Vext Announces Q2 2022 Financial Results

- *Revenue of US$8.8 million*
- *Adjusted EBITDA of US$4.8 million*
- *The Company will hold a conference call and webcast on Thursday, August 25 at 8 am ET to review its financial results.*

VANCOUVER, August 24, 2022 - Vext Science, Inc. ("VEXT" or the "Company") (OTCQX: VEXTF; CSE: VEXT) a cannabinoid brand leader based in Arizona, leveraging its core expertise in extraction, manufacturing, cultivation and marketing to build a profitable multi-state footprint, today reported its financial results for the period ended June 30, 2022. All currency references used in this news release are in U.S. currency unless otherwise noted.

Summary Financial Results (unaudited)

	Q2 2022	Q1 2022[1]	Q2 2021
Revenue	$8,765,798	$10,791,133	$9,375,774
Gross margin before impact of biological assets (%) [2]	65%	52%	45%
Adjusted Gross Margin (%) [1, 2, 3]	75%	44%	45%
Adjusted EBITDA [1, 2]	$4,847,110	$3,803,814	$3,463,755
Adjusted EBITDA margin (%) [1, 2]	55%	35%	37%

Management Commentary

Eric Offenberger, CEO of Vext commented, "Vext continued to execute during the second quarter against the backdrop of a very challenging environment for many consumer-facing companies. In our primary state

[1] Immaterial adjustments were made to the Q1 financials due to the ongoing audit of the acquired dispensaries at the date of Vext reporting its Q1 2022 financial results. Upon final review of the completed audit, minor restatements in acquisition amounts were made to bring the Company's Q1 2022 financials in line with that audit. The primary line items impacted include: amortization, depreciation and cost of goods sold. These changes were reflected in Q1 2022 to match Q2 2022 for continuity in the Company's financial reporting.

[2] See "Non-IFRS Financial Measures" below for more information regarding Vext's use of Non-IFRS financial measures and other reconciliations.

[3] Adjusted Gross Margin is adjusted for the one-time fair value adjustment to inventory in Q1 2022 that was made as a result of Vext's transition to a for-profit operating and accounting model. The Company does not expect to report Adjusted Gross Margin on an ongoing basis.

of Arizona, medical patient count decreased 30% in the first six months of the year[4], with corresponding growth in the recreational market leading to lower average basket sizes as consumers watch their discretionary spending. Despite this headwind, our team's relentless focus on targeted, profitable promotions and consumer-driven innovation kept traffic strong and gross margins stable. Our culture of driving progressive efficiencies from the business also led to robust Adjusted EBITDA growth and positive cash flow from operations. In our second focus state, Ohio, the medical patient count has grown by over 20% in the first six months of 2022[5], and Vext continues to focus on building its footprint in the state. Our Vapen products are now available in 95% of the dispensaries in Ohio and Q2 was a record period for sales. In September, we expect to file to transfer our first retail license to a joint venture with our Ohio-based partner, further solidifying a growing vertical platform that already includes a Level I Cultivator provisional license and an operating manufacturing facility in Jackson. We believe the Ohio market represents a very important growth opportunity for Vext, and we will continue to grow our vertical position in the state."

Mr. Offenberger continued, "Our proven track record of execution and culture of operational excellence, puts us in a position of strength. In the current economic climate, companies that can promote effectively, and offer a quality and value proposition to the customer, will foster enduring loyalty. With Vext's diverse portfolio, including one of the top brands in Arizona, we are well placed to continue to grow in the state while building-out our Ohio footprint. We expect the ongoing execution of our strategy to continue generating profitability and cash flow, while building value for shareholders."

Summary of Recent Announcements

- In Q2, the Company announced that Stephan Bankosz, current CFO of the Company's primary operating subsidiary, will take over as Vext's interim CFO and Corporate Secretary, effective June 15, 2022.
- On July 6, 2022, the Company announced that it has changed its auditor from Harbourside CPA LLP to BF Borgers CPA PC.
- On July 8, 2022, Vext announced that it has entered into an agreement with a California-based lender for a $22.2 million credit facility, which will be used to refinance current secured debt, and working capital for potential acquisitions, capital expenditures and general and administrative expenses. This credit facility lowers Vext's cost of capital, and gives the Company additional flexibility as Vext continues to execute its growth plans in Arizona and Ohio.

Q2-2022 Financial Results Conference Call

Vext will host a conference call and webcast on Thursday, August 25 at 8:00 a.m. ET to discuss its second quarter financial results.

Date: August 25, 2022 | **Time:** 8:00am ET
Participant Dial-in: 416-764-8609 or 888-390-0605
Replay Dial-in: 416-764-8677 or 1-888-390-0541

[4] Arizona Department of Revenue

[5] Ohio Medical Marijuana Control Program

Conference ID: 88946996
Playback #: 946996 (Expires on September 8, 2022)
Listen to webcast: https://app.webinar.net/xoZz60owpA4

For more details, visit Vext's investor website or contact the IR team at investors@vextscience.com.

Non-IFRS Financial Measure

The Company has provided certain non-IFRS financial measures including "Gross margin", "Adjusted EBITDA" and "Adjusted EBITDA margin". These non-IFRS financial measures do not have a standardized definition under IFRS, nor are they calculated or presented in accordance with IFRS and may not be comparable to similar measures presented by other companies. The Company defines "Gross margin" as Gross Profit divided by Revenue. The Company defines "Adjusted EBITDA" as net income (loss) from operations, as reported, before interest and tax, adjusted to exclude extraordinary items, non-recurring items, other non-cash items, including stock-based compensation expense, depreciation and amortization, foreign exchange and acquisition related costs, if applicable. The Company defines "Adjusted EBITDA margin" as Adjusted EBITDA divided by Revenue.

The Company has provided these non-IFRS financial measures as supplemental information and in addition to the financial measures that are calculated and presented in accordance with IFRS. The Company believes that these supplemental non-IFRS financial measures provide a valuable additional measure to use when analyzing the operating performance of the business. These supplemental non-IFRS financial measures should not be considered superior to, as a substitute for or as an alternative to, and should only be considered in conjunction with, the IFRS financial measures presented herein. The following tables provide a reconciliation of each of the non-IFRS measures to its closest IFRS measure.

The following information provides reconciliations of the supplemental non-IFRS financial measure presented herein to the most directly comparable financial measure calculated and presented in accordance with IFRS.

Gross Margin Before Impact of Biological Assets and Adjusted Gross Margin

Gross Margin Before Impact of Biological Assets is defined as: Gross Profit Before Impact of Biological Assets, divided by Revenue.

Adjusted Gross Margin is defined as: Gross Margin Before Impact of Biological Assets, adjusted for one-time inventory fair value adjustment, divided by Revenue.

	Q2 2022	Q1 2022
Revenue	**$8,765,798**	$10,791,133
Gross Profit	**$6,127,276**	$6,878,282
Change in Fair Value of Biological Assets	**($456,060)**	($1,216,152)
Gross Profit Before Impact of Biological Assets	**$5,671,216**	**$5,662,130**
Relative fair value adjustment to inventory	**$863,000**	($863,000)
Adjusted Gross Profit	**$6,534,216**	**$4,799,130**

Adjusted EBITDA

	Q2 2022	Q1 2022	Q2 2021
Net Income after taxes	**$1,952,210**	**$2,253,182**	**$1,792,449**
Interest (Net)	**$337,407**	$337,888	($38,175)
Income Taxes	**$322,725**	$1,475,051	$433,636
Depreciation & Amortization	**$1,543,027**	$1,536,843	$743,999
EBITDA	**$4,155,368**	**$5,602,965**	**$2,931,909**
Accretion	**-**	$12,372	$208,946
Share (Profit) / Loss on JVs	**$190,783**	$182,145	$102,938
Share-based compensation	**$104,762**	$85,696	$220,410
(Gain)/Loss on Asset Disposal	**($10,164)**	-	-
Office and General	**-**	-	-
Gain on derecognition of ROU	**-**	-	($3,195)
(Gain)/Loss on Investment	**-**	-	-
Other Income	**-**	-	-
Foreign Exchange	**($580)**	($212)	$2,746
Relative FV adjustment to inventory	**$863,000**	($863,000)	-
Change in FV of Biological	**($456,060)**	($1,216,152)	-
Adjusted EBITDA	**$4,847,110**	**$3,803,814**	**$3,463,755**

About VEXT Science, Inc.

Vext Science, Inc. is a US-based Cannabis THC and Hemp cannabinoid products company manufacturing THC cartridges, concentrates, edibles and accessories under the Vapen™ Brand, and Hemp based products under the Pure Touch Botanicals brand as well as the Vapen CBD brand. Based in Arizona, Vext Science, Inc. has one of the leading THC concentrates, edibles, and distillate cartridge brands sold in most of the state's 100+ dispensaries. Herbal Wellness Center is one of Arizona's leading dispensaries and we execute all aspects of the cultivation, extraction, edibles infusion and manufacturing processes which insures a product of the highest quality and purity. Product quality and purity are core to our marketing strategy. Vext Science, Inc. is executing its business growth by leveraging experience and expertise in extractions, product manufacturing, and marketing to expand in the U.S. through revenue and profit-sharing joint venture partnerships. For more information visit our website at www.VextScience.com or connect with us on LinkedIn and Twitter.

For more details on the Vapen brand:
Vapen website: VapenBrands.com
Instagram: @vapen
Facebook: @vapenbrands

Forward Looking Statements

This news release contains “forward-looking statements”. Wherever possible, words such as “may”, “would”, “could”, “should”, “will”, “anticipate”, “believe”, “plan”, “expect”, “intend”, “estimate”, “potential for” and similar expressions have been used to identify these forward-looking statements. These forward-looking statements reflect the current expectations of the Company's management for future growth, results of operations, performance and business prospects and opportunities and involve significant known and unknown risks, uncertainties and assumptions, including, without limitation: the Company's outlook for and expected operating margins, capital allocation and other financial results; statements relating to the business and future activities of, and developments related thereto, the Company after the date of this news release; statements relating to the business and future activities of, and developments related thereto, the Company after the date of this news release, including such things as future business strategy, competitive strengths, goals, expansion and growth of the Company’s business, operations and plans; expectations regarding cultivation and manufacturing capacity; expectations of market size and growth in the U.S. and the states in which the Company operates; inflation pressures; the timeline to buildout the Eloy cultivation facility, the timeline to file for a license transition of the Company’s first retail license to a joint venture with the Company’s Ohio-based partner ; expectations for other economic business or competitive factors related to the Company; the Company' business outlook, those listed in the annual information form of the Company dated September 17, 2020, the short form prospectus and the other filings made by the Company with the Canadian securities' regulatory authorities (which may be viewed at www.sedar.com). Should one or more of these risks or uncertainties materialize or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements may vary materially from those expressed or implied by the forward-looking statements contained in this news release. These factors should be considered carefully, and prospective investors should not place undue reliance on the forward-looking statements. The Company disclaims any intention or obligation to revise forward-looking statements whether as a result of new information, future developments or otherwise, except as required by law.

The Canadian Securities Exchange has not reviewed, approved or disapproved the content of this news release.

Eric Offenberger
Chief Executive Officer
844-211-3725

For further information:
Jonathan Ross, Vext Investor Relations
jon.ross@loderockadvisors.com
416-244-9851

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