

StateHouse Reports Third Quarter 2023 Financial Results

Generates Solid Revenue of \$25.5 Million and Gross Margins of 44.9%

Continued Cultivation Improvements with yields up 28% per sq/ft compared to Q3 2022

STASH Loyalty Program Customers reaches over 286,000 Members Enrolled at Quarter End

SAN DIEGO and TORONTO, Nov. 29, 2023 -- [StateHouse Holdings Inc.](#) ("StateHouse" or the "Company") (CSE: STHZ) (OTCQB: STHZF), a California-focused, vertically integrated cannabis company, today announced its financial results for the three-month ("Q3 2023") and nine-month periods ended September 30, 2023, and provided additional business updates. The unaudited condensed interim consolidated financial statements for Q3 2023, as well as the corresponding management's discussion and analysis are available for download from the Company's investor website, [statehouseholdings.com](#), and on the Company's SEDAR profile. Unless otherwise indicated, all dollar amounts in this press release are denominated in U.S. currency.

Q3 2023 Financial Highlights

- Q3 2023 net revenues were \$25.5 million, compared with \$30.8 million in Q3 2022.
 - Retail revenues were \$13.2 million, representing 51.8% of total sales for Q3 2023, compared to \$16.5 million or 53.6% of total sales in Q3 2022.
 - Manufacturing revenues were \$11.7 million, representing 45.9% of total sales for Q3 2023, compared to \$13.2 million or 42.7% of total sales in Q3 2022.
 - Wholesale revenues were \$0.6 million, representing 2.2% of total sales for Q3 2023, compared to \$1.2 million or 3.9% of total sales in Q3 2022.
- Gross profit before adjustments for biological assets was \$11.4 million in Q3 2023, compared with \$11.1 million in Q3 2022.
- Consolidated gross margins improved to 44.9% in Q3 2023, compared to 35.9% for Q3 2022.
- Q3 2023 cultivation yields in the Company's Salinas facility were up 28% over Q3 2022 due to improved lighting and growing techniques.
- STASH, the Company's re-named high-value customer loyalty program, expanded by 9.6% to 292,363 loyalty members enrolled as of November 26, 2023, compared to June 30, 2023.

Management Commentary

"Our premier products continue to captivate the market and are proving popular with discerning California customers," said Ed Schmults, Chief Executive Officer of StateHouse. "California is at the center of cannabis culture and our leadership position has empowered us with necessary insights and capabilities to create brands and products that resonate with consumers. Our STASH loyalty program is an important differentiator, and we were thrilled to celebrate over 292,363 enrolled members as of November 26, 2023. Approximately two thirds of our revenues are generated from STASH members. Establishing customer loyalty and garnering insights from our customers provides us with a strong foundation for the future. We are confident that firmly establishing ourselves in California will provide a competitive edge once we can introduce our west coast brands and products to new markets."

Mr. Schmults added, "Demand remained strong throughout the quarter and our on-going focus on operating efficiencies has further enhanced our ability to keep up with demand. We've implemented new processes, including automated trimming and pre-roll production, as well as improvements to our lighting and air circulation in our greenhouses. With these enhancements, we have continued to improve our yields and the quality of our products. In addition, we are thrilled to be starting our new managed facility located in Humboldt County. Together with Pelorus, we are applying our cultivation expertise to bring this facility up to the quality standards expected from such a premier location. This new line of business is an exciting development for us as we are exploring multiple opportunities to further expand this service offering."

Mr. Schmults concluded, "Throughout the year we have strengthened our financial position and increased our capabilities to advance our leadership position. In 2024 we will continue to focus on success in California to prepare for the future, backed by our strong cultivation, popular brands, and high-quality retail footprint."

Q3 2023 Operational Highlights

- Strengthened the Company's financial positioning with a capital infusion and revised debt obligations through an agreement with Pelorus Capital Group ("Pelorus"). Under the agreement the repayment date of the Series A Loan agreement has been extended to February 10, 2027, and including a incremental term loan of \$7.5 million to bring the total principal amount of the Series A Loan to \$15.0 million.
- Enhanced strategic capabilities through a new managed services arrangement with Pelorus where StateHouse will operate Pelorus' cultivation facility located in Humboldt County. StateHouse is providing Pelorus with its cultivation and

operational expertise as well as services including human resources, legal and compliance, post-harvest production and processing, contract manufacturing, distribution, and safety management.

- Bolstered senior management team with the appointment of Zed Schlott as Vice President of Retail. Zed is an experienced cannabis executive with over a decade of experience in retail operations, leadership and business analysis.

Subsequent Highlights

- Entered into a sales agency agreement with Stinson Brands, Inc., under which StateHouse will sell Stinson Brands products through its sales team and in its Harborside and Urbn Leaf dispensaries across California. These brands include Kikoko, a cannabis botanical wellness company focused on offering women plant-based alternatives.
- Appointed Davidson & Company LLP, Chartered Professional Accountants as the Company's auditor.

Operations Update ⁽²⁾

Total revenue in Q3 2023 was \$25.5 million, representing sequential growth of \$0.2 million despite the ongoing competition, price compression, a reduction in retail foot traffic and the closure of the Company's Seaside store. With better utilization of raw material through vertical integration, the Company has continued to generate strong gross profit before biological asset adjustments with a gross profit of \$11.4 million or 44.9% of total revenue. Additionally, the Company remains committed to reducing operating expenses, implementing additional changes during the quarter that have reduced annualized operating expenses from the prior quarter by approximately \$2.3 million. These reductions have been achieved through a comprehensive evaluation of Company operations, including process improvements, outsourcing of distribution, upgraded and consolidated technology, and the elimination of redundant operations and service providers.

Management continues to explore the potential sale of various non-core assets, which is expected to generate approximately \$7-10 million of non-dilutive capital ⁽³⁾ to strengthen its balance sheet and fund its growth objectives ⁽²⁾.

The Company has continued to execute on improvements at its cultivation operations, with significant enhancements being made at its Salinas facility. The Company expects flower yields and efficiency to improve through 2024 due to infrastructure investments that will increase CO2 distribution, which are expected to increase cannabis yields and potency.

In its retail operations, the Company has focused on increasing profitability despite competitive pressures related to sales discounting. Gross margins have held steady as the Company achieved its goal of in-house branded products representing over 50% of total retail sales. In connection with this effort, subsequent to quarter-end, StateHouse has sold its Grossmont store and property.

The Company continues to add new automation to its manufacturing operation as it pushes to lower costs while enhancing the quality of its products. New product innovation, new flavors and new product sizes have hit the market in Q3 and will continue to flow as the Company revitalizes its product line to enhance competitiveness. The Company has a goal for new product sales to reach 20% of total sales by the end of Q4 2023.

The Company has completed a number of integration milestones to establish itself as a leading California cannabis company. StateHouse is now well positioned as a focused, integrated CPG business with proprietary production, processing, brands, and retail stores. This strong platform should provide the foundation for growth, as well as improvements in profitability.

Financial results and analyses are also available on the Company's website (statehouseholdings.com).

Notes:

(1) This is a non-IFRS reporting measure. For a reconciliation of this to the nearest IFRS measure, see "Use of Non-IFRS Measures" and "Non-IFRS Measures" in the Company's management discussion and analysis for the three and nine months ended September 30, 2023. See "Non-IFRS Measures, Reconciliation and Discussion".

(2) This is forward-looking information and based on a number of assumptions. See "Cautionary Note Regarding Forward-Looking Information" below.

(3) These targets, and the related assumptions, involve known and unknown risks and uncertainties that may cause actual results to differ materially. While StateHouse believes there is a reasonable basis for these targets, such targets may not be met. These targets represent forward-looking information. Actual results may vary and differ materially from the targets. See "Cautionary Note Regarding Forward-Looking Information" and "Assumptions" below.

About StateHouse Holdings Inc.

StateHouse, a vertically integrated enterprise with cannabis licenses covering retail, major brands, distribution, cultivation, nursery, and manufacturing, is one of the oldest and most respected cannabis companies in California. Founded in 2006, its predecessor company Harborside was awarded one of the first six medical cannabis licenses granted in the United States. Today, the Company operates 13 dispensaries covering Northern and Southern California and one in Oregon, an integrated cultivation facility in Salinas and manufacturing in Greenfield, California. StateHouse is a leading brand house in California by market share, with a diversified product across multiple brands, form factors, and price points. StateHouse sells its six popular house brands to over 600 retailers across California including Kingpen, Dime Bag, Loudpack, Fuzzies, Sublime, Urbn Leaf and Smokiez line of products. StateHouse is a publicly listed company, currently trading on the Canadian Securities Exchange

("CSE") under the ticker symbol "STHZ" and the OTCQB under the ticker symbol "STHZF". The Company continues to play an instrumental role in making cannabis safe and accessible to a broad and diverse community of California and Oregon consumers.

Cautionary Note Regarding Forward-Looking Information

This news release contains "forward-looking information" and "forward-looking statements" (collectively, "forward-looking statements") within the meaning of the applicable Canadian and United States securities legislation. To the extent any forward-looking information in this news release constitutes "financial outlooks" or "future-oriented financial information" within the meaning of applicable Canadian securities laws, the reader is cautioned not to place undue reliance on such information. All statements, other than statements of historical fact, are forward-looking statements and are based on expectations, estimates, and projections as at the date of this news release. Any statement that involves discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, future events or performance (often but not always using phrases such as "expects", or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "budget", "scheduled", "forecasts", "estimates", "believes" or "intends" or variations of such words and phrases or stating that certain actions, events or results "may" or "could", "would", "might" or "will" be taken to occur or be achieved) are not statements of historical fact and may be forward-looking statements. In this news release, forward-looking statements include, among other things, statements relating to potential future growth, future financial performance including but not limited to the company's sale of various non-core assets, enhanced output for cultivation and manufacturing, expanding managed services offerings, reduction of operating expenses, future infrastructure investments, increased cannabis yields and potency, the company's ability to increase the sale of in-house branded products, new product sales targets, future financings and the potential rescheduling or de-scheduling of cannabis under the Controlled Substances Act, and the potential benefits of this change to StateHouse.

These forward-looking statements are based on reasonable assumptions and estimates of management of the Company at the time such statements were made. Actual future results may differ materially as forward-looking statements involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance, or achievements of the Company to materially differ from any future results, performance, or achievements expressed or implied by such forward-looking statements. Such factors, among other things, include: implications of the COVID-19 pandemic on the Company's operations; fluctuations in general macroeconomic conditions; fluctuations in securities markets; expectations regarding the size of the cannabis markets where the Company operates; changing consumer habits; the ability of the Company to successfully achieve its business objectives; plans for expansion and acquisitions; political and social uncertainties; inability to obtain adequate insurance to cover risks and hazards; employee relations; the presence of laws and regulations that may impose restrictions on cultivation, production, distribution, and sale of cannabis and cannabis-related products in the markets where the Company operates; and the risk factors set out in the Company's management's discussion and analysis for the year ended December 31, 2022 and the Company's listing statement dated May 30, 2019, which are available under the Company's profile on www.sedar.com. Although the forward-looking statements contained in this news release are based upon what management of the Company believes, or believed at the time, to be reasonable assumptions, the Company cannot assure shareholders that actual results will be consistent with such forward-looking statements, as there may be other factors that cause results not to be as anticipated, estimated or intended. Readers should not place undue reliance on the forward-looking statements and information contained in this news release. The Company assumes no obligation to update the forward-looking statements of beliefs, opinions, projections, or other factors, should they change, except as required by law.

The Company, through several of its subsidiaries, is directly involved in the manufacture, possession, use, sale, and distribution of cannabis in the recreational and medicinal cannabis marketplace in the United States. Local state laws where the Company operates permit such activities however, investors should note that there are significant legal restrictions and regulations that govern the cannabis industry in the United States. Cannabis remains a Schedule I drug under the United States Controlled Substances Act, making it illegal under federal law in the United States to, among other things, cultivate, distribute, or possess cannabis in the United States. Financial transactions involving proceeds generated by, or intended to promote, cannabis-related business activities in the United States may form the basis for prosecution under applicable United States federal money laundering legislation.

While the approach to enforcement of such laws by the federal government in the United States has trended toward non-enforcement against individuals and businesses that comply with recreational and medicinal cannabis programs in states where such programs are legal, strict compliance with state laws with respect to cannabis will neither absolve the Company of liability under United States federal law, nor will it provide a defense to any federal proceeding which may be brought against the Company. The enforcement of federal laws in the United States is a significant risk to the business of the Company and any proceedings brought against the Company thereunder may adversely affect the Company's operations and financial performance.

This news release does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States. The Company's securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws and may not be offered or sold within the United States or to U.S. Persons unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available.

The CSE has neither approved nor disapproved the contents of this news release. Neither the CSE nor its Market Regulator (as that term is defined in the policies of the CSE) accepts responsibility for the adequacy or accuracy of this release.

For the latest news, activities, and media coverage, please visit <https://www.statehouseholdings.com>, <https://shopharborside.com> and <https://urbanleaf.com> and connect with us on LinkedIn and Twitter.

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