Nasdaq: SNDL

# SUNDIAL

ALCANNA

## Sundial Growers Inc. Acquisition of Alcanna Inc.

October 2021

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ALCANNA

NOVA CANNABIS

# TRANSACTION HIGHLIGHTS

- Improved sustainable cash flow profile with expansion into liquor
- Enhanced exposure with investment in Nova, a publicly listed, pure-play cannabis retail operator
- Provides deeper retail expertise as Canada's largest private liquor retailer
- Cost and revenue synergies anticipated through operational efficiencies and additional market share with the Nova retail platform
- Alcanna shareholders to participate in and help create the future of Sundial

# TRANSACTION SUMMARY

## Proposed Transaction

- Sundial will acquire Alcanna Inc. (“Alcanna”) via a court-approved plan of arrangement (the “Transaction”)
- For each Alcanna common share held, Alcanna shareholders will receive 10.69 common shares of Sundial, representing a deemed value of $9.12 per Alcanna common share
  - Consideration in Sundial common shares issued on the 10-day VWAP ending October 6, 2021
- Total consideration of approximately $346 million

## Key Approvals & Conditions

- Both Sundial’s and Alcanna’s Board of Directors have unanimously approved the Transaction
- All directors and officers of Alcanna, who own common shares of Alcanna, as well as certain other shareholders, have entered into voting support agreements and have agreed to vote in favour of the Transaction
- Alcanna shareholder approval required
- Customary closing conditions, regulatory and court approvals required
- Termination fee payable to Sundial of $10mm if the Transaction is terminated under certain circumstances

## Timing

- Special meeting of Alcanna shareholders is expected to be convened by Alcanna in December 2021 to approve the Transaction
- The Transaction is expected to close in December 2021 or in the first quarter of 2022

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# SUNDIAL GROWERS

- Current management team has successfully executed on improving Sundial's financial profile by extinguishing debt[1], guiding the company to EBITDA profitability and raising over $1.2bn of capital in YTD 2021
- Focus now on sustainable growth opportunities with best-in-class cannabis branded products with an emphasis on premium inhalables
- Largest private retailer of cannabis products in Canada with over 100 store locations across 6 provinces
- Portfolio of high-quality cannabis investments as part of SunStream Bancorp Inc., a joint venture between Sundial and SAF Group focused on deploying capital in the cannabis sector

## Proudly Canadian with Corporate Headquarters in Calgary, Alberta



| Enterprise Value[2,5] | Market Capitalization[2] | Unrestricted Cash[3] | Debt | FD Shares Outstanding | Employees[4] |
|---|---|---|---|---|---|
| **$517 million** | **$1.7 billion** | **$743 million ($0.36/share)** | **$Nil** | **2.1 billion** | **526** |

NOTES

1. Sundial announced its debt-free status in Dec-20
2. Canadian Dollars; assumes USD/CAD exchange rate of 1.2613 and share price of US$0.63 as of market close on October 6, 2021
3. Includes $115MM of investments in marketable securities as of October 6, 2021
4. Includes Sundial and Spiritleaf employees as of October 1, 2021
5. Enterprise value includes lease liabilities

# SUNDIAL RESHAPES ITS BUSINESS MODEL
## WITH A FOCUS ON TWO PILLARS

### Cannabis and Liquor Operations

**UPSTREAM**
Cannabis Cultivation

**MIDSTREAM**
Cannabis Product Manufacturing

**DOWNSTREAM**
Cannabis and Liquor Retail

### Investment Operations

SunStream Bancorp

Canadian Cannabis Credit

Select M&A Focused Equity Investments

**Building a stable business model focused on recurring cash flow**

# ALCANNA AND NOVA CANNABIS OVERVIEWS

ALCANNA

- Canada's largest private liquor retailer with over 25 years of experience in the regulated products retail market
- Proven track record of successfully implementing a value-focused growth strategy in the liquor retail space
- The company has a history of generating strong cash flows and has generated $16.4mm in free cash flows in the last four quarters
- Operates 171 stores[1] across its three main retail banners (Ace, Liquor Depot, Wine and Beyond)
- Strategic partner and shareholder of Nova Cannabis with ~63% equity ownership[1]

NOVA CANNABIS

- Leading retailer with 62 locations across AB, SK and ON
- Employs a discount-oriented retail model focused on providing high-quality products at the best prices
- Alcanna, being a strategic shareholder, provides low-cost administrative and support functions for Nova's operations

ACE LIQUOR DISCOUNTER

LIQUOR depot

WINE AND BEYOND SPIRITS BEER & MORE

Value Buds

NOVA CANNABIS

NOTES
1. As of October 6, 2021

# RETAIL BANNER OVERVIEW

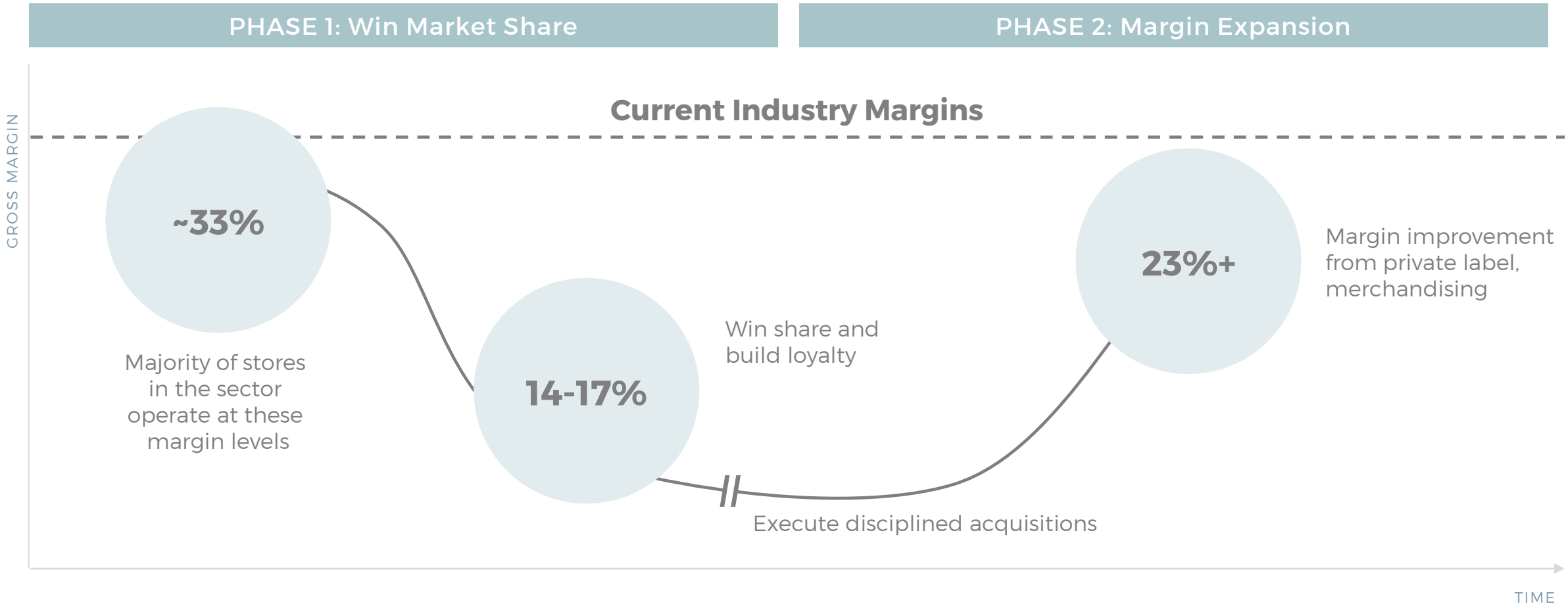
Pro forma company will have **five core retail banners** across the cannabis and liquor segments

| | CANNABIS SEGMENT | | LIQUOR SEGMENT | | |
|---|---|---|---|---|---|
| | SPIRITLEAF | NOVA CANNABIS | ACE LIQUOR DISCOUNTER | LIQUOR depot | WINE AND BEYOND SPIRITS BEER & MORE |
| **Focus Consumer Segment** | Core | Discount | Discount | Convenience | Destination |
| **Provincial Presence** | AB, BC, SK, MB, ON, NFLD | AB, SK, ON | AB | | AB, BC |
| **Store Count[1]** | 108 | 62[2] | 112 | 50 | 9 |
| **Latest 3M Annualized System-Wide Revenue[3]** | $161.8mm | $140.7mm | $344.5mm | $163.3mm | $104.9mm |
| **Total 3M Annualized Segment Revenue** | $302.5mm | | $612.8mm | | |

**Combined retail banners will cover both end of the target consumer spectrums**

NOTES
1. As of October 6, 2021
2. Includes YSS, Nova, and Sweet Tree stores that are converting into Value Buds stores
3. Last 3M from June 2021 to August 2021

# NOVA CANNABIS:
# CANNABIS RETAIL TO MIRROR LIQUOR SUCCESS

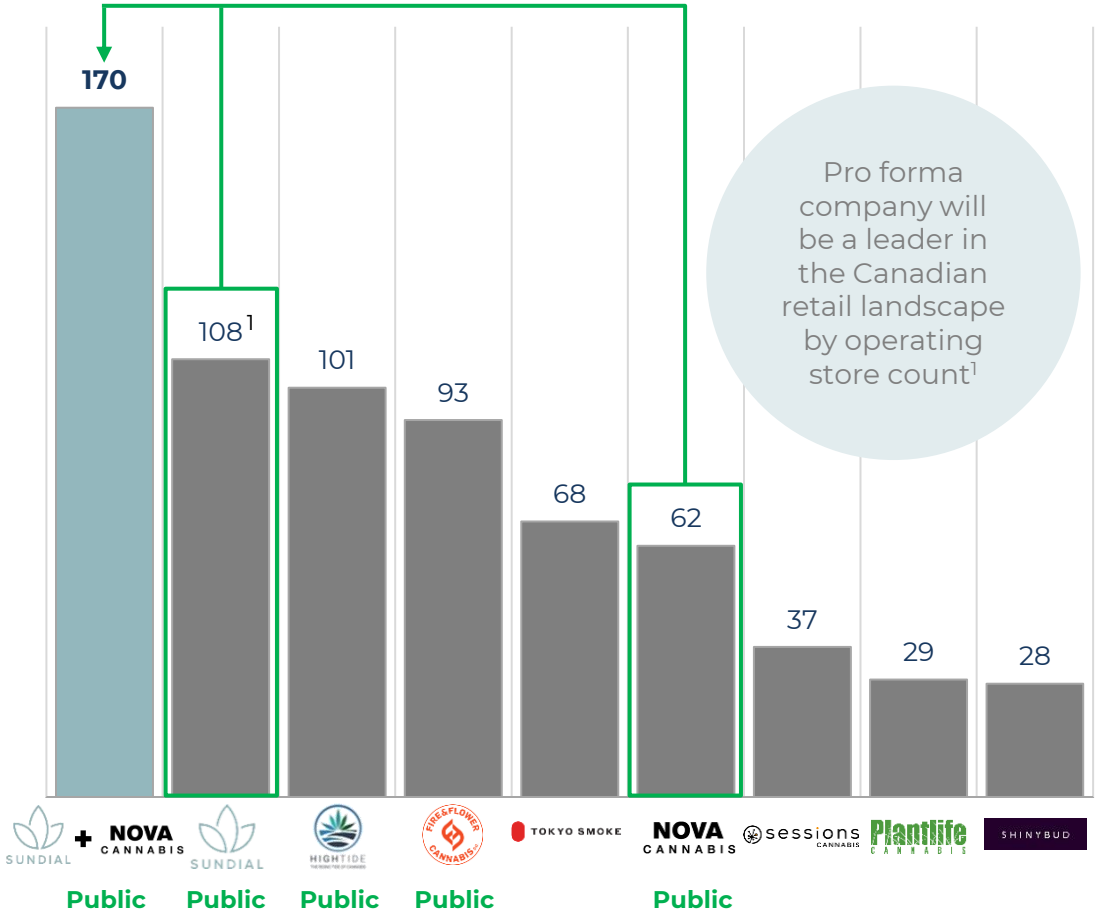


# PRO FORMA CANNABIS RETAIL FOOTPRINT

## GEOGRAPHICAL FOOTPRINT




## CANADA'S LARGEST CANNABIS RETAILER




**Serving All Cannabis Consumer Segments With A Coast-to-Coast Presence**

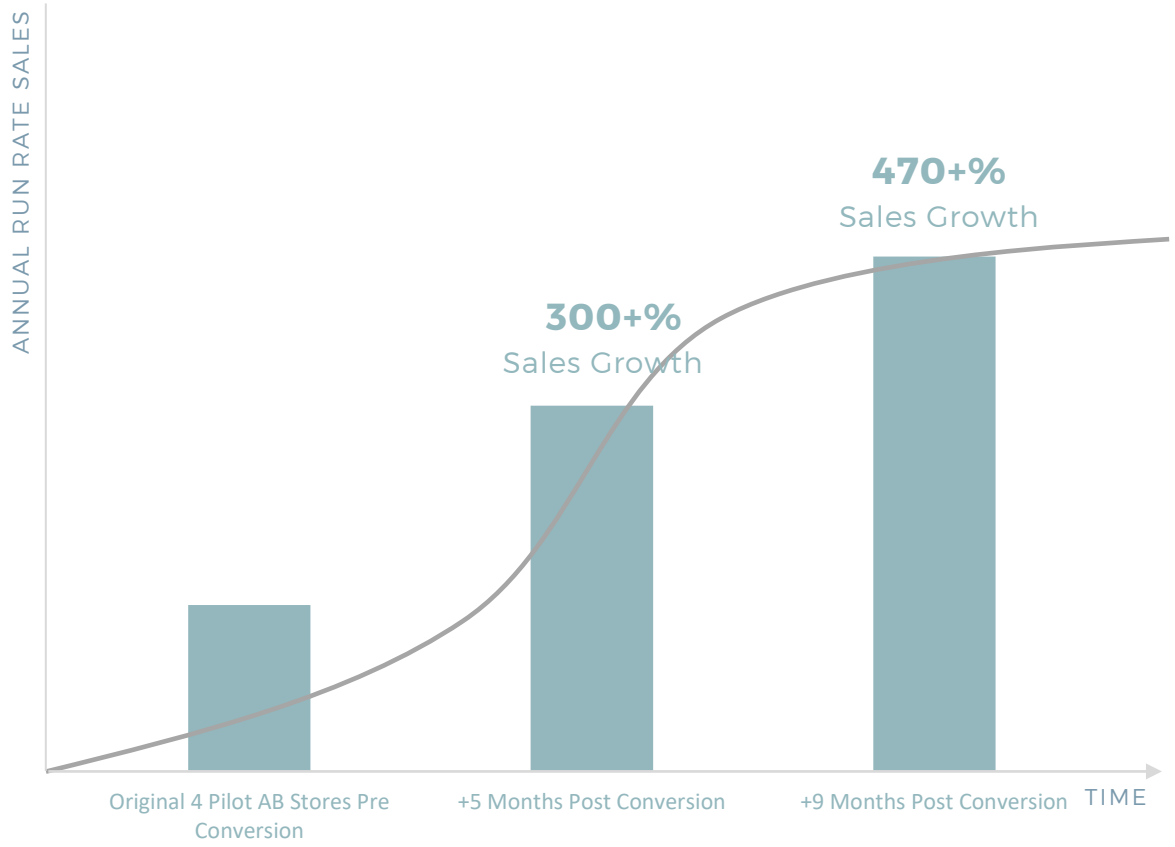
**Leading The Cannabis Retail Industry With 170 Combined Operating Locations To Date[1]**

NOTES

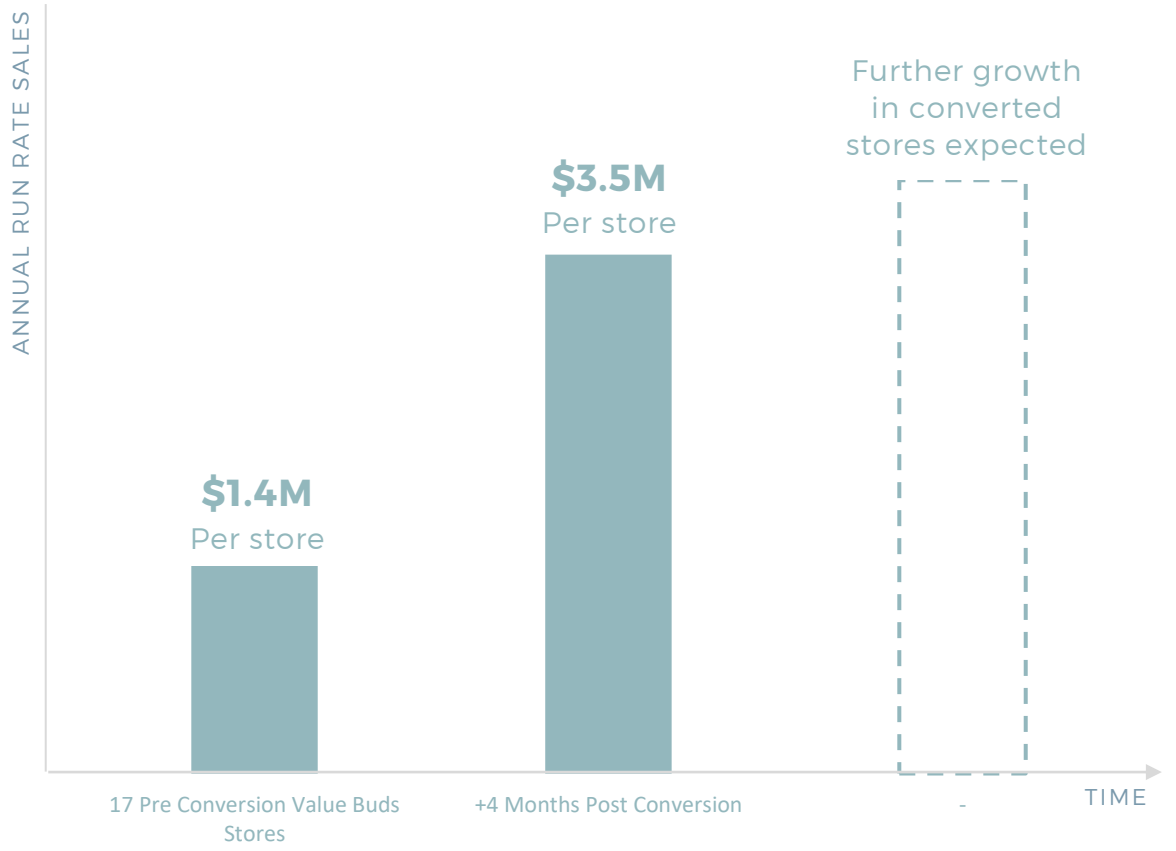
1. As of October 6, 2021; Sundial store count includes a mix of corporate and franchise Spiritleaf stores

# NOVA CANNABIS:
# A PROVEN DISCOUNT MODEL IN CANNABIS

Nova Pilot Discount Stores experienced significant growth since conversion with annual run rate sales of $3.1mm per pilot store




Nova converted an additional 17 stores in early 2021 to Value Buds now generating over $3.5mm annual run rate sales per store with further growth expected




NOTES
- Nova Cannabis management estimates

# MULTIFACETED COST AND REVENUE SYNERGIES

| | | |
|---|---|---|
| Cost Synergies | Operational Efficiencies and Improvements | • Alcanna's operational infrastructure is robust and able to support a large retail store count<br>• Combined retail operations will deliver process efficiencies and optionality for future retail expansion with minimal incremental costs |
| | Corporate | • Consolidation of corporate functions<br>• Immediate savings realized in public company reporting costs |
| Revenue Synergies | Incremental Retail Exposure | • Nova currently does not sell any Sundial branded products<br>• Significant incremental shelf space for Sundial's brands |
| | Leading retail presence | • Nova provides exposure to value-focused consumers, the largest customer segments in Canada |

**Estimated $15mm+ of additional EBITDA expected through synergies and other strategic initiatives**

# KEY SHAREHODLER BENEFITS




Provides exposure to Sundial's two core pillars: cannabis operations in Canada and a stable investment portfolio through its SunStream Bancorp Inc. joint venture

Sundial's balance sheet strength provides a unique opportunity for Alcanna shareholders to participate in investment growth in the regulated product sector

Alcanna's longstanding liquor business provides Sundial with stable positive free cash flows through a mature and proven business model

Participation in the growth prospects of the combined company for both Sundial and Alcanna shareholders

SUNDIAL

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