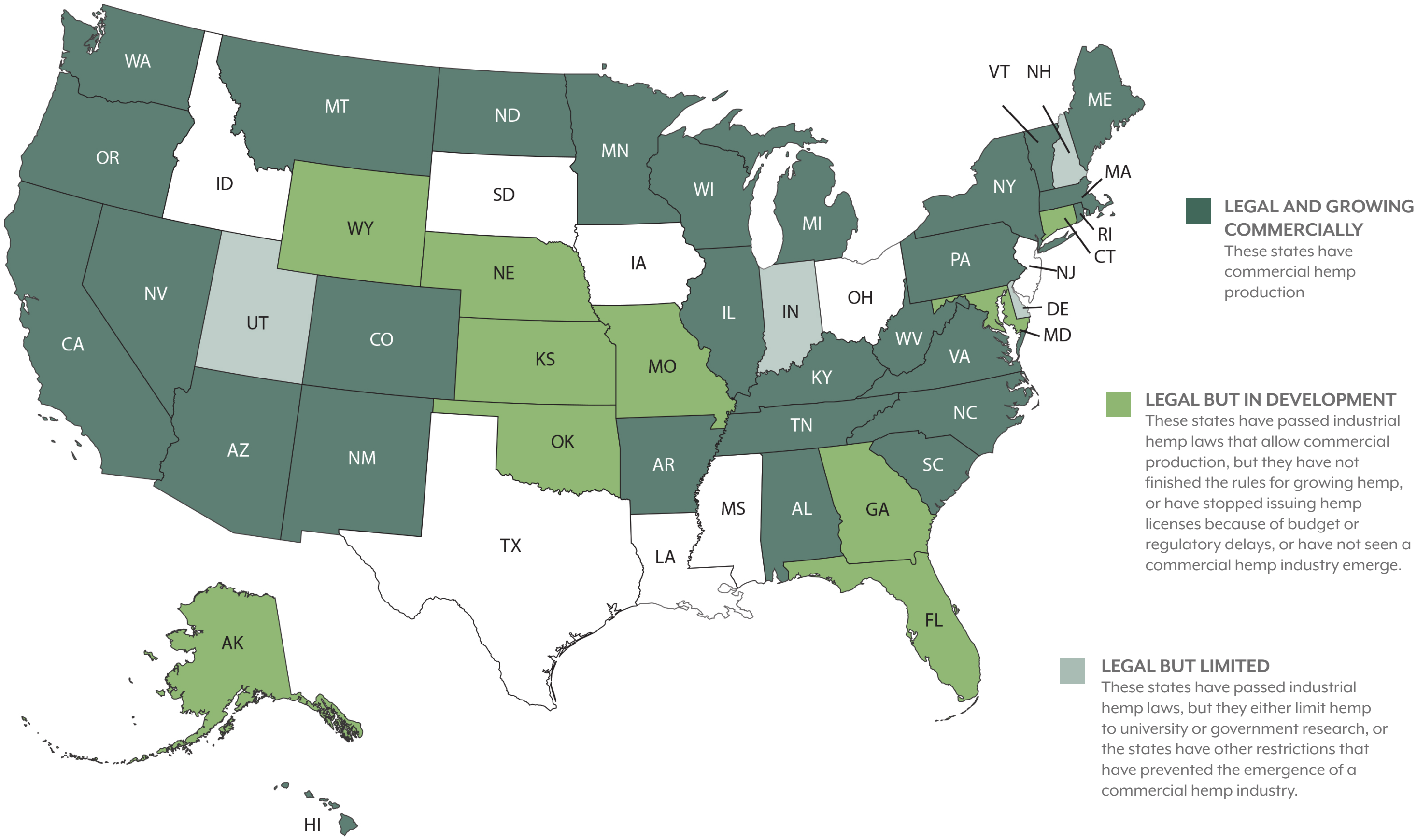
- High-level analysis of top investment trends under way in the evolving U.S. hemp industry.
- Key market metrics and geographic considerations investors should know as they size up opportunities.
- Actionable data and analysis on hemp sectors and business verticals experiencing rapid growth.
- Top investor considerations as newly public hemp firms expand and capital markets open up.
- Insights from the most notable deals to date and focal points going forward.

A special thanks to our data and analytics partner, Viridian Capital Advisors, for contributions made to this report.

As always, please reach out directly with any questions or feedback anytime at **LisaBK@MJBizDaily.com**.

Warmest Regards,

Lisa Bernard-Kuhn
Investor Intelligence Editor
Marijuana Business Daily



Data current as of June 1, 2019

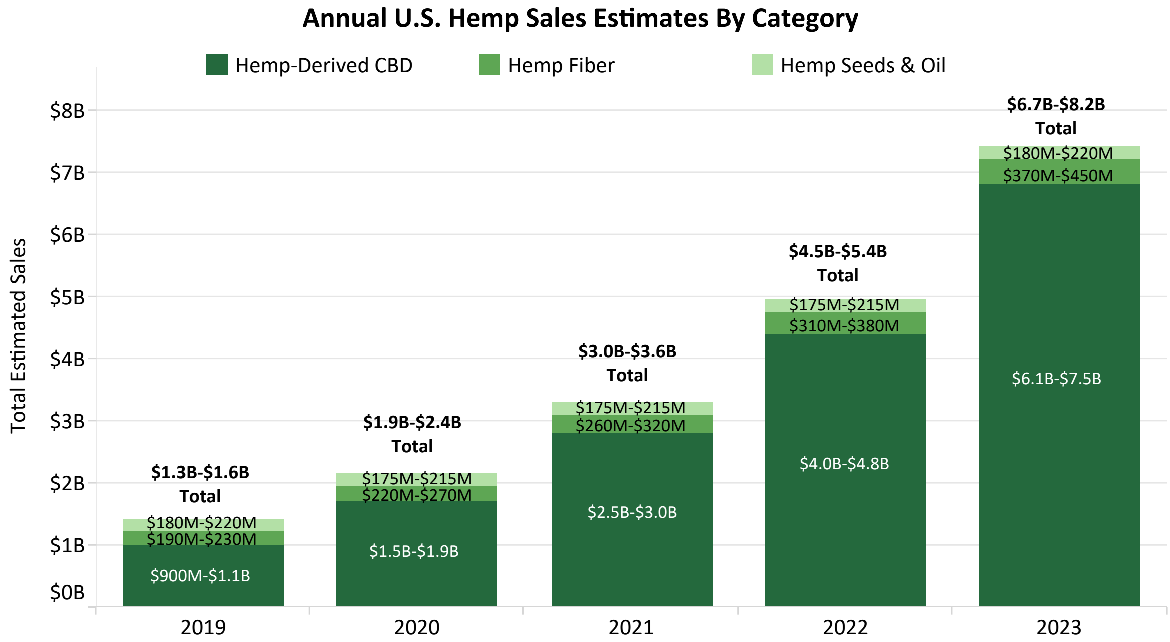
Source: Hemp Industry Daily

HEMP IN THE U.S.

The 2018 Farm Bill legalized hemp production and sales throughout the United States. However, until the U.S. Department of Agriculture establishes uniform rules for the national industry, each state will be responsible to creating the interim structure—and for many states, that means operating under the rules they already have in place.

The USDA is expected to create new rules later this year, but most states aren't waiting to jump on the bandwagon. For investors, this means assessing each market's rules during the due diligence process.

Annual U.S. Hemp Sales Estimates By Category



Source: Hemp Industry Daily

What the Farm Bill Did & Didn't Do

WHAT THE FARM BILL DID:

- Removes the plant cannabis sativa L. from the Controlled Substances Act if it or its derivatives contains no more than 0.3% THC on a dry-weight basis. This applies to any and all parts of the plant.
- Tells the U.S Department of Agriculture (USDA) to come up with national hemp regulations "as expeditiously as practicable."
- Leaves marijuana a Schedule 1 drug.
- Allows states, territories and Indian tribes to submit hemp-growing regulatory plans to the USDA, with no deadline for doing so. The plans must include:
  - THC testing procedures, including inspections done at least annually.
  - Bookkeeping procedures to keep track of land approved for hemp cultivation.
  - Processes for "effective disposal" of hemp plants with too much THC.
- Gives the USDA the ability to approve or reject those cultivation regulations within 60 days.
- Gives the USDA one year to study the 42 existing hemp states' progress with the plant and "determine the economic viability of the domestic production and sale of industrial hemp," with the findings due to Congress.
- Bans hemp cultivation by people with drug felonies in the past 10 years.
- Guarantees that hemp and hemp products can be moved from state to state and imported and exported the same as any other crop.

WHAT THE FARM BILL DIDN'T DO:

- Give states any guidelines about regulating hemp manufacturing or processing.
- Guarantee interstate commerce for products containing CBD, not just the molecule itself.
- Limit the U.S. Food and Drug Administration (FDA)'s authority to ban CBD from foods, drugs and cosmetics, which the agency has done.
- Explain whether the clause guaranteeing interstate commerce for "hemp products" affects the FDA's ability to limit CBD use in foods, drugs and cosmetics. ✦

How the U.S. Defines Hemp

Hemp, as defined by the U.S. federal government, is a variety of the cannabis sativa plant that contains less than 0.3% trans-Δ^9-tetrahydrocannabinol (THC), the main psychoactive component of cannabis, by dry weight.

U.S. Market Overview

The 2018 Farm Bill made hemp and its derivatives a federally legal product that can be grown and sold anywhere in the United States, opening the door to enormous business and investment opportunities.

These opportunities range from industrial applications to hemp-derived CBD. Alongside hemp-specific prospects, ancillary businesses that support the market also may be prime targets for investors.

Because of hemp's uncertain legal status, getting a full sense of how large the market can become is difficult. Many products—and markets for those products—are still being developed. But the regulatory shift has positioned the national market for hemp-derived CBD alone to balloon to as much as $7 billion by 2023, according to *Hemp Industry Daily* market projections.

The evolving landscape has led to a flood of M&A activity and encouraged hemp firms to begin flexing their fundraising muscle.

Among the top deals inked recently:

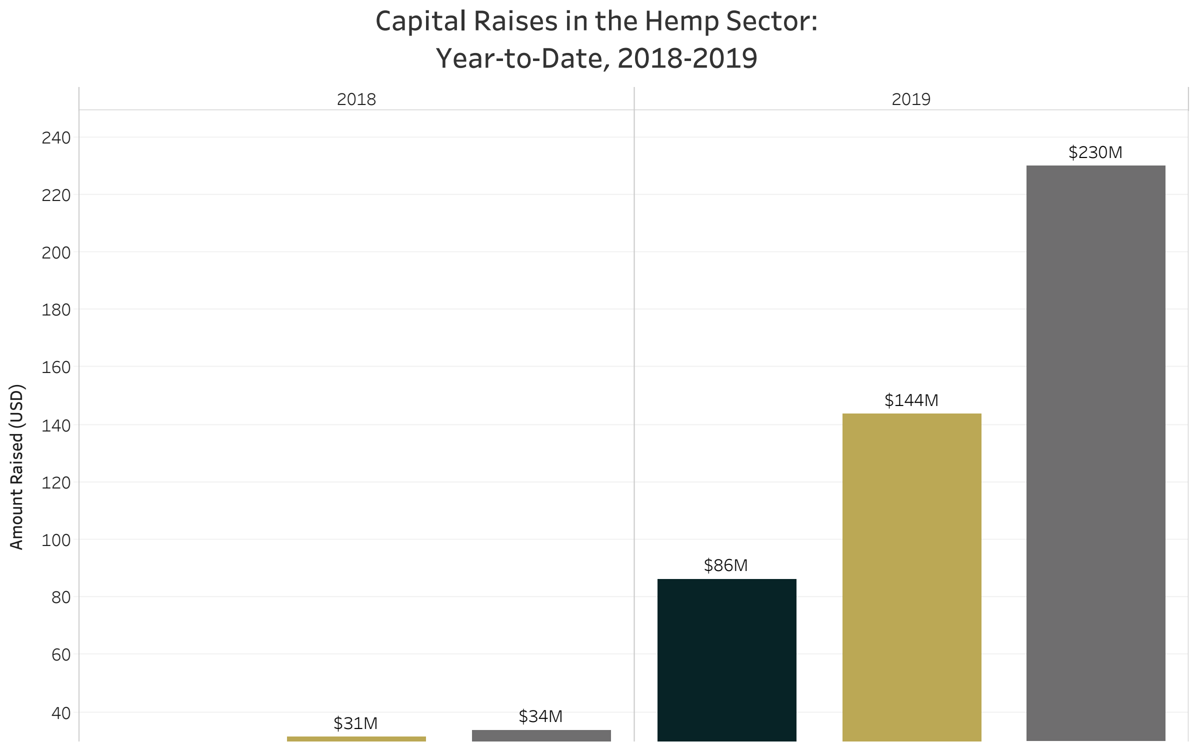
- NYSE-traded Level Brands acquired CBD product brand cbdMD for nearly $44 million in stock, with potential consideration of another $44 million assuming the products achieve revenue targets in aggregate of $300 million over the following five years.
- California-based Vertical Wellness has sunk $60 million into its operations—capital raised through family offices and high-net-worth investors. The firm plans to list on the Nasdaq with a target of raising $50 million-$100 million ahead of going public as it works to scale its farming and production footprint.
- Colorado-based Mile High Labs raised $35 million in one of the largest Series A rounds to date in the cannabis/hemp space for the purpose of creating a large-scale processing facility.
- Kentucky-based GenCanna will deploy $40 million to create a large-scale hemp processing facility in its home state.
- Colorado-based CBD manufacturer Charlotte's Web raised 140 million Canadian dollars ($105 million) in a share offering. The move, in which existing shareholders sold some of their shares, is part of the company's plans to raise up to CA$500 million for acquisitions and potential international expansion.

As more capital flows into the industry, here's a breakdown of the key market metrics and deal-flow trends that are shaping the investment opportunities ahead:

CAPITAL RAISE ACTIVITY: $230 MILLION

A record level of new investment is under way across the hemp industry with firms raising more than $230 million in the first five months of the year, according to data tracked by Viridian Capital Advisors. That compares with just $33.7 million during the same period in 2018.

Capital Raises in the Hemp Sector: Year-to-Date, 2018-2019



A key driver in this acceleration is the legality of interstate commerce. Unlike the cannabis and THC markets—which are fragmented by state—hemp and CBD products may be sold over state lines, greatly increasing the competitive nature of the sector. Companies have been seeking larger rounds of capital to create farms and manufacturing facilities capable of serving much larger total addressable markets (national versus intrastate).

AVERAGE HEMP RAISE: $13.2 MILLION

Through the end of May the average hemp raise climbed to $13.2 million. That's a major leap from the first quarter of 2017, when the average hemp raise was $400,000, increasing year-over-year to $2 million in the first quarter of 2018 and $7.1 million in the first quarter of 2019.

M&A ACTIVITY

Hemp-related merger and acquisition activity is also spiking as hemp firms target new markets to expand into or become targets from cross-sector companies looking to enter the market.

As seen in the table at top right, both acquisitions *of* and *by* hemp companies are on the rise. Valuations associated with the M&A activity is not available.

The table at bottom right details cross-sector M&A activity since the beginning of 2017 where hemp companies are the acquirers. The top three sectors into which hemp businesses are buying are:

- **Other hemp businesses**, as they seek scale or to acquire value-add assets (land, equipment, facilities, genetics, brands, etc.) for their existing operations.
- **Non-cannabis-related businesses**, primarily shell companies, as hemp firms (as many others in the cannabis industry have done) seek public listings early in their company life cycles to take advantage of the greater liquidity and valuations afforded to publicly listed firms.
- **Infused products & extracts companies**, likely to develop synergies from extraction know-how and intellectual property, brand co-development and marketing, and formulation.

The top sectors acquiring hemp businesses are:

- **Other hemp businesses** as they seek scale or to acquire value-add assets for their existing operations.
- **Cultivation & retail companies** looking to the hemp sector to bolster their existing product offerings and expand their capabilities beyond cannabis and THC.
- **Investments/M&A firms** looking to add exposure to the Hemp sector to their diversified portfolios.
- **Non-cannabis-related firms** entering the hemp sector to spur growth, as the greater legal clarity around the hemp (and CBD) sector gives greater comfort to strategic entrants than does the conflicting legality (state vs. federal in U.S.) of the cannabis/THC industries. ✦

CROSS-SECTOR M&A SINCE START OF 2017: HEMP COMPANIES AS BUYERS

Buyer Sectors	Target Sector: Hemp
AgTech	0
Biotech/Pharma	1
Consulting Services	0
Consumption Devices	2
Cultivation & Retail	5
Hemp	17
Infused Products & Extracts	6
Investments/M&A	0
Misc. Ancillary	3
Physical Security	0
Real Estate	0
Software/Media	4
Non-Cannabis-Related	15

CROSS-SECTOR M&A SINCE START OF 2017: HEMP COMPANIES AS TARGETS

Buyer Sectors	Target Sector: Hemp
AgTech	2
Biotech/Pharma	0
Consulting Services	0
Consumption Devices	0
Cultivation & Retail	11
Hemp	17
Infused Products & Extracts	5
Investments/M&A	7
Misc. Ancillary	1
Physical Security	0
Real Estate	0
Software/Media	1
Non-Cannabis-Related	7