CEOCFO Magazine

Now focused on making Full Acquisitions of Cannabis Companies and Assets in the State of California and being an Active Operator, CannaRoyalty is positioned to take advantage of this Growing Industry and Generate True Shareholder Value

Interview with Afzal Hasan
Executive VP of Corporate Development

CannaRoyalty
http://cannaroyalty.com/

Contact:
Afzal Hasan
416.786.5068
ahasan@cannaroyalty.com

Interview conducted by:
Bud Wayne, Editorial Executive
CEOCFO Magazine

“The company is focused on being a significant player in the future of the cannabis industry, and has a strategy and mindset that looks beyond the widespread focus on cultivation in the cannabis industry today. If investors are interested in investing into the future of the industry, as opposed to what it might look like right now, CannaRoyalty is a very interesting vehicle for them to be able to access and align with that vision.”

- Afzal Hasan

CEOCFO: Mr. Hasan, you have represented public companies and underwriters in raising over $500 million through prospectus financings and private placements. What attracted you to CannaRoyalty and would you tell us about your role day-to-day?

Mr. Hasan: CannaRoyalty was really interesting to me as a legal professional getting involved in the budding cannabis industry in Canada. I was involved as a lawyer in both financing and helping on the “go public” side for a number of early-stage cannabis companies for several years prior to my employment with CannaRoyalty. CannaRoyalty was the last company that I helped through that process before I decided that I had to jump over into the industry. There were two major attractions. The first was the general appeal from the industry opportunity. Most people now know that industry opportunity well, and it is an immense one. The second was how CannaRoyalty was capitalizing on that opportunity: not looking at where the industry was at the time, but instead trying to invest into where it is going to be in five, ten or fifty years in the future.

My role day-to-day has been an evolutionary one. I started off as general counsel, as I came from a legal background, but I quickly ended up taking on a larger role in corporate development. As CannaRoyalty from an investor into an operator, which is where it is today, I’ve evolved along with it. Currently I hold the role of Executive Vice President of Corporate Development, and I am working on the execution of our acquisition and operations strategies in California.

CEOCFO: Would you tell us about the rest of the team at CannaRoyalty and what they bring to the table that will allow you to make good investment decisions?

Mr. Hasan: The team starts off with Marc Lustig, the Founder and CEO of the company. The roots of this company go back to the vision and foresight that he had a number of years ago. He saw an opportunity that
was quite unique and then founded the company just over three years ago and has played a critical part in shaping the CannaRoyalty team.

We also have a number of people on our team that come from diverse backgrounds, including finance, law, marketing, operations, logistics and technology. The key uniting characteristic that I'd highlight about our team member generally is their ability to transplant their diverse experiences into an industry that is in an evolutionary state. This is a critical pre-requisite to be able to thrive in an industry that has an exciting yet murky future ahead of it.

**CEOCFO: Would you tell us about the cannabis industry and why it is a good industry to be in today? With so many industries to invest in, why did CannaRoyalty choose cannabis?**

**Mr. Hasan:** I think the opportunity is obvious from many different perspectives. Cannabis initially came onto the legal market over the past few decades through the medical movement, which was an important and critical step to dispel some of the stigma and misperceptions around cannabis. However, that movement also opened the doors to the broader adult use-case of cannabis. The adult-use opportunity is a unique in potential future market size. From what I understand, there are cities in Colorado that have seen cannabis sales eclipse beer sales (at times). Our hypothesis is that the growing adult-use market will eventually be dominated by branded products, as is the case with other consumer packaged goods, and our goal is to own some of those global cannabis brands of the future.

**CEOCFO: What is your business strategy? Is it based on royalty and if so, what kind of return do you look for?**

**Mr. Hasan:** We did start off as a diversified royalty and holdings company, and our investment strategy included royalties, equity, convertible debt, licensing, and other types of structures. We began to realize that the most compelling value generation opportunities for the company were in uniting some of the pieces that we were investing into - and that is not an easy or sensible task to do as a holder of a royalty stake in one company and an equity stake in another. Given this realization, we decided that the best way to access these broader opportunities was to take a more hands-on approach. What you will see right now, if you look at the past six months of our company history, is that we have been focused on making full acquisitions of operating companies in the state of California, including some acquisitions we closed just a few weeks ago.

**CEOCFO: Do you provide support and management assistance to any of your holdings?**

**Mr. Hasan:** We take it a number of steps further. We have traditionally provided resources and support to investees, and even had some of those papered into paid advisory engagements. Since we have transitioned our core business model to being an operator, we now acquire 100% of companies and consolidate them into our platform in California for the sale of cannabis consumer products, and provide comprehensive assistance on all aspects of the business.

**CEOCFO: Would you tell us about the evaluation process when presented with a potential investment? Are there metrics that you look at? Do you consider current management in place? Do you have your own scientists or industry or R&D people that help with the process?**
Mr. Hasan: The evaluation process is multifold for us. At the moment it is driven by key strategic directives. We have our sights set on the end goal of being a cannabis consumer products company. To bring us closer to that goal in the near term, we have decided to focus on the distribution of cannabis products in California. Our recent acquisition activity is reflective of that. There are a number of people involved on our end and with any sort of an acquisition process, starting from the very beginning, with financial modeling to the end, with legal formalities for a closing. We do most of our due diligence in house, but use legal, financial and technical advisors where needed. Assessing the quality of management is a major consideration for us, as we are aim to acquire talent through acquisitions. Most recently, for example, when we acquired Alta Supply, the principal of that business, Richard Sellers, who has been operating in this industry for decades, joined our team. We expect to continue this trend with major acquisitions in the future.

CEOCFO: What is your geographic range? Is it anywhere in the US and Canada that marijuana is legalized, whether for medical or recreational use?

Mr. Hasan: California is certainly our focus but we are also actively evaluating and planting seeds for a platform in a number of other jurisdictions. Canada is the one that I would highlight. You may have seen recent announcement between two groups, Second Cup, which is a Canadian coffee retailer, and National Access Cannabis (NAC), which is a retail focused Canadian cannabis company. If you take a look at that, you will see that CannaRoyalty is mentioned as a preferred provider of cannabis products. We have had a growing relationship with NAC to develop our exposure retail in Canada. Similarly, we have committed to making an investment into a group called 180 Smoke that is operating a number of retail outlets and online portals that sell cannabis vaporizer products in Canada. These are some moves we’ve made in Canada to stake out retail pipelines, and we may look to do so in other markets. Long-term, we are looking to plant our product platform into every legal market across the globe but we also want to be sensible about our growth trajectory.

CEOCFO: What is involved in initiating a relationship? Do companies come to you, do you have a staff in place to reach out to potential investments or a little of both?

Mr. Hasan: It is absolutely a combination. We have done a fair amount of networking ourselves, and have extensive relationships to the industry. We also have more recently begun to reach out to companies that have a strategic alignment with us and the potential for some sort of fit. We are taking a look at those and are actively looking for new opportunities.

CEOCFO: Do you invest in private as well as public companies?

Mr. Hasan: Exclusively private companies for us.

CEOCFO: Investing takes capital? What is your current position? Are you currently involved in or considering a capital raise to continue your growth? Are you looking to attract investors or partnerships?

Mr. Hasan: We are about to close tomorrow a previously announced financing for $15 million Canadian. That substantially reinforces our capital position and gives us ample room to complete our growth strategy. One of the unique things about CannaRoyalty is that we operate in a more mature market than our Canadian peers, so rather
than building cultivation facilities and green houses that might not turn profits for years, we are operating businesses selling products that are on the shelves now. We envision us being able to create sustainable businesses much sooner than you would be able to with an early-stage cannabis company in Canada.

**CEOCFO:** *In closing address potential investors to CSE, as well as cannabis companies out there who may be looking for an infusion of capital or being bought out? Why should they consider CannaRoyalty?*

**Mr. Hasan:** They should consider CannaRoyalty for the same reasons I jumped on board the company. The company is focused on being a significant player in the future of the cannabis industry, and has a strategy and mindset that looks beyond the widespread focus on cultivation in the cannabis industry today. If investors are interested in investing into the future of the industry, as opposed to what it might look like right now, CannaRoyalty is a very interesting vehicle for them to be able to access and align with that vision. I encourage people to read more about the company on our website as well as our public filings to find out more about our direction. If that is aligned, I find more often than not, within this industry’s commentators, we are a pretty unique play for a public vehicle.