



BellRock Brands Announces Preliminary H1, 2021 Financial Results

*Company Proves Out Successful Merger with Increased Margins and Positive EBITDA,
Driven by Integration and Consolidation of Core Platform Assets*

DENVER, Oct. 20, 2021 /CNW/ - BellRock Brands Inc. ("BellRock" or the "Company") (CSE: BRCK.U), an industry-leading cannabis multi-state house of brands ("MSHB"), today announced its H1 2021 financial results. All figures are stated in U.S. dollars.

"I am proud to announce the material progress BellRock achieved in the first half of the year related to post-merger integration and consolidation efforts," said BellRock President, Brian Jansen. "The Company focused its resources predominantly on the integration of BellRock's asset base and operating teams. Significant progress was made toward the rationalization and integration of manufacturing facilities, vendor management, license ownership, integration of internal sales and distribution efforts, as well as customer relationships. While year over year revenue growth was flat for the period, our post-merger integration efforts led to enhancing the Company's financial position through increased gross margins and driving the Company EBITDA positive while securing our infrastructure across core states. These synergies serve to demonstrate the value of the BellRock MSHB platform."

BellRock is providing the following unaudited estimates for financial performance for the half year ending June 30, 2021 (solely for comparative purposes, references to financial results in the first half of 2020 are based on estimated pro forma financial results for the first half of 2020 as if the merger between BR Brands, LLC and Dixie Brands Inc. had occurred on January 1, 2020):

- Net revenue of \$19.8M during the first half of 2021, comprised of Q1 net revenue of \$9.3M and Q2 net revenue of \$10.5M, flat relative to the same period last year, driven predominantly by lower margin SKU rationalization initiatives and capital constraints delaying certain new market entry and innovation initiatives,
- Gross profit of \$9.0M during the first half of 2021, comprised of Q1 gross profit of \$4.1 and Q2 gross profit of \$4.9M, representing an increase in gross margins to approximately 45.0% from 39.0% for the same period last year, and
- Turned EBITDA positive during the first half of 2021 relative to an approximate negative EBITDA of \$6.5M for the same period last year

Select highlights for the half year ending June 30, 2021 include:

- The start-up of new manufacturing facilities in Desert Hot Springs, CA and Jackson, MI, securing the Company's MSHB operating infrastructure across two of the largest cannabis markets in the U.S.
- The announcement of leadership changes to build on the Company's strengths and better position its platform to capitalize on the rapid growth of the U.S. cannabis market.
- The naming by BDSA, in August 2021, of Mary's Medicinals as the Best-Selling Cannabis Brand in the Topicals category for 1H 2021.
- Continued innovation to meet the needs of a changing industry and the launch of new products including Dixie Spicy Mango Gummies, Dixie Sour Strawberry Gummies, seven Mary's Tails pet chews, Mary's Medicinals CBG patch, and a new 10:1 Mary's Medicinals Compound.
- The expansion of one of the leading pet CBD brands, Mary's Tails, into more than 1,200 PetSmart stores across the country. In Q1, Mary's Tails launched seven new pet chews with PetSmart, which have now surpassed the sales of the existing offerings at PetSmart.
- A successful corporate reorganization, achieving more than \$1.3M in salary savings.
- The consolidation of BellRock licensing partners and the merger of Mary's and Dixie operations in Maryland, Nevada, and Florida, leading to improved margins.
- The launch of Mary's Medicinals in Canada, opening BellRock's first international market and 10th THC market.

"As we move towards the end of the year, BellRock's focus is on the continued integration of the combined asset base and becoming free cash flow positive. These efforts will position BellRock to maximize the growth potential of its platform, not only for our existing brands, but also for future strategic partnerships and acquisitions. As we drive organic growth of existing brands, we will balance topline revenue growth with margin expansion and profitability, and focus on accretive growth for our underlying shareholders," said Jansen. "BellRock is emerging as a unique MSHB cannabis platform, built to accelerate brand growth for emerging best-in-class cannabis brands and form factors."

ABOUT BELLROCK BRANDS:

BellRock Brands is a cannabis multi-state house of brands and intellectual property focused CPG operator that possesses one of the industry's broadest branded product portfolios. BellRock consists of two iconic cannabis brands, Mary's Medicinals (a pioneer in the Health & Wellness segment since 2013) and Dixie (a market-leading cannabis-infused edibles brand since 2010). BellRock also includes two growing California-based brands, Rebel Coast and Défoncé. BellRock's CBD portfolio includes the brands Mary's Nutritionals and Mary's Tails. With 7 brands and over 200 SKUs, BellRock reaches nearly every key consumer group and addresses the needs of a diverse cannabis consumer base. The BellRock manufacturing and distribution footprint continues to expand and currently spans nine states, and the Company owns or manages production facilities in its largest markets. For more information, visit www.bellrockbrands.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 that: (i) the transaction with BR Brands will be completed on the terms described herein; (ii) there will be no material adverse competitive or technological change in condition of the Company's business; (iii) there will be a demand for the Company's products that the Company has accurately forecast; and (iv) 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 Canadian Securities Exchange has neither approved nor disapproved the contents of this news release.

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