

# Red White & Bloom Reports First Quarter 2024 Financial Results

TORONTO, ONTARIO May 30, 2024 (GLOBE NEWSWIRE) - Red White & Bloom Brands Inc. (CSE: RWB) (“**RWB**” or the “**Company**”) is pleased to report it has filed its Condensed Interim Consolidated Financial Statements (“the Financial Statements”), Management's Discussion and Analysis (“**MD&A**”), and associated certifications for its first quarter ended March 31, 2024.

As a reminder to all of its shareholders, the Company will hold its Annual General Meeting (“**AGM**”) on Friday, June 14<sup>th</sup>, 2024.

## *President's Commentary*

Colby De Zen, President, stated, “After significant efforts, the Aleafia transaction was successfully closed in mid-January 2024. With the closing behind us, the RWB management team was finally given the opportunity to begin the process of implementing changes and commencing integration. We attacked the integration with a three-prong approach; The first order of business was to right size Aleafia, which included the complete overhaul of C-Level executives. Our next step was to comprehensively reassess our entire product lineup using a variety of metrics, such as market share, margin analysis, emerging trends, and product formats. This comprehensive review extended throughout the value chain evaluating third-party vendors, as well as making strategic decisions to enhance our in-house capabilities through automation and internal investments, while also capitalizing on procurement synergies across the company. As a result of these efforts, we made the decision to discontinue several SKUs while introducing a range of new and innovative formats. These strategic moves pave the way for Aleafia’s Divvy Brand to emerge as the most competitively priced option for consumers seeking both ready-to-use and bulk cannabis products in Canada. Lastly, we’ve undertaken a campaign to reengage our customers through the development of a collaborative go to market strategy to address their needs. The introduction of our new product formats using this hands-on approach has been very well received. As the first quarter advanced, there was a noticeable improvement in customer growth and market share, with momentum increasing as the quarter drew to a close. The significant operational enhancements implemented in Q1 will manifest through our second quarter and more substantially throughout the remainder of fiscal 2024.” Mr. De Zen went on to comment “It is important to note that our increase in general and administrative expenses in Q1 are directly correlated to non-recurring, transitional costs associated with the acquisition and integration of Aleafia which included severance, restructuring, and professional fees. As previously stated, with the Aleafia acquisition now firmly entrenched, RWB can and will remain steadfast in its commitment to profitable growth.”

Mr. De Zen concluded, “Despite the considerable efforts and focus on swiftly implementing the Aleafia integration, I am pleased to report that the execution of previously defined near-term priorities elsewhere in the Company remain on target. We continue to make progress in finalizing the ongoing restructuring of our financing arrangements, expanding our asset-light approach in the US for our award-winning brands, completing the expansion of our retail footprint in the state of Florida in fiscal 2024, and divesting all non-strategic assets or operations by the close of fiscal 2024”.

## ***Recent business highlights for the Company's first quarter ended March 31, 2024 and subsequent to March 31, 2024***

- 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-subsiary 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.
- On February 27, 2024, the OMMU approved our manufacturing facility in Sanderson, Florida for extraction allowing the Company to in-source distillate production for the first time in Florida which will substantially increase the product mix and SKU selection for our operations in that state.
- In April 2024, Platinum Vape 5/10 distillate cartridges were approved and debuted at all of our active medical retail locations in Florida.
- In May 2024, Platinum vape distillate disposables were approved and debuted at all of our active medical retail locations in Florida.
- As of the date of this release, adult use sales are anticipated to commence in Ohio in the next sixty (60) to ninety (90) days. Platinum Vape products are already well positioned in Ohio as part of an executed licensing agreement with a vertically integrated licensed producer and distributor in Ohio. Ohio is projected to generate adult-use sales in excess of \$1.5 billion by 2027<sup>1</sup>.

## ***2024 First Quarter ("2024-Q1") Financial Highlights***

- Revenues were \$22.6 million for 2024-Q1, a \$2.7 million increase over the previous quarter (2023-Q4); the increase was partially attributable to the closing of Aleafia during the quarter. Revenues for 2024-Q1 were lower by \$3.9 million in comparison to 2023-Q1 revenues of \$26.5 million primarily due to the targeted divestiture of non-strategic operations.
- Gross profit, before fair value adjustments, was \$7.9 million for 2024-Q1, a \$0.5 million increase over the previous Quarter (2023-Q4); the increase was partially attributable to the closing of Aleafia during the quarter. Gross profit, before fair value adjustments for 2024-Q1 was \$1.5 million lower than restated 2023-Q1 gross profit before fair value adjustments of \$9.4 million primarily due to lower sales volume.
- Operating expenses were \$12.1 million for 2024-Q1, an increase of \$2.9 million compared to restated 2023-Q1 operating expenses of \$9.2 million; the increase was partially attributable to the closing of Aleafia in the quarter, an increase in non-cash provisions and depreciation and amortization, offset by a reduction in operating expenses elsewhere in the company.
- Other income was \$3.0 million, an increase of \$9.6 million compared to restated 2023-Q1 other expenses of \$6.6 million primarily due to the gain on investment associated with the closing of the Aleafia acquisition.
- EBITDA<sup>2</sup> for 2024-Q1 was \$5.1 million compared to negative EBITDA of \$89.7 million for 2023-Q4; an increase of \$94.8 million primarily due to the Company having recorded impairments of \$85.2 million in 2023-Q4 and the gain on investment of \$7.6 million associated with the Aleafia acquisition realized in 2024-Q1. EBITDA for 2024-Q1 was \$5.9 million higher than restated 2023-Q1 EBITDA of negative \$0.9 million primarily attributed to the gain on investment associated with the Aleafia acquisition.
- Adjusted EBITDA<sup>2</sup> was \$0.1 million for 2024-Q1, a decrease of \$1.7 million compared to restated 2023-Q1 Adjusted EBITDA of \$1.8 million.

<sup>1</sup> <https://www.cannabisbusinesstimes.com/news/ohio-adult-use-cannabis-market-billion-sales-2027-bdsa/>

<sup>2</sup> Refer to Non-IFRS and Supplementary Financial or Operating Measures

**The following is a condensed summary of the Company's results from operations for 2024-Q1, and restated 2023-Q1**

<i>(in thousands of Canadian dollars)</i>	2024-Q1	2023-Q1 restated	Variance
	\$	\$	\$
Revenue	22,551	26,453	(3,902)
<b>Gross profit before fair value adjustments</b>	<b>7,869</b>	<b>9,410</b>	<b>(1,541)</b>
Gross profit before fair value adjustments (%)	35%	36%	-1%
Unrealized changes in fair value of biological assets	(3,067)	(451)	(2,616)
Realized fair value amounts included in inventory sold	(933)	(606)	(327)
<b>Gross Profit after fair value adjustments</b>	<b>3,869</b>	<b>8,353</b>	<b>(4,484)</b>
Gross profit (%)	17%	32%	-14%
General and administration	8,202	7,545	657
Marketing expenses	1,262	483	779
Share-based compensation	50	316	(266)
Depreciation and amortization	1,091	648	443
<sup>(i)</sup> Bad debt expense	1,488	223	1,265
<b>Total operating expenses</b>	<b>12,093</b>	<b>9,215</b>	<b>2,878</b>
<b>Loss from operations before other expenses or income</b>	<b>(8,224)</b>	<b>(862)</b>	<b>(7,362)</b>
Total other (income) expenses	(2,996)	6,558	(9,554)
<b>Loss before income taxes</b>	<b>(5,228)</b>	<b>(7,420)</b>	<b>2,192</b>
<b>Net loss from continuing operations</b>	<b>(5,622)</b>	<b>(7,699)</b>	<b>2,077</b>
<b>Net loss from continuing operations attributable to shareholders</b>	<b>(3,737)</b>	<b>(6,497)</b>	<b>2,760</b>
<b>Basic loss per share from continuing operations</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>-</b>

<sup>(i)</sup>Bad debt expense includes non-cash expected credit loss provisions in accordance with IFRS of \$1.5 million for 2024-Q1 and \$0.2 million for 2023-Q1

**EBITDA and Adjusted EBITDA**

The following summarizes results from operations for 2024-Q1, and restated 2023-Q1.

<i>(in thousands of Canadian dollars)</i>	2024-Q1	2023-Q1 restated	Variance
<b>Net Loss for the Period</b>	<b>(6,089)</b>	<b>(9,396)</b>	<b>3,307</b>
Depreciation and amortization	1,091	648	443
Interest income	(209)	-	(209)
Accreted interest, leases	673	682	(9)
Current income tax expense/(recovery)	1,170	1,975	(805)
Deferred income tax expense/(recovery)	(776)	(1,696)	920
Finance expenses	179	711	(532)
Interest on credit facilities	586	517	69
Interest on convertible notes	1,445	1,363	82
Accreted interest on convertible notes	1,281	1,036	245
Accreted interest on promissory notes	82	-	82
Interest on promissory notes	5,666	3,281	2,385
<b><sup>1</sup>EBITDA</b>	<b>5,099</b>	<b>(881)</b>	<b>5,980</b>
Bad debt expense	1,488	223	1,265
Acquisition costs	112	-	112
Business transaction costs	38	-	38
Gain on evaluation of financial instruments	(145)	(1,008)	863
Loss on disposal of assets	235	-	235
Foreign exchange	(4,092)	24	(4,116)
Termination costs	342	-	342
Fair value changes in biological assets	3,067	451	2,616
Realized fair value changes in inventory sold	933	606	327
Loss on debt extinguishment	100	-	100
Gain on investment	(7,645)	-	(7,645)
Share based compensation	50	316	(266)
(Gain) or loss on settlement of debt	(636)	-	(636)
<sup>(i)</sup> Nonrecurring expenses	724	388	336
Loss on discontinued operations	467	1,698	(1,231)
<b><sup>1</sup>Adjusted EBITDA</b>	<b>137</b>	<b>1,818</b>	<b>(1,681)</b>

<sup>(i)</sup> Non-recurring expenses include expenses are those that the Company does not expect to recur in the future, such as penalties and late fees

<sup>1</sup> Refer to Non-IFRS and Supplementary Financial or Operating Measures

The Company encourages all of its stakeholders to review management's commentary on its 2024-Q1 financial results included in 2024-Q1 MD&A available on Sedar+: [www.sedarplus.ca](http://www.sedarplus.ca). For additional details on the Company's financial results, refer to the Company's filings at SEDAR+.

### **About Red White & Bloom Brands Inc.**

Red White & Bloom is a multi-jurisdictional 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.

### **Red White & Bloom Brands Inc.**

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### **FORWARD LOOKING INFORMATION**

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.

THE FORWARD-LOOKING INFORMATION CONTAINED IN THIS PRESS RELEASE REPRESENTS THE EXPECTATIONS OF THE COMPANY AS OF THE DATE OF THIS PRESS RELEASE AND, ACCORDINGLY, IS SUBJECT TO CHANGE AFTER SUCH DATE. READERS SHOULD NOT PLACE UNDUE IMPORTANCE ON FORWARD LOOKING INFORMATION AND SHOULD NOT RELY UPON THIS INFORMATION AS OF ANY OTHER DATE. WHILE THE COMPANY MAY ELECT TO, IT DOES NOT UNDERTAKE TO UPDATE THIS INFORMATION AT ANY PARTICULAR TIME EXCEPT AS REQUIRED IN ACCORDANCE WITH APPLICABLE LAWS.

#### **NON-IFRS AND SUPPLEMENTARY FINANCIAL OR OPERATING MEASURES**

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.

EBITDA, as defined by the Company, means earnings before interest, income taxes, depreciation, and amortization. The Company calculates Adjusted EBITDA as EBITDA less 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, gains or losses on asset disposals, gains or losses on settlement of debt, gains or losses on investments, foreign exchange, expected credit losses and bad debt expense, acquisition costs, business transaction costs, gain on extinguishment of debt, carrying costs associated with dormant investments, and non-recurring expenses such as penalties and late fees.