

FinCanna Capital Corp. Issues a Letter to its Shareholders

written by Raj Shah | September 12, 2018

✘ September 12, 2018 ([Source](#)) – FinCanna Capital Corp. (“FinCanna”) (CSE: CALI) (OTCQB: FNNZF) a royalty company for the U.S. licensed medical cannabis industry, is pleased to provide the following Letter to its Shareholders:

It’s been an exciting year for FinCanna. We started trading just over nine months ago, have raised C\$24 million and invested in three top-tier businesses. I believe we’ve reached an inflection point in our development as our investee companies move toward commercialization, so I thought I would take this opportunity to share my thoughts with you as we move into the final few months of 2018.

As most of you may know, FinCanna is a Royalty Company for the licensed medical cannabis sector with a focus on California, which is the most populous state in the U.S., the fifth largest economy in the world and the largest cannabis market in North America. It’s an enormously rich market. It was also the first state to legalize cannabis for medical use back in 1996 and earlier this year attained full legalization providing additional momentum to what has become known as the [California Green Rush](#).

Although 30 U.S. states and Washington, DC have legalized medical cannabis, including 10 of which also legalized for adult-use, cannabis is still illegal at the U.S. federal level. This federal prohibition has caused a drastic shortfall in the amount of traditional funding sources participating in the sector. Consequently, there is a lack of available capital across the entire industry and a great number of best-in-class

businesses are starved for the liquid cash they need to rapidly grow.

This combination of circumstances has created an exceptional opportunity for [FinCanna's Royalty Model](#) approach to funding scalable, best-in-class licensed U.S. cannabis businesses, particularly in California.

It's a simple but powerful model – we provide capital to businesses in exchange for a percentage of their revenue going forward. It's a model that is highly attractive for entrepreneurs seeking funding. It provides them with an infusion of cash on terms that are less restrictive than debt and without the unpalatable prospect of having to surrender a large equity stake. Since royalty payments are made before tax, the investment can be structured to be tax-efficient for the operating companies.

Our royalty model also works exceptionally well for FinCanna investors because:

- We receive a percentage of top line revenue in perpetuity (subject to certain buyback provisions). Unlike owning equity, we carry zero equity/dilution risk in our investees;
- Our royalty investments are secured by the assets of our investee companies, providing us with downside protection; and
- We diversify our upside by investing in multiple sectors to generate multiple income streams in various industry verticals.

FinCanna's growth trajectory can be segmented into three developmental phases for success:

Phase 1: Go Public, Raise Capital and Secure First Royalty

Investments – Complete

The first half of 2018 saw FinCanna go public, secure royalty agreements with three top-tier companies and raise capital to fund its first three investments. We have built a strong foundation of investee companies, a large shareholder base and an excellent network for future opportunities.

Phase 2: Finance our First Investments as they Mature and Grow – Current Phase

Our first three investee companies are early stage businesses that need both capital and time to mature. They are all moving towards commercialization and profitability, and we are financing them in tranches as they achieve the milestones required to deliver the financial results we anticipate. We maintain close relationships with our investee companies as we see them as partners where our mutual financial interests are highly aligned.

Phase 3: Receive Royalty Payments and Expand Our Royalty Portfolio – Near Future

This is the phase that our shareholders are patiently waiting for and the most exciting phase for FinCanna. We've invested in companies which we believe have strong business models, excellent management and outstanding revenue producing potential. We expect these businesses to scale and produce increasing royalty income. This income would also position us to expand our investment portfolio. We've also established a strong network of industry insiders that are assisting us in building out a pipeline of top-tier companies seeking growth capital.

Market Opportunity

The U.S. market place is approximately 10 times that of Canada. As we've seen in Canada, the market has been primarily driven by a move towards full legalization, and a multi billion-dollar cannabis industry has been created in a matter of a few years. However, we believe that the Canadian cannabis market has become saturated.

We believe that the same forces that drove Canadian valuations to unprecedented highs are at play in the U.S., and it is just beginning as evidenced by the 30 states that have legalized medical cannabis. As an early entrant into the U.S. cannabis space we also believe that FinCanna is very well positioned to participate in any large-scale market appreciation that may occur.

The next 12 months

Our vision is to have capital deployed in category leading businesses across a number of industry verticals in the United States licensed medical cannabis space. We will continue to build a diversified portfolio of royalty investments across the width and breadth of the industry as we exit 2018 and into 2019. We are highly selective and look to invest in companies which we believe will offer the potential for long-term value creation. We also understand there is a maturing process for entrepreneurial businesses to attain their goals and we work in close alignment with our investee companies to assist them in reaching their full potential.

This is a race, and it's called the "green rush" for a reason. Businesses in the sector are looking to grow, and to grow rapidly and for that to occur they need capital. We believe our Royalty Model is an ideal solution for best in class companies looking for either start-up or expansion capital as we continue to build out our diversified portfolio.

As you may expect we have a bullish outlook on the industry. We've seen very high valuations in publicly listed Canadian cannabis companies and believe the U.S. market is in its infancy with the big gains still to come.

Our share price performance to date has been disappointing and in our view does not reflect the tremendous value being created in our royalty portfolio. We currently have three investments that we believe will begin producing a rewarding royalty income stream for FinCanna beginning in 2019. As this multi-stream income flow comes on line, we anticipate it will generate positive cashflows that will continue to grow as our investees grow. This positive cash flow would also support the expansion of our royalty portfolio. The blueprint has been established and we believe we are well positioned for price appreciation as our investee companies continue to mature.

We are also committed to maintaining a quality investor communication program to ensure our shareholders are well informed as we move forward. We believe we represent great value for investors looking for diversified exposure to the U.S. licensed medical cannabis sector and will continue to work diligently to deliver superior value to our very deserving shareholders.

For more information about FinCanna and to view our statement regarding risk, visit www.fincannacapital.com, and please take a moment to join our investor update list on our website.

Sincerely,

Andriyko Herchak
President and CEO
FinCanna Capital Corp.

Cautionary Note Regarding Forward-Looking Statements

Information set forth in this letter involve forward-looking statements under applicable securities laws. Forward-looking statements are statements that relate to future, not past, events. In this context, forward-looking statements often address expected future business and financial performance, and often contain words such as “anticipate”, “believe”, “plan”, “estimate”, “expect”, and “intend”, statements that an action or event “may”, “might”, “could”, “should”, or “will” be taken or occur, or other similar expressions. All statements, other than statements of historical fact, included herein including, without limitation, statements about how the developing U.S. legal regime will impact the cannabis industry, and statements regarding future revenues of FinCanna’s investee companies and FinCanna’s expectation to have a royalty income stream by 2019 and positive cash flows thereafter, by their nature, are forward-looking statements which involve risks, uncertainties and other factors which may cause the actual results, performance or achievements, or other future events, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the risks identified in the Company’s CSE listing statement and other reports and filings on the SEDAR website. Forward-looking statements are made based on management’s beliefs, estimates and opinions on the date that statements are made, and the respective companies undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as required by applicable securities laws. Shareholders are cautioned against attributing undue certainty to forward-looking statements. The Company assumes no responsibility to update or revise forward-looking information to reflect new events or circumstances unless required by applicable law.