# SIMPLY BETTER BRANDS CORP. ANNOUNCES RECORD FINANCIAL FIRST QUARTER SALES AT $24.6 M

*203% growth capturing channel, category, and innovation in clean-ingredient food, next generation skincare, and plant-based wellness*

**VANCOUVER, BC – May 30, 2023 -** Simply Better Brands Corp. ("SBBC" or the "Company") (TSX Venture: SBBC) (OTCQB: PKANF) is pleased to announce its first quarter interim financial results for the quarter ended March 31, 2023. All amounts are expressed in United States dollars unless otherwise noted. Certain metrics, including those expressed on an adjusted basis, are non-International Financial Reporting Standards ("IFRS") measures, see "*Non-IFRS Measures*" below.

**2023 FIRST QUARTER KEY COMMERCIAL ACHIEVEMENTS**

- **TRUBAR Protein Bar:** In addition to supporting U.S. and Canadian-based retailers, TRUBAR was able to expand into roughly 50% of U.S. and Canadian Costco Clubs throughout 2022. As a result of TRUBAR exceeding the bar category sales velocities at Costco, TRUBAR was able to access national distribution at Costco. Supporting the brands' continued expansion are four initiatives: manufacturing capacity expansion, continued omni-channel distribution growth with retailers like Sodexo, bar flavor extensions, and the entry into the $21.5 billion protein powder category in 2022 per *Global Market Insights*.
- **PureKana Wellness:** PureKana, a leading plant-based wellness brand, remained focused on a its customer acquisition initiative, adding over 18,600 customers per month and enabling the sales funnel into a subscription model. To expand beyond human consumption, PureKana announced its 2023 entry into the $196 million hemp-based pet category (per *Grandview Research*) with offerings in with calming chews, hip & joint chews, and hair & coat drops. As an estimated 60% of PureKana's loyal customers have pets, the growth opportunity is expected to be sizeable.
- **No B.S. Skincare:** Originally, the No B.S. brand was sourced exclusively online at livenobs.com and Amazon. In 2022, the brand entered 3,200 CVS Health stores for a Back-to-School Event and continues to maintain a on shelf presence in CVS's healthy skin section. Initial brick and mortar success has the brand slotted to enter an additional large, national chain in expected in summer 2023, as well as TJ Maxx expected in Q2 2023. Sources of growth include omni-channel expansion supported by insight-driven innovation with an expanded facial acne patch portfolio (overnight pimple patch and acne patch plus retinol night cream) and a natural deodorant category entry.
- **Vibez Wellness**: The Vibez Wellness line was launched in November 2022 to capture incremental millennial consumers on their preventative wellness journey. With an initial keto gummy supplement offering, the new brand achieved nearly $1.0MM in revenue in Q1 2023. Vibez's primary focus is non-CBD solutions into the weight management, focal

acuity, and healthy hair consumer need states. Through portfolio expansion, Vibez is forecasted to exceed $7.0M in 2023.

"As our strong Q1 2023 financial and commercial results illustrate, we are positioned for continued revenue growth, profit improvement, and debt reduction in 2023. Our strategic priorities remain to lead consumer-centric innovation and relentlessly acquire customers to these emerging brands by driving category and channel expansion. With our recent $7 million finance raise, we are aptly fueled to deliver the 2023 outlook of $80 million in revenue and $3-4 million in adjusted EBITDA at a gross margin target range of 58-60%." says SBBC CEO, Kathy Casey.

## FINANCIAL HIGHLIGHTS FOR THE THREE MONTHS ENDED MARCH 31, 2023

| | For the three months ended | | | | | |
|---|---|---|---|---|---|---|
| | March 31, 2023 | | March 31, 2022 | | Change | |
| *expressed in millions ** | **$** | **% (in terms of revenue)** | **$** | **% (in terms of revenue)** | **$** | **%** |
| Revenue | 24.60 | 100% | 12.10 | 100% | 12.50 | 103% |
| Cost of goods sold | (10.70) | (43%) | (4.10) | (34%) | (6.60) | 161% |
| **Gross profit** | **13.90** | **57%** | **8.00** | **66%** | **5.90** | **74%** |

For the three months ended March 31, 2023, the Company generated revenue of $24.6 million with a gross profit of $13.9 million (57%) compared to $12.1 million with a gross profit of $8.0 million (66%) during the three months ended March 31, 2022. Revenue increased by $12.5 million (103% increase) over the prior period's revenues. The Company's revenue is generated by one segment – consumer products and within that segment by four main subsidiaries, PureKana's, Tru, BRN, No BS and other subsidiaries which do not generate material revenue currently. PureKana's first quarter revenue for the three months ended March 31, 2023, was $12.5 million compared to $9.3 million for the comparable period in 2022 (increase of $3.2 million or 34%). PureKana's revenue increase was driven by growth of new customers. Tru's first quarter revenue for the three months ended March 31, 2023, was $10.2 million compared to $2.5 million for the comparable period in 2022 (increase of $7.7 million or 308%). Tru's strong sales performance in the first quarter was driven primarily by orders from Costco in the US for a national promotion (Multi Vendor Mailers "MVM") and from major retailers in Canada. No BS's first quarter revenue for the three months ended March 31, 2023, was $0.3 million compared to $0.3 million for the comparable period in 2022. Revenue from BRN (Vibez and Seventh Sense) was $1.4 million compared to nil as BRN was acquired in the second quarter of 2022. SBBC's other subsidiaries contributed $0.2 million in the first quarter compared to 0.0 million.

SBBC's cost of sales increased in the first quarter relative to the fourth quarter of 2022 by 13 percentage points due to a higher mix of lower margin retails sales (41% of Q1 sales compared to 15% of sales in Q4 of 2022) which has lower gross margins than online sales. The Company continues to manage its finished goods costs with co-manufacturers with the higher order volumes it has been able to place. Cost of goods sold for online sales (Direct to consumer "DTC") typically range in the low to mid 70’s and retailer (Business to Business “B2B”) gross margins range in the mid 30’s to higher 40’s.

Gross profit for the first quarter of 2023 was $13.9 million (57%) compared to $8.0 million (66%) in the first quarter of 2022. The gross profit margin was down nine percentage points in the first quarter of 2023 over the gross profit in the comparable period driven by a higher mix of B2B sales in the first quarter of 2023 (B2B was 41% of Q1 2023 sales) compared to the first quarter of 2022 (B2B was 15% of Q1 2022 sales).

Operating costs for the first quarter of 2023 were $14.8 million, an increase of $4.3 million (or 41%), compared to $10.5 million in the first quarter of 2022. The majority of the operating costs increase incurred in the three months ended March 31, 2023, were marketing expenses ($10.7 million for Q1 or 72% of operating expenses) and they increased $3.7 million over the previous year directly related to the increase in PureKana and Tru sales. PureKana accounted for $7.6 million of the $10.7 million in marketing expenses in the quarter ended March 31, 2023 (71%). Tru Brand also accounts for $2.1 million in marketing expenses. These were higher in the first quarter directly related to the national Costco MVM promotion. The national promotional costs are significantly higher than the regular Costco promotional allowances. The national promotion averages 22% compared to the regular promotional; allowance of approximately 10%. The Company chose to participate as it expected to exit the national promotion in a favorable position where additional Costco regions would continue to order the product after the national promotion had ended. The MVM will run through the Company’s second quarter and marketing expenses will be higher also in the second quarter. Non-cash items of $1.7 million (Share-based payments of $0.7 million and amortization of $1.0 million) represented 12% of the operating expenses and increased $0.4 million from the prior year.

Operating loss for the three months ended March 31, 2023 was $1.0 million compared to a loss of $2.5 million in the prior period or an improvement of $1.5 million.

Other expenses for the first quarter 2023 were $1.7 million compared to other expenses of $0.7 million in the first quarter of 2022 or an increase of $1.0 million. The main components in the first quarter of 2023 for other income and expenses were finance costs of $0.7 million and loss on re-measurement of warrant liabilities of $0.9 million.

During the three months ended March 31, 2023, the Company recorded a net loss of $2.7 million compared to a net loss of $3.2 million for the three months ended March 31, 2022 or an improvement of $0.5 million.

**Non-IFRS Measures (Earnings before Interest, Taxes, Depreciation, and Amortization ("EBITDA") and Adjusted EBITDA)**

EBITDA and Adjusted EBITDA are non-IFRS measures used by management that are not defined by IFRS. EBITDA and Adjusted EBITDA do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. Management believes that EBITDA and Adjusted EBITDA provide meaningful and useful financial information as these measures demonstrate the operating performance of the business excluding non-cash charges.

The most directly comparable measure to EBITDA and Adjusted EBITDA calculated in accordance with IFRS is net loss. The following table presents the EBITDA and Adjusted EBITDA for the three months ended March 31, 2023, and 2022, and a reconciliation of same to net income (loss):

| | For the three months ended | | Change in | |
|---|---|---|---|---|
| | March 31, 2023 | March 31, 2022 | | |
| | $ | $ | $ | % |
| **Net loss** | **(2.70)** | **(3.20)** | **0.50** | (19%) |
| Amortization | 1.00 | 0.20 | 0.80 | 80% |
| Finance costs | 0.70 | 0.30 | 0.40 | 57% |
| **EBITDA** | **(1.00)** | **(2.70)** | **1.70** | **118%** |
| Acquisition-related costs | - | 0.40 | (0.40) | 100% |
| Fair value adjustment of derivative liability | 0.10 | - | 0.10 | 100% |
| Loss on remeasurement of warrant liabilities | 0.90 | - | 0.90 | 100% |
| Share-based payments | 0.70 | 1.10 | (0.40) | (57%) |
| Shares issued for services | - | 0.10 | (0.10) | 100% |
| Non-recurring expenses | 0.10 | - | 0.10 | 100% |
| **Adjusted EBITDA** | **0.80** | **(1.10)** | **1.90** | **561%** |

The Company generated an adjusted EBITDA of $0.8 million for the three months ended March 31, 2023, an increase of $1.9 million over the adjusted EBITDA loss of $1.1 million for the comparable period in 2022.

Readers are cautioned that EBITDA and Adjusted EBITDA should not be construed as an alternative to net income as determined under IFRS; nor as an indicator of financial performance as determined by IFRS; nor a calculation of cash flow from operating activities as determined under IFRS; nor as a measure of liquidity and cash flow under IFRS. The Company's method of calculating EBITDA and Adjusted EBITDA may differ from methods used by other companies and, accordingly, the Company's EBITDA and Adjusted EBITDA may not be comparable to similar measures used by any other company. Except as otherwise indicated, EBITDA and Adjusted EBITDA are calculated and disclosed by SBBC on a consistent basis from period to period. Specific adjusting items may only be relevant in certain periods.

See also Earnings before Interest, Taxes, Depreciation, and Amortization ("EBITDA") and Adjusted EBITDA (Non-GAAP Measures) in the Company's management discussion and analysis for the three months ended March 31, 2023, available on SEDAR at www.sedar.com.

## Liquidity and Capital Resources

The Company’s primary liquidity and capital requirements are for inventory and general corporate working capital purposes. The Company had a cash balance of $5.7 million as of March

31, 2023, which will provide capital to support the planned growth of the business and for general corporate working capital purposes. The Company's working capital deficiency decreased from $9.3 million as of December 31, 2022, to a working capital deficiency of $6.5 million as of March 31, 2023 ($2.8 million decrease). Working capital deficiency included the Mainstreet loan ($10.3 million) which is classified as current whereas the term of the loan is 5 years maturing in December 2025. The Mainstreet loan has a five-year term with principal repayments due to start in December 2023 with the first $1.5 million principal repayment. This loan has several covenants including annual and quarterly reporting and debt service coverage. The Company was not compliant with the debt service covenant as of December 31, 2022 although it made progress in improving the Adjusted EBITDA performance of Purekana LLC during the year. For example, Adjusted EBITDA reported for Purekana LLC for the year ended December 31, 2022 was $1.4 million compared to an Adjusted EBITDA loss of $1.4 million for the year ended December 31, 2021 or a $2.8 million improvement. No notice of default has been received by the Company as of the date of this MD&A and has been paying the interest on a regular basis. It has been classified as current as a result of the noncompliance with the debt service covenant.

The Company continues to focus on improving its working capital position through a number of initiatives including equity and convertible debt private placements, issuance of promissory notes and establishment of lines of credit for its subsidiaries.

**Private Placements**

The Company completed a private placement for CAD $7 million in equity to be used for further debt reduction, working capital and for growth initiatives in 2023.

**Convertible Debentures**

The Company paid down $1.7 million in convertible debentures including accrued interest that were due in February 2023.

**Line of Credit Facilities**

Additionally, the Company has secured several lines of credit facilities for three of its subsidiaries to support the financing of purchase orders from key customers. These lines of credit have been critical to finance the large retail purchase orders the Company's subsidiaries have successfully generated during the quarter ended March 31, 2023. For more information of the line of credit facilities please refer to note 8 in the interim financial statements for the three months ended March 31, 2023. During the three months ended March 31, 2023, the Company raised over $5.3 million in funds from these lines of credit to finance purchase orders from its large retail customers. Over the same period, the Company repaid over $5.5 million of these credit facilities to the lender. TRU was able to increase its primary line of credit with this lender to USD 6 million in December 2022. The nature of these loans is to turnover between 3-5 months from the time the money is advanced to repayment.

**Promissory Notes**

During the three months ended March 31, 2023, the Company reduced the balance of promissory notes outstanding by approximately $0.2 million (see note 10 in the financial statements for the three months ended March 31, 2023). All promissory notes paid off during the year had a maturity less than 12 months. Subsequent to the quarter the Company paid off a promissory note with accrued interest in the amount of $0.75 million.

**2023 OUTLOOK**

For our 2023 Outlook:

1. The Company's expectation for consolidated net sales to exceed $80 million.

2. The Company expects gross margin as a percentage of net sales to be between 58% and 60%.

3. The Company expects to achieve positive Adjusted EBITDA in the range of $3-4 million.

**About Simply Better Brands Corp.**

Simply Better Brands Corp. leads an international omni-channel platform with diversified assets in the emerging plant-based and holistic wellness consumer product categories. The Company's mission is focused on leading innovation for the informed Millennial and Generation Z generations in the rapidly growing plant-based, natural, and clean ingredient space. The Company continues to focus on expansion into high-growth consumer product categories including plant-based food, clean ingredient skincare and plant-based wellness. For more information on Simply Better Brands Corp., please visit: https://www.simplybetterbrands.com/investor-relations.

*Neither the 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 release.*

**Contact Information**

Simply Better Brands Corp.
Brian Meadows
Chief Financial Officer
+1 (855) 553-7441
ir@simplybetterbrands.com

**Forward-Looking Information**

Certain statements contained in this news release constitute "forward-looking information" and "forward looking statements" as such terms are used in applicable Canadian securities laws. Forward-looking statements and information are based on plans, expectations and estimates of management at the date the information is provided and are subject to certain factors and assumptions, including, among others, that the Company's financial condition and development plans do not change as a result of unforeseen events, the impact of the COVID-19 pandemic, the regulatory climate in which the Company operates, and the Company's ability to execute on its business plans. Specifically, this news release contains forward-looking statements relating to, but not limited to: entry into the $21 billion protein powder category in 2022, expansion plans for TRU Brands products, 2023 guidance and results of operations, growth of the Company's brands, and, success of the Company's marketing efforts.

Forward-looking statements and information are subject to a variety of risks and uncertainties and other factors that could cause plans, estimates and actual results to vary materially from those projected in such forward-looking statements and information. Factors that could cause the forward-looking statements and information in this news release to change or to be inaccurate include, but are not limited to, the risk that any of the assumptions referred to prove not to be valid or reliable, that occurrences such as those referred to above are realized and result in delays, or cessation in planned work, that the Company's financial condition and development plans change, ability to obtain necessary regulatory approvals for proposed transactions, as well as the other risks and uncertainties applicable to the plant-based food, clean ingredient skincare and plant-based wellness or broader wellness industries and to the Company, and as set forth in the Company's annual information form available under the Company's profile at www.sedar.com.

The above summary of assumptions and risks related to forward-looking statements in this news release has been provided in order to provide shareholders and potential investors with a more complete perspective on the Company's current and future operations and such information may not be appropriate for other purposes. There is no representation by the Company that actual results achieved will be the same in whole or in part as those referenced in the forward-looking statements and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities law.

**Financial Outlook**

This press release contains future-oriented financial information and financial outlook information (collectively, "**FOFI**") about the financial results the quarter ended March 31, 2023, and the year ended December 31, 2023, including net sales, gross margin, and Adjusted EBITDA, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as set out under the heading "Forward-Looking Information". The actual financial results of the Company may vary from the amounts set out herein and such variation may be material. The Company and its management believe that the financial outlook has been prepared on a reasonable basis, reflecting management's best estimates and judgments and the FOFI contained in this press release was approved by management as of the date hereof. However, because this information is subjective and subject to numerous risks, it should not be relied on as necessarily indicative of future results. Except as required by applicable securities laws, the Company undertakes no obligation to update such FOFI. FOFI contained in this press release was made as of the date hereof and was provided for the purpose of providing further information about the Company’s anticipated future business operations on a quarterly and annual basis. Readers are cautioned that the FOFI contained in this press release should not be used for purposes other than for which it is disclosed herein.