RedWhite&Bloom | CSE: RWB

Red White & Bloom Reports its Fiscal 2023 Annual Results and records an increase in Adjusted EBITDA and Gross Profit for a second consecutive fiscal year

- *Annual revenue for fiscal 2023 increases to $88.3 million*
- *Gross profit for fiscal 2023 of $29.5 million, a $6.8 million, or 30%, increase from $22.7 million for fiscal 2022[1]*
  Adjusted EBITDA[2] for fiscal 2023 increases to $5.5 million

TORONTO, ONTARIO April 29, 2024 (GLOBE NEWSWIRE) - Red White & Bloom Brands Inc. (CSE: RWB) ("**RWB**" or the "**Company**") is pleased to report it has filed its Consolidated Audited Financial Statements ("the Financial Statements"), Management's Discussion and Analysis ("**MD&A**"), and associated certifications.

The Company will hold its Annual General Meeting ("**AGM**") on Friday, June 14th, 2024. Further communication will follow for the benefit of shareholders including details on how to access the AGM both in-person and virtually.

As of the date of this release, the Company expects to complete its requisite filings and disclosures for the first quarter of 2024 by the prescribed date of May 30, 2024.

Management Commentary

Colby De Zen, President, and Director, stated, "RWB continued to effect value-added transformations of its business during fiscal 2023. We focused on higher margin revenue opportunities and sunsetting of low margin products, as can be seen in our results, which has led to a 30% increase in gross margin with revenue only increasing marginally over the same period. Moving into fiscal 2024, the Company has targeted several near-term priorities, including a fulsome restructuring of its current financing arrangements, resourcing its key business segments, both in Canada and across incumbent and prospective US states, providing a path for our company and its valued team members to achieve profitable growth and sustainable liquidity. In addition, in fiscal 2024, post our fiscal 2023 close, RWB successfully completed the acquisition of the former Aleafia group of companies, providing RWB with a North American and international cannabis footprint in advance of potential US federal legalization. The Company has also positioned itself to capitalize on market opportunities in jurisdictions, such as Florida and its emerging legalization movement, where our prior strategic investments will provide the ability to establish a stronghold. RWB management remains focused on its commitment to further streamline operations, expand and leverage its brand equity through its asset light licensing arrangements, rationalize discretionary expenditures, and focus on procurement initiatives that will drive profitability."

Recent highlights for 2023-Q4 and subsequent to 2023-YE

- On October 12, 2023, RWB was selected as the successful bidder under the sale and investment solicitation process approved by the Ontario Superior Court of Justice (Commercial List) (the "Court") in connection with Aleafia Health Inc. ("Aleafia Health") and certain of its subsidiaries (together with Aleafia Health, the "Aleafia Group") under the *Companies' Creditors Arrangement Act* (the "CCAA").
- On October 31, 2023, RWB was granted by the Ontario Superior Court of Justice (the "Court") an approval and reverse vesting order in respect of the previously announced sale transactions (the "Approval and Vesting Order"). The Approval and Vesting Order was the sole authorization required by the Aleafia Group to implement the transactions provided for under the previously announced stalking horse asset purchase and share subscription agreement, as amended, and restated on October 24, 2023 (the "Amended Stalking Horse Agreement") among RWB, Aleafia Health and certain of Aleafia Health's subsidiaries (collectively, the "Aleafia Purchased Entities"). The Court also granted an ancillary relief order approving, among other things, (i) amendments to the debtor-in-possession ("DIP") term sheet to increase the DIP financing available to the Aleafia Group from $6.6 million to $8

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[1] Refer to the Company's comparative restated fiscal 2022 financial statements included in its audited fiscal 2023 financial statements (note 33) which also details the Company's discontinued operations for both fiscal 2023 and fiscal 2022 (note 31). Reference to 2022 year over year and quarter over quarter comparative financials are accounted for in accordance with the aforementioned classifications.

[2] Refer to Non-IFRS measures

million; and (ii) an extension to the stay period in the Aleafia Group's CCAA proceedings to November 30, 2023, in order to, among other things, permit the parties to complete the transactions contemplated under the Amended Stalking Horse Agreement.

- On November 9, 2023, the Company announced its entry into the rapidly growing Ohio cannabis market through the execution of a licensing arrangement with a first mover, vertically integrated Ohio distributor. This strategic partnership allows RWB to leverage the distributor's retail network to introduce its renowned Platinum Vape cartridges and disposable vapes, available in various formats, across more than ninety licensed retail locations in the state.
- On January 15, 2024, the Company announced that, in connection with the Aleafia Group's CCAA proceedings, the parties successfully closed the previously announced sale transaction on January 12, 2024 (the "Transaction"). Pursuant to the Transaction, RWB (PV) Canada Inc. (the "Purchaser"), a wholly-subsidiary of RWB, acquired the intellectual property assets of Aleafia Health and subscribed for shares in the capital of each of Emblem Cannabis Corporation ("ECC"), Canabo Medical Corporation ("Canabo") and Aleafia Retail Inc. ("Retail" and collectively with ECC and Canabo, the "Companies"). As a result of the Transaction and Approval and Vesting Order, the Purchaser became the sole shareholder of the Aleafia Purchased Entities. Additional details of the consideration for the Transaction can be found in the Company's 2023 financial statements.

2023 Fourth Quarter ("2023-Q4") Consolidated Results v. Fourth Quarter 2022 ("2022-Q4")

- Revenues were $19.9 million for 2023-Q4, a $4.5 million increase from 2022-Q4 revenues of $15.4 million.
- Gross profit, before fair value adjustments, was $7.4 million for 2023-Q4, a $6.1 million increase from 2022-Q4 gross profit before fair value adjustments of $1.3 million primarily related to improved margins in the Company's Distribution segment and the activation of the Company's Licensing segment in fiscal 2023.
- Gross profit, after fair value adjustments, was $8.7 million for 2023-Q4, a $2.3 million increase from 2022-Q4 gross profit after fair value adjustments of $6.4 million.
- Operating expenses were $11.0 million for 2023-Q4, an increase of $3.6 million compared to 2022-Q4 operating expenses of $7.4 million. The increase was substantially related to a reconciliation of year-to-date accruals, as well as non-cash expenses associated with the Company's expected credit loss provisions in compliance with IFRS.
- Losses from operations before other expenses were $2.3 million for 2023-Q4, a $1.5 million increase from 2022-Q4 losses from operations before other expenses of $0.9 million
- Other expenses were $91.9 million, inclusive of non-cash impairments of $85.2 million, for 2023-Q4, a decrease of $121.6 million compared to 2022-Q4 other expenses of $213.5 million, inclusive of non-cash impairments of $214.5 million. Other expenses also included $0.6 million of finance expenses (2022-Q4 - $nil) associated with the funding of the Aleafia group of companies during its CCAA proceedings and prior to its acquisition on January 12, 2024.
- Adjusted EBITDA was $1.7 million for 2023-Q4, an increase of $4.9 million compared to 2022-Q4 Adjusted EBITDA of negative $3.2 million.

Fiscal Year 2023 ("2023-YTD") Consolidated Results v. Fiscal 2022 ("2022-YTD")

- Revenues for 2023-YTD were $88.3 million, a $0.6 million increase from 2022-YTD revenues of $87.7 million.
- Gross profit, before fair value adjustments for 2023-YTD, was $31.2 million, a $8.7 million increase from 2022-YTD gross profit before fair value adjustments of $22.5 million primarily related to improved margins in the Company's Distribution segment and the activation of the Company's Licensing segment in fiscal 2023.
- Gross profit, after fair value adjustments, was $29.5 million for 2023-YTD, a $6.8 million increase from 2022-YTD gross profit after fair value adjustments of $22.7 million.
- Operating expenses were $37.8 million for 2023-YTD, an increase of $5.5 million compared to 2022-YTD operating expenses of $32.3 million. The increase was substantially related to a reconciliation of year-to-date accruals, as well as non-cash expenses associated with the Company's expected credit loss provisions in compliance with IFRS.
- Losses from operations before other expenses were $8.3 million for 2023-YTD, a $1.3 million decrease from 2022-YTD losses from operations before other expenses of $9.6 million.
- Other expenses were $108.2 million, inclusive of non-cash impairments of $85.9 million, for 2023-YTD, a decrease of $121.5 million compared to 2022-YTD other expenses of $229.7 million, inclusive of non-cash impairments of $214.5 million. Other expenses for 2023-YTD also included $1.2 million of finance expenses (2022-YTD - $nil) associated with debt service tied to the funding of the Aleafia group of companies during its CCAA proceedings and prior to its acquisition on January 12, 2024.
- Adjusted EBITDA was $5.5 million for 2023-YTD, an increase of $7.2 million compared to 2022-YTD negative adjusted EBITDA of $1.7 million.

The following is a condensed summary of the Company's results from operations for 2023-YTD, and 2022-YTD.

(in thousands of Canadian dollars)	2023-Q4	2022-Q4 restated	Variance	2023-YTD	2022-YTD restated	Variance
	$	**$**	**$**	**$**	**$**	**$**
Revenue	19,864	15,376	4,489	88,333	87,715	618
Gross Profit after fair market value adjustments	**8,684**	**6,477**	**2,206**	**29,485**	**22,670**	**6,815**
Gross profit (%)	44%	42%		33%	26%	
[i]General and administration	7,092	7,591	(500)	28,022	21,855	6,168
Marketing expenses	452	617	(165)	1,783	3,012	(1,229)
Share-based compensation	144	(721)	866	752	478	274
Depreciation and amortization	879	98	781	3,784	6,061	(2,277)
[ii]Bad debt expense	2,463	(226)	2,689	3,419	879	2,539
Total operating expenses	**11,030**	**7,359**	**3,671**	**37,759**	**32,284**	**5,475**
Loss from operations before other expenses or income	**(2,346)**	**(882)**	**(1,465)**	**(8,274)**	**(9,614)**	**1,340**
[iii]Total other expenses	91,927	213,520	(121,592)	108,239	229,694	(121,455)
Loss before income taxes	(94,274)	(214,401)	120,127	(116,513)	(239,308)	122,795
Net Loss for the year from continuing operations	**(113,840)**	**(213,028)**	**99,188**	**(136,497)**	**(242,785)**	**106,288**
Basic loss per share from continuing operations	**(0.24)**	**(0.47)**	**0.23**	**(0.28)**	**(0.60)**	**0.32**

[i]General administrative includes non-recurring penalties of $2,354 for 2024-Q4 and $2,488 for 2023-YTD
[ii]Bad debt expense includes non-cash expected credit loss provisions in accordance with IFRS of $2,354 for 2024-Q4 and $3,309 for 2023-YTD
[iii]Total other expenses includes non-cash impairments of $85,900 for 2023-YTD

Adjusted EBITDA

The following summarizes results from operations for 2023-Q4, and 2023-YTD with 2022-Q4 and 2022-YTD comparatives.

(in thousands of Canadian dollars)	**2023-Q4**	**2022-Q4 restated**	**Variance**	**2023-YTD**	**2022-YTD restated**	**Variance**
Net Income (Loss) for the Period	**(118,108)**	**(206,078)**	**87,970**	**(143,582)**	**(242,128)**	**98,546**
Depreciation and amortization	879	3,186	(2,307)	3,783	6,061	(2,278)
Bad debt expense	2,463	(225)	2,688	3,418	879	2,539
Accreted interest, leases	681	(172)	853	2,698	2,661	37
Finance expense, net	8,624	6,362	2,262	30,801	21,609	9,192
Interest income	(1,298)	-	(1,298)	(3,039)	-	(3,039)
Acquisition costs	492	-	492	492	-	492
Business transaction costs	118	-	118	641	-	641
(Gain) loss on evaluation of financial instruments	1	(804)	805	(2,539)	(804)	(1,735)
Loss on disposal of assets	-	21	(21)	1	21	(20)
Foreign exchange	(1,819)	(4,445)	2,626	(5,245)	3,184	(8,429)
Termination costs	353	453	(100)	508	562	(54)
Current income tax expense/(recovery)	6,700	8,767	(2,067)	8,815	13,617	(4,802)
Deferred income tax expense/(recovery)	12,866	(10,140)	23,006	11,170	(10,140)	21,310
Fair value changes in biological assets	(1,966)	(5,239)	3,273	(495)	(2,868)	2,373
Reversal of license liability	-	8,135	(8,135)	-	-	-
Gain on extinguishment of payables	-	5,697	(5,697)	-	4,296	(4,296)
Gain loss on debt modification	(518)	-	(518)	(518)	-	(518)
Impairment of property, plant, and equipment	33,983	-	33,983	33,983	-	33,983
Impairment of intangible assets	26,899	29,540	(2,641)	26,899	29,540	(2,641)
Impairment of goodwill	24,318	185,225	(160,907)	24,318	185,225	(160,907)
Realized fair value changes in inventory sold	670	75	595	2,208	2,709	(501)
Share based compensation	145	(721)	866	752	478	274
(Gain) or loss on settlement of debt	139	(16,039)	16,178	139	(16,039)	16,178
[ii]Non-recurring expenses	1,826	87	1,740	3,238	88	3,150
(Gain) loss on discontinued operations	4,268	(6,951)	11,219	7,085	(656)	7,741
Adjusted EBITDA[i]	**1,716**	**(3,266)**	**4,983**	**5,531**	**(1,705)**	**7,236**

[i] Refer to Non-IFRS Measures / [ii] Non-recurring expenses include expenses are those that the Company does not expect to recur in the future, such as penalties and late fees

For additional details on the Company’s financial results, refer to the Company’s filings at SEDAR+: www.sedarplus.ca

About Red White & Bloom Brands Inc.

Red White & Bloom is a multi-state cannabis operator and house of premium brands operating in the United States, Canada and select international jurisdictions. RWB is predominantly focusing its investments on major U.S. markets, including Arizona, California, Florida, Missouri, Michigan, and Ohio in addition to Canadian and International markets by virtue of its acquisition of the former Aleafia group of companies.

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This press release contains forward-looking statements and information that are based on the beliefs of management and reflect the Company's current expectations. When used in this press release, the words "estimate", "project", "belief", "anticipate", "intend", "expect", "plan", "predict", "may" or "should" and the negative of these words or such variations thereon or comparable terminology are intended to identify forward-looking statements and information. There is no assurance that the near-term priorities outlined in this press release will yield results in line with management expectations. Such statements and information reflect the current view of the Company with respect to risks and uncertainties that may cause actual results to differ materially from those contemplated in those forward-looking statements and information.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or other future events, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following risks: risks associated with the implementation of the Company's business plan and matters relating thereto, risks associated with the cannabis industry, competition, regulatory change, the need for additional financing, reliance on key personnel, market size, and the volatility of the Company's common share price and volume. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date that statements are made, and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change. Investors are cautioned against attributing undue certainty to forward-looking statements.

There are several important factors that could cause the Company's actual results to differ materially from those indicated or implied by forward-looking statements and information. Such factors include, among others, risks related to the Company's proposed business, such as failure of the business strategy and government regulation; risks related to the Company's operations, such as additional financing requirements and access to capital, reliance on key and qualified personnel, insurance, competition, intellectual property, and reliable supply chains; risks related to the Company and its business generally; risks related to regulatory approvals. The Company cautions that the foregoing list of material factors is not exhaustive. When relying on the Company's forward-looking statements and information to make decisions, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. The Company has assumed a certain progression, which may not be realized. It has also assumed that the material factors referred to in the previous paragraph will not cause such forward-looking statements and information to differ materially from actual results or events. However, the list of these factors is not exhaustive and is subject to change and there can be no assurance that such assumptions will reflect the actual outcome of such items or factors. While the Company may elect to, it does not undertake to update this information at any particular time.

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The Company references non-IFRS and supplementary financial or operating measures, including, but not limited to, Adjusted EBITDA. This measure does not have a standardized meaning prescribed by IFRS and is most likely not comparable to similar measures presented by other public company issuers including those operating in the cannabis industry. Non-IFRS measures provide investors with additional insights into the Company's financial and operating performance which may not be garnered from traditional IFRS measures. The management of the Company, including its key decision makers, use non-IFRS measures in assessing the Company's financial and operating performance.

The Company calculates Adjusted EBITDA as net income or loss excluding current and deferred income tax expense, finance expense, interest income and amortization of discounts, depreciation and amortization, fair value changes in biological assets, realized fair value changes in inventory sold, share based compensation, termination costs, gains or losses on evaluation of financial instruments, impairments of intangible assets, impairment of goodwill, impairment of property, plant and equipment, accreted interest on leases and applicable short term and long term liabilities, gains or losses on asset disposals, gains or losses on settlement of debt, gains or losses on debt modification, foreign exchange, expected credit losses and bad debt expense, acquisition costs, business transaction costs, reversal of license liabilities, gain on extinguishment of payables, carrying costs associated with dormant investments, and non-recurring expenses such as penalties and late fees.