

High Tide Inc.

Fourth Quarter and 2024 Year-End Financial Results

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PRESENTATION

Operator

Good morning. My name is Sylvie, and I will be your conference Operator today. At this time, all participant lines are in the listen-only mode.

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 number 1 on your telephone keypad. If you would like to withdraw your question, please press *, 2.

Thank you. You may begin your conference.

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

Thank you, Sylvie. Good morning, everyone, and 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 January 29, 2025, the Company released audited financial and operational results for the fiscal year that ended October 31, 2024.

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 securities 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 conditions, 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 January 29, 2025, or our latest Annual Information Form and our latest Management Discussion & Analysis, each filed with securities regulatory authorities at sedarplus.ca, or on EDGAR at www.sec.gov/edgar, or on the Company's website at 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 and our 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 and 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 fiscal year that ended October 31, 2024.

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

We filed a press release and financials yesterday, and I'm proud to report another record-breaking quarter for High Tide.

Revenue for the year reached an all-time high of \$522.3 million, up 7 percent compared to fiscal 2023.

We also ended the year with a quarterly revenue record generating \$138.3 million in Q4, up 9 percent year over year. This was the fastest growth rate we achieved all year and represents an annualized run rate exceeding \$550 million.

I'm incredibly proud of the growth we are generating at High Tide, especially considering that nearly all of it was achieved organically and financed primarily through internal cash flow.

In 2024, we added 29 new stores, of which only one was acquired. This was more than double the number of stores we added in 2023 and at the high end of the target range of 20 to 30 stores that we communicated to investors at the beginning of the year. These stores were built using cash flow from our existing locations.

I'm pleased to report that new store development is continuing at a similar pace in 2025 with plans to add another 20 to 30 locations this calendar year.

I remain excited about the continued top-line growth we anticipate for 2025.

With our strong Q4 results, we have now delivered positive free cash flow for six consecutive quarters, generating \$22 million in fiscal 2024, an increase of 217 percent over fiscal 2023.

This significant improvement in free cash flow was achieved even as we opened 29 new stores during the year.

It's important to remember that new stores require upfront investments, not only in CapEx but also in working capital and employee hiring and training before opening.

These new stores act as a short-term drag on consolidated results until they ramp up. Despite this, Q4 free cash flow was \$5.9 million, up 4 percent year over year.

For 2025, we expect to remain free cash flow positive while continuing to grow our business.

Long-term investors know that we see the Cabana Club as our crown jewel and a major contributor to our significant outperformance versus peers. I'm proud to report that membership numbers have reached new highs in Canada with 1.72 million members, an impressive 11 percent sequential increase and 34 percent growth rate year over year. Of these, 73,000 are elite members, our paid membership tier, which is also up 28 percent sequentially.

This trajectory gives me confidence that we'll reach our long-term target of 2 million members sooner than expected, especially considering we had fewer than 1 million members less than two years ago.

Late last year, we made the bold decision to take our Cabana Club global across all our e-commerce businesses, and early results are in line with expectations. We've already signed up 3.6 million members across the US and EU, bringing our global total to 5.32 million Cabana Club members.

We've also started onboarding international elite members with sign-ups now exceeding 3,000. We believe taking the Cabana Club global represents a tremendous opportunity for the future while unifying and simplifying all areas of our diversified ecosystem today.

With the momentum toward legalization in more countries, we're uniquely positioned to extend the Cabana Club's reach as these opportunities arise.

Early adoption has been encouraging, and we are confident in our initial predictions that proactive margin reductions on consumption accessories and CBD will lead to revenue breakeven within six months of launch and adjusted EBITDA breakeven within 12 months.

Furthermore, we've begun leveraging the Cabana Club infrastructure to disrupt adjacent industries such as international snacks or, in cannabis terms, munchies.

On the topic of leveraging our existing infrastructure internationally, our recently announced definitive agreement to acquire a majority stake in Purecan, a profitable German medical cannabis importer and wholesaler, is an excellent example. After extensive efforts, we identified Purecan as the ideal entry point into the fast-growing German medical cannabis market.

This acquisition aligns with our objectives, entering the market profitably, adding unique value, and doing so cost-effectively without significant strain on our resources.

Purecan is already profitable with impressive, adjusted EBITDA margins of 29 percent, providing a platform to strengthen our core business and deepen relationships with Canadian licensed producers.

This transaction is highly accretive. We are acquiring Purecan at a multiple of three times annualized adjusted EBITDA, significantly below our own trading multiple.

Additionally, upon closing, our fully diluted share count will increase by less than 1 percent, and the cash outlay of €1.2 million is well within our means. Given our conservative balance sheet management with gross debt to trailing adjusted EBITDA of less than 1, the additional €1.2 million in debt is easily manageable.

I'm excited to close this acquisition in the coming days and demonstrate the growth potential by leveraging our connections and resources with Purecan's existing network and infrastructure. Purecan already has the necessary licences, certifications, and facilities meaning no significant CapEx is required.

Furthermore, Purecan will come with no debt upon closing. The only additional investment will be for working capital, addressing timing delays between payments to Canadian licensed producers and revenue collection from pharmacies and wholesalers in Germany.

This transaction is structured to ensure long-term success for all stakeholders. Over the next 18 months, both teams will focus on scaling the business. Beyond that, a five-year call-and-put option structure will incentivize Purecan shareholders to drive adjusted EBITDA growth while we retain the right to acquire the remaining stake at an attractive multiple.

Returning to Canada, Q4 was another strong quarter for our core cannabis retail operations.

Same-store sales rose 3 percent sequentially, and, since launching our discount club model three years ago, we've achieved a cumulative 130 percent increase in same-store sales. This contrasts with a 5 percent decline in revenue for the average operator during the same period.

Our market share in the five provinces where we operate averaged 11 percent during fiscal Q4 based on revised data from Statistics Canada. This was consistent sequentially and up from 10 percent in Q4 last year.

Notably, this market share was achieved with just 5 percent of the store count in these provinces, highlighting the exceptional performance of our Canna Cabana brand.

Our long-term goal is to achieve a 15 percent market share across all our operating markets.

I'll now go over key highlights from the financials before passing it over to Mayank for a deeper dive.

Revenue for Q4 was \$138.3 million, an all-time record, up 5 percent sequentially and 9 percent year over year.

Our Bricks & Mortar segment led the way, growing 12 percent year over year and outperforming our expectations.

In October, our average store achieved an annual revenue run rate of \$2.6 million, which is more than double the average peer revenue of \$1.2 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 an annual revenue run rate of \$3.5 million in October. In contrast, the average of our peers in Ontario was just \$1.1 million.

Our same-store sales increased 0.4 percent year over year in Q4. While this is below the levels we have historically achieved, it reflects the broader market slowdown. In fact, total industry sales, including the impact of new stores across the five provinces where we operate, declined 1 percent year over year during our fiscal Q4. In contrast, sequentially, our same-store sales grew by 3 percent during the quarter.

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 Q4, the Cabanalytics Business Data and Insights platform advertising revenue and other revenue, including management fees, interest income, and rental income, totalled \$10.9 million, up 48 percent year over year and 21 percent sequentially.

Consolidated gross margins were 26 percent in Q4 2024, consistent with Q4 2023 but slightly below the 27 percent we reported in Q3.

We've maintained our gross margins in stores, avoiding price increases that might encourage weaker players to remain in the market or renew leases.

Given the unstable nature of the cannabis retail market in Canada with another major retail player having recently filed for CCAA protection, we feel our prudent gross margin management and a keen focus on free cash flow generation continues to yield meaningful benefits for shareholders.

Looking forward, we anticipate lower gross margins in our e-commerce segment as part of our strategy to drive volumes through unbeatable prices as we roll out the Cabana Club globally. E-commerce accounted for only 5.6 percent of our consolidated revenue in Q4, and we expect our global Cabana Club launch to deliver meaningful benefits in the long term, mirroring the traction and volume increases we observed when implementing this model in our Canadian bricks-and-mortar business.

Turning to expenses, salaries and wages represented 12.4 percent of revenue in Q4, up from 11.6 percent in Q4 last year. This increase reflects the rapid pace of store growth over the past 12 months as we hired teams four to six weeks before the opening of new locations. Good people are hard to find, secure, and train, and we invest in ensuring they can provide Cabana-level service from day one.

While new stores take time to ramp up, it's encouraging to see salaries and wages as a percentage of revenue decline sequentially from 12.7 percent in Q3.

General and administrative expenses continue to trend downward, representing 4.2 percent of revenue in Q4. While this was up from 3.7 percent in Q3, it compares favourably to 5.3 percent in Q4 last year. For the full fiscal year, general and administrative expenses declined from 5.5 percent in 2023 to 4.2 percent in 2024, demonstrating a commitment to cost efficiency.

Adjusted EBITDA was \$8.2 million for the quarter, down 1 percent year over year and 14 percent sequentially. This decline reflects the higher pace of new store openings, which, as noted earlier, create a temporary drag on results as they ramp up.

Excluding the impact of non-cash impairment charges, which totalled \$5 million in Q4, our income from operations was \$2.1 million, marking a significant increase from \$61,000 in Q4 2023.

In conclusion, Q4 was another strong quarter for High Tide, and I'm excited about the opportunities fiscal 2025 holds.

Over the past few years, we've established ourselves as a leader in Canadian cannabis revenue. As we begin 2025, we are taking steps to position ourselves as a leader in the global cannabis market. This includes our international expansion of the Cabana Club and our announced acquisition of a majority stake in Purecan. Additionally, we remain vigilant about the opportunities that may arise with the new administration in the US.

As I've always said, High Tide's best days are ahead. Today, I'm proud to report that while our core Canadian bricks-and-mortar business continues to thrive, we're also making strategic moves to enter and grow within the German cannabis market including its fast-growing medical segment.

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.

This was my first year-end as part of the High Tide team. And what a fantastic year it was. We set records on revenue, adjusted EBITDA, store count, and cash balances.

Let's take a deeper dive into the numbers.

As Raj mentioned, revenue for the fiscal year was an all-time record at \$522.3 million, up 7 percent versus fiscal 2023.

Our Bricks & Mortar segment, which drives the vast majority of our business, performed even better, up 12 percent.

We also ended the year at a record level at \$138.3 million in Q4, up 9 percent year over year, representing the fastest pace of growth during the fiscal year.

On a consolidated basis, our gross margins were 27 percent for the fiscal year and equal to 2023's level. In Q4, consolidated gross margins were 26 percent, equal to Q4 2023's level and 1 percent below 27 percent in Q3.

Looking ahead, we expect lower gross margins in our e-commerce business as a result of taking our disruptive Cabana Club global, which we anticipate will be offset by our newly acquired medical cannabis unit, Purecan, once the transaction closes.

I am very proud of the performance in our core bricks-and-mortar Canadian cannabis business, which is a tough market. We were able to post same-store sales gains year over year in Q4, despite the fact that total industry sales, including the impact of new stores, have declined year over year in each of the past eight months, which once again illustrates the superior brand strength Canna Cabana has in the market.

We have always had millions of customers globally in our e-commerce segment. We recently completed the heavy lift of taking our disruptive Cabana Club global, further entrenching them into our increasingly global ecosystem with the aim of generating stronger loyalty and higher sales.

Keeping with the same structure as our incredibly successful system in Canada, our international customers now have the ability to become elite where we expect even stronger spending. Depending on where they are located, an annual elite membership costs US\$15, €15, or £15.

We are encouraged that 3,000 people have already purchased elite memberships internationally in just the first two months since launch, and we expect this number to grow over time as the word continues to get out and customers see the value proposition we are offering.

From a purely financial point of view, elite membership fees provide high-margin revenue, and they are collected upfront for the year.

Speaking of higher margins, our Queen of Bud acquisition is proving to be very fruitful and well timed for the shareholders. Queen of Bud products are selling very well, better than our expectations, and have frequently sold out in our stores. We look forward to adding new SKUs over the coming quarters and remind investors that our white label products typically carry higher margins than selling others' products.

I am extremely proud of our cost controls. While revenue increased by \$35.2 million during the fiscal year, excluding the impact of noncash impairment, our total expenses actually decreased by \$5.9 million.

In Q4, similarly, while revenue was up \$11.2 million, we experienced year-over-year declines in general and administration expenses, and depreciation and amortization expenses.

Adjusted EBITDA margin was 6 percent in Q4. This was below 7.3 percent in Q3 2024 and 6.6 percent in Q4 2023.

As Raj mentioned, there was an impact from the heightened number of new stores we opened during the year, which take longer to ramp up to maturity, given the highly competitive Canadian cannabis landscape as well as the continued pressure we experience in our online business.

Free cash flow was \$22 million in fiscal 2024, up 217 percent versus fiscal 2023. Free cash flow was \$5.9 million in Q4, up 4 percent year over year and the second-highest level during the six quarters since we began posting positive free cash flow.

We ended the fiscal year with a record level of cash at \$47.3 million as at October 31, 2024. Note that we were in the process of restructuring our debt. Since the end of our fiscal year, we obtained \$5 million of additional debt and paid down \$13 million that was due on December 31, 2024.

I am very proud of how we have improved our balance sheet over the past 12 months.

Today, our total debt is \$27 million. This is comprised of \$12 million due to connectFirst, which matures in September 2027, and our recently closed \$15 million, five-year, second-position facility. Accordingly, we have no maturities due for almost three years. In contrast, a year ago, we were facing \$14 million of debt coming due within one year.

In closing, this was another stellar year for High Tide. We added more than double the number of stores as we did in the prior year while generating record revenue, free cash flow, and adjusted EBITDA.

In our core business of bricks-and-mortar cannabis, we continue to make gains, and the outperformance versus our peers continues to widen.

Simultaneously, we are set for growth internationally by the moves we made during the past two months, namely the announced acquisition of a majority stake in Purecan and taking our Cabana Club global.

Meanwhile, our balance sheet is in very good shape with no maturities for almost three years and a total debt-to-trailing adjusted EBITDA ratio of less than one.

I am very excited for what 2025 will bring for High Tide.

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

Q&A

Operator

Thank you, sir. Ladies and gentlemen, if you would like to ask a question, please press *, followed by 1 on your touch-tone phone. You will then hear a prompt that your hand has been raised. And should

you wish to decline from the polling process, please press *, followed by 2. And if you're using a speakerphone, you will need to lift the handset first before pressing any keys.

Please go ahead and press *, 1 now if you have any questions.

First, we will hear from Matt Bottomley at Canaccord Genuity. Please go ahead, Matt.

Matt Bottomley — Canaccord Genuity

Yeah. Good morning, everyone. Just wanted to start on some of the market dynamics that you guys have seen. So, obviously, the leadership on the market share front is very strong, but maybe just more directionally, and some of this might be rounding or maybe it's Stats Can revising numbers, but it looked like you had a percentage point or two more in Alberta and Ontario last quarter versus this quarter just looking at the two press releases at that time. I'm just curious if those dynamics have changed at all and if there were any headwinds in those two markets relative to what you've seen in the past.

Raj Grover

Hi, Matt. Good morning. Thank you very much for your question.

So first of all, let me confirm with you that we've not seen any change in dynamics, retail dynamics, in Alberta or Ontario in particular than what we've been talking about. Example, illicit market resurgence, the regular competitive pressures we face in this business, but nothing's changed.

The only reason the 12 percent was revised down to 11 percent is the revised data from Statistics Canada. So we can only go with the data that we have at the time, and we're publishing these quarters.

But to give you some comfort and give some comfort to our listeners, we are actually up from 10 percent last year to 11 percent this quarter year over year. And 12 percent down to 11 percent was simply a revision from Statistics Canada. And these things always happen. They publish new numbers time to time, and we take the most recent numbers, and then we publish those in our results.

Matt Bottomley

Okay. Got it. I appreciate that. So maybe just moving on. It's first time to really chat on sort of the Germany deal since it was announced. So just curious on your level of potential investment into that market. Not getting too granular because I know there's a lot of unknowns. But just what's happening particularly in Germany on a regulatory front? This comes up on some of the other LPs' earnings calls as well, and there's been puts and takes, I guess, with respect to expectations there. But clearly, it's a lot more relevant now than it was several years ago.

So just wondering what calendar 2025 might bring in terms of your level of investment and what you're hoping to see in terms of growth levers.

Raj Grover

Sure, Matt. So there's no significant CapEx required for the German investment, the majority stake that we've taken into Purecan. We were very methodical about how we went about it. We never want to put any strain on our existing financial resources.

And I am extremely excited about this acquisition because we've truly made this—we're going to make this into one plus one equals to 11, not even three. Because I believe High Tide is the most perfectly positioned company to take advantage of the medical cannabis market in Germany or to get a significant amount of market share in the medical cannabis market in Germany.

So again, no significant CapEx requirements because we already have the warehouse and logistics infrastructure set up. This business is already profitable with 29 percent EBITDA margins. The only major expense that we are going to incur up front is going to be working capital requirements.

So I can tell you, Matt, very confidently and very positively that I've had overwhelming response in my conversations with licensed producers. I think I've had over 20 now in the last week. It's three to

four a day that we are talking to. And I can tell you almost all of them—I can't tell you even one that is not excited about getting started on this business venture with us. We are getting offered to distribute Canadian brands exclusively as well as nonexclusively on top of all of the momentum that is going into Germany.

So working capital requirements are going to be there. Our intention is to move thousands of kilos of cannabis eventually. And it's just the timing of payments between Canadian licensed producers and then our revenue collection from pharmacies and wholesalers in Germany.

Working capital will be a good one. It will have impact on our free cash flow, but it's not going to be overnight. But that is the only investment we need going into this business. We don't need to build new facilities or anything like that.

Matt Bottomley

Okay. Thanks, Raj. I'll pass it on.

Operator

Thank you. Next question will be from Frederico Gomes at ATB Capital Markets. Please go ahead.

Frederico Gomes — ATB Financial

Hi Morning. Thanks for taking my questions. Congrats on the quarter.

I guess the first question, Raj, I know that you mentioned the pricing in the Canadian market and how maybe you're not ready to take price in the market yet as the market consolidates. But is that something that we could see happening later in 2025? I mean what needs to happen here for you to be more comfortable on the pricing side of things here in Canada? Thanks.

Raj Grover

Good morning, Fred. Thank you for your question.

So look. Canadian market is a very unique one. It's the most competitive landscape in cannabis in the universe; I like to think. So pricing pressures have been there. But as you know, more recently, True North, which was a major player in Ontario with 48 stores, just entered into creditor protection.

And I think you and I and everybody else, we talk about this every quarter, and we remind our investors that we're going to hold the line of gross margins because it's frustrating many of our competitors. And they don't have the same strong business models that we do. And we know they're hanging by the thread. And many of them are leaving the race and, unfortunately, entering into creditor protection.

But at this time, when we have record revenues, we are up 5 percent sequentially, 9 percent year over year, these are big numbers. We have really good amounts of free cash flow, \$22 million trailing free cash flow; \$5.9 million in Q4 alone. I don't think we need to do anything out of the ordinary to stop this momentum and give a helping hand to our competitors that are leaving the race. So that is the only reason we're holding the line on gross margins.

It is a tough market. As you can see, our same-store sales, although leading the industry by a country mile, we are up 130 percent over the last three years when the average operator in the country has declined 5 percent, they're still only up 0.4 percent year over year. So it's not like we can increase margin by 2 percent, 3 percent overnight and then still expect our same-store sales to go up.

So it's a fine balance, Fred. But what's happening is more and more competitors are leaving the race. Big chains are struggling, middle-sized chains are struggling, independents are struggling. So as more competitors get out of the race, there's not going to be a lot of competitors remaining to be waging a price war with us. And at that point, we have a tremendous opportunity to increase gross margins in our core Canadian cannabis business.

Frederico Gomes

Thanks for that, Raj. Second question on your international e-commerce platform. Now that you launched the Cabana Club internationally, I'm just curious, how do you see the hemp-derived THC market in the US? I know that many other companies have invested in that market recently. It seems like it's growing rapidly. So do you have any plans in regard to that market? Thanks.

Raj Grover

Yes, Fred. So we have a few SKUs selling hemp-derived CBD, hemp-derived THC in states where legal, which are, again, covered by the 2018 federal farm bill.

Both Nuleaf and FAB have these SKUs, but it's producing an immaterial amount of revenue because it's not been our focus, Fred, simply because there's just so much enforcement and changes in terms of what's legal, what's not legal today between the different states. So we're taking this slow because it changes by the day sometimes. And we're investing a lot into this to make sure that we are above board on these products.

Our revenue is tiny today, but we will definitely see how it develops. Like we've got immediate opportunities in our core business segments as well as Purecan that we just acquired the majority stake in Germany. And there's core business opportunities that we can produce much higher revenues at higher gross margins relatively quickly.

So hemp-derived THC market is not at the forefront of what we're looking at, but it's absolutely something that we're keeping our eye on. And time and resources are limited. So as soon as we have some more resources, we are going to dedicate it to this place. But the revenue remains tiny today, but we'll see how it develops.

Frederico Gomes

Thank you very much. I'll hop back into queue.

Operator

Thank you. Next question will be from Bill Kirk at ROTH Capital. Please go ahead, Bill.

Bill Kirk — ROTH Capital Partners

Hey, good morning, everybody. On Germany, how will you decide what brands or what products to offer into the country? You said you have a lot of calls, a lot of conversations. But how are you going to weigh maybe price point considerations versus quality or reliability when determining what is best?

Raj Grover

Good morning, Bill. Thank you for your question.

So, again, while we are doing our homework on what's moving fast and what's not in the German market, what we are discovering that absolutely everything that's making its way into Germany is getting consumed.

I've been talking about this on a few recent interviews that I've done on this German opportunity. The German market has grown. Since April 2024 alone, the German medical market is up 250 percent.

In Q3 of 2024, I think Germany moved 20 tonnes of cannabis. Right? This is up from 8 tonnes of cannabis the year prior. So you can see the growth and momentum there, and we have the opportunity to bring some of the best brands in Canada from the largest LPs, medium-sized LPs, craft LPs, micro growers. We've got the branded approach there. We've got our own white label products such as Queen of Buds SKUs that we will be introducing in Germany. And then we are also going to be introducing running SKUs on the availability of the SKUs that are present in the market.

The goal here is to build the biggest medical cannabis menu in Germany and become the preeminent distributor in that landscape, which does not exist today. There's a lot of small players, very tiny players, but there's nobody of size and scale. And we feel with our procurement expertise of having derived over \$1.5 billion in cannabis sales from our ecosystem and doing over \$500 million of brick-and-mortar cannabis sales here in Canada, we feel that we are pole positioned in terms of taking that market by storm.

I'm having excellent conversations with our LP partners here in Canada, and everyone is excited to get on board. It's going to take us a month or two to get going, but I can tell you this is an exponential opportunity for us, and it includes the largest Canadian brands. It includes our own white label products. And it also includes medium-grade cannabis, high-grade cannabis, and, in some cases, even lower-grade cannabis.

Bill Kirk

I can clearly hear the enthusiasm there. What is the appetite for other countries? When you look around the world, do you see anything else out there like Germany? Or should we expect more of this type of stuff?

Raj Grover

Yeah. Absolutely, Bill. Germany is going to be our doorstep or our gateway into other countries in Europe and then, eventually, Australia.

Australia is importing. Now that my eyes and ears are on the medical side as well, what we're learning is exciting things are happening everywhere. So Australia is importing as much cannabis as almost what Germany is importing right now. UK is really coming up, and I believe it's up to like 15 tonnes.

Czech Republic has just announced that they're not going to restrict their doctors, specialized doctors only, to prescribe medical cannabis, and they're going to open it up to all MDs, which I think will exponentially increase that market size as well. It'll still be only a tonne or so. We're already at 80 tonnes in Germany, so that's the biggest opportunity. Poland is also growing medically.

So Germany is the first step, Bill, but you can be rest assured that we are definitely looking at other markets as well but walk before we run. Let's get our feet wet, and then I think we'll have a very good opportunity in these other markets as well.

Bill Kirk

Thank you. I appreciate that. I'll get back in the queue.

Operator

Thank you. Once again, a reminder to please press *, 1 should you have any questions at this time. Next is Andrew Semple at Ventum Financial. Please go ahead, Andrew.

Andrew Semple — Ventum Financial

Hi there. Good morning. Thanks for taking my question, and congrats on the Q4 results.

First question would just be on the 2025 outlook for opening 20 to 30 new stores. Raj, if you wouldn't mind maybe clarifying how you're thinking of that as a mix of organic versus M&A. Would M&A be incremental to that target? Or is that embedded within that 20 to 30 store target?

Raj Grover

Good morning, Andrew. Thank you so much for your question. So yes. The target is exactly the same. It took us every day of the year to get to those 29 locations that we built organically.

Organic store buildouts are not easy, Andrew, from procuring the perfect location to getting building permits and development permits and contracting these stores out and getting them up and

running in time and then ramping them up to maturity. All of this takes a long time, but organic growth is the best type of growth we can provide to our shareholders.

Typically, a store costs us \$260,000 to build plus about \$100,000, \$150,000 of working capital requirements per store versus even when we're acquiring stores at extremely attractive multiples, first of all, there's just not too many good ones out there. Our average store is doing \$2.6 million versus our competitor average is only \$1.1 or \$1.2 million. We're more than double that average.

So when we go look at these stores, you look at a block of stores, three of them are redundant to where our stores are or like they're 500 metres away. You can't act on those portfolios. And then you look at the one-offs and it's a reasonable store, maybe doing a \$1.5 million, \$2 million, which is not the best opportunity for us. And sometimes those sellers are looking for five, six times EBITDA, which makes absolutely no sense in this market.

So we're disciplined. We've proven this model works with some M&A and a lot of organic growth. M&A is always—we are always looking for deals, Andrew, but they're not easy to come by at the moment, especially with the mature levels we're hitting at 191 stores currently across the country. So we will build 20 to 30 stores organically. That's our organic target. Anything we do with M&A is going to be on top of it.

Andrew Semple

Great. That's helpful. And then maybe just switching gears to the shape of the Canadian markets and what we've been seeing this year. 2024 was clearly a year of slower growth nationwide, pricing pressures, competitive pressures, illicit market pressures as you've all highlighted, Raj.

Though in recent months we're starting to see growth pick up, the Statistics Canada data for November was quite strong, just maybe want to check and see if you've seen any recovery in cannabis

demand towards the end of the year subsequent to quarter-end and what your thoughts are for 2025 in terms of overall market growth here in Canada.

Raj Grover

Yeah. Absolutely. So, Andrew, we've definitely seen some growth, but when we were reporting Q3, I'm sure you remember year over year, cannabis sales were down 8 percent or 10 percent, which was a massive drop. And then it started recovering again, and the numbers got revised. And I can tell you the end of the year, we ended up with a bang, brick-and-mortar revenues up 12 percent, and we ended the year with a bang. And that was all because the sales picked up and our model is very, very strong, which, again, outperformed the market.

Sequentially, our same-store sales, Andrew, were up 3 percent, which is a number I'm very happy with when you know the overall sales were down 1 percent at that time or that Q4 period.

So sales have picked up, but at the same time, we are definitely feeling the pressures from the illicit market.

I'm sure you heard recently that Toronto is not going to be sending their bylaw officers into cannabis stores. But and this is going to again pose a major hurdle and encourage people to open illicit stores, but we are encouraged with Toronto police reiterating their commitment to enforcement.

As I mentioned this before that Ontario has recently announced funding of \$31 million over the three years, which will begin soon. So some of these things balance and offset each other. But I cannot tell you that it's an exciting growth trajectory, and it's easy growth. It's not easy. There were just too many players that opened up shop.

One by one, surely enough, they're leaving the race. As you know, True North just happened. Forty-eight stores have now filed for creditor protection. A lot of independents, Andrew, are meeting the

same fate. So it's a tough battle and just a few quarters ago, we were talking about Fire & Flower gone and Kiaro gone and Trees, Tokyo Smoke, Choom, ShinyBud, like the list goes on

So it's not an easy market out there, but our Q4 was strong. Our brick-and-mortar business, which is our core business, thankfully, was very strong. We're not in a position to raise margins right now, but we're positioning ourselves to continue to remain as a leader in the Canadian cannabis market.

Andrew Semple

Great. That's helpful. And I'll turn it over to further questions. Thank you.

Operator

Thank you. And at this time, sir, it appears we have no further questions. Please proceed.

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 will ask the Operator to close the line. Have a great day everyone.

Operator

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