

**High Tide, Inc.**

**High Tide First Fiscal Quarter 2026 Unaudited Financial and Operational Results  
Conference Call**

Event Date/Time: March 18, 2026 — 11:30 a.m. E.T.

Length: 44 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 and Public Affairs Manager*

### **Raj Grover**

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

### **Mayank Mahajan**

*High Tide, Inc. — Chief Financial Officer*

## **CONFERENCE CALL PARTICIPANTS**

### **Luke Hannan**

*Canaccord Genuity — Analyst*

### **Neal Gilmer**

*Haywood Securities — Analyst*

### **Frederico Gomes**

*ATB Capital Markets — Analyst*

### **Bill Kirk**

*Roth Capital Partners — Analyst*

### **Derek Lessard**

*TD Cowen — Analyst*

### **Thomas Kerr**

*Zacks Small-Cap Research — Analyst*

## PRESENTATION

### Operator

Good morning, my name is Ina and I will be your conference Operator today.

At this time, I would like to welcome everyone to the High Tide First Fiscal Quarter 2026 Unaudited Financial and Operational Results Conference Call.

All lines have been placed on mute to prevent any background noise. After the speaker's remarks, there will be a question-and-answer session. If you would like to ask a question during this time, simply press star then the number one on your telephone keypad. If you would like to withdraw your question, please press star then the number two.

Thank you. Mr. Brownlee, you may begin your conference.

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

Thank you, Operator.

Good morning, everyone, and welcome to High Tide Inc.'s quarterly earnings call.

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

On March 17, 2026, the Company released financial and operational results for the fiscal quarter that ended January 31, 2026.

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 March 17, 2026, our latest annual information form, and our latest Management discussion and analysis, each filed with securities regulatory authorities at [sedarplus.ca](https://sedarplus.ca) or on EDGAR at [www.sec.gov/edgar](http://www.sec.gov/edgar), or on the Company's website at [www.hightideinc.com](http://www.hightideinc.com), and which are hereby incorporated by reference herein.

Although these forward-looking statements reflect Management's current beliefs and reasonable assumptions based on the currently available information to Management as of the date hereof, we cannot be certain that the actual results will be consistent with the forward-looking statements in the future. There can be no assurance that 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 being discussed, please consult our latest Management discussion and 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's financial results conference call for the first fiscal quarter that ended January 31, 2026. I'll begin with some high-level comments about the quarter and our strategy before Mayank dives deeper into the financials.

Fiscal 2026 is off to a great start, and I'm excited for what still lies ahead. Revenue for the quarter was \$178.3 million, up 25 percent year-over-year, growing at its fastest pace in 10 quarters and up 9 percent sequentially. One quarter into the year, and we are at a revenue run rate exceeding \$700 million. Also at \$11.5 million, Adjusted EBITDA was up 62 percent year-over-year, marking the fastest pace of growth in two years.

Our domestic core bricks and mortar segment continues to outperform its peers with rising margins, which have now increased sequentially for five straight quarters and hitting 28 percent. At the same time, our newer international business is now picking up steam and reaching new highs since we acquired a majority's interest in it.

Let's recap how Germany is going. The Remexian transaction closed on September 2, 2025. Revenue for the two months it contributed to Q4 results was just under \$10 million, averaging \$5 million a month. In Q1, Remexian's revenue was \$25 million, averaging over \$8 million a month. In

February alone, Remexian sold 2.6 tons of medical cannabis and generated \$12 million of revenue, which was a record since we acquired a majority stake in the company.

Additionally, preliminary gross margins improved to 20 percent in February. While we caution that any one month's performance may not be consistently repeatable, it nevertheless gives us a strong degree of confidence that looking ahead, Remexian should be able to deliver results far ahead of the metrics used during the valuation period for the transaction.

What gives me extra comfort is that February's strength was even before we start seeing the results of our strategy fully coming together. As mentioned on our last conference call, we have already begun sourcing tons of biomass from Canada at best-in-class terms, which are significantly better than what Remexian was procuring on its own or through brokers.

Given import permit delays, this biomass probably won't start reaching Germany for about a month, and after that is when we anticipate a sustained improvement in profitability at Remexian. I'm glad to say that it's all coming together. Of course, growing the Remexian business, especially with meaningful inventories still stalled in Portugal and deposits for new biomass from Canada, which will go direct, requires working capital investments.

Despite a modest drag in Q1 from Remexian, I'm very proud to report that High Tide generated free cash flow on a consolidated basis. Q1 free cash flow was \$2.9 million, marking a huge reversal from \$-1.9 million in Q1 last year and more than double the \$1.3 million generated in Q4. We like to look at free cash flow generation over a longer term to get a better sense of the trend. To that point, despite constantly opening new stores which act as a drag initially, including seven in Q1 alone, we have now

generated \$16.8 million of free cash flow on a trailing basis, which is the highest level in the past five quarters.

The engine of this free cash flow has been our core Canadian bricks and mortar business, Canna Cabana, which, backed by our innovative discount club model, continues to expand. We are now at 2.58 million Cabana Club members across Canada, up 47 percent year-over-year, marking the fastest growth rate in 10 quarters. ELITE is growing even faster, up 100 percent year-over-year and reaching 162,000 members. These numbers give us confidence that we will reach our long-term goals of 3 million members in Canada, with over a million being ELITE.

Our loyalty-based discount club is the largest in all of cannabis and truly the envy of the industry. It features everyday discounts for members, as well as unique promotions such as our \$100,000 420 giveaway, which was launched two weeks ago.

Our store's financial performance continues to be very strong. Bricks and mortar revenue was \$150 million in Q1, a \$600 million annual run rate. Backed by higher margin initiatives gaining steam, the segment generated its fifth straight quarter of sequential gains in gross margin, reaching 28 percent in Q1, which was the highest level in over three years. The segment's Adjusted EBITDA margin maintained its high at 9 percent in the quarter.

Our retail KPIs remain very impressive. Despite the extremely harsh weather, particularly in Ontario in January, we were able to still post positive same-store sales increases during the quarter on a year-over-year basis. Chaining our monthly same-store sales increases since launching our innovative discount club model in October of 2021, Canna Cabana was up 149 percent to December 2025. In contrast,

the increase in total sales in the five provinces where we operate has mirrored the increase in the number of stores, implying that the average operator has had flat sales during this period.

Our market share within the five provinces where we operate was 12 percent during November and December, which was up from 11 percent a year ago and 10 percent two years ago. Excluding stores open for less than six months, which are still ramping up, our annualized revenue per square foot in Q1 was \$1,728, once again above many leading blue-chip retailers.

In December, the average Canna Cabana store was on an annual revenue run rate of \$2.5 million, which was 1.9 times our peer average at \$1.3 million. In Ontario, the largest province and focus for future growth, our outperformance was even more pronounced. Excluding stores open less than six months, which are still ramping up, our average Ontario store was on a \$2.9 million annual run rate, which was 2.6 times our peers at \$1.1 million. For the 12 months ended December 2025, total industry sales in the five provinces where we operate were up 3 percent year-over-year. In contrast, total Canna Cabana sales were up 14 percent during this period.

We've added 27 stores in the past 12 months, almost all organically. The key factors of our selection criteria is location and lease terms, as these are key pillars of sustained superior financial performance, and these decisions are set for years once they are made. We are happy with how our new stores are performing, but the ramp is naturally slower due to increased competition and a broader slowdown in industry growth rates. Despite the drag from new stores, it is very heartening to see the increases in gross profit and EBITDA in this segment. We are confident that these newer stores will gain traction and add to our financial profile in the quarters ahead.

Regarding the outlook, we reiterate our target to add 20 to 30 stores in Canada during this calendar year, consistent with what we have achieved over the past two years. We expect this to be done mostly organically. We continue to look for supplemental M&A opportunities which can add shareholder value. We maintain our target to exceed 350 stores across the country, with new locations being additive to the total addressable market of consumers we can sign up to our loyalty programs.

As we scale up, the contribution from our higher margin white label products will become more meaningful. Over the long term, we plan to reach approximately 20 percent of our sales coming from our white label products versus 1.6 percent currently. As always, these will continue to be made only by quality licensed producers and largely represent differentiated products like our strong performing Queen of Bud brand.

Turning to our U.S. CBD e-commerce business, we are pleased to report that we are one of the founders of National Compassionate Care Council, an industry group aiming to shape U.S. federal cannabis policy following rescheduling efforts. It focuses on integrating cannabinoid therapies into mainstream medicine through research, education, and patient-focused advocacy. We believe this could be a meaningful opportunity for New Leaf and Fab CBD, especially given that the U.S. is poised to launch CBD pilot projects through Medicare.

While we are bullish on this opportunity, we don't feel that the market has ascribed any value to it, and we note that Federico Gomez at ATB Cormark published a report on the potential that this change could have on our business. While we are waiting for the regulations to be unveiled, there are already early signs that our e-commerce segment as a whole has stabilized and is even ticking higher. Generating

its first sequential increase in two years in Q1, with gains in both the CBD and accessories businesses, the segment's drag on a consolidated Adjusted EBITDA was also the smallest in four quarters.

There are reasons for optimism, both in terms of the current trajectory of our e-commerce businesses and the potential to turbocharge our CBD businesses in particular. That said, we have several options regarding future steps, including ongoing conversations to explore potential transactions. As always, we will look to what surfaces the most value for our shareholders. At the same time, we continue to evaluate opportunities to take our Canna Cabana brand into the U.S. through licensing agreements. While we are in conversations with operators of different sizes, this will take time and we're being thoughtful regarding possible structure and partner.

Coming back to Remexian, we entered into this transaction for the long term. We are only just getting started on the synergies and while still present today, the issue of getting product out of Portugal will only alleviate from here going forward, which should boost margins versus what we reported in the past two quarters. Again, we note that a similarly sized German importer and distributor recently entered into an acquisition by a public company at a valuation significantly higher than our transaction with Remexian.

A reminder that as the pricing for the put and call options with Remexian's minority shareholders are set at 3.6 or 4 times, depending on the timing of the exercise, the future accretion for the remainder of the company is already locked in for High Tide shareholders.

Remexian continues to gain prominence within the German medical cannabis market. Despite the volume of biomass in Portugal still waiting to be released, Remexian was able to significantly increase its

market share of German imports from 6.5 percent for the three months ended September 2025 to 10.3 percent for the three months ended December 2025. As alluded to previously, total shipments since then have accelerated, with the average monthly shipments for January and February up 25 percent versus the three months ended December. This is before we start to see the benefits of the tonnage procured in Canada starting to arrive and enhance the segment's financial results.

While there could be some headwinds in Germany, particularly regarding a new law governing the details surrounding medical cannabis access, we are encouraged by the ongoing debate in the German parliament and are hopeful that the ultimate changes are likely to be more benign than what had been feared last year. Meanwhile, Remexian continues to gain momentum. We are already a leader in Germany and as our strategy is starting to yield results there, we are looking to expand our ecosystem into other international markets. In particular, we are already meeting with key players in the UK with the aim of entering into a transaction in that country within the next 12 months.

Another highlight of our quarterly results I would like to touch on was our strong cost controls. In particular, general and administration expenses represented just 4.1 percent of revenue, marking a six-quarter low.

In conclusion, we are on the right track with many milestones achieved and many more ahead. We have now generated \$42.6 million in Adjusted EBITDA over the past 12 months, making us as profitable as we've ever been with expectations that all three of our segments will post gains in the quarters ahead. High Tide's future looks bright and it's worldwide. Thank you to our global team for making it all happen and for where we will go in the quarters ahead.

On that front, I'm pleased to highlight that earlier this month, Kathleen Skerrett and Menashe Kestenbaum joined our Board of Directors. We also created two new advisory positions with David Wallach and Filip Ernest to provide strategic guidance to Management of matters including real estate, business development, artificial intelligence, e-commerce technology, and community and stakeholder engagement. Welcome to our High Tide family. I look forward to working with you all and achieving even greater 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.

Q1 was another great quarter for High Tide. We expanded the network in Canada, so large improvements internationally realized record revenue all while generating increasing level of free cash flow. Let's take a deeper dive into the numbers. Revenue for Q1 was once again a new and all-time high at \$178.3 million, up 25 percent year-over-year, the fastest pace of growth in 10 quarters, and up 9 percent sequentially.

Consolidated gross margins were 25 percent in Q1, consistent with Q4 last year, and just below 26 percent sequentially. While our medical cannabis distribution generated a lower gross margin this quarter than its usual historical performance given supply chain delays in Portugal, as Raj mentioned, we anticipate improving gross margins in this segment looking ahead as fresh biomass from Canada purchased at best-in-class terms starts arriving in Germany. Most importantly, we were able to post

sequential gains in our core brick-and-mortar segment for the fifth straight quarter to 28 percent, the highest level in over three years.

Turning to expenses, salaries and wages represented 11.8 percent of revenue in Q1, marking a meaningful improvement versus 12.3 percent a year ago and compared to 11.5 percent sequentially, which was a tough comparative as it marked our lowest level in nine quarters. General and administrative expenses represented 4.1 percent of revenue in Q1. This quarter was a continuation of this downward trend, comparing to 4.6 percent a year ago and 4.3 percent sequentially. It is great to see the demonstrated impact of operating leverage as we scale up our revenue.

Adjusted EBITDA was \$11.5 million for the quarter. This was an outstanding 62 percent year-over-year. The star of the show here once again was our core brick-and-mortar segment, which posted a 58 percent increase year-over-year, representing the fastest growth rate in seven quarters. The segment's Adjusted EBITDA margins were 9 percent in Q1, which was consistent with Q4's high and materially above the 6 percent generated in Q1 last year.

High Tide generated \$2.9 million of free cash flow in Q1, marking a very pleasant reversal from the \$1.9 million investment in Q1 last year, and more than double the \$1.3 million generated in Q4. Over the past 12 months, we generated \$16.8 million of free cash flow, representing the highest level in five quarters. We continue to have a strong balance sheet. As of today, at the High Tide level, total debt stands at \$64.5 million. We had \$46.4 million in cash and restricted cash at the end of the quarter, and we are well-positioned with no near-term maturities.

In closing, Q1 was another great quarter for High Tide. We have a retail platform in Canada that is second to none with millions of loyal customers that are backbone of the Company. In particular, our 162,000 ELITE members are growing 100 percent year-over-year and generate even higher sales than base members. Our newly consolidated international business is showing great momentum, which has carried into our second fiscal quarter, with February sales at \$12 million. As Raj mentioned, this is even before we start seeing the tangible impacts of our procurement expertise.

This gives us the confidence to now look at other jurisdictions where we can take our ecosystem and carve out yet another leadership position. 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. 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 star, followed by the one on your telephone keypad. Should you wish to cancel your request, please press star, followed by the two. If you are using a speakerphone, please lift the handset before pressing any keys. One moment, please, for your first question.

Thank you. Your first question comes from the line of Luke Hannan from Canaccord Genuity. Please go ahead.

**Luke Hannan** — Analyst, Canaccord Genuity

Thanks. Good morning, everyone. First, I wanted to start with the same-store sales performance that you had in Canada during the quarter. You mentioned you did still deliver growth year-on-year despite the impact of the winter storms. But can you just delineate for us what exactly was the impact of the winter storms, either on a same-store sales basis or whatever other basis you're comfortable sharing? Then also just give us an indication of where that metric is trending quarter-to-date as well.

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

Good morning, Luke. Thank you for your question. Yes, same-store sales were definitely impacted mostly in the last 10 days of January. It also extended a little bit into February. But that was a once-in-a-lifetime event in Ontario. Things were closed. I believe you're from Ontario, so you would know, Luke, how serious that was. But barring that, the reality is that things are definitely slowing down a little bit in Canada. When the market is doing that, all you can do is outperform the market.

As an illustration, Luke, let's look at the three months ended December 2025. The last months we have Statistics Canada data available. Let's exclude BC, given I'm sure you remember the strike impact there. It was a once-in-a-lifetime event there as well. Total industry sales, including the impact of opening new stores, were down across those four provinces for the three months ended December. This was the first time since legalization that total sales over a three-month period were negative year-over-year. It wasn't just due to marginal players. We actually saw a public company report negative same-store sales year-over-year during those three months as well.

Like I said, we can outperform the industry. In contrast, our same-store sales were up 2 percent during those months. Then again, our same-store sales in January were up as well, but only by a little. The macro consumer outlook is obviously a big driver, and all we can do is continue to outperform. Given the strength of our model, our tier one real estate selection, our team superior execution, we believe that we will continue to outperform the market. Like I said, we posted positive same-store sales increases in January as well.

But the silver lining here, Luke, is as the growth slows, in addition to outperforming the market in general, this is going to put even more pressure on those marginal players that we've been talking about, which are going to be becoming even more incentivized to exit the market. When they close, those sales have to go somewhere, and we believe they will disproportionately go to us.

**Luke Hannan** — Analyst, Canaccord Genuity

That's very helpful. Thank you. Then for my follow-up here, and then I'll pass the line. You've talked about wanting to get into the UK market in the next 12 months. Can you just give us an idea of what exactly you're looking for, maybe how you intend to fund a deal there? Do you expect to structure it similar to Remexian? Then on that note as well, what are you seeing as far as the multiples and the kind of assets that are available?

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

Yeah, sure, Luke. Look, given that we're already a leader in Germany, and our strategy is starting to yield results there, we're looking to expand our ecosystem, obviously, into other international

markets. This is something that I've been talking about, that Germany is just a start. It's a step into other European markets as well. You know, UK is a very exciting market, Luke. It's been growing at 100 percent year-over-year. That's what it did last year. That's what it's projected to do this year, between 60 percent to 100 percent. That's very, very exciting for us.

What we're doing right now is we are meeting all key players in the UK. I've probably spoken to five groups already, and another five or seven are on my list to speak with. This is ongoing. We are in no rush to enter that market. It's not like we're cash-strapped and we need to do something tomorrow in the UK market. But we are very well, we're definitely prospecting the key players there, because it's going to become a very important market for High Tide. It's definitely one of those markets where Canadian cannabis is making huge waves. It's close to that same 50 percent benchmark that we've been talking about in Germany. Down the road, we have an aim of entering into a transaction in that country within the next 12 months.

**Luke Hannan** — Analyst, Canaccord Genuity

Very helpful. Thanks so much.

**Operator**

Thank you. Your next question comes from Neal Gilmer from Haywood Securities. Please go ahead.

**Neal Gilmer** — Analyst, Haywood Securities

Yes, thanks very much and good morning. Yeah, I'm in Ontario too. It's been a brutal winter, but I won't get into that. I wanted to talk about Germany. You commented on the February sales of \$12 million and a gross margin of 20 percent. I guess I had a two-part question here. Number one, if I take the 12 and times it by three, obviously I get 36, which seems like significant growth over 25. I don't want to get over my skis or sort of what sort of message do you want to send to investors? Was there anything unique about February or should we be sort of thinking of that sort of run rate going forward?

Number two, the 20 percent gross margin that you disclosed, are you comfortable providing a range of where you think the gross margin could be once you get these Canadian sales into the German market?

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

Good morning, Neal. Thank you so much for your question. I'm definitely excited about what's happening at Remexian. Like I said in my prepared remarks, Neal, Q4 average revenue per month was \$5 million through Remexian sales. Q1 average revenue was \$8 million, and February revenue alone was \$12 million, the highest since we acquired a majority stake. Look, we're very encouraged with how the overall business is trending, but that said, we continue to have meaningful biomass waiting to be released in Portugal, right?

We still have seven, eight tons in Portugal that are coming through. We started with 17 and we're down to about seven or eight. As mentioned, February was the best month by tonnage since we acquired Remexian in September. Now, some of this was, you know, more biomass being released from Portugal,

but it was also supplemented by opportunistic buying by the Remexian team in countries outside of Portugal.

That's the Portugal issue. We'll still weigh in on Remexian results for Q2 and no one month should be taken as, you know, the benchmark going forward, right? Again, I have March's numbers. They're slightly softer than February, but that's, again, because of import permit delays and things like that. Although I am very bullish about Remexian's performance going forward.

The second part of your question, I believe, was on the gross margins. We definitely were excited to see that we are already at 20 percent gross margins in February. Like I said, it's probably not repeatable every month, at least for the next couple of months, but I am very, very confident that it could become the norm going forward in Q3 and beyond. But we're looking at a range of 20 percent to 25 percent. I don't even think it stops at 20.

I think we hit mid-20s gross margins, probably capped at around 25 percent, because like I said, the Canadian biomass that we procured at best-in-class prices and best-in-class terms have not even landed in Germany. It was supposed to be in Germany in the second week of March. That's not happened because of the import permit delays into Germany. Now that's trending towards March, but we've already hit 20 percent without this biomass. When that comes in, it gives me good heart that we could see between 20 percent to 25 percent gross margins going forward.

**Neal Gilmer** — Analyst, Haywood Securities

Okay. Thank you. I guess maybe the second follow-up question, and then I'll pass the line, is back in Canada here. I take it from your prepared remarks, you talked about the 20 to 30 that you plan to open this year, mostly being organic. It just sounds like it's a pretty dry M&A landscape. Is my correct assumption that organic growth that you plan to do is mostly going to be focused on the Ontario market, or can you talk about whether there's any other markets where you think that will drive that increase in retail stores?

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

Yeah, absolutely, Neal. Look, the organic store goal 20 to 30 is a tried and tested benchmark for us, which we've been doing for the last couple of years. Now it's definitely getting harder, Neal, to get good organic locations where we don't run into redundancy with our own portfolio, or where it's not already an ultra-crowded market, but same-store sales pressures on everybody. That's a balancing act. Maybe we're towards the lower end of the organic growth trajectory this year, but we definitely feel that we would still be able to hit that milestone.

To your question about whether that growth is focused on Ontario, it absolutely is focused on Ontario, because we could probably still add 54 stores to get to our 150, so there's a lot of growth ahead of us in Ontario. But we continue to grow in other markets as well. In our home province of Alberta, we're in the 90s here, mid-90s here for store count. I believe we can get close to 130 stores in Alberta as well. Saskatchewan is open playing territory as well, where we have 13 stores, but we believe we can get to 20-plus stores in Saskatchewan. The growth will not be limited to Ontario alone, although the focus is definitely on the Ontario market.

**Neal Gilmer** — Analyst, Haywood Securities

Great, Raj. Appreciate that. Thanks. I'll pass the line.

**Operator**

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

**Frederico Gomes** — Analyst, ATB Capital Markets

Good morning. Thanks for taking my questions. My first question is on your bricks-and-mortar gross margins. You've been doing pretty well there in the fifth consecutive quarter of expansion. But given the market slowdown on the sales side that we're seeing, as you mentioned, as the market matures, are you expecting to continue to report sequential margin expansion in that segment, or could that sales slowdown impact that? Thank you.

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

Good morning, Fred. Thank you for your question. Look, I'm very happy to see that we've hit 28 percent gross margins in our brick-and-mortar segment, which is five consecutive quarterly increases that we've seen at that segment. I couldn't be more happier. But you're right. Can we continue this forever? Probably not. Probably not. But the one thing we've said from the very beginning is that our white-label initiatives and ELITE sales, which continue to pick up steam, as you know, white label has now jumped from 1.3 percent to 1.6 percent with a long-term goal of getting to 20 percent. That'll happen over the

next five years, but that will boost gross margins. Each white-label SKU contributes to another 6 percent to 7 percent additional gross margins on our side, but we're very thoughtful about it. We want to introduce differentiated cannabis products that are made by quality licensed producers, so we're going to take it slow and steady.

Then the other major initiative that's contributing towards gross margins that will continue to do so is our ELITE sales. As you know, ELITE is growing at 100 percent year-over-year, faster than our own expectations here. If it does that another year, we'll be close to 350,000, 320,000 ELITE members. This is very, very exciting, but that also means that it helps with our gross margins because it's consolidated. It adds another 70 percent gross margin segment for us, which is very, very healthy. But at the same level, to offset that, we still have illicit market pressures. The competitive pressure is still quite strong, and sometimes we have to adjust our margin downwards in many of our locations to remain competitive and then gain steam again when other operators cannot hold and cannot compete with us.

Overall, if I can do another quarter or two of 28 percent, I'm very happy. I don't think it trends downwards, maybe slightly, but I don't think so. But we've got ELITE and white-label sales to back it up, to keep chugging it ahead slightly, at least in the coming quarters.

**Frederico Gomes** — Analyst, ATB Capital Markets

Thank you, Raj. I appreciate that. Then a second question, just on your e-commerce platforms. You mentioned early signs of recovery and obviously revenue increased sequentially for the first time in two years. What changes have you implemented recently in that business to drive that recovery? Since the quarter ended, has the trend continued with continued improvement? Thank you.

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

It sounds good, Fred. On the e-commerce front, we have implemented quite a few changes. As you know, we appointed Sri as our VP of Technology about five months ago now, and she's been doing a stellar job since she's come on board. We had identified that given our three-tier pricing strategy, we had some issues with our tech stack, which we've now changed in five of our platforms. We've relaunched Smoke Cartel, DankStop, Daily High Club. Grasscity was just relaunched about a week ago, and NuLeaf Naturals has also been relaunched. We're seeing very encouraging signs.

We're seeing conversion up 30 percent to 50 percent. We're seeing orders up 30 percent. We're up 5 percent quarter over quarter in both our business segments, which is accessories and CBD businesses showing increases. This is prior to the potential favorable regulatory changes for the CBD industry that I was talking about initially in my prepared remarks. This is all resulting on the segment's consolidated drag on EBITDA also coming down, which has been the smallest in four quarters. You're absolutely right. We're already seeing that momentum carrying forward into Q2 as well.

**Frederico Gomes** — Analyst, ATB Capital Markets

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

**Operator**

Thank you. Your next question comes from the line of Bill Kirk from Roth Capital Partners. Go ahead.

**Bill Kirk** — Analyst, Roth Capital Partners

Good morning, everybody. My first question, Canada is set to lower medical reimbursement amounts. Would you expect the recreational market and your stores to benefit from that change to the medical program?

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

Good morning, Bill. Thank you for your question. The medical industry, cannabis industry in Canada has been shrinking. The patient numbers have considerably gone down. I don't think that the medical cannabis clientele is competing with the recreational cannabis industry. I don't think that it's going to matter much.

There are cannabis stores in practically every city block or every two, three city blocks in the country. The convenience factor is already there when it comes to recreational cannabis sales. We're extremely competitive at the recreational level now, even with the illicit market. Although illicit market continues to make mayhem on the edible side of things. But we're very competitive. But this change on the medical side is not going to have an impact on the recreational side. I think so.

**Bill Kirk** — Analyst, Roth Capital Partners

Okay. Thank you, Raj. Then going back to Germany, there was a comment in the press release about more than one out of seven German pharmacies are now offering cannabis. Do you have an expectation for how widely available product can become in that market as it matures?

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

Sure, Bill. Look, it's already exceeding our expectations in terms of how the German market is growing. It's at 227 tons annualized. BfArM released their Q4 data and they revised Q3 upwards. They did 57 tons in Q4, which was actually the same level of imports that BfArM had previously published for Q3. The Q4 number is up 75 percent year-over-year. That's huge growth right there.

From a big picture perspective, the market has gone from 33 tons when it started in 2024 to 227 tons right now. There's a lot of growth that's already happened. We're only 10 percent of the market right now. We think we're going to continue to increase. It's nice to see more and more pharmacies starting to offer medical cannabis products. The patient growth has also gone up from 200,000 patients to now exceeding 1 million patients in Germany. We're very happy with where things are at. Even if growth was to slow down a little bit, I think this is a massive market already.

**Bill Kirk** — Analyst, Roth Capital Partners

Thank you. I'll pass it along.

**Operator**

Thank you. Once again, that is star and one to ask a question. Your next question comes to the line of Derek Lessard from TD Cowen. Please go ahead.

**Derek Lessard** — Analyst, TD Cowen

Yeah, good afternoon, everybody. Congrats on a great quarter. I just wanted to know, given your insights with your POS and your loyalty program, do you have any, I guess, at least first thoughts as to why the market may have slowed or consumption?

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

Good morning, Derek. Thank you for your question. The market slowing a little bit could be a result of the dollars that are available in consumers' pockets. We know that there's inflationary pressures here in Canada. We know a potential recession could be looming with what's happening worldwide and just the angst in consumers' minds. Also, we do go through these phases where illicit picks up a little bit and takes a little bit of a bite of the legal market.

That we continue to see in different pockets of the country. That is probably also making a difference. But given that we are at the forefront of the industry and have been a leader for a very long time, I think Canna Cabana will be a disproportionate recipient when these sales come back and when this momentum comes back in the Canadian market. I am not concerned about it.

**Derek Lessard** — Analyst, TD Cowen

Okay, I'd agree with that. I guess one of your competitors did point to higher selling prices and more of a promotional period a year ago. I was just curious too, I guess, around the potential impact of a slowdown. Do you think you see any room or concern for any type of irrational competitive behaviour from some of your competitors or the ones who are just kind of still trying to stay in business?

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

Yes, definitely possible. Right, Derek? This is business. Business never goes up in a straight line. No competitor is the same. There are different competitors coming and going. We definitely feel competitive pressures. This quarter in particular, Q2 is the slowest quarter of the year in which we are in.

Q1 that we just finished, as you mentioned, the industry growth sales slowed overall. Some competitors try to change their strategy just to see if they can come out of it and still survive. That's not happened to date. We're going to stick to our strategy. We're not raising prices on consumers.

We have been gently raising prices. As you can see over the last five consecutive quarters, we've had gross margin increases at the brick-and-mortar level. But we're not going gung-ho on this and raising prices on consumers. We want to make sure it's steady and stable and we're able to enjoy margin increases through our white-label program and through ELITE versus raising store-level margin increases.

**Derek Lessard** — Analyst, TD Cowen

Appreciate your answers, Raj, and congrats on the quarter again. Thanks.

**Operator**

Thank you. Your next question comes from the line of Tom Kerr from Zacks. Please go ahead.

**Thomas Kerr** — Analyst, Zacks Small-Cap Research

Good morning, guys. Most of my questions have already been answered and asked. Just want to follow up on new store growth in Canada. You might have mentioned this, but with the industry

slowdown, does it still make sense to do the 20 to 30 stores, or would you wait for a turnaround in the entire industry? Just how do we look at that?

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

Good morning, Tom. Thank you for your question. Look, we give a range of 20 to 30 stores. Like I mentioned in my prepared remarks, it is getting a little difficult to find organic locations where it's not redundant to our portfolio, our existing stores already. It's also getting difficult in the sense to find organic locations where you have a superior power center which is not surrounded by a lot of competition. We're being very careful in terms of where we plot these stores.

Now, we may be at the lower end of that target and do about 20 stores this year, but that would still be a very healthy organic same store sales increase. We are more focused on M&A this year, so we should be able to get some M&A done this year at the brick and mortar level, which will not be a net increase into the market. We'll be taking over existing stores.

**Thomas Kerr** — Analyst, Zacks Small-Cap Research

Okay. Got it. One more quick one. Just on the transition of the push to get members to the ELITE subscription status, is that marketing? Is it sales? Is it advertising? Is it more benefits? How are you going to push that?

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

Look, it's a little bit of everything, right? We're focused on our marketing, our sales, the advertising around it, but our consumers, our customers, our club members are genuinely seeing the value in ELITE, right? Like I said, when times are tough, as you can see right now, people are not rushing to the till to become an ELITE member or they shouldn't be rushing to a till to become an ELITE member to spend \$35 a year, but they're doing that because they see the value in everyday discounts. They see that exclusive product selection is very, very good, and they're excited about it.

ELITE gets a lot of benefits, and I'm very happy to see that they're seeing value in these tough times or these slow times. I don't think that ELITE momentum is slowing down anytime soon. We were growing at 100 percent year-over-year last year. We're still growing at 100 percent year-over-year right now. If this keeps happening, we'll be at 320,000 members in no time.

**Thomas Kerr** — Analyst, Zacks Small-Cap Research

Great. Thanks for the detail on that. That's all I have for today.

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

Thanks.

**Operator**

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

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

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**

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