

Delta 9 Cannabis Inc.

11:26 31 Mar 2022

Delta 9 Cannabis doubles its retail stores with Uncle Sam's Cannabis Ltd acquisition; reports record 4Q revenue

Delta 9 Cannabis Inc unveiled a flutter of big-ticket news items, highlighted by a key strategic acquisition and it also announced record quarterly and annual revenue for the Canadian cannabis company.

First, the company announced it is growing its presence in western Canada in a big way thanks to its newest acquisition of Uncle Sam's Cannabis Ltd.

The \$12.5 million deal gives Winnipeg, Manitoba-based Delta 9 another 17 retail cannabis stores in Alberta, effectively doubling its store count and adding to its vertically integrated portfolio.

READ: Delta 9 Cannabis announces grand opening of its seventeenth retail store, and twelfth cannabis store in the Province of Manitoba

"We are pleased to have finalized this transaction to grow our market share in the Canadian retail cannabis market with an additional seventeen-store presence," said John Arbuthnot, CEO of Delta 9.

"Delta 9 now has 34 retail cannabis stores in operation across Canada and is positioning as one of the country's largest vertically integrated cannabis retailers. The company has an aggressive growth strategy to actively acquire cannabis retail stores that will provide meaningful revenue growth and positive adjusted EBITDA."

Delta 9 said it expects the Uncle Sam transaction to be accretive in 2022 and 2023 before synergies, and represents a revenue multiple of approximately 0.68x annualized revenue.

In addition to the \$12.5 million cash payment, Uncle Sam received nearly 6.7 million shares of Delta 9 at a deemed price of \$0.277 per share.

Closing of credit facility

In other news, Delta 9 has closed its \$32 million non-dilutive credit facility from Connect First Credit Union Ltd.

The new credit facility improves Delta 9's financial position, lowers its cost of capital and provides funds to complete the purchase of the 17 Uncle Sam's cannabis retail stores, according to CEO Arbuthnot.

"We are pleased that we have lowered our annualized interest costs and principal debt repayments by \$1,020,000 a year. The combined interest rate reductions under Facility 1 represent approximately \$550,000 in annualized interest savings and an additional \$470,000 in annualized principal repayment," Arbuthnot said.

"To our knowledge, the new 4.55% fixed interest rate we are paying is among the most competitive rates established by any public cannabis company to date."

Price: 0.275

Market Cap: \$29.02 m

1 Year Share Price Graph



Share Information

Code: DN

Listing: TSX

52 week High Low
0.61 0.25

Sector: Cannabis

Website: www.delta9.ca

Company Synopsis:

Delta 9 Cannabis Inc. is a vertically integrated cannabis company focused on bringing the highest quality cannabis products to market. The company sells cannabis products through its wholesale and retail sales channels and sells its cannabis grow pods to other businesses. Delta 9's wholly-owned subsidiary, Delta 9 Bio-Tech Inc.

action@proactiveinvestors.com

Investment from Sundial

The firm also revealed a new \$10 million investment by Sundial Growers Inc in the form of senior secured second-lien convertible debentures.

The Sundial debenture is convertible by Sundial into at a conversion price of \$0.35 per share. If Delta 9 completes an offering of equity securities in the six months from the closing of the offering at an issuance price that is equal to or less than \$0.29 per share, the conversion price will be adjusted downward to a share price that is equal to a 20.0% premium to the issuance price of such offering of equity securities provided that, until shareholder approval is obtained by Delta 9.

Delta 9 may, at its option, also convert 100% of the interest accrued and payable for the first quarter ending June 30, 2022 and 50% of the interest accrued and payable for the second quarter ending September 30, 2022 into common shares at a price equal to the 5-Day volume weighted average price as to the date of interest payment.

"Sundial is pleased to expand its successful partnership with Delta 9," said Zach George, CEO of Sundial. "The Sundial debenture is in line with our core philosophy providing downside protection and cash flow with longer-term strategic upside potential. Delta 9 is a leader in the regions in which they compete, and complementary to our current geographical footprint."

Record 4Q and 2021 revenue

Finally, the company reported its 2021 financials highlighted by another year of record revenue at \$62.3 million.

The FY 2021 revenue figure was up 20% compared to \$52 million in 2020, with strong performance from its retail and wholesale divisions, which generated \$40.2 million and 18.5 million respectively.

For the three-month period to end-December, Delta 9 reported another record at \$17.1 million in revenue, up 21% compared to \$14.2 million in the same year-ago period, and adjusted EBITDA (earnings before interest, tax, depreciation and amortization) of \$600,000 compared to \$200,000 in the prior year-ago quarter.

"I am very proud of our Delta 9 team who worked hard to post record revenue results for 2021 against a backdrop of a challenging market environment for cannabis in Canada," said Arbuthnot.

"We remain focused this year to produce growth and improved results as we continue to expand our retail store network, to focus our efforts on sales of our turn key Grow Pods in international markets, and to continue to grow the company's cannabis wholesale division. Delta 9 will continue to execute its vertically integrated and diversified revenue strategies as we continue to accelerate revenue growth and implement prudent control costs."

Contact Angela at angela@proactiveinvestors.com

Follow her on Twitter @AHarmantas

Proactive Investors facilitate the largest global investor network across 4 continents in 4 languages. With a team of analysts, journalists & professional investors Proactive produce independent coverage on 1000's of companies across every sector for private investors, private client brokers, fund managers and international investor communities.

Contact us +44 (0)207 989 0813 action@proactiveinvestors.com

No investment advice

This record is published on behalf of Delta 9 Cannabis Inc., which is a paid client of ProactiveInvestors. You understand that ProactiveInvestors receives either monetary or securities compensation for our services, including for publishing articles, newswires, reports and other records by or on behalf of clients who are issuers or securityholders of issuers. Although Proactive Investors' compensation is not tied to the completion of any financing or sale of any securities, we stand to benefit from any volume such write-ups may generate.

ProactiveInvestors is a publisher. You understand and agree that no content in this record or published on ProactiveInvestors' website (the "Site") constitutes a recommendation that any particular security, portfolio of securities, transaction, or investment strategy is suitable or advisable for any specific person and that no such content is tailored to any specific person's needs. None of the information providers or their affiliates will advise you personally concerning the nature, potential, advisability, value or suitability of any particular security, portfolio of securities, transaction, investment strategy, or other matter.

This record, and any record we publish by or on behalf of our clients, should not be construed as an offer or solicitation to buy or sell products or securities.

The Site may contain opinions from time to time with regard to securities mentioned in other products, including company related products, and that those opinions may be different from those obtained by using another product related to ProactiveInvestors. You understand and agree that contributors may write about securities in which they or their firms have a position, and that they may trade such securities for their own account. In cases where the position is held at the time of publication and such position is known to ProactiveInvestors, appropriate disclosure is made. However, you understand and agree that at the time of any transaction that you make, one or more contributors may have a position in the securities written about. You understand that price and other data is supplied by sources believed to be reliable, that the calculations herein are made using such data, and that neither such data nor such calculations are guaranteed by these sources, ProactiveInvestors, the information providers or any other person or entity, and may not be complete or accurate.

From time to time, reference may be made in our marketing materials to prior articles and opinions we have published. These references may be selective, may reference only a portion of an article or recommendation, and are likely not to be current. As markets change continuously, previously published information and data may not be current and should not be relied upon.