

BellRock Brands Announces Q3 2020 Results of Merged Companies

Proven commercial strength and increasing consumer demand for BellRock's iconic anchor brands - Mary's and Dixie - drive increased Q3 revenue and profitability

DENVER, Colo., Dec. 2, 2020 /CNW/ - BellRock Brands Inc. ("BellRock" or "the Company") (CSE: BRCK.U), an industry-leading cannabis consumer packaged goods ("CPG") multi-state operator ("MSO"), announced Q3 2020 financial results for two of its anchor brands, MM Technology Holdings, LLC ("Mary's") and Dixie Brands Inc. ("Dixie"). All figures are stated in U.S. dollars.

Mary's and Dixie posted their Q3 financial statements on SEDAR on November 30th in compliance with the Canadian Securities Exchange regulatory requirements. The statements reflect the financial results for the merged companies prior to the closing of the merger that created BellRock. Please note, that the following results are only for the Mary's and Dixie assets and exclude all other brands currently in the BellRock ecosystem.

"The third quarter of 2020 proved to be pivotal in laying the foundation of the BellRock Brands platform, which has emerged from the transaction as the cannabis industry's preeminent CPG platform," said Chuck Smith, CEO of BellRock Brands and formerly President and CEO of Dixie Brands. "While the transaction wasn't formally closed until October 31st, the respective teams [as BR Brands and Dixie Brands] worked relentlessly throughout Q3 to advance major integration milestones alongside of marching the merger to completion. This material progress paves the way for the merged company to hit the ground running, all while demonstrating continued robust commercial growth in a COVID impacted marketplace."

Q3 Financial Highlights

Mary's

- Total Revenue derived from sales of Mary's branded products for the nine months ended September 30, 2020 was \$19,313,989, an increase of \$2,115,729 (+12%) over the same period in 2019.
- Growth experienced in the nine months ended September 30, 2020 vs. prior year was driven by multiple factors: (i) expansion into the evolving Oklahoma market (ii) accelerating growth in the California market, and (iii) legalization of adult use marijuana in Michigan.
- Gross profit for the nine months ended September 30, 2020 was \$9,221,556, an increase of \$5,774,868 (+67%) over the same period in 2019.
- Net Income attributed to Mary's in Q3 2020 was \$1,419,870 compared to the Q3 2019 loss of \$2,948,121, a 148% improvement directly related to a focus on cost containment and margin improvement. Removing the non-cash related expenses, the adjusted net gain before non-controlling interest for Q3 2020 was \$2,480,639.

Dixie

- Licensing revenue derived from affiliate sales of Dixie branded products in their related states for the three months ended September 30, 2020 was \$4,275,129, an increase of \$1,382,234 (+48%) from the third quarter of the prior year. For the nine months ended September 30, 2020 licensing revenue was \$11,216,191, an increase of \$3,850,154 (+52%) from the prior year. Total revenue for the nine months ended September 30, 2020 was \$11,596,034, an increase of

\$3,261,338 (+39%) vs prior year.

- Growth experienced in the three months ended September 30, 2020 vs. prior year was predominantly driven by continued revenue growth and increasing market penetration across existing key markets, such as California (+21%), Colorado (+20%), Maryland (+68%), and Michigan (+595%).
- Gross profit for the three months ended September 30, 2020 and 2019 was \$1,851,074 and \$1,344,043, respectively, an increase of \$507,031 (+38%). Gross profit for the nine months ended September 30, 2020 was \$4,562,794, an increase of \$1,118,320 (+33%) over the same period in 2019.
- Net loss attributed to the Company in Q3 2020 was \$2,749,893 compared to the Q3 2019 loss of \$4,915,807, a 44% improvement directly related to the impact of the company's 'Path to Profitability' strategy implemented in Q3 2019. Removing the non-cash related expenses and interest expenses that are expected to be converted to equity in the proposed transaction, the adjusted net gain before non-controlling interest for Q3 2020 was \$504,792.

Q3 Operating Highlights

Mary's

- Grew California revenue 13% year-over-year in Q3 through an expanded self-distribution network and increased dispensary penetration.
- Recognized as the #2 topicals and tinctures company in Colorado (Source: BDS Analytics, November 2020)
- Increased license revenue in Michigan +35% year-over-year in Q3, as a result of increasing consumer demand for Mary's products in the medical and adult-use markets.
- Entry into Oklahoma generated an additional \$915K of revenue year over year.
- Q3 optimization efforts in production and operating expenses led to overall SG&A reductions of \$1.7M.

Dixie

- Received overwhelming shareholder approval at the July 14th Annual General and Special meeting for the merger with BR Brands, bringing together two highly recognized portfolios including the iconic Mary's and Dixie brands, creating an industry-leading CPG MSO.
- Grew Colorado licensing revenue by 20% in Q3 2020 compared to 2019 through a continued increase in organic consumer demand, demonstrating strong brand health in a mature market. Dixie is the #2 edibles company in Colorado's recreational cannabis market (Source: BDS Analytics November 2020)
- Increased license revenue in California year-over-year by 55% in the nine months ended September 30, 2020 via increased dispensary penetration, enhanced brand awareness and increased consumer-driven sales velocity. Dixie's award-winning gummies saw growth in excess of 90% vs the same period in 2019.
- Grew Maryland license revenue by 68% year-over-year in Q3, as a result of increasing consumer demand for an established CPG portfolio with stable market penetration.

- Consumer demand continued to exceed expectations in Michigan resulting in a 595% year-over-year increase in license revenue for Q3. Dixie is the #1 edibles brand in the dynamic Michigan market. (Source: LeafLink Market Scape, November 2020).

"Despite the headwinds and common challenges of 2020, I am incredibly proud of the results that the collective BellRock team managed to achieve," said Chuck Smith, CEO BellRock Brands.

"Combined, BellRock has delivered over \$30M in revenue through the end of September 2020.

Continued top line growth combined with comprehensive cost management has secured the foundation of the BellRock Brands platform to drive continued growth as the industry's preeminent CPG house of brands."

Outlook – BellRock Brands

On July 14, 2020, the proposed merger between BR Brands and Dixie Brands was overwhelmingly approved by Dixie shareholders and the transaction was completed on October 31, 2020. Under the terms of the deal, BR Brands combined operations with Dixie assuming the publicly traded platform via a reverse takeover. This transaction has strengthened the balance sheet of the combined entity and is expected to drive upside potential through synergies, as well as operational efficiencies, providing long-term, stable growth for shareholders and a best-in-class product portfolio for consumers across the globe.

The combined company establishes one of the cannabis industry's most comprehensive 'house of brands' anchored by two of the most iconic consumer franchises in the market, Mary's and Dixie. The portfolio also boasts Rebel Coast and Defonce (two emerging Californian brands), a deep CBD program including the Mary's CBD, Aceso and Therabis brands, and the strategic partnership with Herbal Enterprises, LLC, an affiliate of the AriZona brand. An unrivaled leadership team with deep CPG, financial and capital markets experience will guide one of the largest installed manufacturing and distribution footprints for infused products in the cannabis industry. With 11 brands and over 200 SKUs, BellRock reaches nearly every key consumer group and addresses the needs of a diverse cannabis consumer base.

BellRock remains committed to growing shareholder value. The company's buy-and-build growth strategy employs a three-pronged approach to enhancing its platform through strategic acquisitions, prioritizing profitable organic revenue growth, and continuously optimizing its costs and capital structure. On a pro forma basis, assuming BR Brands and Dixie had combined as of January 1, 2020, BellRock expects to generate in excess of \$40 million in revenue in 2020, with clear plans to deliver exponential revenue and cash flow growth in 2021 and beyond.

Both Dixie and Mary's filed its complete Q3 2020 financial statements and management discussion and analysis at www.sedar.com.

ABOUT BELLROCK BRANDS:

BellRock Brands, is a brand and IP focused CPG, multi-state operator, possessing one of the industry's broadest branded product portfolios catering to the growing and ever-evolving cannabis consumer. BellRock's portfolio consists of two iconic cannabis brands with deep history, [Mary's Brands](#) (a pioneer in the Health & Wellness segment since 2013) and Dixie (a market leading THC infused edibles brand since 2010), as well as two growing, California-based brands, [Rebel Coast](#) and [Défoncé](#). Together, the BellRock brands offer a vast spectrum of high-quality cannabis-centric consumer packaged goods. With 11 brands and over 200 SKUs, BellRock reaches nearly every key consumer group and addresses the needs of a diverse cannabis consumer base. The BellRock manufacturing and distribution footprint continues to expand and currently spans nine states, and the Company owns or manages production facilities in its largest markets. For more information, visit www.bellrockbrands.com.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

The information provided in this press release may contain "forward-looking information" and "forward-looking statements" within the meaning of applicable securities laws. All statements, other than statements of historical fact, made by the Company (or its predecessors) that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words. Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as at the date they are made and are based on information currently available and on current expectations and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to: (i) the regulation of the medical and recreational marijuana industry in the United States, Canada, Mexico, Australia, New Zealand, Latin America and other countries in which the Company may carry on its business; (ii) the ability of the Company to obtain meaningful consumer acceptance and a successful market for its products on a national and international basis at competitive prices; (iii) the ability of the Company to develop and maintain an effective sales network; (iv) the success of the Company in forecasting demand for its products or services; (v) the ability of the Company to maintain pricing and thereby maintain adequate profit margins; (vi) the ability of the Company to achieve adequate intellectual property protection; (vii) the availability of financing opportunities, risks associated with economic conditions, dependence on management and conflicts of interest; and (viii) other risks described from time to time in documents filed by the Company with securities regulatory authorities, including the Company's annual information form dated June 21, 2019.

The forward-looking statements contained herein are based on certain key expectations and assumptions, including the expected filing date of the Annual Filings. With respect to the forward-looking statements contained herein, although the Company believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements as no assurance can be given that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks, including the risks described above. Consequently, all forward-looking statements made in this press release are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Company. The cautionary statements contained or referred to herein should be considered in connection with any subsequent written or oral forward-looking statements that the Company and/or persons acting on the Company's behalf may issue.

The Canadian Securities Exchange has neither approved nor disapproved the contents of this news release.

SOURCE BellRock Brands Inc.

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For further information: Media Inquiries, Jen Turano, BellRock Brands Inc. /

jturano@bellrockbrands.com / 917-291-5200; Investor Inquiries, Andrew Floor, BellRock Brands Inc.
/ afloor@bellrockbrands.com / 707-2948-392

CO: BellRock Brands Inc.

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