

HempFusion Closes Acquisition of Sagely Naturals

DENVER--(BUSINESS WIRE)--July 7, 2021--HempFusion Wellness Inc. (TSX:CBD.U) (OTCQX:CBDHF) (FWB:800) (“HempFusion” or the “Company”), a leading health and wellness Company offering premium probiotic supplements and products containing CBD, is pleased to announce that it has completed the previously announced acquisition of Sagely Enterprises Inc. (“Sagely Naturals”), a leader in premium CBD products with mass distribution in more than 14,000 retailers nationwide.

Acquisition Highlights:

- 2020 net revenue of over \$4.19 million; and when combined with the closing of the Company’s previously announced proposed acquisition of APCNA Holdings LLC (“Apothecanna”), will more than triple HempFusion’s 2020 revenue with significant expansion planned for 2021 and beyond
- Immediate distribution to up to 14,000 additional stores, materially increasing HempFusion’s distribution footprint
- Opportunity to introduce ingestible CBD products in up to 14,000+ stores in Sagely Naturals’ retail distribution footprint
- Complementary but not directly competing product offerings provide significant cross-platform opportunities through each of the companies’ respective distribution channels
- Product efficiencies across the topicals line while delivering a near-term opportunity for further expansion into ingestible products supported by HempFusion’s proprietary formulations
- HempFusion’s substantial investment into regulatory compliance will help solidify Sagely Naturals’ leadership position in the CBD industry
- Sagely Naturals has been included on HempFusion’s Novel Foods Application Dossier with the United Kingdom’s Regulatory Food Safety Agency for future European expansion
- Sagely Naturals’ C-Suite brings operational excellence including best-in-class marketing, proven innovation, and advantaged customer/channel relationships to HempFusion’s family of brands

“We are incredibly excited to complete the acquisition of Sagely Naturals which provides HempFusion with a significant increase in revenue and immediate distribution to up to an additional 14,000 retail points nationally,” commented Jason Mitchell, N.D., Chief Executive Officer of HempFusion. “Integration has been well underway over the past several weeks and we look forward to driving shareholder value through continued growth in 2021 and 2022 both domestically and internationally with our expanding family of brands,” continued Dr. Mitchell.

The acquisition was completed pursuant to the terms of the agreement and plan of merger dated May 24, 2021, as amended (the “Merger Agreement”), among HempFusion, HF Merger Sub 2021, Inc., a wholly-owned Delaware subsidiary of HempFusion, Sagely Naturals and KBKN Equityholder Representative LLC, in its capacity as representative of the holders of equity interests in Sagely Naturals (the “Sellers”), that resulted in Sagely Naturals becoming a wholly-owned subsidiary of HempFusion, for initial consideration of US\$25,000,000 (the “Initial Consideration”), of which US\$2,000,000 was paid in cash (subject to adjustment for Sagely Naturals’ cash and working capital) and US\$23,000,000 was satisfied by the issuance of 22,531,348 common shares of the Company (“HempFusion Shares”) at a deemed issuance price of US\$1.0208 per HempFusion Share, being the volume weighted average trading price of HempFusion Shares on the Toronto Stock Exchange (the “TSX”) for the 30 trading days immediately prior to the date of the Merger Agreement. In addition, the Sellers may be entitled to receive an earnout payment of up to US\$5,000,000 (“Earnout Payment”) subject to Sagely Naturals achieving certain revenue targets (with a minimum revenue threshold of US\$6,020,000) within twelve months of closing (the “Closing”) of the acquisition, with 40% of any Earnout Payment to be paid in HempFusion Shares and the balance paid in cash, as more fully described in the Company’s press release of May 25, 2021, a copy of which is filed on SEDAR under the Company’s profile.

Pursuant to the Merger Agreement, the Company also assumed unvested outstanding stock options of Sagely Naturals which are exercisable for up to an aggregate of 279,432 HempFusion Shares, and outstanding restricted shares of Sagely Naturals which resulted in the issuance of an additional 263,179 HempFusion Shares.

All HempFusion Shares issued in connection with the Merger Agreement in respect of the Initial Consideration are subject to contractual resale restrictions to be released over a period of 12 months from Closing as follows: (i) 33% will be released on November 6, 2021, (ii) 33% will be released on March 6, 2022 and (iii) the remaining balance will be released on July 6, 2022.

ABOUT HEMPFUSION

HempFusion is a leading health and wellness CBD company utilizing the power of whole-food hemp nutrition. HempFusion distributes its family of brands, including HempFusion, Probulin Probiotics, Biome Research, and HF Labs, to approximately 4,000 retail locations across all 50 states of the United States and select international locations. Built on a foundation of regulatory compliance and human safety, HempFusion’s diverse product portfolio comprises 48 SKUs including tinctures, proprietary FDA Drug Listed Over-The-Counter (OTC) Topicals, Doctor/Practitioner Lines and more. With a strong focus on research and development, HempFusion has an additional 30 products under development. HempFusion is a board member of the US Hemp Roundtable, and HempFusion’s wholly-owned subsidiary, Probulin Probiotics, is one of the fastest-growing probiotics companies in the United States, according to SPINs reported data. HempFusion’s CBD products are based on a proprietary Whole Food Hemp Complex™ and are available in-store or by visiting HempFusion online at www.hempfusion.com or www.probulin.com.

Follow HempFusion on Twitter, Facebook and Instagram and Probulin on Twitter, Facebook and Instagram.

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

FORWARD-LOOKING STATEMENTS

This news release contains forward-looking statements and forward-looking information within the meaning of Canadian securities legislation (collectively, “forward-looking statements”) that relate to HempFusion’s current expectations and views of future events. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as “will likely result”, “are expected to”, “expects”, “will continue”, “is anticipated”, “anticipates”, “believes”, “estimated”, “intends”, “plans”, “forecast”, “projection”, “strategy”, “objective” and “outlook”) are not historical facts and may be forward-looking statements and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in such forward-looking statements. No assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this news release should not be unduly relied upon. These statements speak only as of the date of this news release. In particular and without limitation, this news release contains forward-looking statements relating to the Sagely Naturals transaction and related distribution, revenue and sales expansion opportunities, closing of the proposed acquisition of Apothecanna announced on May 17, 2021 and the Company’s other plans, focus and objectives.

Forward-looking statements are based on a number of assumptions and are subject to a number of risks and uncertainties, many of which are beyond HempFusion’s control, which could cause actual results and events to differ materially from those that are disclosed in or implied by such forward-looking statements. Such risks and uncertainties include, but are not limited to, the impact and progression of the COVID-19 pandemic and other factors set forth under “*Cautionary Note Regarding Forward-Looking Statements*” and “*Risk Factors*” in the annual information form of the Company dated March 31, 2021 and available under the Company’s profile on SEDAR at www.sedar.com. HempFusion undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law. New factors emerge from time to time, and it is not possible for HempFusion to predict all of them or assess the impact of each such factor or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. Any forward-looking statements contained in this news release are expressly qualified in their entirety by this cautionary statement.

Contacts

Jason Mitchell, N.D.
Chief Executive Officer and Director
Email: ir@hempfusion.com
Phone: 416-803-5638