

Interview



Martin A. Sumichrast

EDITORS' NOTE Marty Sumichrast manages his family office through Washington Capital LLC. Sumichrast has served since 2012 as an Independent Trustee and Chairman of the Nominating and Governance Committee and Member of the Audit Committee to the Barings Global Short Duration High Yield Fund and Barings Funds Trust. Barings is a global asset manager with over \$330 billion in assets under management. Sumichrast received his bachelor's degree from the University of Maryland.

COMPANY BRIEF *cbdMD (cbmd.com) is a Charlotte, North Carolina-based company that operates the nationally recognized consumer cannabidiol (CBD) brand cbdMD whose current products include CBD tinctures, CBD gummies, CBD topicals, CBD bath bombs, CBD oils, and CBD pet products under its brand Paw CBD. The company's mission is to create the number one trusted brand in the CBD industry through the use of innovative marketing and strict adherence in creating the highest-quality CBD products while using state-of-the-art production and manufacturing techniques.*

Building a CBD Brand

An Interview with Martin A. Sumichrast,
Chairman and Co-Chief Executive Officer, cbdMD, Inc.

Will you discuss the history and heritage of cbdMD?

cbdMD was started by Scott Coffman in 2017 when the CBD business was beginning to really get going in the United States. There was impending legislation that was coming in the 2018 Farm Bill, and what it was going to do was remove CBD from the DEA restricted list. This was a watershed moment for the CBD industry. The first 8 months, Scott focused on R&D then, in the beginning of 2018, the company went to market and started generating sales, largely online.

I had known Scott from both of us living in Charlotte. I was involved in a public company called Level Brands, and we had a contract with a CBD company, but through a marketing agreement. We decided we wanted to take a bigger stake in the CBD industry as a whole and when Scott and I fortuitously ran into each other in August 2018, he told me that he was working on the biggest deal he was going to do, which was cbdMD. I mentioned that I was in the CBD space as well and we decided to work together.

It took about five months to close the deal since we had to wait until the Farm Bill passed. President Trump signed the Farm Bill at 4:30 PM on December 20, 2018, and we closed the deal the next morning at 9:00 AM. As an NYSE American listed company, we were the first and still are the

only U.S. pure-play CBD company that is publicly traded on a major U.S. stock exchange.

We have grown the business from about 20 employees when we did the transaction last December to over 170 now, which is a huge growth curve in just nine months. Our revenues have gone up significantly and almost every metric has increased in a positive way. We see the future as an exercise in who can build the most recognizable brand. The CBD industry last year did about \$1 billion, and it is expected in five years to do in excess of \$20 billion. In the next 12 to 18 months, whoever has one of the most recognizable brands is going to have created a tremendous amount of value. When people ask what differentiates cbdMD from our competitors, the answer is brand. In June, we were listed by the Brightfield Group as the "CBD brand to watch." Pretty good for a one-and-a-half year old company.

We have taken a strategy pursuing the athletic endorsement space and we probably have the biggest roster of premier athletes of any CBD or any cannabis company out there. Bubba Watson, one of our most notable ambassadors, is a huge name and he loves the product. All of the athletes we are associated with use our products and love them. On the MMA side, we've partnered with Bellator, which is one of the biggest brands in mixed martial arts.



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Will you highlight cbdMD's product offerings?

We have three sets of products. First are our ingestibles which include our tinctures, which you drop under your tongue, our gel caps and our gummies, which taste great. Our cbdMD PM product is great for sleep since we add melatonin. Then our topicals include our roll-ons, our freezes and our bath bombs. Finally, we have our pet line Paw CBD which is becoming a huge part of our business. Overall we have about 100 SKUs.

Is CBD well understood or is it still an education process?

That is a really great question. I would say that a year ago, nine out of ten people thought of CBD in regard to whether it gets you high. Now, that number is probably four out of ten, so it's getting better. There is still a lot of work to do. There is still a lot of education to be done around the different products and how much you should take since you have to be very careful about what you take. We make no therapeutic claims and have no THC in our products.

How critical is cbdMD's focus on quality to the continued success of the company?

Quality is one of our core values. Our priority is to make sure that our customers get premium quality at a really good value. We spend a lot of money on third-party testing and we test all of our products. I think that testing and quality is going to separate brands. It is critical to have size and scale

to invest in testing and there are going to be a lot of smaller brands that are going to go by the wayside because they are not able to make the necessary investments.

How will you continue to build brand awareness for cbdMD?

Our demographic is pretty wide. First, we have to have a great name. We have the best name in the space. Second, we sell a product that has a higher concentration than many of the other competitors. Third, we provide great customer service. Finally, our price point makes us more affordable than most of our competitors.

You have to be really innovative when it comes to brand building. For example, we are in the athletic market. You can't buy TV ads, so we got creative. There is a new basketball league started by Ice Cube called the BIG3 which has a CBS Sports contract. We think the league is fantastic and made a deal with the BIG3. We have our name on the jerseys, so right next to Adidas is cbdMD. When the camera goes on the player, it is right there. That is a good example of how we are innovative in building brand awareness.

We were the first CBD company to have a digital sign in Times Square. We started and own National CBD Day, which is great because if you want to market on National CBD Day, you have to give cbdMD credit.

We like to be first. We will be coming out with some great firsts over the next few months.

As a public company, is it hard to make long-term investments with the quarter-to-quarter pressures?

I have been in a number of public companies in my career. I think that there are a tremendous number of benefits of being a listed company, and it's a real honor being a New York Stock Exchange [AMEX] listed company. I sense that there is a movement that's been going on for the past five to seven years to move away from the quarterly obsession. Warren Buffett first started talking about it, which is to try and get away from this short-term mentality.

I think you have to look at the totality of the business. Where is it going? How will it get there? Is it making the right moves? Great companies have always had hiccups. The key is to be able to pivot and to stay committed. Our team is committed, and we have an incredible board of directors.

You and Scott serve as co-CEOs of cbdMD. How do you both focus your efforts and what has made the relationship work so well?

Scott has never been in the public eye or in the public markets. I have spent my career in the public markets, so we split our time where I handle the public market side of the business and the investor side of the business. Scott is a tremendous operator. He works extremely hard and sets a great example for the company. He is the first person in the office every day. He is a great leader. ●

