



This is Auxly / Q1 2025 Letter to Shareholders



May 15th, 2025

Auxly Cannabis Group Inc.  
777 Richmond St W Unit 002  
Toronto, Ontario M6J 0C2

1 647 812 0121  
auxly.com  
IR@auxly.com

Dear Auxly Shareholders,

**I'm proud to share Auxly's Q1 2025 results—a quarter that highlights the strength of our products, the quality of our execution, and the momentum we've built entering the year. We are executing against our strategy, staying disciplined, consumer-focused, and committed to building a strong and profitable cannabis business.**

### **Another Breakout Quarter with Continued Momentum**

We delivered net revenues of \$32.7 million in the first quarter, a 29% increase year-over-year. Gross margins on finished cannabis inventory sold improved to 48%, an increase of 1000 basis points (or 26%) year-over-year. Adjusted EBITDA rose to \$7.4 million, a healthy 23% of our net revenue and a 232% improvement year-over-year. These are the strongest Q1 financials in Auxly's history.

What's driving these results? Simply put, consumers love our products! Demand for Auxly products is at an all-time high and is a testament to our employees' relentless commitment to helping our consumers live happier lives by delivering high quality products that they can trust and love. The strength of our product portfolio, coupled with our investments in manufacturing efficiency and distribution excellence, is translating directly into margin expansion and improved financial performance.

---

**Foray**

**KOLAB PROJECT**

**BACK FORTY**



**Parcel**

## Canada's Leading Brand and a Product Portfolio Built to Win

Back Forty remains the #1 selling brand in Canada by retail sales across all product categories. From January to March 2025, Back Forty grew by an impressive 49% year-over-year, strengthening its leadership position in a highly competitive market.<sup>1</sup>

**“We delivered net revenues of \$32.7M in the first quarter, a 29% increase year-over-year.”**

Beyond brand strength, our flower portfolio continues to win with consumers. Liquid Imagination and Fire Breath are ranked as the #1 and #3 cultivars in Canada, respectively.<sup>2</sup> In March 2025, Auxly's Back Forty brand became the #1 flower brand in the country—with fewer SKUs in market than any other top-five competitor.

**“Back Forty remains the #1 selling brand in Canada.”**

## Innovation Fuels Growth in Pre-Rolls and Vapes

While flower remains the largest product category, the fastest growth is happening in Pre-Rolls and Vapes—with Auxly well positioned to participate in that growth through its leading innovations in both categories:

- New Frosted Icicles infused pre-rolls have launched with strong demand
- Kolab Project's Liquid Diamonds cartridges continue to elevate our premium vape offering
- All-in-one vapes from Back Forty continuing to lead the competitive disposable vape segment

Our consumer insights-led innovation approach ensures we're not only meeting demand—but shaping it.



<sup>1</sup> Hifyre, rolling 3 months, based on total dollars sold, <sup>2</sup> Hifyre, as of March 31, 2025



## We're Just Getting Started

Auxly is thriving in the Canadian cannabis market, the most competitive and tightly regulated in the world. We are demonstrating that sustainable, profitable growth is possible with the right strategy, the right team, and the discipline to remain focused and execute.

As supply and demand dynamics have evolved in the Canadian and global cannabis markets, Auxly's large-scale, purpose-built and highly efficient platform is a clear competitive advantage. Auxly is already delivering gross margins that are equal to or better than many internationally focused peers, without the working capital risk or supply chain complexity of global exporters. With continued strong domestic demand and growing international interest in our products, we are focused on winning at home and thoughtfully evaluating global expansion opportunities with a long-term vision of global leadership.

As we head into the summer months where industry sales have historically been strongest, our portfolio is primed with exciting new genetics, innovative vape SKUs, and premium infused pre-rolls. We continue working closely with retail partners across Canada to ensure coast-to-coast availability and support.



**“Our consumer insights-led innovation approach ensures we’re not only meeting demand—but shaping it.”**



## Looking Ahead with Confidence

When I began writing these shareholder letters, Auxly's share price was at a very different place. Since then, we have continued to execute against our strategy, delivered increasingly profitable results, and shareholders who backed our vision have been rewarded with meaningful returns in a relatively short period of time.

Let me be clear: it is still early and Auxly is just getting started.

We've proven we can make products consumers genuinely want, and that we can do it profitably, even absent needed tax or regulatory reform. We have demonstrated our commitment to improving our balance sheet, reducing debt by 56% in 2024 and reducing it by a further 5% in Q1 2025. Our Q1 results validate that our strategy is working and that Auxly is well positioned for continued growth.

**“Auxly's large-scale, purpose-built and highly efficient platform is a clear competitive advantage.”**



If you're considering investing in the cannabis sector, I encourage you to consider:

- Auxly's leading product portfolio;
- Our proven track record of execution
- Our disciplined path toward profitable, long-term growth

We've fought through the industry headwinds and growing pains. Now we're building something exceptional.

Thank you for your continued support. We're excited for the future — and we look forward to achieving more milestones together.

Warm regards,  
Hugo Alves, CEO