

Tinley Beverage (C.TNY) CEO outlines massive hemp beverage potential

CONSUMER DEFENSIVE - PACKAGED FOODS

The hemp beverage world is pretty active right now - or at least it would appear that way from the outside. Though the marijuana space is quickly deregulating and legitimizing, and the health qualities of hemp are not in dispute, a lot of new companies have simply added hemp to existing sugary drink recipes and claimed to be frontrunners in the space.

Tinley hasn't landed on the markets with claims it'll be the next Red Bull, or with bevies of women in hot pants marching through night clubs, or with promises your kid will be drinking it at school next year.

Jeff Maser took the step from financier to CEO with the formation of Tinley, and is determined that this opportunity plays out the right way.

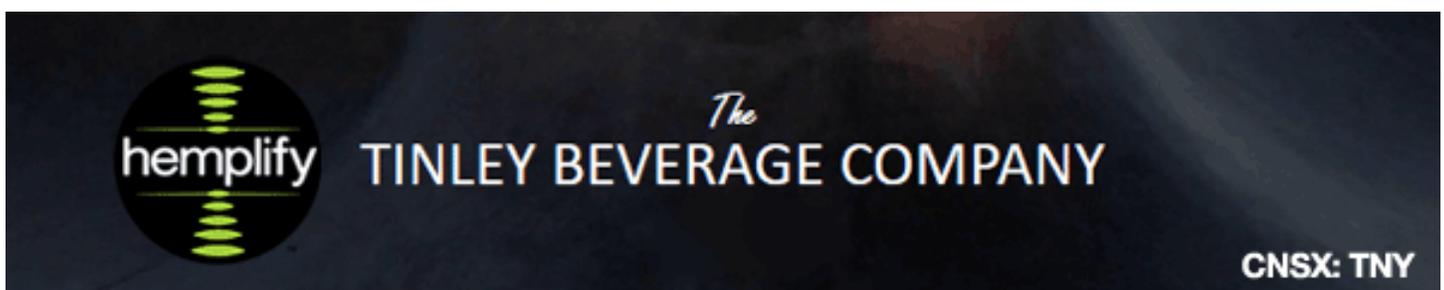
We talked to him to find out what's happening at the C-Suite level with his new opportunity.

Last time we talked, about eight months back, you had just stepped away from the finance world into this new venture. What was it about Tinley that made you want to leap into the entrepreneurial space?

After financing several medical marijuana companies, I approached some of my old colleagues from the beverage industry, where I had worked prior to banking, and pitched them on the idea of creating a marijuana beverage company. The idea was to offer consumers and patients the ability to consume marijuana in a delicious, refreshing beverage so that they don't need to inhale smoke into their lungs. These types of drinks are currently one of the highest-margin product categories in the marijuana industry. I felt that the ability to offer the benefits of marijuana in a drink effectively represented a compelling opportunity in the \$400 billion alcoholic beverage industry. While our products

won't contain alcohol, they'll offer a nice alternative effect during times when consumers would have otherwise consumed alcohol.

I then realized that an even bigger opportunity exists. It would be to offer health drinks that contain a spectrum of cannabinoids, turpenes and nutrients that are non-psychoactive. The advantage is that these kinds of products are increasingly being offered in all 50 states without requiring prescriptions or licenses. We would therefore not just be targeting the \$5 billion marijuana market in the 4-5 recreational legal states, but rather the \$200+ billion health drink market in all 50 states. Plus it would fit with a key macro-theme in the overall beverage industry: The major beverage companies have seen a 20% decline in their core business - sugary sodas - in the last 10-15 years and much of the demand is being replaced by health drinks developed by beverage startups.



Tinley's launch product is Hemplify, a nutritional beverage made from hemp stalk oil. How does this differ from the other hemp drinks on the market?

Virtually all hemp products available in stores today are made solely from the plant's seeds. They're often called hemp hearts, hemp nuts, hemp protein or just plain hemp. Hemp seeds are extremely nutritious and are enjoying a big resurgence as a food and beverage category. However hemp seed products don't contain any of the leafy material from the plant or anything beyond trace cannabinoids. Conversely, our products are made from hemp stalk, and they therefore contain a different nutrient base. The stalk of plants in the cannabaceae plant family, of which hemp, hops from craft beer and cannabis are members, contain many common ingredients, and we believe we have one some of the first products that offer a wide spectrum of these ingredients in a delicious drink.

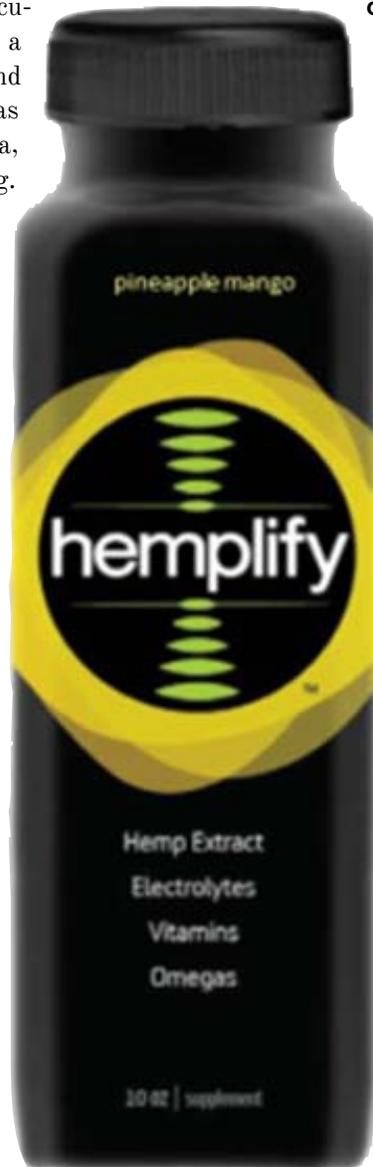
Your materials say this beverage has nine times the total electrolyte content of many sports drinks - and you're clearly opening your marketing with a push towards the general health and wellness market. With the growth of things like coconut water and vegetable-based non-dairy milks, do you feel the general retail consumer is already replacing traditional beverages with products like yours?

Yes. The 20% decline in overall soda demand coupled with the massive increase in bottled water and health drinks points to the same opportunity - consumers don't want heavily processed or artificial ingredients, and sugar has become public enemy #1. And they're willing to pay up to \$10 for these health drinks (e.g. cold-

pressed juices) rather than under \$3 for regular drinks. As a result, in addition to the hemp extract, we've added vitamins A through E, omega 3 and a big dose of potassium electrolytes. Accordingly, our marketing materials contain sports imagery, and in particular sports that require a high level of focus and self-challenge, such as skateboarding, yoga, running and hiking. At the same time, our imagery also includes music festivals, work/study activities and even just plain relaxation. We'll work to refine our messaging based on our traction in various sales channels. Our sales plan is modelled on that of hemp seed drinks, which involves starting in head/smoke shops, followed in short order by health and independent grocery stores. Many hemp seed drinks have begun to graduate to mainstream convenience and other retail channels, and we ultimately hope to achieve the same with our hemp stalk drinks. To drive purchases at these stores, we've lined up some tasting events at some pretty interesting locations in Los Angeles and will support these with geographically-targeted online and so-

cial advertising. We'll subsequently conduct similar marketing programs in other cities.

While the bulk of the industry is pushing itself hard after the marijuana space, and dealing with the regulatory issues that follow, am I right in thinking your product is far easier to cross over into bricks and mortar retail? Hemp clearly doesn't have the same stigma as marijuana, but CBDs are still prevalent, right?



CBD and THC are the most common of the 80+ cannabinoids found in cannabaceae plants, and consumers are increasingly crediting CBD with many, if not most, of the health benefits. The CBD that is in cannabis is the same CBD that naturally occurs in many cannabaceae family plants. Our initial hemp stalk products contain a unique lineup of non-psychoactive ingredients which are being offered without prescriptions or licenses in all 50 states. So yes it's much easier to cross over into regular bricks and mortar retail. We don't think marijuana has much of a stigma - in fact it's a big plus in the head shop channel where so

many hemp seeds beverages have found success - and the fact that our initial products are non-psychoactive should reduce or eliminate the fears of consum-

ers who may find these products in regular mainstream channels.

When the time comes that marijuana opens up, does your process lend itself to adding a full MJ drink quickly?

Yes. Our drink is made from a patented process that infuses oil-based ingredients into water-based drinks in a manner that masks the oily taste, ensures shelf stability and, perhaps best of all,

The idea was to offer consumers and patients the ability to consume marijuana in a delicious, refreshing beverage so that they don't need to inhale smoke into their lungs.

improves absorption of the oil into the bloodstream and through the blood-brain barrier. The technology was designed for Omega 3 drinks that are made from fish oil. Believe it or not, hemp oil tastes even worse than fish oil, so the technology was even more crucial for our product. After 7 months of development, the technology was refined to a point where it works just as well on hemp oil for several flavor varieties. THC oil has similar characteristics to hemp oil, so the technology should work just as well.

This new company listing happened pretty quietly, especially compared to the massive volume splash made by the last public company you were involved with, Nutritional High. Was that by design?

Yes. A large portion of our private placement investors are from the private equity world, and they want us to focus our time and financial resources on the product launch for now. Fortunately our product development is complete and we've been finalizing the contractual arrangements for our first production run. Once signed, we'll work to ramp up our PR, however this press blitz will be mostly be designed to drive product sales. Hemp stalk has already been writ-

ten up in the trade press as the next big ingredient (often referred to as "hemp extract" or "hemp oil"), so I think our company's developments will be well-suited for coverage in both the trade and the mainstream press. I'll still definitely work to ensure this content finds its way into the financial press as well. I got a lot of press for Nutritional High, and I'll work to get the same exposure for Tinley once our product manufacturing begins, hopefully within a week or two. In the meantime, I'm building a nice base of shareholders who believe in the company's vision rather than in a quick flip.

Unlike Nutritional High, which needed investors to be patient while it built out its industrial edibles production facility,

your company debuted with a product ready for market and already at the sampling stage. What do you see as the major catalysts going forward that will elevate shareholder value?

I didn't want to go public until our products were fully developed. Investors these days are increasingly adverse to investments in companies that require long product development cycles which, by nature, offer limited certainty of completion. In Tinley's case, many investors have already had the opportunity to taste (and experience) the products, and their reviews have been universally positive. The next catalysts include completing our first large scale production run – which will involve a portion being produced on the same bottling line as samples for some upcoming trade shows – followed by placements in various stores. We'll then work to launch additional products, including our hemp stalk energy shot.

Your company shares some people with Nutritional High. Would I be right in suggesting there's some crossover between the two companies? Maybe some opportunities to be shared?

When the time comes to produce THC drinks, the key opportunity for Tinley is to be a tenant at Nutritional High's licensed facility in Colorado. This alleviates the need for us to build our own facility and it creates more immediate beverage revenue (e.g. royalties) for Nutritional High. Infusing oil into food and beverages is the biggest challenge, and the Nutritional High guys have excellent infused products expertise (note their recent consulting for Canopy Growth). Plus we improve our ability to get our

products into dispensaries by showing up with a broader product lineup from both companies. We save significant money by sharing salespeople as well. I'm well aware that Nutritional High's investors are concerned about the delays in developing their facility, and our association with them could therefore create a PR challenge for us. However Nutritional High has finally launched a hemp stalk capsule, and I think this will provide their investors a glimpse of the power of the hemp stalk category and simultaneously deliver some returns for their shareholders while their flagship facility in Colorado is being developed.

Let's talk about cash and cash burn. You did a raise recently for \$1.5 million - how long does that carry you, in a perfect world? And what sort of outlay did you have to make to get your production run happening?

It depends 100% on sales. If we hit or exceed our sales targets, we should be cash flow positive before the end of the year. This of course is a big 'if', but even if we reach a fraction of our sales targets, it should reduce our burn to a level that gives us runway beyond that point. One of the advantages of outsourced product manufacturing is that there's minimal setup costs, and then we only pay for production runs once prior batches are sold out. So we have the revenue from each batch to finance subsequent batches. We already have two distributors in California eager to take our product, and we have setup meetings with over 30 buyers at a head shop industry marketplace in March. There's been a lot of problems with the drinks available in head shops, so these retailers are scrambling to stock newer and more rigorously-produced products.

Finally, hemp and cannabis oil tastes like crap pretty much always. Your product...?

Yeah, these oils taste pretty nasty. I know people who have dropped \$30 on a single drink in Colorado and said the taste was so severe that they couldn't even finish them. Several of our competitors solve this problem by reducing the oil into isolates (often referred to as 'crystals'), which means stripping out all nutrients except a single cannabinoid. While this method solves the taste challenges, it denies consumers a wide spectrum of cannabinoids, turpenes and other nutrients, many of which are believed to be highly synergistic. Conversely, our products maintain this spectrum of ingredients, and we use a patented process to mask the taste. The technology encapsulates the oil and micellizes it so that the nutrients in the oil survive the digestive process intact. It then induces the gut to allow the nutrients into the bloodstream and subsequently through the blood-brain barrier. The result is a delicious-tasting drink - so far flavors include tropical mango and apple cider - which are fully shelf-stable and offer consumers an enhanced effect from several of the nutrients. More on the science can be found on our web site (www.drinktinley.com). Our formulator has the USA's only patents on this approach, and believes we have the only patent-produced liquid supplement of any kind that contains certifiable phyto-cannabinoid rich hemp oil. It's a pretty bold claim, but the patents for other products I've seen in this category are still pending and/or have not yet peer reviewed. Several of these products still taste great though, and I'm hoping even more companies will emerge so the overall category can experience more robust growth.

The ability to have access to such advanced technology is another advantage of outsourced product development. The Pencer family introduced us to this formulator, and this is one of the many benefits of having the family that built the third-largest beverage company in the world (after Coke and Pepsi) as backers.

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