



Kiaro Diversification Delivers 58% Revenue Increase for Year Ended January 31, 2022

HIGHLIGHTS FISCAL YEAR 2022

- **Diversified revenue streams deliver record revenues of \$26.9 million + 58%** over prior year
- **Acquired and successfully integrated two significant businesses**, Ontario based cannabis retailer Hemisphere (doubling Kiaro's retail footprint) and the Vaped eCommerce retailer of vaporizers and accessories with global platforms in Canada, the USA, and Australia
- **Strong retail revenue growth of 45%** from 17 stores, with same store sales increase of 8%
- **Record wholesale revenue growth of 62%** driven by a significant increase in the number of licensed producers and retail customers served
- **Retail margins of 37% are the highest** amongst the top publicly traded Canadian cannabis retailers
- **Recruited highly talented, proven leaders** across the three revenue channels (Retail, Wholesale and eCommerce) positioning Kiaro for continued exponential growth

VANCOUVER, BC, May 26, 2022 /CNW/ - Kiaro Holdings Corp. ("Kiaro" or the "Company") (TSXV: KO) (OTC: KIARF), is today pleased to announce its fourth quarter and year-end financial results for fiscal year 2022 ended January 31, 2022. Significantly expanded retail channel, from 7 to 17 stores, and the addition of experienced results-driven leaders to drive new and expanding revenue channels has delivered record results.

"I am exceedingly proud of the performance of the Kiaro team who navigated the challenges of the pandemic, skillfully integrated the Ontario based Hemisphere retail stores and operationalised the new eCommerce channel. FY 2022's exceptional revenue growth of 58% was driven by all three business units (Retail, Wholesale and eCommerce). Fiscal Year 2023 will again likely see double digit revenue growth following a full 12 months of trading from all three channels." stated Eleanor Lynch, Interim Chief Executive Officer of Kiaro.

Summary of Fiscal Year 2022 Financial Results

Strong organic growth and acquisitions delivered record revenue of \$26.9 million with revenue contributions from Retail of 65%, Wholesale 30% and eCommerce 5%. The Company's Gross Profit of \$7.7 million was year on year growth of 51% up from \$5.1 million. The Company reported that Q4 retail revenues were affected by COVID-19 restrictions (primarily in Ontario), three new store openings in Q4, and the one-time acquisition integration costs. As a result, adjusted EBITDA reduced as a percentage of revenue by 1.3%, from -\$0.7 million in FY2021 to -\$1.5 million in FY2022.

Segment Results & Recent Developments

Retail Operations

Following the Hemisphere acquisition, Kiaro's retail portfolio transformed from 8 retail stores as of July 2021, to 17 open and operating stores, across 3 provinces as of January 2022. Total retail revenue increased 45% to \$17.4 million and due to the operating discipline, same store sales increased 8% over the prior year, which compared favourably to same store growth within key competitors.

Margins held steady at 37% throughout the year and brick and mortar margins are the highest amongst the top publicly traded Canadian cannabis retailers on recent disclosed financial results. The successful management of retail margins reflects Kiaro's skillful buying strategies that encompass category management, well received consumer engagement, promotional cadence and market pricing research.

Additional marketing initiatives including Reserve Online Pick Up In Store ("ROPIS"), MyKiaro and My Hemisphere membership programs, gift card launch, an overhaul to the Company's website and social media platforms, and community initiatives have all contributed to the increase in same-store sales year over year while maintaining its gross margin. This integrated marketing program has resulted in 60% of retail transactions from repeat customers.

Recently, Kiaro recruited an experienced sales leader as Director of Retail to continue to drive an exceptional in-store, curated experience, where customer care and service is paramount. This focus on operational excellence across the expanded portfolio of stores will underpin FY23 expected sales growth.

Wholesale Operations

Acquired in March 2019, National Cannabis Distribution ("NCD") performance has excelled, with wholesale revenue of \$8.1 million up 62% over the prior year, and gross profit growth of 73% to \$922,772.

NCD's growth accelerated following the recruitment of a highly experienced General Manager, engaged to propel the business and expand the team. Improved supply of premium products and exceptional customer service has doubled the number of exclusive Licensed Producer agreements. Kiaro's market reach extends to 70% of licensed retailers and a share in sales volume of only 10%-15% presents a significant growth opportunity to increase penetration with retail partners.

The NCD growth outlook remains strong as vault capacity and the product assortment will be expanded to include higher margin accessories and beverages to service increasing demand for broader categories.

eCommerce

By acquiring the Vaped global eCommerce platform that sells vaporizers and accessories (Vaped.ca, Vaped.com, VaporizersDirect.com.au), Kiaro is well positioned for growth in the online space. The transaction expands business operations in Canada and adds new business and revenue streams in Australia and the United States, collectively providing positive EBITDA contributions.

In FY2022 and for the approximate half year of Kiaro-controlled operations, Vaped contributed \$1.3 million in revenue and 20% gross profit (net of freight). This represents a 42% growth over the same period from the prior operator.

Leading the team is a recently recruited highly talented Director of eCommerce, who is driving organizational focus on the eCommerce business and will enhance the digital capability across the organization to continue Kiaro's expansion as a leader in omni-channel retail and distribution.

Customer response times have greatly improved from an elapsed time of over 48 hours to less than 2 hours with "human" interaction retained. Additionally, service and content offerings continue to be expanded in response to customer demands. This ensures that Kiaro's customers can access information services, and cannabis and non-cannabis products in ways that are convenient, safe, and accessible. Based on a full year

trading and with initiatives that have already been operationalized Kiaro anticipates eCommerce triple digit revenue growth for FY 2023.

Summary & Outlook

Interim Chief Executive Officer Eleanor Lynch stated that “Kiaro is well positioned to achieve double digit organic growth as the business fundamentals and a highly talented team of people are in place to drive performance and execute key initiatives. High growth is always exciting, but the most pleasing aspect of our diversified business is the common thread in all our operations - a careful dedication to delivering a service experience far superior to our competitors. This is recognised and appreciated by our customers, business partners and the communities in which we operate.”

“Kiaro’s transformation and growth is entirely due to the skill and hard work of the Kiaro team. The business has flourished as they have worked tirelessly through a period of significant expansion with external challenges. Thank you to the Kiaro family and to our business partners who have contributed to Kiaro’s growth.”

On behalf of Kiaro Holdings Corp.

Eleanor Lynch
Interim Chief Executive Officer

Cautionary Note Regarding Non-GAAP Measures

This news release refers to certain financial performance measures that are not defined by and do not have a standardized meaning under IFRS (termed "**Non-GAAP measures**"). These Non-GAAP measures are defined in the MD&A (as defined below). Non-GAAP measures are used by management to assess the financial and operational performance of the Company. The Company believes that these Non-GAAP measures, in addition to conventional measures prepared in accordance with IFRS, enable investors to evaluate the Company's operating results, underlying performance, and prospects in a manner similar to the Company's management. As there are no standardized methods of calculating these Non-GAAP measures, the Company's approaches may differ from those used by others, and accordingly, the use of these measures may not be directly comparable. These Non-GAAP measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

- Adjusted EBITDA is calculated as net loss excluding finance income (expense), income taxes, depreciation, amortization, share-based compensation, loss on modification and extinguishment of debt, foreign exchange, changes in fair value of financial instruments, inventory write-down, lease termination loss, and loss on sublease and non-cash impairment of equity investments, loss on sale of financial instruments, impairment of long-lived assets, goodwill, and other assets, and the transaction cost of certain transactions. Adjusted EBITDA is intended to provide a proxy for the Company's operating cash flow and is widely used by industry analysts to compare Kiaro to its competitors and derive expectations of future financial performance for Kiaro. Adjusted EBITDA increases comparability between comparative companies by eliminating variability resulting from differences in capital structures, management decisions related to resource allocation, and the impact of fair value adjustments on financial instruments, which may be volatile and fluctuate significantly from period to period.

Consolidated Financial Statements and MD&A

The results discussed herein are a summary and are qualified in their entirety by reference to the Company's audited consolidated financial statements and accompanying notes (the "**Financial Statements**") for the three and twelve months ended January 31, 2022 and related MD&A (the "**MD&A**") of financial condition and results of operations, copies of which are available under the Company's profile on SEDAR and the Company's Investor Relations website at investors.kiaro.com.

Kiario Holdings Corp (TSXV:KO) ("Kiario") is a trusted, diversified, omni-channel public cannabis company headquartered in Vancouver, British Columbia. Kiario is a licensed cannabis retailer, a wholesale distributor, and an eCommerce retailer of vaporizers and accessories. Kiario is dedicated to introducing new and experienced consumers to a lifelong exploration of cannabis.

Closely connected to the communities in which it operates and trading under the Kiario and Hemisphere Brands, Kiario has 17 professionally operated, best in class retail locations in British Columbia, Ontario and Saskatchewan. The wholesale business, National Cannabis Distribution (NCD) is fast growing as it expands its services within Saskatchewan. The eCommerce business (acquired in July 2021) has 3 sites (Vaped.ca, Vaped.com & VaporizersDirect.com.au) operating in Canada, the US and Australia.

With more than 80 years of collective retail, wholesale and eCommerce experience, Kiario's leadership team has a proven track record of growing brands across North America and executing on acquisitions and financings. The Company plans to continue its growth trajectory through consumer-centric retail, eCommerce, and wholesale distribution segments.

Forward-Looking Information

This news release contains statements that may constitute "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information may include, among others, statements regarding the future plans, costs, objectives or performance of Kiario, or the assumptions underlying any of the foregoing. In this news release, words such as "may", "would", "could", "will", "likely", "believe", "expect", "anticipate", "intend", "plan", "estimate" and similar words and the negative form thereof are used to identify forward-looking statements. In this news release, forward-looking statements relate, among other things, to: future financial performance, execution of key initiatives, retail expansion, overall growth of the Canadian cannabis market and retail opportunities, the award of new operating permits and licenses in various jurisdictions, Forward-looking statements should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether, or the times at or by which, such future performance will be achieved. No assurance can be given that any events anticipated by the forward-looking information will transpire or occur. Forward-looking information is based on information available at the time and/or management's good-faith belief with respect to future events and are subject to known or unknown risks, uncertainties, assumptions and other unpredictable factors, many of which are beyond Kiario's control. These risks, uncertainties and assumptions include, but are not limited to, those described in filing statement of the Company dated September 29, 2020, a copy of which is available on SEDAR at www.sedar.com, and could cause actual events or results to differ materially from those projected in any forward-looking statements. Accordingly, readers should not place undue reliance on the forward-looking statements and information contained in this news release. Kiario does not intend, nor undertake any obligation, to update or revise any forward-looking information contained in this news release to reflect subsequent information, events or circumstances or otherwise, except if required by applicable laws.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

For more information about the Company, including the most recent analyst report, please visit investors.kiario.com.

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