

# CASE STUDY



CHM : CSE | CHMJF : OTCQB

How Chemistree's strategic investment rapidly helped Washington based Sugarleaf Farms.



**+239%**

MONTHLY SALES INCREASE\*

\* Source: Washington i502 data:  
Sep. 2018 to Oct. 2019



**+36%**

CROP YIELD INCREASE



**+100%**

RETAIL CLIENT STORES  
INCREASE





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*"Our partnership with Chemistree has been a wonderful symbiotic relationship from the start. They've provided not only a much-needed capital infusion into the facility, but also strategic direction, branding, expert cannabis cultivation guidance, and best practices for scaling our business. I'm proud to say our order book is now fully spoken for each month and our sales team now has new clients looking for Sugarleaf-branded products every week."*

Travis Royce  
GENERAL MANAGER, SUGARLEAF FARMS



# Challenges

OPERATIONAL INEFFICIENCIES AND BALANCE SHEET CONDITIONS



In 2015,

Sugarleaf was granted the third cultivation license in the Washington State, quickly earning a name for cultivating premium flower as they introduced a multitude of award-winning strains, such as White 99 to the Pacific Northwest.



As the industry matured, Sugarleaf found themselves overleveraged and undercapitalized. The business' financial picture began to deteriorate as it was generating substantial losses in 2017.

At the time they sought outside help from Chemistree in June 2018, Sugarleaf was about a quarter away from going lights out.



# Solutions

OUR TEAM IS OUR ADVANTAGE – STRATEGIC DEPLOYMENT OF RESOURCES



Possessing decades of experience from cultivation to capital, Chemistree immediately went to work to assess the business from all aspects and identifying necessary capital improvements, advising on standard operating procedures, opening up a rolodex of experts and resources that were not previously available to Sugarleaf. Chemistree's approach is that cultivation begins with genetics and environment. But what can't be overlooked is the supply chain required for maximum profitability including cost of goods.

Means Of Implementation (MOI) were targeted to strengthen the business in the following areas:

## **Organizational Structure**

Introducing systems, managerial efficiencies, financial discipline and monitoring gross margins.

## **Talent Recruitment**

Leveraging Chemistree's relationships to attract the brightest people in the industry and be part of a winning team. Key staffing issues addressed: hiring of General Manager, Head Grower, Brand Ambassador, sales and promotional team.

## **Infrastructure**

Improvements in automation, irrigation systems, lighting, servicing of air conditioners, fans and CO2 to create the optimal environment to grow high quality indoor cannabis and achieve higher production rates.

## **Product**

Increasing bud size via experimentation, introduced new strains and changed nutrients. Also, changed packaging and pricing.

## **Marketing and Branding Strategy**

Utilizing a marketing budget to build brand awareness and loyalty via sponsorships, swag, industry events and launching a website as well as social media channels to provides updates and interact with customers.

## **Standards of Practice**

Introducing professional controls to ensure consistent quality and health and safety.

# Results



TRANSFORMATIONAL EXCELLENCE IN PRODUCT, BRAND AND FINANCIAL PERFORMANCE

Measures taken were key in lowering labour costs, increasing productivity and paramount for Sugarleaf's ability to standardize from crop to crop. For example, upon Chemistree's due diligence review of lighting alone, we noted that Sugarleaf was using 750w Gavitas and Illumitex LED's. We realized that the money saved on power was not enough to justify the loss of product. Thus, we changed the lighting to Gavitas with 1000w Phantoms, and replaced the LED's with 350w Arcs. Consequently, crop yields immediately increased, and Sugarleaf realized a significant gram per watt increase in every single zone.

## The Team's Strategic Planning And Best Practices Resulted In:



**+100%**  
INCREASED  
PROFITS  
IN 7 MONTHS



**+239%**  
MONTHLY  
SALES  
INCREASE\*



**+36%**  
CROP YIELD  
INCREASE  
SINCE APRIL



**+100%**  
RETAIL CLIENT  
STORES INCREASE  
SINCE APRIL



\* Source: Washington i502 data: Sep. 2018 to Oct. 2019

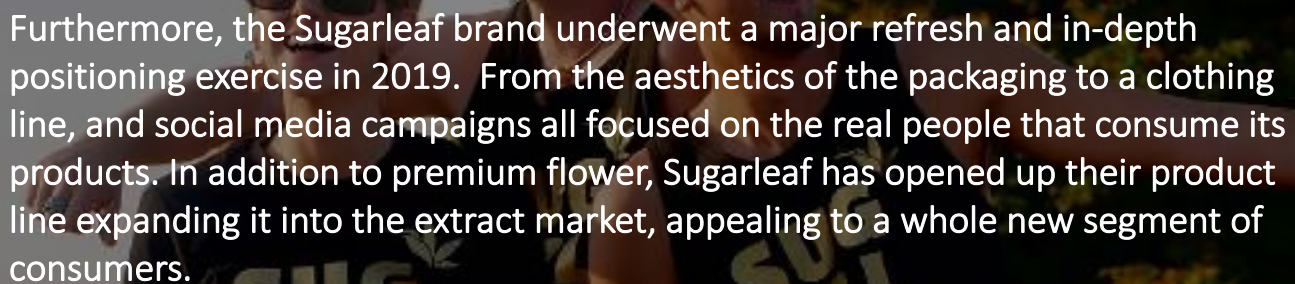
# Outcome



CHEMISTREE HAS A CLEAR ADVANTAGE AND WILL CONTINUE TO USE THIS AS A BLUEPRINT FOR U.S. EXPANSION

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Due to Chemistree’s relationships with manufacturers and distributors of all the products required to grow, not only were our capital improvements completed at a lower cost than our competitors, but were also able to pass along those savings direct to the grower. Sugarleaf saved on consumables such as nutrients and mediums, making them more profitable for years to come.



Furthermore, the Sugarleaf brand underwent a major refresh and in-depth positioning exercise in 2019. From the aesthetics of the packaging to a clothing line, and social media campaigns all focused on the real people that consume its products. In addition to premium flower, Sugarleaf has opened up their product line expanding it into the extract market, appealing to a whole new segment of consumers.

Chemistree’s integrative partnership with Sugarleaf has elevated Sugarleaf to the “it” brand to look for as we move into 2020.

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*“Being able to access Chemistree’s guidance and support through Sugarleaf’s next phase of planned expansion will be invaluable.”*

Travis Royce  
GENERAL MANAGER, SUGARLEAF FARMS





We're here to help your  
cannabis business succeed.

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FIND OUT HOW WE COMBINE CAPITAL, EXPERIENCE AND  
STRATEGY TO MAKE IT HAPPEN.