

Vext Announces Q3 2022 Financial Results - US\$7.7 Million Revenue; Solid 60% Gross Margins

- Revenue of US\$7.7 million
- Adjusted EBITDA of US\$3.3 million
- The Company will hold a conference call and webcast on Thursday, November 17 at 8am ET to review its financial results.

VANCOUVER, BC, Nov. 17, 2022 /CNW/ - [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 September 30, 2022. All currency references used in this news release are in U.S. currency unless otherwise noted.

Summary Financial Results (unaudited)

	Q3 2022	Q2 2022	Q3 2021
Revenue	\$7,673,101	\$8,765,798	\$9,399,700
Gross margin before fair value adjustments (%) ¹	60 %	65 %	44 %
Adjusted Gross Margin (%) ^{1, 2}	60 %	75 %	44 %
Adjusted EBITDA ¹	\$3,279,009	\$4,847,110	\$3,526,093
Adjusted EBITDA margin (%) ¹	43 %	55 %	38 %

Management Commentary

Eric Offenberger, CEO of Vext commented, "During Q3, Vext continued to execute in an environment where pressure on consumer discretionary income continues to grow. With inflation in Phoenix topping 13% in September³, we maintained an emphasis on value, rapid innovation, targeted promotions, and mix to generate 60% Adjusted Gross Margins in the quarter. In addition, our consistent focus on driving efficiencies led to a reduction in core cash operating expenses⁴ compared to Q2 and contributed to Adjusted EBITDA margins of 43%. The impact of inflation on discretionary spending will persist for the foreseeable future, however, we expect that Vext's proven strategy of meeting the customer's needs, complemented by the Company's financial flexibility, cash flow, and a growing presence in two limited license states position Vext well for revenue and profitability growth," added **Mr. Offenberger**.

Summary of Recent Announcements

- On August 29, 2022, the Company [announced](#) a grant of incentive stock options and restricted share units to certain directors and officers of Vext.
- On September 20, 2022, the Company [announced](#) that its research and development team has filed a provisional patent application with the United States Patent Office in collaboration with researchers at BioSciTech and Arizona State University.
- On November 3, 2022, Vext [announced](#) that an affiliated entity of its joint venture partner, Appalachian Pharm Processing, LLC, has passed state inspection and been granted a Certificate of Operation by the Ohio Department of Commerce to begin production at its Jackson, Ohio facility to an initial cultivation area of 25,000 square feet.
- On November 7, 2022, the Company [announced](#) the refinancing of its existing US\$4,400,000 principal amount of 10% secured non-convertible debentures issued by the Company on December 31, 2019, and maturing December 31, 2022.

Q3-2022 Financial Results Conference Call

Vext will host a conference call and webcast on Thursday, November 17 at 8:00 a.m. ET to discuss its third quarter financial results.

Date: November 17, 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

Conference ID: 59779001

Playback #: 779001 (Expires on December 1, 2022)

Listen to the webcast: <https://app.webinar.net/PmoZpPDpYrR>

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

	Q3 2022	Q2 2022
Revenue	\$7,673,101	\$8,765,798
Gross Profit	\$4,876,471	\$6,127,276
Change in Fair Value of Biological Assets	(\$252,041)	(\$456,060)
Gross Profit Before fair value adjustments	\$4,624,430	\$5,671,216
Relative fair value adjustment to inventory	-	\$863,000
Adjusted Gross Profit	\$4,624,430	\$6,534,216

Adjusted EBITDA

	Q3 2022	Q2 2022	Q3 2021
Net Income after taxes	\$423,385	\$1,952,210	\$970,106
Interest (Net)	\$620,835	\$337,407	\$33,840
Income Taxes	\$190,425	\$322,725	\$538,308
Depreciation & Amortization	\$1,579,906	\$1,543,027	\$886,920
EBITDA	\$2,814,699	\$4,155,368	\$2,429,173
Accretion	-	-	\$785,192
Share (Profit) / Loss on JVs	\$53,014	\$190,783	\$2,602
Share-based compensation	\$660,488	\$104,762	\$171,479
(Gain)/Loss on Asset Disposal	\$2,893	(\$10,164)	-
Office and General	-	-	-
Gain on derecognition of ROU	-	-	-
(Gain)/Loss on Investment	-	-	\$212,675
Other Income	-	-	(\$75,000)
Foreign Exchange	(\$45)	(\$580)	(\$29)
Relative FV adjustment to inventory	-	\$863,000	-
Change in FV of Biological	(\$252,041)	(\$456,060)	-
Adjusted EBITDA	\$3,279,009	\$4,847,110	\$3,526,093

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 ensures 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.

¹ See "Non-IFRS Financial Measures" below for more information regarding Vext's use of Non-IFRS financial measures and other reconciliations.

² Adjusted Gross Margin is adjusted for the one-time fair value adjustment to inventory in Q2 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.

³ Bloomberg.

⁴ Core cash operating expenses is defined as: Operating expenses less non-cash items and interest expenses.

SOURCE VEXT Science, Inc.

View original content: <http://www.newswire.ca/en/releases/archive/November2022/17/c3310.html>

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CO: VEXT Science, Inc.

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