

CANOPY GROWTH

Q1 2021 EARNINGS PRESENTATION

August 10th, 2020



TOKYO SMOKE



DISCLAIMERS AND CAUTIONARY STATEMENTS

This presentation contains “forward-looking statements” and “forward-looking information” within the meaning of applicable U.S. and Canadian securities laws (collectively, “**forward-looking statements**”), which involve certain known and unknown risks and uncertainties. Forward-looking statements predict or describe our future operations, business plans, business and investment strategies and the performance of our investments. These forward-looking statements are generally identified by their use of such terms and phrases as “intend,” “goal,” “strategy,” “estimate,” “expect,” “project,” “projections,” “forecasts,” “plans,” “seeks,” “anticipates,” “potential,” “proposed,” “will,” “should,” “could,” “would,” “may,” “likely,” “designed to,” “foreseeable future,” “believe,” “scheduled” and other similar expressions. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statement was made. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive risks, financial results, results, performance or achievements expressed or implied by those forward-looking statements and the forward-looking statements are not guarantees of future performance. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. A discussion of some of the material factors applicable to Canopy Growth Corporation (“**Canopy**”) can be found under the section entitled “Risk Factors” in Canopy’s Annual Report on Form 10-K for the year ended March 31, 2020, filed with the Securities and Exchange Commission and with applicable Canadian securities regulators, as such factors may be further updated from time to time in its periodic filings with the Securities and Exchange Commission and with applicable Canadian securities regulators, which can be accessed at www.sec.gov/edgar and www.sedar.com, respectively. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this presentation and in the filings. Any forward-looking statement included in this presentation is made as of the date of this presentation and, except as required by law, Canopy disclaims any obligation to update or revise any forward-looking statement. Readers are cautioned not to put undue reliance on any forward-looking statement. Forward-looking statements contained in this presentation are expressly qualified by this cautionary statement.



NON-GAAP MEASURES

Adjusted EBITDA is a non-U.S. GAAP measure used by management that is not defined by U.S. GAAP and may not be comparable to similar measures presented by other companies. Adjusted EBITDA is calculated as the reported net loss, adjusted to exclude income tax recovery (expense), other income (expense), net, and loss on equity method investments, share-based compensation expense, depreciation and amortization expense, asset impairment and restructuring costs, and charges related to the flow-through of inventory step-up on business combinations, and further adjusted to remove acquisition-related costs. The Adjusted EBITDA reconciliation is presented within the earnings press release of Canopy dated August 10, 2020 and explained in Canopy's Quarterly Report on Form 10-Q for the three months ended June 30, 2020, filed with the Securities and Exchange Commission and with applicable Canadian securities regulators, which can be accessed at www.sec.gov/edgar and www.sedar.com, respectively.

Adjusted Gross Margin and Adjusted Gross Margin Percentage are non-GAAP measures used by management that are not defined by U.S. GAAP and may not be comparable to similar measures presented by other companies. Adjusted Gross Margin is calculated as gross margin excluding charges related to the flow-through of inventory step-up associated with business combinations. Adjusted Gross Margin Percentage is calculated as Adjusted Gross Margin divided by Net Revenue. The Adjusted Gross Margin reconciliation is presented within the earnings press release of Canopy dated August 10, 2020 available on Canopy's EDGAR and SEDAR pages which can be accessed at www.sec.gov/edgar and www.sedar.com, respectively.

Free Cash Flow or FCF is a non-GAAP measure used by management that is not defined by U.S. GAAP and may not be comparable to similar measures presented by other companies. This measure is calculated as net cash provided by (used in) operating activities less purchases and deposits of property, plant and equipment. The Free Cash Flow reconciliation is presented within the earnings press release of Canopy dated August 10, 2020 and explained in the Company's Quarterly Report on Form 10-Q for the three months ended June 30, 2020, filed with the Securities and Exchange Commission and with applicable Canadian securities regulators, which can be accessed at www.sec.gov/edgar and www.sedar.com, respectively.



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TODAY'S SPEAKERS



David Klein
CEO



Mike Lee
EVP & CFO

AGENDA

- ❖ **Q1 2021 Key Takeaways**
- ❖ **Progress Against Our Key Strategic Priorities**
- ❖ **Q1 2021 Financial Results**
- ❖ **Q&A**

Q1 2021 KEY TAKEAWAYS

Advancing against our key strategic priorities

- Our consumer-centric approach is bringing to life a portfolio of differentiated products
- We are strengthening our performance in Canada and accelerating growth in the US
- We are improving our execution and increasing agility

Q1 2021 results showed resilient performance against a volatile backdrop

- Net revenue grew 22% versus Q1 2020
- Adjusted EBITDA loss narrowed to \$92mm versus both Q1 2020 and Q4 2020

Balancing our cost discipline while investing for growth

- Reduced headcount by more than 18% since December 2019
- SG&A expense ratio declined versus Q1 2020 and Q4 2020
- Free Cash Flow improved by more than 50% compared to Q1 2020

PROGRESSING ON OUR STRATEGIC PRIORITIES

CONSUMER-CENTRIC

- Value-flower share improving post nationwide price reset of Twd.
- Implementing programs to strengthen market positioning of mainstream and premium flower, and vape products
- Differentiated 2.0 products expanded in the marketplace; #1 share in beverages in Canadian Recreational
- Flower quality improvement programs underway; enhanced moisture content of flower products

WIN IN OUR CORE MARKETS

- Improving execution and nimbleness in Canada
- ShopCanopy.com launched in the US
- A robust pipeline of innovations in the US market, including preparation for the much-anticipated Martha Stewart launch
- BioSteel RTD beverages expanding distribution with key retailers
- Maintained #1 market share in Germany flower segment ; #2 market share in Canada medical

DRIVE QUALITY EXECUTION

- New organizational design and operating model driving quicker decision-making
- Supply attainment up from 56% to 87% in Q1 2021; over 90% in recent weeks
- More than doubled our beverage production in July and expected to nearly double again in August to ensure consistent supply levels
- End-to-end review of supply chain already identifying several near-term opportunities



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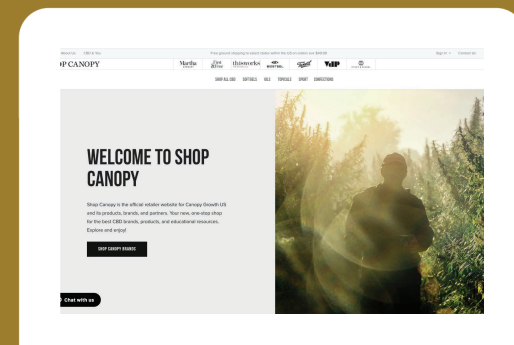


BUILDING POSITIVE MOMENTUM



SHOP CANOPY




















Just launched:
a one-stop online shop
for Canopy's
US CBD products
shopcanopy.com



TRACKING OUR KPI

- #1 Market share in PEI and Nova Scotia/Prince Edward Islands; top 3 in most provinces in Canadian Recreational
- #1 Market share in Germany dried flower
- Supply attainment improved to 87% in Q1 2021
- Q1 2021 gross margins negatively impacted by lower production output as well as manufacturing variances and inventory adjustments
- Working capital improvement driven by reduced spending on inventory
- Capex declined versus a year ago

 Meeting or Exceeding Target
  Approaching Target
  Below Target

	Q4 2020	Q1 2021
WIN WITH CONSUMER		
#1 or #2 Market Share in Canada		
#1 or #2 Market Share in US		
#1 or #2 Market Share in Germany		
Net Sales Growth (YoY)		
QUALITY EXECUTION		
Customer Order Fill Rate ¹		
Stock Out at Retail		
ACHIEVE PROFITABILITY		
Gross Margin ²		
SG&A Ratio Trend ³		
ACHIEVE POSITIVE CASH FLOW		
Working Capital Trend ⁴		
Capex Trend ⁵		



1. Customer Order Fill Rate: Target of at least 95% in supply attainment (inventory availability per plan)
2. Gross Margin: Near-term target of 40%
3. SG&A Ratio Trend: Target declining trend in SG&A as % of sales
4. Working Capital Trend: Target a declining trend in working capital
5. Capex Trend: Target a declining trend in capex

Q1 2021 FINANCIAL RESULTS



Q1 2021 KEY FINANCIAL HIGHLIGHTS

<i>(CDN in millions)</i>	Q1 21	Q1 20	vs. Q1 20
Net Revenue	\$110	\$90	22%
Adjusted Gross Margins	7%	20%	(13pp)
Adjusted EBITDA	(\$92)	(\$93)	1%
Free Cash Flow	(\$180)	(\$370)	51%
Cash/Marketable Secs.	\$2,037	\$3,141	(35%)

Key Takeaways

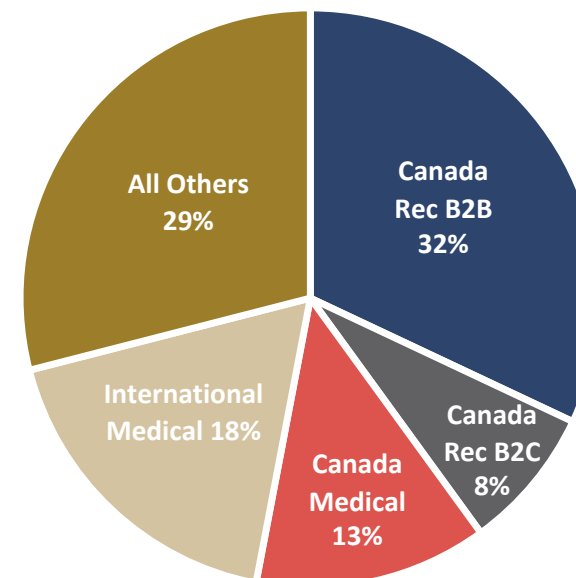
- ❖ Net revenue increased by 22%, driven by higher medical sales, strong Storz & Bickel vaporizer sales, and acquisition benefits versus Q1 2020
- ❖ Adjusted gross margin of 7% was negatively impacted by lower production output as well as manufacturing variances and inventory adjustments
- ❖ Adjusted EBITDA loss narrowed slightly driven by lower SG&A expenses, offset by a reduction in gross margin
- ❖ Free Cash Flow of -\$180mm was a more than 50% improvement versus Q1 2020

REVENUE PERFORMANCE BY SEGMENT

- ❖ Global medical businesses grew a combined 54% year over year
- ❖ All Others sales grew 71%, driven in part by S&B sales growth of 76% versus Q1 2020 led by expanded distribution in the US market

(CDN in millions)	Q1 21	Q1 20	vs. Q1 20
Canadian Recreational Net Revenue:			
B2B	\$34.9	\$38.9	(10%)
B2C	\$9.3	\$10.6	(12%)
Canadian Recreational Net Revenue	\$44.2	\$49.5	(11%)
Canadian Medical Net Revenue	\$13.9	\$11.7	19%
International Medical Net Revenue	\$20.2	\$10.5	92%
All Others Net Revenue	\$32.1	\$18.8	71%
Net Revenue	\$110.4	\$90.5	22%

Q1 2021 NET REVENUE MIX

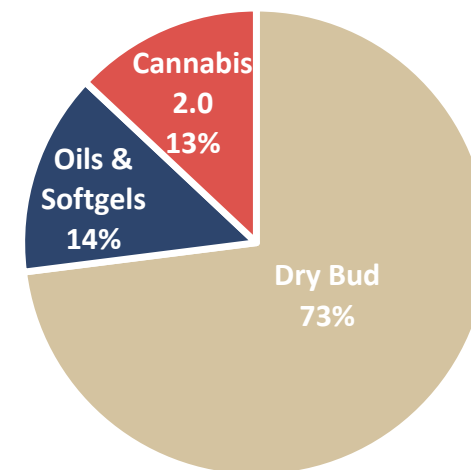


REVENUE PERFORMANCE BY FORMAT

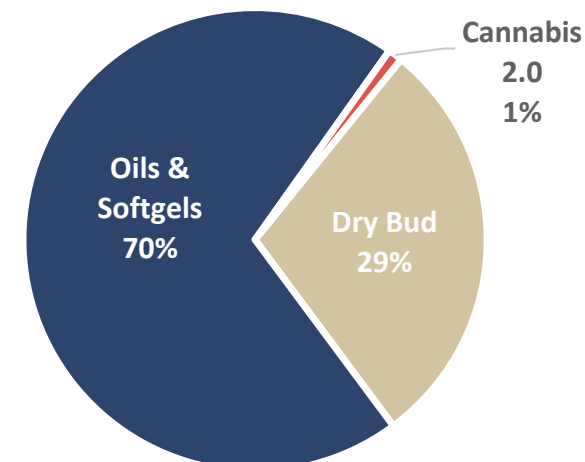
- ❖ Cannabis 2.0 products accounted for 13% of Canadian Recreational sales
- ❖ Flower and pre-roll sales declined in Q1 2021 versus Q1 2020
- ❖ In Medical, oil & softgels accounted for 70% of total revenue

(CDN in millions)	Q1 21	Q1 20	vs. Q1 20
Canadian Recreational:			
Dry Bud	\$40.1	\$60.9	(34%)
Oils & Softgels	\$7.7	\$8.2	(6%)
Cannabis 2.0 products	\$7.0	-	NM
Other Revenue Adjustments	(\$3.4)	(\$8.0)	58%
Excise Taxes	(\$7.2)	(\$11.5)	37%
Global Medical:			
Dry Bud	\$10.2	\$7.2	42%
Oils & Softgels	\$25.0	\$16.3	53%
Cannabis 2.0 products	\$0.3	-	NM
Excise Taxes	(\$1.4)	(\$1.4)	4%
All Others Net Revenue	\$32.1	\$18.8	71%
Net Revenue	\$110.4	\$90.5	22%

Canadian Recreational Sales by Format - Q1 2021

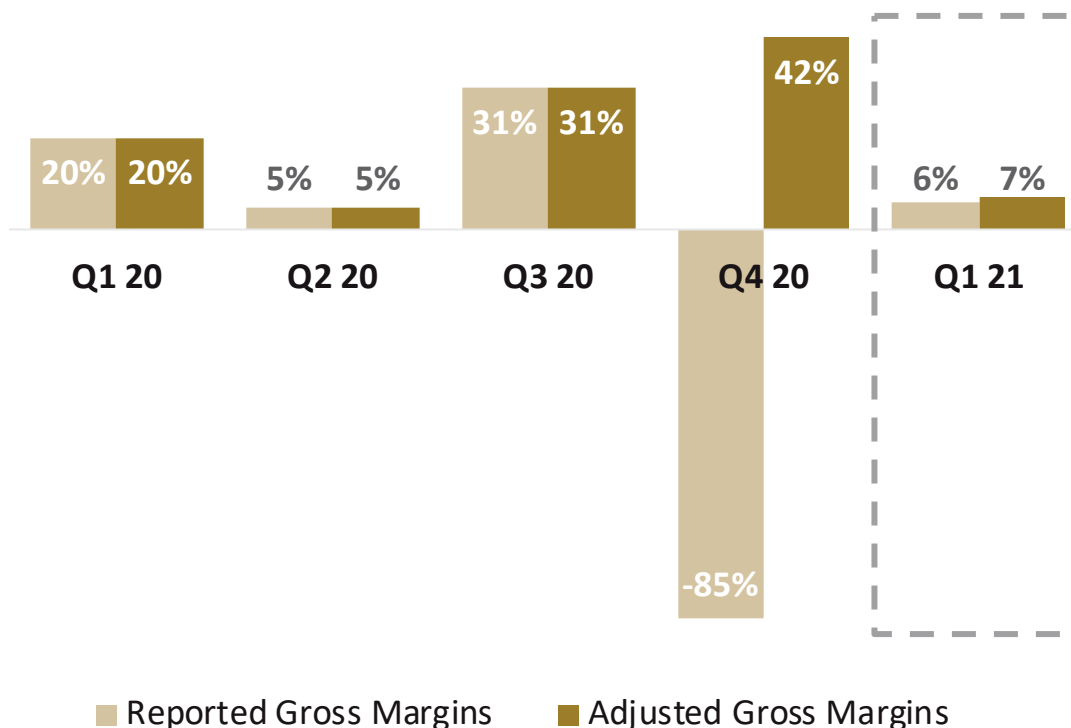


Global Medical Sales by Format - Q1 2021



GROSS MARGIN PERFORMANCE

Quarterly Gross Margin Trend



Drivers of Q1 2021 Gross Margin Performance

(-) ~\$18mm impact related to under-absorption of fixed overhead costs

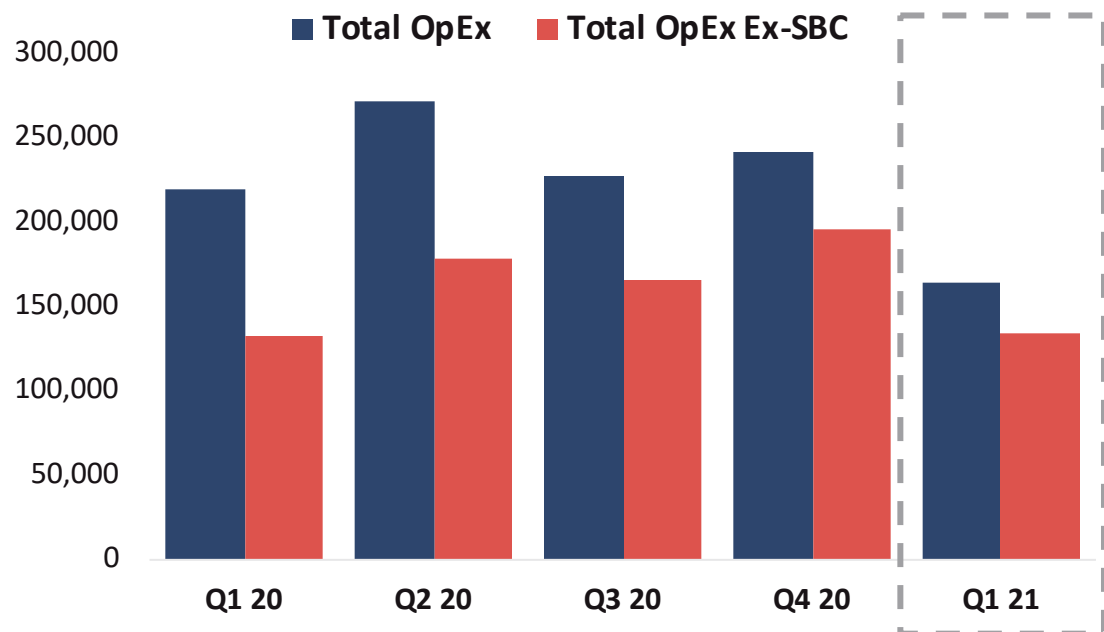
(-) ~\$11mm related to manufacturing variances including out-of-spec production that did not meet new targeted THC ranges

(-) ~\$5mm in inventory provision based on revised forecasts relative to our inventory holding policy

(+) Increased contribution from higher-margin C3, Storz & Bickel, and This Works businesses

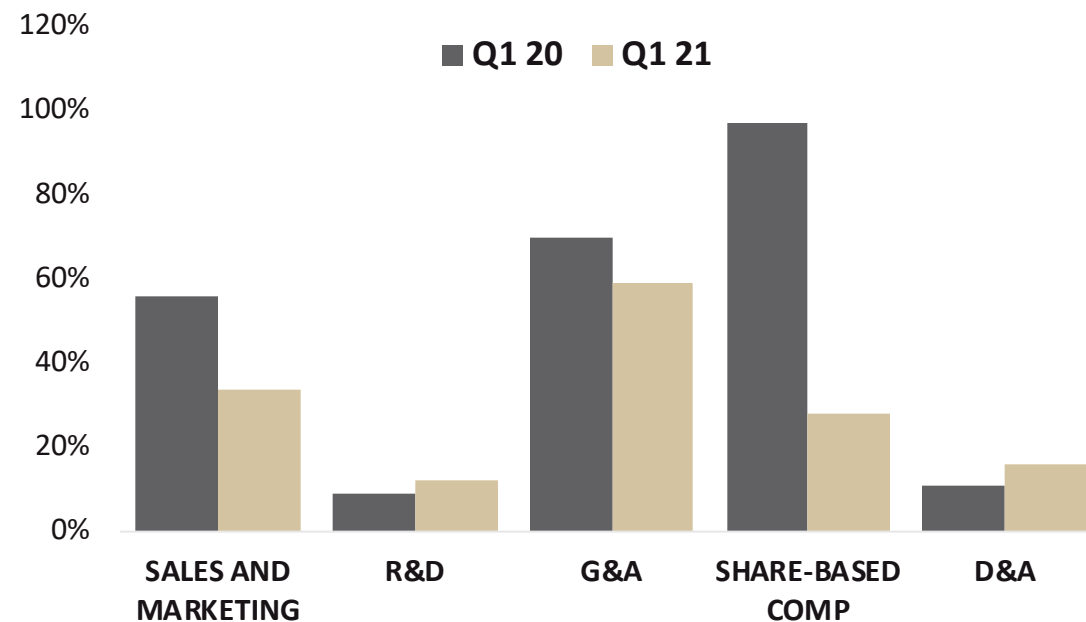
OPEX TREND

Quarterly OpEx Trend (C\$ in `000s)



- ❖ Total OpEx declined by 25% versus Q1 2020
- ❖ Headcount down more than 18% since December 2019

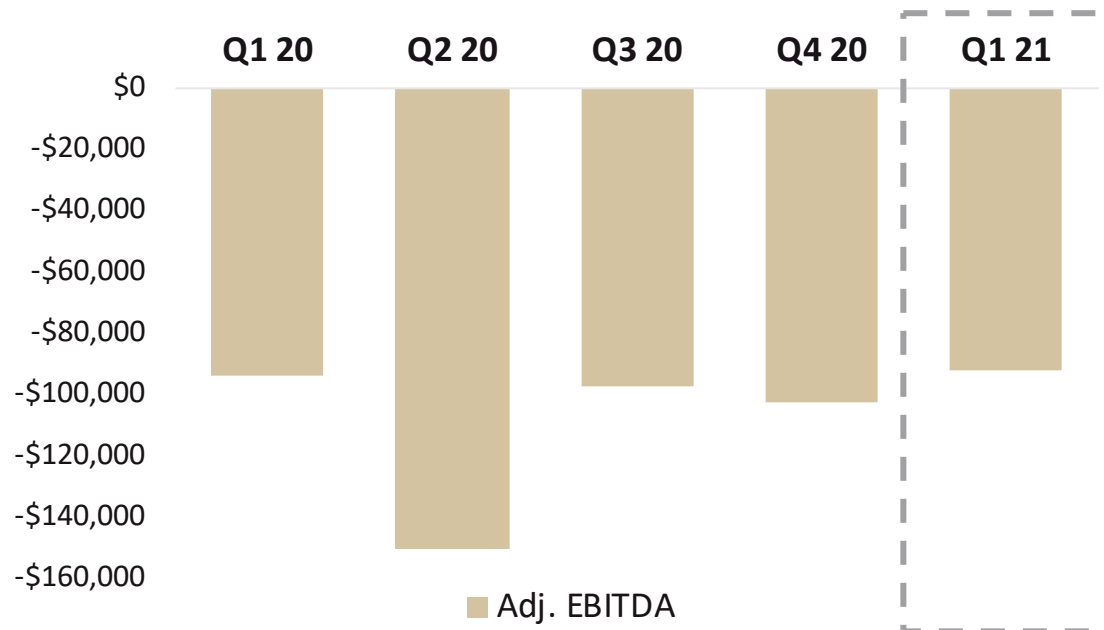
OpEx as a Percentage of Net Sales (Q1 2021 vs. Q1 2020)



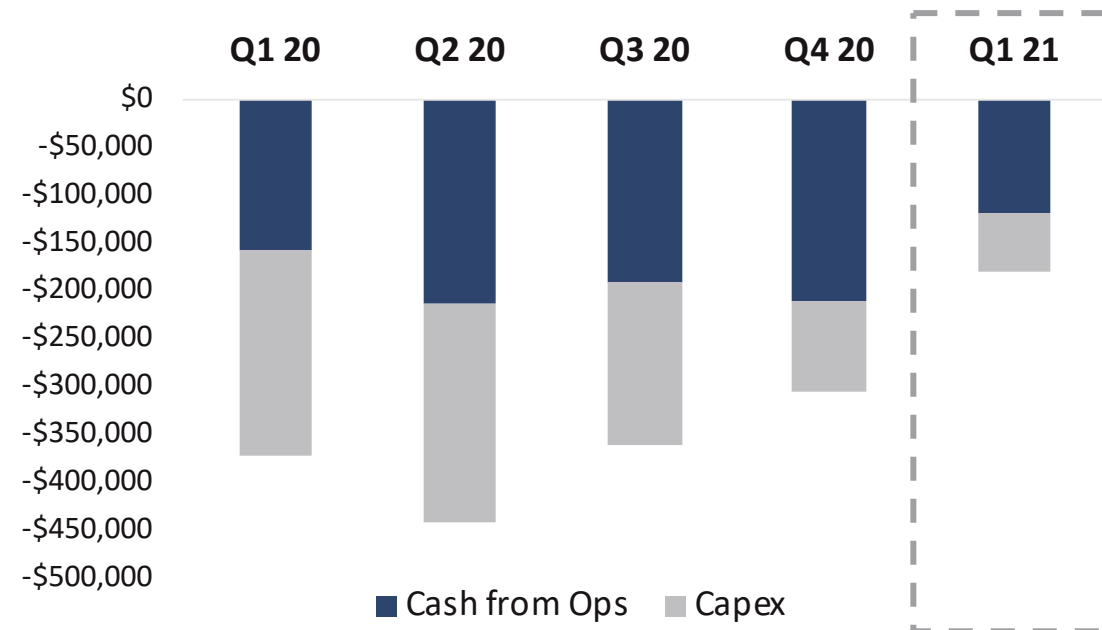
- ❖ Selling & Marketing down more than 25% versus Q1 2020
- ❖ Share-based compensation expenses down more than 60% compared to a year-ago period

ADJUSTED EBITDA AND FREE CASH FLOW

Adjusted EBITDA Trend (C\$ in `000s)



Free Cash Flow Trend (C\$ in `000s)



Free Cash Flow—50% improvement over Q1 2020

APPENDIX

Adjusted Gross Margin Reconciliation (Non-GAAP)

Adjusted Gross Margin¹ Reconciliation (Non-GAAP Measure)

(in thousands of Canadian dollars, unaudited)

	Three months ended June 30,	
	2020	2019
Net revenue	\$ 110,416	\$ 90,482
Gross margin, as reported	6,495	18,290
Adjustments to gross margin:		
Charges related to the flow-through of inventory step-up on business combinations	1,213	-
Adjusted gross margin ¹	\$ 7,708	\$ 18,290
Adjusted gross margin percentage ¹	7%	20%

¹ Adjusted gross margin and adjusted gross margin percentage are non-GAAP measures. See "Non-GAAP Measures".

Adjusted EBITDA Reconciliation (Non-GAAP)

Adjusted EBITDA¹ Reconciliation (Non-GAAP Measure)

(in thousands of Canadian dollars, unaudited)

	Three months ended June 30,	
	2020	2019
Net loss	\$ (128,322)	\$ (194,051)
Income tax (recovery) expense	(3,038)	10,267
Other (income) expense, net	(48,205)	(32,768)
Loss on equity method investments	7,189	1,833
Share-based compensation ²	30,685	87,362
Acquisition-related costs	1,394	13,182
Depreciation and amortization ²	34,047	20,752
Asset impairment and restructuring costs	12,794	-
Charges related to the flow-through of inventory step-up on business combinations	1,213	-
Adjusted EBITDA ¹	<u>\$ (92,243)</u>	<u>\$ (93,423)</u>

¹ Adjusted EBITDA is a non-GAAP measure. See "Non-GAAP Measures".

² From Statement of Cash Flows.



Free Cash Flow (Non-GAAP) Reconciliation

Free Cash Flow Reconciliation¹

(in thousands of Canadian dollars, unaudited)

	Three months ended June 30,	
	2020	2019
Net cash used in operating activities	\$ (118,546)	\$ (158,290)
Purchases of and deposits on property, plant and equipment	(61,547)	(211,824)
Free cash flow ¹	<u>\$ (180,093)</u>	<u>\$ (370,114)</u>

¹Free cash flow is a non-GAAP measure. See "Non-GAAP Measures".

THANK YOU

