

## Aleafia Health Announces Fourth Quarter and Annual Financial Results

- Revenue increased 9% to \$11.7 million for the period ended March 31, 2023 (“Q4 FY2023”) versus \$10.7 million for the period ended March 31, 2022
- Net revenue increased 33% to \$9.4 million for Q4 FY2023 versus \$7.0 million for the period ended March 31, 2022
- Revenue increased 24% to \$57.4 million for the 12 months ended March 31, 2023 (“FY2023”) over the twelve months ended March 31, 2022
- Net revenue increased 19% to \$42.8 million for FY2023 over the twelve months ended March 31, 2022
- #5 and #2 market share ranking in Divvy pre-roll and milled product formats in Q4 FY2023 in Ontario <sup>1</sup>
- 318% growth in international net revenue<sup>2</sup> in FY2023 over the twelve months ended March 31, 2022
- Third consecutive quarter of positive Adjusted EBITDA<sup>3</sup> achieved in Q4 FY2023

TORONTO, June 14, 2023 – Aleafia Health Inc. (TSX: AH, OTCQB: ALEAF) (“Aleafia Health” or “Aleafia” or the “Company”) is pleased to report its audited financial results for the three and twelve months ended March 31, 2023 (“FY2023”).

During the fourth quarter of the 2023 fiscal year, ending March 31, 2023, there was a total revenue increase of 9% to \$11.7 million from \$10.7 in the quarter ending March 31, 2022 while net revenue in Q4 FY2023 increased by 33%, to \$9.4 million from \$7.0 million in the comparable quarter last year.

### Canadian Adult-Use Performance

In the 12 months ended March 31, 2023, adult-use revenue increased 24% to \$36.0 million, as compared to \$29.1 million in the 12 months ended March 31, 2022. And adult-use net revenue increased 13% to \$22.4 million, as compared to \$19.8 million in the 12 months ended March 31, 2022. This performance was anchored around Divvy, the everyday brand, and complemented by product launches under the Company’s Sunday Market House of Brands. The Company reached a peak #12 market share ranking in its core markets in Q1 FY2023.<sup>4</sup> Within the 2023 fiscal year the Company’s pre-rolls, operating in the fastest growing market segment, peaked at #2 in Ontario market share rankings, while milled flower products gained a #4 Ontario market share ranking.<sup>5</sup> Divvy’s new rotating SKU, Divvy Buyer’s Club,

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<sup>1</sup> Based on OCS Sale of Data wholesale channel results by category for the period FY 2023

<sup>2</sup> This is a non-IFRS measure. Please see cautionary statement on non-IFRS measures below

<sup>3</sup> This is a non-IFRS measure. Please see cautionary statement on non-IFRS measures below

<sup>4</sup> Based on HiFyre retail sales pull through data in BC, AB, SK, MB and ON for the period FY2023 and excludes beverage and cultivation

<sup>5</sup> Based on OCS Sale of Data wholesale channel results by category for the period FY 2023



entered the Alberta and Ontario markets, capturing a #7 flower SKU ranking in Ontario's flow-through sales model in Q4 FY 2023.<sup>6</sup> Based on Divvy's strong acceptance in Ontario, the Company anticipates many opportunities for expanding Divvy's brand portfolio, along with strategic growth in new adult-use markets.

In the three months ended March 31, 2023, adult-use net revenue of \$3.7 million represented a decline of 32% as compared to the three months ended March 31, 2022, primarily due to overall seasonality in the marketplace, the Company's liquidity constraints, challenges in making timely payments to high priority vendors, and the Company's product mix, focused on pre-rolls, which tend to experience higher sales velocity in the spring and summer seasons.

### **Continued Strong Canadian Medical Performance**

Aleafia's Q4 FY2023 medical results were strong, showing 19% net revenue growth to \$3.0 million from \$2.5 million in the period ended March 31, 2022. The medical market continues to show steady improvements for the Company, by consistently driving growth in new high value patient groups and entering new geographic regions. Growth in the product portfolio and outreach for patient groups offset medical industry tailwinds as the Company experienced 7% growth year-over-year in net revenue to \$12.1 million in the year ended March 31, 2023 compared with \$11.3 million in the 12 month period ended March 31, 2022.

### **International Market Growth**

Aleafia posted another quarter of international sales with \$0.4 million in Q4 FY2023 net revenue, contributing to a total of \$2.1 million in the year ended March 31, 2023, representing 318% growth over \$0.5 million in the 12 months ended March 31, 2022. In international markets, Aleafia continues to build a pipeline of opportunities in medical cannabis regions that have the potential to legalize recreational use in the near-term. International net revenue diversifies sales mix, enhances margins, and unlocks new, growing sales channels.

### **Other Fiscal Year 2023 Highlights included:**

- To facilitate growth of sales in international markets, agreed to a total of an estimated \$5.6 million<sup>7</sup> in sales commitments with two European partnerships
- Aleafia's whole flower product is selling through at European based pharmacies
- Completed 20% indoor grow expansion at the Company's Paris, Ontario cultivation and

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<sup>6</sup> Based on OCS Sale of Data wholesale channel results by category for the period Q4 FY 2023

<sup>7</sup> This is forward looking information. Please see cautionary statement below

processing facility

- Entered a partnership with RWB to serve as the manufacturing and distribution partner for Platinum Vapes' first international brand expansion.
- Executed a Binding Letter Agreement with RWB to enter into a proposed transaction, whereby the combined company would generate \$138 million in net revenue<sup>8</sup>

"The Aleafia team is thrilled about the proposed business transaction with RWB," Symmes said. "The Canadian cannabis market is a rapidly changing industry, and we believe we will be well positioned with our new partner RWB to capitalize on value-added synergies. RWB has award-winning brands and IP and with Aleafia's Divvy brand and proven cultivation, manufacturing, and distribution capabilities, we expect to create one of the most dynamic cross border companies in the industry."

"This last fiscal year was a year of focused execution to drive profitable top-line growth, expand our margin profile by tightening up our supply chain, and cost rationalization to right size our fixed cost profile to fit our size and scale," said Aleafia CFO, Matt Sale. "We are very proud to have achieved this while continuing to allocate capital expenditures prudently and achieving Adjusted EBITDA profitability for three consecutive quarters. The improved financial flexibility and capacity of the Combined Company will enhance the ability to execute on organic and acquisitive growth strategies."

### **Adjusted EBITDA Profitability**

For the year ended March 31, 2023, the Company generated a loss of \$0.2 million Adjusted EBITDA, representing a \$18.7 million improvement over 12 months ended March 31, 2022. This increase was primarily driven by the Company's strategic shift to a branded product portfolio anchored in the adult-use, medical and international sales channels; gross profit margin before fair value margin expansion; and aggressive cost containment and rationalization across all the Company's facilities, operations and functions.

- Branded cannabis net revenue<sup>9</sup> increased 16% to \$36.6 million in the twelve months ended March 31, 2023, as compared to \$31.6 million in the 12 months ended March 31, 2022;
- Gross profit before fair value adjustments<sup>10</sup> expanded to \$14.2 million in the 12 months ended March 31, 2023, as compared to \$4.3 million in the 12 months ended March 31, 2022; this represented an increase in gross profit before fair value adjustments margin from 12% to 33%; and

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<sup>8</sup> Based on the twelve months ended December 31, 2022

<sup>9</sup> This is a non-IFRS measure. Please see cautionary statement on non-IFRS measures below

<sup>10</sup> This is a non-IFRS measure. Please see cautionary statement on non-IFRS measures below



- 46% decline in Adjusted SG&A<sup>11</sup> to \$17.6 million for FY2023 versus \$32.3 million in the 12 months ended March 31, 2022.

In the three months ended March 31, 2023, the Company generated Adjusted EBITDA of \$0.2 million, representing the third consecutive quarter of Adjusted EBITDA profitability, as compared to an Adjusted EBITDA loss of -\$4.4 million in the three months ended March 31, 2022. The profitability in Q4 FY2023 was primarily due to the \$1.3 million bulk wholesale<sup>12</sup> gross profit before fair value adjustments which represents two bulk wholesale customers. These input materials exceeded the Company's near-term supply requirements for its own branded cannabis products and accordingly had previously taken a \$1.1 million inventory provision.

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<sup>11</sup> This is a non-IFRS measure. Please see cautionary statement on non-IFRS measures below

<sup>12</sup> This is a non-IFRS measure. Please see cautionary statement on non-IFRS measures below

**Operational and Financial Highlights**

(\$,000s)	Three months ended		Twelve months ended	
	31-Mar-23	31-Mar-22	31-Mar-23	31-Mar-22
<b>Operating Results</b>				
Adult-Use Market Share %(1)	1.9%	2.2%	2.1%	1.5%
Adult-Use Market Share Ranking	15	14	13	15
Medical Use Orders	14,557	17,048	61,086	75,044
Medical Use Avg Order Value	\$169	\$152	\$164	\$145
<b>Financial Results</b>				
Revenue	11,696	10,734	57,361	46,303
Branded Cannabis Net Revenue	7,173	8,047	36,557	31,567
Wholesale Net Revenue	2,216	(1,008)	6,225	4,489
Net revenue(1)	9,389	7,039	42,847	36,056
Branded Cannabis profit \$	2,690	2,851	12,664	10,179
Branded Cannabis profit %	38%	35%	35%	32%
Bulk Wholesale profit \$	1,262	(1,918)	1,533	(5,882)
Bulk Wholesale profit %	57%	0%	25%	-131%
Gross profit before fair value adjustments	3,953	933	14,196	4,297
Total Gross profit %	42%	13%	33%	12%
Adjusted SG&A	4,533	7,262	17,575	32,264
% of total net revenue	48%	103%	41%	89%
Adjusted EBITDA(2)(3)	229	(4,412)	(180)	(18,936)
Adjusted EBITDA margin (2)	2%	-63%	0%	-53%

1. Based on HiFyre retail sales pull through data in BC, AB, SK, and ON

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

3. See "Adjusted EBITDA" section for reconciliation to IFRS equivalent.

### Cautionary Statement Regarding Non-IFRS Measures

Total Cannabis Sales, Adjusted EBITDA, Adjusted SG&A, International Net Revenue, Wholesale Net Revenue, Branded Cannabis profit, Bulk Wholesale, Bulk wholesale profit, Adjusted EBITDA margin, Gross Profit before Fair Value Adjustments, Adult-Use Cannabis Net Revenue, Branded Cannabis Net Revenue, Cannabis Net Revenue and Medical Cannabis Net Revenue are non-IFRS measures that do not have a standardized meaning and therefore may not be comparable to similar measures presented by other issuers. Definitions of each measure and a reconciliation of Adjusted EBITDA and Adjusted SG&A against the comparable IFRS measure can be found below. For additional information including the purpose of the non-IFRS measure, see “Cautionary Statement Regarding Non-IFRS Measures” in the Company’s Management’s Discussion and Analysis for the period ended March 31, 2023 found on SEDAR at [www.sedar.com](http://www.sedar.com).

### Adjusted SG&A

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. Adjusted SG&A is not recognized or defined under IFRS, and as a result, it may not be comparable to the data presented by competitors.

(\$,000s)	Three months ended		Twelve months ended	
	31-Mar-23	31-Mar-22	31-Mar-23	31-Mar-22
<b>SG&amp;A</b>	<b>5,160</b>	<b>4,887</b>	18,221	<b>27,231</b>
Business transaction costs	74	696	502	3,572
Wage Subsidies, severance	(105)	1,142	(552)	(598)
Grimsby costs	(459)	-	(459)	-
Paris property taxes	(137)	-	(137)	-
Medical Clinic Supply Services	-	557	-	2,059
<b>Adjusted SG&amp;A</b>	<b>4,533</b>	<b>7,282</b>	<b>17,575</b>	<b>32,264</b>

## Adjusted EBITDA

The Company considers Adjusted EBITDA a key metric for measuring operating performance and cash flow, to manage working capital, debt repayments and capital expenditures. 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 and (xi) other non-recurring expenses (income). Adjusted EBITDA is not recognized or defined under IFRS, and as a result, it may not be comparable to the data presented by competitors.

(\$,000s)	Three months ended		Twelve months ended	
	31-Mar-23	31-Mar-22	31-Mar-23	31-Mar-22
<b>Net loss</b>	<b>(12,053)</b>	<b>(4,152)</b>	<b>(34,610)</b>	<b>(156,049)</b>
Add back:				
Depreciation and amortization <sup>(1)</sup>	888	2,149	6,147	10,050
Interest expense, net	2,310	2,626	9,357	8,549
Income tax expense (recovery)	-	-	-	(2,854)
<b>EBITDA</b>	<b>(8,856)</b>	<b>623</b>	<b>(19,107)</b>	<b>(140,305)</b>
Inventory write down	-	-	6,795	19,648
FV changes in biological assets and changes in inventory sold	5,935	906	1,401	563
Share-based payments	10	68	2,221	2,320
Bad debt expense	218	(8,088)	218	(1,290)
Business transaction costs	74	696	501	3,613
Restructuring costs	106	-	397	-
Gain on sale of assets	-	-	(112)	(12,092)
Gain on sale of marketable securities	(21)	-	(21)	-
Fair value through profit and loss adjustments	-	1,120	1,133	15,505
Impairment of intangible assets	-	-	-	53,093
Impairment of goodwill	-	-	-	11,314
Impairment of property, plant & equipment	2,000	-	5,578	28,800
Grimsby costs	563	-	563	-
Paris property taxes	137	-	137	-
Non-operating expense (income)	62	263	115	(106)
<b>Adjusted EBITDA <sup>(2)</sup></b>	<b>229</b>	<b>(4,412)</b>	<b>(181)</b>	<b>(18,937)</b>

1. Includes non-cash depreciation expensed to cost of sales.

2. See "Cautionary Statements Regarding Certain Non-IFRS Measures" section for term definitions

- Cannabis net revenue is sale of cannabis revenue less excise duties
  - Adult-use cannabis net revenue is net cannabis revenue for Canadian adult-use sales.
  - Medical cannabis net revenue is net cannabis revenue for Canadian medical sales and clinic revenue.
  - International cannabis net revenue is net cannabis revenue for international medical sales.
  - Bulk Wholesale cannabis net revenue is net cannabis revenue in sales to other LPs.
- Branded Cannabis Net Revenue is calculated as Adult-use cannabis net revenue, Medical cannabis net revenue and International cannabis net revenue. It excludes bulk wholesale net revenue
- Total Branded Cannabis Revenue is calculated as Adult-use cannabis revenue, Medical cannabis revenue and International cannabis revenue. It excludes bulk wholesale cannabis revenue.
- Gross profit margin before fair value adjustments on branded cannabis net revenue represents gross profit margin on branded cannabis net revenue. It is calculated by subtracting costs of sales relating to bulk wholesale and dividing by branded cannabis net revenue.
- Gross profit before fair value adjustments on bulk wholesale represents gross profit on bulk wholesale. It is calculated by subtracting costs of sales relating to bulk wholesale net revenue.
- Gross profit margin before fair value adjustments on bulk wholesale represents gross profit margin on bulk wholesale. It is calculated by subtracting costs of sales relating to cannabis net revenue and dividing by bulk wholesale net revenue.
- Gross profit before fair value adjustments margin is the gross profit before fair value adjustments and inventory provision divided by total net revenue. Management believes that this is a useful metric to assess the profitability of cannabis sales, as it eliminates the effects of non-cash fair value changes in inventory and biological assets.
- Adjusted EBITDA margin is calculated as Adjusted EBITDA divided by total net revenue.

## **For Investor & Media Relations**

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## **About Aleafia Health**

The Company is a federally licensed Canadian cannabis company offering cannabis products in Canada and destined for international markets, including Australia and Germany. The Company operates a virtual medical cannabis clinic staffed by physicians and nurse practitioners which provide health and wellness services across Canada.

The Company operates three licensed cannabis production facilities all in the province of Ontario, including the largest, outdoor cannabis cultivation facility in Canada. The Company produces a diverse portfolio of cannabis and cannabis derivative products including pre-roll, milled, dried flower, vapes, oils, capsules, edibles, sublingual strips, and topicals, for sale in Canada in the medical and adult-use markets, and in select international jurisdictions.

## **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 long term profitability, product strategy, brand performance, market share, revenue, margins, net revenue, international net revenue, adult-use revenue, strategic growth in new adult-use markets, growth in medical market and new high value patient groups, the estimated value of contracts, new market entries, Adjusted EBITDA, and other financial outlook projections for fiscal year 2024, our commercial operations, including production and / or sales of cannabis, potential for legalization of cannabis in international markets, quantities of future cannabis production, anticipated revenue in connection with such sales, potential benefits and synergies arising from the proposed transaction with RWB, cultivation, manufacturing, and distribution capabilities of a potential business combination with RWB, and other Information that is based on forecasts of future results, estimates of production yet determinable, and other key management assumptions. The following material factors or assumptions were used to develop the forward looking information: stable currency exchange, parties will perform contracts in accordance with their terms, parties to contracts will purchase the minimum quantities required to retain any exclusivity rights under the contract, ability to obtain listing agreements in new markets, 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: currency conversion, ability to source flower and supplies of sufficient quantity, quality and price point, performance of competitors, laws and government policies, 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 13, 2023. 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.