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 Issue: January 27, 2020



Rapid Expansion in 2019 and Opportunities Ahead with Retail Market Opening in Ontario and Cannabis 2.0 Products Launching, enabling Inner Spirit Holdings and Spiritleaf Brand to Create Value for Investors and Strategic Partners



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"We have proven to be extremely efficient in getting Spiritleaf stores open fast and operating effectively. The majority of our stores only opened in the summer of 2019 so you can imagine how system-wide retail sales should increase in 2020 now that we have 44 stores operating at full tilt and with plans to open up to 40 throughout this year."- Darren Bondar

CEOCFO: *You founded Inner Spirit Holdings with the idea of applying your retail and franchising experience to the cannabis industry. How has that worked out?*

Mr. Bondar: I think overall it has worked out extremely well. We've had great success over the past couple years. We've had some ups and downs in navigating through the different regulations and dealing with the supply issues that initially slowed the entire retail sector, but as we sit here today we have more than 40 Spiritleaf stores open and operating across the country. We are recognized as one of the top Canadian recreational cannabis brands on the retail side. We have developed superb strategic partnerships with licensed producers and other suppliers. And we have a lot of growth ahead of us still in our existing markets as well as in Ontario, Saskatchewan and perhaps even Atlantic Canada as more markets open up their retail licensing for 2020.

CEOCFO: *What was the inspiration behind Spiritleaf?*

Mr. Bondar: We wanted to create a recreational retail cannabis brand that served a few purposes. We felt it was important that Spiritleaf be true to the cannabis community and to those who really advocated for its legalization. And while we wanted to be authentic to those cannabis roots, we also wanted to be welcoming to people new to cannabis or returning to it. I think we have achieved that to the point where we are the preferred shopping place for so many cannabis consumers. When people come into our stores, they are impressed right away by a cannabis store with such a comfortable environment, great product selection, and staff who are so welcoming and knowledgeable.

CEOCFO: *How many store locations do you currently have and could you explain the franchise model you use?*

Mr. Bondar: We currently have 44 Spiritleaf stores across the country with 34 operated by our franchise partners and 10 operated corporately. I anticipate that number could rise to as many as 80 Spiritleaf stores by

the end of 2020. The franchise model has been great for us and has allowed us to expand quickly and effectively into many local communities. We were the first retail cannabis company to gain membership with the Canadian Franchise Association. Our franchise partners are passionate for the business and help market the brand every time they serve customers. These owners pay a royalty on their sales, and we work collectively on company-wide marketing efforts. We have also located corporately owned stores in Alberta as we like the opportunity to support the franchise system by operating these stores, testing our business approach there, and better understanding the retail cannabis market. We also know investors enjoy the top-line revenue associated with operating corporate stores. The open licensing system coming to Ontario and Saskatchewan means we will look to add corporate stores in those markets as well.

CEOCFO: What have you learned about running a business since starting Inner Spirit?

Mr. Bondar: I have been running businesses for over 20 years so I think the biggest learning curve with the cannabis industry is just how highly regulated it is and how you need to navigate three different levels of government regulations. The running of a public company was also relatively new to me so I have spent the time and energy to learn the ins and outs and the rules relating to that. I have a great team and Board of Directors around me which have supported me so I could overcome any initial challenges and really embrace the opportunity to run a public cannabis company listed on the Canadian Securities Exchange. I definitely enjoy the range of activities I have with Spiritleaf, from working with franchise partners, participating on the floor of a retail store and negotiating partnerships with licensed producers to working with investment bankers and shareholders to further fund our company's growth.

CEOCFO: Where is your focus as CEO? Are you active in all facets of this rapidly growing business?

Mr. Bondar: I am ultimately focused on four things. One is the overall success of our business which in turn helps us build the Spiritleaf brand. Secondly, I am focused on our people so we ensure our employees have a good experience and know we are investing in them because they are the human capital behind this business and they need to feel appreciated, be knowledgeable and buy into the Spiritleaf brand. The third element is our franchise partners -- they need to be successful and if they are successful then the rest of the company can be successful. More than anything, we consider ourselves partners with our franchise owners and many of them are also shareholders. The fourth of course is delivering value to our shareholders. If the business is doing well, then our shareholders should be benefiting financially and feeling proud about what we're building with the Spiritleaf brand.

CEOCFO: Do you have the funds needed to continue your growth? What are you doing to attract investors?

Mr. Bondar: We do have the funds required where we can see ourselves to be fully capitalized. There are some accretive opportunities for us to be able to open additional corporate stores in such markets as Ontario. As we move towards that, there may be a need for some

additional funds and we feel we would be able to raise those. We have been keeping our company visible with investors at investment conferences, through investor news platforms, and as a thought leader presenting at industry conferences. We do our best to keep our shareholders and the investment community informed through a steady flow of news releases, social media messaging, and participating in interviews with magazines such as CEOCFO. Upcoming presentations I'll be making to share the Spiritleaf brand story include The Gathering business summit in Banff, Alberta in February and the SXSW conference in Austin, Texas in March.

CEOCFO: Your cannabis retail operations netted \$29 million in system-wide retail sales last year while serving 740,000 customers. An analyst following your company is projecting significant additional growth in 2020. How do you see the coming year??

Mr. Bondar: I think the future for Spiritleaf is very bright. The \$29 million of system-wide retail sales takes into account all the franchise stores and corporate stores and combines their sales. That is a pretty common metric used in the franchise industry. It speaks to the strength of what we've built and our ability to build a loyal customer following in an entirely new industry. We have proven to be extremely efficient in getting Spiritleaf stores open fast and operating effectively. The majority of our stores only opened in the summer of 2019 so you can imagine how system-wide retail sales should increase in 2020 now that we have 44 stores operating at full tilt and with plans to open up to 40 throughout this year. The analyst you mentioned is Fundamental Research and they certainly see what we're building and how the store count and operating performance look good for us in 2020 and should drive up our customer numbers. We recently launched a rewards program for customers in select markets called The Collective and are putting the finishing touches on the launch of other branded proprietary products this year.

CEOCFO: Fundamental Research also noted the importance of the rollout of Cannabis 2.0 products for your performance. Do you expect a further boost to store sales in 2020?

Mr. Bondar: We're very pleased to be adding Cannabis 2.0 products to our Spiritleaf stores. These products include edibles, vape cartridges, one-use vape products and beverages. It will take time for the products to launch across our network based on each provincial market's regulations and supply situation. I can tell you that the more mature markets in the U.S. already have these products and they can represent as much as 40% to 50% of overall sales for a retailer. We don't expect these new products to detract from our existing sales to any great degree, as we think it will primarily layer on top of existing sales. We also feel it will bring in new consumers who may not want to inhale or smoke something, and who might be more comfortable eating or drinking cannabis in a different format. We expect to again have our staff be the trusted and knowledgeable source of information and guidance for these products with our customers.

CEOCFO: *I'm sensing there is a lot of growth potential for your company. How are the new open licensing systems in Ontario and Saskatchewan affecting your plans this year?*

Mr. Bondar: This is the big gift for us this year as it enables us to further extend the growth of the Spiritleaf brand. We still have eight or nine locations to open in British Columbia and Alberta, which we will do. In Saskatchewan we anticipate we'll be able to open a couple corporate stores. Saskatchewan is a great province for us to do business due to the way the province has structured its model where you can buy direct from the local licensed producers instead of a provincial intermediary. We hope to also open additional franchised stores in Saskatchewan as we already have one franchise location there as well as an e-commerce site serving the entire province. In Ontario, we have a Spiritleaf store in Kingston serving the community and have secured more than 20 additional locations. As we sit here today, we have pretty good visibility to 30 stores in the province that we should be able to open this year if the Ontario government is able to handle the volume and issue licenses in an efficient matter. The new growth opportunities in Ontario and Saskatchewan have our entire Spiritleaf team very excited for the coming year. Our rapid expansion in the past year, and the opportunities ahead of us, mean we can truly show our value to customers, franchise partners, strategic partners and investors in 2020 and beyond.

