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CLS Reports Fiscal First Quarter 2024 Financial Results

LAS VEGAS, NV / ACCESSWIRE / October 12, 2023 /CLS Holdings USA, Inc. (OTCQB:CLSH)(CSE:CLSH), (the "Company" or "CLS"), a diversified cannabis company operating as Cannabis Life Sciences, today announced its financial results for the fiscal quarter ended August 31, 2023 ("Q1 2024"). All amounts are expressed in U.S. dollars.

Q1 2024 Financial & Operational Highlights

- Net revenue for Q1 2024 was \$5.1 million
 - Dispensary revenue accounted for 65% of total revenue at \$3.3 million
 - Production revenue accounted for 35% of total revenue at \$1.8 million
- Gross profit for Q1 2024 was \$2.3 million, or 44% of net revenue
- Net loss attributable to CLS Holdings, Inc. for Q1 2024 was \$464 thousand, a 60% improvement compared to the net loss of \$1.1 million for Q1 2023
- EBITDA for Q1 2024 was \$638 thousand, an increase of 70% compared to \$374 thousand for Q1 2023
- Cash flow from operating activities for Q1 2024 was \$783 thousand, an improvement of 154% when compared to the negative cash flow of \$1.5 million for Q1 2023

Weathering the Market Waves

In a landscape marked by substantial market-wide downturn, it is noteworthy to recognize that CLS Holdings stands resilient. While the industry faces heavy challenges and a tough few quarters ahead, the Company has not seen a precipitous market drop and continues to manage and meet many of its goals and objectives.

Despite industry-wide downfalls, we continue to see a steady flow of customers at Oasis as well as persistent sales across our branded product divisions. It's evident that consumer spending patterns have evolved. Covid funds have ended, and inflation is rising- it's no secret that consumers have less money to spend. But people still want to feel good; people still need their medicine," said Andrew Glashow, CEO of CLS Holdings. "Instead of buying fewer items, people are buying just as many but are now gravitating towards cheaper options. We believe factors such as our new VIP loyalty program, marketing initiatives, and connection to the community have allowed us to retain customers and continue to offer them affordable options."



Fostering Growth Through Strategic Renovation

In the fiscal quarter ended August 31, 2023, the Company comprehensively evaluated operations, sales and marketing strategies, allowing it to evolve its formulations and processes to remain ahead of the competition.

CLS Holdings' small size, encompassing a single retail store and manufacturing facility, affords it the advantage of making nimble adjustments that have a significant impact on operations and cash flow despite an unrelenting competitive and regulatory landscape.

The Fruit of the Initiatives

The investments and strategic refinements undertaken show tangible results indicative of a forward trajectory. Though CLS Holdings revenue is down 15% over the past year, the Company is still up 40-50% since the Covid-19 pandemic. Implementations like the VIP loyalty program, powered by Springbig, and Pluggi, an AI-powered chatbot product recommender, have shown promising increases in basket size and spending.

The average price of products added as a result of Pluggi's recommendation is \$32, making for a 28% increase in the average shopping cart value at Oasis, with approximate basket spend per transaction reaching an impressive \$45. Since implementing Pluggi, Oasis has seen approximately a \$17,000 monthly increase in revenue against a relatively low annual cost of \$2,500. Further, the VIP loyalty program has seen hundreds of sign-ups in just a few months, increasing cash flow, as well as customer satisfaction and retention.

CLS continues on its track of paying off 150K - 200K of debt per month with the goal of reaching profitability in the 2024 fiscal year. With the restructuring of our debt, the Company will save 600K in annual interest payments over the next 9 months and is on pace to be substantially debt free by the end of calendar year 2024.

Management Commentary

"In an industry that never lets up, we acknowledge that while we may be down 15% over the past year, we are proud of our achievements to date. With a small and nimble approach, we have and continue to pivot to navigate the market's current realities. We remain resolute in our pursuit of continuous growth and recognize that the support from our loyal customers and dedicated team is what keeps Oasis at the forefront of Nevada's cannabis industry," said Andrew Glashow, Chairman and CEO.

"We anticipate that, just like those who opt for more budget-friendly options during economic downturns, our customers continue to find solace in our range of offerings, including many affordable choices, like our own City Trees products. We continue to focus on areas of strength and asset-light opportunities while cutting ties with underperforming or non-strategic pursuits," Glashow adds.

Outlook

The Nevada market alone is expected to grow 33% between 2020 and 2025, reaching \$1 billion in sales by 2025. While nearby markets like Arizona and New Mexico are expected to hit \$3.1 billion in sales by 2025 collectively. The Company is exploring asset-light approaches in these attractive markets, including potential joint ventures, brand licensing agreements, and wholesale distribution. Further, the Company has obtained a prospective consumption lounge license with plans to open the space in 2024 assuming final licensing approval.

CLS Holdings is strategically positioned for sustainable growth and reaching its planned goals.

Q1 FY2024 Financial Results

Three Months Ended August 31,

(In thousands)	2023		2022		YoY% Change
Net Revenues	\$	5,115	\$	6,045	-15%
Dispensary Revenue	\$	3,309	\$	3,889	-15%
% of revenue		65%		64%	*
Production Revenue	\$	1,806	\$	2,156	-16%
% of revenue		35%		36%	*
Gross Profit	\$	2,274	\$	2,901	-22%
Gross Margin		44%		48%	*
Net Loss	\$	(462)	\$	(1,332)	65%
Net Loss Attributable to CLS	\$	(464)	\$	(1,148)	60%
EBITDA	\$	638	\$	374	70%

Cash Flow From Operating Activities

	Three Months Ended August 31,		
(In thousands)	2023	2022	YoY% Change
Q1	\$ 783	(1,462)	154%
EBITDA Reconciliation			
Net income (loss) attributable to CLS Holdings		(463,841)	
Add:			
Income tax		477,524	

Interest expense, net	457,472
Depreciation and amortization	166,474
EBITDA	637,629

The Company's consolidated financial statements, as well as its accompanying management discussion and analysis ("MD&A") have been included in its Quarterly Report on Form 10-Q filed on EDGAR (www.sec.gov) as well as SEDAR (www.sedar.com). Please refer to the Company's MD&A for additional detail and discussion on the Company's results from operations. Financial results are also available on the Company's website (<https://www.clsholdingsinc.com/investors>).

About CLS Holdings USA, Inc.

CLS Holdings USA, Inc. (CLSH) is a diversified cannabis company that acts as an integrated cannabis producer and retailer through its Oasis Cannabis subsidiaries in Nevada and plans to expand to other states. CLS stands for "Cannabis Life Sciences," in recognition of the Company's proprietary method of extracting various cannabinoids from the cannabis plant and converting them into products with a higher level of quality and consistency. The Company's business model includes licensing operations, processing operations, processing facilities, sale of products, brand creation and consulting services. <https://www.clsholdingsinc.com>. Twitter: @CLSHoldingsUSA



Oasis Cannabis has operated a cannabis dispensary in the Las Vegas market since dispensaries first opened in Nevada in 2015 and has been recognized as one of the top cannabis retailers in the state. Its location within walking distance to the Las Vegas Strip and Downtown Las Vegas, in combination with its delivery service to residents, allows it to efficiently serve both locals and tourists in the Las Vegas area. In February 2019, it was named "Best Dispensary for Pot Pros" by Desert Companion Magazine. In August 2017, Oasis commenced wholesale offerings of cannabis in Nevada with the launch of its City Trees brand of cannabis concentrates and cannabis-infused products. <http://oasiscannabis.com>



Founded in 2017, City Trees is a Nevada-based cannabis cultivation, production and distribution company that offers a wide variety of products with consistent results. City Trees products are available in numerous dispensaries throughout the state of Nevada. <https://citytrees.com>

Forward-Looking Statements

This press release contains certain "forward-looking information" within the meaning of applicable Canadian securities legislation and "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995 (collectively, the "forward-looking statements"). These statements relate to, among other things, the impact of the COVID-19 virus on our business, the results of our initiatives to retain our employees and strengthen our relationships with our customers and community during the pandemic, the effect of our initiatives to expand market share and achieve growth, the expected development of our business and joint ventures, results of operations and financial performance, future liquidity, working capital and capital requirements, the effects of the additional dilution in our common stock that may occur as a result of the amendments to our convertible debentures, and anticipated future events. The continued spread of COVID-19 could have, and in some cases already has had, an adverse impact on our business, operations and financial results, including through disruptions in our cultivation and processing activities, supply chains and sales channels, and retail dispensary operations as well as a deterioration of general economic conditions including a possible national or global recession. In some cases, you can identify forward looking statements by terminology such as "may," "might," "will," "should," "intends," "expects," "plans," "goals," "projects," "anticipates," "believes," "estimates," "predicts," "potential," or "continue" or the negative of these terms or other comparable terminology. These forward-looking statements are only predictions, are uncertain and involve substantial known and unknown risks, uncertainties and other factors which may cause our actual results, levels of activity or performance to be materially different from any future results, levels of activity or performance expressed or implied by these forward-looking statements. We cannot guarantee future results, levels of activity or performance. You should not place undue reliance on these forward-looking statements, which speak only as of the date that they were made. These cautionary statements should be considered together with any written or oral forward-looking statements that we may issue in the future. Except as required by applicable law, we do not intend to update any of the forward-looking statements to conform these statements to reflect actual results, later events or circumstances or to reflect the occurrence of unanticipated events. See CLS Holdings USA filings with the SEC and on its SEDAR profile at www.sedar.com for additional details.

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