**The Green Organic Dutchman Holdings Ltd.**

**Third Quarter 2021 Results**

November 25, 2021 — 10:00 a.m. E.T.

Length: 32 minutes

## Corporate participants

**Shane Dungey**

The Green Organic Dutchman Holdings Ltd. — Vice President, Investor Relations

**Sean Bovingdon**

The Green Organic Dutchman Holdings Ltd. — Chief Executive Officer & Interim Chief Financial Officer

**Angus Footman**

The Green Organic Dutchman Holdings Ltd. — Chair, Board of Directors

## Conference Call Participants

**Tamy Chen**

BMO Capital Markets — Analyst

**Ven V**

Research Capital — Analyst

**Mark Tetrault**

Richardson Wealth — Analyst

**Justin Dittrich**

Wuscort Inc. — Analyst

## PRESENTATION

**Operator**

Good morning, ladies and gentlemen. My name is Sylvie and I will be your conference operator today. Welcome to The Green Organic Dutchman Third Quarter 2021 Results Conference Call. To ensure an enjoyable experience for all participants, all lines have been placed on mute. Following the presentation, we will open the call for questions. If you’d like to ask a question, simply press star then the number one. If you’d like to withdraw your question, press star then two. Note that this call is being recorded on Thursday, November 25, 2021.

I now would like to turn the conference over to Shane Dungey, Vice President, Investor Relations. Please go ahead, sir.

**Shane Dungey** — Vice President, Investor Relations, The Green Organic Dutchman Holdings Ltd.

Thank you, Sylvie. Good morning and thank you all for joining us for our Q3 conference call. Today we’ll provide comments on our performance as well as an update on our operations and how we’re executing our plans. This call is being recorded and the audio recording will be available on the Company website at tgod.ca.

Joining me on the call this morning is Sean Bovingdon, Chief Executive Officer and Interim CFO, and Angus Footman, Chair of the Board of Directors at The Green Organic Dutchman.

Today’s discussion includes forward-looking statements. We caution that such statements are based on management’s assumptions and beliefs and are subject to uncertainties and other factors that could cause actual results to differ materially. I refer you to our news release and MD&A for more information on these assumptions and factors.

With that, I’ll now turn the call over to Sean.

**Sean Bovingdon** —Chief Executive Officer & Interim Chief Financial Officer, The Green Organic Dutchman Holdings Ltd.

Thanks, Shane, and good morning, everyone, and happy Thanksgiving to our US investors. I want to thank you all for joining us today.

As you know, we recently closed the acquisition of Galaxie Brands and are embarking on an exciting path as we close out 2021 and enter 2022. Next year will be a transitional year where we expect the fundamental value we have been building through 2021 to be recognized by the market.

Joining me on the call we have our new Board Chair, Angus Footman, and he will expand on this and discuss our outlook.

So, while we remain in a highly competitive and dynamic environment, we have been able to navigate the market and have continued to grow our Canadian adult recreational and medical revenues again this quarter. We have two of the top-six selling flower SKUs and two of the top-five hash SKUs in the Quebec market, for example. We have been able to remain a top seller there through providing consistent quality and adhering to the TGOD promise, guaranteeing quality, consistency, and transparency.

Our hash and flower SKUs continued to perform well and we are creating repeat buying. As we roll these products out across other provinces, particularly Ontario and Alberta, we have seen the same positive consumer feedback and demand. Also in Q3 we recorded our first international revenue and completed our first commercial shipment of flower and other extracts destined for the South African medical cannabis market. These will be the first to be distributed legally in the country at a commercial scale. In addition, subsequent to the quarter the Company completed his first commercial shipment of oils for the Australian medical cannabis market through its partner, LeafCann.

Following the launch of our well-received sativa strain, we launched our Organic Highly Dutch Amsterdam Sativa 28-gram pack in the province of Ontario. This top-selling product in the other provinces, the sativa product joins Rotterdam Indica as a second one-ounce option for consumers under the Highly Dutch brand. As with TGOD dried flower, Highly Dutch dried flower products are organically grown in living soil and offer guaranteed THC percentages above 20%. Amsterdam Sativa is now available in Alberta, Saskatchewan, Manitoba, Ontario, Quebec, and Newfoundland.

In response to the strong demand we were experiencing for our sativa strains, we’re expanding our grow plan, which includes beginning cultivation in Valleyfield by the end of this year to be able to meet the market demand in the coming months. We expect sales momentum to continue with a steeper acceleration into 2022.

I’d also note in the quarter we were successful in securing an extension to our credit facility. The renewed credit facility now matures on June 30, 2023 and supports the Company with liquidity and some savings on fees. The total facility was reduced from $30 million to $25 million, while the term loan portion within that increased to $17 million. This provides a significant improvement on the Company’s working capital position, which enables us to continue to grow our business as we move towards profitability.

Additionally, a key objective was to move from the TSX to the CSE, which we completed on September 13, 2021, to allow us additional investment capability into the US as we continue to explore opportunities. To support these plans, and in conjunction with the Galaxie acquisition, Olivier Dufourmantelle joined the management team as President of our US operations. His and Angus’ experience in the cannabis industry, along with our seasoned team of executives, will be vital to enabling our expansion strategy in 2022. As we continue to integrate TGOD and Galaxie, we will look to leverage the innovation expertise that Galaxie brings to the table, particularly in the pre-rolls, vapes, and edibles categories, as we accelerate portfolio development in the coming quarters.

With recent share purchases by key members of the executive team and the share transaction of Galaxie, we now have a significant insider ownership of approximately 20%, firmly illustrating the team’s commitment in the success of TGOD.

There continues to be many opportunities to accelerate our growth. Our product portfolio is well rounded and innovative, our geographic footprint continues to expand, and we’ve made the required adjustments to our distribution to continue to grow on our success. On the latter point, recently we announced the move to a dedicated sales force with Acosta Canada in key markets to build on our momentum and continue to increase sales and distribution.

In conclusion, we are pleased with our progress and we remain focused on execution and financial discipline, while continuing to transform TGOD into a profitable, sustainable, and agile cannabis company, poised to take advantage of the growth in Canada and internationally.

For now, I’ll turn the call over to Shane to discuss how we’re delivering results through this continued dynamic environment.

**Shane Dungey** — Vice President, Investor Relations, The Green Organic Dutchman Holdings Ltd.

Thank you, Sean. Today I’ll go over the third quarter results and highlight the progress we’ve made in the quarter.

With HemPoland being reclassified as an asset held for sale, we are no longer reporting consolidated revenue to include revenue from HemPoland. As such, our revenue from recreational adult-use cannabis products and medical cannabis products increased to $9.24 million during Q3 2021, an increase of $0.16 million in comparison to Q2 2021.

Canadian growth was driven by continuing to fill the TGOD promise, delivering high-quality, high-THC flower across our premium and Highly Dutch brands. Double-digit quarter-over-quarter growth is expected to return in Q4 as we’ve rolled out our sativa strains, new Cruuzy SKUs, and edibles across the country.

We registered a net loss from continuing operations of $13.94 million for the quarter compared to $75.4 million for the same period during the prior year. This also represents an improvement of $18.58 million of losses from continuing operations since Q2 2021 where the Company recorded a loss from continuing operations of $32.53 million. The Company expects to achieve positive monthly EBITDA by spring 2022.

A key component of our plan has been cost containment and our efforts have continued to be successful with respect to G&A. We incurred a quarterly G&A expense of $6.37 million for Q3 2021. Excluding a non-cash loss of $1.56 million, G&A expenses were $4.8 million, which is slightly down from the same period in the prior year and down 11% from $5.34 million in Q2 2021.

We continued to build on the quarterly momentum and have strengthened our balance sheet with the aforementioned credit facility extension. We continue to look to further strengthen our financial position through the sale of HemPoland. We expect to begin realizing cost synergies from the Galaxie acquisition in Q1 2022 and are forecasting an annual savings of at least $2 million in 2022 from the business combination. We remain confident that the progress we have made will enable us to continue growing through the end of the year and into 2022.

With that, I’ll now pass the call over to Angus.

**Angus Footman** — Chair, Board of Directors, The Green Organic Dutchman Holdings Ltd.

Thank you, Shane. I’m happy to be here with you this morning as the new Chair of the Board of Directors.

In a short period of time, Galaxie created a cannabis company focused on developing fun and innovative products that consumers demand. Galaxie now has over 45 SKUs across Canada that include vapes, flower, pre-rolls, and edibles, and over the last few months we actually started to notice that the huge strides the TGOD team had made in improving their flower quality, and more remarkable for us was they managed to do this while keeping costs under control and maintaining their commitment to organic and sustainable practices, we also discovered that we shared many core values and collectively believed that a combined entity would accelerate a vision of bringing high-quality cannabis products to all of Canada.

The Galaxie acquisition is expected to achieve cost synergies through combining activities in supply chain, distribution, product R&D, as well as cost reductions in SG&A and general overhead. The Galaxie strategic US connections and existing industry relationships should accelerate the Company’s entry into the US market, with the growing TGOD brand platform being positioned for future expansion across the border.

The domestic market for recreational use cannabis continues to be our priority and we believe it still represents a significant growth opportunity. The combined entity will benefit from improved regional distribution across Canada, providing product expansion capabilities into British Columbia for TGOD and Highly Dutch brands, and into Quebec for Galaxie’s Cruuzy brands. Our recent change to a dedicated sales force in key markets is expected to increase product distribution and a corresponding improvement in sales.

I’m very grateful to Sean and the TGOD team for the warm welcome that we all received. And finally, myself and the Galaxie team are all excited about the future of TGOD and looking forward to continue to build a profitable and sustainable cannabis company selling quality products that consumers demand. And with that, we’re back to Sean.

**Sean Bovingdon** —Chief Executive Officer & Interim Chief Financial Officer, The Green Organic Dutchman Holdings Ltd.

Thanks, Angus.

In closing this section, I am extremely pleased with the Company’s recent progress and the team continues to work hard to bring the Company to profitability with many strategic initiatives on the horizon. I want to thank our employees and thank our shareholders for the continued support.

With that, operator, we are ready to take questions.

## Q & A

**Operator**

Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question, please press star followed by one on your touchtone phone. You will then hear a three-tone prompt acknowledging your request and your questions will be polled in the order they are received. If you are using a speakerphone, please lift the handset before pressing any keys.

And your first question will be from Tamy Chen at BMO. Please go ahead.

**Tamy Chen** — Analyst, BMO Capital Markets

Hi. Good morning. Thanks for the question. I want to go back to the positive monthly EBITDA by spring. So, I believe your financial covenant requires you to get to that by then. I’m calculating this quarter your EBITDA loss was just under $5 million. So you talked a little bit about it during your prepared remarks, but can you elaborate a bit more on your confidence to hit that target? What are the biggest drivers that get you there?

**Sean Bovingdon** —Chief Executive Officer & Interim Chief Financial Officer, The Green Organic Dutchman Holdings Ltd.

Thanks, Tamy. Glad to have you on the line. With regards to that EBITDA, yeah, you’re correct in terms of that calculation, though noting that that also includes a non-recurring, non-cash $1.5 million loss on the settlement of an old deposit that we had. So the actual recurring EBITDA loss is more like $3.6 million for the quarter and that is continuing to decrease. The big driver for that, obviously, is the revenue. We’ve seen the revenue starting to increase even more so and then accelerated with the addition of the Galaxie SKUs that are going on. So, as we look at the end of Q1, with the additions of new SKUs, and I think if you look at in the press release there we talked about some of the SKUs that are coming on line in January from Sugar Bush, the Rockstar Tuna pre-rolls, Cherry Mints, plus the Tangerine Sunrise Sativa, Supercharged Duubyz from Galaxie, and additional Afghan Black Hash, for example. Those kind of things that are coming on line, including, for example, a nice six-month-aged hash coming on in Quebec as well, those type of products will really accelerate that revenue up to the kind of $5.5 million level target that we need to have that breakeven EBITDA on a monthly basis.

**Tamy Chen** — Analyst, BMO Capital Markets

Okay, got it. The $5.5 million, I’m sorry, that’s a monthly target?

**Sean Bovingdon** —Chief Executive Officer & Interim Chief Financial Officer, The Green Organic Dutchman Holdings Ltd.

Yes, that’s right.

**Tamy Chen** — Analyst, BMO Capital Markets

Okay, got it. Okay. And to confirm my understanding, when I take out the, I think it was about a $1.7 million of tolling revenues last quarter, it looks like your recreational revenues were kind of flat sequentially, so am I understanding this correctly that your view of this performance is more due to less retail penetration and so you expect sales to really accelerate now that you have this dedicated sales force? Like was that what kept you from growing your rec sales this quarter?

**Sean Bovingdon** —Chief Executive Officer & Interim Chief Financial Officer, The Green Organic Dutchman Holdings Ltd.

Yeah, that’s two things. We’ve seen, not only with the dedicated sales force coming on, which we were on a syndicated sales force before which really wasn’t giving us the traction or the penetration or the velocity or the representation, particularly in Ontario’s stores, this dedicated sales force, 17 people, will help with that.

In addition, it’s now being listed in this quarter starting in October in a lot of the retail chains. We weren’t in Hunny Pot, for example, stores, we weren’t in Sessions stores. We are now in those stores. So that’s really almost looking to double the number of stores in Ontario, for example, that our products are listed

**Tamy Chen** — Analyst, BMO Capital Markets

Got it. Okay. If I could just squeeze in one more there, can you elaborate a little on expanding the grow in Valleyfield? Like what’s the magnitude? And so are you basically at full capacity now at Ancaster?

**Sean Bovingdon** —Chief Executive Officer & Interim Chief Financial Officer, The Green Organic Dutchman Holdings Ltd.

We are at full capacity. The yield has been increasing. And particularly we’ve been turning over our grow plans to sativa, because every Sugar Bush plant we grow is going out the door as soon as it’s harvested. And so with Valleyfield, if you recall, when we sold Valleyfield back in June, we retained a leaseback on just under 80,000 square feet, of which the initial 25,000 square feet of that is for cultivation.

Given the demand for sativa and now the increasing number of stores that we’re being in and it’s now being listed in Ontario, we can see that demand increasing dramatically. There have been refill orders already in Ontario. And with that we do need that initial 25,000 square feet of cultivation in Valleyfield to be up and running and so the plants are expected to go in here in December and we’ll get the first harvest in kind of a March timeframe.

**Tamy Chen** — Analyst, BMO Capital Markets

Got it. Thank you.

**Operator**

Thank you. Your next question will be from Ven V at Research Capital. Please go ahead.

**Ven V** — Analyst, Research Capital

Thank you, guys, for taking my question. So, you guys have provided the net revenue guidance of $40 million for the year 2021. This was before you decided to sell off this HemPoland. So what do you think about this guidance now?

**Sean Bovingdon** —Chief Executive Officer & Interim Chief Financial Officer, The Green Organic Dutchman Holdings Ltd.

Sorry, I didn’t catch the first bit of that, Ven.

**Ven V** — Analyst, Research Capital

The net revenue guidance of $40 million was provided for the full year of 2021 last time.

**Sean Bovingdon** —Chief Executive Officer & Interim Chief Financial Officer, The Green Organic Dutchman Holdings Ltd.

Got it. So, as you know, Ven, we haven’t given the exact guidance on revenue usually and going forward and now with the Galaxie acquisition we have to absorb that. It’s just taken off, particularly on the edibles side and the pre-rolls going out, so we’re still assessing what that number is likely to be for December. But on a total basis, on a combined consolidated basis, even with the HemPoland being taken out, there’s no change at this point in time because the Galaxie amounts will look to offset any losses from Q4 from HemPoland.

**Ven V** — Analyst, Research Capital

Okay. That’s fine. Can you provide more colour on geographic mix? Because until Q2 TGOD was generating most of the revenue from Quebec. Did you see any change in that trend in Q3?

**Sean Bovingdon** —Chief Executive Officer & Interim Chief Financial Officer, The Green Organic Dutchman Holdings Ltd.

Yeah, yes, and into Q4 even more so. We’re about 45% of our sales this current month are in Quebec. And then we’re about 25% Ontario, 20% Alberta, and the balance across the other provinces.

**Ven V** — Analyst, Research Capital

Okay. That’s nice. Finally, when can we see a meaningful impact of Galaxie Brands on your financial statements? Will it be Q4 or Q1 next year?

**Sean Bovingdon** —Chief Executive Officer & Interim Chief Financial Officer, The Green Organic Dutchman Holdings Ltd.

Because there’s only a month and a half here in Q4 from when the close was of the Galaxie acquisitions and their initial load up and start off on their edibles and the pre-rolls, Q1 will be the biggest impact you’ll see of a full quarter of Galaxie and the products that are coming from them, particularly, as I mentioned, the Supercharged Duubyz being listed in January in Ontario and into BC. Those kind of items you will really then start to see that. Also it’s going to take, as normal with any integration, the month of, ah, you know, through here, the next 30 days, 60 days still working through on having both processes going until we get the synergies and the processes sorted out. So those real savings will start to become shown on an integration basis later in Q1.

**Ven V** — Analyst, Research Capital

Okay. Sounds good. Thank you very much.

**Sean Bovingdon** —Chief Executive Officer & Interim Chief Financial Officer, The Green Organic Dutchman Holdings Ltd.

Thank you.

**Operator**

Thank you. Your next question will be from Mark Tetrault at Richardson Wealth. Please go ahead.

**Mark Tetrault** — Analyst, Richardson Wealth

Good morning, Sean. Two questions. One, with regards to profitability, breakeven, cash flow positive, that ball has been kicked down the road for a long time now. Could you comment as to why your numbers have not materialized? I remember, yes, yes, by 2020 we would be cash flow positive, then mid-2021, then end of 2021, now first quarter 2022. So that ball keeps going down the road. And so where do we have the confidence that this next number is going to materialize versus the other numbers have not?

**Sean Bovingdon** —Chief Executive Officer & Interim Chief Financial Officer, The Green Organic Dutchman Holdings Ltd.

Yeah, that’s a fair question, Mark. As I said, in 2020, we had to make a transitional change in terms of grow and the product and the quality for flower, because the quality of the flower that was coming out in early 2020 was not good. So we were not getting the traction and the sales that the team had originally forecast. We made all that change with our new COO, Michel Gagne, and the master grower in Ancaster. The products have turned. We’re only doing 0.5 million a month back in there in mid-2020. Now, as I said, we’re where we are today and on track for getting to $5.5 million in revenues by the end of Q1. So it’s really about first off having good product and we now have that and you’ve seen that acceleration through this year and over the last year hopefully.

2020 also had the COVID, so the Ontario stores and all the store access were completely shut, which affected the industry as a whole in terms of meeting their sales forecast that they expected on the retail side just wasn’t there. As we get through 2021 and the expectations of getting there by the end of this year, absolutely, we’re getting towards it. We’re not getting there as fast as we expected. We have cut our SG&A in half year over year, which is a big part of it in controlling our costs, and getting the mix right of products. And adding in Galaxie with the higher-margin 2.0 products that they have, particularly on the edibles, and then their hash and the success that the hash is doing with a higher margin, you start to see our gross margins have increased from where they were in Q1 of this year and we need to be in that 30% to 40% range. This quarter, I think, because of the tolling element, which is a small part of it, is about 29%, 30% as a gross margin, but that’s looking to increasing in Q4 as we’ve added more sales on the flower and on the hash side into Q4.

And so if you look at our EBITDA this quarter of, on a recurring basis, being about $3.6 million, the run rate, instead of burning $2.5 million a month like we were at the beginning of the year, we’re down to $1 million a month to $1.5 million most this quarter per month. I can tell you for January that’s going to be below $1 million a month and rapidly, because of the sales and the revenue, is moving in the right direction to get to end of March. If we’re guilty of anything, it’s of pushing our target and setting a target that we’re pushing for and I would hope you trust that we’re moving towards, moving in the right direction, it’s just taking a little longer than expected due to the challenges of COVID and getting things listed.

The changing in the listing regulations, for example, is another issue. When we had done our forecasts earlier in this year, we were expecting all these new products to come on month by month as they were ready. But in Quebec and Ontario and in BC the listing regulations changed so that all these products that are coming on in January, we had predicted we would have, and they have been ready, to go on at the start of October, but the listing windows changed, and so they can only come on in January. And then, after that, they can only come on in April and June. So that’s been a challenge that the industry has faced and we’re being as agile as we can to continue to be disciplined and move towards profitability and moving there in the right direction.

**Mark Tetrault** — Analyst, Richardson Wealth

Okay, thanks. And the second question is you guys have been super busy with a lot of activity, going in the right direction, doing your best to push forward, and you’ve made an acquisition, and yet, with all of that, Canaccord comes out with a negative comment on the acquisition. And it’s like, well, we’ll see what happens, but it’s interesting that they sold Quebec and yet now they’re buying Galaxie. And I just thought it was an interesting comment from them. Any thoughts on that?

**Sean Bovingdon** —Chief Executive Officer & Interim Chief Financial Officer, The Green Organic Dutchman Holdings Ltd.

It’s two different issues, right, in my mind. The Valleyfield was 800,000 square feet of cultivation capacity that we didn’t need. Galaxie is innovation, 2.0 products, additional cannabis knowledge, frankly, a landmark edible brand and venture that really will accelerate our positioning in stores across the country and our product offering across the country. When we talked about a strategy of what we’ve been looking to do was focus, execution, and discipline, and when looking at the areas for strategic initiatives, it’s been to expand our geographical footprint or expand our product offering capabilities. And Galaxie fits absolutely into both of those. They’ve got a presence with Cruuzy flower in BC, which is stronger than our presence in BC, and they have that product capability and innovative 2.0 product capability, innovative team and R&D capability that we didn’t have. That’s completely different and wasn’t an issue in Quebec. Quebec was all about reducing the debt load and reducing the extremely excessive cultivation capacity that we didn’t need.

**Mark Tetrault** — Analyst, Richardson Wealth

Thank you.

**Operator**

Thank you. Next question will be from Justin Dittrich at Wuscort Inc. Please go ahead.

**Justin Dittrich** — Analyst, Wuscort Inc.

Hi. I only have one question. I’m just curious, is there any update on exporting commercially to Mexico and Germany?

**Sean Bovingdon** —Chief Executive Officer & Interim Chief Financial Officer, The Green Organic Dutchman Holdings Ltd.

Thanks, Justin. We are required to have the full EU GMP, full EU GMP. As you know, we’ve got the GMP C at the end of last year. There have been challenges in getting the inspector in Germany to come and do his visit due to the COVID restrictions of travel, to be honest. It’s fully in order and being reviewed and all that. The last thing he has to do is basically do a full inspection and come back and sign off on that. He is scheduled to do that now, because of the challenges Germany is having at the moment with their fourth or, I don’t know if they call it the fourth or fifth wave, but increasing numbers, he’s scheduled to be here in Q2 of next year. We’ve submitted all the forms and done everything that he’s asked in terms of the SOPs, he just needs to tick that box. With that, that allows us then, we have wholesale agreements now in place or being put in place with two different companies in Germany to immediately launch our products into the wholesale market there, the wholesale medical cannabis market, and that is all ready to go as soon as that gets signed off.

Mexico, the oil products we have, which is what is primarily in Mexico with our joint venture with LLACA, who has access to 7,600 pharmacies in Mexico. Those products are with the COFEPRIS in Mexico. The Mexican government is taking its time to review and release regulations as they go and had changes in commissioners and officials there but, again, the last thing to tick the box there, again, is having that EU GMP and then they’re clear to go.

**Justin Dittrich** — Analyst, Wuscort Inc.

Thank you.

**Operator**

Thank you. Ladies and gentlemen, this is all the time we have today. I would like to turn the call back over to Mr. Bovingdon.

**Sean Bovingdon** —Chief Executive Officer & Interim Chief Financial Officer, The Green Organic Dutchman Holdings Ltd.

Great. Thank you, everybody, for attending. As I said, it’s an exciting time for the Company. 2022 offers a lot of promise for us. As I was mentioning to the question from Mark there, you can see that we’re moving in the right direction. We are on target for getting to cash flow positive on a monthly basis, which is key both for our lenders but also for validation of the growth potential and expanding the opportunities we have as a company, not only in terms of different products in Canada but into the US, and the experience, and we’re very happy to have the experience and the connections of Angus and Olivier alongside us as our strong team and execution adds cannabis experience and cannabis knowledge and connections to really build on those opportunities and expand the Company in many, many ways, not just the increasing growth in flower and the recreational adult use market that we’re seeing organically ourselves. So it’s an exciting 2022 ahead and I appreciate everybody’s time today and their continued support.

**Operator**

Thank you. Ladies and gentlemen, this does indeed conclude your conference call for today. Once again, thank you for attending, and at this time we do ask that you please disconnect your lines.