



# Dixie Brands Announces Q2 2020 Results

***Deep production heritage, commercial agility and brand strength drives 55% increase in H1 licensing revenue despite unprecedented impact of COVID pandemic.***

DENVER, Aug. 28, 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 Q2 2020 financial results. All figures are stated in U.S. dollars.

"2020 has been an incredibly challenging year with the COVID-19 pandemic (the "Pandemic") causing unforeseen and unprecedented challenges not only for our industry but for our broader global community." said Chuck Smith, President and CEO Dixie Brands. "Despite all of that, the Dixie team has shown incredible resilience and agility, using the foundations built over 10 years in the cannabis industry to respond in a manner that has not only allowed the Company to survive, but to thrive."

## **Q2 / H1 2020 Financial Highlights**

- Licensing Revenue derived from affiliate sales of Dixie branded products in their related states for the three months ended June 30, 2020 was \$2,951,048 an increase of \$431,169 (+17%) from the second quarter of the prior year. Licensing revenue for the six months ended June 30, 2020 was \$6,941,062, an increase of \$2,467,920 (+55%) from the prior year. Total Revenue for the six months ended June 30, 2020 was \$7,174,388 an increase of \$1,969,903 (+34%) vs prior year.
- Q2 2020 revenue was significantly impacted during the months of April and May due to the challenges presented by the Pandemic. Revenue during the first 45 days of Q2 was approximately \$1.5 million less compared to the Company's plan. Revenues subsequently increased to levels above the Company's plan in June and have continued to trend on that level for Q3.
- Despite the setbacks caused by the Pandemic, growth across the first half of 2020, was driven by multiple factors: (i) accelerating revenue in Colorado (+7%) and Maryland (+27%), (ii) continued growth in account penetration (+37%) and accelerating revenue (+79%) across the critical California market, and (iii) increasing market share in Michigan, fueled by Dixie's rapid embracement of the legal recreational market late last year.
- Gross profit for the three months ended June 30, 2020 and 2019 was \$967,746 and \$1,040,064, respectively, a decrease of \$72,318 compared to Q2 2019. Gross profit for H1 2020 was \$2,711,720, an increase of \$611,289 (+30%) over the same period in 2019.
- Net loss attributed to the Company in Q2 2020 was \$3,291,205 compared to the Q2 2019 loss of \$6,769,557, a 51% improvement directly related to the impact of the company's 'Path to Profitability' strategy implemented in Q3 2019. Removing the non-cash related expenses and interest expenses that are expected to be converted to equity in the proposed transaction, the cash loss for Q2 2020 was \$802,370 which was primarily attributed to the lost revenue related to COVID

"The results the Dixie team has managed to achieve through a historically challenging first half are a true testament to the experience we have gained over 10 years in operation," said Chuck Smith, President and CEO Dixie Brands. "A tried and tested production capability combined with a robust

geographic footprint, incredibly strong trade relationships and continuously increasing consumer brand strength have delivered exciting licensing revenue growth on top of an ever improving bottom line, demonstrating the strength and staying-power of the Dixie Brands platform for investors."

## **Q2 / H1 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. The proposed merger was overwhelmingly approved by shareholders at the Annual General and Special Meeting held on July 14. If approved by the CSE the transaction is expected to be completed by the end of Q3 2020.
- Grew Colorado licensing revenue by 17% in H1 2020 compared to 2019 through a 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 79% in H1 2020 compared to 2019 via increased dispensary penetration, brand awareness and consumer driven sales velocity.
- Achieved organic license revenue growth in Maryland +27% in H1 2020 compared to 2019 demonstrating increasing consumer demand for an established portfolio with stable market penetration.
- Consumer demand continued to exceed supply in Michigan. Optimization efforts in production increased capacity to support increased demand and delivering 100% increase in Q1 2020 vs 2019.

## **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, which caused the Company to prioritize 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 reflected in the full year results. Revenue growth of 34% for the six months ended June 30, 2020 compared to the six months ended June 30, 2019 was underpinned by material cost management driving a 69% reduction in total operating loss over the same period, a trend Dixie's management reasonably expects to continue.

## **Shareholders Conference Call**

The company will be holding an open conference call to discuss H1 2020 performance and related issues. Details of the call are as follows:

**Time:** Monday August 31, 2020 8:30 AM MT (US and Canada)

**Join Zoom Meeting:**

**Link:** <https://us02web.zoom.us/j/81004143611>

**Meeting ID:** 810 0414 3611

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

The Company has filed its complete Q2 2020 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, Oklahoma and Nevada. 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 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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