**Nasdaq: SNDL**

# SUNDIAL

## Corporate Presentation

**May 2022**

Revised May 13, 2022

SUNDIAL

# DISCLAIMER

Forward-looking statements

Certain statements contained in this presentation may constitute forward-looking information and statements. All statements in this presentation, other than statements of historical fact, that address events or developments concerning Sundial Growers Inc. ("Sundial" or the "Company" or "SNDL") that Sundial expects to occur are "forward-looking information and statements". Forward-looking information and statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "propose", "potential", "targeting", "intend", "could", "might", "should", "believe", "budgeted", "scheduled" and "forecasts", and similar expressions and variations (including negative variations).

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# >440Kft$^2$

## INDOOR CULTIVATION

CANNABIS




# 350+

## RETAIL STORES

CANNABIS + LIQUOR



# $598 MM

## STRATEGIC INVESTMENTS

SUNDIAL

# SUNDIAL GROWERS

- Largest private sector distributor of cannabis and liquor in Canada with 354 retail locations
- Focused on building a leading regulated products platform capable of generating sustained profitability and free cash flow
- Improved Sundial's financial profile by extinguishing debt[1] and raising over $1.2bn of capital over the last six quarters
- Portfolio of high-quality cannabis senior secured credit investments as part of SunStream Bancorp Inc., a joint venture between Sundial and SAF Group



| Enterprise Value[2] | Market Capitalization[2] | Cash and Marketable Securities[3] | Debt | FD Shares Outstanding | Employees[4] |
|---|---|---|---|---|---|
| **$900 million** | **$1.2 billion** | **$400 million ($0.17/share)** | **$Nil** | **2.4 billion** | **2,500** |

NOTES

1. Sundial announced its debt-free status in December 2020
2. Canadian Dollars; assumes USD/CAD exchange rate of 1.2953 and share price of US$0.384 as May 13, 2022
3. Includes $39MM (fair value estimate) of investments in marketable securities as of May 13, 2022
4. Includes Sundial, Nova and Alcanna employees as of May 13, 2022

# A LEADING REGULATED PRODUCTS PLATFORM

# OUR FOUR PILLARS

## Cannabis Operations

- Agile and purpose-built cannabis cultivation and processing facility
- Diverse brand portfolio from Value to Premium
- Focus on market-dominant inhalable formats

## Cannabis Retail

- Canada's largest retail footprint with 183 stores
- Diverse retail experiences from every day low cost to premium
- Own the customer relationship through robust analytics supported by customer insight

## Liquor Retail

- Canada's largest private liquor retailer with 171 stores
- Diverse retail footprint from low-cost convenience stores to large format destination locations
- Operational experience and scale in competitive and regulated retail environments

## Investments

- SunStream Bancorp Inc.
- Cannabis Credit
- Select M&A Focused Equity Investments

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# Q1 2022 CONSOLIDATED RESULTS

## NET INCOME

($38.0)MM

($134.4 MM) – Q1 2021

## ADJUSTED EBITDA

($0.7)MM

$3.3MM - Q1 2021

## NET REVENUE

$17.6MM

$9.9MM - Q1 2021

## GROSS MARGIN[1]

$3.4MM

($3.4) MM - Q1 2021

## SMG&A COSTS[2]

$11.8 MM

$8.0MM - Q1 2021

## REVENUE WITH ALCANNA (PRO FORMA)[3]

$164.5 MM

NOTES

1. Before inventory obsolescence
2. Sales, marketing and general and administration expenses, excluding non-cash share-based compensation "SMG&A"
3. Includes combined revenue as if Alcanna was acquired on January 1, 2022




ALCANNA

NOVA CANNABIS

# TRANSACTION HIGHLIGHTS

- Improved cash flow profile with expansion into liquor retail
- Improved revenue profile with the largest private cannabis retail network in Canada
- Increased optionality with majority ownership of Nova, a publicly listed, pure-play private cannabis retail operator
- Synergies from a larger retail operation
- Strengthened and more diversified leadership team

# COMPARABLE VALUATION ANALYSIS – BALANCE SHEET

| | Share Price | Share Price | Mkt Cap | Total Debt | Cash[1] | EV[2] | Net Cash / (Debt) + Securities per Basic S/O | 30D Avg. Daily Value Traded[3] | Total Cash / LQA Cash Flow From Ops[4] |
|---|---|---|---|---|---|---|---|---|---|
| | *US$ / sh* | *C$ / sh* | *C$mm* | *C$mm* | *C$mm* | *C$mm* | *C$ / sh* | *C$mm* | *Years* |
| Canopy Growth Corporation | US$5.89 | C$7.62 | $3,010 | $1,613 | $1,564 | $3,079 | ($0.12) | $82 | 2.3 |
| Tilray Brands, Inc. | US$4.54 | C$5.87 | $2,949 | $944 | $475 | $3,492 | ($0.94) | $274 | 2.0 |
| Cronos Group Inc. | US$3.29 | C$4.26 | $1,621 | – | $1,269 | $232 | $3.38 | $11 | 7.2 |
| Aurora Cannabis Inc. | US$2.82 | C$3.65 | $869 | $306 | $358 | $871 | $0.22 | $40 | 2.3 |
| OrganiGram Holdings Inc. | US$1.23 | C$1.59 | $501 | $0 | $151 | $359 | $0.48 | $15 | 46.9 |
| Village Farms International, Inc. | US$3.08 | C$3.98 | $353 | $85 | $54 | $415 | ($0.36) | $4 | 1.1 |
| **Average** | | | | | | | | **$71** | **10.3** |
| **Median** | | | | | | | | **$27** | **2.3** |
| **Sundial Growers Inc.[5]** | **US$0.38** | **C$0.50** | **$1,196** | **–** | **$511** | **$952** | **$0.45** | **$59** | **4.9** |

## Sundial has a best-in-class balance sheet among Canadian and US peers

NOTES

As of May 13, 2022; shares outstanding based on most recent quarterly financials and adjusted for share issuance transactions and other significant publicly disclosed transactions; figures presented on a fully diluted basis (TSM method); nmf = not meaningful; n/a = not applicable; estimates based on analyst consensus; CAD/USD exchange rate of 0.7733 used for the FX conversion; (1) Sundial's total cash balance includes cash, restricted cash and marketable securities; (2) Includes lease liabilities; (3) Includes values traded on both the U.S. and the Canadian exchanges; (4) Sundial's CFO includes results for 3M ending March 31, 2022 and Alcanna's results for 3M ending December 31, 2021; (5) Inclusive of Alcanna; net cash / (debt) + securities per share includes cash, marketable securities, SunStream and other credit investments

SOURCES

Company Filings, Press Releases, S&P Capital IQ, Bloomberg

# COMPARABLE VALUATION ANALYSIS – INCOME STATEMENT

| | Revenue | | | EBITDA | | | EV / Revenue | | | EV / EBITDA | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | CY21A | CY22E | CY23E | CY21A | CY22E | CY23E | CY21A | CY22E | CY23E | CY21A | CY22E | CY23E |
| | *C$mm* | *C$mm* | *C$mm* | *C$mm* | *C$mm* | *C$mm* | | | | | | |
| Canopy Growth Corporation | $576 | $572 | $669 | ($388) | ($196) | ($145) | 5.3x | 5.4x | 4.6x | nmf | nmf | nmf |
| Tilray Brands, Inc. | $740 | $832 | $1,010 | $58 | $74 | $142 | 4.7x | 4.2x | 3.5x | 59.8x | 47.0x | 24.6x |
| Cronos Group Inc. | $97 | $148 | $208 | ($208) | ($109) | ($75) | 2.4x | 1.6x | 1.1x | nmf | nmf | nmf |
| Aurora Cannabis Inc. | $231 | $214 | $242 | ($64) | ($25) | $19 | 3.8x | 4.1x | 3.6x | nmf | nmf | 46.5x |
| OrganiGram Holdings Inc. | $90 | $142 | $194 | ($26) | $10 | $25 | 4.0x | 2.5x | 1.8x | nmf | 36.1x | 14.1x |
| Village Farms International, Inc. | $348 | $401 | $479 | $18 | ($7) | $31 | 1.2x | 1.0x | 0.9x | 22.8x | nmf | 13.4x |
| **Average** | | | | | | | **3.6x** | **3.1x** | **2.6x** | **41.3x** | **41.6x** | **24.6x** |
| **Median** | | | | | | | **3.9x** | **3.3x** | **2.7x** | **41.3x** | **41.6x** | **19.3x** |
| **Sundial Growers Inc.[1]** | **$782** | **$711** | **$958** | **$63** | **$79** | **$92** | **1.2x** | **1.3x** | **1.0x** | **15.2x** | **12.1x** | **10.3x** |

- Sundial's revenues are largely driven by retail operations with more consistent performance vs. peers
- Current EBITDA is derived from both a sustainable liquor business and credit investment performance

**Sundial trades at sustainable multiples and a material discount to peer Canadian large cap licensed producers**

NOTES

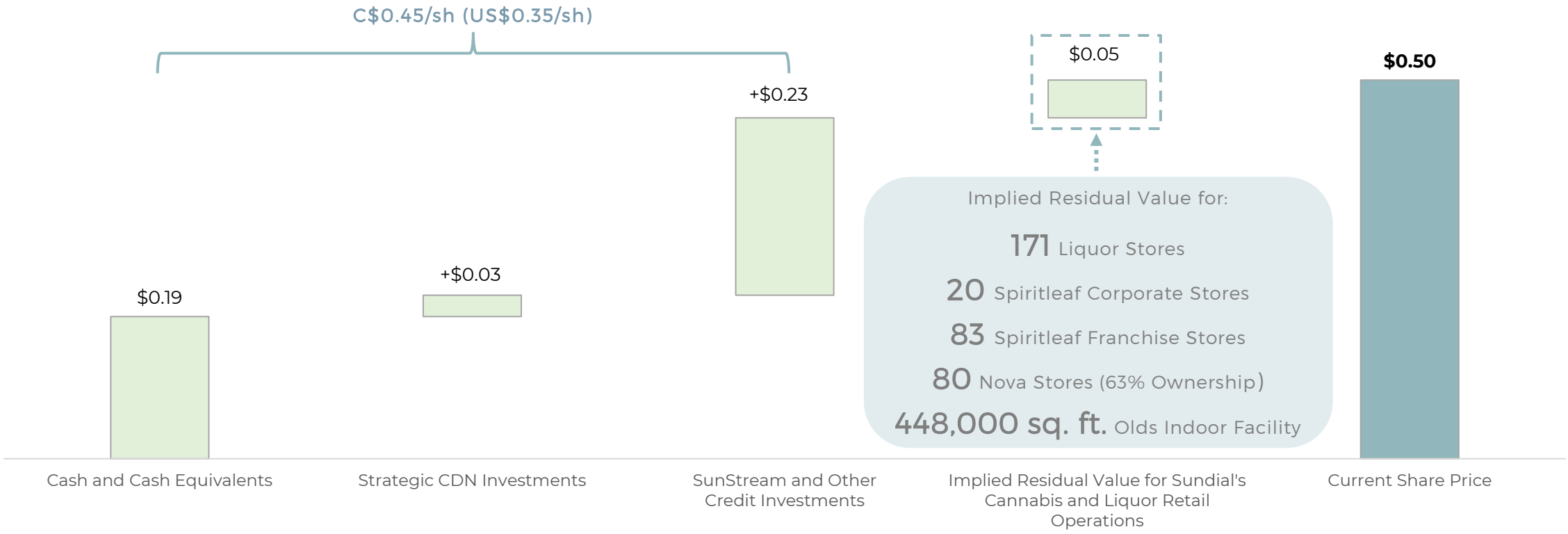
As of May 13, 2022; shares outstanding based on most recent quarterly financials and adjusted for share issuance transactions and other significant publicly disclosed transactions; figures presented on a fully diluted basis (TSM method); nmf = not meaningful; n/a = not applicable; estimates based on analyst consensus; (1) Inclusive of Alcanna

SOURCES

Company Filings, Press Releases, S&P Capital IQ (consensus estimates)

# NET ASSET VALUE WATERFALL

(Denoted in C$ /sh)




**Sundial's current share price implies only ~$120mm of enterprise value[1] on its operational footprint**

NOTES

As of May 13, 2022; Cash and cash equivalents, marketable securities, SunStream and other credit investments based on most recent financials for period ending March 31, 2022; adjusted for subsequent events and inclusive of Alcanna; CAD/USD exchange rate of 0.7733 used for the FX conversion; (1) Excludes lease liabilities of $266mm

SOURCES

Company Filings, Press Releases

# CANNABIS PRODUCTION AND CULTIVATION

SUNDIAL

# SUNDIAL CULTIVATION AND PRODUCTION OPERATIONS

| +$169M NR | >60,000,000 | 10 Provincial |
|---|---|---|
| Since 2019[1] | Grams Harvested | Distribution Listings[3] |

Sundial brands and products seek to meet and delight evolving consumer preferences with an agile production footprint

TOPLEAF — THE CRAFT OF CANNABIS — SUNDIAL PALMETTO Grasslands

| SELECT SUNDIAL CANNABIS OPERATIONAL HIGHLIGHTS | |
|---|---|
| Gross Margin Improvement | Gross margin for Q1 2022 was negative $0.2 million compared to negative $3.5 million for Q1 2021. The gross margin improvement demonstrates Sundial's progress in implementing supply chain excellence to drive discipline around cost optimization, despite intense price compressions and lower revenue. |
| Highest THC Potency Average | Sundial continues to achieve higher sequential weighted average THC potency reaching its highest percentage results in the first quarter of 2022 with 23.9% THC, validating the Company's focus on improvements in cultivation. |

NOTES

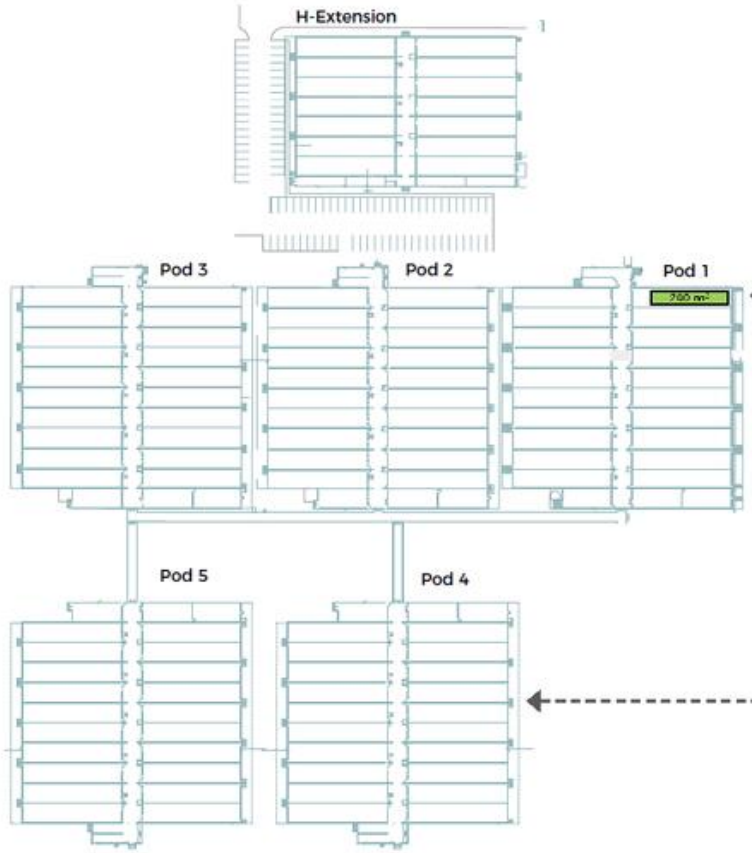
1. Estimated total cumulative cannabis net revenue ("NR") as of May 13, 2022
2. Estimated total cumulative cannabis grams harvested as of May 13, 2022
3. As of May 13, 2022

# COMMITMENT TO CULTIVATION EXCELLENCE

## Olds, AB 448,000 sq. ft. Purpose Built Indoor Facility

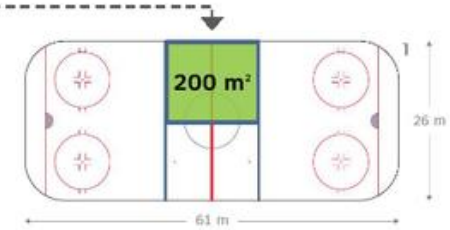
### Proud Cultivators, Honing Capabilities

- Controlling upstream cannabis cultivation is critical to Sundial's business model
- Indoor modular room format improves product consistency and quality, enabling Sundial to deliver small-batch-at-scale
- Many industry peers are moving away from internal cultivation, relying on "micro growers" and wholesale spot market
- In Q4 2021, Sundial experienced record-breaking average potency results at harvest since operations began at Olds




### Small-Batch-At-Scale

- Health Canada micro cultivation licenses allow Micro Licensed Producers to grow up to 200m2 (~2,150 sq. ft.) and 600kg




- 1 x Sundial modular purpose-built small-batch-at-scale grow room is ~268m2 (~2,880 sq. ft.) with no kg restrictions



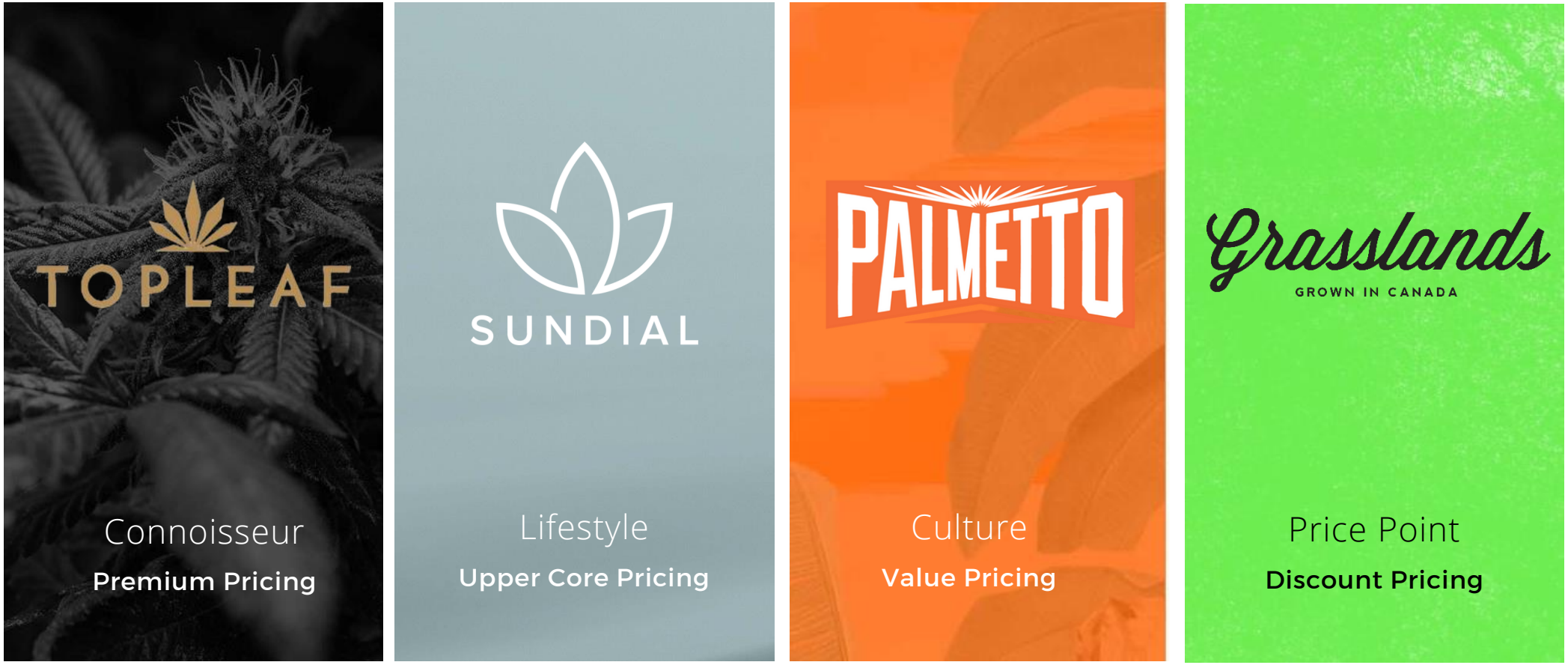
**Sundial is committed to cultivation excellence with a total capacity of 114 small-batch modular grow rooms**

NOTES

1. For visual representation and may not be identical to design scale

# OUR BRAND PORTFOLIO

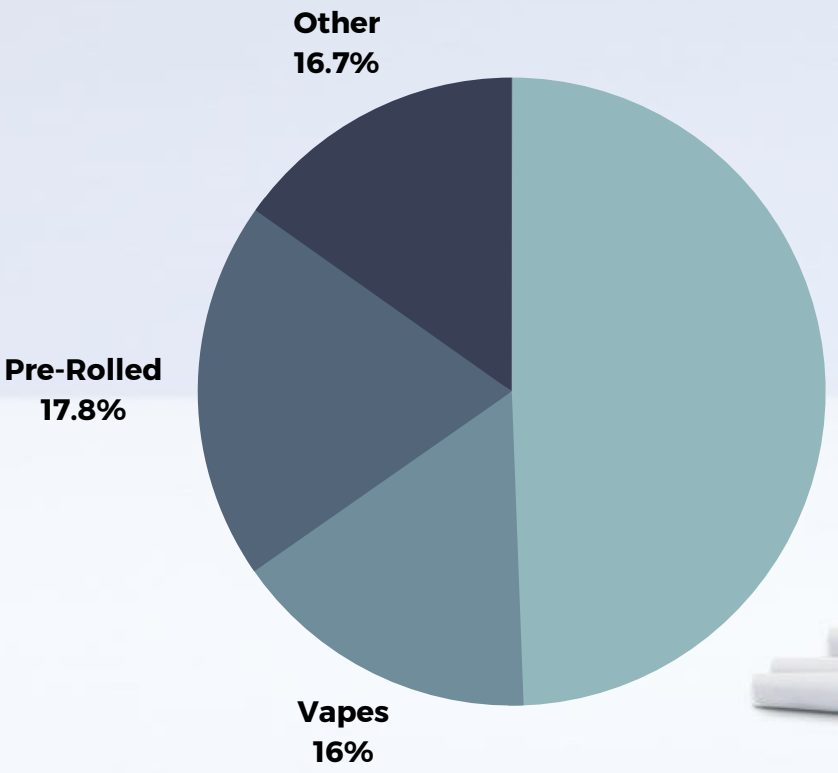
We have developed a brand portfolio to target a range of high value market segments.




**$$$** PRICE PER GRAM/UNIT **$**

# A FOCUS ON INHALABLES

The core inhalable segments Sundial is focused on representing the vast majority of the Canadian adult-use market in 2021.




**OCS Wholesale & Ecommerce Sales by Product Type**

January 1, 2022 to March 31, 2022



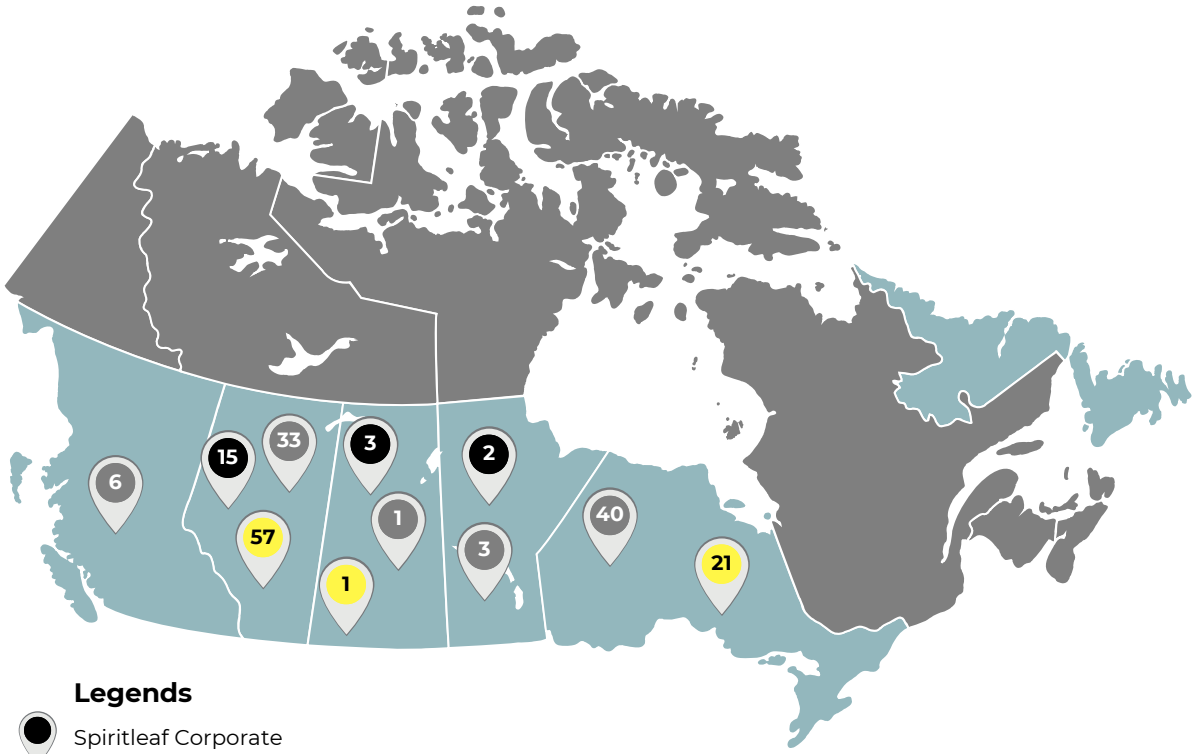



# CANNABIS RETAIL

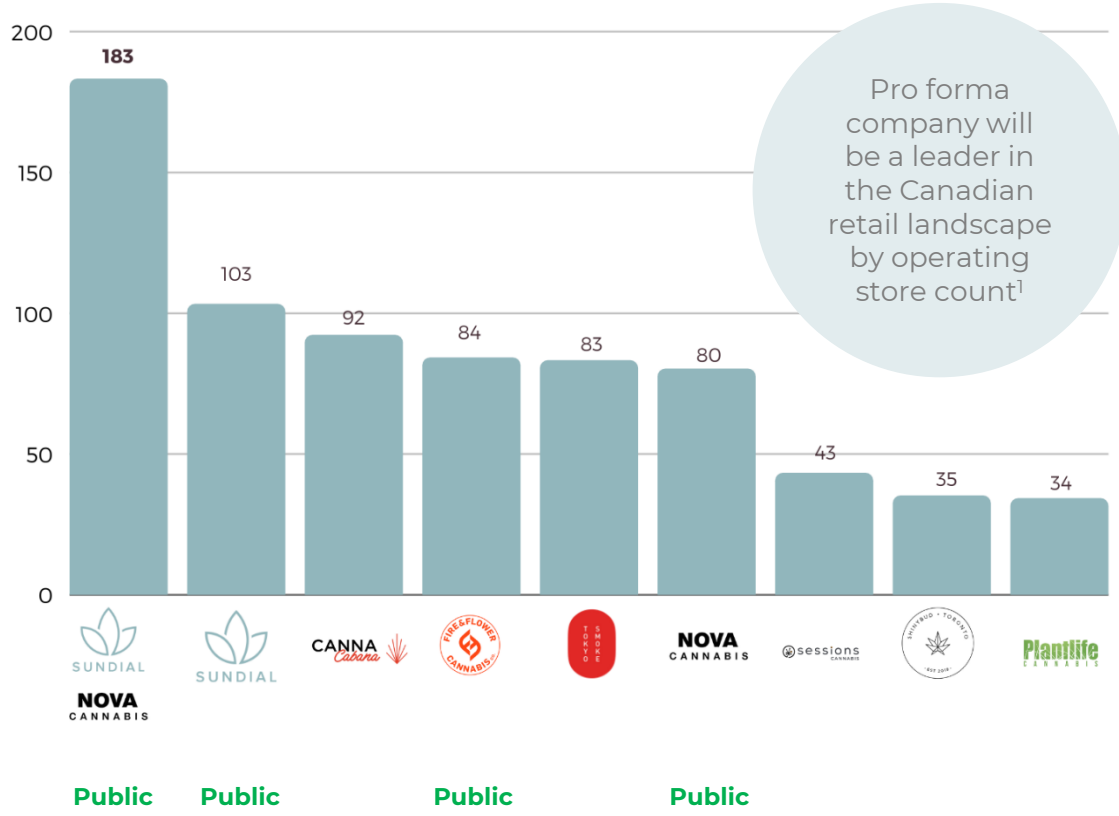
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# CANNABIS RETAIL FOOTPRINT

## GEOGRAPHICAL FOOTPRINT




## CANADA'S LARGEST CANNABIS RETAILER




Pro forma company will be a leader in the Canadian retail landscape by operating store count[1]

**Strengthening our Distribution Infrastructure and Retail Operations**

**Leading The Cannabis Retail Industry With 183 Combined Operating Locations To Date[1]**

NOTES

1. As of May 13, 2022; Sundial store count includes a mix of corporate and franchise Spiritleaf stores

# SUNDIAL CANNABIS RETAIL

Sundial manages **two cannabis retail banners**

| | SPIRITLEAF | Value Buds |
|---|---|---|
| **Focus Consumer Segment** | Core | Discount |
| **Provincial Presence** | AB, BC, SK, MB, ON | AB, SK, ON |
| **Store Count[1]** | 103 | 80 |
| **Latest 3M Annualized System-Wide Revenue[2]** | $138.4mm | $194.7mm |
| **Total 3M Annualized Segment Revenue** | $333.1mm | |

**Combined retail banners cover both ends of the target consumer spectrum**

NOTES
1. As of May 13, 2022
2. Last 3M from January 2022 to March 2022

# SUNDIAL CANNABIS RETAIL

**$7.5 M Gross Revenue in Q1 2022**

**+425,000 Collective Members**

**183 stores**[2]

Sundial is the largest private cannabis retailer in Canada

SPIRITLEAF

Value Buds

| SELECT SUNDIAL CANNABIS RETAIL HIGHLIGHTS | |
|---|---|
| System-Wide Sales [1] | System-wide retail sales were $34.6 million, generating approximately $2.1 million of franchise royalty and fee income for Sundial in Q1 2022. |
| Access to Unique Insights | By gaining insight into thousands of daily shopper, Sundial intends to optimize offerings, pricing, and promotions in both liquor and cannabis locations to better serve customers. |

NOTES

1. System-wide retail sales is a non-IFRS financial measure. Reflects Nova sales subsequent to the date of acquisition.
2. As of May 13, 2022

SPIRITLEAF
SELECTS




**Spiritleaf launches a new private-label offering**

# Our Selection, Always Enjoyed.

The Spiritleaf Selects concept was built on collaboration and a shared purpose among our growers and retail network – *having a lasting impact on the industry together*.

## BRAND PURPOSE

A quality brand you can trust, recommended by the most trusted source.

## BRAND STORY

Curated by your Concierge. Your Adventure Awaits.

## REASON TO BELIEVE

New offerings with good potency and a fair price from a trusted source.

# LIQUOR RETAIL

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# SUNDIAL LIQUOR RETAIL

Sundial manages **three liquor retail banners**

| | ACE LIQUOR DISCOUNTER | LIQUOR depot | WINE AND BEYOND SPIRITS BEER & MORE |
|---|---|---|---|
| **Focus Consumer Segment** | Discount | Convenience | Destination |
| **Provincial Presence** | AB | | AB, BC |
| **Store Count[1]** | 132 | 27 | 12 |
| **Latest 3M Annualized System-Wide Revenue[2]** | $286.9mm | $80.9mm | $90.9mm |
| **Total 3M Annualized Segment Revenue** | $458.9mm | | |

**Combined retail banners cover both ends of the target consumer spectrum**

NOTES
1. As of May 13, 2022
2. Last 3M from January 2022 to March 2022

# SUNDIAL LIQUOR RETAIL

**$114.7M Revenue in Q1 2022** [1]

**171 Locations** [2]

Sundial is the largest private liquor retailer in Canada

ACE LIQUOR DISCOUNTER

LIQUOR depot

WINE AND BEYOND SPIRITS BEER & MORE

| SELECT SUNDIAL CANNABIS LIQUOR HIGHLIGHTS | |
|---|---|
| One-Day Revenue | The retail liquor segment results are comprised of one day of operations following the acquisition on March 31, 2022 and gross revenue was $1.3 million. |
| One-Day Margin | The retail liquor segment results are comprised of one day of operations following the acquisition on March 31, 2022 and gross margin was $0.3 million. |

NOTES

1. Sundial does not account for the results of the liquor retail segment prior to the acquisition date. This represents the results of Alcanna's retail locations for the period from January 1, 2022 to March 31, 2022
2. As of May 13, 2022

# INVESTMENTS



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# SUNDIAL INVESTMENTS

| $650MM | ($17.7MM) | $361MM[1] |
|---|---|---|
| Capital Deployed | Investment Income in 2021 | Cash Available to be Deployed |

Focused on deploying capital within the cannabis sector on an attractive risk-adjusted basis and broader opportunities within financial services

| SELECT SUNDIAL INVESTMENT HIGHLIGHTS | |
|---|---|
| Investment Capital | The investment portfolio generated interest and fee revenue of $3.9 million, share of the profit of equity-accounted investees generated from investments by SunStream of $4.1 million, and an investment loss of $17.7 million on marketable securities, which includes unrealized losses on publicly disclosed strategic investments in Village Farms International, Inc. and The Valens Company Inc. |
| Strategic Investments | Sundial continues to strategically deploy its capital with a focus on maximizing cash flows and shareholder value. |

NOTES

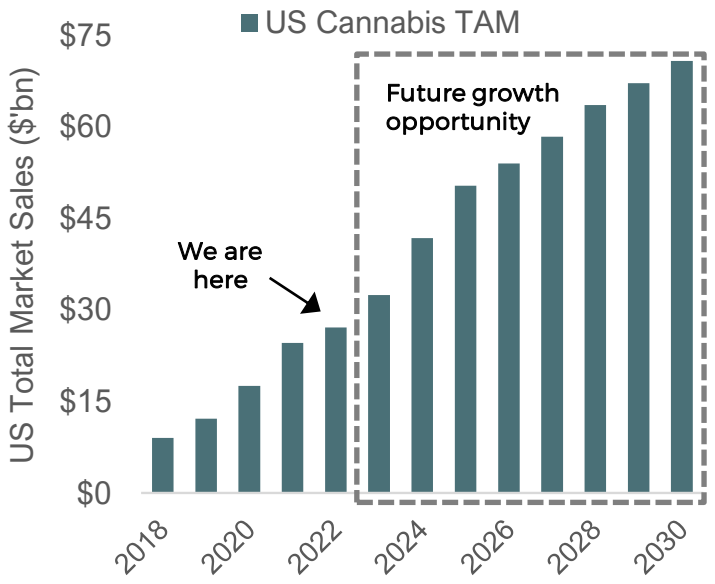
1. As of May 13, 2022

# SunStream Overview – Investment Opportunity

The US cannabis market continues to present a compelling credit opportunity driven by (i) strong market growth, (ii) limited institutional capital, and (iii) depressed equity valuations driving non-dilutive financings

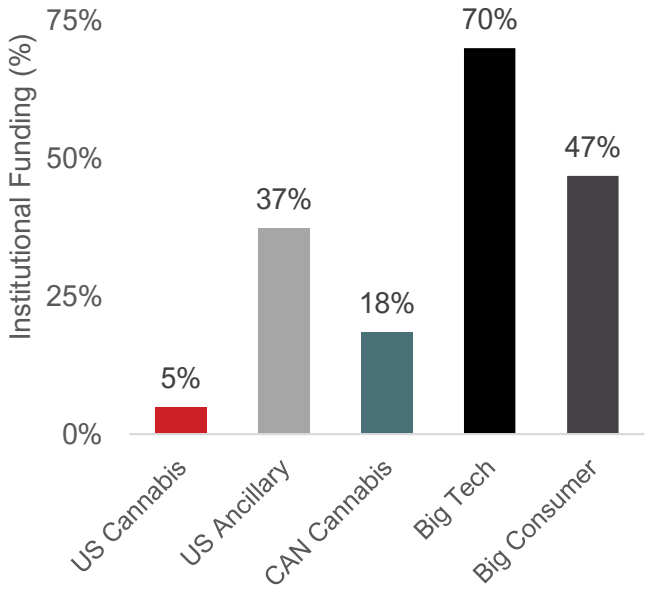
## Opportunity Drivers

### Largest Cannabis Market in the World[1][2]



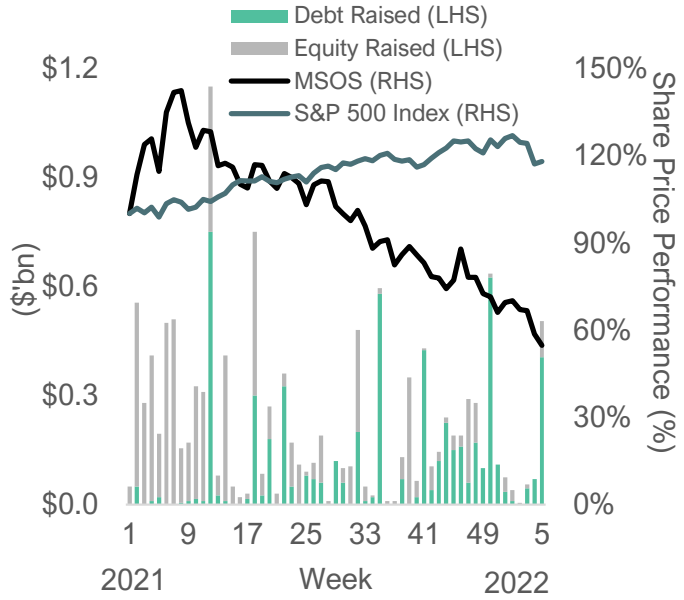

- Valuations US legal cannabis market is expected to reach ~$50bn by 2025[2] and $71bn by 2030[1]
- Largest cannabis market in the world
- Significant adult-use markets (i.e. NY, NJ, FL) still yet to come online/scale requiring significant capital

### Limited Institutional Capital[1]




- Traditional institutional capital is precluded from US cannabis due to federal regulations
- US cannabis operators face limited equity/debt capital availability
- Significant opportunity for first-mover alternative investment funds

### Valuations Materially Compressed[3]




- US cannabis valuations have materially compressed since the Georgia run-off in Q1/21
- Market dynamics have driven non-dilutive financings from Q2/21 to Q1/22
- **Over indexed debt vs equity financings likely will generate special situations opportunities**

NOTES

1. Jefferies Research Feb/22
2. Cantor Research Mar/22
3. Viridian Cannabis Deal Tracker Week Ending Feb 4, 2022; Bloomberg

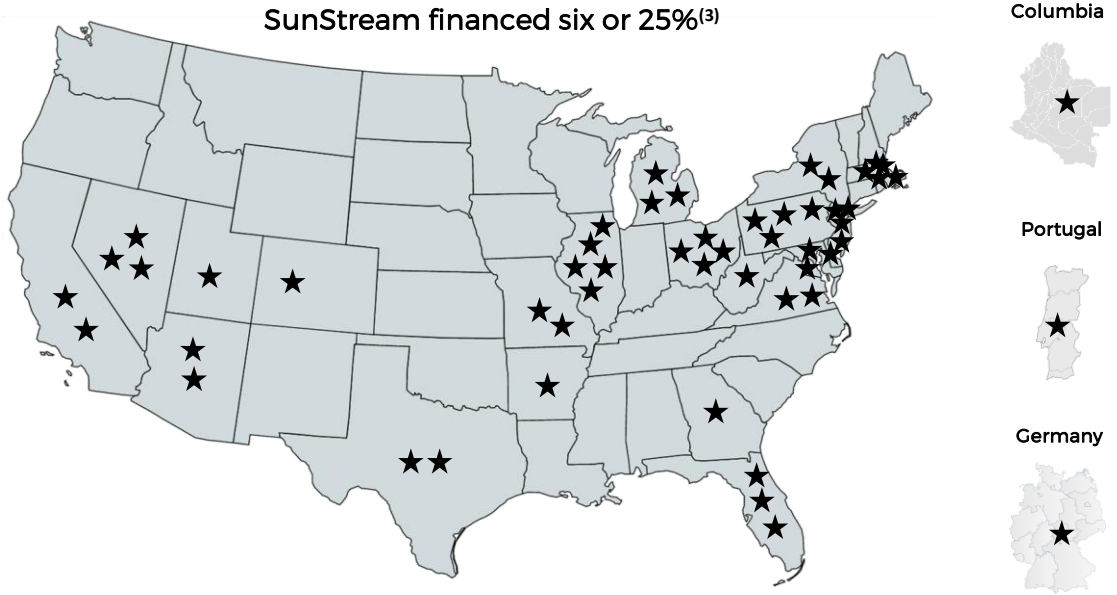
# SunStream Overview – Performance To-Date

**Sunstream**

| | |
|---|---|
| (1) | Established as a premier lender to the US Cannabis Industry since inception Q1/21 |
| (2) | Constructed a $380mm[4] portfolio comprised of six credits with a weighted average HTM yield of ~16% as of YE/21 |
| (3) | Active pipeline comprised of $450mm[5] of new actionable deals |
| (4) | Built significant domain expertise reviewing more than $3bn of potential opportunities[6] |
| (5) | Distributed ~$21mm back to Sundial as at YE/21 |
| (6) | Significant brand equity built to springboard other financial services initiatives |

## Portfolio Geographical Diversity[1]

~24 cannabis debt issuances occurred in 2021[2] in of which SunStream financed six or 25%[3]




## IPO Dynamics Update

- Cannabis In Dec/21, SunStream announced the filing of a draft registration statement for the IPO of a business development company ("**BDC**")
- Ongoing competitive pressures in multiple US markets are presenting attractive risk-adjusted credit opportunities where the flexibility of remaining a private vehicle is a competitive advantage
- As a result, and in the context of other challenged US cannabis-focused lender IPO attempts, SunStream continues to evaluate timing to maximize shareholder value

NOTES

1. As of Q1/22; note implies states with operations for portfolio investments, not asset location specific
2. Select publicly released >$22mm debt financings including SunStream portfolio
3. SunStream portfolio as of Q4/21
4. Total committed principal amount as of Dec/21
5. Total principal amount as of Mar/22 subject to negotiations
6. Estimated total principal amount since inception Q1/21

# LEADERSHIP TEAM



**Zachary George**
Chief Executive Officer



**Jim Keough**
Chief Financial Officer



**David Gordey**
Chief Administration Officer



**Andrew Stordeur**
President and COO



**Marcie Kiziak**
President, Cannabis Retail



**Tank Vander**
President, Liquor Retail



**Matthew Hewson**
General Cousel and SVP,
Legal & Regulatory Affairs



**Robbie Madan**
Chief Information and
Digital Officer



**Ryan Hellard**
Chief Strategy Officer

SELECT PREVIOUS EXPERIENCE

MARS · Kellogg's · MOLSON COORS beverage company · Microsoft · KPMG · EY

# ANALYST COVERAGE

| | |
|---|---|
| ATB Financial | FREDERICO GOMES |
| BMO | TAMY CHEN |
| CG Canaccord Genuity | SHAAN MIR |
| CANTOR Fitzgerald | PABLO ZUANIC |
| COWEN | VIVIEN AZER |

SUNDIAL

**SOPHIE PILON**

Investor Relations and Communications

INVESTORS@SUNDIALGROWERS.COM