



Decibel Announces First Quarter Results

CALGARY, AB, May 29, 2024 /CNW/ - Decibel Cannabis Company Inc. (the "**Company**" or "**Decibel**") (TSXV: DB) (OTCQB: DBCCF), a market leader in premium cannabis and extract manufactured products, is pleased to announce its unaudited interim financial results for the three month period ending March 31, 2024.

"Despite the drop in revenue, we remain one of Canada's top brands by market share. With a focused effort on our strategy, we expect an improved Q2 and more importantly a continued path to sustainable growth and profitability. I am currently undergoing a comprehensive business review and I look forward to sharing the initiatives undertaken before July 15th." said Benjamin Sze, Decibel's Chief Executive Officer.

First Quarter Highlights

- **National Market Share**⁽¹⁾ of 6.0% in Q1 2024, which placed Decibel as the 4th largest licensed producer in Canada by market share.
- **Net Revenue** was \$21.0 million in the first quarter of 2024, with year over year decrease of 16%. Net revenue decrease driven by increased competition in the infused pre-roll segment, vape consumers switching towards large format 510 cartridges and disposables and the halting of exports to Israel as the Company transitioned to a new distribution partner. Subsequent to quarter end, Decibel has launched large format 510 cartridges and disposables.
- **Gross Margin Before Fair Value Adjustments** was 48% in the first quarter of 2024, compared to 51% in the first quarter of 2023.
- **Adjusted EBITDA**⁽²⁾ of \$3.6 million in the first quarter of 2024, with a year over year decline of 45% over the first quarter of 2023. The decrease in Adjusted EBITDA quarter over quarter was primarily driven by a decline in net Canadian recreational sales and international sales and the reclassification of retail financial contributions to discontinued operations, partially offset by a decrease in SG&A.
- **Positive Free Cash Flow**⁽²⁾ of \$375 thousand in the first quarter of 2024, with a sequential decrease of 79% over the first quarter of 2023.
- **Adjusted Net Loss**⁽²⁾ of \$3.5 million in the first quarter of 2024, with a decline of \$6.8 million over the first quarter of 2023. Adjusted Net Income was negatively impacted by a \$3.3 million impairment on the Prairie Record's assets held for sale during the first quarter of 2024 and subsequently sold on April 10, 2024.
- **Adjusted Earning Per Share ("Adjusted EPS")**⁽³⁾ of negative \$0.01, with a year over year decrease of \$0.02.

Notes:

¹ HFyre Retail Analytics, Licensed Producer Sales over Time Nationally

² Non-GAAP financial measure. Refer to "Cautionary Statement Regarding Certain Non-GAAP Measures" for further details.

³ Non-GAAP ratio. Refer to "Cautionary Statement Regarding Certain Non-GAAP Measures" for further details.

Summary Highlights

Quarterly Highlights

Three months ended March 31,	2024	2023
<i>(thousands of Canadian dollars, except where noted)</i>		
Gross Canadian recreational sales ¹	\$32,303	\$39,893
Net Canadian recreational sales ¹	\$20,598	\$24,313
International sales ¹	\$355	\$629
Number of retail stores in discontinued operations	6	6
Total		
Gross revenue	\$32,658	\$40,522
Net revenue	\$20,953	\$24,942
Gross profit before fair value adjustments	\$10,028	\$12,677
Gross margin before fair value adjustments	48 %	51 %
Adjusted EBITDA ²	\$3,589	\$6,550
Net loss and comprehensive loss	(\$3,333)	(\$569)
Adjusted net income (loss) ²	(\$3,477)	\$3,349
Cash flow from operations	\$905	\$2,232
Free cash flow ²	\$375	\$1,746
Per Share Metrics		
Income (loss) per share	-	-
Adjusted EPS ³	(\$0.01)	\$0.01

¹ Supplementary financial measure. Refer to "Cautionary Statement Regarding Certain Non-GAAP Measures" for further details.

² Refer to "Cash Flows" in the MD&A (as defined herein) for further details.

³ Non-GAAP financial measure. Refer to "Cautionary Statement Regarding Certain Non-GAAP Measures" for further details.

Decibel's unaudited condensed consolidated interim financial statements for the three month period ending March 31, 2024 (the "**Financial Statements**") and related management's discussion & analysis for the three month period ending March 31, 2024 ("**MD&A**") are available under the Company's profile at www.sedarplus.ca.

As of March 31, 2024, Decibel was in compliance with all of its financial covenants and expects to remain in compliance for the remainder of its twelve-month forecast period.

About Decibel

Decibel is a consumer-focused cannabis company focused on delivering products that delight customers through a commitment to robust innovation and product quality. Leading brands General Admission, Qwest and Vox are among its portfolio sold both across Canada and beginning to extend towards new countries to create a global footprint. Decibel operates a processing and manufacturing facility in Calgary, Alberta and two cultivation facilities in Creston, British Columbia and Battleford, Saskatchewan.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this news release.

Cautionary Statements

Non-GAAP Measures

*This news release contains certain financial performance measures that are not recognized or defined under IFRS (termed "**Non-GAAP Measures**"). As a result, this data may not be comparable to data presented by other licensed producers and cannabis companies. For an explanation of these measures to related comparable financial information presented in the Financial Statements prepared in accordance with IFRS, refer to the discussion below. The Company believes that these Non-GAAP Measures are useful indicators of operating performance and are specifically used by management to assess the financial and operational performance of*

the Company. Accordingly, these Non-GAAP Measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Non-GAAP Financial Measures

Adjusted EBITDA is a non-GAAP financial measure that is calculated as net income (loss) and comprehensive income (loss) excluding unrealized gain on changes in fair value of biological assets, change in fair value of biological assets realized through inventory sold, depreciation and amortization expense, share-based compensation, other income, finance costs, foreign exchange loss, non-cash production costs and severance payments. Non-cash production costs relate to amortization expense allocations included in production costs. This non-GAAP financial measure should be considered together with other financial information prepared in accordance with IFRS to enable investors to evaluate the Decibel's operating results, underlying performance and prospects in a manner similar to Decibel's management.

EBITDA

Three months ended March 31,	2024	2023
<i>(thousands of Canadian dollars)</i>		
Net loss and comprehensive loss	(3,333)	(569)
Unrealized gain on changes in fair value of biological assets	(4,595)	(3,954)
Change in fair value of biological assets realized through inventory sold	4,451	7,872
Depreciation and amortization	1,243	1,037
Share-based compensation	63	398
Other (income)	12	(68)
Finance costs	772	661
Foreign exchange loss	90	111
Non-cash cost of goods sold	732	1,062
Other adjustments	4,154	-
Adjusted EBITDA	3,589	6,550

Adjusted Net Income is a non-GAAP financial measure that is calculated as net income (loss) and comprehensive income (loss) excluding unrealized gain on changes in fair value of biological assets and change in fair value of biological assets realized through inventory sold. Adjusted EPS is a non-GAAP ratio that is calculated as net income (loss) and comprehensive income (loss) excluding unrealized gain on changes in fair value of biological assets and change in fair value of biological assets realized through inventory sold, divided by the weighted average common shares outstanding. These measures are intended to provide a proxy for the Company's net income (loss) and comprehensive income (loss) and are used to compare Decibel to its competitors and derive expectations of future financial performance of the Company and should be considered together with other financial information prepared in accordance with IFRS to enable investors to evaluate the Decibel's operating results, underlying performance and prospects in a manner similar to Decibel's management.

Net Income

Three months ended March 31,	2024	2023
<i>(thousands of Canadian dollars)</i>		
Net loss and comprehensive loss	(3,333)	(569)
Unrealized gain on changes in fair value of biological assets	(4,595)	(3,954)
Change in fair value of biological assets realized through inventory sold	4,451	7,872
Adjusted net income (loss)	(3,477)	3,349
Weighted average number of shares outstanding	423,958,978	406,754,039
Adjusted EPS	(\$0.01)	\$0.01

Free Cash Flow is a non-GAAP financial measure that is calculated as cash flow from operations less cash provided by (used in) investing activities. This non-GAAP financial measure should be considered together with other financial information prepared in accordance with IFRS to enable

investors to evaluate the Decibel's operating results, underlying performance and prospects in a manner similar to Decibel's management.

Cash Position

Three months ended March 31,	2024	2023
<i>(thousands of Canadian dollars)</i>		
Cash provided by operating activities	905	2,232
Cash used in investing activities	(530)	(486)
Free cash flow	375	1,746
Cash used in financing activities	(1,220)	(840)
Increase/(decrease) in cash	(845)	906
Cash, beginning of period	3,481	2,966
Cash, end of period	2,636	3,872

Non-GAAP Ratios

Adjusted earnings per share (adjusted net income (loss) divided by the number of outstanding shares) is a non-GAAP ratio, does not have a standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers. The Company believes that adjusted earnings per share is a useful metric to normalize net income for biological asset accounting impacts.

Supplementary Financial Measures

International Sales is a supplementary financial measure intended to provide a more accurate depiction of international sales earned by the Company's wholesale operations.

Gross Canadian Recreational Sales is a supplementary financial measure intended to provide a more accurate depiction of gross revenue earned by the Company's wholesale operations. Inventory transferred directly from the Company's wholesale operations to the Company's retail operations is added to Gross Canadian Recreational Sales as found in the Financial Statements to arrive at Gross Canadian Recreational Sales.

Net Canadian Recreational Sales is a supplementary financial measure intended to provide a more accurate depiction of net revenue earned by the Company's wholesale operations. Inventory transferred directly from the Company's wholesale operations to the Company's retail operations is added to Net Canadian Recreational Sales as found in the Financial Statements to arrive at Net Canadian Recreational Sales.

Forward-Looking Statements

This news release contains "forward-looking information" and "forward-looking statements" (collectively, "forward-looking statements") within the meaning of the applicable Canadian securities legislation. All statements, other than statements of historical fact, are forward-looking statements and are based on expectations, estimates and projections as at the date of this news release.

Any statement that involves discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, future events or performance (often but not always using phrases such as "expects", or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "budget", "scheduled", "forecasts", "estimates", "believes" or "intends" or variations of such words and phrases or stating that certain actions, events or results "may" or "could", "would", "might" or "will" be taken to occur or be achieved) are not statements of historical fact and may be forward-looking statements.

In this news release, forward-looking statements relate to, among other things: expectations that demand for Decibel's products will grow; the ability for Decibel to delight customers through the Company's product offering; the ability of the Company to extend its product offering to new countries and create a global footprint; and the Company's expectation that it will remain in compliance with all of its financial covenants under its credit facilities for the remainder of its twelve-month forecast period and its other business plans and expectations. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on the forward-looking statements contained in this news release. Except as required by law, the Company assumes no obligation to update the forward-looking statements of beliefs, opinions, projections or other factors should they change, except as required by law.

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable, are subject to known and unknown risks, uncertainties and other factors which may cause the actual results and future events to differ materially from those expressed or implied by such forward-looking statements. Such factors include, but are not limited to: risks relating to delays, regulatory changes and impacts; capital requirements; construction impacts; the ability to obtain and maintain licences to retail cannabis products; review of the Company's production facilities by Health Canada and maintenance of licences (including any amendments thereto) from Health Canada in respect thereof; future legislative and regulatory developments involving cannabis; inability to access sufficient capital from internal and external sources, and/or inability to access sufficient capital on favourable terms; the labour market generally and the ability to access, hire and retain employees; general business, economic, competitive, political and social uncertainties; the risk that the Company may not be able to meet consumer demand; the risk that the Company may not improve its operational capacity when anticipated or at all; the risk that Decibel may not remain in compliance with its financial covenants for the remainder of its twelve-month forecast period; and the delay or failure to receive board, regulatory or other approvals, including any approvals of the TSX Venture Exchange, as applicable.

With respect to forward-looking statements contained in this news release, Decibel has made assumptions regarding, but not limited to: growth of the brand and recognition in Canada will lead to growth internationally; demand for Decibel's products; Decibel's ability to enter new markets and industry verticals; Decibel's ability to attract, develop and retain key personnel; Decibel's ability to raise additional capital and to execute on its expansion plans; the timelines for new product launches; Decibel's ability to continue investing in infrastructure and implement scalable controls, systems and processes to support its growth; the impact of competition; the changes and trends in Decibel's industry or the global economy; the Company's ability to generate sufficient cash flow from operations and obtain financing, if needed, on acceptable terms or at all; the general economic, financial market, regulatory and political conditions in which the Company operates; the ability of the Company to ship its products and maintain supply chain stability; consumer interest in the Company's products; anticipated and unanticipated costs; government regulation of the Company's activities and products; the timely receipt of any required regulatory approvals; the Company's ability to conduct operations in a safe, efficient and effective manner; the Company's construction plans and timeframe for completion of such plans; and the changes in laws, rules, regulations, and global standards.

Readers are cautioned that the foregoing list of assumptions and risk factors is not exhaustive. The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this news release are made as of the date hereof and Decibel does not undertake any obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless so required

by applicable securities laws.

Market, Independent Third Party and Industry Data

Certain market, independent third party and industry data contained in this news release is based upon information from government or other independent industry publications and reports or based on estimates derived from such publications and reports. Government and industry publications and reports generally indicate that they have obtained their information from sources believed to be reliable, but Decibel has not conducted its own independent verification of such information. This news release also includes certain data derived from independent third parties. While Decibel believes this data to be reliable, market and industry data is subject to variations and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. Decibel has not independently verified any of the data from independent third party sources referred to in this news release or ascertained the underlying assumptions relied upon by such sources.

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