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# EDITED TRANSCRIPT

CGC.TO - Canopy Growth Corp at Barclays Global Consumer Staples Conference

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## CORPORATE PARTICIPANTS

**Bruce A. Linton** *Canopy Growth Corporation - Co-Founder, Chairman & Co-CEO*

## CONFERENCE CALL PARTICIPANTS

**Gaurav Jain**

## PRESENTATION

**Gaurav Jain**

Hello, and welcome, everyone. I am Gaurav Jain, Barclay's Global Tobacco and U.K. Consumer Analyst. We are thrilled to have Canopy Growth, the largest Canadian cannabis company, with a market cap of over \$15 billion. Canopy Growth was the first cannabis producing company in North America to be listed on a major stock exchange and this was in July 2016 and included on a major stock exchange index, this was in March 2017. In May 2018, Canopy was also the first cannabis-producing company to list on another major stock exchange, which was the New York Stock Exchange. Constellation Brands now owns 38% of Canopy Growth and has warrants that can take its stake up for 50%. Here to tell us more about the industry, the company and its growth prospects today are Bruce Linton, Chairman and Co-CEO.

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**Bruce A. Linton** - *Canopy Growth Corporation - Co-Founder, Chairman & Co-CEO*

Thank you, thanks very much. So I'm sure last year the people who came to this show expected to see a marijuana leaf on the cover of the report with the bank's name on the top. So excellent report, thank you for putting it together. And thanks to Constellation for making the investment. They increased my worthiness to be by here quite a lot. We had asked about 3 months ago, could we come and I think the answer was tepid at best, and that was just to watch. And the effect of a material transaction was that they called quite frequently to be sure we would come and I appreciate you guys coming to the second last session on the last day and at least about half of this room I think was in our one-on-one rooms, which really went very equally one-on-one, but thanks for everything.

So -- what's going on in the cannabis space and why is Canada leading a headline that says, Innovation, Regulation and Acceleration headquartered in Canada. Not a usual statement. And it's because in 2001, a group of people went to the Supreme Court of Canada and they succeeded in the charter challenge that said there was medical benefit in cannabis and you can't withhold it from the citizens. And with that, the federal government had to take action and it was a reluctant action as almost all cannabis files have been, and the outcome was kind of unusual in that they didn't have cannabis and the people who had won the Supreme Court case had the right to it so they said, why don't you grow your own. Now if you stop and think about that for a little bit, that might not have been the best bureaucratic response to the circumstance because over a course of about 11 or 12 years, approximately 36,000 Canadians either were ill, became ill or drove motorcycles to work and what I mean by the last point is it became an excellent way not to go to jail if you're producing cannabis because you could say, I didn't know that I wasn't allowed to grow that many plants like 1000 extra or you could aggregate together a bunch of licenses. The effect was that the police were unable to determine who was a good guy and a bad day. And I give you this because the regulatory response was to create, in 2013, the platform that allowed me to launch this business. And what it was about was not growing cannabis but more about not losing cannabis, chain of custody. And it wasn't about the price of the cannabis, it was about the fact that it had to be unadulterated, couldn't be sprayed. And the platform gave such confidence to the control that it became a direct from business to consumer where if a patient went to a doctor and was given the right to have cannabis, they connected directly to us to have it shipped to them. And that program went from 0 doctors who understood the platform to, after we have had more than 50,000 doctor visits, that you have more than 10,000 doctors who prescribed and many, many more, who have actually redirected patients to prescribe to doctors to say, perhaps, instead of your opioid or benzos, you should be trying cannabis, which fueled a rapid growth. And you can see a little bit on the spot, but what you should also note is that the number of patients, which we have about 1/3 of the total grouping, has gone from effectively 0 on April 1, 2014, to over 300,000 patients, who have to pay for cannabis for the most part for themselves, to get something that may be a substitute for opioids or other medicines. And during the course of creating this, we have hosted senior officials from Germany to Jamaica, Brazil to Australia, and what's occurred is the rest of world is saying, we have cannabis, we don't have a system. Canada seems to be a pretty normal well-ordered place, and the way it had in the public policy file so why don't we copy them. And so that's kind of how we got to here. And here is really the starting line. Come to Canada next month middle of it, you're going to see first time in any kind, I'll call it substantial real company --



country where the citizens over the age of 19 can make a decision of whether or not they want to buy cannabis and whether or not they want to do lawful purchases. No more guy in the puffy coat, no more promises of what's in there and it may not be. And so that platform has saturated our media and I think you're going to find that the market in Canada for cannabis has a 10, 12, 15, 20x growth, and it's going to be for fairly simple products. It's going to be a launch that Canadians will no doubt take apart. We're excellent at finding fault in everything we do. But the rest of the world will watch and say, oh my god, why aren't we doing that. And what it's going to be is a launch pad that I think you're going to see the 29 countries that around the world now, up from 2, that are readily now managing medical, start to say, do I really just want to do medical? And so that's kind of where we are. It was interesting. We put our quarter together and put it out and our list of activities included raising \$600 million of a convertible venture and listing on the New York Stock Exchange, and I would say the New York Stock Exchange was forcefully no to the potential of us listing relative to Barclays (inaudible) me presenting. When we contacted the New York Stock Exchange, we said, we would like to give the opportunity to host the first marijuana company on your exchange. We break no federal laws, we do all these conditions, and the answer was no, absolutely not.

So because Constellation was investing in us, a prudent question seemed to be, but what if a company listed on your exchange bought us, would they have to quit being listed on your exchange? Hmm. That's a problem, good question. So they got back to us and they have allowed us list in the exchange. What we do find interesting though is we're on their exchange, we've been very good for the exchange because we showed quite a bit of volume, but we're not allowed to touch the bell, true story. We are not allowed to touch the bell. It's one of those rules where we didn't even -- we didn't protest much, we just scratched our head and said, I want to turn into a social media thing, we're like, (inaudible) so you can ring the bell and you're going to go and not ring it? But I give you that story in that one of the challenges of being a marijuana company is that you do not get a normalized reaction to every activity you take, which would be quite normal. And if you became at all flustered with that rather than persistent in finding success, you would be very quickly defeated. And so culture and then intention to succeed in a way to find to where to navigate through rules has to be a core to the DNA of the company and you know, don't touch the bell.

So I got asked several hundred times over the last 24 hours, why now, why \$5 billion, that's Canadian, but it makes a much better headline than \$4 billion. So it was important to actually reflect back. We found Constellation because Rob had made a comment in November of 2016 about the fact that he thought it wouldn't be a very bad idea, in fact, probably good one for them to be involved in the cannabis sector. Remember, in November 2016, no one else in anything to do with alcohol and most Americans were not saying that kind of thing. So we wanted to meet him and we wanted to meet the company he ran and as we got to know them over an 11-month period, we were quite impressed with the fact that they were entrepreneurs and they were willing to make trades and they were aggressive.

And so we announced, in November, a year ago, or just coming up to a year, that they were investing \$245 million with 9.9% interest and ability to move to basically 20 with another 9.9%. And I think that sponsored mayhem, panic and concern across alcohol and pharmaceutical as to why don't we have a plan for most of the others. And we worked together for the last 10 or 12 months. And when I say together, I mean from lab techs to CEOs to founders and chairmen and we worked really well together. And the well-kept opening up and so 1 month or more ago, almost 2, we collectively agreed that there was an opportunity if you added rocket fuel that a company called Canopy could probably achieve a breakout move that would make the question of who's 2, 3 and 4, a very good question but not the question of who's going to be the dominant player in this really rapidly emerging sector. And so I think time will prove that acceleration at just the right time creates a change in where you're orbiting. And I'll get into that a little bit more, but this is an unbelievably rapidly changing sector that is probably the most exciting and best place to be on the planet. And I was very clear with the guys who were doing the deal my objective is that they don't ever want to kill me, but sometimes do want to hit me because running this company in this space at this time, while you all have fascinating jobs, this is the best one. You're seeing a once in a lifetime global change and you get to be at front of the seat. It is dramatic. So what's actually happening? Well, the way it works is first, you form up a policy in a country that's addressing a patient need and that is a true need, but it also can be in a sense, it's the wrong phrase, but I call it the Trojan horse because the platform in order to produce cannabis, extract cannabis and deliver it safely to end clients is almost identical to that necessary in order to facilitate a party. Like you're not going to sequence from where the party starts before the patient is resolved in terms of the medical need. So you got to be there first. The United Nations has made it extraordinarily clear that cannabis is not easily moving around the planet anytime soon. So if you go and look at the Narcotics Control Act, this is something that the receiving country has to request and it has to be matched with a reciprocal government's capacity to show that it's federally lawfully produced to send it there, and, therefore, you don't need any tariffs in order to exclude it from your country, which means that you can find a way to produce it in your country, which means you're going to look for best practices, you're going to run a process and you're going to pick us. And the reason you're going to do that is, in many countries, the government pays for the cannabis because it's medicine. So if you have a choice to export your money to a third geography or to bring it to the worst part of

your own country, say, East Germany or Central Denmark, and have us produce cannabis in that geography, you are going to want that. And the reason it helps for us is, we take all of our IT, all of our skills, all of our genetics, our outcomes from medical trials and our brand of products and we arrive in the country and over time, that advantage accumulates to be, I think, quite material. These numbers, I use them because we're supposed to put a numbers up to represent the market. But really what they may reflect is the transition from people making illegal purchases of cannabis to making lawful purchases of cannabis. In a slide or 2 I'll show you a picture of a beverage that is not lawfully available, and if we think about clinical trials, we have 39 patents that we've filed against how to cause people to have a full night sleep. And I love presenting at these forums because at least 80% of you could actually go into my clinical trial. The symptoms we are looking for is do you have anxiety in the middle of the night that from time to time wakes you up around 2:45? And would you be willing on a trial basis to go on a double-blind study where I need 160 people to confirm whether or not it caused the duration of sleep. And most of you (inaudible) wake up. It's not physiological, you're fine, it's anxiety. And what happens is, did you buy or didn't you buy becomes a question that gets waking you up around 2:45 and the gremlin runs around and you have to try to get the gremlin back in the box so you can go back to sleep. That's the kind of target symptom, which there's a huge market and everybody who has that problem has typically a very good disposal of income scenario. And our competitor is not something that people are super loyal to. So Ambien, as an example. And so that's tough that you have that problem now. Imagine now you've reached the ripe old age of 77 and you've been moved from your home and you're in an assisted living environment. And now you're disrupted because you don't sleep because you're not in your house. So they start giving you sleep aids. And because you're old, you got pain so they start giving you opioids so your hips don't hurt. And now you're not eating as much, and you're not moving around as much. That condition is called being old. And it happens to mammals, dogs too. And if we can cause you to feel more likely to sleep, a little less anxious because anxiety in being in a different place, a little more hungry and feel a bit more mobile, I think it's a better march to the finish line for humans and dogs. And so that isn't captured in that market segment nor I remember of other opportunities that exist when a long prohibited oppressed ingredient gets the opportunity to actually run through medical trials. So you should really think about the segments as a much more disruptive consideration rather than lawfully complying.

I got a lot of questions about brands and I think my best answer is that brands matter, but it will matter a great deal in the context of what is being branded. So one category that has had a quick development are these energy drinks, the Monsters, the Red Bulls, and that if you do your work, there's a whole bunch of them that didn't work. Maybe they had good name, bad product; maybe they had good product, bad name. So what we have to make sure is, as we're ramping up, what we make, to whom we sell it, that we have great product, great brand and it attaches to the right people. So for some of us, having access to calories is no longer a primary need, we find lots. And so if we can make a beverage that has 0 calories that could be a big factor in why you would want it, but it better taste great and be in an awesome bottle that matches with what you want to show your friends when they come over that you pour them a glass. If you're going to go on a medical program that gets rid of your sleep aid or I don't care if its co-treatment of oncology through sleep aids, through concussion considerations. What we want with the Spectrum is, the number one objective there is to make it so that doctors can rapidly and clearly explain to their patient what this is about. So red is high THC, low CBD and there will be indications that it matches against, and yellow goes the opposite direction, where it's high CBD and low THC. Then we ran clinical trials against them so Spectrum Blue is the current one being used for our Phase IIb sleep trial. I have not yet used the word of a strain which is in any of those. And so you haven't actually heard is that something that people inhale, ingest, is it a topical. And so the intention with Spectrum is to have the ability to get an outcome and then migrate you over form factors, make it easy for a doctor to educate and never correlate it with the type of cannabis underneath. And I think that sounds a lot more like a package outcome that has quite a bit of traction and stickiness. The balance of the other brands related to Tweed are those that say, I don't make a decision, pick what you want. And so some of them will develop and have a much more orientation to connecting to a female client, to a male client, to a youth, to an older. But this is the part with Constellation as we get to the -- into the truly rec market. We did a session out in Napa, I guess, probably 2 months ago. And we're talking last night. There were 2 or 3 brand ideas that they came out with, that were like 100x better than I would ever do. And so that's how you start to think about where does this position, we have to focus on the product quality. So it doesn't sound as exciting as talking about marijuana and pots and edibles, but it's actually about regulation, structure and control. And when you go from how do I grow it, which is hard at the beginning and easy, and then how do I extract it, really what you start getting into is how do I onboard patients? And then how do I make sure that we're following the best regulatory platform that we can take anybody from any country through it and they say, that certainty is what I want in my country. And then how do we move people through the bias that naturally exists to a preference, and I have a strong preference now that when my parents go into a geriatric care environment, I do not want them at the ones who prescribe heavily opioids and benzos.

And I think you're going to find that there is massive bias change over the next 5 or 6 years towards geriatric care as that evidence come up. And then as we get onto the recreational products and people understand the method by which they ingest these and the outcomes that are not nearly as tough on the overall body, let alone the calories, there is going to be a program. And when you get to R&D, we have a division called Canopy



Health and we show the dog, people love it, but this is where the long play is. And all that has to be together now because the plants have to be grown, that oils have to be extracted and the formulations created, and whether or not I'm treating anxiety as an indication in an adult or trying to make Friday night more fun, those aren't so terribly different until you get to the packaging and the presentation at the point of sale. And so there is a lot of clinical work to make sure that it works because the biggest problem that cannabis has is those false promises. If I go to California and see another CBD beverage that has almost no CBD in it and promises unbelievable outcomes where there is no evidence, that's the sort of thing that makes you nuts. People want certainty when they exit prohibition. I think we're going to deliver it very well with these tools.

Where are we? We're in about 11 countries. And you'll notice as we go global, in all countries but Jamaica, we're called Spectrum because it's medical first. And in Jamaica, we are there because it's Tweed and they have about 4.2 million tourists. And most tourists get to be a tourist about 1 week out of 52. And so we think with 4.2 million tourists who might be able to determine noncompliance with the United Nations that in fact, they are sick. And for the duration of vacation, they do need medicine. And that the Tweed medicine they get really makes their vacation better but they may actually have a strong bias towards us when they have an opportunity to make a lawful decision later. And so that's the sort of thing that's happening around the globe. Australia is moving through steps. I don't have Greece on there yet, they have moved into having this as a thing. In my discussions with any people today I talked about, if any of us were running Greece or Australia, I think we'd rapidly move to the medical programs. We can get to the rec programs. We could drive tourism. Particularly in a place like Greece. Your GDP is dependent on tourists. I can promise you if you could have Corona and cannabis at the beach, the beach will be way busier. And so that's the sort of thing that's going to drive the agenda.

Now I'm going to be, on October 17, a first-time buyer of cannabis. I'm probably the only person who has ever started cannabis company who never bought cannabis, I have -- I really like rules. I have smoked cannabis and I was in the university and I found that I was extraordinarily able to get stoned and not really able to get unstoned. And so I didn't really like that and I think that what's going to happen, the reason we want to have retail stores is I think that everyone should actually go slow. And when we brought medical oils forward, I campaigned to all of our patients with dose low, go slow. And we had very, very durable uptake. And so what we're going to do in this, when we use retail, it's about educating people where the shallow end is and then keeping them in it. And that -- as we migrate from simple products that are gel capped smokables over the following 9 months in Canada, we expect to be able to introduce what they call ingestibles. So whether it's drinkable or edible. And the format of change is going to make it much more comfortable for people to consume it. But we want to make sure they come back and the best way to have them come back is not just start with like Snoop Dogg's favorite because I spent some time with him. He is unbelievably productive for a man who smokes an awful lot of cannabis.

Canada is quite provincial, and we operate in most provinces, all but one. Three of the -- our direct assets are a partner. And the provinces have an obligation to sell the product that the federal government regulates in terms of how it's advertised and how it's made and what the products are. And in a range of the provinces, they've taken to distribution through a government entity like they do for liquor, wine and beer. And in a range of provinces, they've adopted a private sector model. The biggest break from tradition in our country is Ontario. The largest province has decided that they will have a provincially run warehouse whose obligation will be to purchase products and then reroute them to private sector retail, which will be built out over the next -- about 9 to 12 months. In Ontario, in the short term, they're going to have e-commerce as the primary platform. When the provinces were making the decisions, they don't have everybody's product for anything, right. They don't have every kind of vodka available on the planet. They have certain types, so they made decisions. And only one company was picked for every province. That was us. It's not they particularly liked us or disliked us. That's -- their job is to make sure that it's not a failure, and we've seen (inaudible) be the most confident supplier. So about 36% of the warehouse coverage, net of not even yet having announced Ontario in terms of -- we have about 100 SKUs. But once that turn up to kilograms, adds up to about 67,000 kilograms of product that is essentially required of us to have available to make for sale over the next year, prior to Europe, Germany and prior to our medical market. And we've hired and built the sales teams, so our objective is to make sure the siphon, the pull, the draw out of that warehouse is much better for ours than anybody else's because we want to over perform that opportunity. And we didn't need to give good financial deals because we're the only one that had built a large asset base, so we were probably the worst for them to deal with on price. And the deals are 1 to 3 years. So think about it: now you have distribution, we have a lockup on a national platform with one company, which gets us to understand what the stores are about because we have them in 4 provinces, gets to interact directly with the end client and gets to reintroduce new products each -- probably 9 to 12 months to layer on what the difference is and see how rapidly we can have those adopted. So that's kind of what we're looking at. And I think our expertise will be from seed to sale. And over time, I have no bias in favor of owning production or owning retail. What we want to own right now is the client interaction, and we want to own the quality of the product. But over time, with subordinate growing, I bet that will be a great business to subordinate into some kind of REIT. Maybe over time,



the retailer is something that becomes a different line of business. But right now, it's about getting that patient, client, transfer and owning the relationship.

So where we are is across the country. In 2 provinces, they've said, "Could you also do e-commerce for us because that's how we run our current business?" So in Saskatchewan and Manitoba, we're going to be doing e-commerce where we take the order drop-ship. As it is now, if you come to our website at 3:00 today and place an order as a patient, it ships by 5. And that's almost always. So we've been digital from day 1. We're probably the most nerdy marijuana company in the world, like we love Amazon Web Services. We love Google Forms. We operate this thing where it's about chain of custody. And it's -- e-commerce is quite easy if you actually have a very good inventory management system. We're on our third generation of our ERP system. Now we've been in business 6 years but we've grown quite rapidly, and what I'm hoping is when we finish implementing stage, we use it for about 2 or 3 years, and they will call David and Bill to say, "Guys, now we want to use that SAP thing that you guys just got done implementing, clunk that one in." But that's the kind of company that we are, and that's how we kind of run our systems.

I love this one. I don't know if you can see at the top it says Tweed on the wood. And it says, "Hi. I'm new." And I hope you can kind of almost hear the voice in your head because that isn't intended to be something that it's not. That is a unique category, which we have 2 ways that we carry our cannabis. One is we take strain by strain, and we target the same outcome in the liquid format as you would if you consumed it in other formats. And the other is to take a broad extract. And if you want to use that to power beer or wines, beer is fine. And if we do it this way, we think we can basically have one plant and one liquid. And it's a very clear and simple beverage made by a process that we think is unique enough that we're optimistic. We'll probably be able to get quite a few process patents about how we prepared the inputs for that drink. And so guilty in that I keep circling. I want to take the happy waistline and just keep saying 0 cal, no cal. There's a whole bunch of ways to look at how disruptive this can be, but it can be disruptive, I think, to the U.S. market the most because the drinks that you currently see, even in U.S. states, the reason they don't represent a very big market share is because they're terrible. Like why would you buy a 10-milligram beverage that takes 40 minutes to onset and ruins you for 4 hours?

Like who goes back and buys a second one? This is intended to be something which we can structure, so the onset is rapid, meaning you get a feedback loop in 7 to 12 minutes, that if we're making it as a single serving, you make a choice whether or not you have a second one because there's a rapid onset, a small dose, think 2 to 2.5 milligrams. And so you're not making a long-term decision, you're having a beverage with your friend. And I think that that's where the market share thing becomes relevant. But I can't put this on the market until the second half of 2019, assuming authorities approve that, which I think is quite likely. And the reason it's likely is I mentioned in how our government in Canada is the provinces, I should have been more specific. It's the liquor authorities. So in Canada, we love lineups, right, like we like want to go and buy our liquor from the state government and pay quite a lot for it and feel good about it. And so all of the liquor guys, and it is guys, there's only one lady who runs the liquor authority in the whole country. Those guys are going to be a lot more comfortable with that than they are with a gun [barrel out] [gun bail out]. So it doesn't take a huge stretch to see why this coming on will be interesting. If you want to Google a cool store, Google Nova Scotia cannabis store. What it will show you is a single door, a single parking lot and a small glass wall between the liquor side and the cannabis side.

Now imagine, in the second half of 2019, if I get to have that on one side and the other guys got the booze on the other side. And you have a choice and you buy with your discretionary budget, one bottle online and one bottle of the other stuff. And if ours isn't intended to cause you to fall asleep too soon, not to get a little fatter, not to have a hangover, I like how that stacks up. And so I think you're going to find a lot of people sneaking around Nova Scotia in the second half of 2019, probably with French accents trying to calculate what exactly is happening here, and so keep an eye on it. Canopy Health, and I realize this is not a pharmacy store, but everything is linked.

So Canopy Health, I mentioned a little bit. But we have a focused area, which is how do we turn this into a protected, really well moat built thing. And then in the CBD world, it's about how we make it and the patents around the process and the brands and the bottles, all of that. In the other world, it's about how do we go through clinical trials, so people quit calling it medical marijuana when it's done none of the necessary steps to, in fact, be deemed medical. And when you do get through those steps and if they do work, there are a great number of indications. We think we can have a very substantial impact and a long value chain that goes out for some years.

And so you can see some of the talks that -- take a number that you want to look at, but like how big is the sleep market? How many people have actually used a sleep medication, if they felt that it wasn't actually something that left them dim or foolish the next day, feeling kind of gross, or





actually began to become an accumulated I need more and more. If you could actually have a sleep aid that worked and didn't leave you that way and it was made with cannabis, is the market a lot bigger. Like I'm one of the best faller as sleepers in the world. I'm one of the worst stayer as sleepers. And I bet in this room, there's a whole bunch of people who either can't fall asleep or can't stay asleep but are reluctant to use any method to do it because they're worried about how connected will I get to that treatment. The polls, we can show that it's not that, and it's better. I bet the market is twice or 3x more.

So -- well, I love the Constellation team because they are entrepreneurs. I built my team with a couple of tricks. So one of the tricks is I hired people who had, for the most part, ideally one or more child under the age of 12. And ideally, they had 2 or more degrees. And ideally, those degrees were like a law degree and a math degree or some kind of combinations where there -- so the left and right brain. And then I recruited them and hoped that they had a mortgage because, in Canada, mortgages are not deductible from your income. They're just like this big, heavy thing you carry around. And the reason I did that is I figured we had to spend at least 5 years together to figure out what was going on. And so the group that's there, the guy to my right, he has a math degree from Waterloo and then a couple of law degrees, including one from Cambridge, and he'd never run a company. So he can't tell me how to run a pickle factory or a semi-fab factory, but he does show up and every day figure out how we scale this thing using a lot of alliance to rules. The guy beside him, believe it or not, he is -- I bugged him. He's got to get a different picture because he has 8 year old, a 12 year old and a 14 year old. And it was important because I said at the beginning, "It's going to be quite frustrating some days," and they're going to say, "God, I do not want to put up with this chaos where I can't ring a bell at the New York Stock Exchange or I can't get money to deposit." At one point in time, we had our money at the Royal Bank of Canada, which I thought was a good idea, because it said Royal Bank of Canada. And after 2 or 3 years of our money being there, they sent me fax on a Friday afternoon in August saying, "You got to take your money out of our bank account because you're a marijuana company." Well, when I opened the account -- I've opened every business account in my history with a company that's called Tweed Marijuana, Inc. I didn't think I was like hiding it. And if not having a home for your money became a frustration, that wasn't an awesome day. But I thought if they had these mortgages and kids, they're not going to come home and say, "This is crazy. I'm done. I'm leaving," because it's too hard to relocate.

And so this crew has been with us. Dr. Mark Ware, he is -- I would argue probably the #1 or 2 most recognized global cannabis researchers, he's been at it for 20 years, and he is someone we wanted to have join with us for about 6 years. In fact, I contacted him as soon as I started the business and said, "Would you be on my advisory panel?" And you'll notice a pattern here. He said no. And the reason he said no is he goes, "I have no clue what this sector is going to be about. I know what I'm doing." And so he's migrated being a full-time Chief Medical Officer. We have done a great number of visits on physicians. And when we started doing physicians, this was April 1, 2014, and what we had to go to a doctor with was a small container of dried marijuana flowers. And these are Canadian doctors, so essentially they're bureaucrats. And we had to convince them that, that dried marijuana would be a good idea to prescribe to their patients. And over the course of 50,000 visits, we're now seeing those sort of 15,000, 16,000 doctors in Canada who are prescribing a whole bunch more moving it, but it was run by a man in our team.

Our Marketing Officer comes from Molson Coors, and you know there's been a real ramp-up to how the brands get out there. I think if you continue to watch the sector in Canada, it is remarkable that in a very controlled way, brands like Tweed have become front of mind, and it's all about our [immediate]. It's not that we can actually make claims. But there are lots of tricks. We can advertise in age-gated areas, which means, in Canada, starting October 1, if you're over 19 and you're male and you go to a washroom in a bar, you're almost positive going to be looking at sign that says, "Hi, from Tweed," because we can have our brand put displayed with our no youth. And we lock those sorts of channels up. Our brands and packaging, everything that we've rolled out has been a way to get people who are aware and smart for us, which tends to be people who have thicker wallets. And so I think we're going to see a very solid launch.

So that's briefly our story. I don't know if the format allows me to take questions or if I'm supposed to go next door to do that.

I could take questions, and I think I'll go out and around and over there to the place I went with Constellation for secondary questions. Seeing none. There's a fellow who had beer question yesterday. He's earned his right to marijuana questions today.



## QUESTIONS AND ANSWERS

### Unidentified Analyst

Yes. Bruce, could you talk a little bit about the merchandising in Canada? If I understand correctly, it's a plain packaging format. And how you're going to work through that?

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### Bruce A. Linton - Canopy Growth Corporation - Co-Founder, Chairman & Co-CEO

No. It's -- so it's kind of funny like the liberal government probably won the last election by promising Canadians they were going to let them have a regulated choice to cannabis. That was kind of like it wasn't a big fight about pipelines or other things. That was the big topic. And when they got to the final stage, which is how do we package this, we almost had to say to them, "You sure you just don't want us to put it like in Ziploc baggies like the criminals," because they got really bashful about the packaging. So what we can do is we can have 2 colors on a package, and chrome and shiny metallic are deemed not colors, and therefore, disallowed. Remember, I said in Canada, we have a rule for everything. We define chrome and shiny metals. But on the package, you can have the name of corporation. You must have the information related to the product, how strong when created. And the name of the brand Tweed can't be larger than the symbol that says THC. And the word plain packaging is exactly what they kept talking about. They want plain packaging. And so to give you a sense of the company you're investing in, after a while we went, "I wonder if anybody's trademarked plain packaging for marijuana?" And they hadn't, so we did. And our entry-level products are going to be called plain packaging. And that value brands as plain packaging, we think, will appeal to people who will try that and associate it up to Tweed because of the structure of the can is very similar. We're not protesting really hard about the packaging because we've developed a brand for the last 6 years by being the first on stock exchanges and taking over chocolate factory that used to be Hershey for the whole country, doing more earned media by multiples than everybody. So we think when people walk in the store, even though the package will have some visibility, they're going to ask questions of the staff, what's the one from the chocolate factory? What's the one Snoop liked? Tweed is going to be front of mind. Tweed is a simple name. When I picked that name 6 years ago, I picked it because it was reasonably lazy. And I thought if this ever turns out to be a big thing, I don't want to have to actually do all the work of having a new name. So it took 6 months to pick the name. And so Tweed, I think, is going to do a fantastic launch because of its already association, but it will be very difficult for people to build brands at point of sale. Yes, sir? For all those people that had help right there, the people that had calories today, you're helping me make run this, I guess.

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### Unidentified Analyst

So my question regarding emerging markets. We've seen some emerging markets went to medical, and they eventually will transition into recreational. What's your thought there in terms of the challenges you might face given the emerging market?

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### Bruce A. Linton - Canopy Growth Corporation - Co-Founder, Chairman & Co-CEO

Yes. So, well, there's like emerging and emerging, right. So we have Europe as an emerging market for cannabis, but then we also have places like Lesotho in South Africa contemplating and governing production in cannabis. And India is saying, "How could we make a pharmaceutical input?" And so each of them are going to come down to what is the role we play in running a business. And over the short order, I hope they'll subordinate the obligation of producing the flower and the output of the flower, so we can actually buy it as an ingredient and feed it up. But until then, we are a participant in the growing and producing in all those markets. So we have an announced platform in the South Africa region to Germany and Denmark. And so really, it comes down to most of them are federally regulated. Most of them are fairly straightforward. There's always political risk, but the political risk in most countries seems to be diminishing rather than increasing because each time we do -- we get polling, it goes from 50% to 60%, 80% of the population that is trying to feel better about governing than ignoring. From a capital use, we've got about CAD 1.4 billion in assets on our books which service largely Canada. And so if California opened up, you can see we'd basically need to drop one of these asset groups in order to really substantially deliver on a market. And pick population, that's kind of how it shifts through. So Germany is a great one, right. Like Germany, the government pays, you got to win the RFP. But until then, we export to there, and we work hard to make sure we get the right to plan the RFP. Yes, sir?



**Unidentified Analyst**

Yes. So on the retail exposure, I guess. What's the footprint ready to go on 10/1? And I guess what's the maximum number of stores that you'll have over time?

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**Bruce A. Linton** - *Canopy Growth Corporation - Co-Founder, Chairman & Co-CEO*

Yes. So October 1, I think we have the numbers on there. So when we look at Newfoundland, we've got 8 stores. When we come across to Manitoba, 15; Saskatchewan, 5; in Alberta, I can't tell you the number for sure off the top of my head, but I'll go with 15 to 20 stores that we've been -- locations. So the way it works is you have to apply to be a store operator. You have to show that you're not a criminal, then you propose the locations that you want to operate. They have to then approve the location and select you. So as we go from East to West, for sure, in Newfoundland, Manitoba and Saskatchewan, we're good to go on the core stores. Alberta is getting a bit tight because they've been handing out the permits as recently as last week for who's going to do it. We don't build stores. We install stores, but it's getting a bit crazy. Ontario said, we're willing to have about 35 provincially-run stores. That's nuts. We have 850-ish liquor stores. So the new government came in and said stop. Just have a website and let the private sector apply. And I would expect to have about 250 stores in total, not just for us in Ontario but next year at about this time. And what I like about that is the stores will open when the new products hit the shelf, and so I think it will give people a reason to visit to see those products and get educated on them. So what are we going end up with across the country? No one knows what they're going to get in Ontario because the process hasn't been announced, but across the balance with them, we're kind of getting in that neighborhood, 35, 40 different retail locations at least.

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**Unidentified Analyst**

(inaudible)

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**Bruce A. Linton** - *Canopy Growth Corporation - Co-Founder, Chairman & Co-CEO*

Sure. Thank you very much, everyone.

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