Earnings Update – Fiscal 2024

Vext Science, Inc.

(symbol: VEXTF; VEXT.CN)

Report Date: 04/11/25

12- 24 month Price Target: US$.80

Allocation: 8

Closing Stock Price at Initiation (Closing Px: 01/30/20): US$.55

Closing Stock Price at Allocation Upgrade (Closing Px: 06/02/20): US$.33

Closing Stock Price at Allocation Upgrade (Closing Px: 07/13/21): US$.67

Closing Stock Price at Allocation Upgrade & Target Decrease (Closing Px: 01/11/23): US$.21

Closing Stock Price at Target Decrease (Closing Px: 12/20/23): US$.20

Closing Stock Price at Target Decrease and Allocation Increase (Closing Px: 06/05/23): US$.17

Closing Stock Price at This Update (Closing Px: 04/10/24): US$.096

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Disclosure: Portions of this report are excerpted from Vext's filings, website(s), presentations or other public collateral. We have attempted to identify those excerpts by *italicizing* them in the text. Unless otherwise noted, all prices in this report are in US Dollars.

For Fiscal 2024, Vext reported revenues of $36 million, a pre-tax loss of $21 million and eps of <$.08>. Those numbers compared to our estimates of $36.25 million, a pre-tax loss of $16.3 million and eps of <$.06>. Much of the added pre-tax loss was the result of non-operating year-end adjustments, so from an operating perspective Q4F24 ended largely in line with our estimates. We have not been able to make that claim for several quarters now. That said, we are not going to belabor this update with the minutia of numbers, because there are more topical things to talk about here. We will however reiterate that the past several quarters have provided a difficult environment for the Company primarily driven by the marked contraction in the Arizona cannabis market largely as a result of across the board pricing pressure from excess flower supply. We have argued here often that we think a good portion of that problem is related to the black market, while others take the view that it is the result of poorly regulated markets (which we will buy into as well), but regardless of the reason(s), the impact has been stark, and many of us charged with trying to find the bottom have found that endeavor humbling... we know we have.

At the same time, from an investment perspective, the cannabis industry in general has been deeply out of favor, which has impacted valuations as well as access to capital, which has always been more difficult than for most other industries on the face. Frankly, this particular issue, combined with our "poorly regulated markets" angle above may explain the protracted race to the bottom for prices in Arizona (and several other states) but we won't belabor here either, although we are happy to discuss that with anyone who cares to have the discussion.

In addition to the above, the Company has had to work their way through the process in Ohio, which has included getting all of the operations consolidated, but we think Q4F24 results reflect the culmination of that process and perhaps the end of what has been a perfect (unpleasant) storm for the Company's results. Specifically, Q4F24 reflected the following constructive highlights:

- *Adjusted EBITDA[1] of $3.2 million (vs. $0.5 million in Q4 2023), reflecting profitability expansion as Ohio scaled, supported by operating leverage, continued efficiency, and disciplined cost control.*
- *Cash flow from operations turned positive in reaching $4 million (vs. -$0.7 million YTD at Q3 2024).*
- *Secured approval from the Ohio Division of Cannabis Control ("DCC") to complete the previously announced acquisition of Big Perm dispensaries in Athens and Jeffersonville.* (We believe these will consolidate in Q2F25.
- *On track to reach Ohio's dispensary license cap of eight (8) by early 2026, pending completion of ongoing transactions and additional licensing under the DCC's 10(B) license program.* We have attempted to work these into our model going forward as well.

Looking ahead, while we remain guarded with respect to Arizona prices, we believe management has tightened down the segment and focused the business around the integrated advantages and retail footprint they control. We *think* we have seen most of the downside surprise(s), in which case our model should be in the ballpark. That brings us to Ohio.

With the consolidation of two retail stores complete and two additional in the queue for what looks like 2QF25, visibility is improving markedly, and the new retail pieces should improve operating leverage and drive better marginal financial performance. We also now have better visibility on the remaining 4 stores they are allowed under the law, and those look like they can be consolidated late 2025 through 2026. Here again, we expect those to create additional operating leverage.

In short, we think management's diligence has finally put the wind at their back, and we expect them to start generating operating cash and paying down debt. (To that end, they also recently announced the sale of their medical cannabis processing license in Kentucky for gross proceeds of US$880,000). Moreover, they noted that they intend to eliminate all non-mortgage debt by the end of fiscal 2026. We believe that is entirely possible.

Echoing our closing remarks from our last update, "we reiterate our 12-24 price target of $.80, as well as our elevated allocation of 8. with the view that coming results will vindicate each. We would add, with the stock trading at *less than 1/8th of our price target*, we believe Vext represents the deepest value of all the companies currently in our coverage universe.

Projected Operating Model

Vext Science, Inc.						
Projected Operating Model ($USD)						
By: Trickle Research LLC						
	(estimate)	(estimate)	(estimate)	(estimate)	(estimate)	(estimate)
	3/31/2025	**6/30/2025**	**9/30/2025**	**12/31/2025**	**Fiscal 2025**	**Fiscal 2026**
Sales	$ 10,091,434	$ 12,719,288	$ 12,654,571	$ 12,800,185	$ 48,265,478	$ 67,216,508
Cost of Goods	$ 6,443,180	$ 6,436,484	$ 6,432,657	$ 6,441,267	$ 25,753,588	$ 25,640,085
Gross Profit Before Fair Value Adjustments	$ 3,648,253	$ 6,282,804	$ 6,221,913	$ 6,358,918	$ 22,511,889	$ 41,576,422
Unrealized Change in Fair Value of Biological Assets	$ (952,532)	$ (952,532)	$ (952,532)	$ (952,532)	$ (3,810,130)	$ (3,793,685)
Realized Change in Fair Value of Inventory Sold	$ 1,524,052	$ 1,524,052	$ 1,524,052	$ 1,524,052	$ 6,096,207	$ 6,076,474
Gross Profit	$ 3,076,734	$ 5,711,285	$ 5,650,394	$ 5,787,399	$ 20,225,811	$ 39,293,633
Operating Expenses:						
Accretion	$ -	$ -	$ -	$ -	$ -	$ -
Amortization	$ 2,074,352	$ 2,074,352	$ 2,074,352	$ 2,074,352	$ 8,297,406	$ 8,297,406
Depreciation	$ 132,163	$ 132,163	$ 132,163	$ 132,163	$ 528,651	$ 528,651
Interest	$ -	$ -	$ -	$ -	$ -	$ -
Share Based Compensation	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 400,000	$ 400,000
Salaries, Wages and Commissions	$ 1,304,200	$ 1,396,175	$ 1,393,919	$ 1,378,006	$ 5,472,301	$ 6,102,578
General and Administrative Expense	$ 1,380,447	$ 1,479,517	$ 1,477,077	$ 1,482,567	$ 5,819,609	$ 6,534,062
Other	$ -	$ -	$ -	$ -	$ -	$ -
Total Operating Expense	$ 4,991,161	$ 5,182,206	$ 5,177,511	$ 5,167,088	$ 20,517,966	$ 21,862,697
Other Expenses /Gains:						
Share of Profit/Loss of Joint Ventures	$ (50,000)	$ (50,000)	$ (50,000)	$ (50,000)	$ (200,000)	$ (200,000)
Foreign Exchange (Gain) Loss	$ -	$ -	$ -	$ -	$ -	$ -
Interest (Income) Expense	$ 824,202	$ 777,952	$ 847,327	$ 801,077	$ 3,250,556	$ 2,163,681
Other	$ -	$ -	$ -	$ -	$ -	$ -
Total Other Expenses	$ 774,202	$ 727,952	$ 797,327	$ 751,077	$ 3,050,556	$ 1,963,681
Net Income Before Taxes	$ (2,688,629)	$ (198,873)	$ (324,443)	$ (130,766)	$ (3,342,711)	$ 15,467,255
Income Tax Expense	$ (752,816)	$ (55,684)	$ (90,844)	$ (36,614)	$ (935,959)	$ 4,330,831
Net Income After Taxes	$ (1,935,813)	$ (143,189)	$ (233,599)	$ (94,151)	$ (2,406,752)	$ 11,136,424
Unrealized Gain (Loss) on Foreign Exchange Translation	$ -	$ -	$ -	$ -	$ -	$ -
Other Comprehensive Income						
Total Comprehensive Income	$ (1,985,813)	$ (193,189)	$ (283,599)	$ (144,151)	$ (2,606,752)	$ 10,936,424
Basic Earnings per Common Share	$ (0.01)	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.01)	$ 0.05
Diluted Earnings per Common Share	$ (0.01)	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.01)	$ 0.05
Weighted Average Common Shares Outstanding	245,553,505	245,553,505	245,553,505	245,553,505	245,553,505	245,553,505
Weighted Average Diluted Shares Outstanding	245,553,505	245,553,505	245,553,505	245,553,505	245,553,505	245,553,505

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VEXT has paid fees to present at Trickle's Co-Sponsored Investor Conference.

Portions of this publication excerpted from company filings or other sources are noted in *italics* and referenced throughout the report.

Rating System Overview:

There are no letters in the rating system (Buy, Sell Hold), only numbers. The numbers range from 1 to 10, with 1 representing 1 "investment unit" (for my performance purposes, 1 "investment unit" equals $250) and 10 representing 10 investment units or $2,500. Obviously, a rating of 10 would suggest that I favor the stock (at respective/current levels) more than a stock with a rating of 1. As a guideline, here is a suggestion on how to use the allocation system.

Our belief at Trickle is that the best way to participate in the micro-cap/small cap space is by employing a diversified strategy. In simple terms, that means you are generally best off owning a number of issues rather than just two or three. To that point, our goal is to have at least 20 companies under coverage at any point in time, so let's use that as a guideline. Hypothetically, if you think you would like to commit $25,000 to buying micro-cap stocks, that would assume an investment of $1000 per stock (using the diversification approach we just mentioned, and the 20-stock coverage list we suggested and leaving some room to add to positions around allocation upgrades. We generally start initial coverage stocks with an allocation of 4. Thus, at $1000 invested per stock and a typical starting allocation of 4, your "investment unit" would be the same $250 we used in the example above. Thus, if we initiate a stock at a 4, you might consider putting $1000 into the position ($250 * 4). If we later raise the allocation to 6, you might consider adding two additional units or $500 to the position. If we then reduce the allocation from 6 to 4 you might consider selling whatever number of shares you purchased with 2 of the original 4 investment units. Again, this is just a suggestion as to how you might be able to use the allocation system to manage your portfolio.

For those attached to more traditional rating systems (Buy, Sell, Hold) we would submit the following guidelines.

A Trickle rating of 1 thru 3 would best correspond to a "Speculative Buy" although we would caution that a rating in that range should not assume that the stock is necessarily riskier than a stock with a higher rating. It may carry a lower rating because the stock is trading closer to a price target we are unwilling to raise at that point. This by the way applies to all of our ratings.

A Trickle rating of 4 thru 6 might best (although not perfectly) correspond to a standard "Buy" rating.

A Trickle rating of 7 thru 10 would best correspond to a "Strong Buy" however, ratings at the higher end of that range would indicate something that we deem as quite extraordinary..... an "Extreme Buy" if you will. You will not see a lot of these.