



# **Davidson & Company – CFO Series**

*Cannabis Edition*

February 2017

To us there are no foreign markets.™

**CANACCORD** | Genuity

# Table of Contents

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- I. Canaccord Genuity Overview
- II. Themes & Trends
- III. Recent Activity
- IV. Showcased Case Studies



# 1. Canaccord Genuity Overview

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# Overview of Canaccord Genuity Group Inc.

## A Leading Independent Financial Services Firm With A Global Presence



### Global Presence

Smaller locations not shown



### CANACCORD Genuity

- 190+ investment bankers globally<sup>2</sup>
- FY2015: Participated in 340 transactions, raising over C\$39.2 billion for clients<sup>3</sup>

- 130+ research professionals<sup>2</sup>
- Broad industry coverage across core sectors
- ~900+ companies covered
- Quest® – online valuation tool with 95% global coverage

- Equities and Fixed Income
- 150+ sales and trading professionals<sup>2</sup>
- 10+ fixed income professionals<sup>2</sup>
- 2,260+ institutions covered
- Market making
  - ~2,500 companies
  - 10 exchanges

### CANACCORD Genuity Wealth Management

- Approximately 300 investment advisors globally<sup>1</sup>
- Wealth management offices across Canada, UK, Guernsey, Isle of Man, Jersey and Australia
- On and offshore client services
- C\$33 billion in AUM and administration<sup>1</sup>

1. As at 30 September 2016

2. As at 30 September 2016

3. Company information as at 31 March 2015. Equity offerings over \$1.5mm

Note: All dollar amounts are stated in Canadian dollars unless indicated otherwise

# Leading Investment Banking Practice

- Canaccord Genuity is the leading dominant investment bank in the Cannabis sector

## Recently Announced Cannabis Sector Deals




**\$15.0 million**  
Financing  
Lead

Pending



**\$20.0 million**  
Financing  
Lead

Pending




**\$60.0 million**  
Equity Financing  
Sole Lead

Pending



**\$15.0 million**  
Financing  
Lead

Pending



**\$15.0 million**  
Financing  
Sole Lead

December 2016




**\$60.0 million**  
IPO  
Co-Manager

December 2016



**60.0 million**  
Financing  
Co-Manager

December 2016



**\$50.0 million**  
Convert. Debenture  
Sole Lead

December 2016



**\$20.0 million**  
Financing  
Lead

November 2016



**\$25.0 million**  
Convert. Debenture  
Sole Lead

October 2016



## 2. Themes & Trends

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# Canaccord Genuity's Cannabis Investor Day – Recap

*On Thursday, January 26, Canaccord Genuity held its inaugural Cannabis Investor Day in Vancouver, BC. The event was attended by ~440 retail/institutional investors and stakeholders and included presentations from 11 cannabis companies.*

<b>The current landscape demands change</b>	<p>It is widely accepted that the criminalization of cannabis has been ineffective in ensuring public safety while taking a toll on the criminal justice systems (as 50% of cases are typically for minor offences) and propping up illicit markets.</p> <ul style="list-style-type: none"><li>- Governments across the world are becoming interested in alternative approaches to cannabis control</li><li>- Canada's plan to legalize marijuana at the federal level puts it at the leading edge of this change internationally</li></ul>
<b>Logistical hurdles remain ahead of legalization</b>	<p>Federal government will need to carefully consider the Task Force's recommendations, which include a number of valid logistical considerations:</p> <ul style="list-style-type: none"><li>- Ensuring a safe supply chain</li><li>- Public health and safety procedures</li><li>- Protocols to deal with impaired driving that must first be formulated</li></ul>
<b>International considerations</b>	<p>Canada cannot ignore international treaties due to its larger economic size and international presence unlike other countries with a federal framework such as Uruguay:</p> <ul style="list-style-type: none"><li>- Time will be needed to amend or properly withdraw from such agreements, which could further delay retail sales</li></ul>
<b>High licensing standards create barriers to entry</b>	<p>Speakers noted that the Canadian government has set much higher standards to become a Licensed Producer of cannabis compared to legalized states in the US and in Uruguay. While this creates obstacles for prospective licensees, it also serves as a significant barrier to entry into the industry</p> <ul style="list-style-type: none"><li>- There will be insufficient legal supply to meet market demand for 3 to 5 years, which bodes well for pricing and margins for those who already have a license</li></ul>

# Faces of the Cannabis Sector

The Cannabis sector is evolving rapidly – Diversified businesses continue to sprout

## Cultivation & Sale

- Traditional cannabis sector:
  - Licensed Producers (LPs) / Sellers
  - Dried Flower vs. Oils
  - Clinics / Education



## Life Sciences

- Elevated focus on cannabinoids:
  - Specialty Pharmaceuticals
  - Clinical Drug Development
  - Biotech Research & Dev.



## Specialty Finance

- Unique ownership and financing structures (e.g. minority, sale leaseback):
  - Holding Co.
  - Royalty Co.
  - REITs



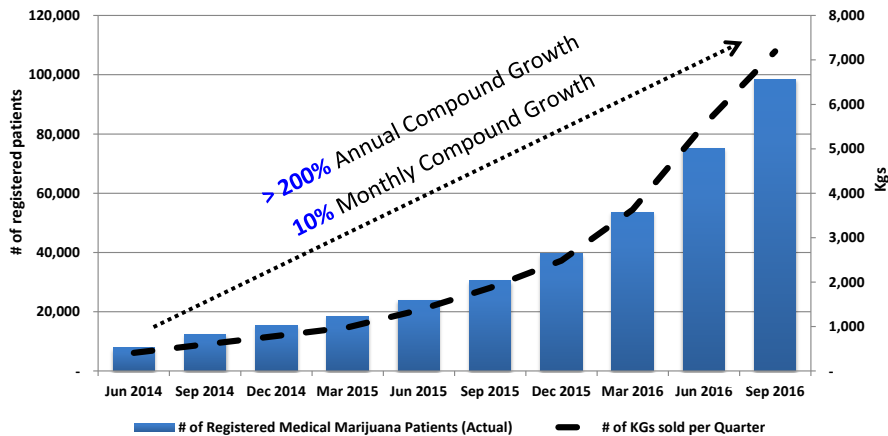
## Technology

- Ancillary services:
  - Seed to Sale Tracking
  - Social Platform
  - E-Vaporizers
  - Data Insights & Analytics

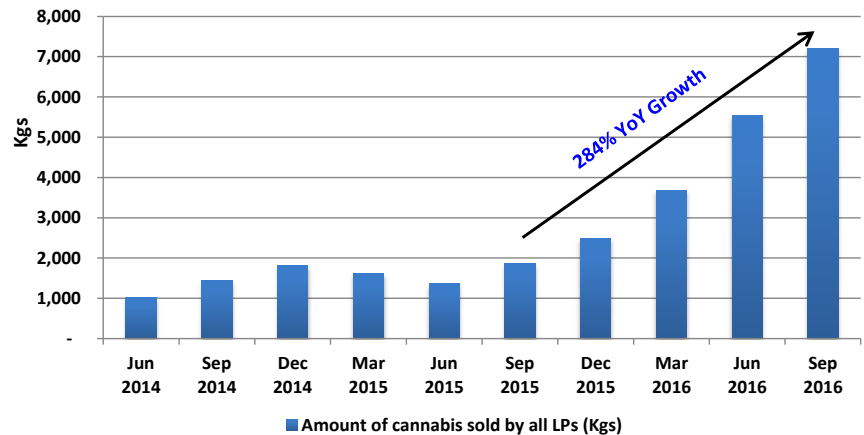


# Social acceptance of the use of cannabis is increasing

- Growth in registered medical patients has been accelerating, increasing at 10% month over month
- We see a clear inflection point when the Liberals were elected in Oct 2015
- Factors driving patient growth:
  - Increased supply and ease of access
  - Increased patient and physician awareness
  - Payor reimbursement
  - Decreased negative stigma



Source: Health Canada; Canaccord Genuity



Source: Health Canada; Canaccord Genuity

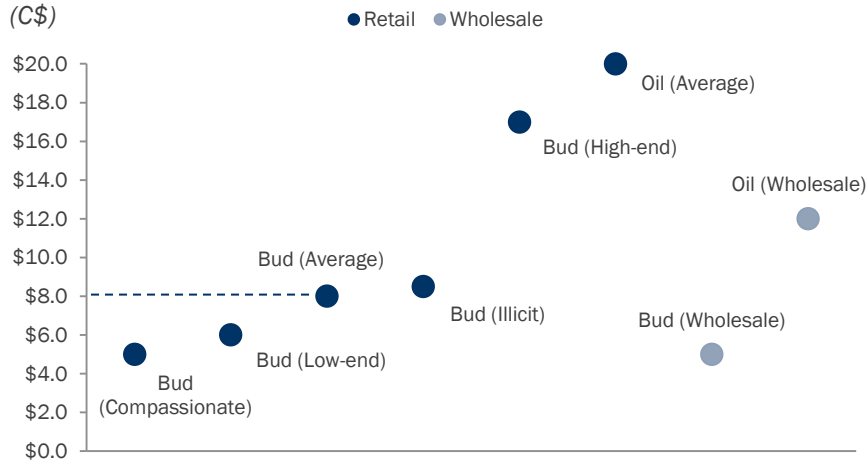
# Canadian Recreational Market Opportunity

## Illustrative Canadian Recreational Marijuana Users

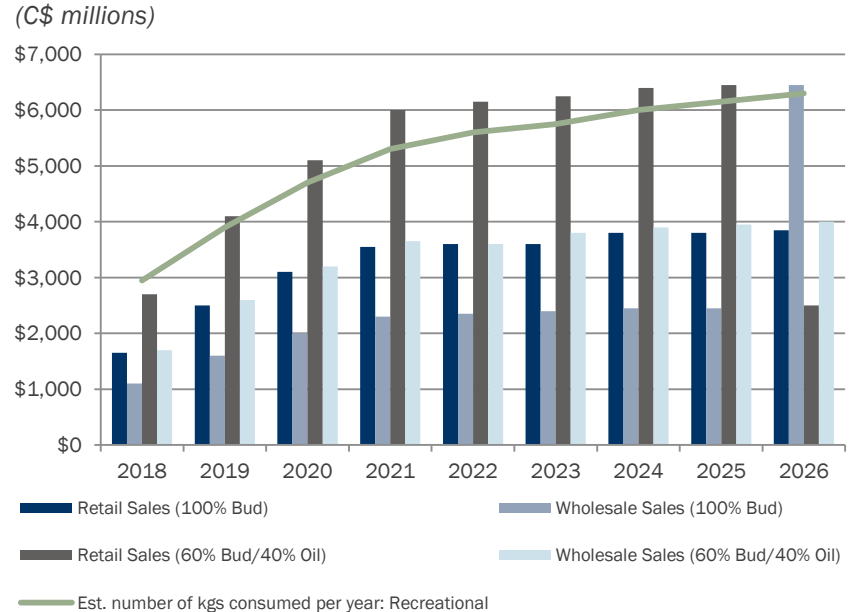
(000's, except where denoted)

	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E
<b>Canadian population</b>	36,755	37,123	37,494	37,869	38,248	38,630	39,017	39,407	39,801	40,199
Assumed annual population growth	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
% of population aged >18 years	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%
<b>Canadian population aged &gt;18 years</b>	29,404	29,698	29,995	30,295	30,598	30,904	31,213	31,525	31,841	32,159
Marijuana users: % of population	13.25%	13.50%	13.75%	14.00%	14.25%	14.50%	14.75%	15.00%	15.00%	15.00%
<b>Est. # of Canadian marijuana users</b>	3,896	4,009	4,124	4,241	4,360	4,481	4,604	4,729	4,776	4,824
Less: Est. # of medical marijuana users	(200)	(300)	(390)	(460)	(525)	(575)	(625)	(675)	(725)	(750)
<b>Est. # of recreational users</b>	3,696	3,709	3,734	3,781	3,835	3,906	3,979	4,054	4,051	4,074
Avg. # of grams consumed per year	110	110	110	110	110	110	110	110	110	110
<b>Annual recreational market (kgs)</b>	428,569	408,022	409,401	413,365	418,914	425,776	433,680	441,804	445,771	446,874

## Retail / Wholesale Price Ranges



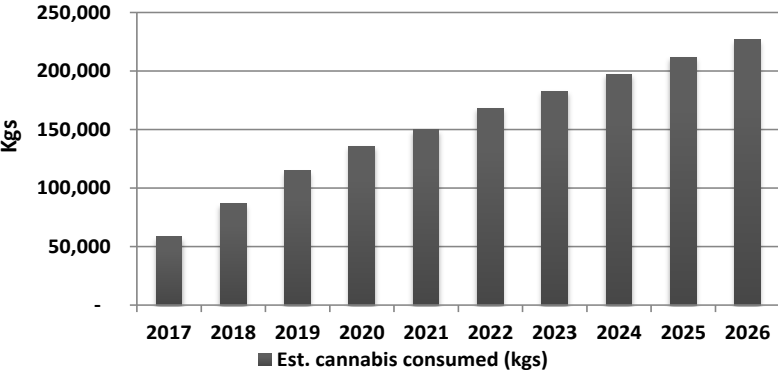
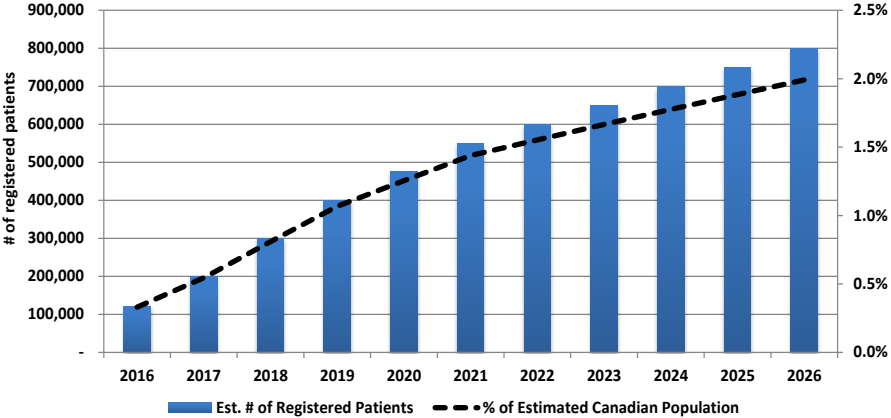
## Retail / Wholesale Price Ranges



Source: Stats Canada; Canaccord Genuity

# Quantifying the medical cannabis opportunity

- Based on an eventual patient base of ~2% of the Canadian population (consistent with many proxy locations in the US), we forecast a medical user base of 500,000 by 2021, increasing to 800,000 by 2026
- Assuming an average daily usage rate of 0.8 to 1.0 gram for each patient, we estimate medical cannabis demand will reach 150,000 kgs by 2021 and 225,000 kgs by 2026



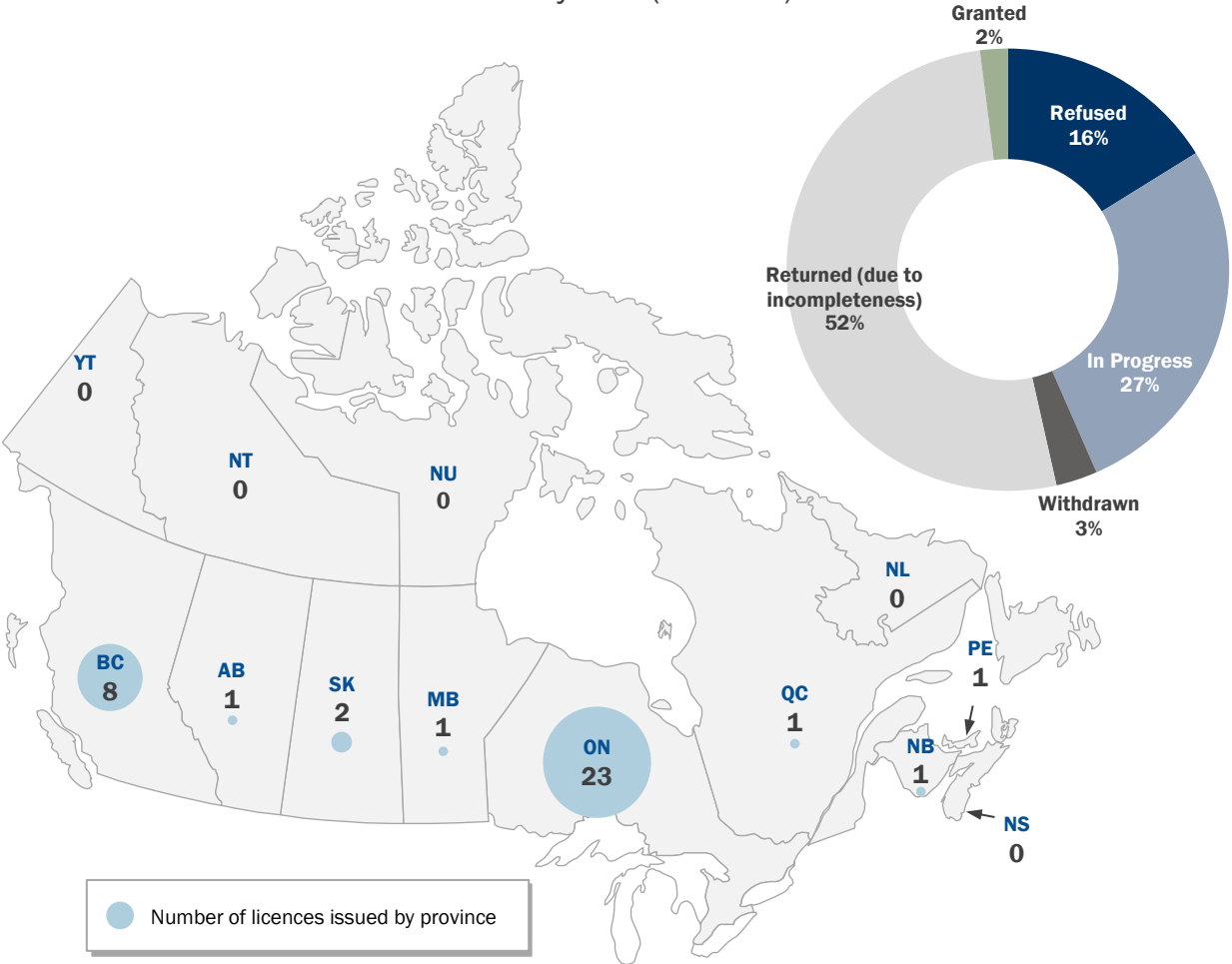
Proxy States	% of Population
Colorado	2.0%
California	1.9%
Washington	1.9%
Oregon	1.9%
Michigan	1.8%
Maine	1.8%

Source: Canaccord Genuity estimates

# Licensed Producers by Province

- Health Canada has created high barriers to entry for the medical market
  - Of approximately 1,600 applications to-date, Health Canada has only approved 38 (2%) producers across Canada
  - We estimate that lead times in the current environment are two years (or more)

Province	# of LPs
Ontario	23
British Columbia	8
Saskatchewan	2
New Brunswick	1
Prince Edward	1
Quebec	1
Manitoba	1
Alberta	1
Nova Scotia	0
Newfoundland	0
Yukon	0
Northwest Territories	0
Nunavut	0
<b>Total</b>	<b>38</b>



Source: Health Canada; Canaccord Genuity

# Composition of the Cannabis LPs / Companies

## Ways of Going Public

<h3>RTO</h3>	
<h3>IPO</h3>	
<h3>Direct Listing / Private Markets</h3>	

## Public / Private LPs

<h3>TSX</h3>	
<h3>TSX Venture</h3>	
<h3>CSE</h3>	
<h3>Selected Private Companies</h3>	



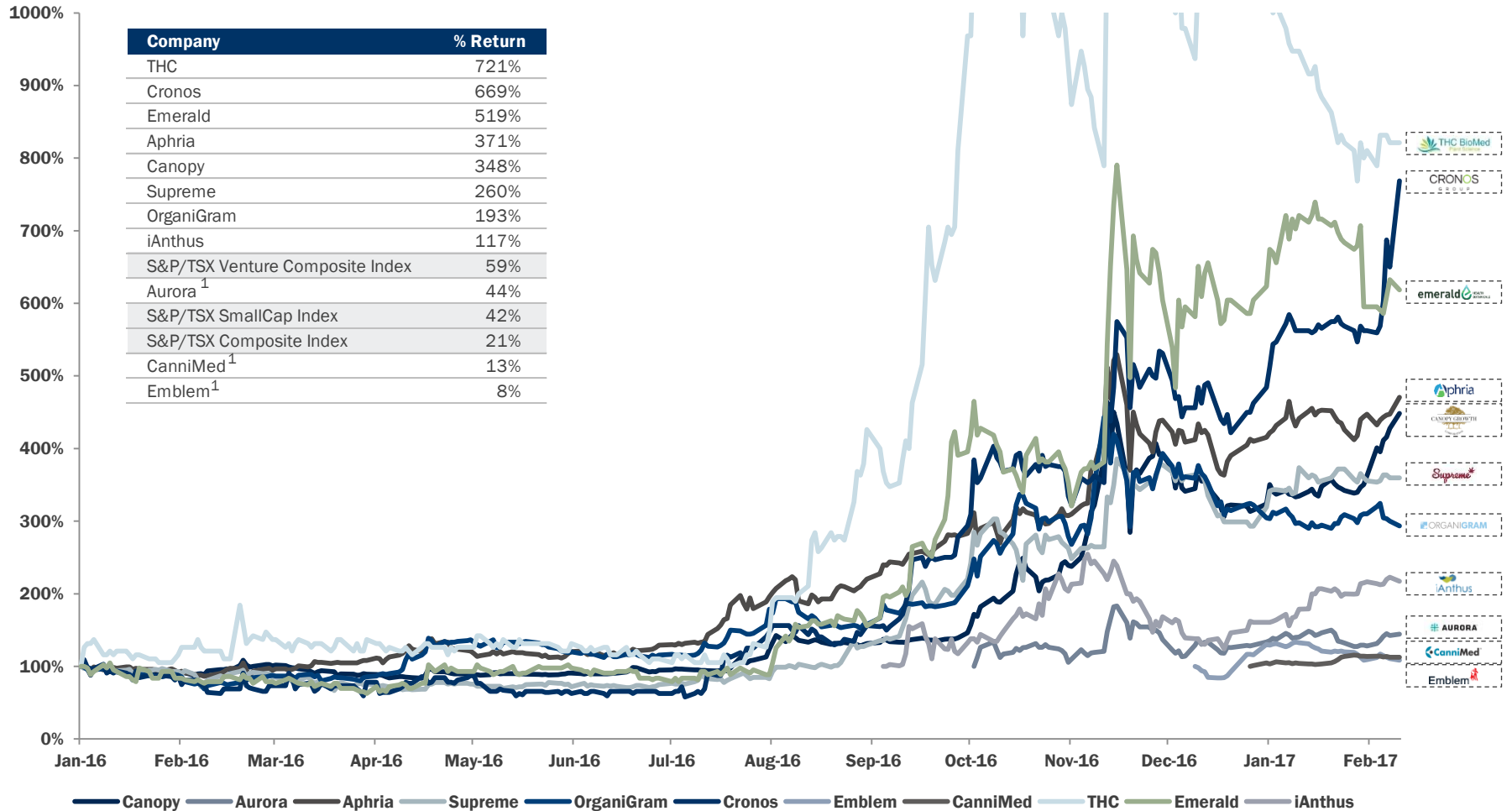
### 3. Recent Activity

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# Canadian Sector Returns (Jan 2016 to Present)

Medical marijuana peers have outperformed the general TSX and TSX-V Composite and TSX Small Cap indices throughout 2016



1. Aurora, Emblem and CanniMed went public in Q4/2016 (between Nov to Dec)

Source: Capital IQ (updated as of Feb 13, 2017)

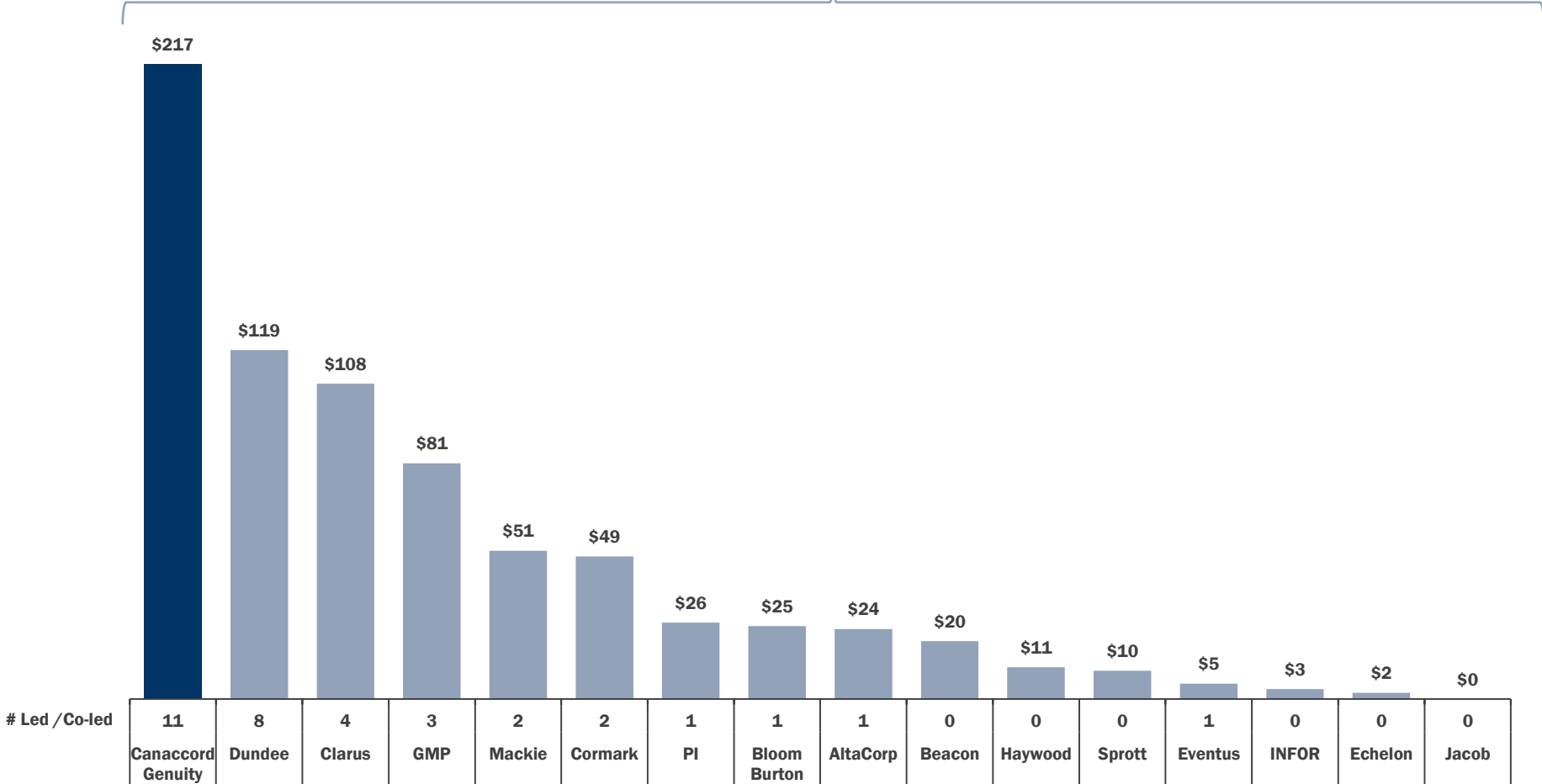
# Medical Marijuana Sector Offerings

CG has raised ~\$215 million (~30% of total proceeds) for the Cannabis sector

## Equity Offerings – Total Proceeds<sup>1,2</sup>

(C\$ millions)

~C\$735M of Total Capital Raised



1. All pending and closed transactions since the beginning of 2016  
 2. Pro rated proceeds based on syndicate position

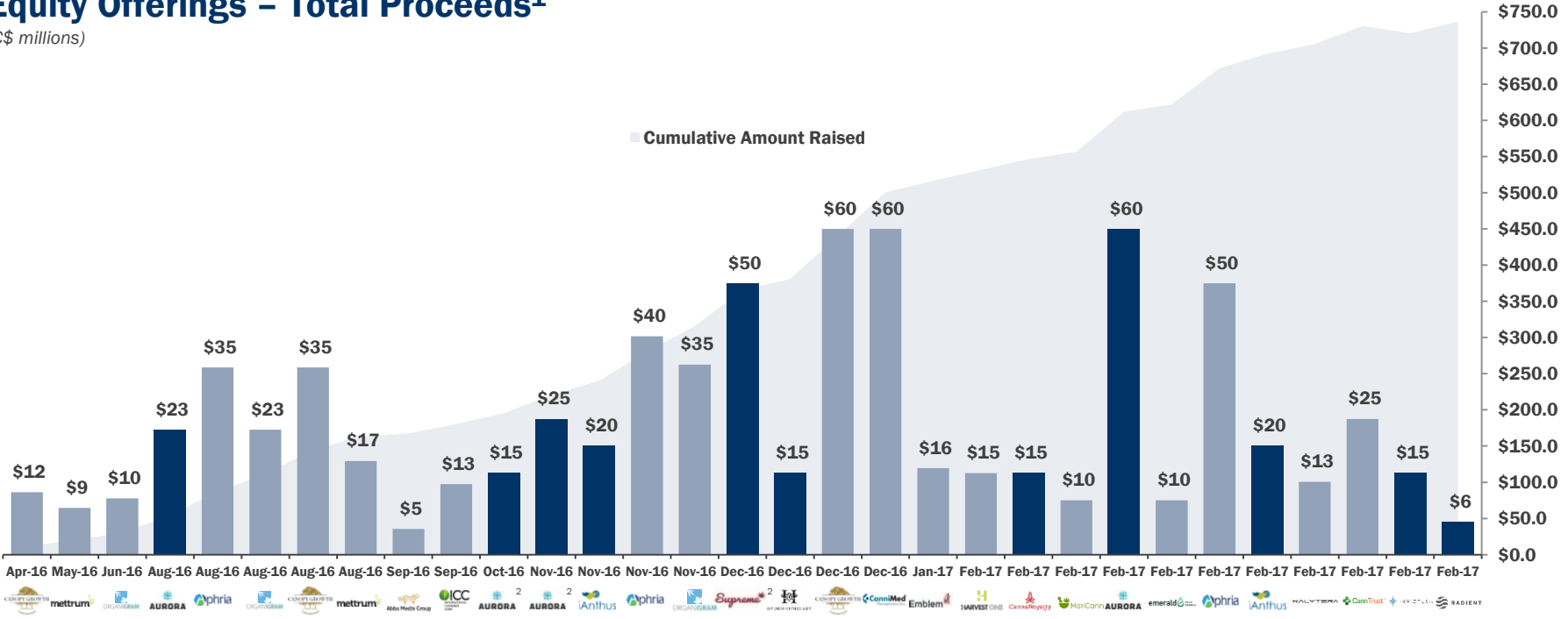
Source: FPIformart; includes over-allotment option, if applicable

# Medical Marijuana Sector Offerings

- Since the beginning of 2016, there have been over 30 equity offerings in the Canadian medical marijuana market for total gross proceeds of over \$700 million
- Excluding the Shopify and Open Text offerings in 2016, the medical marijuana sector has raised more capital than the technology and telecommunications sectors in Canada
  - Tech and telecom sectors have raised ~\$107 million combined since the beginning of 2016

## Equity Offerings – Total Proceeds<sup>1</sup>

(C\$ millions)



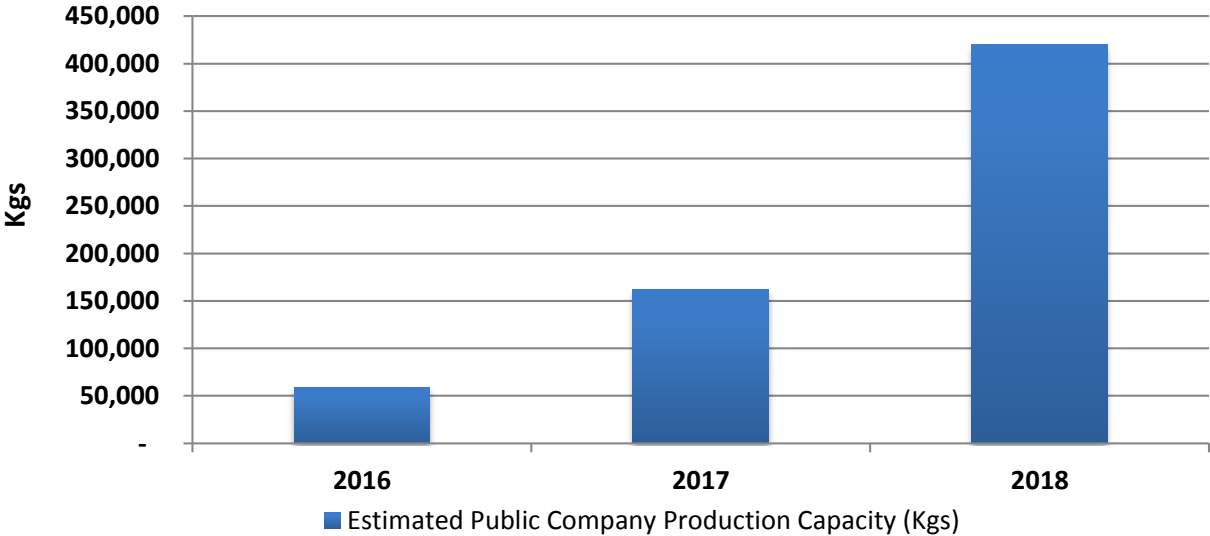
1. All pending and closed transactions since the beginning of 2016  
 2. In-the-money convertible debentures

Canaccord Genuity Led

Source: FPIInfomart; includes over-allotment option, if applicable

# Capital is being deployed to build out capacity

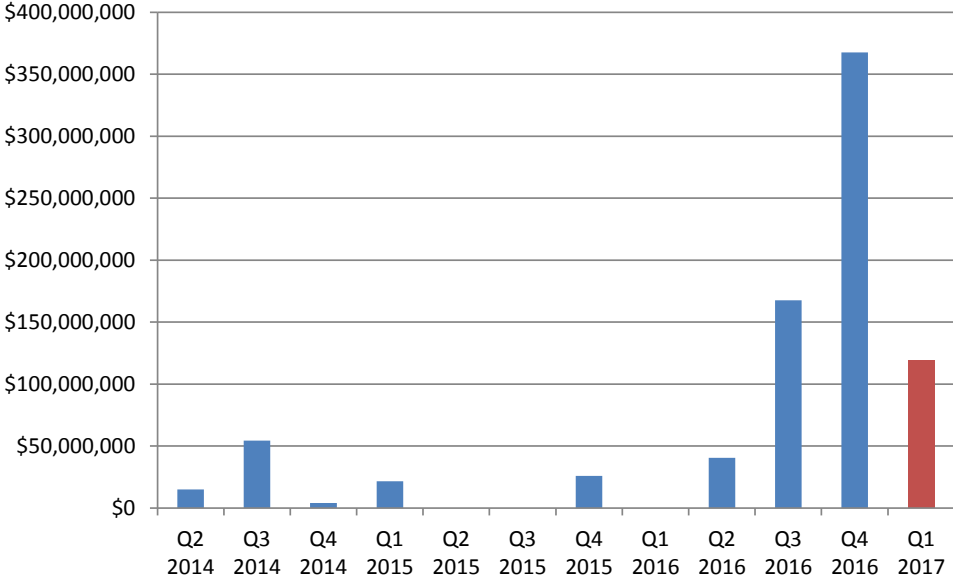
- The capital raised will be deployed, in large part, to build out capacity.
- Forecast capacity of public companies alone (by year-end) should be sufficient to address the projected medical market five years from now.
- Funded capacity of public companies (once built-out) is expected to address the recreational opportunity.
- We believe this creates a substantial first-mover advantage for companies presenting here today.



Source: Company reports, Canaccord Genuity estimates

# Financing Activity Accelerated in 2016

- Cannabis companies are attracting capital now.
- Individual stocks have also been performing well since the middle of 2016, suggesting positive fund flows.



Source: FP Infomart, Canaccord Genuity

# Canadian Public Peers

Company Name	Exchange	Market		Avg. Daily			Revenue			EBITDA			Revenue			EBITDA				
		Cap	TEV	Value Traded (\$M)			'17E <sup>2</sup>	'18E <sup>2</sup>	'19E <sup>2</sup>	'17E <sup>2</sup>	'18E <sup>2</sup>	'19E <sup>2</sup>	TEV/Revenue			Growth	TEV/EBITDA			Margin
		(\$M) <sup>1</sup>	(\$M) <sup>1</sup>	1 Mth	3 Mths	LTM	(\$M)	(\$M)	(\$M)	(\$M)	(\$M)	(\$M)	'17E <sup>2</sup>	'18E <sup>2</sup>	'19E <sup>2</sup>	'18E <sup>2</sup> /'17E <sup>2</sup>	'17E <sup>2</sup>	'18E <sup>2</sup>	'19E <sup>2</sup>	'18E <sup>2</sup>
Canopy Growth Corporation <sup>4</sup>	TSX	2,153	2,033	25.47	45.22	16.51	107.3	314.5	nmf	16.0	82.0	nmf	19.0x	6.5x	nmf	193%	nmf	24.8x	nmf	26.1%
Aurora Cannabis Inc.	TSX-V	895	803	7.05	13.28	11.91	112.3	285.8	433.0	46.6	126.7	208.2	7.2x	2.8x	1.9x	155%	17.2x	6.3x	3.9x	44.3%
Aphria Inc.	TSX-V	749	628	4.45	10.83	4.40	34.2	92.4	128.8	10.0	33.4	47.4	18.4x	6.8x	4.9x	171%	63.0x	18.8x	13.3x	36.1%
Cronos Group	TSX-V	413	409	0.78	0.91	0.36	10.6	56.1	79.7	0.0	11.2	49.6	38.7x	7.3x	5.1x	431%	nmf	36.4x	8.2x	20.0%
Supreme Pharmaceuticals Inc.	CSE	382	369	1.61	2.92	1.26	14.2	50.2	129.7	(0.2)	12.5	47.4	25.9x	7.3x	2.8x	253%	neg	29.6x	7.8x	24.8%
Emblem Corp.	TSX-V	363	326	0.89	1.57	1.57	7.3	32.3	74.9	(5.1)	5.4	26.7	44.8x	10.1x	4.4x	344%	neg	59.9x	12.2x	16.8%
OrganiGram Holdings Inc.	TSX-V	286	226	2.09	6.23	2.79	19.0	45.4	45.8	5.2	15.7	16.1	11.9x	5.0x	4.9x	139%	43.7x	14.4x	14.0x	34.5%
CanniMed Therapeutics Inc.	TSX	285	386	1.27	1.91	1.91	29.9	64.3	119.1	1.8	17.4	47.0	12.9x	6.0x	3.2x	115%	nmf	22.2x	8.2x	27.1%
Emerald Health Therapeutics, Inc.	TSX-V	111	93	0.66	0.73	0.27	0.7	5.4	-	(4.8)	(8.1)	-	nmf	17.2x	na	na	neg	neg	na	neg
Maple Leaf Green World Inc.	TSX-V	95	91	0.31	0.57	0.37	-	-	-	-	-	-	na	na	na	na	na	na	na	na
iAnthus Capital Holdings, Inc.	CSE	94	89	0.27	0.26	0.22	8.0	28.5	49.3	(0.7)	4.1	11.6	11.2x	3.1x	1.8x	257%	neg	22.1x	7.7x	14.2%
Invictus MD Strategies Corp.	CSE	91	98	0.21	0.20	0.08	-	-	-	-	-	-	na	na	na	na	na	na	na	na
THC Biomed Intl Ltd.	CSE	81	81	0.27	0.80	0.44	-	-	-	-	-	-	na	na	na	na	na	na	na	na
Golden Leaf Holdings Ltd.	CSE	39	65	0.51	0.54	0.32	-	-	-	-	-	-	na	na	na	na	na	na	na	na
<b>Adjusted Average<sup>3</sup></b>													<b>18.1x</b>	<b>6.1x</b>	<b>3.6x</b>	<b>203%</b>	<b>neg</b>	<b>21.8x</b>	<b>10.2x</b>	<b>25.0%</b>
<b>Median</b>													<b>18.4x</b>	<b>6.6x</b>	<b>3.8x</b>	<b>193%</b>	<b>neg</b>	<b>22.1x</b>	<b>8.2x</b>	<b>26.1%</b>
<b>Average</b>													<b>21.1x</b>	<b>7.2x</b>	<b>3.6x</b>	<b>229%</b>	<b>neg</b>	<b>22.3x</b>	<b>9.4x</b>	<b>27.1%</b>

1. Adjusted for subsequent events

2. Analyst consensus estimates, annualized to calendar year end

3. Adjusted to exclude figures 1.5 standard deviations from the mean, as denoted in grey

4. Pro Forma for the acquisition of Mettrum Health Corp. (assumes fully diluted shares are exchanged at 0.7132 per share) and \$60mm bought deal financing

Source: Public Disclosure, Bloomberg, Capital IQ, Canaccord Genuity Research; priced as of February 13, 2017 close

# Institutional Demand

- Recent financings in the medical marijuana space have attracted the attention of some large Canadian institutions, indicating an increasing interest in the sector among buy-side accounts
  - Retail orders have made up between approximately 10% – 50% of recent financings



Close Date:	10-May-2016	9-August-2016	28-September-2016	1-November-2016	18-November-2016	7-December-2016
Transaction Type:	Public Offering of Common Shares	Private Placement of Units	Private Placement of Conv. Debentures	Private Placement of Conv. Debentures	Private Placement of Units	Private Placement of Conv. Debentures
Number of Shares Sold:	5,750,000	57,500,000	n.a.	n.a.	9,525,000	n.a.
Value of Shares Sold:	\$8,625,000	\$23,000,000	\$15,000,000	\$25,000,000	\$20,002,500	\$50,000,000
Lead Institutional Order as % of Offering:	29%	18%	67%	70%	10%	20%
Top Three Institutional Orders as % of Offering:	51%	38%	86%	71%	23%	36%
Institutional / Retail Split (%)	69% / 31%	56% / 44%	92% / 8%	71% / 29%	68% / 32%	48% / 52%

## Top Institutional Purchasers by Value



Source: Canaccord Genuity exempt books; data only available for financings Canaccord Genuity participated in

# Summary of Canadian LPs

Licensed Producer Name	Public Company (if different)	Province / Territory	License Type	Initial License Date	Oil Production License?	Oil Sales License?
<b>Licenses Held by Public Companies</b>						
7 Acres <sup>1</sup>	Supreme Pharmaceuticals	ON	Cultivation Only	3/11/2016	No	No
Agripharm Corp.	Mettrum Inc.	ON	Cultivation and Sale	12/11/2014	Yes	Yes
Aphria	-	ON	Cultivation and Sale	3/24/2014	Yes	Yes
Aurora Cannabis Enterprises Inc.	-	AB	Cultivation and Sale	2/17/2015	Yes	Yes
Bedrocan Canada Inc.	Canopy Growth Corp.	ON	Sale Only	12/16/2013	Yes	No
Bedrocan Canada Inc. (2nd site)	Canopy Growth Corp.	ON	Cultivation and Sale	2/17/2015	Yes	Yes
Emerald Health Botanicals Inc.	-	BC	Cultivation and Sale	2/5/2014	Yes	Yes
Emblem Cannabis Corp.	-	ON	Cultivation and Sale	8/26/2015	No	No
Hydrothecary <sup>2,4</sup>	Cronos	QC	Cultivation and Sale	3/14/2014	Yes	No
In The Zone Produce Ltd. <sup>3</sup>	Cronos	BC	Cultivation Only	2/26/2014	No	No
MariCann Inc.	-	ON	Cultivation and Sale	3/27/2014	Yes	Yes
Mettrum (Bennett North) Ltd.	Canopy Growth Corp.	ON	Cultivation and Sale	11/1/2013	Yes	Yes
Mettrum Ltd.	Canopy Growth Corp.	ON	Cultivation and Sale	12/16/2015	Yes	Yes
OrganiGram Inc.	-	NB	Cultivation and Sale	3/26/2014	Yes	Yes
Peace Naturals Project Inc <sup>3</sup>	Cronos	ON	Cultivation and Sale	10/31/2013	Yes	Yes
THC Biomed Ltd.	-	BC	Cultivation and Sale	2/18/2016	Yes	Yes
The Green Organic Dutchman Ltd. <sup>5</sup>	-	ON	Cultivation and Sale	8/17/2016	No	No
Tweed Farms Inc.	Canopy Growth Corp.	ON	Cultivation and Sale	8/8/2014	No	No
Tweed Inc.	Canopy Growth Corp.	ON	Cultivation and Sale	11/18/2013	Yes	Yes
United Greeneries Inc. <sup>6</sup>	MMJ Phytotech/ Harvest One	BC	Cultivation Only	6/28/2016	No	No

Source: Health Canada; Canaccord Genuity

1. Subsidiary of Supreme Pharmaceuticals Inc.
2. Nov 17, 2016: announced proposed business combination with BFK Capital (BFK-P-TSXV; Not rated)
3. Companies wholly owned by Cronos Group (MJN-TSXV; Not rated)
4. Minority interest owned by Cronos Group
5. Plans to list on the TSXV in 2017
6. Subsidiary of MMJ Phytotech (to be listed as Harvest One)

# Summary of Canadian LPs

Licensed Producer Name	Public Company (if different)	Province / Territory	License Type	Initial License Date	Oil Production License?	Oil Sales License?
<b>Licenses Held by Private Companies</b>						
ABCann Medicinals Inc. <sup>4</sup>	-	ON	Cultivation and Sale	3/21/2014	No	No
A B Laboratories	-	ON	Cultivation	10/21/2016	No	No
Broken Coast Cannabis Ltd.	-	BC	Cultivation and Sale	3/14/2014	Yes	No
Canada's Island Garden Inc.	-	PEI	Cultivation Only	6/16/2016	No	No
Canna Farms Ltd.	-	BC	Cultivation and Sale	1/8/2014	Yes	Yes
CanniMed Ltd.	-	SK	Sale Only	9/19/2013	No	Yes
CannTrust Inc.	-	ON	Cultivation and Sale	6/12/2014	Yes	Yes
Delta 9 Bio-Tech Inc.	-	MB	Cultivation and Sale	3/18/2014	No	No
Green Relief Inc.	-	ON	Cultivation Only	2/18/2016	No	No
Hemisphere Pharmaceuticals Inc.	-	ON	Cultivation Only	12/19/2016	No	No
James E. Wagner Cultivation Ltd.	-	ON	Cultivation Only	1/10/2017	No	No
MedReleaf Corp.	-	ON	Cultivation and Sale	2/14/2014	Yes	Yes
Natural Med Company	-	ON	Cultivation Only	7/22/2016	No	No
Prairie Plant Systems Inc.	-	SK	Cultivation Only	9/19/2013	Yes	No
RedeCan Pharm	-	ON	Cultivation and Sale	6/25/2014	No	No
Tilray	-	BC	Cultivation and Sale	3/24/2014	Yes	Yes
WeedMD	-	ON	Cultivation Only	4/22/2016	No	No
Whistler Medical Marijuana Corp. <sup>4</sup>	-	BC	Cultivation and Sale	2/26/2014	Yes	Yes

Source: Health Canada; Canaccord Genuity

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## 4. Recent Activity

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# Case Study: Creating Transformational Value for Aurora Cannabis



**We have worked alongside Aurora to complete transformational transactions resulting in an increase in market cap from ~\$50M to ~\$700M**

- On June 8, 2016, Aurora Cannabis (“Aurora” or the “Company”) announced a \$15.0 million brokered private placement at \$0.40 per share to partially fund the transformational acquisition of CanvasRx
  - The acquisition provided Aurora the largest patient funnel in Canada
  - The financing was later upsized to \$23.0 million due to demand
- To date, Canaccord Genuity has completed 4 financings for Aurora amounting to total gross proceeds of over \$120 million
- On October 5, 2016, Aurora Cannabis migrated from the CSE to the TSX-V and began trading under the ticker ACB
- As a result of the value created by the Company and Canaccord Genuity, Aurora Cannabis has transformed into the second largest Canadian medical cannabis producer (by market capitalization) and has secured the financing and market position to capitalize on the pending near-term legalization of the recreational cannabis market in Canada

AURORA	AURORA	AURORA
\$15.0 million	\$25.0 million	\$60.0 million
Convert. Debenture Sole Lead	Convert. Debenture Sole Lead	Equity Financing Sole Lead
September 2016	October 2016	Pending



**Emblem Corp. went public on the TSXV through a reverse takeover (RTO) with Saber Capital Corp. concurrent with a non-brokered / brokered offering of subscription receipts, short form offering and brokered offering of secured notes amounting to ~C\$23.5 million**

- Emblem (TSXV:EMC) is a fully integrated **Licensed Producer** of Medical Marijuana in Canada – with a **Pharmaceutical Division** and **Clinic / Education Division** – led by a team of former Healthcare and Pharmaceutical executives who have built and led multi-billion dollar companies
- **Company Highlights:**
  - *Proven executive team and leadership:*
    - Experienced Management with leadership experience from Purdue Pharma, Dynacare and cannabis clinics
    - Pharma Division led by John H. Stewart (former President & CEO of Purdue Pharma in Canada (1991-2006) / U.S. (2006-2013):
      - He has 30+ years of experience in developing and commercializing pharmaceutical products
      - Launched 11 products including Biphentin, MS Contin, Zytram XL and the \$2 billion/year OxyContin
  - *State-of-the-art 23,500 sqft Production Facility in Paris, ON:*
    - Ample cultivation capacity: 23,500 sqft total facility on 4.1 acres of land including 14,500 sqft of total cultivation space and 10,000 sqft for 6 flowering rooms
  - *Fully Integrated Licensed Producer (LP):*
    - Cultivation & Sales License for Dried Marijuana (received in Dec 2015 and Jul 2016 respectively) and Production License for Oils (received in Dec 2016)

Canaccord Genuity Corp. has assisted Emblem on a bought deal for ~C\$15.9 million private placement of special warrants

- Transaction was upsized from C\$10 million + 15% greenshoe option
- Use of Proceeds to finance facility expansion, growth and general corporate purposes

# Case Study: iAnthus Capital Management



## Overview of iAnthus




- Comprehensive solution for financing and managing licensed cannabis cultivators, processors and dispensaries throughout the U.S. including Colorado, New Mexico, Vermont and Massachusetts
- Full range of critical support to its partners – including capital investment and financing facilities, real estate and equipment leasing, IP licensing and management / professional services – tailored to applicable cannabis laws and regulatory systems
- Founded by entrepreneurs with decades of experience in investment banking, corporate finance, law and healthcare services and provides a unique combination of capital / hands-on operating and management expertise

## Investment Highlights

<b>\$50B Market</b>	<ul style="list-style-type: none"> <li>▪ Legalized cannabis is the fastest growing industry in the U.S.</li> <li>▪ Cannabis sales are projected to quadruple in the next five years</li> </ul>
<b>Diversified U.S. Play</b>	<ul style="list-style-type: none"> <li>▪ Assets in: Vermont, New Mexico, Massachusetts &amp; Colorado</li> <li>▪ 10 Dispensaries, 4 Processing Facilities, 6 Cultivation Facilities</li> </ul>
<b>Proven Management Team</b>	<ul style="list-style-type: none"> <li>▪ Led by former Goldman Sachs banker and serial entrepreneurs who have created +\$1B companies</li> <li>▪ Healthcare advisor to Clinton &amp; Bush administrations</li> </ul>
<b>Strong Pipeline</b>	<ul style="list-style-type: none"> <li>▪ Additional opportunities under consideration</li> <li>▪ Assets with proven revenue and cash flow generation</li> <li>▪ Medical cannabis base, with exposure to recreational upside</li> </ul>
<b>+40% IRR Targeting High Returns</b>	<ul style="list-style-type: none"> <li>▪ Industry is underfunded, driving potential for high returns</li> <li>▪ Targeting operators with regulatory oligopolies or market leading positions</li> </ul>

## Recent Bought Deals Led

 <b>\$20.0 million</b> Convert. Debenture Sole Lead  Pending	 <b>\$20.0 million</b> Convert. Debenture Sole Lead  November 2016
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Across Four U.S. States		
<b>6</b> Cultivation Facilities 	<b>4</b> Processing Facility 	<b>10</b> Dispensaries 
<b>Nine Additional Pipeline Projects</b>		

# Case Study: Canopy / Mettrum Merger



## Overview of Mettrum

- One of only a few multi-licensed LPs and was one of the largest public LPs by market cap and enterprise value
- Engages in research, development, production and distribution of medical cannabis and cannabis products
- Annual licensed sales capacity of **5,600 kg per year** (licensed to produce and sell dry bud and cannabis oil)
  - 2,200+ physicians have referred their patients to Mettrum
  - Continued robust referral and patient registration growth
- Currently has **two indoor facilities licensed under ACMPR**
  - 1) Bennett Road South – 20 acres (Bowmanville, ON)
  - 2) Creemore – 60,000 sqft on 7 acres (Clearview, ON)

## Strategic Rationale

- **Dominant Market Position:** Pro-forma production square footage of ~665,000 square feet and five licensed facilities under AMCR
- **Complementary Combination:** Tweed's recognized recreational brand name combined with Mettrum's leading natural health brand
- **Significant Capital Markets Presence:** Largest publicly-listed LP by market cap and greatest daily liquidity amongst publically-listed licensed producers in Canada
- **Well-Funded Proforma Company:** Pro-forma cash balance of ~\$65 million, one of the strongest balance sheets in the sector
- **Synergies:** Improved supply chain management and back office efficiencies as well as cross-selling capabilities to customers given broader product offerings

## Mettrum Historical Price Performance



## Transaction Details

<b>Date Announced</b>	November 30, 2016
<b>Consideration</b>	Canopy shares
<b>Exchange Ratio</b>	0.7132 Canopy shares per Mettrum share
<b>TEV</b>	C\$430 million (C\$8.42 / share)
<b>TEV/LTM Revenue</b>	31.4x
<b>Proforma Ownership</b>	77.7% Canopy / 22.3% Mettrum (83.1% Canopy / 16.9% Mettrum pre premium)
<b>CGC Post. Ann. Performance</b>	1-Day: (3.8%); 5-Day: (9.3%)



**Thank You!**

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