



# Dixie Brands Announces First Quarter 2019 Financial Results

Company delivers 137% revenue growth and establishes a foundation for accelerated growth in 2019

DENVER, CO, May 30, 2019 /CNW/ - Dixie Brands Inc. ("Dixie" or "the Company") ([CSE: DIXI.U](#)), (OTC: DXBRF), (Frankfurt: 0QV), one of the cannabis industry's leading consumer packaged goods ("CPG") companies, has announced its financial results for the three months ended March 31, 2019. All figures are stated in U.S. dollars.

"We continued our momentum in the first quarter with strong year-over-year and sequential revenue growth," said Chuck Smith, President and CEO, Dixie Brands. "More importantly, we are successfully building a foundation for accelerated growth in the remainder of this year and beyond. Key successes since the start of 2019 have included our rapid launch in Michigan, a major joint venture in Latin America, the expansion of our distribution channels, the introduction of innovative new products, and the addition of executive-level talent to spearhead our growth."

## First Quarter 2019 Financial Highlights

- Revenue was \$2,218,175 in the first quarter of 2019, an increase of 137% from \$937,571 of revenue in Q1 2018 and up 40% from \$1,586,282 in the fourth quarter of 2018. Revenue growth was driven by sustained presence in established markets, like Colorado, as well as a renewed focus on building a strong sales presence in California and Maryland. Opening new markets, like Michigan, will yield increased revenue in the coming quarters.
- Gross profit of \$1,060,367 in Q1 2019 was up 123% from \$476,427 a year earlier. As a percentage of revenue, gross profit margin declined to 48% compared to 51% in Q1 2018, as a result of the upfront cost of scaling production to meet the increased demand in California. The Company expects a slight compression in margins as new markets open, which ultimately will improve as efficiencies and economies of scale are realized.
- Net loss attributable to the Company was \$6,673,692 compared to \$817,955 in Q1 2018. The increased loss resulted primarily from higher operating expenses associated with the expansion of Dixie's sales and marketing team as well as costs related to becoming a publicly-listed company. Net loss includes \$2,970,852 of non-cash expenses resulting from stock options issued as compensation for key management and external service providers as well as \$530,000 associated with abnormal expenses relating to the public offering in Q4, 2018.
- Dixie had \$5,635,000 of cash at March 31, 2019 compared to \$18,361,000 at December 31, 2018. The lower cash balance reflected the January 2019 purchase of a minority shareholder interest in Dixie subsidiary Therabis LLC, a reimbursement of licensing fees received as an advance payment in 2018, and operating expenses.

## Recent Operating Highlights

- Completed the build-out of our sales and marketing organization in California focused on driving revenue in the largest market in the U.S., with sales teams now in place in each of seven regions covering the entire state. Dixie products are currently available at 300 licensed dispensaries in California, with the majority added within the past four months.

- Began selling products in Michigan by the end of March, within eight weeks of entering into a licensing agreement with Choice Labs. The product list currently includes more than one dozen SKUs, across four product categories, which are contributing to second quarter revenues.
- Announced new products that will begin to generate sales in the second quarter, including: Dixie Bursts THC-infused pulled taffy; Aceso Fizz Tabs, a line of CBD-infused dissolvable drink tablets; Aceso Soothe Balm, a topical cream formulated with full-spectrum hemp oil; and Therabis Calm & Quiet CBD-infused soft chew treats for felines.
- Announced that a new Therabis Veterinarian Formula hemp-based supplement will be studied in a clinical trial by University of Pennsylvania School of Veterinary Medicine to evaluate its effectiveness in relieving joint immobility in dogs. In a newly-signed agreement, the Therabis Veterinarian Formula line will be commercially distributed to the veterinary channel by national distributor Vedco Inc.
- Announced entry into the Latin American market through a 50/50 joint venture with Khiron Life Sciences Corp. Dixie-Khiron JV Corp. will seek first-mover advantage by introducing Dixie's product portfolio across Khiron's growing footprint that already addresses 430 million of the region's 620 million people. The Company believes that this joint venture presents a significant long-term growth opportunity.
- Announced that Dixie will be the exclusive U.S. distribution arm for Khiron's award-winning Kuida cosmeceutical line, once applicable regulatory approvals are received.
- Strengthened executive team with the addition of CPG veterans Bob Rubin as President of Therabis, Andrew Floor as VP of Marketing for Dixie Brands and Hilal Tabsh as VP of Marketing and Distribution for Aceso Hemp.
- Dixie products have received a number of recent awards, including the following:
  - Synergy Heat Balm was named "Best CBD Topical" by Rooster Magazine
  - Dixie Elixir Fruit Punch was named "Best Beverage" at DOPE Cup: High Desert
  - Tropic Twist Gummies was awarded a silver medal in the Edibles category, while Synergy Soak received a bronze medal in the Topicals category, at Cannabis Cup
  - Birthday Cake Chocolate was named "Best Edible" by Forbes Magazine

## Outlook

Dixie continues to pursue a number of initiatives that are expected to result in significant revenue growth in 2019 and in future years. Key objectives for this year include: expanding into three to five additional U.S. states; increasing penetration in existing states, and in particular California; securing further distribution agreements for CBD brands Aceso and Therabis; launching innovative CPG-focused products that take advantage of Dixie's intellectual property and expertise; entering the Canadian market once cannabis-infused products are permitted; and evaluating potential mergers, acquisitions and strategic partnerships.

Mr. Smith added: "Dixie is establishing a best-in-class CPG platform focused on the manufacturing, marketing and distribution of cannabis brands. We have demonstrated that we are an ideal partner for licensees seeking to rapidly launch a broad product portfolio in a new U.S. state or international market. With our decade of manufacturing experience and extensive intellectual property portfolio, Dixie is also very well suited to partner with traditional CPG product companies looking to expand into the cannabis space. We expect both types of relationships to play an increasing role in our growth."

The Company will file its complete first quarter 2019 financial statements and management discussion and analysis at [www.sedar.com](http://www.sedar.com).

## Annual Meeting of Shareholders

Dixie Brands will host its Annual and Special Meeting on June 18, 2019 at 9:30am MT at 4990 Oakland Street, Denver, Colorado. Shareholders are welcome to attend in person, or alternatively, listen to a live webcast that will be made available on the Company's investor relations site at

<https://dixieelixirs.com/ir-dashboard/>. The event will include a management presentation covering the Company's financial results and corporate strategy.

## **ABOUT DIXIE BRANDS, INC**

Dixie Brands Inc., through its licensed partners, has been formulating award-winning THC and CBD-infused products since 2009. Currently operating in five U.S. states, the Company is expecting to double its manufacturing and distribution capabilities in 2019 in the U.S. as well as expand internationally, including Canada and Latin America. Dixie leads the global industry in the development, packaging design, product innovation and quality control for the commercial production of cannabis infused products. While the Company started with a single flagship product, the Dixie Elixir (a THC-infused soda), it is now one of the industry's most recognized consumer brands, expanding to over 100 products across more than 15 different product categories representing the industry's finest edibles, tinctures, topicals and connoisseur grade extractions, as well as world-class CBD-infused wellness products and pet dietary supplements. Dixie's executive team has been instrumental in the formation of the marijuana industry for recreational and medicinal use, serving as founding members on several national regulatory and business-oriented industry organizations. To find out more about Dixie's innovative products, or about how Dixie is building the future of cannabis, visit [www.dixiebrands.com](http://www.dixiebrands.com).

## **CAUTION REGARDING FORWARD-LOOKING INFORMATION**

The information provided in this press release may contain "forward-looking information" and "forward-looking statements" within the meaning of applicable securities laws. All statements, other than statements of historical fact, made by the Company (or its predecessors) that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words. Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as at the date they are made and are based on information currently available and on current expectations and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to: (i) the regulation of the medical and recreational marijuana industry in the United States, Canada, Mexico, Australia, New Zealand, Latin America and other countries in which the Company may carry on its business; (ii) the ability of the Company to obtain meaningful consumer acceptance and a successful market for its products on a national and international basis at competitive prices; (iii) the ability of the Company to develop and maintain an effective sales network; (iv) the success of the Company in forecasting demand for its products or services; (v) the ability of the Company to maintain pricing and thereby maintain adequate profit margins; (vi) the ability of the Company to achieve adequate intellectual property protection; (vii) the availability of financing opportunities, risks associated with economic conditions, dependence on management and conflicts of interest; and (viii) other risks described from time to time in documents filed by the Company with securities regulatory authorities, including the Company's listing statement dated November 23, 2018.

The forward-looking statements contained herein are based on certain key expectations and assumptions, including that: (i) there will be no material adverse competitive or technological change in condition of the Company's business; (ii) there will be a demand for the Company's products that the Company has accurately forecast; and (iii) there will be no material adverse change in the Company's operations, business or in any governmental regulation affecting the Company or its suppliers.

With respect to the forward-looking statements contained herein, although the Company believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements as no assurance can be given that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks, including the risks described above. Consequently, all forward-looking statements made in this press release are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Company. The cautionary statements contained or referred to herein should be considered in connection with any subsequent written or oral forward-looking statements that the Company and/or persons acting on the Company's behalf may issue. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required under securities legislation.

The CSE has neither approved nor disapproved the contents of this news release.

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