

High Tide Inc.

Third Quarter 2025 Financial Results Conference Call

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PRESENTATION

Operator

Good morning. My name is Jenny (phon), and I will be your conference Operator today. At this time, I would like to welcome everyone to the High Tide Third 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 *, then the number 1 on your telephone keypad. If you would like to withdraw your question, please press *, then the number 2. Thank you.

Mr. Brownlee, you may begin your conference.

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

Thank you, Jenny. 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 September 15, 2025, the Company released its unaudited financial and operational results for the fiscal quarter that ended July 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 meeting 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 September 15, 2025, our latest Annual Information Form, and our latest Management Discussion & Analysis, each filed with security regulatory authorities, at sedarplus.ca, or on EDGAR, at sec.gov/edgar, or on the Company's website at hightidetinc.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 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 third fiscal quarter ended July 31, 2025.

I'll begin with some high-level comments on the quarter and our strategy before Mayank takes you through the details.

I'm very proud to present what was truly the strongest quarter in High Tide's history. Driven by the continued strength of our bricks-and-mortar business, every major metric showed meaningful gains this quarter, with many setting new all-time records.

To highlight just a few, revenue reached a record high, putting us essentially at a \$600 million annual run rate.

Bricks-and-mortar revenue was a record, up 18 percent year over year, representing the fastest pace of growth since we started disclosing the segment two years ago.

Same store sales growth accelerated to 7.4 percent, also our fastest pace in two years, extending our multiyear streak of outperformance versus peers.

Since launching our innovative discount club model in October 2021, same store sales at Canna Cabana have increased to 137 percent, while the average operator has declined by 2 percent. Looking ahead into Q4, our same store sales show no signs of slowing down.

Canna Cabana's market share across our five operating provinces reached 12 percent during the first two months of the quarter, our highest level since the early days of legalization.

Gross margin dollars climbed to a record \$40.1 million, up 13 percent year over year.

Gross margin percentage was 27 percent, supported by bricks-and-mortar gross margins, which rose sequentially for the third straight quarter, tying their all-time high.

Adjusted EBITDA was a record \$10.6 million, up 11 percent year over year.

Bricks-and-mortar adjusted EBITDA was \$12.7 million, an all-time high, up 42 percent year over year and the fastest pace of growth in six quarters.

Bricks-and-mortar adjusted EBITDA margin of 8.7 percent was up 1.4 percentage points year over year, reaching its highest level in two years.

Income from operations reached a record \$3.7 million, up 22 percent year over year, while net income turned positive at \$832,000, a sharp turnaround from a \$2.8 million net loss in Q2.

Free cash flow of \$7.7 million grew 148 percent year over year and reached the second-highest level since we began disclosing this metric 11 quarters ago.

We are now at 2.15 million Cabana Club members in Canada, up 39 percent year over year, to a new record. Canadian ELITE membership stands at 115,000 today, up 102 percent year over year, and represented the fastest pace of onboarding since we launched the program in late November 2022.

Now with 207 Canna Cabana locations in Canada, the largest cannabis retail brand in the country and still rapidly growing, there's no question that our bricks-and-mortar business is performing exceptionally. We are the envy of the industry, running full steam ahead.

And with our recently closed acquisition of a majority interest in Remexian, we have added the tremendous German opportunity to our operations and growth prospects. This transaction reflects our disciplined shareholder-first approach, intelligent, prudent, and designed to generate superior returns. Having tracked Germany's sizable and accelerating medical cannabis market for some time, we announced our intention to enter earlier this year.

Since then, we've been approached by multiple potential partners eager to collaborate, but after carefully evaluating all opportunities, we chose Remexian for their scale, profitability, cultural alignment, and willingness to transact at a fair multiple that keeps all sides aligned and incentivized for future growth.

Remexian is already a leader in Germany, importing cannabis from around the world and distributing to hundreds of pharmacies and wholesalers. For the six months ended March 2025, the company generated annualized revenue of €70 million and adjusted EBITDA of €15 million, numbers that immediately add meaningful heft to our already stellar business.

Our stated German strategy is simple, and our positioning is unmatched. High Tide has now sold more federally legal cannabis than any company on the planet, over \$1.9 billion to date. Already being the largest customer of most licensed producers here in Canada, we plan to leverage these relationships and have them channel their German medical cannabis shipments to us and our network instead of smaller, lesser-known distributors in Germany.

What started out as a theory has already gained more traction than we anticipated. The response from licensed producers has been overwhelming, with dozens already committing to ship through High Tide, many on an exclusive basis.

While suppliers pressed us on timing, we stressed that finding, negotiating, and executing the right transaction takes time. That day is now here. Our operations team is already in Germany working on integration and growth plans, and I'll be travelling from our head office in Calgary tomorrow to join them.

With so many licensed producers already lined up to send their production through us, we felt we had sufficiently de-risked our business model, giving us the confidence to enter a larger transaction with a much bigger partner than initially considered.

Remexian is a significant player and market leader, having sold seven tons of cannabis in calendar Q2, representing 16 percent of all imports into Germany. This puts High Tide in a tremendous position in the two largest federally legal cannabis markets on earth, 12 percent market share in Canada and now 16 percent in Germany.

We always said we aim to be global leaders in cannabis, and here we are, having executed on that plan without growing a single gram ourselves.

Of course, while we welcome the Remexian team to the High Tide family, our goal is to grow our market share together in Germany. High Tide will leverage its existing relationships with licensed

producers of all sizes to source large volumes of high-quality cannabis at best-in-class terms, while Remexian broadens its distribution capabilities to turn this supply into revenue.

Looking ahead, the opportunity is enormous. Only one-third of Remexian's supply is currently sourced from Canada, compared to 45 percent of total imports into Germany. Leveraging our LP relationships, we see a clear path to increasing Canadian sourcing to 50 percent to 60 percent, while continuing to build on Remexian's strong global supply chain. At the same time, we are focused on curating the largest and most diverse menu of cannabis strains in Germany, further cementing our leadership in this market.

Remexian also provides a platform for us to take our house of brands into other markets we are eyeing, such as the UK, Poland, Czechia, and Switzerland. Licensed producers want to be on our menu in Germany and leverage us to enter these other markets, once they present sufficiently large commercial opportunities.

Remexian has already imported medical cannabis from nine countries and is authorized to import from 19.

While medical cannabis is profitable today, our ultimate goal is clear: to be leaders in Germany's eventual adult-use market, whenever and however it unfolds. With Remexian's infrastructure and our early-mover advantage, we're well positioned to seize that opportunity.

But it's not enough to just identify a good partner and formulate a winning strategy. We were thoughtful in structuring the transaction to generate value for our current shareholders, while offering meaningful upside for the remaining minority partners.

I'm particularly proud of how we put this deal together. We acquired our initial 51 percent stake at just over 3.6 times annualized adjusted EBITDA, instantly accretive, given our higher trading multiple.

The remaining 49 percent can be acquired at a similar multiple in two years through our call option, locking in future accretion. Meanwhile, the Remexian team remains our boots on the ground and is heavily incentivized to grow the business alongside us.

We were also very deliberate in how we structured the payment terms. While the largest component of the consideration was in shares, Remexian shareholders own less than 6 percent of our fully diluted shares outstanding. Especially considering the revenue and adjusted EBITDA they are contributing, we believe this is very reasonable.

Just like our existing shareholders, our new partners are already nicely up on the value of their equity, starting our long-term relationship on the right foot. The cash component paid to Remexian shareholders was approximately half of the net proceeds from the five-year financing we closed with Cronos in July, leaving the other half available to help grow the business.

Finally, we view the debt from this transaction as very manageable. It is a five-year term where we pay interest only at 7 percent annually. The plan is to pay down the principal from our share of dividends declared by Remexian, effectively allowing the acquisition to pay for itself over time.

Including our share of Remexian's debt at closing, we calculate our gross debt to be just 1.5 times the latest adjusted EBITDA generated by High Tide over the last four quarters, plus our share of Remexian's annualized adjusted EBITDA for six months ended March. We believe this is a very manageable level, still positioning us to take on more debt, if and when needed.

Speaking of our balance sheet, we were very pleased to have closed our \$30 million junior subordinated loan with Cronos in July. Having one of the largest licensed producers recognize our leadership and execution on the retail side by investing directly in High Tide is a strong validation of our strategy.

Our achievements have not gone unnoticed across Bay and Wall Street as well. Just last week, two new equity research analysts launched coverage of High Tide, highlighting our leadership position and bright future. Our share price has also increased meaningfully since our last earnings call.

While that is great to see, we still have many opportunities ahead of us for growth, now that we are truly an international cannabis powerhouse.

In conclusion, Q3 was the best quarter in High Tide's history. We set records on almost every key metric and generated nearly \$8 million in free cash flow. Yet this is just the beginning, as we ended the quarter with most growth rates at multi-quarter highs and, starting this month, we began adding Remexian's results to our financials.

It took us nearly seven years since legalization to climb to 12 percent market share in the Canadian provinces where we operate. In Germany, we are starting with 16 percent, and we are excited about where we can take things together.

It has been a very busy and fruitful summer for the High Tide team. Since our last conference call in June, we closed a \$30 million financing with a strategic partner, finalized and executed our entry into the German medical cannabis market with a leading player, and delivered superb results in our core operations for Q3.

I want to sincerely thank the entire High Tide team. You all contributed to making this a game-changing few months for the Company and setting us up for new heights ahead.

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.

As Raj mentioned, Q3 was the best quarter in High Tide's history. I am very pleased to go over the details of the numbers and add additional colour.

Revenue for Q3 was an all-time high of \$149.7 million, up 14 percent year over year, and 9 percent sequentially.

Our bricks-and-mortar segment led the way, up 18 percent year over year, driven by our impressive 7.4 percent increase in same store sales, as well as the addition of the new stores.

We are now at 207 locations across the country. Having opened 16 so far during calendar 2025, all organically, and with about a dozen more under construction, we feel confident about being able to reach the higher end of the guidance we gave at the start of the year to add 20 to 30 new locations.

In June, the average Canna Cabana store nationwide achieved an annual revenue run rate of \$2.6 million, which is more than double the average annualized revenue of our peers in the province 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 opened for six months or less, which are still ramping up, the average Canna Cabana store was on a \$3.1 million annual revenue run rate in June. This was 2.6 times the average of our peers in Ontario, at just \$1.2 million.

Consolidated gross margins were 27 percent in Q3, which was consistent with Q3 last year and up from 26 percent sequentially. We were able to post sequential gains in our core bricks-and-mortar segment for the third straight quarter, reaching 27 percent.

Turning to expenses, salaries and wages represented 12.2 percent of revenue in Q3. This was an improvement versus 12.7 percent a year ago and in Q2 and reached the lowest level in seven quarters as our stores continue to become more efficient.

General and administrative expenses represented 4.4 percent of revenue in Q3. This was higher than 3.7 percent a year ago and 4.2 percent sequentially, primarily driven by implementation costs for Sarbanes-Oxley, ERP, and growth-related professional fees.

Adjusted EBITDA was a record \$10.6 million for the quarter. This was up 11 percent year over year and 32 percent sequentially.

Our core bricks-and-mortar segment continued to perform exceptionally, posting adjusted EBITDA of \$12.7 million, representing an annual run rate over \$50 million.

We are seeing the power of operating leverage here as bricks-and-mortar adjusted EBITDA was 42 percent—was up 42 percent year over year, much higher than even the impressive revenue growth it posted.

On the other hand, our eCommerce business continues to underwhelm. Last December, we changed the business model for this segment, aligning it with our innovative Cabana Club concept, which represents a primary reason for our bricks-and-mortar operational performance. While it has not been 12 months yet, the segment has underperformed our expectations to date.

We are taking steps to address this. We recently appointed Sri Pavithra Priyalakshmi as our Vice President, Digital and eCommerce, and brought in qualified external consultants to help with our plan to drive more sales. Further, we recently expanded our offering of hemp-derived cannabinoids in the US where permissible.

While we still have time and remain optimistic that it will improve, ultimately, we will not tolerate a meaningful EBITDA drag every quarter. We have several contingencies in place, including potential partnerships and outright sales or maintaining a slimmed-down version of our eCommerce platform, primarily as strategic assets in anticipation of further US federal reform.

High Tide generated \$7.7 million of free cash flow in Q3. This compared to \$3.1 million in Q3 last year, \$4.9 million during Q2 this year, and represented its second-highest quarter ever.

Regarding our balance sheet, as of today, our consolidated debt stands at \$69 million, which is just 1.5 times our attributable adjusted EBITDA, which includes High Tide's trailing EBITDA and the pro forma contribution from Remexian, based on their financials for the six months ended March. We believe this is quite manageable.

In closing, Q3 was another exceptional quarter for High Tide. Our core bricks-and-mortar business put up truly incredible numbers, once again meaningfully outperforming the competition. I look forward to what we will be able to achieve starting in Q4 with the addition of Remexian results.

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. Ladies and gentlemen, we will now begin the question-and-answer session. Should you have a question, please press the *, followed by the 1 on your touch-tone phone. Should you wish to cancel your request, please press the *, followed by the 2. If you are using a speakerphone, please lift the handset before pressing any keys.

Once again, that is *, 1, should you wish to ask a question.

And your first question is from Bill Kirk from ROTH Capital Partners. Your line is now open.

Bill Kirk — ROTH Capital Partners

Good morning, everybody. So on same store sales, up over 7 percent year over year. Each quarter this year has been better than the prior quarter. So I guess the question is, how much of the recent acceleration is the industry getting better versus your market share gains improving each quarter?

And then, as like a follow-up to that, where you're gaining market share, in those places where you're gaining market share, are there competitor closures that you're benefitting from? Or is it purely taking business by out-executing the competitors' stores?

Raj Grover

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

So look, we're definitely the best retail model. I sound like a broken drum because I've been saying it for a few years now. We feel we're the best retail model in the country. And it's not a surprise that our same store sales just continue to roar.

Remember, if we look at the longer-term lens, our same store sales are up 137 percent approximately in the last four years, while the average operator in the five provinces where we operate has declined by 2 percent. So this is not a one-trick pony. It's not because someone's going out of business, and we're picking up that business. This is definitely having the best retail model in the country, which we're very excited about. And it's starting to really, really showcase its momentum.

I was very, very happy with 7.4 percent after four years of hitting maturity with the discount club model. But I can tell you that it's not showing any signs of stopping down or slowing down in Q4, the quarter that we are currently in.

Now there is definitely competitor closures taking place. That's been happening over the last couple of years, as we've mentioned, that after five years, lease renewals come up. And many of the operators are trying not to renew. But those operators going out of businesses, the revenues from those

businesses are minimal in nature, Bill, because the reason they're going out of business is, sometimes, these are \$200,000, \$300,000 annual stores or \$0.5 million annual stores, which are not sustainable in cannabis at all, just simply given the type of expenses you have to incur to run a cannabis store.

So I think the competitor closures are playing a small role. The bigger part is that Canna Cabana continues to thrive, and it's starting to really showcase its momentum.

Bill Kirk

Wonderful. And, Raj, I know I'm getting ahead of myself a little bit on this one. But when you're talking to Canadian LPs about being their conduit into Germany, I'm sure they also ask you about the US, the United States someday. What do you tell them when they ask about eventual access to the United States?

Raj Grover

Look, Bill, they've seen our execution on what we're able to do in Canada, and they're jumping on board with us to come to Europe. I cannot tell you the enthusiasm I'm hearing from licensed producers, saying that, Raj, we already have trust working with the High Tide team here in Canada, and we don't have to worry about payment terms; we know we're good for that with each other, and we know the types of volumes High Tide is moving here, \$1.9 billion since Canadian cannabis legalization in the last six years. And they're very, very excited to come on board with us in Europe.

And the exact same thing will happen when these producers can also do business in the United States, setting up US subsidiaries and wanting to do business with us there.

So this is exactly the reason why, Bill, we're so excited about expanding these relationships because, in this case, we're truly becoming from regional or domestic partners to global partners, and this partnership will continue working in the United States as well. If and when that happens—we know it's a

matter of when, not if. We know that President Trump has already decided to—that's at least industry consensus—to reclassify cannabis to Schedule 3, and an announcement is pending soon.

And we may have opportunities ahead of time, looking at that market through a licensing play, which we've already begun to study this, and we've already begun to study this option.

So I think the producers are excited to work with us in Germany and in Europe, and that enthusiasm will remain in place when we go to the US.

Bill Kirk

Thank you, Raj. I'll pass it along.

Operator

Thank you. Your next question is from Neal Gilmer from Haywood Securities. Your line is now open.

Neal Gilmer — Haywood Securities

Yes. Thank you. Good morning. Raj, maybe wanted to talk about your philosophy with respect to capital allocation, now that the Remexian transaction is done. Obviously, still a strong balance sheet. What sort of, I guess, is your perspective on what you might need to invest in Germany in order to continue to grow into that market?

And I guess the second part of the question is, with your target to exceed 300 stores in Canada, is your philosophy more on just opening stores organically? Or are you looking at potential acquisitions to reach that threshold?

Raj Grover

Sure. Good morning, Neal. Thank you so much for your question.

So look, the Remexian business has been growing exponentially, simply put. March, six months annualized March, we're sitting at €70 million. June was an even bigger record month. And then July and August were quite slow, actually, because of a slowdown in Portugal, which is temporary in nature. It's an international processing issue, as most distributors that bring their biomass from Canada and other countries get it processed in Portugal and then into Germany, the way the supply chain is set up.

So generally speaking, Neal, there's significant working capital requirements because we keep on making more and more sales. So initially, that investment is absolutely required.

Remember, we raised \$30 million with a subsidiary of Cronos at very attractive terms. We gave half of that cash to Remexian as a cash payment for the cash component. The other half, we're going to use as working capital where needed.

But Remexian is already very profitable, and we are running the business with those profits. But the way the business is growing and with this little bit of uncertainty in Portugal, we may need to support it with some additional cash. But long term, we see absolute tailwinds in that respect.

Your other question was about getting to my goal of 300 stores in Canada, whether that would be organic or through M&A.

So look, we've really mastered that playbook, Neal, growing stores consistently, organically, in super high-quality locations. I never want to give up on that idea. I'm a big fan of very good locations. And we're going to continue getting that. And we're getting some really good locations offered to us from the larger Canadian landlords here that now believe in our execution, as they can see it all unfold.

So we're going to continue opening that 20 to 30 new stores organically. It takes a lot to open those stores, three to four stores a month. That's what we are typically doing. I'm opening another three, potentially, this month again. We'll be at 210 stores soon.

And in a couple of years, organically alone, we'll be at 250, 260. So if you add any M&A to that, which can absolutely happen, and given our share price momentum, that could probably happen sooner rather than later, we could get to 300 stores sooner rather than later.

Neal Gilmer

That's great. Thank you for that. Do you have—I know this is sort of a crystal ball question, but—any visibility into when the Portugal issues may be resolved?

Raj Grover

Yeah. Good question, Neal.

So look, we've been monitoring the situation very closely. Like I said, June was a very lumpy month. We made record highs on revenue that month. And July and August, the supply really slowed down from Portugal. I'm talking about slowed down by 60 percent, 70 percent. And now we're starting to—just starting to see movement from Portugal again. So I think September, October may face the pressures from Portugal but, from November onwards, things should start looking a bit more normalized. We know that things are starting to work again but, over the last few months, it's been a little slow.

So my best guess, my most educated guess would be that September and October would be relatively slower but then, from November onwards, things will be back at full steam ahead from Portugal.

Neal Gilmer

Okay. Great. Maybe one last small one for me. On the gross profit line, when we layer in Remexian here, what sort of gross profit does it have, or gross margin does it have, relative to your existing business at the 27 percent?

Raj Grover

Yeah. So mid-20s percent—think mid-20s percent, think 25 percent, 26 percent. Of course, we will fine tune this, Neal, as we leverage our relationships here in Canada and try to procure biomass at best-in-class terms for High Tide and Remexian.

So things will get slightly better on that end but, right now, we're just getting our feet wet. We're trying to understand the business from all perspectives.

Remember, Remexian imports from nine countries. We have a global supply chain to look at. We're looking at Canada as well, but just early conversations with licensed producers. We're getting licensed producers from all over the country offering their cannabis to us, and we think we can procure it at best-in-class terms.

So even if Remexian is currently slightly lower on the gross margin profile, I think, in the long term, we can absolutely balance it to our levels at 27 percent or take it even higher.

Neal Gilmer

That's great. Thanks very much. I'll pass the line.

Operator

Thank you. Your next question is from Frederico Gomes from ATB Capital Markets. Your line is now open.

Frederico Gomes — ATB Capital Markets

Yeah. Good morning and thanks for taking my question. Congrats on the great quarter.

Just the first question, just on your eCommerce business. How confident are you that you can execute that turnaround?

And if you could talk a little bit more about that entrance into hemp-derived cannabinoids? I mean, the decision behind that and how it can help, I guess, your overall eCommerce strategy. Thanks.

Raj Grover

Good morning, Fred. Thank you so much for your question. So first of all, let me highlight for all our listeners here that eCommerce is less than 3 percent of our consolidated revenues. We were very excited when we launched this eCommerce initiative. It has not worked out for us yet in terms of CBD sales, which are lower across the board, across all industry participants.

We are working to fine tune that approach with the recent hire of Sri as our VP of Digital and eCommerce. We've also got external consultants, global level, to help us out with that approach because we know we have good products.

But to your point, the hemp-derived cannabinoid opportunity is very much new to High Tide. We were staying away from that opportunity, given it's a game of whack-a-mole, one state off, one state on. We're hearing Texas was going to discontinue it, but then it didn't pass in the House or Senate, one of the two. And then now, the governor's looking at banning it again. So that was the reason why we were not looking at it very closely.

But given the decline in CBD sales—and you don't need a bong, a pipe, or a vaporizer every day, but you do need your cannabis every day—accessories have slowed down too. We're trying to tap into this new opportunity. Now we've only started aggressively looking into it about a month ago. So it will take a couple of months to get off the ground. And we had also told the market that our initial goal is 12 months from launch to assess where the business is.

But look, we don't sit on losses. We've just generated a record-breaking quarter from all respects. And this 3 percent of the business that's not performing, we're also working to turn that around. And it can very much turn around still.

If it doesn't, we have divestitures in play. We have partnerships in play. And we also have slimmed-down versions of eCommerce platforms that Mayank communicated in his prepared remarks, that we may keep just for US federal legalization because we know how potent these platforms can be when we actually sell cannabis products.

But hemp-derived cannabinoids could be light at the end of the tunnel. We'll see how that goes, early days. We just launched it about a month ago or about three weeks ago.

Frederico Gomes

Thank you. Appreciate that. Second question on the margins in your bricks-and-mortar segment. I guess it was the third consecutive quarter that you saw expansion. Can you expand on what's right in that expansion, whether it's price or maybe the white label initiatives?

And would you expect to continue to see margins increasing in bricks-and-mortar for the foreseeable future? Thanks.

Raj Grover

Yeah. Great question, Fred. Thank you.

So, Fred, first of all, we've had three consecutive quarters of brick-and-mortar margin increases. Obviously, like any sophisticated business, we cannot do this forever.

And remember, we are opening a lot of stores, Fred. While all of this is happening, while we're breaking all of these records financially, we keep on opening new locations. We opened 16 stores this year alone.

In the discount world, when you first open locations, your gross margins are typically low to attract clientele. So we're also managing those new openings while you're still seeing an increase in brick-and-mortar gross margins.

So stable times—I'm talking about long term, and we're at 300, 400 stores in this country—this could be looking very different. When we don't have growth like that coming out of Canada, our gross margin profile could simply increase because we don't have the pressures of new store openings. And we could be close to 30 percent in the long term.

In the medium term, because we keep on opening new stores, and we have to keep in line in terms of how our stores are growing, and what type of competition exists in a particular area, we have to manage that very carefully. So we're going to sort of hold the lines on gross margins here. I don't think they're going to decline, but they're not going to go up rapidly either.

Again, we're making records already. We're gaining market share. Don't fix something that's not broken; that's my approach. But long term, I can tell you we'll be close to 30 percent gross margins in Canna Cabana.

And I'm sorry. Your second question was about the white—sorry. Your question was about what's dictating these gross margin increases.

So it's a little bit of everything, Fred. It's white label sales. As you know, Queen of Bud is doing very, very good. We published those numbers last quarter.

Queen of Bud and Cabana Cannabis co-white label products, we were—I believe we were \$5.3 million last quarter, Q2. Now we're \$6.3 million on white label. So white label's starting to go up. And typically, on white label, we're making about 7 percent additional margin. Right? So as we onboard new SKUs, you get that benefit from white label.

And again, ELITE is breaking records every single quarter, which is a really nice enhancement to our margin profile. So ELITE is also contributing and then, of course, just some prices increases as well

because the wholesale prices have stabilized, and it's actually showing us some ticks upwards, so we can also benefit from that margin on the higher stabilized floor.

Frederico Gomes

Thank you very much.

Operator

Thank you. Your next question is from Michael Kim from Zacks Small Capital (sic) [Cap] Research.

Your line is now open.

Michael Kim — Zacks Small Cap Research

Everyone, good morning and thanks for taking my questions. First, just curious what you may be seeing in terms of newer store performance relative to prior cycles, particularly as it relates to the ramp-up of sales and/or payback periods. Just wondering if you're seeing newer stores get up to speed quicker, just given your scale and brand, as well as your focus on higher-traffic locations.

Raj Grover

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

So, look, to my surprise, we've been beating our brick-and-mortar expectations of new store growth. I think our brand has become so powerful, and it's here, there, and everywhere in the country, that people are now actually looking for Canna Cabana near me, not cannabis near me, which has always been sort of the approach when we were building this brand, that we need to build a moat that is so convincing that people are looking for Canna Cabana near me and not cannabis near me.

So all of our new stores, in super high-quality locations that we never sacrifice on, are actually ramping up quite nicely and ramping up faster than the pace that we thought would happen at this stage

of the game. We're talking about seven years after legalization. A lot of time has passed. It's a very mature landscape.

But our stores are ramping up nicely. Now, not the same ramp-up, of course, which was three, four years ago, but also not the same ramp-up which was two years ago. We're experiencing a very nice ramp-up trajectory from our stores. It can always be better, but that would just mean that our forthcoming quarters could look even better.

Given that more stores we open up, it contributes, feeds into the model, contributes into that brand trajectory, and more and more customers and Cabana Club members come on board, and then you see that part of the ramp-up and part of sales happening in our stores.

Michael Kim

Got it. That makes sense. And then I know you're focused on integration with Remexian but just wanted to get maybe some incremental colour on the opportunities across Europe, particularly as it relates to the potential for similar investments and/or partnerships over time.

Raj Grover

Yeah. For sure. So look, we've already started—integration process has already started, and we've already begun to identify and start to execute on joint initiatives. It's looking very, very good but, obviously, it'll take some time. There's lots of opportunities to look at and to act on.

On the other EU markets, look, our ambitions are global. We don't shy away from saying that. But we need to walk before we can run, and we need to ensure that we can excel in our plans with Remexian.

But that said, we continue to monitor other countries and plan to enter them once we see like compelling commercial opportunities pop up, and we're satisfied with the size of the market, we may enter other European markets as well.

Michael Kim

Great. Thanks for taking my questions.

Operator

Thank you. Once again, please press *, 1, should you wish to ask a question.

And your next question is from Andrew Semple from Ventum Capital Market (sic) [Ventum Financial]. Your line is now open.

Andrew Semple — Ventum Financial

Good morning. Congrats on the strong results, Raj and team.

First question, just on the Remexian. It was interesting to hear that, in your prepared remarks, you mentioned that some of the LPs you've signed up recently had been on an exclusivity basis. When you first entered the Remexian acquisition, were you expecting to see exclusivity agreements? Or was that a positive surprise?

And then secondly, do exclusivity deals come with lower margins for the Remexian business? Or is that not the case?

Raj Grover

Good morning, Andrew. Thanks for your question.

So, no, exclusivity is not a surprise. Remember, we've been talking about our hands—our house-of-brands approach that we want to build in Germany and then take it beyond in Europe.

Going with that approach, we approach licensed producers that we would like to showcase your brands exclusively, because we are doing the hard work. We're the first ones with this approach in the German market, and we already have size and scale here for them to believe what we're able to do in Germany. And on top of that, we got a market leader already in Remexian.

So they couldn't be more happier with that, and they're more than happy to give us their brands exclusively. Of course, we have a very solid relationship with the producers here in Canada, so it's not a marriage that anybody cannot get out of, or we cannot sort things out, but we have had a very, very good response at exclusive levels from licensed producers.

And your second question was about do you make lower margins because it's exclusive? Absolutely not. All we're doing is working closely with each other and making sure that we have consistent supply of top-tier Canadian brands, but that doesn't mean that we're sacrificing at margins at all.

In fact, we're able to procure the biomass at best-in-class terms because it's not a one-off, smaller German distributor calling these producers to get best-in-class terms. It's just not going to happen. When we have such major buying power here in Canada, and we couple that with the Canadian growth that we're anticipating, we're already being offered very, very good terms from the producers.

Andrew Semple

That's great. And my follow-up question would turn attention to the brick-and-mortar business. I just want to kind of ask about the performance of the stores across the country and kind of geographic areas. I understand, historically, Ontario's been one of the better provinces for store performance there. Your average store there tends to outperform the rest of the country.

When you're looking at same store sales growth and the organic growth you're seeing across the portfolio, are some of the other provinces catching up to Ontario level? Or do those Ontario stores continue to hold a lead in terms of performance?

Raj Grover

Great question, Andrew. Our same store sales are growing in every province in this country. I'm very happy to say that.

We did have a little bit of slowdown in Saskatchewan. You probably hear—you probably remember me saying that we had a ton of illicit activity around Regina. That activity still exists, but it's been tapered down with the competitive approach of ourselves and the rest of the industry. We're not feeling that same pinch that we were feeling in Regina and Saskatoon. Things have actually got better for us there, which showed up in our same store sales.

So I would say things are on the up-and-up in every Canadian province at the moment, not just Ontario.

Andrew Semple

That's great. I'll get back into queue. Congrats again.

Operator

Thank you. There are no further questions at this time. I will now hand the call back over to Raj Grover for the 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 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. Ladies and gentlemen, the conference has now ended. Thank you all for joining. You may all disconnect your lines.