



# Dixie Brands Announces Second Quarter 2019 Financial Results

*Company delivers 266% year-over-year revenue growth and solidifies its positioning as a leading "House of Brands"*

*Management to host investor conference call August 30 at 10:00am EDT*

DENVER, Aug. 29, 2019 /CNW/ - Dixie Brands Inc. ("Dixie" or "the Company") ([CSE: DIXI.U](https://www.dixiebrands.com)), (OTCQX: DXBRF), (Frankfurt: 0QV), one of the cannabis industry's leading consumer packaged goods ("CPG") companies, today announced its second quarter 2019 financial results. All figures are stated in U.S. dollars.

"Once again, we delivered strong year-over year and sequential revenue growth as our business gains momentum in both existing and recently entered U.S. states," said Chuck Smith, President and CEO, Dixie Brands. "I believe the benefits of our 'House of Brands' strategy are becoming clear as we leverage our intellectual property and distribution capabilities to become a partner of choice for companies entering the cannabis-infused space. The recent announcement of our partnership with AriZona Brands is an important validation of Dixie's position of leadership in the industry."

## Second Quarter 2019 Financial Highlights

- Revenue was \$2,995,310 in the second quarter of 2019, an increase of 266% from \$817,558 of revenue in Q2 2018 and up 35% from \$2,218,175 in the first quarter of 2019. Revenue growth was driven by sustained presence and increased dispensary penetration in established markets, increasing traction in the key California market, the first full quarter of sales in Michigan, and the introduction of new products.
- Gross profit of \$1,040,064 in Q2 2019 was up 172% from \$383,170 a year earlier. As a percentage of revenue, gross profit margin declined to 35% compared to 47% in Q2 2018, as a result of the upfront cost of scaling production to meet the increased demand in California and Michigan. The Company expects a 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 \$6,769,557 compared to \$1,187,194 in Q2 2018. The increased loss resulted primarily from higher operating expenses associated with the expansion of Dixie's work force, and in particular its sales and marketing organization, as well as costs related to becoming a publicly-listed company. Net loss includes \$2,403,987 of non-cash expenses resulting primarily from stock options issued as compensation for key management and external service providers.
- Dixie had \$2,280,082 of cash at June 30, 2019 compared to \$5,635,000 at March 31, 2019. The lower cash balance reflected the cost of funding operations as well as investing in the infrastructure and distribution required to support increased revenues for the balance of the year.

## New Financing

On August 28, the Company received \$1 million of cash in the form of an unsecured, non-dilutive loan ("the Loan") bearing annual simple interest at 12% from a new strategic funding partner. The Loan is contemplated to be the first part of a broader financing plan, as the Company is in discussions with this partner relating to the same.

Also subsequent to the end of the quarter, the Company received cash proceeds of \$248,000 from the exercise of options by a shareholder.

## Recent Operating Highlights

- Announced expansion into Oklahoma, the sixth state in the Company's growing U.S. footprint, through a partnership with Globus Holdings to manufacture and sell Dixie products beginning in the fourth quarter of 2019.
- Completed the first full quarter of operations in Michigan, after signing a licensing agreement with a local partner in February 2019 and launching products by the end of March. Dixie products are already being sold in approximately two-thirds of the dispensaries in the state.
- Nearly doubled year-over-year revenue in Colorado driven by a 13% increase in account penetration, and the strength of particular categories such as gummies, and Dixie's Mindset brand, which has tripled monthly sales since the start of 2019.
- Signed new distribution agreements for Dixie subsidiary AcesoHemp covering the Southern California, Nevada and Alaska markets, and providing a near-term path to more than double the brand's current presence in approximately 1,000 retail locations.
- Launched a new Veterinarian Formula product line for pet wellness subsidiary Therabis LLC, and signed a commercial distribution agreement targeting the veterinary channel with national distributor Vedco Inc. The first order was shipped to Vedco on June 28, 2019 with subsequent re-orders placed in Q3 2019.
- Announced regulatory approval of the 50/50 joint venture with Khiron Life Sciences Corp., and commercialization plans for both Dixie's cannabis-infused products in the Latin American market and Khiron's Kuida cosmeceutical line to be distributed by Dixie in the U.S. market. U.S. sales of Kuida are expected to commence by the end of Q4 2019.
- Strengthened the executive team with the addition of Chief Financial Officer Greg Robbins, a veteran of Red Bull North America, and Vice President of Sales for regulated products Oliver Arnold, who previously spent more than two decades in sales leadership roles at Terlato Wines and will focus primarily on growing the California market.
- Announced that the Company's subordinate voting shares have commenced trading on the OTCQX Best Market under the symbol DXBRF, and that the shares are now eligible for electronic clearing and settlement in the US through the Depository Trust Company (DTC).
- Announced a breakthrough in THC water solubility through a proprietary emulsification technique and enhanced ingredient management, delivering improved uptake of cannabis-infused liquids. The proprietary process will be showcased in a new line of drink additive products called FUSE, as well as enhancements to existing beverages and tinctures.
- In August, Dixie signed a letter of intent (LOI) with AriZona Beverages to develop, produce and distribute a line of THC-infused products under the AriZona banner. Per the LOI, the Company expects to execute Definitive Agreements by the end of Q3. Product formulations and brand development are already underway between the parties.

## Outlook

Dixie has made significant investments through the first half of 2019 to establish important elements of its growth platform. Significant results have included strong organic revenue growth, the announcement of key strategic partnerships, entry into the Michigan market and the planned entry into the Oklahoma market in Q4 2019, the build-out of a sales and marketing infrastructure in California, the development of important channel relationships, the launch of multiple new products, and an expanded team capable of executing the Company's growth strategy.

The Company's strategic focus is now shifting to driving increased revenue and returns from these existing investments. Management believes there are significant opportunities within the existing portfolio of markets and products to generate growth and advance towards profitability, and expects to be EBITDA-positive on a consistent basis by the first half of 2020. In the remainder of 2019, the Company plans to prioritize executing on these opportunities, with investment in new markets and categories playing a secondary role.

The Company anticipates to continue its pattern of solid organic growth through the remainder of the year, with multiple initiative adding to revenue beginning next year. Initiatives expected to generate new revenue streams in 2020 include the commencement of sales in the Latin American and Canadian markets and the development of a new line of cannabis-infused products under the AriZona banner. The Company also expects to experience significant year-over-year growth in its two CBD lines, AcesoHemp and Therabis, as a result of an expansion of distribution networks throughout 2019.

Mr. Smith added: "We are very pleased with the investments we have made this year to establish the foundation of our growth platform. Based on current market dynamics, we believe the best means of delivering shareholder value is to focus our efforts on executing those opportunities and consolidating our strong positions in existing markets. We remain very excited about our prospects for accelerated revenue growth for the remainder of this year and into 2020."

## Investor Conference Call

Management invites investors to participate in a conference call to discuss the Company's second quarter results and strategic direction.

### Conference Call Details:

Time: Friday, August 30, 2019 at 10:00 am EDT

Dial-in: 888-231-8191 (toll free) or (+1) 647-427-7450 (local or international calls)

Webcast: A live webcast can be accessed from the [Investors section](#) of the Company's website at [dixieelixirs.com](http://dixieelixirs.com) or at [this link](#).

An archive of the webcast will be available on the Company's website for one year.

Replay: An audio replay of the call will be available for seven days at (+1) 416-849-0833 or 855-859-2056 passcode 9357308.

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

## **ABOUT DIXIE BRANDS, INC**

Dixie Brands Inc. is leading the CPG cannabis industry by championing freedom of choice for consumers around the world. Through its licensed partners, Dixie has been perfecting the art and science of creating award-winning THC and CBD-infused products for nearly a decade. A true multi-state operator currently in California, Colorado, Maryland, Michigan, Nevada and Oklahoma, Dixie is

set to expand internationally, including Canada and Latin America. Dixie's relentless commitment to product innovation from fun to functional has earned the brand a place as one of the industry's most recognized consumer brands. Dixie's portfolio features over 100 products across more than 15 different product categories representing the industry's finest edibles, beverages, tinctures, topicals and connoisseur grade extractions, as well as world-class CBD-infused wellness products and pet supplements. To find out more about Dixie's innovative products, 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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CNW 21:22e 29-AUG-19