

XS FINANCIAL REPORTS 2023 FOURTH QUARTER AND FULL YEAR RESULTS

Company Generates Record Annual Revenue of \$11.7M and Net Distributable Earnings of \$0.4M

LOS ANGELES, CA, April 26th, 2024– XS Financial Inc. (“XS Financial”, “XSF” or the “Company”) (CSE: XSF) (OTCQB: XSHLF), a specialty finance company providing CAPEX and equipment financing solutions to cannabis companies in the United States, reports its financial results today for the fourth quarter end and year ended December 31, 2023. All amounts are expressed in U.S. dollars unless indicated otherwise.

Q4/23 and Full Year 2023 Financial Highlights

- **54% YoY increase in annual revenue** to \$11.7 million in FY23 from \$7.6 million in FY22;
- **14% YoY increase in Q4 revenue** to \$2.9 million in Q4/23 from \$2.5 million in Q4/22;
- **142% YoY improvement in net distributable earnings** to \$0.4 million in FY23 from \$(0.9) million in FY22;
- XSF has become aware that its customer Green Peak/Skymint, whose assets were previously put in receivership in 2023, may reject its leases with the Company. The lease receivables associated with this customer represent 3.9% of our total lease receivables as of 12/31/23.

Post-Year-End Portfolio and Corporate Highlights:

	Q1/23	Q2/23	Q3/23	Q4/23	As of 04/26/2024
# of Customers	16	16	16	16	16
# of Active Leases	185	206	222	228	234
Active Leases Since Inception	\$111.4mm	\$117.3mm	\$127.0mm	\$127.9mm	\$129.4mm
Average Lease Size by Customer	\$7.0mm	\$7.3mm	\$7.9mm	\$8.0mm	\$8.1mm
Monthly Recurring Payments	\$2.8mm	\$3mm	\$3.2mm	\$3.2mm	\$3.3mm
Gross Lease Receivables	\$111.8mm	\$111.5mm	\$113.1mm	\$104.6mm	\$93.2mm

David Kivitz, CEO of XS Financial commented: “2023 was a transitional year for XS Financial. We had continued revenue growth and operational performance and generated positive net distributable earnings for the year. In 2023 and the first four months of 2024, we witnessed a slowdown in our industry and, as a result, have not experienced the rate of growth from prior years. We expect a pickup in the second half of 2024, as certain state markets expand from medical to adult use.”

Summary Financial Results – Three Months and Fiscal Year Ending December 31st, 2023

The following table sets forth selected financial information for the periods indicated that was derived from our audited financial statements.

	For the three months ended December 31		For the year ended December 31	
	2023	2022	2023	2022
Financing income	\$2,902,604	\$2,541,008	\$11,675,203	\$7,567,473
Operating expenses	\$816,579	\$1,728,200	\$5,830,758	\$5,630,156
Other expenses (income)	\$1,940,257	\$(614,810)	\$12,351,464	\$8,242,805
Net (loss) income	\$145,768	\$1,427,618	\$(6,507,019)	\$(6,305,488)
Income (loss) per share – basic	\$0.00	\$0.01	\$(0.06)	\$(0.06)
Weighted average shares outstanding – basic	103,885,041	103,885,041	103,885,041	103,885,041

Revenues for the three months ended December 31, 2023, were \$2,902,604 compared with \$2,541,008 for the three months ended December 31, 2022. The increase of \$361,596 for three months ended December 31, 2023, as compared to the same period in 2022 was attributable to revenue recognized from financing income associated with 66 new financing leases.

Operating expenses for the quarter decreased 53% to \$816,579 from \$1,728,200 for the same period the prior year. The decrease was primarily the result of a reduction in incentive compensation and sales and marketing expense.

Other expense for the three months ended December 31, 2023, was \$1,940,257 compared with other income of \$(614,810) for the three months ended December 31, 2022. The increase in other expense of \$2,555,067 for the three months ended December 31, 2023, as compared to same period in 2022 was primarily attributable to the increase of approximately \$2,636,000 in non-cash losses related to the change in fair value of derivative liabilities from a gain in the fourth quarter of 2022 of approximately \$(2,743,000) to a smaller gain in the fourth quarter of 2023 of approximately \$(107,000).

Net income for the quarter was \$145,768 compared to a net income of \$1,427,618 for the fourth quarter of 2022.

Earnings Per Share ("EPS")

	<u>Q3/22</u>	<u>Q4/22</u>	<u>Q1/23</u>	<u>Q2/23</u>	<u>Q3/23</u>	<u>Q4/23</u>
Earnings (Loss) Per Share	\$(0.03)	\$0.01	\$(0.02)	\$(0.02)	\$(0.03)	\$0.00

Net Distributable Earnings

After adjusting for non-cash items, including unrealized loss in fair value change of investments, accretion expense, and change in fair value of derivative liabilities and stock-based compensation, the Company reported net distributable earnings of \$399,766 in FY 2023 compared to \$(946,042) FY 2022, a 142% improvement year over year.

Summary of Net Distributable Earnings – Fiscal Year 2023 compared to Fiscal Year 2022

	FY 2023	FY 2022
Operating Income	\$5,844,445	\$1,937,317
Add: Depreciation Expense	\$15,447	\$17,131
Add: Noncash Equity Compensation	\$1,927,853	\$1,966,075
Less: Interest Expense	\$(7,387,979)	\$(4,866,565)
Net Distributable Earnings	\$399,766	\$(946,042)

XS Financials' complete annual financial statements and management's discussion and analysis for the fourth quarter ended December 31st, 2023, will be filed under the Company's profile on www.sedar.com, and will also be available on XS Financial's corporate website at www.xsfinancial.com/investors

About XS Financial

Founded in 2017, XS Financial specializes in providing CAPEX financing solutions to cannabis companies in the United States, including cultivators, processors, manufacturers, and testing laboratories. In addition, XSF has partnered with over 250 original equipment manufacturers (OEM) through its network of Preferred Vendor partnerships. This powerful dynamic provides an end-to-end solution for customers which results in recurring revenues, strong profit margins, and a proven business model for XSF stakeholders. The Company's subordinate voting shares are traded on the Canadian Securities Exchange under the symbol "XSF". For more information, visit: www.xsfinancial.com.

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Non-IFRS Financial Measures

This press release includes references to certain non-IFRS financial measures. These non-IFRS measures do not have any standardized meanings prescribed by International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and are therefore unlikely to be comparable to similar measures presented by other companies. Accordingly, they should not be considered in isolation, in addition to, not as a substitute for or superior to, measures of financial performance prepared in accordance with IFRS.

Forward-Looking Information

This press release contains "forward-looking information" and may also contain statements that may constitute "forward-looking statements", collectively "forward-looking information", within the meaning of applicable Canadian securities legislation. Such forward-looking information is not representative of historical facts or information or current condition, but instead represent the beliefs and expectations regarding future events about the business and the industry and markets in which XS Financial operates, as well as plans or objectives of management, many of which, by their nature, are inherently uncertain. Generally, such forward-looking information can be identified by the use of terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or may contain statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "will continue", "will occur" or "will be achieved". Forward-looking information contained herein may include but is not limited to, any additional leasing opportunities and the ability to capitalize on such and the timing thereof. Forward-looking information is not a guarantee of future performance and involve risks, uncertainties and assumptions which are difficult to predict. Accordingly, readers should not place undue reliance on forward-looking information, which are qualified in their entirety by this cautionary statement. XS Financial Inc., does not undertake any obligation to release publicly any revisions for updating any voluntary forward-looking information, except as required by applicable securities law.

Neither the Canadian Securities Exchange nor its Regulation Services Provider accepts responsibility for the adequacy or accuracy of this release.