

Aleafia Health

**BOGART'S
KITCHEN**

Divvy.

**SUNDAY
MARKET**


Emblem


KIN SLIPS


symbi

AleafiaHealth.com

PRESENTERS



Tricia Symmes

Chief Executive Officer

- +20 years as a senior executive in the pharmaceutical, biotech, consumer packaged goods, and cannabis industries.
- Extensive experience in Commercialization, Operations, Business Development, leading multinational global subsidiaries, start-up and biotech companies



Matt Sale

Chief Financial Officer

- 15+ years of increasingly more senior finance executive experience
- Deep capital markets, mergers & acquisitions, strategic financial advisory experience across broad industries including consumer packaging, retail, manufacturing, distribution and cannabis

AGENDA

Q4 2021 Key Takeaways

Business Overview & Performance

Financial Overview

Q&A

4 Core Strategic Objectives that Drive to Aleafia Profitability

Pivoting Strategy to Focus on Growing Branded Cannabis Revenue

Top 10 Adult-Use Market Position

- ~\$24 million run-rate net revenue ⁽¹⁾
- **CPG Branded Portfolio - 5 Brands & 37 new SKUs** launched since Q4 2020
- **Top 3 out of 40 Canadian LPs** in market share rank **increase** from Q1 2021 (#30) to Q4 2021 (#15)
- **Divvy Leadership** in the value category, consistently top searched OCS.ca
- **Top 10 Market Share poised for 2022**

Leadership in Medical

- ~\$10 million run-rate net revenue ⁽¹⁾
- **Unifor growth realized Q4** (+22% patients, +150%\$) with **2022 expansion underway**
- **Sales volume third-party clinics** now representing ~55% of sales (Q4)
- **Actively onboarding new** third-party clinics Q4 (+20%)
- **>75,000 unique** patients seen

Well-Positioned for International

- **3 countries** with products in market (Germany, UK, Australia)
- Established key **European supply partnerships**
- **Paris and Grimsby** facilities certified to produce for **International Demand**
- Significant **upside potential** beyond current forecast with **Export ramp-up** throughout **2022**

Adjusted EBITDA Profitability ⁽¹⁾

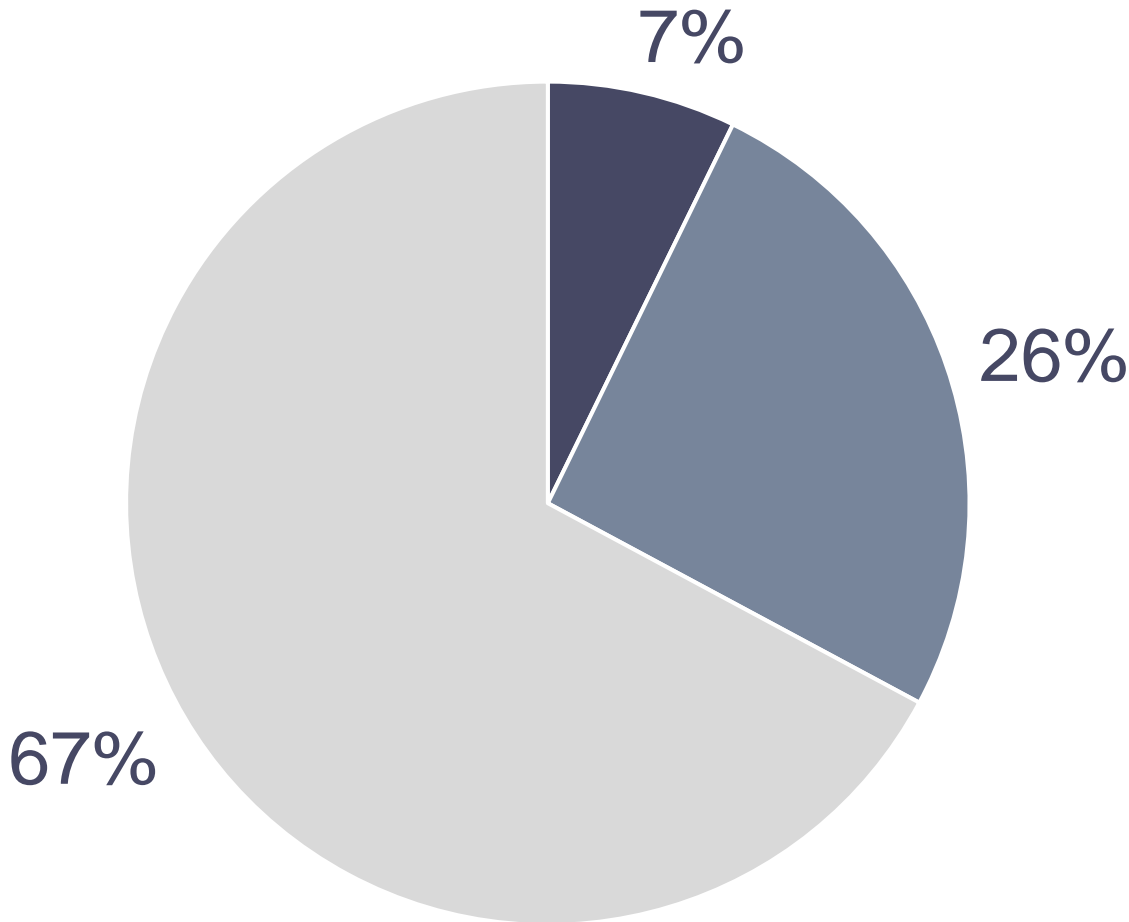
- **Improving Adult Use Margins by Portfolio Optimization**
- **Reallocate headcount strategically** to optimize talent, maximize revenue velocity and operational efficiency
- **Targeting second half of 2022** to achieve breakeven Adjusted EBITDA profitability
- Potential upside from International to drive **Margin Expansion**

Target EBITDA Profitability in the 2H of 2022

1. See Cautionary Statement Regarding Non-IFRS Measures

Transformation in Business Towards Branded Cannabis Producer

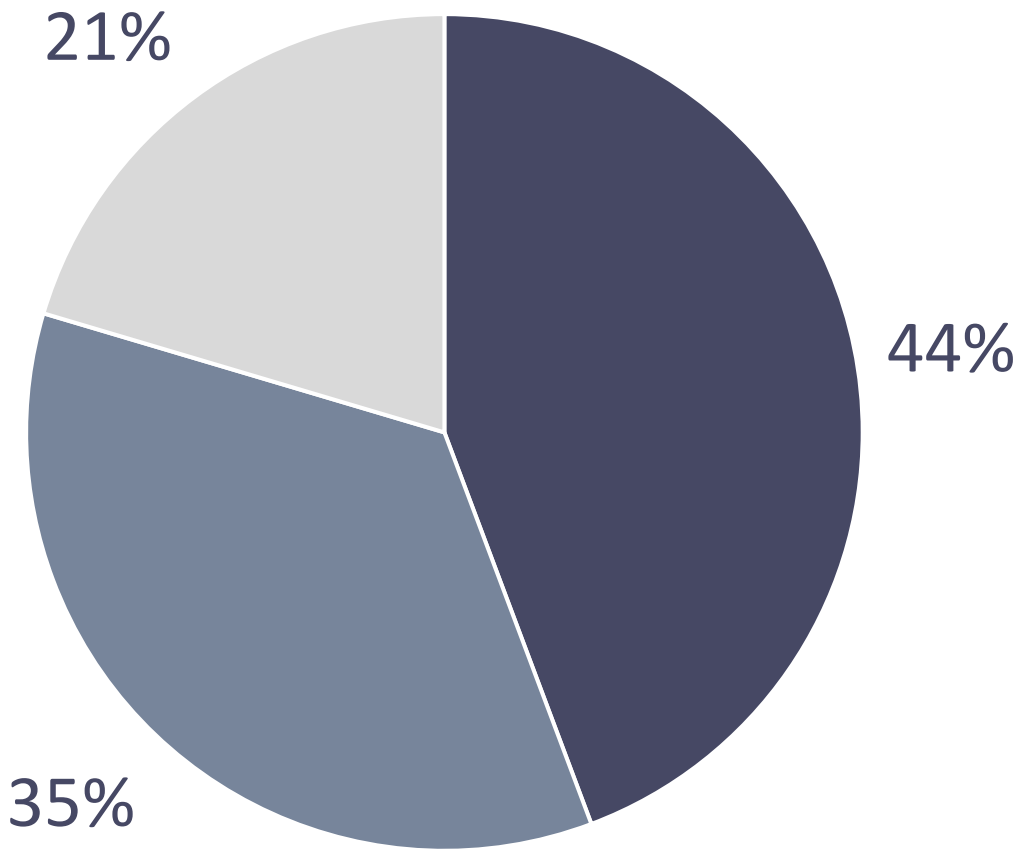
2020 Total Net Revenue



■ Adult-Use ■ Medical ■ Bulk Wholesale

\$14.6M Branded Net Revenue

2021 Total Net Revenue



■ Adult-Use ■ Medical ■ Bulk Wholesale

\$28.7M Branded Net Revenue

Strong growth in adult-use and medical has resulted in a highly diversified sales mix with branded cannabis representing 80% of net revenue

Q4 & 2021 YTD Highlights

Q4 2021

- Grew **branded cannabis net** revenue by 60% from \$5.2 in Q4 2020 to \$8.3 million in Q4 2021
- **Adult-Use**
 - Increase MS from Q1 2021 (#30) to Q4 2021)(#15)¹
 - Q4 retail sales +37% relative to Q3⁽¹⁾
- **Medical (Q4)**
 - Third-party clinics ~55% of sales
 - Onboarded new third-party clinics (+21%)
 - Growth in UNIFOR Patients (+22%) (+151% \$)
- On track **towards adjusted EBITDA profitability** with significant cost rationalizations enacted
- Completed new \$19 million credit facility

FY 2021YTD

- Total net revenue of \$36.1 million
- Grew branded cannabis net revenue by 96% from \$14.6 to \$28.7 million
- **Adult-Use**
 - Launched Sunday Market House of Brands
 - +396% growth year over year
- **Medical**
 - +33% growth year over year
 - Scripts up +17% year over year
 - Onboarded **4** unionized employers under Unifor
- **International**
 - Product successfully exported into **Germany, UK, Australia**
 - **Contracted strain specific sales** expected to drive sustainable **higher margin business**

AGENDA

Q4 2021 Key Takeaways

Business Overview & Performance

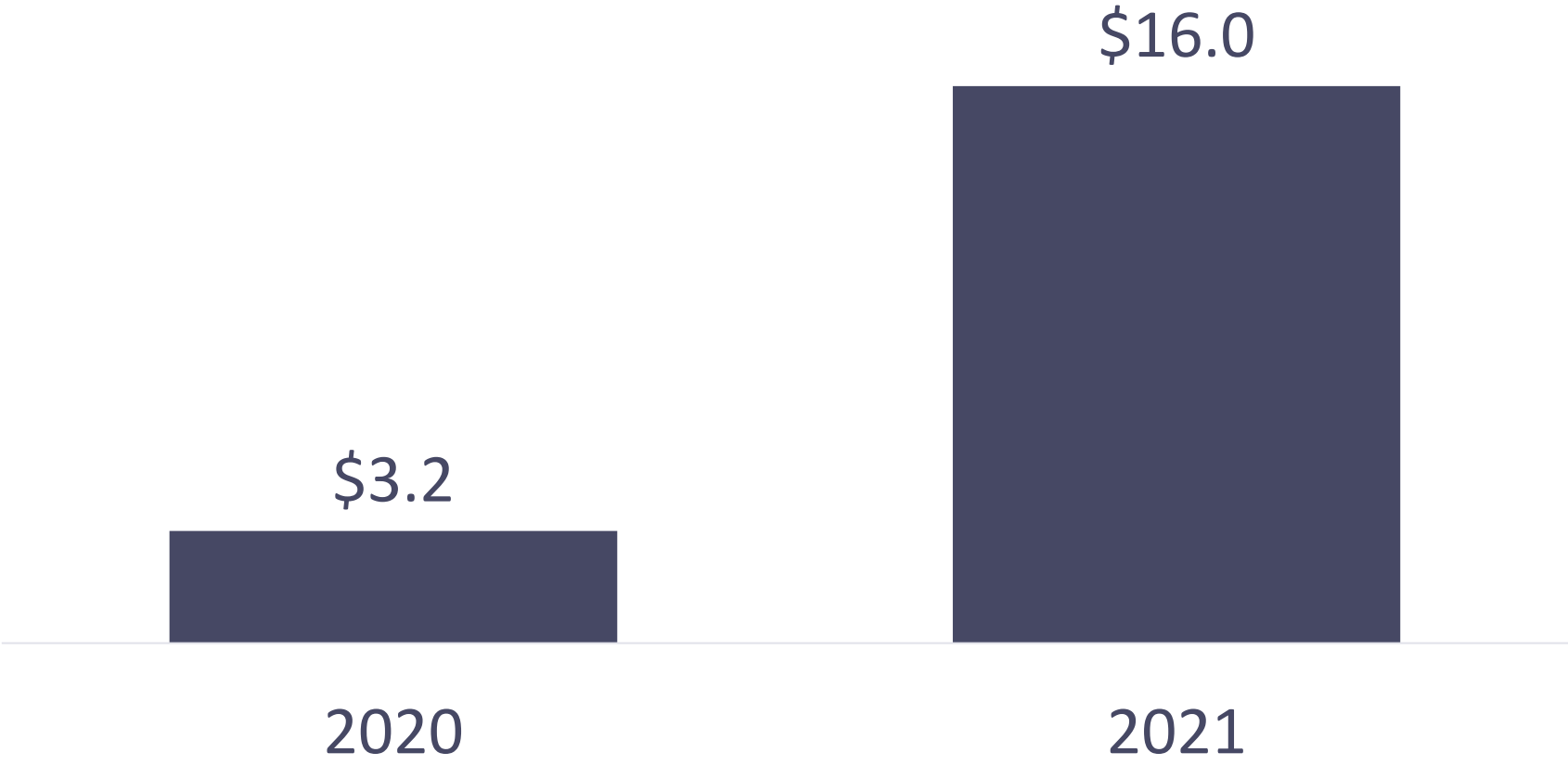
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Q4 & 2021 Highlights: Adult-Use Sales Channel

Adult-Use Net Revenue

396% growth over the prior year



Quarter Highlights

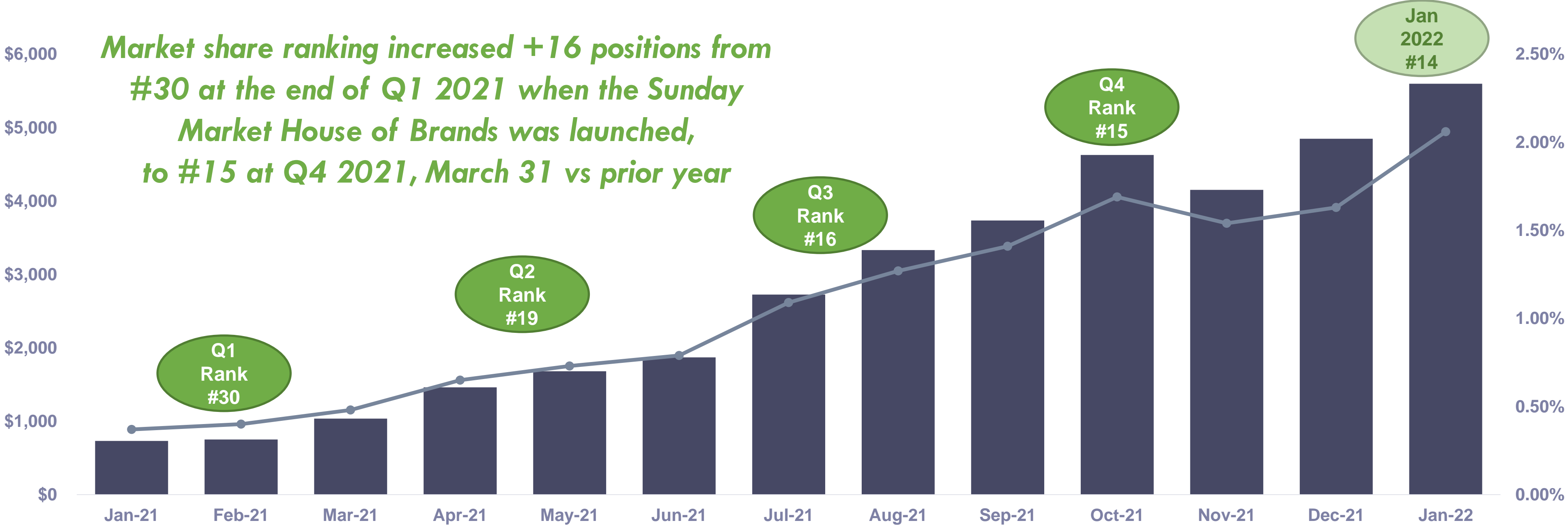
- Top 3 out of 40 Canadian LPs in market share rank increase from Q1 2021 (#30) to Q4 2021 (#15)⁽¹⁾
- Among the Top 10 for retail sales growth in Q4
 - Q4 retail sales +37% relative to Q3⁽²⁾
 - Flower retail sales climbed +1,400% Q4 2021 vs Q1 2021
 - Pre-roll retail sales climbed +1,000% Q4 2021 vs Q1 2021
- Divvy a top searched brand on OCS.ca
 - New Divvy vapes Top 10th percentile in Ontario
 - Divvy oils have become top 20 SKUs in Ontario

Continued growth in adult-use sales driven by strong retail pull-through of the Divvy brand

1. Raymond James equity research report dated January 31, 2022.
2. Based on HiFyre data.

Aggressively Capturing Market Share

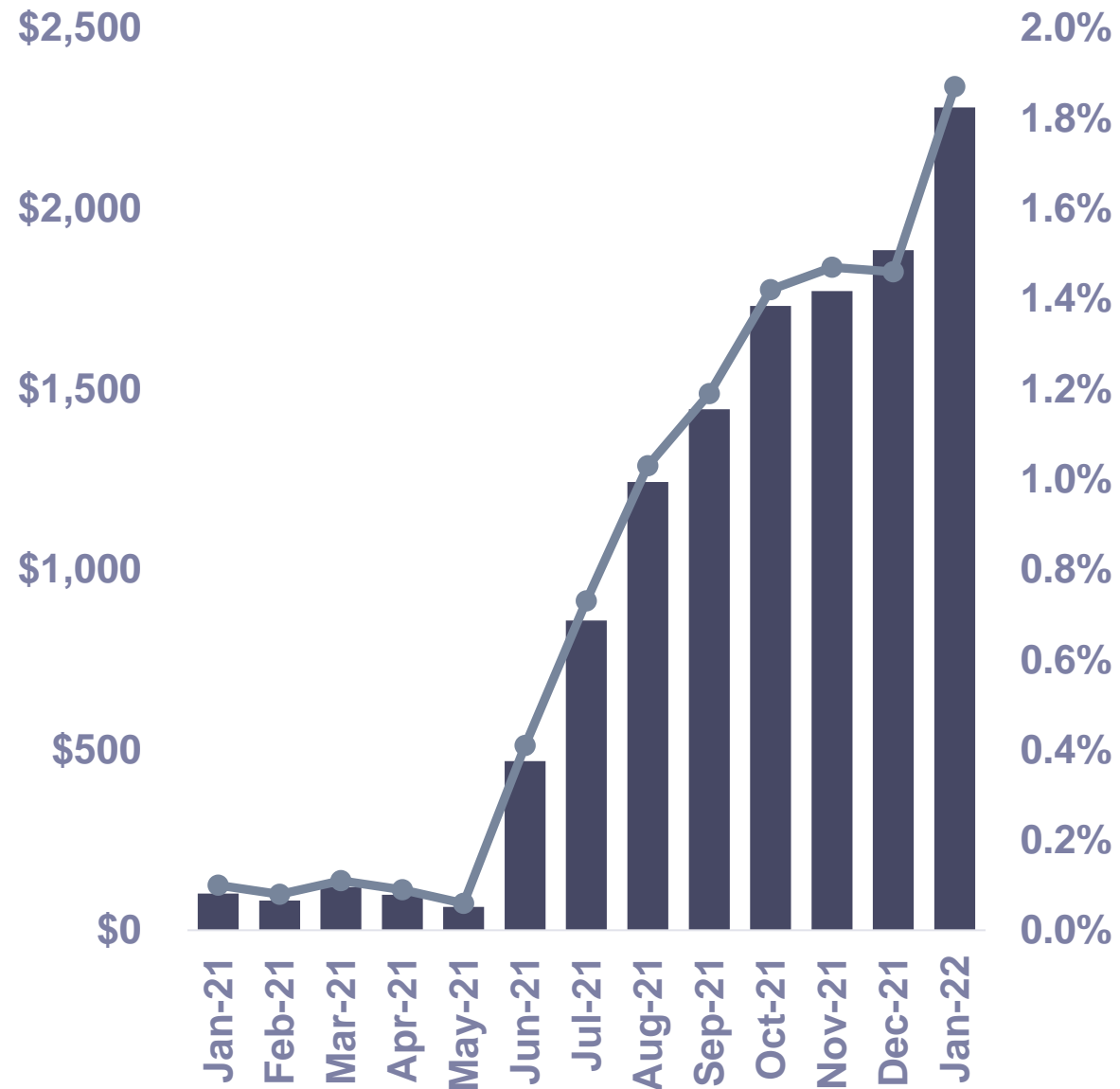
Total Market Share is Climbing +27% Q4 vs Q3



**Second half 2021 saw a ~3x increase in adult use retail sales over first half 2021
Momentum in market share capture has continued into 2022**

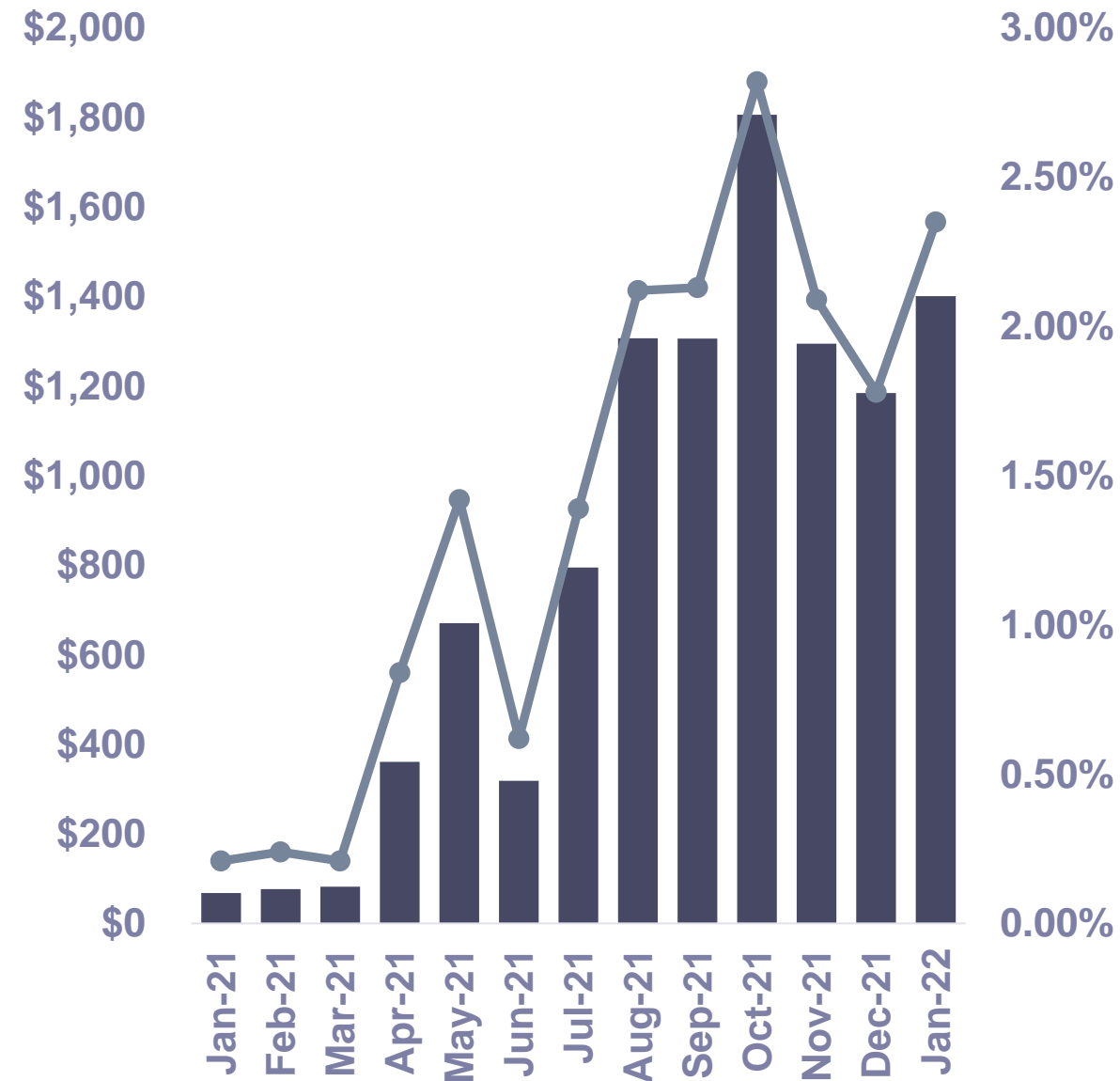
Retail Pull Through in Large Dominant Categories

Flower



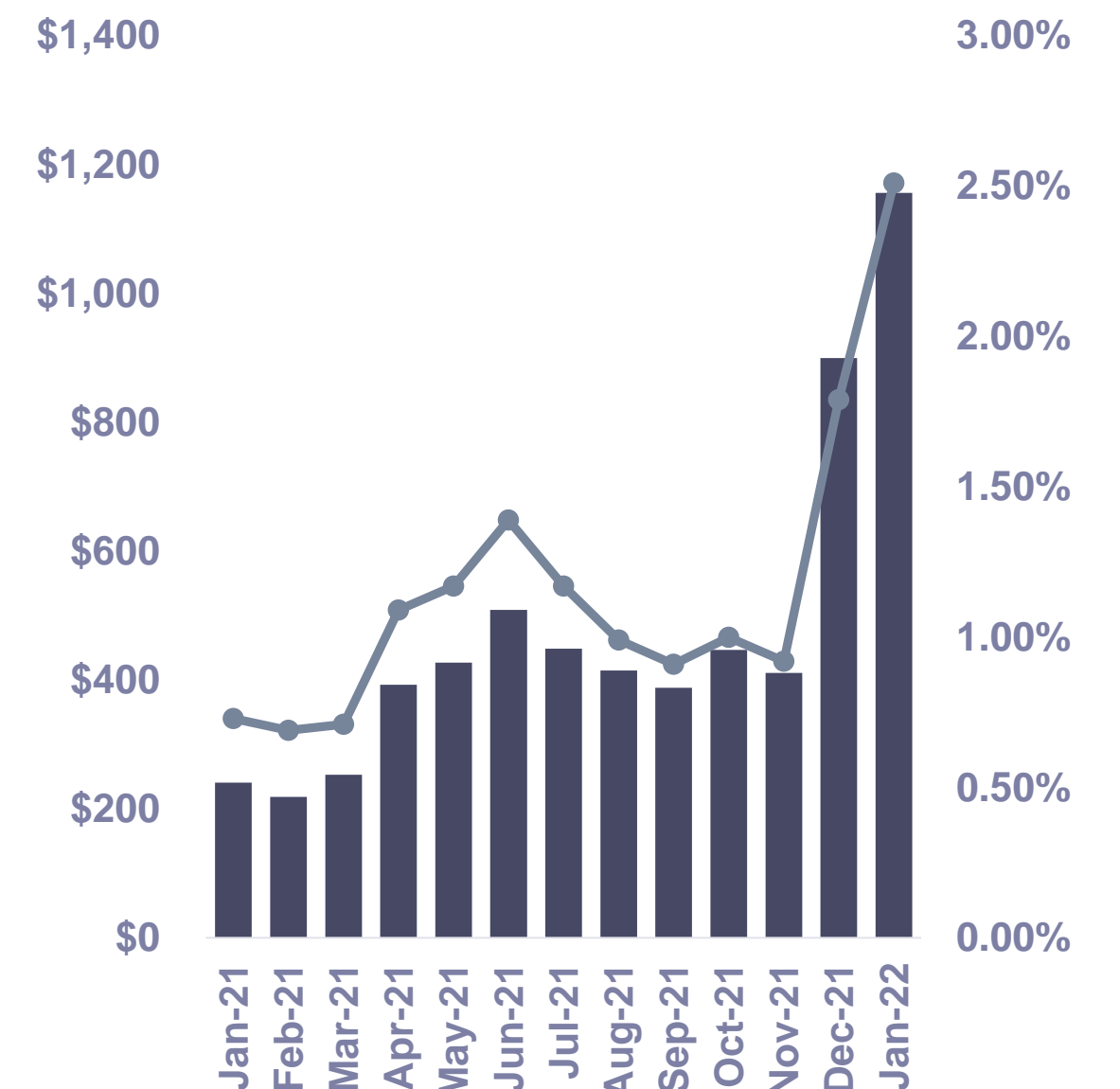
Flower retail sales pull through climbed +1,400%

Pre-Roll



Pre-roll retail sales pull through climbed +1,000%

Vape

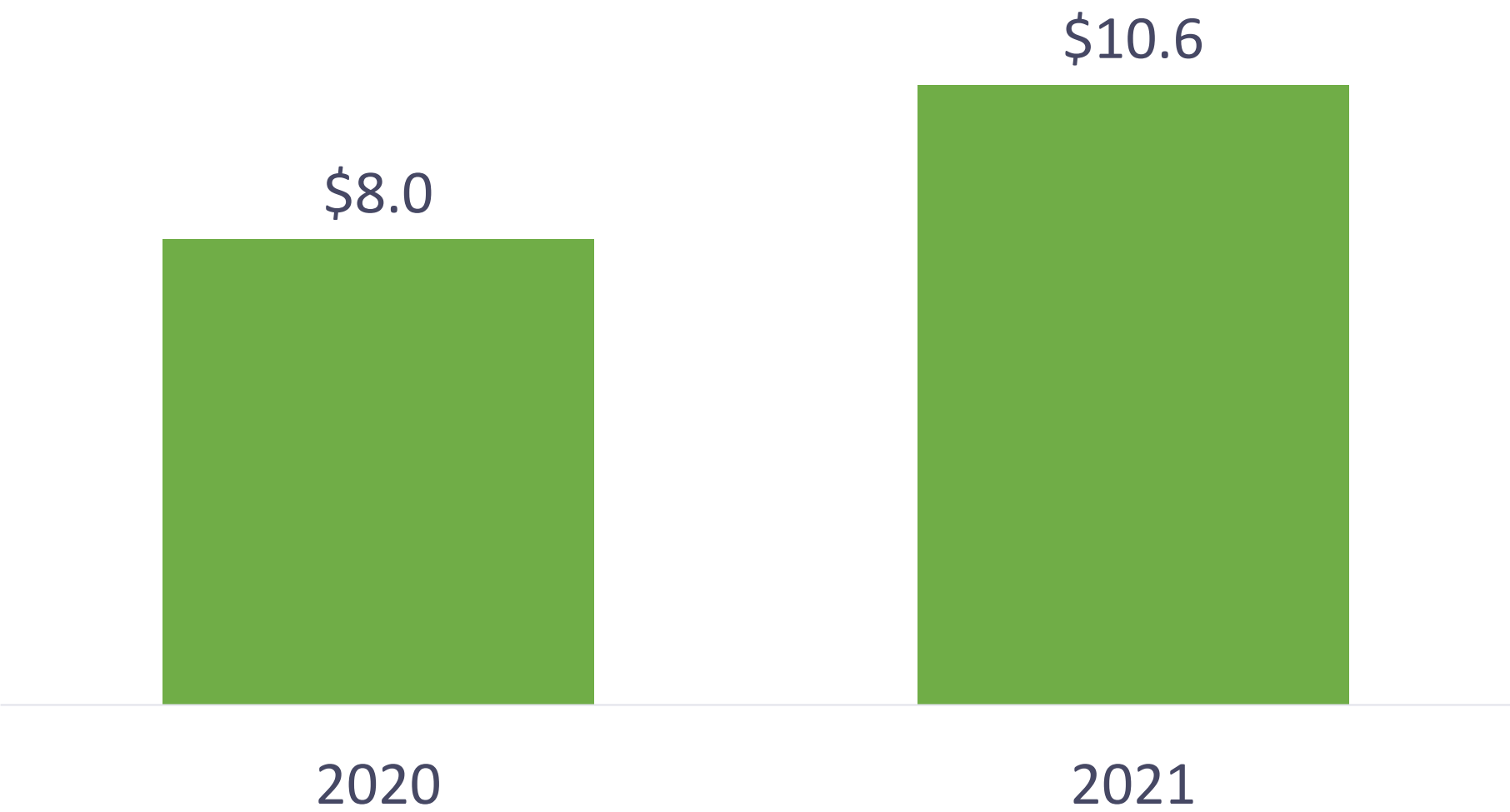


Vape retail sales pull through climbed +200%

Q4 & 2021 Highlights: Medical Sales Channel

Medical Cannabis Net Revenue

33% growth over the prior year



Quarter Highlights

- Captured overall medical market share
 - Scripts up +17% in 2021 vs -23% market
- Patient script lengths have increased
- Key Wins Q4
 - Expanded Unifor patients (+22%) (+151% \$)
 - Veterans' Partnership (Trx) +67%
 - Quebec market entry (Trx) +2,000%
 - Third-party clinics ~55% of gross revenue

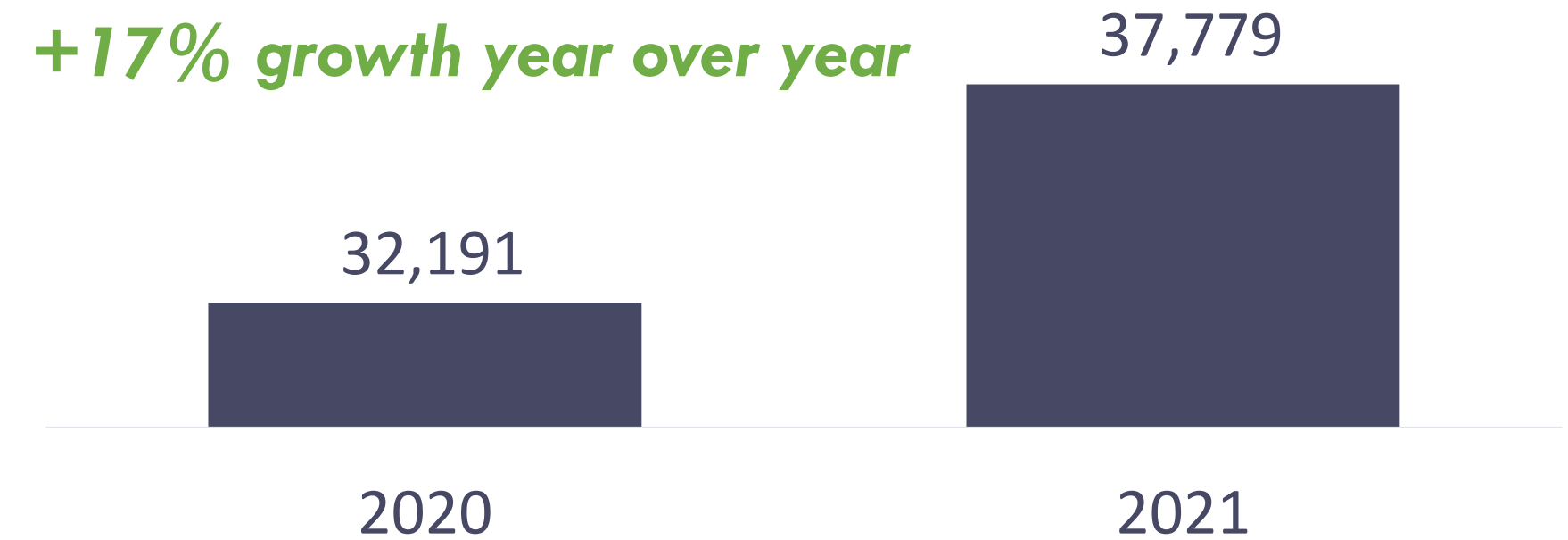
Strong growth in medical cannabis sales in double digits despite overall market decline

Medical Channel Acceleration

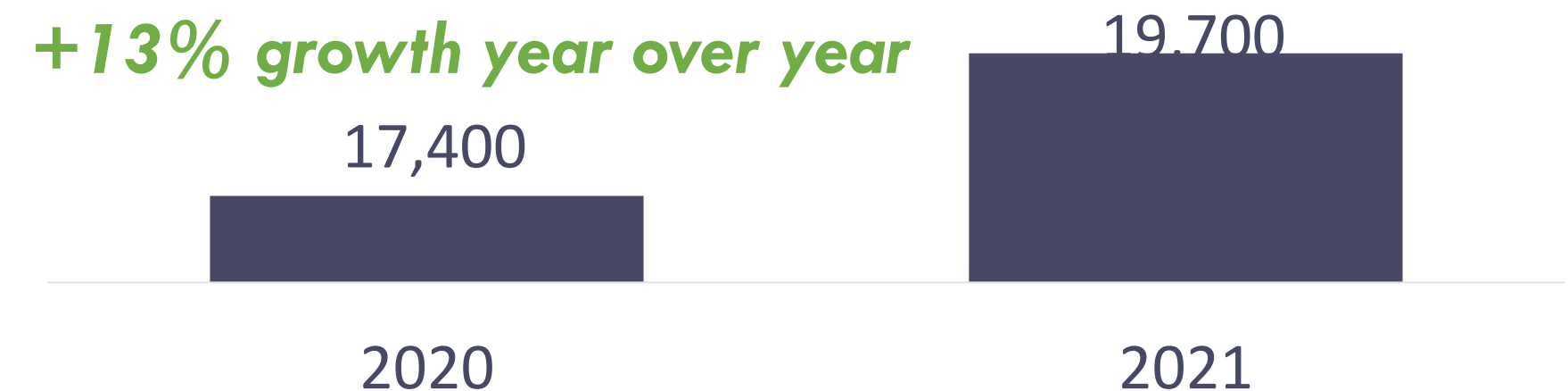
Medical Highlights

- Run-Rate Net Revenue of ~\$10 million
 - Net revenue increased **+33% over 2020**
- Strong ordering patterns (AOV ~\$140; Units ~3.5)
- In 2021 onboarded **4 unionized employers** through exclusive **Unifor partnership**
- **Third-party clinics - Scripts +41% Y/Y**
 - ~55% of gross revenue in Q4 2021 (vs. ~40% in 2020)
- **Canabo (owned clinics) - Scripts up +3% Y/Y**
 - Decline in new patient acquisition due to COVID-19 yet ahead of market decline

Growing Script Count



Growing Patient Base



Highly scalable sticky recurring revenue base well-positioned to accelerate new patient uptake through Unifor and New Strategic Partnerships

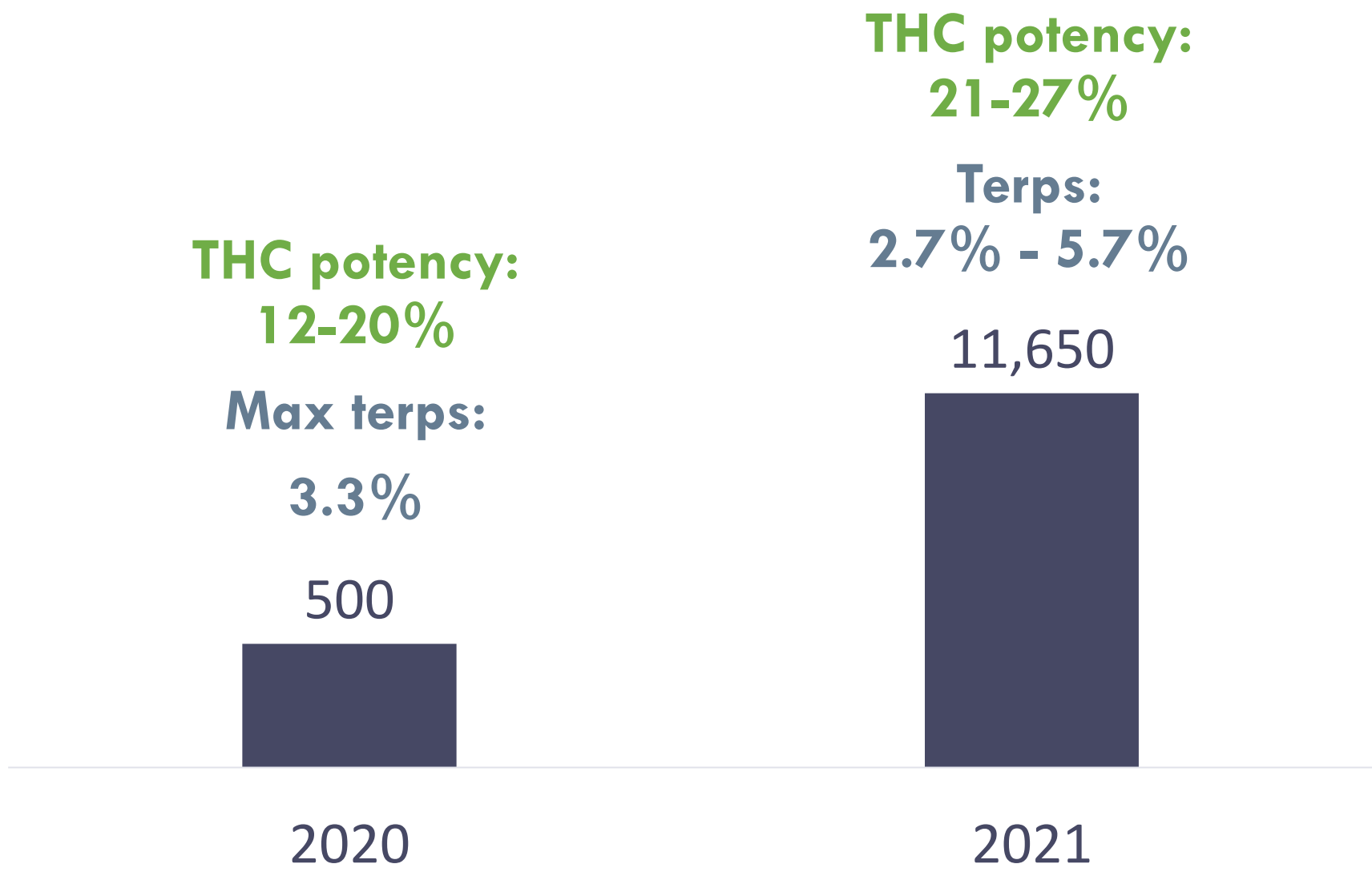
Note: See Cautionary Statement Regarding Non-IFRS Measures

Outdoor Cultivation Capabilities Fuel Branded Cannabis Revenue

2021 Outdoor Harvest

- More acreage planted in 2021 than 2020
- Highest yield of high-quality flower vs PY
- Delivered exceptional potency and quality
 - Record breaking results (THC 21-27%)
 - Terp profile unrivalled 2.7% – 5.7%
- High potency of 2021 harvest, will be primarily used in the **adult-use sales channel** delivering significantly **higher net margin per gram**

High Potency (Grade A/C) (kgs)



Outdoor harvest exceeded expectations with greater yields of saleable high potency flower in adult use channel

AGENDA

Q4 2021 Key Takeaways

Business Overview & Performance

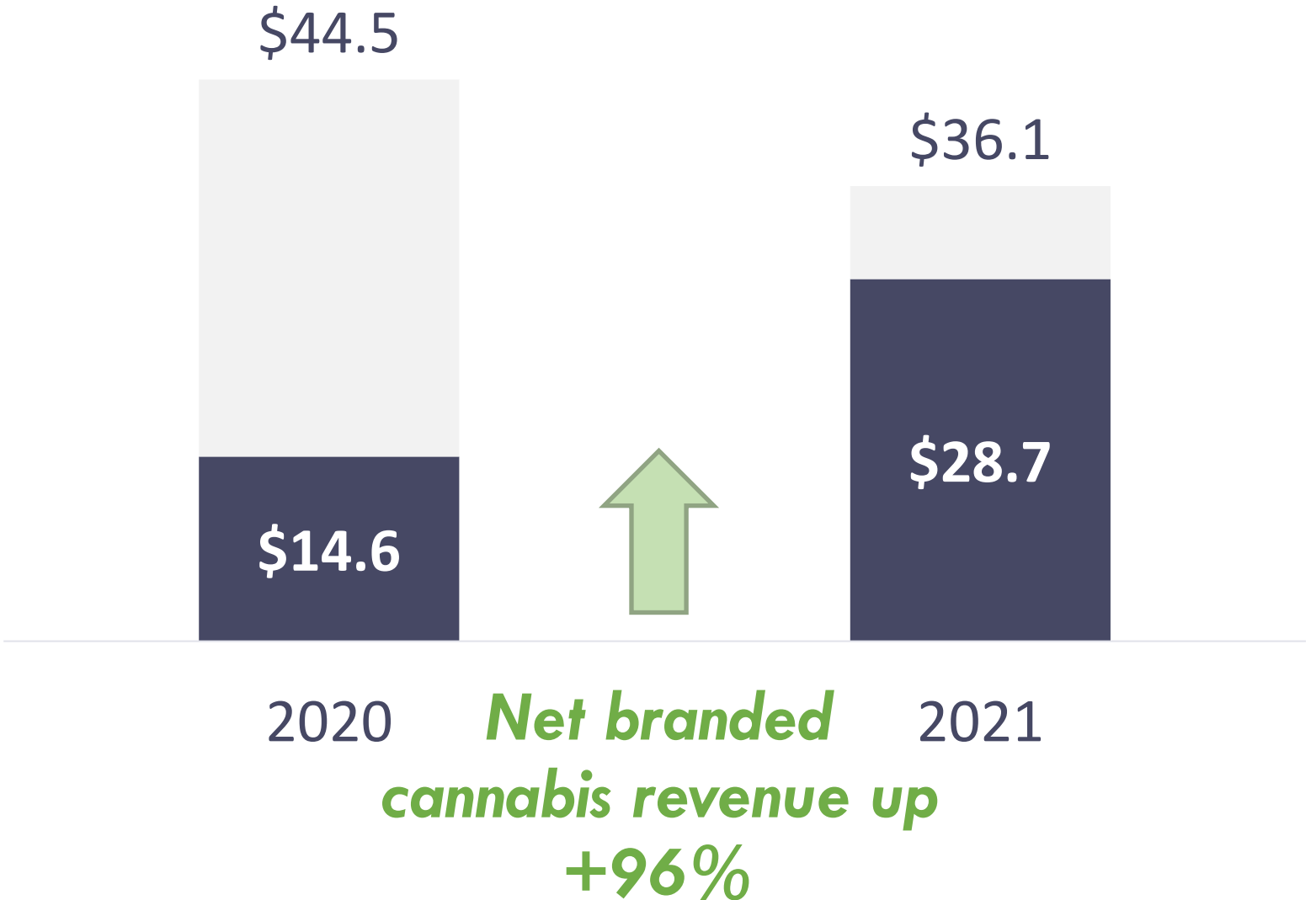
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Strong Revenue Growth in Branded Cannabis

Total Net Revenue

■ Net Branded Cannabis Revenue ■ Wholesale



Takeaways

- Sales of branded cannabis (adult-use and medical) doubled in 2021
 - “Sticky,” robust margin medical sales
 - Hyper-growth adult-use sales provides visibility into near-term cash flow
- Wholesale 2021 net revenue down
 - Redirecting high potency flower from outdoor harvest into adult-use sales channel with higher anticipated net realizable margin

Growing branded cannabis revenue base with highly visible and sticky revenue combined with an expanded margin potential

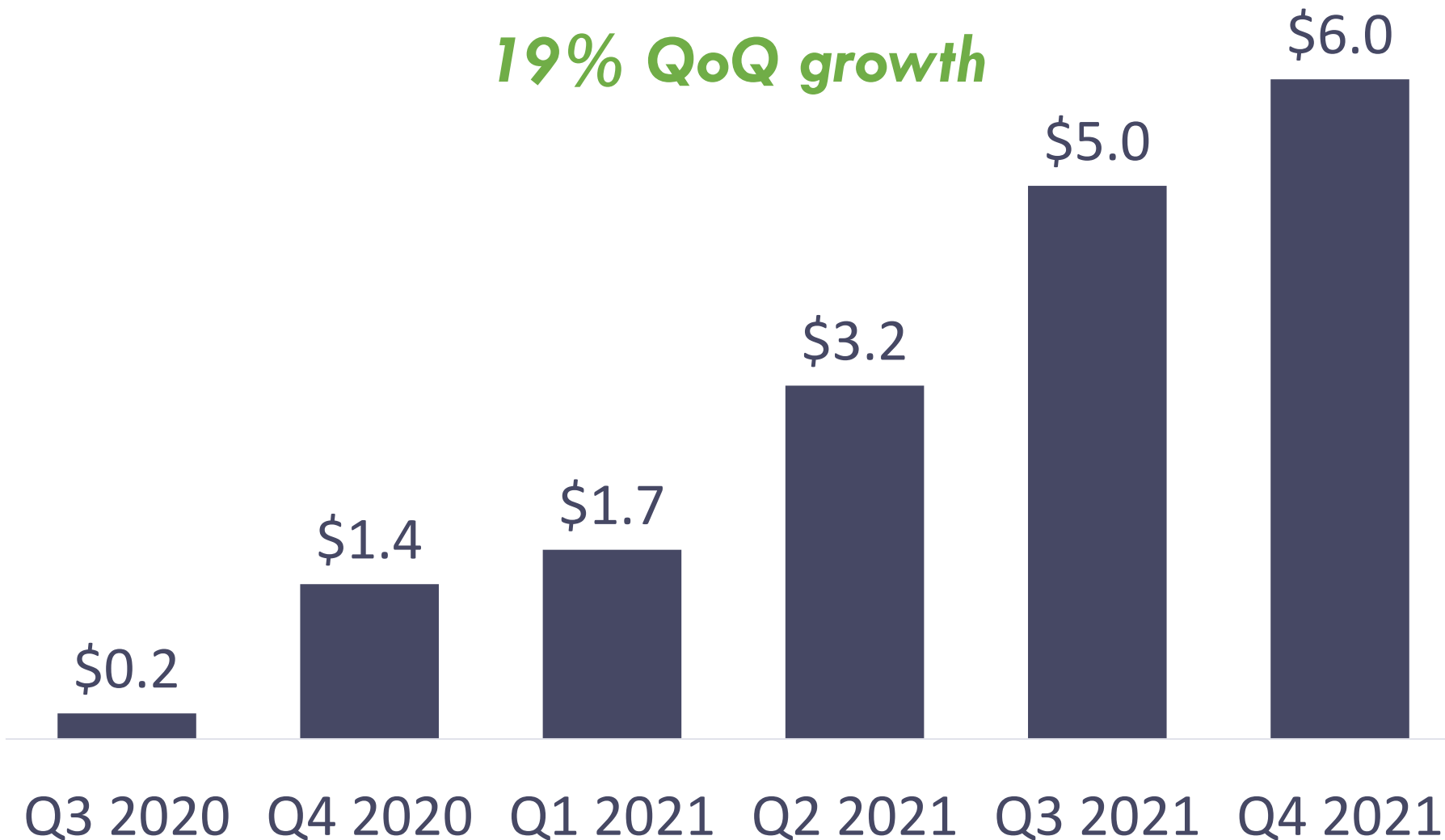
Note: See Cautionary Statement Regarding Non-IFRS Measures
 1. Net Branded Cannabis Revenue includes adult-use, medical, clinic, international and research; it excludes wholesale revenue.

Driving Hyper-Growth in Adult-Use Sales

Adult-Use Net Revenue

1237% CAGR over the last six quarters

19% QoQ growth



Growth Catalysts

ACCELERATE RETAIL PENETRATION

- Enter new provincial markets
- Continued education & pull through at retail

PORTFOLIO OPTIMIZATION

- Focus on largest market categories with SKUs with greatest market traction
- Focused on highest margin categories

GROW & OPTIMIZE CULTIVATION CAPACITY

- Focus on High quality, High potency saleable flower utilized in Branded Cannabis Products

***Strong momentum in adult-use quarter over the last six quarters;
Multi-pronged growth catalysts to drive continued market share capture***

Solid Momentum in the Medical Channel Primed for Accelerated Growth in 2022

Medical Net Cannabis Revenue⁽¹⁾



Growing our sticky recurring medical revenue amidst a general market decline

Growth Catalysts

GROWING ACTIVE PATIENT BASE

- UNIFOR
- Expand clinic partnerships by 20%

FOCUS ON HIGH VALUE PATIENTS

- First responders, MVAs
- Veterans (AOV 2.7x; order 2x more frequently)

INCREASING PER PATIENT SALES

- Proactive outreach of active patient base through Canabo clinics to increase order frequency and basket size
- Continued new product innovation

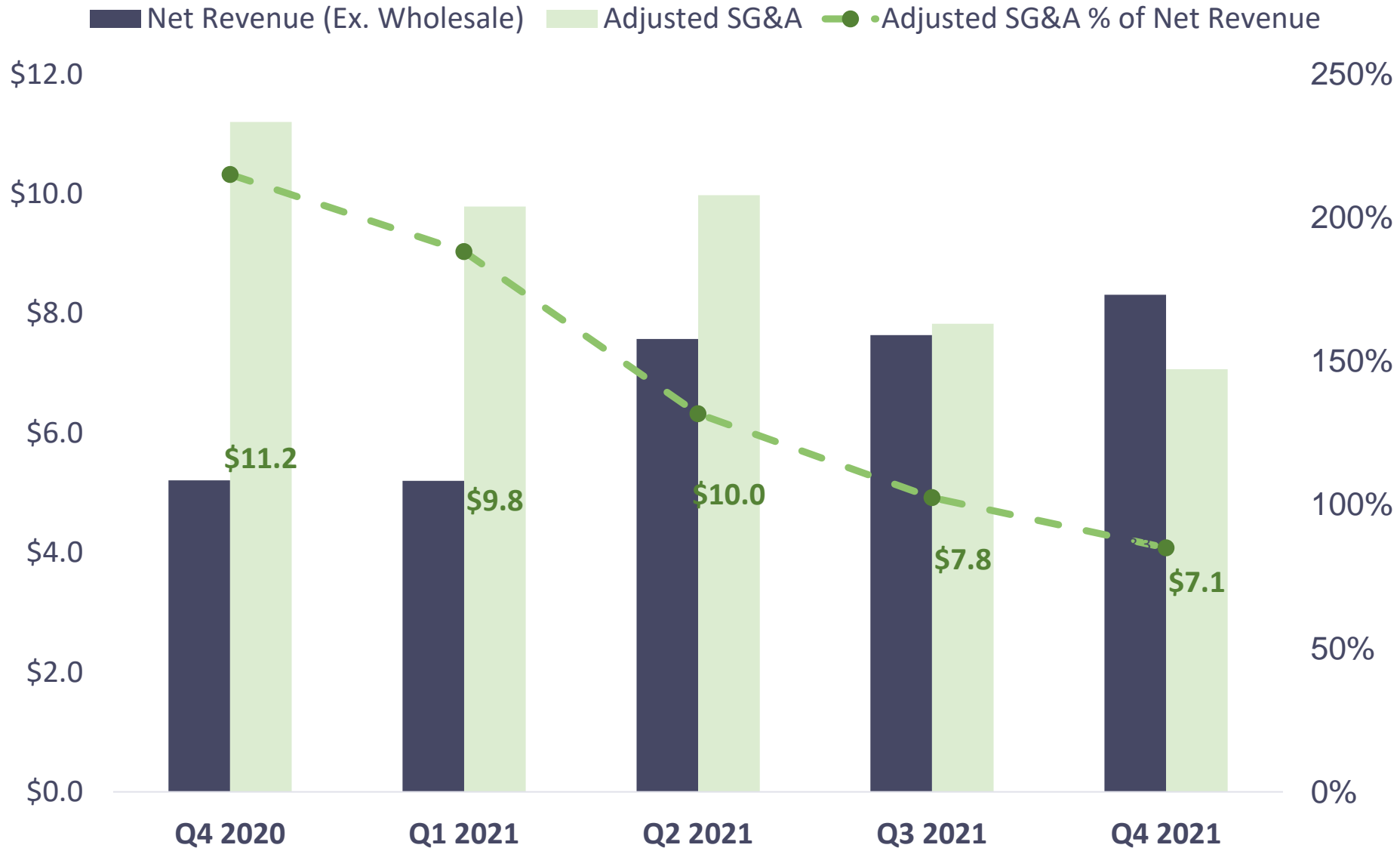
BUILD UPON MEDICAL ECOSYSTEM

- Maintain leadership position in research education for clinic partners, existing and new authorizers

1. Excludes clinic and research revenue.

Significant Cost Rationalizations Completed in 2021

Adjusted SG&A⁽¹⁾



Scalable Infrastructure

- **Direct internal salesforce** sell into the adult-use and medical channels
- **Operational management team in place for all four production facilities** capable of managing significantly higher sales volumes
- **Significant one-time / nonrecurring costs** related to house of brand build-out and launches largely complete
- **Suite of corporate shared services** (IT, finance, HR, legal) leveraged across all sales channels

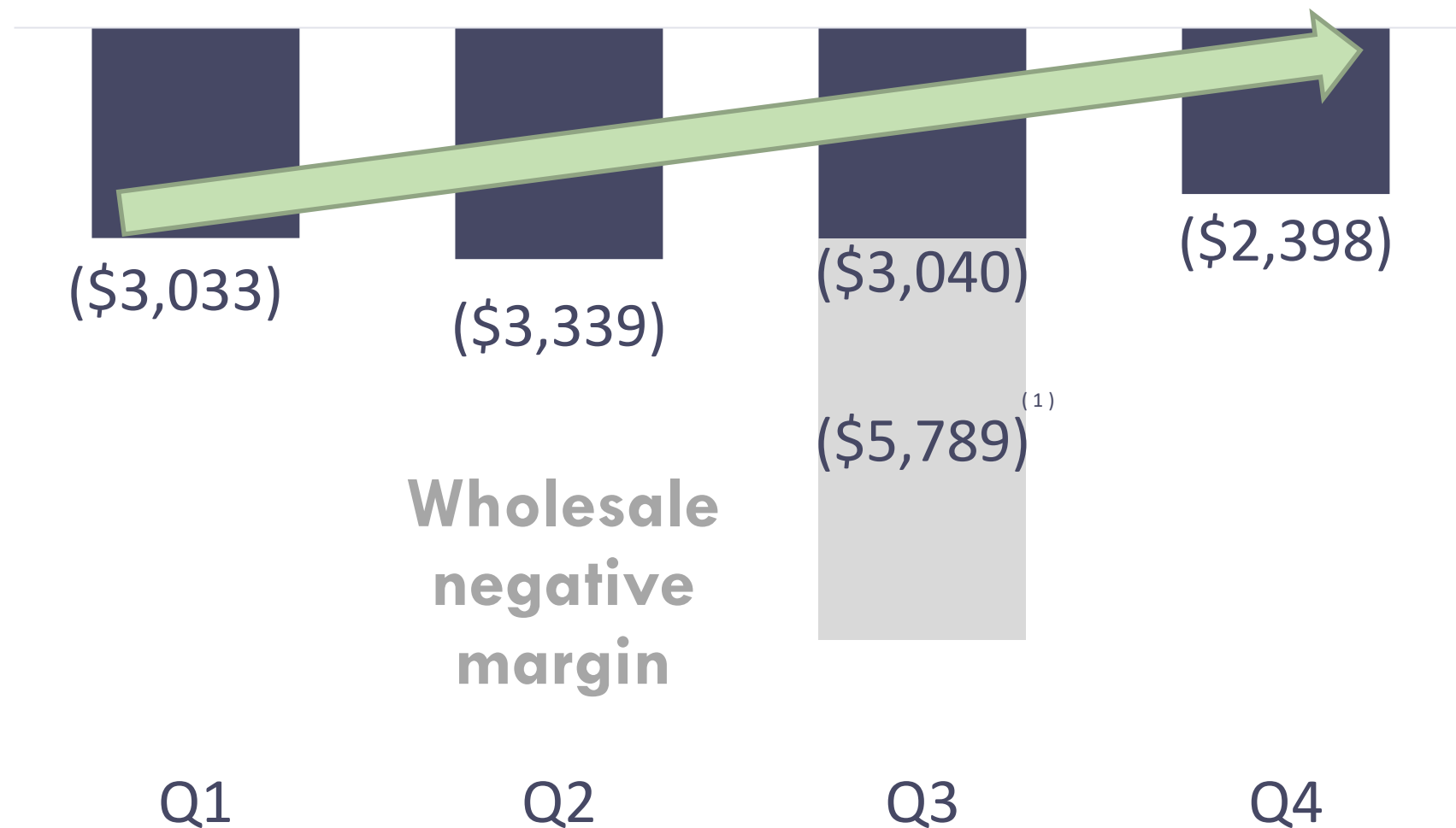
Cost containment initiatives actively underway to reduce costs, enhance operating leverage, and accelerate the pathway to adjusted EBITDA breakeven profitability

Note: See Cautionary Statement Regarding Non-IFRS Measures
 1. Adjusted SG&A calculated as wages and benefits and general and administrative expenses excluding Canada Emergency Wage Subsidy (“CEWS”), bonus accruals, vacation payouts and severance..

Significant Improvements in 2021 Clear the Way for Adjusted EBITDA Profitability

Adjusted EBITDA Improving

Trending towards breakeven Adjusted EBITDA profitability



Initiatives to Improve Profitability

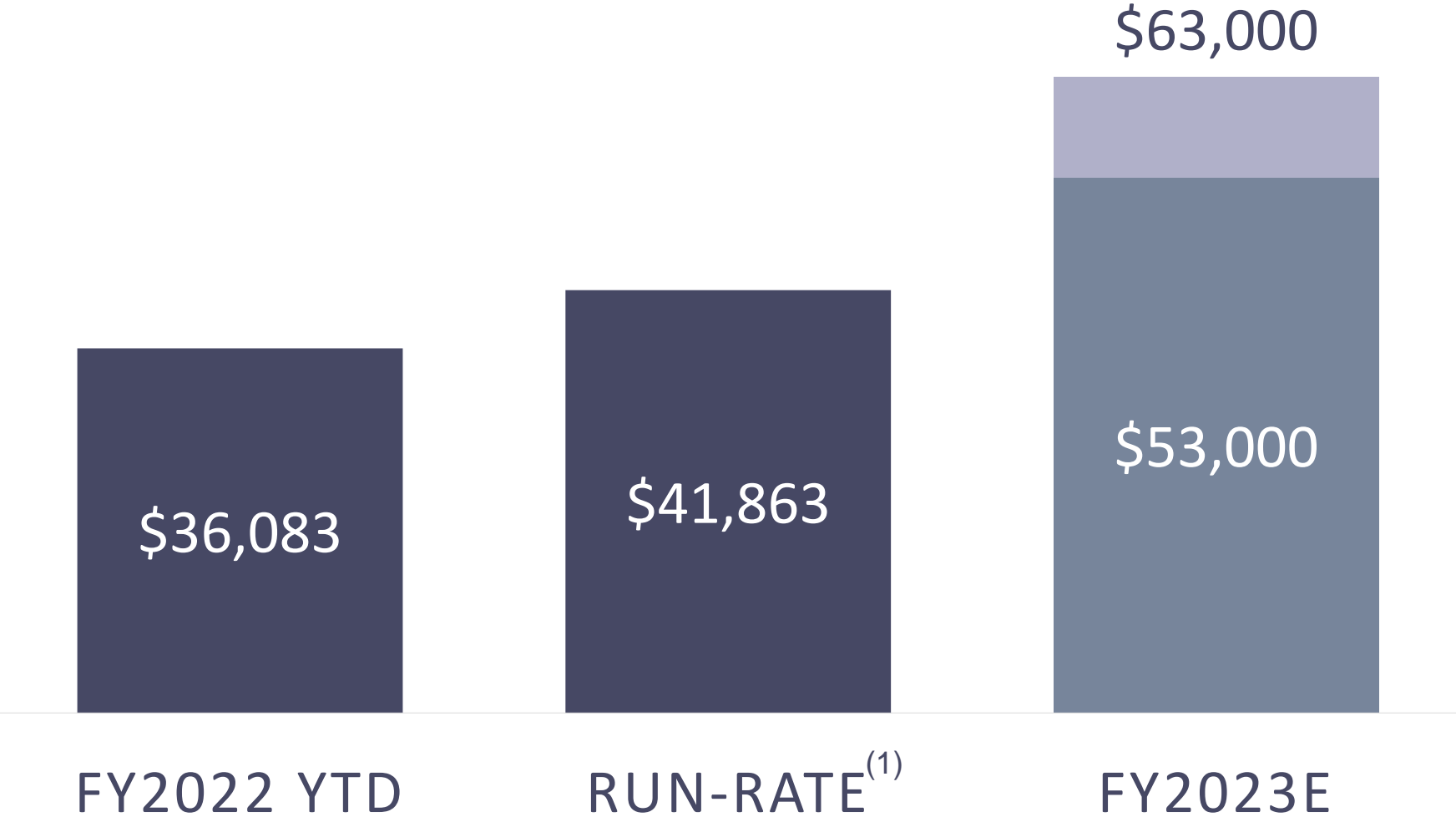
- **Gross profit margin enhancement**
 - SKU optimization to align portfolio on highest selling product formats with strongest margins
 - Improving formats to optimize margin profile
 - Moderate / strategic price increases

- **Operational Efficiencies**
 - ~10% headcount reduction enacted in Q4 representing \$1.9 million in annualized savings
 - Integration of the virtual, physical and third-party clinic platform

Targeting achieving breakeven Adjusted EBITDA profitability in the second half of 2022

Multi-Pronged Growth Strategy Across Three High-Value Pillars

Total Net Revenue



Key Growth Strategies

- **Adult-Use**
 - Attain top 10 market share position in overall Canadian adult-use market
 - Focus on quality, high margin and high velocity sales categories
 - Innovating products in categories consumers want

- **Medical**
 - Continued onboarding of third-party clinics
 - Accelerate uptake under exclusive Unifor partnership

- **International**
 - Build on partnerships to unlock key European market

Well-positioned for FY2023 with growth across 3 key sales channels

Note: See Cautionary Statement Regarding Non-IFRS Measures

1. Run-rate based on \$24 million adult-use (annualized Q4 net revenue of \$6.0mm), \$10 million medical (annualized 2H 2021 net revenue of \$4.9mm due to seasonality), and \$8 million international & bulk wholesale (based on 2021 net revenue).

Financial Outlook

	FY2022 YTD	FY2023E Projections	
		Low	High
Adult-Use Cannabis	\$15,980	\$35,000	\$40,000
Medical Cannabis, Clinic & Int'l	\$12,741	\$15,000	\$18,000
Branded Cannabis Net Revenue	\$28,721	\$50,000	\$58,000
Bulk Wholesale	\$7,362	\$3,000	\$5,000
Total Net Revenue	\$36,083	\$53,000	\$63,000
Gross Profit Margin %	23%	32%	38%
Adjusted SG&A	\$34,661	\$25,000	\$27,500
% of Net Revenue	96%	47%	44%
Adjusted EBITDA \$	-\$17,599	-\$7,500	-\$2,500

Targeting achieving breakeven Adjusted EBITDA profitability in the second half of 2022

Note: See Cautionary Statement Regarding Non-IFRS Measures

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Pivoting Strategy to Focus on Growing Branded Cannabis Revenue

**Top 10 Adult-
Use Market
Position**

**Leadership in
Medical**

**Well-
Positioned for
International**

**Adjusted
EBITDA
Profitability**



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APPENDIX

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Brand Portfolio Targeting Key Consumer Segments with Divvy Creating Strong Inroads Across Leading Categories

MEDICAL



- Oils, dried flower, capsules, sprays, 510 vape cartridges, sublingual strips



ADULT-USE



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



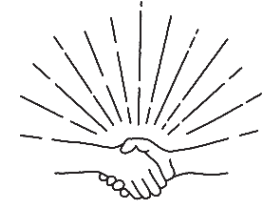
- Discerning cannabis aficionados
- Small batch dried flower, premium concentrates.



- Soft chews (gummies) and salted caramel pretzels



- Omega CBD soft gels, bath bombs, roller-ball



KIN SLIPS

- Broad appeal
- [Five] SKUs featuring different THC/CBD potencies and terpene profiles



Adult-Use Channel Overview

Overview of the Business

- **Sunday Market House of Brands** launched in Q1 2021
- Anchored around **Divvy**, the everyday brand focused on **exceptional value proposition**
- Full-suite of **dried flower, pre-roll, vape** and **cannabis derivative products**
- Distribution agreements into **Ontario, Alberta, Saskatchewan, British Columbia**
- Adult-use market share has leapfrogged many peers in the last twelve months⁽¹⁾
 - Market share increased from **0.3% Q1 2021** to **2.0% in Q4 2021**

2021 Highlights

~\$24 million *Run-rate Net Revenue*

12 *New product formats launched*

37 *New SKUs launched*

103 *Provincial listings*

5 *Unique adult-use brands launched*

>80% *Penetration at the retail store level (Ontario 94%; Alberta 84%)*

Launched the brand house and gained immediate market penetration with 100+ provincial listings, 35+ SKUs & Divvy becoming established as a leading brand

Note: See Cautionary Statement Regarding Non-IFRS Measures
1. Based on HiFyre data.

Unifor Partnership Provides Pathway to High-Margin Recurring Revenue

TAM \$300+ Million⁽¹⁾



Partnership Highlights

- 10-year exclusive partnership
- ~315,000 members + family
- ~200,000 retirees
- Unionized employers across multiple industries, including automotive, telecommunications, air/rail transportation, service industries, healthcare,
- 4 unionized employers onboarded
- Full suite of patient care w/ wellness products, medical consultation, education & home delivery

Exclusive Unifor partnership provides opportunity to build a sticky high-margin recurring revenue base

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

Innovation Centre

PARIS, ONTARIO

63,000 sq. ft. Product Innovation Centre

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



Hybrid Greenhouse

GRIMSBY, ONTARIO

Three Cultivation Sites

- EU-GACP compliant for EU exports
- Consistent supply for adult-use, medical, intl.



Outdoor Cultivation

PORT PERRY, ONTARIO

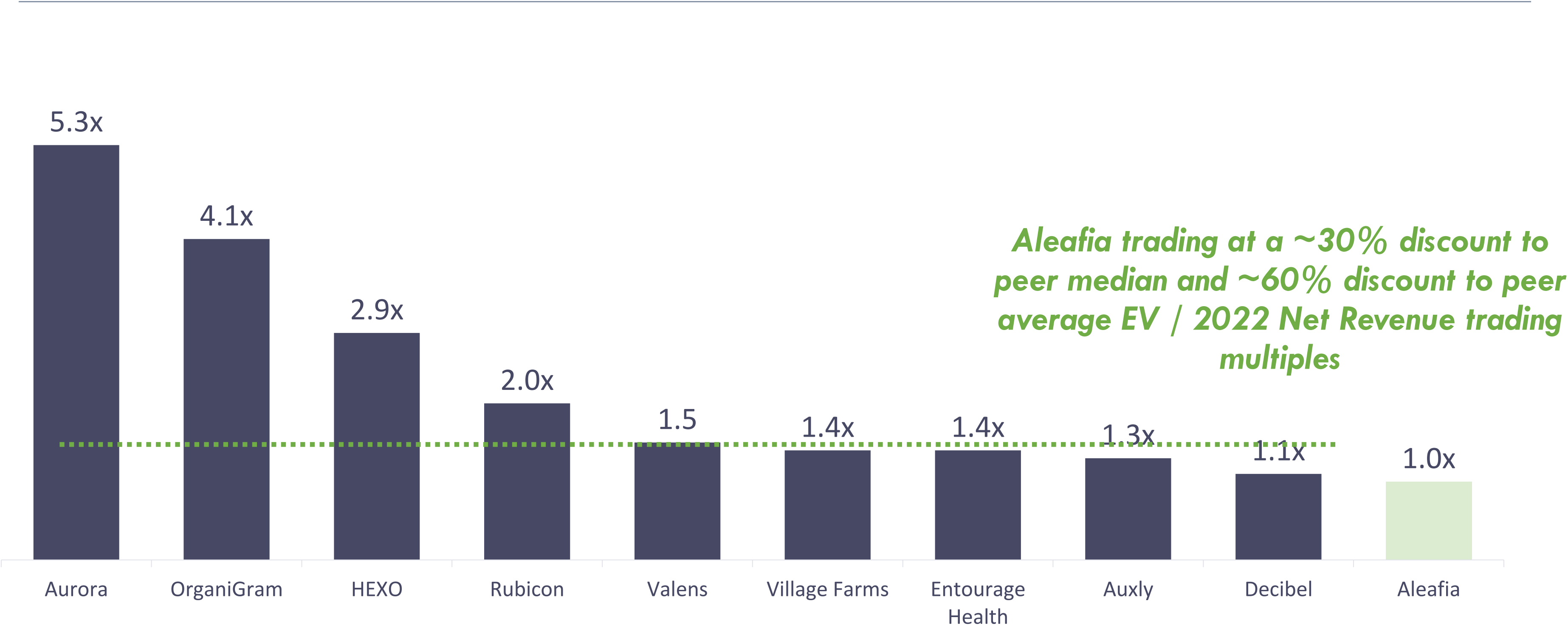
86 Acres Outdoor Cultivation in Port Perry

- First large scale legal outdoor grow in Canada
- 86 Acres planted in 2021



Opportunity for Significant Valuation Enhancement

EV / 2022E Net Revenue



Summary Financials & Capitalization Table

CAD \$'000s	
Share price ⁽¹⁾	\$0.14
Fully Diluted Common Shares Outstanding (000's) ⁽²⁾⁽³⁾	330.7
Market value of equity	\$46.4
Add: Credit Facilities ⁽⁴⁾	\$21.7
Less: Cash & Cash Equivalents, Marketable Securities	(\$13.5)
Net Senior Secured Debt	\$8.1
Convertible Debentures	\$35.6
Enterprise Value	\$90.1

¹ Share price as of February 10, 2022.

² Excludes 29,453,489 options outstanding as of 31-Dec-21 with an average exercise price of \$0.93 per share.

³ Excludes 56,463,651 warrants outstanding as of 31-Dec-21 with an average exercise price of \$1.19 per share.

⁴ Excludes an undrawn \$7 million revolving receivables facility.

Non-IFRS Measures

EBITDA and Adjusted EBITDA:

(\$,M's)	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Total
Net loss	-11.2	-0.0	-82.9	-71.5	-165.7
Add back:					
Depreciation and amortization	2.4	2.3	1.9	3.7	10.3
Interest expense, net	2.2	1.8	2.0	2.2	8.2
Income tax expense (recovery)	-	-	-2.9	-	-2.9
EBITDA	-6.6	4.0	-81.9	-65.6	-150.1
Inventory provision			2.4	17.3	19.6
FV changes in biological assets and changes in inventory sold	0.9	-3.6	-3.4	6.7	0.6
Share-based payments	0.6	0.5	1.1	0.7	2.8
Bad debt expense	0.6	7.2	2.2	0.0	10.0
Business transaction costs	1.5	1.1	0.9	1.0	4.3
Gain on sale of assets		-12.1	-	-	-12.1
Fair value through profit and loss adjustments			5.6	8.8	14.4
Impairment of intangible assets	-		53.1	-	53.1
Impairment of goodwill	-		11.3	-	11.3
Impairment of property, plant & equipment				28.8	28.8
Non-operating expense (income)	0.1	-0.4	0.0	0.1	-0.3
Adjusted EBITDA	-3.0	-3.3	-8.8	-2.4	-17.6

Non-IFRS Measures

Branded Cannabis Net Revenue:

(\$,M's)	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	2021	2020
Total Net Revenue	14.6	9.8	5.0	15.2	7.1	10.7	9.6	8.8	36.1	44.5
Less:										
Bulk-Wholesale Revenue	11.7	6.2	2.1	10.0	1.9	3.1	1.9	0.5	7.4	29.9
Branded Cannabis Net Revenue	2.9	3.6	2.9	5.2	5.2	7.6	7.6	8.3	28.7	14.6

Adjusted SG&A

(\$,M's)	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	2021
Wages and Benefits	0.5	2.3	4.3	4.2	4.0	14.9
<u>Exclude:</u>						
Wage Subsidies	-3.9	-0.3				-0.3
Bonus	0.3	-1.2				-1.2
Vacation Payout at YE	0.2					0.0
Severance	0.1	0.1	0.2	0.0	0.1	0.4
Normalized Wages	3.8	3.7	4.1	4.2	4.0	16.0
G&A	6.6	4.6	4.8	2.8	2.1	14.3
Business Transaction Costs	0.8	1.5	1.1	0.9	1.0	4.3
Adjusted SG&A	11.2	9.8	10.0	7.8	7.1	34.7

FORWARD LOOKING INFORMATION

Certain statements herein relating to the Company constitute “forward looking information”, 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 information”. 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 our market share, net revenue, net branded revenue, gross profit, gross profit margin, Adjusted SG&A, Adjusted EBITDA, and other financial outlook projections for fiscal year 2022, our commercial operations, including production and / or sales of cannabis, quantities of future cannabis production, anticipated revenue in connection with such sales, and other Information that is based on forecasts of future results, estimates of production not yet determinable, and other key management assumptions. The following material factors or assumptions were used to develop the forward looking information: market size and growth of the Canadian adult-use and medical cannabis markets, retail store penetration, script trends, cultivation and processing capacity, costs of production, gross and net revenue per gram.

Actual results may differ materially from those expressed or implied by such forward looking statements and involve risk and uncertainties relating to: future cultivation yield and quality, actual operating performance of facilities, product launches, facility licenses and amendments, average selling prices, cost of goods sold, operating expenses, Adjusted EBITDA, regulatory changes in the Canadian and international markets, and other uninsured risks. The forward looking information was approved by Management as of February 14, 2022. The Company assumes no responsibility to update or revise forward-looking information to reflect new events or circumstances unless required by law. The forward looking information is provided for information purposes only and readers are cautioned that it may not be appropriate for other purposes. This presentation is provided for general information purposes only and does not constitute an offer to sell or solicitation of an offer to buy any security in any jurisdiction

CAUTIONARY STATEMENT REGARDING NON-IFRS MEASURES

Branded Cannabis Net Revenue, Adjusted SG&A, and Adjusted EBITDA are not recognized financial measure under IFRS, does not have a standardized meaning and therefore may not be comparable to similar measures presented by other issuers. For additional information including the definition and purpose of the non-IFRS measure, see “Cautionary Statement re Non-IFRS measures” in the Company’s Management’s Discussion and Analysis for the period ended December 31, 2021 found on SEDAR at www.sedar.com.”