



Q2 2022 EARNINGS

TSX: VLNS
NASDAQ: VLNS

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USE OF NON-GAAP MEASURES

Adjusted EBITDA is a non-GAAP measure used by management that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Management defines adjusted EBITDA as loss and comprehensive loss from operations, as reported, before interest, tax, depreciation and amortization, and adjusted for removing share-based payments, unrealized gains and losses from short term investments and other one-time and non-cash items including impairment losses. Management believes adjusted EBITDA is a useful financial metric to assess its operating performance on an adjusted basis as described above. A description of these financial measures, including a reconciliation of such measures, to the extent possible, against the most directly comparable IFRS measure, can be found starting on page 7 of the MD&A for the three-month period ended February 28, 2021.

Adjusted Gross Margin and Adjusted Gross Profit is a non-GAAP ratio which management utilizes this measure to provide a representation of performance in the period by excluding the inventory impairment measurement adjustments and impacts of biological asset changes as required by IFRS. It is a non-GAAP ratio, which management believes provides useful information as it represents gross profit for management purposes based on costs to manufacture, package and ship inventory sold, exclusive of any impairments due to changes in internal or external influences impacting the net realizable value of inventory and non-cash items.





OUR MISSION

BRINGING THE BENEFITS OF CANNABIS TO THE WORLD





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LOOKING AT THE FUNDAMENTALS

FUNDAMENTALS BEGINNING TO IMPROVE

1	Net revenue increased	+3.5%
2	SG&A declined	-6.2%
3	Cash burn ⁽¹⁾ improved	\$4.8
4	Provincial sales rebounded strongly in June with record monthly revenue	

Fundamentals
improving across the
business

(1) Cash burn defined as the combination of cash flow from operations and cash flow from investing

KEY PERFORMANCE INDICATORS

QUARTERLY SUCCESS SCORECARD



Meeting Expectations



Progress Improving



Needs Improvement, Core Focus



1. Grow adult recreational market share in Canada by achieving top 5 in vapes, edibles and beverages and top 10 in flower

- ✓ Valens is a top 10 licensed producer in Canada, with 3.2% market share for three months ending May 2022⁽¹⁾
- ✓ Ranked #7 in vapes, #10 in edibles, #4 in beverages, and #9 in flower⁽¹⁾



2. Uncover potential in the U.S. and international markets through the Green Roads platform and other international initiatives

- ✓ Showed double digit growth in Q2 for both Green Roads and International
- x Continue to stock out on gummies at Green Roads which is a key concentration to increase sales in future quarters



3. Achieve positive adjusted EBITDA by Q4 by improving gross margin and SG&A through cost efficiencies and automation

- ✓ Actioned \$15 million in cost savings and Valens has identified over \$5 million in further cost savings exceeding original expectation of \$20 million
- ✓ SG&A decreased 6.2% in Q2 2022 due to initial impact of Integration Initiatives



4. Reduce cash burn through improvements in EBITDA, working capital management and monetization of non-core assets

- ✓ EBITDA took a step in the right direction in Q2 2022 and even further when you back out the AR impairment
- ✓ Decreased SG&A and cash burn in the quarter
- x Full impact of actioned Integration Initiatives have not been realized and expected to have greater impact in Q3 & Q4 2022



5. Development of U.S. THC strategy as permissible under Federal regulations

- ✓ Passing of the MORE Act by the U.S. House of Representatives is a promising step towards federal legalization
- ✓ Valens maintains ongoing activities and discussions with asset light structures

⁽¹⁾ Hifyre data for Ontario, Alberta, British Columbia and Saskatchewan as of May 2022
Note: Adjusted EBITDA is a Non-GAAP measure



QUARTERLY HIGHLIGHTS

SIGNIFICANT PROGRESS MADE IN THE QUARTER

Net Revenue (C\$, millions)			
	Q2 2022	Q1 2022	Q/Q
Provincial Sales	\$9.2	\$10.8	-14.8%
B2B Sales	\$7.0	\$6.3	+11.1%
Green Roads	\$5.7	\$5.1	+11.8%
International	\$1.1	\$0.4	+175.0%
Other	\$1.0	\$0.6	+66.7%
Total	\$24.0	\$23.2	+3.5%

Balance Sheet⁽²⁾



Cash & Equivalents



Book Value / Share

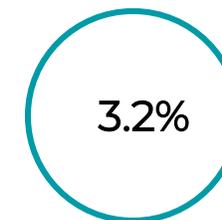


Tangible Book Value / Share

Canadian Recreational Market Share⁽¹⁾



Q1 2022



Q2 2022

Operational Achievements

- ✓ SG&A expense declined by \$1.9M, or 6.2% from Q1
- ✓ Actioned \$15M in annualized cost savings
- ✓ Entered into an agreement with Signifi Solutions to place kiosks in various premium malls in the US
- ✓ Subsequent to quarter-end launched Bon Jak, an exclusive brand in Quebec
- ✓ Subsequent to quarter-end signed exclusive cannabis partnership with ColdHaus

(1) Based on Hifyre data for Alberta, British Columbia, Ontario and Saskatchewan as of three months ended February and May 2022

(2) Book Value and Tangible Book Value Per Share is calculated using Shareholders Equity, Goodwill, and Intangible Assets



PROVINCIAL SALES

GROWTH IN RETAIL SELL-THROUGH POISED TO CONTINUE AS PRODUCTS RESONATE WITH CONSUMERS

- In the three months ended May 2022, Valens had the 10th highest market share in Canada with retail sales growing by 365% Y/Y
- Demonstrated strong momentum with one of the highest Y/Y and Q/Q growth rates amongst Canadian Licensed Producers

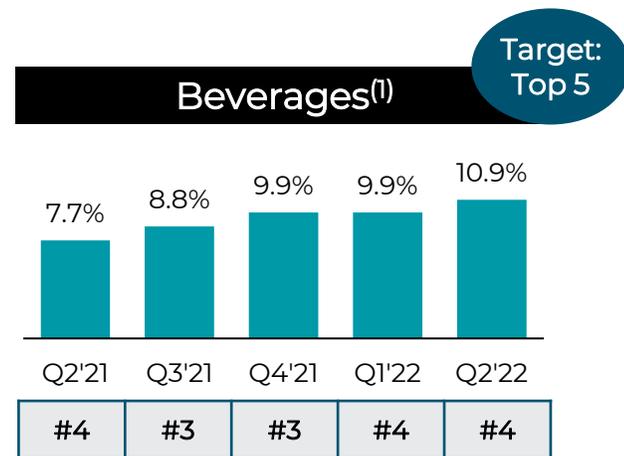
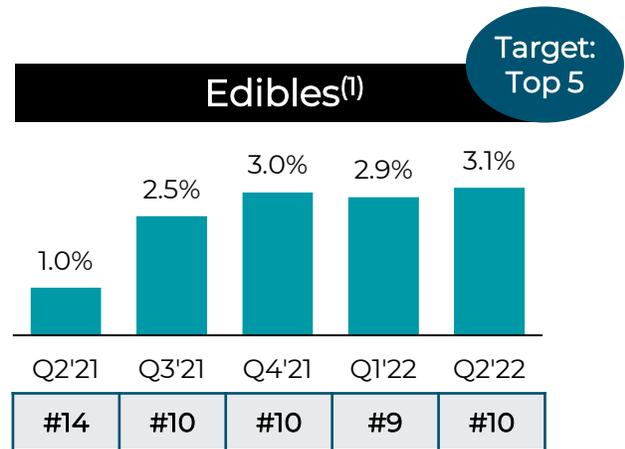
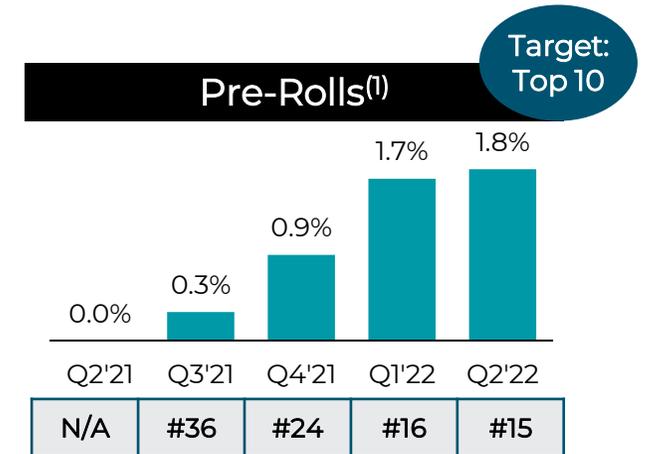
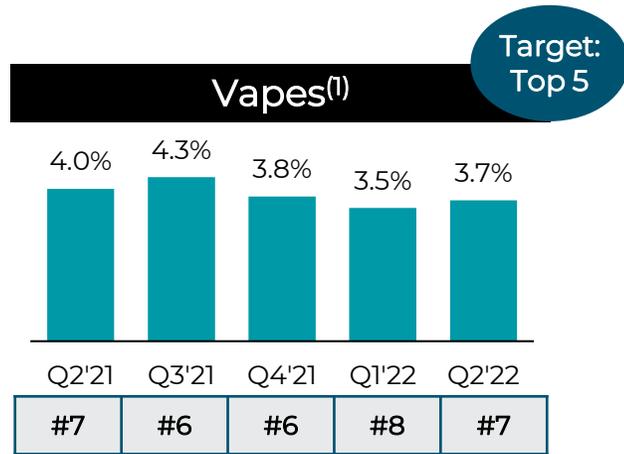
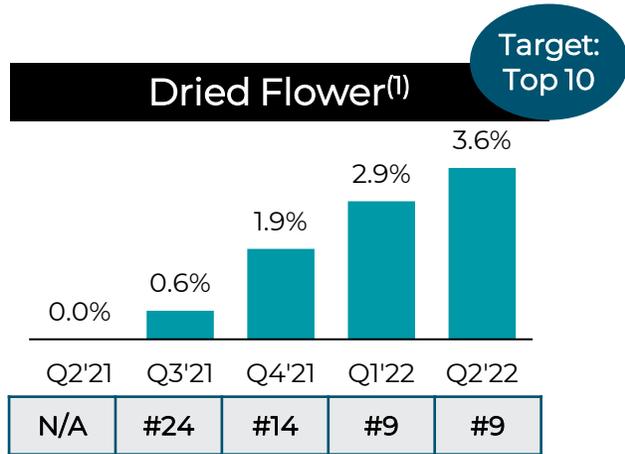
Market Share Rankings and Provincial Sales Growth ⁽¹⁾					
Company	Brand Market Entrance	Market Share Rank	Market Share Growth Q/Q	Sales Growth Q/Q %	Sales Growth Y/Y %
HEXO	2018	1	-1.0%	-1%	-23%
Village Farms	2019	2	-0.4%	5%	13%
Auxly	2019	3	-1.7%	-12%	62%
Tilray	2018	4	-1.7%	-12%	-44%
Organigram	2018	5	0.3%	16%	88%
Canopy	2018	6	-0.4%	3%	-39%
Decibel	2018	7	0.6%	26%	243%
Cronos	2018	8	-0.2%	5%	101%
Bzam Cannabis	2020	9	-0.1%	6%	578%
Valens	2021	10	0.3%	22%	365%

(1) Based on Hifyre data for the three months ended May 2022 in Alberta, British Columbia, Ontario and Saskatchewan. Retail sales growth displayed for the three months ended May 2022 vs the year-ago period, and vs the prior three-month period.



PROVINCIAL SALES

CONTINUED GROWTH IN EVERY MAJOR CATEGORIES



Strategies to Achieve Target Share

- Expanding distribution for all categories with ColdHaus – particularly edibles
- Ongoing product innovation

⁽¹⁾ Based on Hifyre data for the three months ended May 2022 in Alberta, British Columbia, Ontario and Saskatchewan.



PROVINCIAL SALES

INNOVATION CONTINUES TO ACCELERATE IN Q2

- Launched 4 value vape SKUs under Versus, which is already taking market share away from competitors
- Launched Big Willie, an infused pre-roll, under Contraband currently rolling out to markets
- Launched two new exciting Versus Seltzer flavours just in time for summer—Mango and Ruby Grapefruit
- Launched two new flower SKUs in Versus Super Lemon Haze and Versus Quarter Mill

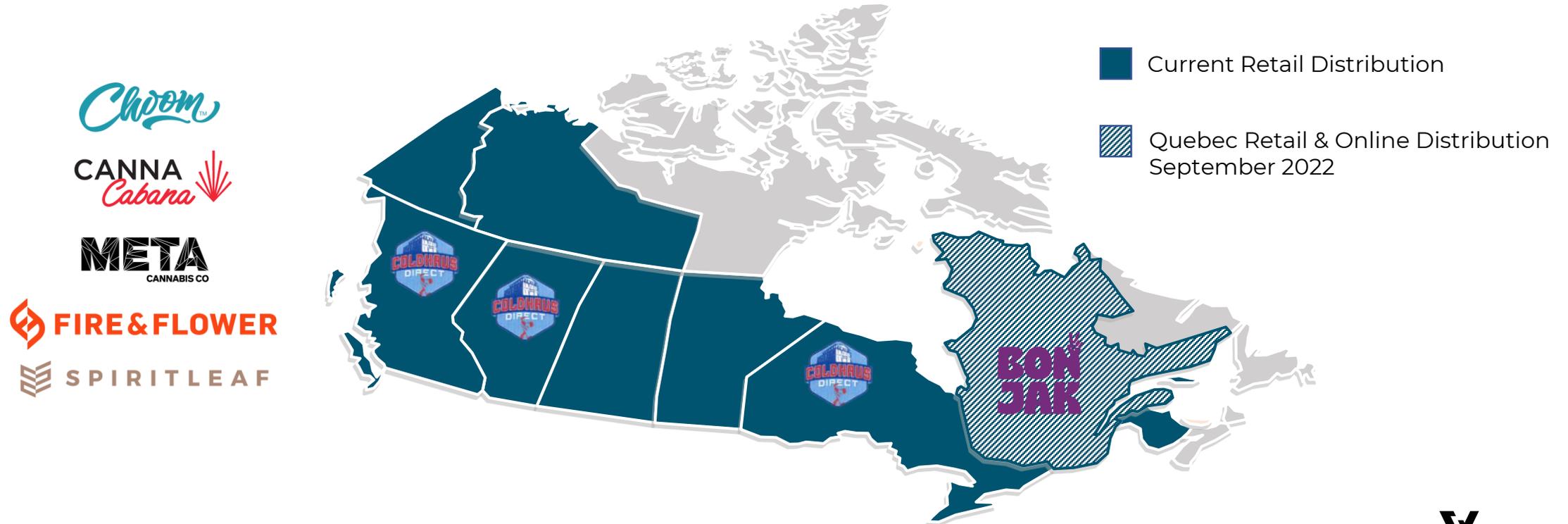
New Product Launches



PROVINCIAL SALES

CROSS CANADA PENETRATION

- ColdHaus to provide distribution coverage to ~65% of the Canadian market, increasing the frequency, reach and touchpoints of our brands across Canada's most saturated retail markets
- With Quebec product SKUs coming online in September 2022, Valens will have exposure to ~95% of the Canadian market



PROVINCIAL SALES

VERSE TO VERSUS TRANSITION

- Product rebranding and switchover to Versus caused quarter over quarter volatility in Provincial Sales
- Valens had Versus products in inventory, but products were not sold; resulting in absent depletion weeks for some of our highest velocity SKUs in one of the busiest months of the year
- With Versus rebranding now complete, sell-in to provincial distributors have rebounded
 - Provincial Sales accelerated into June with record monthly revenue
 - Significant visibility into POs in hand for July



GREEN ROADS

GAINING MOMENTUM

- In Q2, both revenue and margins improved
 - Higher traffic and conversion rate in e-commerce
 - Double digit revenue growth in Topicals (+40%), Vapes (+732%), and Other (101%) product categories
 - Continued unsustainable online spend from competitors resulting in challenging overall market conditions
- Relationships with third-party manufacturers in key product categories continue to evolve
 - Increased Gummy sales remain core focus which continue to experience stock outs based on third party manufactures



Revenue Product Category Split

	Q2 2022	Q1 2022
Oils	25.3%	28.2%
Gummies	39.3%	43.3%
Capsules	10.3%	10.9%
Topicals	12.7%	10.2%
Pet	2.6%	2.7%
Coffee/Chocolate	0.9%	1.2%
Vape	3.2%	0.4%
Other	5.6%	3.1%

Adjusted Gross Margin⁽¹⁾



(1) Adjusted gross margin excludes the impact of inventory valuation allowance and is a Non-GAAP measure



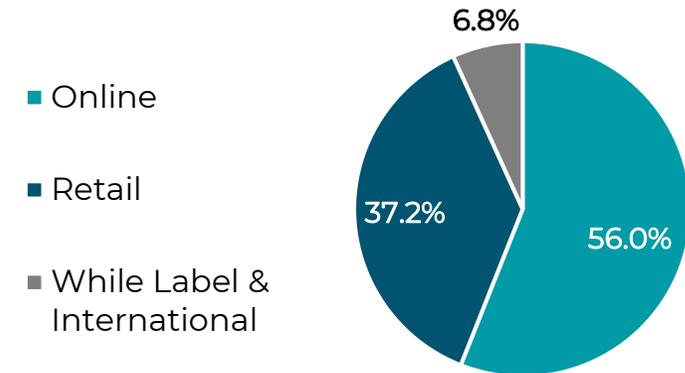
GREEN ROADS



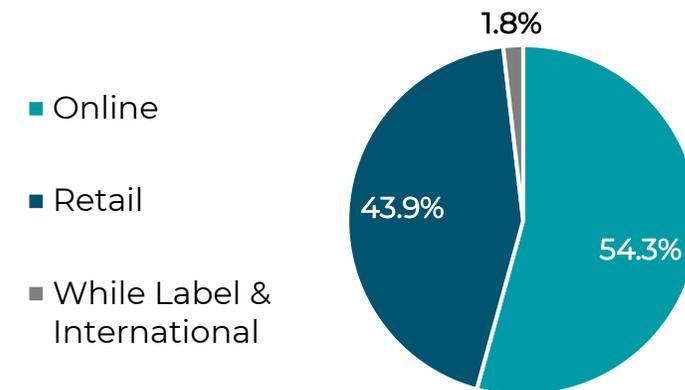
U.S. DISTRIBUTION DRIVEN BY HIGH MARGIN ONLINE SALES

- Transition continues towards 60% + of revenue coming from the online channel
 - New brand campaign now live, which saw e-commerce make up 56% of revenue
 - Sophisticated e-commerce platform in place to manage growth in coming quarters
- Retail business has found a base with new channel-appropriate product offerings launching in the short term
 - Retail revenue remained flat quarter over quarter but will continue to see the most changes post-COVID
 - Launching smart kiosks across premium malls in July, ramping up through out summer months
- White label and International business offers incremental opportunities
 - Efforts to leverage cross-border and other relationships ongoing saw International revenues increase

Channel Split (Q2 2022)



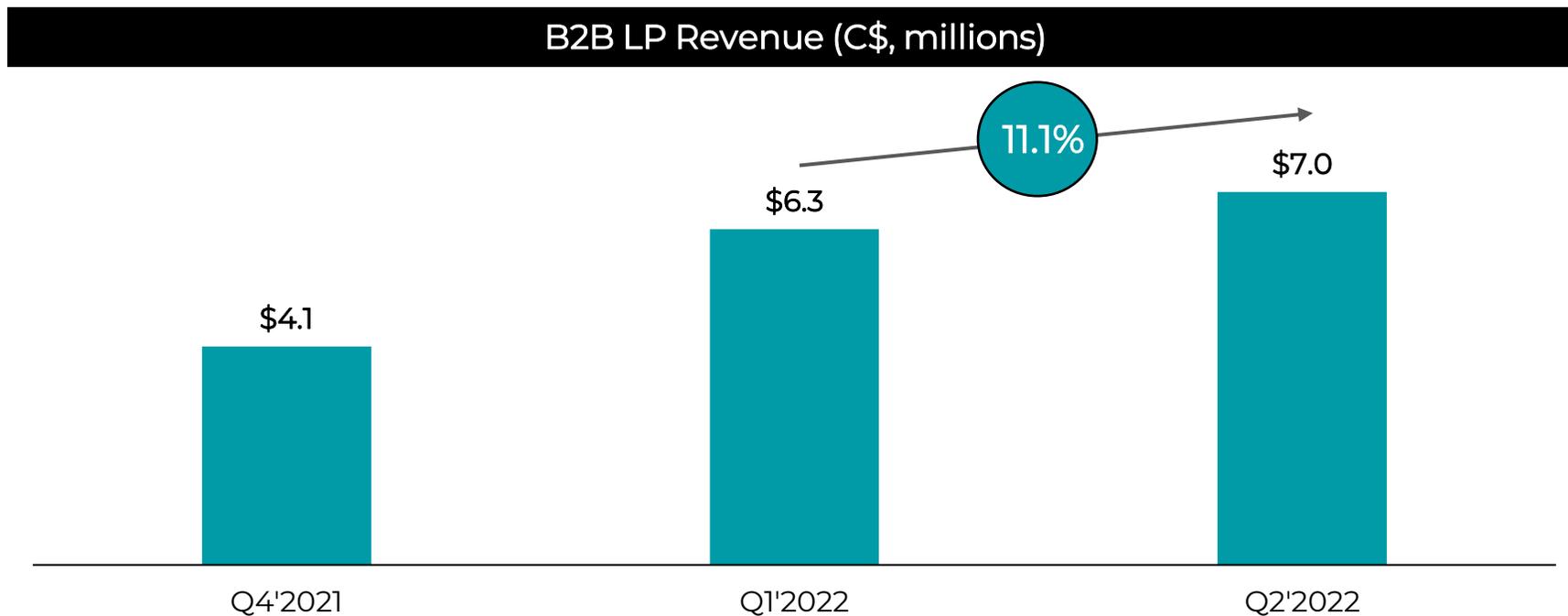
Channel Split (Q1 2022)



B2B SALES

FOCUS ON FEWER, BIGGER, BETTER

- B2B segment increased 11.1% in the quarter, driven primarily by higher demand in bulk sales which are traditionally lumpy
- Valens expects that this platform will continue to strengthen as its partners optimize their manufacturing processes
- New B2B opportunities within and outside of the cannabis industry provides upside



Q2 2022 EARNINGS HIGHLIGHTS

SOLID CONSOLIDATED REVENUE GROWTH DESPITE VOLATILITY IN PROVINCIAL SALES

- Provincial Sales revenue was down in the quarter partially due to absent depletion weeks resulting from the rebrand of certain SKUs from Verse to Versus
 - Additionally, \$0.5M of revenue generated towards the end of May was pushed into Q3/22 due to an in-transit adjustment
 - Excluding this adjustment, results have rebounded strongly with June appearing to be the best month ever for Valens
 - Large amount of POs already in hand for July

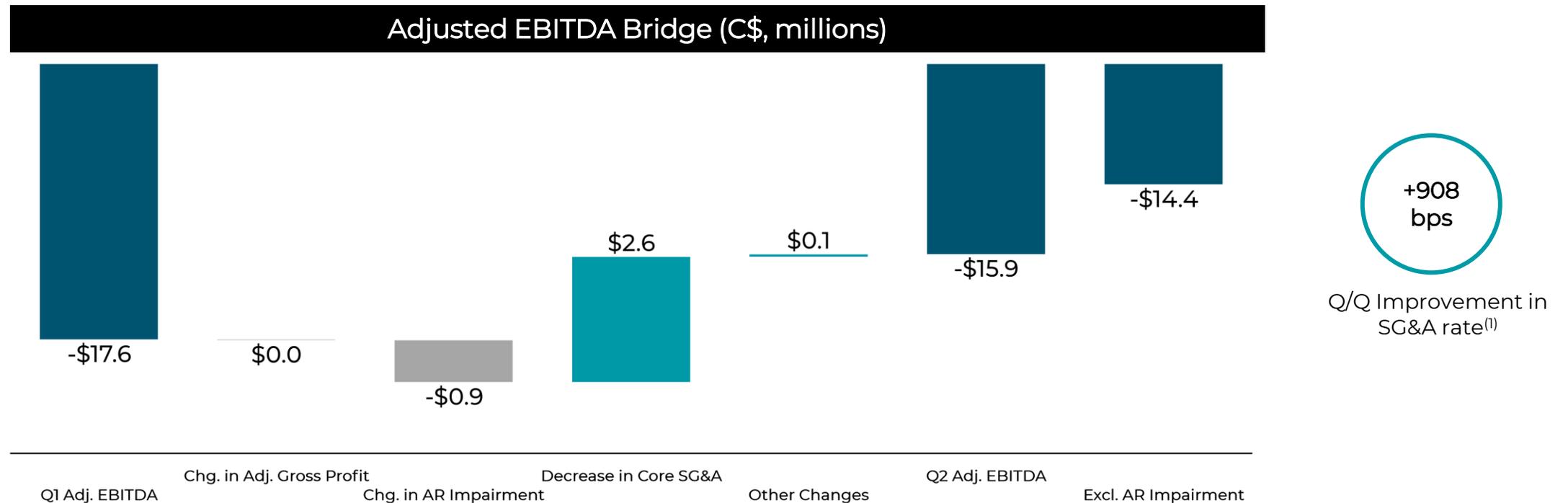
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Q2 2022 EARNINGS HIGHLIGHTS

INITIAL IMPACTS OF COST SAVINGS INITIATIVES DRIVING EBITDA IMPROVEMENT

- Adjusted gross profit was flat in Q2/22 compared to Q1/22
- On a reported basis, SG&A as a percentage of net revenue improved by 908 basis points in Q2/22 relative to Q1/22
- Excluding the \$1.4M non-cash impairment of accounts receivable, adjusted EBITDA would have been -\$14.4M in Q2/22



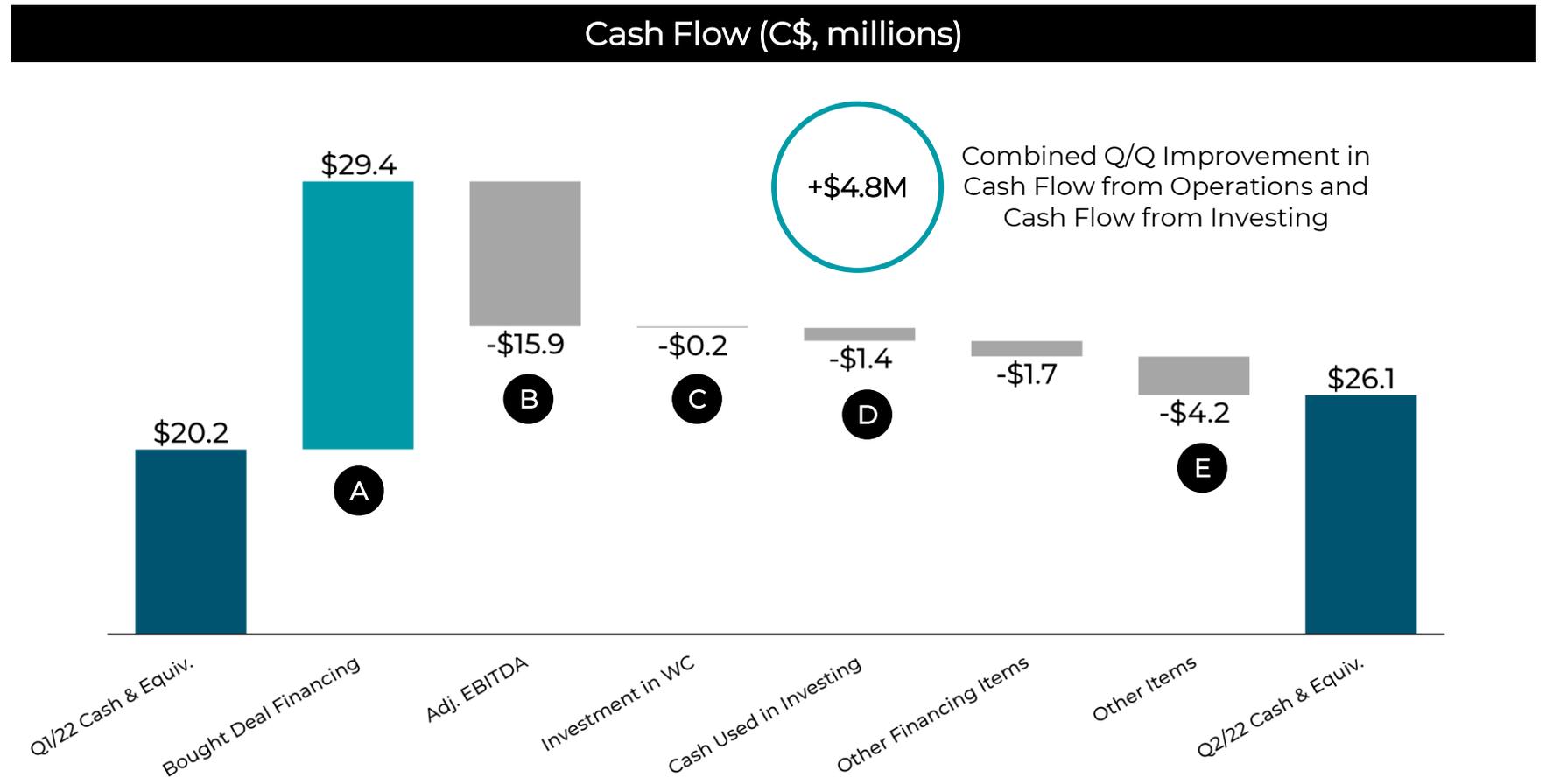
Note: Adjusted Gross Profit and Adjusted EBITDA are Non-GAAP measures. Other Changes include depreciation and amortization, and other items in the adjusted EBITDA reconciliation.

(1) SG&A rate defined as SG&A expense as a percentage of net revenue in the period. The SG&A rate improved to 87.1% in Q2/22 from 96.2% in Q1/22



Q2 2022 EARNINGS HIGHLIGHTS

SOLID PROGRESS ON REDUCING QUARTERLY CASH BURN



- A. Bought deal financing, net of fees
- B. Adjusted EBITDA improvement driving improvement in cash flow
- C. Acquisition of inventory to drive future brand launches
- D. Capex and strategic investments
- E. Restructuring costs, unrealized losses in marketable securities, taxes and other non-operating cash changes

Note: Adjusted EBITDA is a Non-GAAP measure



INTEGRATION INITIATIVES

SIGNIFICANT PROGRESS ON COST EFFICIENCIES

Five months into the Integration Initiatives, we have executed on \$15M and identified over \$5M of additional cost efficiencies through operational and organizational changes that will drive the business towards becoming EBITDA positive in fiscal Q4 2022

Breakdown of Cost Efficiencies (Annualized)

Initiative	Actioned
Organizational Realignment and M&A Synergies	\$11.9M
Automation & Process Improvements	\$2.1M
Optimized Sourcing of Input Costs	\$1.0M
Total	\$15.0M



Centralized bulk sourcing and purchasing of biomass and other inputs reduces costs and improves quality



Management overlap, back-office support, centralization of labour to Kelowna K1/K2



Automation and process improvements drive down labour and inventory costs and increases throughput



INVESTMENT THESIS

CLEAR IDENTIFICATION OF ADVANTAGES



1. One of the most innovative manufacturing platforms in Canada

Fully built and comprehensive manufacturing and distribution platform which utilizes the latest forms of innovation and automation

2. Strategically positioned downstream from cultivation

Use of contract growing partners combined with spot purchases provides an opportunity during a period of excess capacity and oversupply

3. Valens is an innovation machine in developing new products

Leveraging decades of experience to facilitate the development and production of in demand products faster than its Canadian competitors

4. Prominently positioned in the US with a top CBD brand

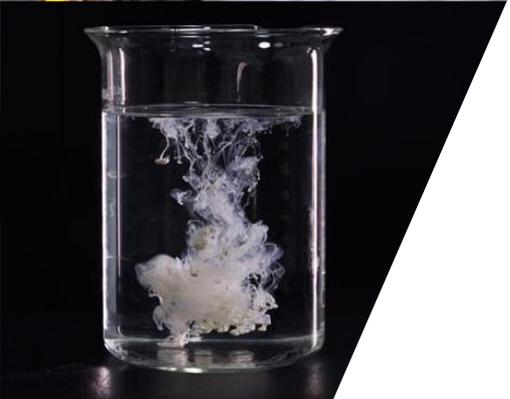
Significant exposure to the US market via Green Roads, a leading CBD brand, positioned to capitalize on any future changes in regulations

Rightsized for the market today, constantly optimizing for the future



QUESTIONS & ANSWERS





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