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FINANCIAL RESEARCH

Presentation at the Benzinga Cannabis Capital Conference
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April 21, 2022

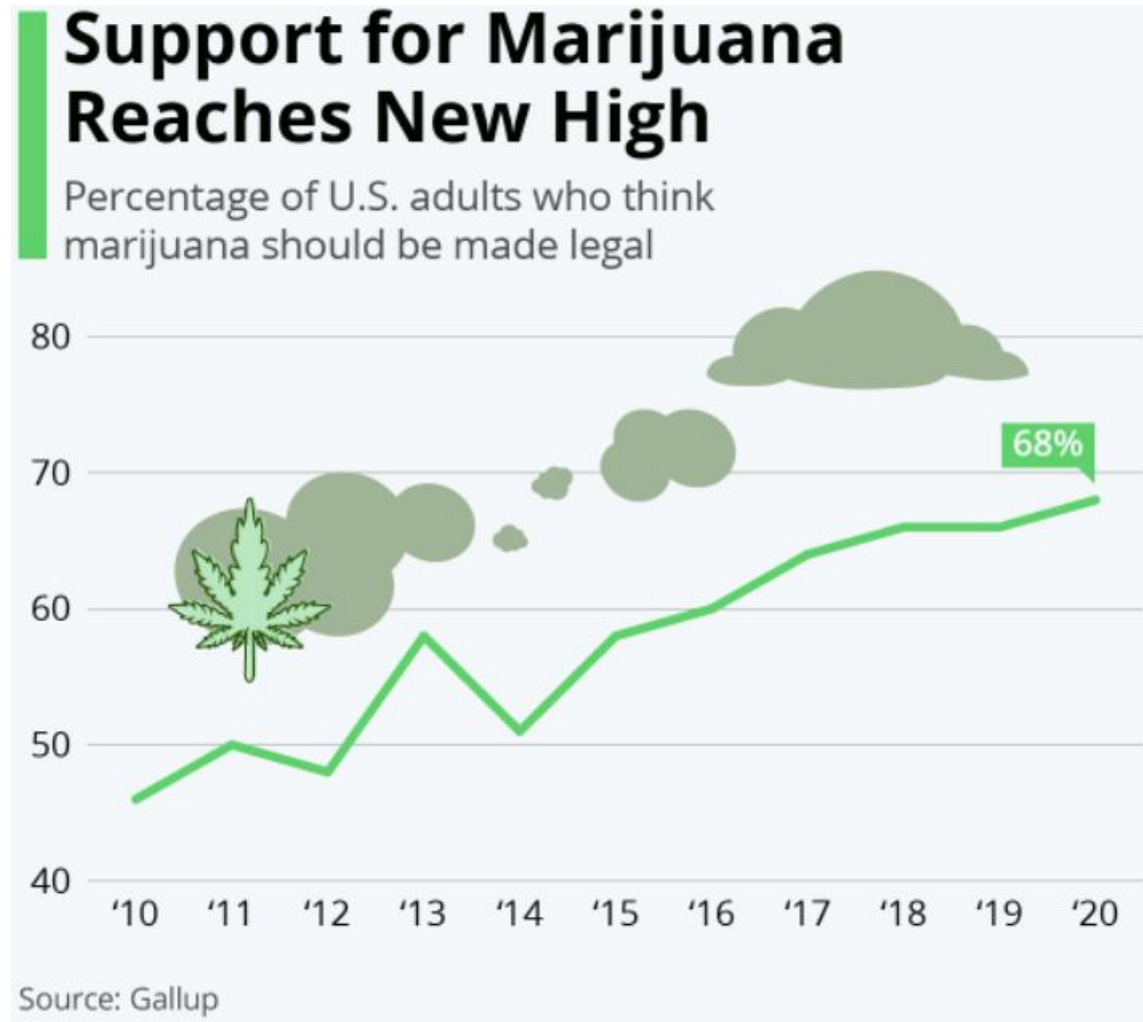
Biggest New Market of Our Generation

- The emergence of legal cannabis is one of the biggest - if not the biggest - new markets of our generation
- 31% CAGR of legal sales from 2014-2025E
- ...and remember, this is just the legal market (the total market, including illicit sales, is much larger)



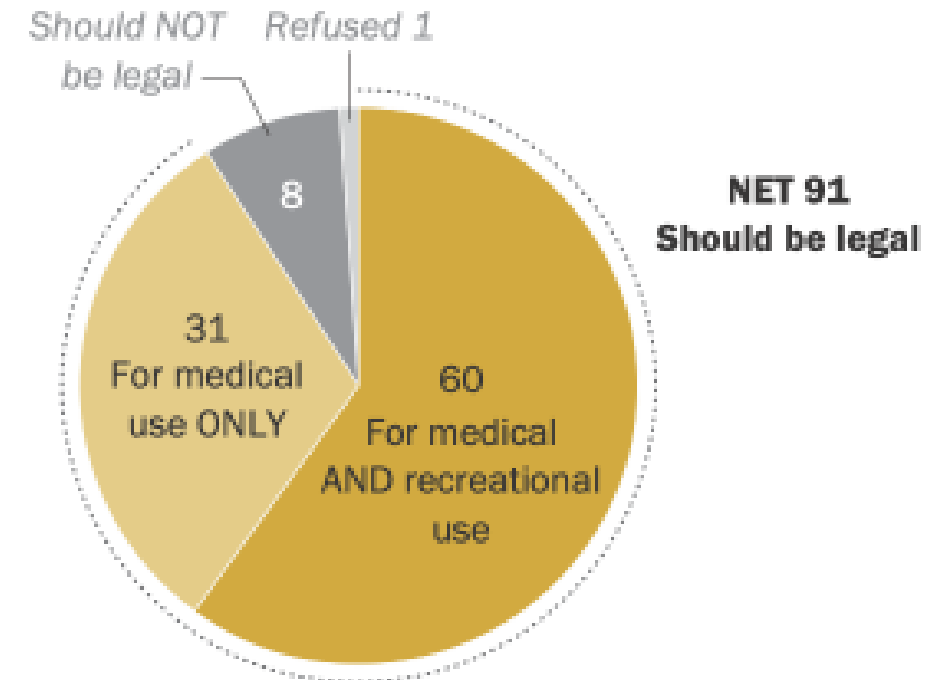
Source: 2021 Marijuana Business Factbook. Chart figures are midpoint of estimated ranges.

Strong Public Support for Legalization



Fewer than 10% of U.S. adults say marijuana should not be legal at all

% who say marijuana...



Source: Survey of U.S. adults conducted April 5-11, 2021.

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Still Federally Illegal...

- The “blue wave” in the last election was widely viewed as a best-case scenario for the cannabis industry
- But little has happened for a variety of reasons:
 - Partisan fighting
 - A busy congressional calendar
 - Upcoming midterm elections
 - Politicians afraid of looking soft on drugs/crime

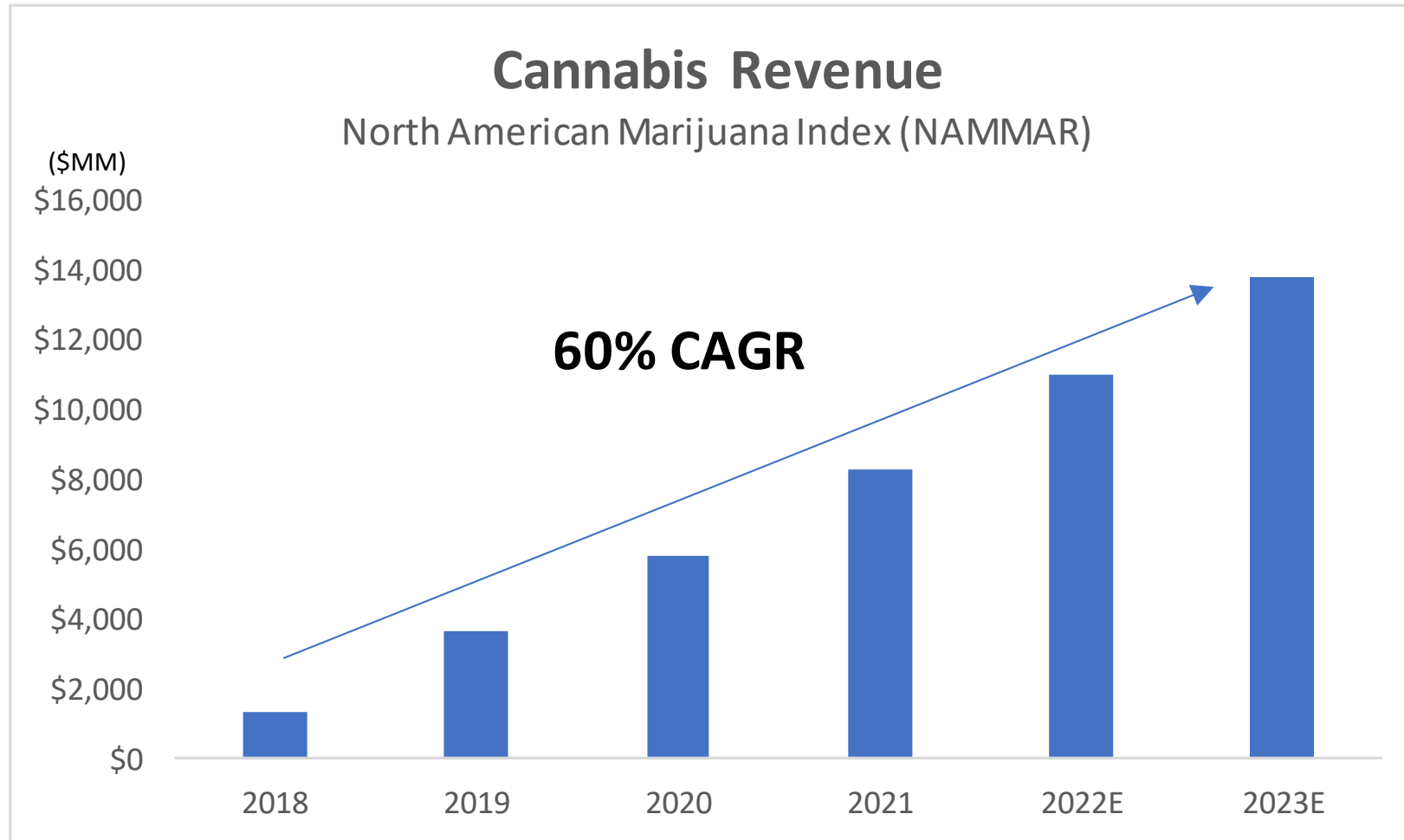
But There Are Reasons for Optimism at the Federal Level

- In November, Rep. Nancy Mace (R-SC) introduced the States Reform Act
- In March, the Senate unanimously passed the cannabis research bill
- In April, the House passed the Marijuana Opportunity Reinvestment and Expungement (MORE) Act, which would decriminalize marijuana, for the second time
- In April, Senate majority leader Chuck Schumer (D-NY) pledged to introduce a Senate legalization bill in August
- *Our take: we expect little/no progress this year as mid-terms consume Congress*
 - However, the SAFE Banking Act is a wildcard - it could pass this year
- Congress will likely re-engage in 2023

Likely Gains at the State Level

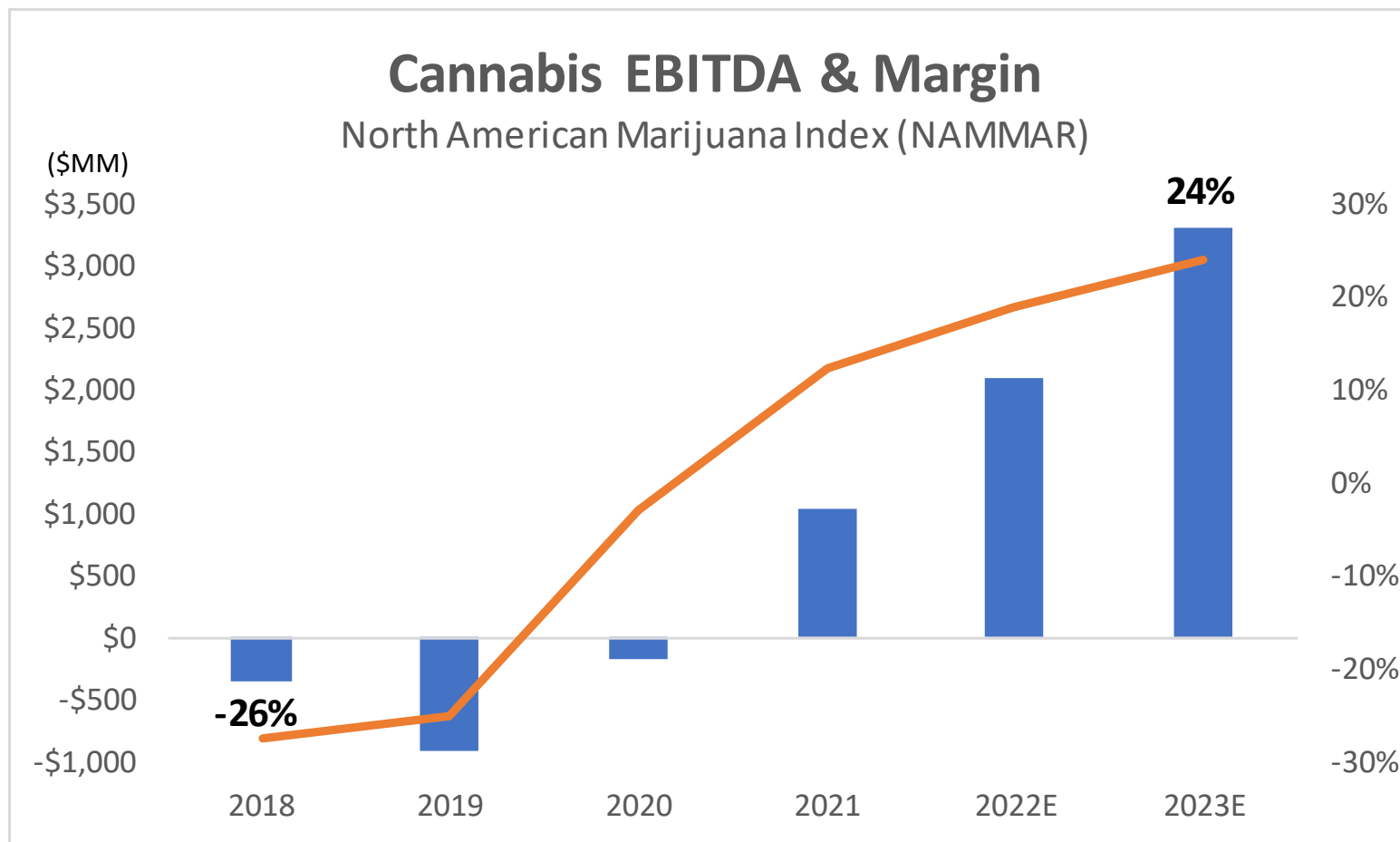
- 25 states introduced adult-use bills in their legislatures:
 - 13 have already failed
 - 12 are still in the mix, including Maryland, Minnesota, Ohio, and Pennsylvania
- Six states have introduced ballot initiatives
 - Arkansas, Maryland, Missouri, North Dakota, Ohio, Oklahoma, and South Dakota.
- *Conclusion: There will likely be substantial legalization gains this year at the state level*

Sales Growth Is Astounding



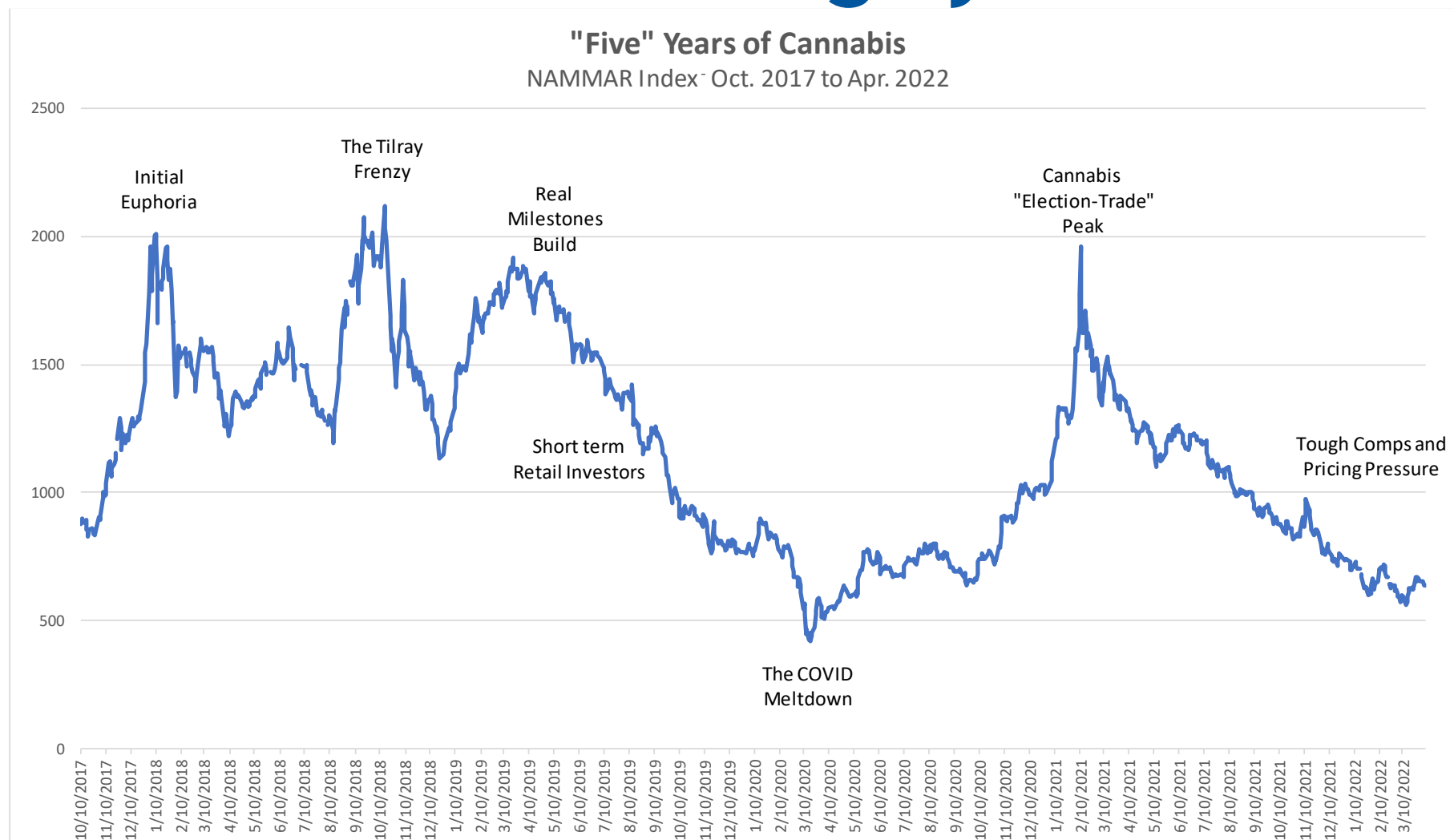
Source: Factset, company reports, and Stansberry estimates

Margins and Profits Are Soaring As Well

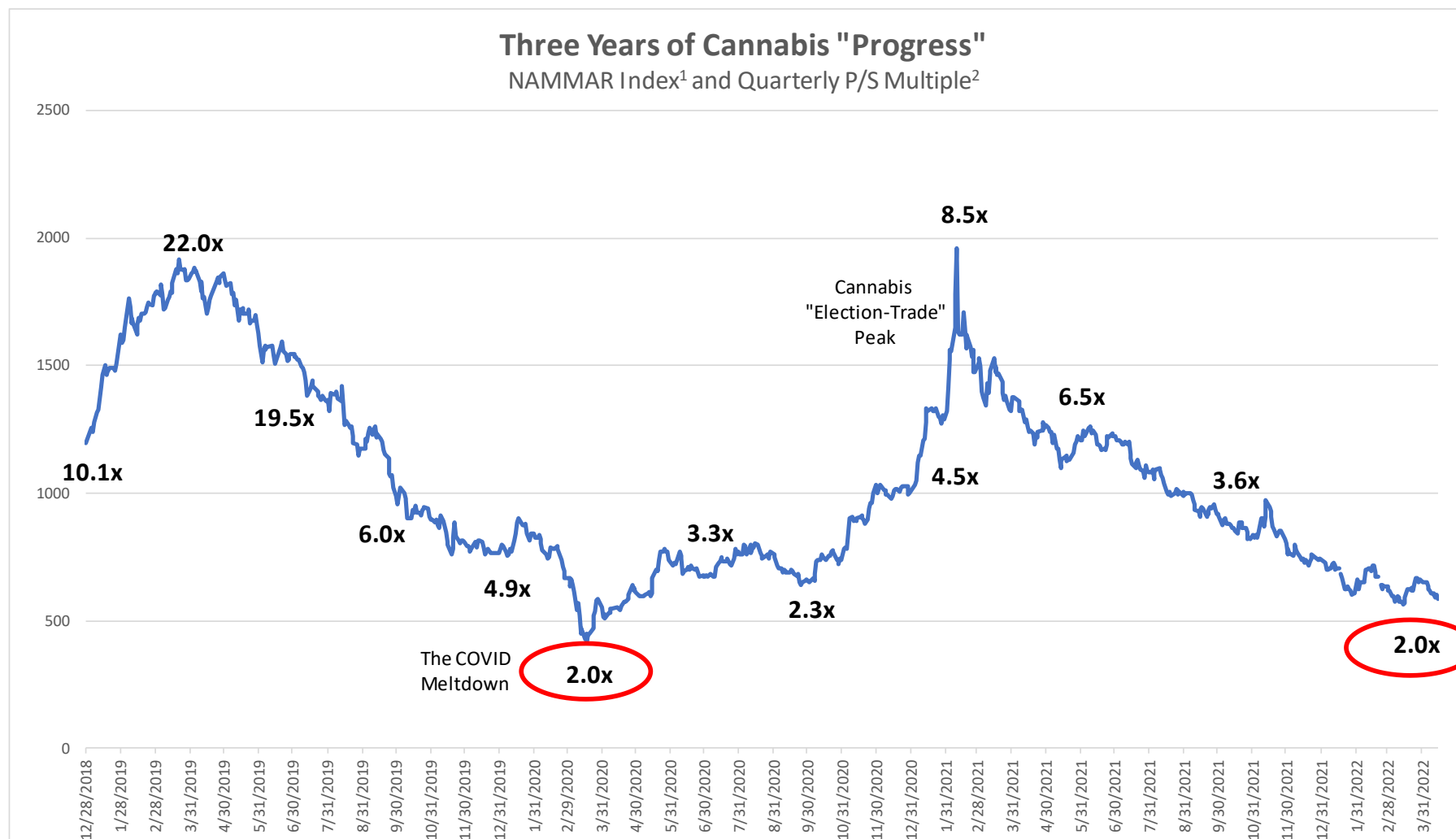


Source: Factset, company reports, and Stansberry estimates

Pot Stocks Have Been Highly Volatile...



...And Are Downright Cheap Today



- Notes:
1. Index line is NAMMAR from December 2018 to April 14, 2022
 2. Price-to-Sales multiples are forward looking and include 18 prominent cannabis stocks (12 US and 6 Canadian)

Source: FactSet, company reports, Empire Research estimates.

Many Smart Investors Are Seizing This Opportunity

- Ricky Sandler, Eminence Capital
- Doug Kass, SeaBreeze Partners
- Aaron Edelheit, MindSet Capital
- Todd Harrison, CB1 Capital

U.S. or Canadian Stocks?

- We prefer U.S. MSOs
 - Much better financials
 - Less expensive
 - Bigger market opportunity
 - If/when federal legalization occurs, stocks will move to major exchanges, allowing institutional investors to buy them, which will be a huge catalyst
- Because Canada is ahead of us on legalization, Canadian companies already trade on major U.S. exchanges, inflating their valuations
- But they will be the first to benefit if the SAFE Banking or MORE acts pass
- Our focus is on U.S. MSOs, but recommend a small basket of Canadian operators as well

Thank You!

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