



melt

INTRODUCTION, D9 EXPANSION PLAN, AND STRATEGIC PARTNER OPPORTUNITY

EXECUTIVE SUMMARY

melt was invented to introduce a more social and approachable THC brand for the growing “canna-curious” market, especially women and occasional THC adopters. After a sold-out pilot with “soccer moms” in Fairfield, CT demonstrated proof of concept, we invested \$350K of our capital and raised another \$150K to fund production and distribution to launch the brand in Massachusetts.

melt has received a high level of interest from regulated retail dispensaries in MA. We are currently sold in 30+ dispensaries across the state, and interest continues to grow. But we believe the real opportunity for **melt** is in the D9 market, where our decades of marketing and branding experience can use a full suite of tools to establish **melt** as a leader in the emerging THC beverage market.

PRODUCT HISTORY

- Launched in Massachusetts in October 2023
- The first and only THC-infused ice cube product concept on the market
- Packaged as a tray of 10 liquid cubes, each infused with 5mg of THC
- Currently available in three flavors – original, lemon, and lime
- In six months, **melt** has secured distribution in more than 30 dispensaries across the state

PRODUCT HIGHLIGHTS

- The first and only infused ice cube product concept – the most versatile product on the market, **melt** can be frozen and served in most drinks as an ice cube, poured into drinks as an ingredient, or consumed directly as a shot
- **melt** is designed to reach a broad range of consumers interested in new ways to replace alcohol
- **melt** is lightweight, making it easy to store, carry, and ship compared to canned beverages – no need for refrigeration
- Healthier margins and better cost per mg than canned beverages – \$10 per tray wholesale, \$20 per tray MSRP

Key Consumer Selling Points:

- **Social:** ideal for the “canna-curious” market, women, & occasional users
- **DIY:** consumers can now make their favorite drink a THC-infused drink
- **Flexible:** can be consumed as an ice or liquid drink enhancer
- **Control:** rapid onset so that the consumer can manage dosing
- **Quality:** premium THC, all-natural ingredients, no added sugar

GROWTH PLANS

We are closely following the fluctuations in both the regulated and Hemp D9 markets, and while many companies are locked, waiting for the regulations to become clearer, we are set up to move quickly and adapt to the evolving opportunities in both markets. In addition to exploring regulated partnerships outside of MA, we are focused on launching a Hemp D9 THC version of **melt** in 40+ hemp-legal states. Our short-term goal is to enter the high-growth hemp D9 market with the **melt** brand by Q1 '25. Our longer-term goal is to establish **melt** as a leading brand in the Hemp D9 THC market.

Existing **melt** brand, marketing, and manufacturing assets developed for Massachusetts provide a turnkey entry to the hemp D9 market. In addition, founder Harry Groome and his brother, Peter, have decades of branding and marketing experience that they can use to full effect in this larger, less regulated market.

We plan to quickly drive growth sales through a two-channel approach focusing on direct-to-consumers via e-commerce channels (social media) and more mainstream retailers like C-store and grocery stores via a more traditional wholesale strategy.

D9 DIRECT-TO-CONSUMER MARKETING STRATEGY

PHASE 1: Drive brand engagement and trial with breakthrough digital marketing:

- Paid Instagram and Facebook video ads in hemp-approved states for direct purchase at www.meltcubes.com
- Highly targeted to Canna-Curious, Sober-Curious, and Infused Beverage-Curious market segments across age ranges from Gen Z to Baby Boomers
- Enhance paid digital media with content co-creation and distribution with strategic influencers – focus on drink recipes and testimonials
- Primary metric: ROAS

PHASE 2: Drive increased brand engagement and trial through retail distribution:

- Dedicated brand ambassadors for sales support and on-premise activation at dispensaries, grocery, C-stores, liquor and beer retailers
- Cross-beverage category strategic alliances and product bundles
- Retail event activation via pop-ups and POS retailer social media cross-promotion
- Outdoor and other directional advertising
- Primary metrics: New accounts and same-store sales increases

DTC PRICING STRATEGY

Offer consumers an attractive price point well below RTD beverages and edibles while maintaining high margins for Highdration Kitchen and our retail partners:

melt Wholesale:

\$1 per cube (5mg)/ \$10 per tray (50mg) / \$120 per case

melt MSRP:

\$2 per cube (5mg)/ \$20 per tray (50mg)/ \$240 per case

Compare to 50mg MSRP:

Edibles: \$20-\$30

Pre-Made Drinks: \$50-\$80

STRATEGIC PARTNER OPPORTUNITY

We are currently in discussion with potential strategic partners to expedite and scale **melt's** D9 market growth opportunities through complementary infrastructure, expertise, as well as a capital investment in the business:

Proposed Financial Terms

- \$1MM investment for **melt** Hemp D9 rollout and expansion into regulated markets (\$300k minimum investment for regulated market expansion only) at a \$2MM valuation
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- Highdration Kitchen Massachusetts (HKMA) will contribute a portion of profits from its regulated business to HKD9 to further accelerate high growth opportunity
- This plan provides the capital and resources needed for the **melt** brand to enter the D9 market with a full-year DTC marketing plan designed to yield 2X sales return on ad dollars invested

D9 FORECAST SUMMARY

Highdration Kitchen D9

Summary Financial Projections

	2024E (9 mo)	2025E	2026E
Melt Sales- Wholesale	15,944	721,283	2,874,454
Melt Sales- DTC	193,942	907,797	1,229,990
Total Sales	209,886	1,629,080	4,104,444
<i>Total Cases Sold</i>	<i>941</i>	<i>9,327</i>	<i>26,375</i>
COGS	29,154	303,425	900,956
Gross Profit	180,732	1,325,655	3,203,488
<i>Gross Margin</i>	<i>86.1%</i>	<i>81.4%</i>	<i>78.0%</i>
Total OpEx	292,000	904,000	1,061,865
Operating Income	(111,268)	421,655	2,141,623

USE OF PROCEEDS SUMMARY

HKD9

2024 Use of Proceeds

	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Total
Proceeds from Financing	25,000	25,000	25,000	25,000	20,000	20,000	20,000	20,000	20,000	200,000
Proceeds from HKMA			2,500	5,000	7,500	7,500	7,500	7,500	7,500	45,000
Total Proceeds	25,000	25,000	27,500	30,000	27,500	27,500	27,500	27,500	27,500	245,000
Uses										
HG Salary	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	67,500
Machine Payments	12,500	12,500	12,500	12,500	-	-	-	-	-	50,000
Inventory Production			7,746	-	15,492	-	15,492	-	7,746	46,475
Rent	-	-	-	-	2,500	2,500	2,500	2,500	2,500	12,500
Marketing (website and creative)		5,000	2,500	2,500	5,000	10,000	10,000	10,000	10,000	55,000
Media	-	-	-	5,000	10,000	10,000	15,000	20,000	25,000	85,000
Total Uses	20,000	25,000	30,246	27,500	40,492	30,000	50,492	40,000	52,746	316,475
<i>Beginning Cash</i>	-	5,000	5,000	2,254	12,834	17,493	37,531	50,751	91,108	-
Revenues	-	-	-	8,080	17,650	22,538	36,212	52,856	72,549	209,886
Cash flow (used) during peric	5,000	-	(2,746)	2,500	(12,992)	(2,500)	(22,992)	(12,500)	(25,246)	(71,475)
<i>Ending Cash</i>	<i>5,000</i>	<i>5,000</i>	<i>2,254</i>	<i>12,834</i>	<i>17,493</i>	<i>37,531</i>	<i>50,751</i>	<i>91,108</i>	<i>138,411</i>	<i>138,411</i>