

Transcript of  
POSaBIT Systems Corporation  
POSaBIT Systems Corporation Conference Call  
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**Participants**

James Carbonara - Hayden IR  
Ryan Hamlin - CEO & Co-Founder, POSaBIT Systems Corporation

**Analysts**

Owen Bennett - Jefferies  
Scott Fortune - ROTH Capital Partners  
Andrew Semple - Echelon Capital  
Joshua Horowitz - Palm

**Presentation**

Good day, ladies and gentlemen, and welcome to the POSaBIT Systems Corporation Conference Call. All participants have been placed on a listen-only mode and the floor will be open for questions and comments after the presentation.

It is now my pleasure to turn the floor over to your host, James Carbonara. The floor is yours.

**James Carbonara - Hayden IR**

Thank you, operator. With me on this call are Ryan Hamlin, Chief Executive Officer. I'll begin the call by reading the Safe Harbor statement. This statement is made pursuant to the Safe Harbor for forward-looking statements described in the Private Securities Litigation Reform Act of 1995. All statements made on this call with the exception of historical facts may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934.

Although the company believes that expectations and assumptions reflected in these forward-looking statements are reasonable, it makes no assurances that such expectations will prove to have been correct. Actual results may differ materially from those expressed or implied in the forward-looking statements due to various risks and uncertainties. For a discussion of such risks and uncertainties, which could cause actual results to differ from those expressed or implied in the forward-looking statements, please see risk factors detailed in the company's annual report and subsequently filed reports, as well as in other reports that the company files from time-to-time with SEDAR.

Any forward-looking statements included in this call are made only as of the date of this call. We do not undertake any obligation to update or supplement any forward-looking statements to reflect subsequent knowledge, events, or circumstances.

The company may also be citing adjusted EBITDA in today's discussion. Adjusted EBITDA is a non-IFRS measure used by management that does not have any prescribed meaning by IFRS and that may not be comparable to similar measures presented by other companies. The company defines adjusted EBITDA as net income or loss generated for the period as reported before interest, taxes, depreciation and amortization, it's further adjusted to remove changes in fair value and expected credit losses, foreign exchange gains and/or losses and impairments. The company believes this is a useful metric to evaluate its core operating performance.

Now, I would like to turn the call over to Ryan Hamlin, Chief Executive Officer. Ryan, please proceed.

**Ryan Hamlin - CEO & Co-Founder, POSaBIT Systems Corporation**

Thank you, James, and welcome, everyone. I want to start by saying that it's great to have you all in the call today. I realize that having a Friday PR announcement is not ideal, so I apologize for last week, but unfortunately a little bit out of our control. But the good news is, that hopefully allowed you some time to read through the PR and investor deck on our website prior to the call this afternoon, so let's begin.

As you all are aware, we announced the signing of a definitive agreement to acquire MJ Freeway, Leaf Data Systems and Ample Organics on Friday. On the call today, I'll walk you through specifically what these platforms are, our strategic rationale for buying them, and how we believe this transaction positions us to scale and accelerate our growth. For those of you on the webcast, you should have access to the investor deck in front of you, which we'll be referencing today. For others on the phone, you can download this -- download the slides now or later at our homepage at [posabit.com](http://posabit.com).

Lastly, before I get too deep into the details of the acquisition, I want to start off by saying we are not providing 2023 guidance on this call today. We're in the process of closing our books for 2022, but we're not ready to speak about our annual results or give any formal guidance for 2023. We do, however, look forward to sharing that information with you soon in the next 30 to 45 days.

Now I want to do a quick recap and introduce POSaBIT to anyone who may be new to our story. So if we can all switch to Slide 4. POSaBIT is a leading payments infrastructure provider for the cannabis industry. The company was founded in 2015, and now we provide two main solutions: a best-in-class Point-of-Sale and the only fully compliant PIN debit payment solution, meaning all compliance and regulatory requirements.

Today, our solutions are installed in more than 500 merchant locations across 22 states. As of Q3 2022, which is our last publicly stated numbers, we had an annualized run rate of approximately \$600 million in payment volume, which translates into approximately \$43 million in annualized revenue. This is up more than \$25 million in annualized revenue from just a year-ago. Despite this rapid growth, we have been able to run the business at near adjusted EBITDA breakeven and

announced in Q3 of 2022 that we would be adjusted EBITDA positive in 2023. Today, POSaBIT is traded both on the CSE in Canada and the OTC here in the U.S.

Advance to the next slide. Now let's talk about our exciting news from Friday. We announced the signing of a definitive agreement to acquire MJ Freeway, Leaf Data Systems and Ample Organics for \$4 million in an all-cash transaction. Collectively, these businesses are expected to have generated more than \$11 million in annual revenue and \$6.8 million in annual gross profit in 2022.

At a purchase price of only 0.4x the 2022 expected revenue, we are acquiring hundreds of merchant accounts and a solid software platform for both retail dispensaries and cultivation operators at a very attractive valuation. Specifically, MJ Freeway has a full suite of products that include cultivation, manufacturing, distribution, a retail Point-of-Sale, delivery and analytics capabilities. The Leaf Data Systems platform provides a seed-to-sale track-and-trace software system for states needing to regulate cannabis. Lastly, Ample Organics is Canada's leading seed-to-sale tracking and e-commerce platform.

MJ Freeway today serves over 350 merchant locations with their retail Point-of-Sale capabilities across 16 states in the U.S. as well as Puerto Rico and Washington, D.C. Importantly, there is minimal overlap with POSaBIT's current POS and payments customers. MJ Freeway processed nearly \$2 billion in gross merchandise value, or GMV, in 2022.

I'll get to our rationale for the acquisition in the next couple of slides. But this \$2 billion in GMV is a key data point as it represents incremental payments opportunity for POSaBIT and is a key reason we are thrilled to be acquiring this platform.

With the addition of MJ Platform and Ample Organics, we're also adding a very complete and robust cultivation, manufacturing and distribution set of capabilities to our existing product suite. This now positions POSaBIT to fully support all vertically integrated operators and multistate operators that require a full end-to-end solution, from cultivation all the way to the retail store. This is truly a game changer for us as we now can support all marijuana-related businesses, whether you're an independent grower or a large MSO that is vertically integrated.

The Leaf Data Systems solution has contracts currently with Pennsylvania and Utah as the chosen platform to provide the state with a full seed-to-sale track-and-trace system. We're excited this will be a new revenue stream for POSaBIT, and it also puts us in a great position to offer our Point-of-Sale and payment solution to all customers in those two states, both of which POSaBIT is not currently doing business in today.

All these great solutions say are in the market and supported by more than 50 industry experts and professionals working for MJ Freeway, Leaf Data Systems and Ample Organics, which we are more than excited to work with over the coming months. Go ahead and move to Slide 6, talk a little bit why and what we are acquiring. In the previous slide, I did touch on this. I want to point out a few other items that I think were really important decision criteria for us in acquiring MJ Platform, Leaf Data Systems and Ample Organics.

First as part of the MJ Freeway retail Point-of-Sale, we're acquiring over 200 different Point-of-Sale customers, which make up over 350 actual merchant locations. MJ Freeway and Leaf Data Systems together are expected to generate \$8 million in revenue, approximately \$4 million in gross profit for the 12 months ending December 31, 2022. Of course, it's great obviously to acquire this revenue, but equally important is the fact that this acquisition puts POSaBIT combined with MJ Freeway in a position to serve nearly 900 locations. By acquiring these platforms, we are instantly expanding our payments opportunity and adding significant scale to our business.

Ample Organics, which is based in Canada, is the leading provider for seed-to-sale compliance tracking and ordering. Today, Ample works with over 80 retailers in Canada to offer their suite of products, focused on providing compliant sales and tracking software for cannabis-related businesses. The primary focus for Ample is on the legal sales of cannabis through pharmacies, including Shoppers Drug Mart, which is the largest pharmacy chain in Canada.

Ample has performed very well and is expected to generate \$3.2 million in revenue and approximately \$2.8 million of gross profit for the year ending December 31, 2022. As a reminder, all the numbers I'm stating here today are in U.S. dollars.

The last thing on this slide before we move on is I want to remind everyone that we publicly stated we would be adjusted EBITDA profitable in 2023, and that remains the case still with adding these new products and solutions.

Go on to the next slide. I'll be very quick on this one. The summary is that these transactions clearly support our long-term strategy for businesses to help us fill in some of the gaps in our current product offerings. First, this acquisition adds major components to our existing product suite and adds full capabilities for cultivation, manufacturing and distribution.

It also allows us to upsell to our existing POSaBIT merchants using our POS now to have a fully vertically integrated solution, which we view as a significant opportunity. Merchants are constantly seeking ways to streamline their operations while ensuring compliance with all state and local regulations. We believe that many merchants, particularly vertically integrated dispensaries and multistate operators, will prefer an all-in-one solution that requires a robust enterprise-grade suite of offerings.

If we move to the next slide and talk specifically why this acquisition is so important from a payment standpoint. In addition to building out our suite of products, this acquisition presents a very material opportunity to accelerate adoption of our fully compliant PIN debit payment solution with the existing 350-plus MJ Freeway Point-of-Sale locations.

As most of you have heard me say over the last several years, payments within the cannabis industry is complex given the high level of compliance and regulation needed. As a result, payment solutions often come and go. In fact, most recently, there was an industry-wide shutdown of non-compliant cashless ATM solutions.

In contrast, POSaBIT's PIN debit solution is the most complete, most trusted and longest-running fully compliant solution in the industry. Similar to Toast and Square, we integrated our POS with our payments. This allows us to address key merchant pain points, while improving the in-store customer experience.

As one of our first integration work streams with our new teams, we plan to integrate our PIN debit payment solution with MJ's Point-of-Sale. This creates a large pool of merchants available for us to offer PIN debit solution, which will represent incremental revenue and gross profit.

Move on to Slide 9. On this -- at this slide, I just want to show a high-level illustration of what the potential synergies between POSaBIT and MJ Platform could be. As mentioned, the MJ Platform currently serves over 350 merchants, representing \$2 billion in GMV or if you do the math, that's about \$5.5 million of volume per location annually.

Historically, our share of PIN debit payments is approximately one-third of the total GMV per store, meaning store still has 70% cash, but 30% goes through our PIN debit solution. However, for the analysis on this slide, we elected to be more conservative and assumed only one quarter of the GMV per store will use our PIN debit solution.

So by using this formula, we estimate that each store we convert to be a POSaBIT payments customer to contribute approximately \$26,000 of annualized gross profit. For example, at 50 merchant locations, which is a little bit less than 15% penetration of the current MJ Freeway base, we believe we can add about \$1.3 million in incremental gross profit on an annual basis and so on, as you can see in the chart. So obviously, this is a great opportunity for us at POSaBIT.

Go ahead and move to Slide 10. I do get asked about competitions quite a bit, so I want to kind of touch it briefly here on this slide. If you look at the current POSaBIT offering of our Point-of-Sale and our PIN debit payments, and then you combine that now with MJ Freeway's cultivation growth software and the Leaf Data Systems state traceability system, it clearly moves us ahead of all others in this industry.

We're very excited to now offer this industry-leading solution to the entire cannabis market. And by the way, this slide doesn't even include the competitive advantages we'll have by adding Ample Organics in Canada.

On to our 11th slide, if you're tracking. As I mentioned at the start of the call, we're acquiring all of these assets for \$4 million in an all-cash transaction, which represents, again, only 0.4x the expected 2022 revenue. This deal, which is subject to customary closing conditions and seller shareholder approval, is expected to close in the second quarter of 2023. However, in the interim, we plan to immediately work with any existing MJ merchants who are interested in PIN debit payments for their dispensary. Additionally, we'll also work on integration of the MJ Platform cultivation modules into the POSaBIT platform.

Now on to one very important point I want to address on this slide, our new financing round of \$11 million. In conjunction with this acquisition, we are raising \$11 million in additional

financing, a portion of which will be used to fund this acquisition. The additional proceeds beyond this \$4 million are available, if needed, to support our current sales efforts as well as any other potential opportunities in the industry.

This \$11 million includes up to \$8 million of debt financing, which is expected to close at the time when we close this acquisition or earlier at our discretion. The first \$3 million of equity financing, which closed with the announcement on Friday, is available for immediate use now. You can read through the specific terms of each of these components of this capital raise. They're posted out on SEDAR or out on our website.

Lastly, given the current fundraising climate or lack thereof, if you're paying attention around lately, you can see that the terms of this raise are very attractive to the company and demonstrates our lenders optimism for our overall vision and our business.

All right. Turning now to the last slide before we open up for Q&A. As you can see on this slide, our combined GMV more than doubles to \$3.5 billion, as does our current merchant locations at roughly 900 in total. This acquisition also helps us expand our geographic footprint to include new states as well as Canada and also adds a new revenue stream from the Leaf Data Systems state-compliant contracts.

On an annualized pro forma basis from 2022 forecast, our combined revenue will exceed \$50 million, and our gross profit will be approximately \$20 million. You can see that these numbers just represent what both companies have done in 2022. This does not include the potential upside we expect in 2023 by bringing our companies together.

I want to end by saying how excited we are to work with the MJ Freeway, Leaf Data Systems and Ample Organics teams. As I hope you can see from this presentation today, our newly combined companies will move us even further ahead as the industry's leading Point-of-Sale and payments provider.

We will now open up the call for questions. However, I will mention again as I did upfront, we're going to limit our responses to questions that pertain specifically to this acquisition and our financing. We're in the process of closing our books, and we're not ready to speak about our annual results or any formal guidance for 2023.

So I will end though by saying we are going to reiterate that once again, we will be adjusted EBITDA positive in 2023. So with that, we're ready to open the floor for questions.

### **Operator**

Thank you. At this time we will be conducting a question-and-answer session. [Operator Instructions]. The first question comes from Owen Bennett with Jefferies. Please proceed.

**Q:** Yes, good afternoon, Ryan. Congrats on the deal. I had a couple of questions. But first of all, I just wanted to touch on the big revenue synergy opportunity, which appears to be converting new merchants to your payment system. I just wanted to get your view on what makes you



confident you can convert a large number of the 350 merchants into your payment system. How do many of these offer payments already or do they? And then what are the risks around delivering on that potential conversion? Thank you.

**Ryan Hamlin - CEO & Co-Founder, POSaBIT Systems Corporation**

Yes. Thanks, Owen, for the question. Good question. Well, a couple of things. When we look at - when we looked at this originally, we looked just historically on our ability to close and our close rates for stores and how it relates to either stores that have a POS with existing payments today or stores that just don't have any payments. During the due diligence process, we surveyed the current base of MJ merchants as well and got a good feel for how many of them had payments versus didn't. So we're very confident in our ability that we're going to be able to close at a very good rate, consistent or even ahead of what we've traditionally done in the past.

I think you talked about risk. I mean, certainly, as we move forward, this deal has to be approved. So we know that in the next three months, we're going to be working on getting the same closed in the second quarter. I think the other part of this always and the part that we differentiate ourselves with is that we have the only fully integrated payment solution with our POS.

And when I say that, sometimes others will talk about our competition having that as well. The big difference is we started our company in 2015 as a payments company. We've been in this business now for over eight years. Our payments is a stand-alone payments engine that has built-in reporting. It has extensive years of experience, something that, frankly, our competition doesn't have.

So you combine our history of being in the payment space and our success in the payment space over the last eight years, along with what we did during the due diligence process, it really did give us great comfort in knowing that we're going to be able to convert a significant number of these over to our payments.

**Q:** Great. Just one over one. You talked about the vertically integrated solution across payments, manufacturing, cultivation and distribution. I just wanted to try and gauge kind of the upside here. I mean, how many MSOs are kind of doing that on a fully integrated basis at the moment, if at all? And do you think there's like a real opportunity that this would really like stand out as a big sort of be any internal advantage to them if they did full integration across all those elements?

**Ryan Hamlin - CEO & Co-Founder, POSaBIT Systems Corporation**

Yes. Good question, Owen. And one of the key reasons this acquisition we looked at and are looking to close is that it filled in some of the product gaps we had. So I think when you and I have talked in the past, cultivation has been an area that we haven't had. We focused all our attention at the dispensary level.

So we knew this directionally, this was something that was important for us to have to provide to our customers. It's really interesting when you talk about MSOs and how many are vertically integrated. There can be different instances of software, and you may use one suite of software for vertically integrated, the cultivation piece, and then you may use a different POS.

The reason we felt it's very important to have this as an integrated experience is that we saw as we went out to the market that if we were going to maintain our competitive advantage, obviously, on the payment side, but also grow our POS base that this was an important thing to actually link the inventory as it moves from a basic grow cultivation into the retail environment and online environment for sale.

So it was identified, and we had been looking at this for a little while. And it's one of the reasons -- I think I've chatted with you in the past about whenever you see product gaps you look at, do you build, do you partner or do you buy. And in this particular case, we felt it was very important for us to actually make an acquisition. Cultivation and grow software is not easy software to just build. It is complex because every single state, as you know, has very different regulations in how you treat cultivation and grow.

So this was one for us that we felt like it was very important to acquire. It brought us now to a competitive space that we will compete head-to-head against anybody in the industry to be able to win the MSO deals that, frankly, has been a focus for us.

I mean, I think if asked, in the past when we've chatted about this. MSOs have been a target for us to really focus on, and I think this is a great example of how we're making a difference to really go after that space.

**Q:** Great, Ryan. And just one more question, if I may, a quick one. Obviously, Akerna listed on Nasdaq, excuse me -- just wondering how this would impact your potential plans for uplisting. Do you think given the Akerna is on Nasdaq, it could make it more likely or easier from your perspective?

**Ryan Hamlin - CEO & Co-Founder, POSaBIT Systems Corporation**

Yes. I mean, as part of this deal, you probably saw that this was kind of a multi-company deal. And so the company itself Akerna the Shell is not something that we acquired. That was acquired by actually a crypto-based company. And so yes, we are acquiring the three companies. In fact, if you think of Akerna as a holding set of a large several companies over the last couple of years that they've had. We're just acquiring those three individual companies: MJ Freeway, Leaf Data Systems and Ample. So the Akerna Shell itself is left behind as part of a different deal, a different partner, a crypto partner that's actually using that.

So of course, we still would love to be on Nasdaq. That's something that we always have been engaged with, and we give updates on each of our earnings call that this is something that we actively pursue. But at this point, unfortunately, there's not a clear path to Nasdaq for us today.

**Q:** Great, thanks, Ryan. Appreciate your time.



**Ryan Hamlin - CEO & Co-Founder, POSaBIT Systems Corporation**

Thanks, Owen.

**Operator**

Okay. The next question is coming from Scott Fortune with ROTH Capital Partners. Please proceed.

**Q:** Hey, good afternoon. Congratulations on this acquisition here. Just wondered if I can dig a little bit on the Leaf Data Systems from a competitive standpoint. How do you look at the Leaf Data Systems compared the seed tracking, seed-to-sale solution versus competitors, BioTrack and Metrc who gaining share in the space. Can you just provide a little bit color on the competitive offering and the emphasis on Leaf Data Systems and the future for us to expand to other states, how are you looking at that?

**Ryan Hamlin - CEO & Co-Founder, POSaBIT Systems Corporation**

Yes. Thanks, Scott. Certainly. And you hit the competitors, right, obviously, Metrc and BioTrack out there. We have been looking at this space for a little while. And as we -- as it's publicly known, the Leaf Data Systems is the state system for Pennsylvania and Utah. That in itself is a great opportunity for us. As I mentioned in the call, those are two states that we're actually not in today. So it gives us a great opportunity to have a very significant presence in both of those states.

So there are strategic reasons for the acquisition of Leaf beyond just having a state system. It certainly helps the other parts of our business around payments and Point-of-Sale. But competitively, there are more states that are coming online, obviously. And we will -- we acquired Leaf Data Systems to -- not to just let it be a system that would be for two states. Like we are going to be competitive in that space.

We believe, Leaf today, in fact, it just publicly renewed another year for Pennsylvania, which is great. So obviously, the states that do use Leaf today believe in it and believe in that system. And so we felt really strong about the potential here, and we look forward to competing with BioTrack and Metrc in this -- in the state seed-to-sell track-and-trace space.

**Q:** Got it. I appreciate that. And then just following up on Ample Organics, you provided a little bit of color that it's really primarily into the pharmacy system. Can you provide a little bit more opportunity as you move into Canada deeper here and the legal POS opportunities kind of -- to learn? Or did that experience from that side with credit card came in before the U.S. goes live with that at some point around?

**Ryan Hamlin - CEO & Co-Founder, POSaBIT Systems Corporation**

Yes. Well, I mean, I think there's a couple of key points with Ample. And again, the reason similar to Leaf why we are very interested in that particular company. Today, that -- I'm proud to say they're self-sustaining. I mean they're making good revenue, and they have a great positive EBITDA. So number one, from just the business economics of Ample are very strong. And then secondarily, we have been wanting to get into Canada, and this presented itself as a great way for us to learn more about what it's going to take to move our entire system. So Ample has had tons of success in Canada already.

Obviously, if you look at even back when Akerna acquired Ample back in 2019 and you look at some of the public information that is out there, I mean this was a very highly valued company, and it still is. And the fact that Shoppers Drug Mart, which is the largest pharmaceutical chain or pharmacy chain in Canada uses them, I think is a testament of how good their software is.

So we're excited to have the presence. We're excited to learn what it takes to bring our entire POSaBIT system to Canada. And we looked at it as kind of, sorry, cliché, but win-win because literally, the revenue, it was self-sustaining and it brought us an instant footprint into a place that we've been wanting to go to.

**Q:** Got it. And then one last one real quick for me. Obviously, POSaBIT, you run a lean operation. We've seen a lot of rightsizing or cost savings here with a lot of the competitors within the cannabis space with a tough environment here. But you're able to run the staff you have at the current levels and support the next level of growth.

But can you provide kind of a little bit of color on the synergies since these acquisitions kind of maintain lean operations? I know you're rolling out POSaBIT 2.0 kind of integrating a lot. It sounds like similar to what MJ Freeway was looking to enhance reporting inside back end and everything else there. But help us understand how you look at kind of the synergies with the two companies going forward. And I'll jump back in the queue.

### **Ryan Hamlin - CEO & Co-Founder, POSaBIT Systems Corporation**

Yes. Well, I think you said a couple of key points. One is, clearly, this is an opportunistic time for us. We've been in this business for a while. We have a proven track record. Obviously, if you look at our financials and our ability to double our revenue over the last five years and, frankly, we have strong unit economics with a proven payments business.

So for us, this was a great opportunity to look out and see, again, where there are some product holes that we could fill by potentially acquiring a company, but also how can we acquire distribution at a much faster pace than just relying, let's say, on an inside sales team.

So there's clearly revenue synergies. I mean, if you just look at distribution and what I said with the payments side, so there's -- that's the beauty of this is that when we look at it as both an opportunity to grow our revenue, but also I've done a lot of acquisitions over my career, a lot at Microsoft when I was there.

And I understand the importance of when a company comes together, it's really important to bring them together and not operate them as silos. And I think that's an important part as we move forward to make sure that we take the very best of what the three companies that we acquired or acquiring today along with the very best of what POSaBIT has and put those together. Because that's really going to be the way that we continue to grow at a fast pace but also maintain what we've always done, which is being fiscally responsible. I mean, up until this point, we've only raised a \$11 million. So yes, we are raising up to another \$11 million, but the reality is that's nothing compared to what our competition has done. And so, it was very important for our -- for me on this call to reiterate, and I'll say it again, which is the acquisition here does not affect our ability to be EBITDA profitable next year. In fact, we're doubling down and stating it over and over. This is all part of our plan. And it's really about revenue synergies and anything else.

**Q:** Thanks Ryan.

### **Operator**

The next question comes from Andrew Semple with Echelon Capital. Andrew, please proceed.

**Q:** Hi, there. Good afternoon and congrats on this acquisition. Seems to make a lot of sense, so congrats to the team. First question here, just want to go to the financing that was announced. Obviously gross proceeds of \$11 million there, quite a bit more than the acquisition amount of \$4 million. Could you maybe elaborate if you're planning to make any significant investments upon closing the acquisition to integrate, the acquired assets, to utilize some of that cash or some of that excess amount more earmarked as just an additional liquidity buffer?

### **Ryan Hamlin - CEO & Co-Founder, POSaBIT Systems Corporation**

Yes. No, thanks for bringing that up. And if you look at it, like I said, we closed on the \$3 million, the equity portion that's already in our account. This deal being a \$4 million in cash, if you just look at our cash in the bank and now up to \$3 million, we certainly have the capital to close on this one.

The reason that it was important for us to have the debt up to another \$8 million, and it really is up to another \$8 million and it really is we can choose to close that at closing or even sooner if we need to. Kind of two important points. One is our institutional partner, Fergus, is an excellent believer and has supported us for a long time. And we've been able to secure -- if you look at the rates of that capital, I would bet a lot of people would be hard-pressed to beat those rates right now given the current market.

So the fact that we have access to capital, up to \$8 million of capital, at very favorable terms allows us to continue to, like I said earlier, be opportunistic about this market and what's out there. And at the end of the day, for us, it's distribution, distribution, distribution. I mean we have this great ability to monetize our base, and it's just a matter of how fast can we accelerate the growth of the overall number of merchants that we can serve.

So it is not meant to fund a bunch of increased costs. We said already, we're going to be EBITDA-positive. So this is truly met as a way for us to continue to look at how can we continue to rapidly grow and stay EBITDA-profitable.

**Q:** Great. Thanks for that. My next question would be on the Canadian markets. Obviously, with this acquisition, you're getting a toehold in Canada with Ample Organics. I'm just wondering if you've given any thought to the retail market in Canada. Obviously, it doesn't face the same banking restrictions thus the U.S. does. But have you thought about bringing your POS systems north of the border now that you might have a toehold in the country? Or is it just going to be too difficult to do that without the banking impediments that we've seen from the last...

**Ryan Hamlin - CEO & Co-Founder, POSaBIT Systems Corporation**

No, good question, Andrew. And if you look at the numbers, I think the latest number is Canada did about \$5 billion in sales in 2022. And in the U.S., I think we were at \$30 billion. So they are still a reasonably sized market. We want -- and that's another reason why we are excited to bring Ample on. It does create an opportunity for us to bring our POS to Canada.

The other thing, and as you -- I'm not sure how familiar everyone is with Ample, but I mean it's -- there's a lot there. And in fact, there's something actually called Ample Payments, which is kind of a referral program already in place to bring payments into Canada.

So when you look at it, you overlay it with our overall vision, it fits really nicely into what we've said all along, which is kind of provide this end-to-end set of products that can cover everything from literally the seed all the way through to, obviously, the sale in the retail environment. So yes, we're excited for it. And certainly, yes, Canada now is -- we are now in Canada or we'll be soon when this closes, and we are excited to bring the rest of the suite there.

**Q:** Great. And maybe one more quick one, if I may. I haven't seen it and I could have missed this, but I haven't seen it explicitly stated whether the acquired operations were EBITDA-positive or not. Would that be something you're willing to share just as of the time of announcement, whether those operations are currently EBITDA-positive?

**Ryan Hamlin - CEO & Co-Founder, POSaBIT Systems Corporation**

Yes. And I think what we're sharing now is if you just look at the 2022 numbers, I think all up, it was around \$11 million and then \$6.8 million of that was gross profit. So clearly, if you've looked at Akerna and some of the press that they've had over the last several months, they have done some cost-reduction efforts. So we look at it today as this is a great opportunity. It's significant revenue.

They're obviously operating, having nice high gross profit levels, in fact, higher than what POSaBIT operates at today. So that's great for us. That means it's helping us overall increase our gross profit margins. But yes, we're not commenting specifically on how much of that is there. But we're confident, obviously, in our ability -- and again, I wouldn't state publicly if we weren't

going to be EBITDA-positive in '23. So we feel good about we're coming together both companies.

**Q:** Understood. Thanks for taking my questions. And congrats again on the announcement.

**Ryan Hamlin - CEO & Co-Founder, POSaBIT Systems Corporation**

Thanks, Andrew.

**Operator**

Up next, we have David Sher [ph], Private Investor. Please proceed.

**Q:** Hey, Ryan. Congratulations on the acquisition. It makes more than enough sense. And somebody asked my question about kind of the last question. But I have one quick question for you, which is, are any of the new states that you guys are getting, are they medical-only? And what is the potential for those to move to recreational legalization?

**Ryan Hamlin - CEO & Co-Founder, POSaBIT Systems Corporation**

Yes. Yes, definitely. In fact, I think all of them have the additional -- there's Pennsylvania -- obviously, I said we're not Pennsylvania, Utah, both of those obviously are medical states. Moving into Ohio, I think the other one that's medical-only. So yes, the additions that we're moving into are just medical. And I mean part of that is because our current strategy today has been all recreational-focused or at least priority recreational-focused.

So yes, the net-net is it's adding a few positive ones plus adding in Puerto Rico and D.C., which we haven't been in before either. So again, all of those being -- well, I guess, D.C., the one exception to being rec-ish, but I'll leave it at that, I guess.

**Q:** Yes, great. Thank you.

**Ryan Hamlin - CEO & Co-Founder, POSaBIT Systems Corporation**

Thanks David for talking to you.

**Operator**

Okay. Up next, we have Joshua Horowitz with Palm. Please proceed.

**Q:** Hi, thank you. Congratulations on a transformational acquisition.

**Ryan Hamlin - CEO & Co-Founder, POSaBIT Systems Corporation**

Thanks, Josh.

**Q:** Also, I just wanted to note that, again, it's really impressive that you guys are able to do so much not only with so little but for so little. I mean the collection of efforts here and the opportunity, I mean if you know nothing else about the company, and this is the first time you ever heard you think about it and took a look at the deck and listened to the call, I mean it sounds to me just like it far exceeds the \$4 million that we're paying. And what's amazing is that you guys continue to do these things without wasting money on a bank and doing a marketed deal and so it's -- so pretty impressive.

My question is really over what period of time, Ryan, do you think it is reasonable to measure the success of this deal? Is this something that you're going to start to integrate and we'll know within three to six months if the strategy is working? Or do we check back in a year and say, this was great? Like how are you looking at it internally?

**Ryan Hamlin - CEO & Co-Founder, POSaBIT Systems Corporation**

Yes. No, great question. There -- because it's a public deal, as you know, there is a time between now and closing. So one of the important things and it may have got lost a little bit in the conversation, but is a very important point is that we establish commercial agreements in place already. So what that allows us to do is we don't have to wait until this deal closes in Q2 because we don't know exactly when that's going to take or how long it's going to take to close.

But those commercial agreements allow us immediately to begin having MJ use this as a referral partner for payments. And we have other referral partners in the industry, but this is a great opportunity now for them to immediately go out. So right away, I would -- as an investor, I would look at probably two important things between now and when we close this deal, which is a very short period of time, it's our plan absolutely to make some progress. So I think looking to make some progress in the short-term is important.

And then I think it's not too much to ask that, okay, if this deal closes, let's call it, April, May-ish, we hope that by the end of the year, there is a model that clearly shows that, yes, this is working. I mean we have -- obviously, before we got to point of signing and closing this deal, we have a very clear path strategically of what we need to do, and we feel very confident in that path.

And so yes, I would say probably two points, Joshua: One is what happens between now and close. And then what happens from close to the end of the year. I don't think this is something we have to sit around and wait 12 months. I think it's going to be pretty clear from the results that we continue to show and the growth we continue to have.

**Q:** Great. Thank you very much. And congrats again on the deal.

**Ryan Hamlin - CEO & Co-Founder, POSaBIT Systems Corporation**

Thanks, Joshua. Appreciate it.

**Operator**



We have reached the end of the question-and-answer session. This concludes today's conference, and you may disconnect your lines at this time. Thank you for your participation.