

June 28, 2022



Q5 | FY 2022 Earnings Presentation

AleafiaHealth.com

Disclaimer

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, branded cannabis net revenue, gross profit, gross profit margin, Adjusted SG&A, Adjusted EBITDA, and other financial outlook projections for fiscal year 2023, 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 June 27, 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 March 31, 2022 found on SEDAR at www.sedar.com.”

Presenters

Executive Leadership



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



4 Core Strategic Objectives

Aleafia Health demonstrates growth and leadership across all four strategic pillars on path to profitability



Top 10 Adult-Use Market Position

- ~\$28 million run-rate net revenue ⁽¹⁾
- **3rd** highest growth rate amongst **Top 20 Canadian LPs** in retail sales pull-through over the last 4 quarters ⁽²⁾
- **#13 ranking for market share** in our core markets for the CY Q1 2022 ⁽²⁾
- **Divvy Brand Leadership** in the value category; market share has increased to 2.1% across core markets by end of Q5



Leadership in Medical

- ~\$10 million run-rate net revenue ⁽³⁾
- Deepening penetration in key **high value markets**, including veterans and Québec
- Actively onboarding new third-party channels Q5 **(+20%)**
- **7% market share** in overall Canadian medical market ⁽⁴⁾



Positioned for International

- **\$1 million** run-rate net revenue
- **3 countries** with products shipped to market (Germany, UK, Australia)
- **Grimsby facility** certified to produce for international demand
- **Significant upside potential beyond current forecast** with Export ramp-up throughout 2022



Adjusted EBITDA Profitability

- **Medical business integrated**
- Strategic headcount realignment complete **(30%)**
- **SKU rationalization** and portfolio optimization complete
- **Targeting second half of fiscal year 2023 breakeven** adjusted EBITDA profitability ⁽⁵⁾
- **Equity financing** and balance sheet transformation to provide growth capital

Targeting a top 10 standing in markets ⁽⁵⁾
and adjusted EBITDA Profitability in the second half of FY 2023

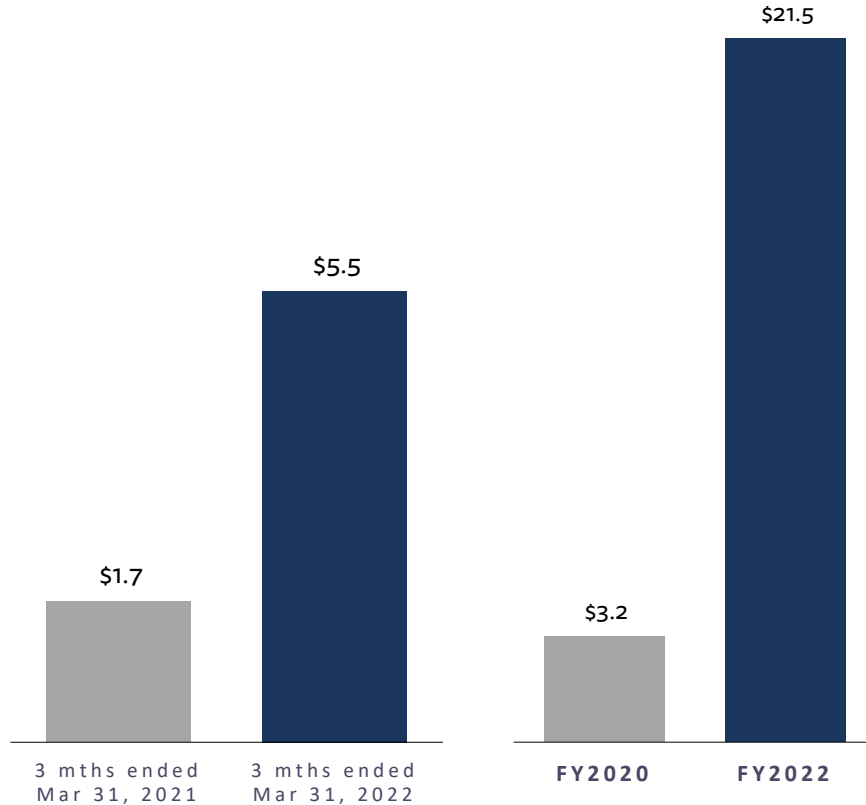
Agenda

- 01 Business Overview & Performance
- 02 Financial Overview
- 03 Q&A

Business Overview & Performance



Q5 & FY2022 Highlights: Adult-Use Sales Channel



1. Based on HiFyre Retail data (BC, AB, SK, ON) from January 1, 2021 to May 31, 2022.

Divvy Entrenchment in Adult-Use Market

Brand drives rapid acceleration of AH

Top 3 out of 20 Canadian Licensed Producers in market share rank increase FY 2022

Top 6 in total retail sales growth over FY2022 in our core markets ⁽¹⁾

	Sell Through Growth %	Market Share Growth %
Flower CQGR	115%	110%
Pre Roll CQGR	116%	88%
Vapes CQGR	42%	32%
All Categories CQGR	55%	44%

Divvy Brand Leadership in FY Q5 2022

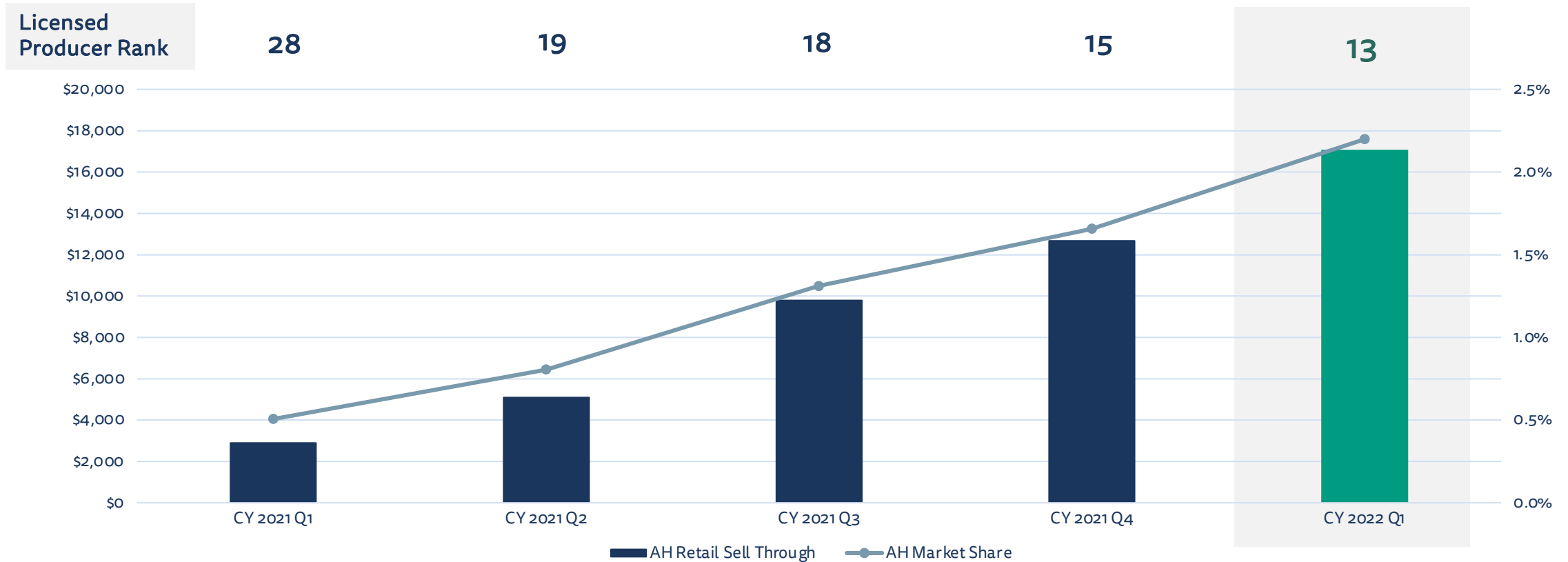
- 2.9% market share in the Pre-Roll category in our core markets
- 1.9% market share in the Flower category in our core markets
- New Divvy vapes Top 10th percentile in Ontario
- Divvy a top searched brand on OCS.ca

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



Aggressively Capturing Market Share

Quadrupled AH capture of key Adult-Use retail market share over the last five calendar quarters (BC, AB, SK, ON)

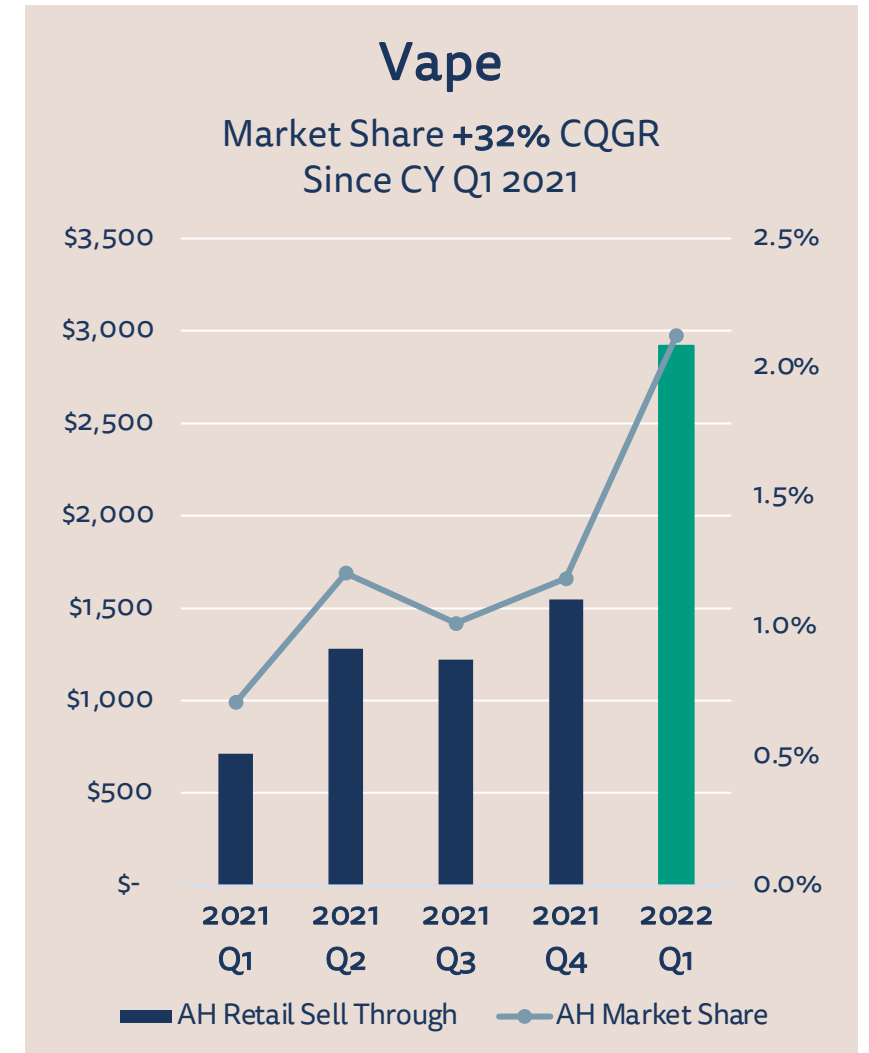
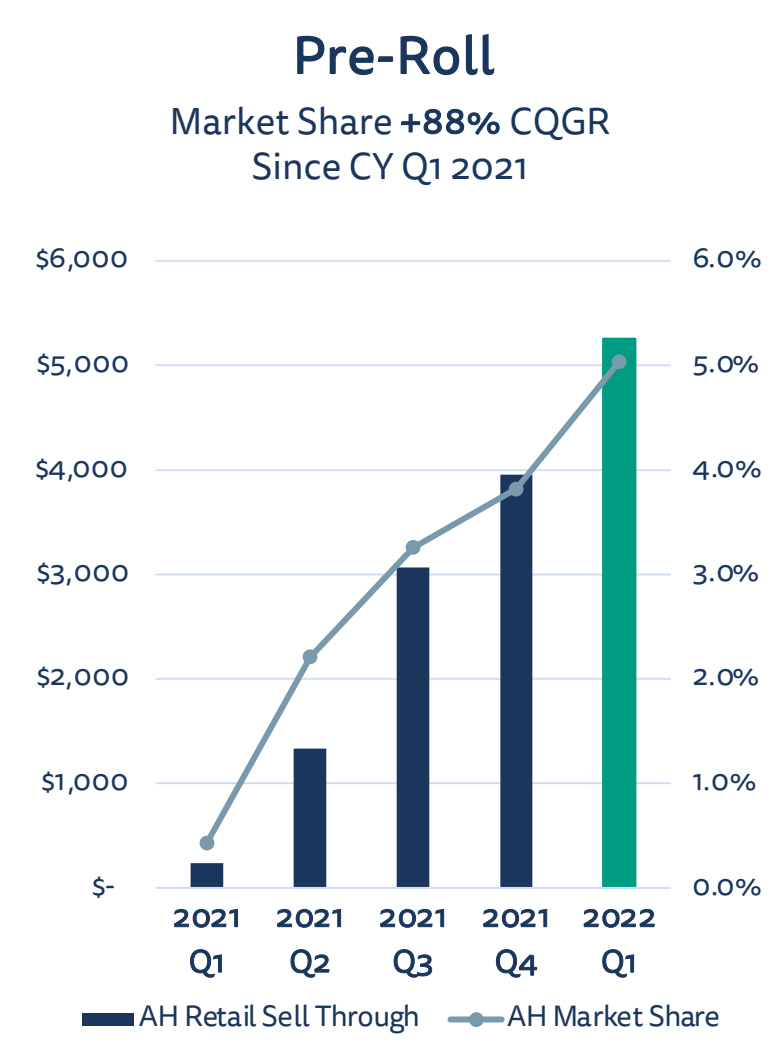
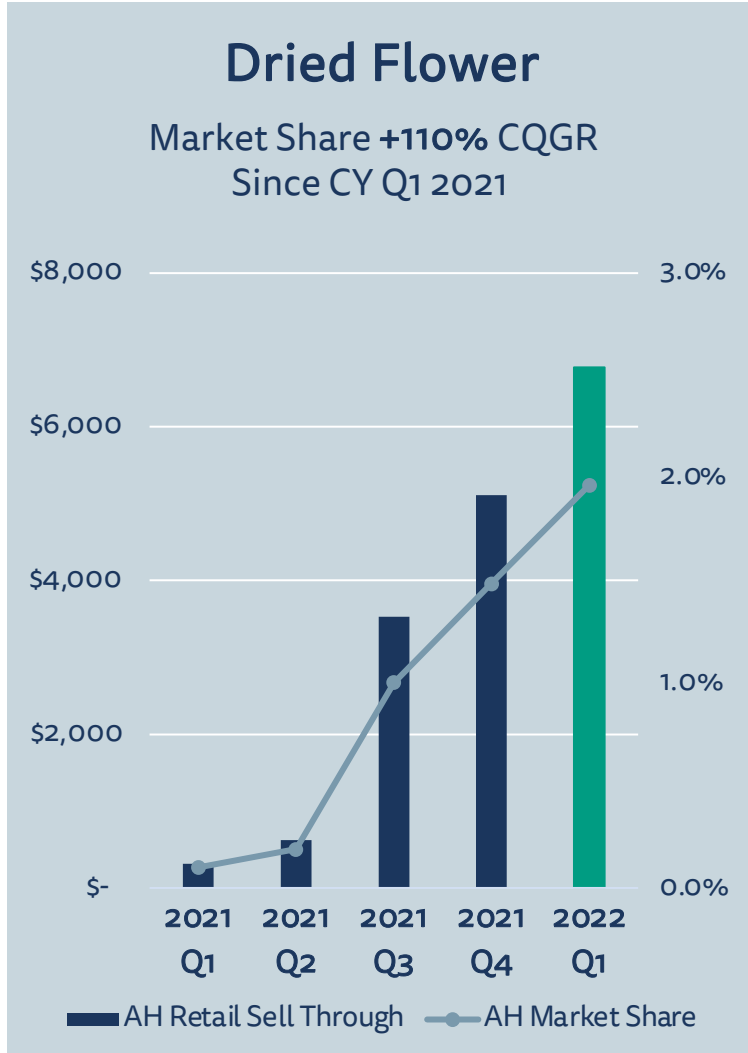


Aleafia rapidly gained Adult Use market share in key markets from Q1 2022 0.5% to 2.2% at the end of the fiscal year and continues to ascend monthly.



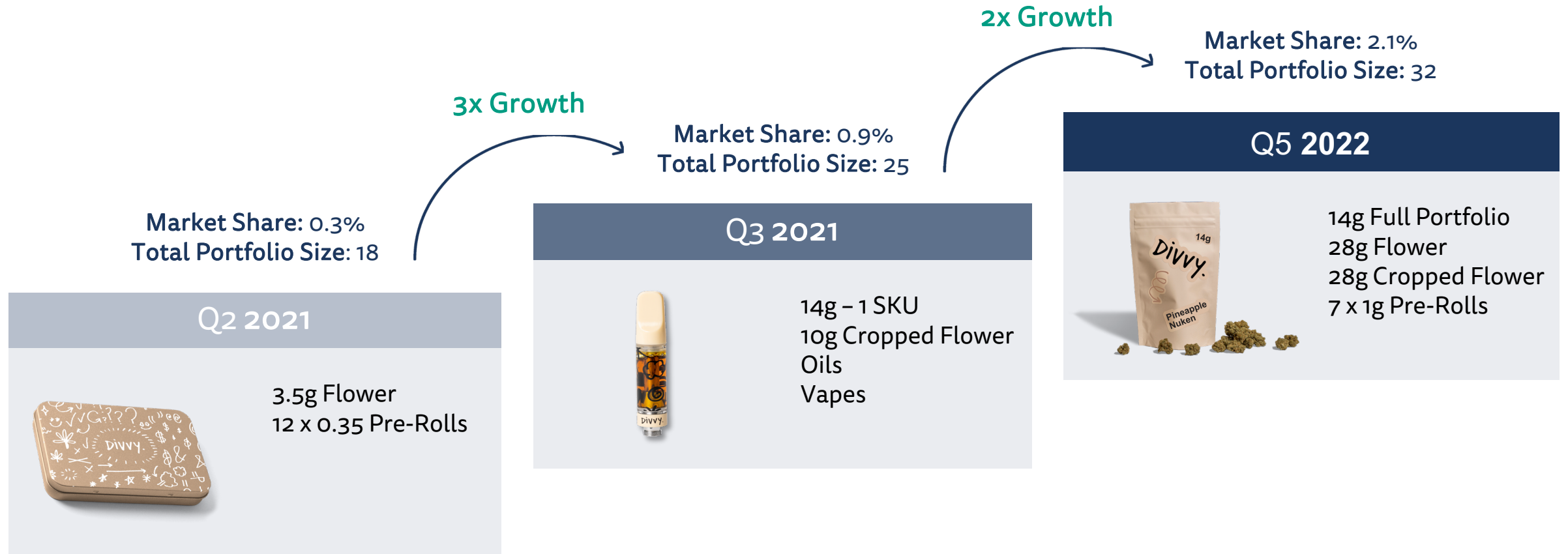
Retail Pull Through in Core Volume Categories

Aleafia Health shows tremendous growth across Flower, Pre-Roll and Vape segments, the leading market drivers



Aleafia Health Portfolio Growth

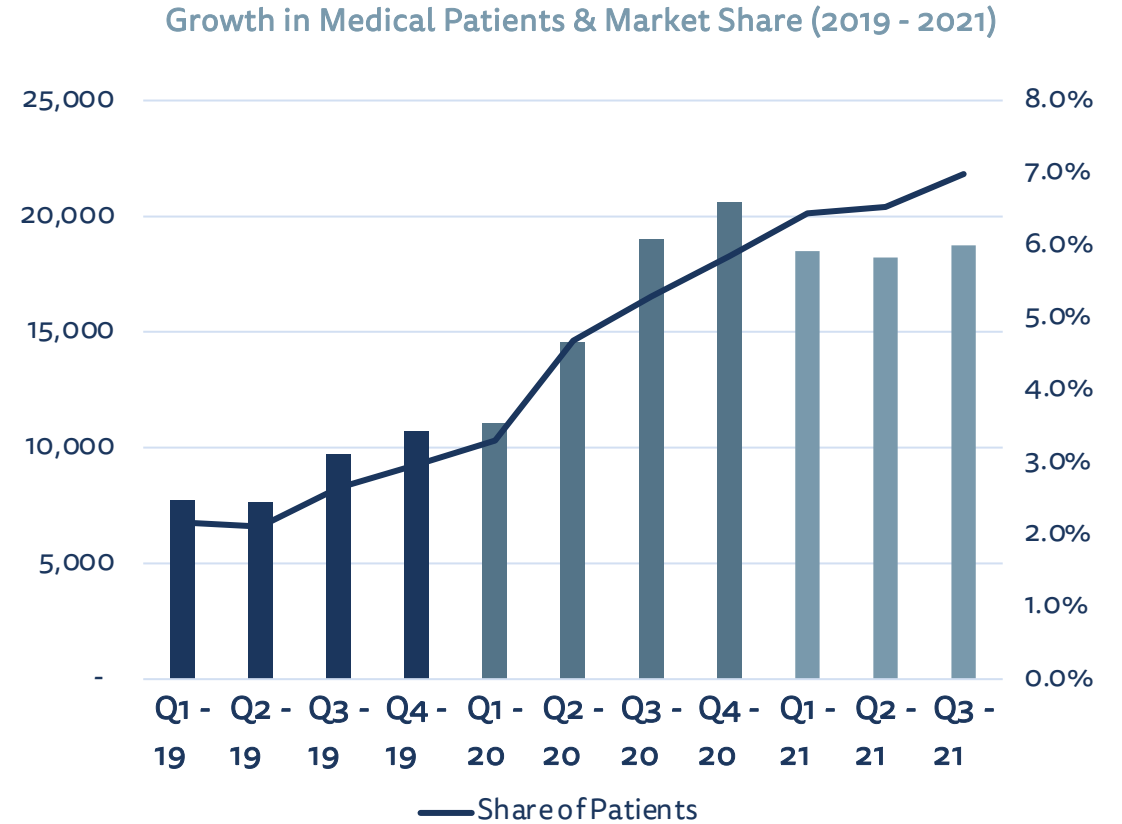
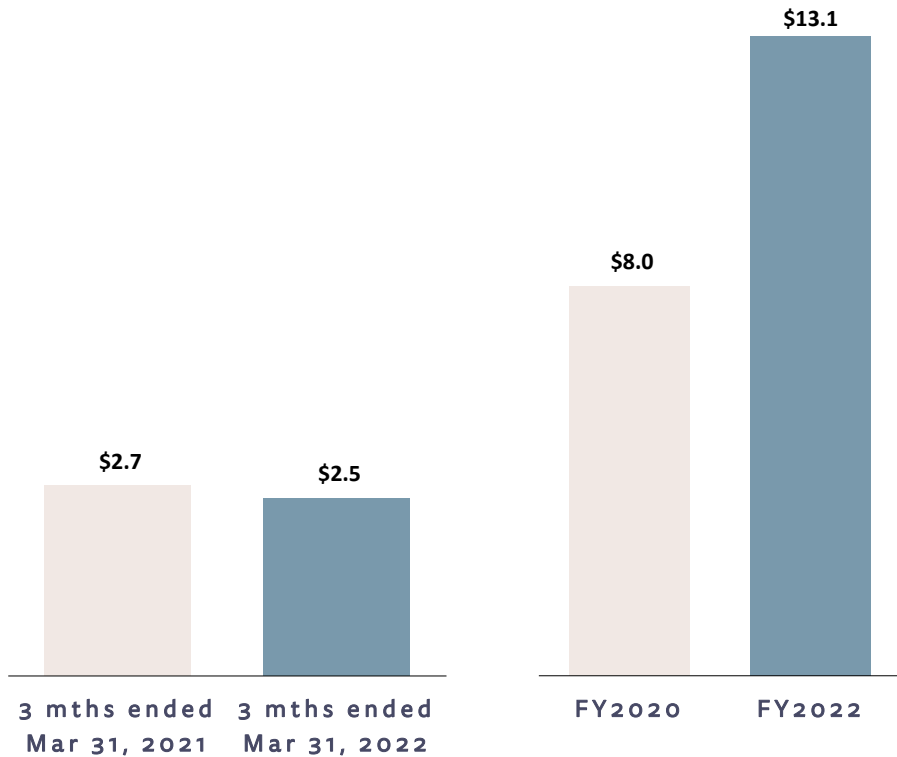
The Divvy brand saw the largest growth and market share capture from its Q2 launch to the end of Q5





Capturing Sales in the Medical Channel

Strong sales and market share increase in a competitive landscape

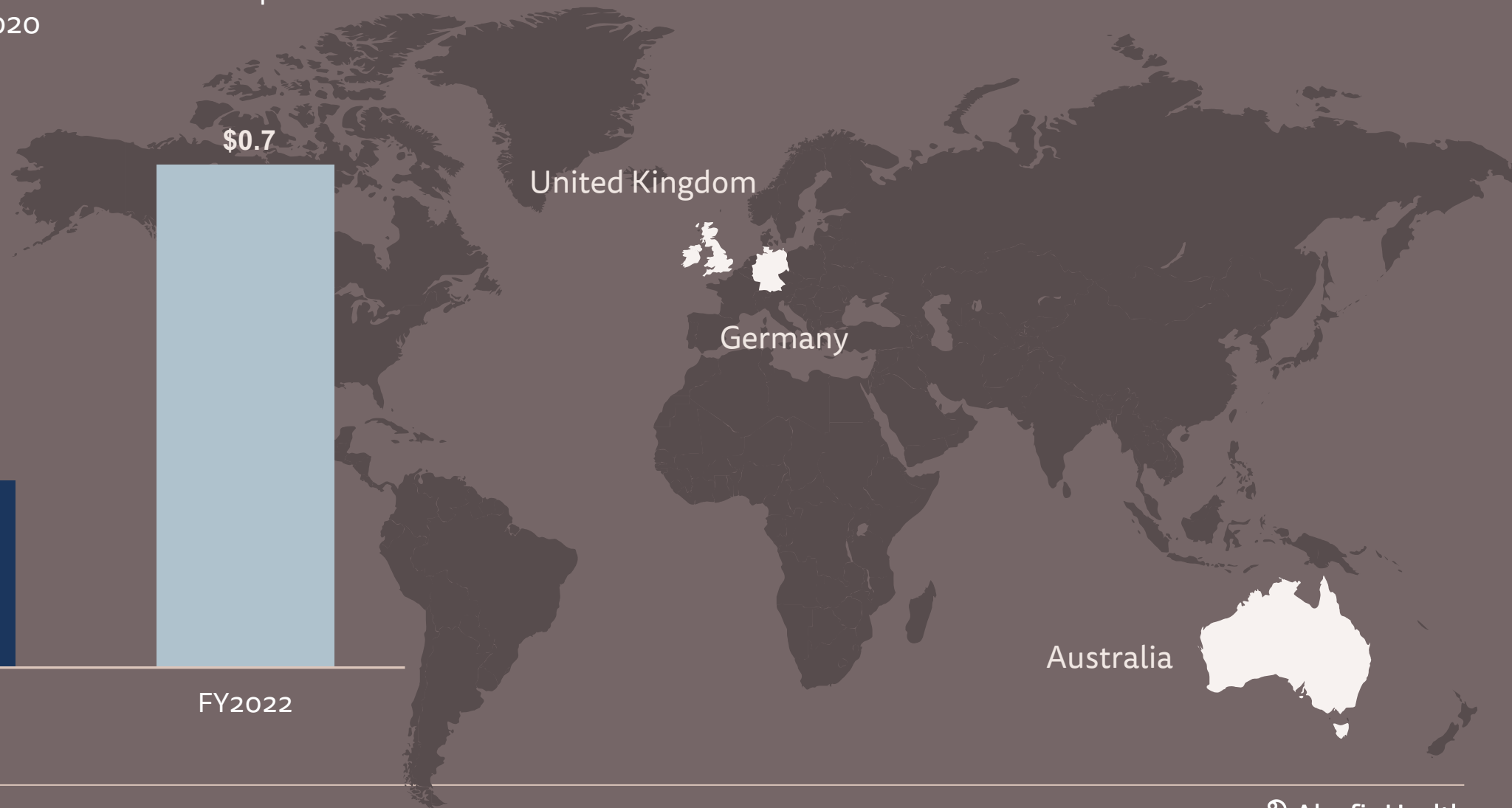
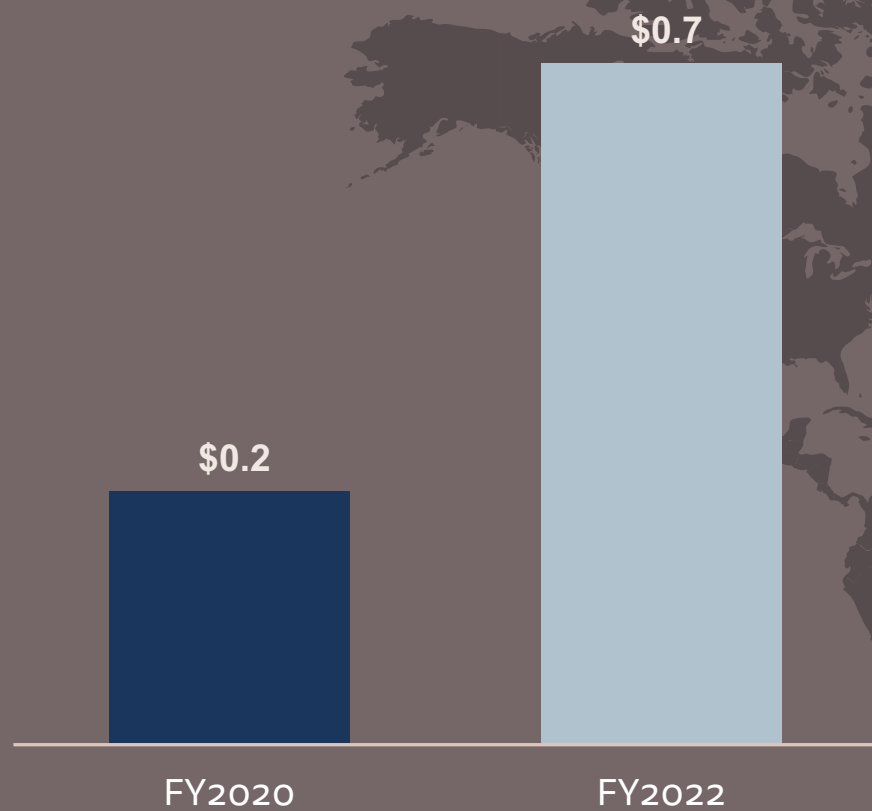


Highly valuable sticky recurring revenue, positioned to accelerate new patient acquisition



Q5 & FY 2022: International Sales

International sales revenue more than tripled with FY 2022 outpacing all of FY 2020





Maximizing Facilities for All Opportunities

Three growing facilities provide for unique product and sales opportunities domestically and internationally



Grimsby, Ontario



Paris, Ontario



Port Perry, Ontario

1. Diverse supply that spans indoor, greenhouse, and outdoor
2. Ability to supply multiple geographic regions, inc. Canada, Europe, Australia
3. Key certification that allows us to reach new markets
4. Transformed to a focused high quality flower producer serving our branded cannabis portfolio from a low-cost wholesale producer

Financial Overview



Q5 FY2022 & FY 2022 Highlights

Highlights of the growing branded cannabis net revenue across adult-use, medical, and international segments

(\$ millions)	Three months ended		
	31-Mar-21	31-Mar-22	
Revenue			
Branded Net Revenue	5.2	8.0	↑
Total Net Revenue	7.1	7.0	
Branded GP \$	2.1	2.9	↑
Branded GP Margin %	41%	35%	↓
Adjusted EBITDA	(3.0)	(-0.5)	↑

Branded Cannabis Net Revenue

- Q5 FY 2022 grew 55% and FY 2022 full year was up 151%



Adult-Use

- Launched 37 new SKUs across multiple markets and completed a detailed portfolio optimization exercise in Q5 to focus offering on highest margin, best positioned products
- 224% Growth in Retail Market Share CY over CY March 2021 vs March 2022 ⁽²⁾



Medical

- Scripts up +11% year over year (LTM)
- Share of Canada wide patient registrations approaching 7.5% in Q4 2021 (Stats Can)



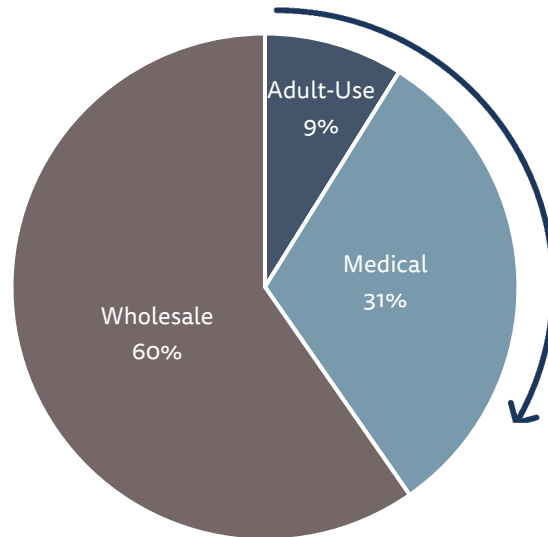
International

- Product successfully exported into Germany, UK, Australia
- Contracted strain specific sales expected to drive sustainable higher margin business

Transformation of the Business

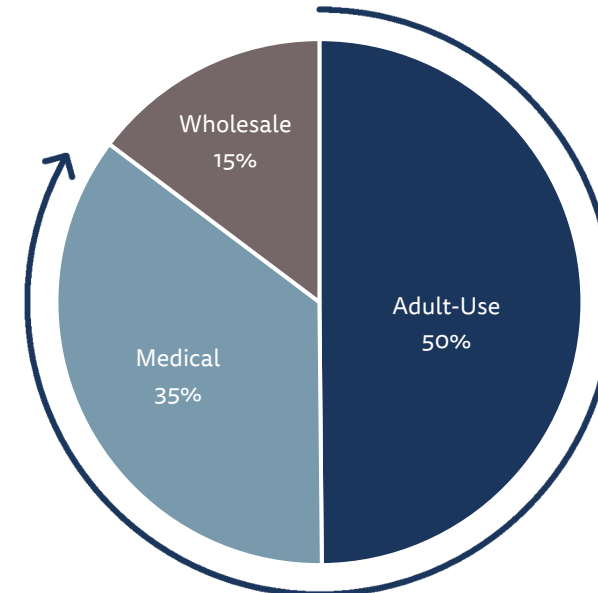
A dramatic shift to branded cannabis producer in FY 2022 from a largely wholesale business in FY 2020

FY 2020 Total Net Revenue



\$15.8M Branded Cannabis Revenue
\$14.6M Branded Cannabis Net Revenue

FY 2022 Total Net Revenue



\$47.5M Branded Cannabis Revenue
\$36.8M Branded Cannabis Net Revenue

Strong growth in adult-use and medical has resulted in a highly diversified sales mix with branded cannabis representing 85% of net revenue in FY 2022



Financing Overview

Transaction Overview	<ul style="list-style-type: none">On May 12, 2022, the Company announced an agreement in principle to amend the \$37.35 million 8.5% convertible debentures due June 27, 2022 (the “Convertible Debenture”) and a \$5.6 million equity financing (the “Private Placement”)
The Private Placement	<ul style="list-style-type: none">Aggregate gross proceeds of \$5.6 million on a private placement basisIssuance of 68,151,515 units at a price of \$0.0825 per unitEach unit consists of one common share and one-half of one common share purchase warrantExercise price of \$0.1025 for a period of four years from the date of issuance
Net Proceeds	<ul style="list-style-type: none">Net proceeds from the Private Placement will be used to fund working capital, capex and general corporate purposes
Convertible Debenture Amendments	<ul style="list-style-type: none">\$37.35 million Convertible Debenture to be exchanged for three new convertible debentures (the “New Convertible Debentures”) maturing in 2024 (the “2024 Debentures”), 2026 (the “2026 Debentures”) and 2028 (the “2028 Debentures”)Interest rate to remain at 8.5%, no mandatory cash interest payments for 30 months, interest to be paid-in-kind (“PIK”)Conversion price to be reduced from \$1.47 to \$0.25 for the 2024 Debentures, \$0.30 for the 2026 Debentures, and \$0.35 for the 2028 Debentures
Conditions to Closing	<ul style="list-style-type: none">Private Placement closed on June 24, 2022Convertible Debentures Amendments expected to close by June 30, 2022



Transformative Financing Transactions

Benefits of the transactions to Aleafia

Increases Liquidity

Up to \$11.6 million of liquidity to fund working capital, capex and other growth initiatives

Improves Cash Flow

No mandatory cash interest payment for 24 months

Balances Refinancing Profile

New Convertible Debentures will have staggered 2, 4, and 6 year maturities

Increases Financial Flexibility

Flexibility to execute organic growth initiatives and strategic, accretive acquisitions

Removes Uncertainty and Valuation Overhang

Removes uncertainty around repaying convert

Provides pathway to narrow valuation gap relative to peers



Capitalization

Summary of Adjustments to Capitalization Pro Forma the Transaction

	March 31, 2022	Adjustment	Proforma
Revolving Receivables Facility	\$0.5		\$0.5
Term Loan due December 2023	\$12.1		\$12.1
Convertible Debentures	\$36.4	-\$36.4	\$0.0
Current Debt	\$49.0		\$12.6
Credit Facility due December 2023	\$5.0	-	\$5.0
8.5% Convertible Debenture due June 30, 2024 (ex. \$0.25)	-		\$12.35
8.5% Convertible Debenture due June 30, 2026 (ex. \$0.30)	-		\$12.35
8.5% Convertible Debenture due June 30, 2028 (ex. \$0.35)	-		\$14.75
Long-term Debt	\$5.0		\$44.5
Total Debt	\$54.0		\$57.0
Cash	\$1.6	\$5.6	\$7.2
Net Debt	\$52.4	-\$5.6	\$49.9
Market Value	\$39.7	\$5.0	\$44.7
Enterprise Value	\$92.1		\$94.6

(1) Market value for March 31, 2022 based on fully diluted common shares outstanding 331.1 million at a share price of \$0.12

\$19 Million Credit Facility due December 2024

- \$7 Million Revolving Receivables Credit facility (\$[6.5] million undrawn as of March 31, 2022)
- \$12 Million Term Loan
- ~12.5% interest rate (Prime + 9.0%)

\$5 Million Credit Facility due December 2024

- ~12.5% interest rate

Amended Convertible Debentures

- Three roughly equivalent tranches maturing in two, four and six years
- No mandatory cash interest payments until June 30, 2024
- Fixed 8.5% interest rate

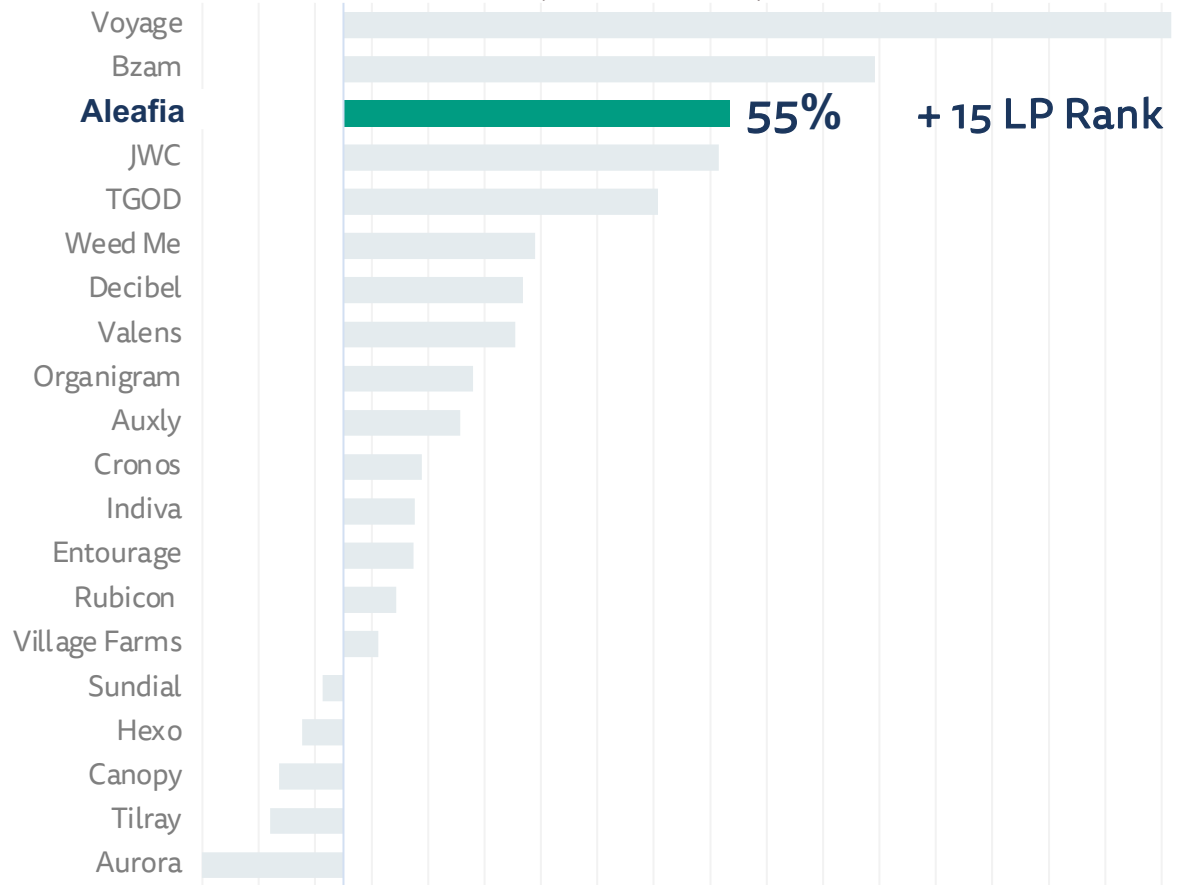


Strong Adult-Use Growth Rate Provides Catalyst for Potential Valuation Re-Rate

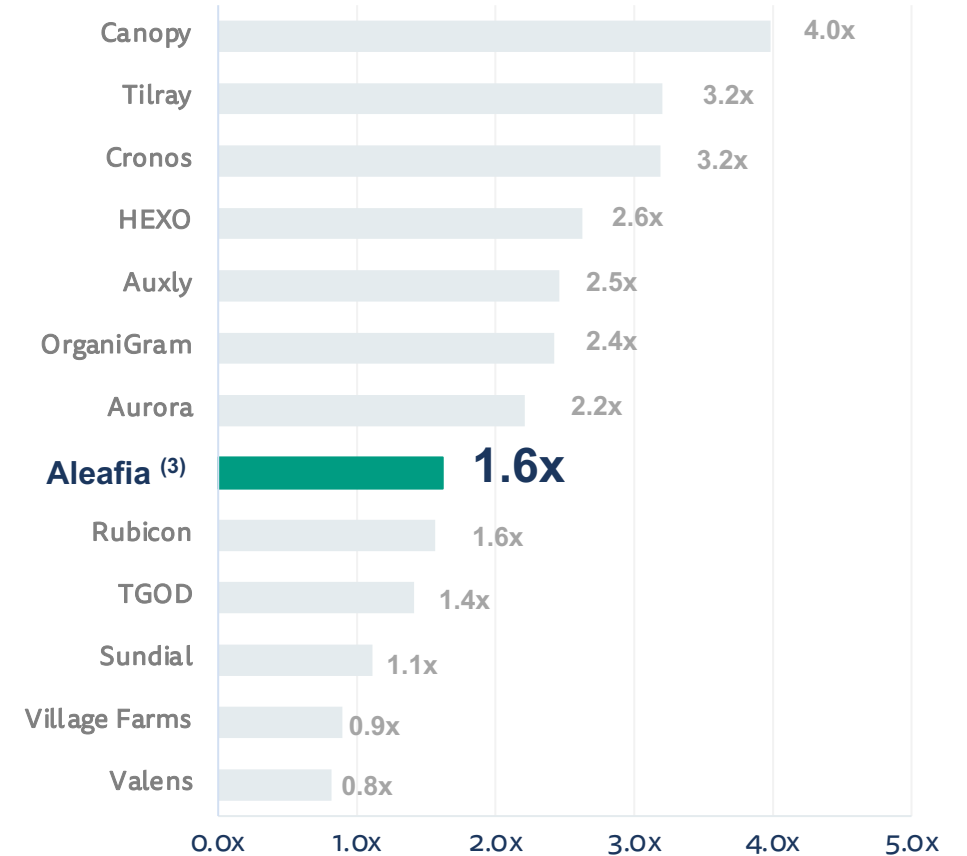
Valuation given top quartile growth rates

Top 20 Canadian LPs Retail Sell Through CQGR Previous 5 Calendar Quarters by LP

(Q1 2021 – Q1 2022) ⁽¹⁾



EV / 2022 Net Revenue ⁽²⁾



(1) Based on HiFyre Retail data (BC, AB, SK, ON) from January 1, 2021 to Mar 31, 2022

(2) Competitive EV / Sales Ratios – June 2022

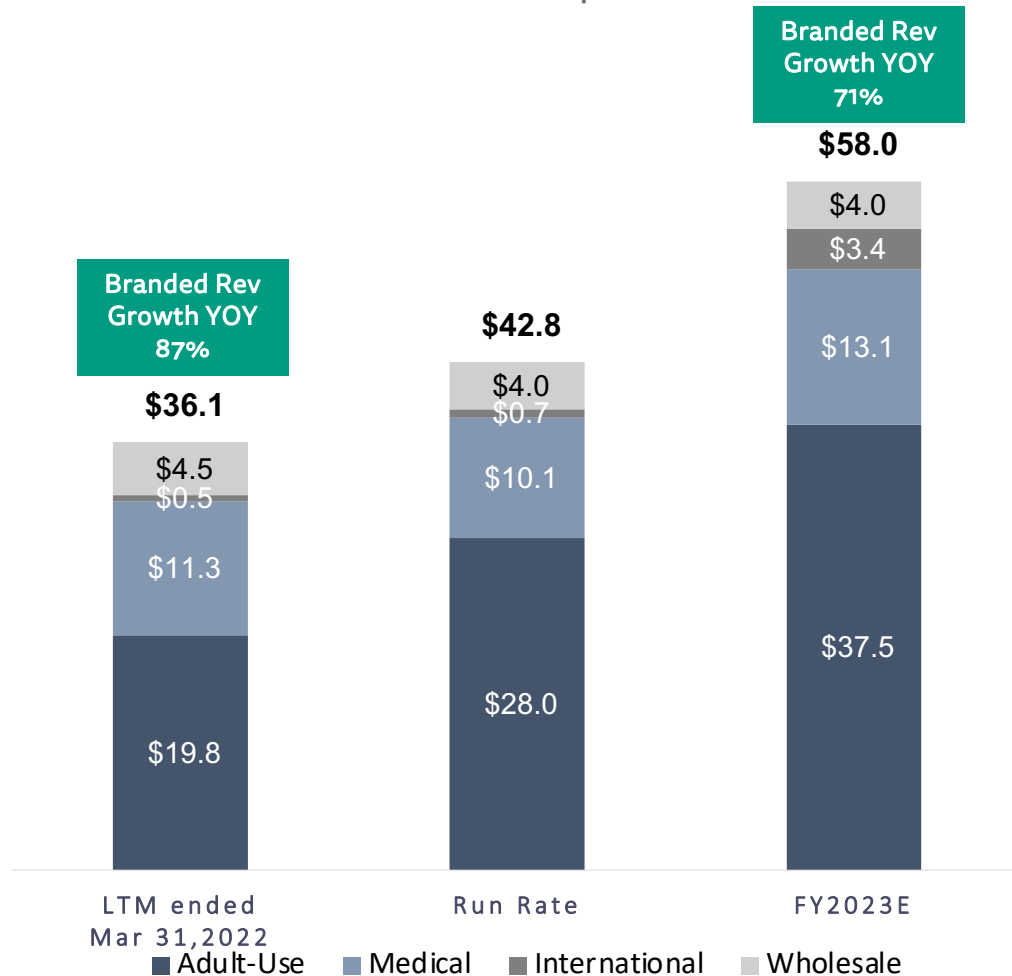
(3) Enterprise value based on March 31, 2022 balance sheet pro forma the equity financing and convertible debenture amendment transactions.



Multi-Pronged Growth Strategy Across Three High Value Pillars

Initiatives Underway to Drive Net Revenue Growth Across All Sales Channels for Branded Cannabis Product Portfolio

Net Revenue Composition



Adult-Use

- Procure high quality flower
- Launch innovative products (Divvy Buyer's Club)
- Migrate consumer base to larger formats
- Cross-sell Sunday Market house of brands

Attain top 10 market share (#12 currently)



Medical

- Focus on high value patients
- Streamline patient journey
- Re-engage with inactive patients
- Onboard third-party clinics

Build sticky, recurring high margin medical business



International

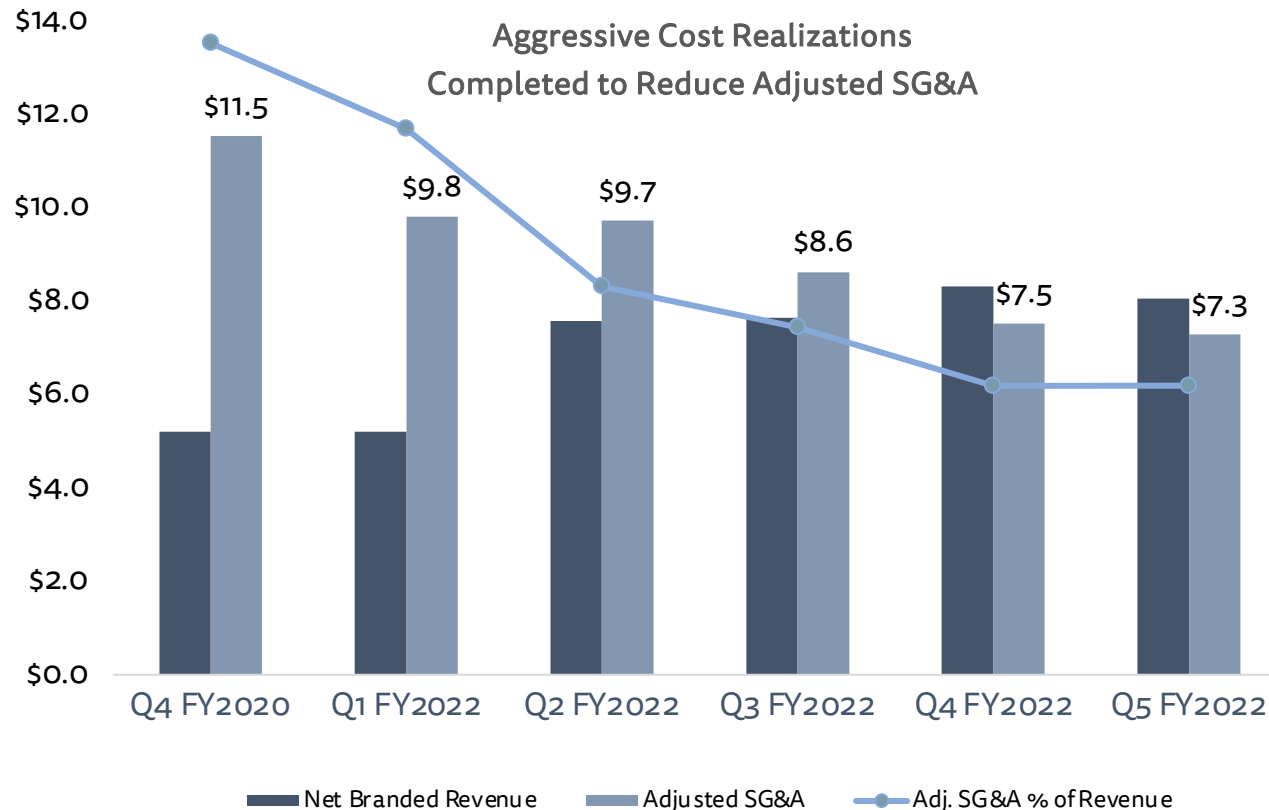
- Pursue EU-GMP certification
- Strengthen and build new strategic relationships to unlock access to attractive international markets

Build robust pipeline of high-margin, volume firm orders



Significant Cost Rationalizations Completed in Fiscal Year 2022

Current Adjusted SG&A Profile Flexible and Scalable to Facilitate Continued Revenue Growth



230%

Organizational Realignment

- Reduction of workforce by ~120 persons (30%) ~\$7.8 million
- Reduction in consultants and advisors ~\$2.0 million

180%

Integration of Medical Business

- Integration of medical's virtual, physical and third-party clinic platform
- Wind down of leased spaces ~\$0.5 million

130%

80%

Grimsby Efficiencies

- Remapped processes to allow cultivation organization to meet anticipated growing throughput of high potency THC flower

30%

-20%

Sales & Marketing Product Launches

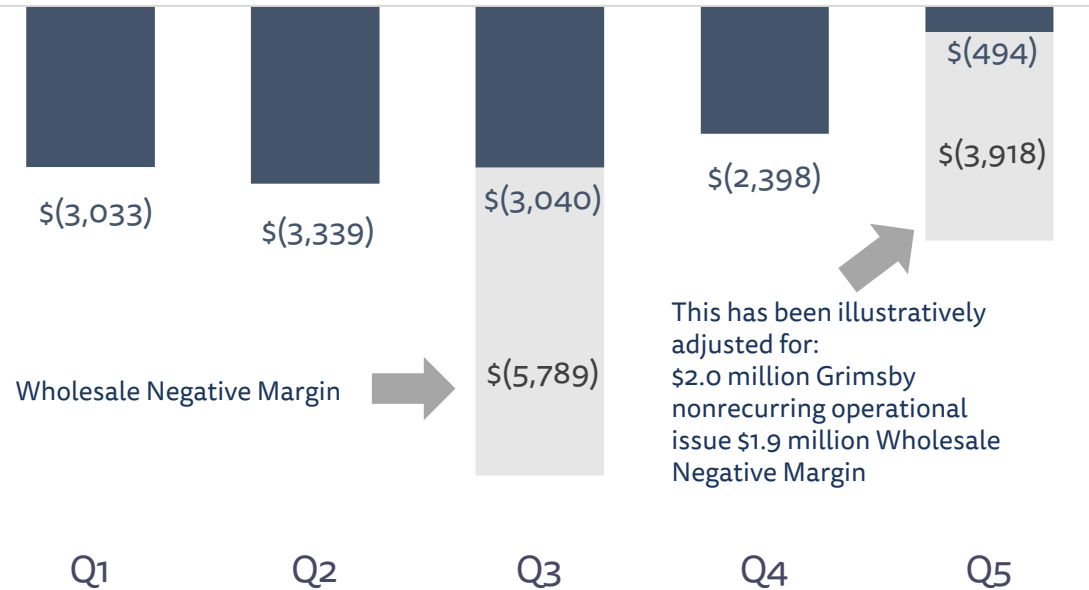
- Completion of Sunday Market House of Brand one-time brand development, product development and launch costs

Over the last 3 quarters, have extracted over \$10 million in SG&A savings on an annualized basis



Targeting achieving breakeven Adjusted EBITDA profitability in the second half of FY2023⁽¹⁾

FY2022 EBITDA by Quarter



Notable Initiatives Completed

- SG&A cost rationalization
- SKU optimization to align portfolio on highest selling product formats with strongest margins
- Moderate / strategic price increases

Select Projects Underway

- SG&A ongoing cost containment
- Evolving product formats to optimize margin profile
- Cross-selling banners / SKUs into higher margin \$ products
- Vendor consolidation to reduce complexity across sites / organization
- Negotiating trusted vendor price improvements

1. See Cautionary Statement Regarding Non-IFRS Measures

Q&A



Branded Cannabis Producer



Adult-Use

- Sunday Market House of Brands launched in Q1 2021
- Anchored around Divvy, the 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



Medical

- Deepening penetration in high value markets, including veterans and Québec
- Actively on-boarding new third party channels



International Adult-Use

- Successfully exported cannabis products to Germany, UK & Australia



Branded Cannabis Portfolio

Aleafia Health branded cannabis portfolio supports all three pillars of sales opportunities

Adult-Use

Medical

International

DIVVY.

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



NITH & GRAND

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



BOGART'S KITCHEN

- Unique occasion-based edibles with a twist



NOON & NIGHT

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



KIN SLIPS

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



Emblem

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



- Dried Flower
- Oils



Non-IFRS Measures

EBITDA and Adjusted EBITDA:

(\$, M's)	Q1 FY2022	Q2 FY2022	Q3 FY2022	Q4 FY2022	Q5 FY2022	FY2022
Net loss	-11.2	-0.0	-82.9	-71.5	-4.2	-169.9
Add back:						
Depreciation and amortization	2.4	2.3	1.9	3.7	2.1	12.4
Interest expense, net	2.2	1.8	2.0	2.2	2.6	10.8
Income tax expense (recovery)	-	-	-2.9	-	0.0	-2.9
EBITDA	-6.6	4.0	-81.9	-65.6	0.6	-149.5
Inventory provision			2.4	17.3	0.0	19.6
FV changes in biological assets and changes in inventory sold	0.9	-3.6	-3.4	6.7	0.9	1.5
Share-based payments	0.6	0.5	1.1	0.7	0.1	2.9
Bad debt expense	0.6	7.2	2.2	0.0	-8.1	1.9
Business transaction costs	1.5	1.1	0.9	1.0	0.7	5.0
Gain on sale of assets		-12.1	-	-	0.0	-12.1
Fair value through profit and loss adjustments			5.6	8.8	1.1	15.5
Impairment of intangible assets	-		53.1	-	0.0	53.1
Impairment of goodwill	-		11.3	-	0.0	11.3
Impairment of property, plant & equipment				28.8	0.0	28.8
Non-operating expense (income)	0.1	-0.4	0.0	0.1	0.3	-0.0
Adjusted EBITDA (before other non-recurring adj's)	-3.0	-3.3	-8.8	-2.4	-4.4	-22.0
Exclude Wholesale margin & Grimsby			-5.8		-3.9	-9.7
Adjusted EBITDA	-3.0	-3.3	-3.0	-2.4	-0.5	-12.3

Adjusted EBITDA is calculated as net income (loss), excluding (i) amortization and depreciation, (ii) fair value changes in biological assets and changes in inventory sold, (iii) share-based payments, (iv) bad debt expense, (v) business transaction costs, (vi) non-operating expenses (income), (vii) taxes, (viii) interest expenses, (ix) one-time sale of assets, and (x) unrealized gain (loss) on marketable securities

Non-IFRS Measures

Branded Cannabis Net Revenue:

(\$,M's)	Q4 2020	Q1 FY2022	Q2 FY2022	Q3 FY2022	Q4 FY2022	Q5 FY2022	FY2022
Wholesale Revenue	1.7	1.9	3.1	1.9	0.5	-1.0	6.4
Branded Cannabis Net Revenue	5.2	5.2	7.6	7.6	8.3	8.0	36.8
Total Net Revenue	6.9	7.1	10.7	9.6	8.8	7.0	43.1

Adjusted SG&A

(\$,M's)	Q4 2020	Q1 FY2022	Q2 FY2022	Q3 FY2022	Q4 FY2022	Q5 FY2022	FY2022
SG&A	7.1	6.9	9.2	7.0	6.2	4.9	34.1
Business Transaction Costs	0.8	1.5	1.1	0.9	1.0	0.7	5.0
<u>Adjustments:</u>							
Wage Subsidies, severance, other wage adjustments	3.6	1.4	-0.5	-0.1	-0.3	1.1	1.7
Medical Clinic Supply Services				0.9	0.6	0.6	2.1
Adjusted SG&A	11.5	9.8	9.7	8.6	7.5	7.3	42.9

Adjusted selling, general and administrative ("Adjusted SG&A") is defined as SG&A expenses adjusted to exclude non-recurring costs. These non-recurring items may relate to certain transaction costs, one-time subsidies, and severances. Medical clinic supply services amounts are included in SG&A.