

Vext Reports Financial Results for Q2 2023 and Provides Update on Ohio Acquisition

- Generated revenue of \$9.2 million, EBITDA of \$2.3 million and Adjusted EBITDA of \$1.0 million.
- 13th consecutive quarter of positive EBITDA¹ and positive Adjusted EBITDA¹.
- Regulatory approval received for the Company's previously announced acquisition of entities controlling a Tier I cultivation facility and an operating manufacturing facility in Ohio - on track to close prior to the end of August 2023.
- Ownership transfer of Columbus, Ohio dispensary expected to be approved by the end of 2023, giving Vext two dispensaries in the state.

Vancouver, British Columbia--(Newsfile Corp. - August 23, 2023) - [Vext Science, Inc.](#) (CSE: VEXT) (OTCQX: VEXTF) ("Vext" or the "Company") a U.S.-based cannabis operator with vertical operations in Arizona and Ohio², today reported its financial results for the period ended June 30, 2023. All currency references used in this news release are in U.S. currency unless otherwise noted.

Summary Financial Results

	Q2 2023	Q1 2023	Q2 2022
Revenue	\$9,187,122	\$9,110,651	\$8,765,798
Gross margin before impact of biological assets (%) ¹	29%	52%	70%
Adjusted Gross Margin (%) ^{1,3}	30%	51%	75%
EBITDA ¹	\$2,264,980	\$1,638,009	\$4,155,368
Adjusted EBITDA ¹	\$1,049,114	\$2,850,918	\$4,847,110
Adjusted EBITDA margin (%) ¹	11%	31%	55%

Management Commentary

Eric Offenberger, CEO of Vext, commented, "During Q2, our team's efforts to drive more traffic with targeted promotions and a broad selection of value-based products were successful and led to gains in market share in a challenging environment. We made the strategic choice to accept lower gross margins in Q2, in order to generate a return on the product from our recently idled outdoor grow as pricing remains under pressure due to overcapacity in the market. We are well positioned from a vertical perspective, with indoor capacity from our Eloy facility picking up the slack and ensuring we are matching demand at our owned retail locations with our own internal supply. We expect gross margins to progressively recover through the second half of Q3 and in Q4 on the way back to more normalized levels. This quarter marked our thirteenth consecutive quarter of reporting positive EBITDA¹ and positive Adjusted EBITDA¹, demonstrating our ongoing commitment to generating profitability, while prudent working capital management contributed to robust cash flow from operations of \$3.4 million through the quarter."

Mr. Offenberger continued, "Operations in Ohio continue to track well over the second quarter. We have received regulatory approval and remain on track to close the Ohio Acquisition by the end of August, enabling us to add a fully operational vertical footprint in the state. The Ohio market continues to expand with patient count up 23% in June 2023⁴ as compared to the same period last year. We view Ohio as a very attractive growth opportunity, with its limited license structure and the recreational use initiative making Ohio's November ballot. Through the combination of our strong balance sheet and strategic

positioning in two limited license states, we expect to continue generating profitability and shareholder value through the remainder of the year and through 2024."

Update on Ohio Acquisition

The Company also announces that it has received the approval of the Ohio Department of Commerce for the ownership transfer of Appalachian Pharm Processing, LLC, an Ohio limited liability company, together with its subsidiaries and affiliated companies (collectively, "**APP**"), pursuant to the Company's previously announced acquisition of APP for a total consideration of approximately \$12.5 million, with \$11 million paid in cash or promissory notes and \$1.5 million through the issuance of common shares of Vext (the "**Ohio Acquisition**"). The Company is working with APP to satisfy the remaining conditions of closing and currently expects that closing of the Ohio Acquisition will occur prior to the end of August 2023, subject to the terms of the definitive purchase agreements. For further details about the terms of the Ohio Acquisition, see the Company's news release dated December 15, 2022.

As a result of closing of the Ohio Acquisition, Vext will also obtain the right to acquire ownership of a cannabis dispensary in Columbus, Ohio. The Company has applied to the Ohio Board of Pharmacy for an ownership transfer of such dispensary and expects to receive approval this year and to close promptly after receipt of regulatory approval.

Summary of Recent Announcements

- On August 10, 2023, the Company [announced](#) that Stephan Bankosz has resigned as CFO and Corporate Secretary of the Company effective August 25, 2023 to pursue other opportunities. Vext will appoint experienced financial executive and operator Trevor Smith as CFO. Nalee Pham, the Company's Chief of Staff and a director of the Company's wholly-owned operating subsidiary Herbal Wellness Center, LLC, has been appointed Corporate Secretary.

Q2 2023 Financial Results Conference Call

Vext will host a conference call and webcast on Wednesday, August 23, 2023 at 8:00 a.m. ET to discuss its second quarter financial results.

Date: August 23, 2023 | **Time:** 8:00am ET

Participant Dial-in: 416-915-3239 or 1-800-319-4610

Replay Dial-in: 1-800-319-6413

Conference ID: 10022320

Playback #: 0372 (Expires on September 6, 2023)

Listen to webcast: <https://www.gowebcasting.com/12681>

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

Non-IFRS Financial Measures

This news release contains certain non-IFRS financial measures (equivalent to "non-GAAP financial measures", as such term is defined in National Instrument 52-112 - *Non-GAAP and Other Financial Measures Disclosure*) including "Gross margin", "Adjusted Gross Margin", "EBITDA", "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 and "Adjusted Gross Margin" as Gross margin before the impact of biological assets, as adjusted for one-time inventory fair value adjustment, divided by Revenue. The Company defines EBITDA as earnings before interest, taxes, depreciation and amortization. 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 information provides reconciliations of the supplemental non-IFRS financial measures presented herein to the most directly comparable financial measures 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 2023	Q1 2023	Q2 2022
Revenue	\$ 9,187,122	\$ 9,110,651	\$ 8,765,798
Gross Profit	\$ 2,669,719	\$ 4,701,716	\$ 6,127,275
Change in Fair Value of Biological Assets	119,802	(59,623)	(456,060)
Gross Profit Before Impact of Biological Assets	\$ 2,789,521	\$ 4,642,093	\$ 5,671,215
Relative fair value adjustment to inventory	-	-	863,000
Adjusted Gross Profit	\$ 2,789,521	\$ 4,642,093	\$ 6,534,215
Adjusted Gross Margin	30%	51%	75%

Adjusted EBITDA

	Q2 2023	Q1 2023	Q2 2022
Net Income after taxes	\$ 535,454	\$ 73,059	\$ 1,952,210
Interest (Net)	1,010,812	860,978	337,407
Income Taxes	(1,141,064)	(1,141,064)	322,725
Depreciation & Amortization	1,859,779	1,845,036	1,543,027
EBITDA	\$ 2,264,980	\$ 1,638,009	\$ 4,155,368
Accretion	(6,004)	(6,026)	-
Share (Profit) / Loss on JVs	13,854	91,205	190,783
Share-based compensation	68,862	130,332	104,762
(Gain)/Loss on Asset Disposal	-	-	(10,164)
Gain on derecognition of ROU	-	-	-
(Gain)/Loss on Investment	-	-	-
Loan modification non-convertible debentures	-	-	-
Loan Costs WPCU Loan	342	742,036	-
FV of WPCU Loan	219,518	190,984	-
Loan Costs EWB Amortized	43,969	45,451	-
Other Income	-	-	-
RSU Taxes	4,274	75,825	-
Foreign Exchange	310	2,726	(580)
ERC Tax Credit	(1,680,793)	-	-
Relative FV adjustment to inventory	-	-	863,000
Change in FV of Biological	119,802	(59,623)	(456,060)
Adjusted EBITDA	\$ 1,049,114	\$ 2,850,918	\$ 4,847,110

About Vext Science, Inc.

[Vext Science, Inc.](#) is a U.S.-based cannabis operator with vertical operations in Arizona and Ohio. Vext's expertise spans from cultivation through to retail operations in its key markets. Based out of Arizona,

Vext owns and operates state-of-the-art cultivation facilities, fully built-out manufacturing facilities as well as dispensaries in both Arizona and Ohio. The Company manufactures Vapen™, one of the leading THC concentrates, edibles, and distillate cartridge brands in Arizona. Its selection of award-winning products are created with Vext's in-house, high-quality flower and distributed across Arizona and Ohio, as well as through Vext's partnerships in other states. Vext's leadership team brings a proven track record of building and operating profitable multi-state operations, with the Company having operated profitably since 2016. The Company's primary focus is to continue growing in its core states of Arizona and Ohio, bringing together cutting-edge science, manufacturing, and marketing to provide a reliable and valuable customer experience while generating shareholder value.

Vext Science, Inc. is listed on the Canadian Securities Exchange under the symbol VEXT and trades on the OTCQX market under the symbol VEXTF. Learn more at www.vextscience.com and connect with Vext on [Twitter](#) and [LinkedIn](#).

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" or "forward-looking information" (together, "forward-looking statements") within the meaning of applicable securities laws. Wherever possible, words such as "may", "would", "could", "should", "will", "anticipate", "believe", "plan", "expect", "intend", "estimate", "potential for", "see" and similar expressions have been used to identify these forward-looking statements. Forward-looking statements in this news release include, 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, 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; expectations for other economic business or competitive factors related to the Company; the Company's business outlook; expectations regarding the closing of the Ohio Acquisition and additional dispensaries in Ohio, the Company's application for, and receipt of, regulatory approvals; and the appointment of the Company's new CFO. 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, those listed in the Company's filings with the Canadian securities regulatory authorities (which may be viewed at www.sedarplus.ca). 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.

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

²Vext has entered into a definitive agreement to acquire Appalachian Pharm Processing, LLC, an Ohio limited liability company, together with its subsidiaries and affiliated companies. Subject to the terms of the definitive purchase agreements, this proposed acquisition (the "Ohio Acquisition") is expected to close by the end of August 2023.

³Adjusted Gross Margin is adjusted for the one-time fair value adjustments to inventory in Q1 & Q2 2022 that were 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 after Q2 2023.

⁴Ohio Medical Marijuana Program



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