EASTSIDE DISTILLING, INC.
NASDAQ: EAST

First Quarter Fiscal Year 2018
Financial Results

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CORPORATE PARTICIPANTS

Grover Wickersham –Chairman and Chief Executive Officer, Eastside Distilling, Inc.
Steve Shum – Chief Financial Office, Eastside Distilling, Inc.
Kim Davis – Controller, Eastside Distilling, Inc.
Robert Blum – Managing Partner, Lytham Partners

PRESENTATION

Operator
Good morning, everyone, and welcome to the Eastside Distilling Reports First Quarter Fiscal Year 2018 Financial Results Conference Call. All participants will be in a listen-only mode. Should you need assistance, please signal our conference specialist by pressing the star key, followed by zero. After today's presentation there will be an opportunity to ask questions. To ask a question you may press star and then one. To withdraw your questions you may press star and two. Please also note, today's event is being recorded.

At this time, I'd like to turn the conference call over to Mr. Robert Blum. Mr. Blum, please go ahead.

Robert Blum
Thank you, Jamie, and good morning, everyone. Thank you for joining us to discuss Eastside Distilling's financial results for the quarter ended March 31, 2018. I'm Robert Blum of Lytham Partners. I will be your moderator for today's call. Earlier, Eastside issued their first quarter 2018 results in a press release, as well as filed its 10-Q. Joining us on today's call to discuss these results are Grover Wickersham and Steve Shum.

Following the remarks, we'll open the call to your questions. Please note that listeners both on the live portion of the call as well as webcast, will be able to ask questions. If you're on the webcast you can type your questions into the question box and press submit. We'll take as many questions as time will permit for. If you are dialed in, you will ask questions by pressing the star one button, as usual.

Before we begin with prepared remarks, we submit, for the record, the following statement: Certain matters discussed on this conference call by the management of Eastside Distilling may be forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 as amended, Section

21E of the Securities Exchange Act of 1934 as amended, and such forward-looking statements are made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements describe future expectations, plans, results, or strategies, and are generally preceded by words such as “may”, “future”, “plan or planned”, “will or should”, “expected”, “anticipates”, “draft”, “eventually”, or “projected”. Listeners are cautioned that such statements are subject to a multitude of risks and uncertainties that could cause future circumstances, events, or results to differ materially from those projected in the forward-looking statements.

Such matters involve risks and uncertainties that may cause actual results to differ materially, includes, but are not limited to, the company’s acceptance and the company’s products in the market, success in obtaining new customers, success in product development, ability to execute its business model and strategic plans, success in integrating acquired entities and assets, ability to obtain capital, ability to continue as a growing concern, and all the risks and related information described from time to time in the company’s filings with the Securities and Exchange Commission, including the financial statements and related information pertaining to the company’s Annual Report on Form 10-K for the year ended December 31, 2017, filed with the Securities and Exchange Commission on April 2, 2018.

Now, I’d like to turn the call over to Grover Wickersham, CEO of Eastside Distilling. Grover, please proceed.

Grover Wickersham
Thank you, Robert, and good morning to all of you. Thank you for joining us today. Let me start by mentioning that with me in addition to Steve Shum is our controller, Kim Davis.

Our first quarter 2018 resulted in initial returns from the investments made and actions taken during 2017 to position Eastside Distilling as a leader in the emerging draft spirits’ segment of the spirits industry. Eastside sales growth of 70% was achieved with just two months of Redneck Riviera shipments and a few weeks of wine canning operations during the quarter.

Additionally, our Burnside Bourbon rebranding, which launched at the end of last year, has also gone better than expected. Sales of the rebranded line in the Pacific Northwest have already surpassed the peak levels for the line that we hit last year. Our new product pipeline continues to flow and you should expect more innovation from us in 2018.

A recent example is our just-launched Oregon Oaked Rye that took double gold at the San Francisco World’s Spirits Competition, tying Blanton’s Bourbon, beating Wild Turkey Rye, Bullet Rye, Woodford Reserve Rye, Sazerac Rye, Jim Beam Rye, and about 200 others, most of which are much more expensive. All told, I believe we are positioned for continued strong growth throughout the remainder of 2018 and, barring unforeseen circumstances, continuing on to 2019.

Before Steve and I go through the details of the quarter in depth, I think it’s important to take a step back and look at how we have positioned Eastside for future success, based on the business strategy we laid out at the very start of 2017. As a reminder, that strategy is summarized as: 1) creating and monetizing new and exciting brands through our great strength in developing innovative spirits and our close collaboration with the branding firm Sandstrom Partners; 2) using our status as the only NASDAQ-listed craft distiller to make strategic acquisitions; and 3) creating a cash-sustaining business through our broad range of product sales in our Oregon home market, and by co-packing for Pacific Northwest companies.

Starting in January of 2017, as one of the three prongs of our new business strategy for Eastside, we set out to create a “brand factory”. We did this by closely associating with Sandstrom Partners. The Eastside of 2616 produced tremendous craft spirits that won scores of awards, but frankly, our packaging was awful. For the most part it was just wine bottles. Fortunately for us, we had one of the spirit industries’ most successful branding firms right in our own backyard, namely Sandstrom Partners. As a reminder for people who don’t know Sandstrom, it’s the branding firm behind Bullet Bourbon, Aviation Gin, Stillhouse, and St. Germaine. These brands all grew into major success stories and two of them were acquired for more than $150 million.

The fruits of our 2017 collaboration with Sandstrom began to emerge for the first time in the fourth quarter of 2017 in the form of a totally rebranded and reinvented Burnside line of bourbon and whiskey. While this packaging itself is winning national awards, our new craft spirit offerings carry on our tradition of excellence in spirits. As I mentioned, our new Burnside Oregon Oaked Rye won a very rare and hard to get double gold on May 1, 2018, in the SF World Spirits competition. But this was just one of a total of fourteen medals that we won in this preeminent and prestigious event.

Our flagship Burnside lineup recently rebranded is once again seeing growth accelerate. Remember, we stopped production in summer of 2017 and stopped opening new accounts. We did this to allow our customers to sell through the old Burnside’s in-store inventory. New Burnside came back strong, and we recently surpassed previous peak sales levels.

The rebranding of our full brewed coffee rum product, the Hue-Hue Coffee Rum, is also being met with good reviews. Our cold brew coffee rum product is unlike anything else on the market. In reimaging it as Hue-Hue, Sandstrom Partners’ packaging highlighted the uniqueness of its batch process cold brew flavor, and the richness of its Portland-roasted Guatemalan coffee. This is a modern alternative to the sugariness of coffee liqueurs. Its launch in Oregon in January was very well received.

Eastside and Sandstrom are systematically working through and evaluating our existing product lineup, as well as floating new ideas that could become successful products, especially in the very promising area of canned, ready-to-drink RTD beverages. We believe the plan is in place to create significant value with Sandstrom in the future.

The collaboration with Sandstrom can also be credited with a large part of our landing John Rich as a partner. We got this business because we coupled Sandstrom’s impressive Redneck Riviera branding concepts in our pitch to John with Travis Shoney and Mel Heim’s delicious Redneck Riviera Whiskey Blend. Again, there’s a winning combination of world-class marketing and world-class spirit production.

As we reported in our earning’s release, we shipped over 2,800 nine liter cases of Redneck Riviera in just the two months it was available during Q1. We are continuing to add states and build momentum. While John Rich and your Eastside team were optimistic about what Redneck might do when it left the gate, the extent of its early success surprised even us. It has been less than four months since we first shipped the brand, and during that four-month period, we signed distribution agreements with the largest distributor in the southeast, RNDC, and added other key distributors, including Southern Glazer. We expanded distribution from the initial five Gulf States in 15 states, including California, and are discussing further additions. We set records by receiving authorization from Walmart in only our second month, and landed other prestigious accounts, including Specs in Texas, Safeway in Washington, ABC in Florida, and both Albertsons and Rouses in Louisiana.

As expected, John Rich has provided strong promotional support by making appearances on national TV shows, as well as countless local TV and radio shows. John makes many in-store appearances for bottle signings to support retailers, selling typically as many as 100 cases in a single signing event, and he might do more than one, sometimes as much as three on a single day. John promotes Redneck during his live performances of the Big and Rich band, and at numerous events, including the Roth Capital Partners 2018 conference. John joined us at NASDAQ on January 31st during the closing bell at NASDAQ for January, symbolizing how much he helped us ring the bell for Eastside's Q1.

We expect that John Rich's promotion of the brand will step up a notch later this year with Walward Brothers produced reality TV show called Living Big and Rich. That will feature Redneck and even devote full shows to it. Meanwhile, John is on tour, hitting an estimated 70 cities between now and yearend, with each stop being a great promotional opportunity for our brand.

Yes, we've had a busy four months, but what's most important is that we are not slowing down or stopping anytime soon.

To supplement John's efforts, we recently signed agreements with Gretchen Wilson, a many times Grammy winning country star; with Grainger Smith and Colt Ford as spirit ambassadors for Redneck Riviera Whiskey. We will be issuing a press release shortly to provide further details. These three country stars will be supporting the Redneck brand on their doors, in their social media, and in all their promotional efforts. This partnership is a natural fit for these artists, as they're fans of John, fans of the whiskey, and fans of the American roots.

We look forward to 2018 being a tremendous year for Redneck Riviera Whiskey. However, we have many other things that we're doing here at Eastside in addition to Redneck Riviera Whiskey. In addition to our strategy of creating a brand factory, we're using our production assets to generate cash from co-packing. We're just now beginning to get some traction in that initiative.

In early 2017, we acquired a craft bottling operation. This acquisition immediately enhanced our operational efficiencies, but it also allowed us to expand into the fast growing [indiscernible] segment: thin line, ready-to-drink RTDs, and wine canning. Overcoming operational issues has taken us longer than expected, but we are now operational. We've begun canning wine for customers, and we see an expanding list of potential customers. As previously noted, we hope to use the canning line to our advantage in developing and marketing our own Eastside ready-to-drink cocktails and other products.

One of the most important steps we took last year, and I would say perhaps the most important step we took last year, has been to strengthen our management team so that we can position the company to become a major player in the industry. We recently brought on Tom Wood, a highly experienced operator, as VP of production. Tom previously led a team of 1,000 process engineers at Intel, and most recently, handled the production for Pulpa de Vino, a wine single-serve brand in Oregon that went from 0 to over $25 million in sales, which with Tom running production.

And then on the sales side, which is where we're putting tremendous emphasis, in addition to hiring the 27-year industry veteran, Jarrett Catalani, as our Senior VP of sales. Using Jarrett's contacts, we recently poached Robert Manfordonia from Russian Standard, where Robert had a stellar track record. As our VP of national accounts, Robert brings a strong background in dealing with the country's Big Box retailers, and he's already proving his worth. In his first three weeks on the job, he brought in Sicway in Washington and ABC Liquors, the largest liquor store chain in Florida. We expect to have a great year with Robert. We're also expanding our sales with additional hiring of some first-class reps in Florida, Tennessee, and Texas.

Finally, we've added strength to our financial reporting, control, and finance functions by filling the vacancy left by our departing controller with Kim Davis. Kim was previously CFO of the Oregon Liquor Control Commission, and CFO of a major regional investment banking firm here in Portland. Kim is a great partner for Steve Shum and myself.

Apart from the prepared remarks, I just want to mention that I'm very proud of the fact that Eastside is now getting a sufficient reputation in the industry that we're able to attract people of this quality. And I would say we're constantly getting resumes of very, very talented people. This is not something that was happening a year ago.

In addition to the realization of these core strategic initiatives, we also are seeing the benefit of the recently enacted Craft Monetization and Tax Reform Act of 2017. It was enacted by Congress as part of the 2017 tax legislation package. It reduced the federal excise tax from $13.50 to $2.70 a gallon for the first 100,000 proof gallons per year. This is an 80% tax reduction of a major cost in spirit manufacturing. To put this in perspective, in the event that Eastside's production reaches the 100,000 proof gallons per annum needed to fully utilize the tax benefits of the tax act, our annual savings will exceed a million dollars. These savings are improvement to our gross margin line, which we expect to improve by in excess of two percentage points in 2018 compared to 2017, just simply based on the tax reduction.

With that said, let me turn the call over to my fantastic CFO, Steve Shum, to run you through the numbers and our finance strategy. Steve.

Steve Shum
Thanks, Grover. While the first quarter is normally a seasonally softer period, especially compared to the seasonally strong fourth quarter, we are pleased to be reporting a sequential improvement in sales, margins, and EBITDA in our first quarter, as compared to the fourth. As Grover noted, we do see momentum continuing to build with our branding initiatives. This is illustrated by our 2018 Oregon wholesale case growth. January it was up 52% versus January 2017, which was similar to our overall case sales growth in fiscal 2017, but February was up 65%, March 95%, and April 98%, versus the comparable months in 2017. So clearly the Oregon trends are favorable.

Our vodka growth comparisons do get harder later this year, but our Oregon sales team is performing great and motivated to continue beating their goals.

Gross sales in the first quarter totaled approximately $1.4 million, as compared to $829,000 in the prior year, an increase of 70%. Net sales, which exclude the excise taxes and certain customer promotion activities, increased nearly 100% to $1.22 million versus $612,000 in the prior year.

During the first quarter, we sole 8,305 cases. This consisted of 6,877 cases of our branded products and 1,428 cases of private label, reflecting an increase of 80% over the prior year in our branded products, and a 40% case growth overall. The higher-branded product case sales were driven largely by the newly launched Redneck Riviera product, and an increase in wholesale traction within the Pacific Northwest on our Vodka products and our newly re-launched Burnside brand, which is progressing well. We also experienced a modest improvement in our retail case sales during the period.

The private label business benefited in the period from the initial production of our new canning line, as well as from an opportunistic private and profitable sale of both spirits period. Those profitable sales underscored a hidden value to our shareholders of our large bulk spirits inventory that is sometimes overlooked. While it's not a focus, we may periodically benefit from such sales, as we did in the first quarter.

Overall, wholesale revenues improved by approximately 53% to $755,000, compared to $429,000 last year. While we are pleased with the recent Burnside progress, the product was still down compared to last year as the brand re-launch was still in the early phases during the quarter. However, strong vodka product growth, along with the new Redneck Riviera product launch more than offset Burnside in the period, contributing to the strong overall wholesale increase.

Looking ahead, we do expect Burnside product to contribute more significantly. As noted, since March of this year, approximately four months post the re-launch, Burnside has been tracking above the legacy brand volumes in Oregon. We've also begun selling to key out-of-Oregon markets. Going forward, the wholesale business will also greatly benefit from the new Redneck Riviera brand, which continues to experience very strong momentum after the fast start in its initial two-month debut.

Revenues in our private -label business were approximately $350,000 for the period, which actually exceeded what we did the entire year last year, more than triple over the year ago period. Again, this was a result of both the new canning operations coming on line, along with the sale of some excess spirits.

Revenues derived from our Retail and Special Events operations grew to approximately $305,000, which represented an 8% increase from a year ago. In May, we launched a new initiative to draw customers, improve the customer experience, and sell additional high margin products. We hope this will bear fruit in the second half.

Gross profits in the period totaled approximately $593,000 compared to $290,000 the prior year. Gross margin relative to net sales was 49% versus 47% a year ago, and overall 2017 margin of 37%. The gross margin in the period was positively impacted by the new FET rate, which we have highlighted several times in the recent past, which was partially offset by higher customer incentive programs, as compared to last year.

We certainly have a longer-term goal to further improve margins as we increase volumes and better spread our facilities costs. However, in the short run, margins may fluctuate around these levels as we continue to implement customer programs and incentives associated with the new product launch of Burnside, Hue-Hue, and Redneck Riviera.

Advertising, promotional, and selling expense for the year increased to $643,000, up approximately 67% from $386,000 last year. It was down actually slightly sequentially from the fourth quarter. This increase is primarily due to our launch-related efforts to expand our product sales, both regionally, as well as in national markets. Under our agreement with John Rich, if and when the Redneck brand is sold, we are allowed to recover 50% of our direct marketing expenses in support of the Redneck brand. We hope to provide more specific guidance on this in the future, but due to our emphasis on Redneck, this amount is already well into six figures.

G&A expenses for the period totaled $1.2 million, an increase of 67% from last year. This increase was a result of additions to key personnel, along with higher stock-based compensation and depreciation expenses. In fact, the higher stock based comp and depreciation expense accounted for nearly half of the G&A increase.

Net loss in the period totaled $1.3 million or $0.27 per share, compared to a net loss of $900,000 or $0.35 in the year ago period. Our adjusted EBITDA during that period was a loss of approximately $780,000, which compared to a loss of $565,000 a year ago, and a loss of $930,000 the prior sequential fourth quarter. I would point out that the sequential improvement in EBITDA is something we hope to maintain as we move throughout the year.

Moving to the balance sheet, cash at the end of the period totaled approximately $1.5 million. Inventories further increased from the yearend, totaling just over $5.3 million. As previously mentioned, we have purposely built our inventories to support the new product launches, especially the new Redneck Riviera Whiskey product, which has seen tremendous interest and momentum.

Subsequent to the period end, we added to our working capital position by closing on additional note proceeds of $880,000, along with bringing in additional $735,000 in cash from voluntary early warrant exercises.

We also executed a new $3 million bulk spirit credit facility with an existing friendly shareholder. This line has a 7% rate that is far better than the double-digit rates that are offered to the industry by typical bulk spirit lenders. This facility has an initial three-year term. To further illustrate the support we have from the shareholder, let me also note that this financing has no equity elements whatsoever, meaning it is not convertible and it has no warrants attached. We have the full $3 million available to us on this facility and we can withdraw at any time to purchase bulk spirits. We believe this puts us in an excellent position, especially given our existing strong inventory levels.

That concludes my highlights for the quarter. Further details are available on our 10-Q. With that, I will hand it back to Grover.

Grover Wickersham
Thank you, Steve. I would also, before we open up to Q&A, just go over a few points under the general concept of strategic initiatives. This is kind of forward-looking comments, but we mentioned in the past that we have put feelers out to potential industry strategic partners. And as a way of organizing this effort, the board formed a committee and that consists of Shelley Saunders, the former CFO of Campari Canada; and Jack Peterson, the CEO of Sandstrom; and also myself. As a trajectory of our brands continues to improve, we think that we may be able to have options in regards to bringing in strategic partners.

My final comment on this subject, although you hear this from every CEO, I do believe that the share price does not fully reflect the value of our brands to the extent of the valuations that occur in this industry. And bringing in a strategic partner might be a way to demonstrate that.

Secondly, acquisitions, we continue to see a constant potential deal flow. We tend to be very selective. We can't predict when we might enter into a transaction, but I just want shareholders aware that it is extremely likely there will be more acquisition transactions in the future.

And then the third comment is, we're very mindful of dilution. If you look at our financing efforts today, they involve the minimum amount of equity. And as noted by Steve, we've had almost $2 million in early exercise of warrants, publicly traded warrants. This is, I think, evidence that we have some very supportive, large institutional shareholders that share our goal of maximizing shareholder value.

So with those comments, I would like to turn the call over to Q&A.

QUESTIONS AND ANSWERS

Operator
Ladies and gentlemen, at this time we'll begin the question-and-answer session. To ask a question, you may press star and then one. If you are using a speakerphone, we do ask that you please pick up your handset before pressing the keys to ensure the best sound quality. To withdraw your questions you may press star and two. Once again, that is star and then one to ask a question.

Our first question today comes from Ian Gilson from Zacks Investment Research. Please go ahead with your question.

Ian Gilson
Good morning, gentlemen and lady. Congratulations.

Grover Wickersham
Thanks, Ian.

Ian Gilson
As we look at the numbers, the average price per case has increased significantly, and, in fact, I believe on a year-over-year basis, it's up close to 40%. Now, how much of the revenue is non-spirit-based so as not counted in the cases sold, and what can we look for on the average selling price for the rest of the year?

Steve Shum
Well, I think it's important, Ian, to separate the private label business when you're doing that calculation. The overall average per case price when isolating just the branded products relative to branded revenue, wholesale and retail, was around $154 per case. There's two dynamics that are impacting that. One is, if you look at the wholesale side of the business as a percentage of the branded revenue, again, excluding private label, wholesale increased to 71% in this quarter, versus about 60% last year. So that distribution mix, if you will, is going to put downward pressure on the average price, and it did so in this quarter.

The other dynamic that's happening is the heavier concentration in both vodka and Redneck Riviera has also brought the average per case price down a little bit. Vodka averages, depending on what promotion activities might be going on, between $95 and $105 per case, and the Redneck Riviera runs $150 per case. And that's compared to our Burnside line, which is closer to $200 per case. So product mix and channel mix impacts average price per case.

What we think going forward is we would anticipate it to stay around these levels, because we do see Burnside picking up some volume-relative vodka. Of course the Redneck Riviera dramatic growth will certainly continue to see higher percentages of that, but on balance we would anticipate the average price per case to sit around these areas that we saw in the first quarter. And it's going to fluctuate of course, depending on exact product mix.

Ian Gilson
Are you talking on a gross basis?

Steve Shum
Yes. On gross sales.

Ian Gilson
As we look at new customers for Redneck Riviera, I notice that we have Walmart of course is international in scope, but Albertson's is national. Does the acceptance in one state or area carry through at the corporate level and give you an extra push in the same grocery chain in other states?

Grover Wickersham
This is Grover. Thanks for the question, Ian. Good morning to you. Yes, I mean, that definitely is the case. We found, for example, that we got into Albertson's in Louisiana that was partially because we got the largest chain in Louisiana, namely Rouses. And having gotten into Albertson's in Louisiana, we began to present to Albertson's national. And I would say that having Robert Manfre donia on board is a huge—he's a huge weapon in our arsenal because Robert has spent the better part of his career dealing with national accounts like Albertson's, and he is able to exploit that relationship. So I do think that once we get our foot in the door in one state in a chain, we have a chance to get into other states and we have the right people to make those sales.

Ian Gilson
Thank you. On the excise tax basis, is the current level of taxes per case going to translate into the same percentage through the rest of the year?

Steve Shum
Yes. I mean, again, it'll fluctuate a little bit based on mix, but yes.

Ian Gilson
Great. Thank you.

Operator
Once again, if you would like to ask a question, please press star and then one. To withdraw your questions you may press star and two. At this time I'd like to turn the floor over to Mr. Blum with any webcast questions.

Robert Blum
Yes. Just a couple questions here, folks. "What will the next Sandstrom rebranded product be?"

Grover Wickersham
We actually have a wealth of choices. We have several in the pipeline, so I think it's a little hard to answer that question. I think that we're working on the rum and we're working on our fruited spirits, which is a real interesting category, our cherry bomb and our Marion berry, and they've got some great ideas there. But we're also looking at potential new products, which would either be a product that Sandstrom thinks there's a space in the market where it would be a good product, or alternatively, a product that's a brand extension. For example, an additional spirit in the Redneck line or additional spirit in the vodka line, that sort of thing.

In addition to that, as I mentioned, we're also looking at RTDs. So I can't exactly say which of the products I mentioned is going to emerge from the pipeline first, but we're hoping to have several this year.

Robert Blum
All right. The next question here is, "When you think about sort of the continuing to introduce new products versus growing the volumes of your existing products, what should we think about that mix going forward?"

Steve Shum
Well, I certainly think in the very near term the growth is going to emanate from our existing products. We're pleased with their progress as we've described, and that will be the bulk of the growth in the short run. As Grover just mentioned, our goal is to introduce new innovative products or re-brand some of the other legacy packaging, but that will not only take a little time, but even getting out to the market as we've seen with Burnside, it takes some time to start building on that. Again, the heavy focus is on the existing products in the market.

Robert Blum
All right. Next question here and then we'll get back to some of the folks on the live call here. "Talk about the go-to-market status within the canned wine venture."

Grover Wickersham
Yes. Well, the canned wine has been—I think it's been a—the category is really taking off. I think the concept that we had back last year of getting into, providing canning capability, and then using those same capabilities to come out with our own products, I think the strategy is very good. Unfortunately, our execution on it, we have taken longer than we thought to get it dialed in, and that's been a drag on our cash flow. I hope to see that trend reverse this quarter, and hopefully in a big way, and I think that that will support the operation, pay for the operation, and we want to use that as a platform to have our own products. We have a very long list that we're looking at with Sandstrom, but given that we have our own retail stores and we have such a great sales presence here in Oregon, we are actually in an excellent

position to launch products here using that canning facility.

We're also looking at RTD and wine canning opportunities with our partner, John Rich. Again, I can't tell you right now, and that's mostly because I don't know, which of our products will emerge first, but we will have products and hopefully the operational costs of that facility are going to be picked up by our customers in the co-packing area.

Robert Blum
All right. Very good. Jamie, I'd like to turn it back over to you for additional questions from the audience here.

Operator
And our next question comes from Brian Sognefest from Roth Capital. Please go ahead with your question.

Brian Sognefest
Hi, guys. Just a quick housekeeping question. You ended the quarter with $1.5 million in cash on the balance sheet, and then you said you got some additional cash from the early exercise of the warrants of about $1.7 million. So does that mean you have around $3.2 million in cash, plus the facility you talked about?

Steve Shum
Yes. That's the proper math, Brian.

Brian Sognefest
Okay. And then, I was wondering if you're willing to give any insight into the Redneck Riviera, obviously that's not the only business you're doing, but the important one at the moment. And I know there were, like, Walmart and some others that—was that part of the first quarter, or is that going to just start hitting in the second quarter?

Steve Shum
Yes. We were not in Walmart yet in the first quarter. So that's a lot of—some of these things we're discussing were not even impacted in Q1, they will hit in Q2.

Brian Sognefest
Okay. Anything you can talk about in terms of the ramp in California as well with Southern Glaciers, I think?

Grover Wickersham
Yes. I actually was just communicating with Jared about that. I think I've said the way it works with Walmart is you get approved for purchase, and then the actual purchases are done by the store managers, and that's happening this month. We'll start seeing sales out of Walmart this quarter for sure.

Brian Sognefest
All right. Thanks, guys.

Steve Shum
Thanks, Brian.

Operator
Our next question comes from Geoffrey Guin from Group G Capital Partners. Please go ahead with your question.

Geoffrey Guin
Yes. Again, great quarter, and I just want to follow-up on Brian's question about the rollouts, specifically, the number of doors that you're opening. I mean, the case numbers are really helpful for Oregon, the lumpy numbers, but I'm curious if you can give us a sense of the number of doors that you're opening, I mean, growth month on month, or if you have a target for the second quarter, something like that.

Steve Shum
Well, we haven't given specifics in the past on points of distribution, but I think we might start trying to give a little bit of color on that. But as it relates to Redneck Riviera specifically, I believe we're approaching 1,000 points distribution on the product. And as the team, Jarrett and the rest of the team feels is that, if they think that starts expanding quite significantly soon, as things are just really starting to get rolling. I know that's not necessarily giving you a precise answer, but remember, it's also pretty early in this launch still. I mean, it's going great, it's going fantastic, but it's still early.

Geoffrey Guin
Right, right. No. That's really helpful. And I know it's hard to talk about the strategic partnership question, but when you think about that, Grover, I mean, is that to help the company with production or distribution, or both? I mean, when you think about bringing someone in, obviously there's the financial opportunity there, but the fund working capital growth, and so on and so forth, but what specifically are you trying to accomplish with that?

Grover Wickersham
Well, I think it depends somewhat on who the partner is, but it's partially to assist in distribution. Partially there's a brain trust that you get when you team up with a major player. The smaller players like us are similar to in the high-tech industry are the innovators, but there's a huge value that comes from being associated with a major industry player. I would say international marketing is one of the key things, because the really successful brands at some point always seem to go international, and a Diageo or a Constellation or William Grant, Perno, all of these players are extraordinarily international.

Then the second thing I'd mention is, or third thing, is the financial aspect. Obviously we're investing a lot of money right now to develop our brands and launch, and our feeling is that this is a good investment. Our operational metrics are continuing to improve. We're starting to get operational leverage, and as we add more and more accounts, they kind of almost become an annuity, so those are all very positive. But I think having additional financial resources is important. And I think from a strategic partner, we're going to be able to get that at a higher stock price than our current stock price. And I am basing that solely on the valuations that I see in the industry. I mean, I don't want to give the impression we have talks going currently. We have feelers out. And I think as the quarter progresses, and certainly as the third quarter goes on, I think opportunities in some form will materialize.

If you look at the trajectory say of the Redneck brand, but you also look at the excellent branding with Sandstrom that we've got with Hue-Hue and we've got with the Burnside line, and we also are going to have the other things in our pipeline, this is unusual in the industry. The larger players have tried to create, I don't know what you would call them, but sort of incubators to get brands going. If you look at the list that Diageo has, for example, of their success stories, I mean, I didn't recognize a single one of the brands. So I think we're in a position where we can offer that innovation, and then it's very valuable in the industry, so I think we command a good price for it.

Those are my thoughts on the subject and I'm kind of excited about exploring that area. We would not be interested in an acquisition. I said that previously. But we would be interested in a genuine minority partnership from a major player.

I'm getting the cutoff signal here from Steve, but I'll just mention one last thing. As the Redneck brand takes off, a lot of people have not focused on this, but we actually have a right of first refusal on that brand. So, in the future, if that becomes a desirable acquisition target, and I'm sure it will, almost positive it will be, we're kind of in position of having that to offer to a major player.

Geoffrey Guin
Right. That's really helpful. Good luck in the next quarter here. I'm looking forward to seeing the results.

Steve Shum
Thanks, Geoffrey.

Operator
And our next question is a follow-up from Ian Gilson from Zacks Investment Research. Please go ahead with your follow-up.

Ian Gilson
Yes. Thank you. Now, Grover, you mentioned international. Don't you have a relationship in Canada currently with the Ontario board, and if so, how's it going?

Grover Wickersham
Well, it was primarily with our older Burnside line. We are selling in to Canada and that's something that we have ongoing conversations about how we can expand that.

Ian Gilson
Great. Thank you.

CONCLUSION

Operator
And, ladies and gentlemen, at this point we've reached the end of today's question-and-answer session. I'd like to turn the conference back over to management for any closing remarks.

Grover Wickersham
I would just like to thank all the shareholders on the call for their support. Steve and I are available any

time to take phone calls or meet. We look forward to having a very, very exciting end of or remaining 2018, and also into 2019, and we appreciate the confidence that you put in us. We're working hard every day to get some great results. So thank you very much and that concludes our quarterly conference call for Q1.

Operator
Ladies and gentlemen, that does conclude today's conference call. We do thank you for attending. You may now disconnect your lines.