

# Red White & Bloom Reports Results for the Three and Nine Months Ended September 30, 2023

TORONTO, Nov. 29, 2023 (GLOBE NEWSWIRE) -- Red White & Bloom Brands Inc. (CSE: RWB and OTCQX: RWBYF) (“**RWB**” or the “**Company**”) is pleased to report it has filed its Condensed Interim Consolidated Unaudited Financial Statements, Management Discussion and Analysis and associated certifications for its third quarter ended September 30, 2023 (collectively, the “2023-Q3 Filings”). The 2023-Q3 Filings may be accessed under the Company’s SEDAR+ profile at [www.sedarplus.ca](http://www.sedarplus.ca).

## **2023-Q3 Financial Highlights**

- Revenues were \$20.1 million for the quarter ended September 30, 2023 (“2023-Q3”) and \$69.1 million for the first nine months of fiscal 2023 (“2023-YTD”).
- Gross profit, before fair value adjustments, was \$7.9 million for 2023-Q3, or 39% of 2023-Q3 revenues reflecting a \$1.0 million increase compared to \$6.9 million for the quarter ended June 30, 2023 (“2023-Q2”) and a \$1.8 million decrease compared to \$9.7 million or 37.9% of revenues for the quarter ended September 30, 2022 (“2022-Q3”).
- Gross profit for 2023-YTD was \$21.1 million or 31% of 2023-YTD revenues compared to gross profit of \$20.8 million or 26% of 2022-YTD. revenues.
- General and administrative expenses, inclusive of business transaction costs of \$0.5 million, for 2023-Q3 were \$6.4 million versus \$7.3 million for 2023-Q2, representing a decrease of \$0.9 million.
- Operating expenses were \$8.4 million for 2023-Q3, a decrease of \$1.6 million compared to 2022-Q3 operating expenses of \$10.0 million. Operating expenses were \$29.1 million for 2023-YTD, a decrease of \$5.5 million compared to 2022-YTD operating expenses of \$34.6 million.
- Adjusted EBITDA <sup>(2)</sup> for 2023-Q3 was \$1.6 million, representing an increase of \$1.3 million from 2023-Q2. Adjusted EBITDA for 2023-YTD was \$2.3 million representing an increase of \$0.6 million from 2022-YTD Adjusted EBITDA of \$1.7 million.

Colby De Zen, the President of RWB, remarked, "Our company remains committed to expanding our premium Platinum-branded product line, with successful launches in Canada during Q3 and recent entry into the Ohio market in Q4. Our previously outlined investments in optimizing manufacturing facilities through value-added enhancements, driven by automation and procurement strategies, are now yielding labor and product cost efficiencies, as evidenced in our expanded reported gross profit for the quarter ended. Additionally, we are gearing up for the introduction of several new product offerings in Florida, anticipating

full extraction capabilities. Upon approval, we foresee incremental revenue and gross margin growth through the launch of distillate-based products. Throughout the first nine months of 2023, our efforts have focused on cost reduction, eliminating low-margin products and non-core revenue streams, while placing a heightened emphasis on higher-margin products. With the impending completion of the Aleafia acquisition, RWB is poised to emerge as a leading international branded cannabis company as we head into 2024.”

### **Recent Operating Highlights**

- On July 11, 2023, the Company successfully launched its Platinum branded vape products in the Ontario (Canada) market; which it then followed with its Platinum branded vape cartridges on August 23, 2023. Through the Company’s distribution partnership, it continues to pursue product listings in Alberta, British Columbia, and Manitoba.
- On November 3, 2023, the Company announced its entry into the rapidly growing Ohio cannabis market through the execution of a licensing arrangement with a first mover, vertically integrated Ohio distributor. This strategic partnership allows RWB to leverage the distributor’s retail network to introduce its renowned Platinum Vape cartridges and disposable vapes, available in various formats, across more than ninety licensed retail locations in the state. Adult-use sales in Ohio have been projected to total between \$1.5 billion to \$2 billion in the first year, post legalization, reaching \$3.5 billion to \$4 billion by the fourth year, further underlining the immense potential of this market. The "yes" vote in Ohio means people aged 21 and over in the state will be able to use, grow or sell marijuana under a regulation-and-tax program imposed by the state. The measure takes effect in 30 days.
- On November 9, 2023, the Company closed an asset purchase by a wholly owned subsidiary of the Company and issued 700,000 common shares at a deemed price of \$0.06 per share, as final consideration. All securities issued are subject to a statutory hold period which will expire on March 8, 2024. None of the securities issued will be registered under the United States Securities Act of 1933, as amended (the "1933 Act"), and none of them will be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the 1933 Act.
- As of November 22, 2023, the Company and Aleafia Health, Inc. (“Aleafia”), parties to a previously announced Amended Stalking Horse Agreement (collectively, the “Parties”)<sup>1</sup>, had satisfied substantially all of the conditions to closing set forth in the Amended Stalking Horse Agreement. The Parties are continuing to collaboratively pursue, with the applicable government authorities, the remaining conditions required to obtain the required regulatory approvals. For this purpose, the Parties agreed to extend the outside date in the Amended Stalking Horse Agreement from November 22, 2023, to December 15, 2023, and currently anticipate closing the transactions contemplated under the Amended Stalking Horse Agreement by no later than December 15, 2023.

### **Consolidated Financial Highlights**

2023-Q3	2022-Q3	Variance	2023-YTD	2022-YTD	Variance
\$	\$	\$	\$	\$	\$

Revenue	20,127,145	25,543,993	(5,416,848)	69,088,862	80,993,247	(11,904,385)
Cost of goods sold, before fair value adjustments	12,273,985	15,871,907	(3,597,922)	44,959,598	55,192,098	(10,232,500)
<b>Gross profit before fair value adjustments</b>	<b>7,853,160</b>	<b>9,672,086</b>	<b>(1,818,926)</b>	<b>24,129,264</b>	<b>25,801,149</b>	<b>(1,671,885)</b>
Gross profit before fair value adjustments (%)	39%	38%	1%	35%	32%	3%
Unrealized changes in fair value of biological assets	266,826	96,341	170,485	(1,471,126)	(2,371,637)	900,511
Realized fair value amounts included in inventory sold	(1,548,178)	(1,559,980)	11,802	(1,537,977)	(2,634,624)	1,096,647
<b>Gross Profit</b>	<b>6,571,808</b>	<b>8,208,447</b>	<b>(1,636,639)</b>	<b>21,120,161</b>	<b>20,794,888</b>	<b>325,273</b>
Gross profit Percentage (%)	33%	32%	1%	31%	26%	5%
Total operating expenses	8,447,270	9,964,922	(1,517,652)	29,148,168	34,640,000	(5,491,832)
<b>Loss from operations before other expenses or income</b>	<b>(1,875,462)</b>	<b>(1,756,475)</b>	<b>(118,987)</b>	<b>(8,028,007)</b>	<b>(13,845,112)</b>	<b>5,817,105</b>
Total other expenses	4,665,593	4,233,504	432,089	16,912,542	16,770,223	142,319
<b>Loss before income taxes</b>	<b>(6,541,055)</b>	<b>(5,989,979)</b>	<b>(551,076)</b>	<b>(24,940,549)</b>	<b>(30,615,335)</b>	<b>5,674,786</b>
Current income tax (expense)/recovery	7,136	(2,779,402)	2,786,538	(2,115,294)	(4,850,572)	2,735,278
Deferred income tax recovery	-	-	-	1,696,281	-	1,696,281
<b>Net loss from continuing operations</b>	<b>(6,533,919)</b>	<b>(8,769,381)</b>	<b>2,235,462</b>	<b>(25,359,562)</b>	<b>(35,465,907)</b>	<b>10,106,345</b>
Loss from discontinued operations	(6,009)	313,819	(319,828)	(45,127)	(583,834)	538,707
<b>Loss for the period</b>	<b>(6,539,928)</b>	<b>(8,455,562)</b>	<b>1,915,634</b>	<b>(25,404,689)</b>	<b>(36,049,741)</b>	<b>10,645,052</b>
<sup>2</sup> Adjusted EBITDA	1,564,023	4,984,958	(3,420,935)	2,294,912	1,658,031	636,881

## Adjusted EBITDA

	2023-Q3	2022-Q3	Variance	2023-YTD	2022-YTD	Variance
	\$	\$	\$	\$	\$	\$
<b>Net Income (Loss) for the Period</b>	<b>(6,539,928)</b>	<b>(8,455,562)</b>	<b>1,915,634</b>	<b>(25,404,689)</b>	<b>(36,049,741)</b>	<b>10,645,052</b>
Depreciation and amortization	871,461	3,327,452	(2,455,991)	2,940,610	6,200,891	(3,260,281)
Bad debt expense	743,137	638,960	104,177	1,677,989	1,938,236	(260,247)
Accreted interest, leases	672,555	832,463	(159,908)	2,017,669	2,833,362	(815,693)
Finance expense, net	7,795,183	6,660,018	1,135,165	22,217,935	15,843,135	6,374,800
Interest income	(1,426,212)	-	(1,426,212)	(1,740,779)	-	(1,740,779)
Business transaction costs	522,930	-	522,930	522,930	-	522,930
(Gain) loss on evaluation of financial instruments	(255,705)	-	(255,705)	(2,540,017)	-	(2,540,017)
Loss on disposal of assets	1,396	-	1,396	145,755	-	145,755
Foreign exchange	(2,430,068)	6,276,603	(8,706,671)	(3,426,060)	7,629,306	(11,055,366)
Termination costs	67,205	36,416	30,789	408,286	107,653	300,633
Current income tax expense/(recovery)	(7,136)	2,779,402	(2,786,538)	2,115,294	4,850,572	(2,735,278)
Deferred income tax expense/(recovery)	-	-	-	(1,696,281)	-	(1,696,281)
Fair value changes in biological assets	(266,826)	(96,341)	(170,485)	1,471,126	2,371,637	(900,511)
Reversal of license liability	-	(8,135,473)	8,135,473	-	(8,135,473)	8,135,473
Gain on extinguishment of payables	-	(1,400,107)	1,400,107	-	(1,400,107)	1,400,107
Realized fair value changes in inventory sold	1,548,178	1,559,980	(11,802)	1,537,977	2,634,624	(1,096,647)
Share based compensation	148,741	926,000	(777,259)	607,355	1,199,000	(591,645)
<sup>(i)</sup> Non-recurring expenses	119,112	35,147	83,965	1,439,812	1,634,936	(195,124)
<b>Adjusted EBITDA</b>	<b>1,564,023</b>	<b>4,984,958</b>	<b>(3,420,935)</b>	<b>2,294,912</b>	<b>1,658,031</b>	<b>636,881</b>

(i) *Non-recurring expenses include expenses are those that the Company does not expect to recur in the future, such as penalties and late fees*

## About Red White & Bloom Brands Inc.

Red White & Bloom is a multi-state cannabis operator and house of premium brands in the U.S. and Canadian cannabis sector. RWB is predominantly focusing its investments on

influential cannabis markets, including Arizona, California, Florida, Massachusetts, Missouri, Michigan, Ohio, and Canada.

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## **FORWARD LOOKING INFORMATION**

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. There is no assurance that these transactions will yield results in line with management expectations. Such statements and information reflect the current view of the Company with respect to risks and uncertainties that may cause actual results to differ materially from those contemplated in those forward-looking statements and information.

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, market size, and the volatility of the Company's common share price and volume. 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.

There are several important factors that could cause the Company's actual results to differ materially from those indicated or implied by forward-looking statements and information. Such factors include, among others, risks related to the Company's proposed business, such as failure of the business strategy and government regulation; risks related to the

Company's operations, such as additional financing requirements and access to capital, reliance on key and qualified personnel, insurance, competition, intellectual property, and reliable supply chains; risks related to the Company and its business generally; risks related to regulatory approvals. The Company cautions that the foregoing list of material factors is not exhaustive. When relying on the Company's forward-looking statements and information to make decisions, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. The Company has assumed a certain progression, which may not be realized. It has also assumed that the material factors referred to in the previous paragraph will not cause such forward-looking statements and information to differ materially from actual results or events. However, the list of these factors is not exhaustive and is subject to change and there can be no assurance that such assumptions will reflect the actual outcome of such items or factors. While the Company may elect to, it does not undertake to update this information at any particular time.

THE FORWARD-LOOKING INFORMATION CONTAINED IN THIS PRESS RELEASE REPRESENTS THE EXPECTATIONS OF THE COMPANY AS OF THE DATE OF THIS PRESS RELEASE AND, ACCORDINGLY, IS SUBJECT TO CHANGE AFTER SUCH DATE. READERS SHOULD NOT PLACE UNDUE IMPORTANCE ON FORWARD LOOKING INFORMATION AND SHOULD NOT RELY UPON THIS INFORMATION AS OF ANY OTHER DATE. WHILE THE COMPANY MAY ELECT TO, IT DOES NOT UNDERTAKE TO UPDATE THIS INFORMATION AT ANY PARTICULAR TIME EXCEPT AS REQUIRED IN ACCORDANCE WITH APPLICABLE LAWS.

#### **NON-IFRS AND SUPPLEMENTARY FINANCIAL OR OPERATING MEASURES**

The Company references non-IFRS and supplementary financial or operating measures, including, but not limited to, Adjusted EBITDA. This measure does not have a standardized meaning prescribed by IFRS and is most likely not comparable to similar measures presented by other public company issuers including those operating in the cannabis industry. Non-IFRS measures provide investors with additional insights into the Company's financial and operating performance which may not be garnered from traditional IFRS measures. The management of the Company, including its key decision makers, use non-IFRS measures in assessing the Company's financial and operating performance.

The Company calculates Adjusted EBITDA as net income or loss excluding current and deferred income tax expense, finance expense, net of interest income and amortization of discounts, depreciation and amortization, fair value changes in biological assets, realized fair value changes in inventory sold, share based compensation, termination costs, gains or losses on revaluation of debt or accounts payable and accrued liabilities, gains or losses on evaluation of financial instruments, impairments of tangible or intangible assets, impairment of goodwill, accreted interest on leases and applicable short term and long term liabilities, gains or losses on asset disposals, foreign exchange, expected credit loss and bad debt expense, business transaction costs, reversal of license liability, gain on extinguishment of payables and non-recurring expenses such as penalties and late fees and severance.

<sup>1</sup> For details on the Amended Stalking Horse Agreement, refer to the chronology of events relating to the Aleafia Transaction in the Company's most recently filed Management Discussion & Analysis for the three and nine months ended September 30, 2023, or to press releases released by the Company on June 7, 2023, July 14, 2023, July 25, 2023, August 8,

2023, October 12, 2023, October 31, 2023, and November 22, 2023.

<sup>2</sup> Refer to Non IFRS and supplementary financial or operating measures.



Source: Red White & Bloom Brands Inc.