# RIV Capital Reports Financial Results for the Fiscal Quarter and Nine-Month Transition Period Ended December 31, 2023

*Etain received New York Cannabis Control Board approval to commence adult-use operations in New York*

*Ended the year with $81.9 million of cash to support operationalization of New York market and growth initiatives*

*Reported net loss of $47.3 million for the quarter, primarily related to a non-cash pre-tax impairment charge on goodwill and intangible assets of $48.7 million*

*Subsequent to period end, Etain opened first co-located adult-use and medical dispensary in White Plains, New York*

**TORONTO** – April 29, 2024 – RIV Capital Inc. ("**RIV Capital**" or the "**Company**") (CSE: RIV) (OTC: CNPOF), an acquisition and investment firm with a focus on building a leading multistate platform with one of the strongest portfolios of brands in key strategic U.S. markets, today released its financial results for the three months and nine-month transition period ended December 31, 2023. As previously announced, due to a change in the Company's fiscal year end from March 31st to December 31st, the Company's most recent fiscal year was comprised of three quarters for a total of nine months, which began on April 1, 2023, and ended on December 31, 2023. Further details regarding the change in fiscal year end, including the length and ending dates of the Company's financial reporting periods, are available in the Company's Notice of Change in Year End prepared in accordance with Section 4.8 of National Instrument 48-102 and filed on the Company's SEDAR+ profile at www.sedarplus.ca. All financial information in this press release is reported in U.S. dollars unless otherwise indicated.

## Management Commentary

"During the quarter, RIV achieved a crucial milestone thanks to the years of dedicated efforts of the Etain team in a market we consider to be one of the most promising and significant in the country," said Mike Totzke, COO and interim CEO of RIV Capital. "As one of the inaugural legal operators in New York, Etain has proudly served the state's medical cannabis patients since 2015. We are proud to say that Etain received CCB approval to be one of the first six registered organizations to officially transition to an adult-use license in New York, and Etain has commenced both adult-use retail and wholesale sales. This was a momentous occasion for us, and I am incredibly proud of everything our team has accomplished to bring us here."

Mr. Totzke added, "We started 2024 on the right footing following the launch of Etain's adult-use operations in New York. We were thrilled to expand our operating footprint in the state in February with the opening of Etain's first co-located adult-use and medical dispensary in the beautiful White Plains community. With our deep market experience and established reputation for a high-quality dispensary experience, the customer feedback we have received on the new location has been remarkable. This was a landmark accomplishment, and we are excited about the initial success achieved since opening."

Eddie Lucarelli, CFO of RIV Capital, added, “As our adult-use rollout begins in New York, we believe we have the balance sheet and capital management discipline necessary to support our growth strategy. We intend to maintain a measured approach to identify strategic opportunities to further expand our operations and grow in line with this emerging market.”

## Strategic and Operational Update

### New York Adult-Use Retail

On December 8, 2023, Etain received approval from the New York Cannabis Control Board (the “CCB”) for transition to an adult-use operator. Etain’s fully integrated license authorizes cultivation, processing, distribution and dispensing of adult-use and medical cannabis products (an “ROD License”) in the state.

In connection with this transition, following its fiscal year end, the Company achieved another significant milestone with the opening of Etain’s first co-located adult-use and medical dispensary in White Plains, New York. The Etain White Plains dispensary opened in February, following its relocation from Yonkers. Etain White Plains has experienced a profoundly positive customer response since it first opened its doors, processing more than 7,500 transactions in its first full month of operation in March.

Etain’s ROD License permits opening two additional co-located adult-use and medical dispensaries in the state later this year, which it plans to do.

### Marketing and Product Development

Etain’s ROD License also permits wholesaling to other adult-use and medical dispensaries in New York. Etain continues to add new retail distribution partners and is encouraged by the strong network of adult-use dispensaries opening up across New York.

The Company is focused on utilizing the full capabilities of its new operational enhancements, technological improvements, and expanded customer base to identify opportunities to further diversify its product and brand portfolio to best serve its wide-ranging spectrum of customers and patients in the state.

### Cultivation and Manufacturing Facility Updates

With the recent launch of adult-use operations in New York, the Company has remained focused on supporting its entry into the adult-use market through facility upgrades and expansions. Etain’s Chestertown facility completed a significant expansion during 2023, which included approximately 28,800 square feet comprised of eight new hybrid greenhouse bays, as well as new production space to address the anticipated demands of the adult-use market in New York. Following this expansion, the quality and output of the harvests have continued to improve. The Company is in the process of further improving production capacity to support adult-use growth through various initiatives, including new production machinery to enhance operational efficiencies.

Also, in 2023, Etain received regulatory approval from the Office of Cannabis Management (the “OCM”) for its indoor flagship facility site located in Buffalo, for which construction continues to progress. This facility is expected to more than double Etain’s current cultivation capacity with the addition of indoor grow rooms specifically dedicated to growing premium flower. Etain will require additional OCM approval before the commencement of commercial operations at the flagship facility in Buffalo.

**New York Regulatory Environment**

New York's regulatory environment has seen some positive changes in recent months as well, including a simplification of the state's burdensome tax structure. In particular, the state's FY2025 budget included a reduction in the tax collection burden for cultivators, processors, and distributors by repealing the complex THC potency tax and replacing it with a distribution excise tax of 9%. In addition, the excise tax on medical cannabis has been reduced from 7% to 3.15%. These changes are effective June 1, 2024, and are expected to have a positive impact on the Company's operating cash flows.

The state has also continued to ramp up enforcement efforts in a bid to combat ongoing issues related to the state's illicit cannabis market. These efforts include authorizing the OCM and authorities from counties and cities, including New York City, to padlock businesses immediately following an inspection if they are selling illicit cannabis and pose an imminent threat to health and safety. Illicit operators will also face greater penalties, including the potential loss of alcohol, tobacco, and lottery licenses. Additionally, landlords who knowingly aid or permit illicit market activity face fines and penalties.

The Company commends state officials for their continual effort toward displacing the illicit New York market, which has created unsafe conditions for patients and consumers and unfavorable market pressure on legal cannabis operators.

**Strategic Growth Committee**

The Company's Strategic Growth Committee ("SGC") has continued its work to identify opportunities that it believes will best achieve its strategic goals of unlocking the full value of its New York assets and potentially expanding its geographic footprint to further create value for shareholders. The SGC looks forward to providing an update on any initiatives at the appropriate time.

**Financial Results for the Fiscal Quarter and Nine-Month Transition Period Ended December 31, 2023**

The following is a summary of the Company's financial results for three months and nine-month transition period ended December 31, 2023, the three months ended December 31, 2022, and fiscal year ended March 31, 2023.

As noted above, the Company changed its fiscal year end from March 31st to December 31st. Accordingly, the Company is reporting "fiscal year end" results for the nine-month transition period from April 1, 2023, to December 31, 2023, and, as a result, the comparative figures for the prior fiscal year ended March 31, 2023, are not directly comparable. Furthermore, the comparative operating results reported by the Company for the year ended March 31, 2023, include the operating results for Etain from April 22, 2022, to March 31, 2023.

Unless otherwise indicated, all financial highlights summarized in tables in this press release are presented in thousands of dollars, except share and per share amounts. All references to "$" are to United States dollars.

| Summary Operating Results | | | | |
|---|---|---|---|---|
| | **Three months ended Dec. 31, 2023 (unaudited)** | **Three months ended Dec. 31, 2022 (unaudited)** | **Nine-month transition period ended Dec. 31, 2023 (audited)** | **Fiscal year ended Mar. 31, 2023 (audited)** |
| Revenue | $ 2,172 | $ 2,008 | $ 5,876 | $ 7,250 |
| Excise taxes | (107) | (123) | (328) | (443) |
| **Total revenue, net** | **2,065** | **1,885** | **5,548** | **6,807** |
| Cost of goods sold | 1,542 | 1,087 | 4,984 | 4,372 |
| **Gross profit excluding fair value items** | **523** | **798** | **564** | **2,435** |
| Unrealized loss on changes in fair value of biological assets | (1,150) | (13) | (739) | (31) |
| Realized fair value amounts included in inventory sold | 53 | (2) | 45 | 2 |
| **Gross profit (loss)** | **(574)** | **783** | **(130)** | **2,406** |
| Selling, general, and administrative expenses | 5,524 | 4,801 | 15,634 | 20,502 |
| Impairment of goodwill and intangible assets | 48,650 | - | 48,650 | 138,937 |
| **Operating loss** | **(54,748)** | **(4,018)** | **(64,414)** | **(157,033)** |
| Other loss | (6,784) | (6,305) | (14,858) | (25,142) |
| **Loss before taxes** | **(61,532)** | **(10,323)** | **(79,272)** | **(182,175)** |
| Income tax recovery | (14,216) | (432) | (15,428) | (2,916) |
| **Net loss** | **$ (47,316)** | **$ (9,891)** | **$ (63,844)** | **$ (179,259)** |
| **Other comprehensive loss not subsequently reclassified to net loss** | | | | |
| Net change in fair value of financial assets at FVTOCI, net of tax expense or recovery | (2,281) | (3,073) | (2,286) | (2,813) |
| **Other comprehensive income (loss) subsequently reclassified to net loss** | | | | |
| Foreign currency translation adjustment | (737) | 299 | (598) | (5,248) |
| **Total comprehensive loss** | **$ (50,334)** | **$ (12,665)** | **$ (66,728)** | **$ (187,320)** |
| | | | | |
| **Net loss per share – basic** | **$ (0.35)** | **$ (0.06)** | **$ (0.47)** | **$ (1.09)** |
| **Net loss per share – diluted** | **$ (0.35)** | **$ (0.06)** | **$ (0.47)** | **$ (1.09)** |

| Summary Cash Flows and Financial Position Data | | |
|---|---|---|
| | **Nine-month transition period ended Dec. 31, 2023** | **Fiscal year ended Mar. 31, 2023** |
| Net cash flows from operating activities | $ (11,560) | $ (23,358) |
| Net cash flows from investing activities | 17,407 | (234,899) |
| Net cash flows from financing activities | (1,831) | 18,892 |
| **Net increase (decrease) in cash** | **$ 4,016** | **$ (239,365)** |
| Effect of foreign exchange rate movements on cash held | 403 | (1,873) |
| Cash, beginning of fiscal period(1) | 77,468 | 318,706 |
| **Cash, end of fiscal period** | **$ 81,887** | **$ 77,468** |

| | **As at Dec. 31, 2023** | **As at Mar. 31, 2023** |
|---|---|---|
| Current assets | $ 98,246 | $ 111,906 |
| Non-current assets | 120,831 | 149,912 |
| **Total assets** | **$ 219,077** | **$ 261,818** |
| Current liabilities | $ 19,603 | $ 6,828 |
| Non-current liabilities | 157,353 | 146,143 |
| **Total liabilities** | **$ 176,956** | **$ 152,971** |
| **Total shareholders' equity** | **$ 42,121** | **$ 108,847** |

*(1) At the beginning of the fiscal period for the nine-month transition period ended December 31, 2023, the Company had $20,392 of surplus cash invested in instruments with a maturity of greater than three months, which was classified separate from "Cash and cash equivalents" in the Company's consolidated statements of financial position as at March 31, 2023. During the nine months ended December 31, 2023, these investments matured and were reclassified to "Cash and cash equivalents" upon reinvestment in term deposits with a maturity of less than three months.*

- Revenue, net of excise taxes, was $2.1 million for the three months ended December 31, 2023 ("CQ4 2023"), compared to $1.9 million for the three months ended December 31, 2022 ("CQ4 2022"). Retail revenue of $1.9 million was generated from Etain's medical dispensaries in Manhattan, Kingston, Syracuse, and Yonkers, and wholesale revenue of $0.3 million was generated from sales of Etain-branded products to other medical dispensaries in New York. The Company's reported revenue for CQ4 2023 does not include any contribution from sales to adult-use retail or wholesale customers as the Company did not commence sales in the adult-use market until the first quarter of 2024.

- Cost of goods sold (which excludes unrealized fair value changes included in biological assets and realized fair value changes included in inventory sold) was $1.5 million for CQ4 2023, compared to $1.1 million for CQ4 2022. Cost of goods sold has increased as a percentage of net revenue as the Company has scaled operations at the expanded Chestertown Facility and not yet optimized its productive capacity.

- The Company reported an unrealized loss on changes in fair value of biological assets of $1.2 million for CQ4 2023, compared with a nominal amount for CQ4 2022. During CQ4 2023, Etain reduced its estimated selling price for wholesale bulk flower in its biological assets valuation analysis, which contributed to the unrealized loss described above.

- Based on the foregoing, the Company reported a gross loss of $0.6 million for CQ4 2023, compared to a gross profit of $0.8 million for CQ4 2022.

- Selling, general, and administrative ("SG&A") expenses were $5.5 million for CQ4 2023, compared to $4.8 million in CQ4 2022.

- The most significant factor impacting the Company's reported net loss for CQ4 2023 was an impairment charge of $48.7 million related to the goodwill and intangible assets that the Company had recognized in connection with its acquisition of Etain in 2022. The Company tests its goodwill for impairment annually and when indicators of impairment are present, and tests its finite-life intangible assets for impairment whenever indicators of impairment are present. The impairment charges, which were allocated to goodwill, cannabis license rights, and brands, were primarily driven by a reduction in the Company's projected cash flows for Etain's New York operations due to slower-than-expected market development and illicit market competition, among other factors. Upon the acquisition of Etain, the Company had recognized intangible assets and goodwill of $250.8 million and has since recognized cumulative impairment charges of $187.6 million.

- Income tax recovery was $14.2 million for CQ4 2023, compared with income tax recovery of $0.4 million for CQ4 2022. The income tax recovery for CQ4 2023 was largely driven by the deferred tax impact of the impairment charges.

- Based on the foregoing, the Company reported a net loss of $47.3 million, and a basic and diluted net loss per share of $0.35, for CQ4 2023, compared with a net loss of $9.9 million, and a basic and diluted net loss per share of $0.06, for CQ4 2022. As noted above, the primary factor impacting the net loss for CQ4 2023 was the pre-tax impairment charge on goodwill and intangible assets of $48.7 million.

- The Company reported other comprehensive loss of $3.0 million for CQ4 2023, compared with $2.8 million for CQ4 2022. Amounts included in other comprehensive loss generally relate to the Company's legacy portfolio and foreign currency items.

- Total comprehensive loss was $50.3 million for CQ4 2023, compared with $12.7 million for CQ4 2022. As noted above, the primary factor impacting the comprehensive loss for CQ4 2023 was the pre-tax impairment charge of $48.7 million.

An audio-only recording of RIV Capital's conference call will be available on the Company's website at www.rivcapital.com/investors.

This press release should be read in conjunction with the Company's audited consolidated financial statements and management's discussion and analysis ("MD&A") for the three months and nine-month transition period ended December 31, 2023, which are available under the Company's profile on SEDAR+ at www.sedarplus.ca and on the Company's website at www.rivcapital.com/investors.

**About RIV Capital**

RIV Capital is an acquisition and investment firm with a focus on building a leading multistate platform with one of the strongest portfolios of cannabis brands in key strategic U.S. markets. Backed by in-house expertise and cannabis domain knowledge, RIV Capital aims to grow its own brands and partner with established U.S. cannabis operators and brands to bring them to new markets and build market share. RIV Capital established the foundational building blocks of its active U.S. strategy with its previously announced acquisition of Etain. Through its strategic relationship with The Hawthorne Collective, Inc. ("The Hawthorne Collective"), a subsidiary of The ScottsMiracle-Gro Company ("ScottsMiracle-Gro"), RIV Capital is The Hawthorne Collective's preferred vehicle for cannabis-related investments not under the purview of other ScottsMiracle-Gro subsidiaries.

**Forward Looking Statements**

*This news release contains statements which constitute "forward-looking information" within the meaning of applicable securities laws, including statements regarding the plans, intentions, beliefs and current expectations of RIV Capital and its portfolio companies with respect to future business activities and operating performance. Forward-looking information is often identified by the words "may", "would", "could", "should", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect" or similar expressions and includes information regarding the Company's strategies, objectives, goals, opportunities and plans, including in respect of Etain and its product portfolio; the Company's expectations regarding the proposed regulations for the New York adult-use cannabis market; the Company's liquidity position, including its ability to finance its growth objectives in New York and long-term expansion plans; the Company's plans to open two additional co-located AU and medical dispensaries in New York; Etain's continued additions of new retail distribution partners; the Company's focus on utilizing the full capabilities of its new operational enhancements, technological improvements and expanded customer base to identify opportunities to diversify its portfolio and best serve its customers; the Company's focus on supporting its entry into the AU market through facility upgrades and expansions; the Company's plan to improve production capacity at the Chestertown facility and support AU growth through various initiatives; the Company's expectations regarding Etain's flagship facility site located in Buffalo and its anticipated cultivation capacity; expectations regarding the impact of regulatory tax changes to the Company's operating cash flows; expectations regarding the increased enforcement efforts and penalties in New York for illicit cannabis operations; the SGC's efforts to identify future opportunities for the Company; the benefits of the strategic partnership with The Hawthorne Collective and Scotts Miracle-Gro; and expectations for other economic, business, and/or competitive factors.*

*Investors are cautioned that forward-looking information is not based on historical fact but instead reflects management's expectations, estimates or projections concerning future results or events based on the opinions, assumptions and estimates of management considered reasonable at the date the statements are made. Although RIV Capital believes that the expectations reflected in such forward-looking information are reasonable, such information involves risks and uncertainties, and undue reliance should not be placed on such information, as unknown or unpredictable factors could have material adverse effects on future results, performance or achievements of RIV Capital or its portfolio companies.*

*Among the key factors that could cause actual results to differ materially from those projected in the forward-looking information are the following: the Company's ability to execute its go-forward strategy; stock market volatility; changes in the business activities, focus and plans of the Company, Etain and the Company's investees and the timing associated therewith; the timing of any changes to federal laws in the U.S. to allow for the general cultivation, distribution, and possession of cannabis; regulatory and licensing risks; changes in cannabis industry growth and trends; changes in general economic, business and political conditions, including changes in the financial markets; the global regulatory landscape and enforcement related to cannabis, including* *political risks and risks relating to regulatory change; risks relating to anti-money laundering laws; compliance with extensive government regulation, including RIV Capital's interpretation of such regulation; public opinion and perception of the cannabis industry; divestiture risks; and the risk factors set out in RIV Capital's MD&A filed with the Canadian securities regulators and available on RIV Capital's profile on SEDAR+ at www.sedarplus.ca.*

*Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking information prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected. Although RIV Capital has attempted to identify important risks, uncertainties and factors that could cause actual results to differ materially, there may be others that cause results not to be as anticipated, estimated or intended. RIV Capital does not intend, and does not assume any obligation, to update this forward-looking information except as otherwise required by applicable law.*

For further information:

**Investor Relations contact for RIV Capital:**
ir@rivcapital.com

**Media contact:**
media@rivcapital.com

**Officer contact for RIV Capital:**
Matt Mundy
416-583-5945