

High Tide, Inc.

Second Quarter 2025 Results Conference Call

Event Date/Time: June 17, 2025 — 11:30 a.m. E.T.

Length: 41 minutes

"While Cision has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. Cision will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Cision ait fait des efforts commercialement raisonnables afin de produire cette transcription, la société ne peut affirmer ou garantir qu'elle ne contient aucune erreur. Cision ne peut être tenue responsable pour toute perte de profits ou autres dommages ou responsabilité causé par ou découlant directement, indirectement, accessoirement ou spécialement de toute erreur liée à l'utilisation de ce texte ou à toute erreur qu'il contiendrait. »

CORPORATE PARTICIPANTS

Carter Brownlee

High Tide Inc. — Communications & Public Affairs Advisor

Raj Grover

High Tide Inc. — Founder, President & Chief Executive Officer

Mayank Mahajan

High Tide Inc. — Chief Financial Officer

CONFERENCE CALL PARTICIPANTS

Bill Kirk

ROTH Capital Partners, LLC — Analyst

Frederico Gomes

ATB Capital Markets — Analyst

Matt Bottomley

Canaccord Genuity Inc. — Analyst

Andrew Semple

Ventum Financial Corp. — Analyst

PRESENTATION

Operator

At this time, I would like to welcome everyone to the High Tide Second Quarter 2025 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 the star, then the number one on your telephone keypad. If you would like to withdraw your question, please press the pound key. Thank you.

Mr. Brownlee, you may begin your conference.

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

Thank you, Angeline. Good morning, everyone, and welcome to High Tide Inc.'s Quarterly Earnings Call.

Please note that all earnings discussed on this call are conducted 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 June 16, 2025, the Company released unaudited financial and operational results for the fiscal quarter that ended April 30, 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 fact, constitute forward-looking information, or forward-looking statements within the meaning of the applicable Securities laws, and are based on assumptions, expectations, estimates and predictions 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 June 16, 2025, 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.

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 actual outcomes will not differ materially from these results. Accordingly, we caution you to not 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 — Founder, 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 second fiscal quarter that ended April 30, 2025. I'll begin with some high level comments about the quarter and our strategy, before Mayank dives deeper into the numbers.

Another quarterly conference call and I'm pleased to report yet another set of impressive industry-leading milestones for High Tide. Since 2018, we've been growing Canna Cabana steadily, month-in, month-out, regardless of where we happen to be in the cannabis or capital markets cycle. We kept our laser-like focus on expansion, but doing so smartly and efficiently.

While so many of our competitors fell by the wayside, last month, we announced the opening of our 200th Canna Cabana in Sherwood Park, Alberta, a tremendous milestone. Canna Cabana is clearly the leader in Canada, not only by the sheer number of stores operated under any one banner, but also by the top line and cash flows that our brand is able to generate.

While having a much smaller war chest than some of our better-capitalized peers, we've been disciplined and relentless in building not only the largest cannabis retail brand in Canada, but the second largest in the world, which is something I'm incredibly proud of.

Indeed, our approach has been thriving while the rest of the industry has largely been struggling or slowing down. For example, with the opening of our Sherwood Park location, we now have 87 stores in our home province of Alberta. Our provincial store count is up 10 percent versus a year ago, while the rest of the industry combined has contracted 6 percent during this time.

In Ontario, where we still see the most growth ahead, we have 82 stores today. Over the past 12 months, we have increased the size of our footprint by 30 percent, in what we consider to be fantastic locations. In contrast, at the same time, the rest of the industry combined has shrunk by 1 percent in this province. I'm very excited to see how strongly the 19 new Ontario stores will perform when they mature over the coming periods.

It is also worth pointing out that this retail foundational we built has been mostly organic, as opposed to simply throwing money at competitors to make them go away. (Audio interference), our stellar brand (audio interference) enviable real estate relationships, we've been able to pinpoint the micro-markets and specific locations we want to be in and build winning stores where we want them, as opposed to inheriting others' decisions.

Frankly, when I look at our peers, even the few that have still made gains in store counts, they have often almost exclusively been via acquisition. In contrast, given the quality and depth of our pipeline, we can still grow meaningfully organically, even when M&A activity is slower. It also means we aren't pressured to act on marginal deals or chase considerably higher prices that some are willing to pay.

Our Real Estate team is a fine-tuned machine. We're able to get coveted access to tier one locations across the country and pay for construction of new sites from cash flows from our existing base of stores. I can confirm that we have more than a dozen stores currently in our construction pipeline. We can build our stores for an average of \$260,000 in hard CapEx, and for about \$400,000 all-in with working capital and inventory investments, and be up and running relatively quickly without paying a multiple. Granted that newer stores take longer to ramp-up to maturity given heightened competition versus prior years, given the track record we have, even in heavily saturated markets, we're confident that they will all get there, which will ultimately yield superior ROI for shareholders.

We've been very disciplined. It takes a lot of effort to build this network, but we aren't scared of putting in maximum effort to create value for our shareholders. Our stated goal was to add another 20 to 30 locations during this calendar year. We're tracking well with the nine we have already opened year-to-date, and with more than a dozen currently at various (audio interference) of development. Should we enter into any M&A transactions, it would have to be attractive and accretive, and would be supplemental to our proven (audio interference).

The beauty of our model, with proven returns on investment, is showing up in our same-store sales. In Q2, our daily same-store sales were up 6.2 percent year-over-year, which was the fastest rate in five quarters. Our model has been a huge outperformer over the long-term as well. From October 2021 to March 2025, our same-store sales have increased an incredible 132 percent, while the average operator has seen a 10 percent drop in sales during the same time period. We look forward to continue to scale our proven model in the years ahead, and surpassing 300 stores across Canada.

Our success is also showing up via market share gains, which climbed to 12 (audio interference) where we operate in February and March, up from 11 percent previously. This is quite the feat when you consider that Canna Cabana only represents 6 percent of the total store count in these provinces.

In March, our average store achieved an annual revenue run rate of \$2.6 million, which is 2.3x the average annualized peer revenue of \$1.1 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 \$3.2 million annual revenue run rate in March. This was triple the average of our peers in Ontario at just \$1.1 million.

Our innovative discount club model is fueled by our unique Cabana Club Loyalty Program, which is the largest of its kind in all of Canada. Our Cabana Club membership base has reached 1.9 million across Canada, up 33 percent or 470,000 consumers year-over-year and 8 percent sequentially. We're making great progress towards a goal of reaching 2.5 million members across the country.

Early on, (audio interference) suggested that our (audio interference) wouldn't work, that no one would pay to be a member to buy cannabis. Our team worked hard, and boy, did we prove them wrong. We led with our unique edge in accessories, leveraged our scale in white label products, and our Marketing team kept devising new and compelling compliant promotions, and here we are.

Elite, our paid membership tier, has now reached 97,000 members across Canada, up 120 percent year-over-year and 20 percent sequentially. This was once again (audio interference) ever experienced, (audio interference) members total Elite members across the Cabana Club globally. Also, a

special congratulations to our Elite member in Winnipeg who was the lucky winner of the \$100,000 cash giveaway contest we held on 4/20.

There is no question that Canna Cabana is becoming a household name, which has solidified the loyalty loop with our customers. We have long believed that competitor store closures would accelerate, and this is now happening, which benefits our existing stores. Putting all these parts together has resulted in us now reporting trailing revenue of more than \$550 million for the first time in our history. Our bricks-and-mortar business, which represents 97 percent of our consolidated revenue, is clearly firing on all cylinders, and up a very impressive 16 percent year-over-year.

(Audio interference) it is a fairly negligible business unit, as it only represented 3 percent of our consolidated revenue in the quarter. While we still have six months to reach our previously stated goal of getting to EBITDA-neutral, it is proving to be a challenge. We continue to view e-commerce as having strategic value, particularly because it helps us build our customer database in Europe and the United States, which we can leverage further upon regulatory reform in these jurisdictions.

That said, we are flexible and open to considering all eventualities regarding this business unit. We will do whatever it takes to maximize value for shareholders. I note that, despite e-commerce weakness, our bricks-and-mortar franchise is so strong, we were able to increase our consolidated Adjusted EBITDA by \$1 million, or 14 percent (audio interference) three fewer days, to \$8.1 million. Our (audio interference) \$4.9 million (audio interference) marking a huge improvement (audio interference) negative \$1.9 million in Q1 (audio interference) quarter reversed.

Now, let's look ahead. Q3 is traditionally seasonally a stronger quarter for us, and we have seen that so far through the quarter. Our retail machine keeps rolling on. One initiative that is bearing more and more fruit is our white label, particularly our Queen of Bud brand. You'll recall that on our last quarterly conference call three months ago, we had indicated that we had sold over \$0.5 million worth of Queen of Bud products to-date, and that our largest problem was that sales were going too well, resulting in out-of-stocks, and that we had tripled our orders going forward. I'm pleased to announce that, as of today, cumulative cannabis and accessories sales of our Queen of Bud brand have reached \$1.4 million, marking a huge jump from where we were three months ago.

We have more SKUs live now, 36 in our (audio interference) brand, (audio interference) in our Cabana cannabis (audio interference) arrangement currently, and in the final stages of due diligence regarding a transaction. While we had wished to be live in the country by now, we have made sure to be extremely thorough regarding our due diligence, given the extent to which the market is changing and how transformational such a move would be for us and our shareholders.

This period has also been a major confidence booster. Recall that a few months ago, when we discussed our Germany strategy, our plan was to be able to leverage the relationships we've built with licensed producers across Canada, and have them export large quantities through our German partner, making us a meaningful player in Germany.

Today, much of the risk in our plan has been significantly diminished. We no longer have to hope that licensed producers will sell large quantities of cannabis into Europe through us, with best-in-class terms. They are already here. Dozens of LPs have expressed their willingness, often on an exclusive

basis, and they're eager to get going. Now that we have identified our preferred partner and transaction terms, it's largely a matter of being a little more patient until everything is finalized and we can get going. Meanwhile, our business model has already been de-risked as supply has been secured, which gives us even more confidence regarding our strategy. We are looking forward to announcing this transaction as soon as we can, and will update our shareholders in detail.

Simultaneously, we submitted a model project proposal to the German Federal Office for Agriculture and Food, in response to our December 2024 ordinance signed by the German Agriculture Minister related to the study of commercial cannabis used by adults. We will have to see exactly where this program goes with the new government, but in any case, we and a research partner are prepared with our submission already in. As a reminder, we are only interested in federally legal jurisdictions, as our shares trade on the NASDAQ.

In conclusion, Q2 was another fantastic quarter for High Tide. We posted an acceleration in same-store sales, increased our market share, expanded our base of loyal Club members, and surpassed the \$550 million mark in reported trailing 12-month sales. We continue to cement our leadership in Canadian cannabis retail every day, while preparing to establish a beachhead into Europe. I'm so grateful to our talented and hardworking team for getting us here, and for where I know they will take us moving forward.

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.

Revenue for Q2 was an all-time high of \$137.8 million, up 11 percent year-over-year. While it was down 3 percent sequentially, this was entirely due to there being 3 percent fewer days this quarter, as our average revenue per day was the same as Q1, which is usually seasonally the strongest.

Our bricks-and-mortar segment led the way, up 16 percent year-over-year, driven by our strong same-store sales and the addition of more stores. In addition to merchandise sales, our Cabanalytics platform continued to set new highs. Cabanalytics business data and insights platform, advertising revenue and other revenue, including Management fees, interest income and rental income totaled \$11.3 million in Q2, up 26 percent year-over-year, and up marginally sequentially.

Consolidated gross margins were 26 percent in Q2 versus 28 percent in Q2 last year, and 25 percent sequentially. We were able to post sequential gains in our core bricks-and-mortar segment for the second straight quarter. As Raj mentioned, we expect to be able to raise margins in this segment once more in Q3. Q2 was also the first full quarter since we launched the Cabana Club loyalty program across all our e-commerce businesses. A primary feature of this initiative is unbeatable prices.

Turning to expenses, salaries and wages represented 12.7 percent of revenue in Q2, versus 12.4 percent a year ago and 12.3 percent sequentially, as our store count continued to grow. Recall that we have to hire teams four to six weeks before opening for training to ensure Cabana-level service on day

one. General and administrative expenses represented 4.2 percent of revenue in Q2. This was an improvement versus 4.5 percent a year ago and 4.6 percent sequentially.

Adjusted EBITDA was \$8.1 million for the quarter. This was down 20 percent year-over-year, but up 14 percent sequentially. Our core brick-and-mortar segment continued to perform exceptionally, despite there being fewer days during the quarter. As expected, given our new model, our e-commerce businesses posted declines in Adjusted EBITDA. As mentioned by Raj, we are closely monitoring this segment, and while we are planning for higher volumes to offset the decline in margins, in the coming quarters, we will remain vigilant and flexible to ensure shareholder value is maximized.

High Tide generated \$4.9 million of free cash flow in Q2. This compared to \$9.4 million in Q2 last year, and negative \$1.9 million during Q1. We have cautioned that working capital can vary in any given quarter, and that investors need to focus on this metric on a longer period.

We continue to make improvements to our balance sheet. As of today, our total debt stands at just \$25.4 million, which is just 0.8x our trailing Adjusted EBITDA, a level where we believe makes us quite under-levered. We had \$34.7 million in cash and cash equivalents at the end of the quarter, and we are well-positioned with no upcoming maturities for over two years.

In closing, Q2 was another great quarter for High Tide. We continue to excel and lead our peers in our core business, as shown by our strong same-store sales and increased market share. We are generating free cash flow, which is fueling the expansion of our store network, and should drive record quarters ahead. 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 question-and-answer session.

Q & A

Operator

Thank you.

Ladies and gentlemen, we will now begin the question-and-answer session. Should you have a question, please press the star, followed by the number one on your touchtone phone. You will hear a prompt that your hand has been raised. Should you wish to decline from the polling process, please press the star, followed by the number two. If you use a speakerphone, please lift the handset before pressing any keys. One moment, please, for your first question.

Your first question comes from Bill Kirk with ROTH Capital Partners. Please go ahead.

Bill Kirk — Analyst, ROTH Capital Partners, LLC

Hey, thank you for taking the questions.

Raj, how has the success of your white label SKUs, how has it impacted the dynamic with the third party LPs in your stores? Does it give you more negotiating power when dealing with those suppliers, or does it create any sort of, maybe, competitive stress in the relationships?

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

Good morning, Bill. Thank you for your question.

That's a different type of question, but I see where you're coming from. Just to let you know, Bill, our total sales of Queen of Bud amounted to \$1.355 million. Out of that, close to \$0.5 million of sales were in accessories. Then, if you look at Cabana Cannabis Co., all in all, in total, we have about \$5.3 million. If you look at that, at an annual level, we're talking about just 1 percent of our total sales, and pretty much, 30 percent, 40 percent of that is accessories.

It's practically peanuts at this point, in terms of competing with the producers that we're also buying from, or buying their unique brands and products, which makes up 99 percent of our portfolio. We're not concerned at this point; we are friendly with the industry, we don't want to compete with our customers as well, and we don't plan to become licensed producers anytime soon. That is not on our horizon. The producers that are backing us up for white label, they are best-in-class in the country, they're very, very good at their craft, and that is why we are doing business with them, and we have a fantastic relationship with them.

It works for both sides: they can move their biomass, and we're able to do some white label offerings, we're able to bring some white label offerings to please our customers and get some enhanced margin. But like I said, the business is very, very small to worry about it right now. We can take it to 10 percent in our store network, and I think that would still be digested very well.

Bill Kirk — Analyst, ROTH Capital Partners, LLC

Okay, thank you.

Then, from a regulatory perspective, the new Prime Minister said there'd be a budget in the fall. What, if any, changes for the cannabis industry could be included, and what would you want included?

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

Look, we're staying very close with all levels of governments in Canada. Here in Canada, we continue to work closely with regulators and our provincial partners to advocate the changes and to support legal retailers that we very badly need. As you know, there's still an illicit market problem here in Canada.

Some of the recent progress I can tell you about that we made is Manitoba's decision to limit cannabis licenses for gas station and convenience stores to smaller communities. We were very established in the province of Manitoba; we were there from day one, so we thought it was very unfair for convenience stores and gas stations to be getting licenses, which has now stopped. It also does not protect youth that comes to these stores and shops around with their families. That is now gone and out of the way.

Ontario also removed the outdated restrictions on street visibility for stores recently, following British Columbia, Manitoba and Alberta. We are especially engaged, Bill, with Alberta and Ontario, our two largest markets, where both governments are exploring additional changes that could help licensed retailers compete more effectively with the illicit market.

Bill Kirk — Analyst, ROTH Capital Partners, LLC

Thank you.

Operator

Thank you.

The next question comes from Frederico Gomes with ATB Capital Markets. Please go ahead.

Frederico Gomes — Analyst, ATB Capital Markets

Hi, good morning, thanks for taking my questions. Congrats on the great quarter.

First question, Raj, on the sequential gross margin improvement that you saw in bricks-and-mortar; could you talk about the drivers behind that, and what's going to be driving the improvement in the next quarter and maybe the following quarters as well? Thanks.

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

Yes, absolutely. Good morning, Fred. Thank you so much for your question.

This was not only sequential gross margin improvement, it was two quarters in a row now, so we're up 150 basis points in total in the last two quarters, and we still think there's room. I think you'll see another uptick in Q3 when we report that in September, I believe. Things are going really well on that side.

Last quarter, you heard me complaining about the illicit market remaining strong in markets such as Ottawa and Toronto, and that has not changed, but it's also not got worse. But what we are seeing in other pockets of the country where we don't have this illicit market issue, or at least illicit market

storefronts and delivery issues, we're now seeing competitor store closures happen at a heightened pace. This is something that I talked to you about, and other analysts as well, and we had actually talked about exactly this, that the second half of this year, fiscal 2025, we should be able to raise margins, and that is clearly starting to happen.

We're right on target with our predictions. To be clear again, it's not happening in Toronto and Ottawa, but it's not getting worse either, so that's a good thing. But in other, smaller markets where competitors are quickly closing shops, we're now able to raise our margins, and this is going to continue going forward, I think.

Frederico Gomes — Analyst, ATB Capital Markets

Perfect, thanks for that.

Then, a second question on your e-commerce platform; so, big drag on Adjusted EBITDA from e-commerce, I guess, you mentioned you're looking at that segment and everything's on the table. What's the point where you think it just might not be worth it to pursue the strategy anymore, if you don't start seeing results from that discount strategy? What could you shift to here in terms of making that segment profitable or even exiting CBD, e-commerce and (inaudible) entirely? Thanks.

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

Yes, so Fred, let me start by saying that e-commerce is a negligible division at this point with only 3 percent of our consolidated revenue, but we continue to see strategic value in this segment as it helps us to get more customers in the U.S. and Europe for the inevitable legalization. We know, eventually,

federal legalization will take place, and we're able to onboard customers today with these platforms, so there's a lot of strategic value there. We've also aligned it with our global Cabana Club programming.

We continue to push ahead on our unbeatable prices Cabana Club discount strategy, but it has been a challenge, for sure. Fortunately, like I said, it's a very small part of our business. We're making sure that people—right now, we're in the process of still advertising heavily and making sure that people know that it's the best value on the Internet. Gross margins should remain around 30 percent or so, as they have been in the past two quarters.

But look, ultimately, we will be completely flexible to do whatever is required to maximize shareholder value. Whether that means getting a more leaner structure in our e-commerce divisions, putting them on hold and raising back pricing to just hold them for federal legalization, or selling them entirely. Everything is on the table. We're not married to the e-commerce segment; we know what is our core business, that has never changed. That plan has never changed.

You can clearly see our core business is on fire. Brick-and-mortar grew by 16 percent year-over-year, 6.2 percent was same-store sales growth, 9 percent was new store growth, so we've got our secret mantra. As soon as we turn off e-commerce, or if it recovers, which can very well happen as well, you can see a lot more EBITDA will flow back into the business, which will be a bonus from here.

Frederico Gomes — Analyst, ATB Capital Markets

Perfect. Thanks for that.

Operator

Thank you.

The next question comes from Matt Bottomley with Canaccord Genuity. Please go ahead.

Matt Bottomley — Analyst, Canaccord Genuity Inc.

Good afternoon, everyone. Raj, just wanted to touch briefly on Germany. I guess first, just some of your prepared remarks regarding some relationships already with the LPs. Was this an exclusive commentary with respect to them already being involved with this person you're negotiating with, or whatever colour you can provide there?

Then, secondly, just going back to some of the concerns around the potential changes in telemedicine subsequent to Germany's election; what's happened since the last time you guys reported or the last time we chatted with respect to, whether it's that issue or just the market dynamics overall relative to where they were when you first announced an intent to enter that market?

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

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

Firstly, we had started doing licensed producer outreach when we initially announced that we were potentially going to do the transaction with Purecan. We had reached out to multiple LPs, and the response that we had received was overwhelming, Matt. We have 40-plus licensed producers that have already confirmed that they would love to do business through us in Europe, so reroute their offerings through us.

Many of them actually voluntarily said that they would love to give us exclusivity in Europe for their products, because they already do so much business here with us in Canada, and this is not partner-dependent in Germany. I can literally take any partner that I want to in Germany and nothing changes on the Canadian front. Our relationships in Canada are tied to High Tide's march ahead here in Canada. How much procurement we do in this country and the relationships we've built in the long-term has got nothing to do with the particular German partner that we pick, although we are going to pick an exciting German partner, which we will disclose in due course, since that is not announced yet.

On your other question about German political update, there's a lot to talk about there. I can give you a little bit of colour there. Germany also recently swore in a new coalition government, led by the Christian Democrats, as you know, and supported by the Social Democrats. Now, the two parties don't currently see eye-to-eye on cannabis. The Christian Democrats campaigned on rolling back some of the previous government's reforms, while the Social Democrats have pushed back against those efforts.

I think, as a compromise, what we are hearing is that they've agreed to a joint review of the adult-use cannabis law in Germany, with initial findings expected this fall. Then, a full report will come out next spring. At least, that is what we are hearing.

The newly appointed Health Minister, also from the Christian Democrats, has signaled interest in tightening rules around e-prescribing, especially from doctors outside of Germany offering prescriptions via online questionnaires, which we think is very fair and should happen. That is going to get tightened.

But that said, the industry view is that it remains very unlikely that the government will reclassify cannabis as a narcotic.

Matt Bottomley — Analyst, Canaccord Genuity Inc.

Perfect, appreciate that. Then, just one more for me, just going back to one of the first questions on the Q&A here, with respect to your own in-house brand; I think you had mentioned at the end of your remarks that a 10 percent allocation, ultimately, probably wouldn't ruffle any feathers. I'm just curious, is that something we should anticipate, a decent ramp over the near-ish to medium-term? Just because I would assume that would be margin-accretive. If 10 percent might be the number, just wondering what would be the roadblocks to getting there, whether they're your own decisions or just market dynamics?

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

Look, Matt, I was asked the question ad-hoc, so I put 10 percent out there. But I can tell you that if that was 20 percent of our total offerings, with the volumes that we have and the plans that we have to go to 300 stores, and beyond, I don't think any one of our partners or licensed producers are sweating on what we are talking about. I think they're totally with that. Like I said, I don't compete with my customers; I'm not a grower myself. We don't intend to be that, and we intend to give that business back to the growers here in Canada.

There's absolutely no issue on that end, and we might actually go to 20 percent, 25 percent in the long-term. But, I was just saying, even if we quickly got to 10 percent, you're not going to hear any

volumes from any other LP saying that you're now stepping on our toes. I think that's absolutely not the case.

We've also been very crafty and very careful in terms of what we bring to the market, Matt. If you carefully examine the Queen of Bud SKUs, we've got some very creative SKUs like Rose Petal Blunts and Chamomile Blunts and things that are not existing in the Canadian market today. Queen of Bud is an extremely unique brand, and we're able to get upwards of 6 percent additional margin, up to 8 percent additional margin on some of the Queen of Bud SKUs, so we're very, very excited to launch more. In fact, more is already in the works. By the end of this summer, we're going to have a lot more SKUs in the market and it's going to continue rolling out from that point.

Matt Bottomley — Analyst, Canaccord Genuity Inc.

Awesome. Thanks, Raj.

Operator

Thank you.

The next question comes from Andrew Semple with Ventum Financial. Please go ahead.

Andrew Semple — Analyst, Ventum Financial Corp.

Hi there. Good morning. Congrats on the solid Q2 results, and also on reaching the 200 store milestone. I'm just going to pick up with something you just mentioned, Raj, potentially exceeding 300 retail stores in Canada. I saw that the Company tweaked its outlook in the press release; previously, High

Tide was aiming to reach 300 stores. I guess that seems to show that you're increasingly confident in getting to the 300 store mark. What are you seeing, I guess more recently, that's supporting that increased confidence?

I also want to check whether there's been any change in expectation, whether the majority of these stores would be organically developed versus acquired, as you're looking to potentially exceed the 300 store milestone?

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

Perfect. Good morning, Andrew, and thank you so much.

As you know, we've disclosed the 300 store goal quite a long time ago to the market. As I get closer and closer to that goal, I mean, we're still at 200, but we have big dreams. We put the 300 number out there. I think we will breach the 300 number, but I like to get to goals before we raise those targets. But that's how much opportunity I'm seeing in Canada right now.

As I've been talking to you and Fred and Matt and everybody else, that we're going to see heightened competitor store closures. That is starting to happen, Andrew, very suddenly. We see our store sales are picking up very rapidly. That has not happened in the last few years, and that's also giving us a tremendous opportunity to raise gross margins in many pockets of the country now. We think this will continue. I've always maintained the five-year leasing point is a major point for the industry, where operators have to decide, do they want to continue bearing the pain, or they want to hang up the boots and move onto something else. That is starting to happen now.

On top of that, we've established ourselves as the premier, the largest cannabis retail brand in the country, and we are getting red carpet treatment from some of the largest landlords in the country, where we get locations ahead of anybody else and we don't even see anyone competing with us on the table sometimes, because those locations come to us first. Because we're able to get such high quality, tier one locations all the time, I already have another dozen or so under construction. The nine that we built this year, YTD, year-to-date, were all organic. The 12 that we're building right now are fantastic tier one locations, all organic.

Then, I have no shortage of more tier one leases coming through. We're very, very confident with the target that we still have remaining in Ontario alone. You can see that we are only at 82 stores in Ontario and 150 is allowed, so we're going to go to another 70 stores or so in Ontario alone. Then, Alberta, which has been a very mature market for us over the last six or so years, we still think that Alberta can have another 30 to 40 Canna Cabanas here; tons and tons of opportunity there.

Then on your question of, why are we so confident; that I just answered. On your question of organic versus—I think you asked me organic versus M&A. M&A is difficult for a player our size that is very, very disciplined in the type of multiples that we are willing to pay, and also be able to pinpoint, in micro-markets, or pinpoint targeted locations where we need to be. Usually, our competitors are far, far behind from us, so if we acquire those stores, we must still double to triple those revenues, which is not easy to do if the locations is not absolutely amazing.

When I can get absolutely amazing locations for \$260,000 in hard CapEx that I have to spend and another \$140,000, \$100,000 in inventory and working capital investments, we can do this day-in, day-

out, and we're going to continue doing this. I think we'll be growing a lot more organically than through M&A, but any M&A will be supplemental to the numbers that we are presenting on an annual basis.

Andrew Semple — Analyst, Ventum Financial Corp.

Great, appreciate that additional colour. That was very helpful. Then, just my follow-up here would be on maybe some of the market dynamics. We've been hearing from a number of the Canadian LPs that domestic cannabis prices have begun to stabilize, or even increase for the first time in years at the wholesale level. Are you seeing any higher prices for branded cannabis SKUs at retail yet, or has that not materialized on store shelves quite yet?

Then, what would the impact be to your business if we were to see a substantial increase in cannabis prices across the country? Not that I'm necessarily expecting that, but just want to hear your thoughts on whether that's positive, negative or agnostic for your business.

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

Yes, absolutely, Andrew. Look, the situation has improved considerably from a year ago. It took us six years to get to this point, and I've been talking about white label to you and others, that it's been so difficult, by the time we order, by the time the product lands, we're already on the back foot because the original SKU has declined in pricing. But it's definitely been improving considerably, at least from a year or two ago. It's a lot more balanced, and export has helped. A lot of Canadian LPs are exporting to Europe and elsewhere around the world; Canada remains the largest exporter of cannabis to the world. This is why we are so excited to get into Germany. We have purchasing power here. We have

procurement expertise here, and prices are now stable, which is very, very good for our licensed producer friends as well.

Then, we are likely to see a slightly higher move going forward, because Canada is now starting to run out of inventory and very balanced inventories currently, which wasn't the case for the last six years. This is a great setup for ramping up our white label offerings as well. It was a huge pain point for me, Andrew, where we would order, under Cabana Cannabis Co. We knew we were ordering the best products only, because we have all the data in the world. But guess what? By the time the product lands, there's a lot that goes into it, product calls that you've got to register with the provinces, the packaging that goes into it, the timeline for raw materials that need to be secured, all of that stuff, and minimum case quantities that need to be ordered.

Then, by the time the product lands, the original SKU declines in prices. That is not happening; Queen of Bud is exploding, so is Cabana Cannabis Co. We are going to introduce a lot more white label products, because we are confident that, going forward, Canada is going to have a lot more balanced equation on the supply/demand dynamics, which should really help with price increases going forward, and which should really help extracting some margins from our white label product portfolio.

Andrew Semple — Analyst, Ventum Financial Corp.

Great to hear it. Thanks, Raj. I'll get back into queue.

Operator

Thank you.

There are no further questions at this time. Let me turn the call over to Mr. Raj Grover, Founder and Chief Executive Officer, for closing remarks. Please go ahead, sir.

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

Thank you, Angeline, and thank you to everyone for your interest and continued support for High Tide. We're very proud of what we 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

Ladies and gentlemen, this concludes today's conference call. Thank you for your participation. You may now disconnect.