

# BZAM Ltd. Reports Fourth Quarter and Fiscal Year 2022 Results and New Director Appointments

VANCOUVER, BC and TORONTO, ON, April 28, 2023 - BZAM Ltd. (the “Company” or “BZAM”) (CSE: BZAM) (US-OTC: BZAMF), a leading Canadian cannabis producer, is pleased to announce its financial and operating results for the three months ended (“Q4 2022”) and year ended December 31, 2022 (“Fiscal Year 2022”). These filings are available for review on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com). All financial information is provided in Canadian dollars except where otherwise indicated.

## Q4 2022 vs Q4 2021 Highlights:

- Completed the acquisition of BZAM Holdings Inc. (the “BZAM Transaction”) on November 3, 2022, approximately doubling the Company’s revenue and asset base;
- Achieved record quarterly gross revenues of \$24.8 million, including \$15.9 million from TGOD brands (\$12.4 million in Q4 2021) and \$8.9 million from the addition of BZAM brands and products since November 3, for a total 100% increase;
- Achieved record quarterly net revenues of \$17.2 million including \$11.5 million from TGOD brands (\$9.5 million in Q4 2021) and \$5.7 million from the addition of BZAM brands and products since November 3, for a total 82% increase;
- Recreational market share climbed to 4.7% in December 2022, from 1.4% in December 2021 according to Hifyre;
- Expanded cultivation and processing footprint across Canada, while right-sizing operations in certain markets;
- Incorporated the assets acquired as part of the BZAM Transaction into the Cortland security collateral, allowing the Company to maximize loan advances under its existing revolving credit facility.

## Fiscal Year 2022 vs Fiscal Year 2021 Highlights:

- Achieved gross annual revenues of \$68.8 million, a 76% year-over-year increase;
- Achieved net revenues of \$49.4 million, a 63% year-over-year increase;
- Maintained Adjusted Gross Margin of 39%
- Achieved an Adjusted Sales, General & Administrative Expenses (“SG&A”) of 57% of sales of 2022, down from 80% in 2021;

## Management Commentary:

“In November 2022, the Company completed a transformational merger and established BZAM as a top player in Canada. This enhanced scale gives us a solid platform for sustained growth on the revenue side, both in Canada and abroad, while allowing us to take advantage of synergies and eliminate duplicative costs across the newly combined entity” commented Matt Milich, CEO.

“The integration has been going smoothly and with approximately \$24 million in net revenue booked in the first quarter of 2023, representing quarterly growth of nearly 40%, we continue to pursue our goals of positive adjusted EBITDA and free cashflow in 2023.”

#### Q4 2022 & Fiscal Year 2022 Financial Highlights

(in \$000s unless otherwise indicated)						
Select Key Financial Metrics	Q4 2022	Q4 2021	% Change	Fiscal 2022	Fiscal 2021	% Change
Gross Revenue	24,789	12,372	100%	68,802	39,185	76%
Net Revenue	17,227	9,466	82%	49,351	30,241	63%
Total Cost of Sales	24,380	4,599	430%	42,599	18,508	130%
Gross Profit/Loss	(7,153)	4,867	(247%)	6,752	11,733	(42%)
Adjusted SG&A (1)	10,084	5,734	76%	28,088	24,141	16%
Adjusted SG&A as a % of Net Revenue(1)	59%	61%	(3%)	57%	80%	(29%)
Adjusted EBITDA (1)	(6,828)	(3,631)	88%	(18,049)	(22,598)	(20%)
Adjusted EBITDA as a % of Net Revenue(1)	(40%)	(38%)	3%	(37%)	(75%)	(51%)

1 Adjusted SG&A and Adjusted EBITDA are non-IFRS financial measures not defined by and do not have any standardized meaning under IFRS; please refer to “Non-IFRS Financial Measures” in this press release for more information.

#### Q4 Commentary

**Gross and Net Revenue:** Increase in revenue was driven by the introduction of new products to the market, as well as increased distribution and demand for existing SKUs, with the BZAM Transaction contributing \$8.9 million in gross revenue and \$5.7 million in net revenue since the closing of the BZAM Transaction.

**Gross Profit/Loss:** There is a Gross Loss in Q4 2022 as a result of (i) inventory provisions, (ii) increase in depreciation and (iii) changes in fair value of biological assets and inventory, which was a net gain in Q4 2021 but a net loss in Q4 2022, in addition to the impacts of price compression in the market.

**SG&A Expenses:** SG&A expenses increased due to the BZAM Transaction as well as additional sales efforts undertaken to provide direct store support and additional third-party marketing expenses commensurate with the increased revenue achieved. SG&A expenses also increased as a result of \$4.6 million in one-time restructuring costs incurred during the period.

#### Operational Highlights and Outlook

- The BZAM Transaction enabled the Company to increase its brand portfolio and approximately double its product offerings across conventional and organic flower, pre-rolls, infused pre-rolls, vapes and other concentrate products.
- The Company exited its third party sales agency relationship and consolidated all sales activities under its in-house sales force.
- The Company completed all necessary steps to obtain EU GMP certification with final approval now pending, which would enable revenue generation from the German market.

- The Company completely exited its Valleyfield, QC, facility and has committed to monetize its redundant facilities in Maple Ridge, BC and Puslinch, ON.
- Following a comprehensive review and integration of the Company's operations, the Company has identified the following impacts and opportunities which have the potential to drive continued financial performance and margin improvements in 2023, including:
  - Right-sized cultivation and manufacturing footprint is expected to yield higher facility capacity utilization, leading to improved absorption of fixed overheads costs;
  - Cultivation improvements with higher yields achieved in Q4 2022, which are expected to continue into 2023, lowering the cash cost price per gram;
  - Higher quality and higher THC potencies are being consistently achieved, with a higher percentage of flower included in premium SKU formats, thus increasing the average selling price per gram. This level of product quality positions the Company to continue improving its position in the dried flower and pre-roll categories, which collectively represent approximately 69% of the Canadian legal market;
  - Optimizing activities across the remaining facilities, in an effort to achieve economies of scale and maximum efficiency, thereby improving processing and manufacturing KPI's and providing the foundation to allow the Company to efficiently scale to higher volumes in the future;
  - Procurement synergies as the Company's purchasing and negotiating power with vendors has increased based on the increased post-merger volumes;
  - Supply chain optimization, standardization and logistics and freight saving initiatives with increased inbound and outbound average volumes per shipment;
  - Renewed SG&A cost containment initiatives to push beyond the synergies originally envisioned by the Company;
  - Departmental changes and streamlining core functions within the business, leading to increased visibility on leading and lagging indicators, enabling the Company to make more informed decisions regarding sales and inventory.

### **Investor Conference Call to Discuss Q4 2022 and Fiscal Year 2022 Results:**

Management will host a conference call with analysts on May 1, 2023, at 10:00 a.m. Eastern Time to discuss the results. To instantly join the conference call, please use the following URL to easily register yourself and have your phone connected into the conference call automatically: <https://empportal.ink/3z6WIYj>. Alternatively, participants may access the call by dialing 1-416-764-8688 (Toronto) or 1-888-390-0546 (North America); Conference ID 90926059.

For those unable to participate on the live call, a replay of the call will also be available through May 4, 2023, by dialing 1-416-764-8677 or 1-888-390-0541 (Passcode: 926059#).

### **Board of Director Appointments**

The Company is also pleased to announce that Mmes. Wendy Kaufman and Sherry Tross have been appointed to the board of directors of the Company (the "**Board**"), effective as at April 28, 2023 (the "**Board Appointments**").

Ms. Kaufman is a CPA bringing over 25 years' of financial executive experience in the public markets with expertise in financial management, capital structuring, mergers and acquisitions and integration. Ms. Kaufman currently serves as CFO of Canada Nickel Company Inc. (TSXV: CNC).

Ms. Tross is an experienced public policy advisor and corporate consultant. She has developed an expertise in international relations from her position of Ambassador (High Commissioner) of St. Kitts and Nevis to Canada, Mexico, and Panama since 2018. Ms. Tross has over 20 years' of leadership experience in the public and private sector, participating in bilateral and multilateral negotiations and managing multi-country teams of trade and development specialists focused on business development and community impact.

In connection with these Board Appointments, Messrs. Jacques Desserault and Louis Sterling have stepped down as directors of the Board. The Company thanks Mr. Desserault and Mr. Sterling for their contributions to the Company over recent years and wishes them success in their future endeavours.

### **About BZAM Ltd.**

BZAM Ltd. (CSE: BZAM) (OTC: BZAMF) is a leading Canadian cannabis producer with a focus on branded consumer goods, innovation, quality, consistency, integrity, sustainability and transparency. The BZAM family includes core brands BZAM™, TGOD™, ness™, Highly Dutch Organic™, TABLE TOP™, and partner brands Dunn Cannabis, FRESH and Wyld. BZAM operates facilities in BC, Alberta, Ontario and Quebec, as well as retail stores in Winnipeg, Manitoba and Regina, Saskatchewan.

BZAM's Common Shares and certain warrants issued under the indentures dated June 12, 2020, October 23, 2020, and December 10, 2020, currently trade on the Canadian Securities Exchange (the "CSE") under the symbol "BZAM". BZAM's Common Shares trade in the U.S. on the OTCQX under the symbol "BZAMF". For more information, please visit [www.bzam.com](http://www.bzam.com)

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### **Non-IFRS Financial Measures**

This Press Release contains certain financial and operational performance measures that are not recognized or defined under IFRS (the "Non-IFRS Measures"). As there are no standardized methods of calculating these Non-IFRS Measures, the Company's approaches may differ from those used by others, and this data may not be comparable to similar data presented by other licensed producers of cannabis and cannabis companies. As such, users are cautioned that these measures should not be construed as alternatives to measures determined in accordance with IFRS, including net income (loss) and gross profit, as measures of profitability or as alternatives to the Company's IFRS-based Consolidated Financial Statements. For an explanation of these

measures to related comparable financial information presented in the Consolidated Financial Statements prepared in accordance with IFRS, refer to the discussion below.

The Company believes that these Non-IFRS Measures are useful indicators of operating performance and are specifically used by management to assess the financial and operating performance of the Company. These Non-IFRS Measures include, but are not limited, to the following:

- “Adjusted Gross Margin” refers to gross margin excluding the adjustments for write down of inventory, provisions for returns and under absorption of overheads. Adjusted Gross Margin is a useful measure as it represents gross margin for management purposes based on costs to manufacture, package and ship inventory sold, exclusive of any impairments due to changes in internal or external influences.
- “Adjusted SG&A” refers to sales (including marketing), general and administrative expenses excluding severance costs, any write downs and one-off restructuring costs. Adjusted SG&A is a useful measure as it removes expenses that are not expected to recur in the following year.
- “Adjusted EBITDA” has been identified by the Company as a relevant industry performance indicator. Adjusted EBITDA is a Non-IFRS Measure used by management that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Management defines Adjusted EBITDA as loss for the period, as reported, excluding foreign exchange gains and losses, finance costs, accretion expenses, finance income, revaluation loss (gain) of contingent consideration, loss (gain) on disposal of assets, impairment (reversal of impairment) charge for non-financial assets, loss on derecognition of investment in joint venture, expenditures incurred in connection with research and development activities, debt modification, impairment loss on remeasurement of disposal group, gain on disposal of subsidiary, realized fair value adjustment on sale of inventories, unrealized gain on changes in fair value of biological assets, provisions and impairment of inventories and biological assets, share based compensation, depreciation, amortization, legal provisions, ERP implementation costs, restructuring costs and transaction costs. Management believes Adjusted EBITDA provides useful information as it is a commonly used measure in capital markets to approximate operating earnings. The Company provides the Non-IFRS Measure as supplemental information and in addition to the financial measures that are calculated and presented in accordance with IFRS. The Non-IFRS Measure is also presented because management believes such measures provide information which is useful to shareholders and investors in understanding its performance and which may assist in the evaluation of the Company’s business relative to that of its peers. Management believes the Non-IFRS Measure is a useful financial metric to assess the Company’s operating performance on a cash basis before the impact of non-cash items, and on an adjusted basis as described above. However, such Non-IFRS Measure should not be considered superior to, as a substitute for or as an alternative to, and should only be considered in conjunction with, the most comparable Non-IFRS Measure.

Non-IFRS Measures should be considered together with other data prepared in accordance with IFRS to enable investors to evaluate the Company's operating results, underlying performance and prospects in a manner similar to the Company's management. Accordingly, these Non-IFRS Measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

### **Cautionary Statements**

*This news release includes statements containing certain "forward-looking information" within the meaning of applicable securities law ("forward-looking statements"). Forward looking statements in this release include, but are not limited to, statements about future net revenue and gross margin, statements about future EBITDA, statements about future production quantity and timing, statements about the offering of any particular products by the Company and statements regarding the future performance of the Company, statements about funding availability, statements about growth and delivery of products, and statements about the level of demand for BZAM's products, statements relating to obtaining final EU GMP certification and generating any revenue in Germany, statements relating to the Company's sale of facilities in Maple Ridge, BC and Puslinch, Ontario, statements relating to the facility capacity utilization and absorption of fixed overheads, statements relating to expected improvements in cultivation and their impacts on cash cost price per gram and statements relating to the Company being able to efficiently scale to higher volumes in the future. Forward-looking statements are frequently characterized by words such as "plan", "continue", "expect", "project", "intend", "should", "believe", "anticipate", "estimate", "may", "will", "potential", "proposed" and other similar words, or statements that certain events or conditions "may" or "will" occur. These statements are only predictions. Various assumptions were used in drawing the conclusions or making the projections contained in the forward-looking statements throughout this news release, such as assumptions that the Company's financial trajectory will continue, the Company not having any issues with regulators, cultivation patterns at the Company's facilities continuing and there not being significant disruptions in cultivation such as disease or shortages in resources, the Company being insulated from supply chain issues and inflation affecting the global economy, the Company being able to access the capital markets and existing lenders for necessary funding, when necessary, demand for the Company's products continuing as expected and based on past trends, there being no material issues or delays in the Company receiving EU GMP certification, the Company being able to sell its facilities in Maple Ridge, BC and Puslinch, Ontario. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made and are subject to a variety of risks and uncertainties (including market conditions) and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements, including those risk factors described in Management's Discussion and Analysis and the Company's most recent Annual Information Form filed with Canadian securities regulators and available on the Company's issuer profile on SEDAR at [www.sedar.com](http://www.sedar.com). Although the Company believes that the assumptions and factors used in preparing the forward-looking information or forward-looking statements in this news release are reasonable, undue reliance should not be placed on such information and no assurance can be given that such events will occur in the disclosed time frames or at all. The forward-looking information and forward-looking statements included in this news release are made as of the date of this news release. The Company is under no obligation, and expressly disclaims any intention or obligation, to update or revise any forward-looking*

*statements, whether as a result of new information, future events or otherwise, except as expressly required by applicable law.*

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