

SNDL (Q4 2025 Results)
March 12, 2026

Corporate Speakers:

- Zachary George; SNDL; Chief Executive Officer
- Alberto Paredero-Quiros; SNDL; Chief Financial Officer

Participants:

- Frederico Yokota Gomes; ATB Cormark Capital Markets; Analyst
- Aaron Grey; Alliance Global Partners; Analyst

PRESENTATION

Operator^ Good morning and welcome to SNDL's Fourth Quarter 2025 Financial Results Conference Call. This morning, SNDL issued a press release announcing their financial results for the fourth quarter of 2025 ended on December 31, 2025. This press release is available on the company's website at sndl.com and filed on EDGAR and SEDAR as well. The webcast replay of the conference call will also be available on the sndl.com website. SNDL has also posted a supplemental investor presentation in addition to the conference call presentation we will be reviewing today on its sndl.com website.

Presenting on this morning's call we have Zach George, Chief Executive Officer, and Alberto Paredero, Chief Financial Officer.

Before we start, I would like to remind investors that certain matters discussed in today's conference call or answers that may be given to questions could constitute forward-looking statements. Actual results could differ materially from those anticipated. Risk factors that could affect results are detailed in the company's financial reports and other filings that are made available on SEDAR and EDGAR. Additionally, all financial figures mentioned are in Canadian dollars unless otherwise indicated.

We will now make prepared remarks. Then we'll move on to analyst questions. I would now like to turn the call over to Zach George. Please go ahead.

Zachary George^ Welcome to SNDL's Q4 and Full Year 2025 Financial and Operational Results Conference Call. 2025 marked another step forward in our performance, with multiple new records achieved throughout the year including record full year net revenue, gross profit, adjusted operating income, and free cash flow. Beginning with free cash flow, our most important KPI for assessing financial health, we are pleased to report that following our first year of positive annual free cash flow in 2024, we more than doubled this result in 2025, reaching \$18 million. This was achieved through continued operational improvements and disciplined working capital management.

Our Cannabis business continued to grow, expanding revenue year-over-year during the last 16 consecutive quarters. While we have seen a market slowdown during the second

half of 2025, both our Retail and Operations segments continued to gain market share, showcasing the strength of our vertical model.

We would also like to highlight that, for the first time in our history, we achieved positive full year adjusted operating income, supported by a strong contribution in the fourth quarter. This result underscores our financial discipline and continued traction in delivering operational efficiencies and productivity initiatives, including synergies from the Indiva acquisition. As a reminder, the only adjustments to operating income in 2025 relate to restructuring costs associated with the integration of Indiva, and the corporate restructuring program, which is currently in its third and final phase.

Delivering consistent year-on-year financial progress remains a priority, alongside continuing to build a strong foundation for long-term profitable growth and shareholder returns. Few companies in our industry are positioned to leverage a balance sheet of this strength with no debt and over \$250 million in unrestricted cash at the end of 2025, enabling disciplined capital deployment across both organic and inorganic opportunities. In this regard, in 2025, we increased capital expenditures by nearly 50% compared to 2024, with the majority of the investment directed towards new store openings across our Cannabis and Liquor Retail segments.

As announced in January, we also completed the first stage of the acquisition of Cost Cannabis retail stores from ICM, incorporating five locations in Alberta and Saskatchewan. We continue to maintain a strong pipeline of initiatives focused on simplification and strategic focus. For example, we are days away from completing a full consolidation of our ERP systems, which is expected to unlock significant opportunities to further optimize our processes and enhance our analytical capabilities.

We continue to leverage the share repurchase program approved by our Board, and since the fourth quarter of 2024, we have repurchased a total of 15.1 million shares, including 4.3 million shares acquired over the last 90 days. We are also encouraged by the continued momentum toward U.S. cannabis rescheduling as well as the progress toward completion of the restructurings of our Parallel and Skymint investments, with only a limited number of remaining requirements outstanding.

Over now to Alberto for more insights on our fourth quarter and full year financial performance.

Alberto Paredero-Quiros[^] Thank you, Zach. I want to remind everyone that the amounts discussed today are denominated in Canadian dollars unless otherwise stated. Certain figures referred to during this call are non-GAAP and non-IFRS measures. For definitions of these measures, please refer to SNDL's management discussion and analysis document.

Our fourth quarter financial results demonstrate a strong profitability improvement despite softness at the top line. Net revenue of \$252 million represents a 2% year-over-year decline, driven by market contractions in both Liquor and Cannabis Retail,

particularly Liquor Retail, partially offset by market share gains across both retail segments.

Gross profit of \$70.2 million marked a new absolute quarterly record, increasing by \$1.4 million or 2.1% year-over-year, despite the decline in revenue. A strong margin expansion across both retail segments translating to 110 basis point increase in gross margin, reaching a new quarterly record of 27.8%. This strong gross margin performance, combined with efficiency improvements across retail and corporate SG&A, resulted in a record quarterly adjusted operating income of \$12.8 million. An adjusted operating income of \$11.8 million also represents a new quarterly high.

This performance reflects a significant improvement versus the prior year, driven not only by the absence of the \$65.7 million SunStream valuation adjustment recorded one year ago, but also by meaningful underlying operational margin improvements. Free cash flow of over \$10 million in the quarter was another solid result, although slightly lower than the prior year due to differences in the timing of working capital build-up for the holiday season as well as increased capital expenditures and inventory investments to support new store openings.

Our full year financial results demonstrate meaningful year-over-year progress and new records across all key metrics. Net revenue of \$946 million represents growth of 2.8%, supported by 11% growth from our combined Cannabis segments, partially offset by a 2.8% decline in Liquor. Importantly, all of our segments gained market share during the year. This revenue growth, combined with a 120-basis point increase in gross margin, translate into gross profit growth of 7.6% compared to the prior year.

Improved promotional execution, mix management and productivity initiatives were the key drivers of this gross margin expansion. This continuous improvement mindset also enabled us to reduce G&A spending, as in-store efficiency gains, as a well-executed corporate restructuring program more than offset cost inflation and the impact of new store openings. As a result, both adjusted and unadjusted operating income reached new highs, with full year adjusted operating income achieving breakeven for the first time in our history.

We're also pleased to report free cash flow of \$18 million for the year, more than doubling the results achieved in the prior year. Our historical quarterly performance demonstrates a clear upward trend in profitability and a strong multiyear compound annual growth rate. While quarterly operating income and free cash flow will continue to be influenced by seasonality and volatility, we remain committed to sustaining the upward trajectory with a focus on long-term value creation.

We have seen market declines across both the Liquor and Cannabis segments. While declines in Liquor have been a multiyear trend, the slowdown observed in Cannabis during the second half of 2025 which ultimately resulted in a marked decline in the fourth quarter, represents a newer development. We intend to address these headwinds through disciplined execution and a balanced approach to both organic and inorganic investment.

In particular, as the cannabis industry matures and growth rates moderate, less efficient operators are likely to face increased pressure, creating a favorable condition for industry consolidation. We believe we are well positioned to capitalize on these opportunities. Looking more closely at segment-level contributions across our key financial KPIs, we can see these dynamics clearly unfolding.

Net revenue reflects the market headwinds impacting both the Liquor and Cannabis segments, particularly in the fourth quarter. On a full year basis, however growth in the Cannabis Retail and Cannabis Operations more than offset the declines experienced in Liquor. Despite revenue pressure, our Liquor segment was able to offset declines through productivity improvements, allowing it to maintain or expand gross profit. At the same time our Cannabis segments contributed to gross profit growth at a faster pace than net revenue, particularly over the full year.

Adjusted operating income reflects solid contributions from our Cannabis Retail segment, while results from Liquor and Cannabis Operations were more muted. In the context of ongoing market declines, maintaining or expanding adjusted operating income in Liquor represents a strong performance. Cannabis Operations was impacted by costs associated with the volume ramp-up at our Atholville cultivation facility undertaken to support international growth.

The Investment segment saw significant year-over-year improvement, primarily due to the absence of unfavorable valuation adjustments recorded in the prior year. The Corporate segment also delivered strong contributions to bottom line profitability, supported by the cost reductions from the restructuring program initiated in the second half of 2024. The \$7.5 million contribution in the fourth quarter reflects both the benefit of these cost reductions and a \$3.2 million (technical difficulty) from share-based compensation, as the decline in our share price during the fourth quarter partially offset the increase recorded in the third quarter.

Once again both our fourth quarter and full year free cash flow results stand out as key highlights. In the fourth quarter, while we did not achieve a new record, free cash flow levels remained strong. Compared to the prior year, we benefited from higher earnings, reflecting improved P&L performance. This was offset by inventory and capital expenditure investments in new store openings as reflected in the working capital and other components of Page 7, respectively. On a full year basis, the benefits from improved earnings and a strong working capital management more than offset the investments made to support new store openings.

On the following page, we can see the seasonality effects in our free cash flow generation. The first part of the year is typically impacted by lower revenue levels and working capital buildups, where the second half of the year benefits from the opposite dynamic. In aggregate, and supported by a particularly strong second half, we more than doubled free cash flow compared to the prior year.

When reviewing each commercial segment individually, starting with Liquor, we can see that both the fourth quarter and the full year were impacted by market-driven headwinds affecting net revenues. These declines, approximately 3% in both periods on a rounded basis, were primarily driven by broader market conditions. In this context, our team was able to gain market share, supported by the strong performance of our Wine and Beyond banner and continued growth in our private label offerings, both of which delivered positive results.

Improvements in pricing, promotional execution and mix management were the key drivers behind the gross margin expansion of 120 basis points in the fourth quarter and 70 basis points for the full year, reaching 26.0% and 25.9%, respectively. Q4 gross profit of \$38.7 million and a full year gross margin of 25.9% both represent new records for the segment. This margin expansion, together with additional efficiency improvement in store operations, translate into an increase of \$1.7 million or 5% in full year operating income.

In the fourth quarter, operating income was close to flat year-over-year, reflecting the absorption of ramp-up costs associated with the two new Wine and Beyond stores that opened in November. Cannabis Retail delivered strong results in 2025 despite the market slowdown experienced in the second half of the year. Fourth quarter revenue was essentially flat year-over-year. However, supported by a 190-basis point improvement in gross margin and continued efficiency gains in store operations, operating income reached \$8 million, representing a 33% increase compared to the same period last year.

Full year results reflect a new revenue record of \$330 million, representing 6% growth supported by 3.9% same-store sales growth and new store openings. Gross profit of \$86.1 million was also a new record, as was a gross margin of 26.1% which expanded 80 basis points year-over-year.

Similar to the Liquor segment, Cannabis Retail benefits from improved promotional execution and mix management. Operating income of over \$30 million was driven by margin expansion and overhead optimization, more than doubling compared to 2024. Following a material step-up in 2024, Cannabis Operations experienced greater volatility during 2025.

As we began to lap the inclusion of the Indiva acquisition in the baseline that started in the fourth quarter of 2024, net revenue in the fourth quarter of 2025 was flat year-over-year. Gross profit, gross margin, and operating income declined compared to the prior year, reflecting ongoing stabilization efforts related to the volume ramp-up and infrastructure improvements at our Atholville cultivation facility. For the full year, the segment delivered record net revenue of \$144.7 million, representing a growth of 32%, supported by the Indiva acquisition and continued growth in international sales. Gross profit of \$32.9 million and a gross margin of 22.8% were also new full year records for the segment.

We continue to see opportunities to further expand margins through increased scale and additional productivity initiatives. Adjusted operating income of \$2.5 million declined modestly year-over-year, primarily due to under-absorbed overhead investments. While Cannabis Operations remains the smallest and most volatile of our three commercial segments, we see significant opportunities to enhance our capabilities and footprint, positioning the segment as an increasingly important driver of long-term value creation for SNDL.

Over to you, Zach, for additional comments related to our strategic priorities.

Zachary George^ Let's now turn to the progress we have made recently against our three strategic priorities: growth, profitability, and people. Starting with growth. Each of our Cannabis and Liquor Retail segments gained 20 basis points of market share year-over-year. Cannabis Retail achieved this through strong execution, new store openings, and conversions to our successful Value Buds banner. Liquor Retail also demonstrated solid execution in a challenging environment, supported by private label growth and the resilience of our Wine and Beyond banner.

As previously mentioned, we increased our capital expenditures and working capital investments to support the opening of three additional cannabis stores and two new Wine and Beyond locations in the fourth quarter. Our Cannabis Operations segment also contributed meaningfully, delivering 32% full year revenue growth, driven primarily by our leadership in edibles following the acquisition of Indiva, as well as continued growth in international sales.

Profitability is a strategic priority, where we made substantial progress not only throughout full year 2025 but also in the fourth quarter, as demonstrated by nearly \$13 million in adjusted operating income and \$10 million in free cash flow delivered in Q4. The previously highlighted improvements in gross margin were a key driver of this performance, alongside our continued focus on G&A optimization. In this regard, our retail segments delivered full year combined efficiency improvements of \$7.1 million in G&A reductions, and our corporate restructuring program has already surpassed the committed \$20 million in annualized savings, even ahead of the implementation of the third and final phase of the initiative.

Last but not least, under our people strategic priority, we initiated our annual performance to pay process in the fourth quarter, designed to reward employee performance based on both overall business results and individual contributions. We also delivered merit increases ahead of the holiday season across our facilities and retail teams, ensuring market competitiveness and reinforcing a consistent and transparent compensation approach. In addition, we completed our second annual Employee Engagement Survey, gathering valuable insights from across the organization to further enhance our employee value proposition.

Building on these insights, we expanded our employee engagement initiatives to include mental and physical well-being as well as diversity, equity, and inclusion, reinforcing our commitment to a safe, inclusive, and supportive workplace.

Before concluding this presentation, we would like to share how we monitor our performance relative to our peer group, as we remain focused on delivering superior performance and shareholder returns. Looking at the most recent trailing four quarters reported by this group and normalizing for equivalent definitions, we can see that SNDL has climbed the ranks and has positioned itself firmly within the top tier in terms of profitability on an absolute basis. We believe that this progress, combined with the many opportunities ahead of us and our best-in-class balance sheet with a significant cash position, creates a compelling investment case.

Once again, I would like to thank our entire team for their contributions, and our shareholders for their continued trust and support. I am proud of what our team accomplished in 2025 and I'm confident in our ability to unlock additional value in the years ahead.

With that, I will now turn the call back to the operator for the analyst Q&A session.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) Our first question comes from Frederico Gomes with ATB Cormark Capital Markets.

Frederico Yokota Gomes^ First question on the Cannabis Retail segment, the same-store sales decline that we saw this quarter and your comment about the market slowdown in the second half. Can you talk more about what's behind that slowdown? Is it related to competitive pressures at retail, just overall macro conditions, or maybe just the natural state of the Canadian market becoming more mature at this point?

Alberto Paredero-Quiros^ Yes. So we have noticed, particularly in the last two months of the quarter, for the months of November and December, absolute declines in the market. We attribute that to multiple factors. Certainly, there is an element of saturation in retail doors across most provinces, particularly where we have the biggest footprint, like Alberta. But in Ontario as well we're starting to see that dynamic playing out.

There are different dynamics as well in terms of what we're lapping and what the industry is lapping from heavy, aggressive promotional period in the prior year. At the end of 2024, beginning of 2025, we're seeing pretty healthy growth rates based on more aggressive price competition. Obviously as we're lapping that, and we believe that not only ourselves but many other retailers in the industry, they are focusing a little bit more on profitability and mix improvements. We see margin expansions, but we're seeing as well, some reduction in traffic and top line.

There is as well a certain dynamic of some doors starting to shut down. We're getting to a dynamic where a lot of independents or some of independents, they're reaching their 5-year rent commitment, and they are realizing that this is a competitive, tough and competitive marketplace. Some of the larger operators, they are starting to build that [at] scale. It is difficult to compete against those. And as a result of that, as I said, the market in certain areas is starting to shrink or some doors are starting to shut down.

The industry is consolidating as well. So that is another element, not necessarily impacting the market, but clearly the dynamics in the industry. But in general, we think that it's saturation in the market (technical difficulty) and price points.

Frederico Yokota Gomes^ Second question, still on the Cannabis Retail segment, specifically on M&A. So first, when do you expect that acquisition of the ICM stores in Ontario to close? And in regards to your comment about maybe the industry consolidating, do you expect your growth in Cannabis Retail to be mainly driven by organic new store openings? Or are you more focused on the M&A side and acquiring some of these struggling players?

Zachary George^ Frederico, it's Zach George. Thanks for the question, and this dovetails nicely from your prior question as well. Just in terms of the ICM acquisition, remaining stores in Ontario, we're just finalizing our review with the AGCO. So we expect to -- the latest report back to shareholders in Q2 on that timing, but should be resolved shortly. And yes, just in line with the deceleration of same-store sales growth that we're seeing across the space with almost every major player, if you think about this cyclically, this is exactly the time when operators start to lift their heads up and look for other ways to create value. So we do expect an intense focus on consolidation in the space, and I think that would apply to performing independents that may want to monetize their positions, but would also apply to both medium and even the largest portfolios in the Canadian marketplace.

Then in terms of organic growth, we have a pretty active pipeline, double-digit count of assets that are under review in multiple provinces. We have a very attractive standup cost for the opening of new doors. So we're looking at this from multiple perspectives and not relying on M&A outcomes to drive future growth.

Frederico Yokota Gomes^ I appreciate that. If I could just ask one final question. Could you just remind us about the status of your EU GMP certification? And maybe comment about the international growth outlook for this year compared to 2025 as you expand that capacity.

Zachary George^ Yes. We're waiting for last visit to our site. It has been a long process that we've -- that has required some patience. But we expect at this point to have the certification complete sometime over the summer. There has been some change in the administration in Germany that's impacted this as well.

And in terms of our international business, we saw decent growth off a very, very small base in terms of '25 versus '24. We are in the process of developing relationships and building strong partnerships. But it's still early days. So we do expect material growth, but again, it's a very small part of the business today. That is a top three priority in terms of future capital deployment as well.

Operator^ Our next question comes from Aaron Grey with Alliance Global Partners.

Aaron Grey^ Yes, maybe touching on retail, but in terms of Liquor here. Obviously you still have some structural challenges within the broader category outside of your sales. But some highlights for you guys, you guys did have one quarter during the fiscal year of some year-over-year growth, returned to declines, maybe the past two, you guys are continuing to open up stores as well. So maybe just given your outlook, given you're still making investments in Liquor, there are some structural challenges, as you look into 2026, how are you seeing the broader Liquor Retail? Do you think it's in position for to start to stabilize on a year-over-year basis?

Alberto Paredero-Quiros^ So yes, actually, throughout the year, as you saw in the first quarter, we have reported growth in 2025. That was driven primarily by the shift of Easter compared to the prior year. So on a normalized basis, we have seen a pretty consistent roundabout 3% revenue decline and about 4% to 5% market decline in the category.

It's very hard to predict where that is going to go. The first part or the first couple of months of 2026, we're seeing similar declines in the market. At the same time, there are a couple of areas within our portfolio that are showing very good strength, and this is where we're focusing our investments. Particularly, if you look at our Wine and Beyond banner, despite the market declines, mid-single digits, we're seeing that banner growing healthy.

It is a very different business model compared to the rest of the independent network, (technical difficulty) convenience business. Ours is a larger-scale format, significantly different type of offerings, a much broader portfolio base. That resonates very well with consumers. That's why, as a result of that, a clear differentiation and unique offering that we have, we're seeing a positive growth. It's still in the low single digits, but it's growth rates in the market. And as I said, we see a competitive advantage in that front, and that's where we're deploying the capital, both from a CapEx perspective, opening the doors, but as well the inventory associated with those store openings.

Then we have as well our private label. One clear dynamic that we're starting to observe as well is the loss in purchasing power, it's making consumers more price conscious and they are looking for products that offer a very good price point with good qualities as well. We have been expanding our private label offerings.

That continues to gain penetration. It's been already several years of increases in market share from our private label offering. And that is an area where we're still building

additional relationships with producers and we're expecting to continue making investments and expanding our portfolio on that front, because, as I said, that's what is right now resonating with the consumers and we're seeing the stronger demand. That part of the portfolio as well is growing in relative terms to the rest of the business and in absolute terms as well.

So that's where we're focusing. We believe that we still have opportunities to manage elements of growth within our portfolio, despite the fact that the markets were still anticipated to decline in the low to mid-single digits for the next several quarters.

Aaron Grey^ Okay. Great. I appreciate that color. That's helpful. Second question for me, just on some of your U.S. exposure, particularly with SunStream. Just if you could provide us an update in terms of some potential outcomes as we hopefully come to some resolutions, either Parallel or Skymint here in 2026? I know in the past you've talked about potential changes you might need to be made to best optimize some of the U.S. assets. So in terms of how you're looking at SunStream U.S. assets and how to best optimize those in 2026 as hopefully we come to some resolution there?

Zachary George^ Absolutely, Aaron. So the portfolio has been simplified quite significantly. It's really three positions in the case of cannabis. I think you've been following the liquidation of that portfolio. So we've seen a return of capital recently as that position gets monetized and capital repatriated. Then the two [larger] positions of interest would be in Parallel and Skymint. Parallel is going through a foreclosure process in the State of Florida, and Skymint is in receivership in Michigan.

For almost the entirety of 2025, the foreclosure of -- the foreclosure process related to Parallel was delayed because of a litigation that was in place. There was a key settlement to that litigation in December. So we think there is now a path to resolve that foreclosure, and we'll likely see it sometime in Q2 or just after. So we are finally heading towards a resolution here after a multiyear process.

Again, the reason behind these delays and inefficiencies really comes down to the lack of access to the federal bankruptcy courts in the United States. So once you're relegated to these other insolvency proceedings at the state level, they are much less predictable, and the adjudication can be -- can provide unique outcomes. So we're pleased that we will actually land this plane, so to speak, in 2026, but it's been a frustrating process, and we're eager to have it wrapped up.

Operator^ This concludes the question-and-answer session. I would now like to turn the conference back over to Zach George for any closing remarks.

Zachary George^ Thank you. And thanks for joining our call today. We look forward to updating you in the near future. Have a great (technical difficulty).

Operator^ Thank you. This concludes today's conference call. You may disconnect your lines. Thank you for participating. And have a pleasant day.