

Action Summary – 16 October 2023

Analyst Theodore R. O'Neill *is initiating coverage of LQR House, Inc. with a Buy rating and a \$5 price target.*

- **Addressing a rapidly growing market.** According to the Distilled Spirits Council of the United States (DISCUS), sales of distilled spirits in the U.S. increased by 12% in 2021, and 82% of that increase was driven by cocktails using super-premium brands.
- **Targeting the right audience.** We believe that newly launched lively and rich flavors are highly appealing to millennials and Gen-Z consumers and that many beverage producers are engaged in product innovations due to the young population's rising demand for innovative and authentic products.
- **Using the right marketing tools.** Where once, savvy marketers would mail a new product into areas with the right zip code to create a buzz, its equivalent today is products being sent to online influencers – exactly what LQR has perfected.
- **Specialists in Digital/Social Marketing.** The company developed an extensive influencer network. The LQR team has created an extensive influencer relationship list within the alcohol industry for small batch and exclusive brands. Enables it to target market directly to the millennial market demographic.
- **Attractive Valuation.** Based on our discounted future earnings model, the value of all future earnings is \$5/share. The average of peers 2024 market cap/sales is ~2.6x and the range is 0.70x to 6.38x. The shares are selling at a discount to peer averages. This, and our discounted future earnings model confirm our view that the shares are undervalued.

10/13 Closing price: \$0.17 USD	Market cap: \$7.5 million	Multiple of book: 2x	EV/2024 Sales: 2x
Diluted shares outstanding: 44 million	Insider ownership: ~20%	3-mo avg. daily trading volume: 2MM	Dividend 2023 /Yield: Special Non-monetary

(Revenue in USD thousands and EPS in dollars)

Period	EPS	Revenue	Net Income Margin
1Q23A	(\$0.04)	\$150.6	
2Q23A	(\$0.37)	\$191.0	
3Q23E	(\$0.04)	\$275.0	
4Q23E	<u>(\$0.02)</u>	<u>\$400.0</u>	
FY23E	<u>(\$0.28)</u>	<u>\$1,016.6</u>	<u>(NME)</u>
1Q24E	(\$0.02)	\$500.0	
2Q24E	(\$0.01)	\$700.0	
3Q24E	(\$0.01)	\$1,050.0	
4Q24E	<u>(\$0.01)</u>	<u>\$1,300.0</u>	
FY24E	<u>(\$0.05)</u>	<u>\$3,550.0</u>	<u>(60.9%)</u>

Note: Numbers may not be added due to rounding or change in share count. See our full model at the back of this report.

Cash balance (in USD thousands)

• 2021A	• \$1,116
• 2022A	• \$8
• 2023E	• \$3,142
• 2024E	• \$2,991

LT Borrowings (in USD thousands)

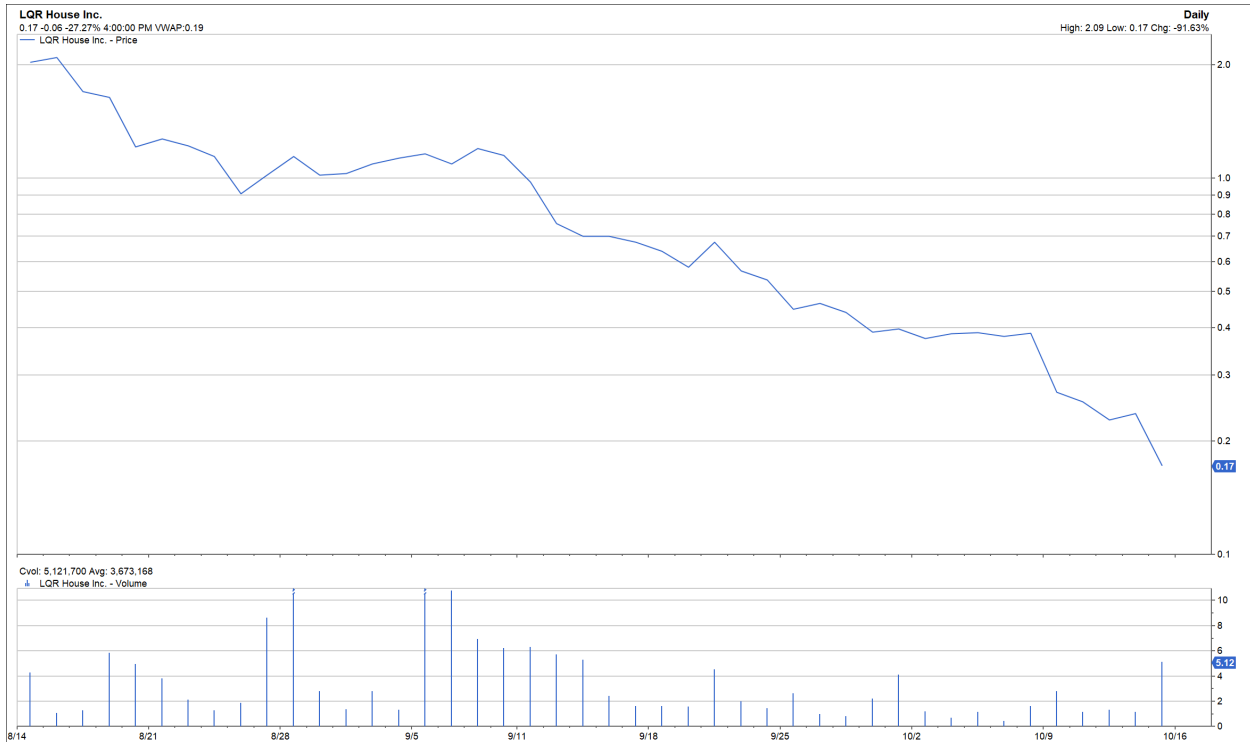
• 2021A	• \$0.0
• 2022A	• \$0.0
• 2023E	• \$0.0
• 2024E	• \$0.0

Risks/Valuation

- Risks: competitive marketplace, highly regulated business, dependence on marketing partners
- Our \$5 price target is derived from our discounted future earnings model.

Company description: LQR House is a dynamic and forward-thinking e-commerce marketing company that intends to become the full-service digital marketing and brand development face of the alcoholic beverage space. Currently, LQR House has a key partnership with Country Wine & Spirits Inc. ("CWS"), granting the Company full control over all marketing operations on CWSpirits.com, a large alcohol ecommerce platform. Composed of a team of seasoned professionals, LQR House focuses on crafting marketing solutions tailored to each client's unique needs.

Figure 1 – LQR House, Inc. – Trading snapshot since IPO in August 2023



Source: FactSet

Investment Thesis

We are initiating coverage of LQR House, Inc. with a Buy rating and a \$5 price target. Our investment thesis is driven by:

Addressing a rapidly growing market. According to the Distilled Spirits Council of the United States (DISCUS), sales of distilled spirits in the U.S. increased by 12% in 2021, and 82% of that increase was driven by cocktails using super-premium brands.

Targeting the right audience. We believe that newly launched lively and rich flavors are highly appealing to millennials and Gen-Z consumers and that many beverage producers are engaged in product innovations due to the young population’s rising demand for innovative and authentic products.

Using the right marketing tools. What’s old is new again. Word of mouth advertising is as old as the hills, but its form has taken a new shape. Where once, savvy marketers would mail a new product into areas with the right zip code to create a buzz (here I am thinking of the introduction of Oil of Olay, sent by snail mail to elites in the early 1970s), its equivalent today is products being sent to online influencers – exactly what LQR has perfected.

Specialists in Digital/Social Marketing. The company developed an extensive influencer network. The LQR team has created an extensive influencer relationship list within the alcohol industry for small batch and exclusive brands. Enables it to target market directly to the millennial market demographic. The LQR team has decades of experience combined in e-commerce and implementing online strategies to maximize the benefit of marketing campaigns.

Developing unique products. The Company focuses product development on flavors and variations of products that are not generally available in the market.

Attractive Valuation. The average of peers 2024 market cap/sales is ~2.6x and the range is 0.70x to 6.38x. The shares are selling at a discount to peer averages. This and our discounted future earnings model confirm our view that the shares are undervalued.

Valuation and Price Target

Valuation Methodology

We believe LQR is undervalued, and we support that belief with two valuation techniques. To determine our price target, we use a discounted future earnings model, and we support that with a comparable valuation to peers.

Discounted Future Earnings – Basis for Price Target

Our 12-month price target of \$5 is based on a discounted earnings model. For valuation purposes, we sum up all future earnings on a GAAP basis and discount them at 7.5%. We assume the company becomes GAAP EPS profitable in 2026 and earnings growth ramps up for another 8 years until growth eventually slows to GDP. Our valuation model is shown in Figure 2 below. Note, this model understates future new services and growth through acquisitions and probably understates the tax benefits, but offsetting that, the earnings never have a down year. The implied share price is \$4.81 which we round to \$5.00.

Figure 2 – LQR House, Inc. – Price Target Calculation

Implied Value of Future Discounted Earnings: \$4.81		
Year 0 is 2024	Forecast GAAP EPS	Discounted EPS
0	(\$0.05)	(\$0.05)
1	(\$0.05)	(\$0.05)
2	\$0.00	\$0.00
3	\$0.05	\$0.04
4	\$0.20	\$0.15
5	\$0.30	\$0.21
Terminal Value		\$4.52

Source: Litchfield Hills Research LLC

Valuation Relative to Peers

Figure 3 is a summary of our LQR peer comparison. We have updated the market cap to reflect the newly issued shares. The peer average of 2024 market cap/sales is 2.6x and the range is 0.70x to 6.38x. The shares are selling at a discount to peer averages. This and our discounted future earnings model confirm our view that the shares are undervalued.

Figure 3 – LQR House, Inc. – Valuation of Peers

		2024					
Ticker	Company Name	Latest price	Market Cap USD\$ Millions	Enterprise Value USD\$ Millions	Market Cap/Sales	EV/Sales	EV/EBITDA
CXM-US	Sprinklr, Inc. Class A	\$13.64	3,689.3	3,431.1	4.42	3.73	29.19
SPT-US	Sprout Social, Inc. Class A	\$48.53	2,704.8	2,700.0	6.38	5.92	150.12
3632-JP	GREE, Inc.	\$3.73	637.4	114.1	1.54	0.29	2.16
5027-JP	AnyMind Group Inc.	\$4.56	263.4	241.5			
3660-JP	istyle Inc.	\$3.13	240.4	274.9	0.70	0.98	
3688-JP	Carta Holdings, Inc.	\$8.02	201.9	83.6			
3675-JP	Cross Marketing Group, Inc.	\$4.41	84.6	71.1			
6533-JP	Orchestra Holdings Inc.	\$6.49	63.7	66.0			
6069-JP	Trenders, Inc.	\$7.69	57.5	45.6	1.32	0.96	
BUSER-SE	Bambuser AB	\$0.11	23.6	(4.0)	1.23		
ILST-US	International Star, Inc.	\$0.00	0.7	1.7			
DGTL-CA	DGTL Holdings, Inc.	\$0.01	0.3	3.2			
	Average				<u>2.60</u>	<u>2.38</u>	<u>60.49</u>
LQR-US	LQR House Inc.	\$0.17	7.0	7.0	1.97	1.97	
	LQR Discount to peers				-24%	-17%	

Source: Litchfield Hills Research LLC and FactSet

Company Background and Strategy

LQR House Inc., intends to become the full-service digital marketing and brand development face of the alcoholic beverage space. Currently, LQR has a key partnership with Country Wine & Spirits Inc. (“CWS”). CWS (cwspirits.com) believes it is one of the largest online retailers of wine and spirits. It represents over 3,000 products, sells online and has six retail stores in California.

There are three key elements of the strategy to expand business include the following:

Collaborative Marketing LQR intends to develop leading brands for up-and-coming companies and start-ups and align with celebrities and influencers with significant followings to enhance their online marketing presence. It has developed three primary methods for facilitating deals through our marketing division:

- **Channel Partners/Influencers.** LQR has built up its group (network) of influencers from scratch (bartenders, alcohol personalities, restaurateurs, social media personalities, alcohol representatives). These influencers have a direct

line to qualified customers who are looking to buy products that they recommend. After signing a marketing client, such as a third-party liquor brand, it sends their products to its influencers who then create client specific content that directs their followers to the CWS website to buy the product. The influencers are only paid on a percentage of sales.

- *Direct Inbound Lead Generation.* Due to demand for marketing companies that specialize in liquor and alcohol promotion, LQR has been contacted by an influx of new brands and medium-sized companies that are looking to scale via resources and available services. This is also being driven based on past successes with brands that refer their industry relationships to LQR House.
- *Liquor Brand Development.* Through its exclusive marketing agreements with external brands, we believe it has developed a reputation as a quality marketer and advertiser for liquor brands and one that offers efficient and cost-effective services. Brands that are looking to establish themselves often find the Company through web properties of those lines, such as swoltequila.com.

Expand LQR Brands. LQR intends to continue expanding and developing its existing SWOL brand by purchasing and selling larger amounts of SWOL products and developing new SWOL branded products.

Opportunistic Acquisitions. LQR intends to pursue opportunistic acquisitions with existing alcohol brands and companies that have distribution licenses and physical storage locations and acquire technology that complements LQR's business. The initial focus will be on the spirits, wine and specialty mixed drink segments of the market. Other potential sources of acquisitions would include approaching existing marketing clients to gauge their interest in becoming a majority owned subsidiary of our company as well as applications, analytics and distribution tools that can be utilized to complement its existing operations. Any technology acquisition will focus on platforms that it believes will gain additional market insights and advertising opportunities for internal and external brands being developed or plan to develop in the future.

Current Products and Service

The following products and services constitute the core elements of its business model and allow it to serve various types of customers in the alcohol industry, including individual consumers, wholesalers, and third-party alcohol brands. In the most recent quarter, 2Q23, 75% of sales were product services and 25% were product. This ratio is likely to change as it began to sell products in 2022.

Products – SWOL Premium Tequila

SWOL Tequila is a limited-edition blend of Añejo Tequila made in exclusive batches of up to 10,000 bottles and represents the first installment under the LQR "SWOL" trademark with application number 2345291 and registration number 2141431. SWOL has been developed to align with current consumer preferences and trends within the market. SWOL products use only high-quality ingredients from the Tequila region of Mexico and combine that tradition of quality with new and exciting flavors. SWOL Añejo Tequila is an extremely limited-edition tequila that is bottled in glass blown flasks inscribed with a unique ID number and adorned with our patch that displays a unique label specific to the Añejo Tequila line. SWOL is produced by Casa Cava de Oro S.A., an authentic tequila distillery in Jalisco, Mexico, imported into the United States through Rilo by CWS and sold to retail customers in the United States via the CWS Platform and in CWS's physical locations (see Figure 4). Note how the product is also linked to discounts for Vault members who can get 10% off.

Figure 4 – LQY House Inc. – SWOL Tequila



Source: CWspirits.com

Premium Wine Club Subscription – *Soleil Vino*

With the *Soleil Vino* brand, LQR intends to create a premium wine subscription club marketed on the CWS Platform. Through the CWS Platform, users will sign up for this exclusive membership where they will have access to curated selections of wine from around the world. With *Soleil Vino*, it intends to create a premium wine subscription service with high quality, and diverse selections of wine offerings. The Wine Club will have three membership options based on different wine quality and price points (see Figure 5). Within each membership, customers will select whether they want to receive two or four bottles each month, and whether they want white wine only, red wine only, or a variety box. Members will also get access to a members-only dashboard, where they can access informational blogs written by in-house wine experts. They will receive monthly newsletters with additional information, and various discounts for other products on the CWS Platform. Membership fees for *Soleil Vino* will be charged monthly and can be cancelled at any time after the initial three months of subscription service. LQR is responsible for launching the Wine Club through a series of ads, social and email campaigns, and all exclusive content and wine selection for members will be handled by in-house wine experts. It will market the Wine Club on the CWS Platform and will be entitled to all the revenue from the subscriptions. The Wine Club is expected to have three subscription membership options based on different wine quality, price, and quantity.

The following table is representative of the *Soleil Vino* membership options, that it intends to list on the CWS Platform:

Figure 5 – LQR House Inc. – Membership Options

Membership Option	Select	Classic	Premier
Description	Popular, value priced wines and consumer favorites	Quality vintage wines from well-known producers	Hand-picked wine from award winning wineries
Monthly fee for 2 bottles/month	\$45	\$55	\$75
Monthly fee for 4 bottles/month	\$85	\$105	\$145

Source: Company filings

Marketing Services – LQR House Marketing

LQR House Marketing is a marketing service that will utilize LQR’s marketing expertise to help its wholly owned brands and third-party clients market their products to consumers. For example, by engaging LQR House for its marketing services, those clients gain the ability to advertise and sell their brand on the CWS Platform. It generally charges a monthly fee for marketing services and often enters into multi-month programs with clients. Monthly program costs generally range from \$5,000 to \$10,000 depending on the program options selected by the client. Services also include the creation of a creative marketing campaign strategy, and the development of promotional materials. Key features of the marketing offering include:

- Leveraging multiple advertising campaigns to bring affordability to advertising methods such as influencer marketing, incentive-based sales, or product placement advertising.
- Combining multiple campaigns into one media buy.
- Leveraging specific assets available to LQR House such as the CWS Platform and email distribution list.
- Advertising with targeted banners.
- Leveraging LQR House online campaigns.
- Creating branding and product placement campaigns that elevate a brand’s reach to targeted demographics.
- Creating a brand around an influencer’s following and reach to leverage viewership and monetize their growth.

Central to the business model, it offers access to an exclusive network of industry influencers or brand ambassadors. Engaging with LQR provides clients with the opportunity to select a tailored list of influencers to promote their brand to an ideal target market. LQR House currently has relationships with hundreds of influencers, which we believe is a significant differentiator and underscores the uniqueness of its marketing platform. Influencers are provided a commission based on the number of products they sell and drive traffic to the CWS website. Commissions paid are solely the responsibility of CWS. The more an influencer generates in sales for a brand, the more the influencer makes in commissions. This directly aligns the objectives of the brand, influencer and LQR House. Key elements of a typical influencer program include:

- Minimum of 100 posts per month from a minimum of 15 influencers.
- Monthly posts will include content from an influencer list with a cumulative following of at least 1.5 million followers. For example, a typical influencer mix would be as follows:
 - 2-3 Major Influencers, influencers with more than 500,000 followers
 - 3-5 Top-Tier Influencers, influencers with more than 100,000 followers
 - 5-10 Micro Influencers, influencers with 10,000 to 100,000 followers
 - 3-5 Beginner Influencers, influencers with less than 10,000 followers.

- Posts presented on multiple social media platforms, including cross posting where the same video or content may be shared several times to capture many different audiences, targeting social media platforms such as Facebook and Facebook Reels, Instagram and Instagram Reels, YouTube and YouTube Shorts, Pinterest and Pinterest Idea Pins, X (formerly Twitter), Khal Media, Clapper, LinkedIn, Reddit, Twitch, Tumblr, etc.
- 1-2 email blasts per month from the influencer featuring the brand.
- Placement of the brand on the main sliding banner on the CWS Platform homepage or mobile app, in the category page and Spirits dropdown of the website, and our holiday gift guide.

Within 5 days of the end of the month, LQR will generate a summary report of the influencer program which includes the following types of data:

- total sales of product on the CWS Platform with basic customer location data.
- a list of posts per influencer with links to content across platforms
- a description of product placements on the CWS Platform.

The company has been executing this marketing plan with more than 11 customers to date. It has engaged with brands including, but not limited to, Cocktail Caviar, Soda Jerk, Bake Sale and Just the Tipsy to market and sell their products on the CWS Platform. Clients generally include newer alcohol brands that produce small batch and craft spirits. Many customers return for additional marketing programs after the initial engagement and elect to enter multiple month arrangements.

Frequent Flier Program – *Vault*

Vault is the exclusive membership program for the CWS Platform, which is offered and managed by the Company. LQR receives the subscription fees generated by this program. Through the CWS Platform, users can sign up for this exclusive membership where they will have access to all products available through CWS combined with special membership benefits and discounts including:

- 10% off all products site wide
- free ground shipping (2- 5 business days) on orders over \$50 (limited to three shipping addresses)
- access to special promotional offers
- free mystery vault gifts in every shipment

The monthly membership costs customers \$29.95 and requires an initial 3-month start-up commitment. The objective is to create a loyal customer base that provides it with recurring monthly subscription revenue. Vault also provides LQR with the means to provide customers with special discounts on marketing partner brands, which it makes solely available to Vault members.

Execution of Strategy

Management has been executing a strategy to become a full-service digital marketing and brand development face of the alcoholic beverage space through the acquisition of talent and products beginning with the acquisition of its first product in early 2021.

Brand Acquisition – March 2021 – SWOL Tequila

On March 19, 2021, LQR purchased the SWOL brand of tequila from Dollinger Innovations Inc., Dollinger Holdings LLC and Sean Dollinger (CEO of LQR House), pursuant to an Asset Purchase Agreement (the “Tequila Asset Purchase Agreement”). SWOL is manufactured at LQR’s request in Mexico by a local manufacturer whom LQR contracts with. LQR will only request SWOL to be manufactured based on purchase orders LQR receives from CWS, which is licensed to distribute alcohol in and from California. LQR also contracts with Rilo, (its importer) who LQR engages to import SWOL

from Mexico to CWS in the United States. CWS pays for its orders of SWOL and LQR pays a portion of such amounts to the local manufacturer to produce SWOL and to Rilo to import SWOL. (LQR does not engage in the sale of alcoholic products in the United States or the distribution of any alcoholic products anywhere).

Marketing plan – April 2021 - Sign exclusive marketing agreement with online liquor retailer

Pursuant to an Exclusive Marketing Agreement (the “Marketing Agreement”) among CWS, Ssquared Spirits, LLC (“Ssquared”) and LQR House, CWS has granted LQR the exclusive right, until April 1, 2031, to promote and market spirits, other beverage products and related products including but not limited to branded merchandise, apparel, glassware and the like through the CWS website and other social media channels for sale to customers with billing and shipping addresses within Canada, Mexico and the United States, although, at this time, the Company does not service customers in Canada or Mexico.

The Marketing Agreement also provides LQR with the sole right to manage and make decisions about user-facing content on the CWS website, including the placement and removal of products and the creation and management of promotional initiatives. LQR House Inc. is responsible for all digital marketing of products offered on CWS’s platform, including social media marketing and cooperation with their influencer network. Ssquared is responsible for inventory management on the CWS Platform and ensuring that the site is always live and accessible to the customers. CWS facilitates the importation of alcohol (in cooperation with Rilo Import & Export Inc. (“Rilo”)), fulfilment, and distribution of all products sold on the CWS Platform. The Marketing Agreement may be terminated upon a material breach by a party thereto that goes uncured for longer than 30 days or at any time by us with thirty days written notice to each of CWS and Ssquared.

We believe the affiliation between LQR House Inc., CWS and Ssquared forms the bedrock of the enterprise. Within the scope of the Marketing Agreement between LQR House Inc., CWS, and Ssquared, the Company’s focus remains dedicated to leveraging its competitive strengths, namely marketing and brand promotion. The collaboration and contractual arrangement with CWS and Ssquared grant access to approximately 241,000 customers through the CWS mailing lists, as well as a steady stream of visitors on the CWS Platform. Through the Marketing Agreement, LQR House Inc. is empowered to strategically promote its brands on the CWS Platform, while entrusting the sales and distribution processes to LQR partners, CWS and Ssquared. Moreover, third-party brands seeking to have their products marketed on the CWS Platform can only do so by becoming a client of the Company.

Acquire Additional Brands – Wine – May 2021

On May 31, 2021, LQR purchased from Dollinger Holdings LLC, all of the rights, title and interest in all trademarks, regardless of registration status for Soleil Vino and all associated trade dress, the commercial look and feel of a product or service that identifies and distinguishes the source of the product or service including various elements such as the design and shape of materials used to package a product or service and intellectual property rights, all labels, logos and other branding bearing the Soleil Vino marks or any mark substantially similar to the same, and all website and all related digital and social media content including but not limited to influencer networks, <http://www.soleilvino.com>, and all related content.

Build moat around Brands and IP where needed – June and July 2023

On June 30, 2023, pursuant to an assignment agreement, Dollinger Innovations Inc., Dollinger Holdings LLC, and Sean Dollinger assigned their rights as distributors under the Packaging of Origin Co-Responsibility Agreement with the Producer dated July 6, 2020, to the Company. After that, on July 11, 2023, the Producer and LQR House Inc. signed a Bottled at Origin Joint Responsibility Agreement, which requires registration with the Mexican Institute of Industrial Property. The registration is required under Mexican law to put third parties on notice of the existence of agreements that contain intellectual property rights. The Company submitted documents to the Mexican Institute of Industrial Property to obtain such

registration on July 13, 2023, but such registration will not be complete until it has been notified by the Mexican government and LQR cannot predict when that will occur. Until the registration is complete third parties in Mexico may be able to produce tequila under the SWOL name.

On July 7, 2023, the Company, Dollinger Innovations Inc. and Leticia Hermosillo Raverero (its Tequila Producer) signed a ratification of the agreement of assignment of rights of the Shared Responsibility and Bonding Agreement, which requires registration with the Mexican Institute of Industrial Property. The registration is required under Mexican law to put third parties on notice of the existence of agreements that contain intellectual property rights. The Company submitted documents to the Mexican Institute of Industrial Property to obtain such registration on July 12, 2023, but such registration will not be complete until it has been notified by the Mexican government and LQR cannot predict when that will occur. Until the registration is complete third parties in Mexico may be able to produce tequila under the SWOL name. There is a risk that the Company's ability to import SWOL Tequila may be suspended at any time by the Mexican authorities until registration of the Company's Mexican agreements is complete.

Industry Dynamics

LQR is focused on the highly competitive United States alcohol market, which is expected to consume a total of approximately \$283.8 billion of alcoholic beverages in 2023 and represents one of the largest global markets for all alcoholic beverage category sales (Statista, Alcoholic Drinks — Worldwide, January 2023). With the growing online alcohol market and the move towards premiumization of alcohol brands, we believe that LQR House can become a leading digital marketing and brand development face of the United States alcoholic beverage space.

Management

Sean Dollinger has served as Chief Executive Officer and as a member of the board of directors since January 2023, and he founded our company in January 2021. Mr. Dollinger has also been on the board of directors of Veg House Holdings Inc. since December 2022 and has served as its Chief Executive Officer since January 2023. Since December 2019, Mr. Dollinger was involved in the founding and development of PlantX Life Inc. (CSE: VEGA), an exchange listed and public company in Canada. From June 2015 to February 2019, Mr. Dollinger acted as the Founder, Chief Executive Officer, and President of Lifeist Wellness Inc. (formerly Namaste Technologies Inc., or Namaste), a registered company under the Canadian securities laws that is a portfolio of wellness companies, where he oversaw the day-to-day operations of the company and its growth strategies. Mr. Dollinger has a wealth of experience in e-commerce, where he has had success across numerous different digital markets.

Kumar Abhishek has served as Chief Financial Officer since May 2023. Before joining the company, Mr. Abhishek was the owner and director of Boston Crest Private Limited, a knowledge processing output company located in India, where he simultaneously oversaw multiple companies' financial and daily operations and was responsible for managing a team of 10+ accountants who assisted controllers and auditors in ensuring the financial success of each company. Through his work at Boston Crest, Mr. Abhishek served as the director of finance and operations from January 2021 to May 2023, and as the director of finance and operations at PlantX Life Inc., a publicly listed company in Canada. He served as director of finance and operations at Lifeist Wellness Inc. (formerly Namaste Technologies Inc.) from January 2015 to January 2020. Mr. Abhishek holds a Bachelor of Computer Applications degree from Ranchi University, Ranchi, Jharkhand, India.

Jaclyn Hoffman has served as the Chief Marketing Officer for LQR House since January 2021, where she oversees internal design projects, as well as design projects for partnering brands. She is also responsible for brand development, brand communication, and digital campaigns. Since October 2021, Jaclyn has worked as the Creative Director at PlantX Life Inc, where she oversees all creative projects for PlantX and its subsidiaries. This role includes working closely with teams of



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graphic designers, copywriters, web developers, and email marketing specialists to support the overall marketing strategy with creative content. From November 2019 until September 2021, Ms. Hoffman worked as a Web Design and Development Manager for Falcon Marketing, LLC, a marketing, and search engine optimization agency, where she worked with graphic designers and web developers to create optimized websites for a wide range of clients. From October 2018 to November 2019, Ms. Hoffman worked as a Branding Consultant for Joyva Corp, a specialty candy company founded in 1907, where she helped modernize the brand's identity. From September 2016 to August 2018, Ms. Hoffman worked as a graphic designer for Lakeside Photoworks, a print, photo and signage shop in New Orleans, LA, where she was responsible for building the brand identity of several local businesses. Ms. Hoffman holds a Bachelor of Arts from McGill University in Montreal, QC, and an Associate in Graphic Design degree from Delgado Community College in New Orleans, LA.

Financial Projections and Guidance

Our projections assume LQR makes steady progress toward profitability and becomes profitable at the operating income line sometime in fiscal 2H 2025. There are three or more possible routes to achieving profitability and our forecast assumes it will come with increased revenue, but it also could be achieved through higher gross profit margins or improved operational efficiency or a combination of all three. Our model holds margins flat, assumes an increase in revenue and some operational improvement. The company does not provide guidance at this stage.

Figure 6 – LQR House, Inc. – Income Statement (in dollars)

December ending year	2023E				2023E Year	2024E				2024E Year
	Q1A	Q2A	Q3E	Q4E		Q1E	Q2E	Q3E	Q4E	
Revenue from service sales	\$150,563	\$143,235	\$200,000	\$300,000	793,798	\$400,000	\$500,000	\$750,000	\$900,000	2,550,000
Revenue from product sales	0	47,787	75,000	100,000	222,787	100,000	200,000	300,000	400,000	1,000,000
Total revenue	\$150,563	\$191,022	\$275,000	\$400,000	\$1,016,585	\$500,000	\$700,000	\$1,050,000	\$1,300,000	\$3,550,000
<i>Growth</i>	106%	145%	269%	417%	69%	232%	266%	282%	225%	249%
<i>Cost of service sales</i>	102,997	95,830	134,000	201,000	533,827	268,000	335,000	502,500	603,000	1,708,500
<i>Cost of product sales</i>	0	40,131	61,500	82,000	183,631	82,000	164,000	246,000	328,000	820,000
Cost of Goods	102,997	135,961	195,500	283,000	717,458	350,000	499,000	748,500	931,000	2,528,500
Gross Profit	47,566	55,061	79,500	117,000	299,127	150,000	201,000	301,500	369,000	1,021,500
Gross Margin	31.6%	28.8%	28.9%	29.3%	29.4%	30.0%	28.7%	28.7%	28.4%	28.8%
R&D	48,323	3,559,688	600,000	700,000	4,908,011	700,000	700,000	750,000	750,000	2,900,000
General and administrative	321,317	51,864	55,000	55,000	483,181	65,000	70,000	75,000	75,000	285,000
Total Operating Expenses	369,640	3,611,552	655,000	755,000	5,391,192	765,000	770,000	825,000	825,000	3,185,000
Operating expense margins	246%	1891%	238%	189%	530%	153%	110%	79%	63%	90%
Operating Income	(322,074)	(3,556,491)	(575,500)	(638,000)	(5,092,065)	(615,000)	(569,000)	(523,500)	(456,000)	(2,163,500)
Operating Margin	NMF	NMF	NMF	NMF	NMF	-123.0%	-81.3%	-49.9%	-35.1%	-60.9%
Total Other Items	0	0	0	0	0	0	0	0	0	0
Pre-Tax Income	(322,074)	(3,556,491)	(575,500)	(638,000)	(5,092,065)	(615,000)	(569,000)	(523,500)	(456,000)	(2,163,500)
Taxes (benefit)	0	0	0	0	0	0	0	0	0	0
Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Income (loss)	(322,074)	(3,556,491)	(575,500)	(638,000)	(5,092,065)	(615,000)	(569,000)	(523,500)	(456,000)	(2,163,500)
Net Margin	-213.9%	-1861.8%	-209.3%	-159.5%	-500.9%	-123.0%	-81.3%	-49.9%	-35.1%	-60.9%
EPS	(\$0.04)	(\$0.37)	(\$0.04)	(\$0.02)	(\$0.28)	(\$0.02)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.05)
Share count	9,200,406	9,492,045	13,000,000	40,000,000	17,923,113	40,000,000	40,000,000	40,000,000	40,000,000	40,000,000

Source: Company reports and Litchfield Hills Research LLC

Figure 7 – LQR House, Inc. – Balance Sheet (in dollars)

December ending year	2024E	2023E	2022A	2021A
Balance sheet				
Current Assets				
Cash and S.T.I.	\$2,990,649	\$3,141,794	\$7,565	\$1,116,101
Accounts receivable	350,000	200,000	224,692	93,920
Inventories	0	0	0	0
Other assets	<u>200,000</u>	<u>127,340</u>	<u>314,766</u>	<u>124,427</u>
Total Current Assets	4,040,649	3,669,134	547,023	1,334,448
Net PP&E	1,800,000	1,900,000	2,083,333	2,333,333
Other non-current assets	<u>500,000</u>	<u>500,000</u>	<u>0</u>	<u>0</u>
Total Assets	<u>\$6,340,649</u>	<u>\$6,069,134</u>	<u>\$2,630,356</u>	<u>\$3,667,781</u>
Current Liabilities				
Accounts payable	\$750,000	\$650,000	\$391,459	\$103,840
Accrued expenses	650,000	300,000	199,256	0
Other current liabilities	<u>15,000</u>	<u>10,000</u>	<u>0</u>	<u>0</u>
Total current liabilities	1,415,000	960,000	590,715	103,840
Right-of-use liability	5,000	5,000	0	0
Other non-current	<u>1,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	1,421,000	965,000	590,715	103,840
Stockholders' Equity				
Preferred stock				
Total stockholders' equity	<u>4,919,649</u>	<u>5,104,134</u>	<u>2,039,641</u>	<u>3,563,941</u>
Total Liabilities and equity	<u>\$6,340,649</u>	<u>\$6,069,134</u>	<u>\$2,630,356</u>	<u>\$3,667,781</u>

Source: Company reports and Litchfield Hills Research LLC

Figure 8 – LQR House, Inc. – Cash Flow (in dollars)

	2024E	2023E	2022A
Net Income	(\$2,163,500)	(\$5,092,065)	(\$1,842,175)
Accounts receivable	(150,000)	24,692	(130,772)
Subscription receivable	(300,000)	(200,000)	0
Inventories	0	0	0
Other assets	(72,660)	187,426	(190,339)
Intangible assets, net	100,000	183,333	250,000
Other non-current	0	(500,000)	0
Accounts payable	100,000	258,541	287,619
Accrued expenses	200,000	744	199,256
Subscription liability	150,000	100,000	0
Other current liabilities	5,000	10,000	0
Right-of-use liability	0	5,000	0
Other non-current	1,000	0	0
Preferred stock	0	0	0
Commons stock	(985)	180	26
Additional paid in capital	2,000,000	8,156,378	317,849
Accumulated other comp. loss and other	(20,000)	0	0
Dividend and/or tax adj.			
Total Cash Flow	<u>(\$151,145)</u>	<u>\$3,134,229</u>	<u>(\$1,108,536)</u>

Source: Litchfield Hills Research LLC

Disclosures:

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LQR-US - Buy \$5 PT

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