

## DionyMed Brands Inc. Announces Second Quarter 2019 Financial Results

- The Company generated \$12.7 million and \$34.4 million total gross revenue (including the value of all product processed) during the three and six months ended June 30, 2019;
- For the year to date, DionyMed delivered or sold products to 441 out of 624 active retail dispensaries in California and 387 out of over 600 active retail dispensaries in Oregon;
- The Company raised \$8 million through an equity bought deal and a private placement;
- The Company expanded the “Chill” Direct-to-Consumer delivery platform with 950% order growth during Q2 sequentially over Q1, which at the end of June 2019 was operating at a current \$10.3 million annualized run-rate delivering to 14 cities in the Bay Area.

TORONTO--(BUSINESS WIRE)-- [DionyMed Brands](#) Inc. (“DionyMed” or the “Company”) (CSE:DYME; OTCQB:DYMEF), a multi-state cannabis brands, distribution and delivery platform, today announced its financial and operational results for its second fiscal quarter ended June 30, 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 800 retail dispensaries in California and Oregon. The Direct-to-Consumer delivery platform increased the number of orders received through it by 950% during Q2, offering consumers in the Northern California Bay Area the ability to research, find and receive via delivery over 200 cannabis and CBD-focused products through an online concierge system.

\$ in 000s	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Four months ended June 30, 2018 <sup>2</sup>
<b>Revenue stream</b>				
Distribution	8,357	1,361	14,303	2,400
Direct-to-Consumer	1,953	0	12,725	0
<b>Gross Revenue, As Reported</b>	<b>10,310</b>	<b>1,361</b>	<b>27,028</b>	<b>2,400</b>
Value of logistics product delivered through the Company <sup>1</sup>	2,349	0	7,356	0
<b>Total gross revenue</b>	<b>12,659</b>	<b>1,361</b>	<b>34,384</b>	<b>2,400</b>
Net revenue as reported after discounts and taxes	8,951	1,361	23,368	2,400
Gross margin %	12.82%	17.05%	25.90%	18.79%
Adjusted EBITDA <sup>3</sup>	(11,593)	(3,035)	(18,100)	(4,041)
Net (Loss)	(9,067)	(3,460)	(8,722)	(4,471)

1 Based on contractual arrangements with these customers, the Company only recognizes the service fees of the product processed through its distribution network.

2 Four months based on a change of year end that occurred in connection with the reverse take-over of Sixonine Ventures Ltd. in 2018.

3 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 June 30, 2019, available at [www.sedar.com](http://www.sedar.com).

Total gross revenues of product processed for the three and six months ended June 30, 2019 are \$12.7 million and

\$34.4 million representing increases of 830% and 1,333% of the respective periods in 2018. The increase is the result of the addition of Rise Logistics, Winberry Farms and Hometown Heart, and the continued growth of the Company's core operations.

Gross revenue of product processed through the Distribution channel for the three and six months ended June 30, 2019 increased to \$10.7 million and \$21.7 million, up 687% and 802% compared to the same period in 2018 and consistent when compared to the quarter ended March 31, 2019. The increase in revenue versus the comparable period in 2018 is the result of adding Rise Logistics and Winberry Farms to the distribution network and increases in revenues from existing operations. Revenue versus the quarter ended March 31, 2019 remained constant as DionyMed was focusing on higher margin business.

During the three and six months ended June 30, 2019, DionyMed generated total Direct-to-Consumer revenue of \$2.0 million and \$12.7 million respectively. During the quarter ended June 30, 2019, this revenue was generated by Hometown Heart fulfilling orders through the Company's Chill platform. Previously, Hometown Heart generated revenue as a distributor for other cannabis brands, however, these relationships were terminated at the end of the first quarter of 2019. Since the Company began to actively market Chill in early April 2019, Chill revenues have steadily increased, to a current annual run rate of \$10.8M within three months and at the same time reducing customer acquisition costs by 59%. Currently, Chill is operating in San Francisco, Oakland, and in an additional 14 cities in the Bay Area.

Gross margin for the three months ended June 30, 2019 totaled 12.8% of net revenue, compared to 17.0% for the same period in 2018. The decrease was the result of providing discounts to attract and refer new customers to the Chill platform. Gross margin for the six months ended June 30, 2019 was 25.9%, compared to 18.8% for the same period in 2018. The increase was mainly due to a higher mix of house brands and the addition of direct-to-consumer sales primarily during the quarter ended March 31, 2019. The Company is focusing on increasing the mix of revenue toward its higher margin house and additional portfolio brands.

"DionyMed is continuing to grow its portfolio of both in-house and third-party brands, and while revenue and margins were temporarily compressed during the second quarter due to strategic decisions aimed at delivering growth going forward, the Company is successfully advancing its strategy and expanding its business in the world's largest cannabis market," commented Edward Fields, CEO of DionyMed. "Our recent acquisition of the Los Angeles cannabis campus strategically positions DionyMed as a leader in California's cannabis market. We have expanded our operational base to effectively serve the entire state with the most in-demand cannabis products through our leading cannabis brands platform."

Fields continued, "Our Q2 success in accelerating DYME's Direct-to-Consumer delivery platform while maintaining operational efficiencies is reflective of our strengthening position and momentum against our strategy of becoming the leader in the direct-to-consumer cannabis space."

## **Second Quarter 2019 Highlights**

- In response to a number of inbounds from potential strategic partners expressing interest in exploring a transaction involving DionyMed, the Company retained a financial advisor to assist in managing these discussions. This review process is coming to a conclusion, and while the Company cannot at this time provide any assurance that a transaction will materialize, the Company expects to provide an update in due course;
- The Company generated \$12.7 million and \$34.4 million total gross revenue (including the value of all product processed) during the three and six months ended June 30, 2019;
- For the year to date, DionyMed delivered or sold products to 441 out of 624 active retail dispensaries in California and 387 out of over 600 active retail dispensaries in Oregon;
- The Company raised \$8 million through an equity bought deal and a private placement;
- The Company expanded the "Chill" Direct-to-Consumer delivery platform, which at the end of June 2019 was operating at a current annual run rate of \$10.3 million delivering to 14 cities in the Bay Area;
- The Company expanded its distribution business in Oregon with the acquisition of Cascade;
- The Company signed an exclusive distribution agreement with CBD Alive to expand the Company's award-winning cannabis brand portfolio with one of California's highest-quality, premium CBD product lines; and
- The Company signed an exclusive licensing and distribution agreement with California's Défoncé Chocolatier, a manufacturer of premium cannabis-infused chocolate products.

## **Subsequent to the end of the Second Quarter 2019 Highlights**

- The Company completed the acquisition of a 1.83-acre Los Angeles cannabis campus including distribution, direct-to-consumer fulfillment, premium indoor cultivation, manufacturing and a retail dispensary storefront. Additionally, the Company completed a sale-leaseback agreement to sell the campus to Innovative Industrial

Properties, Inc. ("IIPR") for \$13 million and lease back the campus through a 15-year lease with two optional 5-year extensions. IIPR is also providing the Company up to \$2 million of capital to make improvements at the property;

- The Company signed an exclusive distribution agreement with California-based edibles brand, Fruit Slabs, to expand the Company's cannabis brand portfolio in Central Valley and Northern California;
- The Company signed an exclusive distribution agreement with Long Beach, California-based manufacturer, Woah Candy Co., to bring its cannabis-infused caramels and chocolate edibles to consumers throughout California;
- The Company started recognizing revenue from selling its Winberry Farms Brand in Nevada through a strategic partnership with Acres Cannabis; and
- The Company drew additional \$2 million from its Inventory Finance Facility and issued a \$2 million secured convertible note to Gotham Green Partners.

To be added to the DionyMed e-mail distribution list, please e-mail [investorrelations@DYME.com](mailto:investorrelations@DYME.com) with "Stay Updated" 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 [dyme.com](http://dyme.com) and follow [@DYME\\_Inc](https://twitter.com/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". Forward-looking information and statements in this press release include: statements with respect to the continued growth of the Company's operations, Chill's revenues and annual run-rate.*

*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 the risk that the Company does not continue to grow its operations at the present rate, the risk that the uptake of the Chill platform plateaus or decreases, the risk of increased competition in the direct-to-consumer cannabis delivery space and the risk factors set out in the Annual Information Form of the Company available on the Company's profile on SEDAR at [www.sedar.com](http://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.*

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