



# Aleafia Health

TSX: AH  
OTCQX: ALEAF

Corporate Presentation  
October 2021

**BOGART'S  
KITCHEN**

*Divvy.*

**NITH &  
GRAND**

**SUNDAY  
MARKET**

  
**Emblem™**

  
KIN SLIPS

**NOON  
& NIGHT**

Certain statements herein relating to the Company constitute “forward looking statements”, within the meaning of applicable securities laws, including without limitation, statements regarding future estimates, business plans and/or objectives, sales programs, forecasts and projections, assumptions, expectations, and/or beliefs of future performance, are “forward-looking statements”. Such “forward-looking statements involve unknown risks and uncertainties that could cause actual and future events to differ materially from those anticipated in such statements. Forward looking statements include, but are not limited to, statements with respect to commercial operations, including production and/ or sales of marijuana, quantities of future marijuana production, anticipated revenues in connection with such sales, the overall projected size of the market, completion and/or expansion of production facilities, and other Information that is based on forecasts of future results, estimates of production not yet determinable, and other key management assumptions. Actual results may differ materially from those expressed or implied by such forward looking statements and involve risk and uncertainties relating to the Company’s historical experience with regulatory changes, timeliness of government approvals for the granting of permits and licenses, changes in marijuana prices, actual operating performance of facilities , and other uninsured risks. The Company assumes no responsibility to update or revise forward-looking information to reflect new events or circumstances unless required by law. Contents are provided for general information purposes only and do not constitute an offer to sell or solicitation of an offer to buy any security in any jurisdiction

# Q2 2021 HIGHLIGHTS

**53%**

Increase in total  
cannabis  
net revenue Q/Q

**87%**

Increase in adult-use  
cannabis net revenue  
Q/Q

**23%**

Increase in medical  
cannabis  
net revenue Q/Q

**66%**

Increase in bulk  
wholesale cannabis net  
revenue Q/Q

**49%**

Adjusted gross margin  
on net cannabis revenue

**1<sup>st</sup>**

Medical cannabis  
shipment to Germany

**3**

New employers  
onboarded through  
Unifor partnership

**\$17.8**

Cash, cash equivalents  
& marketable (M)

# COMPANY SNAPSHOT

## PRODUCT PORTFOLIO

40 New SKUs launched since Q4 2020

5 Cannabis brands targeting consumer segments

75,000+ Unique clinic patients seen

## FINANCIALS

~\$40 million LQ Run-rate cannabis net revenue

~49% <sup>(1)</sup> Industry leading adjusted gross profit margins

171% Y/Y increase in cannabis revenue <sup>2</sup>

## OPERATIONS

+80,000 kg Annual cultivation capacity

4 Production facilities

\$0.10 / gram Low-cost outdoor grower

## CAPITALIZATION

~\$25 million Cash and marketable securities <sup>3</sup>

~\$125 million Fully Diluted Market Cap <sup>3</sup>

# INVESTMENT HIGHLIGHTS

## VERTICAL INTEGRATION

- Cultivation, extraction capacity, packaging across 3 facilities
- Distribution capabilities nationally for medical products, and into the largest adult-use provincial markets
- Operates national, virtual medical clinic network



## STRONG FINANCIAL PERFORMANCE



- 53% sequential net cannabis revenue growth
- Diversified sales mix with three sales channels: medical, adult-use and bulk-wholesale
- Robust 49% gross margins in Q2 2021<sup>1</sup> at the top end of peers

## DIVERSIFIED PRODUCTION

- Flexible supply spanning low-cost outdoor to premium indoor
- Highly automated greenhouse facility
- Distribution centre located close to airport and centrally relative to 3 production facilities



## UNIQUE MEDICAL ECOSYSTEM



- Growing medical patient base through Unifor agreement
- 75,000 patients seen to date
- Increased sell through into Germany & Australia markets
- Potential OTC market for CBD infused wellness products

## DIFFERENTIATED PRODUCT PORTFOLIO

- Recently launched house of brands has solid market traction
- Targeted to unique consumer segments
- Unique cannabis derivative formats
- 13 SKUs launched in Q2 2021



## MULTI-CHANNEL GROWTH OPPORTUNITY



- Medical cannabis sales in Canada and into two export markets
- Adult-use house of brands CPG approach
- Low-cost outdoor producer facilitates opportunistic bulk-wholesale sales at an attractive margin

# INTEGRATED ACROSS FULL CANNABIS VALUE CHAIN



## CULTIVATION

1

### Diversified, low-cost, and at scale

- 86 acre , low-cost outdoor grow
- 160,000 sq. ft. greenhouse facility
- 15,000 sq. ft. premium, small batch indoor grow



## EXTRACTION

2

### Converting flower to cannabis derivatives

- State-of-the art lab at Paris Facility
- Supercritical CO2 extraction
- Converts 40,000 kgs of dried flower/year



## MANUFACTURING

3

### Product innovation

- Production of new, innovative cannabis formats and core wellness products
- Includes sublingual strips, soft chews, vapes, oils, capsules, sprays



## SUPPLY CHAIN & DISTRIBUTION

4

### Same day delivery

- Industry leading same day cannabis delivery in Canada's largest metro area
- New Toronto Distribution Centre licence received Feb 2021



## CLINICS & RESEARCH

5

### National patient acquisition model

- 100% virtual, scalable network of clinics to provide cannabinoid therapy
- Over 75,000 individual patients seen to date



## BRAND PORTFOLIO

6

### Growing consumer & medical brand

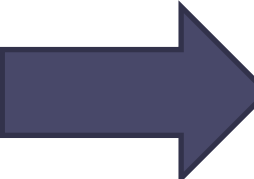
- Established medical & adult-use brands
- New, segmented adult-use house of brands launched in Q1 2021

# DIVERSIFIED, LOW-COST CULTIVATION

## LOW-COST CULTIVATION ADVANTAGE

Port Perry, Ont.

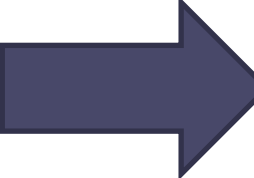
- First large scale legal outdoor grow in Canada
- 86 Acres planted in 2021
- 32,000 kgs outdoor harvest yield in 2020



## AUTOMATED GREENHOUSE

Grimsby, Ont.

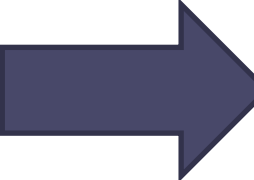
- EU-GACP compliant for EU exports
- 2,000 kgs monthly harvest rate
- Consistent supply for adult-use, medical, intl.



## PREMIUM CRAFT FLOWER

Paris, Ont.

- Indoor craft grow for premium dried flower
- Supply for Nith & Grand brand



# BRAND PORTFOLIO TARGETING KEY CONSUMER SEGMENTS



## MEDICAL

- Medical cannabis patients.
- Oils, dried flower, capsules, sprays, 510 vape cartridges, sublingual strips.



## SUBLINGUALS

- Broad appeal.
- Cannabis consumers and patients.
- Five SKUs featuring different THC/CBD potencies and terpene profiles.



## PREMIUM

- Premium, flagship brand.
- Discerning cannabis aficionados.
- Small batch dried flower, premium concentrates.



## EDIBLES

- Consumers and patients.
- Soft chews (gummies) and salted caramel pretzels.



## VALUE

- High frequency consumers, large format.
- Pre-rolls, dried flower, vapes, and concentrates.



## WELLNESS

- Daily health & wellness brand.
- Omega CBD soft gels, bath bombs, roller-ball.



VERTICAL INTEGRATION

STRONG FINANCIAL PERFORMANCE

DIVERSIFIED PRODUCTION

UNIQUE MEDICAL ECOSYSTEM

DIFFERENTIATED PRODUCT PORTFOLIO

MULTI-CHANNEL GROWTH



# GROWTH & MARGIN LEADERSHIP – FOUR KEY CHANNELS



	MEDICAL	ADULT-USE	WHOLESALE	INTERNATIONAL
Q/Q REVENUE GROWTH <sup>1</sup>	11%	87%	66%	215%
ADJUSTED GROSS MARGIN	44%	47%	60%	25%

1. Q2/21 vs Q1/21.



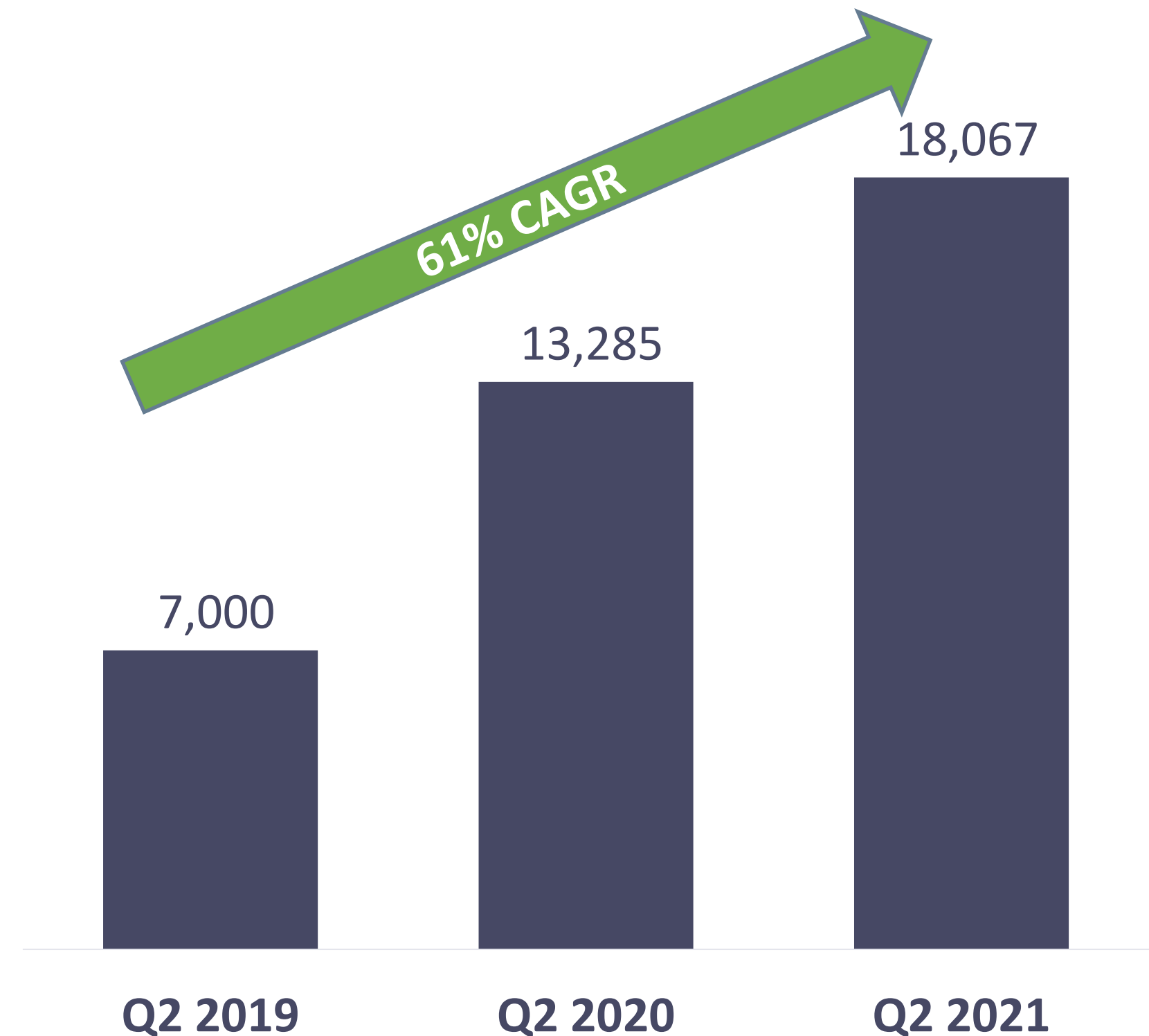
# MEDICAL CHANNEL OVERVIEW

## Overview of Business

- LQ Run-Rate Net Revenue \$12.9 million
  - 23% increase in medical cannabis net revenue Q/Q (domestic & Intl.)
  - “Sticky”, recurring revenue model
  - Stable active patient base (~18,000)
  - Strong ordering patterns (AOV ~\$150)
- LQ Gross Profit Margin 41%<sup>(1)</sup>
- Emblem flagship medical cannabis brand
  - Oils, capsules, sprays, sublingual strips, vapes and exclusive dried flower cultivars
- Onboarded 3 employers through Unifor partnership
- Highly scalable new patient onboarding platform

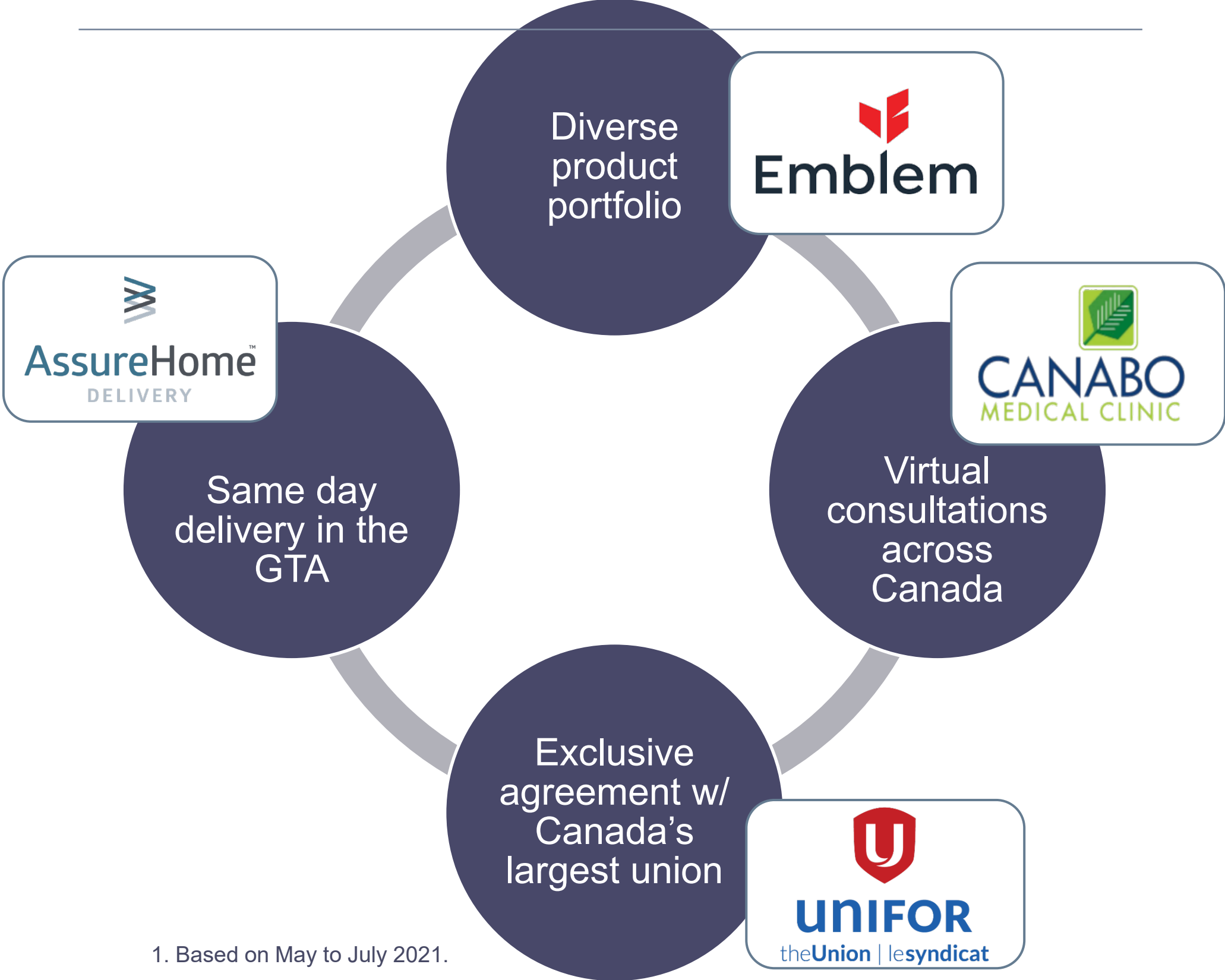
1. Based on adjusted gross margin before FV adjustments on medical cannabis net revenue.

## Growing Active Patient Base



# UNIQUE MEDICAL PATIENT ECOSYSTEM

## Medical Ecosystem



1. Based on May to July 2021.

## Same Day Delivery Platform



**9AM**



**Until 2PM**



**6PM**



# UNIFOR PARTNERSHIP PROVIDES PATHWAY HIGH-MARGIN RECURRING REVENUE

TAM \$300+ Million<sup>1</sup>



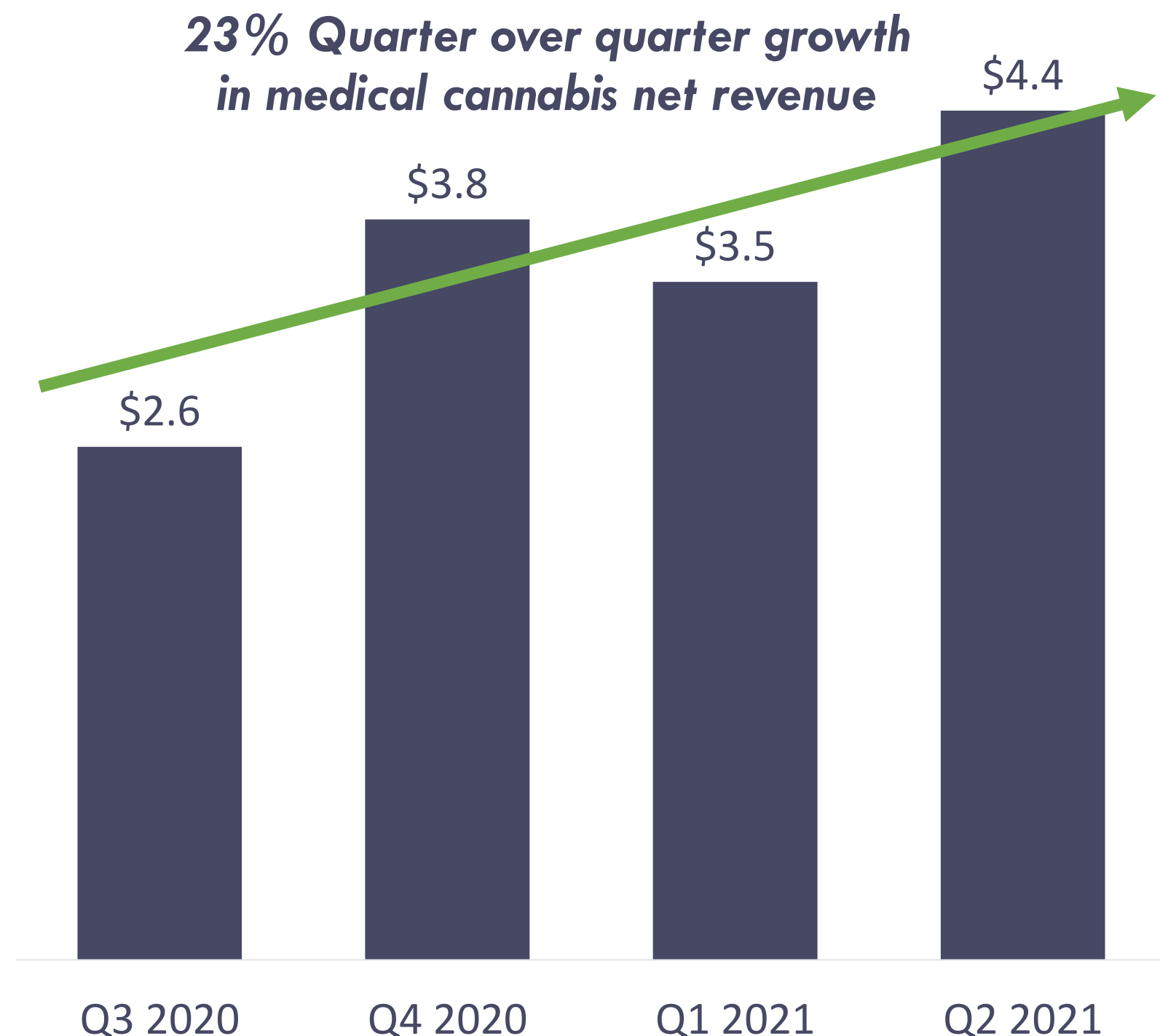
## Partnership Highlights

- 10-year exclusive partnership
- 315,000 members (+ family & retirees)
- Unionized employers span multiple industries, including automotive, telecommunications, air/rail transportation, service industries, healthcare, and resource sectors
- Now available to unionized employees of 3 companies
- Full suite of patient care w/ wellness products, medical consultation, education & home delivery

1. Based on 315,000 Unifor members plus one eligible family member at \$500 annual spend.

# STRONG GROWTH IN THE MEDICAL CHANNEL

## Net Revenue (m)<sup>1</sup>



## Growth Catalysts

### GROWING ACTIVE PATIENT BASE

- Onboarded 3 employers through 10-year Unifor agreement for insurance backed medical cannabis care
- Initiated growth strategies for new patient intake

### INCREASING PER PATIENT SALES

- Continued new product innovation
- Opportunistically offering limited time product offerings

### GERMAN MARKET

- In Q2 2021, completed first shipment to the German market
- Strong pipeline of product demand

### AUSTRALIAN MARKET

- Contract manufacturer of cannabis oils for distribution into Australia
- Strategic investment in CannaPacific, a licensed cannabis cultivator

1. Includes clinic, domestic medical, and international medical revenue.

# ADULT-USE CHANNEL OVERVIEW

## Overview of Business

## Q2 Highlights

- Sunday Market House of Brands launched in Q1 2021
- 5 brands targeting specific consumer segment
- Divvy, the everyday value brand, was the 3rd most searched brand in OCS
- Full-suite of dried flower, pre-roll, vape and cannabis derivative products
- >80% penetration at the retail store level
- Distribution agreements into Ontario, Alberta, Saskatchewan, British Columbia

#3

Divvy a top searched brand on OCS.com

PRE-ROLLS

Entered top 10 in Ontario for pre-roll market in Q3 to date

EDIBLES

Entered top 10 national market share in edibles w/ growth of Kin Slips.













OILS

Entered top 10 national market share w/ growth of Omega CBD Soft Gels

# BRAND & MARKET SHARE MOMENTUM

## Brand Awareness Accelerating

*Divvy was the #3 most searched brand on OCS May 2021*

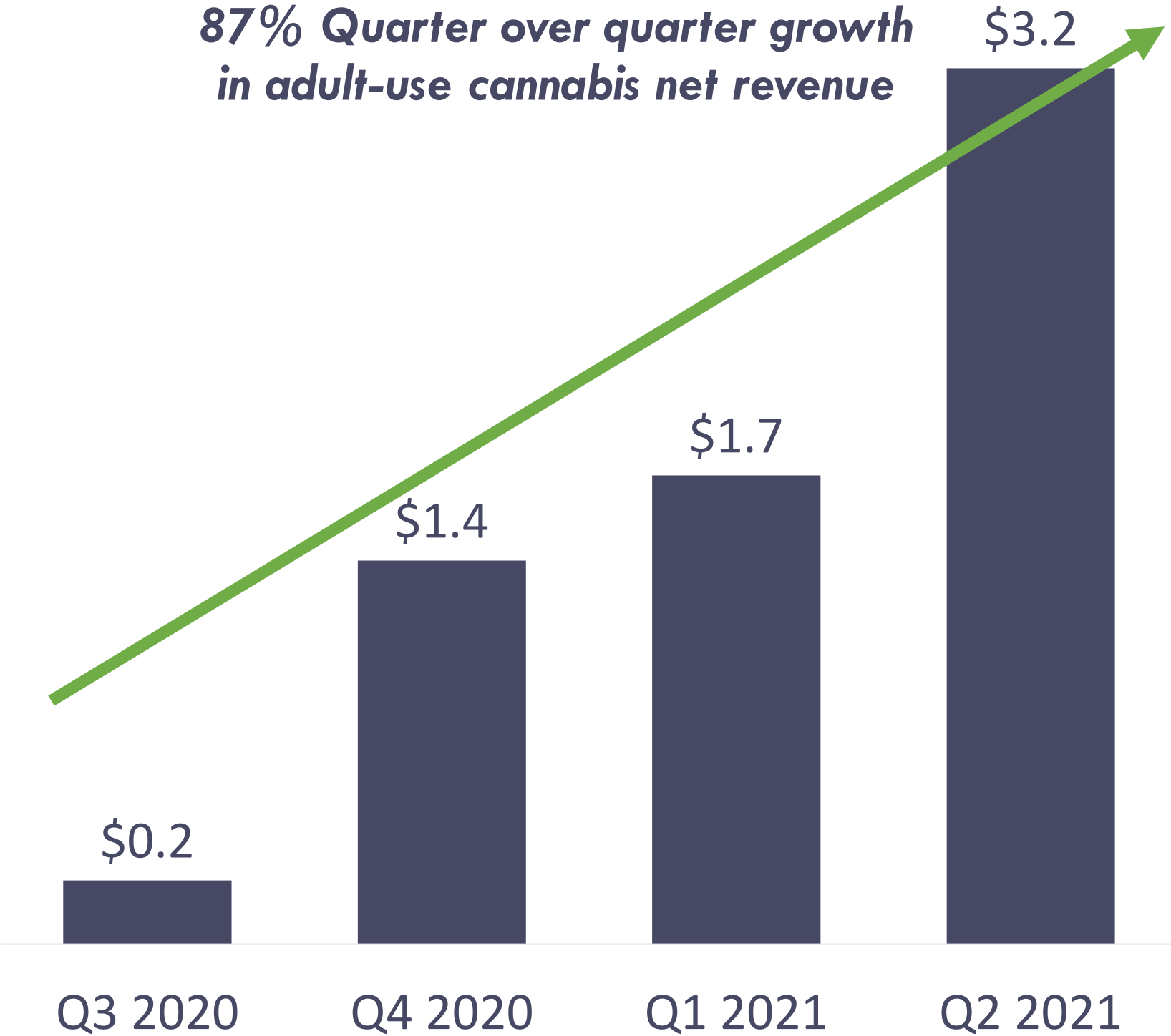
			
			
			

## Brand Traction Continues to Build

- Market share rank has jumped 15 spots in the last six months (Licensed Producer Rankings, Hifyre)
- Creation of the Sunday Market house of brands to connect all targeted consumer segments.
- Development of brands to be leaders in largest growth categories that are uniquely differentiated in the market
- Building an in-house direct sales team “cannabis aficionados” to leverage retail pull-through.

# STRONG GROWTH & CONSUMER DEMAND

## Adult-Use Net Revenue



## Growth Catalysts

### CAPTURE MARKET SHARE

- Direct sales team driving market share gains
- Focused on the largest product categories, flower, pre-roll and vapes

### IMPROVED RETAIL PENETRATION

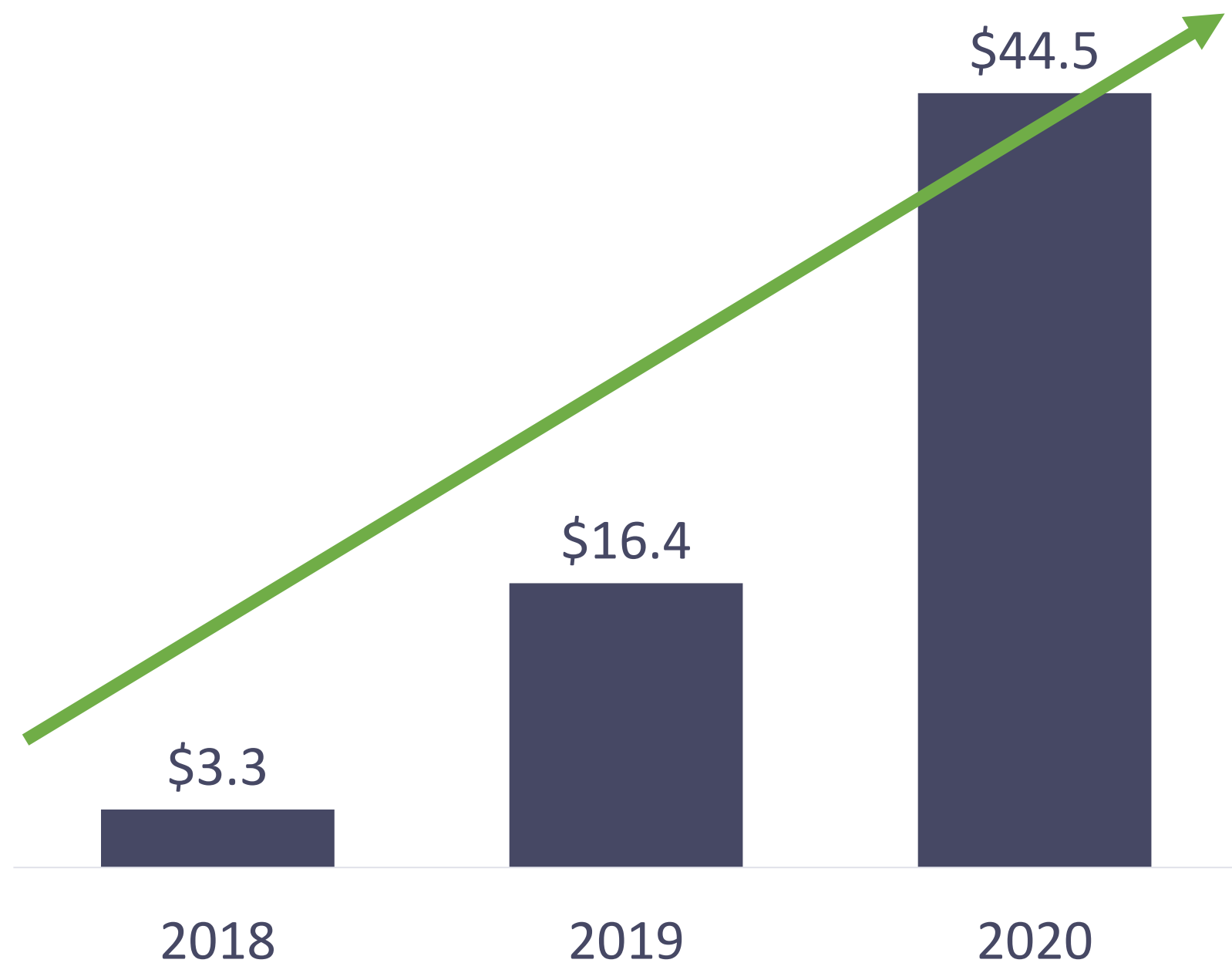
- >80% in Ontario
- ~3 avg. SKUs per retail store (15 at highest penetration store)
- Enter new provincial markets



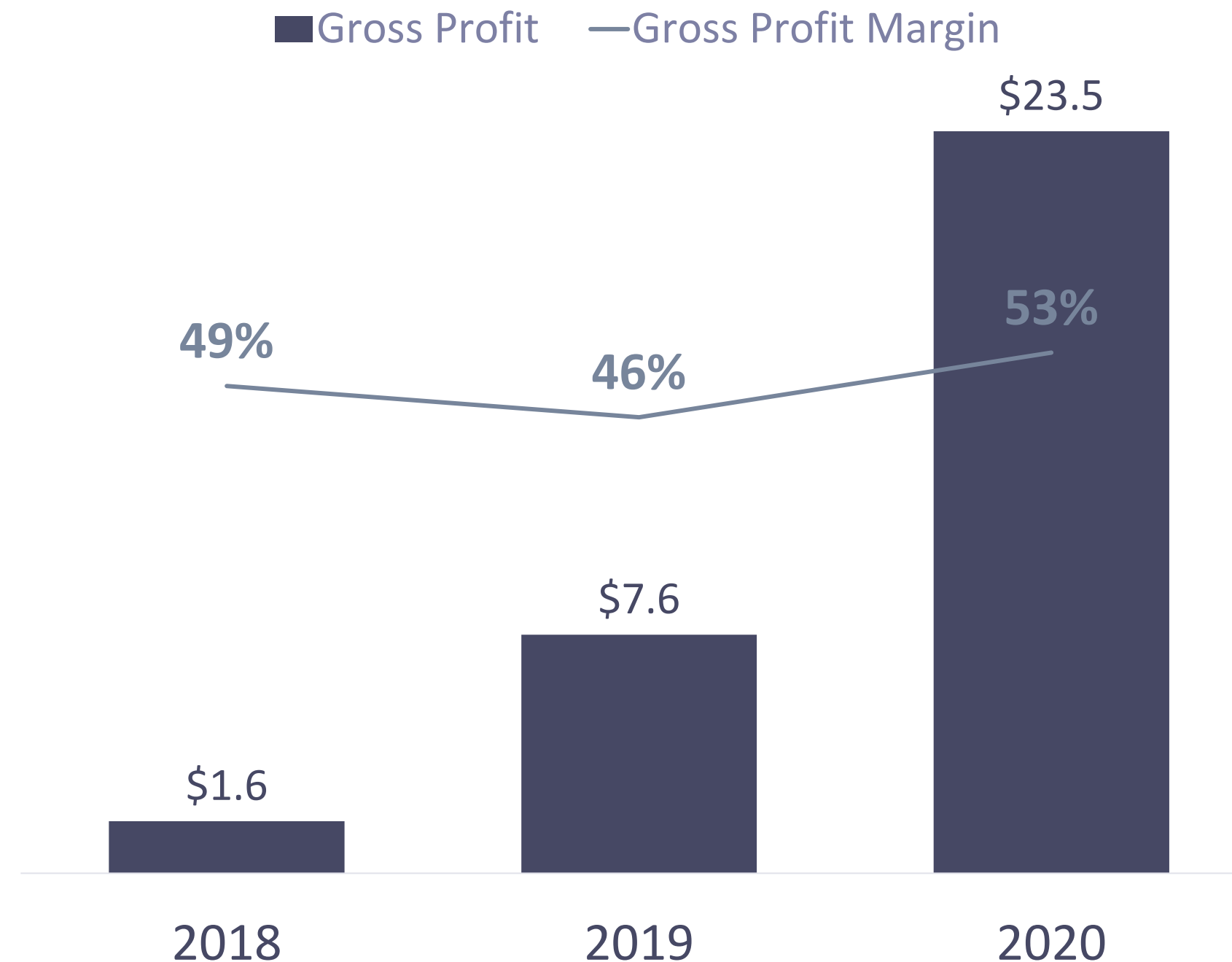


# CONSISTENT REVENUE GROWTH & INDUSTRY LEADING MARGINS

## Net Revenue



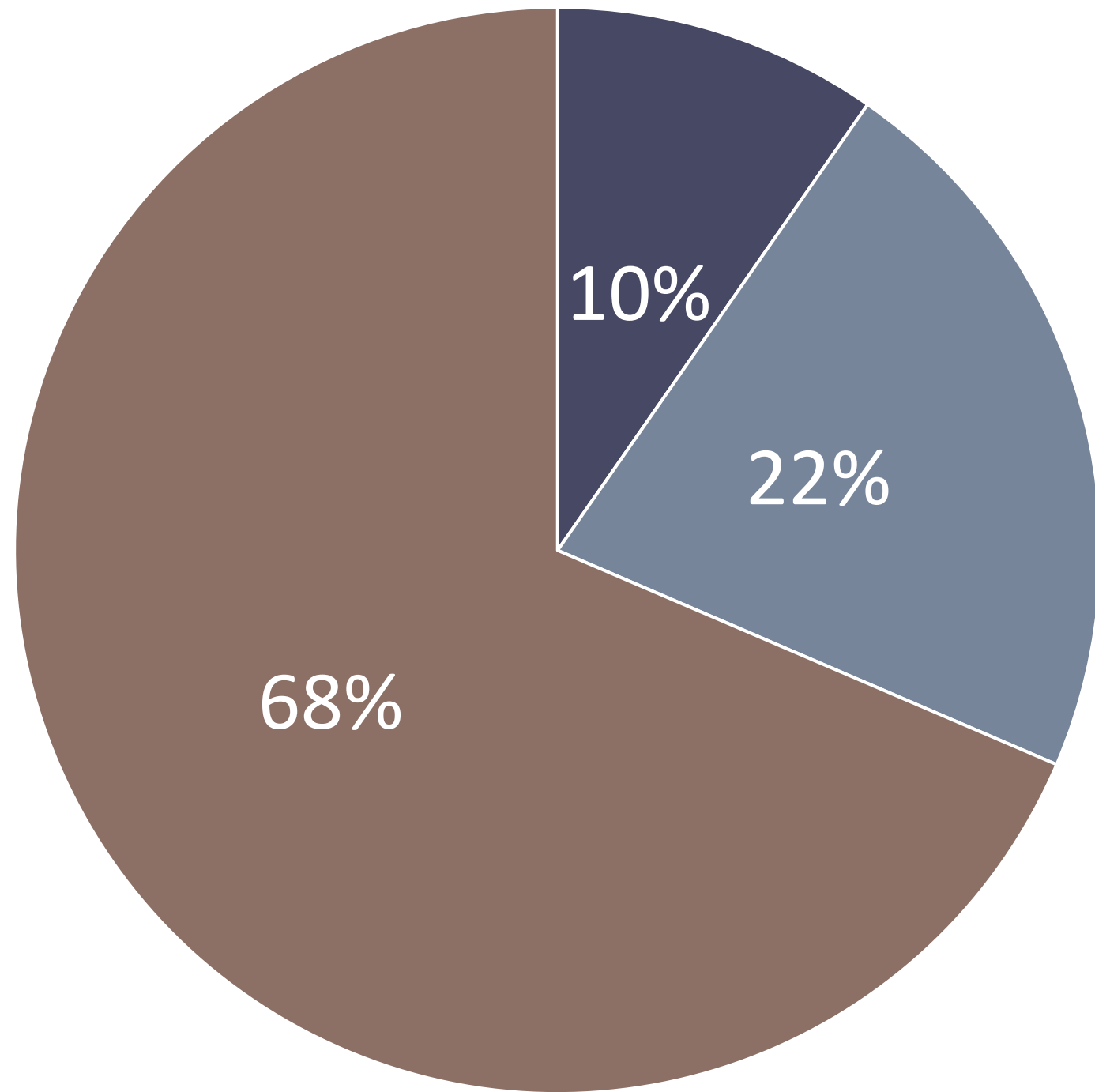
## Gross Profit & Margin Profile



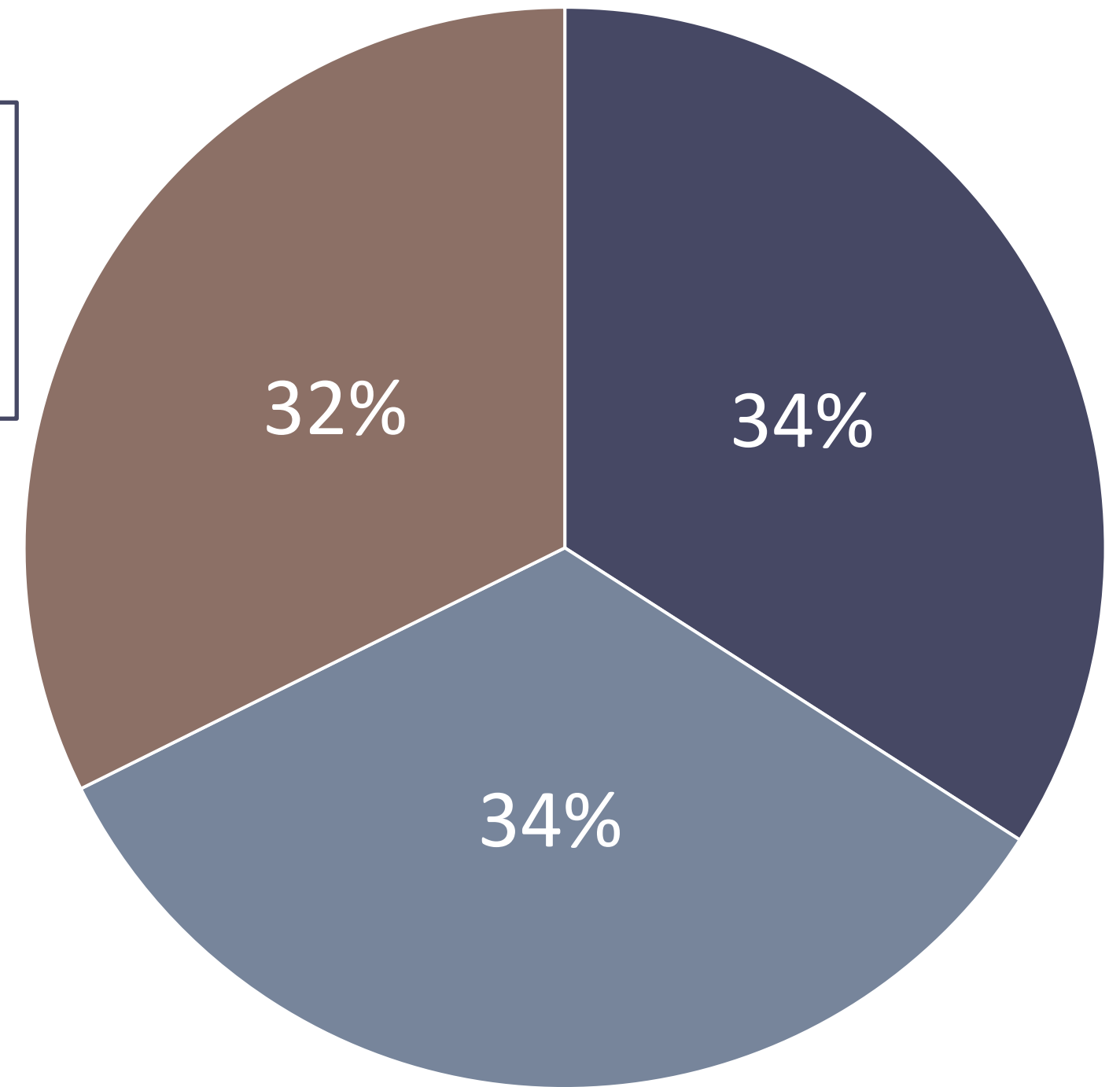
# DIVERSIFIED, SUSTAINABLE SALES MIX

Q2 2020 Cannabis Net Revenue by Sales Channel

Q2 2021 Cannabis Net Revenue by Sales Channel



*Over the last four quarters, strong growth in adult-use and medical has resulted in a highly diversified sales mix.*



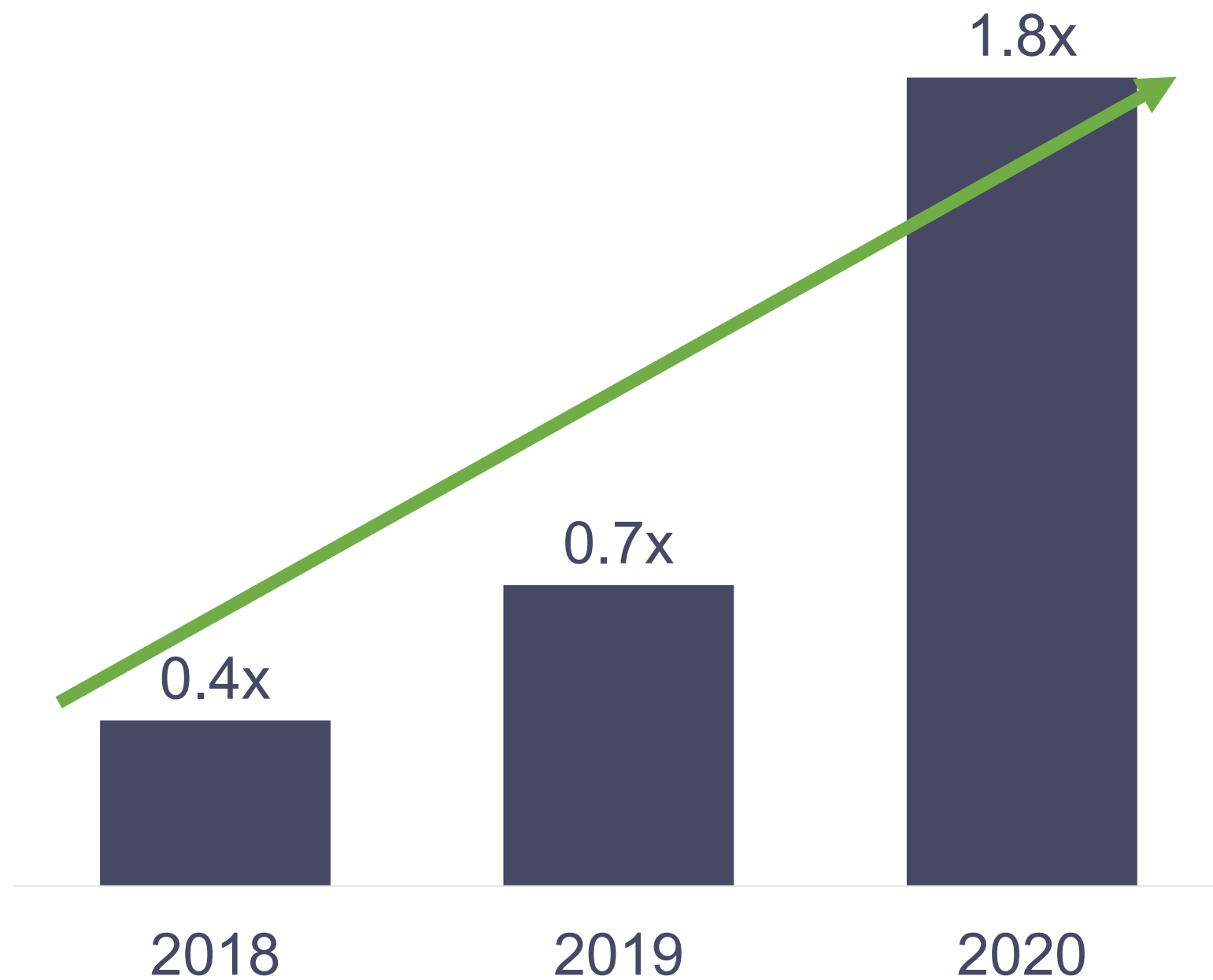
■ Adult-Use ■ Medical ■ Bulk-Wholesale

■ Adult-Use ■ Medical ■ Bulk-Wholesale



# DRIVING OPERATING LEVERAGE ON PATHWAY TOWARDS PROFITABILITY

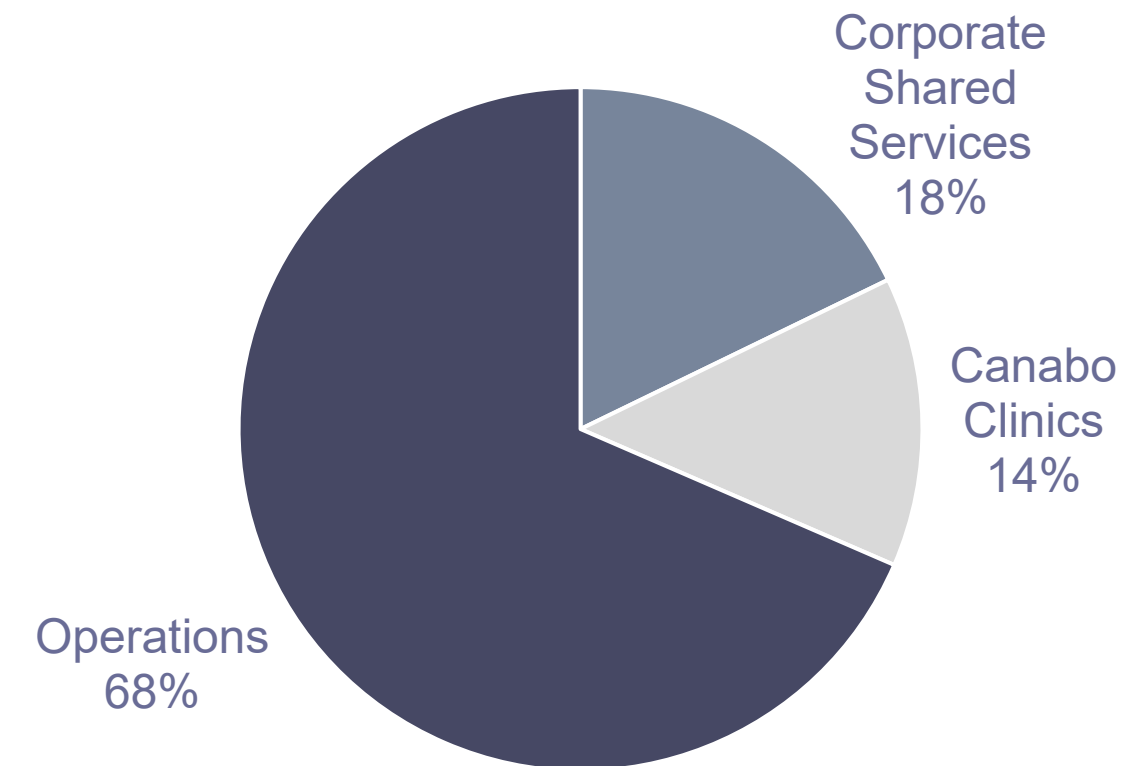
## Total Revenue / SG&A



## Improving Operating Leverage

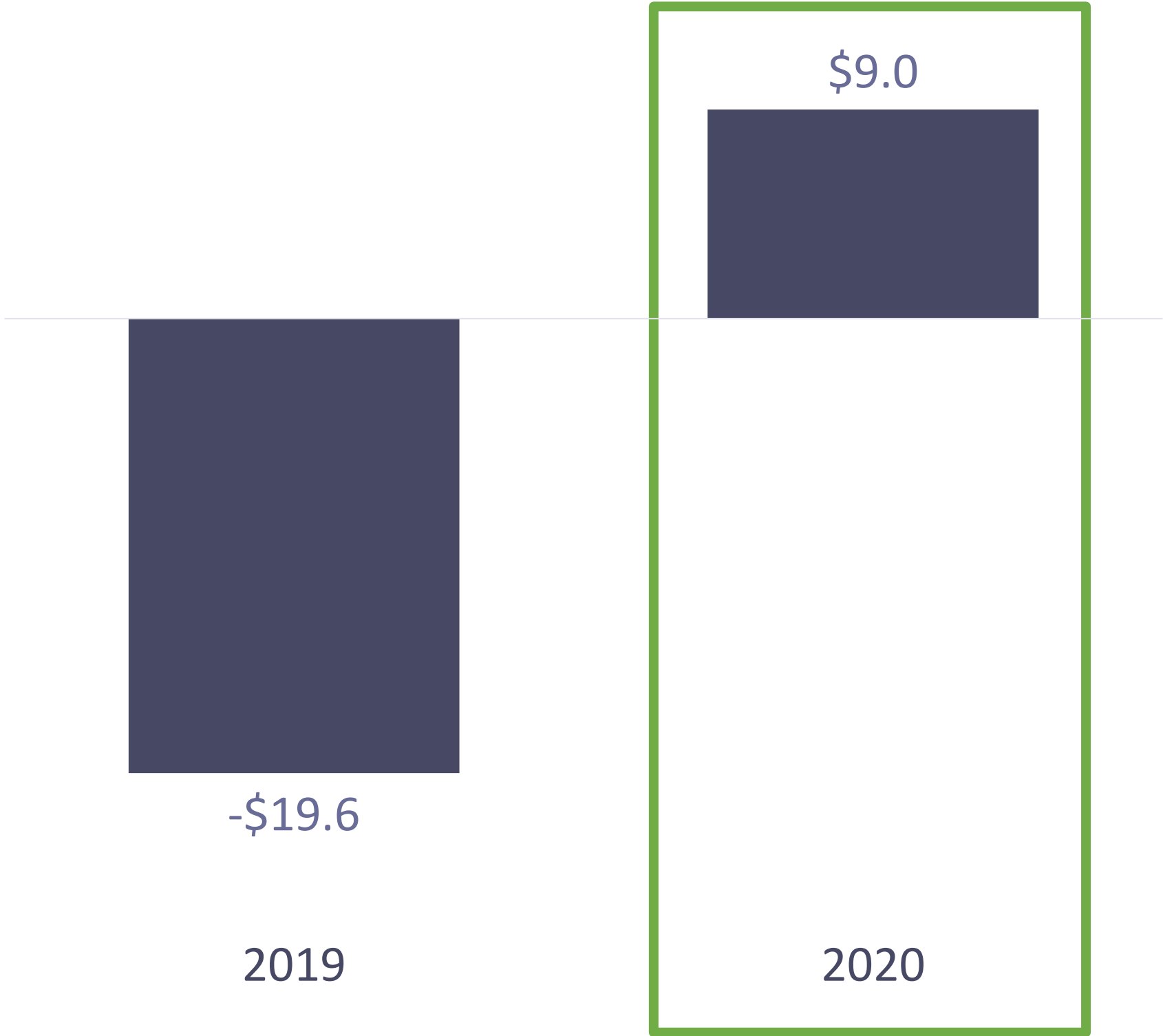
- As revenue scales, Aleafia benefits from operating leverage in SG&A expenditures
- Utilize temp / hourly labour to address seasonal needs in growing operations
- Corporate shared services are utilized across the sales channels and are highly scalable

### Headcount Breakdown



# BUILDING SUSTAINABLE PROFITABLY

## Adjusted EBITDA (m)



## Initiatives to Drive Profitability

- Flexibility to place cultivation product into sales channel with highest net realizable margin potential
- Low-cost outdoor grow broadens sales opportunities with attractive margin profiles
- Focused on cost containment for SG&A
- Continual management of working capital to optimize cash conversion cycle
- Ongoing review of inventory on hand to improve turnover
- Production facilities built-out with minimal ongoing maintenance capex requirements

# MANAGEMENT



**Geoffrey Benic**  
**Chief Executive Officer**

Past senior leadership experience as Founder & Chairman at Sofilia Logistics Group; Founding Partner at Grocery Gateway; Regional Director, UPS Canada. Executive consultant on supply chain logistics projects and distributions centres at Walmart, Campbell, Kraft Heinz, Nestle, Mondelez.



**MATT SALE**  
**Chief Financial Officer**

15 years experience in senior leadership roles w/ BMO Capital Markets and Raymond James' investment banking groups. MBA, and CPA.



**GREG ROSSI**  
**Chief Operating Officer**

Executive consultant on supply chain logistics at Walmart, Campbell, Kraft Heinz, Nestle, Mondelez. Founding partner of Grocery Gateway.



**Tricia Symmes**  
**Chief Commercial Officer**

20+ years experience as senior executive in pharma, CPG and cannabis. GM of CX Industries, Alcon Canada and Novartis Pharmaceuticals.



**DR. MICHAEL VERBORA**  
**Chief Medical Officer**

Physician at Department of Family Medicine, University of Toronto. 5000+ Cannabinoid therapy consultations.

A close-up photograph of a plant with numerous small, white, fuzzy flowers and green leaves. The background is dark and out of focus.

၁

## **APPENDIX**

# SUMMARY FINANCIALS & CAPITALIZATION TABLE

CAD \$'000s	
Share price <sup>1</sup> (actual dollars)	\$0.41
Common shares outstanding (000's)	330,723
<b>Market value of equity</b>	<b>133,943</b>
Add: Options <sup>2</sup>	-
Add: warrants <sup>3</sup>	-
<b>Fully diluted value of equity</b>	<b>133,943</b>
Add: O/S debt	33,931
Less: Cash & cash like items	17,804
<b>Enterprise Value</b>	<b>150,070</b>

<sup>1</sup> share price as of June 30, 2020

<sup>2</sup> 31,209,792 options outstanding with w/avg strike price of \$0.97

<sup>3</sup> 62,483,421 warrants outstanding with w/avg strike of \$1.16

(\$,000s, except operational results)	Three months ended			% Change	
	Q2 2021	Q1 2021	Q2 2020	Q/Q	Y/Y
Cannabis net revenue <sup>(1)(2)</sup>	9,583	6,245	8,995	53%	7%
Net medical cannabis revenue <sup>(1)(2)</sup>	3,267	2,657	1,959	23%	67%
Net adult-use cannabis revenue <sup>(1)(2)</sup>	3,217	1,722	869	87%	270%
Net bulk wholesale cannabis revenue <sup>(1)(2)</sup>	3,100	1,866	6,166	66%	-50%

## Operational Results - Cannabis

	Q2 2021	Q1 2021	Q2 2020	Q/Q	Y/Y
Active, registered patients	18,067	17,637	13,285	2%	36%
Adjusted gross margin before FV adjustments on medical cannabis net revenue <sup>(1)(2)</sup>	41%	53%	41%	-12%	1%
Adjusted gross margin before FV adjustments on adult-use cannabis net revenue <sup>(1)(2)</sup>	47%	56%	37%	-9%	10%
Adjusted gross margin before FV adjustments on wholesale cannabis net revenue <sup>(1)(2)</sup>	60%	71%	30%	-11%	30%
Gross margin on clinic net revenue <sup>(1)(2)</sup>	61%	20%	69%	42%	-8%
Average net selling price per gram of medical cannabis <sup>(1)</sup>	\$7.25	\$8.46	\$7.87	-14%	-8%
Average net selling price per gram of adult-use cannabis <sup>(1)</sup>	\$5.29	\$4.89	\$4.81	8%	10%
Average net selling price per gram of bulk wholesale cannabis <sup>(1)</sup>	\$0.46	\$0.75	\$2.92	-39%	-84%
Kilograms sold	7,811	3,155	2,545	148%	207%

1. See "Cautionary Statements Regarding Certain non-IFRS Measures" section for term definition.

2. See "Revenue" section for reconciliation to IFRS equivalent.

## 35,000 sq. ft. Product Innovation Centre

### Features

Licence date	May 2020
EU-GMP	Purpose built to EU-GMP specs, application in process
Commercial kitchen	For production of cannabis edible products
Vape cartridges	Launched Oct 2020
Sublingual strips	Launched Nov 2020
Soft Chews	Launched March 2020
40,000 kgs	Supercritical CO2 extraction capacity annually
Analytics & QA	In-house QC testing

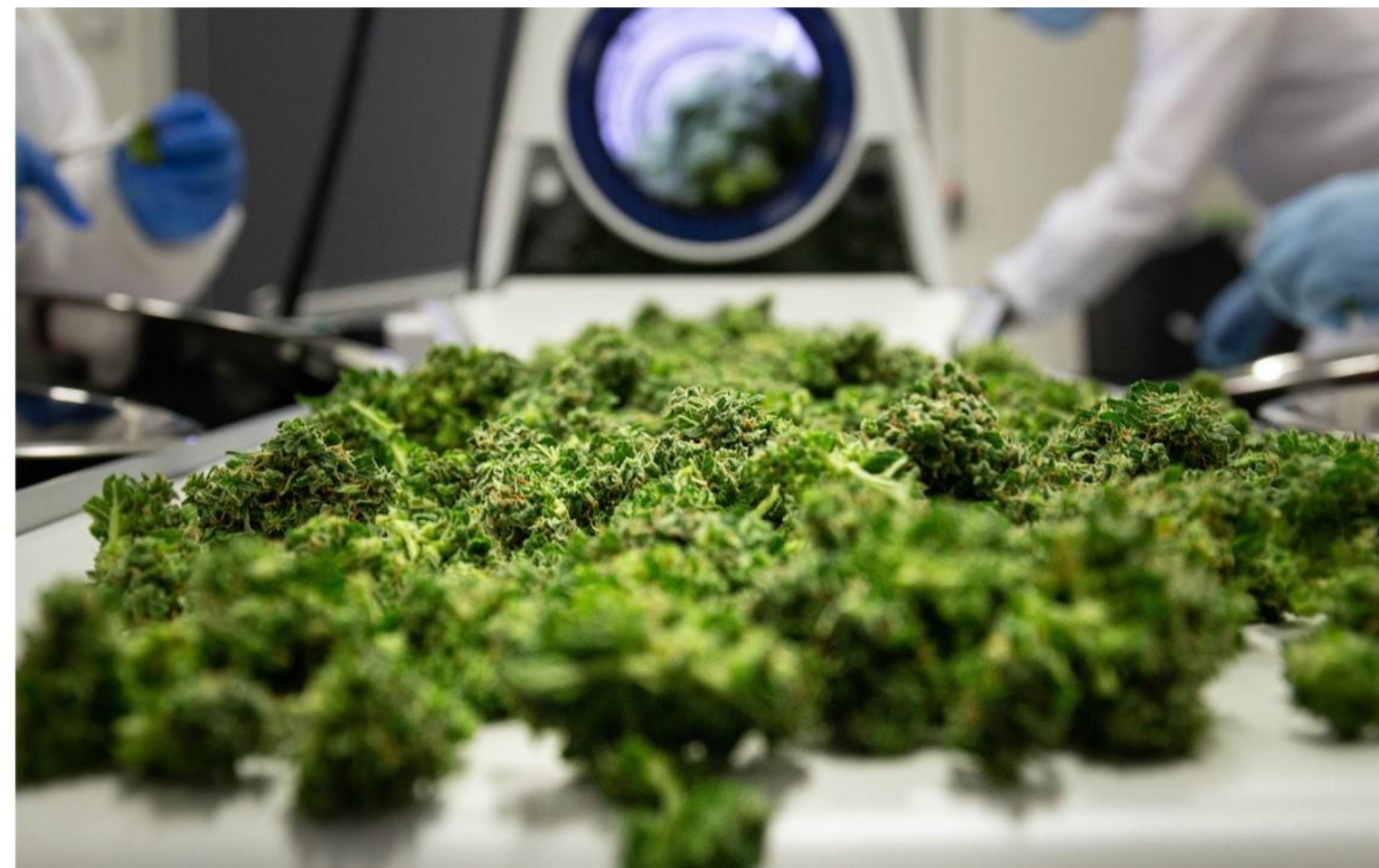




# 160,000 sq. ft. Greenhouse Cultivation

## Features

Licence date	March 2020
State of the art	Automated production throughout plant lifecycle
Dutch hybrid	Modern design w/ moving container bench system
Perpetual harvest	Daily harvests all year to maximize supply chain efficiency
Drying chambers	7 individual climate controlled drying chambers
Irrigation	Automated boom irrigation/nutrients to each plant



# 86 Acres Outdoor Cultivation

## Features

Licence date	June 2019 (26 acres), May 2020 (60 acre expansion)
Low-cost at scale	\$0.10 cost per gram
Product input	Extractable biomass for derivative products
Adult-use flower	7,120 kgs of high-THC flower harvested (2020)
2019 harvest	13,000 kgs dried flower
2020 harvest	31,200 kgs dried flower
35,000 sq. ft.	Licensed drying & storage buildings



# Aleafia Health

## SHAREHOLDER INFORMATION

**Ticker Symbol:**  
TSX/ AH

**Registrar and Transfer Agent**  
Computershare Ltd. Vancouver  
510 Burrard St, 3rd Floor  
Vancouver, BC V6C 3B9  
t / 1-800-564-6253

**Auditors**  
Manning Elliott LLP

## INVESTOR CONTACTS

t / 1-833-879-2533  
e / [IR@AleafiaHealth.com](mailto:IR@AleafiaHealth.com)

**Nicholas Bergamini**  
VP, Investor Relations &  
Communications

**CORPORATE HEAD OFFICE**  
85 Basaltic Rd  
Concord, ON L4K 1G4

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