

StateHouse Reports Second Quarter 2024 Financial Results

Q2 2024 Net Revenue Increased 10% to \$27.8 Million and Gross Margin Remains Strong at 50.8%

Achieved Positive Net Income of \$0.2 Million and Adjusted EBITDA of \$4.9 Million in Q2 2024

SAN DIEGO and TORONTO, Aug. 29, 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 June 30, 2024 ("Q2 2024"), as well as provided additional business updates. The unaudited condensed interim consolidated financial statements for Q2 2024, as well as the corresponding management's discussion and analysis, will be 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.

Q2 2024 Financial Highlights

- Q2 2024 net revenues increased 10% to \$27.8 million, compared with \$25.3 million in Q2 2023.
 - Retail revenues were \$13.5 million representing 48.5% of total sales for Q2 2024, compared to \$13.0 million or 51.3% of total sales in Q2 2023.
 - Branded wholesale and manufacturing revenues were \$10.7 million, representing 38.5% of total sales for Q2 2024, compared to \$11.2 million or 44.0% of total sales in Q2 2023.
 - Cultivation revenues were \$3.6 million, representing 12.9% of total sales for Q2 2024, compared to \$1.2 million or 4.7% of total sales in Q2 2023.
- Gross profit before adjustments for biological assets¹ was \$14.1 million in Q2 2024, compared with \$12.3 million in Q2 2023.
- Consolidated adjusted gross margins improved to 50.8% in Q2 2024¹, compared to 48.6% for Q2 2023.
- Q2 2024 net income was \$0.2 million, compared to a net loss of \$2.1 million in Q2 2023.
- Adjusted EBITDA¹ improved to \$4.9 million in Q2 2024 compared with Adjusted EBITDA¹ of \$0.9 million in Q2 2023.

Management Commentary

"We made substantial progress throughout the quarter, with our innovative product line-ups driving growth and profitability improvements," said Ed Schmults, Chief Executive Officer of StateHouse. "Our new products are clearly hitting the mark with consumers, with a 14% increase in transactions for the second quarter compared with the same period last year. We have continued to deliver improvements to our results with adjusted gross margin reaching 50.8%, net income of \$0.2 million and Adjusted EBITDA of \$4.9 million, as a result of the implementation of cost saving measures across our operations, as well as the launch of over 24 new high-margin products in the past twelve months."

Mr. Schmults concluded, "Our focus on both reducing our operating expenses while enhancing the product mix available is working, and I am incredibly pleased with our operational performance throughout the year. The extremely positive customer response we are seeing demonstrates how we are successfully meeting the needs and expectations of today's cannabis consumers. This increasing engagement is a testament to the hard work and vision of our incredible team, and I am confident that we will maintain this momentum as we build on our success in the upcoming quarters. Our efforts and the success of our popular brands have firmly established us in California's vibrant cannabis market, and we look forward to leveraging our expertise as the overall addressable market expands."

Brands and Products Highlights

- Over the past twelve months, the Company launched 24 new products across 7 brands and introduced more than 40 new in-house developed strain formulations. These new products now represent about 15% of the Company's year-to-date sales for 2024.
- The Company's sales team has refined and upgraded several product lines to enhance visual merchandising, including the roll out of the new Dime Bag Cartridge and All-In-One hardware during the second quarter of 2024. Dime Bag All-In-Ones are the top selling vape product line across StateHouse's retail platform.
 - Dime Bag, the Company's value-oriented flower brand, has performed extremely well as the 2nd most popular based on units sold and the 5th most popular based on dollars spent in California's competitive flower brand category, year-to-date (per BDSA).
- The Company's newest farm product offering for young plant sales, comprised of cuttings, clones and teens has performed exceptionally well with sales growing more than 10X since launch.

Operations Update

Total revenue in Q2 2024 was \$27.7 million, a 3.6% increase compared to Q2 2023, due to a 14% increase in transactions period over period. The Company has continued to generate strong gross profit before biological asset adjustments¹ with a gross profit of \$14.1 million or 50.8% of total revenue.

The Company's targeted retail strategy has increased customer traffic by 18% with total new customer traffic growing 9% for

the first half of 2024, compared to 2023. The STASH, loyalty program has reached over 316,291 members as of August 28, 2024, with online sales increasing by 17% in the first half of 2024 compared with 2023. Buy Online, Pickup in Store ("BOPIS") sales have more than doubled in the first half of 2024 compared with 2023.

Cultivation revenue for the second quarter was up 203.5% compared with the same period in 2023, primarily as a result of the Company successfully increasing yields and producing high-quality product that achieves a premium in the bulk market. Cultivation operations have achieved a 36% increase in pounds of flower produced in Q2 compared with the same period in 2023, largely driven by the installation of supplemental CO₂ in all the Company's flowering ranges in Q2 2024. 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.

The Company's Board of Directors, together with its management team, is working closely to develop a comprehensive strategy to strengthen its balance sheet and assist in its negotiation with its lenders to restructure the Company's debt.

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 six months ended June 30, 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, 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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