

# BUILDING THE FIRST TRUE CANNABIS CPG PLATFORM

DIXIE BRANDS INC.  
INVESTOR PRESENTATION Q1 2019

DIXIE™



# FORWARD-LOOKING INFORMATION

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These risk factors are discussed in detail under the heading "Risk Factors" in the listing statement filed on SEDAR. New risk factors may arise from time to time and it is not possible for management of the Company to predict all of those risk factors or the extent to which any factor or combination of factors may cause actual results, performance or achievements of the Company to be materially different from those contained in forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

The forward-looking statements contained herein are based on certain key expectations and assumptions, including that: (i) there will be no material adverse competitive or technological change in condition of the Company's business; (ii) there will be a demand for the Company's products that the Company has accurately forecast; and (iii) there will be no material adverse change in the Company's operations, business or in any governmental regulation affecting the Company or its suppliers.

Although the forward-looking statements contained in this presentation are based upon what management believes to be reasonable assumptions, Dixie cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this presentation. The Company undertakes no obligation to update or revise any forward-looking statements contained in this presentation, whether as a result of new information, future events or otherwise, other than as required under applicable securities legislation.

# INVESTMENT HIGHLIGHTS

- I. Broadest portfolio of revenue-producing consumer-facing products in the industry, serving both the regulated (THC) and non-regulated (CBD) marketplace.
- II. Extensive intellectual property assets created through years of development around formulations, technology, packaging and production.
- III. Commercial product manufacturing expertise allowing for efficient and consistent production in both small and large-scale markets.
- IV. Deep understanding of the complex regulatory structure of the industry enabling quicker expansion and product deployment.
- V. Established distribution channels with proven sales and field marketing programs to drive consumer adoption.
- VI. Fully funded business plan with strong balance sheet supporting significant revenue growth and profitability.
- VII. Industry leading team with 60+ years of experience
- VIII. First publicly-listed infused-products CPG brand



# WHAT MAKES DIXIE UNIQUE?

**9 YEARS IN BUSINESS**

Extensive IP



**3 ESTABLISHED COMPANIES**

Diversified Portfolio of Brands



**#1**

**CPG COMPANY IN THE INDUSTRY**



# CLEAR STRATEGY FOR INDUSTRY LEADERSHIP

To control manufacturing and distribution in all of the markets we participate in, simultaneously building a **global house of brands** known for its quality and efficacy.

## THE ROADMAP TO DIXIE: THE LARGEST PRODUCT MANUFACTURER IN THE INDUSTRY

1

Expand into new markets.

2019 Goal: 4-6 new U.S. states & Canada

2

Bring our product portfolio to each market

3

Continue to expand product portfolio to meet evolving consumer tastes and utilize innovation to meet customer needs

4

M&A to acquire revenue, expertise, product lines and local operations

5

Fully-funded 2019 business plan to extend brand reach and global distribution

# PRODUCT PORTFOLIO

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# PRODUCT PORTFOLIO

# DIXIE

## THC Products

Highly regulated. Designed for both medical & adult use.

CURRENTLY >100 PRODUCTS IN THE MARKET

**ELIXIRS / BEVERAGES**

**TINCTURES / DROPS**

**CHOCOLATE BARS**

**MINTS**

**GUMMIES & CHEWS**

**FRUIT TARTS**

**PRESSED PILLS**

**VAPORIZER CARTRIDGES**

**TOPICALS**

IN DEVELOPMENT

**HARD CANDIES**

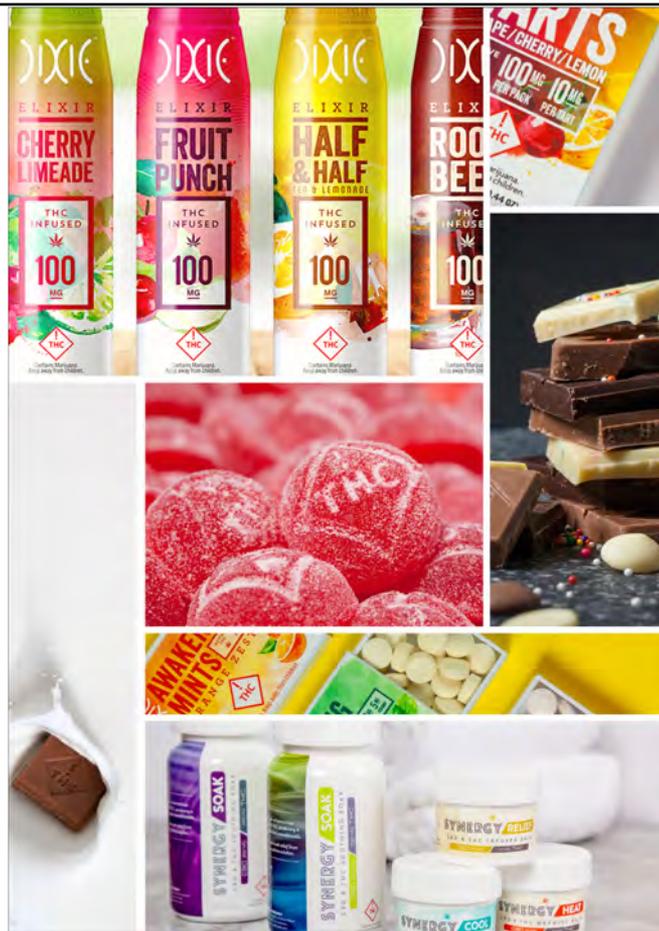
**WATER-SOLUBLE DRINK ADDITIVES**

**MEDICAL CANDIES**

**FACIAL & SKINS SCRUBS**

**FUNCTIONAL BEVERAGES**

**FULL CONCENTRATE LINE**



## PRODUCT PORTFOLIO

# ACESO

### CBD-focused human wellness line

Hemp-derived supplements legal in all U.S. states.

CURRENTLY 9 PRODUCTS IN THE MARKET

**SUBLINGUAL SPRAYS**  
**EFFERVESCENT DISSOLVABLE**  
**DRINK MIX**

IN DEVELOPMENT

**DISSOLVABLE TABLETS**  
**TOPICALS**  
**TRANSDERMALS**  
**TINCTURES**

*Addressing stress, anxiety, muscle soreness, inflammation, headaches, immune system, insomnia, and general wellness.*



## PRODUCT PORTFOLIO

# THERABIS

### CBD for pets

Hemp-derived products legal in all U.S. states.

CURRENTLY 30 PRODUCTS FOR DOGS

**FOOD TOPPERS**

**SOFT CHEWS**

**(VARIATIONS FOR SIZE)**

IN DEVELOPMENT

**FELINE**

**EQUINE**

*Addresses anxiety, joint-mobility, skin irritations & allergies*



# THE MOST RECOGNIZABLE CANNABIS BRAND

## Established presence as early entrants to the market

- **Dixie:** 9 years
- **Aceso and Therabis:** 2 years with national retail distribution
- Active at trade shows, well-known to resellers
- Active in professional organizations and consumer education

## Cohesive branding strategy

- Consistent packaging, marketing and sales materials across all product families
- Strategic and consistent integrated marketing plans

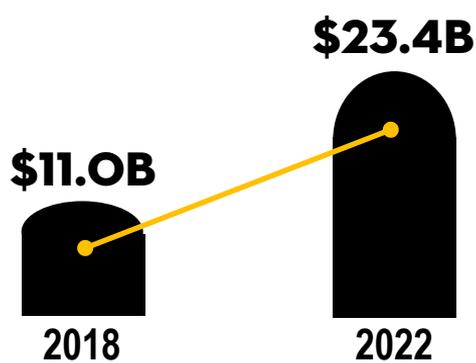
*Recognized through industry awards, earned media coverage*



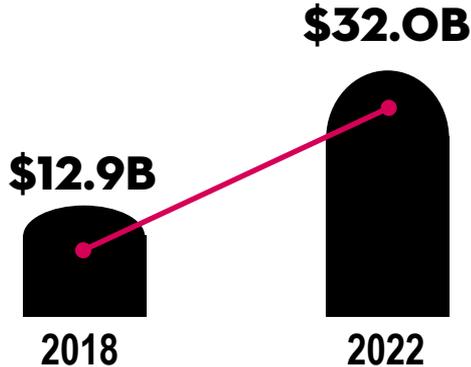
# MARKET OPPORTUNITY

## CANNABIS MARKET (U.S.)

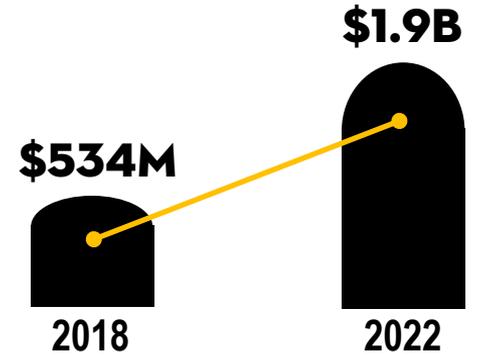
Total for 33 states where medical or recreational use is legal



## CANNABIS MARKET (GLOBAL)



## CBD MARKET (U.S.)



# STRATEGY & FINANCIALS



# INTELLECTUAL PROPERTY: THE FOUNDATION OF OUR VALUE

## DIXIE HAS DEVELOPED UNIQUE EXPERTISE THROUGH NEARLY A DECADE OF DEVELOPING AND BRINGING PRODUCTS TO MARKET.

- R&D investment – complex formulations, multiple delivery methods, and proprietary encapsulation technology. (2 patents pending)
- Manufacturing experience & procedures
- Packaging and regulatory compliance
- Marketing: building customer relationships and channels
- Deep rooted industry relationships – retail, vendors, producers, and suppliers

## OUR TRACK RECORD OF SUCCESSFUL EXECUTION DE-RISKS THE INVESTMENT IN OUR GROWTH.



# TARGETED DISTRIBUTION STRATEGY

## U.S. STRATEGY

### THC PRODUCTS

Control field marketing and sales – become a valued resource for retailers

Currently selling in >500 stores  
Targeting 1000+ stores by Q4 2019  
CO, NV, MD: 80-95%  
CA: recently relaunched, expecting >50% within 12 months

### CBD PRODUCTS

Selling into majority of states

### DUAL APPROACH

#### ONLINE

– Direct to consumers through our e-commerce channel

#### BRICK AND MORTAR

– Access to >5,000 retail locations by Q4 2019  
– Indirect via distribution and manufacturers rep groups

## INTERNATIONAL

### LICENSING AGREEMENTS WITH LOCAL PARTNERS IN SELECT COUNTRIES

Latin America: Khiron Life Sciences Corp

Canada: Auxly Cannabis

Australia: Therabis Australia

**Establishing synergies as we build out our national and global presence**

# LATIN AMERICAN EXPANSION

- **JOINT VENTURE WITH KHIRON LIFE SCIENCES CORP**

- Khiron to manufacture and distribute Dixie products throughout Latin America
- Dixie to distribute Khiron's Kuida® cosmeceuticals in U.S. targeting Hispanic-Americans
- Companies to collaborate on new brands and products

- **RAPIDLY GROWING MARKET AS CANNABIS IS LEGALIZED ACROSS THE REGION**



Entered or planning entry into markets

**>75%**

of Latin American  
**population of 620 million**

- Khiron entered market.
- Medical cannabis regulation proposed. Khiron positioning for licenses
- Entering subject to completion of NettaGro acquisition.

**DIXIE IS ON TRACK TO BECOME GLOBAL CPG COMPANY**

# CANADIAN STRATEGY

## **LICENSING AGREEMENT WITH AUXLY CANNABIS FOR MANUFACTURING AND DISTRIBUTION**

- Dixie product line to be produced at Auxly's existing Dosecann facility in Prince Edward Island
- Dixie to receive licensing fee on all sales

## **WELL-POSITIONED TO SUCCEED WITHIN EVOLVING REGULATORY FRAMEWORK**

- Sale of cannabis-infused products (THC and CBD) to be legal by October 2019
- Health Canada draft regulations published December 20, 2018 with two-month comment period
- Broad IP portfolio gives Dixie first-mover advantages on virtually any products approved for sale

## **BROAD IP PORTFOLIO GIVES DIXIE FIRST-MOVER ADVANTAGES ON VIRTUALLY ANY PRODUCTS APPROVED FOR SALE**



# BUILDING A GLOBAL HOUSE OF BRANDS

## CONSUMER PACKAGED GOODS PLATFORM



Diversified  
product  
portfolio

Innovation

Regulatory  
expertise

Distribution  
infrastructure

National  
footprint

**ESTABLISHING  
ALL OF THE KEY  
ELEMENTS OF A  
CPG PLATFORM**

Faster product rollout

New Market entry

M&A growth



# FOCUS ON HIGH-VALUE, HIGH-RETURN SEGMENTS OF THE VALUE CHAIN

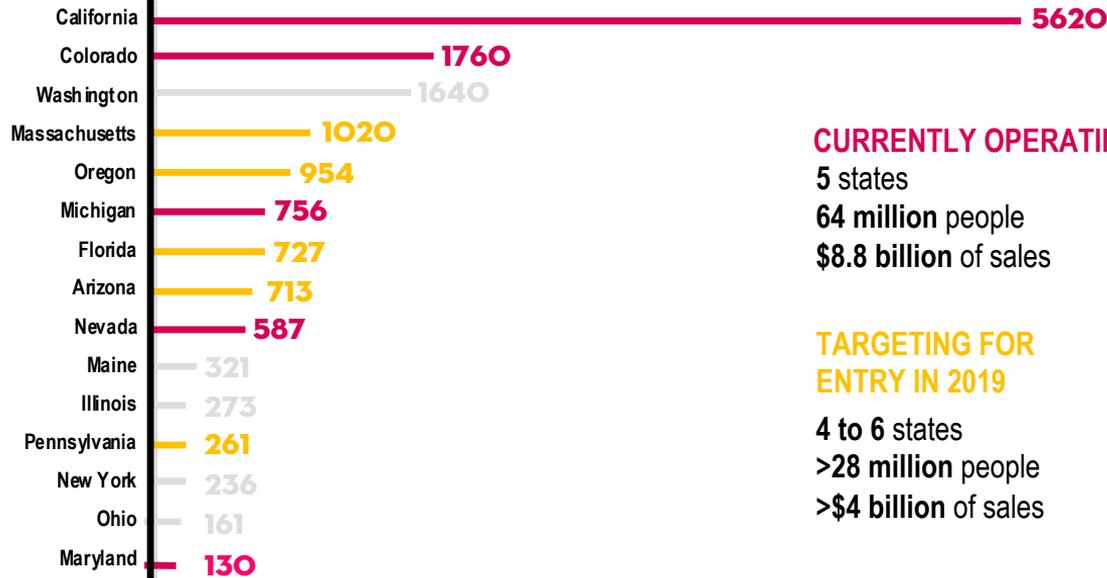
	<b>Cultivation</b>	Capital-intensive, prone to commoditization
	<b>Extraction</b>	<b>Mature markets:</b> purchase from suppliers <b>Newer markets:</b> Dixie to extract
<b>DIXIE'S FOCUS</b>	<b>Product Development</b>	Years of R&D, proven formulations
	<b>Manufacturing</b>	Requires consistency, SOPs, quality control, local presence
	<b>Branding</b>	Reputation, marketing campaigns, in-depth market knowledge
	<b>Distribution</b>	People on the ground, relationships with retailers, broad product portfolio
	<b>Retail</b>	Costly to build out a meaningful presence across all urban markets



**RESULT:**  
Defensible market position, high return on invested capital

# TARGETING U.S. STATES WITH SIGNIFICANT MARKET OPPORTUNITY

## ESTIMATED RETAIL THC SALES, 2020 (\$Millions)



### CURRENTLY OPERATING

5 states  
64 million people  
\$8.8 billion of sales

### TARGETING FOR ENTRY IN 2019

4 to 6 states  
>28 million people  
>\$4 billion of sales

## COMBINED ADDRESSABLE MARKET

# 65-75%

of total U.S. market by 2020

Top 15 States:

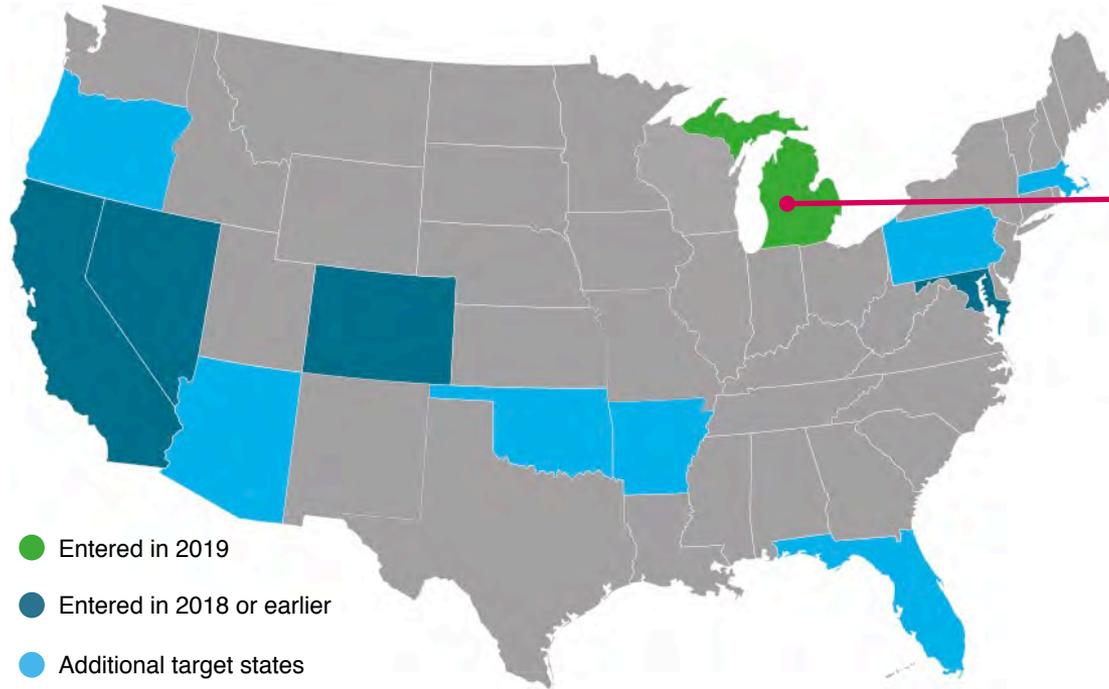
## \$15.2B

Total U.S. market (33 legal states):

## \$16.0B



# EXECUTING ON 2019 EXPANSION STRATEGY



## MICHIGAN

- JV with Choice Labs
- 300,000 medical patients

# FINANCIAL POSITION: FULLY-FUNDED BUSINESS PLAN

## RAISED \$25 MILLION IN OVERSUBSCRIBED SERIES C FINANCING CLOSED OCTOBER 1, 2018

- Use of proceeds: \$18 million to fund expansion strategy
- Debt-free
- Public listing to fund opportunistic corporate development activities

### FULL YEAR 2018:

- On track for \$8 - \$10 million of revenue
- Expecting significant ramp-up in 2019

All figures in U.S. dollars



# STRONG REVENUE AND EBITDA GROWTH PROSPECTS

## REVENUE OUTLOOK\*

2018E:	\$8-10 million
2019E:	\$65-75 million
2020E:	\$140-160 million

## EBITDA OUTLOOK\*

2018E:	Small EBITDA loss
2019E:	~10-15% of revenue
2020E:	~20-25% of revenue

## GROWTH DRIVERS:

- Continued retail penetration within our four existing states
  - Recently re-launched in California (one-third of total U.S. market), state-wide roll-out underway
- Increasing consumer demand for both THC-infused and CBD products
- International licensing and partnership agreements (Latin America, Canada, Australia)

## KEY ASSUMPTIONS BUILT INTO OUTLOOK:

- Begin operating in 4 to 6 new U.S. states by end of 2019, including at least two in first half of the year
- Significant new product innovation in 2019 to expand current portfolio

# CAPITAL STRUCTURE

## SUBORDINATE VOTING SHARES

- 124.8 million shares issued and outstanding -
- 16.5 million options, average price C\$0.66; 35.2 million warrants, average C\$1.46
- Fully diluted: 176.5 million shares
- Recent trading range: US\$0.50 to \$1.13

## LISTINGS

- Canadian Securities Exchange: DIXI.U
- Frankfurt Stock Exchange: 0QV
- OTC listing: application underway

## NON-PARTICIPATING VOTING SHARES

- 500,000 NPV shares, 100 votes each, held by a company controlled by senior management



# EXECUTIVE TEAM

## Charles Smith

President & CEO  
Bella Terra Realty Holdings  
Sagebrush Realty Development  
[Cannabis Trade Federation (CTF)]

## James Feehan

Chief Financial Officer (Interim)  
Coopers & Lybrand

## C.J. Chapman

General Counsel & Secretary  
Brownstein Hyatt Farber & Schreck,  
LLP

## Bob Rubin

President, Therabis  
Solid Gold Pet  
Nature's Variety  
Spectrum Brands

## Trip McDermott

VP Corporate Development, Dixie  
KLR Group  
Rodman & Renshaw

## Kurt Forstmann

VP Corporate Development,  
CBD  
*Renova Capital Partners*  
*KJF LLC*

## Andrew Floor

VP Marketing, Dixie  
Treasury Wine Estates  
Campari America

## Hilal Tabsh

VP Marketing, Aceso  
Limitless Beverage  
Red Bull

**CPG INDUSTRY VETERANS WITH EXPERIENCE IN WINE & SPIRITS, ENERGY DRINKS, PET FOOD, RETAIL**



# BOARD OF DIRECTORS

**Hugo Alves**

President,  
Auxly Cannabis Group Inc.

**Devin Binford**

Managing Member, Acreage  
Holdings

**Brian Graham**

Founder, Rise Investments  
International

**Vincent "Tripp" Keber, III**

Co-founder, Dixie Elixirs and  
Edibles

**Michael Lickver**

Executive Vice President of  
Strategy,  
Auxly Cannabis Group Inc.

**Charles Smith**

President & CEO, Dixie  
Brands Inc.

**Melvin Yellin**

Co-founder and Executive  
Vice President,  
Acreage Holdings

**EXPERIENCED CANNABIS ENTREPRENEURS AND EXECUTIVES**

**BACKGROUNDS IN CONSUMER PRODUCTS, FINANCE, ACCOUNTING, LAW, REAL ESTATE**



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