

SECOND SUN INC.



INNOVATIVE CANNABIS VENTURES THAT HELP
CREATE A BETTER TOMORROW.

Valuation Summary

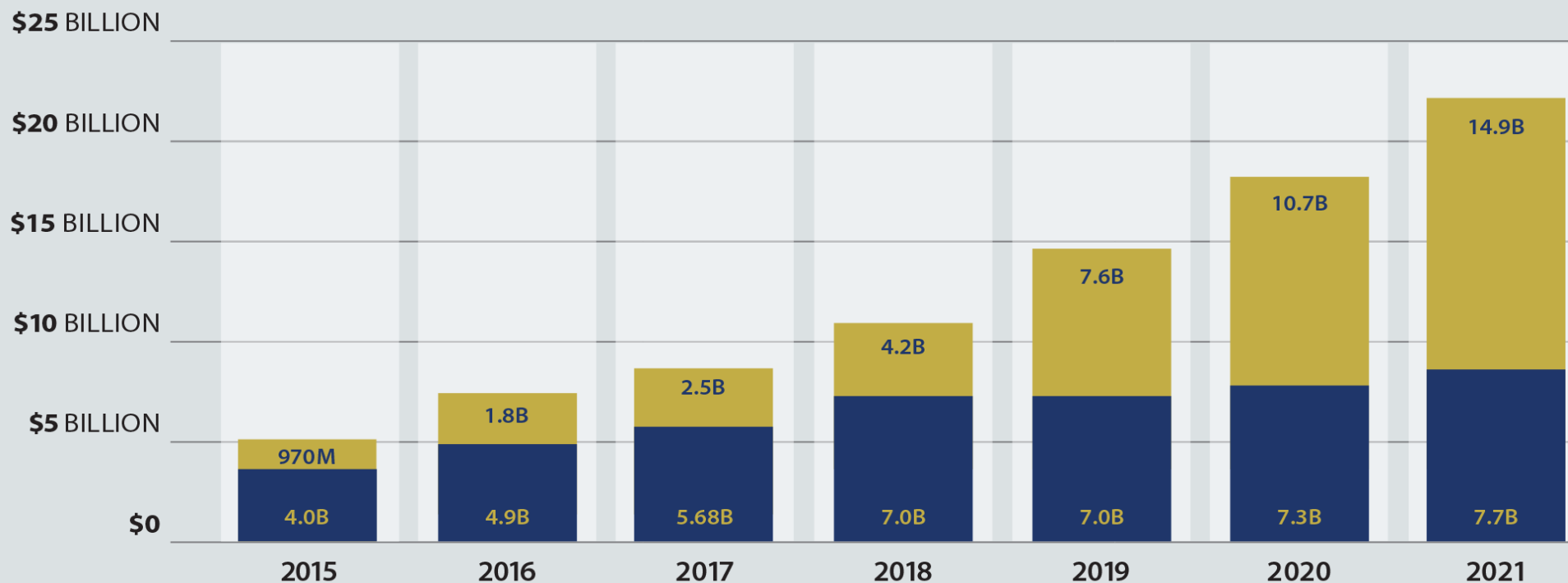
Valuation Summary



- The entire U.S. cannabis market is expected to grow at a 29% CAGR through 2021 (The Arcview Group)
- The California market is expected to grow at a 26% CAGR from \$1.8B in 2016 to \$5.8B in 2021 (The Arcview Group)
- The company's forecasted CAGR is under 20% during 2018-2021
- Second Sun is forecasting impressive y/y revenue growth from 2017 to 2018 as California operations come online
- The exclusive multi-state license with Tikun Olam to produce globally recognized strains will help bolster market share
- Using a revenue multiple of 1.5x to 2.0x, Second Sun valuations could reach \$425-\$640MM by 2021
- Using a EV/EBITDA multiple of 4.0x to 5.0x, Second Sun valuations could reach \$480-\$600MM by 2021
- An alternative and conservative discounted free cash flow valuation using a 15% discount rate and a 0% terminal growth rate implies a \$325MM valuation

Industry Spend – Size and Expected Growth

▶ North American Legal Cannabis Spending 2015-2021

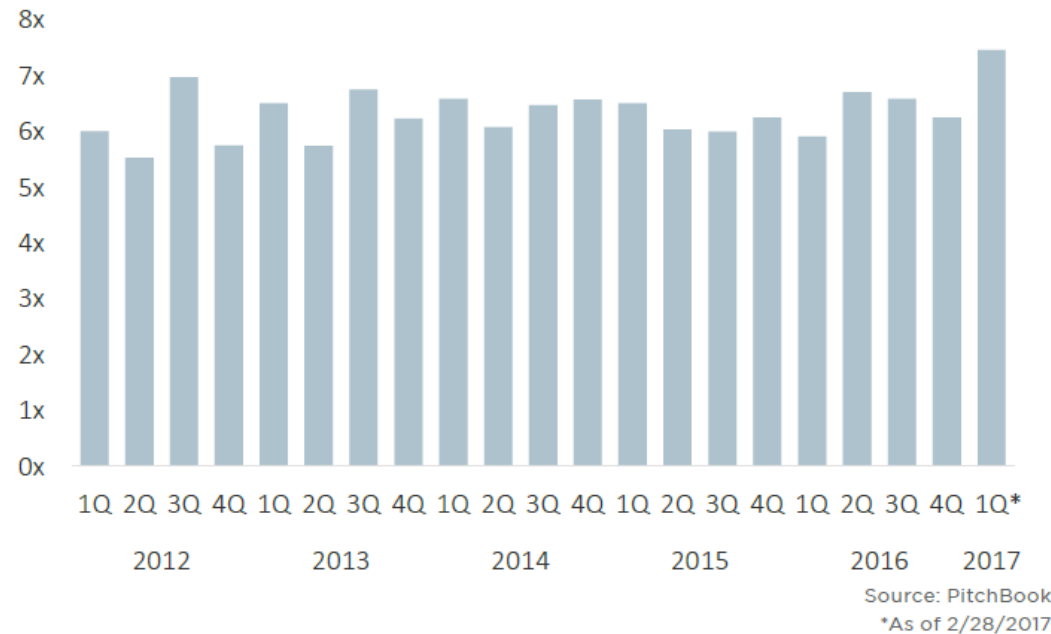


■ Medical
 ■ Adult Use

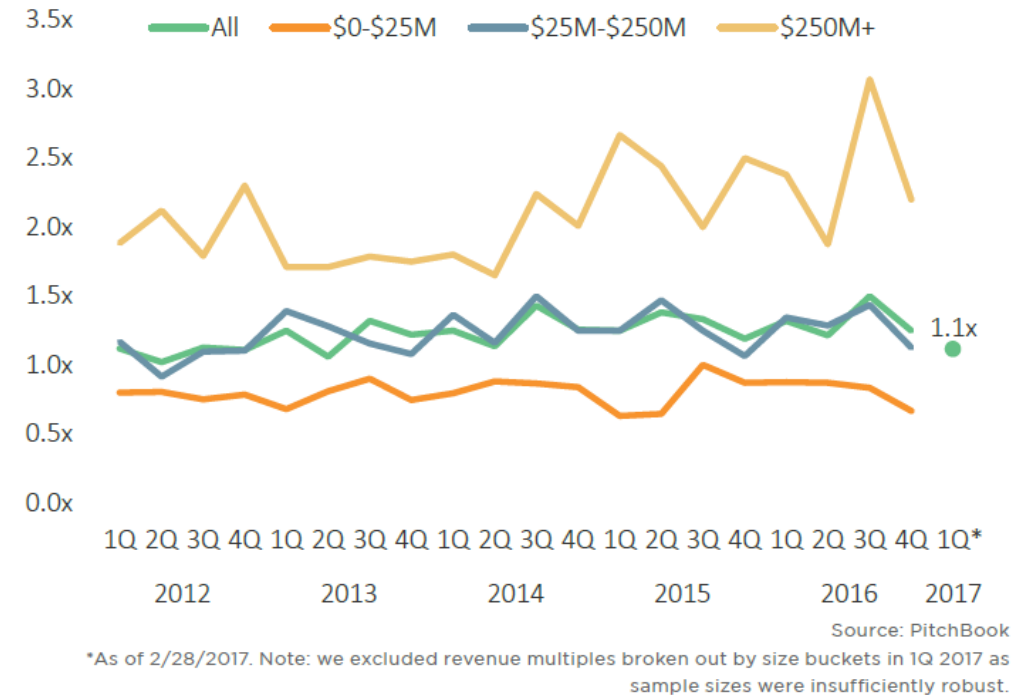
Comparable Valuations



Median EV/EBITDA buyout multiples



Median revenue multiples by transaction size bucket



- PitchBook estimates that median EV/EBITDA private equity buyout multiples across all industries have ranged 5x-7x since 2012
- PitchBook estimates that median revenue private equity buyout multiples for companies with less than \$250MM in sales have ranged from .5x – 1.5x since 2012; Second Sun is forecasting in excess of \$250MM in revenue by 2019

Second Sun Valuations

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Second Sun - EV to Sales

		0.5	1.0	1.5	2.0	2.5
2017	1.762	0.881	1.762	2.643	3.524	4.405
2018	247.700	123.850	247.700	371.550	495.400	619.250
2019	398.800	199.400	398.800	598.200	797.600	997.000
2020	425.500	212.750	425.500	638.250	851.000	1063.750
2021	425.500	212.750	425.500	638.250	851.000	1063.750

Second Sun - EV/EBITDA

		3.0	3.5	4.0	4.5	5.0
2017	-2.193	-6.578	-7.674	-8.771	-9.867	-10.963
2018	53.786	161.357	188.250	215.142	242.035	268.928
2019	111.458	334.375	390.104	445.833	501.562	557.291
2020	120.143	360.429	420.500	480.572	540.643	600.715
2021	119.770	359.309	419.194	479.078	538.963	598.848

		0.5	1.0	1.5	2.0	2.5
2017	1.762	-99.50%	-99.00%	-98.51%	-98.01%	-97.51%
2018	247.700	-30.03%	39.94%	109.92%	179.89%	249.86%
2019	398.800	12.66%	125.31%	237.97%	350.62%	463.28%
2020	425.500	20.20%	140.40%	260.59%	380.79%	500.99%
2021	425.500	20.20%	140.40%	260.59%	380.79%	500.99%

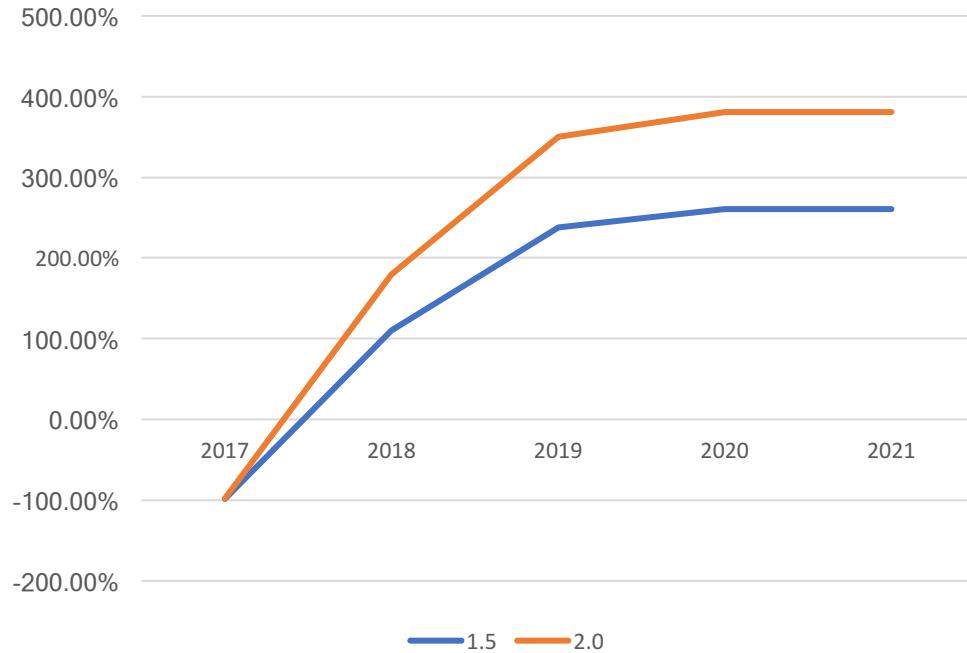
		3.0	3.5	4.0	4.5	5.0
2017	-2.193	-103.72%	-104.34%	-104.96%	-105.57%	-106.19%
2018	53.786	-8.84%	6.36%	21.55%	36.74%	51.94%
2019	111.458	88.91%	120.40%	151.88%	183.37%	214.85%
2020	120.143	103.63%	137.57%	171.51%	205.45%	239.39%
2021	119.770	103.00%	136.83%	170.67%	204.50%	238.33%

- The following tables show Second Sun valuations using estimated financials during the 2017-2021 time period
- Based on EV/Sales of 1.5x and an EV/EBITDA multiple of 5.0x, the company's valuation is expected to reach a range of \$600 to \$640MM representing a 240% - 260% potential return by 2021

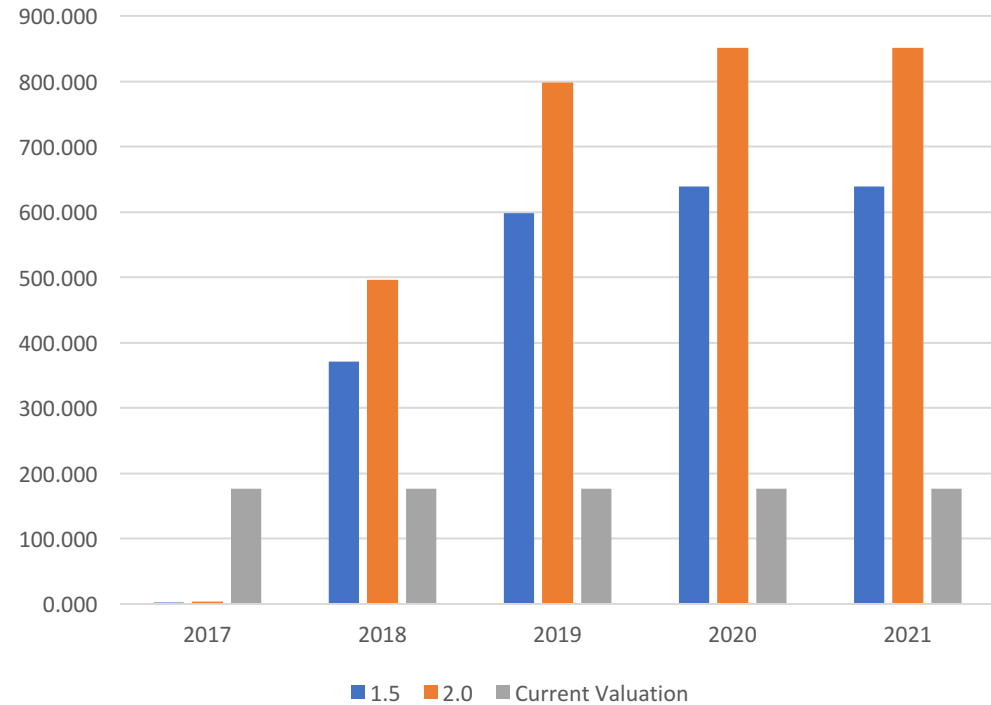
Second Sun Valuations



Enterprise Value to Sales - Potential Returns

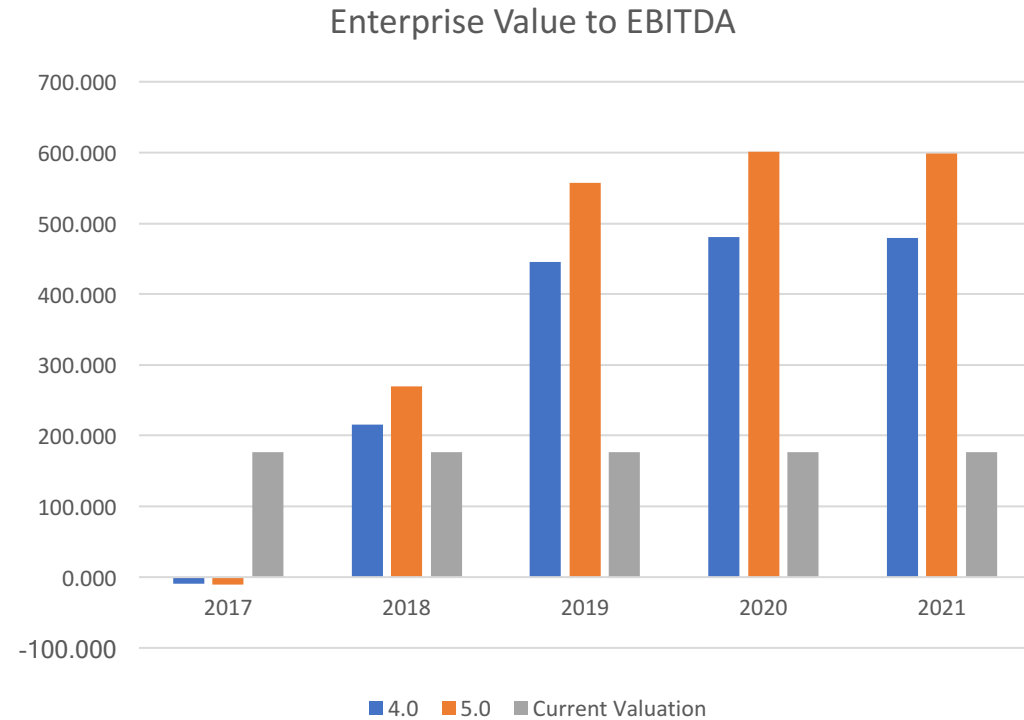
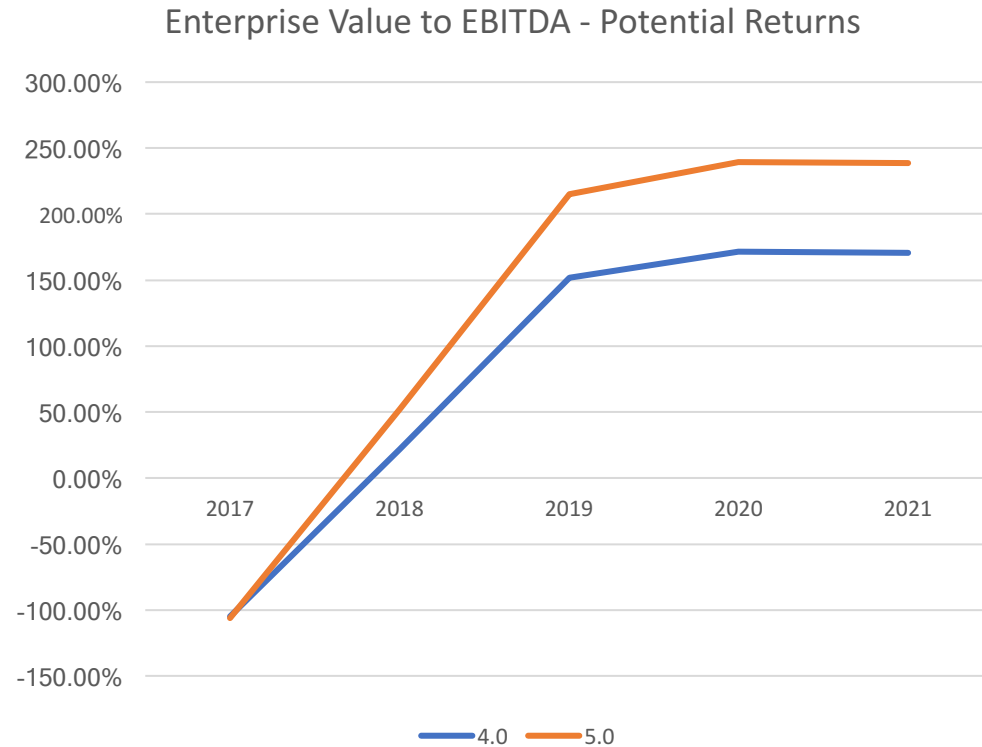
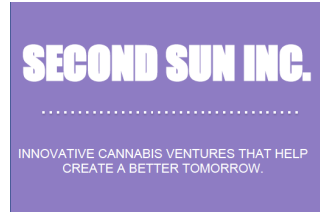


Enterprise Value to Sales



- Using a revenue multiple of 1.5x to 2.0x, Second Sun valuations could reach \$640 to \$850MM by 2021
- This would represent a potential return of 260% - 500% from current valuation

Second Sun Valuations



- Using a EV/EBITDA multiple of 4.0x to 5.0x, Second Sun valuations could reach \$480 to \$600MM by 2021
- This would represent a potential return of 170% - 240% from current valuation

Second Sun Valuations – Discounted Cash Flows

Second Sun - Discounted Cash Flow Valuation

	30%	25%	20%	15%	10%
-1.0%	148.544	181.585	230.895	311.837	467.739
-0.5%	149.841	183.666	234.518	318.982	485.269
0.0%	151.182	185.830	238.322	326.604	504.553
0.5%	152.568	188.083	242.321	334.751	525.867
1.0%	154.002	190.430	246.530	343.480	549.548

	30%	25%	20%	15%	10%
-1.0%	-16.08%	2.59%	30.45%	76.18%	164.26%
-0.5%	-15.34%	3.77%	32.50%	80.22%	174.16%
0.0%	-14.59%	4.99%	34.65%	84.52%	185.06%
0.5%	-13.80%	6.26%	36.90%	89.12%	197.10%
1.0%	-12.99%	7.59%	39.28%	94.06%	210.48%

- Discounted free cash flow valuation using a 15% discount rate and a 0% terminal growth rate result in a \$325MM valuation representing 85% upside to current valuation
- Scenario analysis using various discount rates and terminal growth rates show ranges of (16%) - 210%

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