



Dixie Brands Announces 2019 Annual Results

'Path to Profitability' strategy delivers 92% year-over-year revenue growth, building a robust platform for sustainable profitability and accelerated growth in 2020.

DENVER, June 15, 2020 /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 2019 financial results. All figures are stated in U.S. dollars.

"2019 was a challenging year for the cannabis industry in many ways, and I couldn't be more proud of the way the Dixie team has responded with the roll-out of our 'Path to Profitability' strategy." said Chuck Smith, President and CEO Dixie Brands. "In Q3 2019, we introduced a roadmap to becoming a self-sustaining business before the end of 2020 and that strategy has delivered immediate and impressive results, with material cost management driving dramatic improvements to the bottom line while continuing to fuel top line revenue growth. The solidification of our commercial base will provide an exceptional platform for accelerated growth in 2020."

2019 Financial Highlights

- Revenue increased 92% to \$11,096,959 in 2019, compared to \$5,791,451 in 2018. Revenue growth was driven by sustained presence, increased dispensary penetration and brand recognition in established markets, increasing traction in the key California market, continued growth in Michigan, and the introduction of new product offering.
- Gross profit of \$4,532,261 in 2019 was up 50% from \$3,017,902 a year earlier due to higher revenue. As a percentage of revenue, the gross margin for the twelve months ended December 31, 2019 and 2018 was 41% and 52%, respectively due to inventory adjustments, renegotiated contracts and the upfront cost of scaling production to meet the increased demand in new markets, California, Michigan and Oklahoma, specifically. The Company expects a compression in margins as new markets open, with margins ultimately expected to improve as efficiencies and economies of scale are realized.
- Net loss attributed to the Company in 2019 was \$20,140,089 compared to the 2018 loss of \$20,293,058. \$7,927,787 of the total loss for the year is attributed to non-cash expenses related to depreciation, bad debt, amortization and the issuance of stock and stock options to key management and third-party consultants. A quarter-over-quarter comparison demonstrates the impact of the 'Path to Profitability Strategy' introduced in Q3 2019 with a quarterly net loss of approximately \$6.6M in Q1 reduced to approximately \$1.9M in Q4 with no loss of sales efficiency or momentum.
- Dixie had \$892,312 of cash and \$2,600,000 in Notes Payable at December 31, 2019. The lower cash balance reflected the cost of funding operations.

"2019 was a watershed year for Dixie Brands, it's first full year as a public company in an industry facing multiple headwinds and an increasingly challenging capital market." said Chuck Smith, President and CEO Dixie Brands. "Despite those challenges, the company demonstrated incredible resilience and agility, achieving multiple milestones on its path to building a sustainable platform for long-term stable growth for our shareholders."

2019 Operating Highlights

- Finalized a binding agreement with Herbal Enterprises LLC, an affiliate of the AriZona™ Beverages brand. Considering the emerging and evolving nature of the cannabis industry, this partnership 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 second half of 2020.
- Confirmed expansion into the Oklahoma medical marijuana market through a manufacturing and licensing agreement with the stated goal of launching products 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.
- Dixie subsidiary, AcesoHemp, secured a patent for scientific breakthrough in cannabinoid delivery from the U.S. Patent and Trademark Office. The patent entitled, 'Cannabinoid Emulsion Product and Process for Making the Same', encompasses a broad set of popular formats and formulations providing for the delivery of cannabinoids, along with nutrients, supplements and vitamins in effervescent powder and/or aqueous liquid forms.
- AcesoHemp also secured a number of regional distribution agreements to complement its national partnership with Palko Services to drive retail presence of its line of broad-spectrum cannabidiol (CBD)-infused powder sachets, balms and dissolvable tablets with products available on shelves in approximately 3,000 retail stores.
- Dixie Brands was announced as an MJBizDaily Finalist for the US Market Leader – Infused Products award.
- Increased Colorado licensing revenue by 116% in 2019 compared to 2018 through organic consumer driven demand demonstrating strong brand health and consumer recognition of our well-established brands.
- Increased license revenue in the critical California market by 643% in 2019 compared to 2018 via increased dispensary penetration, brand awareness and consumer driven sales velocity. Dixie's award-winning gummy is fueling that increase, driving into the top 15 gummy brands list.
- Consumer demand continued to outstrip supply in Michigan. Optimization efforts in production increased capacity to support phenomenal demand as this key market saw a significant expansion in December 2019 with the transition to recreational sales.

Outlook and Subsequent Events

Dixie Brands made significant investments through the first three quarters of 2019 in order to establish the critical foundation for long term growth based on clearly defined priorities including establishing a strong leadership team and driving geographic expansion. Industry headwinds increased through the year due to changing capital requirements prioritizing increased attention to profitability and positive cash flow over rapid expansion, so in Q3 the company shifted focus to ensure the platform would become self-sustaining by Q4 2020. The introduction of the 'Road to Profitability' strategy and the accompanying revised approach to capital allocation had an immediate impact clearly demonstrated in the full year results. Revenue growth of 43% for Q4 2019 vs Q4 2018 was underpinned by material cost management driving a 79% reduction in total operating loss over the same period, a trend Dixie's management fully expects to continue into Q1 2020.

In order to solidify Dixie's platform for long-term, stable growth for our shareholders, the company has continued to explore capital markets and strategic partnership options with the goal of building on the solid foundations established through 2019 and funding accelerated revenue growth for 2020 and beyond. To that end, Dixie engaged in exploratory discussions with various cannabis companies in the United States and Canada. During those discussions, and after careful consideration by Dixie's management, it became increasingly apparent that a business combination with BR Brands, LLC ("BR Brands") was in the best interest of shareholders and Dixie, and the proposed merger was announced on March 9, 2020.

Under the terms of the proposed deal, BR Brands will combine operations with Dixie by assuming the publicly traded platform via a reverse takeover. This transaction, expected to be completed early

in the third quarter of 2020, will create one of the cannabis industry's leading CPG platforms, strengthening the balance sheet of the combined entity and expected to drive upside synergies as well as operational efficiencies, providing long-term, stable growth for shareholders and a best-in-class product portfolio for consumers across the globe.

The combined company establishes one of the cannabis industry's most comprehensive 'house of brands' anchored by two of the most iconic consumer franchises in the market, Dixie and Mary's. The portfolio also boasts two emerging Californian brands in Rebel Coast and Defonce, a deep CBD program including the Aceso and Therabis brands, and the strategic partnership with Herbal Enterprises, LLC, an affiliate of the AriZona Beverages brand. An unrivaled leadership team with deep CPG, financial and capital market experience will guide one of the largest installed manufacturing and distribution footprints for infused products in the cannabis industry with an addressable regulated market spanning 12 U.S. states and territories.

"The challenges of the current cannabis related capital markets have guided Dixie to look for a strategic partner in order to solidify a platform we can leverage for long-term, stable growth for our shareholders. This strategic combination brings two of the most trusted and iconic brands together on one of the broadest manufacturing and distribution platforms in the industry," said Chuck Smith, President and CEO of Dixie. "We are very pleased with the fundamentals of the deal as they will strengthen our balance sheet by decreasing debt, improving our cash position, and providing opportunities to enhance revenue growth and capture greater margin."

Annual Meeting

Management invites investors to participate in a conference call to discuss, among other things, the Company's 2019 financial results at the annual shareholders' meeting scheduled for July 14.

The Company has filed its complete 2019 financial statements and management discussion and analysis at 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 and Nevada, 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.

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 annual information form dated June 21, 2019.

The forward-looking statements contained herein are based on certain key expectations and assumptions, including the expected filing date of the Annual Filings. 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 Canadian Securities Exchange has neither approved nor disapproved the contents of this news release.

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