

# CANOPY GROWTH

## Q3 2021 EARNINGS PRESENTATION

February 9, 2021



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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](http://www.sec.gov/edgar) and [www.sedar.com](http://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. Forward-looking statements contained in this presentation are expressly qualified by this cautionary statement.



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# NON-GAAP MEASURES

Adjusted EBITDA 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. Adjusted EBITDA is calculated as the reported net loss, adjusted to exclude income tax recovery (expense); other income (expense), net; loss on equity method investments; share-based compensation expense; depreciation and amortization expense; asset impairment and restructuring costs; expected credit losses on financial assets and related charges; restructuring costs recorded in cost of goods sold; 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 February 9, 2021 and explained in Canopy's Quarterly Report on Form 10-Q for the period ended December 31, 2020, filed with the Securities and Exchange Commission and with applicable Canadian securities regulators, which can be accessed at [www.sec.gov/edgar](http://www.sec.gov/edgar) and [www.sedar.com](http://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 restructuring costs recorded in cost of goods sold. 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 February 9, 2021 available on Canopy's EDGAR and SEDAR pages which can be accessed at [www.sec.gov/edgar](http://www.sec.gov/edgar) and [www.sedar.com](http://www.sedar.com), respectively.

Free Cash Flow 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 of and deposits on property, plant and equipment. The Free Cash Flow reconciliation is presented within the earnings press release of Canopy dated February 9, 2021 and explained in the Company's Quarterly Report on Form 10-Q for the period ended December 31, 2020, filed with the Securities and Exchange Commission and with applicable Canadian securities regulators, which can be accessed at [www.sec.gov/edgar](http://www.sec.gov/edgar) and [www.sedar.com](http://www.sedar.com), respectively.



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# TODAY'S SPEAKERS



**David Klein**  
**CEO**



**Mike Lee**  
**EVP & CFO**

# AGENDA

- ❖ **Key Takeaways**
- ❖ **Progress Against Our Key Strategic Priorities**
- ❖ **Medium-Term Financial Targets**
- ❖ **Q3 2021 Financial Results Review**
- ❖ **Q&A**

# KEY TAKEAWAYS

## ESTABLISHING A TRACK RECORD OF WINNING IN OUR CORE MARKETS

- Continued to gain market share in the **Canadian recreational** business
- **Global medical** sales grew at a double-digits rate year-over-year
- **US CBD business** gained momentum on the back of a highly successful Martha Stewart CBD products launch
- **Our Consumer Packaged Goods (CPG) brands**; BioSteel, This Works and Storz & Bickel are all showing strong growth

## IMPROVING QUALITY, EXECUTION AND AGILITY

- **Flower quality improvement program** resonating with consumers—building a pipeline of new flower products based on our consumer insights study
- **Commercial and operational execution continuing to improve**—fill rates in Canada up to 98%

## ACCELERATING OUR US GROWTH STRATEGY

- Momentum building under the new Congress and Administration for a **promising cannabis reform** in the US
- Further establishing foundation for long-term leadership position via our **US Ecosystem** strategy

## FIRMLY ON A PATH TO ACHIEVE PROFITABILITY DURING THE SECOND HALF OF FY 2022

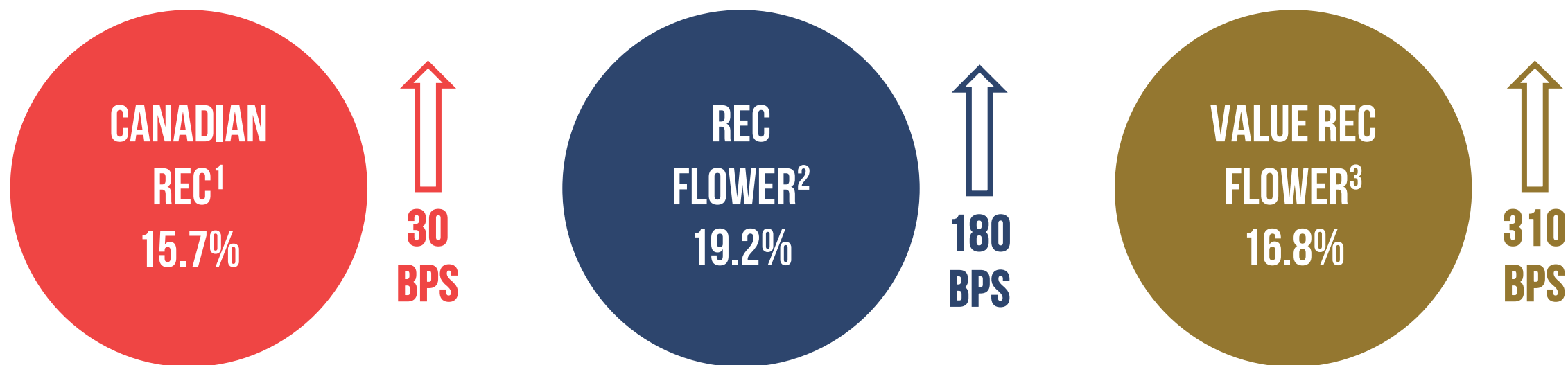
- **Cost savings target of \$150mm-\$200mm** to be achieved over the next 12-18 months, with **majority coming through in FY 2022**
- **Medium-term financial targets** include robust revenue growth, margin expansion and disciplined capital allocation



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# IMPROVING MARKET SHARE IN CANADA





# LATEST CANADIAN PRODUCT INNOVATION

Launched 4 new strains under the Tweed brand exclusively in Québec



Simple Stash  
28g bags  
in market now



New Twd.  
Strawberry Sativa  
Gummies  
now in Ontario market



Tweed CBD  
Softgels  
now in market



Quatreau RTD  
Beverages  
launched in  
Q3 2021





# DRIVING US GROWTH



**Martha Stewart health and wellness CBD products** are seeing strong consumer demand, with the brand already **outselling over 94% of all CBD brands in the US** in just 4 months since launch

**Over 40% of all media coverage** across the CBD category during Q3 2021

Secured distribution of Martha Stewart CBD collection in **580+ Vitamin Shoppe and Super Supplements** retail locations nationwide

National Direct-Store-Delivery (DSD) coverage for Ready-to-Drink (RTD) beverages in place with Constellation's beer distributor network

Signed additional sports sponsorship with the Dallas Mavericks, Toronto Raptors and Philadelphia 76ers



**STORZ & BICKEL**

**S&B** vaporizer products continued to see solid growth driven by strong consumer pull

**thisworks<sup>®</sup>**

24HR SKIN SOLUTIONS

**This Works** strengthened direct (TW.com, shopcanopy.com) and third-party e-commerce sales channels



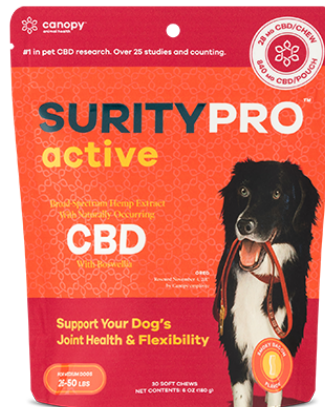
# LATEST US PRODUCT INNOVATION

**S&B** released  
100 gold-plated  
commemorative edition  
Volcano Classic vaporizers in  
celebration of its  
**20th Anniversary**



Canopy Animal Health has been granted the right to  
display the **Quality Seal from the NASC** (National Animal  
Supplement Council) on CBD products for dogs

**SurityPro dog CBD products** are  
formulated to deliver the highest  
amount of CBD per body weight  
Offered in 5 different  
formulations (chews and drops)



**Martha Stewart CBD for Pet**  
includes oil drops and soft-  
baked chews in  
three gourmet  
flavors and formulas



Launched **Martha  
Stewart CBD  
Wellness Gummie  
Samplers** in  
Q3 2020 and  
Q1 2021



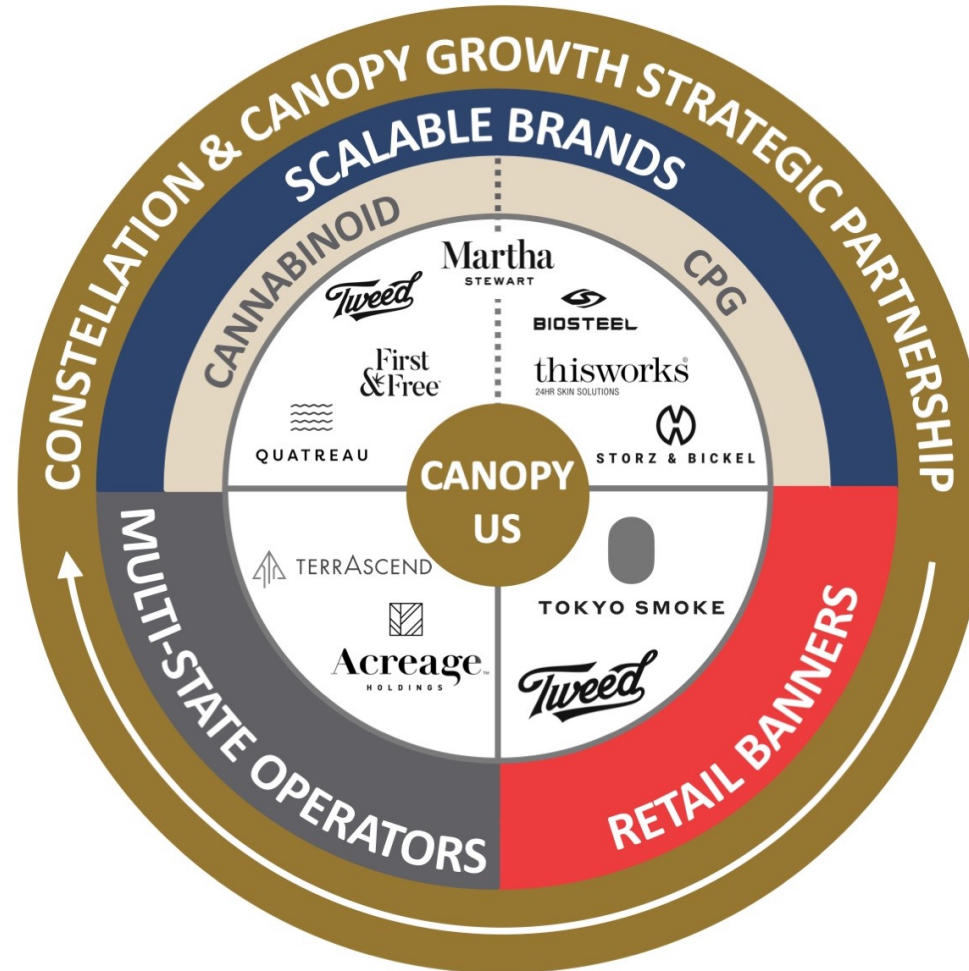
# BUILDING A CANNABIS AND HEMP POWERHOUSE WITH SIGNIFICANT OPTIONALITY IN THE US UPON FEDERAL PERMISSIBILITY

## Invest in Scalable Brands

- Bring our THC brands into the US market through Multi-State Operator (“MSO”) licensing or hemp-derived CBD extensions
- Create new CBD brands to meet consumer needs and desires
- Lead **route-to-market** and **portfolio development** with CPG brands

## US MSO Relationships

- Positioned for an accelerated entry into US THC through existing relationships with Acreage & TerrAscend
- Path to deploy Canopy’s IP into the US to build brand awareness and association



## Constellation Brands

- Investment grade balance sheet strength and access to banking
- Leverage Constellation’s powerful distributor network and key account relationships
- Sharing of best practices across Insights, R&D, and Operations
- Government Relations and Legal teams joint engagement with officials

## Retail Banners

- Tokyo Smoke and Tweed retail store banners to build brand awareness
- Innovation testing ground
- Collection of sales data to drive Insights & Innovation

# MEDIUM-TERM FINANCIAL TARGETS

| 3-Year Targets<br>(FY 2022 – FY 2024) |  |
|---------------------------------------|--|
| Net Revenue                           | <ul style="list-style-type: none"><li>• 40%-50% CAGR</li></ul>   |
| Adjusted EBITDA                       | <ul style="list-style-type: none"><li>• Positive Adjusted EBITDA during the second half of FY 2022;</li><li>• 20% Adjusted EBITDA Margin for the full year FY 2024</li></ul> |
| Cash Flow                             | <ul style="list-style-type: none"><li>• Positive Operating Cash Flow for the full year FY 2023;</li><li>• Positive Free Cash Flow for the full year FY 2024</li></ul>        |

# DRIVERS OF THE PATH TO PROFITABILITY

Robust Top-Line Growth

Gross Margin Improvement

Operating Expense Reduction



Disciplined Capital Allocation



Profitability and Positive Free Cash Flow



# PATH TO ACHIEVING PROFITABILITY DURING FY 2022



## Highlights

- *FY 2021 Adjusted EBITDA loss tied to ramp-up of new industry, R&D investments, and suboptimal cost structure*
- **Business growth** driven by incremental revenue
- **COGS improvement** driven by program of initiatives supported by the end-to-end supply chain review program already underway with facility closures
- **SG&A net improvement** driven by retirement of Canopy Rivers ownership, office space & facility optimization, and organization design efficiencies reducing run-rate cost structure

# REVENUE GROWTH DRIVERS

## 40%-50% FY 2022 – FY 2024 CAGR

### Canada Cannabis Drivers:

- ❖ Canadian recreational market growth of 40% in FY 2022, 25%-30% CAGR from FY 2022 to FY 2024
- ❖ CGC's recreational sales growth to be driven by overall market growth and market share gains
- ❖ CGC's medical sales growth to be driven by market share gains in a stable-to-declining Canadian medical market

### International Medical Cannabis Drivers:

- ❖ C3 and Germany wholesale medical sales growth to be driven by the growth in the German medical market

### US CBD Drivers:

- ❖ CGC's growth to be driven by distribution expansion and innovation under CBD-focused brands

### Non-Cannabis Drivers:

- ❖ **BioSteel** growth to be driven by distribution expansion of Ready-to-Drink (RTD) beverages in the US
- ❖ **Storz & Bickel** growth to be driven by strengthened distribution in the US and new product launches
- ❖ **This Works** growth to be driven by expanded distribution and new product launches



# COST SAVINGS TARGETS

## \$150-\$200MM Cost Savings Expected in 12-18MOS

| COGS Savings Target (MM)       |                    | SG&A Savings Target (MM)                    |                  |
|--------------------------------|--------------------|---|------------------|
| • Network optimization         | \$50-\$60          | • Organization design efficiencies & Others | \$20-30          |
| • SKU / Cultivar complexity    | \$15               | • Office space & facility optimization      | \$10-20          |
| • Operating model optimization | \$15               | • Indirect procurement savings              | \$10-20          |
| • Logistics & others           | \$20-\$30          | • Retirement of Rivers' ownership           | \$10             |
| • <b>Total COGS Savings</b>    | <b>\$100-\$120</b> | • <b>Total SG&amp;A Savings</b>             | <b>\$50-\$80</b> |

### ***Work already underway to achieve majority of the targeted cost savings in FY 22:***

- *Changes to Canadian operations announced in December 2020*
- *Canopy Rivers' divestiture expected to close by end of February*
- *Implementation of various work streams underway*

# DISCIPLINED CAPITAL ALLOCATION

## Free Cash Flow Outlook:

- ❖ Positive Operating Cash Flow for the full year FY 2023
- ❖ Positive Free Cash Flow for the full year FY 2024

## CapEx Outlook:

- ❖ Below \$200mm in FY 2021 & FY 2022
- ❖ Key CapEx items in FY 2021 & FY 2022: SAP Implementation, US Advanced Manufacturing Investments, C3 production facility expansion and S&B facility and other capabilities expansion
- ❖ Mostly maintenance Capex starting in FY 2023 – assume 5%-6% of Net Sales

## Maintain Balance Sheet Flexibility

- ❖ \$1.6bn of cash & short-term investments at the end of Q3 2021
- ❖ \$600mm in convertible debt due in FY 2023 (conversion price C\$48.18)
- ❖ Continue to explore financing options to provide additional flexibility to pursue potential growth investments and opportunities

# Q3 2021 FINANCIAL RESULTS









































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# TRACKING OUR KPI

 Meeting or Exceeding Target
  Approaching Target
  Below Target

- Canadian Recreational markets share up 30bps to 15.7% in Q3 2021 vs Q2 2021<sup>6</sup>
- Maintained a leading market share in Germany flower business
- Net sales grew 23% year-on-year
- Fill rates in Canada up to 98%
- Adjusted Gross Margin improved to 26% in Q3 2021, up from 19% in Q2 2021
- Total SG&A expenses declined by 15% versus Q3 2020
- Both Working Capital and CapEx trends improved year-over-year

|                                       | Q4 2020   | Q1 2021   | Q2 2021   | Q3 2021   |
|---------------------------------------|---|---|---|---|
| <b>WIN WITH CONSUMER</b>              |   |   |   |   |
| #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)                |    |    |    |    |
| <b>QUALITY EXECUTION</b>              |   |   |   |   |
| Customer Order Fill Rate <sup>1</sup> |    |    |    |    |
| Stock Out at Retail                   |    |    |    |    |
| <b>ACHIEVE PROFITABILITY</b>          |   |   |   |   |
| Gross Margin <sup>2</sup>             |    |    |    |    |
| SG&A Ratio Trend <sup>3</sup>         |    |    |    |    |
| <b>ACHIEVE POSITIVE CASH FLOW</b>     |   |   |   |   |
| Working Capital Trend <sup>4</sup>    |  |  |  |  |
| Capex Trend <sup>5</sup>              |  |  |  |  |



1. Customer Order Fill Rate: Target of at least 95% in order 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
6. Weighted \$ share of Canadian Market; Source: internal proprietary market share tool that utilizes point of sales data supplied by a third-party data provider, government agencies and our own retail store operations across the country. Tool captures point of sale data from an average of 39% of stores in AB, BC, SK, MB and Nfld & Labrador, point of sale data from 100% of stores in NB, NS and PEI, as well as depletions and ecommerce sales data from the OCS.

# Q3 2021 KEY FINANCIAL HIGHLIGHTS

| <i>(CDN in millions)</i> | Q3 2021          | Q3 2020   | vs. Q3 2020 |
|--------------------------|------------------|-----------|-------------|
| Net Revenue              | <b>\$152.5</b>   | \$123.8   | 23%         |
| Adjusted Gross Margin    | <b>26%</b>       | 31%       | (5pp)       |
| Adjusted EBITDA          | <b>(\$68.4)</b>  | (\$97.0)  | 29%         |
| Free Cash Flow           | <b>(\$135.4)</b> | (\$360.6) | 62%         |
| Cash/Marketable Secs.    | <b>\$1,593.5</b> | \$2,267.6 | (30%)       |

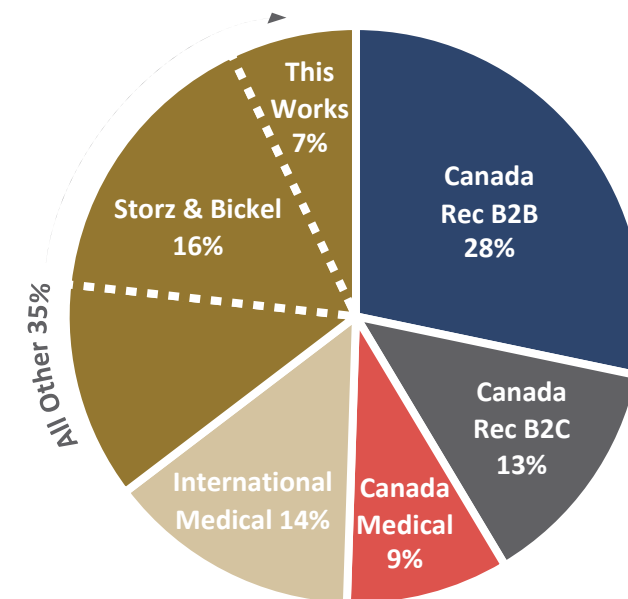
## Key Takeaways

- Net revenue increased 23% year-over-year, which includes \$99mm in net cannabis revenue
- Adjusted EBITDA loss narrowed to (\$68.4mm)
- Free Cash Flow of (\$135.4mm) was a 62% improvement versus Q3 2020
- Cash and Short-term Investments of nearly \$1.6 billion at the end of Q3 2021

# REVENUE PERFORMANCE BY SEGMENT

| (CDN in millions)                        | Q3 2021        | Q3 2020        | vs. Q3 2020 |
|--|----------------|----------------|-------------|
| <b>Canadian Recreational Net Revenue</b> |                |                |             |
| B2B                                      | \$43.1         | \$43.0         | NM          |
| B2C                                      | \$20.2         | \$15.2         | 33%         |
|  | <b>\$63.3</b>  | <b>\$58.2</b>  | <b>9%</b>   |
| <b>Canadian Medical Net Revenue</b>      | \$14.0         | \$13.5         | 4%          |
| <b>International Medical Net Revenue</b> | \$21.5         | \$18.7         | 15%         |
|  | <b>\$35.5</b>  | <b>\$32.2</b>  | <b>10%</b>  |
| <b>Cannabis Net Revenue</b>              | <b>\$98.8</b>  | <b>\$90.4</b>  | <b>9%</b>   |
| <b>All Other Net Revenue</b>             | \$53.7         | \$33.4         | 61%         |
| <b>Net Revenue</b>                       | <b>\$152.5</b> | <b>\$123.8</b> | <b>23%</b>  |

Q3 2021 NET REVENUE MIX<sup>1</sup>

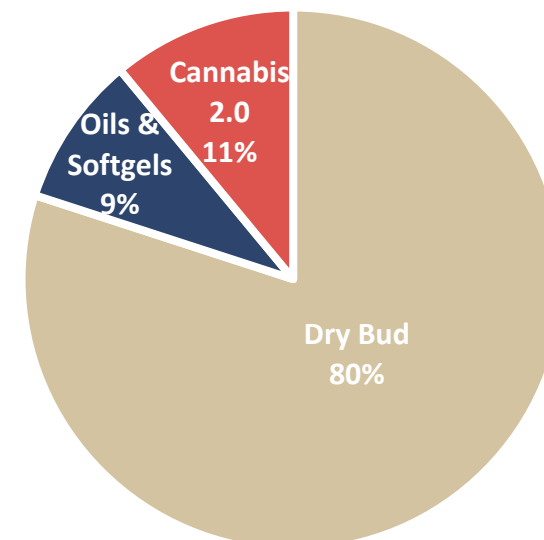


1. Figures may not add up to 100% due to rounding

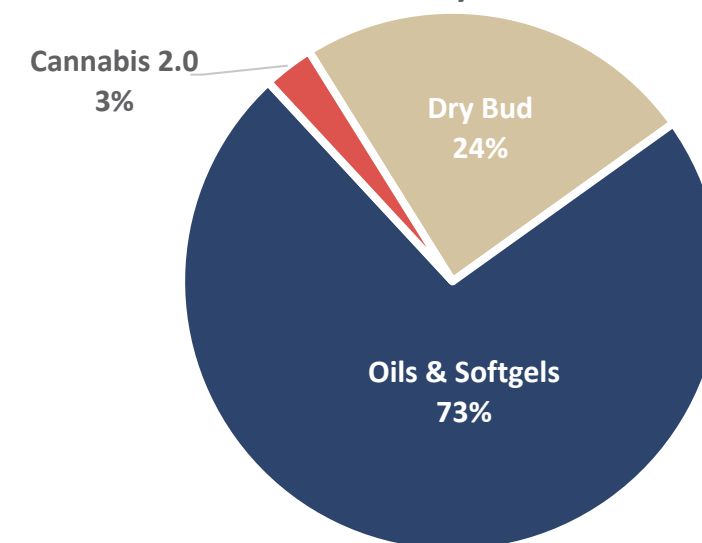
# REVENUE PERFORMANCE BY FORMAT

| (CDN in millions)                        | Q3 2021        | Q3 2020        | vs. Q3 2020 |
|--|----------------|----------------|-------------|
| <b>Canadian Recreational Net Revenue</b> |                |                |             |
| Dry Bud                                  | \$66.2         | \$69.3         | (4%)        |
| Oils and Softgels                        | \$7.3          | \$4.7          | 55%         |
| Cannabis 2.0 Products                    | \$9.6          | \$-            | NM          |
| Other Revenue Adjustments                | \$(3.8)        | \$(5.3)        | 28%         |
| Excise Taxes                             | \$(16.0)       | \$(10.5)       | (52%)       |
|  | <b>\$63.3</b>  | <b>\$58.2</b>  | <b>9%</b>   |
| <b>Global Medical Net Revenue</b>        |                |                |             |
| Dry Bud                                  | \$9.0          | \$9.2          | (2%)        |
| Oils and Softgels                        | \$27.0         | \$24.3         | 11%         |
| Cannabis 2.0 Products                    | \$0.9          | \$-            | NM          |
| Excise Taxes                             | \$(1.4)        | \$(1.3)        | (8%)        |
|  | <b>\$35.5</b>  | <b>\$32.2</b>  | <b>10%</b>  |
| <b>Cannabis Net Revenue</b>              | <b>\$98.8</b>  | <b>\$90.4</b>  | <b>9%</b>   |
| All Other Net Revenue                    | \$53.7         | \$33.4         | 61%         |
| <b>Net Revenue</b>                       | <b>\$152.5</b> | <b>\$123.8</b> | <b>23%</b>  |

Canadian Recreational Sales by Format – Q3 2021



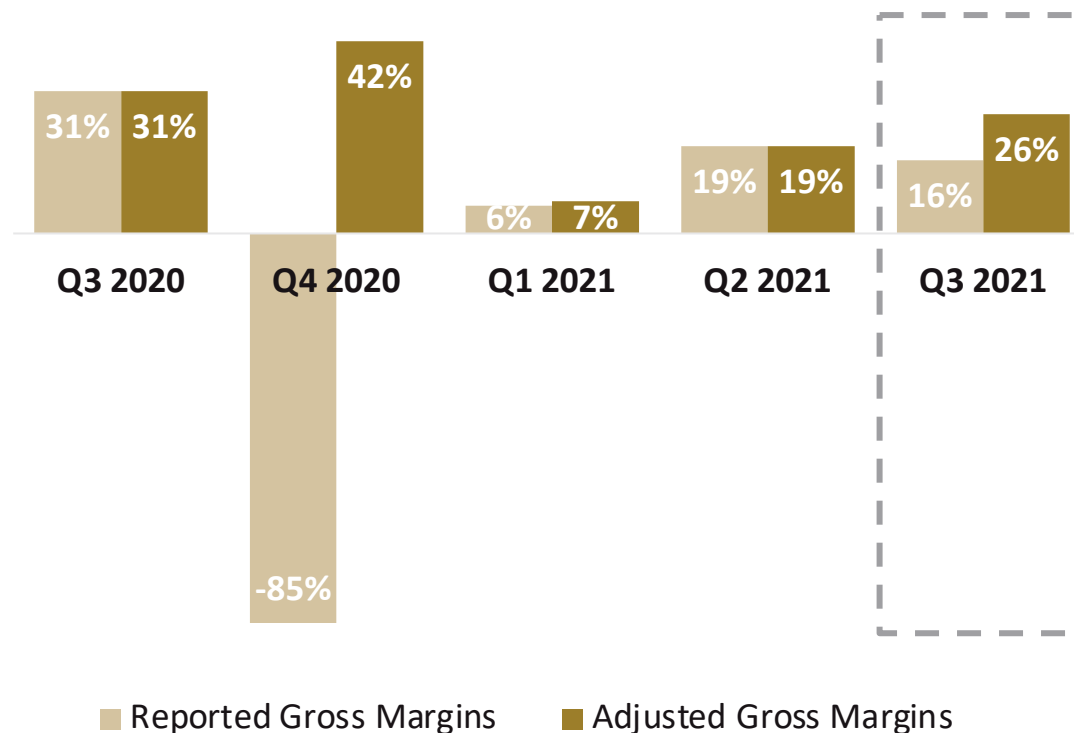
Global Medical Sales by Format – Q3 2021





# GROSS MARGIN PERFORMANCE

## Quarterly Gross Margin Trend



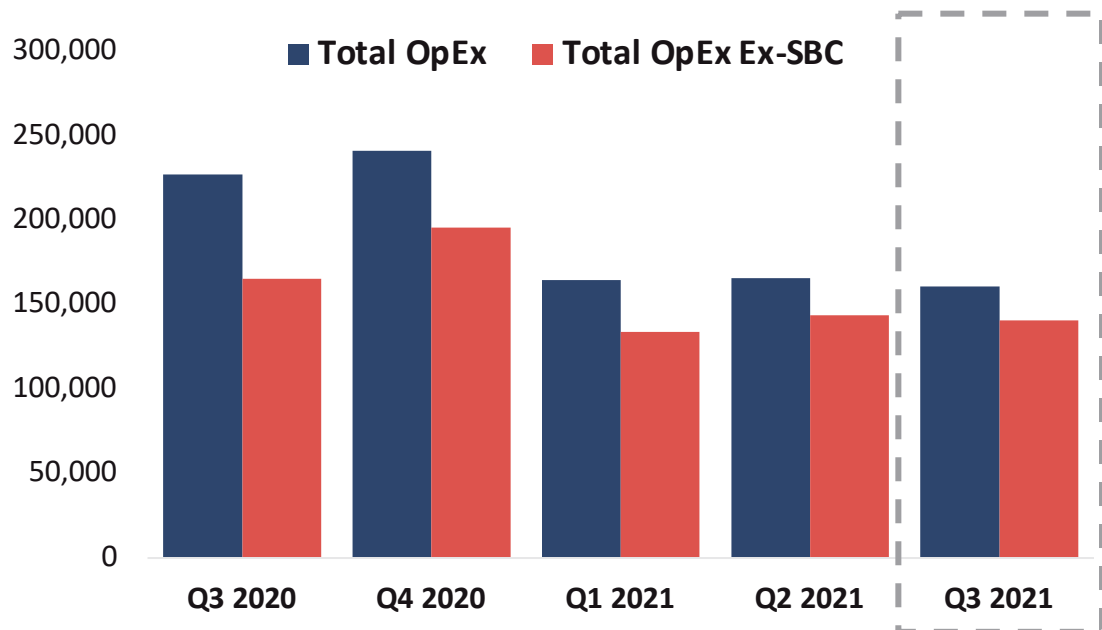
## Drivers of Q3 2021 Gross Margin Performance

(-) Adjusted Gross Margins continue to be negatively impacted by under absorption of fixed costs

(+) Improvement relative to Q2 2021 partly reflects higher sales

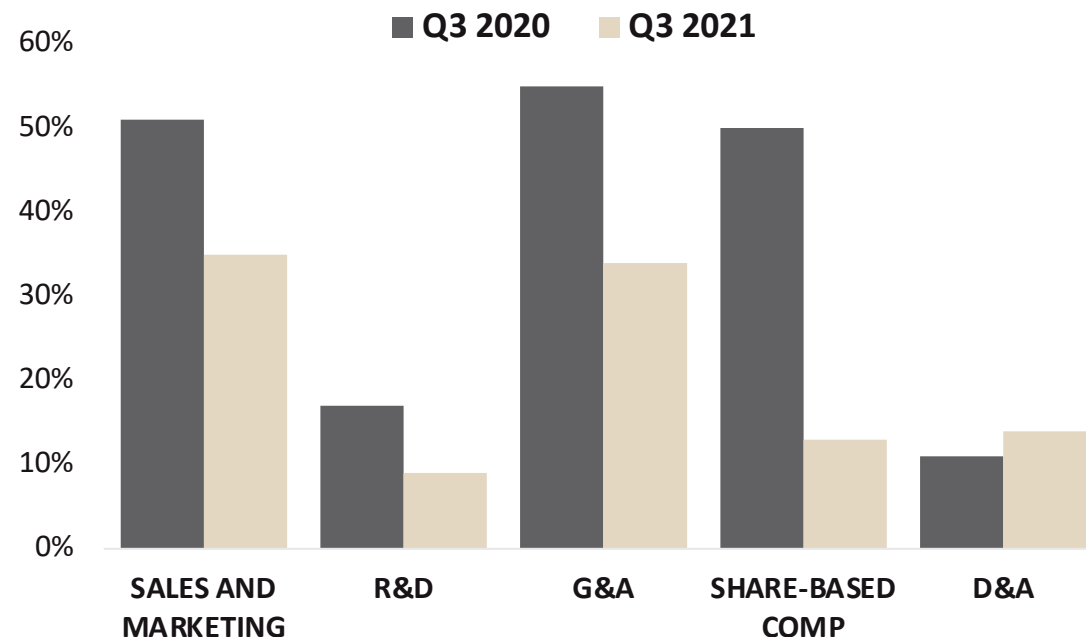
# OPEX TREND

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



- ❖ Total SG&A expenses declined 15% vs. Q3 2020, driven by year-over-year reductions in Sales & Marketing, General & Administrative and Research & Development
- ❖ Share-based Compensation expenses decreased 68% over Q3 2020

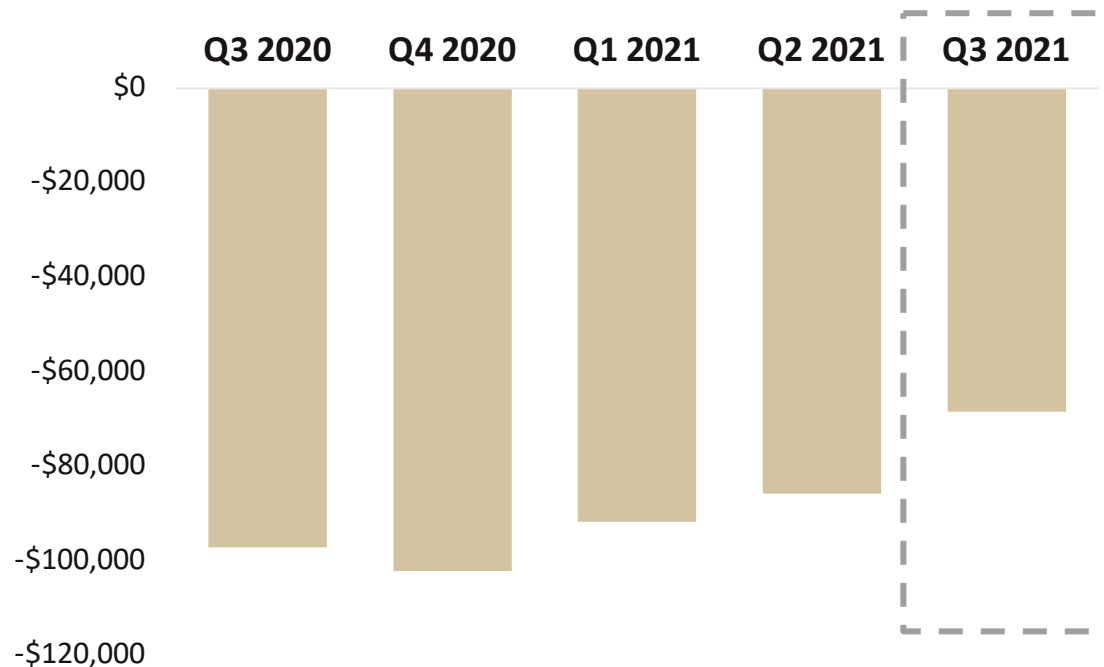
OpEx as a Percentage of Net Sales (Q3 2020 vs. Q3 2021)



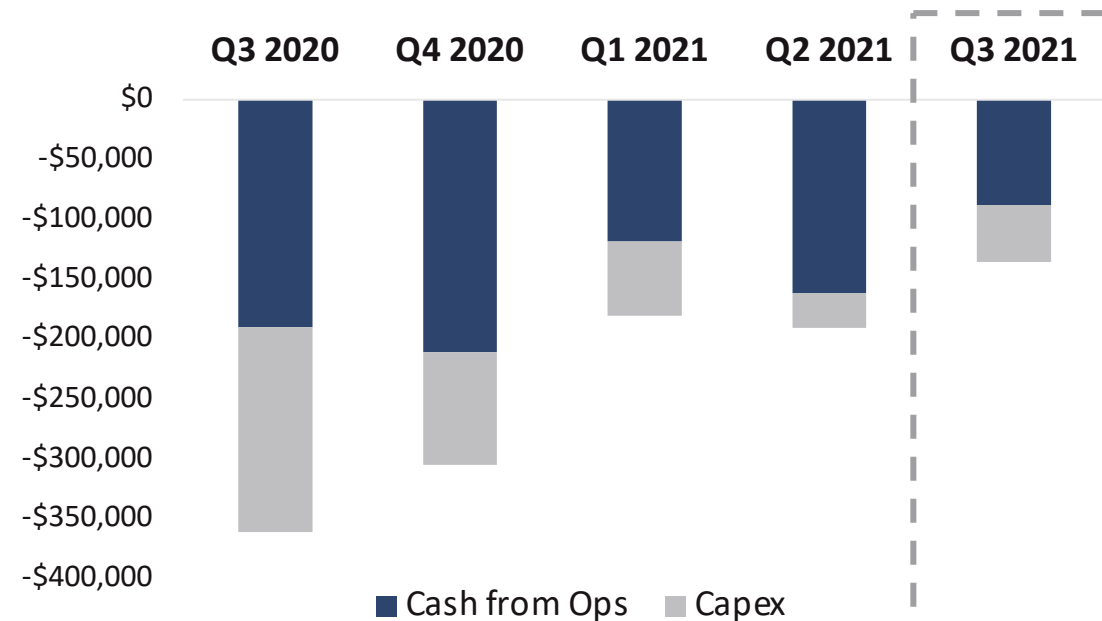
- ❖ G&A expense decline of 23% was due primarily to a reduction in costs attributable to corporate restructuring actions taken earlier in the year
- ❖ R&D expenses decreased by 33% also driven by lower costs resulting from corporate restructuring actions taken earlier in the year

# ADJUSTED EBITDA AND FREE CASH FLOW

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



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



**Free Cash Flow has improved by 62% from Q3 2020 to Q3 2021**

# APPENDIX

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# ADJUSTED GROSS MARGIN (NON-GAAP) RECONCILIATION

## Adjusted Gross Margin<sup>1</sup> Reconciliation (Non-GAAP Measure)

| (in thousands of Canadian dollars, unaudited)      | Three months ended December 31, |           |
|--|---------------------------------|-----------|
|  | 2020                            | 2019      |
| Net revenue  | \$152,528                       | \$123,764 |
| Gross margin, as reported                          | 24,585                          | 38,208    |
| Adjustments to gross margin:                       |                                 |           |
| Restructuring costs recorded in cost of goods sold | 15,637                          | -         |
| Adjusted gross margin <sup>1</sup>                 | \$40,222                        | \$38,208  |
| Adjusted gross margin percentage <sup>1</sup>      | 26%                             | 31%       |

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

# ADJUSTED EBITDA (NON-GAAP) RECONCILIATION

## Adjusted EBITDA<sup>1</sup> Reconciliation (Non-GAAP Measure)

| (in thousands of Canadian dollars, unaudited)                  | Three months ended December 31, |                          |
|--|---------------------------------|--------------------------|
|  | 2020                            | 2019                     |
| Net loss   | \$(829,251)                     | \$(109,634)              |
| Income tax recovery  | (15,600)                        | (27,448)                 |
| Other (income) expense, net                                    | 290,567                         | (57,963)                 |
| Loss on equity method investments                              | 671                             | 2,664                    |
| Share-based compensation <sup>2</sup>                          | 19,963                          | 61,679                   |
| Acquisition-related costs                                      | 3,095                           | 3,256                    |
| Depreciation and amortization <sup>2</sup>                     | 32,385                          | 30,464                   |
| Asset impairment and restructuring costs                       | 400,422                         | -                        |
| Expected credit losses on financial assets and related charges | 13,735                          | -                        |
| Restructuring costs recorded in cost of goods sold             | 15,637                          | -                        |
| Adjusted EBITDA <sup>1</sup>                                   | <u><u>\$(68,376)</u></u>        | <u><u>\$(96,982)</u></u> |

<sup>1</sup>Adjusted EBITDA is a non-GAAP measure. See "Non-GAAP Measures".

<sup>2</sup>From Condensed Interim Consolidated Statements of Cash Flows.

# FREE CASH FLOW (NON-GAAP) RECONCILIATION

## Free Cash Flow Reconciliation<sup>1</sup>

*(in thousands of Canadian dollars, unaudited)*

|  | Three months ended December 31, |                           |
|--|---------------------------------|---------------------------|
|  | 2020                            | 2019                      |
| Net cash used in operating activities                      | \$(87,604)                      | \$(189,911)               |
| Purchases of and deposits on property, plant and equipment | (47,782)                        | (170,708)                 |
| Free cash flow <sup>1</sup>                                | <u><u>\$(135,386)</u></u>       | <u><u>\$(360,619)</u></u> |

<sup>1</sup>Free cash flow is a non-GAAP measure. See "Non-GAAP Measures".



# THANK YOU

