



NOVA
CANNABIS

+ sncl

TSX: NOVC

A Transformational Strategic Partnership

December 2022

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Basis of Presentation

All financial figures and information have been prepared and presented in Canadian dollars (which includes references to "**dollars**" and "**\$**") and in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board.

 SPIRITLEAF  **Value Buds** *Supercut*

***Nova Cannabis is pleased to announce a transformational strategic partnership with SNDL.
The transaction positions Nova to become a low-cost, well-capitalized cannabis retailer at an
attractive valuation***

Transaction Rationale

1	Creates a Sustainable Retailer in Canada	<ul style="list-style-type: none"> Shared services agreement with SNDL provides for a low-cost operating platform to enable profitable growth and additional market share capture
2	Enhances Retail Footprint with Scalable Pipeline	<ul style="list-style-type: none"> 26 new locations expanding footprint to 114 owned locations under 3 banners Significant acquisition pipeline through SNDL network
3	Return of Equity and Increased Trading Liquidity	<ul style="list-style-type: none"> Accretive share cancellation combined with planned share capital distribution will improve liquidity and reduce SNDL ownership to 19.9%
4	Debt Restructuring & Balance Sheet Strength	<ul style="list-style-type: none"> \$15 million in debt eliminated and pro forma cash balance of \$7.5 million¹ New revolving \$25 million² credit facility to fund growth initiatives
5	Accretive to Nova's Trading Multiples	<ul style="list-style-type: none"> Reduced share count and improved financial profile creates strong re-rate opportunity
6	Provides Clarity on the Nova / SNDL Relationship	<ul style="list-style-type: none"> Long-term strategic partnership with SNDL and support for continued growth

Transaction positions Nova to become a low-cost, well-capitalized cannabis retailer at an attractive valuation

Transaction Summary – Nova

<p>1 SNDL Retail Contribution</p>	<p>20 Spiritleaf Locations \$18 million in LTM sales</p>	<p>6 Superette Locations \$6 million in LTM sales</p>	<p>Additional Vend-In Locations From SNDL</p>
<p>2 Shared Services</p>	<p>Corporate Services from SNDL No cost for 3 years and discounted \$2 million annual fee thereafter¹</p>		
<p>3 Debt Restructuring</p>	<p>\$15 million in Existing Debt Eliminated New \$25 million credit facility</p>		
<p>4 Return of Equity</p>	<p>\$7.5 million of SNDL Ownership Returned to Nova 14.3 million Nova common shares returned from SNDL for cancellation²</p>		

Transaction Summary – SNDL

1

Strategic Partnership

Acquisition of Value Buds Banner

Rights to Value Buds brand and license grant to Nova to operate Value Buds, Spiritleaf and Superette banners

2

License Agreement

5% to 15% License Fee on Store Level Gross Profit¹

License fee holiday until 2024

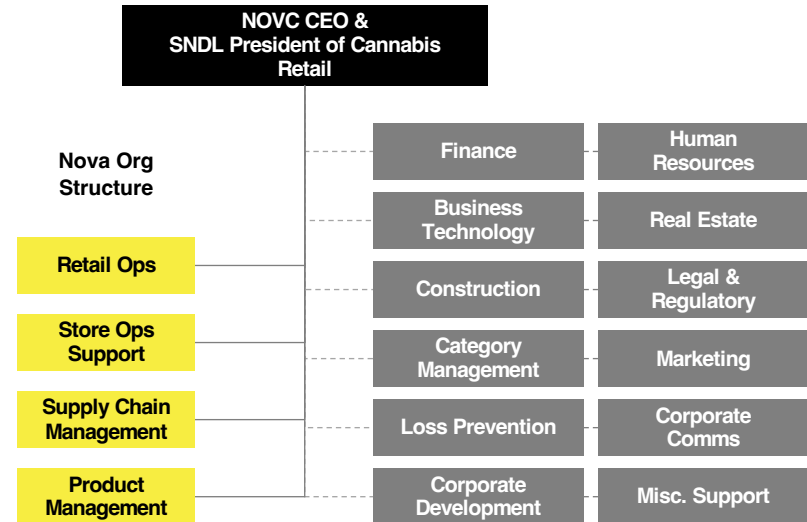
A license fee based on gross profits supports the viability of each individual store location

Creates a Sustainable Retailer in Canada

Low-Cost Corporate Infrastructure

- Perpetual shared services agreement at a cost of \$2 million per year with a 3 year holiday
- Nova will benefit from over \$16 million in year 1 – 3 SG&A savings through a shared services agreement
- ① Estimated costs of bringing support functions in-house would require \$5 – \$6 million in immediate capex plus \$5 – \$6 million per year in SG&A expenses
- ② Contract for perpetual period
- Provides a low-cost operating platform for Nova driven by SNDL’s scale across cannabis and alcohol

Shared Services Functions

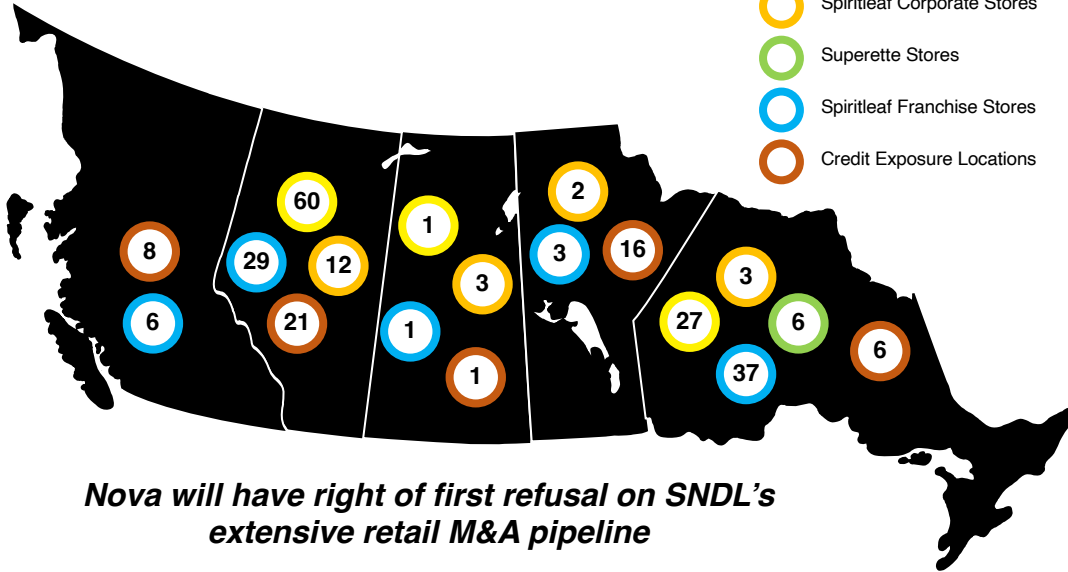


A lean operating structure allows Nova to maintain its low margin market share capture strategy

Enhances Retail Footprint with Scalable Pipeline

Pro Forma Retail Footprint

- Existing Nova Stores
- Spiritleaf Corporate Stores
- Superette Stores
- Spiritleaf Franchise Stores
- Credit Exposure Locations

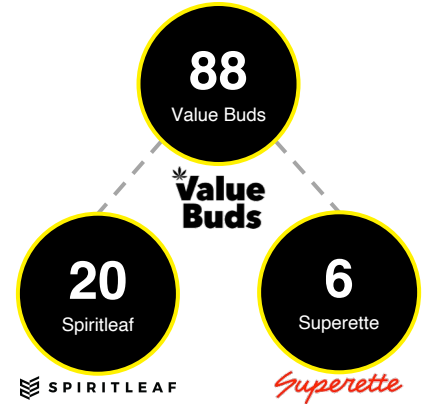


Standalone

1

Additional

2



Pro Forma Footprint

3

114 Locations

Total Locations in Franchise and Credit Exposure

4

242 Locations¹

Return of Equity and Increased Trading Liquidity

1 Cancellation of Nova Shares held by SNDL

\$7.5 million in Nova Shares at 20-day VWAP of \$0.526¹, representing a ~19% discount²

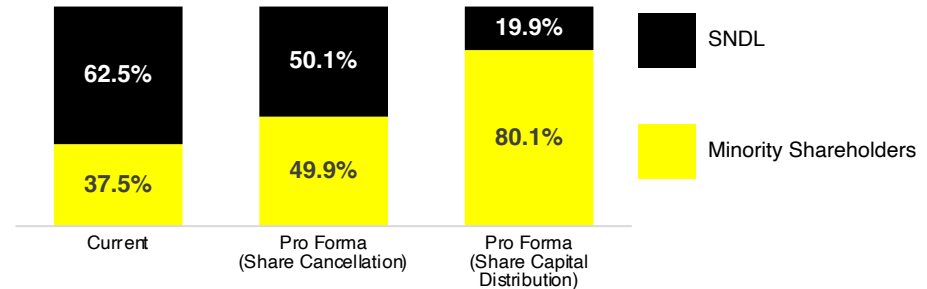


~14.3 million Nova Shares cancelled immediately³

2 Capital Distribution of Nova Shares by SNDL

- Further planned distribution to 19.9% ownership will drive:
 - Full compliance with Ontario and BC retail regulations
 - Greater trading liquidity through larger public float
- Expected to occur 1H23

Targeted Nova Ownership Post Share Capital Distribution



Distribution of SNDL owned shares to bolster Nova's capital markets presence

Balance Sheet Strength to Fund Growth

Debt Restructuring

1

SNDL to eliminate \$15 million in total principal

2

Provides \$5.3 million in additional liquidity

New Credit Facility

<p>Principal</p> <p>\$15 million + \$10 million Accordion</p>	<p>Interest Rate</p> <p>Canadian Prime + 2.75%</p>
<p>Term</p> <p>3 Years</p>	<p>Covenants</p> <p>None Other than Customary</p>

Pro Forma Liquidity

\$2.2 million cash

+

\$5.3 million credit facility draw

+

\$25.0 million new credit facility¹

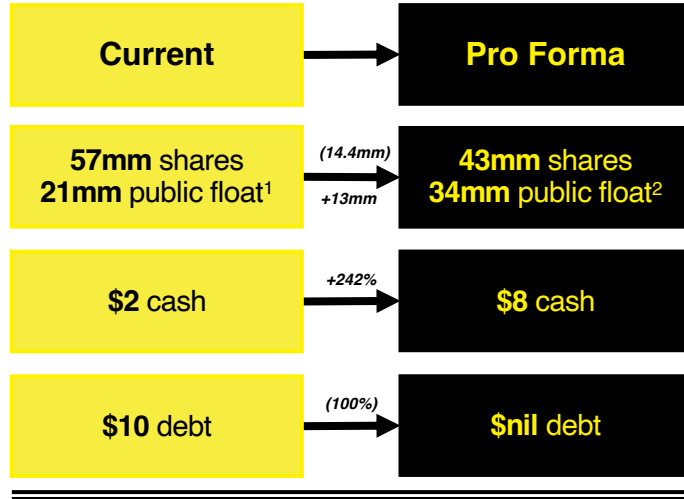
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\$32.5 million pro forma liquidity

Creating a well-capitalized retailer in Canada with ample liquidity for growth

Accretive to Nova's Trading Multiples

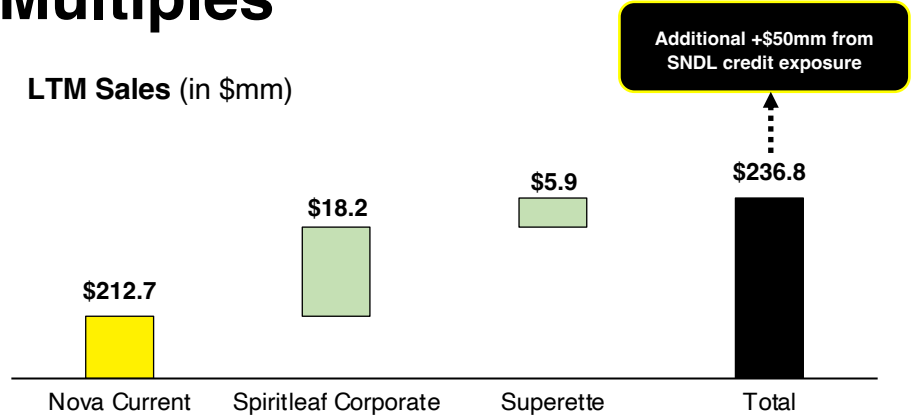
Capitalization Highlights (in \$mm except for share data)



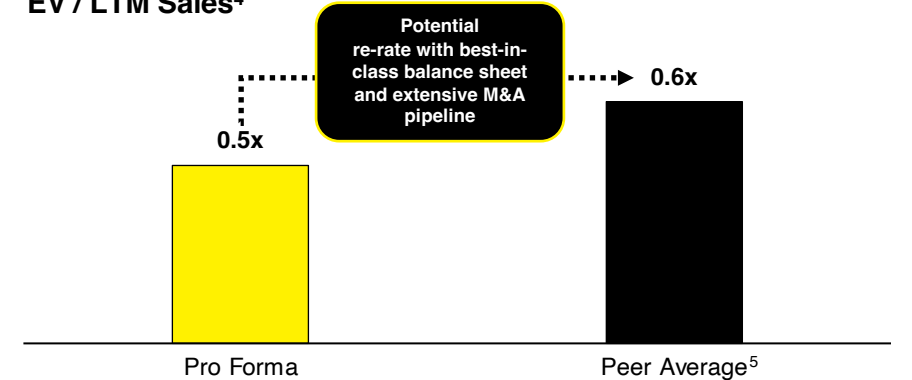
Illustrative Re-rate Based on Peer Multiples



LTM Sales (in \$mm)



EV / LTM Sales⁴



Comparison of Recent Strategic Retail Transactions

NOVA
CANNABIS

sndl

FIRE & FLOWER

Couche-Tard

<p>1 Upstream Capabilities</p>	<p>White labeling and merchandising planning provides margin expansion benefits</p>	<p>N/A</p>
<p>2 Retail Footprint Enhancement</p>	<p>Immediate addition of 26 retail locations in strategic markets & M&A pipeline</p>	<p>Co-location 7 of Circle K stores and acquisition of 2 retail locations from Couche-Tard</p>
<p>3 Operating Cost Benefits</p>	<p>Corporate overhead cost advantage from shared services agreement</p>	<p>N/A</p>
<p>4 Incremental Financing</p>	<p>Non-dilutive financing from debt restructuring and credit facility</p>	<p>Dilutive convertible debentures with multi tranche warrants and path to change of control Repricing of conversion & exercise prices</p>
<p>5 Immediate Financial Value</p>	<p>\$15 million in debt eliminated by SNDL \$7.5 million of equity returned to Nova shareholders</p>	<p>N/A</p>

Nova and SNDL will generate significant long-term benefits from vertical integration and a low-cost operating model with no dilution

Transaction Benefits to Nova Shareholders

1

Pipeline for Additional Retail Assets with Increased Store Count by ~30%

2

Strategic Partnership Creates a Long-Term Relationship with SNDL

3

Shared Services Agreement Creates Low Cost and Sustainable Operating Model

4

Total Liquidity of Up to \$33 million with Immediate Access

5

Enhanced Trading Liquidity and Reduction in Shares Outstanding

6

Over \$20 million in Immediate Financial Value to Shareholders



Value Buds



License Fee Agreement

Gross Profit Based

Alignment of interest in profitability for Value Buds' everyday best-value pricing

Progressive License Fee

Tiered rate reflects the fixed cost nature of a cannabis retail operation

License Fee Holiday

Given to all Value Buds locations for the first 12 months¹

Gross Profit % License Fee Overview

Less Than or Equal to \$35,000

5%

Between \$35,000 & \$50,000

Scaling between 5% to 15%

Equal to or Greater Than \$50,000

15%

Gross profit driven license fee aligns incentives for both parties

SPIRITLEAF

- 20 Spiritleaf corporate doors in areas where the trade areas are better suited to a higher margin and higher touch model
- \$18 million in LTM sales
- Increased opportunity to encourage customer trial and address the cannabis consumers who do not prefer the Value Buds transaction style
- Additional opportunities to engage customers looking for topicals and wellness products, beverages, super premium combustibles, and premium accessories
- Leveraging off the economies of scale associated with the combined store fleet size, Spiritleaf stores will operate more efficiently than most other premium cannabis retail stores

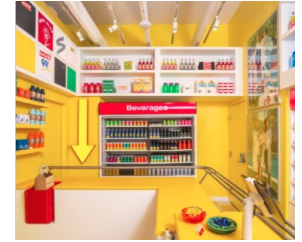


Superette

- Six Superette stores located in premium Ontario locations
- \$6 million in LTM sales
- Superette has enjoyed international recognition for its unique design esthetic which will be well suited to other markets outside of Ontario (i.e. Vancouver, Montreal, etc.)
 - Also launched a complimentary streetwear clothing line available in-stores
- Superette pioneered the Sip and Smoke model which is highly transferable to other markets and banners



Toronto	Bathurst
Toronto	Bellwoods
Toronto	Dupont
Toronto	Spadina
Ottawa	Glebe
Ottawa	Wellington



Relative Valuation – Canadian Retailers

Company	Locations	Capitalization				EV / Revenue				EV / EBITDA ²		
		Equity Value	(-) Cash	(+) Debt	Enterprise Value ¹	LTM	2022E	2023E	2024E	2022E	2023E	2024E
High Tide	145	\$157	\$36	\$47	\$201	0.7x	0.5x	0.4x	0.3x	13.2x	7.4x	4.1x
Fire & Flower	90	\$53	\$17	\$13	\$95	0.6x	0.6x	0.5x	0.4x	n/a	13.7x	9.5x
Average						0.6x	0.6x	0.4x	0.4x	13.2x	10.5x	6.8x
Nova Cannabis (Current)	88	\$41	\$2	\$10	\$100	0.5x	0.4x	0.4x	0.3x	14.6x	6.2x	4.1x

Pro Forma

Locations

114 Owned
(+)
76 Franchise Network
52 Credit Exposure Pipeline

Balance Sheet

Net cash of \$7.5 million
Nil debt
Available liquidity of \$32.5 million³

Nova currently trades at a deep discount compared to industry peers