

This is Auxly

# Q2 2022 Earnings Presentation

August 15, 2022

**Auxly**

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ward-looking information, general business, economic and competitive uncertainties, regulatory risks including risks related to the cannabis market in the United States, Europe, Latin America and Canada, market risks, predict all of such factors and to assess in advance the impact of each such factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Forward-looking information contained in this presentation is based on the Company's current estimates, expectations and projections, which the Company believes are reasonable as of the current date. The Company can give no assurance that these estimates, expectations and projections will prove to have been correct. Historical statements should not be taken as a representation that such trends will be replicated in the future. No statement in this presentation is intended to be nor may be construed as a profit forecast.

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This presentation refers to Adjusted EBITDA because certain investors may use this information to assess the Company's performance and also determine the Company's ability to generate cash flow. This data is furnished to provide additional information and are non-IFRS measures and do not have any standardized meaning prescribed by IFRS. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS.

# Agenda

1. 2022 Strategic Objectives
2. H1 2022 in Review
3. Market Performance
4. Operational Update
5. Q2 2022 Financial Overview
6. Q&A

# Speakers



**Hugo Alves, JD**  
Chief Executive Officer



**Brian Schmitt, CPA, CFA**  
Chief Financial Officer

## Achieve Positive Adjusted EBITDA; Win With Consumers

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### Improve Revenue and Gross Profit Margin to Achieve Positive Adjusted EBITDA

- Key Priority in 2022 is to achieve Adjusted EBITDA profitability
  - Continue to grow top line revenue while enhancing gross profit margins through:
    - Leveraging the increasing flower output from Auxly Leamington
    - Focused and differentiated brand and product offerings
    - Increased depth and breadth of distribution
    - Cost optimization through investments in automation to increase production capabilities and efficiency
    - Continuous improvement initiatives

### Win with Consumers and Increase Brand Traction

- Deep commitment to understanding consumers and developing products that help them live happier lives
- Continue to develop our brand portfolio to earn and keep the trust and loyalty of customers and consumers
- Be the choice of consumers in-store
- Service the evolving preferences of consumers with insights-driven innovation
- Ensure that consumers can access our products broadly and reliably

# H1 2022 In Review

**#1 LP**  
position in  
Cannabis 2.0  
product sales  
Nationally with  
11.5% SoM<sup>1</sup>

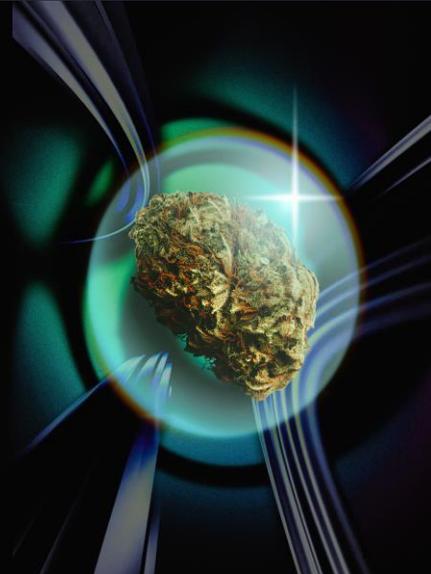


**#1 LP**  
in national vape  
sales with 17.8%  
total market share

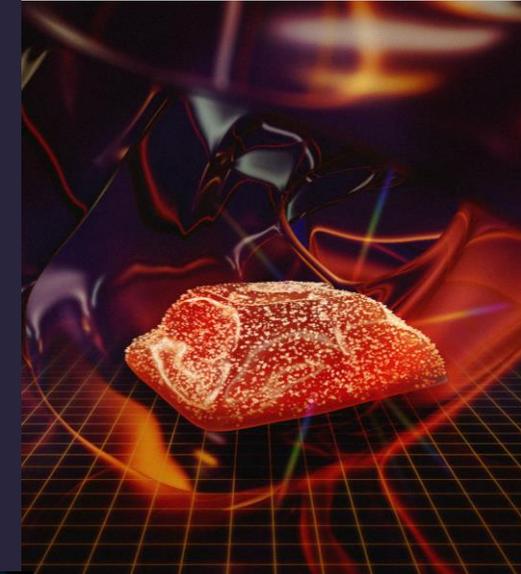


Back Forty was the  
**#1** vape brand  
in Ontario with  
13% market share

Back Forty is  
the **#4**  
flower brand in  
Ontario with  
4.7% market  
share

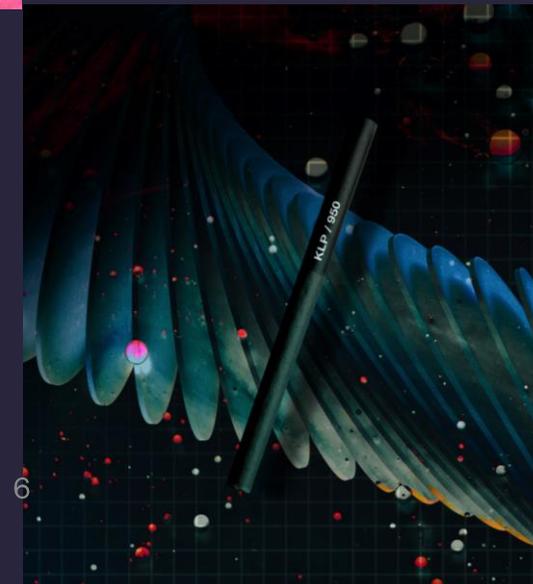


**#6 LP**  
Position in total  
national sales with  
6% market share

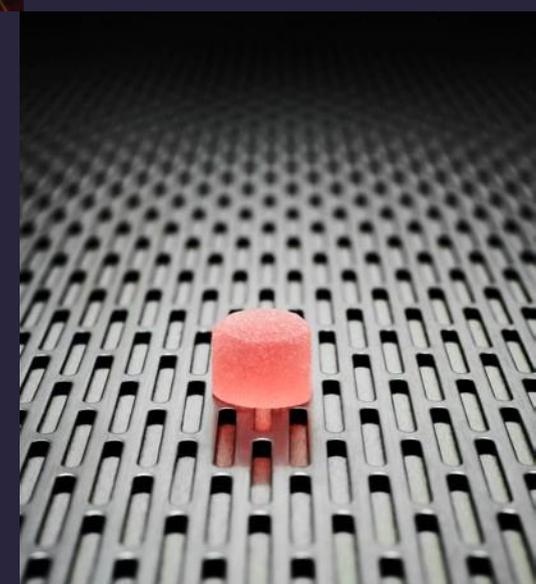


Recorded  
36% blended  
Gross Margins  
in Q2 2022

Net Revenue grew 31% year-over-year in Q2 2022, driven by expansion into Cannabis 1.0, continued product innovation and overall growth of the recreational cannabis industry



Launched 27 New  
SKUs in H1 2022  
including 5 new  
first-to-market  
products



Source: Headset Canadian Insights as of July 28, 2022

1. Cannabis 2.0 is defined as vapes, edibles, beverages, extracts and topicals

Continued Innovation That Wins with Canadian Consumers

# Secured A Top 10 Position Across All Product Categories in H1 2022

#1 in Vapes



17.8% National Market Share

#4 in Edibles



5.5% National Market Share

#10 in Concentrates



3.9% National Market Share

#3 in Topicals



10.8% National Market Share

#7 Dried Flower



4.2% National Market Share

#9 Pre-Rolls



3.1% National Market Share

#6 Oils/Capsules



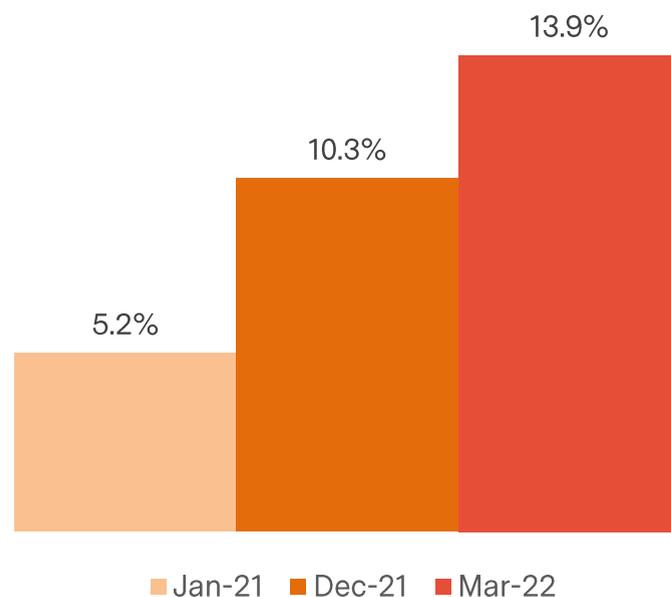
6.9% National Market Share

# Growing Brand Awareness To Drive Continued Growth

## BACK FORTY

Back Forty continues to be a leading brand in the country, securing the #1 vape brand position in Ontario

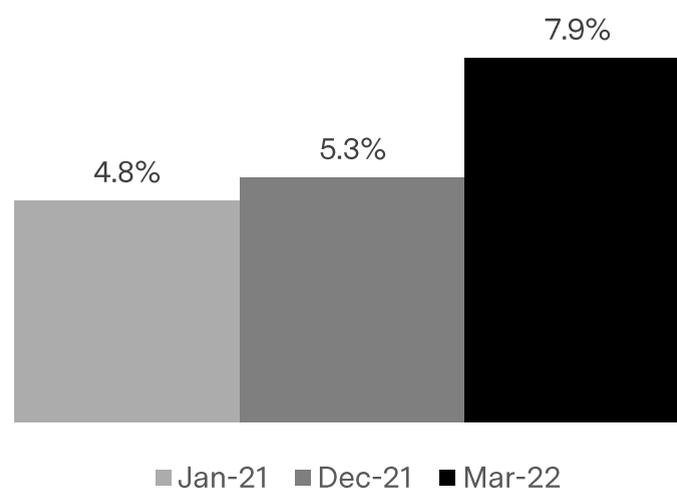
Introduced Mandarin Cookies, a new strain from Auxly Leamington



## KOLAB PROJECT

Kolab Project continues to be a leading brand in concentrates and vapes nationally

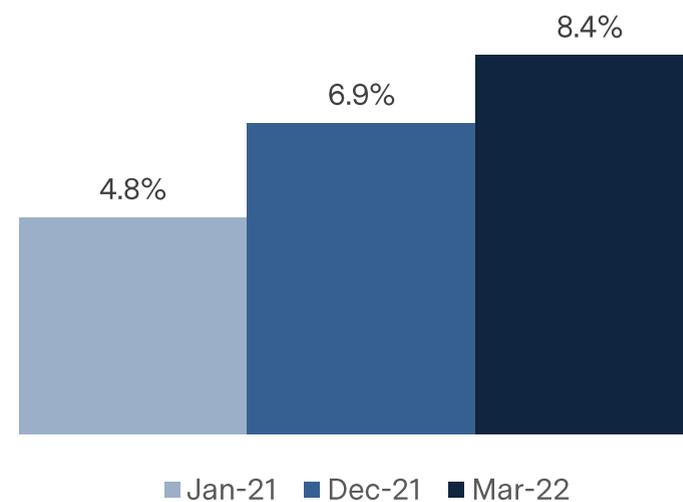
Introduced new, first-to-market dried flower strains, Sticky Monkey and Tranquil Elephantizer in Q2 2022



## Foray

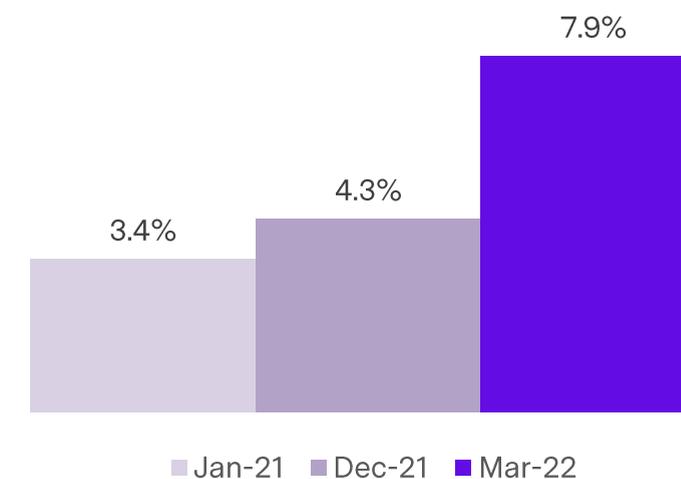
Foray remains a leading brand in the edibles category, maintaining its top 10 position nationally in 2021

Expanded its top performing edible portfolio with fast acting chews in new flavours like Pear Papaya



Dosecann is quickly becoming a leading brand in the health and wellness category in Canada

Launched the first-to-market CBN capsules during the quarter, with sales exceeding expectations



Our Competitive Advantage in Insight-Driven Innovation  
Executing on a Winning Innovation Strategy

60

New SKUs in Development for 2022



## Increasing Output and Improving Operations

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**Ramping up Pre-Roll Manufacturing and Packaging Capacity**

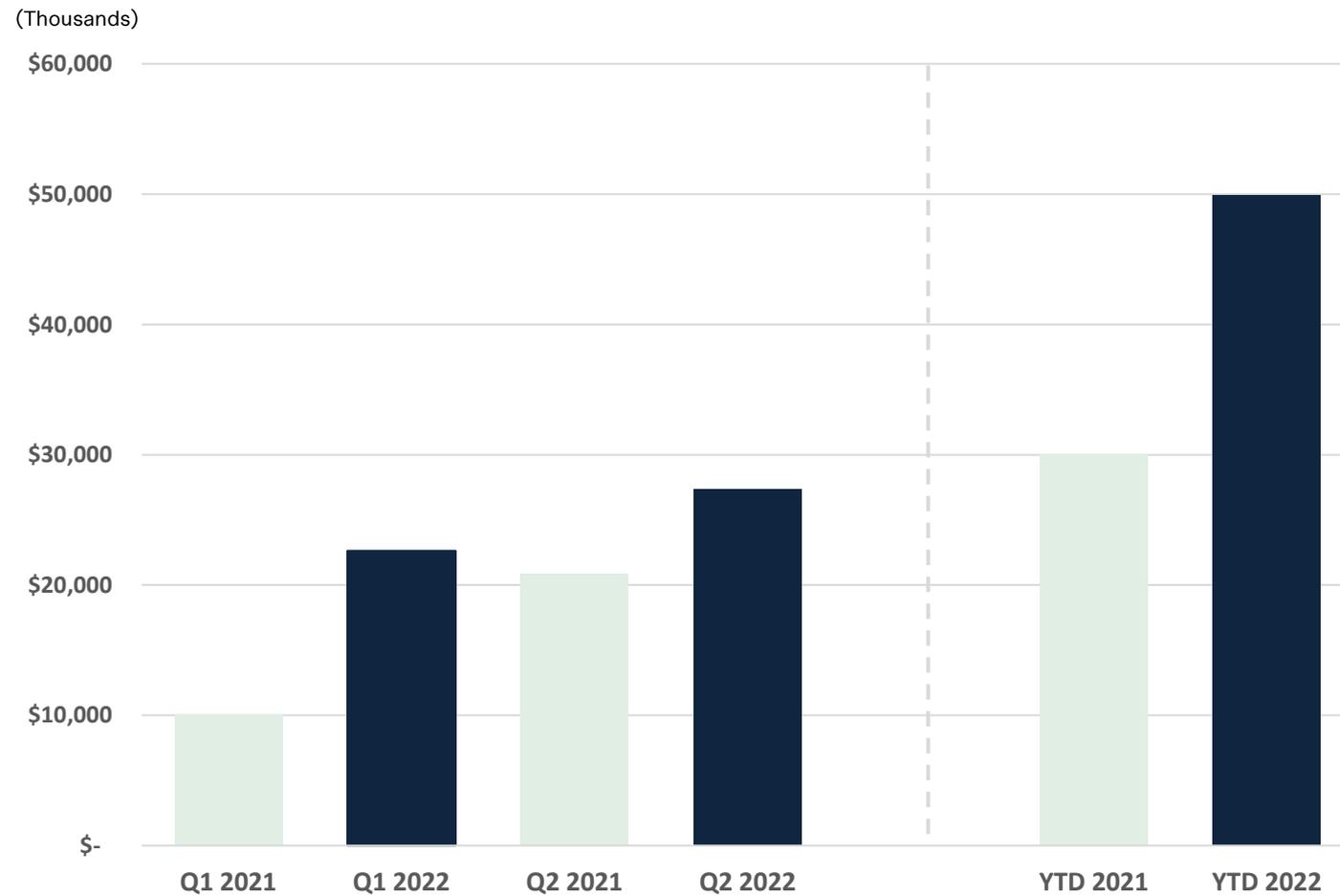
**Improved Flower Innovation Program to Meet Evolving Consumer Demands**

**Leamington Manufacturing Expansion Substantially Complete**

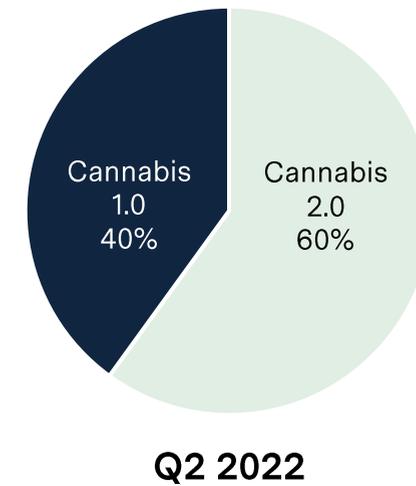
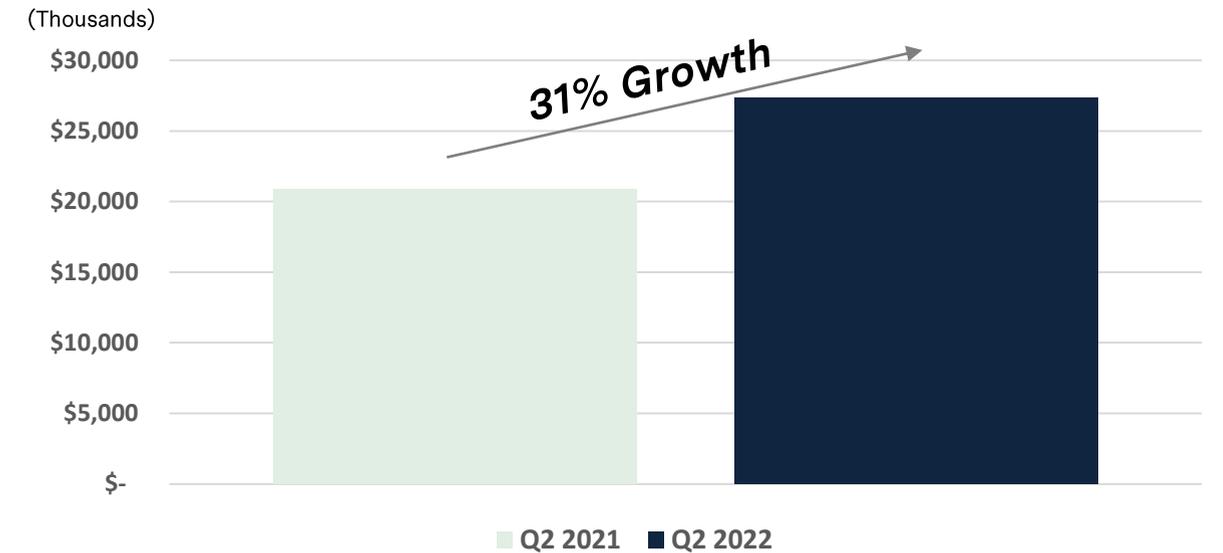
**Continuous Improvement Driving Efficiencies in Key Categories**

# Revenue Snapshot

Auxly's Net Revenue



Auxly's Year-over-Year Revenue and Segment Overview<sup>1</sup>

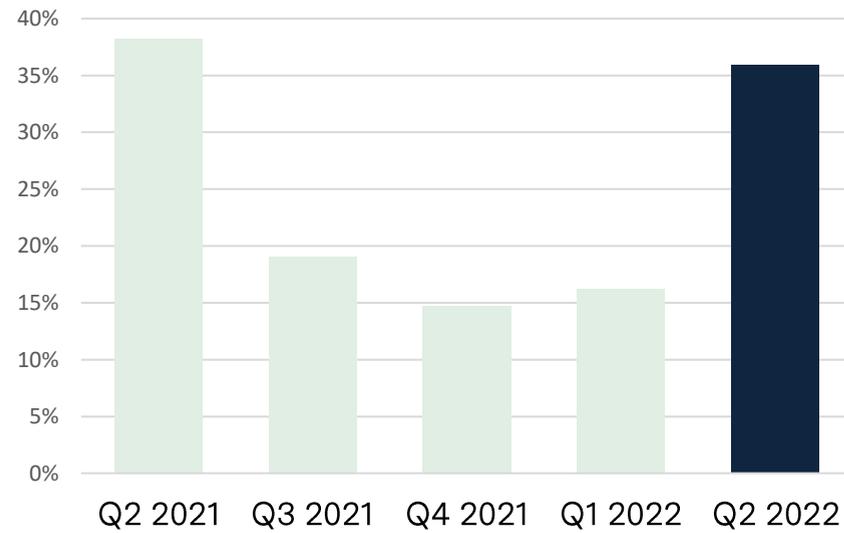


Approximately 85% of the Company's cannabis sales originated from Ontario, British Columbia and Alberta

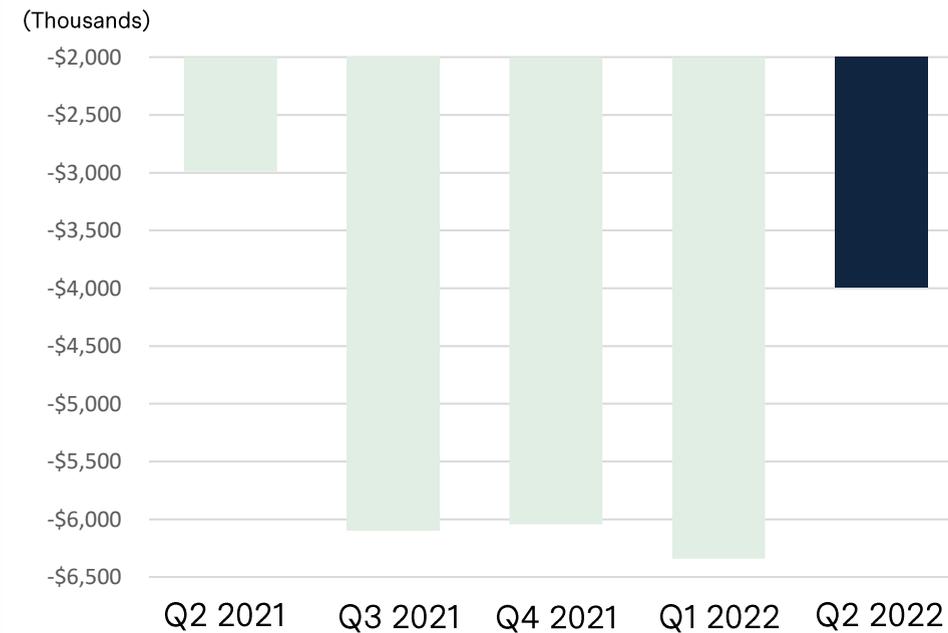


# Earnings Overview

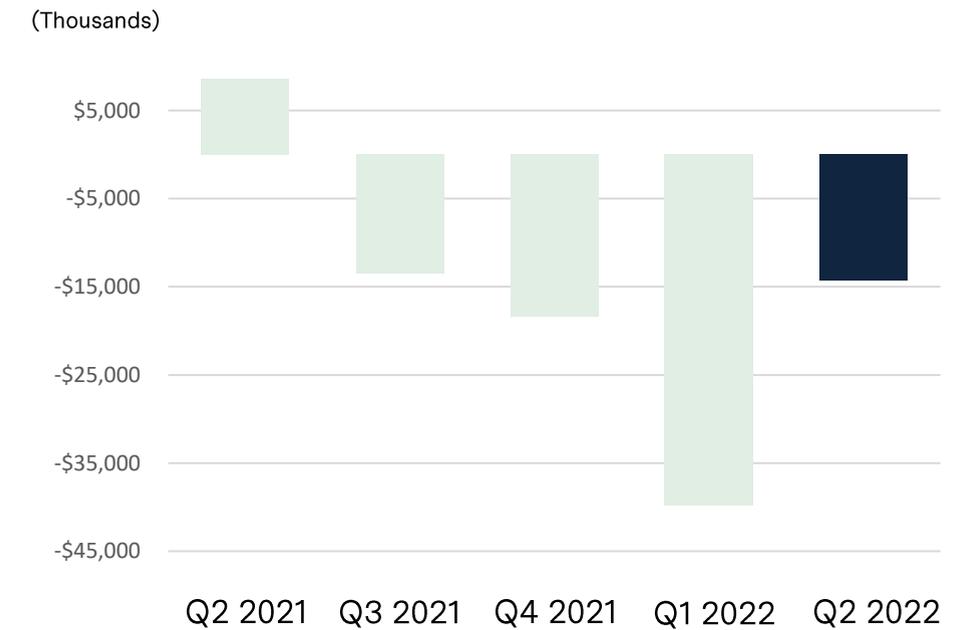
Gross Profit Margin



Adjusted EBITDA



Net Loss<sup>1</sup>



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

**Investor Relations**

Direct Line 1 647 812 0121  
Facsimile Line 1 855 669 7881  
Email [info@auxly.com](mailto:info@auxly.com)