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2026



# ANNUAL LETTER TO SHAREHOLDERS

FROM CHIEF EXECUTIVE OFFICER, ZACH GEORGE

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## 2025 IN REVIEW

2025 was defined by operational discipline and a deliberate strengthening of our culture. Discipline is rarely visible in the moment; it's visible in the numbers.

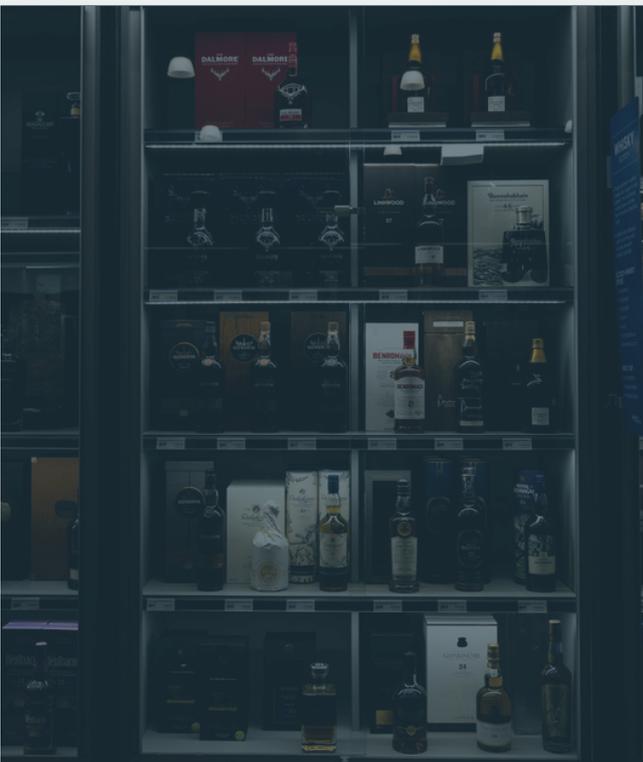
We delivered multiple company records, including the highest level of unadjusted annual free cash flow in SNDL's history and a fourth-quarter margin performance unmatched since our inception. These outcomes reflect structural improvements in procurement, pricing, inventory management, and leadership accountability. We also strengthened our balance sheet liquidity without dilution. In a capital-constrained environment, that distinction matters.

Our focus remains on improving our cash flow conversion rates and unlocking embedded value across the portfolio. Several monetization catalysts are advancing, including the sale of non-core real estate, the orderly liquidation of U.S. credit exposure, and the potential repatriation of capital from our captive insurance program as market pricing normalizes. These initiatives will simplify our enterprise and release funds that will drive strategic flexibility and improve returns on invested capital.

With this foundation in place, we are preparing for transformational opportunities supported by disciplined capital deployment, with a strategic focus on our Canadian footprint and core U.S. exposure.

At the same time, we remain duty-bound to act within our cost of capital. Growth for its own sake has no place in our framework. We intend to capitalize on market dislocations where returns are compelling, including through the return of capital to shareholders. Returning capital to shareholders is not symbolic, it's rational. SNDL has repurchased shares on every trading day of 2026 to date, reflecting our conviction in the long-term compounding power of the business and our view of intrinsic value relative to market pricing.

Our primary goal is simple but not easy: increase long-term value per share through disciplined capital allocation and operational execution.



**“The trick is to be patient in anticipation but aggressive in execution.”**

– Nassim Nicholas Taleb

# CONFRONTING REALITY

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**Peter Drucker warned that “The greatest danger in times of turbulence is not the turbulence – it is to act with yesterday’s logic.”**

Regulated industries are especially susceptible to this mistake. It is tempting to wait for policy shifts, capital market recovery, or consumer reengagement before adjusting strategy. We reject that posture. Progress requires confronting reality as it exists today and designing systems that perform under current conditions, not those that we wish to exist or fit within our biased narratives.

Our half-billion-dollar liquor retail business operates in a category facing evolving consumer preferences. Despite revenue headwinds across the category, this segment delivered record profitability in recent quarters. In 2025, we invested counter-cyclically by committing to three new Wine and Beyond locations in new markets. Our best-in-class selection model, disciplined pricing architecture, and differentiated customer experience produced durable economics even in a softening environment.

The lesson is straightforward: structural discipline can outperform in unfavorable conditions. That principle applies equally – if not more so – to cannabis.

Cannabis demands the same realism. The sector remains characterized by oversupply, capital scarcity, and a high rate of change. Against that backdrop, SNDL has built scale with structure.

Our cannabis business has also grown rapidly, and we are encouraged by both organic and inorganic opportunities ahead. Today, SNDL is a top three cannabis retailer in Canada; a co-manufacturing partner to leading brands and licensed producers; the largest manufacturer of edibles; the largest purchaser of biomass; and the exclusive Canadian producer of iconic brands such as Grön and Jeeter. We have built a growing export platform serving patients in more than half a dozen countries and continue to receive inbound interest from international operators seeking acquisition, financing, or operational partnerships as they look to professionalize and scale their businesses. These are not trophies, they are infrastructure. Scale alone is insufficient. Returns are driven by structure, capital discipline, and system design. We do not orient our strategy around regulatory acceleration. We build for markets as they exist today.

That structure will enable us to take on asymmetric opportunities.



# TEXAS SIZED OPPORTUNITIES

For SNDL shareholders, one of the most consequential developments of 2026 may be the completion of the restructurings of Skymint and Parallel. The potential consolidation of these platforms would represent approximately 20% pro forma top-line growth relative to 2025 results and materially expand our ability to own the relationship with consumers and patients in core markets.

Parallel maintains a top five position in Florida and is an original medical license holder in Texas. Until recently, the Texas medical cannabis market was constrained by a narrow list of qualifying conditions and the absence of approved inhalable formats under the state's Compassionate Use Program.

In a material shift, Texas regulators have awarded additional licenses, approved specific vaporization devices, and expanded prescribing authority to include chronic pain – a key catalyst in the development of Florida's medical cannabis market. These changes meaningfully increase the addressable patient population and improve product-market alignment.

Texas' population is approximately 35% larger than Florida's and roughly 75% of Canada's total population. While the state is starting with a relatively small patient base, structural similarities to Florida's early regulatory evolution suggest meaningful long-term growth potential. We expect the Texas market to scale rapidly as awareness, physician participation, and product availability increase.

We approach the opportunity to enter the U.S. with discipline and humility. The optionality embedded in our U.S. credit portfolio is material but can only be realized through decisive action and careful implementation.

**Opportunity does not eliminate constraint. It raises the stakes for disciplined execution.**



# HEADWINDS AS LIFT

What we categorically refuse to do is adopt a victim's posture toward regulation or capital markets. The cannabis industry has become too comfortable excusing outcomes rather than owning them. We have heard executives speak openly about "betting the farm" on SAFE Banking and media commentary asserting that regulators are "on the clock" to drive regulatory change. We see certain operators, unable to meet basic tax obligations except through perpetual 'bridge-to-nowhere' repayment plans, still seeking premium equity valuations.

That is not our approach.

We are current on our excise tax obligations in Canada. We do not underwrite our future to near-term reform. In the United States, we have structural tools to manage 280E exposure, with or without rescheduling. Our success depends not on regulatory rescue, but on disciplined execution, navigating constraints with agility while preserving liquidity, structural flexibility, and a strong compliance culture.

**"The reasonable man adapts himself to the world; the unreasonable one persists in trying to adapt the world to himself...Progress depends on the unreasonable man."**

- *George Bernard Shaw*

Shaw's life lends weight to his words. He died in 1950 at the age of 94, having lived through the Industrial Revolution, two world wars, and multiple economic depressions. His worldview was shaped by repeated exposure to failing systems, and by a lifelong rejection of victim mentalities, inherited status, and complacency. Shaw wrote for owners of outcomes, not renters; for builders, not commentators. He believed that systems mattered, but never more than individual responsibility.

That belief was earned. Shaw lived in poverty and endured more than a decade of rejection by publishers and theaters before winning the Nobel Prize in Literature in 1925.

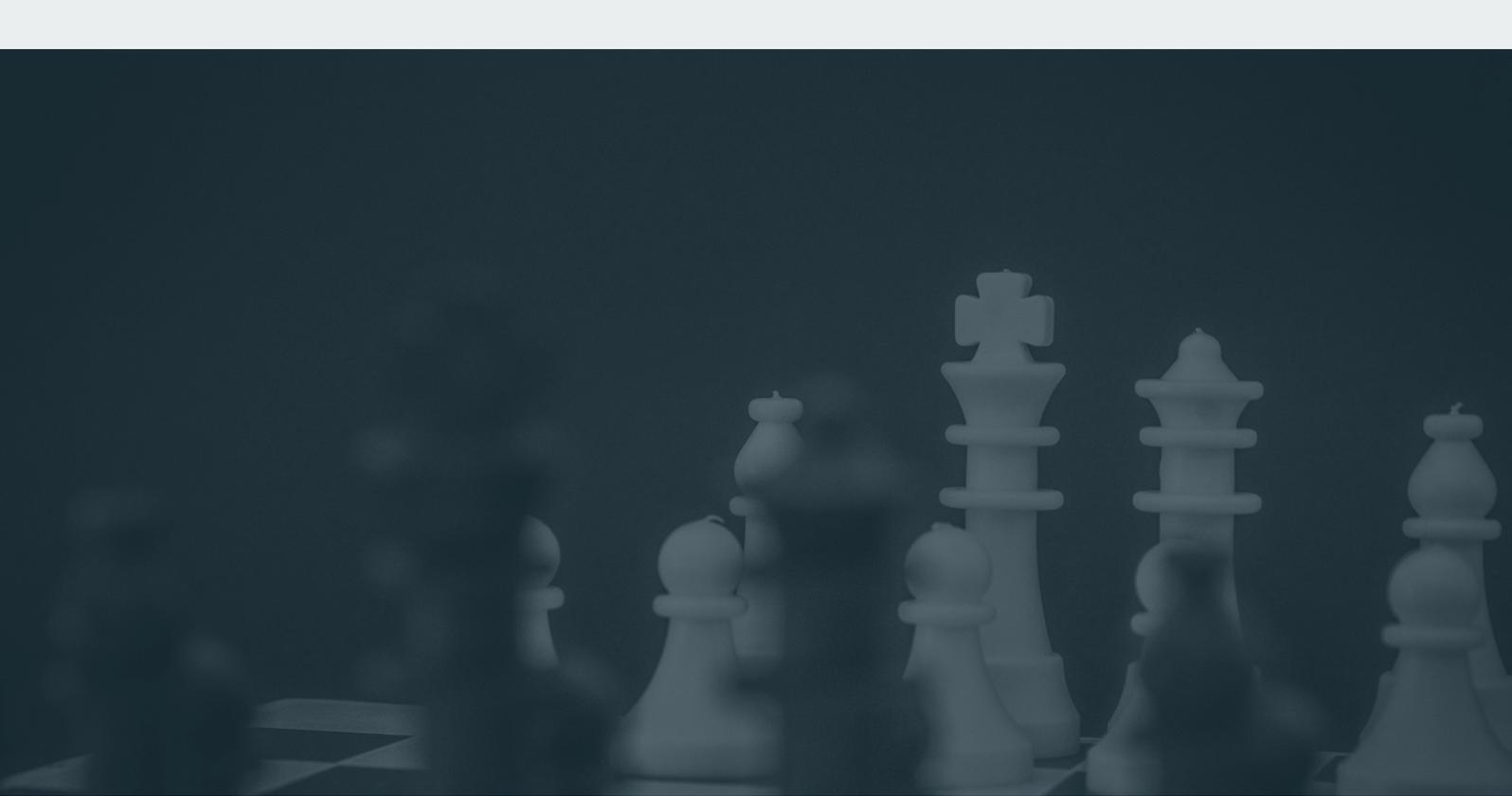
We find that perspective instructive.

In regulated industries, the unreasonable act is not defiance, it's disciplined adaptation. It is building systems that function under current policies, capitalizing businesses to withstand volatility, and exercising patience in allocating precious capital.

There is tension between disciplined adaptation and unreasonable ambition. That tension is intentional. We are realistic about constraints. We operate within existing regulations, within our cost of capital, and within the structural realities of our industry. But within those boundaries we are uncompromising. Oversupply does not mandate poor margins. Capital scarcity demands sharper discipline. Regulatory friction is not an excuse for underperformance.

We accept reality and look to compete aggressively within its bounds. That philosophy is not theoretical for us. It defined our operating year.





# ONE BATTLE AFTER ANOTHER

One Battle After Another is a reminder that in business, there is no final victory, only a long sequence of new challenges that punish anyone who celebrates too early.

2025 was not defined by a single breakthrough. It was defined by steady progress across multiple fronts:

- We operated under heightened regulatory scrutiny and maintained strong compliance integrity.
- We navigated complex restructurings as a secured creditor, protecting our position while working through extended negotiations in challenging jurisdictions.
- We managed EU-GMP certification timelines that were outside our direct control, without compromising quality or market access.
- We absorbed continued volatility in U.S. regulatory reform discussions without underwriting our strategy to near-term policy change.
- We operated through the fifth year of a cannabis equity bear market while preserving balance sheet strength and avoiding the reflexive dilution that has reshaped much of the sector.
- We maintained 16 consecutive quarters of operational improvement despite uneven analyst recognition and persistent sector-wide valuation compression.
- We responded to distribution and data economics pressure without surrendering margin discipline or strategic flexibility.

None of these battles were existential on their own. But together, they required focus, liquidity and cultural resilience.

Progress in this industry does not arrive in a single moment. It is earned through compounding decisions made under constraint.

In 2025, we did not rely on a catalyst. We relied on execution. And we advanced.



# 2026:

## FOCUS AND INTENT



**WITH A STRENGTHENED FOUNDATION, OUR PRIORITIES FOR 2026 ARE CLEAR.**

First, we will continue to focus on talent density and work to attract talent within and outside the industry. Scale is only valuable when paired with the right people, structure, and systems. We expect to see transformational opportunities but will only pursue them in a manner that enhances cash flow per share and strengthens our position in core markets.

Second, we will improve cash flow conversion. Margin expansion is meaningful only if it translates into durable free cash flow. Working capital discipline, procurement optimization, and portfolio simplification remain central to this objective. We aim to materially improve our free cash flow generation in 2026 without avoiding strategic investment.

Third, we will allocate capital with intent. Every dollar must compete for its place on our balance sheet. We will deploy capital only where expected returns materially exceed our cost of capital. Where dislocations persist and our shares trade at a meaningful discount to intrinsic value, repurchasing our own equity will remain a rational and compelling use of funds.

Fourth, we will protect liquidity and structural flexibility. In regulated industries, optionality has value. A strong balance sheet allows us to act when others cannot.

Finally, we will continue building for markets as they exist today with an eye to 'where the puck is going'. Our strategy is not reliant on the arrival of regulatory reform. It depends on the ability to serve patients and delight consumers, build structural resilience, and allocate capital in a disciplined manner.

The cannabis sector remains volatile. Capital remains selective. Competitive intensity remains high. These are not temporary conditions; they are structural realities. The Companies that endure in this environment will be those that combine realism with ambition, patience with preparation, and discipline with speed. We believe SNDL is positioned to do exactly that.

2025 demonstrated resilience. 2026 will demonstrate compounding. We are working to turn the discipline that protected capital into the engine that grows it.

We thank our shareholders for their continued confidence and support.