

EXMCEUTICALS INC. CHAIRMAN JONATHAN SUMMERS ON THE MARKET POTENTIAL OF CANNABIDIOL (CBD) IN EUROPE

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Jonathan Summers is the chairman of EXMceuticals and came on board in the second Quarter of this year. Mr. Summers worked for Goldman Sachs for 15 years, his last role as managing director for corporate finance and is now joining the young cannabis company with his capital markets experience. EXM is currently focused on planting large quantities of cannabis in Africa, particularly in Uganda and Malawi. EXM plans to sell the refined cannabis products as pure CBD and its components, mainly into Europe, once it has been processed through their R&D laboratory and refinery which is located in Lisbon, Portugal.

Mr. Summers, could you please tell us more about EXMceuticals and its history?

Certainly, Mario and thanks for taking the time to speak with me today. EXMceuticals started life over two years and was the brainchild of our founder Marc Bernier. Marc had been working on setting up a pilot medical cannabis project in the Caribbean and through those experiences became convinced that the ideal environment in which to cultivate the product at scale was actually in Africa, given the climate and availability of land and water. Marc was also an early visionary in seeing that the emerging CBD marketplace would rapidly require more refined solutions and products beyond full spectrum plant oil, hence he established our partnership with the scientists at the Nova University in Lisbon who manage our R&D activities and also our refinery there.

What is so exciting about CBD?

Good question! a year ago I was honestly completely unaware of CBD, but it feels like in the last 6 months the interest in Europe in anything related to CBD has exploded. In the U.S and Canada the interest in CBD has started earlier and has advanced further at this time as a result. Even so, you ask, what is CBD? Plenty of people in Europe understandably still have no idea. Let's start with the basics, cannabidiol, or CBD as it's better known – is a naturally occurring extract of the cannabis sativa plant. CBD is a different proposition to its more famous cannabinoid cousin, THC (tetrahydrocannabinol), as CBD does not make you stoned, whereas THC will.

Users, consumers and proponents of CBD claim that CBD treats ailments as diverse as muscle aches, inflammation, general pain relief, insomnia, acne, anxiety, epilepsy, insomnia, depression, arthritis, post-traumatic stress, and even cancer. While for some applications there is little in the way of concrete medical proof of these effects

at all (yet) the anecdotal evidence seems to be highly compelling in many cases. Many people who have not tried CBD will have friends and relatives who have tried it and who believe the product has benefitted them. As a result, CBD oil, and products containing CBD, are now so ubiquitous in some parts of the US in particular, you'd be forgiven for thinking there are few places it's not available and few ailments it cannot potentially treat.

CBD is all natural, non-psychoactive and increasingly widely available across Europe. Consumer interest is intense given many people increasingly regard it almost as a miracle cure or panacea for the stresses of modern life. Among beauty products alone, CBD has already been included in blemish creams, sleeping masks, shampoos, hair conditioners, eye serums, anti-acne lotions, mascaras, massage oils, soaps, lip balms, bath bombs, anti-wrinkle serums, muscle rubs and a Sephora aisle's worth of moisturizers, face lotions and body creams. Consumers need to read the ingredients labels of these products carefully to ensure there is a meaningful content of CBD. Until recently Cannabis was not cultivated on a commercial scale, due to the obvious legal challenges, and as a result the supply of the required CBD ingredients is struggling to keep up as the market interest increases rapidly.

Are there any legal restrictions for CBD in Europe?

We should say straight away that the legal status of CBD is different from the ongoing evolution of the legal status of recreational cannabis. CBD is widely available as it does not get you high. Businesses looking to work within the CBD industry do not in any way need to push the agenda for the full legalisation of recreational Cannabis in order to operate. In February of this year, the European Parliament voted on a resolution that would help advance medical cannabis in the countries that form the European Union. Then, in April, the European Parliament approved another series of proposals to increase the limits for THC in CBD products from 0.2 percent to 0.3 percent. As a result of these measures CBD with low levels of THC is now widely available in the European Union - although admittedly this does vary by country to a degree. It's also been highly debated throughout the EU if hemp and CBD should be considered "novel food." According to the European Commission, a novel food is one that has not "been consumed to a significant degree by humans in the EU before May 15 1997, when the first Regulation on novel food came into force.

CBD is explicitly not recreational and is a naturally occurring substance where there are substantial claimed and experienced health and wellness benefits. Almost no side effects have been flagged by researchers or proponents. Unless something changes radically or new science is entirely unsupportive there will exist a very sizable wellness market for CBD in Europe. The process will not happen overnight but I believe in a few years there will be an almost ubiquitous presence of cannabinoids in European wellness, medicinal and pharmaceutical markets. The real key will be the creation of regulation which will ensure that European consumers and patients can legally benefit from a plant with proven safety and efficacy. It does not make sense for governments to deny consumers natural therapies for medical and wellness conditions. Nor does it make sense to stop the creation of a new industry which could create many thousands of jobs in Europe."

Why are you focusing on cultivation in Africa?

There's a number of reasons why we are focusing on growing cannabis in Africa, and this is really key to understanding the one half of the value proposition that EXM offers. Africa offers enormous advantages for cannabis cultivation, which will enable us to grow on a scale that cannot be achieved in many other locations. The climate of the countries we are focused on is highly advantageous, both in terms of sunlight hours, temperature, and seasonality. As a result of this we are able to grow outside in open air, and we do not need to build expensive greenhouse facilities in which to cultivate, nor do we need to heat the greenhouses. It also means we can, aside from the short periods of heavy rain, grow all year round. The temperatures also mean plants will grow to maturity more quickly and hence production volumes will be higher from the same investment spend. Africa also offers us the opportunity to acquire and operate very sizeable parcels of land, which we will incrementally plant out in units of 100 hectares and upwards. All combined our cost of production should be very substantially lower than other countries can achieve, with volumes being very meaningful once we are at scale.

Are you committed to creating a lot of work in those countries in Africa you work in?

We are indeed committed to having a long-lasting impact in the countries we operate. Whenever possible we will buy local and hire local. Hundreds of jobs are and will be created locally at each stage of our operations, but we will also add significantly to the skills-sets of the local labour force, all helping sustain the environment for further economic growth. Within the countries we operate we will also establish significant processing operations and extraction facilities as well as manual cultivation centres, and these will require genuinely skilled local labour.

Our operations will have many positive effects on the local economies, including additional revenues from providing services to our units, for example mechanic shops, hardware stores, local farming outlets, construction firms, security firms, IT firms, restaurants, and a multitude of other local goods and service providers. Furthermore, we are proud to offer female employees long-term, fair pay employment opportunities. In Malawi we are currently completing the acquisition of a sizeable farming enterprise that comes with more than 220 employees, each of whose jobs would likely be in jeopardy if we were not entering the country.

We are keen to really add value to the communities we operate within, and we have explicitly committed to create a foundation that receives 2% of the gross revenues from the local production facilities. These foundations will each have an independent board that will manage the process of funding significant local projects that will address the specific needs of the communities. A particular focus will be enhancing living conditions including access to higher education opportunities as well as clean drinking water provision.

Are you planning to expand into other African countries or outside that continent for cultivation?

We are currently operating or establishing farming operations in Malawi, Uganda and the DRC. We also have advanced license applications and joint ventures being worked on and structured in Zambia, and Ethiopia. We hope to end up with 5 countries in total where we have operations at scale. These countries all offer ideal growing conditions for cannabis. Combined this will create an enormous and diversified supply chain for the raw material and we have no plans or need to focus elsewhere for cultivation.

So, is EXM mainly a farming business?

Our farming operations will enable us to grow cannabis at a fraction of the cost of some other enterprises, but this is only part of the EXM story. EXM should be thought of as a combination of a farming and processing business, located in Africa, together with a sophisticated refining and R&D operation located in Portugal. The Portugal operation we have built alongside Nova University is really key for understanding EXM and this needs to be emphasised.

We are applying in Portugal for a license to import, research, refine, and export Cannabis ingredients and we expect this to be granted in a few weeks. Alongside and as part of the license application we have constructed a full research laboratory in Lisbon, together with a pilot refinery. Once licensed the refinery will be producing extremely pure cbd isolates, distillates, oil and ingredients for our R&D. The R&D activities are already established and ongoing and being partly funded by grants from the European Union under the Portugal 2020 initiative. We have a team of several senior scientists focused on microbiology, analysis, separation, genetics, and purification to name a few disciplines.

Initially the R&D will establish protocols for the purification and analysis of the relevant Cannabis compounds. We are already engaged with a brewing company and a cosmetics company and in time we expect to develop some extremely valuable recipes and formulas for the inclusion of cannabis ingredients into a huge number of consumer goods, especially cosmetics and nutraceuticals. For example, adding CBD to beer is obviously going to be a lot more complicated than just stirring in a mixture. There is also enormous scope for the creation of methods to provide industry wide standards and testing, as well as what can be done with the waste material and fibres left over from the CBD processing.

Where do you see the highest growth potential for EXMceuticals?

That's a good question, and it's hard to be specific as the overall opportunity is so large. Europe as a whole represents a huge opportunity for EXMceuticals given it is a marketplace of approximately 500mn consumers, where the interest in CBD products and consumption is increasing rapidly. The evolution of consumers wanting CBD products in Europe is at least 2 to 3 years behind the west coast of the USA and Canada, so the marketplace will expand very rapidly as we have seen overseas.

We are also actively finalising our planned joint venture with a Canadian company which will target the distribution of extremely pure CBD isolate and ingredients into North America as well as the creation of brands and consumer products. The Canadian company is already a very well established and respected operator in the nutraceutical industry. EXM will supply the joint venture with CBD and the other party will contribute the manufacturing, distribution, branding skills and the majority of the personnel required. This could not be a more exciting partnership.

Based on your investor deck, you are planning to achieve more profits in 2020 than today's market capitalization. How does that work?

I think it's a combination of a few factors. Until very recently EXM was solely focused on establishing its operating footprint in Africa and Portugal and was not at all focused on communicating that plan and story to the marketplace and investors. As a result, few people were really aware of the company's existence until the last few weeks. The company also came in to existence via a reverse-takeover and this has been a lengthy and complicated process to conclude. We are now fully on the path ahead.

In addition, CBD and Cannabis broadly is a very emerging industry and hence understandably a lot of potential investors are looking for more reassurance before they invest, and this makes sense. At times also it can feel like a bubble and I am sure this puts people off. There are a huge number of cannabis business plans that are being written and shown to investors and caution is advised. The vast majority of these plans are likely to remain just business plans, with no hope of execution. On the other hand, investors can clearly see the value of some of the Canadian Cannabis companies that did not exist 5 years ago and they are clearly intrigued. Execution is everything.

As regards our financial projections for next year's revenues I agree they are significant compared to our current market value, but I naturally think we are undervalued as a company given our potential. Our projections are genuinely and deliberately on the conservative side of what can be achieved in 2020 IF EXM management executes on the business objectives - Why? We are already assuming in our projection's sales prices per kg of product far lower than the current market levels. We are also not assuming significant production volumes or revenues from any other source. We do need to make rapid progress however as the opportunity is now, and CBD does need to be grown and produced at scale so genuine quantities can be added to lots of consumer products that people want. I hope that EXM can prove in the next few months that it is a real business with revenues, in which case we will be worth far, far more than the current valuation.

The company is listed in Canada and Germany. Do you have an exit strategy?

Mario, in short, no. The entire time and attention of the company and the management team is currently focused on getting EXM in to production, having all our subsidiaries fully operating, and generating meaningful revenues. It is far too

early to think of an exit strategy at this stage, we have a lot to do already, and a massive opportunity ahead of us which we can execute.

Jonathan, thank you for the interview.