



TILRAY[®]

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HEXO

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NASDAQ & TSX: TLRY | NASDAQ & TSX: HEXO

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HEXO Disclaimer

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To the extent any forward-looking statements in this presentation constitute “future-oriented financial information” or “financial outlooks”, such information has been prepared by the Company to provide a reasonable estimate of potential revenue and profit margins. Although the Company has based forward-looking statements on assumptions that it believes to be reasonable, it cautions the readers that actual results and developments, including the Company’s results of operations, financial conditions, liquidity, and development in the industry in which the Company operates, may differ materially from those made or suggested by the forward-looking information contained herein. The Company cannot assure you that such statements will prove to be accurate. A number of factors could cause actual events, performance, or results to differ materially from what is projected in these forward-looking statements. Readers are cautioned that this information may not be appropriate for any other purpose and they should not place undue reliance on such future-oriented financial information and financial outlooks. Readers are also cautioned that forward-looking statements are not guarantees of future performance and accordingly readers are cautioned not to put undue reliance on forward-looking statements due to the inherent uncertainty therein.

All forward-looking statements are made as of the date of this presentation. The Company disclaims any intention or obligation, except to the extent required by law, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

Certain information contained in this presentation is based on management’s review of independent sources such as industry publications, surveys and forecasts that management believes to be reliable. We have not independently verified any of the information from third-party sources nor have we ascertained the validity or accuracy of the underlying economic assumptions relied upon therein. Statements as to the cannabis industry, our market position and our general expectations concerning the cannabis industry are based on market data currently available to us. While we are not aware of any misstatements regarding the industry data presented herein, our estimates involve known and unknown risks and uncertainties and are subject to change based on various factors. Similarly, management believes that its internal research is reliable, even though such research has not been verified by any independent sources.

Any graphs, tables or other information in this presentation demonstrating the historical performance of the Company or any other entity contained in this presentation are intended only to illustrate past performance of such entities and are not necessarily indicative of future results.

All dollar amounts in this presentation are in Canadian dollars and unaudited unless otherwise indicated.

Transaction Overview

Strategic investment by Tilray provides HEXO with operational and financial flexibility to execute on “The Path Forward”, while generating up to C\$50 million of commercial benefits within two years, to be shared equally among Tilray and HEXO

Transaction	<ul style="list-style-type: none"> Tilray Brands, Inc. (“Tilray”) signs term sheet to acquire HEXO’s outstanding senior secured convertible notes (“Notes”) from HT Investments MA LLC (“Noteholder”) Prior to closing, Tilray and HEXO shall agree to amend the terms of the Notes (see Select Amendments to Notes below)
Purchase Price	<ul style="list-style-type: none"> Tilray to purchase the Notes for 95% of the then outstanding principal (current principal of US\$211.3 million) Noteholder may continue to redeem the Notes pursuant to their terms, but in no event shall the principal be less than US\$182 million As at March 2, 2022, the Conversion Price implies that Tilray would have the right to convert into ~37% of the HEXO Shares, on a basic basis
Select Amendments to Notes	<ul style="list-style-type: none"> Principal: Principal on maturity to equal 100% of the Purchase Price Term: Extension of the maturity date by three (3) years from May 1, 2023 to May 1, 2026 Interest Rate: For the first year, 10% cash per annum and 5% cash and 5% PIK thereafter Conversion Price: C\$0.90, subject to adjustments under certain circumstances Minimum Liquidity: Release of US\$80 million of restricted cash available to HEXO post-closing Top-Up Rights: Tilray will be granted subscription rights and top-up rights to maintain its then existing equity ownership position (on an as-converted basis) Other: Certain other amendments to pre-payment / redemptions by HEXO, as well as to both affirmative and negative covenants
Commercial Transactions	<ul style="list-style-type: none"> HEXO and Tilray plan to enter into definitive agreements related to mutually agreed commercial transactions: <ul style="list-style-type: none"> Cultivation and processing services Certain Cannabis 2.0 products, including pre-rolls, with a view to achieve optimal profitability and production efficiencies Establishing a joint venture that would provide shared services to both companies Total expected savings of up to C\$50 million within 2 years which will be shared equally between Tilray and HEXO
Transaction Conditions	<ul style="list-style-type: none"> HEXO shareholder approval and voting support agreements from the directors, officers and certain identified significant shareholders of HEXO A committed equity line being made available to HEXO for up to C\$180 million on terms acceptable to HEXO and Tilray Tilray’s satisfactory completion of confirmatory financial due diligence prior to signing definitive agreements Receipt of Board and applicable exchange approvals

Significant Strategic Benefits Projected for Both Tilray and HEXO



- **Launches a strategic partnership between two leading Canadian cannabis producers** with complementary brand portfolios
- **Provides a path for meaningful future equity ownership in HEXO**, while maintaining a senior secured creditor position through ownership of the Notes and ongoing interest income
- **Allows Tilray the opportunity to participate in HEXO's share price appreciation** as HEXO continues to execute its strategic growth initiatives
- **Commercial and operating efficiency savings expected to total up to C\$50 million within 2 years** – to be shared equally between Tilray and HEXO



- **Significantly enhances operational flexibility** by eliminating the monthly redemption feature, amending financial covenants and extending the maturity date, among other things
- **Releases US\$80 million of restricted cash**, bolstering liquidity to invest in organic growth initiatives and fund “The Path Forward” plan
- **Supported by key investors** through three-year, C\$180 million equity backstop commitment
- **Drives substantial synergies** of up to C\$50 million within two years by leveraging joint operational scale and shared support services
- **Increases product breadth, complementary footprint and commitment to innovation** to strengthen market positioning

HEXO is Making Significant Strides in Executing its Strategic Integration Plan

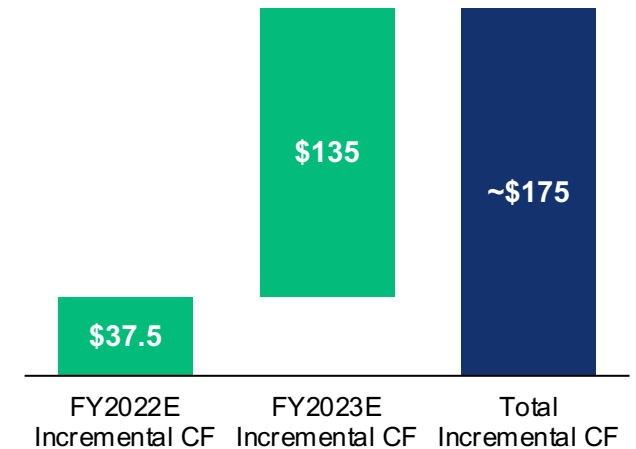
Significant upside potential in continued realization of “The Path Forward” plan

“The Path Forward” Highlights

Initiative	Key Highlights	Notable Initiatives & Results
Reduce manufacturing and production costs	Apply best practices and learnings from the highest-margin categories and top facilities across entire operations to improve and optimize productivity	Identified \$30M in additional cost synergies optimizing HEXO’s production network and leveraging the capacity of its recent acquisitions (example: moving vape and distillate production to Redecan facility)
Streamline and simplify the organizational structure	Aggressively tackle costs across the organization and be much better stewards of capital	~30% SG&A reduction by FY2023 through reduced reliance on consultants, implementing new IT platform, right-sizing organization (announced reduction of 180 positions, annual savings of \$15M), and realization of synergies
Realize cost synergies from acquisitions and recent plant closures	Continue to deliver on synergies as a result of acquisitions and plan to exceed \$50M in synergies – over \$15M more than initial projections	Divested 25% stake in Belleville Complex for \$10.1M, proceeds used to reduce debt
Focus on revenue management, including more disciplined pricing	Consistent production of high-quality, premium products	Revenue management and pricing initiatives to be implemented
Accelerate growth and capture missed revenue opportunities	Improve demand planning, focus on medical, and leverage strong innovation pipeline	Redecan expanded into the low-cost, high-margin edible cannabis market with Redebles and entered into NB, NS, and MB; HEXO launched new products and expanded “Latitude”, their wellness product brand

HEXO expects to realize significant incremental cash flow from its initiatives *within the next four quarters*

Incremental Cash Flow (C\$ millions)






Cash flow contribution to be split evenly between cost reductions and incremental revenue opportunities

HEXO has a Robust Portfolio of Leading Brands in Canada

Industry Leading Brand Portfolio

- Diverse Brand Portfolio:**
 Covers all key consumer product categories and price points, with distribution across the country
- Leading Partner for CPG Brands:**
 In addition to the Molson Coors JV, HEXO is currently engaging in strategic conversations with leading CPG players
- Innovative Product Introductions:**
 HEXO has a strong track record of expanding market share via product innovation
- Expansive Market Reach:**
 Supply channels established in 10 provinces and 1 territory with both government-run and private distributors
- Strategic Initiatives Established:**
 Key initiatives in place to protect and expand market share in vapes, pre-roll, dried flower and extracts

Leading Portfolio of Key Brands

 <ul style="list-style-type: none"> • Solidifies leading Canadian pre-roll market share • Diversification of product portfolio • Addition of lean production capabilities <p><i>Closed August 30, 2021</i> <i>C\$925 million</i></p>	 <ul style="list-style-type: none"> • Strengthens domestic brand positioning • Broadens cultivation facility footprint • Offers immediate access to European market <p><i>Closed June 1, 2021</i> <i>C\$235 million</i></p>
 <ul style="list-style-type: none"> • Provides strong base for CPG partnerships • Expands presence in premium brand categories • Foothold in beauty, cosmetics and topicals <p><i>Closed September 1, 2021</i> <i>C\$50 million</i></p>	 <ul style="list-style-type: none"> • Mass market brand positioning • Foothold in the Canadian medical market • Nationally recognized brand <p><i>HEXO Original Brand</i></p>

Other Notable Brands

Opening Price Point Value	Mass Market Mid	High Premium
 	 	
Beverages	Wellbeing	Wellness
   		 



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