

## High Tide Inc.

### First Quarter 2025 Unaudited Financial Results Conference Call

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## **CORPORATE PARTICIPANTS**

### **Carter Brownlee**

*High Tide Inc. — Advisor, Communications and Public Affairs*

### **Raj Grover**

*High Tide Inc. — President & Chief Executive Officer*

### **Mayank Mahajan**

*High Tide Inc. — Chief Financial Officer*

## **CONFERENCE CALL PARTICIPANTS**

### **Matt Bottomley**

*Canaccord Genuity — Analyst*

### **Frederico Gomes**

*ATB Capital Markets — Analyst*

### **Andrew Semple**

*Ventum Financial — Analyst*

## PRESENTATION

### Operator

Good morning. My name is Inna (phon), and I will be your conference Operator today. At this time, I would like to welcome everyone to the High Tide First Quarter 2025 Unaudited Financial Results Conference Call. All lines have been placed on mute to prevent any background noise.

After the speakers' remarks, there will be a question-and-answer session. If you would like to ask a question during this time, simply press \*, then the number 1 on your telephone keypad. If you would like to withdraw your question, please press \*, followed by the number 2. Thank you.

Mr. Brownlee, you may begin your conference.

**Carter Brownlee** — Advisor, Communications and Public Affairs, High Tide Inc.

Thank you, Operator. Good morning, everyone. Welcome to High Tide Inc.'s quarterly earnings call.

Please note that all earnings discussed on this call are presented on an unaudited basis.

Joining me on the call today are Mr. Raj Grover, President and Chief Executive Officer, and Mr. Mayank Mahajan, Chief Financial Officer.

On March 17, 2025, the Company released unaudited financial and operational results for the fiscal quarter that ended January 31, 2025.

Before we begin, please let me remind you that during the course of this conference call, High Tide's management may make statements, including with respect to management's expectations or estimates of future performance. All such statements, other than statements of historical facts, constitute forward-looking information or forward-looking statements within the meaning of the applicable security laws and are based on assumptions, expectations, estimates, and projections as of the date hereof.

Specific forward-looking statements include, without limitation, all disclosures regarding future results of operations, economic condition, and anticipated courses of action.

For more information on the Company's risks and uncertainties related to forward-looking statements, please refer to the Company's press release dated March 17, 2025, our latest Annual Information Form, and our latest Management Discussion & Analysis, each filed with securities regulatory authorities at [sedarplus.ca](http://sedarplus.ca), or on EDGAR at [www.sec.gov/edgar](http://www.sec.gov/edgar), or on the Company's website at [www.hightideinc.com](http://www.hightideinc.com), and which are hereby incorporated by reference herein.

Although these forward-looking statements reflect management's current beliefs and reasonable assumptions based on the currently available information to management as of the date hereof, we cannot be certain that the actual results will be consistent with the forward-looking statements in the future. There can be no assurance that the actual outcomes will not differ materially from these results. Accordingly, we caution you not to place undue reliance upon such forward-looking results.

For any reconciliation of non-IFRS measures measured and discussed, please consult our latest Management Discussion & Analysis filed on SEDAR+ and EDGAR.

It is now my pleasure to introduce Mr. Raj Grover, President and Chief Executive Officer of High Tide. Thank you, Mr. Grover. You may begin.

**Raj Grover** — President & Chief Executive Officer, High Tide Inc.

Thank you, Carter, and good morning, everyone. Welcome to High Tide Inc.'s financial results conference call for the first fiscal quarter that ended January 31, 2025.

I'll begin with some high-level comments about the quarter and our strategy before Mayank dives deeper into the numbers.

We filed our press release and financials yesterday, and I'm happy with our performance to start 2025.

We remain the highest revenue-generating cannabis company in Canada with an annual revenue run rate of approximately \$570 million. What a long way we've come from our Q1 2019 results, where revenue was just \$5 million.

We have spent the past six years moving the ball forward, growing the business day in, day out. We have overcome industry ups and downs while remaining hyper-focused on our business.

During this time, countless competitors, some of which were much better capitalized than us, filed for creditor protection, as we made the moves necessary to ensure that our shareholders came out on top.

We have cemented our status as the clear leader in Canadian cannabis retail over this time, and now we are setting the pieces to be a leader in the German medical cannabis market.

Perhaps the best indicator of our continued outperformance has been our same store sales. We identified how to get ahead of our competitors and launched our disruptive and innovative discount club concept in October 2021. From then to December 2024, our same store sales have increased an incredible 142 percent, while the average operator has seen a 4 percent drop in sales during the same time period.

Over the long term, we have outperformed regardless of the prevailing market dynamics. On that front, we were very encouraged to see that total industry sales in the five provinces where we operate rebounded to post year-over-year gains in November and December for Statistics Canada data after experiencing declines for eight straight months.

We also participated in this improvement, with Canna Cabana posting 5 percent same store sales gains year over year in Q1, representing the fastest pace of growth in four quarters.

Our Cabana Club, which is the most differentiated cannabis loyalty program globally, continues to expand its reach and exceed our expectations. We have now surpassed 1.76 million members in Canada. Over the past 12 months, this base has grown over 33 percent as we have onboarded 480,000 additional members.

Given how encouraged we are with our existing trajectory and our plans for growth ahead, we are increasing our long-term target to now reach 2.5 million Cabana Club members across Canada, up from our previous target of 2 million. We are currently at 194 stores operating across five Canadian provinces, with a goal to reach 300 locations in the coming years.

ELITE sign-ups were another big success story for us this quarter, as we have now exceeded 81,000 members of our paid tier in Canada, up 153 percent year over year. Once again, we set the fastest pace of onboarding paid members this quarter.

Finally, we enacted some initiatives which resulted in an acceleration of onboarding members during the past three weeks, which we believe bodes well for future growth to come. Having taken the Cabana Club global in December, we now have a massive base of 5.66 million members, 85,500 of which are ELITE.

Our financial profile continues to be driven mainly by our core bricks-and-mortar retail cannabis segment in Canada, as it represents 95 percent of our consolidated revenue, and it is extremely robust.

Bricks-and-mortar revenue was up 17 percent year over year in Q1, representing the fastest pace of growth in five quarters since we began reporting the segment separately.

Our market share held steady at 11 percent of total sales in the five provinces in which we operate during November and December, while Canna Cabana only represented 5 percent of the number of stores in those provinces.

Achieving 11 percent of market share in dollars was consistent with our performance in fiscal Q4 and above the 10 percent share during November and December 2023.

These are certainly volatile times for the North American economy, with sudden tariff announcements regularly proposed and subsequently postponed. This is undoubtedly causing significant volatility among the broader capital markets.

While we are not immune to such knee-jerk macro reactions, I would point out that 99 percent of the sales we generate in Canada and the US don't cross the Canada-US border, which effectively insulates us from tariffs in terms of our underlying fundamental business.

While there could be broad-based economic bumps on the road, I remind investors that we believe cannabis is largely a recession-resistant industry.

Our adjusted EBITDA was lower this quarter than previous quarters. This was a result of deliberate actions we took as management and telegraphed it to the market, which we believe will make our retail ecosystem stronger in the long term.

On the e-commerce side, we took the Cabana Club, with its disruptive three-tier pricing model, global. We have converted millions of customers which have purchased consumption accessories in CBD into a unified platform as club members.

We expect enhanced loyalty in sales will offset the initial margin reduction in these businesses over time, similar to what we've experienced on the bricks-and-mortar side a few years ago.

However, there's undoubtedly an initial impact of lower prices and margins which we need to grow through. We are encouraged by the initial trajectory in this segment and retain our expectation that it will be revenue neutral (phon) in approximately six months and EBITDA neutral in approximately one year.

On the bricks-and-mortar side, in late 2023 and early 2024, we proved that if we hit the brakes on growth, we could generate increasing levels of adjusted EBITDA. In calendar 2023, we only opened 13 new stores and showcased the earnings power of our portfolio in subsequent quarters. In calendar 2024, we reaccelerated growth, opening 29 stores, 28 of which were organic.

As mentioned previously, new stores initially act as a drag on consolidated results, as there are meaningful up-front costs such as hiring and training staff, and stores take time to build enough of a revenue base to be profitable.

New stores built today take longer to ramp up than they did a few years ago. This is due to increased competition and saturation in most areas.

The good news, though, is that they are still moving upwards. With our differentiated business model and superior real estate selection strategy, our new stores are still becoming winners, just at a slower pace than before.

Accordingly, with more than twice as many new stores open in 2024 versus 2023, the initial drag from these stores is more meaningful than a year ago, yet they are improving every month.

We maintain our objective to open another 20 to 30 locations in calendar 2025. We have already opened three and have over a dozen stores currently under development and construction. We expect that this new crop of stores will mature and set the stage for future EBITDA records not too far down the road from now.

We continue to favour organic growth, as we feel that building from scratch in a cherry-picked strategic location, while not paying a multiple on earnings, provides great return for our shareholders. That said, we are always open to entering into an accretive and strategic M&A to supplement our organic growth strategy where it makes sense.

The increasing pace of new store builds also has an impact on our working capital investments, which was the main driver that turned free cash flow negative this quarter.

Total working capital investments, mainly ramping up inventory and prepaids while paying down liabilities, represented a \$4 million use of cash this quarter, versus during the prior five quarters, working capital averaged a \$1.1 million positive source of cash.

We expect these working capital flows will even out over time. As a reminder, our business generated \$16.5 million of free cash flow over the past four quarters combined, and we continue to expect to be free cash flow positive for the fiscal year.

Our white-label strategy's already showing signs of being a big winner for us. As a reminder, we acquired the Queen of Bud brand for only \$1 million, and we timed it perfectly, as we had started seeing signs that Alberta would finally allow white label.

We have successfully launched many Queen of Bud cannabis and accessory SKUs and have already sold over \$500,000 of our exciting new white-label brand. In fact, our biggest problem has been that sales have gone too well, resulting in products being sold out. We have more than tripled our order sizes for the next production batch as a result.

Supply and demand dynamics are finally starting to become more balanced at the national level, which is reducing fears of meaningful price compression which hurt the industry in the past. Given this development, combined with our ever-increasing size and scale, we feel that this is the time to roll out even more white-label products. This should also start to help with margins over time.

On the broader gross margin front, we continue to hold the line on pricing. At \$33.3 million in Q1, our bricks-and-mortar gross margin dollars have never been higher. Accordingly, we don't feel the

urgency to raise prices and encourage marginal operators to renew maturing leases and remain competitors.

Longer term, we see opportunities for margin gains from our growing data analytics business, white label, ELITE sign-ups, and in-store pricing increases.

Let's turn to Germany, where we have our sights on being a major player.

We have a two-pronged strategy to enter the market there. While coalition negotiations will gain steam in the coming weeks, given the broader result of the national election, we aren't sure what'll happen with plans to introduce adult use. However, we are ready with our academic partners, should it proceed.

Within medical cannabis, we continue to believe we are positioned in the perfect part of the supply chain. No federally legal company on Earth has sold more cannabis than High Tide. The discussions we have had with dozens of Canadian licensed producers, many of whom offered to give us exclusive access to their brands for Germany, have helped reaffirm our view that we are ideally situated to leverage our existing relationships in Canada to become a meaningful player in the German wholesale market for medical cannabis.

Since our last conference call, we announced that we will not be pursuing the Purecan transaction in the manner in which we had previously planned, whereby we would be acquiring 51 percent of its equity for €4.8 million.

The recent election has put some uncertainty regarding Purecan's soon-to-be-launched telemedicine business, and other considerations made it clear to us that a strategic purchase of equity may not be the structure that is in our shareholders' best interests at this time.

We continue to negotiate with Purecan regarding a different structure, which we feel would be more beneficial for all. That said, we intend to enter the German medical cannabis market even if we have to choose another partner.

I would like to briefly address the filing made by our competitor, SNDL Inc., last week, indicating that it had acquired 5.4 percent of High Tide shares. In our opinion, this helps highlight how significantly undervalued our shares are, particularly considering our highly differentiated retail model, which has helped drive our long history of operational outperformance.

We have held meetings with our senior management team, our Board of Directors, and external experts. Additionally, we have had preliminary discussions with some shareholders, which have expressed support for our management team and strategy.

We remain fully committed to the best interests of our shareholders, of which I remain the largest, and are prepared to take any and all actions that may be necessary down the road to protect shareholder value.

In conclusion, Q1 was another fantastic quarter for High Tide. We posted solid top-line gains, particularly in same store sales growth and white label, while meaningfully growing the size of our loyalty plan across Canada and globally.

I expect that the investments in new stores and disruption we are causing in the e-commerce sector will yield more greater returns for shareholders in the years to come.

On that front, we continue to get more and more attention by institutional investors, and I'm incredibly pleased to see High Tide named as a top 50 TSX Venture company again this year.

It is great to see our team's hard work being acknowledged by the broader capital markets community. Thanks again to our talented team that make it all happen.

With that, I'll turn it over to Mayank for his comments and a deeper dive into the numbers.

**Mayank Mahajan** — Chief Financial Officer, High Tide Inc.

Thank you, Raj. And hello, everyone.

Q1 was another great quarter for High Tide in meeting our objectives and executing on our future growth strategy.

Let's take a deeper dive into the numbers.

It was another record-breaking quarter for High Tide.

Revenue for Q1 was an all-time high of \$142.5 million, up 11 percent year over year and 3 percent sequentially, reaching an annual run rate of approximately \$570 million.

Our brick-and-mortar segment led the way, up 17 percent year over year. With our plans to add another 20 to 30 stores in Canada this year and our planned entry into the German medical cannabis market, I'm excited for more growth throughout the year and beyond.

As Raj mentioned, our same store sales were very strong in Q1, up 5 percent year over year, representing its fastest pace in four quarters.

From October 2021 to December 2024, our same store sales have risen a truly impressive 142 percent, while the average operator has experienced a 4 percent decline during the same period.

In December, our average store achieved an annual revenue run rate of \$2.7 million, which is more than double the average peer revenue of \$1.3 million in the provinces where we operate.

In Ontario, our largest market and the focus of our future expansion, our outperformance was even more pronounced. Excluding newer stores that have been open for six months or less which are still ramping up, the average Canna Cabana store was on a \$3.5 million annual revenue run rate in December. In contrast, the average of our peers in Ontario was just \$1.3 million.

In addition to merchandise sales, our Cabanalytics data and advertising platforms continue to expand. With our growing footprint, increased sales volumes, and operational outperformance, interest in our retail ecosystem is growing.

In Q1, the Cabanalytics business data and insight platform, advertising revenue, and other revenue, including management fees, interest income, and rental income, was a record \$11.3 million, up 49 percent year over year and 4 percent sequentially.

Consolidated gross margins were 25 percent in Q1, below the 28 percent we reported in Q1 last year and 26 percent sequentially. This was a result of two factors.

First, the resurgence of the illicit market continues to impact our brick-and-mortar business in certain municipalities such as Regina, Toronto, and Ottawa.

Second, we launched the Cabana Club loyalty program across all our e-commerce businesses during the quarter. A primary feature of this initiative is unbeatable prices, and we continue to expect that higher volumes in the coming quarters will offset the lower gross margin percentage, similar to the successful trajectory Cabana Club enjoyed in Canada.

Turning to expenses, salaries and wages represented 12.3 percent of revenue in Q1, consistent with the prior year and prior quarter, holding steady despite the increase in new stores where we have to hire teams four to six weeks before opening.

General and administrative expenses represented 4.6 percent of revenue in Q1, up very modestly year over year and sequentially.

Adjusted EBITDA was \$7.1 million for the quarter. As Raj mentioned, this was down 32 percent year over year and 14 percent sequentially, due to the initiatives taken to grow the businesses in the

coming quarters, namely, accelerating the pace of store growth and taking the Cabana Club model across our global e-commerce businesses.

Due to unusually high working capital investment this quarter, free cash flow was negative \$1.9 million in Q1.

We have cautioned that working capital can cause noise in any given period and that investors need to focus on this metric on a longer period. We continue to expect to be free cash flow positive for the fiscal year.

And we note that our trailing free cash flow at the end of Q1 was \$16.5 million, up 45 percent from our trailing free cash flow of \$11.4 million a year ago.

There were some moving parts with our debt during the quarter, which helped fortify our balance sheet. We drew the final \$5 million tranche of our second lien debentures and paid off the \$13 million of debt we had due on December 31, 2024.

As of today, our total debt stands at just \$26.4 million, which is 0.8 times our trailing adjusted EBITDA. Additionally, we have no upcoming maturity for two-and-a-half years.

In closing, it was another great quarter for High Tide. We continue to expand our base businesses, generate record revenue, move upward on market share, and develop new areas of growth for our company. Thanks to our amazing team, without whom none of this would be possible.

With that, I will now turn the call over to the Operator to open the line for the questions-and-answer session. Thank you.

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## Q&A

### Operator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Should you have a question, please press \*, followed by the 1 on your telephone keypad. You will hear a prompt that your hand has been raised. And should you wish to cancel a request, please press \*, followed by the 2. If you are using a speakerphone, please lift the handset before pressing any keys.

One moment, please, for your first question.

Your first question comes from the line of Matt Bottomley from Canaccord Genuity. Please go ahead.

**Matt Bottomley** — Canaccord Genuity

Good morning, everyone. Thanks for the question.

Raj, I'm just wondering, because you mentioned it in the prepared remarks, if we can get a little more colour on what sort of changed in Germany in the short term. You mentioned telemedicine with respect to a pretty strong strategy there, and I don't know if the proposed regulations that you've seen have seen amendments to that.

And then just on top of that—I assume the answer is no to this, but I don't think any of this consideration was how likely adult use might be. I understand the medical-only opportunity, just given where registered patients are, still has a significant amount of growth that would warrant entrance into that space.

**Raj Grover**

Yeah. Good morning, Matt. Thank you so much for your question.

So look, Matt, we remain committed to enter the German medical cannabis market. As I've mentioned previously, we sit on the prettiest part of the chain.

So you're totally right. Given the national election that took place in Germany, the CDU party is now in power, although with a minority, and now they're forming a coalition government. And negotiations are still happening. But immediately after winning the election, they did make a few comments about the telemedicine platform in Germany, where they were not happy in terms of how it's being handled. You can basically get an online questionnaire without a virtual meeting with the physician, and they're not happy about it. And telemedicine platforms have really been the driving force of medical cannabis sign-ups in Germany.

So they're not very excited about that, and they can basically put a stop to that happening.

A lot of the valuation that we ascribed to Purecan was related to the launch of their telemedicine business, Matt. So for that reason, and a couple other items that we discovered during due diligence, we felt it was the best interest of our shareholders to not spend 4.8 million to buy—€4.8 million to buy 51 percent equity in Purecan. Instead, we can find another structure that works even better for us.

And look, we're not just married to Purecan. We're looking at all opportunities in Germany, and this may actually end up being a bigger, better opportunity for us. So please stay tuned on that, and we will update the market in due course when we have further developments on that side. But nevertheless, we're absolutely committed to enter the German medical cannabis market.

On the recreational front, Matt, I believe we have been quite ahead than our competitors. We already have that academic relationship in Germany, and we are ready with our scientific research pilot project that we can apply for recreational stores, a pilot, scientific pilot project stores in Germany.

Now, this may happen, this may not happen. We are just waiting for further news out of Germany, but we stand ready if that goes through. But medical cannabis is not being discussed to be redesignated as a narcotic. So we don't think that will change.

So nevertheless, we have a very, very good opportunity in the German medical cannabis market.

**Matt Bottomley**

Got it. Thanks. And just one more for me. I wanted to pivot just more to Canada, more on the dynamics you're seeing from consumer preferences or behaviour in the stores. You had 5 percent same store growth in the quarter, which is very strong. I'm just wondering, because it looks like your market share is pretty consistent, how much of that is maybe changes in basket sizes or things that you can see or share with us more on the consumer side.

And then within that context, you had mentioned that your membership estimate's gone up to 2.5 million. So maybe just the assumptions on there? I know 40 million Canadians, but you have to net out people younger than 19. That would, rough math, seem like that might represent 7 percent or 8 percent of adults in Canada, which would be a very nice market share, I'd imagine higher than the 11 percent that you're at now. So just curious if you can kind of reconcile those estimates with maybe a market share number over the longer term. Thanks.

**Raj Grover**

Yeah. Absolutely, Matt.

So look, longer term ambitions in Canada is to reach at least a 15 percent market share. We feel we can get to 15 percent market share and even breach it. I was very excited and pleased to see our same store sales growth hit 5 percent this quarter.

Remember, we've grown since the launch of the discount club model in October of 2021. We've grown 142 percent in same store sales, while the average operator has declined 4 percent. So you can clearly see the delta between our business and, practically, other competitors in the country.

In terms of same store sales and how we're looking at the market right now, as you know, Matt, we had eight consecutive months of negative growth in Canada, and then November and December turned positive for the industry. And Canna Cabana was a big participant in that as well.

I've said it many times, including my prepared remarks today, that cannabis is generally recession-resistant. So we are not feeling the impact of inflation on the cannabis side of things. Absolutely, we feel that on the accessories and the CBD side of things, which is more discretionary spending. Remember, when times are not great, people are still drinking alcohol and using their cannabis as they need to cope up (phon) with these times. So we don't feel that there will be an impact.

And as I also mentioned, with Trump tariff talk on again, off again, again, it doesn't impact 99 percent of the business because both on the US and Canadian sides, we are 99 percent domestically sourced and domestically sold. So we're also hedged and protected on that side.

Given our same store sales trajectory and the strength of our business model, and despite the resurgence of illicit market, like I've been mentioning, for the last few quarters, we feel that we can absolutely get to 15 percent in the long term. Our brick-and-mortar business is very, very strong. And I'd like to remind listeners that this is 95 percent of our business. So 95 percent of our business remains extremely strong, with us heading towards that 15 percent market share.

Remember, we are building stores organically. We're not buying EBITDA in the market. We're creating the best value we can for our shareholders. So stores take time to ramp up. But when these stores ramp up, we practically paid about \$300,000 to build these stores and another \$100,000 in working capital.

We feel, if we remain on this track, we will create the best type of opportunity for our shareholders, and any M&As will be instrumental to this growth. We can add another 20 to 30 stores, and we should be starting to head towards a target of 15 percent market share in not-too-distant future.

**Matt Bottomley**

Got it. I'll jump in queue. I'm just curious as a last thing, though, if there is any assumptions that go into that 2.5 million membership estimate. I know you're already at 1.7 million now, but just anything you can share on that would be great. And I'll leave it there. Thanks.

**Raj Grover**

Yeah. We've had excellent growth of our Cabana Club. I think we've grown year over year by 480,000 members. So you can say that we could reach 2.5 million in the next two years, potentially a bit sooner, Matt.

**Operator**

Thank you. And your next question comes from the line of Frederico Gomes from ATB Capital Markets. Please go ahead.

**Frederico Gomes — ATB Capital Markets**

Hi. Good morning. Thanks for taking my question. Congrats on the great quarter again.

Just going back to Germany, Raj, you mentioned that you intend to enter that market with Purecan or even if you need to find another partner. So is there any sort of timeline that you're looking at here that do you plan to do that fairly soon, given that the market is growing really, really fast over the next two months? I mean, is there a point where you stop talking to Purecan and really look to execute with another partner? Just how should we think about the timeline here?

**Raj Grover**

So look, Fred, I cannot express my excitement enough for the German medical cannabis markets, who are absolutely looking forward to entering that market. But we want to do it in the right way. We want to get the right partner, whether it's Purecan or somebody else.

I can confirm that we are in conversations with other groups as well, beyond Purecan. And we may have even a bigger, better, more exciting opportunity to enter the German medical cannabis market, like I was just telling Matt. So stay tuned on that. This will not be months and months. Maybe it will be a couple more months.

But like I said, Fred, it's extremely important that we select the right partner on the German side of things. Because in Canada, there's no other federally legal company that has sold more cannabis than High Tide has. We have \$1.5 billion of cannabis that we've sold to consumers since legalization. And our COGS line gets to \$368 million a year.

So you can imagine how much leverage and our network and relationships are so strong in Canada that we don't want to mess up this opportunity. We want to do it the right way. So maybe it's a couple more months, but it's not going to be months and months and quarters ahead.

### **Frederico Gomes**

Perfect. And thanks for that. And then second, just on the impact of tariffs, I know that you mentioned 99 percent of your business doesn't cross the US-Canada border. But I'm just curious about China and potential impact on accessories, because I believe that you buy some of your accessories from China just to bring them. So any tariff impact there?

### **Raj Grover**

No. We feel like in Canada, there's been no tariff impacts. Again, 1 percent does not cause that harm. And that too, we procure it from internal brokers. So we're not directly impacted by tariffs. The 1

percent is not going to make a difference at all. So we feel the tariff impact on Canna Cabana, on High Tide is very, very minimal. Even our CBD business is entirely domestically produced, procured, et cetera.

Our accessories, 99 percent of our accessories that are coming into Canada as well, are coming into Canada. So we don't have that US-China impact at all. So I feel, from that perspective, Fred, we are totally protected.

**Frederico Gomes**

Got it. Thank you very much. I'll hop back in the queue.

**Operator**

Thank you. And your next question comes from the line of Andrew Semple from Ventum Financial. Please go ahead.

**Andrew Semple** — Ventum Financial

Thank you. Good morning and congrats on the Q1 results here. First question will just be going back to market conditions in Canada. It seems like retail sales growth accelerated in the months November and December, at least according to Statistics Canada data.

While there's no HST break applied directly on cannabis products, I'm wondering if you thought that the HST break applied to other product categories might have had a positive impact on cannabis sales, cannabis demand during those months as consumers had more disposable income. What's your thoughts on that? And what have you seen in your stores since that HST break has ended?

**Raj Grover**

Hi, Andrew. Good morning. Thank you so much for your question. So I'm not exactly sure if the HST break was the reason that we have seen acceleration in our stores. We believe that the eight-month

negative growth period that we had prior to November and December of 2024, it was going steadily in the wrong direction, and it had to level set at some point. That could have also played a role.

As you know, as more and more legal stores come up, although at a slower pace, it also has an impact, and the legal markets continue to get bigger and bigger. Andrew, I believe there's even more room for the legal market to get bigger. We feel that the Canadian market can be a \$7 billion market. We're currently sitting at around \$5.5 billion.

So I can't pinpoint towards the HST break in particular. But I can tell you, as I was saying to Matt and Fred before, that cannabis is generally recession-resistant. And even with fears of inflation or the economy heading into the wrong direction, I don't think cannabis will be impacted the same way, although I do have to point out that illicit market resurgence is real. And things can turn in the other direction as well. But so far, so good. We are seeing that momentum continue into our existing quarter as well.

### **Andrew Semple**

Great. Okay. That's helpful. I'm glad to hear. My next question would be on the e-commerce segment. Just wondering, besides the launch of the Canna Cabana Club program to the international e-commerce segment, were there other—any notable impacts to that segment during the quarter? That segment did show revenues down a fair bit year on year. I just want to see if there were any other one-time items that might have been impacting that segment.

### **Raj Grover**

No. So look, we are encouraged by the initial trajectory of member sign-ups. ELITE grew—in the last six weeks, ELITE grew by 50 percent. And remember, it's only been a few months since we launched it, and seasonality's a big factor. Remember, December is our biggest month, Andrew, for consumption

accessories and CBD sales in the US. And both have been basically in the seasonally strongest period, and then our launch came at the same time.

So to assess that in February, March, it's a bit too early. And that is definitely because December and March or December and February cannot be compared. But again, the number of international ELITE members increased by 50 percent in the past six weeks, which is a very good sign for us. But absolutely, there's a lot of growth required to get to that revenue and EBITDA break-even points and then beyond.

But remember, the strategic value of e-commerce is huge, Andrew. We bought these assets. I said it from day one. We purchased Grasscity, Smoke Cartel, and all of these assets to convert them into cannabis platforms eventually when federal legalization takes place. Nothing had changed in terms of that thesis. In fact, the only thing we've done is we've actually unified and simplified our entire ecosystem, taking the Cabana Club global. We made our entire retail ecosystem even stronger.

Sure enough, in the short term, we feel some adjusted EBITDA headwinds. But this can change very quickly with our entry into Germany or e-commerce platforms starting to ramp up. And again, we're not married to anything. If we wanted to sell e-commerce down the road, in a year or 6 months or 10 months, we have the option to do that. And we can bring \$2 million, \$3 million in EBITDA back.

But we also feel that we may have a serious retail opportunity on our hand with the three-tier pricing strategy we have for the global Cabana Club, which could really pay dividends. So these are just short-term headwinds for long-term opportunities.

And we still feel that our brick-and-mortar cannabis business is very, very robust. It's exploding, to be honest. It's doing very, very good. So we can actually go and focus solely on the brick-and-mortar business in a year. Or we can see if our e-commerce platforms ramp up and we start making money there, then we have a double whammy, Andrew.

**Andrew Semple**

Great. Okay. Glad to hear the update on that strategy. I'll get back into queue. Thanks for taking my questions.

**Operator**

Thank you. Once again, should you have a question, please press \*, followed by the 1 on your telephone keypad.

There are no further questions at this time. I will now hand the call back to Mr. Raj Grover for any closing remarks.

**Raj Grover**

Thank you, Operator. And thank you to everyone for your interest and continued support for High Tide. We're very proud of what we've achieved this quarter and remain excited about the road ahead.

With that, I'll ask the Operator to close the line. Have a great day, everyone.

**Operator**

Thank you. And this concludes today's call. Thank you for participating. You may all disconnect.