



Stem Provides Shareholder Update and Announces Preliminary Gross Revenue of US\$12.88 Million for the Second Quarter of 2021, an Increase of 456% Year-Over-Year and Quarterly Gross Margin of Approximately US\$5.23 Million

BOCA RATON, FL, April 8, 2021 – Stem Holdings, Inc. (OTCQX: STMH CSE:STEM) (the “**Company**” or “**Stem**”), the first multi-state, integrated cultivation and omnichannel technology cannabis company, is providing a business update including select preliminary financial results for the quarter ending March 31, 2021, the first full quarter of combined operations since the acquisition of Driven Deliveries, Inc. (“**Driven Deliveries**”) in December 2020, as disclosed in the Company’s press release dated December 30, 2020.

Adam Berk, Chief Executive Officer of Stem, commented, “Stem is driving synergistic results as the Company successfully integrated its most recent acquisitions of Driven Deliveries and the Foothill Health and Wellness dispensary in Sacramento, with record sales, accretive margins, and reduced SG&A. Driven Deliveries services 92% of California’s population – the largest cannabis market in the world¹ – and is expected to drive expansion of Stem’s brands and products in California as well as in targeted expansion markets, including Oregon. Our plan for expansion into new markets is supported by our strong, lean infrastructure and execution capability. Following the acquisition of Driven Deliveries, we have integrated our accounting and finance and legal teams, and engaged Fyllo™ Compliance Cloud technology enterprise-wide to support swift expansion.”

The Company plans to report its financial results for the quarter ended March 31, 2021 on or about May 15, 2021. The Company is projecting quarterly gross revenue of approximately US\$12.88 million (an improvement of approximately 456% as compared to the quarter ending March 31, 2020) and quarterly gross margin of approximately US\$5.23 million.²

For the quarter ended March 31, 2021, the Company realized an increase in total units sold, number of transactions, and average order size as compared to the quarter ended March 31, 2020:

Dispensaries	vs. 2020	E-Commerce (Budee™)	vs. 2020
Total Dispensaries – 185	+32.1%	Total Units Sold – 161,700	+81.5%
Total Units Sold – 257,100	+45.6%	Transactions – 75,700	+97.0%
Transactions – 59,500	+16.7%	Average Order Size – US\$67.00	+17.5%
Average Order Size – US\$58.28	+33.3%		

The Company expects to increase its canopy in Oregon during April 2021 by 10,000 square feet and it anticipates incremental gross revenues of US\$8.0 million and 50% gross margin over the next 12 months as a result of such expansion. The Company also expects to increase its productivity through greater automation and CAPEX investment for concentrates in the Company’s new butane hash oil laboratory, as well as through other margin-accretive measures.

Recent Highlights:

- On December 15, 2020, the Company filed an amended and restated preliminary prospectus with the securities commissions in each of the provinces of Canada (the “**Canadian Securities Commissions**”), other than Quebec,

¹ Source: <https://www.forbes.com/sites/irisdorbian/2019/08/15/california-is-worlds-biggest-legal-pot-market-says-new-report/?sh=5d940d6b4cd7>

² These preliminary and unaudited financial results are subject to customary financial statement procedures by the Company. Actual results could be affected by subsequent events or determinations. While the Company believes there is a reasonable basis for these preliminary financial results, the results involve known and unknown risks and uncertainties that may cause actual results to differ materially. These preliminary fiscal results represent forward-looking information. See “Forward-Looking Statements” and “Financial Outlook”.

and subsequently filed a corresponding registration statement on Form S-1 (the “**Registration Statement**”) with the U.S. Securities and Exchange Commission (the “**SEC**”) in connection with its previously announced marketed public offering of units of the Company (the “**Offering**”), as more fully described in the Company’s press release dated December 15, 2020. Upon SEC approval of the Registration Statement, the Company intends to file a final prospectus with the Canadian Securities Commissions and close the Offering as soon as practicable thereafter.

- In 2021, Budee welcomed over a dozen best-in-class brands to its e-commerce platform providing services accessible to approximately 92% of California’s population including: Platinum Vape from Red, White and Bloom Brands (CSE: RWB) (OTC: RWBYF); Caliva Flower, Deli Prerolls, Run Uncle Prerolls, Yummi Karma and Rehab by Yummi, and Chill Chocolates from The Parent Co. (NEO: GRAM.U) (OTCQX: GRAMF); Select Cartridges from Curaleaf (CSE: CURA) (OTCMKTS: CURLF); Tommy Chong’s Cannabis; Dosist Pens, Tablets and Edibles; Kushy Punch Gummies; Loudpack Farms; and new Yerba Buena™ Flower. The Company expects revenue from the launch of the new Yerba Buena™ Flower to be approximately US\$2.5 million with US\$1.4 million in gross margin over the next 12 months.
- Budee™ DaaS is being introduced in Oregon this month through the Company’s core dispensaries and is expected to be accretive to gross revenues by US\$4.4 million and to gross margin by US\$1.76 million over the next twelve months with a dozen new delivery drivers being added for an optimal customer delivery experience. The Company has leveraged its technology, building a customized Application Programming Interface (API) to drive efficiency and performance.
- Cannavore™ Crafted Confections brand expanded with three new THC-infused edibles including *Irish Cream Caramels* just in time for St. Patrick’s Day. This brand is now in two states and will expand to all of the markets where the Company operates. Cannavore features TJ’s Gardens’ on-trend, single-strain solventless extract now produced on-site in our new extraction laboratory in Eugene.
- Cannavore™ is now launching its first no-calorie, keto-friendly, gluten-free and vegan THC-infused gummy edibles in three flavors, meeting demand for sugar-alternative infused candy throughout the market, and exclusively features Rx Sugar®, a new natural, zero-calorie, low-glycemic index sweetener.
- TJ’s Gardens™ introduced its first co-branded product with Yerba Buena™ late last year and has expanded distribution throughout the state of Oregon including its unique RSO with the highest THC potency available in the Oregon market.
- TJ’s Gardens™ is launching its first Dabbables – made with both on-trend single-strain solventless extract, as well as concentrates made from custom BHO-extraction equipment for the highest-quality crumble.
- TJ’s Gardens’™ R&D team continues to develop exciting new cultivars, most recently Papaya Cake and Papaya Punch Kap, which continue to attract new consumers looking for exciting cannabis experiences.
- As Stem prepares for the upcoming 420 industry celebration, the Company has an integrated media and event campaign across all markets and digital platforms as it strengthens its customer and partner relationships at every level, building loyalty with our portfolio of quality products, and service from Farm-to-Home™.

Stem’s Four Strategic Pillars

The four pillars of Company strategy are as follows: Financial Discipline, Productivity, Customer-Centricity, and Brand Innovation and Disruption.

- **Financial Discipline:** The Company continues to focus on key performance indicators including its cash conversion cycle, and continued EBITDA growth from operations.
- **Productivity:** The Company continues to reduce SG&A while strengthening its integrated operating team for efficiency, and yield improvement in its cultivation and processing activities. Stem’s value engineering continues to enable it to improve product quality and gross margin with higher service levels than previously achieved.
- **Customer Centricity:** Stem’s new marketing campaigns are attracting new customers including social & digital media and its new SEO and loyalty programs are building purchase frequency with an improved customer experience, even as the Company continues to navigate COVID with the highest standards for safety.

- **Brand Innovation and Disruption:** The Company continues to introduce disruptive, margin-accretive new products, leveraging its R&D capability with a strong distribution apparatus covering wholesale, retail and e-commerce.

About Stem Holdings, Inc.

Stem is a leading omnichannel, vertically-integrated cannabis branded products and technology company with state-of-the-art cultivation, processing, extraction, retail, distribution, and delivery-as-a-service (DaaS) operations throughout the United States. Stem's family of award-winning brands includes TJ's Gardens™, TravisxJames™, and Yerba Buena™ flower and extracts; Cannavore™ edible confections; Doseology™, a CBD mass-market brand launching in 2021; as well as DaaS brands Budee™ and Ganjarunner™ through the acquisition of Driven Deliveries. Budee™ and Ganjarunner™ e-commerce platforms provide direct-to consumer proprietary logistics and an omnichannel UX (user experience)/CX (customer experience).

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Forward-Looking Statements

This press release contains forward-looking statements and information that are based on the beliefs of management and reflect the Company's current expectations. When used in this press release, the words "estimate", "project", "belief", "anticipate", "intend", "expect", "plan", "predict", "may" or "should" and the negative of these words or such variations thereon or comparable terminology are intended to identify forward-looking statements and information. The forward-looking statements and information in this press release includes information relating to: (i) the implementation of the Company's business plan; (ii) the Company's expected performance in the second quarter of 2021, including gross revenue and gross margin; (iii) the expansion of Stem's brands and products into other markets; (iv) the expansion of existing canopy in the State of Oregon and the revenue therefrom; (v) expected improvements to productivity; (vi) the expected launch of Budee™ DaaS in the State of Oregon and the revenue therefrom; (vii) the expected launch of new brands and products by Stem and the revenue therefrom.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or other future events, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following risks: risks associated with the implementation of the Company's business plan and matters relating thereto, risks associated with the cannabis industry, competition, regulatory change, the need for additional financing, reliance on key personnel, the potential for conflicts of interest among certain officers or directors, insurance, intellectual property and reliable supply chains; and risks related to the Company and its business generally. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date that statements are made, and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change. Investors are cautioned against attributing undue certainty to forward-looking statements.

Financial Outlook

This news release contains a financial outlook within the meaning of applicable Canadian securities laws. The financial outlook has been prepared by management of the Company to provide an outlook for the three months ended March 31, 2021 and may not be appropriate for any other purpose. The financial outlook has been prepared based on a number of assumptions including the assumptions discussed under the heading "Forward Looking Statements" above and assumptions with respect to market conditions, pricing, and demand. The actual results of the Company's operations for any period will likely vary from the amounts set forth in these projections and such variations may be material. The Company and its management believe that the financial outlook has been prepared on a reasonable basis. However, because this information is highly subjective and subject to numerous risks, including the risks discussed under the heading "Forward Looking Statements" above, it should not be relied on as necessarily indicative of future results.