Auxly

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Dear Auxly Shareholders,

Today, we released our Q3 2026 financial results, delivering a record quarter across all of our key financial metrics. Net revenue grew 24%, Adjusted EBITDA grew 29% and we ended the quarter with over $51 million in cash. Our team continues to deliver operational excellence across production, manufacturing, distribution and sales, which is translating into growth well above industry rates, consistent profitability and a stronger balance sheet.

We are executing against our strategy with discipline, and the strength of our balance sheet and the cash flow we are generating give us the flexibility to keep investing in the business for the long term. We are building Auxly to last.

Q3 2026 results

Auxly achieved net revenue of $49.5 million in Q3 2026, an increase of 24% over Q3 2025, as demand remained strong across our leading portfolio, led by Back Forty, Canada's #1 cannabis brand. Just as important, we held Gross Margin on Finished Cannabis Inventory Sold at 56%, consistent with Q3 2025, even as we invested behind new innovations and the broader economy experienced inflation. That result reflects the structural improvements we have made in yield, manufacturing and procurement, and the quality of our operations at Leamington and Charlottetown.

Adjusted EBITDA reached $15.8 million, up 29% from Q3 2025, for an Adjusted EBITDA margin of 32%, and cash flow from operations before working capital changes was $14.8 million, an increase of 28% and a 94% conversion from Adjusted EBITDA. Our business continues to deliver strong operating leverage, which reflects Auxly's culture of financial discipline.

In July, we successfully completed our 14:1 share consolidation, an important step in aligning our market profile with the quality of our business. Upon consolidation, our share price was $2.52, and our shares have traded above that level ever since, which makes this one of the most successful consolidations in our industry to date. We are grateful to our shareholders for their support and belief in Auxly, through the process and since.

Leamington quality and consumer-driven innovation

Last quarter, we described our cross-organizational approach to innovation. As we move through our seasonally strongest period, I'd like to share some results that aren't highlighted in our financials.

Auxly Leamington quality continues to shine. This summer, we launched a new cultivar, Galactic Jack, under the Back Forty brand. As of October 2026, Galactic Jack was already the 9th top selling flower SKU in the country and the 25th top selling SKU across all categories. Back Forty Liquid Imagination and Fire Breath continue to be the #1 and #2 top selling SKUs in Canada and Back Forty is the #1 brand in both flower and pre-rolls, as we continue to grow across all of our core categories.

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Pre-rolls continue to demonstrate the strength of our consumer-focused innovation. Last year, we launched Backpackers and it has proven to be a standout innovation, helping drive Auxly pre-roll share growth. In September, we added Back Forty Daytrippers, a 2x1 gram pre-roll in a very fast-growing format. Because Daytrippers sales began late in the quarter, our Q3 results do not include a material contribution from it, but we believe it will be a strong competitor in the 2x1 gram format and are excited to see it in market.



Looking forward, we will remain laser focused on our consumer and continue developing a pipeline of exciting product innovations in our core formats of dried flower, pre-rolls and vapes, where we believe we can consistently deliver a very high-quality product at a great value to our consumer, and an attractive margin to Auxly. We have exciting innovation planned under both Back Forty and Kolab, which I am thrilled to report is now the 5th largest vape brand in Canada by dollars sold. And we are growing our South Point brand – recently launching Masterpiece, a new cultivar, in Q4.

State of the market: solid at home, evolving abroad

Many investors ask us about the state of the market, and we always start with Canada because it is our home turf and where we are focused. Canada is a growing market with relatively stable pricing and established, and improving, regulations. We

believe that operators who have developed high-quality, large-scale capabilities at competitive cost structures will continue to win share in the largest, fastest-growing categories like flower, pre-rolls and vapes.

"Operators who have developed high-quality, large-scale capabilities at competitive cost structures will continue to win share"

Cannabis is a material contributor to the Canadian economy, and we are encouraged to see its importance increasingly recognized at the policy and funding level by both provincial and federal governments. The industry has reached a maturity where industry and government can work together to address key industry issues such as the illicit market, which remains a meaningful challenge for licensed operators like Auxly. Notably, in Ontario, Canada's largest cannabis market and Auxly's largest provincial customer, the Government of Ontario recently announced its intention to introduce legislation giving the Alcohol and Gaming Commission of Ontario (AGCO) new tools to address illegal cannabis retailers, which the Government estimates account for approximately 30% of cannabis sales in Ontario. The proposed measures include giving the AGCO the authority to inspect unauthorized storefronts and unlawful online sellers, seize illegal products and equipment, and issue administrative monetary penalties. That legislation has since been tabled as Bill 143. We applaud the Government of Ontario for this important initiative. These measures can make a meaningful difference in preserving the integrity of the regulated industry and promoting the public health and safety objectives of legalization. You may read the formal announcement here.

We also applaud the Canadian Federal Government for recognizing the importance of the cannabis industry in Budget 2026, tabled on November 5, 2026 and for taking meaningful steps to reduce unnecessary regulatory burdens. The budget proposes a common cannabis excise duty stamp for eight provinces and territories that share the same excise duty rate, which would reduce the number of unique stamps from 13 to 6, starting in January 2028. Additional provinces and territories would be invited to adopt the common stamp. This is a welcome first step, but the real operational efficiencies and cost savings will come when we achieve a single national stamp. For this initiative to deliver its full potential and improve the industry's ability to compete with the illicit market, we need the remaining jurisdictions to participate. We strongly support the federal government's initiative and encourage all remaining jurisdictions to follow its lead.

Inevitably, once we discuss the Canadian market, the conversation turns international. International markets continue to attract attention given their growth, and over time we believe they can be a meaningful opportunity for Auxly. Many of the most attractive international markets are still medical-only markets, and their regulatory, consumer and supply chain dynamics continue to evolve, which is why we are comfortable staying focused at home. At the same time, we are taking measured steps to continue learning – we have made international shipments, we are learning how these supply chains work and we are developing relationships. As we continue to study these markets, our conviction is building that over the long term, the attributes that define the

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How we plan to keep growing

Investors also ask how Auxly intends to keep growing profitably. We have multiple avenues, and we approach them within our disciplined framework for capital allocation: reinvesting in organic growth, pursuing selective inorganic opportunities, and repurchasing shares through our NCIB.

First, we are investing in our production capacity, which we believe is our highest-return investment. We anticipate total capital investments of up to $30 million through the end of 2028, inclusive of the capital projects planned for 2026. These investments will be made within Auxly Leamington's existing footprint and are expected to increase production capacity by 30% from 2025 levels to meet growing demand for our brands. They are also expected to improve efficiency throughout cultivation and processing.

Second, product mix will continue to be a driver for growth. Consumer preferences are evolving in Auxly's favour: pre-rolls have overtaken dried flower as the largest consumer format, and vapes are also continuing to grow, now at approximately 19% of total market. All three of our core formats earn similar margins, but pre-rolls sell at higher price points than dried flower, so each kilogram of flower we allocate to pre-rolls generates more margin dollars. Control of our flower, together with what we believe is among the largest and most automated pre-roll capacity in Canada, gives us meaningful scale, cost and quality advantages. Likewise, in vapes, we are unconstrained by flower supply and have room to take on additional capacity at Auxly Charlottetown, where our team has been a leader in vape innovation and high-quality vape manufacturing since the first day that vapes were legally available for sale in Canada.

Third, we expect consolidation across the Canadian industry to continue over the medium term, and we view M&A as an option for capital allocation where it advances our long-term strategy and clears our return thresholds. Growth through M&A comes with significant additional risks and costs so we will remain diligent and disciplined in our approach, but our strong financial position means we are well placed to respond should the right opportunity arise.

Underpinning all of this is our commitment to a strong balance sheet, so that we can fund our priorities from our own cash flow. Within that framework, our NCIB remains a flexible tool: we have the capacity and the available cash from operations to continue repurchasing shares where we believe it generates an attractive return on capital, and we will continue to weigh it against the other opportunities in front of us. We continue to believe our share price does not yet reflect the intrinsic value we have built, and we remain committed to earning the confidence of our shareholders through execution and results.

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Building to last

Q3 was a great quarter, and it was made possible by an incredible organization. I want to thank every member of Team Auxly, across Canada, for their hard work and dedication. Their passion and commitment are the driving force behind our success.

I would also like to thank our consumers, our retail partners, our vendors and our partners, and you, our shareholders, for your continued trust and support. We are building to last, and the best is yet to come.

Sincerely,
Hugo Alves