

August 13, 2024



Starco Brands Announces Second Quarter 2024 Results and Business Update

Reported Net Revenue of \$15.6 Million and Margins of 37% for Second Quarter 2024

Distribution Expansion and New Products Paves Way for Growth in Second Half of 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 second quarter ended June 30, 2024.

Management Comments

Starco Brands Chairman & CEO Ross Sklar said: "The first half of this year has been about integrating our acquisitions and finding efficiencies across the board while building out our shared service platform, positioning our company for long-term success. We've also made significant strides in strategically investing in our businesses, optimizing our marketing spend, and significantly expanding our distribution footprint. We have extended national distribution for every single one of our brands and have simultaneously broadened our product portfolios through line extensions and entry into adjacent categories. These initiatives leverage our core strengths: cross-category R&D capabilities and IP creation, manufacturing, innovative marketing, and diversified retail and ecommerce knowledge. As we enter the peak seasonal period for several of our brands, we believe all this investment and groundwork is slated to drive top-line growth in the second half of this year and, more importantly, sets the stage for substantial and sustained growth in 2025 and 2026. Our team's dedication and strategic focus have positioned this machine to capitalize on the opportunities created and deliver long-term value to our shareholders."

Year-to-Date Business Highlights

Whipshots®

- In Q2, Whipshots expanded into new markets such as Alabama, North Carolina and Pennsylvania. Whipshots is now available across 46 states and the District of Columbia.
- Whipshots has landed 1,257 points of 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 77% of the stores in authorized states.
- Whipshots has landed Costco and is kicking off the relationship in Louisiana leading to

a larger program in Q4 and in 2025.

- Whipshots landed a store wide deal with Dave & Buster's in its 162 locations across 44 states. Whipshots will be featured on the menu as a topper on specific cocktails, or as a shot itself.
- The brand has a number of partnerships lined up for Q3 and Q4 that the Company will expand on in the coming months.

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 is growing within Sephora and has new authorizations to enter the rapidly growing Sephora @ Kohl's channel. With a successful launch on the Sephora @ Kohl's e-commerce platform, the brand now has the potential to be on shelf in the over 850 Sephora @ Kohl's locations.
- Skylar secured distribution in Anthropologie for both online and in brick-and-mortar retail, with 70 locations beginning in Q3.
- In Q3, Skylar landed Costco. First launching on Costco.com the company received one of its largest purchase orders in this division's history.
- 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.
- In June 2024, Skylar launched a new summer fragrance, Citrus Reverie, marking the start of the brand's "Endless Summer" campaign. The new fragrance launched at a star-studded influencer and media event held at the Company's headquarters in Hollywood, CA.
- In July, Skylar hired CLDPR as its first-ever PR firm. In just over a month, the firm has already secured several premium media and top-tier celebrity/influencer placements.
- Skylar initiated a Scent of the Day (#SOTD) sorority rush program to capitalize on the nationwide cultural impact rush has experienced on TikTok. The program includes influencer outreach, sampling, and partnerships with TikTok, Windsor, and Petal & Pup.

Soylent

- In Q2, 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 during May 2024 in the adult nutrition/pharmacy set in 500 stores.
- Soylent, achieved a significant milestone, in May by achieving the highest repurchase rate of any brand in the adult nutrition category, according to data from Unify+ Panel

(Total MULO, 52 weeks ending May 19, 2024). With a remarkable 62.9% of consumers repurchasing Soylent products two or more times, the brand outperforms competitors like Boost (61.9%), OWYN (57%), Orgain (54.5%), and the longtime category leader, Ensure (48.2%).

- Soylent will be rolling out its Complete Meal Ready-to-Drink and seasonal SKUs to Walmart, Meijer, Publix, and Kroger in Q3. Customers will be able to buy seasonal flavors (i.e., Pumpkin Spice) in over 2,000 brick and mortar retail locations nationwide this fall.
- Soylent is currently rolling out with AWG. The brand is currently in 500 stores with 100 new stores being added each month through Q4 and 2025.
- Soylent continues to be the top selling meal replacement shake on Amazon, with 23.6% of total meal replacement market share. Because of this ranking the brand's return on ad spend in this channel remains high at a 4.5x. The high-margin sales generated by efficient marketing spend and investment on Amazon make this channel a priority focus for the second half of the year.
- Soylent has partnered with Feeding America food banks to drive sales and increase donations to those in need in Q3, in celebration of Hunger Action Month.

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, Big Lots and Hy-Vee. The following depicts the brand's 2024 and 2025 growth path inclusive of the launch of Winona's new Garlic Butter popcorn spray flavor, which is scheduled to roll out in Q3:
 - Walmart rolling out new Garlic Butter flavor nationwide in 2,500 stores in Q3 and increasing to storewide 4,200 stores in the Q1 FY25;
 - Stater Bros chainwide in 169 stores across both items in Q3;
 - Meijer rollout of 2nd SKU storewide in 260 stores in Q4;
 - Sobeys in Canada nationwide with both SKUs in 1,400 stores in Q4;
 - HyVee chainwide in 280 stores across both SKUs in H2 2024
 - Albertsons nationwide with both SKUs across 1,700 stores in Q1 FY25;
 - American Wholesale Grocers in 500 locations with the potential of growing to 4,000 stores and added placement of garlic; and
 - Target nationwide in 1,000 stores in the Q2 FY25;
- Winona Popcorn Spray has double the category rate in velocity and efficiency (\$/TDP) and 10% market share with only 30% ACV.
- The brand has a long flavor innovation pipeline scheduled for 2025 launch, along with brand expansion into additional retail categories.

Art of Sport (AOS)

- AOS relaunched on Amazon in Q1 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 Q2, 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.

- AOS continues to grow on Amazon and in Q2 experienced quarter over quarter growth of +32%.
- In Q3, AOS has plans to launch more products in the over-the-counter pharma space, furthering the brand's goal to "*own the locker room*". These products will include a Cooling Muscle Spray and a Cool & Heat Muscle Spray.
- As AOS has demonstrated success within e-commerce, it will look to grow its retail footprint with a strategic mass retailer in the second half of the year.

Second Quarter of 2024 Financial Results

Reported net revenue for the second quarter of 2024 was \$15.6 million, compared to \$17.5 million in the second quarter of 2023. The decrease in reported net revenue was driven by a decrease in sales for Whipshots due to large Q4 2023 and Q1 2024 inventory purchases, partially offset by an increase in sales for Skylar and Winona Popcorn Spray.

Gross profit was \$5.7 million for the second quarter of 2024, compared to \$6.9 million in the second quarter of 2023. The decline is a result of product mix of lower gross margin products. This was partially offset by the Soylent segment, which benefited from price increases and lower cost of goods. Gross margin for the second quarter of 2024 was 36.6%, compared to 39.2% for the second quarter of 2023.

Marketing, General and Administrative expenses were \$4.5 million, or 29% of reported net revenue in the second quarter of 2024, compared to \$4.7 million, or 27% of reported net revenue in the second quarter of 2023. Compensation expense was \$2.4 million in the second quarter of 2024, compared to \$2.0 million in the second quarter of 2023. Professional fees were \$1.1 million in the second quarter of 2024, compared to \$1.4 million in the second quarter of 2023.

Reported unadjusted net loss for the second quarter of 2024 was \$11.6 million, as compared to net loss of \$6.0 million in the second quarter of 2023. The increase in reported unadjusted net loss was due to lapping prior year retail load ins for Whipshots which caused a decline in gross profit.

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 \$1.2 million for the second quarter of 2024, compared to a gain of \$0.1 million for the second quarter of 2023. The year-over-year decrease was primarily due to a decline in sales for Whipshots.

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.

	Quarter		Year to Date	
	Q2 24	Q2 23	FY 24	FY 23
Net Income	(11,561)	(5,950)	(15,831)	(7,613)
Interest expense	209	264	408	361
Other expense (income)	284	(266)	361	(333)
Depreciation & Amortization	724	904	1,430	911
Fair value share adjustment loss (gain)	8,676	4,717	10,598	5,896
Stock Comp	417	480	900	963
Adjusted EBITDA	(1,252)	149	(2,135)	185

Balance Sheet

As of June 30, 2024, the Company had approximately \$2.0 million of cash, and approximately \$13.2 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.

Second Quarter of 2024 Segment Review

Starco Brands: Segment reported net revenues of \$2.1 million for the second quarter of 2024, compared to \$4.2 million for the second quarter of 2023. Segment gross profit of \$1.1 million for the second quarter of 2024, compared to \$3.3 million for the second 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 higher margin Whipshots offset by the increase in revenue from Winona. Whipshots revenue declined as a result of a softer second quarter mostly due to distributor and state pipeline fills in Q4 2023 and Q1 2024. Winona revenue increased due to distribution adds at Walmart, increased velocity on shelf and onboarding new mass retailers.

Skylar: Segment reported net revenues of \$1.9 million for the second quarter of 2024, compared to \$2.1 million for the second quarter of 2023. The decrease was driven primarily by a temporary SKU reduction at Sephora in the second quarter of 2024, resulting from a short-term reallocation of floor space, which is expected to be reversed and enhanced in the third quarter. Segment gross profit of \$1.3 million for the second quarter of 2024, compared to \$1.1 million for the second quarter of 2023.

Soylent: Segment reported net revenues of \$11.6 million for the second quarter of 2024,

compared to \$11.2 million for the second quarter of 2023. The increase was primarily driven by the retail expansion into Kroger, added distribution into Walmart, and reduced discounts across all channels. Segment gross profit of \$3.3 million for the second quarter of 2024, compared to \$2.4 million for the second 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 second quarter, and cost efficiencies realized through the successful integration of Soylent onto the Company's shared service model.

Conference Call

The conference call to discuss these results is scheduled for today, Tuesday, August 13, 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 Tuesday, August 27, 2024. Listeners in North America can dial (844) 512-2921 and international listeners can dial (412) 317-6671; passcode is 13747879. Interested parties may also listen to a simultaneous webcast of the conference call by logging onto the Company's Investor Relations website at <https://investors.starcobrand.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.starcobrand.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 starcobrand.com for more information.

View source version on businesswire.com:

<https://www.businesswire.com/news/home/20240813045537/en/>

Investor Relations

John Mills

ICR

646-277-1254

John.Mills@icrinc.com

Deirdre Thomson

ICR

646-277-1283

Deirdre.Thomson@icrinc.com

Source: Starco Brands, Inc.