

August 29, 2024



# Red White & Bloom Reports Second Quarter 2024 Financial Results

TORONTO, Aug. 29, 2024 (GLOBE NEWSWIRE) -- Red White & Bloom Brands Inc. (CSE: RWB) ("**RWB**" or the "**Company**") is pleased to report it has filed its Condensed Interim Consolidated Financial Statements ("the Financial Statements"), Management's Discussion and Analysis ("**MD&A**"), and associated certifications for its second quarter ended June 30, 2024.

## ***President's Commentary***

Colby De Zen, President, stated, "In the second quarter, we made notable strides on several strategic initiatives. We advanced refinancing agreements with our strategic lenders, moved closer to opening five new retail locations in Florida in anticipation of stronger legalization prospects, established key distribution partnerships in California to boost market penetration, and strengthened our vendor relationships. Additionally, we worked to mitigate supply chain risks in Michigan by securing value-added crop commitments for quality biomass."

"These initiatives and investments are expected to drive incremental EBITDA growth in the second half of fiscal 2024. This follows a substantial increase in EBITDA to \$7.1 million in the first six months of 2024, representing a year-over-year improvement of over \$8 million. Our EBITDA gains for 2024 do not yet include the potential synergies and improvements from the Emblem group of companies, which we expect to impact our results in the latter half of the year."

Mr. De Zen went on to comment that, "RWB management has focused on realigning and strengthening the newly acquired Emblem Cannabis Corporation ("Emblem") and its subsidiaries, with the goal of reinforcing their leadership in the Canadian cannabis industry. We have fostered a new culture centered on growth, profitability, and efficiency. We eliminated several underperforming listings and introduced new product formats, including expanded offerings from Platinum and DIVVY, now available through provincial distributors and our medical platform. Our cultivation operation in Port Perry is on track for its largest and most successful harvest to date, thanks to our cultivation team's dedication and RWB's commitment to funding key milestones. We have significantly improved operational processes at our Paris facility and invested in equipment upgrades, including automation, to enhance production capabilities. Additionally, our commercial teams have fortified relationships with key retailers nationwide, positioning us to leverage cost synergies from our upcoming harvest and processing optimization. We remain committed to cost containment while aligning our operations for sustainable growth and driving additional EBITDA growth from Emblem throughout the second half of 2024 and into 2025 as these initiatives are realized."

***Recent business highlights for the Company's second quarter ended June 30, 2024 and subsequent to June 30, 2024***

- Completed a non-dilutive \$5.8 million mortgage financing in June 2024 with a third party Canadian lender to support working capital and capital expenditures for our Emblem group of companies.
- In April 2024, Platinum Vape 5/10 distillate cartridges were approved and debuted at all of our active medical retail locations in Florida.
- In May 2024, Platinum vape distillate disposables were approved and debuted at all of our active medical retail locations in Florida.
- Adult use sales have commenced in Ohio with Platinum Vape products now available in Ohio as part of an executed licensing agreement with a vertically integrated licensed producer and distributor in Ohio.
- Since the closing of the RWB acquisition, Emblem Cannabis Corporation has been granted a total of sixty-seven (67) new Platinum and DIVVY product listings in preferred product formats across all provincial distributors, including a total of twenty-eight (28) listings approved by the Ontario Cannabis Store (“OCS”) and also eliminated several listings that were negatively impacting profitability.
- The Company has made forward-looking investments to secure quality biomass in Michigan for late 2024 / early 2025 deliveries and continues to work on additional opportunities for margin expansion.
- Commenced the restructuring of our PharmaCo retail operations in Michigan, including rationalizing all non-profitable operations.

### ***2024 Second Quarter (“2024-Q2”) Condensed Interim Consolidated Highlights***

- Revenues were \$22.0 million for 2024-Q2, a \$0.3 million increase from restated 2023-Q2 revenues of \$21.7 million.
- Gross profit, before fair value adjustments, was \$6.3 million for 2024-Q2, a \$0.2 million decrease from restated 2023-Q2 gross profit before fair value adjustments of \$6.5 million.
- Gross profit, after fair value adjustments for 2024-YTD was \$14.2 million for 2024-YTD, consistent with restated 2023-Q2 gross profit after fair value adjustments of 14.2 million.
- EBITDA and Adjusted EBITDA was \$2.0 million and \$3.6 million, respectively for 2024-Q2, an increase of \$2.2 million \$5.6 million compared to restated 2023-Q2 EBITDA and adjusted EBITDA of negative \$0.2 million and negative \$2.0 million, respectively.
- EBITDA and Adjusted EBITDA for 2024-YTD was \$7.1 million and \$5.8 million, respectively, an increase of \$8.1 million and \$6.7 million compared to restated 2023-YTD EBITDA and adjusted EBITDA of negative \$1.0 million and negative \$0.9 million, respectively.

***The following is a condensed summary of the Company’s results from operations for***

## 2024-Q2 and 2024-YTD, and 2023-Q2 and 2023-YTD

	2024-Q2	2023-Q2 restated	Variance	2024-YTD	2023-YTD restated	Variance
	\$	\$	\$	\$	\$	\$
Revenue	22,022	21,727	295	44,573	48,180	(3,607)
<b>Gross Profit after fair market value adjustments</b>	<b>10,345</b>	<b>5,877</b>	<b>4,468</b>	<b>14,213</b>	<b>14,230</b>	<b>(17)</b>
General and administration	8,865	6,732	2,133	17,067	14,277	2,790
Marketing expenses	1,193	561	632	2,455	1,044	1,411
Share-based compensation	57	142	(85)	106	459	(353)
Depreciation and amortization	653	1,391	(738)	1,744	2,038	(294)
Bad debt expense <sup>(i)</sup>	731	45	686	2,219	268	1,951
<b>Total operating expenses</b>	<b>11,499</b>	<b>8,872</b>	<b>2,627</b>	<b>23,591</b>	<b>18,086</b>	<b>5,505</b>
<b>Loss from operations before other expenses or income</b>	<b>(1,154)</b>	<b>(2,995)</b>	<b>1,841</b>	<b>(9,378)</b>	<b>(3,857)</b>	<b>(5,521)</b>
Total other (income) expenses	7,701	5,492	2,209	4,707	12,073	(7,366)
Loss before income taxes	(8,855)	(8,487)	(368)	(14,085)	(15,930)	1,845
<b>Net Loss for the year from continuing operations</b>	<b>(10,657)</b>	<b>(8,626)</b>	<b>(2,031)</b>	<b>(16,280)</b>	<b>(16,348)</b>	<b>68</b>
<b>Basic loss per share from continuing operations</b>	<b>(0.02)</b>	<b>(0.02)</b>	<b>(0.00)</b>	<b>(0.04)</b>	<b>(0.03)</b>	<b>(0.01)</b>
EBITDA	2,004	(148)	2,152	7,101	(985)	8,086
Adjusted EBITDA	3,585	(1,968)	5,553	5,839	(925)	6,764

<sup>(i)</sup>Bad debt expense includes non-cash expected credit loss provisions in accordance with IFRS of \$0.5 million for 2024-Q2 and \$2.0 million for 2024-YTD compared to nominal in 2023-Q2 and \$0.3 million in 2023-YTD

## Adjusted EBITDA

The following summarizes results from operations for 2024-Q2 and 2024-YTD, and 2023-Q2 and 2023-YTD.

	2024-Q2	2023-Q2 restated	Variance	2024-YTD	2023-YTD restated	Variance
<b>Net Income (Loss) for the Period</b>	<b>(10,653)</b>	<b>(9,468)</b>	<b>(1,185)</b>	<b>(16,743)</b>	<b>(18,864)</b>	<b>2,121</b>
Depreciation and amortization	653	1,391	(738)	1,744	2,038	(294)
Interest income	(29)	(337)	308	(238)	(315)	77
Accreted interest, leases	681	664	17	1,354	1,345	9
Current income tax expense/(recovery)	2,600	139	2,461	3,769	2,115	1,654
Deferred income tax expense/(recovery)	(798)	-	(798)	(1,574)	(1,696)	122
Finance expenses	97	(482)	579	276	229	47
Interest on credit facilities	604	539	65	1,190	1,055	135
Interest on convertible notes	1,654	2,630	(976)	3,099	3,993	(894)
Accreted interest on convertible notes	1,049	1,099	(50)	2,330	2,134	196
Accreted interest on promissory notes	84	-	84	166	-	166
Interest on promissory notes	6,062	3,677	2,385	11,728	6,981	4,747
<b>EBITDA</b>	<b>2,004</b>	<b>(148)</b>	<b>2,152</b>	<b>7,101</b>	<b>(985)</b>	<b>8,086</b>
Bad debt expense	731	45	686	2,219	268	1,951
Acquisition costs	54	-	54	166	-	166
Business transaction costs	16	-	16	54	-	54
(Gain) loss on evaluation of financial instruments	80	(1,277)	1,357	(65)	(2,284)	2,219
Loss on disposal of assets	(8)	-	(8)	227	-	227
Termination costs	241	154	87	603	341	262
Foreign exchange	(720)	(2,537)	(1,817)	2,054	(2,492)	4,546
Loss on debt extinguishment	-	-	-	100	-	100
Gain on investment	-	-	-	(7,645)	-	(7,645)
Other expenses (income)	548	-	548	(118)	(70)	(48)
Share based compensation	57	142	(85)	106	459	(353)

(Gain) or loss on settlement of debt	(125)	-	(125)	(760)	-	(760)
Non-recurring expenses <sup>(i)</sup>	711	811	(100)	1,334	1,321	13
(Gain) loss on discontinued operations	(4)	842	(846)	463	2,517	(2,054)
<b>Adjusted EBITDA</b>	<b>3,585</b>	<b>(1,968)</b>	<b>5,553</b>	<b>5,839</b>	<b>(925)</b>	<b>6,764</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*

The Company encourages all of its stakeholders to review management's commentary on its 2024-Q2 financial results included in 2024-Q2 MD&A available on Sedar+: [www.sedarplus.ca](http://www.sedarplus.ca). For additional details on the Company's financial results, refer to the Company's filings at SEDAR+.

## **About Red White & Bloom Brands Inc.**

Red White & Bloom is a multi-jurisdictional cannabis operator and house of premium brands operating in the United States, Canada and select international jurisdictions. RWB is predominantly focusing its investments on major U.S. markets, including Arizona, California, Florida, Missouri, Michigan, and Ohio in addition to Canadian and international markets by virtue of its acquisition of the former Aleafia group of companies.

### **Red White & Bloom Brands Inc.**

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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 the near-term priorities outlined in this press release 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.

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## **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.

EBITDA, as defined by the Company, means earnings before interest, income taxes, depreciation, and amortization. The Company calculates Adjusted EBITDA as EBITDA less, share based compensation, termination costs, gains or losses on evaluation of financial instruments, gains or losses on asset disposals, gains or losses on settlement of debt, gains or losses on investments, foreign exchange adjusted to eliminate charges associated with intercompany balances required to be realized through profit and loss by IFRS standards, expected credit losses and bad debt expense, acquisition costs, business transaction costs, gain on extinguishment of debt, carrying costs associated with dormant investments, and non-recurring expenses such as non-recurring legal costs, penalties and late fees.



Source: Red White & Bloom Brands Inc.