May 31, 2019

DionyMed Brands Inc. Announces First Quarter 2019 Financial Results and Provides Financial Outlook for the Second Quarter of 2019

Expansion of operational footprint and brand portfolio strengthens Company's position in premium cannabis markets in 2019

TORONTO--(BUSINESS WIRE)-- DionyMed Brands Inc. ("DionyMed", "DYME" or the "Company") (CSE: DYME) (OTCQB: DYMEF), a multi-state cannabis brands, distribution and direct-to-consumer delivery platform, announced today its financial and operational results for its first fiscal quarter of 2019. All financial information presented in this release is in U.S. dollars, unless otherwise noted.

DionyMed develops and markets its award-winning, wholly owned "house" brands and sells a curated portfolio of third-party brands. DionyMed reaches customers through its Distribution and Direct-to-Consumer platforms. The Distribution business distributes and sells to over 900 retail dispensaries in California and Oregon. The Direct-to-Consumer platform sells products online and delivers directly to customers.

$ in 000s	For the three months ended March 31, 2019	For the three months ended December 31, 2018
Revenue stream		
Distribution	5,916	3,514
Direct-to-Consumer	8,501	1,993
Total Reported Revenue	**14,417**	**5,507**
Gross revenue of logistics product delivered through the Company [1]	5,007	3,495
Revenue of total product processed through the Company	**19,424**	**9,002**
Hometown Heart prior to Master Services Agreement being effective[2]	***n/a***	7,194
Cascade prior to Close of Acquisition	434	***n/a***
Proforma	**19,858**	**16,196**

1 Based on contractual arrangements with certain distribution customers, the Company only recognizes as revenue the net service fees of the product values processed through its distribution network. The Company is adjusting these contracts to recognize the full value of products with an expected completion date by the end of Q2 2019.

2 Hometown Heart revenue earned prior to Master Services Agreement being effective on December 13, 2018

For the three-month period ended March 31, 2019, the Company recognized record revenue of $14.4 million, in addition to $5.0 million of gross value of product processed through the Company's Distribution business but not recorded in the above revenue, for a total of $19.4 million of product revenue for the quarter.

$ in 000s	For the three months ended March 31, 2019	For the three months ended December 31, 2018
Distribution incl. gross revenue of logistics product [1]	10,923	7,009
Direct-to-Consumer	8,501	1,993

Revenue of total product processed through the Company	**19,424**	**9,002**
Distribution	2,175	875
Direct-to-Consumer	4,332	1,086
Total Gross Profit	**6,507**	**1,961**
Gross Margin %	*33.5%*	*21.8%*

[1] Based on contractual arrangements with certain distribution customers, the Company only recognizes as revenue the net service fees of the product values processed through its distribution network. The Company is adjusting these contracts to recognize the full value of products with an expected completion date by the end of Q2 2019.

The Distribution business recorded revenue of $5.9 million for the first quarter of 2019. An additional $5.0 million gross value of product was processed through the Company's distribution network for a total of $10.9 million product sales by or through the Company. Revenue from the Distribution business increased 56% from the fourth quarter of 2018 and 546% from the first quarter of 2018 due to increased dispensaries being serviced, increased portfolio of brands being marketed and the positive impact of bringing the Winberry product line to the California market. Gross margin generated from the Distribution business was 19.9% for the first quarter ended March 31, 2019, compared to 12.5% in the fourth quarter ended December 31, 2018. The Company continues to focus on increasing the share of sales from higher margin house brands and additional portfolio brands.

The Direct-to-Consumer business recorded revenue of $8.5 million, generated by Hometown Heart fulfilling orders generated by customer acquisition provider Eaze. The Company, through Hometown Heart, terminated its relationship with Eaze at the end of the first quarter of 2019 and is now expanding its proprietary Chill platform (www.orderchill.com), to scale its Direct-to-Consumer customer base.

Based on the week ending May 26, 2019, Chill generated gross sales of $200,000 for the week equating to month sales of $857,000 and annual sales of $10.3 million. Annual revenue run-rates assume that revenues being annualized are representative and will be achieved in future periods. The Chill platform is operating at a higher contribution margin than what was earned under the Eaze contract.

Edward Fields, CEO of DionyMed, stated, "Our continued growth, both financial and operational, is a direct result of our ability to deliver today's leading cannabis brands to consumers through the industry's most efficient cannabis brands platform. Our first quarter financial results demonstrate the success of our efforts to scale our Direct-to-Consumer and retail distribution businesses through organic growth initiatives."

Fields continued, "These initiatives enhance our Chill e-commerce platform; support accelerating expansion into new Direct-to-Consumer growth markets; and build an industry leading portfolio of award-winning cannabis products. As our margins continue to improve, we will continue to drive improvements in our top and bottom-line results."

First Quarter 2019 Financial Highlights

- First quarter products sales through our platforms totaled $19.4 million, including $5.0 million of products processed through the Company's Distribution business but not recorded as Company revenue
- Gross margins expanded to 33.5% in the first quarter of 2019 from 21.8% in the fourth quarter of 2018, due to an increase in the share of higher margin wholly owned brand products sold and direct-to-consumer delivery
- First quarter Adjusted EBITDA loss was $6.5 million as a result of increasing platform costs to support the Company's growth activities[1]
- The Company's Chill platform, as discussed above, is currently operating at a $10.3 million run-rate, is continuing to grow at high rates and is earning gross margins in excess of 55%

First Quarter 2019 Operational Highlights

Expansion of DYME's Brand Portfolio

- Expanded its wholly owned, award-winning house brand "Winberry Farms" with the launch of 12 new CBD-focused products
- DYME house brand "Gardener's" was launched in Oregon, expanding house brand sales outside of California
- DYME house brands represented more than 50% of wholesale distribution revenue in March, accelerating

product sales margin expansion

- Announced exclusive distribution agreements with five THC- and CBD-focused brands, including Défoncé Chocolatier and CBD Alive

Growth of DYME's "Chill" Direct-To-Consumer Delivery Platform

- DYME expanded the "Chill" Bay Area delivery territory to include San Francisco, Hayward, Fremont and Cupertino in response to favorable changes in California's direct-to-consumer regulations
- Enhanced the Chill product offering adding more than 150 stock keeping units, including products from award winning brands like Winberry Farms, Gardener's, Dosist, Kiva, Canndescent, Plus Products and PAX
- Relaunched the Chill online user experience at the beginning of April, driving contribution margin expansion new user adoption six fold and revenue growth up ten times

Expansion into New Markets

- Announced a strategic product manufacturing and distribution partnership with Acres Cannabis (recently acquired by Curaleaf)
- Signed a binding term sheet to acquire a 1.83 acre Los Angeles cannabis campus including distribution, direct-to-consumer fulfillment, manufacturing space and a retail dispensary storefront. The transaction is scheduled to close on June 30, 2019 with a combination of equity and real estate financing, as previously disclosed on March 20, 2019
- Signed a definitive agreement to acquire Pioneer Valley Extracts, LLC, a licensed product manufacturer in Massachusetts, with consideration for the transaction to be paid in equity and nominal cash, as previously disclosed
- Signed a term sheet to acquire Virginia's Kitchen, LLC dba Blue Kudu, an award-winning edibles brand and wholesale platform that services more than 250 dispensaries that is based in Denver, Colorado

Financial Outlook for the Second Quarter 2019

For the second quarter ending June 30, 2019, the Company is expecting total revenue between $12.0 million and $13.0 million, of which $10.0 to $11.0 million is revenue from the Distribution business including full value of product run through the Company, and $1.0 to $2.0 million is revenue from the Direct-to-Consumer business. These expectations are based on the Company recording the revenue for April and May and assuming the growth rate for the remainder of the quarter is maintained at the current rates experienced during the first two months of the quarter. The Company expects gross margins to be in the range of 28%, based on historical performance of the different revenue streams. The Company's Distribution business is expected to increase its margins from 20% in the first quarter to 25% and the Direct-to-Consumer business is expected to have margins in excess of 55%. As the Chill platform continues to increase its revenue contribution, overall gross margins are expected to increase due to the increased mix of higher-margin revenue in the Direct-to-Consumer business.

To be added to the DionyMed e-mail distribution list, please e-mail DionyMed@kcsa.com with DionyMed in the subject line.

About DionyMed

Founded in 2017, DionyMed is a multi-state cannabis brands platform, supporting cultivators, manufacturers and award-winning brands in the medical and adult-use cannabis markets. DionyMed sells branded products in every category from flower to vape cartridges, concentrates and edibles. DionyMed serves cannabis consumers through retail dispensary distribution and direct-to-consumer fulfillment with its growing portfolio of award-winning brands. Learn more at dionymed.com and follow @DYME_Inc on Twitter and LinkedIn.

Forward-Looking Information and Statements

This news release contains certain "forward-looking information" within the meaning of applicable Canadian securities legislation and may also contain statements that may constitute "forward-looking statements" within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. Such forward-looking information and forward-looking statements are not representative of historical facts or information or current condition, but instead represent only the Company's beliefs regarding future events, plans or objectives, many of which, by their nature, are inherently uncertain and outside of the Company's control. Generally, such forward-looking information or forward-looking statements can be identified by the use of forward-looking *terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or may contain statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "will continue", "will occur" or "will be achieved" and include, without limitation, statements with respect to growth of the Chill platform and its annualized run-rate, future gross margins, the expansion of the Company's US operational footprint and product portfolio, annualized revenues, the expansion of the Company's opportunities in new markets, projected revenues and margins under the heading "Financial Outlook" and statements that imply that pending acquisitions will be completed and provide benefits to the Company and its business and statements with respect to future growth of the Company.*

In connection with the forward-looking information and forward-looking statements contained in this press release, the Company has made certain assumptions, including but not limited to: the growth rate of the Chill delivery platform staying the same or increasing, the market for cannabis continuing to grow and expand geographically, future revenues being at least as high as current revenues (for purposes of annualizing revenue), the Company's revenue for April and May being indicative of the revenue for the remainder of the second quarter, the growth rate for the remainder of the second quarter being maintained at the current rates experienced during the first two months of the second quarter, the Company's ability to complete the acquisition of the Los Angeles cannabis campus and of Pioneer Valley Extracts, LLC on the terms and timing described herein or at all, and the Company continuing to identify and successfully acquire brands, assets and businesses that will advance its business objectives.

By identifying such information and statements in this manner, the Company is alerting the reader that such information and statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such information and statements, including but not limited to: uptake of the Chill platform decreasing or the Company not being able to scale the Chill platform, failure to complete the acquisition of the Los Angeles cannabis campus and of Pioneer Valley Extracts, LLC on the terms and timing described herein or at all, revenue from the distribution or direct-to-consumer business decreasing, the Company's revenue for April and May not being indicative of the revenue for the remainder of the second quarter, the growth rate for the remainder of the second quarter not being maintained at the current rates experienced during the first two months of the second quarter, material changes in the Company's business plan, there being material fluctuations in the Company's share price and certain other risk factors set out in the Listing Statement of the Company available on the Company's profile on SEDAR at www.sedar.com.

Although the Company believes that the assumptions and factors used in preparing, and the expectations contained in, the forward-looking information and statements are reasonable, undue reliance should not be placed on such information and statements, and no assurance or guarantee can be given that such forward-looking information and statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information and statements. The forward-looking information and forward-looking statements contained in this press release are made as of the date of this press release, and the Company does not undertake to update any forward-looking information and/or forward-looking statements that are contained or referenced herein, except in accordance with applicable securities laws. All subsequent written and oral forward- looking information and statements attributable to the Company or persons acting on its behalf is expressly qualified in its entirety by this notice.

[1] Adjusted EBITDA is a non-IFRS measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. The Company believes that Adjusted EBITDA is a realistic indicator of operating performance and is useful in performing year-over-year comparisons. However, this non-IFRS financial measure should be viewed as a supplement to, and not a substitute for, the Company's results of operations reported under IFRS. Adjusted EBITDA is defined and reconciled in the Company's management discussion and analysis for the fiscal year ended December 31, 2018 and quarter ended March 31, 2019, available at www.sedar.com.

View source version on businesswire.com: https://www.businesswire.com/news/home/20190531005089/en/

Edward Fields, CEO
Edward.Fields@DYME.com
669-232-5270

Peter Kampian, CFO
Peter.Kampian@DYME.com
647-948-8387

Investors:
Phil Carlson / Erika Kay
KCSA Strategic Communications
Phone: (212) 896-1233
Email: pcarlson@kcsa.com / ekay@kcsa.com

Media:
Kate Tumino / Tony Forde
KCSA Strategic Communications
212-896-1252 / 347-487-6218
ktumino@kcsa.com / tforde@kcsa.com

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