



## **BASIS OF PRESENTATION**

The following has been prepared for the purposes of providing management's discussion and analysis ("**MD&A**") of the consolidated financial position of GURU Organic Energy Corp. ("**GURU**" or the "**Company**") as at July 31, 2023, and the consolidated operating results of the Company for the three- and nine-month periods then ended.

This MD&A is dated September 13, 2023 and was prepared with information available to this date. This document should be read in conjunction with the audited annual consolidated financial statements and notes thereto for the year ended October 31, 2022, and the unaudited interim condensed consolidated financial statements and notes thereto for the three- and nine-month periods ended July 31, 2023 and 2022. Discrepancies in recalculated amounts or percentages may occur due to rounding. All amounts in this MD&A are expressed in Canadian dollars unless otherwise indicated. All financial information presented in this MD&A has been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and the financial information herein was derived from those statements.

## **FORWARD-LOOKING STATEMENTS**

*This MD&A contains "forward-looking statements" within the meaning of applicable Canadian securities legislation. Such forward-looking statements include, but are not limited to, information with respect to the Company's objectives and the strategies to achieve these objectives, as well as information with respect to management's beliefs, plans, expectations, anticipations, estimates and intentions. These forward-looking statements are identified by the use of terms and phrases such as "may", "would", "should", "could", "expect", "intend", "estimate", "anticipate", "plan", "believe", or "continue", the negative of these terms and similar terminology, including references to assumptions, although not all forward-looking statements contain these terms and phrases. Forward-looking statements are provided for the purposes of assisting the reader in understanding the Company and its business, operations, prospects and risks at a point in time in the context of historical and possible future developments and therefore the reader is cautioned that such statements may not be appropriate for other purposes. Forward-looking statements are based upon a number of assumptions and are subject to a number of risks and uncertainties, many of which are beyond management's control, which could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to, the following risk factors, which are discussed in greater detail under the "RISK FACTORS" section of the annual information form for the year ended October 31, 2022: management of growth; reliance on key personnel; reliance on key customers; changes in consumer preferences; significant changes in government regulation; criticism of energy drink products and/or the energy drink market; economic downturn and continued uncertainty in the financial markets and other adverse changes in general economic or political conditions, as well as the COVID-19 pandemic, the war in Ukraine and geopolitical developments, global inflationary pressure or other major macroeconomic phenomena; global or regional catastrophic events; fluctuations in foreign currency exchange rates; inflation; revenues derived entirely from energy drinks; increased competition; relationships with co-packers and distributors and/or their ability to manufacture and/or distribute GURU's products; seasonality; relationships with existing customers; changing retail landscape; increases in costs and/or shortages of raw materials and/or ingredients and/or fuel and/or costs of co-packing; failure to accurately estimate demand for its products; history of negative cash flow and no assurance of continued profitability or positive EBITDA; repurchase of common shares; intellectual property rights; maintenance of brand image or product quality; retention of the full-time services of senior management; climate change; litigation; information technology systems; fluctuation of quarterly operating results; risks associated with the PepsiCo distribution agreement; accounting treatment of the PepsiCo Warrants; and conflicts of interest, as well as those other risks factors identified in other public materials, including those filed with Canadian securities regulatory authorities from time to time and which are available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). Additional risks and uncertainties not currently known to management or that management currently deems to be immaterial could also cause actual results to differ materially from those that are disclosed in or implied by such forward-looking statements. Although the forward-looking statements contained herein are based upon what management believes are reasonable assumptions as at the date they were made, investors are cautioned against placing undue reliance on these statements since actual results may vary from the forward-looking statements. Certain assumptions were made in preparing the forward-looking statements concerning availability of capital resources, business performance, market conditions, and customer demand. Consequently, all of the forward-looking statements contained herein are qualified by the foregoing cautionary statements, and there can be no guarantee that the results or developments that management anticipates will be realized or, even if substantially realized, that they will have the expected consequences or effects on the business, financial condition or results of operation. Unless otherwise*

noted or the context otherwise indicates, the forward-looking statements contained herein are provided as of the date hereof, and management does not undertake to update or amend such forward-looking statements whether as a result of new information, future events or otherwise, except as may be required by applicable law.

## BUSINESS OVERVIEW

### Our Story

Initiated by the smart drink movement in Montréal, GURU's founders drew their inspiration from the trend of mixing energy-releasing plants and exotic combinations. They wanted to provide their consumers with a source of energy that was not artificial, but rather natural, plant-based organic energy. GURU, the world's first natural energy drink<sup>1</sup>, was launched in 1999, and none of them have looked back since.



### Our Business

GURU (TSX: GURU) is a dynamic, growing beverage company based in Montréal, Québec. Its activities consist of developing, marketing, selling and distributing natural, organic, plant-based (100% Crap Free™) energy drinks under the GURU brand name. Manufacturing is outsourced to a network of established third-party co-packers. GURU does, however, provide its production partners with its recipes, flavours, ingredient blends, cans, and other raw materials for its beverages, purchased by GURU from various suppliers across the globe.

As at September 13, 2023, GURU is in over 25,000 retail points of sale in Canada and the United States. Its organic plant-based energy drinks are also available online through Amazon and [www.guruenergy.com](http://www.guruenergy.com).

### Our Market<sup>2</sup>

It is estimated that the U.S. energy drink market will surpass US\$21 billion by 2026<sup>2</sup> opening new opportunities for energy drink brands. Global energy drink consumption has rapidly increased in the last 20 years. These drinks come in different varieties and are captivated by any segment of customers irrespective of age. The category is also very dynamic as it is in the top 10 from a beverage innovation perspective with 5% of beverage launches in the U.S. and 2% of launches in Canada<sup>2</sup>.

Energy drinks remain among the fastest growing categories of non-alcoholic beverages, with a 5% value growth and 10% volume growth between 2017 and 2021<sup>3</sup>, with growth expected to continue for the next decade through an expected CAGR in North America of 8% between 2022 and 2030<sup>4</sup>.

<sup>1</sup> Management's belief based on publicly available information

<sup>2</sup> Research and Markets, October 2022.

<sup>3</sup> Kerry 2022 Beverage Trends, Spotlight on Energy.

<sup>4</sup> Yahoo Finance Oct 2022, The Brainy Insights.

## The Market Opportunity

Millennials and Gen Z consumers account for 70% of consumption in the energy drink market<sup>5</sup>. They love energy drinks, but they are concerned about the ingredients and the safety of consuming them. The North American market, which is currently dominated by two legacy brands that share about 75% of the market, is ready for disruption. Differentiated brands like GURU have started to grind that market share lead with plant-based products aimed at solving the industry's biggest problem: its list of ingredients.

The main differentiators for GURU's products are its clean list of organic, plant-based active ingredients, including natural caffeine, with zero sucralose and zero aspartame and its positioning as a good, natural, authentic, progressive and adventurous brand which aims to be a source of good energy. GURU offers consumers healthy energy drinks that feel and taste like mainstream energy drinks without detriment to their health (long-lasting energy without jitters, certified organic, plant-based ingredients, no artificial sweeteners, no taurine, no synthetic caffeine yet similar caffeine content).

## Our Strategy

GURU's current sales channel mix consists mainly of convenience stores and gas stations, grocery stores, pharmacies and online sales in Canada and the U.S.

On October 4, 2021, PepsiCo® Beverages Canada ("PepsiCo®") became the exclusive national Canadian distributor for GURU's plant-based energy drinks in the retail and food service channels. Through this partnership, PepsiCo® brings access to its best-in-class merchandizing, distribution, and sales capabilities.

GURU's methodical sales and marketing approach aims to maximize return on investment through appropriate top-of-funnel and bottom-of-funnel spend, depending on product distribution in each geographical region. GURU has invested significant marketing efforts in building brand awareness and trial through a proven strategy that has allowed it to build a loyal following ("GURU Nation"), become the #3 brand in its primary market, Quebec, and experience significantly stronger year-over-year retail sales growth than the industry<sup>6</sup>.



<sup>5</sup>Energy Drink Report-Mintel, 2015

<sup>6</sup>Nielsen: 52-week period ended July 15, 2023, Convenience & Gas (C&G), Quebec vs. same period a year ago.

## **Financial and Business Outlook**

GURU's closing of its \$34.5 million financing in October 2020 and private placement and bought deal financing of \$49.6 million in July 2021 are paramount in achieving its mission of cleaning the energy drink industry and growing its business in Canada and the United States. Growth in Quebec, GURU's primary market, has been a success story since its inception, and management aims to replicate and adapt its model across North America. Management believes that GURU is poised to gain significant market share in North America as it addresses the industry's biggest issue: consumer concern about the safety of energy drink ingredients.

To achieve its growth objectives, GURU raised the funds it needed to pursue investments in sales and marketing and grow the brand over the next few years, especially with the recent PepsiCo® Canadian distribution agreement. While these investments have adversely impacted GURU's recent financial performance in the short-term, management expects that they will allow the Company to meet its objective of expanding its brand's footprint in the North American market and ultimately create sustained long-term shareholder value.

## **CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS**

### **Measurement of net revenue**

Net revenue is measured at the fair value of consideration received net of refunds, discounts, rebates and other fees paid to customers. Revenue is recognized at a point in time, specifically when a customer takes possession of the goods, as it meets the criteria to satisfy the performance obligation. The Company uses judgment in estimating provisions for sale allowances, such as discounts, rebates, returns and other fees paid to customers. The product revenue recognized quarter-over-quarter is net of these estimated allowances. Such estimates require the need to make estimates about matters that are inherently uncertain. The Company's estimates are based on its historical claims as supplemented by management's judgment.

## **NON-GAAP AND OTHER FINANCIAL MEASURES**

This MD&A includes certain non-GAAP and other supplementary financial measures to help assess GURU's financial performance. Those measures do not have any standardized meaning prescribed by IFRS. Management's method of calculating these measures may differ from the methods used by other issuers and, accordingly, GURU's definitions of these non-GAAP measures may not be comparable to similar measures presented by other issuers. Investors are cautioned that non-GAAP financial measures should not be construed as an alternative to IFRS measures.

### **Adjusted EBITDA<sup>7</sup>**

Adjusted EBITDA is defined as net income or loss before income taxes, net financial (income) expenses, depreciation and amortization, and stock-based compensation expense<sup>8</sup>. This measure is a non-GAAP financial measure and is not an earnings or cash flow measure or a measure of financial condition recognized by IFRS. As such, it should not be construed as an alternative to "net income", as determined in accordance with IFRS, as an alternative to "cash flows from operating activities" as a measure of liquidity and cash flows or as an indicator of the Company's performance or financial condition.

---

<sup>7</sup> Refer to reconciliation of net loss to adjusted EBITDA section of the MD&A.

The exclusion of net finance expense eliminates the impact on earnings derived from non-operational activities and the exclusion of depreciation, amortization and share-based compensation eliminates the non-cash impact of these items. Management believes that Adjusted EBITDA is a useful measure of financial performance without the variation caused by the impacts of the excluded items described above because it provides an indication of the Company's ability to seize growth opportunities in a cost-effective manner and finance its ongoing operations. Excluding these items does not imply that they are necessarily non-recurring. Management believes this measure, in addition to conventional measures prepared in accordance with IFRS, enable investors to evaluate the Company's operating results, underlying performance and future prospects in a manner similar to management. Although Adjusted EBITDA is frequently used by securities analysts, lenders and others in their evaluation of companies, it has limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of the Company's results as reported under IFRS.

### **Retail Consumer Scanned Sales**

This indicator represents the total number of the Company's products that were "scanned" for purchase by end consumers in retail points of sale in the respective period. Management believes this indicator provides meaningful information as it serves as an indicator of actual sales to end consumers and a potential indicator of growth or potential future sales.

## LATEST MARKET STATISTICS <sup>8,9,10</sup>



<sup>8</sup>Nielsen: 52-week period ended July 15, 2023, Grocery Drug Mass (GDM) + Convenience & Gas (C&G), English Canada vs. same period year ago.

<sup>9</sup> Market research conducted by element54 and Patterson Langlois for GURU in June 2021 with 1,500 participants in the province of Quebec.

<sup>10</sup> SPINS IRI data, 52-week period ended July 16 2023, Total Natural channel, California, vs. same period year ago.

## Q3 2023 FINANCIAL HIGHLIGHTS

- Net revenue grew to a record \$8.9 million from \$7.7 million in Q3 2022, a 15% increase, mainly due to growth in sales velocities in Canada and the launch of Theanine Fruit Punch this spring, along with its summer marketing campaign in Q3 2023.
- Launch of the Summer of Feel Good Energy marketing campaign and major 2023 sponsorship activations with the Canadian Elite Basketball League (“CEBL”) and THE AMAZING RACE CANADA.
- Sustained strong margins, as gross profit totalled \$4.5 million, compared to \$4.2 million in Q3 2022. Gross margin<sup>11</sup> was 51.2% of net revenue, compared to 54.8% in Q3 2022.
- Significant decrease in net loss to \$3.0 million in Q3 2023, compared to a net loss of \$6.5 million in Q3 2022, driven primarily by lower selling, general and administrative costs, higher net revenue and better returns on cash on hand.
- Growth of 17% in retail consumer scanned sales<sup>12</sup> for the 52-week periods ended July 15, 2023<sup>13</sup>, suggesting a positive trend for sales growth in Canada.
- Adjusted EBITDA<sup>14</sup> loss of \$3.0 million in Q3 2023, compared to a loss of \$6.5 million in Q3 2022.

## YEAR-TO-DATE HIGHLIGHTS

- Net revenue decreased to \$21.6 million for the nine-month period ended July 31, 2023, compared to \$22.3 million for the same period last year.
- Gross profit totalled \$11.3 million, compared to \$12.2 million for the same period a year ago and gross margin was 52.5% of net revenue, compared to 54.0% in 2022.
- Net loss of \$8.3 million for the nine-month period ended July 31, 2023, compared to a net loss of \$13.7 million for the same period last year.
- Adjusted EBITDA<sup>14</sup> loss of \$8.1 million for the nine-month period ended July 31, 2023, compared to a loss of \$13.3 million for the same period last year.
- Strong financial position with cash and cash equivalents of \$38.7 million and unused credit facilities of \$10.0 million as of July 31, 2023.

<sup>11</sup> Gross margin, a supplementary financial measure, is the result of gross profit divided by net revenue.

<sup>12</sup> Refer to the “Non-GAAP and Other Financial Measures” section.

<sup>13</sup> Nielsen: 52-week period ended July 15, 2023, All Channels, Canada vs. same period year ago.

<sup>14</sup> Refer to reconciliation of net loss to adjusted EBITDA section of the MD&A.



## SELECTED FINANCIAL INFORMATION

The selected financial information below was derived from the Company's financial statements, prepared in accordance with IFRS, for the three-and nine-month periods ended July 31, 2023 and 2022

	Three-month periods ended				Nine-month periods ended			
	July 31, 2023		July 31, 2022		July 31, 2023		July 31, 2022	
	\$	% of revenue	\$	% of revenue	\$	% of revenue	\$	% of revenue
<i>(In thousands of Canadian dollars, except per share data)</i>								
<b>Net revenue</b>	<b>8,878</b>	<b>100.0%</b>	7,730	100%	<b>21,602</b>	<b>100.0%</b>	22,299	100.0%
Cost of goods sold	4,333	48.8%	3,492	45.2%	10,271	47.5%	10,138	46.0%
<b>Gross profit</b>	<b>4,545</b>	<b>51.2%</b>	4,238	54.8%	<b>11,331</b>	<b>52.5%</b>	12,161	54.0%
Selling, general and administrative expenses	8,050	90.7%	11,045	142.9%	20,834	96.4%	26,319	117.3%
Net financial income	(512)	-5.8%	(294)	-3.8%	(1,259)	-5.8%	(521)	-3.0%
<b>Loss before income taxes</b>	<b>(2,993)</b>	<b>-33.7%</b>	(6,513)	-84.3%	<b>(8,244)</b>	<b>-38.2%</b>	(13,637)	-60.3%
Income taxes	13	0.1%	17	0.2%	32	0.1%	57	0.1%
<b>Net loss</b>	<b>(3,006)</b>	<b>-33.9%</b>	(6,530)	-84.5%	<b>(8,276)</b>	<b>-38.3%</b>	(13,694)	-60.4%
Basic and diluted loss per share	\$ (0.09)		\$ (0.20)		\$ (0.26)		\$ (0.42)	
<b>Adjusted EBITDA<sup>15</sup></b>	<b>(3,010)</b>	<b>-33.9%</b>	(6,492)	-84.0%	<b>(8,062)</b>	<b>-37.3%</b>	(13,254)	-59.2%
<b>Net revenue by geography</b>								
Canada	7,493	84%	6,728	87%	18,325	85%	17,940	83%
United States	1,385	16%	1,002	13%	3,277	15%	4,359	17%

## RECONCILIATION OF NET LOSS TO ADJUSTED EBITDA

	Three-month periods ended		Nine-month periods ended	
	July 31, 2023	July 31, 2022	July 31, 2023	July 31, 2022
	\$	\$	\$	\$
<i>(In thousands of Canadian dollars)</i>				
<b>Net loss</b>	(3,006)	(6,530)	(8,276)	(13,694)
Net financial income	(512)	(294)	(1,259)	(521)
Depreciation and amortization	312	234	857	643
Income taxes	13	17	32	57
Stock-based compensation expense	183	81	584	261
<b>Adjusted EBITDA</b>	<b>(3,010)</b>	(6,492)	<b>(8,062)</b>	(13,254)

## RESULTS OF OPERATIONS

### Net Revenue

Net revenue for the quarter increased by 15% to a record \$8.9 million, compared to \$7.7 million for the three-month period ended July 31, 2022. The growth was driven by increased velocities in Canada and the Company's summer marketing campaign. In Canada, sales during the quarter increased by 11% or \$0.8 million to a record \$7.5 million. U.S. sales during the quarter grew by over 38% to \$1.4 million from \$1.0 million in Q3 2022, mainly due to online sale optimization and stronger return on lower promotional activities in all channels. According to SPINS<sup>16</sup>, which measures U.S. consumer scan data of GURU energy drinks, GURU experienced 11% sales growth in the natural food channel in the last 52 weeks versus the previous year, showing continued strength in GURU's current target market in the U.S. For the nine-month period, net revenue slightly decreased to \$21.6 million from \$22.3 million for the same period in 2022. The decrease was mainly due to the one-time rotational program with Sam's Club in the U.S. in Q2 2022, which had a total impact of over \$1 million on net revenue in Q2 2022. In Canada, year-to-date performance was impacted by the remaining balance of inventory that PepsiCo® had on hand from an initial pipeline fill in Q1 2022 following the initiation of the Canadian distribution agreement and a reduction in inventory on hand by PepsiCo® in Q1 2023, which had a total impact of over \$1.5 million on net revenue in fiscal 2023.

<sup>15</sup> Refer to reconciliation of net loss to adjusted EBITDA section of the MD&A.

<sup>16</sup> SPINS IRI data, 52-week period ended July 16, 2023, Total Natural channels vs. same period year ago.

### **Gross Profit and Margin**

Gross profit totalled \$4.5 million, compared to \$4.2 million for the three-month period ended July 31, 2022. Gross margin, which is comprised of distribution, selling and merchandising fees, amounted to 51.2% in Q3 2023, compared to 54.8% for the same period a year ago. The decrease in gross margin was mainly due to higher costs of goods sold because of input cost increases and more promotional activity in Canada. For the nine-month period, gross profit totalled \$11.3 million, compared to \$12.2 million a year ago. Gross margin for the nine-month period ended July 31, 2023 was 52.5%, compared to 54.0% last year. The reasons for the changes are consistent with those provided above for the three-month period ended July 31, 2023.

### **Selling, General and Administrative Expenses**

Selling, general and administrative expenses ("SG&A") include operational, sales, marketing, and administration costs. These expenses amounted to \$8.1 million for the three-month period ended July 31, 2023, compared to SG&A of \$11.0 million for the same period a year ago. Selling and marketing expenses decreased to \$5.7 million from \$8.5 million in Q3 2022, as the Company took a more targeted approach to its investment in sales and marketing campaigns during the current fiscal year. General and administrative expenses decreased to \$2.4 million from \$2.5 million in Q3 2022, as a result of continued cost control measures. For the nine-month period ended July 31, 2023, SG&A amounted to \$20.8 million, compared to \$26.3 million a year ago, mainly due to the lower sales and marketing expenses described above for the three-month period ended July 31, 2023. Please refer to note 11 of the Interim Condensed Financial Statements for the three-month and nine-month periods ended July 31, 2023 and 2022 for further details.

### **Net Financial Income**

The Company generated net financial income of \$511,730 for the three-month period ended July 31, 2023, compared to \$293,997 for the same period a year ago, mainly due to stronger return on the cash equivalent balances on hand in Q3 2023. For the first nine months of the year, net financial income increased to \$1,259,274 from \$521,234 a year earlier. The reasons for the changes are consistent with those provided above for the three-month period ended July 31, 2023.

### **Income Taxes**

The Company had an income tax expense for the three-month period ended July 31, 2023 of \$13,231 compared to an expense of \$17,244 for the same period in 2022, due to lower income in the same period in 2023. The tax expense for the first nine months of 2023 relates to taxable income realized in the U.S. entity. The Company had a deferred income tax expense of \$31,913 for the nine-month period, compared to an expense of \$56,632 for the same period a year earlier. The reasons for the changes are consistent with those provided above for the three-month period ended July 31, 2023.

### **Net Loss**

Net loss for the third quarter totalled \$3.0 million or \$(0.09) per share (basic and diluted), compared to a net loss of \$6.5 million or \$(0.20) per share (basic and diluted) for the same period a year ago. The decrease in net loss primarily reflects the decrease in costs associated with brand, field and trade marketing activities for the period. Net loss for the nine-month period totalled \$8.3 million in 2023, or \$(0.26) per share (basic and diluted), compared to a net loss of \$13.7 million or \$(0.42) per share (basic and diluted) for the same period a year ago. The reasons for the changes are consistent with those provided above for the three-month period ended July 31, 2023.

### **Adjusted EBITDA<sup>17</sup>**

Adjusted EBITDA was a loss of \$3.0 million for the three-month period ended July 31, 2023, compared to a loss of \$6.5 million for the same period in 2022. The improvement in Adjusted EBITDA loss for the quarter was mainly due to lower selling and marketing expenses during the period. Adjusted EBITDA for the first nine months of the year was a loss of \$8.1 million in 2023, compared to a loss of \$13.3 million in 2022. The reasons for the changes are consistent with those provided above for the three-month period ended July 31, 2023.

<sup>17</sup> Refer to reconciliation of net loss to adjusted EBITDA section of the MD&A.

## LIQUIDITY AND CAPITAL RESOURCES

### Capital Management

The Company's objective in managing its capital is to ensure sufficient liquidity to finance its operations, maximize the preservation of capital and deliver competitive returns on invested capital. To fund its activities, the Company has relied on the private placement financing completed on October 29, 2020, in connection with the reverse acquisition of Mira X and on the private placement and bought deal financing completed on July 6, 2021. The Company manages its excess cash to ensure that it has sufficient reserves to fund its operations and capital expenditures.

### Cash Flows

	Nine-month periods ended	
	July 31, 2023	July 31, 2022
<i>(In thousands of Canadian dollars)</i>	\$	\$
Cash flow used in operating activities	(6,299)	(18,299)
Cash flow used in financing activities	(1,598)	(353)
Cash flow from (used in) investing activities	21,076	(21,108)
Effects of movements in exchange rate on cash held	(19)	17
Increase (decrease) in cash and cash equivalents	13,160	(39,743)
Cash and cash equivalents, beginning of period	25,491	66,954
Cash and cash equivalents, end of period	38,651	27,211
Cash, cash equivalents, and short-term investments, end of period	38,651	48,011

#### **Cash flow used in operating activities**

For the nine-month period ended July 31, 2023, operating activities used cash of \$6.3 million compared to \$18.3 million for the same period last year. The decrease was due to a lower net loss during the period and a significant reduction in inventory investments compared to the same nine-month period ended July 31, 2022.

#### **Cash flow used in financing activities**

Financing activities used cash flow of \$1.6 million in the nine-month period ended July 31, 2023, compared to cash flow of \$0.4 million used for the same period last year. The increase in use is mainly due to the share buy-back under the normal course issuer bid program.

#### **Cash flow from (used in) investing activities**

Investing activities generated cash flow of \$21.1 million in the nine-month period ended July 31, 2023, compared to \$21.1 million used for the same period last year. The increase in Q3 2022 was primarily due to short-term investments sold and transferred to cash and cash equivalents in Q2 2023.

### Credit Facilities

On March 31, 2021, the Company signed a committed revolving operating credit facility of a maximum authorized amount of \$10 million, which maturity was extended for an additional year during the second quarter from March 30, 2024 to March 30, 2025. As at July 31, 2023, the credit facility was not used (October 31, 2022 - nil).

The Company also has an uncommitted credit facility that can be used in the form of foreign exchange contracts or interest rate swaps for a maximum amount of US\$500,000 (October 31, 2022 - US\$500,000). This credit facility was not used as at July 31, 2023 (October 31, 2022 - nil).

The Company has a letter of credit for a maximum available of \$2.5 million for which an amount of EUR600,000 (CA\$871,020) was used as of July 31, 2023 (October 31, 2022 - EUR600,000 (CA\$810,120)).

The credit facilities noted above are secured by a movable hypothec on the universality of the Company's present and future assets located in the province of Quebec to a maximum of \$25 million, a first ranking security on all present and future property in all other Canadian provinces and in the United States and an unlimited corporate guarantee of its U.S. subsidiary. These credit facilities are subject to certain financial covenants, which were met as at July 31, 2023.

## FINANCIAL POSITION

The following table shows the main variances that have occurred in the Company's financial position as at July 31, 2023:

<i>(In thousands of Canadian dollars)</i>	<b>July 31, 2023</b>	<b>October 31, 2022</b>	<b>Variance</b>	<b>Significant contributions</b>
	\$	\$	\$	
Cash and cash equivalents	38,651	25,491	13,160	Increase from sale of short-term investments, partially offset by investments in working capital, market development and marketing plans
Short-term Investments	-	20,800	(20,800)	Sale of short-term investments, converted back to cash equivalents generating better return on investment
Inventories	5,276	8,518	(3,242)	Decrease in line with inventory strategy
Accounts payable and accrued liabilities	7,132	8,213	(1,081)	Normal course of business - production and timing of accrual payments

The Company has over \$48.7 million in cash and cash equivalents and unused credit facilities broken down as follows: cash and cash equivalents of \$38.7 million and a committed revolving operating credit facility of a maximum authorized amount of \$10 million as at July 31, 2023.

## DIVIDEND POLICY

The Company has not paid dividends on its common shares since incorporation. The Company's current policy is to retain future earnings to finance its growth. Any future determination to pay dividends will be made at the discretion of the Company's Board of Directors and will depend on the Company's financial condition, results of operations, capital requirements and other such factors as the Board of Directors may deem relevant.

## SELECTED QUARTERLY INFORMATION

The table below presents selected quarterly financial information for the last eight fiscal quarters:

*(In thousands of Canadian dollars, except per share data)*

	<b>Q3 2023</b>	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
Net revenue	8,878	7,713	5,011	6,783	7,730	7,603	6,965	8,466
Gross profit	4,545	4,098	2,689	3,533	4,238	4,126	3,796	4,314
Net loss	(3,006)	(2,657)	(2,613)	(3,871)	(6,530)	(3,974)	(3,190)	(5,982)
Basic and diluted loss per share	\$ (0.09)	\$ (0.08)	\$ (0.08)	\$ (0.12)	\$ (0.20)	\$ (0.12)	\$ (0.10)	\$ (0.18)

*\* Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.*

### Factors Affecting the Variability of Quarterly Results

There are quarter-over-quarter variations in net revenue that are caused by seasonality as well as sales and marketing campaigns. Exceptionally, net revenue was significantly lower in Q4 2022 than in Q4 2021 and in Q1 2023 compared to Q1 2022, due to a large order from the Company's exclusive Canadian distributor to build up its inventory in Q4 2021 and Q1 2022.

## TRENDS AND SEASONALITY

In Canada, GURU's sales are somewhat seasonal, tending to be higher in the spring through the fall, from the middle of the second quarter through the end of the first quarter, and somewhat lower in winter, from the start of the first quarter through the middle of the second quarter. These trends can also vary due to the success of GURU's marketing campaigns and product launch initiatives. In contrast, the U.S. market, with its overall warmer climate, generally does not exhibit the same level of seasonal sales trends as Canada.

## FINANCIAL INSTRUMENTS

### Liquidity Risk

Liquidity risk is the Company's ability to meet its financial obligations when they come due. The Company is exposed to liquidity risk with respect to its contractual obligations and financial liabilities. It manages liquidity risk by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities, with the objective of maintaining a balance between continuity of funding and flexibility through borrowing facilities available through its bank and other lenders.

The Company holds cash equivalents bearing interest at 5.95% and 5.75% with major North American financial institutions.

The Company's policy is to ensure that it has adequate funding available from operations and other sources as required. The following are the contractual maturities of the Company's financial obligations, including principal and interest, as at July 31, 2023:

<i>(In thousands of Canadian dollars)</i>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Less than 1 year</b>	<b>1-5 years</b>	<b>More than 5 years</b>
Accounts payable and accrued liabilities	7,132	7,132	7,132	-	-
Lease liabilities, including current portion	1,683	1,775	449	1,325	-

### Credit Risk

Credit risk is the risk that one party to a financial asset will cause a financial loss for the Company by failing to discharge an obligation. The Company's credit risk is mainly related to cash and cash equivalents, and accounts receivable. The credit risk of cash and cash equivalents are limited given the Company deals with major North American financial institutions.

The Company provides credit to its clients in the normal course of its operations. It carries out credit checks on its clients on a continuing basis and maintains provisions for contingent credit losses that, once they materialize, are consistent with management's forecasts. The Company deals with well-established banners and distributors, thus reducing its credit risk. As of the current balance sheet date, 93% (October 31, 2022 - 89%) of accounts receivable are concentrated with two (2022 - two) clients which represent together 76% (October 31, 2022 - 83%) of third quarter sales. The Company does not normally require a guarantee for its trade receivables.

### Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company realizes sales and purchases in foreign currency. Consequently, some assets and liabilities are exposed to foreign exchange fluctuations. At period-end, the Company's exposure to net monetary assets denominated in foreign currencies was not significant to the Company's financial position.

### **Interest Rate Risk**

The Company's credit facility and cash equivalents bear interest at a variable rate based on the bank's prime rate plus a margin. At period-end, the facility was unused.

### **Derivative Financial Instrument Risk**

The Company uses derivative financial instruments occasionally. All derivative financial instruments are recorded at their fair values. Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in income immediately. Refer to note 24 of the Consolidated Financial Statements for the years ended October 31, 2022 and 2021 for further information.

## **UNRECOGNIZED DEFERRED TAX ASSETS**

The Company has unused non-capital losses in the amount of \$32.8 million (2022 - \$30.5 million), of which \$30.2 million have not been recognized. These unrecognized losses expire between 2027 and 2042 and are not recognized because it is not probable in the near term, under accounting standards, that future taxable profit will be available against which the Company can use the benefits therefrom.

The Company also has other unrecognized deductible temporary differences totalling approximately \$3.4 million.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company does not currently have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on its financial position, changes in net revenues or expenses, results of operations, liquidity or capital resources that are material. The Company's other off-balance-sheet arrangements consist only of obligations under operating leases with terms of 12 months or less or of low dollar value, which are not material.

## **SEGMENT REPORTING**

The Company has one reportable segment, as its principal business activities are developing, marketing, selling, and distributing energy drinks.

## **SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, net revenues and expenses. Actual results may differ from these estimates. Please refer to note 4 of the Interim Condensed Financial Statements for the three-month and nine-month periods ended July 31, 2023 and 2022 for further details.

## STOCK-BASED COMPENSATION

The omnibus incentive plan (the "Plan") provides for the granting of options to purchase common shares, RSUs and DSUs where at any given time the number of stock options, RSUs and DSUs reserved for issuance should not exceed 10% of the Company's issued and outstanding common shares. Under the Plan, options generally vest over a period of four years and expire ten years from the grant date, RSUs generally vest over a period of three years and DSUs are fully vested when granted. Please refer to note 15 of the Interim Condensed Financial Statements for the three-month and nine-month periods ended July 31, 2023 and 2022 for further details.

## OUTSTANDING SHARE DATA

	<b>As at September 13, 2023</b>
Shares outstanding	31,769,682
PepsiCo warrants (exercise price of \$16.69 per share)	1,650,000
Stock options (average exercise price of \$3.84 per share)	473,515
Restricted Share Units (average granted price of \$3.62 per share)	143,821
Deferred Share Units (average granted price of \$6.87 per share)	80,466
Fully diluted shares	34,117,484

As of July 20, 2022, the Company received authorization to repurchase for cancellation up to 500,000 common shares (representing approximately 1.5% of the Company's outstanding shares as at July 14, 2022) between July 25, 2022 and July 24, 2023. This authorization was renewed for another year, from July 25, 2023 to July 24, 2024, whereby the Company has been authorized to repurchase for cancellation up to 1,593,560 common shares (representing approximately 5% of the Company's outstanding shares as at July 17, 2023). Repurchases are made in the normal course of business at market prices through the facilities of the Toronto Stock Exchange ("TSX") and/or through alternative Canadian trading systems, in compliance with the rules and policies of the TSX and applicable exemptions from Canadian securities laws. For the nine-month period ended July 31, 2023, the Company has repurchased and cancelled 444,445 common shares. The number of shares outstanding as of September 13, 2023 includes the share buy-back and cancellation of 444,445 common shares pursuant to the Company's normal course issuer bid.

The Company also has contingent equity-settled instruments as disclosed in note 15 of the Interim Condensed Financial Statements for the three-month and nine-month periods ended July 31, 2023 and 2022.

## USE OF PROCEEDS FROM FINANCING

### July 2021 Private Placement and Bought Deal Financing

On July 6, 2021, the Company completed a private placement, a bought deal financing and issued 3,097,594 common shares for aggregate gross proceeds of \$49.6 million and net proceeds of \$46.7 million. The following table shows the estimated use of proceeds, compared with the actual use of proceeds as at July 31, 2023:

*(In thousands of Canadian dollars)*

	<b>Actual use of proceeds</b>	<b>Estimated use of proceeds</b>	<b>Variance</b>
Market expansion costs (including retailer listing and distribution fees, in-store materials, additional sales force and product broker fees)	700	10,814	(10,114)
Marketing and brand awareness	5,364	28,000	(22,636)
Product innovation investments / R&D	2,022	5,000	(2,978)
General working capital and corporate (including public company operating costs)	-	2,923	(2,923)
Remaining as at July 31 2023	38,651	-	38,651
Total net proceeds	46,737	46,737	-
Share issuance costs	2,825	2,825	-
Gross proceeds	49,562	49,562	-

## RISK FACTORS

Please refer to the risk factors described in the “Risk Factors” section of the Company’s Annual Information Form dated January 25, 2023.

## DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

In accordance with National Instrument 52-109 Certification of Disclosure in Issuers’ Annual and Interim Filings, the Company has filed certificates signed by the Chief Executive Officer and the Chief Financial Officer (“Certifying Officers”) that, among other things, reported on the design and operating effectiveness of disclosure controls and procedures (“DC&P”) and the design and operating effectiveness of internal control over financial reporting at October 31, 2022.

## DISCLOSURE CONTROLS AND PROCEDURES (“DC&P”)

The Company has designed DC&P to provide reasonable assurance that material information relating to the Company is made known to the Certifying Officers and that information required to be disclosed to satisfy the Company’s continuous disclosure obligations is recorded, processed, summarized and reported within the time periods specified by applicable Canadian securities legislation.



## INTERNAL CONTROLS OVER FINANCIAL REPORTING (“ICFR”)

The Certifying Officers have designed ICFR or have caused them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. In designing and evaluating internal controls, it should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements.

The control framework used to design the Company’s ICFR is based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) on Internal Control - Integrated Framework (2013 framework).

There were no changes to the Company’s ICFR for the period beginning on May 1, 2023 and ending July 31, 2023 that have materially affected, or are reasonably likely to materially affect, the Company’s ICFR.

