

WEBINAR

Cannabis Mergers and Acquisitions Cheat Sheet: The Surprising Things You Need to Include

Webinar Preview & Audio Available at:

<https://www.foottraffik.co/webinars/cannabis-dispensary-mergers/>

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Prepare for the Future

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Today, we'll be covering:

- The aspects of your business you need to focus on before a Merger and Acquisition
- The documents and research you need to get your hands on
- The components that can help guarantee your M&A success



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I am Guillermo Bravo, I'm the Chief Evangelist at MediaJel, my passion is spearheading strategies to drive advertising campaigns in the cannabis space for both brands and dispensaries.

I have 20 years of experience in both startup and agency environments spearheading initiatives to drive sales, expand lead generation, and develop intuitive strategies to drive advertising campaigns in the cannabis space.

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MediaJel + Foottraffik is a combined laser-focused dispensary advertising & marketing cloud focused on compliant, scalable digital strategies, including SEM (Google Ads and Bing Ads), SEO, and Programmatic display advertising that are designed to increase foot traffic and boost e-commerce sales.

At any given time, we're working with over 500 cannabis dispensaries and brands through the United States, Canada, and more.

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A couple of housekeeping items before we get started.

If you have your cell phones on you, please put them facing down on your desk or mute them. We are going to be covering a lot of information in a very short window of time and it helps to retain focus.

Familiarize yourself with the Zoom interface. If you haven't become a master at Zoom yet, if you go to the bottom of



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your screen there is a Q&A button. We do have moderators with us today that will be addressing questions throughout the webinar.

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The cannabis industry has seen plenty of mergers & acquisitions, including MediaJel's acquisition of Foottraffik just a few weeks ago.

While it's a common way for companies to grow, smaller dispensaries can be at a disadvantage when it comes to preparing for and securing a good deal. It's partly not understanding what an M&A entails and then doing the prep work that will set them up for success.

If you have your eyes set on an M&A as part of your exit or growth strategy, there are a lot of different things you need to consider. In fact, you need to start prepping for an M&A long before it's time to actually start making connections with potential targets.

To help you out, I'm going to be covering some of the things you need to focus on before, during, and after the process. I'll talk about these concerns from the viewpoint of a business looking to be acquired, a business looking to acquire another, and two or more businesses looking to merge. Now, this is just a quick overview, if you want to get further in the weeds, recommend talking to an M&A consultant or lawyer.



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First up, let's say you have your sights set on being acquired or merged. What's it going to take to catch the notice of a company and get them interested in your business?

Well, the first thing you need to do is make sure you've got all of your ducks in a row. What I mean by that is, you need to ensure that you understand what is going on with your business and that you can accurately portray that in your business plan and through your finances.

Now, you might be wondering how your business plan fits into this, especially if yours is tucked away or getting dusty on a shelf.

Your business plan is like an outline of your goals and how you're going to achieve them. It should be treated as a living document to be updated on a regular basis with new information.

But don't worry, even if you haven't been updating your business plan, there's a good chance that you have everything you need at your fingertips.

Now, because pivots are a natural part of business evolution, you'll want to update your mission statement and other aspects of your business plan that have changed over time.

Next, you'll want to make sure that your executive summary and your business description are up to date.

Once that's done, it's time to take a look at your market, audience, and competitor research and refresh that data. Depending on how long it's been since you touched your business plan and any pivots you've made, this may



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require a complete overhaul.

This section of your business plan is crucial, however, because it shows you understand the business landscape in which you're working and it helps highlight how you will reach your target audience and what sets you apart from the competition. If you want to be acquired or merge with another business, then this information can help showcase the value you'll be bringing to the table. What I'm saying is, don't skimp on this research!

If you are looking to acquire a business, your first step should be to decide what it is you want to achieve through the acquisition. Do you want to expand your service area? Offer more or different services?

For example, if you are a dispensary chain, do you want to acquire a cultivation or processing company to create your own branded products?

If you are a canna-tech firm, do you want to acquire the competition so you can own their intellectual property? If so, you will want to think about your current operations and what it will take to get to your goal. For you, revising your business plan will mean focusing on your future goals and determining what acquisitions will get you there.

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As part of updating your business plan, you should ensure your financials are in order. This is crucial because if you want to be acquired or merge, potential partners will need to take a close look at what's been going on with your



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business and your financials are a key component of that.

Your financials should detail the financing you already have, operating costs, revenue forecasts, budgets, projected profit and loss and cash flow statements, and breakeven analysis if needed.

Then include information regarding profitability. What type of timelines and metrics do you use to gauge the success of your business? Showcase the different goals you've met to date and any future goals. You should also include a forecast for your projected growth over the next few years.

If you are planning on acquiring a business, getting a handle on your financials is important for generating a clear picture of what kind of offer you can make for a company. Knowing how much you are able to spend and determining what kind of return you want on that money will help you begin to create a target list. It's also a good time to explore financing options if you need assistance to complete the deal.

If you are looking to merge or be acquired, it's crucial that you keep a clean house.

Your data will be part of the M&A and it's vital that you know where all important documentation is and that you have a system in place to keep it organized. It will be analyzed during the due diligence process, so it makes sense to get it organized before getting to that stage. That way, you can make sure you have everything you need and keep everything running as smoothly as possible. If a



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potential buyer or partner asks for certain documentation, you'll know exactly where to find it.

For a dispensary, this kind of data could be all of your licensing, hiring, and compliance paperwork.

If you are a cannabis tech company, then this should include your intellectual property and any legal paperwork pertaining to it as well as your internal processes. This is the same for a processor or a cultivator.

All businesses should have documentation for any outstanding contracts, leases, and other important legal documents. For example, employment contracts, information about equity holders and options, and client contracts should all be located and organized in a manner that will make it easier to share with a target company.

By organizing your data at the outset, you can identify any issues early on and fix them so that they don't become a thorn in your side later.

Creating a process to maintain your organization will also help as more data is accumulated before your M&A.

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An M&A generally requires a lawyer to help shepherd you through the process. Once you know that this is the road you want to go down and you've made progress with your business plan and data, you may want to get in touch with a legal team that specializes in M&A.

An M&A lawyer can help you by creating a roadmap to guide you through the process, assist with negotiations and due diligence, provide advice regarding future taxes



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or the need to restructure a business, help you overcome regulatory hurdles, generate any legal paperwork pertaining to your M&A, and better help you understand the components of any potential deal so you can ensure that it serves your business interests.

Another option is to connect with an M&A consultant that can help you prepare and guide you through all the different stages of a merger or acquisition. They can give you insight into what you can expect, what terms are appropriate, and more.

Ultimately, having someone on your side that is an expert in M&As is just going to benefit you and help you ensure that your interests are being protected. M&As have a lot of components and a consultant or lawyer can help keep watch over everything - while helping provide you with greater odds of success.

A legal expert or consultant can assist you whether you are looking to be acquired, want to acquire a business, or would like to merge with another company. Their expertise can help you avoid stumbling blocks, identify red flags, and ensure that your business is protected throughout.

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At some point, you will need to inform some of your employees of a potential M&A. At the outset, this should be on a need-to-know basis. Later down the line, you will be informing everyone and helping them understand how the M&A will affect them. However, in the beginning, you should have the buy-in of your board and your C-suite to



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help keep the process smooth.

These individuals can help you get a better picture of how your business is structured and whether there are any redundancies that need to be addressed before moving forward with the process. They can assist with data gathering, financial analysis, and identifying potential targets.

Eventually, some may also assist with due diligence and negotiations depending on their role and their experience with such matters.

Once you're clear on your goals and have the buy-in of your team, it's time to consider what companies may help you achieve them.

Your target list should include the companies you are interested in being acquired by, merging with, or acquiring.

First, consider your target search criteria. Are you looking for a company that is near you geographically? Are you focused on companies of a certain size? Do you want to target companies that have a similar audience or different audiences?

If you are looking to acquire a company, your list should feature businesses that will propel your growth goals forward. As you consider each potential target, think about what acquiring them would mean for your future and determine whether that's the right path for your company.



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Once you begin to narrow the potential field, you can start identifying individual companies that fit your criteria and populate your list.

With your list in hand, it's time to start contacting your targets to see if they have interest in an M&A. If you are looking to merge or be acquired, you will need to create what's known as a teaser or an executive summary. This is generally an anonymized description of your company that's meant to showcase how merging with your company or acquiring your company would be beneficial to the target company.

If a target company is interested, it's time to move on to the next step. Let's assume you've got a target that's ready to start sharing information and make an offer.

Create a non mutual disclosure agreement. Because you're going to soon be exchanging a lot of information about your business operations with your potential target company, make sure that you have NDAs in place to protect both businesses.

An NDA can protect your deal and your business by squashing leaks about M&A talks as well as ensuring that any insight the target company gains about your operations is not shared with others. After all, you've worked hard to create a unique brand, you don't want your secret sauce being shared with everyone.

Once NDAs are in place, the seller can feel more confident sharing proprietary information such as their deal book and move the process forward. As information sharing



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continues, if the buyer maintains interest and generates a letter of intent that they want to move forward with a potential M&A, then the seller or merging company will need to generate an accurate valuation of their company.

Your valuation should provide a comprehensive picture of the current worth of your company. For a merger or acquisition, you need to show the value that your partner or buyer is going to receive through an M&A.

Valuations can be completed in a variety of ways. To ensure that the method you use is appropriate for the industry, you should check with your M&A consultant or lawyer. They may be able to provide you with recommendations for organizations that complete valuations or they may have someone in-house that can do it for you.

Valuation methods include market capitalization, times revenue, earnings multiplier, discounted cash flow method, and more. Before heading down this path, I highly recommend getting advice so that you can choose the method that is going to provide the most appropriate and comprehensive information for your target company. You may also be asked to provide several different valuations using the various models, so be prepared to do so.

If you are looking to acquire a business, you will want to check how your target has chosen to value their company. You will want to check that the valuation is comprehensive and detailed. If you have any questions regarding the valuation, make sure you get answers that



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help you gain a clearer understanding of the target company's operations. Once you have reviewed the valuation, if you are interested in continuing with the M&A, you will want to construct an initial offer.

Once that offer is out there, it's time for negotiations.

During the negotiation process, the companies involved in the M&A will discuss how payments will be made, stocks, operations, escrow, and a whole lot more. Everyone is trying to protect their interests at the table, so again, it's a good idea to have a lawyer that can assist with the negotiation so you walk away feeling like you have a win-win situation.

During the negotiation phase, the buyer will draft a Letter of Intent that highlights what has been agreed to by both parties and the deal structure. This is generally not a legally binding document, as terms may change depending on what comes to light during due diligence. In addition to highlighting what has been agreed upon, it will also serve to detail how risk will be allocated and it may also establish consequences in case something goes wrong with the deal.

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Due diligence is all about getting in the weeds. If you're aiming to be acquired or are looking to merge, this is when all of your hard work organizing your data and getting your ducks in a row pays off. By taking the time to gather pertinent information and updating your business



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plan and financials, you will hopefully make it easier for your target company to look into your operations.

If you are looking to acquire, during the due diligence process, you want to pay attention to the target's assets, their operations, their intellectual property, any legal matters, and more. Essentially, you are taking a deep dive into what makes their company work and ensuring that everything aligns with what you've seen so far and what has been covered throughout the negotiation process.

Because this is a lot of information to sift through, having an M&A consultant or attorney assist with the process can be extremely helpful. Their expertise will help them identify issues and point out red flags that need to be addressed.

There is a chance that you will discover something during the due diligence process that will send you back to the negotiation table to hammer out a new deal. For example, if vital information that affects financial forecasts was not disclosed earlier and it comes to light during the due diligence process, it may require a new deal or even derail the M&A.

Once due diligence has been completed, it's time to finalize the deal and execute the contract.

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An M&A doesn't end with a contract. In fact, the hardest part may be after everything is signed.

After a deal has been reached, it's time to implement your plan to integrate operations. Now, some of this, like your



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leadership structure moving forward, should have been decided during negotiations. Other aspects, like how to combine two different marketing strategies, have to be hammered out to align activities and ensure they mesh with your new goals.

You will also need to weed out redundancies like different email platforms or reporting protocols and streamline operations so that there is one unified HR department, one billing department, and so on.

While an acquiring company will likely be responsible for determining which processes will remain in place and which will change, items in the contract may also help establish how certain facets of the company will operate moving forward.

During a merger, the two sides will need to come to an agreement either on the processes themselves or on who will be responsible for determining which processes will continue and which will be changed.

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After all of your hard work, don't forget to spread the news! A press release sharing the M&A news can help you drum up publicity and shine a spotlight on your bright future.

Your press release is an opportunity to highlight what your company will do moving forward. So if you have acquired new dispensaries and gained entry into a state that you didn't serve before, your press release is a great way to drum up the excitement about your acquisition. If you're a canna-tech business and you've merged with



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another canna-tech company, sharing your union will allow you to provide more services to a wider audience.

You will need to share the news with employees who were not part of M&A talks and help them understand what they can expect in the future. Clarity is important here if you want to retain your staff. If processes are still being worked out, share that information and provide a timeline for when different changes will be implemented. Be clear about how any employment contracts will be handled, as well as things like stock options and how they will be paid out moving forward.

You will also want to make your clients or customers aware of any changes you can expect. Be clear on who should lead these efforts and what type of messaging you want to use. For example, if you have been acquired, then the acquiring company should be setting the tone for these communications. If you are merging, then it will be a joint effort. If you are the acquiring company, you will want to consider the best way to engage with clients, employees, and other stakeholders to share the exciting news while keeping in mind any concerns they may have.

Mergers and acquisitions are popular throughout the cannabis industry because they provide an exciting way to scale and grow a company. With licensing processes and regulations varying from state to state, M&As provide dispensary chains a way to gain entry into new markets without starting from scratch in each state. They also are a creative way to create synergistic businesses that help maintain product quality and consumer recognition. For canna-tech businesses, M&As allow us to reach more customers and provide even better services.

I hope today's webinar gave you some insight into what



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can often be a confusing topic. If you are considering an M&A and need help generating brand awareness, migrating your web presence, or creating new ads, set up a free consultation with Jason at foottraffik.me/chat to learn how we can help you shine a spotlight on your business operations and get more eyeballs on your ads.

Thanks for joining us today.



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