

Company Name: CLS Holdings USA, Inc. (CLSH)
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<<Analyst, Canaccord Genuity Group Inc.>>

Welcome back everyone. I'm pleased to have CLS Holdings with us this afternoon. CLS is an operator in the Nevada market with our retail presence in the state, as well as a growing wholesale business. The company additionally has aspirations for additional state expansion here in the near-term. With us today we have COO, Andrew Glashow, looking forward to the presentation. Andrew?

<<Andrew Glashow, President, Chief Operating Officer and Director>>

Thanks, John. I appreciate it. Thanks everybody for tuning in. And I'd like to start by thanking our hosts at Canaccord and all the technical people that have made this happen. I know these things aren't easy and just really appreciate the opportunity to be able to present to everybody who is here.

CLS just as a general company introduction, this statement or this mantra, that People Power Profits, really means a lot to us. And it's kind of, if you will, the way that we move forward inside the company, every company has been through an awful lot during the pandemic, we're no exception to that. And at the end of the day what we have found is that we are really blessed to be able to have some super people and that starts with our Chairman and CEO and goes all the way down and across the board from every other division within this company.

And what we've been able to do in the last three to six months really is quite exceptional and that's a testament really to our people. And our goal here at CLS is truly to – we aim to provide the cleanest most innovative, safest cannabis products and environments in the market to give customers confidence in their purchases. And that's really important to us. We want to make sure that whatever is labeled is labeled accurately. We want to make sure that we've got a diverse offering of products for all of our customers across the entire line, whether that's flower, tinctures, vape cartridges, et cetera. We want to represent a lot of different brands and a lot of different product categories to the thousands of customers that we're lucky enough to have visited us on a monthly basis.

Our corporate milestones, we've actually achieved quite a lot in the last couple of years. We actually acquired the asset or the company in July of 2018. And we completed that purchase of the Oasis Cannabis Dispensary. We completed the acquisition of City Trees. We successfully completed multiple capital infusions. We've seen a rapid growth of our Oasis brand.

We completed the build out of our approximately \$4 million state-of-the-art conversion extraction facility, which is capable of producing \$20 million in annual revenue. We obtained our patents for our proprietary extraction process in the U.S., EU and Canada. And we have conservatively managed our balance sheet. And we're still sitting with

\$7.5 million dollars in cash and current assets, which puts us in a pretty good position to be able to execute our business plan going forward.

The Oasis Cannabis Dispensary is located in Downtown Las Vegas. It's really kind of halfway between the Strip and between Downtown. For those of you that have been to Las Vegas, it's about 1,005 feet outside the strat, formerly known as the stratosphere. We're currently completing about 700 orders a day at around \$55 an order. We have successfully pivoted the business from what was an entire in-store environment to three really distinct channels.

We have curbside pickup, we have delivery and we have our in-store business. And we've been forced to pivot on a number of occasions due to the pandemic, due to the rules and regulations in the state of Nevada. And quite frankly, we've really been able to do a terrific job. And as we go through, I think you'll see some of the results that we've been able to achieve. And in the environment that we're in, we're really quite proud of this.

Our goal here really is to expand. And there's a couple of ways that we can expand. One is organically, which we're doing right now. The other is maybe there's a couple of strategic acquisition opportunities or partnerships that we can enter into and we continue to look at that. We look at the world kind of divided between MSOs, large multinational, if you will, or multi-state operations to, I'm going to call it, regional players.

And we think that we can be a good regional player located in the southwestern portion of the United States. And we think there are some really good opportunities in kind of the secondary and tertiary markets, particularly markets that are going from a medicinal only to a recreational environment. We successfully were able to navigate that those landmines in Las Vegas or in Nevada and we think that we can do the same in other States.

We do think that we've got a strong management team. We do think we have a strong board of directors. And I point this particular statistic out or fact out, because I think it's meaningful to see where we are compared to where our shareholders are or how our shareholders should think of us. Our founders, one of which is Jeff Binder, another is Mr. Frank Koretsky. They have approximately US\$8 million invested into this company at around \$0.35 a share. Neither one of them have participated in any sales. They're long-term people, they remain committed, they remain active and we're really quite fortunate.

And their basis is about six or seven times where the stock is currently trading right now. So we feel good about that that we were in the same position as our shareholders are. And we share the same common beliefs that at the end of the day we want to build a company that has long-term viability that rewards its shareholders, that rewards its employees, and also does the right things for our environment as well as for people, particularly people that are affected by the war on drugs.

We operate in the Las Vegas market, as people may or may not know where we operate in the Nevada market, as people may or may not know Nevada is – Las Vegas is home to a bunch of tourists, about 42 million a year. We think that number will increase over

the years, but clearly for the next 6 to 12 months my guess is that things will slowly come back, but I don't think we're close to or we're within 12 months of seeing the big conventions and so on and so forth. Fortunately for us, we cater to the locals. And our local business has grown substantially throughout this pandemic. And we will continue to cater to locals. About 90% of our business comes from local folks and 10% of our business comes from tourists. And we haven't seen that really changed at all, even with the fact that tourism is down about 65% to 70% or more in Las Vegas.

So our business has risen. I can't speak for other folks. I can just speak for ourselves. And we've been able to really continue to cater to our locals. And I think we are kind of known as the locals choice. So Oasis, the dispensary, just as a quick overview, is open seven days a week from 7:00 a.m. to 2:30 a.m. We used to be open 24 hours a day, but now with that limited 24 hour audience, we found it was better for us to be open these particular hours. And in spite of being open those hours or reducing the hours, you will see as we go through the presentation, our revenues have grown substantially even with a reduction of four or five hours on a daily basis.

Again, we successfully operate three distinct business models, in-store curbside delivery. We're walking distance from the Strip and Downtown Las Vegas. The business known as Oasis Cannabis has operated since 2015. We acquired the business in 2018 and have made appreciable differences in investments and an awful lot of progress. As I mentioned before, we have a production facility capable of producing around \$20 million in annual revenue. We're completing 700 orders a day at around \$55 per order. And we are recognized as the dispensary of choice for locals. And that's meaningful for us given where our location is and in the continuing need and desire to serve the local community.

The platform that we've built up to this point in time is capable of producing an excess of \$45 million in revenue. That's our store as well as our production facility. So we have a tremendous amount of operating leverage that we can deploy, exploit without the need for really any additional CapEx. The CapEx has been deployed. Now, it's more of an execution story. And I think we're executing at a very high level.

Oasis the dispensary itself was voted Best Dispensary for Pot Pros. And this is again something that's meaningful to us because we have a highly educated workforce, education, knowledge, breadth of product. These are all things that are critically important to us. We want people to come in and to be able to try to be able to explore, to be able to have a personal experience when they come into our store, not just to purchase our own products, but to purchase other vendor's products as well.

And we want when somebody comes into the store, we want to be able to explain to them, we want to be able to answer their questions, and we want to make sure that when they leave the store, a) they've had a good experience and if it's their first time trying cannabis that the experience that they are looking for or the effect that they're looking for is achieved. So they'll come back and they'll build confidence in us. That's just very, very critical for us.

We've all been through an awful lot recently. Everybody individually has families as a country, as a world, as a planet. And we elected back in June. We came up with a strategy of what can we do to give back to the community. And we tag this our summer

of giving. So from June to September, we set aside 1% of the net sales of Oasis to donate to the cannabis equity inclusion community of Nevada. And these funds are going to go toward providing legal medical and additional community resources to members of our community most directly impacted by the war on drugs. And this is the proudest thing for me and I think for the entire team. And I know this is very meaningful to our chairman. We are going to donate \$30,000 next week, which will represent the largest contribution that we have made and giving back to our community.

We think it's vital. We think it's the right thing to do. It's good business and a rising tide lifts all boats. And we think that if we can help people out, at the end of the day everybody wins. So this is very, very meaningful for us. It's just not the size of the dollar donation. It's the fact that our workforce, our folks, everybody contributed to this process. And again, it's very meaningful. And we did not think that the number was going to be this large, but we know this is a meaningful donation or contribution, whatever you want to call it. And again, we feel really, really good about it. And there'll be some very good press. There'll be some future announcements around this. And again, we just feel good about what we've done and we think it's the right thing to do. And the expression paying it forward, this is what we're trying to do to be a good corporate citizen.

City Trees, City Trees is our branded products division, our wholesale division. We manufacture a line of tinctures and vapes and a whole bunch of other items. And we also do some private labeling for some third parties. And we do believe that we have probably the single most state-of-the-art facility, its brand new, that's opened up. And this allows us to do an awful lot of things. It allows us to be creative with our product line. It allows us to ensure proper products, safe products. It also – it allows us to expand our operating margins substantially, and we're seeing the results of this because we now no longer need to rely on third parties, we can do this all internally ourselves and we've got really, really terrific folks that work in this facility; and we are looking to introduce at least one new product on a monthly basis.

Some more facts about City Trees. We're in 70% of all the dispensaries in the state of Nevada. I hope that we're in 100% of the dispensaries in Nevada going forward. This is a very, very substantial growth opportunity as it stands right now. We're currently generating about 20% to 25% of the ultimate capacity of this facility. And the good news is again, operating leverage if we needed to, we could put on a second shift that demand is there, but we are producing some of the finest products, safest products, highest quality products currently in the state of Nevada.

Our tagline "sustain your state" that's our marketing division, which has done a really awesome job to try to position us. And I can just tell you from what we saw in the month of September revenues ramped substantially, and we'll be reporting those numbers as they come out. This is our new brand identity. And I kind of think this is important on a number of levels. One, we think we make really superior products. The second thing is that we think that this brand identity is a differentiator to all of the packaging that currently exists on the marketplace today. Much of that packaging revolves around plastic and what we've tried to do, being good corporate citizens and looking at not only the virus, but looking at the whole west coast on fire is to say; how can we reduce our carbon footprint? How can we reduce our waste stream?

And those things are very, very important to us. This is a line of sustainable packaging. The link is sustainable, the packaging itself is sustainable, there is – their plastic has been "eliminated" from this. And this is – this was just introduced about two or three weeks ago in the marketplace and it's been received really well. And I congratulate and I applaud our marketing team as well as other divisions of the company for rolling this out and rolling it out successfully. Originally, we were going to roll it out in the month of March, but the pandemic hit and we felt that it was better if we just quite frankly rolled it out at a later date when the time is more appropriate. And we thought that September was a good time, and it turns out that it was a good time.

Award-winning products. This to me says it all about what we're trying to do in our City Trees division. And we think we're going to roll out a number of other award winning products in the City Trees division. Nevada is an incredibly competitive marketplace. There are a lot of folks that sell and make beautiful product in Nevada. We're really lucky to have some, some really terrific competitors and some really terrific producers of fine product. We think we're one of those. And we think that the awards keep on coming and accumulate for us, that the brand will continue to build itself and will become more and more in demand. But this one, one cartridge – this CAM cartridge has been a bestseller for us for awhile. The Blue Agave is a terrific tincture, and then the Jack Herer Dab Oil recently; this in the last month or so won an award as well. And I think you're going to see some additional awards coming.

As part of our overall plan and this goes back to what I was saying earlier in paying it forward, we call this planting it forward. We've been doing this now for awhile even really before the folks on the west coast, particularly were so affected by forest burning and all the catastrophe that comes along with this. So for our one-to-one products for every time that a one-to-one product is purchased, we donate a tree and we do this through the Arbor Day Foundation. And we literally have planted thousands of trees. And we think in this environment that this is meaningful, this is meaningful for mother earth. It's meaningful for our children. It's meaningful for the industry, and this is what we're really trying to do again, by being a good corporate citizen, you can certainly do well. But I think you can do good as well, and that's what we're trying to do.

I'm certainly not going to save the world, but I think that one tree at a time, we can help with the current situation, which is really quite tragic for a number of people. As far as our CLS Board of Directors and Founding Members go, I think we've got a very good group of people. I'll exclude myself on this for a second and just tell you that we are represented brilliantly by our Co-Founder, Chairman and CEO, Jeff Binder, as well as we are represented really well from a retail perspective by Frank Koretsky, who really is an expert and knows and understands consumer packaged goods, and he's been a really, really big ally and very, very helpful.

Our management team, I think we have a good management team. I think we've got really good people. Many of these people have been promoted internally, and I would like to point out one key figure, Samantha Schafer, who's in the left hand corner over here, who is our Director of Retail Operations in Nevada has done an absolute remarkable job since joining us about two years ago. The achievements and the accomplishments that she has made have just been extraordinary. We've seen 2.5x of revenue growth. She has redone the entire store or overseen the redo of our entire store 2 times. She now is spearheading all of the things that are going on at our new

production facility, and we could not be more proud of her accomplishments and her achievements along with her entire team.

Now let's get to what I consider to be, what most people perhaps want to focus on; and those are our financials. We're very impressed with these financials. What you're seeing here is everything up into the right? And when I went to B School, that was a good thing that things were going up to the right, and we continue to see progress being made. As you can see, we took over this entity in 2018; you can see the annual revenue numbers, the EBITDA numbers. We get into 2019, and we get into 2020. In 2020, we not only grew revenues, but we – and we've invested a ton into the business. And we're really beginning to see the fruits of labor of our labor. And again, we're on a fiscal year that ends 531.

So when we take a look at our fiscal year, which will end 53121, we're truly on track to hit and to achieve the numbers that are here. And part of the reason why we're seeing an EBITDA margin expansion is because of the completion of our lab. So now that our lab is there, our margins have expanded. We've also done a terrific job with the store and providing products to the store that our customers want. And it's – again, it shows the results speak for themselves; numbers for the most part don't lie. And we're really, really proud of this, and quite frankly if things continue to go the way that they are. My guess is that these numbers for 2021 might actually increase.

And I think, again, I come back to the CapEx to be able to achieve all these things, all these numbers, excuse me, has already been deployed. We have a lot of operating leverage. We can triple the size of this business with literally no additional CapEx, and that's very exciting, because we all – we have a very conservative balance sheet. We're not flushed with hundreds of millions of dollars in cash. And quite frankly, I think that being small at this particular point in time is good. We've learned a lot. We think there are some really good opportunities. We think that the price of assets have come down. We think that there's an opportunity to kind of be a regional player in the Southwestern United States and we'll continue to be opportunistic; but at the end of the day, the focus of this management team is to continue to increase revenue, increase profitability, and run a store, and run a business that is compliant, and that provides customers with the products that they're looking for at the price points that they're looking for, and I think, again, we've done a terrific job.

Here is another example of what we look like. The business in 2018 when we took it over in that September, which was really, I think our second month of operation, we did 713,000. There was a lot of hard work that needed to be put into this, to get to where we are today. But for September of 2020, we're looking at a number of 1.4 million and quite frankly, I think it's going to be higher than that. And that's exciting to us because in a 24-month period of time, we've pretty much doubled plus this business. And again, now that we have this operating leverage, we can triple this business; we can quadruple this business because we have the resources to be able to execute.

And the next slide, this is a focus that we management had about one-year to 1.5 years ago. We saw that our monthly average customers, the number of transactions went up substantially. But what we saw was that our transaction average was going down. That's not a good recipe for us. So we really took a concerted effort. We sat down with our marketing team. We sat down with our sales team. We sat down with all of the other

folks within the company that could potentially influence this. And we developed a new strategy and the new strategy really has paid off.

And I give our marketing team an awful lot of credit. I give our purchasing team, an awful lot of credit. And what we've been able to do in the last 12 months to me is really exciting. And that is we not only have average monthly sales gone up from the standpoint of customers or transactions, but our average order has gone up by about 40%. So we were averaging \$37 last year; we're now averaging close to \$55. And the number of people that come into the store on a monthly basis continues to go up, that – this is really, really exciting for us because it's always nice to see a plan come to fruition.

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Andrew, I apologize, but we're actually coming up against our time slot here. So if you want to just kind of say last couple words, that'd be great.

<<Andrew Glashow, President, Chief Operating Officer and Director>>

Absolutely. We've got our cap table, which you all can see. I think the entity is considerably undervalued. That's just the President talking here. We hope shareholders will share the same opinion. And in conclusion, if anybody has any questions, comments or concerns, we are an open book. You can call me anytime, anywhere, any place. You have my contact information here. Our Chairman as well is available, and I look forward to talking to anybody that wishes to do so. And again, John, and Canaccord thank you for allowing us to present.

<<Analyst, Canaccord Genuity Group Inc.>>

Thank you. Have a great day.

<<Andrew Glashow, President, Chief Operating Officer and Director>>

Thank you.