

May 15, 2024



Starco Brands Announces First Quarter 2024 Results and Business Update

Reported Net Revenue Increased by 39% to \$15.5 Million and Gross Profit Increased by 26% to \$7.2 Million Compared to Prior Year Period

Company Updates Net Revenue Guidance to be Between \$72 Million to \$76 Million for Fiscal Year 2024

Conference Call to be Held at 1:30 p.m. PT Today

SANTA MONICA, Calif.--(BUSINESS WIRE)-- Starco Brands, Inc. (the "Company" or "Starco Brands") (OTCQB: STCB), developer and acquirer of behavior-changing technologies and brands that spark excitement in the everyday, is providing a business update in conjunction with the filing of its form 10-Q for the first quarter ended March 31, 2024.

Management Comments

Starco Brands Chairman & CEO Ross Sklar said: "Our first quarter results highlight the importance of our diversified consumer products platform. Overall, we are pleased with the revenue increase over prior year, but remain cautious and recognize sector, interest rate, sticky inflation and increasing consumer debt headwinds. We made tremendous strides in integrating our acquired businesses into our shared service platform while fostering strong organic growth of Winona, Skylar and Soylent. Looking forward, this year is about supporting new distribution expansion and investing in marketing and infrastructure to support our growth and future public company plans. This past quarter, we successfully launched new products in every single one of our portfolio companies: Art of Sport, Winona Popcorn Spray, Soylent, Whipshots and Skylar. This was a huge technical, marketing, sales, distribution and financial achievement. The integration, growth and success we achieved in enhancing our business units over the past year validate the effectiveness of our shared service model and platform, focusing only on our core competencies in personal care, beauty, food and beverage.

Starco Brands' exceptional rise from inception a couple of years ago to now with over \$80 million in annual gross sales has all been financed by the generation of free cash and the company has not raised any outside funds. As we progress through 2024, we acknowledge the company's need for growth capital for our scaling businesses, for SEC preparedness as we look at new stock exchanges and to grow our shareholder base and liquidity in our stock. We are energized and well-positioned to continue to over-execute, support and grow our synergistic portfolio, propelling us closer toward realizing our vision of building a vertically integrated and cutting-edge consumer packaged goods powerhouse."

Year-to-Date Business Highlights

Whipshots®

- Whipshots has landed distribution in Kroger with new authorizations that will go into effect in the fall of 2024 with the potential for the brand to be in 57% of Kroger's spirits-licensed locations.
- In January 2024, Whipshots announced a nationwide partnership at Museum of Ice Cream's three US locations in Austin, Chicago and New York to celebrate the launch of its limited-edition Strawberry flavor.
- In February 2024, Whipshots expanded into Maine, Mississippi, and New Hampshire. This marked a significant milestone as Whipshots extended its presence across 41 states, reinforcing its position as a trailblazer in the spirits industry since its national retail debut in February 2022.
- In April 2024, Whipshots expanded into Alabama, North Carolina (completing coverage in the Southeastern U.S.) and Pennsylvania. The brand is now available across 43 states and the District of Columbia as a result of direct consumer requests for Whipshots availability in their states.

Skylar

- Skylar bolstered its executive ranks with the hiring of Alex Alston as Vice President of Sales and Marketing. Alston brings a wealth of experience honed over two decades in the realms of beauty and luxury e-commerce. After a distinguished tenure at L'Oreal, where Alex Alston was groomed for leadership roles, he spearheaded the successful launches of Charlotte Tilbury and r.e.m beauty (Ariana Grande). Alston also held senior marketing positions at NET-A-PORTER and Rose Inc.
- Skylar continues to be successful at Sephora, with new authorizations to enter the rapidly growing Sephora @ Kohl's channel. There are currently over 850 Sephora @ Kohl's locations.
- Skylar secured distribution in both Anthropologie's online and brick-and-mortar retail locations beginning in June 2024.
- Skylar rolled out the Hair & Body Mist format of its popular Boardwalk Delight to skylar.com and sephora.com, as well as Sephora brick-and-mortar retail locations.

Soylent

- In April 2024, Soylent rounded out its protein portfolio with the launch of Soylent Complete Protein Powder, making the brand a serious player in the protein supplement market. Industry experts project this rapidly expanding sector will grow to \$47 billion by 2032. The brand's science-backed nutrition formula debuted in two flavors, Chocolate and Vanilla, and contains: 30g of complete protein, 0g of sugar, 28 essential vitamins and minerals, 5g BCAAs (branch chain amino acids), 3.5g MCT and 65mg DHA supporting muscle recovery and bone health and contributing to a cholesterol-lowering diet.
- Soylent executed its first-ever Walmart Featured Space and Sales (FSS) display program in May 2024.
- Soylent will be rolling out its Complete Meal Ready-to-Drink and seasonal SKUs to Kroger in the third quarter of 2024.
- AWG shipping new distribution into the corporate Plan-o-Gram (POG) program, with potential of 4,000 stores.

Winona Popcorn Spray

- Winona Popcorn Spray Butter flavor continues to expand retail distribution due to its uniqueness, incredible sensory experience, repeat purchase both online and in store and price point. Currently, Winona is distributed at Walmart, HEB, Meijer, AWG and Big Lots. The following depicts the brand's 2024 growth path inclusive of the launch of Winona's new Garlic Butter popcorn spray flavor, which is scheduled to roll out in the third quarter of 2024:
 - Walmart nationwide in 1,800 stores, increasing to storewide 4,200 stores in fourth quarter of 2024 for Garlic Butter popcorn spray flavor;
 - Meijer storewide in 260 stores;
 - Albertson nationwide in 1,500 stores in fourth quarter of 2024;
 - Target nationwide in almost all 1,900 stores in second quarter of 2025;
 - HyVee chainwide in 280 stores;
 - Stater Bros chainwide in 169 stores;
 - Big Lots' 300 stores;
 - Sobeys in Canada nationwide in 1,400 stores in fourth quarter of 2024; and
 - American Wholesale Grocers in 500 locations, with the potential of growing to 4,000 stores.

Art of Sport (AOS)

- The Company re-launched AOS on Amazon in the first quarter of 2024 focusing on the brand's best-selling personal care SKUs and scents. The new product line consists of the following SKUs: Antiperspirant, Deodorant, Shampoo & Body Wash, Daily Face Wash and Daily Face Lotion.
- In the second quarter of 2024, AOS broke into new categories launching its cutting edge AOS Sunscreen and AOS Protein Powder.
 - AOS Protein Powder will begin distribution chainwide at Kroger's 132 Fred Meyer stores in October 2024, with full distribution in all divisions in 2025, equating to over 1,700 stores.
- In the third quarter of 2024, AOS has plans to launch more products in the over-the-counter pharma space, furthering the brand's goal to "*own the locker room*".

First Quarter of 2024 Financial Results

Reported net revenue for the first quarter of 2024 was \$15.5 million, compared to \$11.1 million in the first quarter of 2023. The increase in reported net revenue was driven by an increase in sales for Skylar and Winona Popcorn Spray and by including a full quarter of sales of Soylent, which was acquired in February of 2023. In addition, the Company recognized revenue for Winona Popcorn Spray on a royalty-basis in the prior year period before making an accounting change in March of 2023 to move away from royalty-based income to standard revenue and cost of goods recognition.

Gross profit improved to \$7.0 million for the first quarter of 2024, compared to \$5.7 million in the first quarter of 2023, primarily due to the impact of a full quarter of sales of Soylent.

As the Company grows, Marketing, General and Administrative expenses were \$5.3 million, or 34% of reported net revenue in the first quarter of 2024, compared to \$3.3 million, or 30% of reported net revenue in the first quarter of 2023. Compensation expense was \$2.6 million

in the first quarter of 2024, compared to \$1.4 million in the first quarter of 2023. Professional fees were \$1.2 million in the first quarter of 2024, compared to \$1.4 million in the first quarter of 2023.

Reported unadjusted net loss for the first quarter of 2024 was \$4.3 million, as compared to net loss of \$1.7 million in the first quarter of 2023. The increase in reported unadjusted net loss was due to a non-cash item of a fair share value increase from the prior year of \$0.7 million and to an increase in compensation expense due to the Company's three acquisitions in 2023. In addition, further pressure was due to softer first quarter sales of Whipshots over the prior year and reduced gross margin due to a shift in product mix. The Company saw higher sales from its lower-margin Winona brand compared to the prior year when it had stronger sales of its higher-margin Whipshots brand. This was partially offset by higher Winona and Skylar sales and gross profit dollars from a full quarter of sales of Soylent.

Non-GAAP Adjusted EBITDA

Adjusted EBITDA, which is net loss adjusted for stock-based compensation, gain on disposal of property and equipment, gain on settlements, interest and other expense, net, depreciation of property and equipment, amortization of intangible assets, (recovery) provision for doubtful accounts, and provision for income taxes and certain other items that impact the periods presented. Adjusted EBITDA is provided so that investors have the same financial data that management uses to assess the Company's operating results with the belief that it will assist the investment community in properly assessing the ongoing performance of the Company for the periods being reported and future periods. The presentation of this additional information is not meant to be considered a substitute for measures prepared in accordance with U.S. GAAP. Because Adjusted EBITDA excludes some, but not all, items that affect net income (loss) and is defined differently by different companies, our definition of Adjusted EBITDA may not be comparable to similarly titled measures of other companies. For reconciliation of GAAP Net Income (loss) to Adjusted EBITDA, see our reports we file from time-to-time with the SEC, which are available to read at www.sec.gov.

Adjusted EBITDA was a loss of \$882,918 for the first quarter of 2024, compared to a gain of \$36,734 for the first quarter of 2023. The year-over-year decrease was due to an increase in Marketing, General and Administrative expense, compensation expense and increased professional fees. The compensation expense was due to the Company's three acquisitions and a fair share value increase from the prior year that was a non-cash item. The decrease in EBITDA was also impacted by lower margins from softer Whipshots sales over the prior year, product mix, Whipshots sales versus prior year load in sales and increased revenue of lower-margin Winona Popcorn Spray.

Adjusted EBITDA is a non-GAAP financial measure. See the supplementary schedules in this press release for a reconciliation thereof to the most directly comparable GAAP measure.

	Q1 24	Q1 23
Net Income	(4,270,556)	(1,663,130)
Interest expense	199,173	97,313

Other expense (income)	76,779	(66,871)
Depreciation & Amortization	706,271	7,463
Fair value share adjustment loss (gain)	1,921,949	1,179,154
Stock comp	483,466	482,805
Adjusted EBITDA	(882,918)	36,734

Balance Sheet

As of March 31, 2024, the Company had approximately \$1.8 million of cash, and approximately \$11.3 million of inventory on its balance sheet compared to \$1.8 million of cash, and approximately \$10.7 million of inventory on its balance sheet as of December 31, 2023.

First Quarter of 2024 Segment Review

Starco Brands: Segment reported net revenues of \$3.9 million for the first quarter of 2024, compared to \$3.5 million for the first quarter of 2023. Segment gross profit of \$2.6 million for the first quarter of 2024, compared to \$2.9 million for the first quarter of 2023. Starco Brands' segment includes AOS, Whipshots and Winona Popcorn Spray. The decline in gross profit dollars and percent in this segment was driven by the mix impact of lower revenue from Whipshots offset by the increase in revenue from Winona. Whipshots revenue declined as a result of a softer first quarter mostly due to distributor and state pipeline fills. Winona revenue increased due to distribution adds at Walmart, increased velocity on shelf and onboarding new mass retailers.

Skylar: Segment reported net revenues of \$2.1 million for the first quarter of 2024, compared to \$1.9 million for the first quarter of 2023. The increase was driven by continued Amazon expansion and by the success of new products. Segment gross profit of \$1.2 million for the first quarter of 2024, compared to \$1.1 million for the first quarter of 2023.

Soylent: Segment reported net revenues of \$9.4 million for the first quarter of 2024, compared to \$5.7 million for the first quarter of 2023. The increase was primarily driven by the impact of a full quarter of sales of Soylent, which was acquired in February of 2023. Segment gross profit of \$3.2 million for the first quarter of 2024, compared to \$1.7 million for the first quarter of 2023. The increase in gross profit was due to price increases which occurred in the second half of fiscal year 2023, lower cost of materials in the first quarter, higher mix of direct-to-consumer revenues, and cost efficiencies realized through the successful integration of Soylent onto the Company's shared service model.

2024 Updated Outlook

The Company projects between \$72 million to \$76 million in reported net revenue for fiscal year 2024, representing 10% to 17% growth compared to fiscal year 2023.

The Company has made the strategic decision to reinvest and reallocate capital towards further accelerating the growth of its high-potential brands. This increased investment, along with bolstering the Company's operational infrastructure, will temporarily impact profitability. However, this strategic reallocation positions the Company for stronger long-term growth. The Company will provide an updated fiscal year 2024 Adjusted EBITDA range by the third

quarter of 2024 once it has better visibility into the demand trajectory as it ramps up production and expands distribution into approximately 10,000 stores cumulatively across its portfolio.

The Company continues to scale its brands and at this stage of the Company's life cycle will be cautious yet deliberate about investing and focusing its free cash on its businesses in order to build valuable enterprise and shareholder value versus conserving growth capital for short term earnings esthetics.

Conference Call

The conference call to discuss these results is scheduled for today, Wednesday, May 15, 2024, at 1:30 pm Pacific Time (4:30 pm Eastern Time). Listeners can dial (877) 407-0792 in North America and international listeners can dial (201) 689-8263. A telephonic playback will be available approximately two hours after the call concludes and will be available through Wednesday, May 29, 2024. Listeners in North America can dial (844) 512-2921 and international listeners can dial (412) 317-6671; passcode is 13746330. Interested parties may also listen to a simultaneous webcast of the conference call by logging onto the Company's Investor Relations website at <http://investors.starcobrands.com> and navigating to the "IR Calendar" section.

Forward-Looking Statements

Any statements in this press release about the Company's future expectations, plans and prospects, including statements about our financing strategy, future operations, future financial position and results, market growth, new product launches and product growth, total revenue, as well as other statements containing the words "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "might," "plan," "potential," "predict," "project," "should," "target," "will," or "would" and similar expressions, constitute forward-looking statements within the meaning of the safe harbor provisions of The Private Securities Litigation Reform Act of 1995. The Company may not achieve the plans, intentions or expectations disclosed in the Company's forward-looking statements, and you should not place undue reliance on the Company's forward-looking statements. All forward-looking statements are subject to assumptions, risks and uncertainties that may change at any time. Therefore, readers are cautioned that actual results could differ materially from those expressed in forward-looking statements. The Company undertakes no obligation to update any forward-looking statements as a result of new information, future developments or otherwise, except as expressly required by law. This cautionary statement entirely qualifies all forward-looking statements in this document.

Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements the Company make as a result of a variety of risks and uncertainties, including risks related to the Company's estimates regarding the potential market opportunity for the Company's current and future products and services, the impact of the COVID-19 pandemic, the competitive nature of the industries in which we conduct our business, general business and economic conditions, our ability to acquire suitable businesses, our ability to successfully launch new products and seize market share, the Company's expectations regarding the Company's sales, expenses, gross margins and other results of operations, and the other risks and uncertainties described in the "Risk Factors" sections of the Company's public filings with the Securities and Exchange

Commission on Form 10-K for the year ended December 31, 2023. Copies of our SEC filings are available on our website at www.starcobrands.com. In addition, the forward-looking statements included in this press release represent the Company's views as of the date hereof. The Company anticipates that subsequent events and developments may cause the Company's views to change. However, while the Company may elect to update these forward-looking statements at some point in the future, the Company specifically disclaims any obligation to do so. These forward-looking statements should not be relied upon as representing the Company's views as of any date after the date hereof.

About Starco Brands

Starco Brands (OTCQB: STCB) invents consumer products with behavior-changing technologies that spark excitement in the everyday. Today, its disruptive brands include Whipshots®, the world's only vodka-infused whipped cream; Art of Sport, the body care brand designed for athletes and co-founded by Kobe Bryant; Winona® Pure, the first indulgent theater-popcorn spray powered by air; Skylar, the only fragrance that is both hypoallergenic and safe for sensitive skin; and Soylent, the complete non-dairy nutrition brand. A modern-day invention factory to its core, Starco Brands identifies whitespaces across consumer product categories. Starco Brands publicly trades on the OTCQB stock exchange so that retail investors can invest in STCB alongside accredited individuals and institutions. Visit starcobrands.com for more information.

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