



MJBiz™
Finance
Forum

A small orange line graph with four data points connected by thin lines. The points are arranged in a jagged upward trend from left to right.

The Opportunity in New Valuations for Cannabis



John D. Wagner
Managing Director
1st West Mergers and Acquisitions



Party Like It's

1999



**eCommerce was
all the rage!**

**Digital *purchase
orders* were novel!**



**BuildNet Raised
\$147,000,000 on the
promise of charging a fee
for digital purchase orders**



BuildNet's Exec. Dir. of Corp. Comm. & Financial Relations:

Yours Truly.



**We immediately
bought 12
companies**



**Our pre-IPO
valuation was
\$2.5 billion**



Here's a couple tools we used in our IPO *Road Show*



**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
WASHINGTON, D.C. 20549

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

BUILDNET

Delaware
(State or other Jurisdiction of
Incorporation or Organization)

2000
(Primary Standard Industrial
Classification Code Number)







Four investment banks shoveled our shares



Our pre-IPO eCommerce revenue was...



525!



Not \$525
million



Not
\$52mm



It was
\$5.25



We'd processed
one digital
purchase order



**12 months
later, BuildNet
was bankrupt**



The flaw?



Company value
was based on **As-
Yet-Unearned
EBITDA**



The same *fever* *dreams* initially invaded Cannabis & Hemp



**What do values
look like when they
come back to
earth?**





**Cannabis & Hemp
are subject to the
same fundamentals
as other companies**



We just surveyed 868 private deals in 10 categories



Source of the data





**Buyers were
largely
Private Equity
Groups or F.O.s**



\$25-50mm TEV:
Avg. EBITDA margin:
16.5%



The Avg.
Multiple of EBITDA
paid was **6.84X**

1

Sector

Multiple Paid

NAICS Code:	4244	Grocery and Related Product Merchant Wholesalers (25)			Business Category:			
TEV Range	TEV \$	Revenues \$	TTM Rev Growth %	EBITDA Margin %	TEV/Revs	TEV / EBITDA	N	
10 - 25	18.3	34.9	10.3	11.4	0.7	5.9	7	
25 - 50	35.1	81.5	9.8	8.8	0.6	6.4	9	
50 - 250	73.2	107.6	13.1	10.9	0.8	7.3	9	
Total	44.1	77.8	11.1	10.3	0.7	6.6	25	

1

Sector

Multiple Paid

NAICS Code:	4244	Grocery and Related Product Merchant Wholesalers (25)			Business Category:		
TEV Range	TEV \$	Revenues \$	TTM Rev Growth %	EBITDA Margin %	TEV/Revs	TEV / EBITDA	N
10 - 25	18.3	34.9	10.3	11.4	0.7	5.9	7
25 - 50	35.1	81.5	9.8	8.8	0.6	6.4	9
50 - 250	73.2	107.6	13.1	10.9	0.8	7.3	9
Total	44.1	77.8	11.1	10.3	0.7	6.6	25

Notice the TTM Revenue Growth Percentage

2

Sector

Multiple Paid

NAICS Code:	423	Merchant Wholesalers, Durable Goods (329)				Business Category			
TEV Range	TEV \$	Revenues \$	TTM Rev Growth %	EBITDA Margin %	TEV/Revs	TEV / EBITDA	N		
10 - 25	16.5	23.5	12.4	16.4	0.9	5.6	121		
25 - 50	36.3	52.2	13.8	16.5	1.0	6.2	105		
50 - 100	71.9	87.0	17.3	15.0	1.1	7.4	56		
100 - 250	150.5	223.0	10.8	14.2	1.2	8.0	48		
Total	51.7	72.4	13.4	15.9	1.0	6.4	330		

2

Sector

Multiple Paid

NAICS Code:	423	Merchant Wholesalers, Durable Goods (329)			Business Category			
TEV Range	TEV \$	Revenues \$	TTM Rev Growth %	EBITDA Margin %	TEV/Revs	TEV / EBITDA	N	
10 - 25	16.5	23.5	12.4	16.4	0.9	5.6	121	
25 - 50	36.3	52.2	13.8	16.5	1.0	6.2	105	
50 - 100	71.9	87.0	17.3	15.0	1.1	7.4	56	
100 - 250	150.5	223.0	10.8	14.2	1.2	8.0	48	
Total	51.7	72.4	13.4	15.9	1.0	6.4	330	

TTM Revenue Growth Percentage

3

Sector

Multiple Paid

NAICS Code:	3254	Pharmaceutical and Medicine Manufacturing (30)				Business Category		
TEV Range	TEV \$	Revenues \$	TTM Rev Growth %	EBITDA Margin %	TEV/Revs	TEV / EBITDA	N	
10 - 25	18.3	15.7	14.4	22.3	1.2	5.7	11	
25 - 50	35.2	33.3	25.0	14.7	1.2	8.5	5	
50 - 250	73.0	61.3	23.1	20.6	1.4	7.4	14	
Total	46.6	39.9	20.2	20.2	1.3	7.0	30	

3

Sector

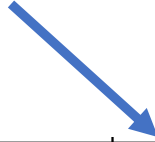
Multiple Paid

NAICS Code:	3254	Pharmaceutical and Medicine Manufacturing (30)			Business Category		
TEV Range	TEV \$	Revenues \$	TTM Rev Growth %	EBITDA Margin %	TEV/Revs	TEV / EBITDA	N
10 - 25	18.3	15.7	14.4	22.3	1.2	5.7	11
25 - 50	35.2	33.3	25.0	14.7	1.2	8.5	5
50 - 250	73.0	61.3	23.1	20.6	1.4	7.4	14
Total	46.6	39.9	20.2	20.2	1.3	7.0	30

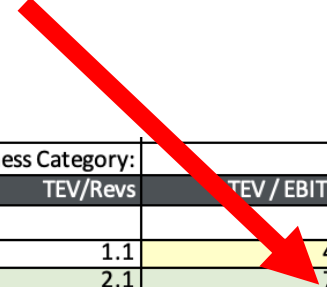
TTM Revenue Growth Percentage

4

Sector



Multiple Paid



NAICS Code:	Testing Laboratories (19)			Business Category:			
TEV Range	TEV \$	Revenues \$	TTM Rev Growth %	EBITDA Margin %	TEV/Revs	TEV / EBITDA	N
10 - 25	15.9	14.8	15.5	25.1	1.1	4.4	11
25 - 50	30.4	20.5	16.2	25.6	2.1	7.9	5
50 - 250	92.0	42.7	5.6	29.6	2.8	9.2	3
Total	31.7	20.7	14.1	26.0	1.6	6.1	19

4

Sector

Multiple Paid

NAICS Code: 54138		Testing Laboratories (19)		Business Category:			
TEV Range	TEV \$	Revenues \$	TTM Rev Growth %	EBITDA Margin %	TEV/Revs	TEV / EBITDA	N
10 - 25	15.9	14.8	15.5	25.1	1.1	4.4	11
25 - 50	30.4	20.5	16.2	25.6	2.1	7.9	5
50 - 250	92.0	42.7	5.6	29.6	2.8	9.2	3
Total	31.7	20.7	14.1	26.0	1.6	6.1	19

TTM Revenue Growth Percentage



NAICS Code:	54138	Testing Laboratories (19)	
TEV Range	TEV \$	Revenues \$	TTM Rev Growth %
10 - 25	15.9	14.8	15.5
25 - 50	30.4	20.5	16.2
50 - 250	92.0	42.7	5.6
Total	31.7	20.7	14.1

Category:			
TEV/Revs	TEV / EBITDA		N
1.1	4.4		11
2.1	7.9		5
2.8	9.2		3
1.6	6.1		19



**We didn't find one
deal with a negative
EBITDA that was sold**



Not seeking acquisition, but raising funds?



The same fundamentals apply



Very difficult to raise funds for non-EBITDA+ companies



**If there had been
exceptions from
fundamentals for Cannabis
& Hemp companies...**



...It was momentary and perhaps driven by wishful thinking...and not P&Ls & Balance Sheets



Did Publics suffer the same fate?



**Here are 4 leading
(de-identified) public
cannabis / hemp stocks
over the last year**

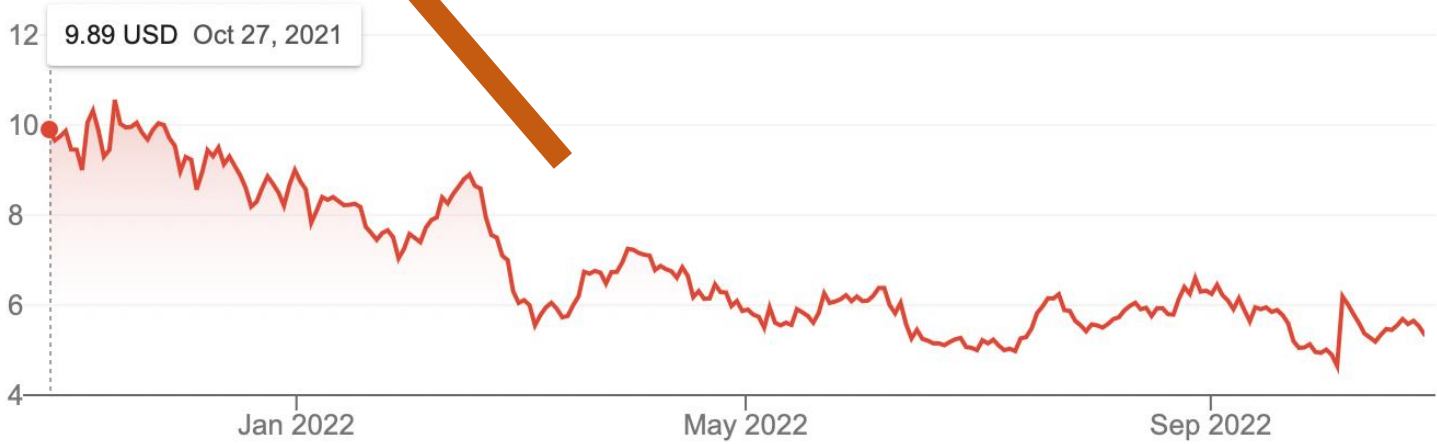
5.35 USD

+ Follow

-4.54 (-45.90%) ↓ past year

Oct 27, 2:56 PM EDT Disclaimer

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



11.12 USD

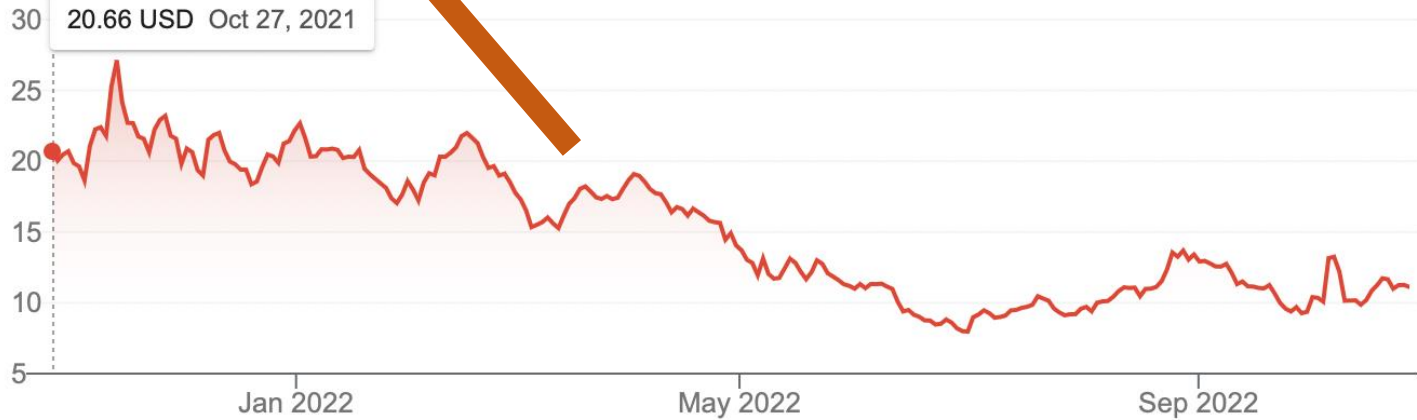
+ Follow

-9.54 (-46.17%) ↓ past year

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1D | 5D | 1M | 3M | YTD | 1Y | 5Y | Max

20.66 USD Oct 27, 2021



10.67 USD

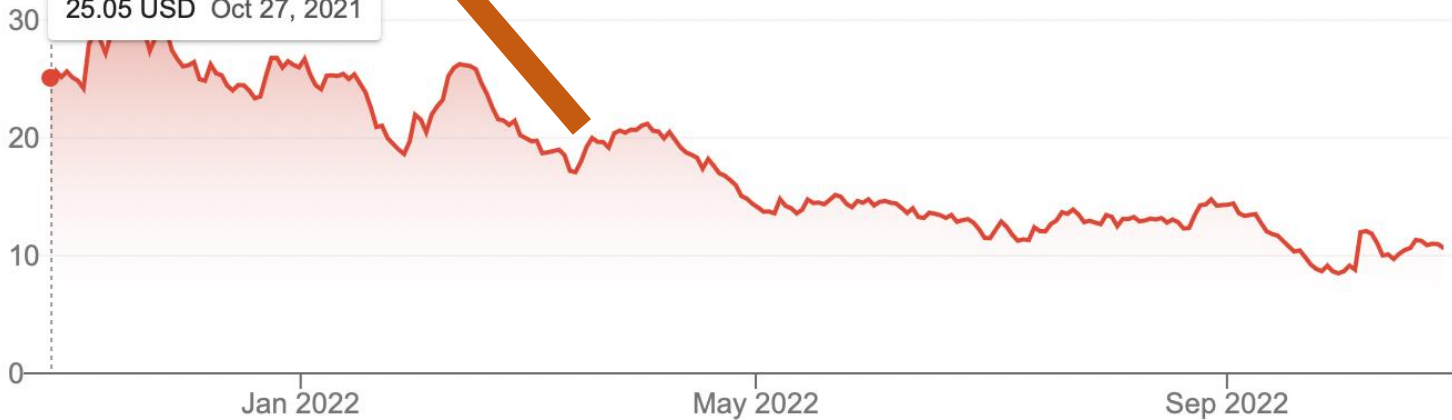
+ Follow

-14.38 (-57.41%) ↓ past year

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1D | 5D | 1M | 3M | YTD | 1Y | 5Y | Max

25.05 USD Oct 27, 2021



1.23 USD

+ Follow

-5.61 (-82.02%) ↓ past year

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1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max





A word about Debt used in Cannabis Deals

An aerial photograph showing a dam with a significant breach. A large volume of water is cascading over the broken section of the dam, creating a massive plume of white spray. A vibrant rainbow is visible in the mist created by the falling water. The surrounding landscape is a mix of green forest and brown, eroded earth. In the foreground, the turbulent water flows through a rocky channel, forming rapids. A road and some structures are visible on the right side of the image.

The Dam Has Broken



What puts the “V” in Venture Capital?



*Being **Very** **Very** Cautious*

TAKE AWAY

Stick with fundamentals:

- EBITDA
- EBITDA Margins
- TTM EBITDA Growth
- TTM Revenue Growth
- OPEX as a % of Sales



Thank you!



John D. Wagner
1st West Mergers and
Acquisitions