

StateHouse Reports First Quarter 2024, Fourth Quarter 2023, and Full Year 2023 Financial Results

Q1 2024 Gross Margin Remains Strong at 46.5%

Gains in Cultivation Output and Market Share Amidst Successful Cost Reductions

Now Positioned as 4th Largest Cannabis Brand Operator in California

Kevin K. Albert Appointed to the Board of Directors

SAN DIEGO and TORONTO, Aug. 01, 2024 -- [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 period ended March 31, 2024 ("Q1 2024"), and the three-month ("Q4 2023") and twelve-month ("FY 2023") periods ended December 31, 2023, as well as provided additional business updates. The unaudited condensed interim consolidated financial statements for Q1 2024, as well as the corresponding management's discussion and analysis and the audited consolidated financial statements for FY 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. The delay in filing arose as a result of the Company's prior auditor unexpectedly discontinuing certain services to publicly traded companies and the subsequent engagement and onboarding of a new auditor, which involved the extensive review of prior financials, acquisitions and tax returns dating back to 2019 that has now been completed. Unless otherwise indicated, all dollar amounts in this press release are denominated in U.S. currency.

Q1 2024 Financial Highlights

- Q1 2024 net revenues were \$25.4 million, compared with \$24.7 million in Q1 2023.
 - Retail revenues were \$12.0 million representing 47.1% of total sales for Q1 2024, compared to \$14.4 million or 47.2% of total sales in Q1 2023.
 - Branded wholesale manufacturing revenues were \$11.5 million, representing 45.2% of total sales for Q1 2024, compared to \$9.4 million or 38.3% of total sales in Q1 2023.
 - Cultivation revenues were \$2.0 million, representing 7.7% of total sales for Q1 2024, compared to \$0.8 million or 3.2% of total sales in Q1 2023.
- Gross profit before adjustments for biological assets¹ was \$11.8 million in Q1 2024, compared with \$10.9 million in Q1 2023.
- Consolidated gross margins improved to 46.5% in Q1 2024¹, compared to 44.3% for Q1 2023.
- Adjusted EBITDA¹ improved to \$0.8 million in Q1 2024 compared with Adjusted EBITDA¹ loss of \$2.4 million in Q1 2023.

Q4 2023 Financial Highlights

- Q4 2023 net revenues were \$25.1 million, compared with \$25.5 million in Q4 2022.
 - Retail revenues were \$13.0 million representing 51.8% of total sales for Q4 2023, compared to \$16.4 million or 64.3% of total sales in Q4 2022.
 - Branded wholesale manufacturing revenues were \$11.7 million, representing 46.5% of total sales for Q4 2023, compared to \$8.6 million or 33.7% of total sales in Q4 2022.
 - Cultivation revenues were \$0.4 million, representing 1.5% of total sales for Q4 2023, compared to \$0.5 million or 1.9% of total sales in Q4 2022.
- Gross profit before adjustments for biological assets¹ was \$10.4 million in Q4 2023, compared with \$10.8 million in Q4 2022.
- Consolidated gross margins¹ declined to 41.6% in Q4 2023, compared to 42.4% for Q4 2022.

FY 2023 Financial Highlights

- FY 2023 net revenues were \$101.0 million, compared with \$108.2 million in FY 2022.
 - Retail revenues were \$53.6 million representing 53.0% of total sales for FY 2023, compared to \$63.0 million or 58.2% of total sales in FY 2022.
 - Branded wholesale manufacturing revenues were \$44.0 million, representing 42.5% of total sales for FY 2023, compared to \$40.7 million or 37.6% of total sales in FY 2022.
 - Cultivation revenues were \$2.9 million, representing 3.5% of total sales for FY 2023, compared to \$4.6 million or 4.2% of total sales in FY 2022.
- Gross profit before adjustments for biological assets¹ was \$45.1 million in FY 2023, compared with \$42.1 million in FY 2022.
- Consolidated gross margins¹ improved to 44.9% in FY 2023, compared to 36.2% for FY 2022.

Management Commentary

“The team at StateHouse has focused on improving margins and reducing our operating expenses to generate cash. Our adjusted EBITDA was positive in Q1 2024 and has improved further in Q2, despite the overall California market’s decline,” said Ed Schmults, Chief Executive Officer of StateHouse. “As an organization we are focused on enhancing our customer experience across both our stores and products, while improving the quality and speed of our operations to lower costs. These efforts are having the desired impacts and have kept our gross margin steady at 46.5% in Q1 2024 while maintaining strong revenue of \$25 million.”

Mr. Schmults added, “Our efforts are not only improving our financial results but also helping to advance our market presence. We’ve climbed from the 8th largest California cannabis brand operator in 2023 to the 4th in 2024, driven by our commitment to bringing the products and brands customers want to market. Over the past 12 months we introduced 23 new products as well as 40 in-house developed strain formulations, driving new product sales to approximately 15% of total sales in 2024. We are extremely proud to have won gold and silver awards at the California State Fair for our potency and terpene profile for the third consecutive year.”

Mr. Schmults concluded, “Our influence in California continues to grow as we set new benchmarks for success and drive innovation across the market. In 2023, we established a strong foundation, and in 2024, we’re witnessing the positive benefits of these strategic advancements towards achieving our goals. Thanks to these efforts and our incredibly popular brands and products we have solidified our foothold in California’s dynamic cannabis industry and are well-positioned ahead of potential future market expansion.”

Brands and Products Highlights

- Introduced 23 new products across 7 brands, along with over 40 new in-house developed strain formulations over the last twelve months. New products account for approximately 15% of the Company’s YTD sales in 2024.
- Achieved broad and significant market share gains with the Company now ranking as the 4th largest operator of cannabis brands in California based on units sold year-to-date and 6th largest based on dollars spent year-to-date (per BDSA) compared with the 8th and 10th in 2023, respectively.
 - Dime Bag is the 2nd most popular flower brand based on units and the 5th most popular flower brand based on dollars spent in California for year-to-date up from 11th and 16th in 2023 during the same period, respectively (per BDSA).
 - Urbn Leaf Flower, only available through the Company’s owned retail platform, is the 35th ranked flower brand in California year-to-date (per BDSA).
- Launched a new farm product offering in 2024 for young plant sales, comprised of cuttings, clones and teens. This newest channel has performed exceptionally well in sales to date, as the Company is currently the only at-scale producer of unrooted cuttings in California.
- For the third consecutive year, the Company won both gold and silver awards at the California State Fair for potency and terpene profile, bringing the total to 10 awards over the past three years by StateHouse.

Operations Update

Total revenue in Q1 2024 was \$25.4 million, sequentially inline with the previous quarter, despite the ongoing competition, price compression, and overall market declines. The Company has continued to generate strong gross profit before biological asset adjustments¹ with a gross profit of \$11.8 million or 46.5% of total revenue.

Retail operations have consistently improved in 2024 through a combination of targeted promotions, effective product merchandising strategies and excellent staff. As a result, average daily returning customer traffic has increased 18% in the first half of 2024 compared to 2023. Total new customer traffic has also improved 9% in the first half of 2024 compared with the same period in 2023. The Company’s retail team has achieved significant results in the digital landscape, with online sales increasing 17% in the first half of 2024 compared with 2023, and transactions increasing 58% over the first half of 2024 compared to 2023. The Company’s loyalty program, STASH, had 312,860 members as of July 7, 2024. Additionally, Buy Online, Pickup in Store (“BOPIS”) sales have more than doubled in the first half of 2024 compared with 2023. The Company’s sales team has updated and enhanced multiple product lines to improve visual merchandising. The most impactful has been the roll out of the new Dime Bag Cartridge and All-In-One hardware in Q1 2024. The Company’s Dime Bag All-In-Ones are the top selling vape product line in its owned retail platform.

The Company’s manufacturing operations have added automation and efficiencies to lower operating costs and improve product quality. Automation processes for flower bagging have resulted in a 70% increase in daily capacity for flower packing while reducing direct labor by 50%, an automated pre-roll machine has reduced direct labor by 25% and a new edibles sugar tumbler and mold extractor has reduced direct labor by 54%. Overall, as a result of these implementations there has been a headcount reduction of 37%, which represents direct labor savings of approximately \$70,000 per week. Additionally, the Company has closed a warehouse location to drive additional cost savings per month.

Cultivation infrastructure improvements continue to deliver results, with an 18% increase in pounds of flower produced year-to-date compared with the same period in 2023, largely driven by the installation of supplemental CO₂ in all the Company’s flowering ranges in Q1 2024. Productivity enhancements, improved crop training, and bulking protocols before flowering has enabled the Company to achieve this improved yield with a 10% reduction in the total number of plants harvested. This has resulted in successfully reducing the Company’s total direct cost per pound by 13.7% year-to-date compared to 2023. The

Company is further exploring additional innovation at its cultivation operations, including trialing various form factors, spectra, and intensities of inter-canopy and beneath canopy lighting. These trials indicate that with additional improvements to the Company's lighting approach there is the potential to further increase yields.

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

Board Update

The Company is also announcing that Kevin K. Albert has been appointed as a director of the Board effective immediately following the filing of the Corporation's 2023 annual financial statements and Q1 2024 interim financial statements. Mr. Albert will serve on the Audit Committee and Special Committee of the Board.

"I am thrilled to announce the addition of Kevin to our Board," said Felicia Snyder, Chair of the Board. "He brings a wealth of cannabis industry expertise alongside a successful track record in M&A. His significant experience and insight will be invaluable as we strengthen our balance sheet, accelerate our market position in California and expand our reach."

Previously Mr. Albert served on the Board of Directors of Harborside from November 2020 through April 2022, stepping down when the merger of Harborside, LoudPack, and Urbn Leaf were completed, and StateHouse was formed. Mr. Albert previously worked in the investment banking division of Merrill Lynch & Co. from 1981 to 2005, where he was responsible for its private capital raising business. From 2005 to 2010 Mr. Albert was a co-founder of Elevation Partners, a private equity firm that concentrated on consumer technology investments. From 2010 thru 2019 he was a Senior Partner of Pantheon Ventures LLC a global private equity firm that invested across industries, geographies and managers. Mr. Albert currently sits on the board of Slang Worldwide Inc. (CSE:SLNG) and Achari Venture Holding Corp. I (OTC: AVHI). Mr. Albert has a BA and an MBA from the University of California, Los Angeles.

The Company further announced that it has engaged Roger Jenkins as a consultant to the Special Committee to assist with the development and implementation of a comprehensive strategy to strengthen its balance sheet and assist management in its negotiation with lenders to restructure the company's debt.

Ms. Snyder continued, "Roger has a renowned background in finance and M&A and, as an original investor in Harborside, a unique understanding of our assets and strengths. We look forward to Roger being hands-on as we implement strategies to further accelerate the optimization our operations to achieve greater financial resilience and position STHZ for future growth."

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 twelve months ended December 31, 2023, and for the three months ended March 31, 2024. See "Non-IFRS Measures, Reconciliation and Discussion".

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 11 dispensaries covering Northern and Southern California, 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 700 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, and future financings.

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: 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, 2023 and the Company's listing statement dated May 30, 2019, which are available under the Company's profile on www.sedarplus.ca. 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://shoparborside.com> and <https://urbanleaf.com> and connect with us on LinkedIn and Twitter.

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