

# Indiva Reports First Quarter 2024 Results

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Indiva Remains the National Market Share Leader in the Edibles Category

[INDIVA Ltd.](#) (the "Company" or "Indiva") (TSXV:NDVA), the leading Canadian producer of cannabis edibles, is pleased to announce its financial and operating results for the first fiscal quarter ended March 31, 2024. All figures are reported in Canadian dollars (\$), unless otherwise indicated. Indiva's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). For a more comprehensive overview of the corporate and financial highlights presented in this news release, please refer to Indiva's Management's Discussion and Analysis of Financial Condition and Results of Operations for the Three Months Ended March 31, 2024, and the Company's Condensed Consolidated Interim Financial Statements for the Three Months Ended March 31, 2024 and 2023, which are filed on SEDAR+ and available on the Company's website, [www.indiva.com](http://www.indiva.com).

"We are very pleased with our performance in the first quarter of 2024, our seasonally weakest quarter. Indiva's business has transformed in the last year, as greater than 50% of our net revenue, specifically the revenue from Wana which has declined due to the transition to contract manufacturing, and the elimination of revenue from lozenges, has been replaced in the last 12 months. Now that these difficult cross currents have subsided, Indiva is positioned to demonstrate sustainable organic growth in its core brands without fighting against the loss of revenue from Wana and lozenges," said Niel Marotta, President and Chief Executive Officer of Indiva. "Growth in our core brands, namely Pearls gummies, where depletions in the big three provinces have more than doubled year-over-year, and the continued growth of the No Future and Blips brands, more than offset the loss of net revenue caused by the movement to contract manufacturing of Wana and the discontinuation of lozenges caused by regulatory requirements. Greater than 30% of our net revenue in Q1 2024 was derived from brands created and owned by Indiva, including Indiva 1432 Chocolate, Indiva Blips tablets, Indiva Doppio Sandwich Cookies, and No Future Gummies and Vapes, up from 20% of net revenue in Q1 2023. Indiva remains committed to product innovation that will support both industry and edible category growth and we have a robust pipeline of new products across No Future, Pearls and Indiva Blips brands which will hit market between June and September of 2024."

## HIGHLIGHTS

### Quarterly Performance

- Gross revenue in Q1 2024 was \$10.6 million, representing a 15.2% sequential decrease from Q4 2023, and a 2.6% increase year-over-year from Q1 2023.
- Net revenue in Q1 2024 was \$9.3 million, representing a 14.1% sequential decrease from Q4 2023 due to seasonal factors, and a 0.9% decrease year-over-year from Q1 2023, driven primarily by strength in core brands, including Pearls by Grön, where net revenue grew by greater than 160% year-over-year, as well as strong contribution from No Future gummies, which was offset by weaker revenue from Wana Sour Gummies, which reported 85% lower net revenue year-over-year, due to the transition to contract manufacturing in June of 2023. The loss of revenue from lozenges, due to Health Canada's removal from market, following a determination that these are edible products, reduced net revenue in the quarter by greater than \$1.3 million versus Q1 2023. In aggregate, the decline in Wana and loss of lozenge revenue totalled \$4.9 million of net revenue. This reduction in net revenue from Wana and lozenges was more than offset by growth in Pearls by Grön and the introduction of No Future gummies and vapes, which in total accounted for greater than \$5.2 million of incremental net revenue in the quarter.
- Net revenue from edible products was \$8.4 million in Q1 2024, or 89.7% of net revenue, up 14.5% from \$7.3 million in the prior year period, driven by strength in core brands offset by weakness in Wana.
- Gross profit increased 18.4% to \$2.8 million or 29.7% of net revenue compared to \$2.3 million or 24.8% of net revenue in Q1 2023 due to lower impairments of inventory and positive mix impact. Gross profit before inventory write-down was \$2.8 million or 29.8% of net revenue, a decrease versus Q4 2023 and a 11.9% decrease versus Q1 2023, driven by one-time adjustments in property taxes and an increase in overhead costs.

- In Q1 2024, Indiva sold products containing 186 million milligrams of cannabinoids, the active ingredient in its products, which represents a 14.7% decrease when compared to the 218 million milligrams in product sold in Q4 2023, and a 66.3% increase compared to 112 million milligrams sold in Q1 2023.
- Impairment charges in the quarter totaled \$17,450, a record low, driven by process improvement and an impairment recovery on certain raw materials. This impairment includes a write off of products that did not meet the Company's quality standards and aged finished goods.
- Operating expenses in the quarter decreased 0.7% year over year to \$3.2 million, or 34.4% of net revenue versus 28.9% in Q4 2023 and 34.3% in Q1 2023.
- EBITDA was a loss of \$0.2 million in the quarter. Adjusted EBITDA decreased sequentially in Q1 2024 to a profit of \$0.1 million, versus a profit of \$1.5 million in Q4 2023, and a profit of \$0.4 million in Q1 2023. See "Non-IFRS Measures", below.
- Comprehensive net loss was \$1.8 million in Q1 2024 and included one-time expenses and non-cash charges including inventory impairments. This is an improvement from a loss of \$2.3 million in Q1 2023. Excluding these charges, comprehensive loss declined to \$1.6 million in Q1 2024 or EPS of (\$0.01) versus a loss of \$1.3 million in Q1 2023 or EPS of (\$0.01).

## Market Share

- Data from provincial wholesalers for the first quarter of 2024 shows Indiva's leadership in the edibles category continues. Indiva holds the #1 ranking in market share by sales and units sold in the edibles category across British Columbia (31.5% share), Alberta and Ontario (27.6% share) driven by continued growth of Pearls by Grön gummies, No Future gummies, Bhang Chocolate, 1432 Chocolate and Doppio Sandwich Cookies. Indiva also holds the #1 SKU ranking by sales and units sold in the edibles category with Pearls Blue Razzleberry 3:1 CBG/THC gummies followed by the #2 SKU with Blackberry Lemonade 1:1:1 CBN/CBD/THC gummies.

## Operational Highlights for the First Quarter 2024

- No Future gummy performance: Since their introduction in August 2023, Indiva has sold greater than 4 million No Future gummies. Aggregate weekly depletions for No Future gummies continue to rise, as the brand and its value proposition continue to gain awareness with consumers and budtenders.
- LIFE financing: On March 4, 2024, Indiva announced the closing of its previously announced private placement offering pursuant to the listed issuer financing exemption pursuant to Part 5A of National Instrument 45-106 - Prospectus Exemptions, first announced on January 22, 2024, and then amended and restated on February 28, 2024, pursuant to which the Company issued 9,060,000 units of the Company for aggregate gross proceeds of \$906,000.
- New Product Introductions:
  - No Future: Indiva launched four additional No Future 1.2g 510 vapes including Grape Ape Indica, Peach Punch Sativa, Tropical Island Haze Sativa, and Pink Grapefruit Kush Indica, bringing total No Future vape SKUs in market to nine. Additionally, the Company launched three new No Future gummy flavours, including the Red One and the Pink One. Additionally, the Company launched No Future Fatty Patty, an innovative chocolate covered cookie dough edible with 10mg THC.
  - Blips: Indiva has launched a 55-pack to complement the existing 25-pack of these innovative tablets. The 55-pack is available in Alberta and British Columbia, with the Ontario launch slated for June 2024.
  - Pearls: Indiva launched Pearls Lemon Dream CBN 25-pack, which follows on the success of Marionberry CBG 25-pack, and Peach Mango CBD 25-pack. Lemon Dream is now available in licensed stores in British Columbia, Alberta and Ontario.

## Events Subsequent to Quarter End

- New product introductions:
  - No Future: Indiva shipped a new gummy called No Future Stupidly Sour Gummies to Alberta and British Columbia, with Ontario set to launch in August and September. Stupidly Sour Gummies come in three flavours including Arctic Meltdown Blues, Key Lime Cherry Revolt and Citrus Chaos. These additions bring total No Future gummy SKUs in market to ten.
  - Indiva Blips: Indiva broadened its offering of Indiva Blips Tablets, with two additional new 20-count SKUs, one with a cannabinoid ratio of 1:2 THC:CBG, which will ship to British Columbia and Alberta in May, and the other with 1:1 THC:CBD, which will also ship to Alberta in May.
  - Pearls gummies: Indiva shipped a new 5-pack Pearls SKU called Red Razzleberry. With a cannabinoid ratio of 1:1:1 THC:CBD:CBG, this new product piggybacks on the success of the bestselling cannabis product in Canada, Pearls Blue Razzleberry

- **Loan Amendment with SNDL:** As announced on April 2, 2024, Indiva repaid \$2,000,000 of the principal amount outstanding pursuant to the amendment to the second amended and restated promissory note between Indiva and SNDL Inc. (the "Amended Term Loan") and shall work to reduce other current liabilities in the near term. In consideration for the repayment of \$2,000,000, the amendment removed the Company's covenant under the Amended Term Loan to ensure a \$2,000,000 minimum unrestricted cash balance at all times. The maturity date of the Amended Term Loan continues to be February 24, 2026.
- **Engagement of Advisor:** The Company has retained SSC Advisors (the "Advisor"), as its financial advisor, to assist the Company in the evaluation of potential strategic alternatives intended to maximize shareholder value, including but not limited to, financing alternatives, a merger, amalgamation, plan of arrangement, consolidation, reorganization or other similar transactions. SNDL and Indiva continue to act as commercial partners and SNDL remains supportive of Indiva and this process. SSC Advisors can be reached through Aaron Salz at aaron@sscadvisors.com. There is no set timetable to complete the strategic review process nor have any decisions been made relating to strategic alternatives at this time. There can be no assurance that the strategic review will result in any binding offer or transaction.

## Outlook

- The Company expects that Q2 2024 net revenue will be higher on a sequential basis and year-over-year, expected to exceed \$10 million, based on the strength of purchase orders from provincial wholesalers and deliveries to date in the quarter. April 2024 was a record month for net revenue, with growth driven by continued strength in Pearls gummies, and the contribution to revenue from No Future gummies and Indiva Blips tablets. Margins are also expected to improve sequentially in Q2 2024 due to higher sales, improved product mix and improved overhead absorption. For the fiscal year 2024, the Company expects to generate record net revenue and record EBITDA, driven by continued strength in its core brands, bolstered by new product introductions and continued efficiency gains at the production facility from automation and process improvements.

## OPERATING AND FINANCIAL RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2024

	Three months ended	
	March 31	
(in thousands of \$, except gross margin % and per share figures)	2024	2023
Gross revenue	10,642.1	10,369.3
Net revenue	9,328.5	9,412.1
Gross margin before inventory write-down	2,784.3	3,161.4
Gross margin before inventory write-down (%)	29.8%	33.6%
Loss and comprehensive loss	1,770.1	2,252.4
Adjusted EBITDA <sup>1</sup>	119.6	414.8
EBITDA <sup>1</sup>	(191.4)	(613.1)
Earnings per share - basic and diluted	(0.01)	(0.01)
Comprehensive earnings per share - basic and diluted	(0.01)	(0.01)

<sup>1</sup> See "Non-IFRS Measures", below.

## Operating Expenses

	Three months ended	
	March 31	
(in thousands of \$)	2024	2023
General and administrative	1,573.3	1,584.7
Marketing and sales	1,270.6	1,212.0
Research and development	151.1	266.7
Share-based compensation	117.8	66.1
Depreciation of property, plant and equipment	40.0	50.2
Amortization of intangible assets	51.9	51.9
Expected credit loss	4.9	0.5
Total operating expenses	3,209.6	3,232.0

CONFERENCE CALL - Thursday, May 23, 2024 at 10:30 a.m. (EDT):

The Company will host a conference call to discuss its results on Thursday, May 23, 2024 at 10:30 a.m. (EDT). Interested participants can join by dialing 289-514-5100 or 1-800-717-1738. The conference ID is 83291.

A recording of the conference call will be available for replay following the call. To access the recording please dial 289-819-1325 or 1-888-660-6264. The replay ID is 83291#. The recording will remain available until Thursday, June 20, 2024.

## ABOUT INDIVA

Indiva is proud to be Canada's #1 producer of cannabis edibles. Indiva sets the gold standard for quality and innovation with award-winning products across a wide range of brands including Pearls by Grön, No Future Gummies and Vapes, Bhang Chocolate, Indiva Blips Tablets, Indiva Doppio Sandwich Cookies, and Indiva 1432 Chocolate. Indiva manufactures its top-quality products in its state-of-the-art facility in London, Ontario, and has a corporate workforce remotely distributed across Canada. Connect with Indiva on LinkedIn or Instagram, or visit Indiva's website to find more information on the Company and its products.

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Certain statements contained in this news release constitute forward-looking information. These statements relate to future events or future performance. The use of any of the words "could", "intend", "expect", "believe", "will", "projected", "estimated" and similar expressions and statements relating to matters that are not historical facts are intended to identify forward-looking information and are based on the parties' current belief or assumptions as to the outcome and timing of such future events. Actual future results may differ materially. In particular, this news release contains forward-looking information relating to, among other things, (i) the Company's outlook for and expected operating margins and future financial results, including

the Company's ability to achieve record net revenue and EBITDA, sequential and year-over-year growth of net revenue and to achieve higher gross margins over time due to higher sales, improved product mix and improved overhead absorption, (ii) the projected growth of its business and operations (including existing and new segments thereof), and the future business activities of, and developments related to, the Company within such segments after the date of this news release, (iii) additional jurisdictions within which the Company may establish its operations or business footprint, (iv) the Company's ability to capture and/or maintain its market share in any jurisdiction, (v) the Company's ability to deliver on its commitments for existing or new listings of products, (vi) the Company's ability to benefit from its licensing deals, (vii) the Company's ability to continue to innovate and introduce new products, (viii) the Company's ability to monetize any impaired inventory which remains saleable, (ix) the Company's ability to conduct sensory evaluation trials of medicated samples on site, (x) the Company's ability to deliver new products to the market within a set timeframe, if at all, (xi) the proposed telephone conference call being held by the Company on May 23, 2024, and (xii) the ability of the Company and the Advisor to identify and evaluate strategic alternatives. Various assumptions or factors are typically applied in drawing conclusions or making the forecasts or projections set out in forward-looking information. Those assumptions and factors are based on information currently available to the Company, and include, without limitation, assumptions about the Company's future business objectives, goals, and capabilities, the cannabis market, the regulatory framework applicable to the Company and its operations, and the Company's financial resources. Although the Company believes that the assumptions underlying, and the expectations reflected in, forward-looking statements in this news release are reasonable, it can give no assurance that such expectations will prove to have been correct. A number of factors could cause actual events, performance or results to differ materially from what is projected in the forward-looking statements. Specifically, readers are cautioned that forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, as applicable, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to: (i) the available funds of the Company and the anticipated use of such funds, (ii) the availability of financing opportunities, (iii) legal and regulatory risks inherent in the cannabis industry, (iv) risks associated with economic conditions, (v) dependence on management, (vi) public opinion and perception of the cannabis industry, (vii) risks related to contracts with third-party service providers, (viii) risks related to the enforceability of contracts, (ix) reliance on the expertise and judgment of senior management of the Company, and ability to retain such senior management, (x) risks related to proprietary intellectual property and potential infringement by third-parties, (xi) risks relating to the management of growth and/or increasing competition in the industry, (xii) risks associated to cannabis products manufactured for human consumption, including potential product recalls, (xiii) risks related to the economy generally, and (xiv) risk of litigation.

The forward-looking information contained in this news release is made as of the date hereof and the Company is not obligated to, and does not undertake to, update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable securities laws. Because of the risks, uncertainties and assumptions inherent in forward-looking information, investors should not place undue reliance on forward-looking information. The foregoing statements expressly qualify any forward-looking information contained herein.

This news release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about the Company's prospective results of operations, which are subject to the same assumptions, risk factors, limitations, and qualifications as set out in the above paragraph. FOFI contained in this news release was approved by management as of the date of this news release and was provided for the purpose of providing further information about the Company's future business operations. The Company disclaims any intention or obligation to update or revise any FOFI contained in this news release, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained in this document should not be used for purposes other than for which it is disclosed herein.

## Non-IFRS Measures

This news release makes reference to certain non-IFRS measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS, and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS.

The non-IFRS measure used in this news release includes "Adjusted EBITDA". The Company calculates

Adjusted EBITDA as a sum of net revenue, other income, cost of inventory sold, production salaries and wages, production supplies and expense, general and administrative expense, and sales and marketing expense, as determined by management. Adjusted license fee eliminates 50% of the fee which is equivalent to the Company's share of the joint venture company to which the license fee is paid. Adjusted EBITDA is provided to assist readers in determining the ability of the Company to generate cash from operations and to cover financial charges. Management believes that Adjusted EBITDA provides useful information to investors as it is an important indicator of an issuer's ability to generate liquidity through cash flow from operating activities and equity accounted investees. Adjusted EBITDA is also used by investors and analysts for assessing financial performance and for the purpose of valuing an issuer, including calculating financial and leverage ratios. The most directly comparable financial measure that is disclosed in the financial statements of the Company to which the non-IFRS measure relates is income (loss) from operations.

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