

# Hill Street Provides Business Update at One Year Mark Since its Transformational DehydraTECH™ Rights Acquisition

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TORONTO, Dec. 16, 2021 /CNW/ - Hill Street Beverage Company Inc. ("**Hill Street**" or the "**Company**") (TSXV: BEER) provides a recap and business update at the one-year mark since its transformative acquisition of the usage rights to DehydraTECH™ fast-acting cannabinoid delivery system technology in connection with non-pharmaceutical products containing 0.30% or greater tetrahydrocannabinol ("**THC**").

Since the transaction was completed one year ago, the Company has fundamentally transformed its business model, rapidly mobilizing to monetize this patented intellectual property ("**IP**") by deploying a state-by-state US rollout model to continue to accelerate financial and operational progress.

## **The Transformative Power of DehydraTECH™**

"Even at this early stage, the transformative power of the DehydraTECH™ licensing business on financial performance is very evident delivering extremely favorable margin contribution and the abundant potential to pursue global scale over time", commented Craig Binkley, Co-CEO of Hill Street. "Recent fiscal Q1 2022 reporting showed a 129% increase in gross profit for the quarter, versus same quarter one year ago, fueling a dramatic increase in gross profit margin of 51% from 38% in the prior year. The B2B licensing model also fundamentally changes other key financial metrics, as it does not require the levels of product inventory and working capital investment that are required to operate our legacy alcohol-free beverage business".

## **Commercialization of DehydraTECH™**

The path to commercialization of DehydraTECH™ IP post-acquisition of our usage rights was rapidly operationalized through both the organic growth of existing licensees of the technology and a systematic strategy for the addition of new licensees.

During the second half of fiscal 2021, the Company focused on expanding existing licensing relationships for DehydraTECH™ with companies operating commercially in California, Colorado, Illinois, Massachusetts, and Oklahoma. These states are expected to represent \$12.9B in cannabis sales in 2021<sup>1</sup>. For example, the Company's major licensee, the producer of 'Nuka 1906'-branded products publicly announced plans to expand its operations well beyond their current geographic footprint. Additionally, the Company's California DehydraTECH™ licensee, Cannadips, launched a new fast-acting THC-infused line of its top-selling CBD dip pouch products into the state's massive cannabis market.

In a push to expand cutting-edge DehydraTECH™ technology further into the US with B2B market scale, the Company entered additional states via new licensing agreements and by leveraging its R&D and operational learning to create a new and aggressive model for state-by-state expansion. To this end, on July 27<sup>th</sup>, 2021, the Company executed a major new DehydraTECH™ licensing agreement in Michigan with DeHydr8 MI, LLC ("**DeHydr8**"). With this agreement, DeHydr8 became Hill Street's first US licensee to gain rights to market DehydraTECH™ for THC cannabis products within both the B2B and B2C markets.

## Development of State-by-State DehydraTECH™ Expansion Model

"We have used our experiences gained through this last year to create a scalable operating model for state-by-state expansion of the DehydraTECH™ licensing business. The playbook, as demonstrated first in Michigan, follows a five-step process from start to monetization over an approximately 5-month period", said Lori Senecal, Co-CEO of Hill Street. "During this period, we develop a relationship with a contract manufacturer or licensed producer (an "LP"), negotiate and enter into a licensing agreement with such partner, and then the partner develops end THC products using DehydraTECH™ technology for production and retail launch".

## The Michigan DeHydr8 Team Has Quickly Proven Out the Model

Throughout August and September, DeHydr8 leveraged both its deep relationships and years of experience in the cannabis market to enter into agreements with top quality LPs to produce consumer products powered by DehydraTECH™. During October, extensive product R&D, testing and regulatory compliance procedures were performed. Production followed in November and the first products hit the retail marketplace on December 1, 2021.

Currently, Michigan has purchase orders to produce over 20 million milligrams of DehydraTECH™ through March 2022 for infusion into form factors including powder mixes, gummy edibles and topicals for both the medical use and adult use markets.

The progress in this first year following the acquisition of DehydraTECH™ IP rights has been formidable, and the opportunity for future growth is clear. The total US market is projected by BDS Analytics to reach \$24B in sales in 2021 and to practically double to \$47.6B in 2026<sup>2</sup>, with continued growth in current markets as well as several large states becoming newly legal expansions for adult use. Four new US states passed legalization measures in the November 2020 elections, and four more new states have approved legalization measures in 2021. Approximately 70% of Americans now live in a state that has legalized marijuana for medical or adult-use, creating a vast opportunity to be captured with the expansion of the DehydraTECH™ footprint.

<sup>2</sup> BDSA Reports Global Cannabis Sales Surge 41% YoY in 2021; Will Surpass \$62 Billion by 2026" - <https://www.yahoo.com/news/bdsa-reports-global-cannabis-sales-130000521.html>

## About Hill Street Beverage Company Inc. (TSXV: BEER)

**Hill Street Beverage Company Inc.** is a progressive non-alcoholic beverage and cannabis solutions company. We are pioneering the space where craft consumer products meet bioscience by combining our deep CPG expertise and our rights to use **Lexaria Bioscience Corp.'s** ground-breaking **DehydraTECH™** patent portfolio for product development, licensing and B2B sales of cannabis ingredients.

**Hill Street Beverage** brands include a portfolio of award winning **Vin(Zero)** alcohol-free wines. **Hill Avenue Cannabis** brands include **(V)ia Regal** Pink and White Grape Sparklers.

For more information on our **Hill Avenue Cannabis** business activities or to check out **Hill Street Beverage's** award-winning alcohol-free line-up and order product to be delivered straight to your home go to [www.hillstreetbeverages.com](http://www.hillstreetbeverages.com)


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Statements in this press release may contain forward-looking information. Any statements in this press release that are not statements of historical fact may be deemed to be forward-looking statements. Forward-looking statements are often identified by terms such as "may", "should", "would", "anticipate", "expects", and similar expressions. The reader is cautioned that assumptions used in the preparation of any forward-looking information may prove to be incorrect. Events or

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CNW 08:30e 16-DEC-21