



Dixie Brands Announces Q1 2020 Results

Continued growth in consumer demand for Dixie's award-winning portfolio drives 104% increase in year-over-year licensing revenue growth in Q1 2020

DENVER, CO, July 14, 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 Q1 2020 financial results. All figures are stated in U.S. dollars.

"While 2019 was a challenging year for the cannabis industry in many ways, the Dixie team was able to adapt, making the difficult decisions required to solidify the foundations for sustainable, profitable growth in 2020," said Chuck Smith, President and CEO Dixie Brands. "That hard work continued to pay dividends in Q1 with accelerating top-line revenue growth combining with a continued focus on cost management to drive dramatic improvements to the bottom line. Our 'Path to Profitability' strategy is delivering results well ahead of schedule and we are excited about the outlook for the remainder of 2020."

Q1 2020 Financial Highlights

- Total Revenue for the three months ended March 31, 2020 was \$4,094,234, an increase of 85% from \$2,218,175 in Q1 2019. Revenue growth was driven by multiple factors: (i) continued increased market share in Colorado and Maryland, (ii) renewed focus on California, driving increased dispensary penetration, and (iii) increasing market leadership in Michigan, fueled by Dixie's rapid embracement of the legal recreational market late last year.
- Gross profit of \$1,743,974 in Q1 2020 was up 65% from \$1,060,367 a year earlier due to higher revenue. As a percentage of revenue, the gross margin for the three months ended March 31, 2020 and 2019 was 43% and 48%, respectively, due to inventory adjustments, renegotiated contracts and the upfront cost of scaling production to meet the increased demand in new markets, specifically California, Michigan and Oklahoma. 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 Q1 2020 was \$2,128,533 compared to the Q1 2019 loss of \$6,594,336, a direct reflection of the impact of the company's 'Path to Profitability' strategy implemented in Q3 2019. Additionally, after removing the Company's non-cash expenses of stock option incentive shares, bad debt, and depreciation as well as interest expense that is expected to convert into equity at the closing of the transaction, the company would have an adjusted net profit for Q1 2020 of \$5,498.

"I am incredibly proud of the results the Dixie team achieved in Q1 2020, especially in light of the initial impact of the COVID-19 pandemic," said Chuck Smith, President and CEO Dixie Brands. "The fact that Dixie was able to achieve a Q1 net profitable result, excluding non-cash expenses, a mere 6 months after deploying our 'Path to Profitability' strategy is a testament to the adaptability of our team and the strength and resilience of our wonderful portfolio."

Q1 2020 Operating Highlights

- Finalized a definitive agreement with BR Brands to merge, bringing together two highly

recognized portfolios including the iconic Mary's and Dixie brands, creating a market-leading CPG platform. If approved by shareholders, the proposed transaction is expected to be completed in Q3 2020.

- Successfully launched award-winning Gummies and Elixirs into the Oklahoma medical marijuana market through a manufacturing and licensing agreement. Oklahoma is one of the country's fastest growing legal cannabis markets, the sixth state in Dixie's growing U.S. footprint.
- Grew Colorado licensing revenue by 66% in Q1 2020 compared to 2019 through continued increase in organic consumer demand demonstrating strong brand health and consumer recognition of our well-established brands.
- Increased license revenue in the critical California market by 142% in Q1 2020 compared to 2019 via increased dispensary penetration, brand awareness and consumer driven sales velocity.
- Consumer demand continued to exceed supply in Michigan. Optimization efforts in production increased capacity to support phenomenal demand and delivering 100% increase in Q1 2020 vs 2019.

New CFO Joins the Dixie Leadership Team

Alejandro "Alex" de Gortari, an accomplished finance and commercial leader with over 20 years of combined financial and sales experience in the consumer goods (specifically food & beverage) industry, will join the company as Chief Financial Officer effective July 21, 2020. Alex has spent the last 16 years at Molson Coors holding a variety of key roles including Finance Director for Latin America and most recently as General Manager for Emerging Markets. Alex holds a Bachelor of Science degree in Accounting from the Kelley School of Business at Indiana University.

"After a comprehensive search, we are pleased to welcome Alex de Gortari to our executive team," said Chuck Smith, President and CEO of Dixie Brands. "Alex has built a storied career over 16 years at Molson Coors and the deep financial and commercial experiences gained in global and emerging markets in particular will be an invaluable addition as we enter this next phase of our company's growth. I would also like to take this opportunity to thank Jared Lanser for stepping so capably into the interim CFO role while we conducted this important search."

Outlook

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 & positive cash flow over rapid expansion. In Q3 2019, 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 demonstrated in the full year results. Revenue growth of 85% for Q1 2020 vs Q1 2019 was underpinned by material cost management driving a 68% reduction in total operating loss over the same period, a trend Dixie's management fully expects to continue.

In order to solidify Dixie's platform for long-term, stable growth for our shareholders, the company 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 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 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.

Annual General and Special Meeting of the Shareholders

The company will be holding its Annual General and Special Meeting of the Shareholders virtually and vote on the merger on July 14th @ 11am MT. Details of the call are as follows:

Time: Jul 14, 2020 11:00 AM MT (US and Canada)

Join Zoom Meeting Link:

<https://us02web.zoom.us/j/86051950334?pwd=YVRUN2laZ204RGFobkRKZ05oQTAzd09>

Meeting ID: 860 5195 0334

Password: 377683

Find your local number: <https://us02web.zoom.us/u/kENfBEz1N>

Voting will be conducted by mail and documentation has been sent to all registered shareholders. If you haven't received any documentation please contact your broker or email our Transfer Agent for more details at admin@transferagent.ca

The Company has filed its complete Q1 2020 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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