



# Dixie Brands Announces Third Quarter 2019 Financial Results

*Company delivers 28% year-over-year revenue growth  
building a robust platform for sustainable profitability and accelerated growth in 2020.*

DENVER, CO, Nov. 27, 2019 /CNW/ - Dixie Brands Inc. ("Dixie" or "the Company") ([CSE: DIXI.U](#)), (OTCQX: DXBRF), (Frankfurt: 0QV), one of the cannabis industry's leading consumer packaged goods ("CPG") companies, today announced its third quarter 2019 financial results. All figures are stated in U.S. dollars.

"The nascent cannabis industry is collectively facing some very well publicized headwinds," said Chuck Smith, President and CEO, Dixie Brands. "Those market dynamics are forcing many companies to reduce investments and downsize, further eroding investor confidence and making access to capital uniquely challenging. It is within that context that Dixie Brands chose to focus on the optimization of existing assets during Q3, focusing on improving execution and driving efficiencies on our path to sustainable profitability. We believe that this solidification of our commercial base will provide an exceptional platform for accelerated growth in 2020, fueled by some very exciting recent successes including the finalization of a binding agreement with Herbal Enterprises, an affiliate of Arizona Beverages, preparing for the on-set of the adult use market in Michigan, confirmation of geographic expansion into the growing Oklahoma market and continued rapid growth of our distributor and retail network across our CBD platforms."

## Third Quarter 2019 Financial Highlights

- Revenue increased 28% to \$3,121,211 in Q3 2019, compared to \$2,435,398 in Q3 2018. Revenue for the nine months ending September 30, 2019 was \$8,334,696, an increase of \$4,129,527 (98%) over the prior year. Sequential quarterly revenue increased, up from \$2,995,310 in Q2 2019. Revenue growth was driven by sustained presence and increased dispensary penetration in established markets, increasing traction in the key California market, continued growth in Michigan, and the introduction of new products.
- Gross profit of \$1,344,043 in Q3 2019 was up 29% from \$1,038,168 a year earlier due to higher revenue. Gross margin remained consistent at 43% Q3 2019 compared to Q3 2018.
- Net loss attributed to the Company in Q3 2019 of \$4,915,807 was lower by \$1,853,750 compared to the Q2 2019 loss of \$6,769,557. The lower net loss was due to more efficient general and administrative spending. The Q3 2019 net loss includes \$2,245,413 of non-cash expenses resulting primarily from stock options issued as compensation for key management and external service providers.
- Dixie had \$892,312 of cash at September 30, 2019 compared to \$2,280,082 at June 30, 2019. The lower cash balance reflected the cost of funding operations.

## New Financing

Subsequent to the close of the quarter the Company received \$1.5 million of cash in the form of

three unsecured, non-dilutive loans ("the Loans") bearing annual simple interest at 10% from a new strategic funding partner. The Loans are contemplated to be the first part of a broader financing plan, as the Company is in discussions with this partner relating to the same.

## Recent Operating Highlights

- Finalized a binding agreement with Herbal Enterprises LLC, an affiliate of the AriZona™ brand. Despite industry headwinds, the confirmation of a definitive agreement is a testament to Dixie Brands' unparalleled heritage in formulating, producing and commercializing cannabis-infused brands and products. A collection of THC-infused branded products is expected to be launched in the first half of 2020.
- Confirmed expansion into the Oklahoma medical marijuana market through a manufacturing and licensing agreement expected to see product in market early Q1 2020. Oklahoma is one of the country's fastest growing legal cannabis markets, the sixth state in Dixie's growing U.S. footprint and the second new market opened in 2019.
- Signed a new distribution agreement for Dixie subsidiary AcesoHemp in Colorado with Sunrise Beverage LLC to represent the AcesoHemp line of broad-spectrum cannabidiol (CBD)-infused powder sachets, balms and dissolvable tablets to more than 1,000 retailers in Colorado. Since the start of 2019, AcesoHemp has reached agreements with regional distributors in California, Nevada, Alaska and Vermont, as well as a core national distributor, Palko Services. Its products are currently available in more than 1,000 brick and mortar locations
- Expanded retail footprint of Dixie subsidiary AcesoHemp into 120 storefronts across Illinois, Indiana, Missouri, Kentucky and Tennessee with Huck's Market. Product is expected on shelves by the end of fourth quarter 2019.
- Embedded distribution relationship between Dixie subsidiary AcesoHemp and Powers Distributing, establishing Aceso Powders as the #1 selling broad-spectrum hemp-derived powder product in sales across the critical CA and NV markets.
- Dixie Brands was announced as an MJBizDaily Finalist for the US Market Leader – Infused Products award. The result will be announced on December 12, 2019 at The Cosmopolitan Hotel of Las Vegas during the MJBizDaily Awards ceremony.
- Increased Colorado licensing revenue by 32% in Q3 2019 compared to Q3 2018 through organic consumer driven demand for a well-established brand in a mature cannabis market demonstrating strong brand health and consumer equity.
- Nearly doubled quarterly license revenue in California from \$279,951 in Q1 2019 to \$521,815 in Q3 2019 via the deployment and subsequent optimization of a dedicated field marketing team. Dixie's award-winning gummy is fueling that increase, driving into the top 15 gummy brands list.
- Consumer demand continues to outstrip supply in Michigan. Optimization efforts in production are increasing capacity to support phenomenal demand as this key market is set to significantly expand with the transition to recreational sales in December 2019.
- Expanded the broad-spectrum hemp-based portfolio for Dixie pet wellness subsidiary, Therabis LLC with the launch of new Mobility soft chew for dogs.
- Initiated the commercialization of Dixie's joint venture with Khiron Life Sciences via the approval of the AcesoHemp portfolio of topical products to sell in Colombia. Initial sales are expected in

Q4 2019 with expansion to Chile and Uruguay expected in 2020. Latin America herbal/traditional topical analgesic and topical analgesics/anaesthetic market estimated at US\$380 million (Source: Euromonitor 2018).

- Subsequent to the Q3 period, Dixie's affiliation through the Khiron Life Sciences and Khiron JV initiated an additional revenue stream with the launch of Kuida's hemp-based Cosmeceutical range into the highly influential California market ahead of planned broader US expansion in 2020.

## **Outlook**

Dixie has made significant investments through the first three quarters 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, 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 profitability 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. 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 continuing its pattern of organic growth through the remainder of the year, with multiple initiatives adding to revenue next year. Initiatives expected to generate new revenue streams in 2020 include the commencement of sales in Oklahoma, the Latin American and Canadian markets and the development of a new line of cannabis-infused products in conjunction with the AriZona Beverage team in addition to the launch of expected new products across the existing portfolio of brands. The Company also expects to experience 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: "2019 is proving to be a challenging year for our emerging industry but despite those headwinds we are very pleased with the progress we have made in establishing the foundation of our sustainable and profitable growth platform. Based on current market dynamics, we believe the best means of delivering shareholder value is to continue to focus our efforts on optimizing execution and driving efficiencies on our path to sustainable profitability. We are very excited about our prospects for accelerated revenue growth as we move into 2020 with some incredibly exciting initiatives and partnerships."

The Company will file its complete third 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 a leader in 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 some of 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 including, without limitation, proposed sales of the Company's products in Michigan, Oklahoma and other United States and foreign jurisdiction, and the development and launch of new products. 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 CSE has neither approved nor disapproved the contents of this news release.

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**For further information:** Dixie Brands, Inc., C.J. Chapman, General Counsel and Secretary, [cchapman@dixiebrands.com](mailto:cchapman@dixiebrands.com) / 303-945-3963; Media Inquiries, Desiree Rosa, MULTIPLY, [dixie@wearemultip.ly](mailto:dixie@wearemultip.ly) / 646-499-3306; Investor Inquiries, Andrew Floor, Dixie Brands, [afloor@dixiebrands.com](mailto:afloor@dixiebrands.com) / 707-294-8392

CO: Dixie Brands, Inc.

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