

The Cannabis Consolidation Wave is Coming: Here's One Company Prepared to Ride it to the Top

There's one cannabis company that's been snapping up key American assets at cut-rate prices, perfectly positioning itself as a prime acquisition target

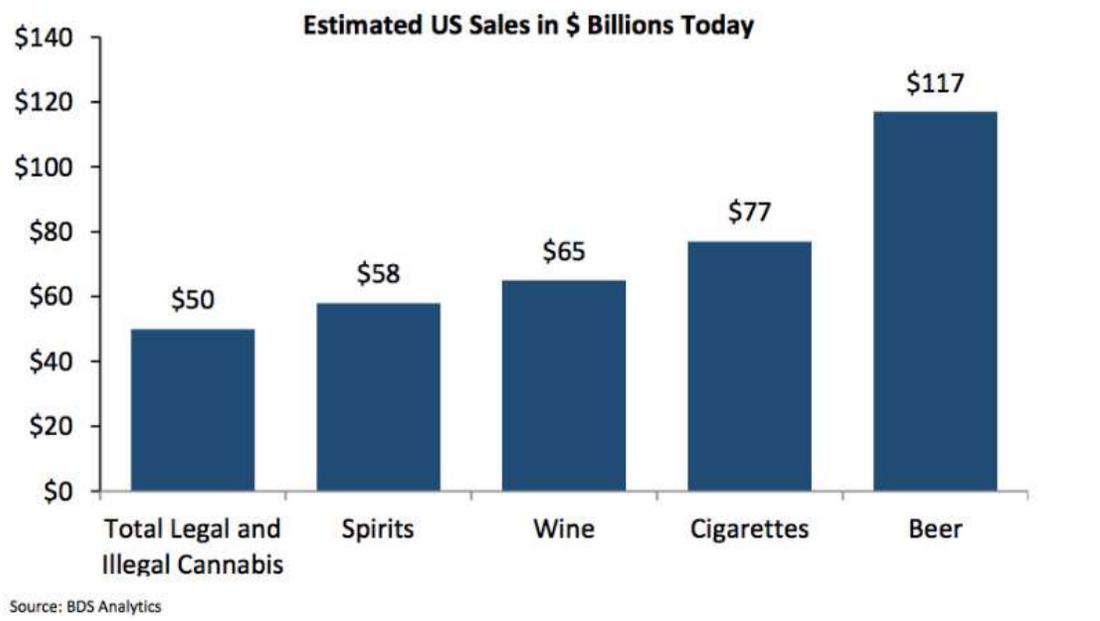


Early investors in Canadian cannabis companies had the right idea and are now reaping the rewards. As early as three years ago, these stocks were trading for pennies on the dollar. Today, they've seen **massive 200+% returns**.

Unfortunately, Canada is already a mature market, and the big players are all fighting for market space. But just south of its border the largest emerging cannabis market in the world with legal sales alone estimated to be worth **\$47 billion** within a decade¹. Facing a pro-legalization wave, the United States is still a massive untapped market that is ripe with huge growth opportunities for strategically positioned companies such as **Chemistree (CSE:CHM)(OTCQB:CHMJF)**.

¹ <https://markets.businessinsider.com/news/stocks/marijuana-cannabis-us-legal-market-could-be-worth-47-billion-2018-8-1027477326>

Exhibit 3: Estimated US cannabis market size



RBC Capital Markets

If You Thought the Canadian Cannabis Boom was Big... Just Wait



The United States cannabis market is a shark compared to the Canadian minnow. But, it is a timid shark, with federal regulations making many players hesitant about making big moves. This is the opportunity that **Chemistree (CSE:CHM)(OTCQB:CHMJF)** has seized upon.

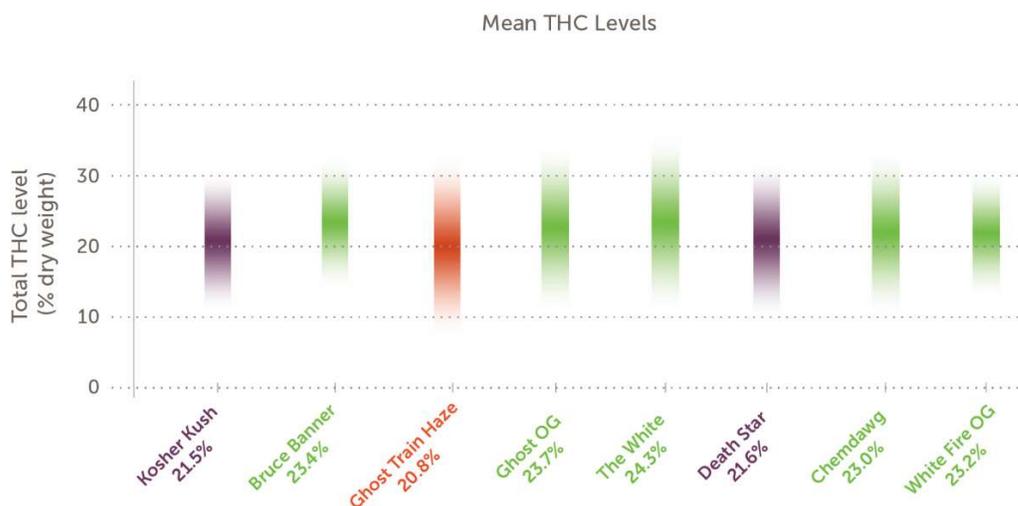
After successfully raising \$4.5 million in private financing in July (more than double of the initially planned \$2.1 million), **Chemistree (CSE:CHM)(OTCQB:CHMJF)** has moved quickly to snap up key cannabis assets for cheap in California and Washington.

Building a Cannabis Empire: A Two Time Cannabis Cup Winning Brand Ready for Explosive Retail Expansion

The first asset that **Chemistree (CSE:CHM)(OTCQB:CHMJF)** acquired was Sugarleaf, a Washington-based premium cannabis brand. And premium really does mean premium. While many cannabis brands advertise themselves as ‘premium’, Sugarleaf actually has the accolades to prove it.

Two of its strains, White 99 and Presidential Kush, have both won the prestigious Cannabis Cup competition in the ‘Best US Hybrid’, ‘Medical Hybrid’, and ‘People’s Choice Cup’ categories, cementing their status as some of the **country’s highest quality strains**.

Sugarleaf’s signature White 99 strain, for instance, boasts a THC content of 28% to 32%, an insanely high number for cannabis flowers. Here’s how it compares to six of some of the most potent strains as reported by *Leafly* magazine². As you can see, it is superior to those of the current strongest leading strains, making it a truly rare flower in the cannabis world.



With that kind of branding firepower, you would expect Sugarleaf to cost at least several million dollars. But **Chemistree (CSE:CHM)(OTCQB:CHMJF)** was able to buy its entire production assets for a mere \$1 million. This was an unheard-of bargain, and just shows how good the company’s experienced management team is.

Chemistree (CSE:CHM)(OTCQB:CHMJF) is moving at breakneck speed to expand Sugarleaf’s award-winning products. They can already be found in over 50 retail stores, but the company plans to double this by the end of 2018 and quadruple it in 2019.

² <https://www.leafly.com/news/strains-products/what-are-the-strongest-cannabis-strains>

Adding Strategic Real Estate in the US' Hottest Cannabis Market to its Growing Empire

Only a few months after closing the Sugarleaf deal, **Chemistree (CSE:CHM)(OTCQB:CHMJF)** closed a deal for 9.55 acres of prime real estate in Desert Hot Springs, California. This land is in an area designated specifically for cannabis cultivation, a veritable 'cannabis zone'.

When fully built out, the land will be able to support over 200,000 square feet of cultivation and processing buildings. These facilities can do more than mere cannabis flower, they will also be able to handle edibles, vapes, oils, concentrates, and tinctures. The best part was that **Chemistree (CSE:CHM)(OTCQB:CHMJF)** got all this at the miserly sum of \$1.2 million.

For this small cost, **Chemistree (CSE:CHM)(OTCQB:CHMJF)** has anchored itself in one of the United States' fastest growing cannabis markets. The California cannabis market is expected to hit over **\$5 billion in 2019**, and is potentially larger than the whole of Canada. Through this strategic asset, the company now has a lucrative entry point for further expansion of the Sugarleaf brand.

A Top-Notch Management Team that is Personally Invested in the Company's Success

The best venture capitalists know that a company's management team is the 'make or break' factor in its success or failure. That's why **Chemistree (CSE:CHM)(OTCQB:CHMJF)** has an all-star management team and advisory board of seasoned industry veterans that bring with them a deep passion for the industry, as well as a string of past successes.



Justin Chorbajian
CHAIRMAN



Karl Kottmeier
PRESIDENT



Doug Ford
CFO

Justin Chorbajian: Justin is the Chairman of Chemistree and a retail expert with over 20 years of experience including being co-owner of Canada's largest privately-owned chain of hydroponic shops. His retail expertise, coupled with his status as a foremost cannabis consulting expert, makes him ideal to lead Chemistree's aggressive expansion into the competitive retail space.

Karl Kottmeier: The President of Chemistree with extensive financial expertise, having raised over \$150 million in equity capital for previous ventures. His down-in-the-trenches experience at managing and obtaining financing for companies will see that Chemistree has what it needs to finance its growth.

Doug Ford: The CFO of Chemistree brings with him over 20 years of valuable venture capital experience, focusing on arranging funding to emerging growth companies exactly like Chemistree.

Dennis Hunter: As a senior adviser to Chemistree, he brings with him the knowledge and insight gained from building multiple cannabis companies with revenues of over \$50 million in California and over 100 employees (his business is also set to triple soon³). As an organizer of a large cannabis growing collective in California, he also brings to the team invaluable industry contacts that give them an edge over the competition.

David Brooke: Another senior adviser to Chemistree, David grew up in the family business. That business was General Hydroponics, which was a massive success when it was acquired by Scott's Miracle Grow for \$130 million in 2015. David Brooke's experience in General Hydroponics has made him an expert on managing large on-site grow facilities powered by green technology. Couple this with his extensive network of contacts in California and he is a no-brainer for leading Chemistree's business development efforts in the area.

Sheldon Aberman: Recently brought on to Chemistree's board, Sheldon has over 15 years of experience in the cannabis industry. He has built up a reputation as being one of the world's leading experts on commercial cannabis manufacturing, having designed thousands of grows across the globe, including large scale facilities.

Chemistree (CSE:CHM)(OTCQB:CHMJF)'s management team knows how to raise money, and more importantly, how to spend it in the most value-maximizing ways possible. Their collective track record of raising over \$150 million in financing, being part of \$130 million buyouts, and building companies with revenues over \$50 million and an extensive retail network proves it.

Having invested their own hard-earned money into **Chemistree (CSE:CHM)(OTCQB:CHMJF)**, holding 45% equity stake, they are personally committed to investing the company's assets as diligently as possible. They have more than just 'skin in the game', they have 'soul in the game'.

Combine this with the additional expertise and contacts brought by the company's advisory board, and you have a company with all the right pieces in place for rapid but strategic growth.

Chemistree is Strategically Positioned to Ride the Coming American Cannabis Consolidation Wave

Right now, the US cannabis market remains segmented and disjointed, resulting in a hesitant market. This has created that opportunity that **Chemistree (CSE:CHM)(OTCQB:CHMJF)** has seized upon, snapping up top quality assets at firesale prices.

³ <https://www.northbaybusinessjournal.com/northbay/sonomacounty/7076067-181/dennis-hunter-cannabis-commerce>

But this can only be temporary. Polls show that a majority of US citizens support legalization⁴. The current administration is also showing strong indications toward a more permissive federal environment⁵. The current legalization wave appears inevitable.

When this happens, prices of American cannabis assets could skyrocket across the board. Legalization will remove the current hesitancy the current market has and bring on a wave of consolidation, similar to what is being seen in the Canadian market.

In July, **Aurora Cannabis Inc. (TSX:ACB) (OTC:ACBFF)** acquired MedReleaf Corp. for \$2.5 billion, the largest legal cannabis acquisition deal in history⁶. This was right on the heels of a \$1 billion acquisition of CanniMed Therapeutics Inc. in January⁷. On the investment side, Constellation Brands, the company behind Corona beer has invested over \$4 billion into **Canopy Growth Corp. (TSX:WEED) (NYSE:CGC)**⁸.

As a result, share prices of Canadian cannabis companies have already surged in the past year:

Aurora Cannabis Inc. (TSX:ACB) (OTC:ACBFF)

Market Cap: \$9.52 billion

A giant of the industry, the company is potentially capable to produce a total of 570,000 kilograms of cannabis a year after the takeover of MedReleaf is completed. By market cap, it is the second largest cannabis company in the world. Over the past year, investors have seen their investment appreciate by **355%**⁹.

Canopy Growth Corp. (TSX:WEED) (NYSE:CGC)

Market Cap: \$9.84 billion

Still the largest cannabis company in the world by market cap, it is capable of producing over 750,000 kilograms of cannabis annually at full capacity. Constellation Brands latest \$4 billion investment in the company will increase its ownership stake to 38%. Over the past year, investors have seen their investment appreciate by **375%**¹⁰.

Aphria Inc. (TSX:APH) (OTC:APHQF)

Market Cap: \$3.19 billion

Another big player in the Canadian market that got its start focusing on medical marijuana, Aphria has been making rapid moves into the recreational sector as well. Its annual production capacity is 35,000 kilograms, however it plans to increase it almost eight-fold to 255,000 kilograms by next year. Over the past year, investors have seen their investment appreciate by **161%**¹¹.

⁴ <http://www.pewresearch.org/fact-tank/2018/10/08/americans-support-marijuana-legalization/>

⁵ <https://www.forbes.com/sites/tomangell/2018/10/10/trump-administration-seeks-public-comments-on-marijuana-reclassification/#2c0368e0749a>

⁶ <https://business.financialpost.com/cannabis/aurora-closes-on-medreleaf-in-largest-cannabis-takeover-yet>

⁷ <https://www.bloomberg.com/news/articles/2018-01-24/high-times-for-pot-deals-as-canada-counts-down-to-legalization>

⁸ <https://www.reuters.com/article/us-canopy-growth-stake-constellation/corona-owner-invests-another-4-billion-in-cannabis-producer-canopy-idUSKBN1L0155>

⁹ <https://www.bloomberg.com/quote/ACB:CN>

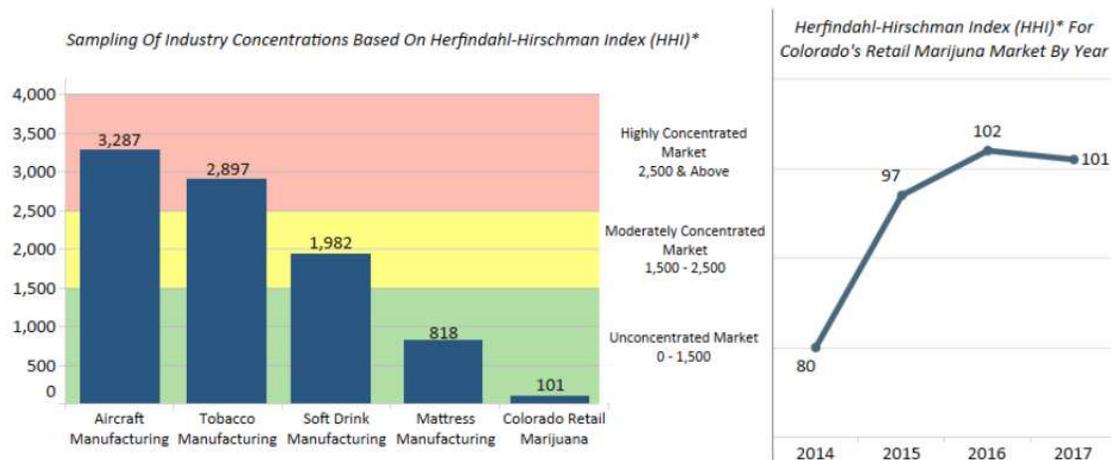
¹⁰ <https://www.bloomberg.com/quote/WEED:CN>

¹¹ <https://www.bloomberg.com/quote/APH:CN>

The US market is ripe for consolidation. At present, it is highly unconcentrated, creating huge opportunities for larger firms to swoop in and snap up smaller companies with valuable assets.

Take a look at how unconcentrated Colorado's retail marijuana market is against other industries¹². Using the HH Index, you can see that its score of 101 places it at the bottom end of an unconcentrated market. It's not just unconcentrated, it's **super unconcentrated**.

Concentration Of Colorado's Retail Marijuana Market



*The HHI is a widely accepted measure of market concentration. A higher number indicates a more concentrated and less competitive market.
 Note: HHI for Colorado's retail marijuana market calculated by number of companies, not licenses.
 Source: Marijuana Policy Group, University of Colorado-Boulder Leeds School of Business, 2012 Economic Census of the United States, The Atlantic
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Consolidation is coming to the US cannabis industry. It's only a matter of when. And with a portfolio of award-winning cannabis brands and strategically located real estate assets, all obtained at cut-rate prices, **Chemistree (CSE:CHM)(OTCQB:CHMJF)** is well-positioned to reap the benefits from this upcoming consolidation wave.

5 Reasons Investors Should Keep an Eye on Chemistree (CSE:CHM)(OTCQB:CHMJF)

#1 The United States is the World's Largest Emerging Cannabis Market

The United States cannabis market could be worth as much as \$50 billion within a decade, with many estimates place the potential market size of California itself to be equal to that of the whole of Canada.

#2 Chemistree has Developed an Ideal Business Model for the US Market

The nature of the US market is still very much on a state-by-state basis. By focusing on strong partnerships and targeted asset acquisitions, **Chemistree (CSE:CHM)(OTCQB:CHMJF)** has carved out a vertically-integrated business model that is moulded for the US market.

¹² <https://mjbizdaily.com/chart-how-much-consolidation-awaits-colorados-retail-marijuana-market/>

#3 Chemistree has Managed to Acquire Key Assets at Cut-Rate Prices

Many players in the US market remain hesitant, creating an opportunity for aggressive companies like **Chemistree (CSE:CHM)(OTCQB:CHMJF)** to increase their foothold in the industry. The company has managed to acquire the award-winning Sugarleaf brand and key real estate in California at highly strategic valuations.

#4 Chemistree has a Personally Committed and Well-Connected Management Team

Chemistree (CSE:CHM)(OTCQB:CHMJF)'s management team brings with them deep experience and knowledge in retail, financing, and cannabis cultivation. They have a collective track record of Their collective track record of raising over \$150 million in financing, being part of \$130 million buyouts, and building companies with revenues over \$50 million and an extensive retail network. All experts in their own right, they are also personally invested in the company and committed to its success.

#5 Chemistree Is a Prime Acquisition Target

The Canadian cannabis industry has already seen several major consolidations; a sign of things to come in the US market. With a strategic portfolio of assets obtained at attractive valuations, **Chemistree (CSE:CHM)(OTCQB:CHMJF)** has positioned itself as a prime acquisition target ready to ride to the top of this wave.