Auxly

Auxly Reviews 2025 Milestones and Provides 2026 Outlook

TORONTO, Jan. 8, 2026 /CNW/ - **Auxly Cannabis Group Inc.** (TSX: XLY) (OTCQB: CBWTF) ("**Auxly**" or the "**Company**") a leading consumer packaged goods company in the cannabis products market, provides a review of milestones in 2025 and an outlook for 2026.

Management Commentary

Hugo Alves, CEO of Auxly, commented: "When telling the Auxly story, we are often asked about what makes us unique. We like to say it comes down to focus. Our strategy is focused. We are focused on the largest and fastest growing product segments – dried flower, pre-rolls and vapes. We are focused on bringing quality, data-driven innovations to market that are relevant to the everyday recreational cannabis consumers. And we are laser-focused on building meaningful strategic relationships with our long-term retail partners, maintaining cost leadership in flower production and practising financial discipline throughout our organization. The results of our focus were especially pronounced in 2025: Back Forty is the #1 cannabis brand in Canada, Backpackers was a huge success in product innovation, and our financial results continue to improve. I am proud of the entire Auxly team for transforming our company into a formidable and profitable operation."

Mr. Alves continued, "Auxly has entered a new chapter in its story, and this era will be characterized by building enduring value. To us, that means continuing to win at home - growing and optimizing our success here in Canada, while also preparing Auxly for international growth and maintaining financial strength and flexibility. In 2026, we plan to invest $10 million to $12 million towards growth-related capital expenditures. These investments are expected to support continued growth and position Auxly for direct access to international markets. While this is a meaningful increase from prior years, we expect to generate sufficient cash flow from operations to fully fund this growth capital program, while also maintaining the flexibility to consider additional capital allocation opportunities that are accretive to shareholders. We are confident in our future, building to last and have conviction that we are still just getting started."

2025 was a Banner Year

Winning through Innovation: Backpacker Pre-rolls

Auxly's most significant innovation in 2025 was the Back Forty Backpackers pre-roll. Backpackers are a first-to-market innovation delivered in a straight cut 10 x 0.75g format packaged in a resealable, water-resistant tin. Each pre-roll is wrapped in hemp paper that allows the flower strain flavour to shine, while burning steadily and evenly thanks to our precision milled flower.

Quickly after launching, Backpackers soared the charts to become top 10 pre-roll SKUs in Canada[1] while gaining significant distribution throughout Q3 and Q4 2025. An instant consumer choice, Backpackers delivered on the brand promise of consistent, high-quality pre-rolls and exceeded our expectations.

Backpackers are currently available in our top selling cultivars Liquid Imagination and Firebreath, and are available for purchase in British Columbia, Saskatchewan, Manitoba and Ontario. Auxly will continue working to bring Backpackers nationwide.

Innovating Up Market: Introducing South Point

Our new brand, South Point was first shipped to distributors in Ontario and Alberta in November 2025 in three SKUs: 3.5g and 14g Turbo Diesel dried flower, and 5 x 0.5g Turbo Diesel pre-rolls.

Built on craftsmanship and authenticity, South Point delivers high-quality dried flower and pre-rolls that highlight the origin story of the "Sun County" region of Southwestern Ontario, where Auxly Leamington, our state-of-the-art hybrid greenhouse with full indoor lighting supplemented by the sun, is located. The brand focuses on slow-cured, hang-dried, hand-finished flower that reflects the care and precision of Auxly Leamington cultivation, offering consumers a reliably elevated experience without premium-tier pricing. South Point is positioned to become a foundational pillar in Auxly's flower and pre-roll business, accelerating incremental growth opportunities and a broader portfolio range.

The launch has been well-received with customers and consumers alike who have referenced the innovative packaging with transparency windows which display the quality and appearance of the product so consumers can make confident purchases. The brand is quickly gaining distribution, and we are excited to watch it grow throughout 2026 as it will continue to deliver high-quality offerings to support consumers on their journeys.

Commercial highlights for the year also include:

- #3 largest Canadian Licensed Producer by market share[2]
- Back Forty was the #1 cannabis brand in Canada throughout all of 2025
- Liquid Imagination and Fire Breath 28g were the top two best-selling SKUs nationwide
- Leader in the all-in-one vape category, holding 10 of the top 15 SKUs nationwide
- Held three of the top 10 non-infused pre-roll SKUs nationwide

Still Expanding Distribution

In the second quarter of 2025, we entered Quebec, the second largest provincial cannabis market in Canada. We believe the Quebec consumer is an ideal fit for Auxly and our early performance in the market confirms our view. With only three SKUs in market, Back Forty has quickly become the fourth largest brand in Quebec[3] and we are just getting started. Both Liquid Imagination and Fire Breath are in the top four 28g flower SKUs with Fire Breath currently holding the #1 spot. We look forward to building the trust of the Quebec consumer throughout 2026 and beyond, and bringing forward a larger assortment of Auxly products over time.

A Successful Restructuring

In early July 2025, Auxly amended its Credit Facility with the Bank of Montreal and settled all remaining debts owing to our long-term strategic partner, Imperial Brands. Prior to the restructuring, Auxly screened poorly to prospective investors given the going concern note, negative working capital position and interest expense consuming a considerable amount of cash flow.

When Auxly reported its Q3 2025 results in November, the going concern note was gone, we reported positive working capital of $49 million, including $30 million in cash, and, combined with our debt repayments throughout the year, annualized interest expense has reduced by $1.6 million. We consider the improvement in our balance sheet to be a significant strength and a notable differentiator in the cannabis sector where access to capital remains challenging for most producers.

Results Flow to the Bottom Line

Team Auxly continues to deliver strong financial momentum. As of September 2025, Auxly generated trailing twelve-month net revenue of $146 million and Adjusted EBITDA of $42 million. These results are due to successful innovation, improved distribution, cost leadership and financial discipline.

Auxly's interim results for the three-month period ended September 30, 2025 provide a clear snapshot of this positive trajectory. Net revenues were $39.9 million, representing a 20% increase year-over-year; gross margin on finished cannabis inventory sold improved to 56%, compared to 47% in Q3 2024; Adjusted EBITDA reached $12.3 million, an increase of 48% and representing an Adjusted EBITDA margin of 31%; and cash flow from operations before working capital changes reached $11.0 million, up 82% from the prior year.

Driven by improved profitability and a strengthened balance sheet, Auxly's Total Debt to Adjusted EBITDA decreased to 1.3x at the end of September 2025, and to 0.6x on a net-of-cash basis. We are comfortable with this leverage position and believe it gives us the balance sheet flexibility to invest in our strategic priorities and allocate capital opportunistically should suitable high-return opportunities arise.

We've Got a Story to Tell

For years, the cannabis industry has been characterized by a lack of profitability, dilution and capital allocation decisions that failed to create shareholder value. Auxly has not been immune from those challenges but took decisive action late in 2022 to focus and simplify its business and prioritize profitability above all other metrics of success. Our financial restructuring was a turning point in our marketability to investors. In the last six months, we have attended in person and virtual conferences, garnered interest from institutional investors and developed a pipeline of activity to keep the investor relations momentum going. While we are still in early innings, we are generating interest among shareholders old and new, both individuals and institutional. We have conviction that as we continue to execute on our business strategy and stay active in the investor community that we will continue to gain momentum with investors and add more shareholders to team Auxly.

2026 Outlook

Auxly remains focused on delivering sustainable, profitable growth by building on its leadership in the Canadian cannabis market. Auxly continues to advance its strategy through focused innovation, operational excellence, and prudent financial management. With a strengthened balance sheet, we are well-positioned to drive long-term shareholder value.

We expect the Canadian recreational cannabis market will continue to benefit from the tailwinds of increasing social acceptability, capture of market share from the illicit market, the divergence of existing supply to international markets and limited capital availability to the cannabis sector. We believe many of these trends could persist over the long-term.

Auxly continues to see long-term potential in international markets and is actively evaluating export opportunities. We are well-positioned to succeed internationally, supported by our strong brands, scalable production, and strategic partnership with Imperial Brands. Auxly intends to invest in its international export capabilities over the course of 2026 to prepare and position us for long-term international growth. Our deliberations towards international sales are purposefully rigorous and measured to ensure that international cannabis activities are accretive to profitability and that our focus on winning at home is not compromised.

Auxly believes it can continue to grow net revenue above market rates through product innovation, further investment in distribution and increased capacity at Auxly Leamington. Both innovation and output increases are expected to be funded from operating flow for the foreseeable future. Auxly plans to maintain profitability through focused innovation, investment in efficiency and quality, and rigorous cost control. Furthermore, the conversion of profitability to free cash flow is expected to improve through the reduction of interest expense and stabilization of working capital.

Auxly expects to allocate $10 million to $12 million of cash flow from operations towards capital projects at Auxly Leamington in 2026. In combination with previous capital investments, these investments are expected to increase capacity and efficiency throughout cultivation and processing, and add capabilities that will allow for direct international shipments.

Over the long-term, Auxly remains confident in its ability to deepen its leadership position in Canada and make meaningful advances towards our vision of global leadership while maintain profitability. With its consumer-trusted brands, best-in-class operating assets, national distribution, and data-driven approach to innovation, Auxly is well-positioned to meet evolving consumer preferences and deliver strong financial performance.

About Auxly Cannabis Group Inc. (TSX: XLY)

Auxly is a leading Canadian consumer packaged goods company in the cannabis products market, headquartered in Toronto, Canada. Our mission is to help consumers live happier lives through quality cannabis products that they trust and love. Our vision is to be a leader in branded cannabis products that deliver on our consumer promise of quality, safety and efficacy.

Learn more at www.auxly.com and stay up to date at Twitter: @AuxlyGroup; Instagram: @auxlygroup; Facebook: @auxlygroup; LinkedIn: company/auxlygroup/.

Notice Regarding Forward Looking Information:

This news release contains certain "forward.looking information" within the meaning of applicable Canadian securities law. Forward.looking information is frequently characterized by words such as "plan", "continue", "expect", "project", "intend", "believe", "anticipate", "estimate", "may", "will", "potential", "proposed" and other similar words, or information that certain events or conditions "may" or "will" occur. This information is only a prediction. Various assumptions were used in drawing the conclusions or making the projections contained in the forward.looking information throughout this news release. Forward.looking information includes, but is not limited to: the proposed operation of Auxly, its subsidiaries and partners; the intention to grow the business, operations and existing and potential activities of Auxly; amount of capital expenditures and any future benefits from such expenditures; proposed timelines for the build.out, expansion, licensing or commercialization of the Company's facilities and projects; the Company's execution of its innovative product development, commercialization strategy and expansion plans; the Company's intention to introduce innovative new cannabis products to the market and the timing thereof; the anticipated benefits of the Company's partnerships, research and development initiatives and other commercial arrangements; the expectation, timing and quantum of future revenues, Gross Margin on Finished Cannabis Inventory Sold, SG&A and of positive Adjusted EBITDA; expectations regarding the Company's expansion of sales, operations and investment into foreign jurisdictions; future legislative and regulatory developments involving cannabis and cannabis products; the timing and outcomes of regulatory or intellectual property decisions; the ability of the Company to maintain and grow its market share; the relevance of Auxly's subsidiaries' current and proposed products with provincial purchasers and consumers; consumer preferences; political change; competition and other risks affecting the Company in particular and the cannabis industry generally.

A number of factors could cause actual results to differ materially from a conclusion, forecast or projection contained in the forward.looking information in this release including, but not limited to, whether: the Company will be able to execute on its business strategy or achieve its goals; Auxly's subsidiaries are able to maintain the necessary governmental and regulatory authorizations to conduct business; the Company is able to successfully manage the integration of its various business units with its own; the Company's subsidiaries obtain and maintain all necessary governmental and regulatory permits and approvals for the operation of their facilities and the development of cannabis products, and whether such permits and approvals can be obtained in a timely manner; the Company will be able to successfully launch new product formats and enter into new markets; there is acceptance and demand for current and future Company products by consumers and provincial purchasers; the Company will be able to increase and maintain revenues, maintain positive Adjusted EBITDA, and/or achieve and maintain its target Gross Margin on Finished Cannabis Inventory Sold; risks relating to the overall macroeconomic environment, which may impact customer spending, the Company's costs and margins, including tariffs (and related retaliatory measures), the levels of inflation, and interest rates; whether international legislation continues permitting the export and sale of medical or recreational cannabis; and general economic, financial market, legislative, regulatory, competitive and political conditions in which the Company and its subsidiaries and partners operate will remain the same. Additional risk factors are disclosed in the annual information form of the Company for the financial year ended December 31, 2024 dated March 20, 2025.

New factors emerge from time to time, and it is not possible for management to predict all of those factors or to assess in advance the impact of each such factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward.looking information. The forward.looking information in this release is based on information currently available and what management believes are reasonable assumptions. Forward. looking information speaks only to such assumptions as of the date of this release. In addition, this release may contain forward.looking information attributed to third party industry sources, the accuracy of which has not been verified by the Company. The forward.looking information is being provided for the purposes of assisting the reader in understanding the Company's financial performance, financial position and cash flows as at and for periods ended on certain dates and to present information about management's current expectations and plans relating to the future, and the reader is cautioned that such forward. looking information may not be appropriate for any other purpose. Readers should not place undue reliance on forward.looking information contained in this release.

The forward.looking information contained in this release is expressly qualified by the foregoing cautionary statements and is made as of the date of this release. Except as may be required by applicable securities laws, the Company does not undertake any obligation to publicly update or revise any forward. looking information to reflect events or circumstances after the date of this release or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

Neither Toronto Stock Exchange nor its Regulation Services Provider (as that term is defined in the policies of the Toronto Stock Exchange) accepts responsibility for the adequacy or accuracy of this release.

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[1] HiFyre IQ (December 2025)
[2] HiFyre IQ (October 2025)
[3] Weed Crawler (R13 as at December 7, 2025)

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