

**SNDL Inc.(Q1 2026)**

**April 29, 2026**

**Corporate Speakers:**

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

**Participants:**

- Frederico Gomes; ATB Cormat Capital Markets; Analyst
- Aaron Grey; AGP; Analyst

**PRESENTATION**

Operator^ Good morning. And welcome to SNDL's First Quarter 2026 Financial Results Conference Call.

This morning, SNDL issued a press release announcing their financial results for the first quarter of 2026 ended on March 31, 2026.

This press release is available on the company's website at [sndl.com](http://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](http://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](http://sndl.com) website.

Presenting on this morning's call we have Zach George, Chief Executive Officer; and Alberto Peradero, 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 public 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. And then we'll move on to the analyst questions.

I would like now to turn the call over to Zach George.

Please go ahead.

Zachary George^ Welcome to SNDL's Q1 2026 Financial and Operational Results Conference Call.

During the first quarter of 2026, SNDL faced notable challenges beyond the usual seasonality that typically results in the lowest demand at the start of each calendar year. After 16 consecutive quarters of operational improvement, both our liquor and cannabis markets experienced declines in same-store sales. The downward trend in the liquor market is a familiar issue, but the softness that began to emerge in the cannabis market during the second half of the previous year has developed into a more significant and persistent challenge.

Our results for the quarter were further affected by suboptimal execution on working capital management within our upstream cannabis operations.

This issue has since been addressed and remedied following the close of the quarter. Despite these headwinds impacting our financial performance, we remain encouraged by the proactive actions taken by our teams. They have responded with focus and determination, taking control of the situation and implementing necessary initiatives that support our ongoing efforts to build a successful, sustainable and profitable growth model.

We continue to invest in growth platforms during the quarter.

One notable example is our exclusive contract for the production and commercialization of Jeter, a leading U.S. cannabis brand. This exclusivity was formally assumed in April, but production activities and inventory pipeline development had already commenced in March with initial shipments delivered to provincial boards.

Additionally, both of our retail segments, liquor and cannabis reported improvements in gross margin.

Our teams achieved these gains by enhancing promotional efficiency, maintaining pricing discipline and optimizing product mix management. Periods of adversity are a true test of a management team's resilience and determination.

The SNDL team has demonstrated these qualities by thinking creatively and implementing several profit enhancement initiatives. These actions are expected to boost profitability and improve commercial execution, generating more than \$20 million in incremental operating income over the remainder of the year.

As previously communicated during our Q4 and full year 2025 earnings call we continue to leverage our Board-approved share repurchase program.

In the first quarter of 2026, SNDL repurchased a total of 4.5 million shares. Last week, U.S. authorities took a significant step towards rescheduling cannabis by moving certain state licensed medical marijuana to Schedule III.

While this does not constitute federal legalization, it is an important regulatory development. This step is particularly relevant for SNDL due to our credit exposure through the SunStream vehicle in the U.S., especially for Parallel, a licensed operator active in key medical markets such as Florida and Texas. The regulatory change is constructive for Parallel as its restructuring process continues to progress with only a limited number of outstanding conditions remaining.

Over now to Alberto for more insights on our first quarter 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.

Before moving on, I would like to highlight a small accounting presentation change following the adoption of amendments to IFRS seven and IFRS 9.

As of 2026, cash in transit is no longer classified as cash and cash equivalents, and it is instead reported as a receivable. This change has no impact on liquidity, cash generation or underlying economics, but it does affect the comparability of reported cash balances.

Specifically, the \$213.4 million of cash reported on our March 31, 2026 balance sheet does not include any cash in transit, whereas the \$252.2 million reported at December 31, 2025, included \$12.1 million of cash in transit. Net revenue of \$196 million in the first quarter of 2026 represented a 4.4% year-over-year decline, driven by market contractions impacted our different segments. Gross profit of \$53 million is a reduction of \$3.8 million or 6.8% compared to the same period of prior year.

While most of this reduction is driven by the revenue decline, we also reported a consolidated gross margin decline of 70 basis points. This margin decline is purely driven by our cannabis operations segment as both our retail segments expanded margin. Both adjusted and unadjusted operating income, while negative due to the seasonality impact in the first quarter, saw an improvement compared to prior year as the reduction in gross profit is more than offset by OpEx improvements and the absence of prior year Sunstone valuation reduction. Free cash flow of negative \$7.6 million in the quarter was partially driven by seasonality impact. Compared to the prior year, it represents a reduction of \$6.5 million, mainly driven by working capital increases in cannabis operations as well as

additional CapEx investments across retail and operations segments and increased lease costs.

Our historical quarterly performance clearly reflects the seasonality typically impacting the first quarter. That said, despite a modest year-over-year improvement in operating income, net revenue, gross profit and free cash flow declined compared to the prior year, as previously discussed.

Looking ahead, we expect to see improvements in revenue growth year-over-year as of the second half of 2026, driven in part by the impact of our initiatives and also as we begin to lap softer revenue comparisons for the second half of the year.

Looking more closely at segment level contributions across our key financial KPIs and starting with net revenue.

The overall decline was driven primarily by Liquor retail and cannabis operations, while cannabis retail was essentially flat.

I will expand further on the drivers by segment in a few minutes.

But at high level, Liquor retail declines were driven by challenging market conditions.

Cannabis Retail was able to offset market softness through growth from new store openings and cannabis operations declined due to market destocking and the timing of contract sales. Gross profit followed similar dynamics, although both retail segments were able to partially offset revenue pressure through continued margin improvements.

Adjusted operating income showed a modest improvement as the operating income declined driven by lower gross profit in cannabis operations was offset by the absence of the prior year Sunstream valuation reduction and ongoing corporate cost savings. The decline in free cash flow compared to the same period last year was driven by lower earnings, primarily reflecting reduced gross profit as well as higher capital expenditures to support store openings and differences in the timing of lease payments relative to the prior year. Movements in working capital were broadly consistent with the prior year.

However as we will see in the next slide, two offsetting dynamics largely netted each other out.

Looking more closely at free cash flow, there are a few takeaways.

First, the combined impact of net income and noncash add-backs was negative. This is what we refer to as earnings on the previous slide.

In simple terms, while net income improved by \$4.8 million compared to the same period last year, that improvement was driven by noncash items. After adjusting for these noncash effects, the overall contribution from earnings was negative.

Second, inventory increased more in 2026 than in the prior year, largely offset by improvements elsewhere in working capital.

Inventory typically builds in the first quarter due to seasonality, and this year's increase was more pronounced as a result of the inventory build related to the year allowance in cannabis operations.

Other working capital, primarily the net impact of receivables and payables, represented an improvement year-over-year, reflected continued optimization of collections and payment terms.

We also saw capital expenditures and lease payments increased by \$3.6 million compared to the same period last year, driven by initial investments to support new store openings as well as differences in the phasing of lease payments between the first and the second quarters relative to last year.

Finally, the chart on the right-hand side of the slide clearly illustrates the seasonality of free cash flow, highlighting the typical differences between the first and second halves of the year. When reviewing each commercial segment individually, I would like to begin by highlighting a change in the way we're reporting segment results.

As of 2026, we have started allocating shared service costs to the respective segments which were previously recorded within corporate. This change allows investors to better assess the fully loaded profitability of each segment.

For comparability purposes, we have also restated the segment information for 2025.

Additional details on these adjustments are provided in our management discussion and analysis.

Starting with Liquor.

Net revenue in this segment continued to be impacted by demand softness and broader market declines. This resulted in a 6.1% decline in same-store sales which was partially offset by new store openings, leading to a net 4.9% year-over-year decrease in revenue. The decline in gross profit driven primarily by lower revenue was partially offset by a 20 basis points improvement in gross margin. To this last point, in addition to pricing and promotional optimization, we continue to improve our product mix by increasing the penetration of private label offerings at accretive margins.

Operating income was negative in the quarter, largely due to seasonality and modestly lower than the prior year as G&A efficiency improvements were more than offset by the gross profit decline and higher sales and marketing expenses.

Cannabis retail was also impacted by market demand softness, although to a lesser extent than the other two commercial segments. A 2.5% decline in same-store sales was partially offset by new store openings and the integration of five cost cannabis locations. Gross profit of \$20.4 million increased by 3.7% year-over-year, supported by a 100 basis point expansion in gross margin driven by pricing actions, improved promotional effectiveness and favorable product mix management.

This gross profit improvement did not translate into operating income growth despite additional SG&A cost efficiencies due to the impact of approximately \$1 million in unadjusted onetime charges incurred during the quarter. That said, the segment still delivered positive operating income of \$1.1 million in the quarter.

Cannabis operations experienced a large relative decline during the quarter. Net revenue of \$29.4 million represented a 14% year-over-year decrease, driven primarily by destocking activity and temporary changes in the timing of business-to-business orders.

These declines were partially offset by a strong growth in international sales which increased from \$1.8 million in the first quarter of 2025 to \$3.5 million in the first quarter of 2026. Gross profit was impacted by both lower revenue and a 7percentage point decline in gross margin. The margin compression was primarily driven by inventory adjustments and under-absorption resulting from lower production volumes.

The decline in gross profit also weighted on adjusted operating income.

Operating expenses were largely flat compared to the prior year as SG&A efficiency improvements were more than offset by onetime unadjusted charges including an incremental write-down related to the idle federal term facility.

As a reminder, we applied a very stringent definition of adjustments and only restructuring-related charges and impairments of intangible assets are adjusted.

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

Zachary George^ Turning now to the progress we have made during the first quarter against our three strategic priorities: growth, profitability and people, I would like to highlight a few key developments, starting with growth.

Our Jeter launch represents an important milestone with significant potential. Jeter is one of the leading branded cannabis platforms in the U.S. with strong consumer recognition and a proven track record in key medical and adult-use markets.

By taking over the exclusive production and commercialization rights in Canada, we now control execution end-to-end from manufacturing to distribution which gives us the ability to fully align quality, supply and brand strategy with our broader cannabis platform.

In Canada, we are focused on building a disciplined and scalable rollout, leveraging Jeter's brand strength while applying our operational capabilities and relationships with provincial boards.

In the U.S., Jeter continues to perform as a strong brand in medical and regulated markets. And together, this creates a complementary cross-border brand platform that supports long-term growth while remaining focused on execution and profitability.

We also continue to expand our retail footprint.

As most markets have reached or are approaching saturation, our focus remains on quality rather than quantity.

In this context, since December 31 of last year, we've expanded our cannabis retail network by six stores including five cost cannabis locations in Alberta and Saskatchewan.

In Saskatchewan, we are also completing our investment to support a new Wine and Beyond liquor store which is expected to open during the second quarter.

We also continued to expand our international partnerships, generating \$3.5 million in international sales during the first quarter, representing a 94% increase compared to the same period last year. Following the launch of our RISE Rewards loyalty program in cannabis during the second quarter of 2025, we expanded the program into our convenience liquor banners, Ace Liquor and Liquor Depot during the first quarter of 2026, with the rollout to our Wine and Beyond locations scheduled for the second quarter of this year.

RIS Rewards is our customer-led loyalty program that delivers greater value to everyday shoppers through savings, rewards and personalized offers, strengthening engagement and long-term loyalty across our retail network.

Turning to profitability.

As previously mentioned, we were pleased with the continued year-over-year improvement in retail margins during the first quarter. A 20 basis point expansion in liquor retail and 100 basis point expansion in cannabis retail translated into an average improvement of 50 basis points across our combined retail segments.

As highlighted in my introduction, we have recently implemented several decisions under a profit enhancement initiative that are expected to boost profitability and improve commercial execution, generating more than \$20 million in incremental operating income over the remainder of the year.

While the majority of this improvement will come from efficiency gains, it also reflects pricing actions, commercial and mix management optimizations.

During the first quarter, we continued to demonstrate our ability to improve efficiencies by delivering an additional \$2 million in G&A savings, while our data-related revenue reached \$4.2 million. Under our people strategic priority, we also continue to make meaningful progress. From the completion of our performance to pay cycle, where our competitive compensation philosophy aligns individual impact and contributions with merit and incentives, to the alignment of individual goals for 2026 as well as continued improvements in our recruiting processes and employee value proposition. This strategic priority remains critical and foundational for us.

As part of our ongoing talent review process, we will be particularly focused over the coming months on strengthening our capabilities in support of our strategy including the review and deployment of individual development plans for our team members.

While market conditions remain challenging, I am grateful for and energized by the passion and resilience demonstrated across our organization, and I want to thank our teams for their continued commitment.

We remain focused on growth and cash flow generation and on delivering sustainable returns for shareholders, whom I would also like to thank once again for their continued trust and support.

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

## QUESTIONS AND ANSWERS

Operator^ Our first question is going to come from Frederico Gomes with ATB Cormat Capital Markets.

Frederico Gomes^ First question is about capital allocation and how you're thinking about the U.S. following the rescheduling news. Does anything change here in terms of how you're looking at potential additional investments there as well as new investments and investments in the SunStream platform?

Zachary George^ Thanks, Frederico. The recent news over the last week is actually incredibly positive for our SunStream exposure.

As you're aware, parallel, for example which is yet to complete its foreclosure process, but we expect that to be done in the next couple of months is a predominantly medical portfolio.

So number one, it's very clear that from a tax perspective, as they see DEA registration, they will no longer be liable for doing E-related taxes for the 2026 calendar year, which lifts a lot of uncertainty around margins, profitability for the future.

So very, very positive.

We're really focused on completing the foreclosure before we tackle significant additional investments.

But that team is working hard on potential operational improvements and also whether it's growing in the state of Florida or the emerging opportunity in the medical market in Texas, of which they are an original three license holder, we're very excited about the future.

So I don't want to speculate too much in terms of uplifting opportunities, but we're going to have strong clarity on that in the next several weeks, we believe.

So it's a top priority as we've stated in prior calls for the last several years, but we are -- we want to make sure we have all the facts and can close these restructurings before we get too aggressive.

Frederico Gomes<sup>^</sup> Perfect. Appreciate that. And then just to follow up on capital allocation. You've obviously been active in terms of your share repurchases.

If you look at the valuation, it looks like over 50% of your market cap now is net cash.

So I guess how much more aggressive do you think you could be or you intend to be if these valuation levels hold?

Alberto Paredero-Quiros<sup>^</sup> Frederico, we will certainly -- we're still expecting to continue operating with our share buyback program as long as the share prices are at these levels.

Obviously we have our own internal models where we're looking at what is the -- what we believe is the underlying value of our different businesses and segments. And we are convinced that right now our stock is trading below those values.

As long as that will be the case, we'll continue being.

Zachary George<sup>^</sup> I would just add some color to that. The M&A market is heating up. And with the Schedule III announcement, there should be further momentum there.

We're being approached on a near daily basis on a number of transactions and financings that we're being invited to participate in.

We're seeing interest both on the buy and the sell side in different asset classes where it's been relatively quiet over the last four years.

So there is a sense that animal spirits are emerging here.

But to us that with where our equity is trading today is really not at a suitable valuation to be used as a currency in transactions. And so you'll see us bias to retiring shares as a

more accretive use of cash relative to larger-scale M&A based on where we're trading right now.

Frederico Gomes^ Perfect.

I appreciate that. And I guess just a final question for me.

On the operational side, it looks like your cannabis operations segment is the one that has been particularly underperforming in terms of operating income loss.

So I'm curious if you could just maybe provide more color specifically why that is?

And have you identified exactly what could be improved here to get that segment to an operating income profit like the cannabis retail segment.

Alberto Paredero-Quiros^ Yes. Great question. And yes, it is fair to say that the cannabis operations segment, particularly in the first quarter had a relatively weak performance. There were multiple factors impacting it.

Starting with net revenue, as you saw a 14% decline in net revenue.

There is a combination of different things, but the main two drivers is we saw a little bit of destocking in our retail channel for this segment.

As you know about 70% of the revenue that we have within the segment, it is to the provincial boards and that volume not only in our own retail, but as well in other third-party retail. And we saw a slight reductions on inventory levels, both at port levels as well as third-party retail in the first quarter.

We did have as well some headwinds when it comes to the contract channel or what we call B2B.

As you know as well we are producers for some other LPs where we leverage our capacity and our expertise in manufacturing to provide products to other.

And in that front specifically, we saw a relatively large reduction compared to last year, give you an indication last year in the first quarter, we had \$9 million of contract sales. And in the first quarter of this year, it was half of that amount, so \$4.5 million lower. All of that is timing. The timing of these contracts and the shipments are relatively volatile. And we just saw a very weak quarter in the first quarter.

We have strong orders for the second quarter.

So we're not concerned when it comes to the full year.

But certainly, in the first quarter, that was a headwind.

So that pretty much explains the reduction in net revenue because as we were pointing out in the presentation, we saw growth with our own retail, we saw growth as well in international.

So we continue to be encouraging in the potential of those two channels.

When you look at gross margin, we did see a relatively large reduction from a pretty healthy gross margin last year of 26.8%.

We went down to 19.7%. An element of that was the under-absorption triggered by the lower volumes and the lower revenue, as we pointed out before.

We did have as well some teething problems with the ramp-up of the manufacturing of Gear.

We're still learning about the product, and we did have some inefficiencies in that front. And we did have as well some onetime inventory adjustments that hated the quarter.

So the combination of all of those factors is what triggered the reduction. A lot of what we said with the profit enhancement plan that we're planning for the second half of the year, well actually as of the month of May already starting to deliver good results. A lot of that is pointed specifically at this segment because we see a lot of opportunities and addressing some of the basic inefficiencies that we have.

Finally, last but not least, we did had a few onetime items that were impacting the quarter in SG&A. They are north of \$1.5 million.

We don't adjust for those things.

As you know we have a policy of we don't like to adjust whatever we don't like sitting in our P&L.

We just base it as it is, and we keep on working on it.

But specifically in the first quarter, we have this \$1.5 million of onetimes between terminations and impairments of fixed assets that create a little bit more of a headwind on the bottom line. Keep in mind as well that the \$6.9 million negative operating income or operating income loss that we have in the first quarter of 2026 includes all of the allocations of services.

So you're probably used to see last year better profitability levels.

But as we pointed as well in the presentation, we have restated that.

So right now each segment shows the fully loaded profitability profile.

It's the same thing for the two other segments. And obviously there's still a lot of opportunities that we can materialize in the cannabis operations going forward.

Operator^ And the next question will come from Aaron Grey with AGP.

Aaron Grey^ Just with rescheduling that was announced for FDA-approved in state Medical, can you speak to some of the potential impacts for SunStream that you alluded to? And more particularly, just given there's certain assets that are exclusively medical markets, you talked about Florida and Texas specifically.

Is there a route where you could choose only to consolidate those and maintain the NASDAQ listing while leaving the other ones within that SunStream portfolio? I know you said you're still evaluating that, but I would love there's some additional color there.

Zachary George^ The short answer is yes.

So there's nothing about the portfolio makeup in terms of the exposure that we carry as creditors through SunStream. You've got, in the case of Parallel, a medical operator that has -- is serving patients in the states of Massachusetts, Florida and Texas. Florida is the vast majority of that business.

In the case of Sky, today that's a purely rec business.

So we understand that NASDAQ, for example, and its council are being swarmed right now. A lot of different parties looking for clarity, a number of MSOs making aggressive commentary about their timelines to uplist.

So we just want to make sure that we can confirm that process.

But if that EA registration creates permissibility in terms of uplisting, we will have -- we will certainly have structural options which would let us retain our NASDAQ listing which I think would be -- which would minimize disruption as we continue to grow the business.

Aaron Grey^ Okay. Great. That's helpful color. And second for me is on cannabis retail. Just commenting on some of the same-store sales softness that you're seeing there.

Obviously some of it is just the market maturing, but curious if you're also seeing anything in terms of increased competitive market dynamics. And do you feel confident in terms of getting same-store sales back to positive in terms of some of that broader second half improvement in sales that you alluded to?

Zachary George^ Yes. It's a great question. And there are multiple factors driving this result.

One is maturity, as you pointed to. There still is very stiff competition amongst operators. When you look at our levels of profitability, even with this emerging flatness in terms of growth, we compare very nicely amongst the top three operators in Canada.

I'm personally very concerned since the start of the Iran war, you've seen gasoline and heating oil prices, for example, up 20% to 35% as these commodities face the Canadian consumer. And so I think discretionary spend is -- has been challenged.

We talked about this as a concern in prior quarters.

But what was already challenging became very, very acute early this year with energy pricing escalating so dramatically.

So we're watching it really carefully.

We have levers to pull.

We -- our profit enhancement plan is targeting even further efficiencies and margin improvement.

So we're not standing still, and we do have a plan to improve performance.

But there are certain elements of the macro environment that are going to continue to have an impact and we're working to overcome those.

Alberto Paredero-Quiros<sup>^</sup> Some more color, Aaron, to that.

If you look at the composition of our revenue, a little bit north of 85% of our sales in cannabis retail.

It's in the Alberta and Ontario provinces. Both those two provinces are declining revenue, as Zach mentioned, driven by the saturation already in those markets and as well as the challenges consumers are facing.

Specifically, Alberta that represents close to 55% of our revenue.

The market has been declining 3% in the first quarter.

I'm sure that you have access to the same type of information. And Ontario has been declining close to 1% in that period.

So obviously we're facing the headwinds that our larger markets are the ones that are declining and more mature and saturated.

We need to put it as well in the context that last year, during the first half of the year, we're seeing very high single-digit growth rates in these markets, too.

In the first half of last year, the focus from the market and us as well has been different as of late. And as you can see, we're improving one full percentage point the gross margin.

So while we have been doing that already for a few years.

So we're seeing a slight decline in same-store sales -- we continue focusing on opening the right doors, the right profitable doors, but as well improving the margin profile.

We anticipate that as we start lapping as well in the second half of the year, softer revenue profile from 2025, we'll see better performance of sales.

But obviously we'll continue with our strategy, as I said before on improving efficiencies, margins and as well as opening new doors where it makes sense.

Operator^ I am showing no further questions in the queue at this time.

So I will turn the call back over to Zach for closing remarks.

Zachary George^ Thank you. And thank you to all for joining us today.

We look forward to updating you on our progress in the near future. Thank you.

Operator^ This concludes today's conference call. Thank you for participating.

And you may now disconnect.